

Commentary

# Economic and Social Survey of Asia and the Pacific 2020 Towards Sustainable Economies

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# Megatrends in Asia and the Pacific

Megatrends are transformative forces that define the future with far-reaching impacts on business, cultures, economies, societies, and personal lives. The Asian and Pacific region is characterized by:

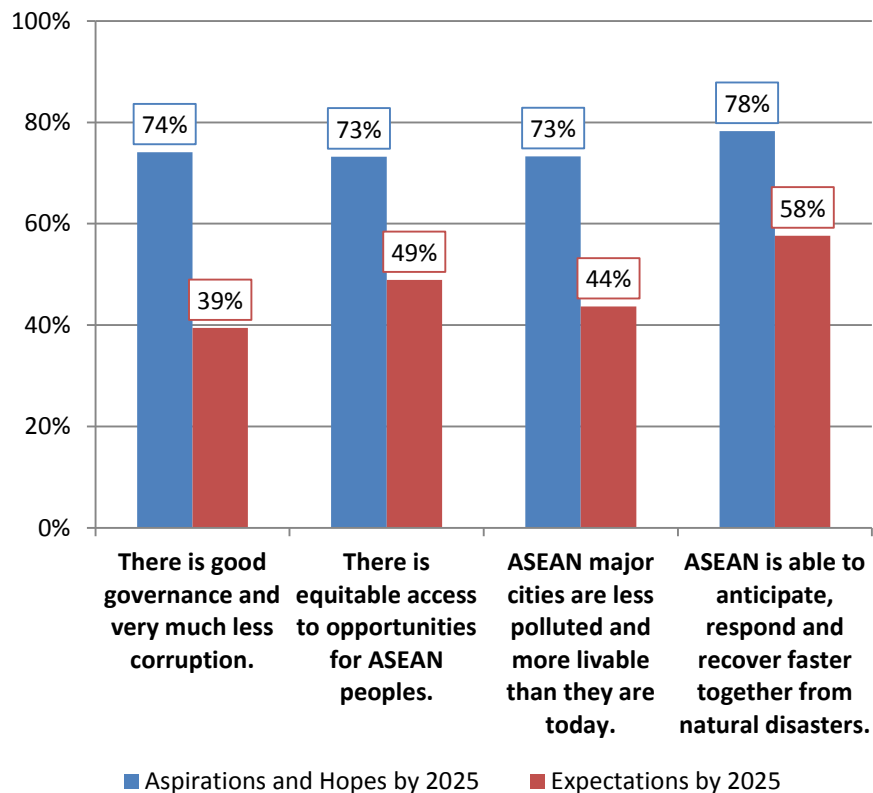
**Covid 19 Pandemic**



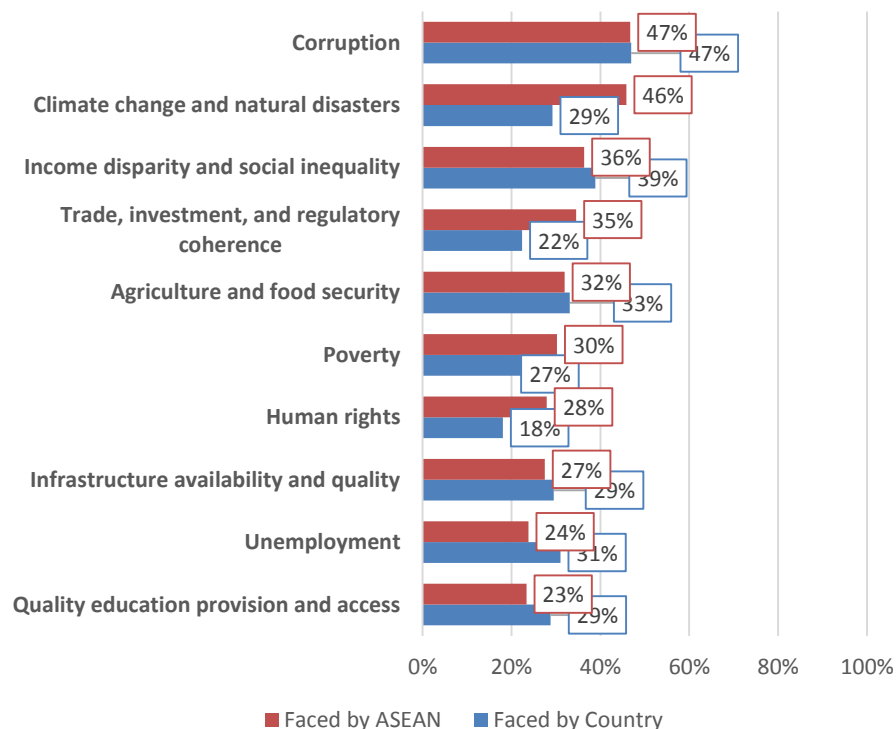
- *Demographic Change.* Ageing populations and the youth bulge pose challenges but offer opportunities at the top and bottom of the age pyramid.
- *Rapid Urbanization.* The rise of cities is unprecedented; by 2030, the region shall have at least 22 megacities.
- *Interconnectedness.* Regional cooperation and integration are forging interlinkages in markets and infrastructure.
- *Changing Economic Structures.* Countries must define and re-define what industries will characterize their outlook.
- *Shift to Knowledge-Based Economies.* Knowledge-based economies require different sets of skills and beckon related investments.

