

# **High-Level Meeting: Achieving Sustainable Graduation for Least Developed Countries**

## **Graduation from the LDC category and regional economic cooperation and integration**

### **Session 2**

**Seizing the momentum of graduation to achieve the SDGs: prospects and challenges**

Bangladesh, November 30, 2017

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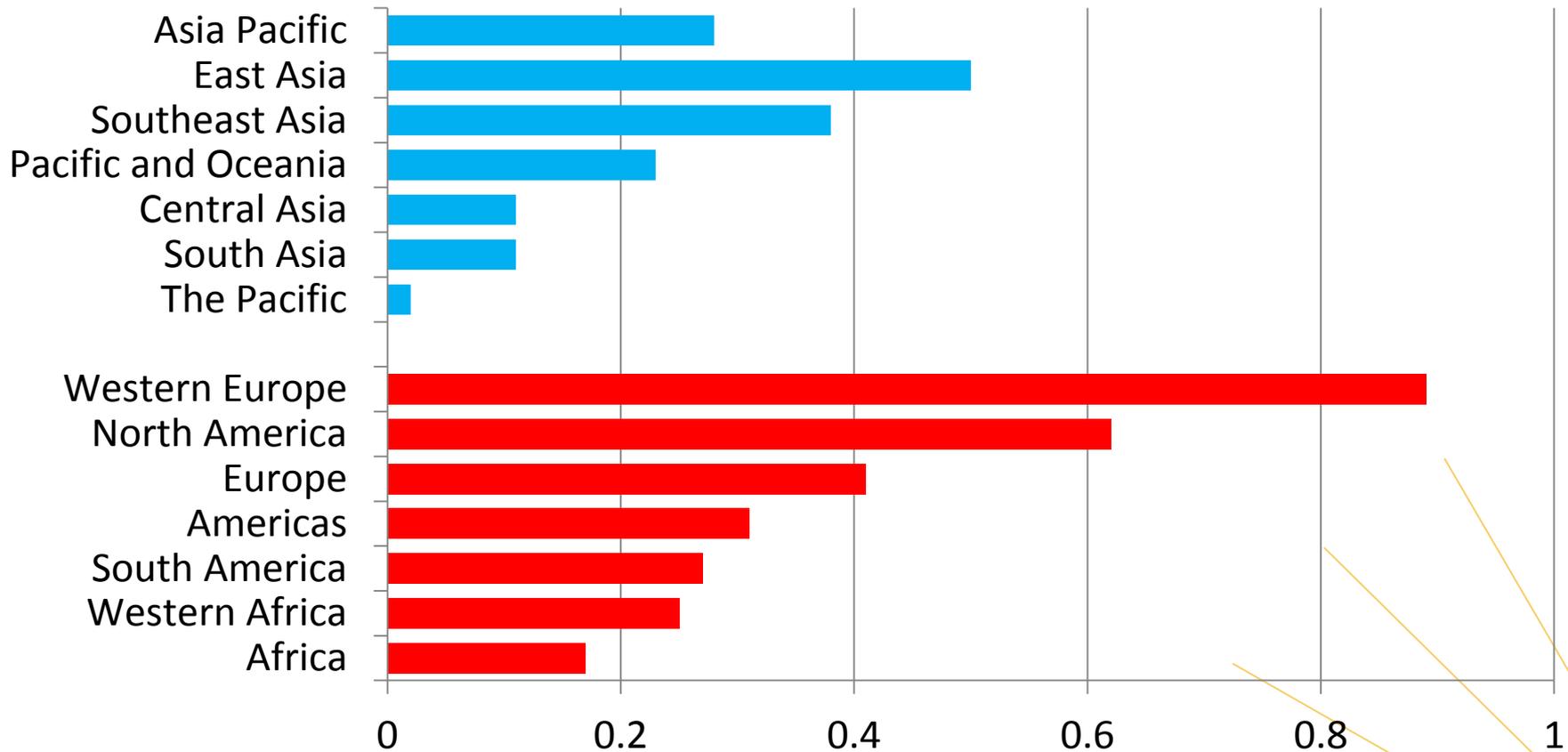
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# Regional Integration in Asia and the Pacific

## Composite Regional Integration Index



# Four pillars of regional economic cooperation and integration and the SDGs



# RECI – A Series of Integrated Pillars



Regional integration is critical for LDCs, especially those graduating:

1. Trade is critical for supporting continued growth.
2. Expanding trade through integrated markets is critical to achieving the SDGs.

