Volume II: Perspectives on Sustainable Development focuses on the future of Asia and Europe in light of trends in sustainable development and growth. The publication draws its inspiration from a key theme included in the Chair’s Statement of the 9th ASEM Summit in 2012 as well as the key theme of the 10th ASEM Summit in October 2014: “Responsible Partnership for Sustainable Growth and Security”.

The purpose of Volume II is to provide the reader with an overview of the debate on post-2015 sustainable development in ASEM Countries, as well as to offer in-depth insights into selected priority areas including poverty and inequality, health, education, quality of growth and employment. This volume concludes with a discussion of governance and financing structures, identifying challenges and offering solutions. Volume II aims to serve as a tool for policy makers and civil society organisations to better understand the trends and forces influencing Asia-Europe relations at present.

Finally, by presenting in-depth qualitative analysis, this volume complements the quantitative data provided in Volume I: Facts at a Glance.
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Preface

In 2012, the Asia-Europe Foundation (ASEF) published a first Outlook Report that presented an analysis of Asia-Europe relations and its implications on the Asia-Europe Meeting (ASEM) process. The two-volume publication included both quantitative indicators on the status quo and a scenario exercise, offering separate but complementary sets of insights into the status and future possibilities for Asia-Europe relations.

The publication, entitled ASEM Outlook Report 2012 — Foresight is 20/20: Scenario Building for Policy Analysis and Strategy Development, was designed to feed into the biennial ASEM Summit, which saw Heads of State and Government meet from 5–6 November 2012 in Vientiane, Lao PDR.

The Asia-Europe Foundation (ASEF) is the only permanently established institution of ASEM. Founded in 1997, ASEF is entrusted with the mission to promote understanding, strengthen relationships and facilitate cooperation among the people, institutions and organisations of Asia and Europe. ASEF continues to play the pivotal role of providing platforms where civil societies can develop and share recommendations with the ASEM governments for their consideration. It enhances dialogue, enables exchanges and encourages collaboration across the thematic areas of culture, economy, education, governance, public health and sustainable development. These thematic areas are derived from priorities set by the ASEM leaders, Heads of States and Governments and Ministers.

In order to strengthen the ties between the ASEM process and the work of ASEF, ASEF has decided to publish Outlook Reports biennially in conjunction with each ASEM Summit. Published shortly before the ASEM Summit in October 2014, this report seeks to build on key developments that have taken place since 2012 and offers an analysis of major trends in Asia-Europe relations.

By offering an analysis of emerging global and regional challenges associated with sustainable growth and development, the publication is targeted at governments and other actors and institutions who contribute to the development of Asia-Europe relations. The report also seeks to contribute to a better understanding among Asian and European countries on how to reshape growth in a way that meets the economic, environmental and social responsibilities required by sustainable development.
Similar to the *Outlook Report 2012*, the 2014 publication is divided into two distinct volumes. *Volume I* presents a set of statistics on all ASEM Countries based on ASEF’s core thematic areas. They include information related to demography, the economy, social development, education, culture, health, energy and carbon emissions. *Volume II* provides a series of perspectives on the prospects for sustainable growth and development across ASEM Countries for a number of selected topics.

While both *Volume I* and *Volume II* function as stand-alone publications, they have been designed to complement one another. The narrative chapters of *Volume II* reference and build on some of the most interesting information revealed in the compilation of statistical data on ASEM Countries presented in *Volume I*. While the selection of statistical data is based on a desire to cover the most relevant statistics and trends in and between the two regions, specific data sets were added at the request of chapter authors of *Volume II*. It is envisioned that the inclusion of these supporting statistics allows *Volume I* to act not only as a reference source but also as a means of complementing the narrative chapters in *Volume II*. For example, while the chapter on health focuses on the accessibility of healthcare with a particular focus on migrants, the statistics in *Volume I* give an insight into the health (care) status of the whole population with government health expenditure, immunisation coverage, mortality rates, etc.

This publication represents ASEF’s lead contribution to the 10th ASEM Summit that takes place from 16-17 October 2014 in Milan, Italy. The key issues that are addressed in the *Outlook Report* are closely aligned with the theme of the Summit, *Responsible Partnership for Sustainable Growth and Security*, and it can be expected that the publication will complement the debate and discussions that will take place during the Summit. In addition, the inclusive nature of the topic of sustainable development makes it the ideal prism through which to project the key thematic areas of culture, economy, education, governance, public health and sustainable development that are the key focus of ASEF’s work.

It is hoped that the presentation of the these two volumes will provide interesting and important analyses of trends and developments in Asia-Europe relations that we might expect to witness over the forthcoming years while also allowing the reader to gain insights into ASEF’s work across its key themes.

**Preface to Volume II**

*Volume II: Perspectives on Sustainable Development* takes as its focus the future of Asia and Europe in light of existing and emerging trends in sustainable development and growth. The publication draws its inspiration from a key theme included in the Chair’s Statement of the 9th ASEM Summit in 2012:

“Leaders [are] resolved to give new momentum to the cooperation between Asia and Europe with a view to promoting strong, sustainable, balanced and inclusive growth, focusing on employment, including youth employment, restoring market confidence, strengthening the resilience and the transparency of the financial system, reforming the financial sector, contributing to the reform of the international financial institutions and spurring economic growth in ASEM partners, [as well as] securing environment conducive for investment.”
While addressing key concerns expressed by ASEM leaders at the 2012 Summit, the choice of theme for Volume II was also strongly influenced by ASEF’s strong commitment to make a positive and meaningful contribution to the global debate about the post-2015 development agenda and to the creation of a set of Sustainable Development Goals (SDGs).

Indeed, the methodology and inspiration for this publication is closely tied to the recent work of the Asia-Europe Environment Forum (ENVforum), of which ASEF functions as the secretariat. The ENVforum’s ongoing research project Sustainable Development Goals and Indicators for a Small Planet focusses on many of the key economic, environmental and social challenges and opportunities presented by the transition to the new era of sustainable development. The project uses ASEF’s strength of bringing together diverse actors such as policy makers, public authorities and various components of civil society from ASEM Countries to achieve well balanced results.

This contribution to the debate on sustainable development is complemented by two chapters called Cross-perceptions, with an Asian view on recent developments in Europe, and a European view on recent developments in Asia.

The purpose of Volume II is to provide the reader with an overview of the debate on post-2015 sustainable development in ASEM Countries, as well as to offer in-depth insights into selected priority areas such as poverty and inequality, health, education, quality of growth and employment. The book concludes by identifying needs for change in governance and financing structures. It is hoped that the reader will gain fresh ideas from these analyses across Asia and Europe on how to benefit from mutual learning across the two regions.

Ambassador ZHANG Yan
Executive Director
Asia-Europe Foundation (ASEF)

Every day we should hear at least one little song, read one good poem, see one exquisite picture, and, if possible, speak a few sensible words.

Johann Wolfgang VON GOETHE, 1749–1832
Executive Summary

This Volume II of ASEF Outlook Report 2014/2015, entitled Perspectives on Sustainable Development, begins with two wider perspectives on recent developments in Asia and Europe, including cross-perceptions on economic, (geo-)political and socio-cultural dimensions. The two essays build upon the ASEF research project The EU Through the Eyes of Asia (2009) and Asia in the Eyes of Europe (2012).

Kishore MAHBUBANI highlights in his Asian View on Recent Developments in Europe that while Asians admire Europe, there is a feeling that Europeans should consider learning some lessons from the Asian experience. Given the exhaustion and disillusionment of the European people over the great EU project to drive towards ever-closer integration, the EU may want to take a leaf from the ASEAN economic integration project and move forward in a more pragmatic fashion. The author puts ASEAN’s success in engaging all the great powers of the region in sharp contrast to Europe’s massive geopolitical challenge in Ukraine. Mahbubani assumes a perception among the Asian elites that the EU’s strong economic power stands in sharp contrast to its limited geopolitical role. On the cultural front, he recommends taking ASEAN as a role model for facilitating cooperation between societies belonging to different civilisations.

Jean-François DI MEGLIO’s European View on Recent Developments in Asia between 2012 and 2014 puts the focus on a new era of enhanced competition, both on the economic and the diplomatic front. The author identifies a recognition in Europe that Asia is not only diverging from the Western patterns, but is also going through a divergence pattern itself, split by centrifugal forces possibly leading to soft or hard confrontations in the future. He expects Asia and the Pacific to become the focal point of global balances (and imbalances), while none of the factors he lists are thought to jeopardise the future supremacy of the region. He recommends that Europe should be less inclined to think that there are only solutions to be found in the East.

After this broader perspective, the following chapters concentrate on sustainable development, the key theme of this volume. Chapter 3, Setting Sustainable Development Priorities, lays the foundation of the publication through its discussions of the ongoing global process of establishing Sustainable Development Goals. Based on a research project by the Asia-Europe Environment Forum and its publication Sustainable Development Goals and Indicators for a Small Planet, it offers a methodology for integrating international and national goals and proposes a set of priority themes, goals and sub-goals as a framework for the following chapters. The priority themes selected for inclusion in this Outlook Report are Poverty and Inequality (Chapter 5), Education and Learning (Chapter 6), Quality of Growth and Employment (Chapter 7, 8, 9), Health and Population (Chapter 10), Energy and Climate Change (Chapter 11) as well as Adaptive Governance and Means of Implementation (Chapter 12 and 13). Where applicable, the priority theme and its relevant goals and sub-goals are highlighted in a textbox at the beginning of each chapter.

ASEM leaders pointed out at the most recent ASEM Summit that growth has to be “long-term, strong, sustainable, economic, differentiated, dynamic and inclusive”. Before looking into detail what sustainable growth could or should look like in specific areas (Chapters 5–13), Yvonne GUO and Thierry SCHWARZ pursue the question Can Growth be Sustainable?, in Chapter 4. Retracing
the classical debate about limits to growth, they first explain classical economic views on growth and complement them with ecological perspectives and finally contrast both with technological considerations. They conclude that there are no limits to growth, but sustainable growth depends on successfully balancing technological and other innovations with the pace of growth, while for the authors, the main aim of growth is to fulfil the responsibility towards the billions of people still in absolute poverty. This chapter — as most in Volume II — ends with a poem, to offer a different perspective on the topic.

In Chapter 5, Huong LE THU and Thierry SCHWARZ analyse trends in poverty and inequality, before exploring successful policies to fight them under the title Fighting Poverty and Inequality in Asia and Europe: What Works? Despite the great achievements of many countries in combating poverty over the last two decades, due largely to the sustained growth experienced in Asia, there is still a long way to go. There are 800 million people, and growing, living in absolute poverty in Asia and an increasing 80 million people living below the poverty threshold in the European Union. Inequality has been exacerbated as a global trend, and the article analyses specific developments in Asia and Europe. Le Thu and Schwarz proceed to explain the Asia-Europe debate about inequality of outcome versus inequality of opportunity. Focussing on both aspects of inequality, they examine which measures work (upgrading the education system with a greater emphasis on technical subjects and vocational training; properly designed redistributive taxes, social and cash transfers; targeted public spending on health, education and housing), and which do not (brutal fiscal consolidation policies). The authors argue that reducing inequality is necessary for sustained growth, and that the positive linkage between poverty and inequality reduction on the one hand and sustainable growth on the other has still to be recognised in ASEM-related meetings.

Education has a dual role to play in sustainable development. On the one hand, it is one of the focus areas of sustainable development with access to education and gender equality in education part of the Millennium Development Goals; on the other hand, education can contribute to achieving other sustainable development goals such as poverty reduction, public health, and youth employment. Education may also cultivate behaviour indispensable for sustainable development. Chapter 6 reviews the evolution of Education for Sustainable Development (ESD) as an UN-initiated process and the achievements of ASEM Countries along this journey under the title: Overview and Outlook for ASEM Members. Analysing key statistics of education development, Natalie HONG observes that most of the ASEM Countries have, so far, been rather successful in achieving basic UN goals. The author also presents selected examples of good practice in ESD in ASEM Countries and introduces ASEF’s role in advancing ESD across Asia and Europe. The chapter concludes with suggestions for the further promotion of ESD in the ASEM context. These include: deeper integration into the global process of ESD, adapting ESD to local conditions and needs, encouraging inter-disciplinarity, reinforcing multi-stakeholder and cross-sector approach, creating incentives for ESD teaching and learning, supplying updated statistics on the core education indicators, and strengthening Asia-Europe dialogue and cooperation on ESD.

Given the importance of sustainable growth for ASEM, the following three chapters investigate different aspects of quality of growth and employment. Tihomir ANDONOV and Dimiter GANTCHEV present new findings about Creative Industries and Their Contribution to Sustainable
Executive Summary

**Development and Economic Growth.** Giving insight into research by the World Intellectual Property Organization (WIPO), they elaborate on the role of intellectual property (copyright) for the creative industries and show how these industries contribute to the Gross Domestic Product (GDP) and the labour market of 18 selected Asian and European Countries. The analysis reveals large differences both between, and within, the two regions. The core copyright industry’s contribution to GDP is stronger in Europe than in Asia. The spread in terms of the contribution of core copyright industries to the labour market is very pronounced in Asia, ranging from less than 1 to almost 9 per cent, whereas the range is between 2.5 and 6 per cent in the selected European countries. A case study from China reveals the dynamics and shows how protection of copyright fosters foreign direct investment. The authors conclude that the creative industries can contribute to social welfare objectives of societies — by creating wealth and jobs, promoting social and cultural inclusivity and pushing forward sustainable development — when countries adopt and promote a robust intellectual property infrastructure.

After having presented one particular industry with potential for sustainable growth, the next chapter on the quality of growth puts the spotlight on a specific tool, namely the contribution of sustainability reporting to making businesses better accountable for the consequences of their operations under the title *How to Make Businesses Accountable? The Contribution of Sustainability Reporting.* Teresa FOGELBERG stresses that there is no accountability without transparency — thus sustainability reporting has become a key accountability tool for many companies and their stakeholders. To enable all companies and organisations to report their economic, environmental, social and governance performance, the world’s leading Global Reporting Initiative produces free Sustainability Reporting Guidelines. Key elements are good governance and respect of human rights. The chapter provides up-to-date figures on how the practice of Sustainability Reporting has grown exponentially across the world. Government policy and regulation has also gone through a steep increase. The trends in Sustainability Reporting, supported by Sustainable Development Goals as drivers of corporate accountability, point in the direction of more transparency, an increasing focus on human rights reporting, the development of local to global regulation, integration into financial reporting and the harmonisation of sustainability frameworks.

The last of the three chapters on the quality of growth and employment draws attention to a special group of the labour market, contributing to growth, under the title *Sustainable Migration: How to Optimise the Benefits of Migration for ASEM Members?* Ratna MATHAI-LUKE highlights the link between migration and development. In addition to the direct contributions made to the economy of their host country, migrant remittances and knowledge transfer contribute to improving the welfare of their families and communities in their home countries. This chapter suggests that for migration to be a development enabler, opportunities do not only need to be enhanced, but that these need to be of sufficient quality. The author stresses the importance of the protection of migrants’ rights. Based on the research outcome of a recent ASEF project *A Triple Win in Migration*, good practices that may be relevant for other ASEM Countries are identified, including for host countries, e.g. ensuring equal treatment, involving local communities and enterprises; for sending countries, e.g. responsiveness of training policies to skills demands in the international labour market and the call for a bilateral, if not a multilateral, cooperation between origin and destination states.
Chapter 10 also focuses on migrants, but under a different angle and priority theme, health for this vulnerable group. Hanae HANZAWA asks: Healthcare for Migrants: Does it Pay Off? Based on the assumption that sustainable economic growth is dependent on the sustained health of workers, the author first provides data about recent developments of critical diseases and access to treatment in Asia and Europe in general. Then she uses the special situation of migrants as an example how universal access to healthcare — an established human right, the implementation of which needed support from Millennium Development Goals and is still an issue on the post-2015 agenda — has multiple positive effects for the beneficiary, the taxpayer, and the economy. The author concludes with key messages to governments, private sector and civil society.

The next chapter turns to a different global challenge: climate change. Shaun GAVIGAN investigates the Climate Change Negotiations in Advance of COP21 and asks if there is Reason for Optimism? After outlining the up-to-date scientific evidence, summarising lessons from the 2014 Intergovernmental Panel on Climate Change reports, he traces the roles of ASEM Members in the search for a global climate change agreement within the United Nations Framework Convention on Climate Change. China serves as an illustration of why there is reason for optimism that an agreement can be reached in 2015 at the COP21 in Paris, despite the unsuitable negotiation structure which groups countries depending on their national interests, the unsolved conflict about the responsibility for CO₂ emissions and the issue of motivation of policymakers given the inter-national and inter-generational nature of the challenges. The author recommends: shifting the scientific focus to economic costs; developing new indicator sets that include environmental damages; strongly associating climate change action to the implementation of Sustainable Development Goals that will guide the post-2015 development agenda; complementing the top-down process by a realistic, trust-building model of small steps in order to achieve tangible outcomes and to experiment with more innovative ideas and concepts; and finally, establishing a reconciliation process between big climate polluters and their victims to solve the deadlock around the contested principle of Common But Differentiated Responsibilities.

The two final chapters discuss indispensable means of implementation for Sustainable Development: the right governance structures and financial resources. Ingeborg NIESTROY begins her chapter on Governance for Sustainable Development: How to Support the Implementation of SDGs? with an overview of the main developments of governance thinking and insights from governance research. The five key characteristics for successful governance are the integration of multiple sectors (economic, social and environmental policies), multiple levels (local, subnational, national and supranational) and multiple actors (decision-makers and stakeholders from politics, business and civil society), while at the same time incorporating knowledge and experience from various areas in society, as well as long- and short-term thinking. This typically requires a strategic approach or the design of overarching strategies. Referring to studies undertaken by the Asia-Europe Environment Forum which looked into (selected) ASEM Countries, taking a “bottom-up” empirical and comparative approach, the author offers practical examples with the five identified key principles from Asia and Europe. The chapter finally takes the viewpoint of ASEM Countries, which will soon need to implement the global SDGs at national and sub-national level. Niestroy offers recommendations for the next steps for an effective SD Strategy development and implementation of SDGs, adapted to national and sub-national needs.
In the last chapter, *How to Pay for Sustainable Development?*, Saskia JUNG and Thierry SCHWARZ investigate what financial resources are needed for the implementation of the sustainable development goals, and where the financial means might come from. The analysis for Asia and for Europe shows that resources exist, but the current financing structures are far from recognising the increased potential of Asian sources. In order to avoid SDGs “join[ing] the well-furbished museum of the never implemented international commitments”, the authors propose to mobilise a mix of public and private resources with domestic resources being the main contributor in respect of these developments. In addition, they suggest prioritising their use with the help of economic assessment of the highest returns on investment. The paper concludes with a discussion of the policy framework necessary to ensure that the expected returns are met not only in an economic, but also in a social and political sense. Jung and Schwarz argue in favour of an organic approach for the funding for sustainable development that would make the implementation of SDGs more profitable, cheaper and more politically appealing.
Asians admire Europe. They especially admire the 500\(^1\) million citizens of the European Union (EU). Of the seven billion people who inhabit Planet Earth, EU citizens enjoy among the highest standards of living, relatively low poverty, a remarkable degree of peace, and also the many benefits that good multilateral cooperation brings, like visa-free travel in the Schengen area. Europe also provides many stunning tourist destinations. This is why the number of Asian tourists travelling to Europe doubled from 55 million in 1990 to 110 million in 2000, and almost doubled again to 204 million in 2010.\(^2\)

At the same time, Asians recognise that the Europeans have gone through a difficult patch in recent years. It is hard to believe that the Euro almost crashed and disappeared as a common currency in June 2011. In the years of 2010 to 2012, when global markets wondered whether Greece would crash and leave the EU and subsequently whether the PIIGS (Portugal, Ireland, Italy, Greece and Spain) would stay on in the EU, there was an enormous cloud of doom and gloom hanging over Europe. The whole world, including all Asian countries, breathed a huge sigh of relief when the markets settled down and the Eurozone crisis came to an end around mid-2012.

Against the backdrop of the cloud of doom and gloom that hung over Europe from 2008-2011, the years of 2012-2014 appeared to be relatively calm for Europe. The Euro stood firm as a currency. The interest rates on Italian, Spanish and Greek bonds climbed down significantly. Greece’s ten-year government bond yield was at a high of 36.55% in early March 2012 but has since fallen to 5.58% in June 2014. Life seemed to be returning to normal even though unemployment rates, especially youth unemployment rates, remained high in some EU members like Greece and Spain. Despite this air of normalcy, it was also clear that the EU continued to face serious challenges.

The first serious challenge to the great EU project has come from the people of Europe. For decades the leaders of Europe had pressed for ever-closer integration in the belief that this would both enhance the well-being of its citizens and make the EU more competitive in a rapidly

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globalizing world. This was the driving motivation behind the creation of a single currency, the Euro and the ambitious Lisbon Agenda drawn up on March 2000 by the EU heads of states and governments who unanimously agreed to make the EU “the most competitive and dynamic knowledge-driven economy by 2010.”

The elections to the European Parliament of May 2014 revealed clearly a major popular disillusionment with the great EU project. Even though Matteo Renzi and Angela Merkel won comfortably in Italy and Germany, the surge in support for the far-right parties in the UK and France was a major wake-up call. Many of the established European elites were shaken by the results. President Francois Hollande said boldly, in a televised address, that “Europe has become unreadable, distant and frankly incomprehensible even for governments.” He added, “This cannot go on. Europe must be simple, clear - to be effective where it is expected and withdraw where it isn’t necessary.” Tony Blair echoed the same sentiment when he said that these election results “point to a deep anxiety, distrust, and alienation from Europe’s institutions and core philosophy.” He added, very tellingly, “So now the EU must think carefully about where it goes from here, how it reconnects with its citizens’ concerns, and how it can better realise its ideals in a changing world.”

However, reducing the anxiety of the EU population will not be easy. Clearly most of the population wants to see a continuation of the ‘cradle to grave’ security they have enjoyed for several decades. Yet the heavy social expenditures of the EU countries have also made several EU economies uncompetitive. The German Chancellor Angela Merkel expressed this problem well when she said that Europe had 7% of the world’s population, 25% of its GDP and 50% of its social welfare spending. She implied clearly that this heavy burden of social spending was financially unsustainable.

In response, many EU governments began to gradually cut down spending and increase revenues reforming their social welfare programmes to make them more cost effective and sustainable. For example, in July 2012, the Prime Minister of Spain, Mariano Rajoy, announced that sales tax would rise from 18% to 21%, and local authorities would have their budgets slashed. His aim was to save 65 billion euros as part of a deal with Eurozone leaders to help rescue Spain’s banks. In April 2013, the Prime Minister of Portugal, Pedro Passos Coelho, announced that the country’s health and education budgets would be slashed in an effort to avoid a second bailout. However, the electoral backlash in May 2014 will make it difficult for governments to push for greater financial discipline. All this means that even though the EU crisis has subsided, the EU continues to have serious economic challenges. Kenneth Rogoff, an eminent economist at Harvard University, summarized the situation well when he said, “I still see it as – not fragile, in the sense of falling apart – but definitely severely growth-challenged and a region that is really not taking care of its future.”

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5 http://www.project-syndicate.org/commentary/tony-blair-proposes-a-new-approach-and-agenda-for-reform-to-realize-the-eu-s-potential
6 16 December, 2012 http://www.ft.com/intl/cms/s/0/8cc0f584-45fa-11e2-b7ba-00144feabdcd.html#axzz34O9ke8js
The second serious challenge to the EU has emerged on the geopolitical front. Over the years, several European members of NATO had been endorsing the American project of expanding NATO eastwards closer to Russia, despite the explicit assurances given to Gorbachev by the American leaders that this would not happen. This created deep resentment in Russia. Against this historical backdrop, it was unwise for the European leaders to force President Yanukovych to choose between the pro-European and the pro-Russian political forces in his deeply divided country, Ukraine. It would have been wise for the EU to push hard for the implementation of the February 2014 agreement which called for the restoration of the Constitution of 2004 and the formation of a national unity government.

Instead, the EU leaders stood by passively as some elements of the Obama administration pushed for another round of street protests to evict President Yanukovych. When he was deposed, President Putin’s decision to re-annex Crimea back to Russia on March 18 was completely predictable. Several thoughtful Asian commentators have highlighted the geopolitical incompetence of the EU in handling the Ukraine challenge. Mr Shyam Saran, a former Indian foreign secretary, wrote, “In the case of Ukraine, while the forces of dissidence were encouraged and egged on by the US and some European countries, little thought was given to how the situation would need to be handled in case it escalated. The consequences are there for all to see. The morning after has proved to be a worsening nightmare for those who reserve the right to intervene but refuse to take responsibility for the aftermath.”

Another equally thoughtful Asian official, Mr Bilahari Kausikan of Singapore, who, like Shyam Saran, is a former permanent secretary, wrote, “Although its specific actions were not known, it was entirely predictable that Moscow was bound to respond in some way to any attempt to draw Ukraine closer into the Western orbit. Yet the West and, in particular, the EU were completely blindsided. Having neither the capability nor the stomach to take certain kinds of actions, the EU conveniently assumed that Russia was similarly disposed. Ukraine paid the price for the EU’s feckless encouragement of the European ambitions of a segment of its population.” This massive geopolitical failure in Ukraine confirmed a perception among the Asian elites that the EU is an economic giant but a geopolitical dwarf.

Yet, despite these economic and geopolitical setbacks in Europe, it would be inaccurate to suggest that Asians have lost their respect and admiration for Europe. Asians have not lost sight of the major strengths of several European societies. The German economy remains one of the most powerful and competitive economies on the world stage. The Asians therefore admire German discipline, the French flair for fashion, Dutch efficiency, Italian passion, Swiss resilience and the Scandinavian quality of life, to name just a few. Many Asians remember that Italy won the World Cup in 2006, Spain won it in 2010, and Germany won it in 2014. The many dynamic aspects of European society and culture have not been erased by recent crises and will continue to hold Europe in good stead as it faces new challenges.

At the same time, there is also a feeling among Asians that Europeans should consider learning some lessons from the Asian experience on the economic, geopolitical and cultural fronts.