# Aspirations of ASEAN Citizens

## ASEAN Governance, Equity, Resilience



## Pressing Problems at ASEAN and National Levels



# The ASEAN community Blueprint



## 5 CHARACTERISTICS

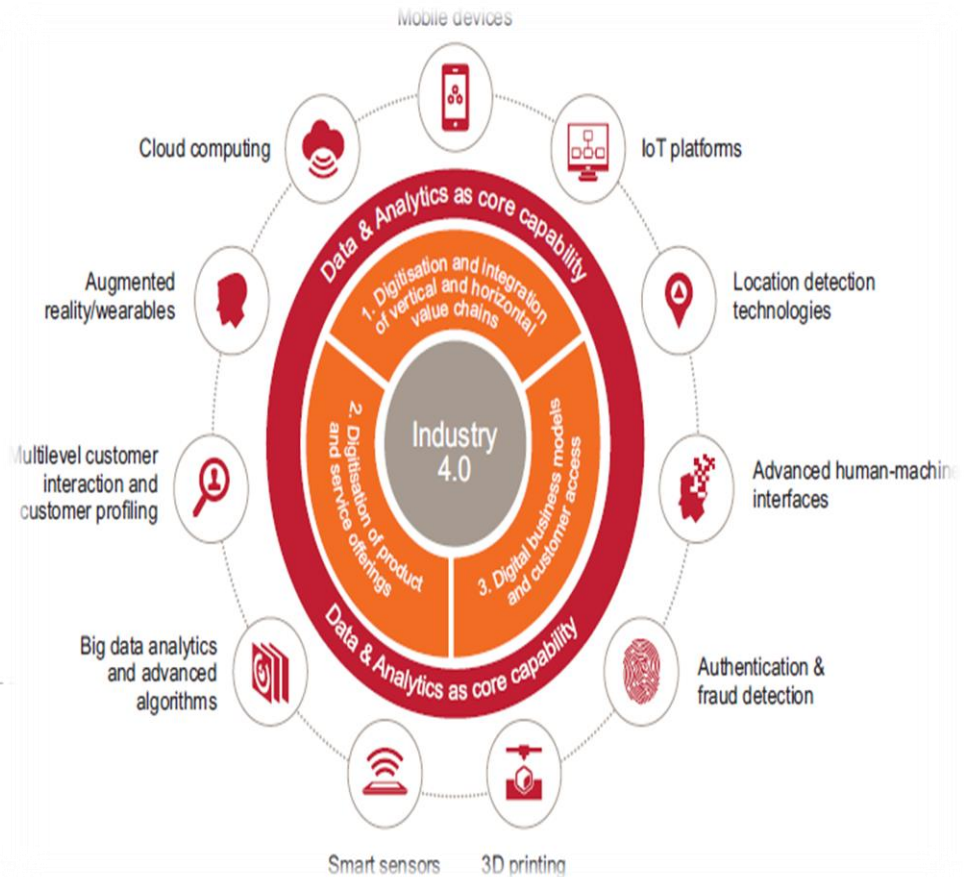
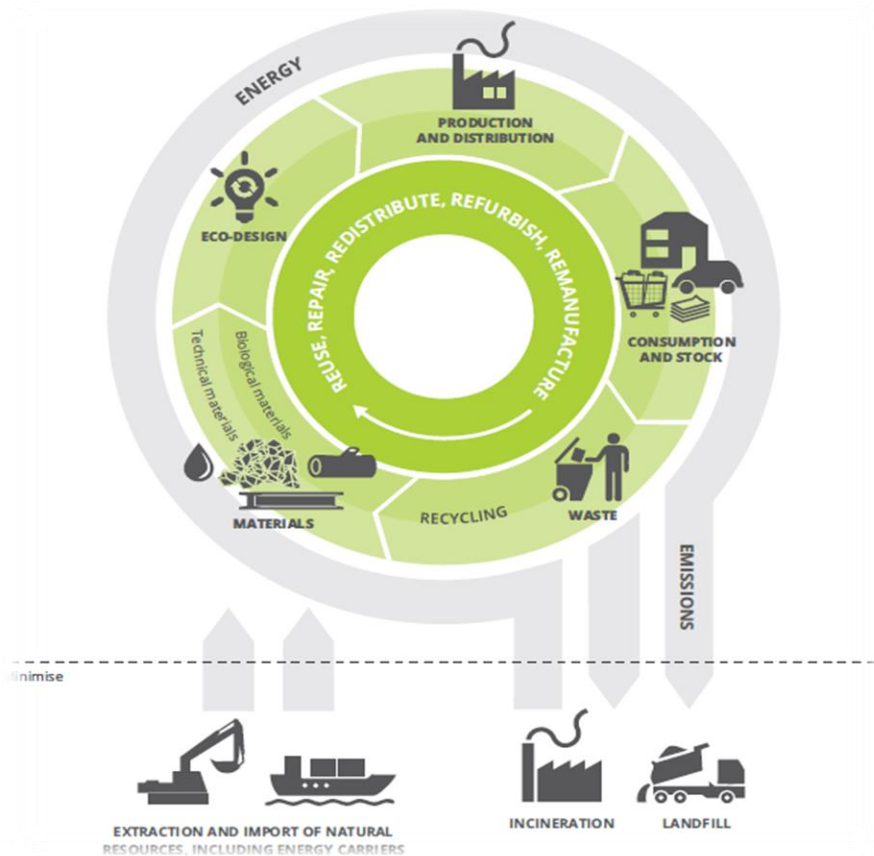
- A. Engages and benefits the people
- B. Inclusive
- C. Sustainable
- D. Resilient
- E. Dynamic

