

ASIA 2050: THE SUSTAINABLE ROUTE TO PROSPERITY

Report of the Round Table

Vienna, 13 September 2012

A blue banner with a white grid pattern in the background. The text "Round Table" is in large white font on the right. On the left, "ASIA 2050" is in large white font, followed by a vertical line and the text "the sustainable route to prosperity". On the right side, the date "13 September 2012" and location "Hall B, Austria Center Vienna Vienna, Austria" are listed in white.

Round Table

ASIA 2050 | the sustainable route
to prosperity

13 September 2012
Hall B, Austria Center Vienna
Vienna, Austria

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The round table was convened by UNIDO in cooperation with the Asian Development Bank (ADB), the Austrian Federal Economic Chamber (WKO) and the Austrian Research Foundation for International Development (ÖFSE), with the support of UNIDO Member States of the Asia-Pacific Group.

The main objective of the round table was to provide a platform to discuss the issues raised in the study of the Asian Development Bank “Asia 2050: Realizing the Asian Century”. With the historic transformation and high economic growth of the Asian region as background, the meeting was designed to provide answers to challenges and seek direction on opportunities regarding the realization of the immense potential of the Asian economies.

Other objectives of the Round Table were to:

- Provide a platform for policymakers and practitioners to exchange views and experiences on sustainable development, long-term visions and operational strategies for Asia;
- Provide strategic insights for policymakers and practitioners on potential paths to environmentally sustainable and socially inclusive industrial development in Asia;
- Explore and exchange views on how policies and strategies can be adapted to the shifting [comparative and] competitive advantages of Asian countries, while avoiding the middle-income trap;
- Examine possible global economic and commercial implications of Asia’s industrial expansion; and
- Help strengthen the role of UNIDO in enhancing the prosperity of the region through industrial development.

Introduction

Participants were welcomed by **Ms. Amita Misra**, Director of UNIDO's Bureau for Regional Programmes, who thanked the hosts and sponsors of the meeting: the Asian Development Bank, UNIDO Member States of the Asia-Pacific Group, the Austrian Federal Economic Chamber and the Austrian Research Foundation for International Development. She outlined the structure of the meeting (Annex 1).

The Director General of UNIDO, **Dr. Kandeh K. Yumkella** also welcomed participants to the meeting and explained that UNIDO was promoting a series of economic policy discussions designed to provide answers of critical importance to the global community: how to foster growth; how to create 600 million new jobs over the next 15 years and address unemployment; how to achieve sustainable development. Within the UN system, discussions on the development agenda after 2015, the terminal date for the Millennium Development Goals (MDGs), were already underway. These discussions should look at structural change going beyond the narrow focus of the MDGs on the social sectors. In addition to job creation, energy should receive more attention. Energy was the source of up to 70 per cent of global greenhouse gas emissions; yet energy was required to power industrialization.

The deliberate focus on long-term growth and structural change by international development organizations such as UNIDO raised challenges of its own: donors wanted to see quick results, but unlike humanitarian aid, it took time to build institutions, train people, promote technology transfer and create markets.

Asia was the world's most dynamic region and provided valuable lessons for other developing countries. One of the key lessons was in industrial policy. The 2008 Commission on Growth and Development had studied the growth patterns of 13 countries, nine of them in Asia, which had grown at an average rate of 7 per cent annually over 25 years.¹ It had found that one of the common features of their experience was far-sighted industrial policies. Governments had chosen particular sectors and provided them with sustained support over more than two decades. This experience was still relevant today. Creating jobs and

¹ Commission on Growth and Development, *The Growth Report: Strategies for Sustained Growth and Inclusive Development* (Washington DC: World Bank, 2008)
http://siteresources.worldbank.org/EXTPREMNET/Resources/489960-1338997241035/Growth_Commission_Final_Report.pdf

livelihoods required transformation, not in the traditional model of “pollute now, clean later”, but following sustainable paths to industrialization. This was a task for UNIDO.

A wise man had once said that without long-term vision, there would be short-term problems. The need to plan for structural change applies both to regions and to individual countries.

Following these introductory remarks, the **Minister Counsellor of the Permanent Mission of Indonesia, Mr. Aris Munandar**, noted that Asia currently accounted for 56 per cent of the world’s population. It had achieved collective growth of 9 per cent per year over the previous decade and had succeeded in bringing over 400 million people out of poverty. More than 90 per cent of those in the world who had left poverty were in Asia. By 2050, three billion people in Asia could be enjoying the living standards of Europeans today. However, prosperity had been unevenly spread and income distribution had widened between urban and rural areas. Through trade and cooperation, Asia needed to be conscious of its place in and its responsibility towards the rest of the world.

The representative of the **Austrian Federal Economic Chamber, Ms. Christine Schösser**, underlined the key role which trade had played in Asia’s economic success. Austria was an example of a European country which had seen a major expansion in trade with Asia. While Asia provided a growing market, Austria was also a source of modern technologies and know-how for Asian countries. It was important that all countries of that region and all the people within them shared the benefits of modernisation, industrialisation and improved living standards.

According to the Director of the **Austrian Research Foundation for International Development (ÖFSE), Dr. Werner Raza**, Asia provided a development model which had run contrary to conventional wisdom. Countries had extensively employed active industrial policies, state intervention and strict regulation of their financial sectors. International development organizations and academics needed to take account of the lessons of what had been termed “development economics 3.0”. Asian countries such as China and India had managed to isolate themselves from the worst of the global financial crisis that started in 2007. However, their continuing success would require a greater dependence on their domestic markets in the future.

