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**Enhancing regional economic cooperation and integration
in Asia and the Pacific to support the implementation of
the 2030 Agenda for Sustainable Development****Enhancing regional economic cooperation and integration
in Asia and the Pacific to support the implementation of
the 2030 Agenda for Sustainable Development****Note by the secretariat***Summary*

The present document contains a discussion on the importance of enhancing regional economic cooperation and integration in Asia and the Pacific to support the implementation of the 2030 Agenda for Sustainable Development. In addition to highlighting lessons from existing economic cooperation and integration experiences, the need to take a consolidated and coordinated approach to pursue regional economic cooperation and integration and implement the 2030 Agenda is underscored. In fact, in the discussion, it is argued that for regional cooperation to drive economic and social development in a sustainable manner, regional economic cooperation and integration must be reoriented and guided by the framework of the 2030 Agenda. Also in the document, opportunities to integrate the current focus areas of regional economic cooperation and integration into the regional road map for implementing the 2030 Agenda in Asia and the Pacific are presented.

The document also includes a discussion on the importance of pursuing the current four areas of priority for regional economic cooperation and integration in an integrated manner. To do this effectively, as explained in the discussion, it will be imperative to work multilaterally to consolidate, simplify and streamline the complex web of bilateral and plurilateral agreements within Asia and the Pacific.

The Ministerial Conference on Regional Economic Cooperation and Integration in Asia and the Pacific may wish to consider the analyses and recommendations contained in the present document and provide guidance to the region and the secretariat on how to enhance regional economic cooperation and integration in a manner that supports the implementation of the 2030 Agenda.

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I. Introduction

1. At the first Ministerial Conference on Regional Economic Cooperation and Integration in Asia and the Pacific, held in Bangkok from 17 to 20 December 2013, ministers, senior policymakers, representatives of members and associate members the Economic and Social Commission for Asia and the Pacific (ESCAP) adopted the Bangkok Declaration on Regional Economic Cooperation and Integration in Asia and the Pacific, which consists of four elements: (a) moving towards the formation of an integrated market; (b) development of seamless connectivity across the region; (c) enhancing financial cooperation; and (d) increasing economic cooperation to address shared vulnerabilities and risks.

2. Following the adoption of the Bangkok Declaration, the members of the United Nations, in 2015, adopted four landmark global agreements, namely the Sendai Framework for Disaster Risk Reduction 2015-2030, the 2030 Agenda for Sustainable Development, the Paris Agreement and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development. In these comprehensive and interlinked agendas, sustainable development is promoted through the balanced integration of the economic, social and environmental dimensions, a commitment is made to leave no one behind and clear directions are set for both member States and the United Nations entities. As such, it is important to ensure that the regional economic cooperation and integration agenda, set up under the Bangkok Declaration, is revisited and aligned in a manner that contributes to the new transformative global agendas.

3. At the regional level, the member States have adopted Commission resolution 73/9 in which they set up a regional road map for implementing the 2030 Agenda in Asia and the Pacific. This road map promotes the balanced integration of the three dimensions of sustainable development through regional cooperation in several priority areas with the aim to support and complement national efforts and mechanisms. The suggested areas for cooperation in the road map were chosen by member States because of their positive multisectoral impact on sustainable development. Such areas include the four areas of regional economic cooperation and integration, as identified in the Bangkok Declaration and discussed in the present report. In this sense, the regional economic cooperation and integration agenda is an integral part of the regional road map for implementing the 2030 Agenda in Asia and the Pacific.

4. The present document contains a discussion on the importance of enhancing regional economic cooperation and integration in Asia and the Pacific so that it will support the implementation of the 2030 Agenda. For that purpose, a consolidated and coordinated approach should be taken in pursuing regional economic cooperation and integration in the effort to implement the 2030 Agenda. In fact, in the discussion, it is argued that if regional cooperation is to drive economic and social development in a sustainable manner, regional economic cooperation and integration must be reoriented and guided by the framework of the 2030 Agenda. In preparing this document, deliberations from the seventy-second session of the Commission, held in Bangkok from 15 to 19 May 2016, the High-level Dialogue on Regional Economic Cooperation and Integration for Enhancing Sustainable Development in Asia and the Pacific, held in Bangkok on 20 and 21 April 2017, and the ministerial panel discussion on regional economic cooperation and integration in support of the 2030 Agenda that took place during the seventy-third session of the Commission, held in Bangkok from 15 to 19 May 2017, were considered. The main message from these deliberations is that regional economic cooperation and integration

must be pursued in a manner in which it will support the implementation of the 2030 Agenda.