**18**

KEY  
RESULT  
AREAS

**109**  
STRATEGIC  
MEASURES

# Paradigm shift in Consumption and Production



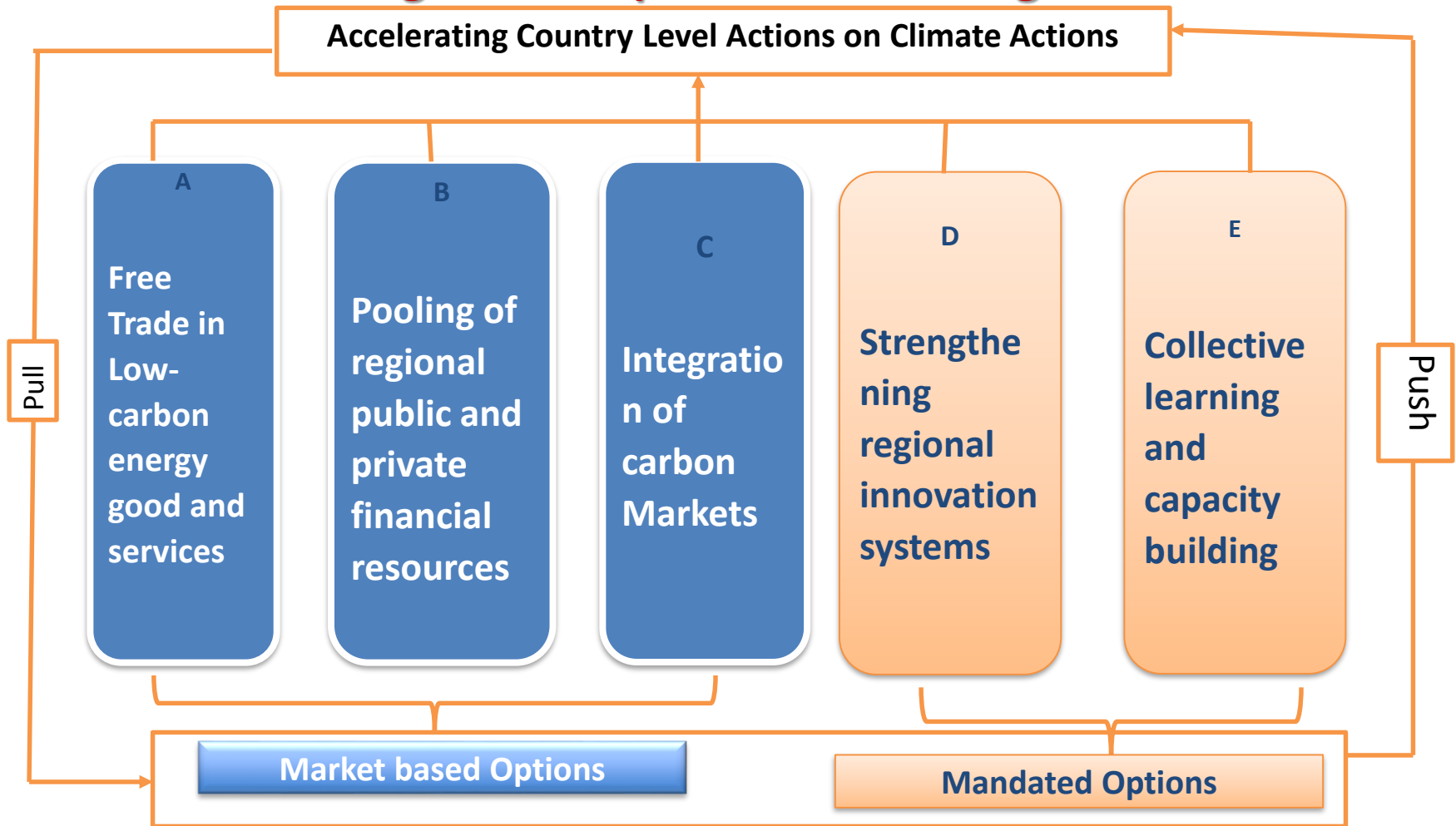
**Circular Economy + Industry 4.0**



# Circular Economy Enhancers Ratings of ASEAN

Country	Higher Education and Training	Goods Market Efficiency	Labour Market Efficiency	Financial Market Development	Technological Readiness	Market Size	Overall Rating
Cambodia	2.8	4.2	4.5	3.9	3.0	3.0	3.6
Indonesia	4.5	4.4	3.7	4.2	3.5	5.7	4.3
Lao PDR	3.2	4.3	4.5	3.8	2.8	2.9	3.6
Malaysia	5.0	5.4	4.9	5.2	4.6	5.0	5.0
Myanmar	2.5	3.6	4.2	2.4	2.2	4.2	3.2
Philippines	4.5	4.2	4.1	4.2	3.9	4.9	4.3
Singapore	6.2	5.7	5.7	5.6	6.2	4.8	5.7
Thailand	4.6	4.7	4.2	4.4	4.2	5.2	4.6
Viet Nam	3.8	4.2	4.4	3.7	3.3	4.8	4.0