Given the exhaustion and disillusionment of the European people over the great EU project to drive forward to ever closer integration, the EU may want to take a leaf from the ASEAN economic integration project and move forward in a careful pragmatic fashion, instead of being pushed forward by an ideological belief that closer union is an absolute good. Since the ASEAN countries are at different levels of economic development, ASEAN wisely adopted an ASEAN-X principle. Hence, instead of moving all countries forward at the same pace, the ASEAN countries were allowed to choose their pace of integration. If 10 ASEAN member states feel the need to integrate at different rates, what more for the 28 member states of the European Union?

Secondly, on the geopolitical front, ASEAN has done a brilliant job of engaging all the great powers. Despite the current challenges in ASEAN’s relations with China, the various ASEAN-centered processes provide the fundamental multilateral architecture for drawing the great powers together. These include the East Asian Summit (EAS), the Asian Regional Forum (ARF), the Asia-Pacific Economic Cooperation (APEC) Forum, the ASEAN+one dialogue partnerships. ASEAN has striven to create an inclusive multilateral architecture in contrast to the European project to create an exclusive Christian architecture, as evidenced by the long-drawn hand-wringing on the part of EU member states over Turkey’s desire to join the EU.

Thirdly, on the cultural front, the ASEAN genius for facilitating cooperation between societies belonging to different civilisations provides a role model for the whole world. Hence, Muslim, Christian, Buddhist, Hindu, Taoist and Confucianist societies, to name a few, cooperate within the ASEAN fabric. By contrast, the EU remains a Western civilization club trying to grapple with the realities of increasingly diverse, multicultural societies. As we move towards a rapidly shrinking global order, where different civilisations will have to learn to live together in closer proximity, this ASEAN genius needs to be carefully studied by other societies, especially European societies.

There is a final irony. Despite the need for the EU to learn from Asia, European foreign policy towards Asia has been surprisingly weak and incoherent. The EU has been too preoccupied by its regional challenges, such as Ukraine, Turkey and Africa, to give due attention to Asia in its foreign policy. Therefore, there is a major gap between the close economic relationship the EU has with Asia, and the lack of geopolitical attention which the EU pays to Asia. Although Asian companies are building factories in Eastern Europe, and bilateral relationships between Asian and European leaders continue to flourish, the hard truth is that the EU, as a regional institution, has put Asia at the bottom of its list of geopolitical priorities. For centuries, Europe has shaped the history of Asia, and Asia has looked to Europe for inspiration on how to create prosperous and stable societies. It is now time for Europe to look to Asia – and work with Asia – in order to manage cultural diversity and overcome economic challenges in an increasingly unpredictable global context.
Asia: The completion of the emergence process, the beginning of a “divergence” process

As Europe slowly, painfully and independently works its way out of the financial crisis (at least temporarily) there is a persistent feeling in Europe that large Asian countries have completed their emergence process, despite significant disparities in wealth levels across the board in Asia. Overcoming the middle income trap might be the next challenge. However, this may be a superficial view, ignoring elements that have contributed to a new era of enhanced competition, both on the economic and the diplomatic front. Asia is not only diverging from the Western patterns, a separate pattern of divergence is also evident, split as the region is by centrifugal forces possibly leading to soft or hard confrontations in the future. Viewing the last two years as distinct from the previous ones is not necessarily an arbitrary approach: it corresponds to obvious and unchallengeable shifts that have appeared in the political and diplomatic fields.

1. The blurring of post-World War II confrontation lines

For years, Asia had been a global concern because of several “hot spots” that threatened the world peace process; the Korean peninsula, Indian-Pakistan Border and the Taiwan Strait. All of which posed a high concentration of risks, especially during the cold war era.

Meanwhile, the rest of Asia seemed to come to terms with past conflicts, thanks to growing economic integration. Even without an Asian-originated space for resolving diplomatic tensions, this rapprochement was evident during ASEAN, APEC (Asia-Pacific Economic Cooperation) and other meetings. Apart from the these hot spots, the rest of Asia, at least from the Indian borders to the 38th parallel, appeared to be going through a constant process of rapprochements, alliances and integration, both economically and strategically.

The traditional fault lines started to become blurred as leadership was passed on to a new generation. A new more constructive approach to relations was evident across Taiwan Strait since 2008. This development has inaugurated a potential conciliation in relations on both sides with pragmatic approach. That said, there remains the potential for counter-reactions from either side, which could jeopardise what appears to be a new era of cooperation across the Strait.
The same may happen between the two Koreas who recently agreed to resume a high-level dialogue following a surprise and extremely rare visit to the South by a top-ranking delegation from Pyongyang. While Seoul was keen to stress that the reengagement only marked a beginning, the visit was a welcome change after months of military tension. Obviously, the visit by Chinese President Xi Jinping to Seoul also added to the “blurring” of the lines and confirmed the willingness by Beijing to help find the best manageable stance, even beyond the stalling of the “Six-Party talks”.

The election of Shinzo Abe in Japan, and the elections of Benigno S. Aquino III in the Philippines, Park Geun-hye, as the first female President of Korea, Joko Widodo as president of Indonesia, and Narendra Modi in India, are all redefining the traditional split lines. It is clear that new emerging fault lines are now of more significance than legacy issues and that Europe must look at Asia with new eyes.

The image of East Asia as a “gentle, money-focused”, “docile” and “hard-working” region has been replaced by a more assertive one. This has not gone totally unnoticed, yet two very interesting characteristics seem more difficult to interpret to Western eyes.

The first point is that Western and Asian approaches to military issues and strategy seem to diverge more and more. Western thinking and actions are changing, but have yet to take a new shape. While the USA and Europe feel embarrassed by ambiguity, their Asian counterparts, while they do not have clearly defined strategies, seem to be comfortable with the blurred lines and budding new thinking. While the two trends in Asia towards increased defence spending and national assertiveness, as well as rejuvenation of nationalistic pride and geopolitical/regional rifts (dating back to a 19th century-like mentality) emerge in Asia, Europe and the USA are mindful of the past costs of military spending and adventurous expeditions, and are now turning their back on them.

The first intriguing trend, therefore, is a strong divergence between a Western approach to international relations, aimed at a diminishing commitment, and the more “Bismarckian” behaviour of some Asian countries. The USA’s new cautious approach to battlefields comes against the backdrop of its chastening experience in Iraq. The financial crisis has also left scars as well as deficits and related military budgets cuts, which taken together, have hindered the country’s ability to put together a coherent and effective foreign policy.

In this respect, Prof Wang Gungwu’s view1 on the rise of nationalism in Asia as a consequence of the spread and acceptance of the nation-states as the primary political unit in the global system, offers much food for thought.

The other characteristic of the new atmosphere in Asian relations is that growing tensions have not slowed down a relative economic integration. The main driver of East Asian economic integration had long been the creation of an informal economic triangle between Republic of Korea, Japan and China, but although this triangle is wobbling, trade and economic exchanges across the region remain key elements of growth. China, for example, is increasingly moving

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business to South East Asia, including Viet Nam, where most tensions now appear. The focus on connectivity is increasingly stressed as the first layer of integration of norms, duties and possibly infrastructure in the region. From a monetary perspective, a “regional” currency has emerged in a quite informal manner, with the Chinese Yuan (which is supposedly not convertible) becoming quite common, at least in cash exchanges, across South East Asia. This is despite no clear abatement in the levels of resentments between several countries in the region and China.

In terms of foreign direct investments, Asia is still the main destination of Chinese money abroad and new projects are being developed, thus confirming the trend. Apart from pure cash exchanges, the regionalisation of the Chinese Yuan, officially supported, is a new element in trade figures for the region. The Chinese currency is not used for investments or financial flows, as only the trade account has been liberalised (and not the capital account), but China has managed to trigger the emergence of a “Renminbi-zone” (RMB) of exchanges, which could serve to protect the region against renewed tensions and worries about the US dollar and the financial health of Western economies.

Looking at international issues from both a strategic and economic perspective, some pessimistic observers suggested that Asia resembled Europe in the pre-World War I era. However, Asia seems to have invented a new pattern: it is diverging from the West both in its approach to strategic issues and the importance it assigns to its military. It also continues to diverge from the recent past where “appeasement” seemed to prevail; while at the same time inventing a new ability to play with contradictory trends.

2. Diverging domestic economies

From a European perspective, the prosperity ushered in by parallel trends of growth across Asia (except Japan) after the Asian crisis was supposed to create an integrated, new zone of wealth. The relative integration of investment flows and trade should have triggered a new pattern of shared growth in Asia, yet while it is true that diplomatic tensions have not slowed down regional business or certain forms of integration, the opposite of European convergence is actually happening.

Examples of divergence are numerous. The continuous trend of growth and proclaimed liberalisation of the Chinese economy, particularly in the financial sector, as well as the apparent status as the world’s top economy in terms of purchasing power parity (announced in April 2014), are the main dividing factors across Asian economies.

China now seems to grow for itself, rather than for the wider benefit of the region. Against a backdrop of dispersed growth rates (close to zero in most developed economies in Asia, but still strong in Indonesia and “third-generation dragons” in South East Asia), China does not appear any longer to be acting as a growth engine for the region. Although its influence remains strong, it is unable to create a shared momentum. The issues facing each country of the region are very particular. Viet Nam, for example, benefits from a rapid growth in foreign direct investments and has managed to overcome its recurring trade balance problems, with foreign reserves growing at last and eventually passing the USD 30 billion mark. Despite these trends, standards of living are not improving, inflation is hampering development. In stark contrast, the traditionally “sick man
of Asia”, the Philippines, seems to have found a new and solid base for growth, also based on its ability to attract foreign money.

Changes are occurring at a striking pace, although the relative positioning of Asian countries vis-à-vis each other has not yet changed. A clear illustration of this changing positioning is shown by the rampant devaluation of currencies, including the RMB rate of exchange against the US Dollar. This orchestrated run to competition perhaps reflects an implicit fear by the ruling authorities that Asia might be affected by a declining competitiveness, and that it would either have to reboot its past ability to be “the exporter to the world” by devaluing and becoming competitive again (while the cost of labour would inevitably increase), or have to re-organise as a more integrated economic zone and become less dependent on the rest of the world.

If the above observations could lead us to a provisional conclusion, in view of developing an outlook for Asia, one could assert that Asia, as it seems to shy away from an integrated model based on the European one, paradoxically becomes the Europe of new emerging countries. Compared with emerging Africa, or attractive Latin America, Asia seems as puzzled by strategic, economic and monetary issues as Europe has recently been. Asian countries are indeed gradually entering into open or soft competition among themselves, and diverging.

Nothing so far could totally challenge the view, expressed long ago, that Asia and the Pacific will become the focal point of the global balances (and imbalances) in the future world. None of the listed negative factors could really jeopardise the future supremacy of the region.

Yet, the shape of this supremacy has become puzzling and mysterious. Will it become clear once the growing divergences and contradictions have been resolved, resembling the European scenario with French supremacy in the 17th century? This would validate the idea that any emergence pattern is similar2. Or could it be that Asia goes through its “1914 moment” even before it secures its world-wide supremacy, hence totally jeopardising its emergence as a global epicentre, just like asserting that China (and possibly Asia) “would grow old before it enriches”?

More reasonably it seems that previous patterns of emergence, which prevailed in a world less globalised, are no longer applicable. Multi-polarity is not only a slogan. It is also an appropriate description of diverging trends. To come back to one of the ideas supporting the analysis above, one of the reasons for the problems faced by Asia in the last years stems from the rebalancing of investment portfolios. This has been one of the reasons for the Asia currency wars, as capital has flown from emerging Asia back to Western markets that seemed, once again, to be offering more opportunities. Competitiveness in Western countries now relies less and less on manufacturing and cost of labour. However, competition for investment is not necessarily in favour of Asia. The recent EU elections should give food for thought for those in power in Asia who would possibly contemplate a resolution of tensions through a greater political integration (if anything of the sort could happen in Asia), as the European model has shown an ability to digest shocks and could possibly be seen as a buffer to the financial crisis itself.

2 Spain, England, France, Germany went through it, and now it’s Asia/China’s turn, as the famous Chinese TV series expressed it several years ago.
A few years ago, European observers could easily display a unilateral feeling of admiration for emerging Asia. As it still keeps being embarrassed by its own contradictions, Europe should be less inclined to think that there are only solutions to be found in the East. The last years have shown that there could be more similarities, both with the history of Europe and with its current contradictions, than would have been thought during the past decades. Potentially, this could be a new path for constructive dialogue. At least it should enhance a will to analyse more deeply how global issues can be faced, and perhaps, resolved jointly.
3 SETTING SUSTAINABLE DEVELOPMENT PRIORITIES

Introduction

One of the key outcomes of the 2012 United Nations Conference on Sustainable Development (Rio+20) was the agreement to develop a set of Sustainable Development Goals (SDGs). The Rio+20 outcome document, The Future We Want, recognised the need for SDGs to promote coherent and focused actions on sustainable development. Countries participating in Rio+20 agreed to launch a process to define an actionable and universally applicable set of SDGs, with the goals established in time to act as the successor global development framework, following the expiration of the Millennium Development Goals (MDGs) at the end of 2015.

Work on SDGs takes place in the broader context of defining a development framework for the post-2015 period, a process driven by the United Nations (UN), supported by a UN System Task Team (UNSTT) and other groups inside and outside the UN.

In May 2013, the High-level Panel of Eminent Persons (HLP), established by the UN Secretary General to support work on the post-2015 development agenda, issued the report A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development. The Panel was mandated to provide recommendations and suggest principles to help reshape global partnerships for development and accountability, as well as ways to build political consensus around an ambitious post-2015 development agenda covering environmental sustainability, social equity and economic growth. The Panel proposed 12 universal goals with corresponding national indicators.
Building on the work of the HLP, the UN Secretary General constituted and tasked an Open Working Group (OWG) to develop the SDGs. The group has been engaged in consultations with civil society, the scientific community and other stakeholders to ensure broad representation of perspectives and priorities. It is expected to conclude its work with recommendations for a set of universally applicable goals by autumn 2014.

Following the Rio+20 agreements, Asian and European heads of states and governments reaffirmed their commitments to achieving sustainable development at the 9th Asia-Europe Meeting (ASEM) Summit in November 2012 in Lao PDR.

In order to engage in the global debate on the character and content of the post-2015 development agenda, and to meet its mandate to positively engage with the priorities of ASEM leaders, ASEF decided to launch a project focussed on SDGs. In 2013, the research project, known as Sustainable Development Goals Creation in ASEM Countries, was developed by the Asia-Europe Environment Forum (ENVforum), a consortium of partner organisations that have made important contributions to the international dialogue on SDGs and have produced multiple reports associated with environmental and sustainable development issues of the past decade.

The first phase of the project concluded in January 2014 with the publication of the research report Sustainable Development Goals and Indicators for a Small Planet — Part I: Methodology and Goal Framework,1 the second phase in September 2014 with the publication Part II: Measuring Sustainability.2 Given the excellent response among stakeholders to the report, it was decided to use its methodology for this Outlook Report. The strong framework allows for an interesting and insightful examination of the issue of sustainable development, as it relates to key trends and developments in ASEM members.

The methodology of this Outlook Report is, therefore, closely associated with that of the Small Planet Report. The following section will give a brief overview of the conceptual approach to serve as a structure for the subsequent chapters of this volume.

**Research objectives of the Small Planet publication**

A fundamental principle that guided the project from the outset was the concept of planetary and social boundaries, as communicated in the chart below. The planetary boundaries concept underlines that natural processes in the biosphere, if left to exceed boundaries beyond a certain point, will cause irreversible changes. Humanity’s increasingly dominant role in pushing natural processes beyond, or close to, critical boundaries speaks clearly to the need to adjust development towards more sustainable trajectories.

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Allied to this concern, the report also sought out to ensure that human development needs are met. The challenge lies in staying within a safe and just space for humanity by meeting societal needs at an acceptable level, without risking going beyond critical environmental boundaries, as illustrated in the graph below.

**Schematic view of some of the key planetary boundaries**

![Image of planetary boundaries]

*Stockholm Resilience Centre*³

**The “Oxfam Doughnut” of a safe and just space for humanity**

![Image of Oxfam Doughnut]

*Oxfam International*⁴

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³ http://www.stockholmresilience.org/21/research/research-programmes/planetary-boundaries/planetary-boundaries/about-the-research.html

The project was committed to some key guiding principles, expressed at various forums and in agreements, about the scope and nature of SDG development. Fundamental among these were that the new goals needed to take into account different national circumstances, capacities and priorities. In addition, the project coordinators agreed that the proposed goals should be “action-oriented, concise and easy to communicate, limited in number, aspirational, global in nature and universally applicable to all countries while taking into account different national realities, capacities and levels of development, and respecting national policies and priorities”.5

In order to contribute to the development of a universal set of SDGs, the project aimed to:

1. Develop and test a methodology in selected Asia-Pacific and European countries to identify a system of SDGs and provide guidance for the methodology’s broader application at the global and national levels;

2. Identify illustrative SDGs and underlying targets and indicators that are guided by global priorities and informed by national sustainable development strategies and strategic development plans in selected ASEM Countries;

3. Provide countries in Asia-Pacific and Europe with a foundation for developing their own SDG and indicator sets by producing national thematic templates that reflect their respective priorities, goals, targets and indicators;

4. Support the implementation of SDGs by providing guidance regarding their integration into policies and programmes.

Conceptual approach and methodology

In determining the scope of the report, it was necessary to select a representative sample of ASEM member countries that would make a very detailed study possible. The ENVforum decided to focus on eight Asia-Pacific (Australia, Bangladesh, China, India, Indonesia, Japan, Korea and Singapore) and six European countries (France, Germany, Hungary, Poland, Sweden and Switzerland). The country selection was based on the level of development, political and economic influence in the region, population, availability of a sustainable development framework, geographic representation, the project team’s in-depth knowledge of specific countries and ASEF’s priorities.

The methodology followed five key clear steps. A graphic representation of the process is shown below.

The project’s iterative “global-national integration approach”

The top part of the figure shows the global-level steps of the process, starting with the MDGs and the priorities identified in the Rio+20 outcome document. The study developed and adopted a dual-level approach that connects global and national perspectives through an iterative process. The hypothesis was that, besides approaching universal relevance and meeting global criteria for sustainability, SDGs should also be grounded in national sustainable development priorities, goals and targets. The project team moved from a broad range of possible SDG priorities at the beginning to a system of eleven clearly articulated goals, sub-goals (whose relevance at the national level was tested by identifying matching goals), targets and indicators. Moving from the global to the national level and back in five iterative steps grounded the development of global goals in national reality, while facilitating continuous learning and the progressive refinement and verification of details.

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6 See footnote 1
In detail, the five key steps were:

Step 1: Review of Rio+20 guidance and the results of other relevant global processes

The starting point of the process was the 27 global thematic areas and cross-cutting issues of concern in the Rio+20 outcome document. In addition, priorities in other high-level and scientific documents were also considered.

Step 2: Priority themes in 14 ASEM Countries

The second step started with the identification of sustainable development priorities in the 14 ASEM Countries based on existing high-level documents. The project team mapped the identified national sustainable development priorities against the global priorities identified in Step 1. Some priorities automatically fell out (e.g., Africa as one of the Rio+20 priorities, which is outside of the ASEM area), while other priorities not in the Rio+20 list — and which appeared in the country documents such as living conditions, innovation and economic growth — were added, resulting in a longer list. Applying a qualitative assessment in an iterative process, the team clustered this longer list of priorities into 11 themes by aggregating those that were closely related. The aim was to agree on a limited number of development priorities based on which common goals and sub-goals could later be identified.

Step 3: Development of common goals and sub-goals

The third step was the identification of goals and sub-goals. While the title of the goals and sub-goals identifies the domain, the goal statements express a desired direction in qualitative terms. The goal and sub-goal statements, in turn, became the basis for the identification of targets and indicators. For the definition of sub-goals, this study aimed to ensure the integration of both socio-economic and environmental sustainability dimensions, and therefore used a conceptual framework based on a framework originally developed by Daly (1973) and later adapted by Meadows (1998), as shown in Figure 3.4. According to this framework, “ultimate means” refers to the underlying natural resource base and the life support system of the planet; “ends” and “ultimate ends” indicate human well-being or happiness as measured by a composite index of well-being. “Intermediate means” involve the material economy and “intermediate ends” means the capacities of individuals and the condition and functioning of institutions.

\[\text{For purposes of consistency, priorities on the shortlist also had to meet strict set of criteria, cf. p.18 of the Small Planet Report.}\]
3 Setting Sustainable Development Priorities

End-means conceptual framework

Ultimate ends  well-being:
- happiness harmony,
- identity, fulfilment,
- self-respect,
- community, transcendence,
- enlightenment

Theology and ethics

Intermediate ends  human capital & social capital:
- health, wealth, leisure,
- mobility, knowledge,
- communication,
- consumer goods

Political economy

Intermediate means  built capital & human capital:
- labour, tools,
- factories,
- processed raw
- materials

Science and technology

Ultimate means  natural capital:
- solar energy, the
- biosphere, earth
- materials, the
- biogeochemical cycles

Meadows, 1998

The means-ends framework was instructive in helping to select and structure goals, sub-goals and sub-goal statements, even when some aspects of the framework could not be applied because of the nature of the goal.

Step 4: Checking the availability of national-level goals, targets and indicators based on the Small Planet SDG set

In Step 4, the project team used the Small Planet goals and sub-goals to check the availability of goals, targets and indicators at the national level. To do this, the availability of goals, targets and indicators was checked in each of the 14 countries for all eleven Small Planet goals and their sub-goals. This resulted in 14 national tables that show how well every Small Planet goal is covered in any given country.

The 10+1 goals and goal statements for the countries in the Small Planet project

<table>
<thead>
<tr>
<th>Priority Themes</th>
<th>Goal statements</th>
<th>Sub-Goal Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Poverty and Inequality</td>
<td>Poverty and inequality are reduced.</td>
<td>1.1 Intra- and intergenerational social equity for all groups (e.g., women, youth, elderly, indigenous, minorities) is improved.</td>
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<td></td>
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<td>1.2 Everybody is above the national poverty line of 2015 by 2030.</td>
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<td>1.3 Income inequality and risk of poverty has been significantly reduced with social security systems in place.</td>
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<tr>
<td>2. Health and Population</td>
<td>Population is stabilised and universal access to basic health services is provided.</td>
<td>2.1 Prevention and healthy lifestyles have significantly contributed to increased healthy life years.</td>
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<td></td>
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<td>2.2 The ratio of active/dependent population has been stabilised.</td>
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<td></td>
<td>2.3 Affordable and accessible healthcare and insurance are provided, including prenatal and reproductive care and education.</td>
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<td></td>
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<td>2.4 There is universal access to sanitation and hygiene services.</td>
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<td>2.5 Demographic changes do not pose a risk to the integrity of natural ecosystems and societies.</td>
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<tr>
<td>3. Education and Learning</td>
<td>Education is a major contributor to sustainability transformation.</td>
<td>3.1 Quality primary education and increased access to secondary education for all segments of society and opportunities for lifelong learning are provided.</td>
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<td></td>
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<td>3.2 Skills and societal demands are properly matched throughout all types of qualification.</td>
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<td>3.3 Awareness and know-how about sustainable development is integrated in curricula and has significantly increased.</td>
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</table>
### 3 Setting Sustainable Development Priorities

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>4. Quality of Growth and Employment</td>
<td>Economic growth is environmentally sound and contributes to social well-being.</td>
<td>4.1 Economic growth ensures an acceptable employment rate and decent jobs, and is environmentally-sound.</td>
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<td></td>
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<td>4.2 Appropriate financial, monetary and fiscal policies that support macroeconomic stability and resilience are in place.</td>
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<td></td>
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<td>4.3 Social and environmental accounts are in use by all governments, major companies and international institutions.</td>
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<td></td>
<td></td>
<td>4.4 Externalities are internalised through economic instruments in all sectors.</td>
</tr>
<tr>
<td>5. Settlements, Infrastructure and Transport</td>
<td>Settlements and their infrastructure are liveable, green and well managed.</td>
<td>5.1 All people have a home and access to basic infrastructure and services.</td>
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<td></td>
<td></td>
<td>5.2 Urban planning provides liveable cities with clean air and efficient use of land and resources.</td>
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<td>5.3 Major infrastructure development does not impose risk to the integrity of natural ecosystems and society, and the modal share of environmentally friendly transport has been increased.</td>
</tr>
<tr>
<td>6. Sustainable Consumption and Economic Sectors</td>
<td>Resource-efficient and environmentally friendly production and consumption characterise all economic sectors.</td>
<td>6.1 Principles and practices of sustainable lifestyles are applied by the majority of the population.</td>
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<td></td>
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<td>6.2 Culturally, environmentally friendly, responsible, low-impact tourism has become dominant.</td>
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<td></td>
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<td>6.3 Investment and innovation for the green and circular economy has been significantly increased.</td>
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<td></td>
<td>6.4 The increase of waste and pollutants in the environment has been significantly slowed and resource efficiency has been increased.</td>
</tr>
<tr>
<td>Priority Themes</td>
<td>Goal statements</td>
<td>Sub-Goal Statements</td>
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</table>
| 7. Food Security, Sustainable Agriculture and Fisheries | Sustainable agriculture, food security and universal nutrition are achieved. | 7.1 Access to affordable, nutritious and healthy foods at sufficiency levels (tackling hunger and obesity and avoiding food waste) is ensured.  
7.2 Productivity is increased via accelerated conversion to sustainable agriculture, fisheries and forestry.  
7.3 Effective land-use planning and management are in place and assure equitable access to land.  
7.4 The quantity and quality of agro-ecosystems are maintained without destroying natural ecosystems. |
| 8. Energy and Climate Change | Climate change is effectively addressed while access to clean and sustainable energy is significantly improved. | 8.1 Everyone has access to sufficient energy and consumption is efficient and sustainable.  
8.2 The generation of clean and sustainable renewables has increased.  
8.3 The rate of GHG concentration increases in the atmosphere has been reduced. |
| 9. Water Availability and Access | Safe and affordable water is provided for all and the integrity of the water cycle is ensured. | 9.1 Water consumption of households and all economic sectors is efficient and sustainable.  
9.2 Infrastructure is available and well-maintained to ensure a sufficient and safe water supply.  
9.3 The integrity of the water cycle has been achieved through widespread adoption of integrated water resources management. |
| 10. Biodiversity and Ecosystems | Biodiversity and ecosystems are healthy and contribute to human well-being. | 10.1 A sufficient proportion of all major biomes is under adequate protection.  
10.2 The rate of extinction of natural and cultivated species has been halted and is on course towards a trend reversal.  
10.3 All types of natural habitats exist in a quantity and quality sufficient for their healthy functioning. |
3 Setting Sustainable Development Priorities

<table>
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</thead>
<tbody>
<tr>
<td>1.1 Adaptive Governance and Means of Implementation</td>
<td>Adequate structures and mechanisms are in place to support the implementation of the priorities underlying the SDGs at all levels.</td>
<td>11.1 Long-term integrated visions of sustainable development are developed to guide physical, thematic and sectoral plans.</td>
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<td>11.2 A sustainable development cooperation framework at the international level is well established.</td>
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<td>11.3 Policies and plans are co-ordinated to integrate SDGs into decision-making and implementation.</td>
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<td>11.4 Progress towards the SDGs is tracked, and the relevant information is accessible to all and reviewed on a regular basis.</td>
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<td>11.5 Illicit flows of money and goods, tax evasion, bribery and corruption are reduced.</td>
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<tr>
<td></td>
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<td>11.6 The impact of disasters on people and property has been sharply reduced.</td>
</tr>
</tbody>
</table>

ASEF Small Planet Report, Part I (see footnote 1)

Step 5: A dashboard of goals and indicators

In Step 5, the research identified examples of goals, targets and indicators that appear in a larger number of the 14 countries – to identify where some convergence occurs, which could serve as a possible SDG dashboard. The Small Planet project offers the dashboard concept to illustrate the possibility of bringing together all elements of a SDG system in a single platform: a menu of high-level goals and sub-goals, possible high-level formulations of sub-goals, and examples of targets and indicators based on existing national priorities as a starting point for discussion.