II. Why Asia and the Pacific needs to enhance regional economic cooperation and integration?

5. An important motivation for enhancing regional economic cooperation and integration in Asia and the Pacific is the persistent sluggish economic growth in the world's main markets – North America and the European Union – since the global financial and economic crisis of 2008. Indeed, the significance of these markets for the region has diminished considerably since the early 2000s. The combined gross domestic product (GDP) of North America and the European Union over the period 2001-2005 was more than twice as large as GDP of the ESCAP member States: 61.5 per cent of the world's GDP compared with 27.1 per cent. However, over the period 2011-2015, the share of world GDP of North America and the European Union dropped to 47.9 per cent while that of Asia and the Pacific increased to 36.1 per cent. Within Asia and the Pacific, the performance of its developing countries has been particularly remarkable. Between the periods 2001-2005 and 2011-2015, these countries almost doubled their share in world GDP, from 14.1 per cent to 26.8 percent.

6. The emergence of nationalist and protectionist sentiments in Europe and North America, as indicated, for instance, by the 2016 vote in the United Kingdom of Great Britain and Northern Ireland to leave the European Union, the withdrawal of the United States of America from the proposed Trans-Pacific Partnership in 2017 and reservations on migration aspects, is another reason for the Asia-Pacific region to enhance regional economic cooperation and integration. Market-access risks, along with other implications of an inward-looking approach that such sentiments pose for Asia-Pacific economies, provide further motivation for strengthening intraregional trade by reducing barriers to trade and investment among countries in the region.

7. With a combined GDP of \$27.25 trillion that is growing at a significantly more rapid rate than the rest of the world, Asia and the Pacific is well on its way to becoming the largest market in the world, opening possibilities for further expansion of trade and investment within the region. Increased trade and investment help boost economic growth, create jobs, and contribute towards reducing poverty. The expansion of trade and investment within the region, however, needs to be consistent with the principle of leaving no one behind. For that purpose, such expansion should be aimed at creating opportunities for making progress in the areas mentioned above, especially for the other regional blocs, including South and Central Asia, as well as the least developed countries, landlocked developing countries and small island developing States. Furthermore, such expansion must be consistent with the Sustainable Development Goals, which were set in the 2030 Agenda, in contributing to social progress and environmental sustainability.

8. To advance regional economic cooperation and integration in Asia and the Pacific, several recent initiatives are helping to foster balanced and inclusive development. One of them is the China-led Belt and Road Initiative, which brings new dimensions to regional harmony and prosperity. The vision of the initiative is to foster ties between people and cultures that are anchored on increasing internal, regional and cross-continental connectivity through a multimodal network consisting of road and rail routes, improved seaports, oil and gas pipelines and regional power grids, and information and communications technology (ICT) fibre-optic links. Building seamless

infrastructure would support economic diversification and lead to the dismantling of transport and trade barriers. The Belt and Road Initiative needs to be an integral part of an overall strategy and tailored to complement other endeavours in the region by also focusing on “soft” connectivity issues, such as trade and investment facilitation, trade liberalization measures including lowering non-tariff barriers, and financial cooperation to mobilize resources for sustainable infrastructure development. It should also be aligned with the 2030 Agenda, for instance by ensuring the development of climate-friendly and -resilient infrastructure projects so that these projects safeguard and nurture environmental, social and economic benefits.

III. Synergies between regional economic cooperation and integration and the 2030 Agenda for Sustainable Development

9. The expansion of global value chains and cross-border investment flows, supported by appropriate national trade and commercial policies, can provide enormous opportunities for countries in the region to transcend constraints to their development based on geography or small domestic markets. To support the implementation of the 2030 Agenda, the region needs to go beyond harnessing economic benefits to addressing social and environmental distress and ensuring that the benefits extend beyond limited country corridors. For both purposes, regional economic cooperation and integration should be anchored by the expansion of value chains and cross-border investment flows achieved through the dismantling of trade and transport barriers and through financial cooperation – the two most powerful steps to be taken in the effort to achieve sustainable development.

10. Adjustments and enhancements in regional economic cooperation and integration are critical to lift some 400 million people, almost one in ten people, out of extreme income poverty and reduce inequalities of access to health and education and other sources of deprivation, which affect one in four people. If this is not done, the potential benefits of the region’s economic dynamism will not be tapped and the pervasive and overwhelming inequalities will likely worsen. Income inequality, measured by a population-weighted Gini coefficient estimated by using household income data, increased from 37 in 1990 to 48 in 2014. These inequalities are perpetuated by natural disasters. Asia and the Pacific is the most disaster-prone region in the world. Over the last 10 years, 500,000 people lost their lives and another 1.4 billion people were affected by 1,625 reported disaster events. Climate change has exacerbated the intensity and incidence of hazards in many parts of the region, threatening hard-earned development gains.

11. These development gaps and challenges disproportionately affect women and the most vulnerable segments of society. Central to regional cooperation and integration are inclusive growth and measures to foster social cohesion, curb unsustainable production and consumption patterns and reverse environmental degradation.