# Decarbonization : Cost of National Actions could be decreased by Regional Cooperation and Integration



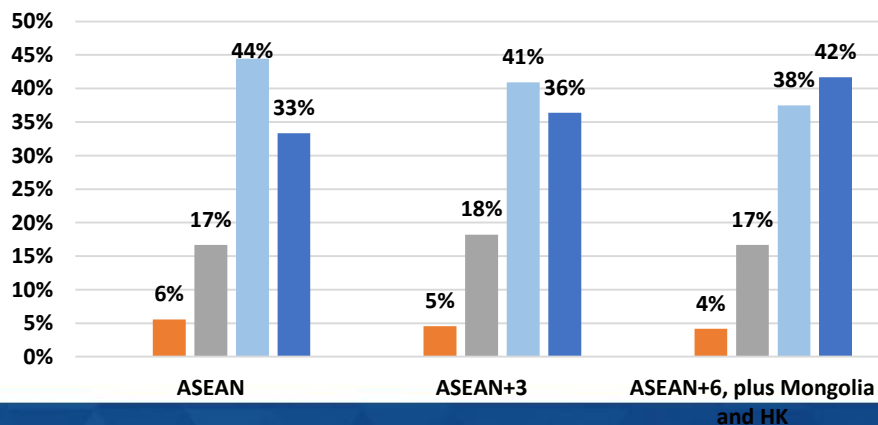


# Barriers to Low-carbon Investment in ASEAN

The main financing mechanisms used for low-carbon investments				
Instruments and Mechanisms		ASEAN	ASEAN+3	ASEAN+6, plus Mongolia and HK
Economic/Financial Instruments	Bank Loans	44%	41%	46%
	Equity Finance	33%	32%	33%
	Private Investment	6%	5%	4%
Regulatory Instruments	Feed-in Tariffs	50%	45%	46%
	Government Grants	28%	32%	33%
	Government Guarantees	28%	23%	21%
	Tax-Credits	17%	14%	17%

Note: On the color scale, green indicates higher percentage, and red lower

## Access to finance is generally an obstacle for new low-carbon investments



## The obstacles that borrowers face:

- Borrowers currently rely on bank loans and feed-in tariffs for the low-carbon financing, but lack of equity finance.
- Limitation in accessing long-term financing
- De-risking mechanisms (like government guarantees) are not being utilized.
- Are de-risking mechanisms unavailable or under-utilized...?

Strongly Disagree ← 1 2 3 4 5 → Strongly Agree



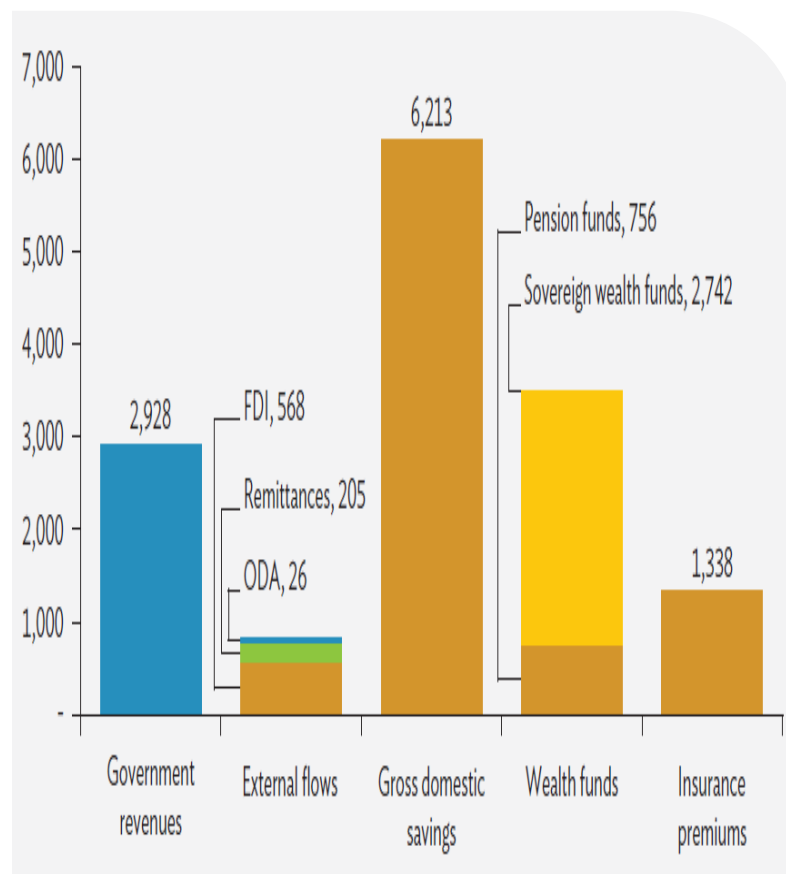


# Leveraging Private Finance is Feasible

Fiscal resources from domestic savings offer great potential. However, the bulk of funds is in private hands (and therefore dispersed): what is available is invested in richer countries. Unlike overseas development assistance, private funds are not programmable. Plugging leaks, e.g., tax evasion, failure to pay taxes, etc., would bring in more revenues than official development assistance.

Investments for Low-carbon Economy Projects are riskier, longer-term, and less profitable.

Long-term funds remain to be unlocked.