1. Visions of Asia 2050

The ADB report presented at the meeting outlined the powerful consequences of economic growth, as demonstrated by history.² Asia had re-emerged rather than emerged. In the mid-18th Century, prior to Europe's industrial revolution, India and China had accounted for about 60 per cent of the world economy in real (purchasing power parity) terms, largely reflecting the size of their populations at the time. Then, up until the 1950s, the Western economies had grown much faster, reducing the share of Asia to below 15 per cent. Starting with Japan, undergoing reconstruction after World War II, the region had begun to grow faster. Japan doubled the size of its GDP per capita between 1956 and 1965. It had been followed by the newly-industrialized countries and territories – Taiwan, Province of China, Hong Kong, the Republic of Korea and Singapore – and in the 1970s by Malaysia. In the 1980s, China had begun its own dynamic expansion, followed by India, Indonesia and Viet Nam. As a result of this dynamic period of growth, Asia's share of the global economy had risen to 28 per cent today.

The projections in the report were long-term forecasts based on models. It was acknowledged that there were difficulties with modelling the future. In the more optimistic "Asian Century" scenario, the total GDP of the region could reach \$174 trillion by 2050, equivalent to 52 per cent of the global economy, and with per capita income levels of \$40,000. In the alternative scenario, assuming that Asia's leaders did not fully meet the looming challenges, the GDP of the region might be no higher than 32 per cent of the global economy (compared with 27 to 28 per cent currently) and per capita income would be \$20,000. The difference was appreciable and was the "opportunity cost" of failure.

The objective of the ADB study was to sketch a general scenario and focus more on the issues than the precise numbers. Because growth was hard to project, it was suggested that other more predictable variables than GDP – such as population size – might be used.

Projections were also imperilled by what had been termed "volatile transitions", when long-established assumptions were forcibly altered. The best-laid plans could be diverted by unforeseen changes to economic variables, such as the price of oil. More fundamentally, and as had been witnessed recently in many countries, society itself could change with widespread protest movements bringing new priorities to the fore.

² Asian Development Bank, *Asia 2050 – Realizing the Asian Century?* (Manila: ADB, May 2012). See also Annex.

It was also necessary to define what was meant by Asia. The definition used by the ADB was not the same as the UN's. For the purpose of the study, Asia referred to the three sub-regions of East, South and Central Asia, comprising 49 countries (out of a total ADB membership of 67). They encompassed great diversity of history, culture and language. But a common feature was a strong emphasis on education and the work ethic. The importance of including West Asia in the definition was also mentioned; it was a sub-region with a large market, where a lot of research on renewable energy had been conducted.

The study provided an optimistic scenario of growth led by the seven large economies of India, Indonesia, Japan, Malaysia, China, Republic of Korea and Thailand. In that scenario, they would account for almost 90 per cent of the region's GDP, and 91 per cent of its growth. There were also seven Least Developed Countries (LDCs) in the Asia region – Afghanistan, Bangladesh, Bhutan, Cambodia, Laos, Myanmar and Nepal. Some of them were also growing fast and were aiming to graduate from LDC status by 2020. However, within the region as a whole, there were growing disparities among countries, which it was important to reduce.

According to the ADB, continued rapid growth was contingent on five assumptions: continued improvement in total factor productivity; a continuing demographic dividend; further capital accumulation reaching 75 per cent of the global total by 2050; a growing affluent middle-class becoming the world's largest; and further opening of governance institutions through the communications revolution.

But there were several major challenges. The *first challenge* was inequality. Poverty had been reduced globally, with the number of those living on less than \$1.25 per day falling from 1.5 billion in 1990 to 947 million people in 2008. But while much of the decrease had been in Asia, there was still high income inequality in the region and within individual countries. Asian countries would need to ensure more inclusive and equitable development if growth was to be sustained in the long-term. Moreover, growth could not be confined to economies only. It should be concerned with political and social transitions also. It was important to take account of the very poorest and their social mobility. Evidence from contemporary Asia revealed that the prospects for the poor to improve their lot through educational attainment were limited. Fortunately, as recent Brazilian experience had shown, higher growth did not inevitably lead to higher inequality. But appropriate policies of social inclusion needed to be pursued (see further below).

The experience of China was instructive. Much of the optimism of the report drew from the experience of China and its impressive 30-year record of growing GDP and incomes. However, the dynamism had been accompanied by popular discontent and even cynicism. Society was not harmonious and the country's leadership had perceived that social development was lagging behind economic growth, and that income inequality was widening.

A *second challenge* was the "middle-income trap" into which some Asian countries had fallen in the past. After advancing to middle-income levels, their economies had stagnated. In the 1950s, for example, countries like Myanmar, the Philippines and Sri Lanka had been considered future star performers with good growth prospects. But today they occupied much lower rankings in the league tables, even if countries such as the Philippines had shown signs of greater dynamism in recent years. Countries aspiring to middle-income status needed to avoid the trap, and those which had already attained the status needed to find a way out.

Demographic trends presented a *third challenge*. There was a demographic dividend for growth where the size of the working population was increasing. But some Asian countries were aging, leading to impending adverse dependency ratios. For example, the number of Chinese over the age of 60 was estimated at 200 million, giving China the world's fastest growing aging population. China's total population was expected to peak in 2027. Other countries – such as the Republic of Korea (in 2030) and Thailand (in 2033) – would reach their maximum population levels at about the same time. Demographically, therefore, the decade of the 2030s would be a transition period for Asia.

Demography was not only about overall numbers and proportions, however. It was also necessary to consider the quality of human resources. One of the great successes of Asia had been the investment made in the 1950s by countries such as the Republic of Korea and Singapore in universal primary education. The entry of the primary school age cohort into the working population coincided with a period of rapid economic growth, accompanied by improvements in public health and governance. As a corollary, it was the lack of educational investment in some African countries which explained the current gaps in attainment.

Education was also crucial for the future course of the region and the sustainability of its achievements. In managing transitions, higher levels of education meant that learning curves were steeper. There was considerable evidence that more educated people were more forward-looking, and made better use of information on environmental trends. In the context

of sustainable development and climate change, education was the key to both mitigation and adaptation.