The Small Planet research Report was effective in reaching its objectives of developing and offering universally applicable, illustrative goals and of charting a goal determination process that is systematic, strongly interactive and connects the global level to national scale realities. Crucially, the goals are closely connected and intertwined and integrate social, economic and environmental priorities (plus governance) to the highest possible extent.
As well as representing the core topic under consideration in the chapters in Volume II of this publication, the all-encompassing nature of the theme of sustainable development meant that it represented an excellent access point for contributors to this Outlook Report. In addition, the structure of the goals and goal statements from the Small Planet project provided the ideal structure to develop a logical narrative across the publication.

In determining the content of Volume II of the ASEF Outlook Report 2014/2015 – Facts and Perspectives, the starting point was to determine the themes that would be addressed.

ASEF staff members undertook a consultation process focussing on how key sustainable development trends and developments relate to ASEM members. This process involved a close examination of the priorities of ASEM leaders as articulated in their most recent statements. In addition, ASEF engaged some of its partner organisations, seeking their input on key themes that they considered to be of particular interest and worthy of further study. Another important issue at this stage was the extent to which past, present or future ASEF projects related to this specific topic. The scope of the Outlook Report does not permit an exhaustive examination of every issue related to the topic; therefore, ASEF project relevance was an effective way of narrowing down the number of topics to be covered. This process of selection was also adopted as a means of meeting another core objective of the Outlook Report, namely, to effectively demonstrate how ASEF’s work is responding to the key trends and issues identified.

Each issue selected for inclusion in the publication relates to one of the proposed goals or sub-goals advanced by the Small Planet Report. Where applicable, this relationship is highlighted by a short description in a textbox at the beginning of the chapter.

The priority themes selected for inclusion in this Outlook Report are Poverty and Inequality (Chapter 3), Education and Learning (Chapter 4), Quality of Growth and Employment (Chapters 5, 6, 7), Health and Population (Chapter 8), Energy and Climate Change (Chapter 9) as well as Adaptive Governance and Means of Implementation (Chapters 10, 11).
3 Setting Sustainable Development Priorities

Bibliography


Introduction

Asian and European leaders are in a desperate quest for growth. In the Chair’s Statement of the last Asia-Europe Meeting (ASEM) in Vientiane in Lao PDR, the word “growth” was mentioned 18 times, reflecting a perception that “growth is needed everywhere and is the solution to most issues”. However, unlike in the past, there has been a renewed focus on the quality of growth; with the Chair’s Statement pointing out that growth has to be “long-term, strong, sustainable, economic, differentiated, dynamic and inclusive”.

But what if we have reached the limits to growth? What if growth will never again be what it was for the last two centuries?

For most of human history, development and technological change was a slow and piecemeal process. According to Angus Maddison’s landmark studies on the world economy, sustained economic growth is a relatively new phenomenon that began around the 1820s. For two millennia, economic growth per capita, as well as population growth, had been relatively flat. Indeed, up to the 19th century, Maddison estimated that a doubling of economic well-being per capita only occurred every 3000 to 4000 years. But, by 1820, this doubling had accelerated at warp speed to every 50 years or so.

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4 Can Growth be Sustainable?

Growth of per capita GDP, global average, year 1–2003, in 1990 USD

<table>
<thead>
<tr>
<th>Year AD</th>
<th>Average Per Capita GDP</th>
<th>Average Annual Growth Rate</th>
<th>Years Required for Doubling</th>
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<tbody>
<tr>
<td>461</td>
<td>1000 450</td>
<td>-0.002%</td>
<td>N/A</td>
</tr>
<tr>
<td>566</td>
<td>1500 596</td>
<td>0.046%</td>
<td>1,504</td>
</tr>
<tr>
<td>615</td>
<td>1600 667</td>
<td>0.051%</td>
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<tr>
<td>615</td>
<td>1700 667</td>
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<td>667</td>
<td>1820 874</td>
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<tr>
<td>874</td>
<td>1870 874</td>
<td>0.542%</td>
<td>128</td>
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<td>1,262</td>
<td>1900 1,262</td>
<td>1.235%</td>
<td>56</td>
</tr>
<tr>
<td>1,526</td>
<td>1913 1,526</td>
<td>1.470%</td>
<td>47</td>
</tr>
<tr>
<td>2,111</td>
<td>1950 2,111</td>
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<td>79</td>
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<tr>
<td>3,396</td>
<td>1967 3,396</td>
<td>2.836%</td>
<td>25</td>
</tr>
<tr>
<td>4,764</td>
<td>1985 4,764</td>
<td>1.898%</td>
<td>37</td>
</tr>
<tr>
<td>6,432</td>
<td>2003 6,432</td>
<td>1.682%</td>
<td>42</td>
</tr>
</tbody>
</table>

Source: Maddison

Development of per capita GDP, global average, year 0–2000, in 1990 USD

Source: adapted from Maddison


4 Ibid.
In the early 1820s, a fundamental break occurred: growth started to speed up, with the pace of growth continuing to increase and spiking after the 1950s. The early portions of this period are traditionally associated with the Industrial Revolution in Western Europe and North America.

Why did this happen? No single factor can explain why. Indeed, the printing press, the Reformation, the increase in literacy, the industrial revolution, electrification, the massive use of coal as a primary source of energy, the spread of democracy, the scientific revolution, and many other plausible explanations have contributed to this historical singularity of accelerated growth.

But can high growth be sustained indefinitely?

Many predict the end of growth, as we know it, for the foreseeable future; they argue that this historical abnormality has no reason to continue forever, and that at some point, growth will come to an end. We will then return to “normal” historical rates of growth.

This pessimistic view is not entirely new. Classical economic theorists including Ricardo, Malthus and Marx expressed similar sentiments throughout the 19th century, arguing that population growth and the declining return on resources would lead to an inevitable end to economic growth.

In more recent times, economists and ecologists have expressed a similar view, identifying the end of growth to be tied to the perceived limits of the carrying capacity of our planet. In 1972, the Club of Rome commissioned and published *The Limits to Growth*, which laid out three scenarios of growth. Two predicted the collapse of the global system, and one predicted stability - a state of “equilibrium” where population and capital growth were stabilised.

This was the starting point of many scientific works, and of a new type of political activism advocating the rejection of current growth models. According to the Club of Rome, if human beings continued to consume more than nature was capable of providing, global economic collapse and precipitous population decline could occur by 2030.

Technologists express the same concern, but for different reasons. Their leading figure, Robert Gordon, renewed the “end to growth” approaches by emphasising the lack of scientific or technological innovations that are capable of boosting productivity growth. In a seminal paper published in 2012, he questioned the assumption, nearly universal since Solow’s contributions of the 1950s, that economic growth is a continuous process that will persist forever.

The debate on growth limits originated in Europe, moved to Japan during its two decades without growth, and is now a hot topic in the USA, revived with a deluge of recent research on the “middle-income trap”. This essay will evaluate in turn the perspectives of classical economists, ecologists, technologists and proponents of the “middle-income trap”, before proceeding to an analysis of the fundamental question “Is there really an ‘end’ to growth?” In short, “where do we go from here?”

5 http://books.google.com.sg/books/about/The_Limits_to_Growth.html?id=qQAsh_eNbUC&redir_esc=y
7 http://web.mit.edu/krugman/www/japtrap.html
4 Can Growth be Sustainable?

The classical economic perspective on growth

Classical economics appear to have been cognisant of demographic, environmental and social limitations to growth, but were generally unable to anticipate how to overcome them.

In 1798, a 32-year-old British economist anonymously published a lengthy pamphlet criticizing the views of the Utopians who believed that life could and would definitely improve for humans on earth. The hastily-written text, *An Essay on the Principle of Population as it Affects the Future Improvement of Society, with Remarks on the Speculations of Mr. Godwin, M. Condorcet, and Other Writers*, was published by Thomas Robert Malthus.

Thomas Malthus argued that because of the natural human urge to reproduce, human population would increase exponentially (1, 2, 4, 8, 16, 32, etc.). However, food supply could only increase arithmetically (1, 2, 3, 4, 5, 6, etc.). Since food is an essential component to human life, population growth in any area on the planet, if unchecked, would lead to starvation. Malthus also noted the presence of checks on population – events that increased the death rate or slowed the birth rate – that would slow population growth. However, he argued that in the long run, poverty would be inescapable.

Malthus also advocated welfare reform and argued against the “poor laws” in Britain that provided money to poor families based on the number of children in each family. He stated that such laws only encouraged the poor to give birth to more children and increased pressure on already finite resources. Increased numbers of poor workers would in turn reduce labour costs and ultimately make the poor even poorer.

Neo-Malthusians continue to pursue Malthus’ theory that the world’s resources would not be able to support the world population at a certain point, and would finally result in the extinction of the human race. They saw a correlation between, not just food and population growth, but population and food, oil, minerals, land, and water. For example, Paul Ehrlich, author of the best-selling *Population Bomb* in 1968, warned of a coming mass starvation in the 1970s and 1980s because of over-population and encouraged governments to promote population control.

Another prominent neo-Malthusian was Garrett Hardin, who in 1968 theorised the “tragedy of the commons” in *Science* magazine\(^8\). According to this theory, individuals, acting independently and rationally according to each one’s self-interest, would behave contrary to the entire group’s long-term best interests by depleting some common resource. Like Malthus, Hardin blamed the welfare state for allowing the tragedy of the commons. He argued that relying on conscience as a means of policing the commons would favour selfish individuals, or “free riders”, over those who were more altruistic.

David Ricardo was a contemporary of Malthus and a forerunner of Marx. He outlined the principles of distribution between the various economic classes, landlords, capitalists and workers, which later became important building blocks of the model of growth and decline of capitalism that Marx conceived. He also brought in the constraints to growth by stating his law of diminishing returns to land cultivation and the so-called iron law of wages.

\(^8\) [http://www.sciencemag.org/content/162/3859/1243.full](http://www.sciencemag.org/content/162/3859/1243.full)
In his *Essay on the Influence of a Low Price of Corn on the Profits of Stock* (1815), Ricardo articulated what came to be known as the law of diminishing marginal returns. One of the most famous laws of economics, it holds that as more and more resources are combined in production with a fixed resource - for example, as more labour and machinery are used on a fixed amount of land - the additions to output will diminish.

Illustrating his *Law of Diminishing Returns*, Ricardo explained that as more land was cultivated, farmers would have to start using less productive land, thus creating a trend leading to the use of less and less productive lands generating lower and lower returns. He also proposed what came to be known as the *Iron Law of Wages*, asserting that in the absence of new technology or investment, competition among labourers for employment would drive wages down to the minimum necessary to sustain the life of a worker.

Karl Marx added a new dimension to the concept of limits to growth in *Das Kapital* (1867) by tying them to social and political factors. He saw these limits arising out of social conflict emerging from income distribution rather than resource limitations. Taking an exploitative view of economic growth, he posited that it arose out of the appropriation of the surplus value by the capitalists. Since such exploitation would only be possible when there was a large pool of unemployed labour, workers could bargain for only subsistence wages, irrespective of their contribution to production. This production, in turn, would be achieved by the capitalists by creating labour-substituting technological advances.

In summary, classical economic theorists argued that growth would be limited by the depletion of resources such as food, water, oil, minerals and land. Moreover, they predicted that social conflicts would emerge in connection with declining wages, declining return on investment, declining profits, and reduced incentives for re-investment. However, as we will show below, the predictions of classical economists are challenged by historical developments.

For example, Thomas Malthus developed his ideas before the industrial revolution. He argued that productive farmland was a limiting factor in population growth. However, with the industrial revolution and increase in agricultural production, land became a less important factor compared to during the 18th century. The worldwide population was about 1 billion in Malthus’ time, whereas it is now around 7 billion and Malthusian visions of doom have (so far) failed to materialise.

Similarly, Marx predicted that the rate of profit would fall over time, identifying this as a factor that would inevitably lead to the downfall of capitalism. However, Marxist-inspired revolutions mostly took place in rural countries and had little to do with the fall of the rate of profit. In fact, Soviet regimes were obsessed with industrial growth and paid little regard to environmental and human costs, to the extent that the Soviet Union allowed European firms to pollute freely in the USSR.

This last point highlights a crucial question that the classical economists have bequeathed to us, despite the limitations of their theories of growth. Can we be optimistic about humanity’s ability to self-regulate in a world of finite resources? Given the assumption of perfect rationality, *homo oeconomicus* (the rational economic man) has an incentive to “free ride” when resources are abundant and their consumption cannot be restricted. Another problem with the free market is the presence of externalities such as pollution, which may be difficult to quantify in monetary terms. Given the prevalence of such market failures and the inability of governments to sufficiently regulate them, economists are often wary of predicting sustainable patterns of growth.
4 Can Growth be Sustainable?

The ecological perspective on growth

Like classical economists, ecologists have also emphasised the presence of limits to growth. More importantly, they have recommended that humanity should actively set limits to growth to avoid the planet’s collapse.

The *Limits to Growth* concept (see introduction) popularised in 1972 was designed to investigate five major trends of global concern: accelerating industrialisation; rapid population growth; widespread malnutrition; depletion of non-renewable resources; and a deteriorating environment.

The report concluded that if present growth trends in world population, industrialisation, pollution, food production and resource depletion continued unchanged, the limits to growth on this planet would be reached within the next century.

It predicted that new technologies were not likely to alter the tendency of the world system to collapse. Although the introduction of new technologies could prolong the period of population and industrial growth, they could not remove the ultimate limits to that growth.

More than three decades after the release of the ground-breaking study, the authors, Donella Meadows, Jørgen Randers, and Dennis Meadows, published an update to the original study, entitled *Limits to Growth: The 30-Year Update*. Pointing to environmental degradation (climate change), the depletion of non-renewable resources (fisheries and agricultural land), and the widening gap between rich and poor, the authors reaffirmed their argument that humanity was “overshooting” and heading towards global environmental and economic collapse. Humanity’s ecological footprint, they argued, had seriously overtaken the Earth’s carrying capacity. The growth of technology, far from preventing collapse, had actually hastened it, since technology was used as a means to “exploit nature, enrich the elites, and ignore the long-term”.

However, the ecological perspective was criticised for its focus on the illusion of a stable world of “equilibrium”, a remake of the Utopian vision that Malthus tried to disavow. For example, Yale economist Henry Wallich stated that technology could solve all the problems that Meadows et al. were concerned about, but only if growth continued apace. By stopping growth, Wallich warned, the world would be “consigning billions to permanent poverty”.

Similarly, Robert Solow from Massachusetts Institute of Technology (MIT) argued that the prediction in *The Limits to Growth* was based on a weak foundation of data. Another criticism came from Allen Kneese and Ronald Riker of Resources for the Future (RFF). They stated that “the authors load their case by letting some things grow exponentially and others not. Population, capital and pollution grow exponentially in all models, but technologies for expanding resources and controlling pollution are permitted to grow, if at all, only in discrete increments.”

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11  Newsweek, March 13, 1972, page 103
In short, ecologists advocate limiting the pace of economic and population growth to the pace of technological progress, which they perceived to be very limited. They tend to overlook humanity’s capacity to innovate, to find new resources, and to overcome obstacles. They are also inclined to dismiss potential productivity gains as limited, and inferior compared to rising demands.

Many questions surrounding the report’s conclusions and prescriptions remained. For example, why would 1972 be a better year than any other to stop growth? Why not 50 years earlier or later? What should be done about the billions of people still in absolute poverty? In providing relatively simple solutions to complex trends, based on a model that was widely acknowledged to be a crude simplification of reality, the ecological call for an active slowdown of growth was heeded by few, although it rightly highlighted some of the excesses generated by humanity in its relentless quest for growth.

**The technological perspective on growth**

The third debate, advanced by the technologists, is largely centred on trends in the USA. They pointed out that although technology had reframed the debate on growth, and led to productivity gains, it was still not sufficient to reverse the trend towards lower rates of growth.

In a 2012 paper, Robert Gordon, an economist at Northwestern University, claimed that since there had been virtually no growth (in relative terms) before 1750, there was no guarantee that growth would continue indefinitely. Rather, the rapid progress made over the past 250 years could well turn out to be a unique episode in human history.\(^\text{12}\)

His paper, *Is US Economic Growth Over?*\(^\text{13}\) argued that “six headwinds” (demography, education, inequality, globalisation, energy and the environment, and consumer and government debt), risked curbing long-term growth. He further argued that the main factor behind the continuing slump since 1970 was a lack of sufficient industrial innovation capable of “fundamentally changing labour productivity or the standard of living”.

In his book, *When the Money Runs Out: The End of Western Affluence*, HSBC Group chief economist Stephen D. King also predicted that high economic growth would never return. He attributed this to the exhaustion of various one-off productivity gains - global trade, financial innovation, widespread social safety nets, reduced discrimination, and improved education - that boosted growth after World War II. However, rising living standards after the war had encouraged Western economies to live beyond their means, leading to a situation in which tax revenues have weakened, social expenditures have risen and government debts have accumulated. Despite continued advances in technology, growth rates in the Western world remained low.

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13 [http://www.nber.org/papers/w18315](http://www.nber.org/papers/w18315)
Can Growth be Sustainable?

Jeremy Grantham, chief investment strategist of British asset management firm GMO, similarly argued that productivity gains driving industrial growth were enabled by the abundance of cheap fossil fuels and other resources. The end of cheap resources, therefore, signified the end of growth. He noted that industrial civilisation is currently “completely dependent on the availability of cheap energy”. Resource depletion, combined with “the wild cards of rising temperatures, slowly rising sea levels, ocean acidification, and, above all, destabilised weather for farming” could lead to “a rolling collapse of much of civilisation”, unless the world committed to transitioning to an alternative energy and agricultural system.

However, Grantham injected a note of optimism, arguing that we could be on the cusp of “a great technological leap that for the first time is accompanied by less energy use, the technologies of solar, wind power, and other alternatives as well as electric grid efficiencies and improved energy storage.” While such technologies could not herald a return to the era of high growth, they might smooth the way toward a more sustainable economy.

Similarly, Tyler Cowen, an economist at George Mason University, argued in 2011 that the financial crisis was concealing the scenario of a “Great Stagnation”. He observed that growth in rich-world real incomes and employment had long been slowing and, since 2000, had hardly risen at all. This was due to the diminishing returns associated with extensive growth, adding inputs of labour, capital, and resources. In contrast, intensive growth would be powered by technological change, as shown in the high growth rates of emerging markets. Cowen cited the work of Charles Jones, an economist at Stanford University, who argued that some 80 per cent of income growth was due to rising educational attainment and greater research intensity.

Finally, theorists such as Robert Solow have pointed out the puzzling fact that “you can see the computer age everywhere but in the productivity statistics”. There are several explanations for this. Perhaps the benefits of technology have been overrated, or perhaps they take a longer time to show their potential. In any case, the potential gains from technology would ultimately need to be evaluated against their potential adjustment costs, such as a temporary increase in unemployment.

In short, technologists ask the question, ”Can growth be sustained by technological gains?” They cite examples such as new forms of energy. However, they are rather pessimistic as to the outcome, noting the apparent contradiction between significant leaps in technological progress and persistent low rates of growth. Their research seems to suggest, therefore, that technological change is a necessary, but not sufficient, precondition for sustained growth.

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Is there a "middle-income trap"?

A final perspective on "limits to growth" concerns the existence of the “middle-income trap”, which the IMF defines as “the phenomenon of hitherto rapidly growing economies stagnating at middle-income levels and failing to graduate into the ranks of high-income countries”. For instance, developing countries like South Africa and Brazil have been said to be “trapped” in a situation where they can neither compete with low-cost producers in developing markets, nor high-value economies in developed markets.

In a 2013 paper, the IMF suggested that growth in Asian economies could face the risk of stagnation, but for different reasons. Malaysia, the Philippines and China would face a larger risk of growth slowdown stemming from institutions, while Viet Nam, India, and Indonesia were most at risk of a slowdown arising from a lack of transport and communications infrastructure.

That paper also argued that compared with other regions, Asia faced a higher risk of growth slowdown arising from infrastructural deficits, in particular communication infrastructure (ibid.). However, Asia emerged rather favourably compared with other regions in the area of trade, suggesting that this was an area of strength that could serve the region well as a buffer against growth slowdowns.

Contrary to the other debates cited above by classical economists, ecologists and technologists, the IMF does not argue that there is a theoretical limit to growth, but that there are institutional challenges to overcome and improvements to be made, especially to transport and communications infrastructure.

In fact, growth in developing countries could in turn drive growth in developed countries by creating demand that stimulates global growth. World Bank chief economist Justin Lin commented in 2010 that “strong developing-country domestic demand growth is leading the world economy”(ibid.), while The Economist argued in 2013 that “the rise of the emerging world is among the biggest reasons for optimism”.  

In short, the growth of the global market is likely to lead to more people benefiting from new ideas and techniques, while the rise of Asia will push forward innovation and the development of better technologies. The argument that “growth is over” is less relevant to Asia. In fact, for many Asian countries and the last wave of EU members, there remains plenty of room to grow.

Conclusion

In conclusion, the evidence supporting the so-called “limits to growth” remains mainly speculative. Forecasts based on existing knowledge are necessarily of limited usefulness in the context of an unpredictable future. It is difficult for forecasts to completely account for future developments such as innovation, scientific discovery, new forms of governance or the occurrence of natural disasters. If there are no limits to human knowledge, then it is equally unlikely for there to be an end to growth. Moreover, while the literature on the limits of growth has been drawn mainly from Western cases, people in Asia are experiencing sustained high rates of growth and an unprecedented expansion of the middle class.

In addition, the policy debate has also shifted considerably. Theoretical arguments about hard limits to growth have been replaced by debates about what type of growth is desirable. The pursuit of growth for its own sake, it has been observed, can lead to widening inequality and worsen, rather than improve, the quality of life of average citizens. For instance, massive imports of capital and labour could generate a situation where growth occurs mainly through factor accumulation rather than increased factor productivity, resulting ultimately in unsustainable economic models.

Another important aspect of the current policy debate is how to design policy instruments that promote sustainable growth. Here, the theoretical literature provides important insights.

For instance, classical economists suggested that resources could be used more efficiently with the help of technological advances, and well-designed tax, welfare and economic systems could correct for market failures such as reducing moral hazard. Similarly, ecologists suggest that the free-rider problem could be addressed by designing institutions that were able to internalise externalities. Technologists advocate for the continued investment in new technologies to increase productivity and growth. International institutions such as the IMF call for the design of institutions and systems that would help avoid the middle-income trap.

Perhaps the best way to frame the growth debate is to highlight its relevance to poverty reduction, which is both a main Millennium Development Goal (MDG) and draft Sustainable Development Goal (SDG). Sustainable growth rates are needed to pursue policies that facilitate the eradication of poverty, by making sure there is a bigger slice of the pie for everyone.

We have a responsibility towards the billions of people still in absolute poverty to pursue policies that encourage growth, albeit a sustainable form of growth. For growth should not be an aim in itself, but its benefits should be shared as widely as possible.
4 Can Growth be Sustainable?

From Fairest Creatures

The paradoxes of growth were captured as early as in 1609 by William Shakespeare in his first sonnet, in which he attempts to persuade his friend to start a family, so that his beauty can live on through his children. Desiring an increase in the number of “fairest creatures” on earth, he asks the young man to “pity the world” and reproduce, rather than “[make] waste by niggarding.” This is where Shakespeare would have disagreed with the Malthusians and ecologists. On a symbolic level, the message is one of sustainability, where the poet advocates enriching the world through reproduction and gently chides those who refuse to contribute to its growth, likening this to an ultimate act of selfishness.18

From fairest creatures we desire increase,
That thereby beauty’s rose might never die,
But as the riper should by time decease,
His tender heir might bear his memory:
But thou, contracted to thine own bright eyes,
Feed’st thy light’st flame with self-substantial fuel,
Making a famine where abundance lies,
Thyself thy foe, to thy sweet self too cruel.
Thou that art now the world’s fresh ornament
And only herald to the gaudy spring,
Within thine own bud buriest thy content
And, tender churl, makest waste in niggarding.
Pity the world, or else this glutton be,
To eat the world’s due, by the grave and thee.

William SHAKESPEARE, 1564-1616

18 See relevant commentary here: http://www.juliansimon.com/writings/Articles/SHAKESPE.txt
4 Can Growth be Sustainable?

Bibliography


The priority theme that is the focus of this chapter is Poverty and Inequality, theme 1 as outlined in Chapter 1, Setting Sustainable Development Priorities.

Under the goal statement “Poverty and inequality are reduced”, this chapter addresses the following sub-goals:

1.1 Intra- and intergenerational social equity for all groups (e.g., women, youth, elderly, indigenous, minorities) is improved.