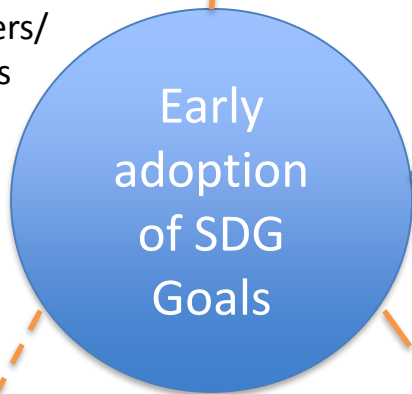


Private flows far outstrip public finance in ASEAN and East Asia, 2012–2018 (annual, \$ billions)

# Enhanced Corporate Actions Need a Reality Check

1. Organizational size, economic performance and intangibility

4. Asset owners/  
Banks

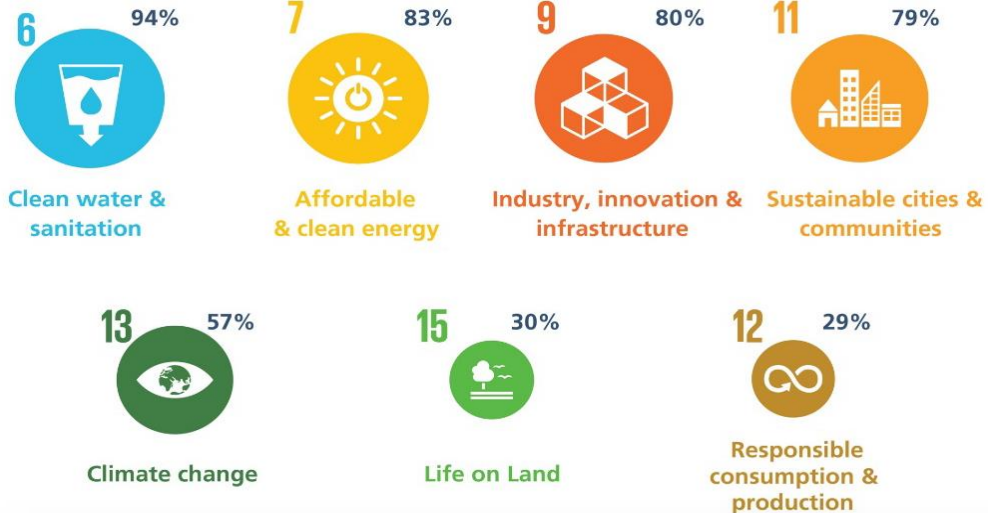


5. Profits

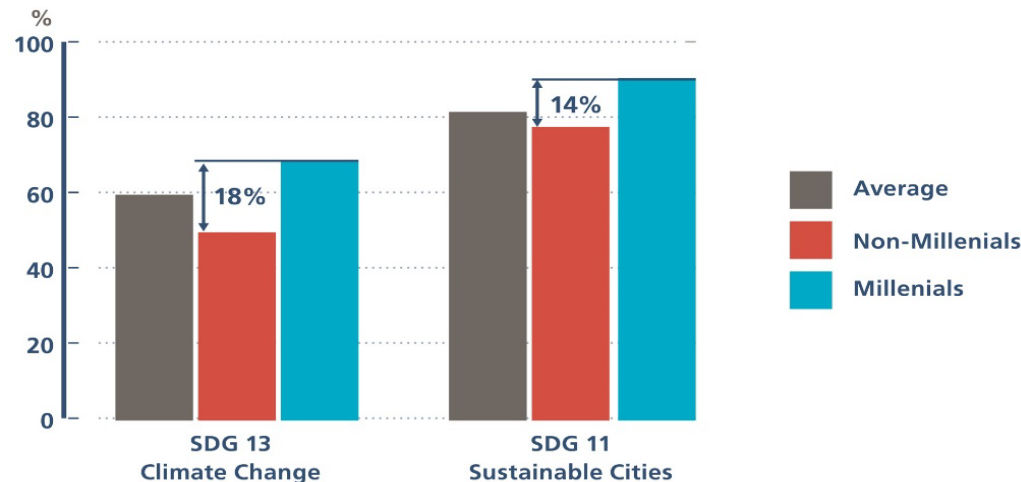
2. Reporting Sustainability commitments

3. Corporate Governance Attributes

Which SDGs are a priority for engineering firms?



Priority SDGs with large differences between the ratings of Millennials and Non-Millennials



# People Actions: The battle for SD will be won or lost in Cities

By 2050 more than 60% of the population will be living in cities

70% of global GDP is generated by Cities

## Global Challenges of Cities

- Pollution
- Climate change
- Traffic congestion
- Affordable housing
- Rising cost of services
- Inequality
- Crimes/security
- Urban sprawl

It is crucial to manage cities in such a way that they support and drive economic growth and competitiveness while achieving social cohesion and environmental sustainability

### Priority Action Areas

Energy and Environment  
Transport and mobility  
Urban development and planning

Smart City  
Concept

### Socio-Economic Benefits

Integrated social and Economic Development  
Inter-sectoral ICT  
Public Service and Utilities



# Smart Cities : From Data to Intelligence

## Instrumentation

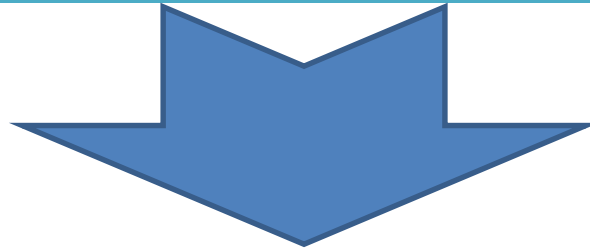
Collect a lot of data using sensors, satellites, society etc