## Issues:

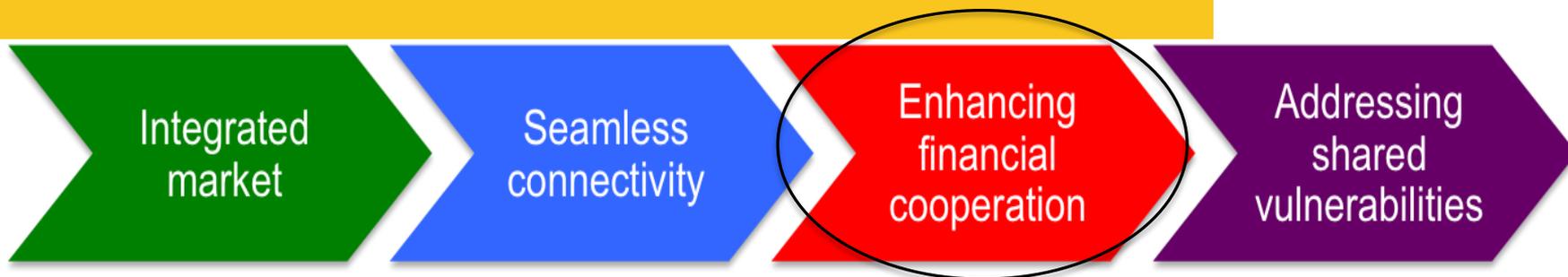
- The need for enhanced trade facilitation and paperless trade to reduce non-tariff costs.
- Trade costs high except for East and NE Asia and SE Asia. Central Asia, South Asia and the Pacific are facing high trade costs.
- Labour market integration is below potential.

# RECI – A Series of Integrated Pillars



- Seamless connectivity in Transport, Energy and ICT connectivity elements is a prerequisite for connecting people and markets, driving demand, reducing trade costs and enhancing productivity.
- The state of physical infrastructure is particularly low in least developed countries.
- Physical infrastructure needs to be supported by policy and regulatory harmonisation, sectoral reform, efficient infrastructure, services sector and shared commitment of member States.
- ESCAP has long-term involvement in driving connectivity e.g. facilitation of the Asian Energy Highway network, the Trans-Asian Railway, Dry Ports and Intermodal Linkages, the Asia-Pacific Information Superhighway.

# RECI – A Series of Integrated Pillars



- The Asia-Pacific financial integration lags behind trade integration. Intraregional financial flows account for 20-30% of total; intraregional trade accounts for over half of total trade.
- Financial cooperation is key for financing SDGs and climate action, as well as financing infrastructure in LDCs.

## Opportunities for enhancing regional financial integration:

- To strengthen domestic resource mobilization;
- Enhancing confidence in cross border markets through effective investor protection, contract enforcement and establishment of transparent rule of law;
- fostering stronger macrofinancial prudential policy framework to manage cross border, sectoral, currency and tenor mismatches and counterparty risks.

# RECI – A Series of Integrated Pillars



- The Asia-Pacific region is the world's most vulnerable to natural disasters – 400,000 lives lost and \$500 bln losses over the last decade.
- Due to low levels of resilience, LDCs are particularly vulnerable to disasters, which slow progress on the SDGs and widen existing inequalities.
- Disaster risks worsening: increasing populations in disaster prone areas, climate change, diminished environmental buffers.
- Transboundary nature of disasters requires regional cooperation to address shared vulnerability.

# Second Ministerial Conference on Regional Economic Cooperation and Integration

(Bangkok, 21-24 Nov. 2017)



- Review of the region's progress in the four areas of regional economic cooperation and integration, keeping in view the 2030 Agenda for Sustainable Development:
  - a) Removing obstacles to greater market integration;
  - b) Towards region-wide seamless connectivity;
  - c) Enhancing regional financial cooperation;
  - d) Addressing shared vulnerabilities and risks.
- Aim to convene a third Ministerial Conference on RECI in 2021, as appropriate, to review the progress made in the advancement of the regional economic cooperation and integration agenda.

# The Future

- ***Establish an integrated market:*** promote trade facilitation and cross-border paperless trade; curtail protectionism to lower trade costs.
- ***Strengthen seamless connectivity:*** increase regional coordination to build connectivity in energy, transport and ICT infrastructures; harmonize cross border legal, regulatory and policy frameworks; align infrastructure design with climate goals and SDGs.
- ***Financial cooperation:*** Deepen and develop domestic and regional capital markets to facilitate mobilization of domestic resources and fund infrastructure; enhance regional cooperation in tax issues to strengthen capacity of member States; manage financial market volatility risks through monitoring and liquidity support.
- ***Shared risks and vulnerabilities:*** enhance regional cooperation to effectively address transboundary risks of natural disasters; address shared climate change adaptation challenges through regional cooperation in technology, capacity building and innovative financing approaches.