1.2 Everybody is above the national poverty line of 2015 by 2030.

1.3 Income inequality and risk of poverty has been significantly reduced with social security system in place.

Introduction: Poverty, inequality and the quest for sustainable growth

The last 20 years have witnessed significant achievements in poverty reduction in many countries, due largely to the sustained growth experienced in Asia. Given that economic growth measured in classical gross domestic product (GDP) terms remains the best tool to fight poverty,¹ it is not surprising that, despite its many limitations, GDP growth is the main priority of most policymakers and the main indicator of their success. This also applies to Europe, where GDP growth is viewed as the main remedy against rising unemployment and for the balancing of public accounts.

Eradication of extreme poverty is listed as the first among the United Nations Millennium Development Goals (MDGs), and it is the top priority for many international financial and development organisations, including the World Bank and the United Nations Development Programme (UNDP). As a sustainability concept, poverty reduction is regarded as a starting point for all inclusive and sustainable human development.

¹ GDP growth is connected with more and better paid jobs, as well as public/tax income to be (re)distributed in order to reduce poverty.
A number of economists argue that increasing inequality was one of the main causes of the 2008 financial crisis. In order to maintain its purchasing power with reduced income, the middle class accumulated unsustainable levels of debt. Public institutions, unwilling to levy taxes on those who should have contributed more, financed public spending with debts to the point where the debt went beyond the repayment capacity of the economy. At the same time, high-income individuals accumulated unprecedented amounts of savings, which they invested in various high-risk products. Inequalities trickled down into the economy to create numerous unsustainable imbalances.\textsuperscript{6}

\begin{footnotesize}
\textsuperscript{3} The phrase is commonly attributed to the former US-President John F Kennedy.
\textsuperscript{6} In more general terms, as high income households have a much lower share of consumption and a high share of savings than low income households, rising inequality reduces consumption and thereby growth.
\end{footnotesize}
One more dimension of the connection between poverty and inequality has to be emphasised, and that is the political economy. Simply, the rich prefer to discuss poverty rather than inequality.

The Tax Justice Network – an NGO fighting tax evasion – stated in one of its recent publications: “Focusing on poverty alone has two unfortunate side-effects. First, it encourages the idea that the poor are some sort of disconnected other, to be pitied and (perhaps) showered with benevolent largesse. It encourages suggestions that the poor are not like decent, hard-working, respectable people, and that their problems are innate: it’s really all their fault. This is highly convenient for rich people and governments, which can then conclude that there is little point in tackling excessive wealth since the problems are clearly all confined at the poorer end of society. Second, focusing on poverty lets the rich disport themselves on the world stage as a force for good, obscuring their role in amassing excessive income and wealth, which is very often extracted through rent-seeking rather than through genuine wealth creation — through market rigging, subsidy-chasing, corruption, grand larceny, tax avoidance, and much more. It is hardly surprising that many rich people love talking about poverty but hate talking about inequality.”

For all the above reasons, ASEF has clustered poverty and inequality reductions as a single goal in its Small Planet Report on Sustainable Development Goals (SGDs) and Indicators.

1. Poverty in Asia and Europe

As far as reduction of poverty is concerned, the MDGs have been successful. Through global cooperation, some 600 million people have been lifted out of poverty over the last 15 years. It is in Asia that the results are the most impressive.

1.1. Asia’s rapid growth in recent decades has lifted hundreds of millions out of extreme poverty

Many countries in Asia and the Pacific have seen remarkable achievements in economic growth and poverty reduction in the last two decades. From 1990 to 2010, the average annual growth rate of GDP for developing Asia reached 7 per cent in 2005 purchasing power parity (PPP) terms. Much of the growth was driven by China and India, with average annual GDP growth of 9.9 per cent and 6.4 per cent, respectively.

This rapid growth has dramatically improved living standards and greatly reduced poverty. During the period 1990–2010, the region’s average per capita GDP in 2005 PPP terms increased from USD 1,633 to USD 5,133. The proportion of the population living on or below the USD 1.25-a-day poverty line fell from 53.9 per cent in 1990 to 21.5 per cent around 2008, as 716 million people were lifted out of poverty. Poverty was reduced by more than 15 percentage points in 17 countries during the period.

9 Ibid.
Viet Nam is among the most successful countries in this respect. With an average economic growth of 7.3 per cent between 1990 and 2010, it reduced its population living below the poverty line from almost 60 per cent to less than 10 per cent. But it is China that has achieved the fastest rate of poverty reduction, from 84.6 per cent in 1990 to 27.2 per cent in 2010. Despite this impressive progress, a great deal still needs to be done to eradicate poverty in Asia.

1.2. Asia remains home to two-thirds of the world’s poor

With more than 800 million Asians still living on less than USD 1.25 a day and 1.7 billion surviving on less than USD 2 a day, poverty reduction remains a daunting task. Within developing Asia, poverty remains highest in South Asia, at 66.7 per cent. In this region, the number of poor people has actually increased, from 0.95 billion in 1990 to around 1.1 billion in 2010. Standards are different in Europe, but poverty is also a problem there despite the success of European integration.

1.3. The EU has lifted its new member countries out of poverty

Although very often overlooked, the European Union (EU) has been very successful at getting countries out of poverty. In less than 20 years, countries including Greece, Spain and Portugal multiplied their GDP per capita by three and are close to 100 per cent of the average of the EU-28. The last wave of enlargement is producing the same impact on Central European and Baltic countries. However, poverty remains a challenge in Europe.

1.4. According to European standards, 16.4 per cent of the European population is poor

Poverty thresholds in Europe are primarily measured in relation to the median living standard of each country. The living standards of poor people in European countries cannot be compared to those of developing Asian countries.

With a threshold at 60 per cent of national median income, 16.4 per cent of the population, or 80 million people, live below the poverty threshold in the EU according to 2010 data. The Czech Republic (9 per cent of the population), the Netherlands (10 per cent), Austria and Hungary (12 per cent each), the Nordic countries (around 13 per cent) and France (13.5 per cent) are the countries where poverty is lowest. The highest rates, exceeding 20 per cent, are observed in Eastern Europe, in Romania and Bulgaria. Spain and Greece now have similar poverty levels of about 20 per cent, largely due to the ongoing economic crisis.
Eurostat counts the number of people severely materially deprived in the EU, which can be used as an approximation to absolute poverty. The most recent figures show a rise from 8.4 per cent in 2010 to 9.9 per cent of the population in 2012, or from under 42 million to almost 50 million people.\textsuperscript{10}

Asia and Europe have made considerable strides in their fight against poverty, but much remains to be done.

1.5. The post-2015 development agenda must remain focused on poverty eradication.

All the preliminary reports leading to the adoption of the SDGs come to the conclusion that the next development framework must retain a clear and unambiguous focus on poverty reduction, speeding up action to improve the life of the world’s poorest and most marginalised people.

As stated by the High-level Panel of Eminent Persons: “The next development agenda must ensure that in the future neither income nor gender, nor ethnicity, nor disability, nor geography, will determine whether people live or die, whether a mother can give birth safely, or whether her child has a fair chance in life. We must keep faith with the promise of the MDGs and now finish the job. The MDGs aspired to halve poverty. After 2015 we should aspire to put an end to hunger and extreme poverty. Our vision and our responsibility are to end extreme poverty in all its forms in the context of sustainable development.”\textsuperscript{11}

\textsuperscript{10} http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators. Severely materially deprived persons have living conditions severely constrained by a lack of resources, experiencing at least 4 out of 9 of the following deprivations items: cannot afford i) to pay rent or utility bills, ii) to keep home adequately warm, iii) to face unexpected expenses, iv) to eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone. Cf. also EAPN Explainer #6, forthcoming, http://www.eapn.org.

2. Inequality in Asia and Europe

2.1. Increase in income inequality is a common trend across the regions

Despite what poverty reduction indications might suggest, reduction of poverty alone is not the cure for inequality. We actually live in an increasingly unequal world. The Gini coefficient in Volume I gives an overview of the current status of inequality in ASEM Countries.

According to Forbes’ ranking, the number of the world’s billionaires peaked at 1,645 in 2014; they have a net worth of USD 6.7 trillion, close to 8 per cent of world GDP.\(^{12}\) Calculations by Oxfam show that the 85 richest people are as wealthy as the poorest half of the world.\(^{13}\)

### Income inequality, 1900 to 2010, selected countries

1. **English-speaking countries**
   - United States
   - Australia
   - United Kingdom
   - Ireland
   - Canada
   - New Zealand

2. **Continental European countries and Japan**
   - France
   - Germany
   - Netherlands
   - Switzerland
   - Japan

3. **Nordic and Southern European countries**
   - Sweden
   - Finland
   - Portugal
   - Norway
   - Italy

4. **Developing countries**
   - China
   - Indonesia
   - Singapore
   - India
   - South Africa
   - Mauritius

Source: International Monetary Fund\(^{14}\)

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The graph above shows trends in income inequality in four regions over the past 30 years. Worldwide, the average income of the richest 10 per cent of the population is about nine times that of the poorest 10 per cent, up from seven times 30 years ago. The top 5 per cent of the world’s population is understood to have over 37 per cent of global income, whilst the bottom 5 per cent has less than 0.2 per cent. If, instead of income wealth is considered, the divide is even more striking: 39.3 per cent of the world’s wealth is held by 0.6 per cent of its adults.

Comparisons are sometimes difficult between Asia and Europe since sources are not clear on whether they consider inequality before or after redistribution. As redistribution is more widely practiced in Europe than in Asia, European countries are often less unequal than they seem to be when considering only the data before redistribution. But the trend is the same in both regions: growing inequality.

2.2. Inequalities in Asia

The gap between Asia’s rich and poor has widened alarmingly in the past two decades. Out of 28 Asian countries that have comparative data between the 1990s and 2000s, eleven — accounting for about 82 per cent of developing Asia’s population in 2010 — experienced rising inequality of per capita expenditure or income, as measured by the Gini coefficient. In many countries, the richest 1 per cent of households account for close to 10 per cent of total consumption, and the top 5 per cent account for more than 20 per cent. The Gini coefficient has increased in much of the region: taking developing Asia as a single unit, it has increased from 39 to 46.

Even Japan, despite its reputation for equity, experienced a sharp rise in income inequality during the last 20 years. In fact few countries have seen inequality rise so sharply in such a short period as Japan. The abandonment of Japan’s old egalitarian lifetime employment system, a decade-long recession, the growing numbers of low-paid women, and soaring land prices have all contributed to this rise in inequality.

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5 Fighting Poverty and Inequality in Asia and Europe: What works?

The forces driving Asia’s rapid growth – new technology, globalisation, and market-oriented reform – are fuelling rising inequality. Their impact has been compounded by various forms of unequal access to opportunity, i.e. the ability to earn income from labour and to build human capital, caused by institutional weaknesses, market distortions, and social exclusion. Working together, these have led to a falling share of labour income in total national income, and growing spatial inequality. The recent economic growth in Asia has benefited three groups of people in particular:

- The owners of capital, who, as a result of the bias of technological progress, have seen their share of national income rise while that of labour has fallen. Asia’s large pool of available labour has also depressed wage rates relative to returns on capital.

- Those who live in cities and near coasts who have gained greatly from better infrastructure and market access. For example, rural-urban and inter-provincial gaps combined account for 54 per cent of total income inequality in China and about 32 per cent in India.

- Better educated graduates who have managed to increase their income, thereby widening the gap relative to those with just a basic education.

Some income divergence is inevitable in times of fast economic development, but it should not make for complacency, especially in the face of rising inequality in people’s opportunities to develop their human capital and income-earning capacity. Despite developing Asia’s great success in raising living standards and reducing poverty, swelling income disparities threaten to undermine the pace of progress.

One of the groups that benefited least from the rapid growth is women. Women continue to be disproportionately affected by challenges related to access to education, employment security, wage parity, work-life-balance and employment opportunities. Women are increasingly recognised as underutilised human capital in the context of economic growth (cf. graph on Female labour force participation rate in ASEM Countries in Volume I). According to the joint report by the International Labour Organization and the Asian Development Bank, “the Asia-Pacific region is losing between USD 42 and USD 47 billion annually” due to women’s limited access to employment opportunities. A report by the UN Development Fund for Women compared the cost of gender equality and gender inequality and concluded that the cost of inequality is about five times higher than the cost of implementing gender equality measures in the Asia-Pacific region. Economic policies need to include gender-specific targets with gender-responsive budgets if they are to achieve sustainable growth.

2.3. Inequalities in Europe

Although Europe is not enjoying the same growth rates as Asia, it is facing wide and increasing inequalities in the distribution of income. In 2011, as a population-weighted average of the EU-28 member states’ figures, the top 20 per cent (highest disposable income) of a member state’s population received 5.1 times as much income as the bottom 20 per cent of the member state’s population. This ratio varied considerably across the EU-28 member states, from 3.5 in Slovenia and the Czech Republic, to at least 6.0 in Greece, Romania, Bulgaria and Latvia, and peaking at 6.8 in Spain. The Gini coefficient shows a similar ranking pattern. The overall EU figure (2013) is 30.6, an increase from 29 in 2000. The lowest inequality is in Denmark, Slovenia, Hungary, Sweden, Austria and Finland (23.7 to 28) and the highest is in Latvia (35.7), Spain (35), and Portugal (34.5).

A measure of inequality, however, has to go beyond the simple national average. Inequality disproportionately affects certain groups of population; disaggregated data are thus required. Four groups are identified as the most vulnerable in Europe: women, migrants, single-parent households and the younger generation:

a) Across the European Union, the poverty rate of women is higher than that of men: 17.1 per cent against 15.7 per cent for men (data from 2010).\(^{18}\)

b) The poverty rate of immigrants stands at 22.8 per cent against 14.8 per cent for those Europeans living in their country of origin (ibid.).

c) The households most affected by poverty in Europe are those of single-parent families. 36.9 per cent of these households were affected by poverty in 2010 (ibid.).

d) Younger generations suffer disproportionately from unemployment (see graph on Youth unemployment rates in ASEM Countries in Volume I). In addition, they will have to carry the burden of an ageing population, the repayment of public debt and the environmental degradations provoked by past generations.

As pointed out by the UNDP report on *Intergenerational equity and sustainability*, “When one crisis follows another, it is easy to lose perspective about important long-term consequences of current actions. It is thus important to bear in mind that today’s choices can have a large and decisive influence on the choices available for decades in the future. Sustainable human development is about understanding the links between temporal choices of different generations and about assigning rights to both present and future generations. The objective should thus be both intra-generational and intergenerational equity. Investing in people today requires a prudent balance between debts incurred today and the obligations they impose on future generations”.

5 Fighting Poverty and Inequality in Asia and Europe: What works?

Thomas PIKETTY: The relationship between wealth, growth and deepening inequality

John Maynard Keynes taught us that the role of politics is to achieve a balance between three things: economic efficiency, social justice, and individual liberty. For much of the 20th century, economists and policymakers assumed that economic efficiency is guaranteed by the free market powers unleashed by capitalism, and that social justice is achieved by the balancing forces of growth, competition and technological progress that cause a “rising tide [that] lifts all boats” as the famous aphorism goes.

Thomas Piketty’s book Capital in the Twenty-First Century based on ten years of painstaking research, tackles this assumption head on. His analysis of long-term trends in wealth and income distribution has been a publishing sensation around the world. The book’s thesis, that wealth concentrates because the returns to capital are consistently higher than economic growth, has spawned furious debate. Piketty’s preferred cure - a global progressive wealth tax - even more so. In his conclusion, he states provocatively: “The inequality […] implies that wealth accumulated in the past grows more rapidly than output and wages. […] Once constituted, capital reproduces itself faster than output increases. The past devours the future.”

Piketty, a professor of economics at the Paris School of Economics, thus places politics and policymaking at the heart of the ongoing inequality debate. Instead of resolving itself by the forces of the free market, which, when liberated from the distorting effects of government intervention, “distributes,” as Milton Friedman famously put it, inequality has to be reduced by conscious – and often unpopular - policy interventions requiring a high level of international cooperation and regional political integration.

The debate about the merits of Capital in the Twenty-First Century is still ongoing and will continue for some time. However, it is clear that inequality has been rising, and is continuing to rise, at an alarming rate within and between countries, ultimately threatening the very social and democratic foundations of many countries around the world.

2.4. Inequality of outcome versus inequality of opportunity: The Asia-Europe debate

In many Asian countries, governments insist more on equality of opportunity than on equality of outcome, believing that a society with wide income gaps can still be fair if people can move up the social ladder. Europeans tend to be more egalitarian, believing that in a fair society, income gaps should be kept under control. Many in Europe feel that there is an overemphasis on this distinction between outcome and opportunity.

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As far as treatment of inequality is concerned, there might be some truth in the cliché that Asians favour individual responsibility, whereas Europeans are more inclined to emphasise collective responsibility. In the real world, a clear distinction between inequality of outcome and of opportunity is not straightforward. What individuals choose as an activity in the labour market or in education will of course influence the outcome. At the same time, multiple studies show that circumstances outside the control of an individual, such as gender, race, ethnicity, place of birth, parents’ education or income, remain the main determinants of outcome.

In its 2013 report Confronting Rising Inequality, the Asian Development Bank (ADB) presents the results of a survey on how people “view the distinction between inequality of opportunity and inequality of income” for Asian and OECD countries. This survey asked representative samples of people in 69 countries to express their views on two possible options:

- Option 1: “Incomes should be made more equal.”
- Option 2: “We need larger income differences as incentives.”

Asian responses were more skewed towards option 2, while the OECD responses were spread more evenly between option 1 and 2.

3. Eliminating poverty, reducing inequality: what works?

Some countries have been more successful than others at simultaneously tackling poverty and inequality. In Asia, Korea, Malaysia, Mongolia, the Philippines, and Thailand are among the best performers. In Europe, countries including Estonia and Sweden are considered to be among the best models. So what has worked in these cases? Based on good practice from accumulated cases, this report draws the following conclusions:

3.1. Job opportunities through better education and skills work

The first imperative to reduce poverty and inequalities is to empower people through better education and better skills. Successful countries have significantly upgraded their education system with a greater emphasis on technical subjects and vocational training, as well as apprenticeships and retraining.

3.2. Redistributive taxes, social and cash transfers, when properly designed, work

This point is widely debated. Some argue that redistributive taxes and social transfers are worse for growth than the diseases they are designed to cure. If growth is the best remedy to eradicate poverty, taxes and transfers may be precisely the wrong remedy, even if inequality is bad for growth. While considerable controversy surrounds these issues, it should not be concluded that the treatment for poverty and inequality through taxes and redistribution might be worse for growth than the disease. Whether these policies help, or hurt, growth is all a matter of design. When properly designed, the combined direct and indirect effects of redistribution — including the growth effects of the resulting lower inequality — are on average pro-growth.

Around the world, countries have turned to various types of redistributive policies as a way to deal with inequality. Advanced economies, on average, have been able to reduce inequality by roughly a third through a combination of social transfers (e.g. welfare and pension benefits) and redistributive taxes (e.g. progressive income taxes). Other benefits, such as public spending on health, education, and housing further help to reduce inequality.

In developing countries, fiscal policy has played a more modest role; tax revenues are much lower (as a share of national output), with the exception of emerging Europe. Taxes on consumption, which tend to be less redistributive than taxes on income, account for a much larger share.

Another form of redistribution, conditional cash transfers, is more and more widely and successfully used. These cash-transfers programmes make benefits conditional, e.g. on the attendance of children at health clinics and at school. Means-testing helps to keep the fiscal cost low. This policy can boost both equality of opportunity and income equality. A strengthening of administrative capacity, however, is required to implement these programmes in many developing economies.

3.3. Public spending on health, education and housing, as well as reduction of inter-regional disparities work when they benefit the groups most in need

Improving the access of low-income families to education is an efficient tool for boosting equality of opportunity, and in the long run, can also reduce income inequality. For developing economies, a strengthening of access to quality secondary education is required, for example, by eliminating tuition fees. In advanced economies, this entails increasing the access to tertiary education for low-income families, including the use of scholarships and loans.

Along the same lines, improving the access of the poor to healthcare services in developing economies can help strengthen equality of opportunity in an efficient manner. Some countries, including China and India, have taken important steps toward universal coverage in recent years. In advanced economies, maintaining the access of the poor to health services during periods of constrained government spending is also consistent with efficient redistribution.
Education and health spending in developing economies is not well-targeted and exacerbates inequality. In many of these economies, for example, the poorest 40 per cent receive less than 40 per cent of the total benefits, which contributes to inequality of opportunity and low intergenerational mobility. One reason for this is that the poor often lack access to these services, reflecting the fact that many of them live in poor rural areas while services are concentrated in urban areas.

The gap between rural and urban areas and across provinces must be bridged. Regions lagging behind need more and better infrastructure, not just in the form of physical connectivity, but also through policies and institutions that ease the flow of goods and services. Barriers to migration from poor and rural areas to more prosperous and urban areas should also be removed. Growth centres could be developed in lagging regions. Regional inequality in China, for example, declined after it introduced its Greater Western development strategy.

3.4. Fighting tax havens and tax evasion work

According to most estimates, the stock of financial wealth held offshore, hardly taxed or untaxed and in substantial conditions of secrecy, amounts to some USD 21-32 trillion. (i.e. 25 to 37 per cent of worldwide GDP). In addition to depriving governments of revenues, the practice deepens wealth inequality as the less wealthy continue to pay taxes.

As correctly pointed out by the Tax Justice Network, “[t]ax justice and the struggle against tax havens have to be a central part of any inequality-focused agenda. The offshore system of tax havens clearly has mind-bending effects on inequality within and between countries. All that offshore wealth is held by the world’s 10 million wealthiest people: and a large share of that by the wealthiest 100,000. Because of tax havens, inequality is certainly significantly worse than what economists measure. Worse still, tax competition is "compressing" tax systems around the world, with the effect of reducing tax rates on the wealthy and increasing tax rates on the poor. Many other unjust features of tax systems make the problem still worse: corporate tax avoidance, for instance, [is] routinely facilitated by offshore tax shenanigans.”

3.5. Brutal fiscal consolidation and austerity policies don’t work

Fiscal consolidation strategies, however important, have been questioned for adding to the woes of already struggling economies, and leading to even higher unemployment and more social hardship. This can be gauged by looking at the so-called fiscal multipliers – the decline in economic growth for every one percentage point reduction in the government’s fiscal deficit. Although there is some debate about the size of these multipliers, which vary widely across countries and at different times, it is clear that their size was underestimated. They are higher than usual, largely because low or zero interest rates are making it harder for monetary policy to offset the adverse impact of austere fiscal policies.

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Moreover, when many interacting countries tighten policy at the same time, the negative impact is exacerbated as the chill wind of austerity in one country is felt among trading partners. Yet governments have little choice but to forge ahead with consolidation, given very high levels of public debt and the need to restore financial market confidence. Indeed, high and growing debt ultimately depresses growth and increases fragility.

A major policy concern is how austerity affects income inequality. A trend of increasing income disparities was already a concern prior to the financial crisis, but inequality has widened since. Moreover, the financial crisis has drawn attention to excessive and distorting incentive pay in the financial sector, which many people believe to be a key culprit in the crisis.

Fiscal consolidation is worsening this inequality, sparking more social anger that can threaten even the most carefully designed and legitimate consolidation programmes, or actually destabilise public institutions, including the EU. According to current consolidation plans, most governments aim at improving the budget primarily via restraining spending, including social security transfers, while adjusted household income taxes increase in most of these countries. The net redistributive effect of all measures combined is likely to be negative and should be avoided.

**Conclusion: poverty and inequality on the ASEM agenda**

Whereas growth and elimination of poverty stand high on the ASEM agenda, inequality has not been adequately considered. The Chair’s Statement from the 9th ASEM Summit in 2012 highlighted the importance of the fight against poverty, stating: “Leaders [are] committed to fighting against poverty and attaining the internationally agreed development goals, and achieving MDGs target to ensure poverty eradication, equitable and sustainable development and inclusive growth.”

The 4th ASEM Labour and Employment Ministers’ Conference in 2012 in Viet Nam envisioned the transition to a green economy as one means to reduce poverty, stating: “The fair transition to a green economy may open opportunities to reduce poverty and generate decent jobs. This could require adaptation of the training systems, active labour market policies, development of new skills and promotion of occupational health and safety in jobs created or transformed due to the greening of the economy.”

But the positive inter-linkage between poverty and inequality reduction on the one hand and sustainable growth on the other has still to be recognised in ASEM related meetings. The upcoming ASEM Summit provides an opportunity to do so.
**The Nefarious Effects of Poverty on Very Distant Descendants**

Their ancestors came from poverty,
The child was often told.
No money and no property,
The recipe for woe.
But they worked hard and scrimped and saved
And got their effort’s due.
There is great pride in having survived
Poverty - romanticized just by fools.

Now the child grows up having overcome
Middle-class living.
Indeed, those tuition centres have begun
His social perpetuating.
His collar is white as white can be
Since society scrubbed right out
The dirt of passion’s intensity
That blackens the mind with doubt.

Yes! He has made his mark
On the foot-weary path and now the world must know.
For to be lauded by envious remarks,
Shiny things he must show.
To earn more money and spend more and more,

The circle of life is complete.
But a fear remains from that tale of yore
Though his doctor says he has enough to eat.

Our ancestors came from poverty,
He now tells his child,
Indeed, we can never have enough money
So god forbid you should run wild.

Poverty haunts him on the telly
And the charities in the store,
He ignores those and the deep ache in his belly
That screams: MORE MORE MORE.

Joanne TAN, 1990 -
5 Fighting Poverty and Inequality in Asia and Europe: What works?

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6 EDUCATION FOR SUSTAINABLE DEVELOPMENT: OVERVIEW AND OUTLOOK FOR ASEM MEMBERS
NATALIE YAN HONG

The priority theme to be discussed in this chapter is Education and Learning, theme 3 as outlined in Chapter 1, Setting Sustainability Priorities.

Under the goal statement “Education is a major contributor to sustainability transformation”, this chapter addresses the following sub-goals:

3.1 Quality primary education and increased access to secondary education for all segments of society and opportunities for lifelong learning are provided.