Environmental and resource considerations were a *fourth challenge*. Asia was already the largest consumer of material resources per unit of GDP of all regions in the world, encouraged by their low cost and ready availability.³ The ADB had projected that Asia could be consuming 40 per cent of the world's energy by 2050. Global competition for scarce non-renewable natural resources was not sustainable and for economic growth to continue, a fundamental transformation of economic systems would be needed. A greener growth strategy would combine economic and environmental dimensions, but it would not succeed if greening was perceived as a cost. Green approaches should add to, not subtract from, "bottom lines" and become facilitators of growth. Technology and innovation would play a crucial part in green growth strategies.

At the United Nations Conference on Sustainable Development (Rio+20) in June 2012, some developing countries had maintained that poverty reduction was more critical than green growth. That assumed a false trade-off: a green economy was also a strategy to reduce poverty. The costs of environmental responsibility need not compromise economic performance. European economies had demonstrated that it was possible to remain competitive while complying with the highest environmental standards in the world. However, pursuing a growing and greener economy would not by itself solve the problems of inclusion, and green growth needed to be accompanied by social initiatives.

Climate change also loomed as a serious peril. By 2030, Asian countries would be the largest emitters of greenhouse gases – a problem not just for the region and the globe, but for the Asian economies themselves. Another ADB study had determined that the consequences of climate change could have a significant negative impact on GDP by 2100.⁴

A *fifth challenge* was urbanization. Every year, some 44 million Asians moved into cities. The ADB calculated that by 2030, more than half of the region's population would reside in urban areas. Cities were the engines of growth, but substantial investment in urban areas would be required to make urban habitats liveable. This implied an enhanced role for the public sector in providing infrastructure and services. Urbanization also heightened the need to address

³ UN ESCAP, The Low-Carbon Green Growth Roadmap for Asia and the Pacific, (Bangkok: UNESCAP, 2012) <http://www.unescap.org/esd/environment/lcgg>

⁴ quotation if available?

sustainability, since city dwellers consumed much more water, electricity and other resources than those in rural areas.

2. Asia in the global context

Asia could set an example. The world would not achieve a sustainable path to development unless Asia did. It was also linked to other regions of the world – and particularly Africa – both through economic relations, and South-South cooperation.

Economic expansion in Asia had been a boost for development worldwide. From that point of view GDP growth was a highly relevant indicator of Asian progress. China was now Africa's largest trading partner, which is partly why seven of the ten fastest growing economies in the world were in Africa, and why the continent already harboured a middle-class of 300 million people.

The trading relationship between Asia and the rest of the world was currently based on the voracious consumption – by China and India in particular – of natural resources which could only be satisfied through imports from Africa and other developing regions such as Latin America. But could trade relations be sustainable if they were based on the flow of natural resources in one direction and high value-added products in the other?

Patterns of foreign direct investment (FDI) did not suggest a long-term dependence of Africa on natural resource exports. During the past two years, only 37 per cent of FDI into Africa had been in natural resource exploitation, the rest was in manufacturing and services. By numbers of projects, 75 per cent were in the latter two sectors. India, for example, was a major investor in African mobile communications. It was true that in Brazil in 2010, the largest share of FDI was in natural resources, but that proportion was also falling.

In Africa, diversification was crucial. The continent could not remain dependent on raw material exports. African economies needed to mesh with global industrial value chains in order to realize higher value-added. Asia was a source of investment, research and development and modern technologies, and Africa would benefit from a broadening of South-South relationships.

Trilateral and bilateral cooperation could help. Japan, China and the European Union had all held conferences with African Ministers to help foster more cooperation between the regions. Japan had recently launched an initiative with African countries to develop a low-carbon

growth strategy. There was also a plan to recruit "green cooperation volunteers" to provide training in developing countries on environmental issues, and a programme of cooperation with Africa on urban planning.

There was "no Asian way of doing things in Africa and Latin America", but other developing regions faced many of the same challenges as Asia, and could learn from Asia's best practices. Asian countries had given to the world an example of the art of the possible. When Asian leaders put their minds to achieving certain goals, they succeeded.

In sum, Asia's growing economic footprint brought growing responsibilities and obligations onto the world stage. Its global agenda meant assuming leadership in managing the commons and controlling climate change, as well as taking on a larger role in global governance institutions.

3. Policies and actions to realize the Asian Century

According to the ADB, the prerequisites of their more optimistic scenario were strong leadership and long-term vision; the pursuance of pragmatic policies and a focus on results; effective regional cooperation; and the modernization and retooling of institutions. The Asian Century scenario was possible, but not pre-ordained. To succeed, countries of the region needed inclusive growth, green growth and knowledge-led growth. But what kind of actions and policies were needed?

Responding to the major challenges of the Asian Century would require agendas at three levels: national, regional and global.

The national agenda had many facets. The first requirement was the promotion of *inclusive growth*. Growth with inclusion and equity should be promoted through quality education, more access to services (such as infrastructure and finance), the promulgation of effective policies of redistribution and social welfare, and a focus on the development of rural areas.

Education was key. It had been a critical factor in the successful development of some Asian countries which had invested heavily in universal primary education at an early stage. Aside from ensuring universal access, education needed to be carefully targeted. Tertiary education was important, but it should not be perceived as mainly serving an elite. It was essential that secondary and higher levels of education helped to develop useful and employable skills. In Asia, a focus on technical and vocational training was important. In that

context, the examples of Austria and Germany were cited. Their “dual education system” allowed young people to work while studying, helping them to acquire both practical as well as theoretical skills. Partly in consequence, those two countries enjoyed very low youth unemployment even during a difficult economic climate in Europe.

To facilitate employment, labour markets had to be flexible, allowing the movement of workers between sectors. Employment laws should also be designed to facilitate the creation of jobs by the private sector, and basic social security provisions should enable workers – particularly women – to move into and out of jobs.

Investment was another potential tool for social inclusion. But investment policies needed to be developed and adapted for the purpose. Another requirement was entrepreneurship development. There were policy frameworks for small and medium-sized enterprises (SMEs), for investment, and for trade, but a comprehensive entrepreneurship development framework was also necessary, including skills training, financing and the facilitation of innovation and start-ups. Investment in public goods would itself be more socially inclusive.

The service sector was also important for social inclusion. The sector was growing fast and bringing many new people into the labour force.