## Integration

Connect and bring these data from across the city

## Intelligence

Analyze Integrate data for insights and trends to make smarter decisions

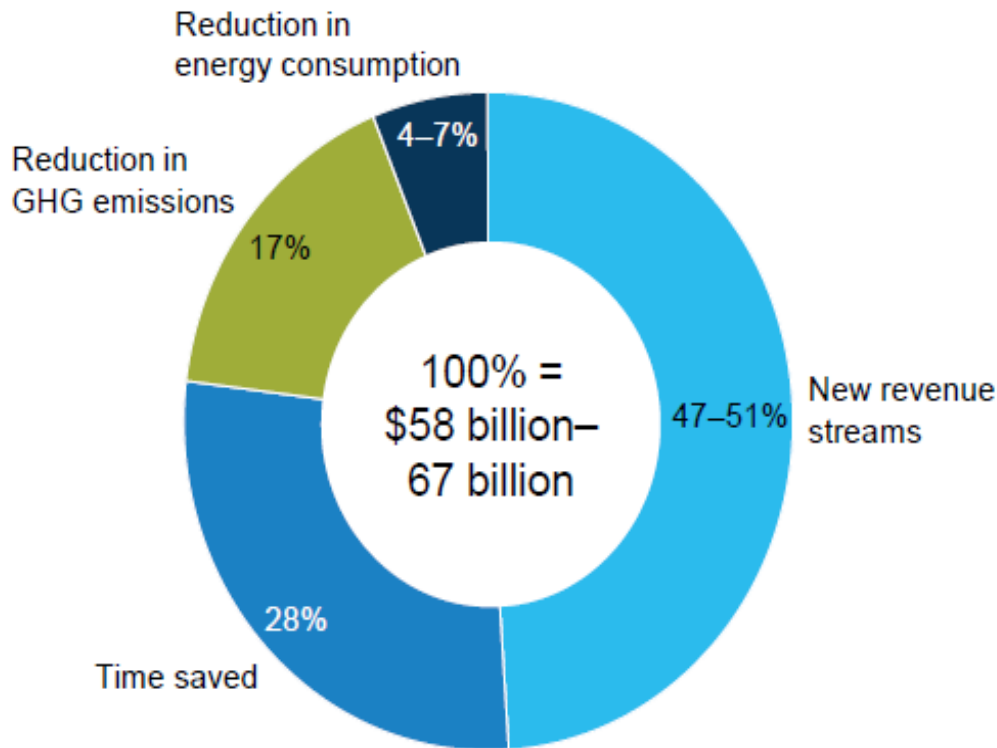


**Efficiency, Innovation and Inclusion**

To do more with less, through collaboration at scale, to ensure every one benefits

# Summary Benefits of an IOT Application at Smart City Level Eg. Mobility sector

Mobility applications can create almost \$70 billion in value across Southeast Asia.



## Examples

### Singapore

- Implemented dynamic congestion pricing through the Electronic Road Pricing system
- Traffic congestion is down by 15% since its introduction in 1990
- Public transit has gone from 45% to 65% of the city's commutes

### Malaysia

- Grab acquired Uber's Southeast Asia business in 2018. It provides up to 2.5 million rides daily

### Indonesia

- Ride-hailing company Go-Jek currently has a fleet of more than a million cars and motorcycles

# Overall SDG Index Score and Average Country Scores by Each SDG

	SDGI	SDG1	SDG2	SDG3	SDG4	SDG5	SDG6	SDG7	SDG8	SDG9	SDG10	SDG11	SDG12	SDG13	SDG14	SDG15	SDG16	SDG17
Japan	80.2	99.3	74.6	94.3	96.4	60.7	94.3	87.8	92.1	87.3	81.2	95.1	55.5	80.0	59.0	64.9	88.3	52.3
Malaysia	69.7	98.2	54.1	83.1	88.1	51.2	99.0	84.1	71.2	60.8	40.7	94.5	69.7	82.4	45.9	31.6	79.0	59.9
Thailand	69.5	100.0	55.0	76.2	76.2	65.7	95.1	76.9	85.2	39.8	64.8	75.1	70.4	73.0	45.0	63.2	58.0	62.6
Singapore	69.0	98.6	71.1	93.8	92.3	68.3	88.9	90.7	95.0	85.7	37.7	92.9	43.3	48.1	21.2	26.2	89.8	28.7
Vietnam	67.9	99.0	62.1	74.6	81.3	76.4	90.7	72.4	60.8	24.9	65.5	66.4	71.2	73.4	51.8	46.6	65.6	71.4
China PRC	67.1	99.5	66.8	79.5	74.1	74.8	88.2	67.7	71.9	57.7	52.4	61.6	74.8	58.7	31.1	58.5	69.1	54.5
Phillippines	64.3	92.5	50.2	61.1	84.0	64.5	85.5	64.6	60.8	24.5	49.9	68.0	82.2	88.5	50.7	51.5	61.1	53.9
Indonesia	62.9	94.6	46.9	60.7	76.2	59.3	81.6	64.8	67.7	25.4	60.2	58.7	79.3	88.5	44.5	44.2	69.9	46.5
Lao PDR	61.4	86.1	51.4	55.8	64.2	68.3	79.3	38.1	66.0	12.9	64.7	67.4	78.8	81.8	-	51.8	63.6	52.3
Myanmar	59.5	87.5	52.2	56.7	67.9	67.8	84.9	36.9	51.5	13.3	-	27.7	77.6	81.6	38.4	51.3	57.6	100.0
India	58.1	93.4	36.9	55.2	65.3	33.3	73.7	54.0	68.3	33.1	72.5	34.3	81.6	74.7	42.9	47.0	69.4	51.7