3.2 Skills and societal demands are properly matched throughout all types of qualification.

3.3 Awareness and know-how about sustainable development are integrated in curricula and are significantly increased.

Education is a human right with immense power to transform. On its foundation rest the cornerstones of freedom, democracy and sustainable human development.

Kofi Annan

Introduction

As defined by the United Nations Educational, Scientific and Cultural Organization (UNESCO), Education for Sustainable Development (ESD) means incorporating key sustainable development issues into teaching and learning. These educational efforts intend to foster certain values, attitudes, behaviours and lifestyles, indispensable for a sustainable future. To emphasise the importance of education for sustainability, the United Nation proclaimed the period 2005–2014 as the UN Decade of Education for Sustainable Development.

While the UN Decade for Education for Sustainable Development is almost over, and Education for All and MDGs are reaching their final years, the world still has a long way to go to realise the goals set in both education and sustainable development. At this crucial juncture, it is important to review and reflect upon the past, as well as to plan for the future.
The following section will set out the global context of ESD, reviewing the evolution of this concept and its process, exploring its interplay with other UN initiatives, and introducing the Post-2015 Education Agenda. The third section of the chapter will first describe the general state of education development in ASEM Countries in quantitative terms, based on the key indicators from Volume I of this report. It will then present good ESD practices among selected ASEM Members. The concluding section suggests possible directions to further advance ESD across Asia and Europe.

1. Global agenda for Education for Sustainable Development

1.1. Evolution of Education for Sustainable Development

The linkage between education and sustainable development can be traced to 1977 when UNESCO and the United Nations Environment Programme (UNEP) organised the Intergovernmental Conference on Environmental Education in Tbilisi, Georgia (Sarabhai et al 2012). Since the Brundtland Report from 1987, the discussion around the concept of sustainable development involves the role of education.


When the UN General Assembly declared the period 2005-2014 as the UN Decade of Education for Sustainable Development (DESD), its aim was to integrate the principles, values, and practices of sustainable development into all aspects of education and learning. This works through:

- Facilitating networking and interaction among ESD stakeholders;
- Improving the quality of teaching, learning, research and capacity building in ESD;
- Supporting countries in realising the Millennium Development Goals (MDGs) through ESD;
- Offering ESD as an umbrella concept for emerging education programmes and activities.

1 In 1987, the World Commission on Environment and Development presided by Gro Harlem Brundtland, the then Prime Minister of Norway, delivered a report titled “Our Common Future” which for the first time used the expression “sustainable development”, defining it as “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (UNESCO 2005).
UNESCO was designated as the lead agency to coordinate the efforts of related UN agencies and programmes, major international NGOs, and national governments (UNESCO a).

1.2. ESD and related UN initiatives

The Decade for Education for Sustainable Development (DESD) is closely linked to other major UN initiatives related to education and sustainable development – Education for All, the UN Literacy Decade and the Millennium Development Goals (MDGs). The Education for All (EFA) was a global movement launched in 1990 by UNESCO, the United Nations Development Programme (UNDP), the United Nations Population Fund (UNPF), the United Nations Children’s Fund (UNICEF) and the World Bank to universalise primary education and to massively reduce illiteracy by the end of that decade. Ten years later, with many countries far from having reached this ambitious goal, the international community re-affirmed its commitment to Education for All and set six specific goals: improving comprehensive early childhood care and education; realising free and compulsory primary education of good quality for all children by 2015; ensuring satisfaction of the learning needs of all young people and adults; achieving a 50 per cent improvement in adult literacy by 2015; eliminating gender disparity in basic education by 2005 and achieving gender equality in all levels of education by 2015; as well as improving the quality of education, especially learning outcomes measured by literacy, numeracy and essential life skills (UNESCO b).

The six Education for All goals were supported by the UN Literacy Decade 2003–2012. With the slogan “Literacy as Freedom”, the Decade recognised literacy as a fundamental human right to be defended (UNESCO c).

ESD is also closely linked with the eight MDGs, adopted in 2000. Two MDGs directly relate to education: MDG 2, Achieve universal primary education and MDG 3, Promote gender equality and empower women which encompasses gender equality in education. Moreover, there has been ample evidence of the crucial role of education in poverty eradication, which is at the core of the MDGs, as education equips people with the skills required for decent work, thereby raising their income and fuelling economic growth. Education can also be an effective way to improve public health, if it helps to prevent infectious diseases and reduce mortality and malnutrition. ESD shares its main purpose with the MDGs and can serve as a catalyst for achieving the targets (UNESCO 2009: 8), by enhancing education quality and learning goals, building knowledge of MDG issues, developing values and action competences for realising MDG issues, as well as supporting critical thinking for evaluating MDGs (UNESCO d).
1.3. Post-2015 education agenda

As the UN Decade for Education for Sustainable Development, Education for All, and MDGs are all approaching their end, the UNESCO-led ESD forces are formulating a post-2015 education agenda which will fit into the overall post-2015 development agenda. UNESCO proposes that the goal of education beyond 2015 should be to Ensure equitable quality education and lifelong learning for all by 2030. This goal is decomposed into specific targets covering different phases and aspects of education (UNESCO e: 4-9):

Priority area: Basic education

Target 1: All children participate in and complete a full cycle of free, compulsory and continuous quality basic education of at least ten years, including one year of pre-primary education, leading to relevant and measurable learning outcomes based on national standards.

Priority Area: Post-secondary and tertiary education

Target 2: Increase transition to, and completion of, quality upper secondary education by x per cent, with all graduates demonstrating relevant learning outcomes based on national standards.

Target 3: Tertiary education systems are expanded to allow qualified learners to access and complete studies leading to a certificate, diploma or degree.

Priority area: Youth and adult literacy

Target 4: All youth and adults achieve literacy, numeracy and other basic skills at a proficiency level necessary to fully participate in a given society and for further learning.

Priority area: Skills for work and life

Target 5: Increase by x per cent the proportion of youth (15-24 years) with relevant and recognised knowledge and skills, including professional, technical and vocational, to access decent work.

Target 6: Increase by x per cent participation in continuing adult education and training programmes, with recognition and validation of non-formal and informal learning.

Priority area: Quality and relevant teaching and learning

Target 7: Close the teachers’ gap by recruiting adequate numbers of teachers who are well-trained, meet national standards and can effectively deliver relevant content, with emphasis on gender balance.

Target 8: All young people and adults have opportunities to acquire – supported by safe, gender-responsive and inclusive learning environments – relevant knowledge and skills to ensure their personal fulfilment and contribute to peace and the creation of an equitable and sustainable world.
6 Education for Sustainable Development: Overview and Outlook for ASEM Members

Priority area: Financing of education

Target 9: All countries progress towards allocating 6 per cent of their Gross National Product (GNP) to education and 20 per cent of their government budget to education, prioritising groups most in need.

Target 10: All donors progress towards allocating at least 20 per cent of their Official Development Assistance (ODA) or its equivalent to education, prioritising countries and groups most in need.

2. Where do Asia and Europe stand?

As the world is reflecting upon the past of ESD and planning for its future, it is now time for Asia and Europe to review what has, and has not been, achieved and to look ahead for further advancing ESD in both regions.

2.1. General state of education in ASEM Countries

ASEM countries in Asia and Europe, in general, have performed rather satisfactorily when measured by the key indicators for the goals of Education for All and the targets of the Post-2015 Education Agenda. This section summarises the overall status of ASEM countries in: access to education, gender equality in education, education attainment, government expenditure on education, quality of education and learning outcome, and youth employment which is directly related to education.

Access to education: By 2000 most current ASEM Member countries had already fully, or nearly, achieved universal primary education. In 2012, out of 41 ASEM Countries with data, 29 had achieved universal primary education. Ten countries reported a primary Gross Enrolment Ratio (GER) of 95–100 per cent, and the remaining two countries also reached 92.9 per cent and 94.2 per cent in this ratio. In the same year, out of the 45 ASEM Countries with data available for 2012, 21 achieved universal secondary education, 19 achieved a secondary GER of 82–99 per cent, with the rest having a GER between 37 and 69 per cent. For tertiary education, the majority of ASEM Countries had a GER much above the global average, which was 30 per cent in 2010 (EdStats 2012a). By 2012, out of the 47 ASEM Countries with data, plus Croatia, six countries had exceeded 80 per cent in tertiary GER; 22 had reached 60–80 per cent, eight countries fell between 40–60 per cent, six countries between 20–40 per cent, and six countries below 20 per cent.²

Gender equality in education access: By 2000, most ASEM Countries had already achieved, or were very close to achieving, gender equality in access to primary and secondary education, and this balance has been well maintained up to 2012. The countries that are yet to achieve rough gender balance in secondary education access are Pakistan, Lao PDR and Cambodia. In tertiary education, many ASEM Countries, particularly those in Europe, have developed a GER biased towards females.³

Education attainment: By 2012, the majority of ASEM Countries have had a population with mean years of schooling between 10 and 12 years. In several countries, such as Norway, New Zealand, the Czech Republic, and Germany, people received more than 12 years of education.⁴

Government expenditure on education: From 2006 to 2012, the average spending on education as a percentage of the total government expenditure of all countries with data was 15.4 per cent (EdStats 2013a). During the same period, the average education spending as a percentage of total government expenditure of ASEM Countries in Asia was 15.6 per cent, whereas that of ASEM Countries in Europe during 2006–2011 was 10.4 per cent. Most ASEM Countries spend more on secondary education than on primary and tertiary education.⁵

Education quality and learning outcomes:

a. In both primary and secondary education, ASEM Countries, on average, are below the world’s pupil-teacher ratio, which amounted to 24 and 17 in 2012 respectively (EdStats 2013b). This means in both regions in general, the same number of pupils in primary and secondary schools are provided with more teachers than the world’s average.⁶

b. By 2012, out of the 30 current ASEM Members plus Croatia, 17 had achieved 99-100 per cent literacy among their youth (15–24 years old), which is above the global average of 90 per cent (EdStats 2013c). However, only four of them were in Asia: Singapore, Brunei Darussalam, the Russian Federation, and China. The literacy rate among all the population above 15 years was slightly lower than that among the youth, with eight European countries and the Russian Federation close to achieving full literacy.⁷

c. The majority of ASEM Countries have participated in the Programme for International Student Assessment (PISA), an international measurement of reading, mathematics, and science literacy of 15-year-old students. The results of PISA 2009 and 2012 show that students of this age group in China (Shanghai and Hong Kong), Singapore, Korea, Japan and Finland had the highest competences in reading, mathematics, and science, whereas Indonesia, Thailand, Bulgaria and Romania were at the bottom of the ranking lists (OECD: PISA).

⁴ The author’s observation based on the Mean Years of Schooling in ASEM Countries retrieved from UIS website: http:// www.uis.unesco.org/Education/Pages/mean-years-of-schooling.aspx [Accessed 16 Jul 2014].
⁷ The numbers of countries are the author’s calculations based on the data retrieved from UIS website: http://data.uis. unesco.org/Index.aspx?queryid=120 [Accessed 16 July 2014].
Youth unemployment and skills mismatch: According to the International Labour Organization (ILO), the world’s youth unemployment will rise to 12.8 per cent by 2018 (CNBC 2014). The level of this indicator is particularly alarming in Europe. The youth unemployment rate in the current 28 EU member states had reached 23.0 per cent in 2012. In certain countries, such as Spain, this rate is even higher (Eurostat: Youth unemployment). In East Asia, the youth unemployment rate is forecasted to rise from 9.5 per cent in 2012 to 10.4 per cent in 2017 (Xinhua 2012). This worrisome tendency is considered to reflect the mismatch between the skills supplied and the skills demanded in the labour market. In some European countries, the gap between the skills offered by youth and young adults (15-29 years) and the needs of employers has considerably enlarged, whereas in other European countries, the skills mismatch has been staying at a constantly high level.8

The above-described overall state of education development has provided an environment conducive to the implementation of ESD in Asia and Europe.

2.2. Good practices of ESD in ASEM Countries

For the purpose of this chapter, good ESD practice refers to policies strongly supportive of ESD or concrete actions that carry the key features of ESD as defined by UNESCO, such as engaging formal, non-formal, and informal education, using a variety of pedagogical methods to foster participatory learning and critical thinking, promoting inter-disciplinarity, meeting local needs and suiting local conditions and culture, strengthening community engagement, cultivating an adaptable workforce, etc.. This section cannot give a comprehensive and exhaustive account of ESD in Asia and Europe, but rather provide snapshots of good ESD practice in some ASEM Members.9

ASEM Asia

China: Integration of ESD into school curriculum

Over the past one and half decades, China has implemented several initiatives to integrate ESD into different aspects of the national education system, particularly the school curriculum. For instance, the New School Curriculum introduced by the Chinese Government in 2001 proposed a fundamental shift in school learning, from the traditional type to a cooperative and interactive mode. The new curriculum not only addressed the key issues related to ESD, but also aimed at enhancing the pupils’ core skills required by ESD, such as critical thinking and problem solving. The school-based curriculum accounts for 10 per cent of the total curriculum hours. Many Chinese schools are actively involved in ESD. Instead of simply teaching some ESD-related topics, they emphasise the learning of the core values of ESD, which is popularly known as Four Respects: Respect for All, Respect for Cultural Diversity, Respect for Nature and Respect for Science. A number of schools use textbooks that promote the Four Respects. Some teachers move beyond the boundaries of their disciplines to design and implement interdisciplinary


9 The selection of the ASEM members takes into consideration several factors: 1) geographical balance — a total of six ASEM members, three in Asia and three from Europe; 2) size of a country’s population, as it relates to the population to be covered by ESD; 3) plurality of key characteristics of ESD. The selected members are listed by alphabetic sequence.
projects, integrating the projects into their teaching, interaction and assessment. Many such schools are now known as “ESD schools” because of their success transforming the school culture and environment to promote sustainable development (UNESCO 2009:72).

**India: Training for ESD teachers**

Sufficient supply of well-qualified educators is a vital precondition for good-quality ESD. The Green Teacher Programme, jointly developed by the Indian Centre for Environment and Education and its Canadian partner, is an innovative initiative to provide teachers practicing ESD with professional development training. The objective of this year-long programme is to empower educators with creative ideas and curriculum methodology on ESD. The programme offers Open and Distance Learning via six study centres across India. The training takes place in the practical working environment of the learners, with each of the study centres conducting individual discussions with Green Teachers on their ESD projects and testing their new ideas within their schools and classrooms. The programme also allows for flexibility in learning at one’s own convenience and style. The course requirements - entry-level qualifications, time commitment, and utilising the learners’ expertise to shape their own learning – are conducive to meeting ESD teachers’ training needs (UNESCO Bangkok 2009, 32).

**Indonesia: Mobilising students for community empowerment**

Indonesia’s Student Community Services – Community Empowerment Learning is a classic example of promoting ESD in the higher education sector by mobilising students for community empowerment. The Indonesian Directorate General of Higher Education appointed the Gadjah Mada University as a national coordinator for the implementation of the programme in higher education institutions. It consists of a compulsory subject for undergraduate students at the university, which requires students from different disciplines to work in teams to design and implement projects in local communities. When designing such projects, students need to take into consideration several principles: win-win solutions, partnership (co-creation and co-funding), research-based activity, multidisciplinary approach, flexibility and sustainability. Every year around 7,000 students enrol in this programme and around 100 projects are developed, half of which deal with sustainable development issues and adopt ESD methodologies. To give a few concrete examples of these projects: the domestic use of Jatropha carcas oil as an alternative energy in the East Java area; the development of technologies for clean water supply and the promotion of coast conservation to improve community health in Dharmakradenan Village, Banyumas and Central Java; the development of education models for poor children in Cianjur and West Java; and the promotion of a healthy lifestyle in Oelpuah Village, Kupang and East NusaTenggara (UNESCO 2011: 42-43).

**ASEM Europe**

**European Union: Multiple strategic frameworks supporting ESD**

Several strategic frameworks at the European Union level have supported the significant role of ESD for the region’s further development. The EU Sustainable Development Strategy, adopted in 2001 and subsequently reviewed in 2006 and 2009, highlights education as a prerequisite for cultivating behavioural changes and equipping all citizens with the key competences needed to
achieve sustainable development. The strategic framework for European cooperation in education and training (ET 2020), emphasises that education and training have a key role to play in meeting the demographic, environmental, socioeconomic and technological challenges facing Europe and its citizens. The Europe 2020 Strategy, which seeks to turn the EU into an inclusive and sustainable economy with high levels of employment, productivity and social cohesion, also highlights that education and training can make major contributions to this goal. (European Council 2010: 1-2). Furthermore, the Bologna Process in the European Higher Education Area, which emphasises quality assurance and competence development, has clear synergies with the global process of the UN Decade for Education for Sustainable Development (Fadeeva & Galkute 2012).

**Germany: Containing youth unemployment through Technical and Vocational Education and Training (TVET)**

Youth unemployment is a huge challenge for sustainable development. Germany, due to a deeply rooted culture of Technical and Vocational Education and Training, has been able to maintain a very low rate of youth unemployment. The main thrust of German Technical and Vocational Education and Training and training is to effectively shape the apprentices’ attitudes, values and skills through an early and close involvement in the reality of the workplace, while at the same time giving space for theoretical teaching in a vocational training college. This dual vocational training system is based on constructive cross-sectoral, multi-stakeholder cooperation, among schools, companies, chambers of commerce, relevant unions and the relevant ministries at state and federal level. This system fosters a workforce that matches the professional needs of German enterprises (Hirche 2012). For instance, in 2012/2013, 21 per cent of all German enterprises (86 per cent of large companies and 68 per cent of medium enterprises) offered 530,000 apprenticeship positions (Bundesministerium 2014).

Germany has implemented 1,300 official projects of the UN Decade for Education for Sustainable Development. One such project sets up pupil-run companies, allowing pupils to organise small businesses, making profit while incorporating environmental protection and social aspects. Such initiatives cultivate children’s self-confidence in their own ability to make a contribution. Indeed, the Free University of Berlin has shown that pupil-run companies significantly improve pupils’ motivation and reduce the number of school dropouts (Hirche, 2012).

**UK: Promoting interdisciplinary ESD**

One of the UK’s key actors in ESD, the Higher Education Academy, has made remarkable efforts to promote an important feature of ESD – inter-disciplinarity, in the higher education sector. Since its initial ESD Project began in 2005, the Academy has been helping the higher education institutions in the UK to develop curricula and build capacity for enhancing students’ sustainability literacy. The Academy has also partnered with the Environmental Association for Universities and Colleges to create the Sustainability in Higher Education Developers Network which links up academics to collaborate on sustainability issues. The Academy’s early ESD projects have been generic and discipline-specific in their outlook. In January 2010, the Academy launched a new initiative, ESD Interdisciplinary Grants, to fund the overall ESD Project to develop curriculum and pedagogy related to the interdisciplinary teaching and learning of ESD, as well as several small-scale projects exploring how to integrate interdisciplinary forms of ESD into existing curricula and pedagogical practices. The Academy has also sponsored research of inter-disciplinarity and employability, and funded six study centres collaborating on inter-disciplinarity and ESD (UK National Commission for UNESCO 2010: 23-24, 30)
3. ASES’s role in advancing ESD across Asia and Europe

While within Asia and Europe, individual ASEM Members have made tangible efforts to promote ESD, between Asia and Europe, ESD has also been advanced by various inter-regional actors. ASES is a key one among them. As the only permanent inter-governmental organisation between Asia and Europe, ASES has developed and implemented a variety of formal and non-formal education projects, facilitating dialogue, networking, and cooperation among Asian and European stakeholders. Many of these projects directly relate and contribute to ESD.

For instance, the ASES Rectors’ Conference, a higher education project launched in 2008 and organised biennially in Asia and Europe alternately, has developed an increasingly close linkage with the topics of ESD. The third edition of ARC, held in the Netherlands, was themed *Universities, Business and You: For a Sustainable Future*, and the 1st Asia-Europe Students’ Forum reflected upon the question “Are You Fit for the Future?” These themes were set against the background of economic crisis and a rapidly rising number of students, which called upon ASES countries to develop students’ competences and skills for sustainable growth of their countries’ economies (ASEF: Publication on ARC3). The next Rectors’ Conference and Students’ Forum will bring together Asian and European university leaders to share good practices, discuss opportunities and propose concrete areas of action for successful and innovative university-business partnership which can contribute to the creation of sustainable societies (ASEF: ARC4 webpage). The ASES Rectors’ Conference has been recognised as an Official Dialogue Partner of the ASEM Education Ministers’ Meeting. This allows for the conference’s policy recommendations, most of which are highly relevant for ESD, to be directly delivered to the education policy makers from 51 ASEM Members. For example, the policy suggestions of the 4th ASEM Rectors’ Conference will be presented at the 5th Asia-Europe Meeting of Ministers for Education (ASEM ME5) to be held in Riga, Latvia, in 2015.

ASEF’s ESD-related projects are not restricted to higher education, but extend to secondary education as well, through the ASES Classroom Network (ASEF ClassNet). This programme was launched in 1998 to create platforms for intercultural exchanges and collaborative learning among teachers and students of secondary and high schools in ASEM Countries through the use of Information and Communication Technologies (ICT). The recent conferences and projects of ASES ClassNet mostly centred around the topics of sustainable development. For example, in 2010, the International Year for Biodiversity, the 9th ASES Classroom Network Conference was themed accordingly: *Climate Change and Biodiversity: How They are Connected and the Impact of Biodiversity Loss in the Community in Asia and Europe*. Representatives from 31 ASEM Countries attended the conference (ASEF: 9th ASES ClassNet webpage). Three years later, the 11th ASES Classroom Network Conference focused on *Creative Classrooms Go 4G: Teach Green, Learn Green, Act Green, Live Green* attracted participants from 28 ASEM Countries, who co-ordinated the implementation of 38 projects after the conference (ASEF: 11th ASES ClassNet Webpage).
Apart from formal education, ASEF promotes ESD among youth in Asia and Europe through a non-formal education project – ASEF University. It is a two-week programme consisting of lectures, workshops, field visits and other highly interactive activities that enable promising students and young professionals from Asian and European countries to explore socio-economic issues. To address the pressing concerns raised at the 3rd ASEM Environment Ministers’ Meeting and the Rio+20 Summit, the 18th edition of the ASEF University held in Estonia in 2012 was themed Conscious Consumers for Environmental Sustainability. The programme included an online photo exhibition, expert presentations, interactive workshops and a public campaign on sustainable consumption. The participants also conducted street actions engaging the residents of Tartu in a dialogue on sustainable lifestyle. After the completion of ASEF University, the participants coordinated the ASEF Green Action to raise awareness on the harmful effects of plastic on the environment (ASEF Publication on AU18). In 2015, ASEF University will be dedicated to the cultural dimension of sustainable development, looking into the role of cultural heritage in the process of sustainable urbanisation and its relevance to modern societies (ASEF: AU19 Webpage).

In addition to its own ESD-related projects, ASEF has also developed partnerships with other key actors dedicated to ESD between Asia and Europe, particularly the ASEM Education and Research Hub for Lifelong Learning (ASEM LLL Hub). The Hub is an official network for collaborative research on lifelong learning between Asia and Europe. It is composed of five research networks involving more than 100 researchers, senior representatives of 36 universities in 28 ASEM Countries, and senior officials from 22 Ministries of Education and five related international organisations. The five research networks deal with highly relevant ESD issues, such as the development of ICT skills and e-learning, workplace learning, professionalisation of adult educators in ASEM Countries, and national strategies for lifelong learning. Aiming at achieving excellence in the comparative study of lifelong learning and at offering research-based education policy recommendations, the ASEM Lifelong Learning hub, together with its research networks, organises seminars and conferences every year, publishes articles and books, and disseminates information on its website (ASEM LLL Hub).

4. The way forward for ESD in the ASEM context

The satisfactory performance of most ASEM Countries in the key indicators of education development has laid a solid foundation for the Post-2015 Education Agenda to be advanced in Asia and Europe. ESD in particular has emerged in the ASEM context as an important field of educational policy, practice and research. There are signs that ESD will continue to gain momentum as the world carries on to fulfil the uncompleted missions of the UN Decade for Education for Sustainable Development. ASEM Members will need to reinforce the existing positive tendencies, to clearly identify deficiencies and potential opportunities, to formulate long-term strategies accordingly and to adopt innovative yet realistic approaches for their implementation. The following suggestions attempt to support these tasks.
1) To further integrate into and enhance influence on the global process

The current transit to the phase after the Decade for Education for Sustainable Development provides an excellent opportunity for stakeholders from all over the world to exert impact on the global process. ASEM Members and stakeholders should catch this wave by:

i. Reviewing the existing processes such as the ASEM Education Process, national education development plans and regional and inter-regional activities, to better align them with the successor plan;

ii. Initiating co-operation on issues that are relevant in other countries, such as youth unemployment or Technical and Vocational Education and Training (TVET);

iii. Actively participating in international discussions and strengthening collaboration with the leading international organisations in ESD.

2) To adapt ESD to local conditions and needs

It is necessary to adapt ESD to local needs. Each country should formulate ESD strategies and implementation methods that are compatible with local socio-economic conditions and cultural traditions. In countries that feature major internal disparities, including China and India, such localisation is particularly important. Implementing these strategies in connection with national education campaigns also saves resources (McKeown 2002: 29–31).

3) To go beyond environmental education and promote inter-disciplinarity

Sustainability has long evolved to encompass a much wider range of issue areas than the environmental dimension. ESD in ASEM Countries needs to go beyond environment-focused subjects and embrace inter-disciplinarity in curriculum design and teaching methods.

4) To reinforce multi-stakeholder and cross-sector approaches

The multi-stakeholder and cross-sector approaches adopted in many good practices in ESD (see Chapter 10) need to be further promoted, involving the following dimensions:

i. between national governments and international organisations

ii. between governmental agencies

iii. between policymakers and implementers

iv. between formal and non-formal education sectors

v. between education institutions and the business sector

vi. community engagement

vii. students’ participation.
5) To create incentives for ESD teaching and learning

Incentives need be created to encourage schools and universities to develop quality ESD programmes, qualified teachers to be dedicated to ESD, and students to willingly take ESD courses and actively participate in ESD projects. Such incentives might include performance evaluations that take contribution to ESD into account, reasonable financial support for ESD projects, and award-winning competitions.