A second requirement for meeting the challenges of the Asian Century was the promotion of greater *resource efficiency* and a diversification of energy sources through green growth. Green growth was intended to promote a resource-efficient growth pattern, described as “a fundamental transformation of the economic system”. As well as changes in the quality of growth, there needed to be changes in prices and fiscal policy, including a shift from taxes on income to taxes on resource consumption. With such a shift there would be the double advantage of higher employment and higher growth. Another essential fiscal measure was the reduction in carbon subsidies. Several large Asian countries were providing subsidies, either directly for the consumption of coal and petroleum, or indirectly on electricity use. Those subsidies benefited primarily the better-off urban middle-classes. They distorted consumption patterns and took resources away from investment in green technology and other public goods. Since there was no guarantee that green growth would lead to greater social inclusion, it was also necessary to put in place social initiatives.

A third requirement was smart *industrial policy*. The study by the Commission on Growth and Development mentioned above (footnote 1) had found that industrial policy had played a key role in the success of several Asian countries. Central to the industrial policy of the Republic

of Korea had been a deliberate effort to invest in sophisticated products and technologies. China's success in industrial policy had benefited from several factors. One was the existence of cheap labour and the favourable allocation of land for development purposes. A second factor was the country's late membership of the World Trade Organization (WTO) which had allowed it to use certain industrial policy tools to its advantage before joining, which would have been against WTO rules.

The same advantages were not available to other countries. Also, China's situation had been rather unique in that the distinction between the public and private sectors was unclear, with banking dominated by the state. In other countries, moreover, the record showed that there had also been many failures of industrial policy. Industrial policy needed to avoid picking losing sectors, and eschew the influence of strong lobbying groups. The contemporary challenge was to design industrial policy so as to anticipate future trends. But should industrial policy be directed by governments – as in the past in Japan, the Republic of Korea and China – or should it be facilitated? It was noted that governments would need to ensure that the fundamentals, including prices, were right; only then would the private sector be able to drive the process.

The need for improved *infrastructure* – a fourth requirement – was prompted by rapid urbanization in the region. While that was a high priority, inclusiveness and sustainability also pointed to the need for improved infrastructure with regard to environmental considerations (“green infrastructure”, transportation, resources and energy, and habitat, among other areas). A comprehensive approach was needed. Building infrastructure in the United States and Europe had been mainly driven by the public sector, but in Asia, while not diminishing the role of government, development would increasingly be undertaken jointly by the public and private sectors.

Financial reforms encompassing banking, capital markets and infrastructure financing were also needed, for various reasons. Reform was required in order to strengthen the financial sector and reduce the risk of exposure to crises, including those emanating from outside the region. Financial institutions also needed to be more inclusive. In some Asian countries, long-term financing for the private sector was available to only a very small proportion of enterprises: “financial exclusion was of the order of 95 per cent”. New business models were needed, which could envisage the public and private sectors sharing financial risks.

Innovation and technological improvement were also indispensable if Asia was to realise continued productivity gains. Substantial and sustained innovation over several decades was

needed, along the lines of the information and communication technologies (ICT) revolution. Japan and the Republic of Korea could provide lessons in this regard for the emerging economies of the region, which should more fully embrace the knowledge economy. Education and skills development were important for promoting innovation. However, it was not clear how innovation was to be promoted. Policies were elusive since innovation tended to occur serendipitously. Therefore, it was important to nurture the conditions which would facilitate innovation.

Better governance and stronger institutions were also needed, issues on which there had been limited progress over the previous decade. While there was a greater understanding of the value of governance, the challenges facing Asia implied that the role of government would need to become more important. As well as infrastructure and other public goods, more should be done to ensure security (which the private sector was increasingly having to provide). Governments tended to underestimate the role of the private sector in economic development and needed to become more active facilitators of private enterprise. Institutional development was also critical. The institutions of governance needed to become more participatory and transparent. Asian countries would not be likely to change in response to external pressures, but would find their own ways to improve: governance with “Asian characteristics”.

The regional agenda meant wider regional cooperation, an essential prerequisite to achieve the Asian Century. There was already closer economic and financial integration and it was possible to conceive of an Asia-wide economic community in the future. Negotiations on a Comprehensive Economic Partnership for East-Asia (CEPEA) had welcomed and encouraged at a recent East Asia Summit. Reference was also made to a “Eurasia 2050” scenario, encompassing a revitalized Silk Road. The ADB was active in promoting cooperation in the greater Mekong region and in central Asia, but closer integration was needed within all parts of the region. An important basis for closer integration was regional infrastructure, including information and communication technologies, power and energy, roads and railways. Better infrastructure would facilitate intra-regional trade, which would also benefit from closer harmonization of standards.

The global agenda. Ideally, the target should be a century of global development and not just an Asian Century. What was good for Asia ought to be good for the rest of the world. Asia had a lot to offer to other regions, besides growing trade relations. Asian countries were already major foreign investors in other regions. They could also offer expertise through South-South cooperation. The Republic of Korea had established the Global Green Growth

Institute in order to encourage exchange of experience in sustainable development. Finally, it was important for Asian countries to play a larger role in global governance, which they have tended to shy away from in the past.

4. Conclusions of the meeting

The prospect of the Asian Century had attracted global interest. Several emerging economies of the region had demonstrated successful paths to development which other developing countries in all regions could emulate. With Asia becoming increasingly enmeshed with other regions through trade and investment, a broader development century could be envisaged.

Participants at the meeting stressed, however, that there were special factors which had accounted for the development success of the fast-growing Asian economies. Those advantages could not necessarily be replicated because each country displayed different characteristics, and also because the advance of globalisation meant a continuing evolution in economic conditions. Even those countries which had been successful hitherto needed to face up to many challenges if they were to avoid the “middle-income trap” to which some other Asian countries had succumbed earlier. Those challenges included growing income and spatial inequalities; demographic trends and the need for enhanced education and skills; environmental and resource considerations; and urbanization.