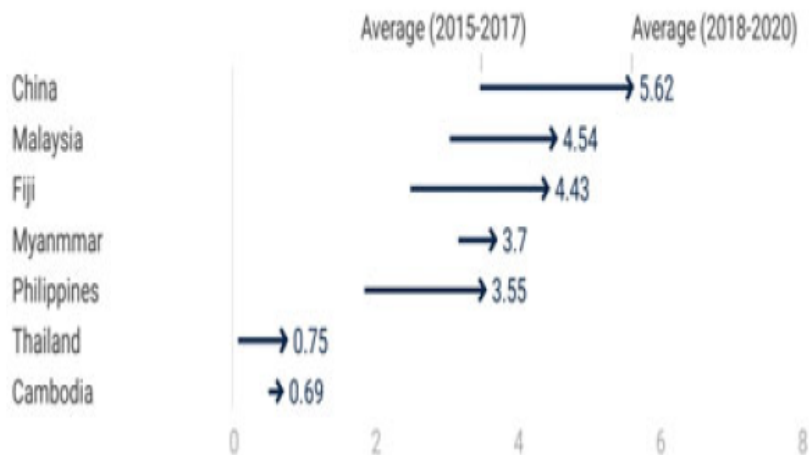
SDI Index signifies countries position between the worst (0) and the best outcome (100).

So Thailand's 69.5 suggest the country is on average 69.5% of the way to best possible outcome across the 17 SDGs