6) To provide statistics on key ESD-related indicators

Good policy recommendations are based on quality research, which in turn largely depends on availability of updated data. However, many ASEM Countries, particularly the Asian members, do not have complete data on key education indicators for the period 2000–2013, and in some cases data is outdated. Some countries do not even have data on such basic indicators as gender parity, youth and adult literacy or the share of government expenditure for education, amongst others. Moreover, most of the Asian countries do not have data on indicators for newly emerging issues related to ESD, such as unemployment rate of youth with different levels of education, and skills mismatch between labour supply and demand. Few countries in Asia have participated in PISA and in the International Assessment of Adult Competencies (PIAAC), thus lacking data on learning outcomes that affect youth employment.

ASEM Countries are recommended to supply UNESCO and other major international organisations dealing with education, such as UNDP, the World Bank, OECD and the Asia Development Bank, with updated data on the core education indicators, to make it possible for the world to see an accurate picture of education development in Asia and Europe.

7) To strengthen Asia-Europe dialogue and cooperation on ESD

It is in the ASEM Members’ own interest to strengthen their engagement and inputs into the inter-regional platforms for dialogue, networking, and collaboration on ESD-related issues. ESD creates another promising area for Asia and Europe to develop common interests and tackle common challenges, thus deepening the inter-regional ties.
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6 Education for Sustainable Development: Overview and Outlook for ASEM Members


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The priority theme that is the focus of the following discussion is Quality of Growth and Employment, as outlined in Chapter 1, Setting Sustainable Development Priorities.

Under the goal statement, “Economic growth is environmentally sound and contributes to social well-being”, this chapter will address the following sub-goal:

4.1 Economic growth ensures an acceptable employment rate and decent jobs, and is environmentally-sound.

Introduction

The creative industries are increasingly becoming an area of interest to countries around the globe – developing, developed and economies of transition. While policymakers are at the forefront of this effort, the subject has also generated a lot of interest among the industries themselves, the creative community, civil society and academics. The general thrust underpinning this interest is largely rooted in three types of arguments. The first is that in a world of limited resources for growth, culture and creativity appear as a natural alternative that can trigger economic growth (as they are available in abundance in all nations). The second is that creative industries generate numerous positive social and cultural externalities, which go beyond the discussion on simple economic data. The third set of arguments is often linked to the fact that the creative industries feature high on the agenda of domestic politics, while on a global scale they form a level-playing field, where countries may excel and compete successfully, notwithstanding their overall economic performance and development indicators. The magnitude of variations of these arguments is considerable, so are the various conditions under which they can become operational. Against this background, the relationship between creative industries and sustainable development deserves particular attention. The aim of this article is to elaborate on the role of intellectual property for the creative industries and analyse the results of empirical research undertaken by the World Intellectual Property Organization\(^1\) (WIPO) in particular with regard to Asian and European countries.

\(^1\) The views expressed herein are those of the author(s) and do not necessarily reflect the views of the World Intellectual Property Organization (WIPO).
1. The policy context

Scope of creative industries

It is not difficult to note the great variety of definitions in the area of creative industries. Indeed various organisations, institutions and researchers approach it from different perspectives, placing different values, principles and focus at the heart of the definition. This may be typical for a subject which is still in development. While the debate will undoubtedly generate more clarity and harmonisation as it reaches a certain stage of maturity, at the current stage this variety presents a challenge in terms of defining the scope of the subject matter, and particularly in terms of comparing research results. While culture is a domain clearly defined by organisations such as UNESCO, it is not a subject that can easily be quantified. Being widely divided into material and immaterial, culture is not normally studied in economic terms and measured by performance indicators. It is considered as something of universal value and it is often difficult to draw the line between the broad interpretation of culture and its more narrow meaning in relation to the creative industries. Thus, the cultural approach has a number of limitations when it comes to empirical research.

Creativity is probably even more difficult to define, given its strong use in everyday life to indicate anything that goes beyond the standard. There is a creative aspect in almost all human activities. It is a challenge to set the line where creativity ends. In the discourse on the interaction between creativity, creative industries and intellectual property one needs to keep in mind the origins of intellectual property protection and in particular copyright, which is more pertinent for this discussion. Copyright was designed as a mechanism for protecting and promoting creativity and creative expressions. Hence what falls under copyright protection would stand the creativity test and criteria. Using copyright as a benchmark to identify creative activities can be helpful in scoping the area of creative industries.

Creative industries and economic analysis

Creative industries and economic growth is a subject of great interest to scholars, governments and industry and this subject can be analysed through empirical research. It is possible to study the matter on several levels – micro, macro, revenues, impacts, effects, contributions. Microeconomic studies can provide more detailed and precise perspectives on the contribution of copyright to the performance of a given industry or sector. However, at best, they can illustrate the relationship and their results cannot simply be extrapolated to national levels. Studying direct copyright revenues represents one way of exploring the impact of copyright on the well-being of creators and right holders. They can receive different direct types of income from copyright in the form of royalties, salaries, fees, licences, rights, remuneration or other revenue. This variety of income sources is often difficult to track and to put in the perspective of the national economy. A national economic study should be carried out on a macro level with an ample set of assumptions.
Creative industries and sustainable development

A country's creative industries are a link between its past and its future. The preservation and sharing of local knowledge, practices and creations are central to national identity, but the creative industries are also forward-looking. They are now key drivers of national economies as they generate value and jobs, increase domestic and international trade and help forge cultural bonds across borders.

The digital revolution has dramatically changed the ways the creative industries produce, market and disseminate their products, and the way that consumers use them. This has resulted in an entirely new context for the creative industries, which are now broadly recognised as one of the most rapidly expanding sectors, representing “the new lifestyle of contemporary society [...] increasingly associated with status, style, brands and interactions in social networks [...] rooted around the creative economy.”

The creative industries do not operate in a vacuum. They perform better and contribute more in countries where there is a broad understanding of society in the value of creative work. Within this infrastructure, it is the existence of a supportive regulatory framework, in particular intellectual property rights which can incentivise creators to push the boundaries of creative ingenuity and provide users access the best in global content. Intellectual property is crucial in the monetisation of creations, and as the Director General of WIPO, Francis Gurry, stated: “Intellectual property is the means through which some of these cultural, scientific and technological assets can be transformed into commercial assets.”

The relationship between the creative industries, intellectual property and sustainable development is now being recognised by global actors as a key factor for sustainable development, which is defined in the Brundlandt Report as “development that meets the need of the present without compromising the ability of future generations to meet their own needs”. As we move to a post-Millennium Development Goals (MDG) world, the way stakeholders are defining sustainable development and its relationship with the creative industries is being re-thought and further enhanced. In a developing country, the intellectual property infrastructure that supports the creative industries is not only a major factor to the considerations of an investor, but it also means that creators and businesses who rely on intellectual property to survive are more likely to remain in their country of origin.

The UN Secretary-General, Ban Ki-moon, during a General Assembly debate on Culture and Sustainable Development, stated that a “new global creative economy is emerging, it is generating millions of jobs in tourism, crafts, music, the cinema, the creative industries, fostering social inclusion and changing mindsets.” Through encouraging countries to adopt and promote
a robust and responsible intellectual property infrastructure, the creative industries can continue to achieve the broad social welfare objectives of societies – to create wealth and jobs, promote social and cultural inclusivity and push forward sustainable development in the developing world.

**Trends from creative industries research**

The increasing body of research on creative industries helps to focus the debate on some major questions for the future.

As previously mentioned, the creative industries are an area where numerous definitions are currently in use, differing largely in terms of scope, organising criteria and use. While, on the one hand, creative industries (and the creative economy) are used as very broad terms and encompass almost everything, on the other hand, we see an approach which tends to favour one specific criterion around which the definition is constructed – be it culture (UNESCO), trade (UNCTAD) or copyright (WIPO). The debate on the definition of the creative industries will most certainly continue and it is difficult to imagine that one specific approach will prevail. The creative economy will most likely be defined through a multidisciplinary definition. Complexities in defining the creative industries and their specific sub-sectors are going to increase and this will continue to be an issue on the future agenda.

The debate has confirmed that creative industries are an area of significant interest with a place in national development planning. At the time of writing this paper, 16 countries in Asia and Europe had adopted specific strategies for the development of their creative sector, highlighting its potential. During the economic recession, the creative industries contribution to the major economies did not shrink in a major way, confirming that they have a place in the national economy and the fact that there is a growing understanding of this role.

Research also points out that creative industries are of considerable importance to countries at different levels of development. The aspirations may differ — while developed economies are seeking to stay ahead in terms of creative industries performance, the developing world is catching up — but their objective is the same. That is to show there is an alternative way forward, a future not reliant on manufacturing and natural resources, but rather on talent and creativity. Thus the question of how to monetise this creativity becomes a central policy and economic issue.

A realistic approach also requires noting that creative industries are sometimes overrated in their potential to solve systemic problems such as unemployment, trade deficits, respect of legal norms and social order, and many others. While these industries have great potential to assist in solving problems, they cannot, on their own, be the solution to systemic problems. Societies and economies operate as systems, where issues are interlinked. Creative industries can set a positive agenda and signal a positive direction but cannot solve problems related to governance, management and vision.
2. Creative industries in Asia and Europe

WIPO has developed its own methodology for surveying the economic contribution of the creative sector. Based on this methodology, industries are grouped depending on their level of engagement with respect to copyright content. In addition, a set of macroeconomic indicators, such as contribution to GDP and share of national employment, are being identified to serve as the base for research and analysis of the copyright/creative industries. Currently, more than 45 countries from across the globe have implemented the WIPO methodology and analysed the contribution of copyright industries to their national economies.

The present analysis is built on data from eleven Asian and eight European national studies, which are currently published and available7. The analysis contained in the selected countries of these two regions presents an overview of the performance of the copyright industries in terms of macroeconomic indicators.

Direct data analysis: country comparisons

The direct data analysis is based on two major indicators employed to measure performance of the copyright industries: Contribution to GDP (per cent) and Share of Employment (per cent). There is a significant degree of variability that exists in the performances with regard to both indicators across the sample of countries.

Chart 4.9 in Volume I of this report shows the overall contribution of copyright industries to GDP and employment in selected ASEM Countries. The following graphs in this chapter give more detail.

Contribution to GDP

The contribution to GDP varies across countries, but the variation is significantly more pronounced in the Asian economies. The contribution to GDP in this region starts from under 2 per cent for Brunei Darussalam to almost 10 per cent in Korea. It is notable that countries in Asia that have experienced rapid economic growth typically have higher share of GDP attributed to copyright industries.

For Europe, the percentage contribution to GDP is characterised with much smaller spread and is in line with the globally calculated contribution of 5.18 per cent. From the available data, Hungary has the highest contribution to GDP with 7.42 per cent.

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Contribution of copyright industries to GDP

The contribution of copyright industries to national employment is slightly higher than the share of GDP and stands at a global average of 5.49 per cent. For Asia, the Philippines has by far the highest share of the labour force in the copyright industries at 11 per cent, followed by Australia and Malaysia.

For Europe, it is the Netherlands, followed by Hungary and Slovenia. Most countries with above average share of creative industries in GDP also exhibit above average share of employment.

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8 The terms creative industries and copyright industries are used interchangeably throughout the document.
Contribution of copyright industries to national employment

Source: WIPO

Breakdown of the contribution to GDP and employment by industry groups

The WIPO methodology distinguishes four groups within the copyright-based industries: core, interdependent, partial and non-dedicated support industries. The latter three can be referred to as non-core industries.

Core copyright industries, defined as wholly engaged in the creation, production, performance, exhibition, communication or distribution and sales of copyright protected subject matter. These include literature, music, theatre, film, the media, photography, software, visual arts, advertising services and collective management societies.

Available data shows that over half of the total contribution of the copyright industries to GDP, as well as to employment worldwide is attributed to the core copyright industries.

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9 See WIPO Guide on Surveying the Economic Contribution of the Copyright-Based Industries, WIPO Publication No 893 (E).
Contribution of copyright industries to GDP and employment by groups of industries

Source: WIPO

Contribution of the core copyright industries to GDP

The core copyright group’s contribution to GDP is stronger in Europe, where for Hungary and the Netherlands it is above 4 per cent. Seven of the eight countries represented in the sample, exhibit core industries contribution to GDP that is above the average for the available data worldwide. For Hungary and the Netherlands, the lift over the average is significant at 50 per cent and 45 per cent respectively.

For Asia, Australia exhibits the highest contribution at 4.8 per cent followed by the Philippines, Korea and Singapore at 3.5 per cent.

Contribution of core copyright industries to GDP by country

Source: WIPO
Contribution of the core copyright industries to employment

The differences by country in terms of contribution of core copyright industries are very pronounced in Asia, with 0.7 per cent for Pakistan to 8.8 per cent for the Philippines, with the rest of the countries in the sample ranging between 1 and 5 per cent. The Philippines’ contribution is, in fact, three times the global average.

For Europe, the Netherlands is in the lead with 6 per cent, with Romania the only country in the sample whose contribution of this group is below the global average.

Contribution of core copyright industries to employment by country

Source: WIPO

Contribution of the non-core copyright industries to GDP

The non-core copyright industries are the interdependent, partial and non-dedicated support industries. Just as with core industries contribution, the contribution of non-core industries is more variable in Asia, from a low of 0.7 per cent for Brunei Darussalam to 6.4 per cent for Korea. Most Asian countries, however, are above the average contribution calculated globally.

For Europe, the range among the countries is much smaller, from 1.8 per cent for Finland to 3.2 per cent for Hungary. Only two of the eight European countries exhibit a percentage contribution of non-core industries higher than the global average.

Source: WIPO
Contribution of non-core copyright industries to GDP by country

In terms of contribution to employment, countries from both regions look quite similar. The range for both is from just over 1 per cent to just under 3.5 per cent, while all countries' non-core industries contribution to employment is above the global average.

Source: WIPO
3. Case study

The economic contribution of the copyright industries on a macro level provides a good overview of the size of the copyright sector and its potential for generating income and jobs. It is nonetheless important to show through case studies how specific creative sectors, based on copyright protection, can contribute to local economic development and spur significant economic effects in other areas.

Development of the home textile industry in Nantong, China by strengthening copyright protection

A study was recently carried out by Chinese experts with the support of WIPO and the National, Provincial and Municipal Copyright Administration of China to provide evidence on how copyright protection can help the establishment of a more favourable business climate on the market.

Background: The modern Nantong textile industry has its foundation in the textile-producing traditions in Tongzhou and Haimen. The lack of adequate copyright protection for textile designs resulted, for many years, in a climate of widespread unauthorised copying, which eventually eroded the profits of textile traders. The region’s cotton-producing status made it an attractive location for companies involved in creating and manufacturing textile designs. The National Copyright Administration of the People’s Republic of China (NCAC) and the Nantong Municipal Government initiated improvement of the administrative and judicial enforcement of copyright and awareness-building.
Copyright Enforcement in Nantong: In home textile markets, the design of floral patterns has a direct impact on product sales and corporate profits. The active enforcement of copyright resulted in many infringing companies leaving the Nantong region. Specific Copyright Administration Offices were established at the market to offer registration services, spread information, conduct preliminary reviews on registered works and mediate copyright disputes. The number of printed fabric patterns registered on both markets increased dramatically. A total of 17,442 works were registered in Zhihao market while the number of infringement complaints increased from 75 in 1997 to 151 in 2008. 85 per cent of the mediated cases resulted in the payment of RMB 8.1105 million in damages to copyright owners and the recovery of RMB 1.08 billion of losses. The administrative authorities imposed RMB 401,000 of administrative penalties and the court ordered payment of damages totalling RMB 4,857,000.11

Registered works on the Nantong textile market

![Bar chart showing registered works over years](image)

Source: WIPO

Swift legal procedures were introduced to meet the increasing demand for efficient and quick judicial protection of intellectual property, including the establishment of the Intellectual Property Trial Chamber, the acceleration of case filing, evidence collection and hearing times in order to match the relatively short life cycles of patterns in the home textile industry. From 2005 to 2008, the Court took in 922 intellectual property cases, including 502 copyright disputes, with 457 cases (99.3 per cent) resolved by the court. The efficiency of the courts is closely linked to the introduction of the One Hour Response standard to handle application for evidence preservation. The application of summary proceedings to copyright disputes has led to an average trial cycle of only 15.6 days. The copyright administration office actively involves itself in the mediation of court cases, resulting in 84.85 per cent of intellectual property cases involving home textiles being withdrawn from the court after mediation.

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Summary of Copyright cases (1997-2007)

Source: WIPO

The Nantong copyright system has become a major advantage available to local producers of home textile products. Improved copyright protection in Nantong has effectively helped producers to update and upgrade their products and achieve success in both domestic and international markets.

The introduction of a strong copyright system has helped to strengthen the Nantong textile market. By 2008, more than 80,000 patterns had been registered for protection in the Nantong region. To date, the copyright administration in the two markets has been able to maintain a steady trend of growth. Two large domestic markets in textiles have been created with two industrial parks, two logistic centres and a specialised home textile trading market within an overall area of 1.5 million square meters. More than 5,000 home textile enterprises are operational on the market, including 418 companies, and employing more than 200,000 people. The markets attract international buyers in more than 100 countries. From 1999 to 2008, the export value of all Nantong textile products grew with an average annual growth rate of 17.4 per cent.

Many other local industries provide products and services to the home textile industry. The supply chain of such industries includes textile machine manufacturers and maintenance providers, printing and packaging providers, dyeing and printing companies, the local construction industry, transportation and logistics services providers, intellectual property rights agencies and law firms, financial and insurance institutions.

The assurance of respect for intellectual property rights in the local business community, supported by strong laws and effective enforcement mechanisms, creates an environment that is more conducive to attracting foreign direct investment. Foreign investors from Japan, Korea and the US have established joint ventures with local enterprises.
The success of the Nantong textile industry is a testimony to the ability of intellectual property to enhance opportunities for development. Copyright in particular can add value to local art forms, encouraging local creativity and investment by local entrepreneurs. The fostering of an innovative industry and legal protection attracts foreign investors, creating jobs and expanding local and international markets, while developing many supporting industries and helping the establishment of successful brands (ibid.).

Conclusion

This brief overview suggests that creative industries can be a significant contributor to sustainable development as they generate jobs and wealth in the countries where these industries are well managed. They provide significant income streams to creators and right-holders and offer important distributions channels worldwide. Copyright is an important enabler for the creative industries which provides the legal framework for the operation of creative markets.

While creative industries are important for both Asia and Europe, there are specifics in each country and continent. The sample of selected countries shows that, in Europe, creative industries, which are supported by a developed infrastructure, tend to produce, on average, higher value and employment than the average worldwide. While the core copyright industries produce more value in Europe in terms of GDP contribution, the non-core industries in Asia produce higher value and generate significant employment. This supports the need to apply value chain analysis as outlined in the WIPO methodology in order to capture the multiple effect of copyright on the economy. In general the diversities in terms of the contribution between countries is more pronounced in Asia, while in Europe the creative sector seems to be contributing to the economy at rates which do not diverge significantly.

Case studies confirm the potential of the creative economy for local economic and social development and are a convincing case for inspiring better regulation and enforcement of intellectual property rights.

Further research needs to be applied to monitor trends and to deepen the analysis on the causal relationship between creativity, intellectual property and the sustainable growth of the creative economy.
The priority theme that is the focus of the following discussion is Quality of Growth and Employment, as outlined in Chapter 1, Setting Sustainable Development Priorities.

Under the goal statement, “Economic growth is environmentally sound and contributes to social well-being”, this chapter will address the following sub-goal:

4.3 Social and environmental accounts are in use by all governments, major companies and international institutions.

Introduction

Businesses and the private sector are key actors in driving economic growth and employment. It is vital therefore, that the quality of this growth and employment and the role of business are closely monitored and measured, both at the national level, as well as in terms of individual and aggregated business performance.

This is exactly what happens. Today, thousands of companies from all continents, including the ASEM Countries, measure and report on their quality of growth and employment measures. This chapter addresses the global drive for business accountability. It describes the private sector and the key accountability and transparency mechanism of sustainability reporting, with a special focus on the field of business and human rights.

The topic of private sector accountability has appeared prominently on the agenda of Sustainable Development discourses for more than two decades. The drivers have been a lack of public trust and more restrictive operative licences for companies. Opportunities for establishing a green economy and new markets have also arisen. In addition, several governments have established policy and regulation to advance sustainability reporting.¹ There is no accountability without transparency – therefore sustainability reporting has become a key accountability tool for many companies and their stakeholders.

¹ 2013 research by UNEP, GRI and Stellenbosch University. The full publication can be found at https://www.globalreporting.org/resourcelibrary/Carrots-and-Sticks.pdf.
Key elements of reporting by companies are good governance and respect of human rights, since they are among the necessary pre-conditions for effective and legitimate sustainable development. When addressing the quality of sustainable development and inclusive and sustained economic growth, the social and environmental responsibilities of all stakeholders, including businesses, are important. In underlining the influence of economic activity on the environment and human rights protection, the 13th Informal ASEM Seminar on Human Rights “Human Rights and the Environment” stated [inter alia] that the private sector should incorporate green economic thinking in all development activities and that multinational corporations must be called on to promote sustainable behaviour in their activity. As will be addressed later in this chapter, the inclusion of corporate social and environmental accounting and reporting in the 2012 Rio Outcome Document and the forthcoming Sustainable Development Goal framework reflects the growing recognition for greater corporate responsibility and accountability.

The private sector as a development actor: holding businesses responsible

As part of the efforts to regulate corporate behaviour, many initiatives have been introduced that provide voluntary codes and industry specific guidelines to promote responsible business practices. In-depth discussion about the role of business entities as an important actor, both in human rights protection and in sustainable development, began in the 1990s. There was a growing international consensus that businesses should follow improved accountability standards and be entrusted with greater responsibilities as key non-state development actors.

In 2003, the United Nations Sub-Commission for the Promotion and Protection of Human Rights working group set up to study and report on human rights and business, published a report entitled Norms on the Responsibilities of Transnational and Other Business Enterprises with Regard to Human Rights Although it was never formally endorsed by the UN, it triggered a series of recommendations that eventually led the UN Secretary General to appoint John Ruggie to the role of Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises in 2005.

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3 For example, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (1977); ILO Declaration on Fundamental Principles and Rights at Work (1998); OECD Guidelines for Multinational Enterprises (2000); United Nations Global Compact (2002).

4 Chapter 30 of the 1992 Rio Conference’s Agenda 21, which was dedicated to business and industry, recognised that “business and industry, including transnational corporations, play a crucial role in the social and economic development of a country... and [they] should be full participants in the implementation and evaluation of activities related to Agenda 21.” See paragraph 30.1, Agenda 21, United Nations Conference on Environment & Development, Rio de Janeiro, Brazil, 3-14 June 1992, available at http://sustainabledevelopment.un.org/content/documents/Agenda21.pdf, accessed August 2014.

5 The working group was set up in 1998 to study and report on human rights and business.

6 At the core of the 14 norms was the proposal that transnational corporations and other business entities should be brought directly under the ambit of international human rights law, humanitarian law, international labour law, environmental law, anti-corruption law and consumer protection law (Hillmanns 2003: 1070). The report called for expanding international human rights obligations to include transnational corporations as well.

7 In 2008, the UN Human Rights Council (UNHRC) unanimously accepted the Special Representative’s proposed Protect, Respect and Remedy policy framework and endorsed it in 2011 as the UN Guiding Principles on Business and Human Rights.
8 How to Make Businesses Accountable? The Contribution of Sustainability Reporting

As the idea that businesses need to be more diligent in assessing their environmental and human rights impact grows stronger, sustainability reporting has become the key global transparency, accountability and Corporate Social Responsibility (CSR) tool. CSR has been defined in many diverse ways, which has led to conceptual confusion.

In this chapter, the European Commission definition is used: “the responsibility of enterprises for their impacts on society”. The definition gives a broad scope to CSR, beyond mere voluntary, ad hoc initiatives, implying a fully integrated sustainability strategy, management systems, as well as disclosure and reporting. Instead of companies doing good things, it means a shift to companies doing things in a good way. It also implies that enterprises need to measure, understand, and report on their impact.

This new, broad definition of CSR is a reflection of the new, strong emphasis on transparency and reporting. Writing a sustainability report not only provides a measure of transparency and accountability to stakeholders, but the internal and external value that companies have found in communicating and reporting on their performance on environmental, social and governance issues is widely documented. It increases innovation and competition, drives continuous performance improvement and at the same time makes organisations more accountable for their impacts.

The practice of sustainability reporting has grown exponentially across the world. Recent research has also shown that there has been a significant increase in government policy and regulation.

Sustainability reporting

Governments first referred to environmental reporting at the United Nations Conference on Environment and Development in 1992. In Agenda 21 of the Conference, they agreed that business and industry should be “encouraged to adopt and report on their environmental records, as well as on the use of energy and natural resources”. Building on this, the 2002 Johannesburg World Summit on Sustainable Development also underlined the importance of reporting by noting the need to enhance corporate environmental and social responsibility and accountability, including through actions such as “public reporting on environmental and social issues.”