To succeed, countries needed strategic foresight and the determination to pursue national policies which promoted inclusive growth, education and the development of skills, resource efficiency, industrial restructuring, better infrastructure, financial reforms, innovation, and better governance.

Regional and global priorities were also important. Closer regional cooperation through common infrastructure, harmonized standards and increased trade would contribute to greater prosperity in Asia, as well as other regions. On the world stage, the emerging countries of Asia could and should be assuming growing responsibilities in global institutions.

Ultimately, the responsibility of realising the Asian Century was primarily the responsibility of Asia's leaders, and would depend on good governance, sound policies and the development of strong and inclusive institutions.

5. Lessons for UNIDO

UNIDO aspired to reduce poverty and promote prosperity through inclusive and sustainable industrial development. Specifically, the development goals of the organization were threefold and involved the promotion of sustainable development through: economic growth and structural transformation; social equity and inclusiveness; and environmental sustainability. These goals were interrelated and were pursued in an integrated manner through the provision by UNIDO of four types of service: technical cooperation; analytical and policy advisory services; standard-setting and compliance; and convening for knowledge transfer and networking.⁵

The global community was searching for answers to the challenge of sustainable development and the need to create 600 million additional jobs over the next 15 years. The Round Table, one of a series, brought into focus the major challenges which the Asia region would need to overcome in order to realize the Asian Century. These challenges - avoiding the “middle income trap”, reaping the demographic dividend, narrowing inequalities, enhancing education and skills, improving resource efficiencies and accommodating rapid urbanization – were highly relevant for the kinds of development cooperation which UNIDO could offer to Asia, as well as other regions. UNIDO should continue to contribute to the achievement of longer-term structural change in a sustainable way, emphasizing patterns of growth which were inclusive and which lifted the standards of living of all, especially the poorest.

The discussions at the Round Table helped to highlight the specific ways in which UNIDO could continue to assist countries in Asia and other regions:

- The Green Industry Platform, central to UNIDO's effort to promote sustainable development, was relevant for Asia and for all low and middle-income countries. The platform was designed to promote cleaner production systems, as against the traditional pattern of growth first, clean-up later.
- As part of the platform, UNIDO should assist enterprises – especially small and medium-sized – to adopt technologies that were environmentally friendly, and did not increase their costs.

⁵ “Industrial Development Cooperation”, Report of the Director-General of UNIDO to the General Assembly, Document A/67/223, 2 August 2012 and UNIDO, Industry: Inclusive and Sustainable Development (Vienna, 2012)

- UNIDO's research demonstrated that improved industrial energy efficiency was compatible with high internal rates of return.⁶ UNIDO should disseminate best practices in green growth, in an integrated manner. It could draw on the experience of countries like the Republic of Korea in helping to demonstrate the advantages of cleaner production systems.
- UNIDO should continue to host high-level conferences to raise awareness of the advantages of green growth in meeting the goals of industrial development, social inclusion and environmental sustainability.
- UNIDO should continue to contribute to the development of international standards of energy management and efficiency and incorporate these into its Green Industry Platform.
- UNIDO should continue to focus attention on issues of governance and policy, and the importance of strong institutions, helping countries to achieve green growth and raise the quality of public goods and services.
- Because it was recognized that practically all countries were using industrial policy, UNIDO should continue to help countries to design policies to realize their future visions, taking into consideration national and international development conditions.

⁶ UNIDO, *Industrial Development Report 2011*, (Vienna: 2011).
http://www.unido.org/fileadmin/user_media/Publications/Research_and_statistics/Branch_publications/Research_and_Policy/Files/Reports/Flagship_Reports/IDR/Industrial%20Development%20Report%202011.pdf

Annex 1. Round Table programme

AGENDA

08:30-09:00	<p>Registration: Hall B, Austria Center, Vienna</p>
09:00-11:00	<p>Opening: Amita Misra, Director, Bureau of Regional Programmes, UNIDO</p> <p>Welcoming remarks:</p> <ul style="list-style-type: none"> ▪ Kandeh K. Yumkella, Director-General, UNIDO ▪ Aris Munandar, Chargé d'affaires, Permanent Mission of Indonesia, Chair of the Asia-Pacific Group ▪ Christine Schösser, Director, Far East and Oceania Division, Austrian Federal Economic Chamber ▪ Werner Raza, Director, Austrian Research Foundation for International Development <p>Keynote speech: “Asia 2050: Realizing the Asian Century?” Bindu Lohani, Vice-President of Knowledge Management and Sustainable Development, Asian Development Bank</p> <p>Session 1 Moderator: Paul Hohnen, Sustainability Strategies</p> <p>Discussions: “Setting the stage – Long-term visions in a global context”</p> <p>Panel:</p> <ul style="list-style-type: none"> ▪ Anne Booth, Professor, Department of Economics, Centre of South East Asian Studies, University of London ▪ Rae Kwon Chung, Director, Environment and Development Division, United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) ▪ Daisuke Hiratsuka, Executive Vice-President, Institute of Development Economics, Japan External Trade Organization ▪ Rajiv Kumar, Secretary General, Federation of Indian Chamber of Commerce and Industry ▪ Aiguo Lu, Senior Research Fellow, Chinese Academy of Social Sciences ▪ Khemmani Pholsena, Vice-Minister, Ministry of Industry and Commerce, Lao People’s Democratic Republic ▪ Ramesh Subramaniam, Senior Director, Office of Regional Economic Integration, Asian Development Bank
11:00-11:15	Coffee Break