12. The 2030 Agenda must therefore be mainstreamed within the regional economic cooperation and integration initiative, which in turn needs to be reoriented and guided by the sustainable development framework. It is important to ensure that these tracks are strategically reinforced by the right policy mix of means of implementation in order to mutually service sustainability and cross-border alliances.

13. For instance, Sustainable Development Goals 1, 5 and 10 require countries to implement policies to, respectively, end poverty, empower women, and reduce inequalities. Similar to this, Goal 8 calls for inclusive and sustainable economic growth, employment and decent work for all, and not just economic expansion through trade and investment flows and infrastructure development; Goal 9 is centred on building resilient infrastructure and promoting sustainable industrialization; and Goal 13 calls for boosting cooperation to address transboundary vulnerabilities and risks associated with climate change. These examples suggest a new direction for regional economic cooperation and integration, so that it becomes an effective enabler of the 2030 Agenda.

14. Regional economic cooperation and integration can also contribute to the implementation of the 2030 Agenda indirectly, provided that additional supportive policies are put in place. For instance, promoting trade and investment, supported by seamless connectivity, can lead to the creation of jobs and an increase in income. Additional income, in turn, would boost tax revenue, which can be channelled to fund social and environmental policies that are directed towards achieving the Sustainable Development Goals. In the same spirit, it is important that seamless connectivity is applied to connect least developed countries, landlocked developing countries and small island developing States with the main markets of the region. This would provide these countries with income-generation opportunities, which can contribute, if accompanied by appropriate fiscal policies, towards the attainment of the Sustainable Development Goals. To ensure that such indirect benefits of regional economic cooperation and integration effectively contribute to sustainable development, enhancing regional cooperation to support countries in implementing appropriate taxation and public expenditure policies would be very useful.

15. Furthermore, rethinking regional economic cooperation and integration is also important in the context of a recent report of the Secretary-General, entitled “Repositioning the United Nations development system to deliver on the 2030 Agenda: ensuring a better future for all”. In the report, the repositioning of the United Nations to strongly support the 2030 Agenda is cited as being critical for conflict prevention. In the 2030 Agenda, it was stressed that “sustainable development cannot be realized without peace and security; and peace and security will be at risk without sustainable development” (see A/72/124-E/2018/3). In that regard, it is important to recognize the major challenges associated with achieving durable peace and sustainable development in countries in conflict and post-conflict situations. It is thus imperative to further regional cooperation to address the special needs of such countries within the Asia-Pacific region.

16. To summarize, effectively pursuing the 2030 Agenda requires a fundamental evaluation of traditional regional economic cooperation and integration policies and frameworks, which tend to support economic growth only. Such conceptual transition – from the traditional “growth-centric” approach to a new approach that incorporates social and environment considerations in an integrated manner – needs to be embedded in the work of ESCAP and the cooperation initiatives it promotes. Thus, ESCAP regional economic cooperation and integration initiatives and the implementation of the 2030 Agenda should be pursued in an integrated manner to maximize coherence and coordination among policies and reforms that are required for their success.

IV. What lessons can be drawn from existing economic cooperation and integration experiences?

17. The regional economic cooperation and integration approach has been pursued in Asia and the Pacific through overarching organizations and functional arrangements. Overarching organizations, such as the Association of Southeast Asian Nations, the South Asian Association for Regional Cooperation, the Eurasian Economic Union and the Pacific Islands Forum, have extensive agendas, are multipurpose, and usually cover a given geographical area. These organizations are usually intergovernmental and advisory in design, while their functional arrangements are for a specific purpose, activity or geographical area and have a much narrower focus. An example is the Regional Power Trading Coordination Committee of the Greater Mekong Subregion, which has the goal to create an integrated market for the power sector in the Greater Mekong Subregion countries.

18. The approach taken in the Asia-Pacific region towards regional economic cooperation and integration, implemented through its many overarching organizations and functional arrangements, has been pragmatic, flexible, gradual, incremental, multitrack and multi-speed. This approach has had many advantages, including avoiding a costly and restrictive bureaucracy and respecting countries' differing needs and sensitivities. However, it has resulted in a complex web of overlapping bilateral and plurilateral agreements among the same economies, which is often referred to as the Asian "noodle bowl". The complexity of the "noodle bowl" has been compounded by the lack of coordination and consultation among various regional and subregional programmes and initiatives.

19. To better understand how the region could most effectively enhance its efforts involving regional economic cooperation and integration, it is useful to draw lessons from the experiences of existing regional economic cooperation and integration arrangements.