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9 cf. Footnote 1.
11 World Summit on Sustainable Development - Plan of Implementation, para.18. GRI (see footnote 14) was referenced in the World Summit’s Plan of Implementation. Paragraph 18 of the report reads as follows: “Enhance corporate environmental and social responsibility and accountability. This would include actions at all levels to Encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the Global Reporting Initiative guidelines on sustainability reporting, bearing in mind principle 11 of the Rio Declaration on Environment and Development.”
At the 2012 Rio Sustainable Development conference, the Outcome Document contained a special paragraph 47 on the importance of sustainability reporting, and how governments can promote it through policy and capacity building.\footnote{Text of Paragraph 47: “We acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle. We encourage industry, interested governments and relevant stakeholders with the support of the United Nations system, as appropriate, to develop models for best practice and facilitate action for the integration of sustainability reporting, taking into account experiences from already existing frameworks and paying particular attention to the needs of developing countries, including for capacity building.”} A political group was also formed: the so-called \textit{The Group of Friends of Paragraph 47}.\footnote{http://www.unep.org/resourceefficiency/Business/SustainableandResponsibleBusiness/CorporateSustainabilityReporting/GroupofFriendsofParagraph47/tabid/105011/Default.aspx.} This is a government-lead initiative born in June 2012 following acknowledgement of the importance of corporate sustainability reporting in Paragraph 47 of the Outcome Document of the 2012 \textit{United Nations Conference on Sustainable Development (Rio+20). The Future We Want}. The Group, initially formed by pioneers in the practice of sustainability reporting, such as Brazil, Denmark, France and South Africa, now has ten government representatives. The United Nations Environment Program (UNEP) and the Global Reporting Initiative (GRI) support the group in a secretariat capacity and provide technical support and guidance in concert with others.\footnote{The Global Reporting Initiative (GRI), an international independent organisation with a multi stakeholder, bottom-up approach developed over a period of over 15 years into the world’s leading de facto standard on sustainability reporting. It promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to a sustainable global economy. GRI’s mission is to make sustainability reporting standard practice.}

The key actor in the field of sustainability reporting is the GRI.\footnote{There is a new generation of measurement and reporting guidance being developed; which is not mature yet in content, nor in business practice. An example is SASB, or the Natural Capital Coalition.} It has grown into the global de facto standard for sustainability reporting framework. Other frameworks exist, but GRI is the only globally accepted framework that provides a common reporting language and guidance. The other globally known frameworks are either (a) normative frameworks (UN Global Compact, UNGC) and the OECD Guidelines for Multinational Enterprises (MNE), or (b) limited reporting frameworks in the sense that they focus on one issue, a single sector or a specific country.\footnote{Regarding its governance and business model, readers are invited to consult www.globalreporting.org. GRI is an international not-for-profit organization, with a network-based structure.} Globally, the most accepted normative frameworks refer to the GRI for reporting guidance. The reference is mutual; GRI refers to the key international normative frameworks of UNGC and OECD as well as to the UN Guiding Principles on Business and Human Rights.

To enable all companies and organisations to report their economic, environmental, social and governance performance, GRI produces free Sustainability Reporting Guidelines.\footnote{16} The GRI Guidelines consist of accountability principles and standard disclosures or indicators in the environmental, social, and economic and governance spheres. Examples of standard disclosure fields are employment, gender equality, human rights, climate change, biodiversity, pollution, water use, corruption, and payments to governments and local communities. All of these disclosures are based on key sustainable development-related UN Conventions (for example, the Universal Declaration of Human Rights, the three Rio-based Conventions, many conventions of the International Labour Organization (ILO), and the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW). In addition, the GRI guidelines provide a reporting language for three of the most important international normative frameworks: the UNGC ten
principles, the OECD Guiding Principles for MNEs and the UN Guiding Principles for Business and Human Rights.

In May 2013, GRI launched the fourth generation of the most widely used comprehensive sustainability reporting framework in the world, its Sustainability Reporting Guidelines G4. The launch marked the culmination of two years long, extensive stakeholder consultation and dialogue with a diverse constituency of hundreds of experts across the world. G4 places the concept of materiality at the heart of sustainability reporting. This means encouraging organisations to report only on issues that are material to them, on the basis of a dialogue with their stakeholders. This in turn will result in sustainability reports that are more strategic, more focused, more credible, and easier for stakeholders to navigate. Such reports will centre on the issues critical for achieving the organisation’s main goals, and managing its economic, environmental and social impacts. An organisation might monitor many sustainability indicators, but it should report only on the most material ones. New and updated guidance was also included, in particular on supply chain, corruption and carbon emissions.

Measuring is important, but more important is the fact that it enables us to set targets and improve. The setting of targets helped all employees work towards common goals.

Seantad Chareyalerpons, Executive Director, Art on Stitch; 350-employee family enterprise in Thailand, supplier to Otto Group

While GRI started as a multi-stakeholder movement by companies, civil society, trade unions, the World Bank and various foundations, the UN Environment Programme (UNEP) welcomed GRI as a collaborating centre and facilitated its establishment as an independent international organisation, based in the Netherlands (and now with seven satellite offices on all continents). Soon after, GRI established key partnerships through Memorandums of Understanding with inter-governmental organisations like the UN Global Compact, the OECD and UNCTAD, where GRI actively contributes to the intergovernmental Working Group on International Standards on Accounting and Reporting (ISAR). Over the years, investors and stock exchanges have increasingly become engaged in business accountability and sustainability reporting or disclosure, as they call it. One such important initiative is the Sustainable Stock Exchanges Initiative.

The network of people estimated to be engaging with the GRI Guidelines is estimated to number up to 35,000. What is more important to know, is the number of companies using the GRI framework as the basis of their annual sustainability reporting process. Because the GRI Guidelines are a global public good and as such freely available on internet, it is not possible to trace precisely how many companies are using the guidelines, and for what purposes. Only registered reports with a formal GRI content index are counted as GRI reports. What can be observed is that sustainability reporting has grown exponentially across the world.

17 Australia, Brazil, China, Colombia (regional office), India, South Africa and the US/Canada.
18 The Sustainable Stock Exchanges Initiative was launched in 2009 and is co-organised by the United Nations Conference on Trade and Development, the United Nations Global Compact Office, the United Nations-supported Principles for Responsible Investment and the United Nations Environment Programme Finance Initiative.
19 There are indications that a manifold number of reports are issued, which are not registered with GRI. In addition, the guidelines are used for other purposes, for example as resource material for the development of sustainability benchmarks or for national sustainability reporting guidance such as in the Netherlands.
The number of companies issuing sustainability reports on an annual basis has grown very quickly. Today, 5,800 companies from around the world measure their sustainability performance and can be held accountable through their public reporting. These are mostly large enterprises that issue an annual sustainability report, either as a stand-alone document (the majority) or in an integrated form. The majority of these (3,600) are officially registered GRI reporters. However, 5,800 companies represent just a small part of the 80,000 or so existing large companies. Independent research in 2013 indicates that sustainability reporting has become standard practice amongst the Global Largest 250 companies (G250), as well as to a large majority of the largest 100 companies (N100) in 40 countries.

The KPMG Survey of Corporate Responsibility Reporting 2013 says: “As this survey indicates, Corporate Responsibility reporting appears to be standard business practice the world over” and “In all sectors more than half of companies report on Corporate Responsibility, meaning reporting can be considered standard global practice irrespective of industry.”

In the graph below, an overview is given of sustainability reports in ASEM Countries; as well as the split between officially registered GRI reports and reports without a reference to GRI.
### Current trends and major challenges ahead

There are six trends in the field of business accountability and reporting. They are: (1) a further push for transparency; (2) an increasing focus on human rights reporting; (3) more regulation: local to global; (4) integration; (5) harmonisation and alignment; and (6) the Sustainable Development Goals as drivers of corporate accountability. The main focus will be on human rights, given the focus of this chapter.

#### 1. A further push for transparency

In different parts of the world, no day goes by without reference in the written and social media to the need for greater transparency. There is no reason to expect that this will not continue. Depending on the local socio-political and public agenda, the topics on which transparency is demanded vary. In the first half of 2014, corporate and public sector transparency was high on the agenda around the issues of: human rights; tax payments (in particular country by country tax payment reporting by multinational enterprises); internet data privacy and use; value and supply chain; gender equality and abuses thereof; corruption, its prevention and repair measures; and conflict minerals. Even in societies where enterprises would not typically disclose information about performance that is less than perfect (let alone failure of strategy, incidences and...
mistakes) there is pressure for transparency and disclosure.\(^{20}\) Although topics vary, there is an emerging consensus amongst public opinion and politicians that transparency and disclosure will drive improvements in corporate behaviour.

2. An increasing focus on human rights reporting

Until 2013, the number of companies that reported on human rights remained low. In 2009, GRI together with the UN Global Compact did a study of the human rights reporting amongst GRI reporters, which revealed that this was a new field for business.\(^{21}\) This changed in 2011 after the UN Human Rights Council (UNHRC) endorsed John Ruggie’s *Protect, Respect and Remedy* policy framework as the UN Guiding Principles on Business and Human Rights [hereafter referred to as the Guiding Principles]. The Guiding Principles are applicable to all states and to all business enterprises without exceptions, with the objective of “enhancing standards and practices with regard to business and human rights so as to achieve tangible results for affected individuals and communities, and thereby also contributing to a socially sustainable globalisation”.

Since the adoption of the Guiding Principles, several countries have established national action plans (NAP), mainly in Europe.\(^{22}\) These include Denmark, Finland, Italy, the Netherlands, Spain and the UK. Some countries, such as Italy, have conducted a baseline gap analysis to feed into the development of the NAP, and there will be continued discussion in a number of countries on NAPs over the next year, including in Germany, Spain and Italy. The ASEAN Intergovernmental Commission on Human Rights (AICHR) is working on a baseline study of how ASEAN member states are addressing CSR, including business and human rights issues. The not-for-profit Human Rights Resource Centre for ASEAN, has recently published a baseline of how ASEAN states are addressing business and human rights.

One of the key elements of the GRI G4 Guidelines is the insertion of the UN Guiding Principles on Business and Human Rights. By doing so, GRI aims to provide useful guidance to business on how they can use the GRI reporting guidance to report on their company’s impact on human rights, as addressed in the Guiding Principles. As part of the expected conduct of all business enterprises, the Guiding Principles require all businesses to have policies and processes in

\(^{20}\) At the June 2014 Mumbai Conference: Sustainability Reporting for Sustainable Development, this was one of the concerns raised by Indian participants. See Mumbai Declaration, https://www.globalreporting.org/SiteCollectionDocuments/Mumbai-declaration-on-sustainability-reporting-for-sustainable-development.pdf.


place that identify and account (and report) their impact on human rights. Communication and reporting by companies on human rights performance and on how companies address their human rights impact is crucial. The Guiding Principles state that all companies should be prepared to communicate externally how they address their human rights impacts. They also suggest that state regulatory and policy functions aim to “encourage and where appropriate require, business enterprises to communicate how they address their human rights impacts”.

The GRI Guidelines enable companies to do so.

By using the GRI Guidelines, business enterprises can demonstrate in a concrete way that they respect human rights and that they understand and can identify the human rights issues relevant to their business. For example, by approaching the materiality assessment in the context of the Guiding Principles, reporters might better understand and identify the human rights issues material for their business. This will provide viable information for stakeholders and allows reporters to demonstrate to stakeholders that they are fulfilling their obligation as called for in the Guiding Principles.

Through the process of writing a sustainability report, a company can create awareness of the UN Guiding Principles, formalise internal implementation and publically demonstrate commitment to the UN Guiding Principles. Over the years, a company can use sustainability reporting as a means to document its institutional learning process, explaining the company’s perspective on priorities, challenges and encountered dilemmas. Sustainability reporting makes the assessment of (potential) impacts front and centre and is therefore directly connected to the point of departure of one of the core expectations of the Guiding Principles, human rights due diligence. Explaining the degree of integration of the findings of impact assessments, and related actions, form an integral part of sustainability reporting.

The main focus of GRI’s G4 Guidelines is materiality and impact, also including a new main focus on supply chain, including procurement practices and grievance mechanisms. A company interested in implementing the UN Guiding Principles can use G4 to help it chose the material topics, and to manage and disclose them. Through the process of writing a G4 sustainability report, a company can familiarise itself with, and understand, all the key concepts of the UN Guiding Principles, such as due diligence, reporting boundaries, and materiality.

In addition to offering G4 for human rights reporting, GRI is engaged with other initiatives promoting the UN Guiding Principles and providing complementary (more detailed) guidance on business and human rights. One such organisation is The Human Rights Reporting and Assurance Frameworks Initiative (RAFI), which (through an open and multi-stakeholder consultative process) public, is developing non-proprietary reference frameworks for companies to report on their alignment with the UN Guiding Principles, and for assurance providers to assure such reports. RAFI is facilitated by a project team comprised of Shift and Mazars, with the Human Rights Resource Centre for ASEAN as research partner and is overseen by an Eminent Persons Group comprised of senior leaders from a broad range of stakeholder backgrounds.
8 How to Make Businesses Accountable? The Contribution of Sustainability Reporting

2013) reflects their joint commitment to identify opportunities for the language of the RAfi reporting and assurance frameworks to dovetail with the GRI Sustainability Reporting Guidelines.

3. More regulation: local to global

The single largest factor in the acceleration of business accountability is action by government through policy and regulation. Governments use different policies to advance sustainability reporting, ranging from incentives including transparency awards (for example in the Netherlands), credit and investment facilities, and voluntary guidelines, to regulation and mandatory reporting.

As the Carrots and Sticks research by UNEP, GRI and Stellenbosch University has shown, there has been a steep increase in reporting policy. The latest data, collected in 45 countries, indicate that there are 180 regulations, of which more than 70 per cent are mandatory. Research by the Harvard Business School has revealed that mandatory corporate sustainability reporting increases the social responsibility of businesses.25

In the first half of 2014 alone, there have been three key examples of government policy and regulation in this area.

The EU Directive on disclosure of non-financial and diversity information by certain large undertakings and groups, adopted in May 2014 by the European Parliament, introduces measures that will strengthen the transparency and accountability of about 6,000 companies in the European Union. Public interest enterprises with more than 500 employees will soon have to report on environmental, social, anti-corruption, bribery and human rights-related matters on a "report or explain" basis. The statement will have to include a description of the policies, outcomes and risks related to those matters. There will be no strict requirement on the reporting framework. However, companies are expected to rely on one of the internationally recognised frameworks (GRI among them).26 The EU regulation is inspired by Danish national reporting legislation. The Danish Government has held an annual review of effectiveness and impact of this regulation, performed by the Copenhagen Business School in collaboration with the Danish Business Authority. The results are quite encouraging. More information is available on the business performance on sustainability and human rights; and the motivation in the business sector is high.27

The State-owned Assets Supervision and Administration Commission of the State Council in China is currently working on an updated document called the Suggestions on State Owned Enterprises’ Fulfillment of Social Responsibilities, the first iteration of which was issued in 2008. They have invited a team of experts to review the first draft and provide feedback. The Head of the GRI Focal Point China was included in the consultation process.28

25 Ioannou, I., Serafeim, G., Harvard Business School study, Mandatory Sustainability Reporting Improves Behavior, 2012. Available at www.hbs.edu/faculty/Publication%20Files/11-100_35684ae7-fcdc-4aae-9626-de4b2acb1748.pdf.
28 GRI has Focal Points in strategic regions, namely in Australia, Brazil, China, Colombia, India, South Africa, and the USA. https://www.globalreporting.org/network/regional-networks/gri-focal-points/Pages/default.aspx.
India has legislated for company expenditures on Corporate Social Responsibility, as of 1 April 2014. The Companies Act 2013 mandates that companies – including foreign firms – with a minimum net worth of USD 500 million and net profit of at least USD 5 million spend two per cent of their profits on CSR. An estimated 8,000 companies are affected.

There are many more examples of governmental policy and regulation. In addition, stock exchanges are issuing guidance and listing requirements. Concrete examples are India, Malaysia, several Chinese Stock Exchanges and the Thai Stock Exchange guidance of 2013, which encourage listed companies to report on CSR and their impacts.

All these regulations will have a multiplier effect on business accountability. What we observe in these national and regional regulatory measures is that on the one hand, they reflect local and regional policy priorities and needs and, while on the other, they refer to international normative and reporting frameworks including the UN Global Compact and GRI.

As the business and human rights agenda continues to evolve, further legalisation is a likely component of future developments. Some governments call for a legally binding international instrument in the field of business and human rights. In its June 2014 session, the United Nations Human Rights Council adopted a resolution, submitted by Ecuador and a number of other governments. The decision was to launch a new inter-governmental process to draft and negotiate “an international legally binding framework on the issue of human rights and transnational corporations and other business enterprises”. There are different schools of thought on what form possible future legalisation should take. But whatever the outcome of this political process, it will definitely give a further push to business accountability and reporting.

4. Integration

Another trend is integration of sustainability reporting with other kinds of reporting, in particular financial reporting. For example, the International Integrated Reporting Council (IIRC) recently launched a draft International Integrated Reporting Framework that will link a company’s strategy, governance and performance to its social and environmental context, in one report.

5. Harmonisation and alignment

Given the international attention to CSR and business accountability, there has been a process of proliferation of guidance documents and frameworks, including on reporting. Many of these are based on one issue or one sector. There is a real risk of fragmentation, leading to unacceptable administrative burdens and increased confusion.

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30 http://www.theiirc.org/
The main frameworks strive for harmonisation and alignment. GRI and its reporting framework is fully aligned with the most widely recognised and issue-specific standards and includes references to the synergies and complementarities in these standards, making it easier for organisations to use them in conjunction and prepare reports swiftly. G4 is therefore fully aligned with the key normative frameworks, such as OECD MNE Guidelines and the UN Global Compact Principles to which links are included throughout the GRI Guidelines.

In September 2013, UN Secretary-General Ban Ki-moon launched a new alliance, called the Post-2015 Business Engagement Architecture. Its initiators are the central global players advancing sustainable business practice: the UN Global Compact, the World Business Council for Sustainable Development and the Global Reporting Initiative. They have joined forces in this alliance to establish a strong link between the growing sustainability and reporting practice among business and their stakeholders and the Sustainable Development Goals.

6. The Sustainable Development Goals as drivers of corporate accountability

One of the main outcomes of the Rio+20 Conference was the agreement by member states to launch a process to develop a set of Sustainable Development Goals (SDGs), which will build upon the Millennium Development Goals (MDGs) and converge with the post-2015 development agenda. It was decided to establish an “inclusive and transparent intergovernmental process open to all stakeholders, with a view to developing global sustainable development goals to be agreed by the General Assembly”. In the Rio+20 outcome document, member States agreed that sustainable development goals, while building on the MDGs, must be action-oriented, concise (and easy to monitor and report on), easy to communicate and global in nature.

The above-mentioned alliance of UN Global Compact, the World Business Council for Sustainable Development and my organisation, the Global Reporting Initiative, was set up with the plan to develop private sector guidance that will help companies enhance their sustainability management and reporting with a view to the global sustainable development goals and targets. The Alliance partners plan to work together to add a chapter to the GRI’s global standard to make the connection to the forthcoming SDGs. This would provide a crucial piece of the jigsaw in crafting the Monitoring and Accountability Framework for the Post-2015 Development Agenda. It would mean there is no need to re-invent the wheel, and that thousands of companies would bring their commitment and experience to the post-2015 implementation arena.

This adapted Sustainability Reporting Framework will provide business, stakeholders and governments with a tool to assess and create a dialogue about their contribution to the SDGs.

Governments can use the disclosure and reporting by companies at an aggregate level, to review the performance of the companies in their countries. They can also use it to get information about foreign companies investing in their countries. Civil society and consumer or research organisations can use the data to benchmark business performance per sector and per region.
Preparation work is already underway. The Group cooperates with the Sustainable Development Solutions Network (SDSN), which maps and develops performance indicators, targeted at government and national levels. Performance indicators for business demand a specific methodology. This addition to the global standard would include new elements, depending on the goals that are agreed. One example could be more explicit or detailed disclosure on the financial contribution by companies to the post-2015 means of implementation. This would help governments, auditors general and other stakeholders, to monitor and review business contributions in their own countries.

There is also cooperation with the UN Statistics Division. The ambition is to facilitate the capture of the private sector’s contribution to sustainable development; macro-economic indicators are developed to measure progress on SDGs. Sustainability reporting can help with the data publicly disclosed by companies.

In conclusion, the private sector is a huge force in today’s global economy, as well as for the post-2015 development agenda. It is extremely important that companies around the world measure, monitor and report publicly on their contribution to their national sustainable development agenda, as well as to the SDGs – both in terms of their financial contribution to the means of implementation, as well as on the impact of their core business.

Awakening. Quatrain on Climate Change

Although the sun set yesterday
Blood-red and with a baleful eye —
There still is with each dawning day
New Hope of wonders by and by.

Gerrit KOMRIJ, 1944-2012

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31 Dutch National Poet. He wrote the Quatrain on Climate Change for the UNFCCC COP6, The Hague, November 2000.
9 SUSTAINABLE MIGRATION: HOW TO OPTIMISE THE BENEFITS OF LABOUR MIGRATION FOR ASEM MEMBERS?

RATNA MATHAI-LUKE

The priority theme that is the focus of the following discussion is Quality of Growth and Employment, as outlined in Chapter 1, Setting Sustainable Development Priorities.

Under the goal statement “Economic growth is environmentally sound and contributes to social well-being”, this chapter addresses the following sub-goal:

4.3 Social and environmental accounts are in use by all governments, major companies and international institutions.

Migration and Sustainable Development

Making migration part of the world’s development strategy will have a meaningful impact on the lives of migrants, affording them greater access to rights and to the fruits of their labour. Perhaps even more important, it could change public perceptions of migrants, so that they are viewed as a blessing rather than a scourge.

Peter Sutherland, Special Representative of the UN Secretary-General on International Migration and Development

Labour migration occupies an integral part of employment and economic development in today’s globalised world and there is a strong correlation between migration and sustainable growth. In Sustainable Development Goals and Indicators for a Small Planet, the authors state: “Growth and employment are intertwined: economic growth creates employment and employment fuels economic growth” (Pinter et. al, 2013:33). They also acknowledge the significance of “the international mobility of labour and the symbiotic relationship between countries with excess versus insufficient labour” (ibid: 34).

Migrants are agents of development both in their home and adopted countries but while the importance of protecting migrants’ rights was acknowledged, the MDGs did not acknowledge the link between migration and development. In addition to the direct contribution made to the economy of their host country, migrant remittances and knowledge transfer contribute to improving the welfare of their families and communities in their home countries. According to the World Bank (2013), an estimated USD 414 billion were transferred to developing countries in the form of remittances in 2013; this figure is estimated to reach USD 540 billion by 2016. Remittances contribute to poverty reduction and gains in achieving other global development goals — such as increasing school enrolment rates, improved access to healthcare and reduction in child mortality rates (cf. Chapter 11, How to Pay for Sustainable Development). It is for reasons such as this that the International Organisation for Migration (IOM, 2014) calls for the inclusion of migration in the post-2015 UN Development Agenda. In a separate think piece written for the UN System Task Team on the Post-2015 UN Development Agenda, IOM and the United Nations Department of Economic and Social Affairs (UN DESA, 2012:11) noted:

“When looking ahead at the post-2015 landscape, [...] there are increasing arguments for the global development framework not to focus solely on the development of the poorest countries, but also to encompass measures to promote the development of all countries. Such a view would focus less on resource transfers and more on dynamic interaction and partnership. Migration fits extremely well with such an approach. Since migration is relevant for such a broad range of development factors, a substantial case can be made for the inclusion of migration as a cross-cutting issue”.

In 2010, international migrants were estimated at over 220 million, a population group that United Nations statistics now estimate to have grown to more than 230 million (UN DESA, 2013). Out of these over 140 million are Asian and European migrants. Together the two regions host nearly two third of the world’s total migrant population (cf. Volume I, 1.7). This is indicative of how much the landscape of migration has changed. Traditionally, migrant flows followed the South-North direction with Europe being one of the main destination regions. Now, South-South migration is becoming equally, if not more, important. Asia has experienced the fastest growth as a host region between 2000 and 2013.

The feminisation of labour is another shift in the landscape to note. Female migrants have increased over the years. In both regions, female migrants now constitute approximately half of the migrant population (UNDESA, 2013).

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9 Sustainable Migration: How to Optimise the Benefits of Migration for ASEM Members?

Is migration a development enabler?

Having been recognised as a “development enabler”, migration is a potential element of a renewed global partnership for development. However, much of the contribution of migration to development remains contingent on not just the size of future migrating populations and enhancing the access of migrants to opportunities, but also on the “quality” of opportunities that migrants can access. To what extent are respect for and the protection of the rights of migrants guaranteed (Rosengärtner and Lönnback, 2013)?

Studies show that the lack of institutional and legal protection frameworks leaves migrants vulnerable to exploitation and discrimination. Female migrants are often confronted with gender-specific disadvantages in the migration process and in their employment due to different factors, such as stereotyped labour roles for men and women, lack of policies addressing female migrant workers’ specific needs and limited legal channels available to them. They are also often working in sectors not fully covered by labour legislation (such as domestic services) which leaves them particularly vulnerable to abuse.³


### Net number of migrants per region

- **Asia**: 88 million
- **Europe**: 70 million
- **Other**: 72 million

This is not to say that protection measures do not exist. At the international level, both the United Nations (UN) and the International Labour Organization (ILO) have introduced several legally binding treaties and conventions pertaining to the protection of migrant workers; their uptake, however, remains slow. As of July 2014, 49 states worldwide have ratified the 1949 ILO Convention concerning Migration for Employment; 23 have ratified the 1975 ILO Convention concerning Migrations in Abusive Conditions and the Promotion of Equality of Opportunity and Treatment of Migrant Workers; and only 47 states have become party to the 1990 United Nations International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families. In 2011, the ILO introduced the Convention concerning Decent Work for Domestic Workers which only 14 countries have ratified thus far. The below graph shows the ratification process of some of the different conventions so far.

Ratifications by ASEM Countries of key conventions protecting migrant workers

Source: ILO (2014)

Sustainable Migration: How to Optimise the Benefits of Migration for ASEM Members?

When the 2008 financial crisis took its toll on the global economy, it also left its impact on the welfare of migrants — including heightened xenophobia, increased protectionism of native workers, fewer rights and a reduction of social protection measures for migrants (ILO 2010). In response to public pressure, a number of receiving countries in both Asia and Europe revised their immigration policies to reduce/restrict the inflow of migrant workers. Many of these restrictions continue today.

The protection and rights of migrants have been a recurring policy concern in the ASEM dialogue. At the 9th ASEM Summit in 2012, ASEM leaders were committed “to ensuring the protection of human rights of migrants and their families, including migrant workers particularly in the face of economic difficulties and to strengthening mechanisms for international cooperation” and “underlined the need to identify appropriate means of maximising development benefits and responding to the challenges which migration poses to countries of origin, transit and destination” (ASEM9 Chair’s Statement, 2012). The continued economic and demographic pressures (such as ageing populations, declining workforces and labour market shortages) will have the effect that migration will continue to remain a key concern in the coming decades. It has been proposed that a “a partnership on mobility would need to acknowledge the different interests and challenges attached to high vs. low-skilled migration, focusing on the retention of talent and access to mobility, through investments in skills, the reduction of upfront costs, and improvements in legal and social protection for migrants” (IOM, 2013).

