Session 2
Seizing the momentum of graduation to achieve the SDGs: prospects and challenges

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Regional Integration in Asia and the Pacific

Composite Regional Integration Index

- Asia Pacific
- East Asia
- Southeast Asia
- Pacific and Oceania
- Central Asia
- South Asia
- The Pacific
- Western Europe
- North America
- Europe
- Americas
- South America
- Western Africa
- Africa

The chart shows the composite regional integration index for various regions, with Western Europe having the highest score, followed by Europe and the Americas. The Pacific region has the lowest score.
Four pillars of regional economic cooperation and integration and the SDGs

1. Integrated market
   - No Poverty
   - Decent Work and Economic Growth
   - Partnerships for the Goals

2. Seamless connectivity
   - No Poverty
   - Affordable and Clean Energy
   - Industry, Innovation and Infrastructure

3. Enhancing financial cooperation
   - No Poverty
   - Partnerships for the Goals

4. Addressing shared vulnerabilities
   - No Poverty
   - Climate Action
   - Partnerships for the Goals
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.
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.
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.
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.
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.