20. **The progress and sustainability of regional economic cooperation and integration initiatives are difficult to predict and guarantee.** Subregional economic cooperation and integration initiatives in the Asia-Pacific region have progressed in different phases and waves over the last several decades, influenced by, among other factors, changing ideas and attitudes towards globalization. Implementation of trade and investment liberalization measures in several economies of the region since the 1980s has led to unprecedented economic growth and a significant reduction in extreme poverty. However, more recently, it has become increasingly evident that not everyone has enjoyed the benefits of this. Inequality has risen, and is growing. Rising trade protectionism is one example of changing attitudes towards globalization and further integration, which potentially can stall or derail further progress in market integration. The lesson from this is that the goal of regional economic cooperation and integration should not be only about increasing economic growth. To sustain meaningful progress, it is important to rearticulate the benefits of economic integration and cooperation within the framework of the 2030 Agenda, and to introduce credible policy measures to address the concerns of vulnerable groups and countries.

21. **The existence of overlapping organizations has been costly in terms of political, human and financial resources.** The establishment of multiple, overlapping arrangements has not only resulted in higher transaction costs for businesses, but it has also placed a heavy burden on government agencies entrusted with managing them. The diversion of scarce technical and

governance resources for that purpose has been particularly problematic for small and low-income developing countries. Moving forward on regional economic cooperation and integration requires a gradual streamlining and consolidation of overlapping and inconsistent agreements related to trade, investment and transport. The overarching goal should be the establishment of a set of homogeneous regulatory frameworks that encompasses all countries in the region in these sectors. ESCAP, as the most comprehensive regional platform for promoting cooperation for sustainable development in Asia and the Pacific, can play a useful role in supporting the attainment of this objective.

22. **Lack of delegation has led to suboptimal outcomes.** Governments in the Asia-Pacific region have been reluctant to delegate decision-making powers to regional or subregional intergovernmental bodies. While this approach offers some benefits in terms of autonomy and flexibility, a decision-making process built entirely on consensus is time-consuming and costly. This decision-making environment has contributed to the suboptimal proliferation of bilateral solutions mentioned above. It has also made the vision and objectives of regional economic cooperation and integration rest disproportionately on the political leadership of the participating countries. Thus, changes in political leadership have often resulted in setbacks in cooperation and integration processes as priorities have changed. To accelerate progress in regional economic cooperation and integration, and especially to rearticulate it as a key tool for the implementation of the 2030 Agenda, further reflection and discussion is required on how to strike the right balance between consensus-based intergovernmental processes and delegated decision-making to regional secretariats or intergovernmental bodies.

23. **Ownership remains weak.** Various regional initiatives related to regional economic cooperation and integration are often supported by facilitating institutions, such as bilateral aid programmes or international financial institutions, and considerable financial resources. This has led to dependence on external sources, which undermines local ownership. The success of regional economic cooperation and integration requires a long-term vision, strong political will and collective ownership, all of which should be backed by adequate financial resources. For that purpose, it is important that regional economic cooperation and integration initiatives are integrated into national development agendas and that they receive wide governmental support beyond specific line ministries. Furthermore, the development of successful national coalitions for regional economic cooperation and integration also requires broad-based support from communities, businesses, civil society organizations, academics, and think tanks.

24. **Regional economic cooperation and integration does not automatically bring about sustainable development.** The persistent inequalities and social deprivation and environmental degradation, along with vulnerabilities to disasters and climate change, even among countries that are well-connected through trade and investment, suggest that the social and environmental pillars of sustainable development have received less priority than the economic pillar in earlier regional economic cooperation and integration initiatives. In response to the adoption of the 2030 Agenda, it is necessary to rethink how regional economic cooperation and integration initiatives should be implemented and ensure that they support progress towards achieving sustainable development. Furthermore, the principle of not leaving anyone behind ingrained in the 2030 Agenda calls for ensuring that all countries in Asia and the Pacific benefit from regional economic cooperation and integration initiatives. For that purpose, countries with special needs, such as least developed countries, landlocked developing countries and small island

developing States, should receive special attention in projects that promote seamless connectivity and other regional cooperation initiatives.

V. An overview of current sectoral priorities of regional economic cooperation and integration

25. Specific analyses of the challenges and policy recommendations for each of the four areas of regional economic cooperation and integration are contained in separate documents prepared for this Ministerial Conference. This section contains a summary of some key recommendations for each of the areas based on recent deliberations at the ESCAP high-level meetings on regional economic cooperation and integration and the Sustainable Development Goals.

A. Market integration

26. The rising dynamism of the Asia-Pacific region's emerging countries combined with the integration of the region's economies into global value chains are behind the growing importance of the region in international trade. Boosting trade is certainly an important means of implementing the 2030 Agenda. However, to achieve greater market integration so that it effectively supports the implementation of the 2030 Agenda, the following issues need to be addressed, which are important obstacles to deeper regional integration: (a) complexity involving multiple and often overlapping trade and investment agreements; (b) the tendency for rising non-tariff protectionism, which is not addressed properly by preferential liberalization; (c) lack of consolidated regional trade facilitation initiatives; and (d) very slow progress in facilitating safe, orderly and regular migration.