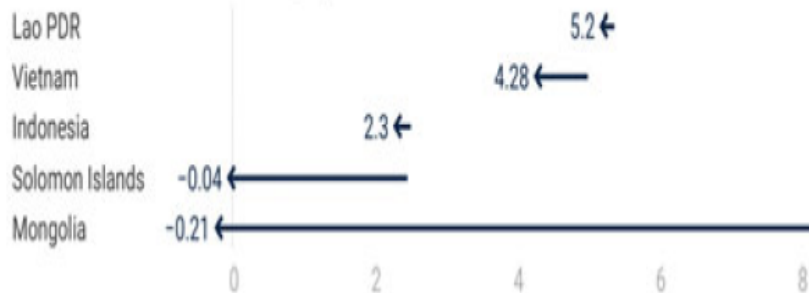


# Impact of Covid 19 Pandemic on Fiscal Space of ASEAN economies

Fiscal deficits are projected to widen



Fiscal deficits are projected to shrink



Government debt as % of GDP

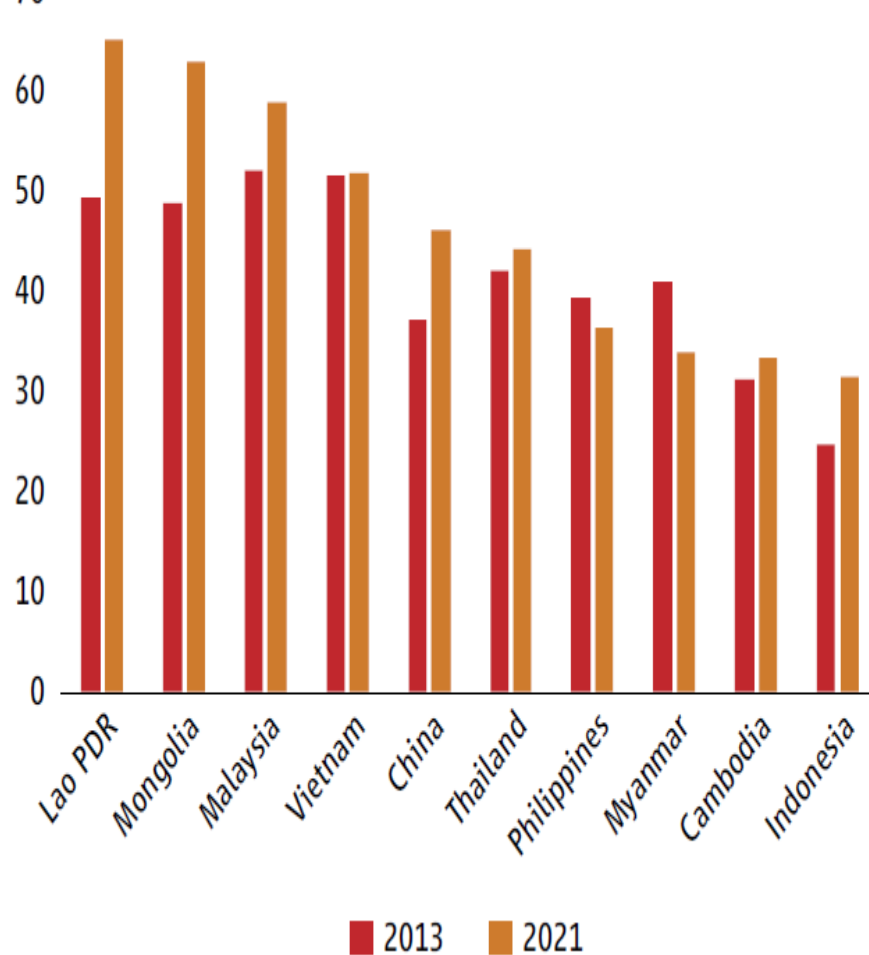




Table Policy framework for overcoming COVID-19 by ASEAN Member States

	Emergency responses	Exit policy	Policies for new normal
Health policy	<ul style="list-style-type: none"> <li>• Social distancing</li> <li>• Testing</li> <li>• Medical treatments within capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Carefully remove social distancing</li> <li>• Medical services back to normal</li> <li>• <b>International collaboration to exit</b></li> </ul>	<ul style="list-style-type: none"> <li>• Long-term medical/health system</li> <li>• Health insurance</li> <li>• <b>International cooperation for pandemic prevention</b></li> </ul>
Macroeconomic policy	<ul style="list-style-type: none"> <li>• Stabilize exchange rates and avoid a collapse of asset markets</li> <li>• Mitigation to help businesses and people at risk</li> </ul>	<ul style="list-style-type: none"> <li>• Macro stimulus (monetary, fiscal)</li> <li>• <b>International macro policy coordination</b></li> </ul>	<ul style="list-style-type: none"> <li>• Resume fiscal health</li> <li>• <b>Develop macro policy coordination framework</b></li> </ul>
Policies for international production networks (IPNs)	<ul style="list-style-type: none"> <li>• Keep IPNs and related industries alive with human distancing</li> </ul>	<ul style="list-style-type: none"> <li>• Keep IPNs and related industries alive with worldwide recession and some restriction on people's movements</li> <li>• <b>Strengthen location advantages and reduce service link costs (connectivity, trade and investment liberalization/facilitation)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Better positioning in IPNs with competitive location advantages and reduced service link costs</li> <li>• <b>ASEAN as a competitive region to attract innovative PNs</b></li> </ul>
Policies for digital economy	<ul style="list-style-type: none"> <li>• Remove bottlenecks for teleworking and other digital connectivity</li> </ul>	<ul style="list-style-type: none"> <li>• Utilize IT and CT to strengthen international competitiveness in IPNs</li> <li>• Apply IT and CT in traditional industries</li> <li>• Encourage digital-related businesses</li> <li>• Promote e-government</li> <li>• <b>Establish domestic and international policy discipline for the free flow of data and data-related businesses</b></li> </ul>	<ul style="list-style-type: none"> <li>• Effectively utilize IT and CT for development</li> <li>• Develop innovation hubs to promote the application of IT and CT</li> <li>• Establish a secure policy environment for free flow of data</li> <li>• <b>Further development of ASEAN Digital Integration Framework, E-commerce Agreement, and other initiatives</b></li> </ul>
Economic situation	<ul style="list-style-type: none"> <li>• Forced stopping of economic activities for social distancing</li> </ul>	<ul style="list-style-type: none"> <li>• Prolonged recession in the world</li> <li>• Slow recovery of the cross-border movement of people</li> </ul>	<ul style="list-style-type: none"> <li>• New normal</li> <li>• More efficient/thick value added PNs</li> <li>• More penetration of digital technology</li> </ul>

# Covid -19 Economic Stimulus : No Regret Options

## Principles of Green Stimulus

- Driver for sustainable growth : A key is digitalization
- Less burden for next generation: Market based solution for mobilizing private resources
- Contribution to Social issues: Revitalization of local economy
- Shaping innovation : Technology neutral-digital tranformation
- Globalization : Aoid trade protectionism and resilience of supply chain

Phase	Purpose	(interpretation)	Measures (example)
Phase 1 ("War")	Emergency plan	<ul style="list-style-type: none"> <li>➤ Emergency package necessary for epidemic containment (subsidies/compensation and liquidity)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Medical care</li> <li>✓ Financial support for employment, working capital, low income household</li> </ul>
Phase 2 ("Post War")	Exit Plan	<ul style="list-style-type: none"> <li>➤ Post epidemic recovery – financial sustainability is required.</li> </ul>	
Phase 2-1	New Normal (Short term)	<ul style="list-style-type: none"> <li>➤ Quick impacts on employment and economy</li> <li>➤ Economic ripple effect</li> </ul>	<ul style="list-style-type: none"> <li>✓ Retrofit energy efficiency</li> <li>✓ Rehabilitation of infrastructure</li> </ul>
Phase 2-2	Growth strategy (Long term)	<ul style="list-style-type: none"> <li>➤ Challenge to long term social issues;                             <ul style="list-style-type: none"> <li>a)Climate challenge/energy security</li> <li>b)Long term growth</li> <li>c) local economy</li> </ul> </li> <li>* referring SDGs</li> <li>➤ Under budget constraint but huge private savings – reallocation of finance resources</li> <li>➤ Regional cooperation and economic Integration</li> </ul>	<ul style="list-style-type: none"> <li>✓ Electricity network system</li> <li>✓ Digitalization; infrastructure, training and education</li> <li>✓ R&amp;D investment (energy and resource efficiency)</li> <li>✓ Carbon pricing for maker base solution; emission trading, outcome base incentives</li> </ul>

# Moving Foreword- Building Better Future



Planning: Priority setting based on the strategic SDG targets; the checklists for conducting SEA/SA for national development plans and sectoral programmes based on the synergies and trade-offs.

Institutional arrangement: Review of the existing national institutional arrangements; propose effective institutional arrangements based on major synergies and trade-offs.

Financial arrangement: Efficient resource allocation by reducing duplicating investment and ensuring resources allocated to address the trade-offs.

Monitoring and reporting: Help check the quality of indicators; development of core indicators; monitoring the level of SDG integration.