11:15-13:00	<p>Session 2</p> <p>Moderator: Paul Hohnen, Sustainability Strategies</p> <p>Discussions: “Conditions for sustainable and inclusive growth”</p> <p>Panel:</p> <ul style="list-style-type: none"> ▪ Sandra D’Amico, Vice-President, Cambodian Federation of Employers and Business Associations ▪ Joao Carlos Ferraz, Vice-President, National Economic and Social Development Bank, Brazil ▪ Lalith Goonatilake, Director, Trade Capacity-building Branch, UNIDO ▪ Wolfgang Lutz, Leader of the World Population Program, IIASA, and Founding Director, Wittgenstein Centre for Demography and Global Human Capital ▪ Ramesh Subramaniam, Senior Director, Office of Regional Economic Integration, Asian Development Bank ▪ Norio Yamamoto, Executive Vice-President, Global Infrastructure Fund Research Foundation, Japan ▪ James Zhan, Director, Investment and Enterprise Division, United Nations Conference on Trade and Development (UNCTAD)
13:00-14:30	<p>Lunch at the Austria Center: hosted by UNIDO Member States of the Asia-Pacific Group Lunch for the panellists at Mozart Room, VIC restaurant (upon invitation only)</p>
15:00-16:45	<p>Session 3</p> <p>Moderator: Kandeh K. Yumkella, Director-General, UNIDO</p> <p>Summary of Sessions 1 and 2: Paul Hohnen, Sustainability Strategies</p> <p>Discussions: “Actions for promoting sustainable and inclusive growth”</p> <p>Panel:</p> <ul style="list-style-type: none"> ▪ Karl Hartleb, Deputy Director General, Austrian Federal Economic Chamber ▪ Jeung-Soo Huh, President, Korea Energy Management Corporation ▪ Misako Kaji, Professor, University of Tokyo ▪ Bindu N. Lohani, Vice-President for Knowledge Management and Sustainable Development, Asian Development Bank ▪ Erastus Mwencha, Deputy Chairperson, African Union Commission ▪ Taizo Nishikawa, Deputy to the Director-General, UNIDO
16:45-17:00	<p>Wrap up session</p> <p>Closing remarks: Kandeh K. Yumkella, Director-General, UNIDO</p>

Annex 2. Co-hosts and Panellists

Co-hosts

Asian Development Bank
 The Asian Group of Permanent Missions in Vienna
 The Austrian Research Foundation for International Development
 The Austrian Federal Economic Chamber

Panellists

Paul Hohnen	Moderator, the Netherlands
Aiguo Lu	Senior Research Fellow, Institute of World Economics and Politics, Chinese Academy of Social Sciences
Anne Booth	Centre of South East Asian Studies, University of London
Daisuke Hiratsuka	Executive Vice President, Institute of Development Economies, Japan
Khemmani Pholsena	Vice Minister of Ministry of Industry and Commerce, Lao People's Democratic Republic
Rae Kwon Chung	Director, Environment and Development Division, ESCAP
Rajiv Kumar	Secretary General, Federation of Indian Chamber of Commerce and Industry
Ramesh Subramaniam	Senior Director, Office of Regional Economic Integration, AsDB
Lalith Goonatilake	Director of trade and CapacityBuilding, UNIDO
James Xiaoning Zhan	Director, Investment and Enterprise Division, UNCTAD
João Carlos Ferraz	Vice-president of Brazilian Development Bank (BNDES)
Karl Hartleb	Deputy Director General, the Austrian Chamber of Commerce
Norio Yamamoto	Executive Vice President, Global Infrastructure Fund Research Foundation, Japan
Sandra D'Amico	Vice President of the Cambodian Federation of Employers and Business Association (CAMFEBA)
Wolfgang Lutz	IIASA World Population Programme and Director of the Wittgenstein Centre
Bindu Lohani	Vice President, AsDB
Erastus Mwencha	Deputy Chairperson, African Union Commission
Jeung-Soo Huh	President of Korea Energy Management Corporation(KEMCO)
Misako Kaji	Professor, The University of Tokyo, Japan
Taizo Nishikawa	Deputy to the Director General, UNIDO

Annex 3. ADB presentation: “Asia 2050: Realizing the Asian Century?”

Asia 2050

Realizing the Asian Century

Bindu N. Lohani
Vice President for Knowledge Management and Sustainable Development
Asian Development Bank



The views expressed in this presentation are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank, or its Board of Governors or the governments they represent.

OUTLINE

S1: Asia and its Economic History

S2: The Asian Century

S3: Realizing the Asian Century

S4: Opportunity Cost

S5: Key Messages



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WHY ASIA 2050 & SOME CAVEATS

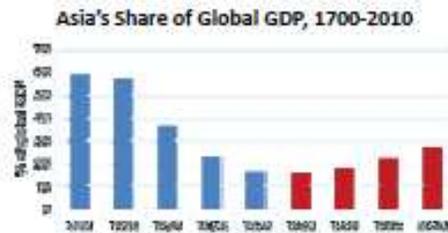
- Inject sobriety, balance into the euphoria surrounding Asian growth
- Key message – Asia's rise is plausible but not pre-ordained
- Japan joined the OECD about 40 years ago: what about 40 years ahead?
- "Asia": East Asia, South Asia and Central Asia – highly diverse region with 58% of world population, 20% of land
- Forecasting growth 40 years into the future with any degree of accuracy, for as many or more countries, is a formidable, if not insurmountable, task
- Therefore, focus of study is on issues rather than countries or associated numbers

S1: WHAT IS ASIA?

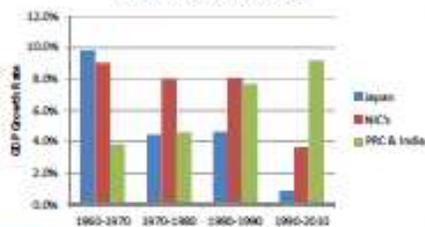
- "Asia": East Asia, South Asia, and Central Asia
- 58% of world population, 30% of land
- Diverse:
 - history
 - cultures
 - Religions
 - languages
- 49 economies, varying levels of development
- Common traits: premium on education and strong work ethic

S1: RE-EMERGENCE OF ASIA

- Asia accounted for about 60% of world economy before Industrial Revolution
- In the following two centuries, Asia's share declined to 15%
- Asia's share today is 28%