27. The experience of East Asia has clearly demonstrated the positive linkages between market integration and socioeconomic development. Through trade-driven economic development policy, China alone has successfully raised 600 million people above the poverty line (Goal 1). Trade in agriculture has enhanced overall food security (Goal 2), liberalization of education services has increased the quality of education (Goal 4), and integrated value chains have provided opportunities for work (Goal 8), including for women (Goal 5). Market integration is also a key factor in enhancing regional stability (Goal 16), attracting foreign investment for much needed infrastructure (Goal 9) and facilitating technology transfer (Goal 17). While multilateral processes through the World Trade Organization (WTO) promise optimal outcomes, in lieu of difficulties in negotiations, there has been an increase in market integration through bilateral and plurilateral agreements. It is a welcome development that such agreements have become more comprehensive, increasingly featuring specific provisions on labour and environment, also helping address further goals such as climate, life below water and life on land (Goals 13, 14, 15).

28. The recent rise in protectionism is an important impediment to regional market integration, and in its role in supporting efforts aimed at achieving the Sustainable Development Goals. Most new protectionist measures belong to the non-tariff category. While some of them are permitted by the WTO rules, they impede trade by raising the cost of trade and diminishing the predictability of future trade opportunities. To deal with these obstacles to market access, an important first step is to improve the measurement and impact assessment of non-tariff measures. Ultimately, steps need to be taken to streamline and harmonize non-tariff measures to support trade and investment liberalization in developing countries and countries with special needs. This can be done, for example, by facilitating mutual recognition agreements and conformity

assessment procedures and harmonizing standards. In this regard, the implementation of the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific is an example of a unique opportunity for regional economic cooperation, as it potentially will result in lower intraregional trade costs and enable benefits of trade expansion to be shared more widely.

29. There is a need to better align trade-related Sustainable Development Goals with current trade liberalization and trade facilitation initiatives, especially for least developed countries. It is also important to keep in mind that successful regional integration requires not only the harmonization of external policies but also efforts towards the harmonization of internal distribution systems and policies. In addition, it is important to develop regional investment regimes that appropriately balance investor rights with host country development needs to provide a more supportive policy environment for global and regional supply chains.

30. To minimize the “noodle bowl” of overlapping bilateral and plurilateral trade agreements, more comprehensive trade agreements encompassing a larger number of countries may offer great potential to coordinate the prevalent inconsistent trade and investment rules. Such agreements may also offer an opportunity to consolidate multiple overlapping rules of origin of existing agreements, which are often found to be reducing trade efficiency. In addition, the region may work towards developing mutual recognition agreements on standards and conformity assessments for goods and services.

31. To boost market integration in a manner that is consistent with sustainable development, cooperation with the private sector and a more effective outreach to the public are vital. For this purpose, there is need for a strong regional coordinating role in research, technical assistance, policy advice, dissemination of information to stakeholders and consensus building.

32. International migration has the potential to yield a net benefit to migrants and their families, as well as to countries of origin and destination. However, harnessing these benefits requires concerted efforts and initiatives that promote cooperation among and between countries in the Asia-Pacific region to address political, technical and socially embedded perceptions of migrants. For that purpose, countries can consider the establishment of bilateral or regional agreements to ease the issuance of visas and work permits, improve transparency, and move towards the harmonization of qualification frameworks and the adoption of common procedures for payment of social benefits.

33. Labour market integration, accompanied by measures to ensure that migrant workers of all skill levels benefit from labour market protection programmes, non-discrimination in terms of salaries, access to social protection and portability of acquired social protection rights, and mutual recognition of qualifications, will contribute towards achieving Sustainable Development Goal target 10.7 (Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies). These measures and policies will also help efforts aimed at achieving target 8.8 (Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment).

B. Seamless connectivity

34. While subregional and regional initiatives have an important role to play towards enhancing cross-border seamless connectivity in transport, energy and the information and communications technology (ICT) sectors, these initiatives should be aligned with and complement each other. In addition, considering the interconnection among the transport, energy and ICT sectors offers opportunities for increased efficiency through integrated management. These considerations are important if seamless connectivity is to effectively support the implementation of the 2030 Agenda.

35. Although it is widely recognized that transport connectivity – by linking individuals to opportunities, enlarging markets for goods and services, and strengthening people-to-people contacts – plays an important role in development, numerous challenges remain in achieving region-wide seamless transport connectivity. Among them are missing railway links, substandard roads, costly and time-consuming transloading of goods at border crossings, different standards, and lack of public-private and private-private interactions. These challenges can be tackled by enhancing efforts to connect missing railway links, developing intermodal linkages, applying innovative technology solutions for better efficiency, harmonizing technical standards and operational rules, and creating a broad partnership platform to promote seamless and sustainable transport connectivity among the public and private sectors.