Asian Growth Rates

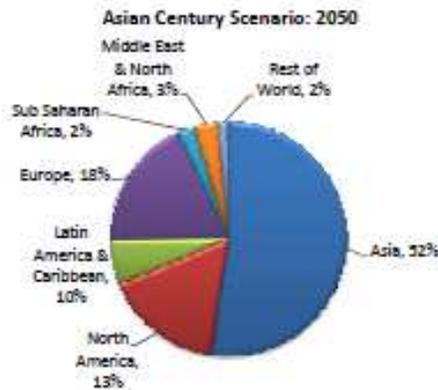


- Asia began to re-emerge after 1950, spurred first by Japan, then NICs
- Starting in 1980s, first PRC then India, Indonesia and Viet Nam, gave further boost

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S2: THE ASIAN CENTURY



GDP at market exchange rate (trillion)	
World	333
Asia	174
United States	38
GDP per capita at constant PPP	
World	37,300
Asia	40,800
United States	94,900

Asian century driven by Asia 7: India, Indonesia, Japan, Malaysia, PRC, Republic of Korea, and Thailand projected to account for 90% of Asia's growth between 2010 and 2050.

ADB

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S2: DRIVERS OF TRANSFORMATION

Technological Changes

Rapid technological change presents both challenges as well as opportunities

Demographics & Labor Force

Asia will still account for over half of the world's force; aging trends differ greatly by sub-region

Capital Deepening

Asia's share of global capital stock accumulation will grow from 45% to almost 75% by 2050

Emerging Asian Middle Class

Affluent Asia will have majority of the world's middle class

Communication Revolution

Powerful impact of communication revolution on society and governance: Are Tunisia and Egypt just starters?

ADB

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S2: ASIA FACES 5 MEGA CHALLENGES

Addressing Inequities and Disparities

- Inequities within countries (e.g. across geographical regions, rural vs. urban) major risks to social stability
- Disparities across countries increase risks: migration; tensions and even conflict
- Regional cooperation necessary to mitigate such risks

Avoiding the Middle Income Trap

- Inclusive growth and creation of large middle class
- Sound and efficient financial systems
- Well functioning, slum free, safe livable cities
- Technologically capable, skilled labor force
- Specialization to gain competitiveness
- Decentralized, nimble governments with effective institutions: transparency and accountability
- Corruption under check

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S2: ASIA FACES 5 MEGA CHALLENGES

Global Competition for Finite Resources

- Increasing affluence could lead to unsustainable pressure on finite natural resources
- Growth patterns and lifestyle must change dramatically

Disparities across Countries and Subregions

- Gap between region's advanced and least-developed economies larger than in any other region – region must find ways to spread prosperity
- Disparities left unaddressed will create significant risks

Global Warming and Climate Change

- Climate change, and resulting severe water shortages – mega challenge
- New growth model and much more eco-friendly and sustainable lifestyles

S3: REALIZING THE ASIAN CENTURY

STRATEGIC FRAMEWORK FOR ACTION PROGRAM



S3: NATIONAL AGENDA :GROWTH WITH INCLUSION AND EQUITY

- First and foremost, almost all Asian countries must give much higher priority to inclusion and elimination of inequities as part of growth agenda. This will require increased focus on:
 - Quality education and learning,
 - Universal access to quality infrastructure services
 - Inclusive finance
 - Government redistribution policies and safety nets

S3: NATIONAL AGENDA : FINANCIAL TRANSFORMATION

Financial deepening reaching advanced country standards means Asia would have the largest stock market, banking and debt markets.

Financial sector deepening urgent

National financial markets may be large quantitatively, but remain shallow qualitatively

Major crises possible

Without major reforms, financial crises can recur

Huge agenda

Banking, capital markets, infrastructure financing, and inclusive finance

S3: NATIONAL AGENDA: URBANIZATION

- Asia's urban population will double to 3 billion
- Asia's cities expected to account for more than 80 % of GDP
- Key to Asia's competitiveness
- Centers of learning, innovation and cultural heritage
- Urban development must be balanced with rural development

Asian Urbanization	2010	2050
Total Urban Population (millions)	1,587	2,982
Northeast Asia	764	1,092
South Asia	480	1,221
Southeast Asia	249	498
Central Asia	94	171
Urbanization (%)	40	63
Northeast Asia	48	73
South Asia	30	55
Southeast Asia	42	68
Central Asia	51	68

S3: NATIONAL AGENDA: URBANIZATION

Inequality and growth of slums

Combination of rapidly growing cities, increasing disparities in living conditions, expanding slum populations

Urban infrastructure

Increasing demand for more space and efficient transportation

Energy security

Growing energy consumption and carbon emissions in cities

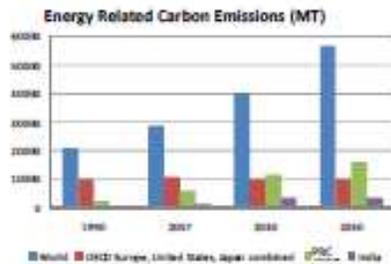
Environmental risks

Cities face unpredictable risks from natural disasters and effects of climate change

A new vision and strategy for urbanization
More compact, energy efficient, safer, and livable cities.

S3: NATIONAL AGENDA: RESOURCE EFFICIENCY AND DIVERSIFICATION

- Asia to account for over 40% of global energy consumption by 2050
- Rapid growth leading to intensified global competition for resources, sharply rising dependency on imports, and unsustainable increase in emissions



Energy Efficiency and Diversification

Year	2017	2050	2050 Scenario
Total Energy (MTOE)	4,242	11,480	9,947
Energy Mix (%):			
Coal	46	30	35-39
Oil	20	20	12
Gas	11	11	10
Nuclear and renewable energy	24	39	39-43

The region must pursue radical improvements in resource use.

S3: NATIONAL AGENDA: RESOURCE EFFICIENCY AND DIVERSIFICATION

- Early and aggressive action on climate change is in Asia's self-interest
 - Annual economic losses for developing Asian economies at 1.2% of GDP under business as usual scenario
 - Losses to drop significantly if developing countries in the region commit to keeping emissions in 2050 at 2005 levels, assuming that developed countries also do their part
- Priorities
 - Diversifying energy sources
 - Combination of price adjustments, technological breakthroughs, and changes in consumption patterns

S3: NATIONAL AGENDA: INNOVATION AND TECHNOLOGICAL DEVELOPMENT

- Innovation vital for continued improvements in productivity
- Converging economies, particularly PRC and India, must transition from “catch-up” to “frontier” entrepreneurship and put in place a supportive “ecosystem”:
 - Education, including emphasis on creativity
 - Research and development
 - Rule of law and intellectual property rights
 - Multi-tiered financing structure including venture capital
 - Well-regulated bankruptcy/exit mechanisms
 - Policy framework away from government controls to individual initiative
 - Clusters of innovation

Government vision/actions are critical for avoiding the middle income trap

S3: NATIONAL AGENDA: INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

Governance Indicators in Asia



Note: Scores weighted by GDP
Source: 2009 Worldwide Governance Indicators, World Bank

Governance in Asia vs. the Rest of the World



- Economic progress but overall governance performance (based on average score of governance indicators) generally remains the same
- Asia does not fare well when compared to the rest of the world

Asia needs to take action to improve governance if it hopes to sustain its growth momentum in the long-run.

S3: NATIONAL AGENDA: INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

Drivers for change in governance and institutions are primarily domestic

Drivers

Implications for Governance and Institutions

Demographics

- “Aging” economies: Meet needs of growing populations of elderly – address fiscal affordability issues
- “Young” economies: Deliver economic growth, raise living standards, create jobs

Urbanization

- Competent city management to deliver quality services
- More transparent and accountable governance
- Effective decentralization

Expanding Middle Class

- Increased voice and participation of citizenry
- Reduced corruption

Governance in Asia will come with “Asian characteristics”

S3: NATIONAL AGENDA: FROM GROWTH TO QUALITY OF LIFE

- As more and more Asian economies become high income, they will need to move:

from...

...to

focus on high economic growth



promote broader well-being and quality of life

- Just as inclusion will be important to maintain social cohesion in low and middle income countries, focus on quality of life will be important for the affluent countries

S3: REGIONAL COOPERATION

- Important bridge: interactions within Asia and rest of the world
- Significant synergies and positive spillovers
- Management of regional commons for long-term stability and prosperity

Approach: flexible, pragmatic—open regionalism

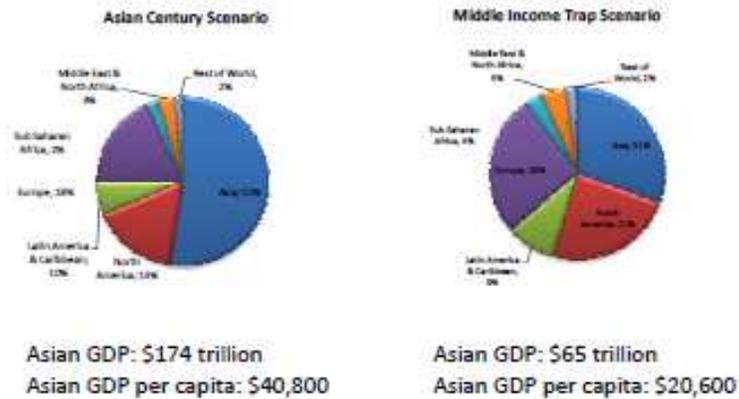
Collaboration rather than rivalry among the major economies

S3: GLOBAL AGENDA

Asia's larger footprint in the global economy brings new challenges, responsibilities and obligations

- Take greater ownership of preserving the global commons
- Delicately manage rising role as major player in global governance
- Act and be seen as a responsible and collaborative global citizen

S4: OPPORTUNITY COST OF FAILURE



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S4: NON-TANGIBLE PREREQUISITES

Four non-tangibles will determine Asia's long-term destiny:

- Leadership and ability to have a sharp focus on the long-term—vision, strategy, policies, and institution-building.
- Adopt and pursue pragmatic policies and emphasize quality of results
- Effective regional cooperation and integration to:
 - sustain economic growth over the longer term;
 - reduce cross-country disparities
 - play a more influential role on the global scene
- Modernize governance and retool institutions to meet rising social expectations.

S6: CONCLUSION AND KEY MESSAGES

- Is the “Asian Century” scenario still attainable, despite the Global Economic Crisis?
 - While Asia has largely been resilient, growth has slowed down (e.g. India; PRC)
 - Rebalancing may lead to greater consumption, which plausibly may affect investments
- We believe it is still an appropriate goal post. But.....

S5: CONCLUSION AND KEY MESSAGES

- Asia’s rise is plausible but not pre-ordained.
 - While the region could account for more than 50% of global output in 2050, as well as half of global trade and investment, this scenario is not guaranteed.
- There are a number of formidable, interconnected challenges that policymakers must address.
 - Increasing inequalities; intense competition for finite resources; reform of financial markets; need for dynamic models of entrepreneurship, innovation, and technological development; global warming and climate change; massive urbanization; weak governance and institutions
 - Regional and global agenda must also be pursued.
- The Asian Century cannot be realized by simply doing more of the same.
 - Asian economies have to pursue a different pattern of growth and adapt to the shifting global economic and technological environment by constantly recreating their comparative advantages.

S5: CONCLUSION AND KEY MESSAGES

- In summary, Asia needs to pay serious attention to:
 1. **Making growth inclusive**
 - By reducing inequalities, particularly addressing polarization
 - By addressing the failures that impede good governance and affect the investment climate
 2. **Making growth green**
 - By, among others, addressing the backlog relative to clean production (we need to capitalize on UNIDO 's good work on this front)
 3. **Making growth knowledge-led**
 - Sustaining global growth needs continuous learning
 4. **Making growth robust**
 - Including by promoting intra-regional cooperation, and greater South-South cooperation
 5. **Financing the growth needs in an efficient manner**
 - Asia is home to huge savings; but it also faces a paradox of those savings going elsewhere
 - Global rebalancing provides an opportunity to invest the resources efficiently