36. The realization of sustainable integrated intermodal transport connectivity will contribute directly to targets in Goal 2, in providing access to market and opportunities and increasing investment in rural infrastructure; Goal 3, in halving the number of road traffic deaths; Goal 7, in improving energy efficiency; Goal 9, in building resilient infrastructure; and Goal 11, in providing access to safe, affordable, accessible and sustainable transport systems for all. It will also contribute indirectly to Goal 1, in reducing poverty; Goal 13, in mitigating climate change through the use of an environmentally friendly mode of transport; and Goal 17, in supporting and enhancing global partnerships.

37. Although countries in the region have identified energy as the key driver for economic growth and poverty reduction, and as an indispensable enabler for many of the Sustainable Development Goals, its full potential can only be unlocked through regional cooperation and integration. The region has great potential to enhance its energy security by boosting trade and investment in transboundary energy networks and by integrating large-scale renewable energy projects to them. Moreover, connecting countries that are potential producers of renewable energy to countries with high energy demand – which is currently satisfied mainly by fossil fuels – not only would be in line with Goal 7 but also could make a very effective contribution to the mitigation of climate change.

38. Multilateral organizations play a key role in facilitating regional projects, particularly those that are politically and economically complex; the CASA-1000 initiative is a prime example of this.¹ In creating interdependence and increasing sustainability of the energy sector among countries of the region, there is also need to set up an innovative energy cooperation mechanism that

¹ This initiative entails developing a new electricity transmission system to connect Afghanistan, Kyrgyzstan, Pakistan and Tajikistan with each other. The objective of the initiative is to help make the most efficient use of clean hydropower resources available in Central Asian countries by enabling them to transfer and sell their electricity surplus during the summer months to the deficient countries in South Asia.

involves different stakeholders in reaching consensus on technology, regulatory and financing barriers combined with an institutional mechanism to balance gains and costs among different stakeholders, and to ensure that no one is left behind.

39. With regard to enhancing seamless connectivity in the ICT sector, the Asia-Pacific Information Superhighway initiative could play an important role in improving affordability and bridging the digital divide across the region. The realization of this initiative is critical for small and landlocked countries. This initiative can also support countries in the region in their effort to achieve Sustainable Development Goals 5, 9 and 17. With regard to laying out ICT infrastructure, it is important to keep in mind the positive effects of integrating Internet broadband networks into the planning of major roads, railways and waterways. An example is the co-deployment of fibre-optic cable along power grids in Bhutan, a key cost-saving approach because of the country's rugged terrain. This approach benefits remote villages. It enables the power company responsible for the grid to maintain both electrical lines and fibre-optic cables efficiently and falls in line with ensuring that no one is left behind, the underlying principle of the 2030 Agenda.

40. Investment in infrastructure, such as energy, transport, and ICT, require ample financial and technical resources. However, the availability of such resources, especially in the public sector, is limited in most economies. In addition, supporting the implementation of the 2030 Agenda requires that projects with most favourable economic, social and environmental impacts at the regional level are prioritized. Evaluating such projects, some of which encompass more than one sector, is a complex task. Moreover, the overall complexity of regional infrastructure projects is exponentially greater than national projects. Thus, an effective partnership involving governments, international financial institutions, pertinent regional and international organizations, and various national stakeholders need to be forged.

C. Regional financial cooperation

41. The mobilization of financial resources is fundamental for the financing of the 2030 Agenda. The Asian Development Bank has recently estimated that the region needs \$1.7 trillion per year until 2030 to close the infrastructure gap and increase resilience to climate-related risks. Although the aggregate savings of the entire region are sufficient to finance such needs, these savings are unequally distributed across countries. In addition, countries differ significantly in their levels of financial development, and the lack of adequate financial intermediation channels has led to a diversion of savings to financial instruments outside the region, as well as to non-financial assets, such as gold or real estate. Therefore, regional financial cooperation is needed to support the efficient channelling of financial resources from saving-abundant countries to those with the greatest investment needs.

42. The Asia-Pacific region has traditionally relied on banking as the main form of financial intermediation, which has limited the channelling of domestic savings to long-term investments, such as infrastructure projects. The development of domestic capital markets, particularly local currency bond markets and stock markets, can support such channelling. For this purpose, it is necessary to effectively regulate the issuing and trading of bonds and equities and to provide an appropriate environment for the participation of institutional investors with long-term horizons in domestic capital markets. To increase the availability of financing for infrastructure investment, in addition to developing capital markets, it is important to promote public-private partnerships and mitigate contract enforcement, currency and political risks.

43. Enhancing financial cooperation and integration can also support the channelling of financial resources across countries. However, it is important to be aware that financial integration can expose countries to risks associated with volatile capital flows. To manage those risks, countries need to develop and implement appropriate financial regulations and prudent capital flow management measures. To support national efforts, it is necessary to strengthen and broaden regional economic surveillance mechanisms and ensure that sufficient emergency lending is available in the region. The development of regional macroprudential policy frameworks to control risk levels and to manage crises and market volatility could also be considered.

44. The strengthening of public finance to meet current and future spending needs and to secure a sustainable and prosperous future is a top priority in Asia and the Pacific in the context of the 2030 Agenda, as highlighted in Sustainable Development Goal target 17.1 (Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection). For that purpose, there is need to promote cooperation on tax matters in the Asia-Pacific region through focused research, knowledge and experience exchanges, and targeted technical assistance and capacity-building activities in cooperation with relevant regional and global organizations.

45. Small and medium-sized enterprises constitute the largest number of companies in any country and play a fundamental role in the creation of employment, the development of skills and the diffusion of technological knowledge. However, they often lack adequate access to credit and financial services. New business models and technologies, including fintech companies, have great potential for enhancing financial inclusion, but rapid expansion in the access to credit carries risks to financial stability. To manage such risks, there is need to develop appropriate supervision and regulatory frameworks, extend financial education, strengthen consumer protection regimes and build a stronger financial infrastructure. Regional cooperation could play a useful role in supporting countries in pursuing these endeavours.

D. Shared vulnerabilities and risks

46. Keeping in view the 2030 Agenda, there are two important elements for strengthening regional cooperation to address shared vulnerabilities and risks. First, to find common strategies, approaches, and tools for building resilience to disasters; and second, to provide capacity-building and support to countries that have high risks but low capacities. While ESCAP has set up many initiatives to foster such cooperation – including the Regional Cooperative Mechanism for Drought Monitoring and Early Warning, the Regional Space Applications Programme for Sustainable Development, and the Asian and Pacific Centre for the Development of Disaster Information Management – there is a need for additional actions, as suggested below.

47. First, a regional action plan for multi-hazard early warning systems could be set up, in order to: (a) strengthen the existing regional cooperation platforms for tropical cyclones by extending coverage to the Pacific; (b) deepen partnerships with key stakeholders for effective end-to-end tsunami early warning systems; (c) establish regional cooperation and data-sharing mechanisms, prioritizing flood forecasting in transboundary rivers basins where poverty is very high and glacial floods and landslides occur; and (d) extend the ESCAP regional drought mechanism to cover underserved countries.

48. Second, the science-policy interface could be strengthened and innovative tools and institutional mechanisms promoted, such as the Regional Climate Outlook Forums and Climate Field Schools, which are being implemented by some countries in the region to deepen understanding of the sectoral impacts of slow-onset disasters, such as those triggered by drought, the El Niño and La Niña phenomena and climate change. To support these efforts, ESCAP, through its work in space application and multi-hazard early warning systems, could develop methodologies and guidelines for risk assessment and mapping and scenario-based impact outlooks for slow-onset disasters. Such tools can help build capacities in countries at high risk, from the national level to the community level. ESCAP could also support the implementation of demonstration projects to test science-based approaches and techniques and to build platforms for sharing lessons learned and good practices within the countries in the region, including through South-South and bilateral cooperation.

49. Third, regional peer learning could be promoted with respect to index-based, or parametric, insurance and risk pooling to increase the efficiency and effectiveness of risk transfer mechanisms based on advances in space applications, mobile technologies, and weather and climate models. For countries experiencing great difficulty in financially managing disaster impacts, parametric insurance can be an attractive strategy, but to implement it will require considerable capacity-building efforts. To facilitate these efforts, ESCAP could provide an analytical infrastructure for peer learning by establishing a regional knowledge platform to promote the sharing of experiences in risk transfer mechanisms and by supporting the operationalization of parametric insurance in selected countries.

50. With respect to country-specific strategies, it is important to take a multi-sectoral approach to disaster risk reduction for sustainable development. This includes (a) mobilizing non-governmental organizations to bridge the gap at the local level in implementing national policies, (b) supporting community-based disaster risk reduction approaches through science-based approaches, and (c) promoting cooperation among city and local governments.

VI. Suggestions for moving forward

51. Broad lessons from existing subregional economic cooperation and integration initiatives in Asia and the Pacific, as discussed in section IV, provide useful ideas for further reflection by member States as regional economic cooperation and integration gains momentum, while keeping in view the 2030 Agenda. A key consideration should be to pursue the current four areas of priority for regional economic cooperation and integration in an integrated manner. For instance, seamless connectivity needs to be complemented by trade facilitation agreements and simpler regulations to promote trade and investment. Upgrading infrastructure requires investments, which, in turn, calls for more integrated, sustainable and innovative approaches to project financing – besides deepening and diversifying the financial market and supporting credit enhancement. In addition, as infrastructure is upgraded, it will be necessary to ensure that it reduces vulnerabilities and supports disaster risk reduction.

52. Most importantly, enhancing regional economic cooperation and integration in Asia and the Pacific should support the implementation of the 2030 Agenda. This could be done, for instance, by ensuring that infrastructure projects maximize favourable social and environmental, as well as economic impacts. Revisiting and enhancing efforts aimed at promoting regional economic cooperation to more effectively support the implementation of the

2030 Agenda would also entail giving priority to initiatives aimed at increasing opportunities in countries with special needs, such as least developed countries, landlocked developing countries and small island developing States.

53. ESCAP is working to strengthen regional economic cooperation and integration and support member States in efforts to implement the 2030 Agenda through its existing intergovernmental committees in areas such as transport, ICT, energy, financing for development, trade and disaster risk reduction. The secretariat plans to continue to work with all relevant subregional organizations that can contribute to strengthening technical cooperation through ambitious regional initiatives, such as the Belt and Road Initiative. The time has come to build on the long-standing normative work of ESCAP to take regional economic cooperation and integration to its next phase, supported by a multilateral framework and multilateral agreements, so that it can effectively support efforts aimed at implementing the 2030 Agenda.

54. In addition to the regional economic cooperation and integration priorities, articulated in the Bangkok Declaration and discussed in section V, the agenda for regional cooperation set in the regional road map for implementing the 2030 Agenda, which was endorsed by the Commission in its resolution 73/9, also provides useful ideas for moving forward. In the road map, priorities for regional cooperation are established that overlap with current priorities for regional economic cooperation and integration and in other areas. The table shows the correlation between the priorities set out in road map and those established in the Bangkok Declaration.

Regional economic cooperation and integration and the regional road map for implementing the 2030 Agenda

<i>Road map priority areas for cooperation</i>	<i>Corresponding areas of regional economic cooperation and integration, as identified in the Bangkok Declaration (relevant paragraph number)</i>
1. Means of implementation and partnership	
(a) Data and statistics	
(b) Technology	Addressing shared vulnerabilities and risks (22)
(c) Finance	Regional financial cooperation (14)
(d) Policy coherence	
(e) North-South, South-South, international and regional partnerships	
2. Thematic issues	
(a) Leaving no one behind (social development)	Market integration (8)
(b) Disaster risk reduction and resilience	Addressing shared vulnerabilities and risks (20, 21)
(c) Climate change	Addressing shared vulnerabilities and risks (23)
(d) Management of natural resources	Addressing shared vulnerabilities and risks (22)
(e) Connectivity for the 2030 Agenda	Seamless connectivity (10, 11, 12, 13) Market integration (7)

Source: ESCAP based on documents E/ESCAP/73/31 and *Official Records of the Economic and Social Council, 2014, Supplement No. 19 (E/2014/39-E/ESCAP/70/32)*.

55. As is clear from the table, the focus areas considered in the Bangkok Declaration are all addressed in the regional road map. However, some important priority areas for regional cooperation established in the road map, such as data and statistics, policy coherence and partnerships, are not part of the Bangkok Declaration. In addition, coverage of the overlapping areas varies somewhat in the road map and the Bangkok Declaration. Therefore, going forward, it will be useful to carry out the ESCAP work on regional economic cooperation and integration in the context of the road map, including through the established review mechanism at the annual meetings of the Asia-Pacific Forum on Sustainable Development.

56. In the recent report of the Secretary-General entitled “Repositioning the United Nations development system to deliver on the 2030 Agenda: ensuring a better future for all”, it is suggested that the regional commissions should be empowered as the lead voice of the United Nations development system on policymaking and the production of knowledge projects on sustainable development at the regional level.² In the report, three functions of the regional commissions are identified: (a) to serve as think tanks of the United Nations system at the regional level, providing world-class analysis and knowledge on region-wide priorities, innovation, financing for development and transboundary issues; (b) to serve as regional platforms for the exchange of best practices and for the follow-up to and review of regional progress implementing the 2030 Agenda; and (c) to support and strengthen the normative and policy capabilities of United Nations country teams.³ This proposal would help enhance the effectiveness of ESCAP policy advice on priority areas for regional economic cooperation and integration and implementation of the road map.

57. The Ministerial Conference may wish to consider the analyses and recommendations contained in the present document and provide guidance to the region and the secretariat on how to rethink, revisit and enhance regional economic cooperation and integration to better support the implementation of the 2030 Agenda in Asia and the Pacific.

² See A/72/124-E/2018/3, para. 86.

³ Ibid., para. 87.