Given its cross-sectoral connections to wider socio-economic issues, policymakers realise that migration policies can no longer be considered separate from other public institutions, policies and regulations. Migration is a dynamic process that overlaps with many of the post-2015 development priorities. There is a need to focus on the design of effective policies to address the socio-economic welfare of migrants. In receiving countries, with the focus on recent political discourse about the concept of multiculturalism, the success or failures of migration policies (e.g. integration policies) are increasingly being scrutinised. With the increase in human mobility and the emergence of new host regions, concerns about social rights and social protection available to migrants, especially to migrant workers in receiving countries, are being voiced. Attention is also being paid to the practices of sending countries, which bear an interest and responsibility of improving the socio-economic welfare of their emigrants.

The current status of protection for migrants in Asia and Europe

Asia has a very large intra-regional flow of migrant workers.\(^9\) It is home to the three biggest sending countries: China, India and the Philippines. However, obligatory regulations to secure migrants’ rights barely exist. The ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers (2007) which outlines the obligations of both sending and receiving countries, advocates that member states adopt protective measures for securing migrants’ rights. While the Declaration indicates awareness among member states to cover the protection gaps for migrant workers in the region, its lack of legal status means that no joint framework yet exists to ensure proper legal protection\(^{10}\) and migrant workers’ access to

\(^9\) It is estimated that 43 per cent of Asian migrants move within the region. https://www.iom.int/cms/en/sites/iom/home/where-we-work/asia-and-the-pacific.html.

\(^{10}\) Following the Declaration, the ASEAN Committee on Migrant Workers was established with the mandate to develop the legal instrument that would allow the implementation of the ASEAN Declaration. The Committee has so far prepared a zero draft which has not been made public.
social protection remains ad hoc. Migrant workers in the Philippines and Thailand have access to these countries’ social security regimes by law, while migrants in Malaysia and Indonesia may voluntarily contribute to the employee provident funds of these countries. The ASEAN migrants going to these four countries (60 per cent of intra-ASEAN labour migrants) have access to social protection but without any signed bilateral agreements. This proportion is roughly in line with the global situation of migrants in that 55 per cent have nominal access to social protection.11 As the ASEAN region moves towards its goals of an Economic Community including a single market and production base in 2015, policymakers across the region need to (re)evaluate migration policies, specifically on the design of effective policies to address the socio-economic welfare of migrant workers.

Intra-regional mobility is one of the cornerstones of the European Union (EU). EU citizens are allowed to move freely within the Union for work and there is a legal framework in place to ensure that member states grant them the same level of protection and rights. In practice, however, the conditions can be interpreted differently12 and the enforcement of intra-EU migrants’ rights is not done consistently by all member countries.13 For non-EU migratory inflows, in keeping with the objectives of the Global Approach to Migration and Mobility (GAMM) as adopted by the European Council, several efforts have been made to foster partnerships with third countries to promote comprehensive migration policies. In addition to tightening its border controls, the EU has also sought to standardise immigration procedures and asylum policies.

Overall, the EU continues to struggle with hurdles of creating a common migration policy to jointly manage migratory flows within its framework. While EU directives are legally binding on member states, it is up to member states to transpose regional directives into national law. As a result, policy implementation varies between countries and even within individual country frameworks. As Pascouau (2013) puts it: “At a moment when ‘mobility’ — both internal and external — is fast becoming the new mantra for EU institutions and actors, and in a fast-changing world in which demography, ageing societies, labour and skill shortages, and the economic crisis are redefining the landscape of movement of persons in Europe, a complete and new assessment of the EU’s actions and methods is becoming more necessary than ever”.

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11 In comparison to 5 per cent of global migrants, up to 31 per cent of intra-ASEAN migrants have no access to social protection. For more information, see Gloria O. Pasadilla, Social Security and Labor Migration in ASEAN, Research Policy Brief 34, November 2011, ADBI, http://www.adbi.org/files/2011.11.28.rpb34.social.security.labor.migration.asean.pdf.
12 In January 2014, the EU Commissioner for Employment, Social Affairs and Inclusion clarified the rules for intra-EU migrants to access welfare benefits in the country where they were living. Family ties, length of residence and location where s/he pays taxes can be used by national officials to determine whether a migrant is eligible for welfare benefits in the country in which s/he resides.
13 EU rules allow countries to withhold unemployment insurance benefits from intra-EU migrants during their first 90 days in the country. In 2014, asserting that a minimum earnings threshold would reduce “welfare tourism” the UK government announced that intra-EU migrants would be required to earn at least GBP150 a week for three months before they are eligible for British welfare benefits. Migration News (2014), EU: Intra-EU Migrants, April 2014 Volume 21 Number 2, available at https://migration.ucdavis.edu/mn/more.php?id=3899_0_4_0.
9 Sustainable Migration: How to Optimise the Benefits of Migration for ASEM Members?

What needs to be done to make migration contribute to sustainable development?

The described status and challenges highlight the need for regional and bi-regional dialogue on migration policies. ASEM leaders have called for the "sharing of best practices and the exploration of comprehensive approaches with a view to maximising the positive effects of such migration on development and decreasing the potential negative effects" (ASEM9 Chair’s Statement, 2012).

In addition to the Summits, ASEM has been addressing inter-regional migration issues at the working level too; since 2006, the ASEM Labour and Employment Ministers’ Meeting has been taking place on a bi-annual basis. The 2012 conference was hosted by Viet Nam, where Ministers recognised the contributions of migrant workers in both, countries of origin and destination. They called for the exchange of experience for developing effective policies in ensuring the rights of migrant workers. In addition, ASEM Members also organise an annual ASEM Director Generals’ meeting on immigration and migratory flows.

ASEF and Friedrich Ebert Stiftung have worked on a project\(^{14}\) that provides a platform for ASEM-wide dialogue on labour migration. The research outcome, *A Triple Win in Migration: Ensuring Rights to Protect All Workers’ Rights*,\(^{15}\) analyses the current state-of-play across ASEM Countries on key migrant issues and identifies good practices that can be relevant for other ASEM Countries. By identifying the emerging trends on key migration issues, the report offers compelling recommendations of policy options to ASEM policymakers. The forthcoming report provides a toolkit of individual country practices that have been useful in enhancing both migrant and worker welfare. Below is the excerpt from the report on its main findings.

The report identifies that migrant welfare depends on the inclusion of the following elements in the policies and practices in receiving countries:

1) *Transparent policies and simple procedures for admission of foreign workers minimize the need for intermediaries and the risk of fraud, reduce the cost of migration, and encourage migrants to go through legal channels.* Both Australia and the United Kingdom identify the skills they wish to admit and have transparent policies for admission. They have managed to absorb large numbers of skilled foreign workers without adverse consequences on wages and at the same time raising productivity. To facilitate skills–to-job matching among member states, the Council of Europe and UNESCO have established the European Network of National Information Centres (ENIC) to ensure that qualifications from one member state are recognized in another. The ENIC network cooperates with the National Academic Recognition Information Centres (NARIC) – a similar network of qualifications recognition set up by the EU for member states, the four European Free Trade Area (EFTA) countries and Turkey.

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\(^{14}\) The Asia-Europe Migration Project is co-organised by ASEF and the German Friedrich Ebert Stiftung, Office for Regional Cooperation in Asia.

2) **The best way to protect the jobs and wages of national workers is to protect migrant workers.** For countries that decide to bring in foreign workers it is essential that there be policies and measures in place to insure equal treatment and protection in law and practice of the migrants’ basic rights. Where unequal treatment is tolerated “path dependence” on foreign workers quickly develops as employers will always tend to minimize labour costs. Policies in the EU/EFTA countries make a conscious effort to ensure that all migrant workers are paid as much as non-migrant workers in the same occupations. This is to ensure that migrant workers are not being used by employers to undercut the wages of natives. Further, there are now laws stipulating equality of working conditions, such as the 1996 EU Directive (1996/71/EC) specifying that “posted” workers, i.e. workers employed by a company in one country but performing work in another country, must also be covered by minimum standards applicable in the country where they work. The integration of migrant workers into local trade unions has also proven an effective way of protecting native wages from being undercut, especially also where migrant workers are not only members but can also advance in the trade union hierarchy.

3) **Opportunities for gaining entry into employment may elude immigrants. There is a need for governments to address the problems with holistic programmes involving local communities and enterprises.** The lack of fundamental skills among young immigrants has been addressed in Switzerland by running pre-apprenticeship courses in vocational schools aimed at improving literacy and numeracy. Some countries like Denmark offer wage subsidies to encourage enterprises to try hiring immigrants. Denmark has put the responsibility for the integration of migrants coming from outside the EU in the hands of municipalities. Municipalities are required to offer a three year compulsory introduction programme to immigrants residing within their jurisdiction. They are encouraged to enter into partnerships with enterprises especially to create mentorship opportunities. However, it was found that while this helps avoid overburdening a few cities and municipalities it also prevents immigrants from using their own social networks in an effort to help themselves.

With regard to the policies and practices in **sending countries**, the Philippines and India succeeded in establishing “niches” in the international labour market for their medical professionals, IT engineers, and seafarers. The reason the Philippines and India succeeded in establishing “niches” in the international labour market for their medical professionals, IT engineers, and seafarers was to a very large measure due to the responsiveness of their training institutions to the emerging demands for skills abroad. Indians account for well over half of all software engineers admitted to the US every year under the H1B scheme. Filipino nurses account for 15 percent of all foreign-born nurses in the OECD countries. The Philippines also emerged as the biggest supplier of seafarers on board ocean-going ships in the world because of how its schools for maritime occupations were able to adapt their curriculum to the demands of the shipping industry.
5) **The benefits of migration cannot be maximized unless the migrating workers are made fully aware of their rights and conditions of employment.** Most origin countries in Asia set minimum standards for employment contracts entered into by their nationals (usually contained in standard or “model contracts”) to protect workers against making ill-informed decisions. They also require workers to go through a briefing or information session prior to departure in order to ensure that they fully understand their contracts and their rights and responsibilities. Improving the content and timing of these briefings continues to be a challenge for the national authorities but their value in protecting migrant workers has not been questioned.

6) **Effective care for workers abroad requires sensitised and trained personnel in consulates and embassies.** Migrants require a variety of support services from their own governments such as in resolving disputes with employers, renewing travel documents, obtaining legal defence in criminal cases, escaping from intolerable treatment by employers, and many other contingencies. As labour migration accelerates normal diplomatic missions overseas are easily taxed beyond their capacities to meet the needs of migrants. Contributory schemes to support overseas “on-site” services such as the 34 centres abroad of the Overseas Workers Welfare Administration of the Philippines and more recently the Indian Community Welfare Fund have gone a long way to improving the capacity of origin states to meet their needs.

And finally, when it comes to cooperation between sending and receiving countries, the report states,

7) **Migration is inherently a bilateral, if not a multilateral, issue that requires cooperation between origin and destination states.** In the EU, the free mobility of workers throughout the territory of the Union has been guaranteed by the Social Charter and facilitated by a number of multilateral projects such as the European Network of National Information Centres (ENIC). No such schemes have yet been developed in Asia although the Cebu Declaration on the Protection of Migrant Workers adopted by the ASEAN leaders in 2007 is a promising start, as well as the subsequent Mutual Recognition Agreements (MRAs) to facilitate the mobility of selected professionals and skilled workers. ASEAN will launch its 8th MRA (on tourism professionals) in 2015.

With respect to non-EU citizens, bilateral agreements with source countries are again becoming important instruments used by the EU countries in administering immigration programmes and effectively regulating labour markets. In Asia, bilateral agreements on labour migration are fairly recent in origin and have not generally been seen as examples of good practice. One exception to this is Korea’s reform of its guest worker programme involving government-to-government agreements with source countries to replace private by public agencies in organizing recruitment and discourage migrants from working in Korea illegally. Cooperation has already brought down previously high recruitment costs incurred by migrant workers.
9 Sustainable Migration: How to Optimise the Benefits of Migration for ASEM Members?

Conclusion

The management of migration is not a crisis in need of a solution but a process that requires proper thought and handling. Given the strong inter-connections between migration and development, it is important that we follow a right-based approach to the framing of migration policy if migration processes are to be sustainable in both sending and receiving regions. This is because the contribution of migration to community development and national growth can continue only as long as the welfare and rights of migrants are protected. There can never be only one single approach to migrant welfare, but the evaluation of the different practices used in different countries at ASEM level will serve to improve the understanding and management of migration inside and between the two regions.

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The priority theme to be discussed in this chapter is Health and Population, theme 2 as outlined in Chapter 1, Setting Sustainable Development Priorities.

Under the goal statement “Population is stabilised and universal access to basic health services is provided,” this chapter addresses the following sub-goal:

2.3 Affordable and accessible healthcare and insurance are provided, including prenatal and reproductive care and education.

Introduction

The Millennium Development Goals (MDGs)\(^1\) include three health-related goals: to reduce child mortality; to improve maternal health; and to combat HIV/AIDS, malaria and other diseases. Significant progress has been made in Asia towards the achievement of these MDGs since their adoption in the year 2000. The charts below show regional data of Asia-Europe Meeting (ASEM) Countries, adding to the data on individual countries in Volume I, section 5. The child mortality rate (under 5 years) dropped from 57.5 per 1,000 births to 33.5 in Asia. In particular, in Eastern Asia\(^2\) the under-5 mortality rate fell by 74 per cent between 1990 and 2013.\(^3\) China’s exceptional achievement in reducing maternal and child mortality is also striking.\(^4\) Although the maternal mortality rate dropped overall in Asia, high rates persist in some countries. For example, Lao PDR\(^5\) still records 220 deaths per 100,000 births and Myanmar records 200 deaths per 100,000 births.

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2. China, Democratic People’s Republic of Korea, Mongolia, Republic of Korea.
New infections of malaria and tuberculosis decreased steadily during this period. While infectious diseases, such as tuberculosis and malaria, mainly affect Asian countries, non-communicable diseases are prevalent in both Asia and Europe. Globally, new HIV infections and AIDS deaths are declining, and more people are living with HIV as more people receive antiretroviral therapy. Access to antiretroviral therapy also increased in Asian ASEM Countries.

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10. The comparative data shown in the graph were only available from Bangladesh, Cambodia, China, India, Indonesia, Lao PDR, Malaysia, Mongolia, Myanmar, Pakistan, Philippines, Russian Federation, Thailand, and Viet Nam.
10 Healthcare for Migrants: Does It Pay Off?

**Incidence of tuberculosis (per 100,000 people per year)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Europe</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>167.5</td>
<td>24.9</td>
</tr>
<tr>
<td>2012</td>
<td>138.2</td>
<td>14.4</td>
</tr>
</tbody>
</table>

Source: Calculation by ASEF using data from WHO11

**Number of reported confirmed cases of Malaria (per 100,000 people)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>149.3</td>
</tr>
<tr>
<td>2012</td>
<td>68.6</td>
</tr>
</tbody>
</table>

Source: Calculation by ASEF using data from WHO12

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Healthcare for Migrants: Does It Pay Off?

**Number of people receiving antiretroviral therapy**

- 2005: 184,756
- 2008: 617,115
- 2012: 1,201,658

*Source: Calculation by ASEF using data from AIDSinfo*13

**Death by Non-communicable Diseases per 100,000 (age-standardised estimate)**

- Chronic respiratory diseases
- Cardiovascular diseases & diabetes
- Cancer

*Source: Calculation by ASEF using data from WHO*14

Health is an area of crucial importance to the ASEM Members, as stated in the Chair’s Statement at the 6th ASEM Summit held in September 2006 in Helsinki, Finland. The statement reads as follows: “Leaders emphasised the need to promote global health security and reiterated their determination to combat global health threats, such as HIV/AIDS, avian influenza and a possible human influenza pandemic, tuberculosis and malaria.”15

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15 ASEM, Chair’s Statement of the 6th ASEM Summit. 10-11 September 2006.
It was at this same ASEM Summit that ASEM Members recognised the need for regional collaboration on common health threats. At the 7th ASEM Summit held in October 2008 in Beijing, China, ASEM leaders discussed means of improving healthcare as well as reiterating “their commitment to promote global health security including developing healthcare systems and local infrastructure to improve public health in the developing world and reiterated their determination to combat health threats such as HIV/AIDS and avian influenza”. This was followed by the launch of the ASEF Public Health Network under the initiative of the Government of Japan, which offers a platform to facilitate public health dialogue between Asia and Europe. The ASEF Public Health Network continues to contribute to the global agenda on public health by promoting a multi-sectorial and multi-level collaboration between Asia and Europe on health issues.

With the MDGs coming to an end in 2015, ASEM Countries are facing the task of evaluating their achievements and remaining challenges. The Sustainable Development Goals (SDGs) are expected to widen the MDGs’ scope to encompass providing affordable, continuous, and quality universal healthcare as well as maintaining health. The goal recommended by the Open Working Group, “[E]nsure healthy lives and promote well-being for all at all ages”, Group is divided into sub-goals with specific targets to be reached by 2020 or 2030, including the reduction of maternal mortality, preventable deaths of children; ending the epidemics of AIDS, tuberculosis, malaria, and neglected tropical diseases and combatting communicable diseases; promoting mental health and wellbeing; strengthening prevention and treatment of substance abuse, as well as halving deaths and injuries from road traffic accidents. The Small Planet Report (see Chapter 1) focusses on “universal access to basic health services” in its goal statements. Access to specialised treatment, such as antiretroviral therapy for HIV, may well be part of the SDGs that aim to improve access to healthcare. Other challenges to universal access include the availability of services in rural areas compared to cities and financial barriers.

The forthcoming SDGs are meant to be people-centred. As was promised in the Outcome Document, they are meant “to benefit all, in particular the children of the world, youth and future generations of the world without distinction of any kind such as age, sex, disability, culture, race, ethnicity, origin, migratory status, religion, economic or other status” (ibid). This chapter will focus on a special group: migrants, as a specific example for a group in need of targeted policies to attain universal access to health care.

Migrants’ Access to Healthcare for Sustainability

Sustainable economic growth is dependent on the sustained health of workers. As Julio Frenk, Mexican Minister of Health and Chair of the 2004 meeting of OECD Health Ministers, noted: “The effects of health on development are clear. Countries with weak health and education conditions find it harder to achieve sustained growth.”

16 ASEM, Chair’s Statement of the 7th ASEM Summit. 24-25 October 2008.
18 Laszlo Pinter et al., Sustainable Development Goals and Indicators for a Small Planet. Asia-Europe Foundation (ASEF) (Singapore, 2014), p.27.
To maintain the health of all workers, it is essential that they have access to healthcare. In speaking of “all workers,” it should be noted that this includes migrant workers, as many ASEM Countries’ economies are dependent on the labour of migrants. Statistics on ageing populations and migration in many receiving countries, shown in Volume I, illustrate push and pull factors that impact on global labour migration. Still, in a majority of receiving countries across Asia and Europe, undocumented migrants are excluded from regular healthcare services, with emergency care being the only official gateway into the system.

Internationally, there is no agreed definition of migrants. While migrants can include those who move within a country, this chapter uses the term to refer only to those who move across national borders. This definition is selected as the primary goal of this publication is to promote international dialogue among ASEM Countries about a global theme that is relevant to all. Migrants who move internationally face particular challenges and vulnerability, because they often enter into a new space, where languages, social norms and workplace practices are different from those of their origin. It is under these unfamiliar circumstances that these migrant workers may make more adventurous decisions than before in order to establish a base. They often sustain themselves in a foreign setting by taking on risks, thereby increasing their level of vulnerability.

Growing dependence on a labour force that includes large numbers of migrants poses a question to health policies of ASEM Countries. With universal healthcare central to the discussion related to the SDGs, how far can the definition of universal be extended? Does universal coverage include migrants? Does it make sense for governments to give all migrants, including undocumented ones, access to healthcare? Does it make sense for employers to cover employees’ healthcare?

The challenge is that, on a national level, different sectors have their own interests to support, or not support, migrants’ access to healthcare. Human rights advocates urge the inclusion of undocumented migrants into the healthcare system. Not doing so, they argue, is to violate basic human rights. Receiving countries face a dilemma between this human-rights-based approach and the economic approach. This dilemma derives from the two different responsibilities the individual country assumes by embracing either the former or the latter. Their status as a member of the international community asks them to include coverage of undocumented migrants into their healthcare system as it is their basic human right to access adequate standard of medical care to maintain their health and wellbeing including that of their family. However, at the same time, they need to be accountable to their citizens (also the voters) for the spending of tax revenues.

Not surprisingly, the latter often has more weight and is more prevalent as a result. What is needed today to accelerate discussion on migration and healthcare is an economic analysis on the cost and benefits of the inclusion/exclusion of migrants from healthcare. How much does it cost to invest in the healthcare of migrants? How much does a nation’s economy lose when migrants receive emergency care due to delayed treatment or they have been too sick to work

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21 Article 25 of the Universal Declaration of Human Rights (UDHR) says “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services.”
due to the high cost of healthcare or develop chronic illnesses from a common illness that could have been treated at low cost? These costs are difficult to calculate, yet need to be explored more, from both a social and an economic point of view. Currently, many countries do not collect information on the number of the migrants. To assess the situation, and to assess the need for more inclusive health policies, the national demographic system must include these statistics - to create an evidence base to inform policy-making. National demographic systems should include statistics on migrants as the first logistical step forward to post-2015 universal healthcare.

In *Migrants and Healthcare: Social and Economic Approaches*, Trummer et. al. provide social and economic analyses of failing to provide migrants with full access to healthcare. This is done by examining case studies in Austria, Italy, Hong Kong SAR and Singapore. Though it does not present compiled numbers related to the exact cost of exclusion, it does offer interesting cases and is effective in enriching the discussion on migrants and healthcare. Acknowledging that globalised labour markets demand a healthy and productive workforce, Trummer et. al. argue that this exclusion from primary healthcare causes unnecessary loss of human capital due to delayed or denied treatment.

In *Migrants and Healthcare*, Trummer et. al. compare the cost of two different scenarios, depending on the access to early treatment, based on a patient who sought treatment from a Non-governmental Organisation (NGO) for burns. The burn was in a bad condition, because “the patient did not have the opportunity to consult a general practitioner and to buy the medication, so he tried to fix it by himself until he turned to the NGO at a later stage and with a worse condition.” Trummer et. al. calculate the social and economic cost of the injury based on assumed loss of working time and conclude “concerning the loss of productivity, costs of EUR 2,420 could have been avoided by early intervention with costs of EUR 13.80.” This case shows a case of a loss of labour force due to exclusion of migrants from healthcare.

Migrants’ healthcare needs, as illustrated above, present an important question for the post-2015 health policies of ASEM Countries: in which direction would they like to see health policies go? Do they want to steer the world towards more inclusive health policies for the sake of sustainable economic growth? Ultimately, government and the private sector share common interests in a country’s economic growth though the contributions of migrant workers.

So could we find common incentives to collaborate towards more inclusive health policies by integrating migrants’ access to healthcare in the pursuit of future sustainable economic growth in Asia and Europe?

The inclusion of migrants into the healthcare system is the first step. For an effective utilisation of healthcare services by migrants, however, it is not sufficient merely to make healthcare services open to migrants. The services need to be truly accessible. In *The Health Dimension of Asian Migration to Europe*, Osteria et. al. examine the barriers faced by Chinese and Filipino migrants in Italy and Spain in accessing the healthcare system and discuss what needs to be

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23 Ibid., p.87–89.
24 Ibid., p.129.
done by both sending and receiving countries for migrants’ better integration into the health system of receiving countries.25

The study found that Chinese migrants in Spain tend to take traditional Chinese herbal medicines and practice acupuncture for their initial health management, rather than utilise local healthcare services. They seek support within their community, which operates as an autonomous system. Filipino migrants often postpone medical consultation until their next trip to the Philippines where they purchase medications in bulk to bring back to Italy for self-medication. Such behaviours result in delaying treatment, which undermines migrants’ capacity to make contributions, and exposes them to the risks of health complications. The research findings show that migrants tend not to use the healthcare system in receiving countries, even when some services are free of charge. This reluctance is due in part to a lack of information on the services available to migrants, as well as language and cultural barriers. Solely giving migrants entitlement to access healthcare does not automatically mean that they will use it.

For an effective utilisation of healthcare, key stakeholders such as healthcare providers, migrant communities, relevant government bodies and civil society organisations need to take a more proactive approach to increase migrants’ awareness of their entitlement to services. It is also important to build the capacity of healthcare providers to serve diverse clients in a culturally and linguistically inclusive manner. Efforts to make health policies inclusive of migrants also require collaboration between sending and receiving countries, as the health of migrants has important implications for the economies of both countries, as well as individuals.

Eckenwiler et al. point out the mutual interests in migrant workers’ well-being, stating: “We can argue that privileged countries have an interest in the quality of the education of migrant nurses.”26 While “source countries like the Philippines actually have an interest in being able to send nurses abroad” for economic reasons, the receiving country’s government also has an interest in migrants workers’ work conditions and environment, because “the quality of care for the ill and the aged" populations in the receiving country is dependent on migrant workers’ skills and performance. Thus, Eckenwiler et al. conclude: “The government and citizenry of wealthy countries may have prudential reasons to care for some issues of health equity”(ibid.).

Moreover, the health of migrants is not necessarily a bilateral issue, because a number of migrants move through one or more transit countries. That is why international cooperation on health policy has a high relevance for all countries. Taking a global perspective on health is an important step in thinking about how to develop effective health policies.

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The ASEAN Task Force on AIDS (ATFOA) is an example of regional coordinated efforts in HIV prevention and treatment.27 In her speech on HIV/AIDS challenges in Asia and the Pacific, Ursula Schaefer-Preuss, Asian Development Bank Vice President, stated the importance “for governments to reduce their dependency on external financial support, and develop financially sustainable domestic and regional approaches to prevent new infections” and highlighted the importance of social protection.28 While it is important to coordinate HIV treatment because “AIDS does not recognise national boundaries and, as a result, policies and some interventions need to transcend these boundaries”,29 it also makes sense to tackle the challenge through expanding social protection of all the residents, including migrants.

Sargent and Larchanche stress that “[m]igrants move not only across geographic borders, but also across, between, and among medical systems.”30 This is illustrated in a variant of health transnationalism identified in The Health Dimension of Asian Migration to Europe. Migrants who stay in transit and in receiving countries on a long-term basis could develop new health problems, which could impact on the health policies of receiving countries. Under such circumstances, existing national health policies are too limited in scope and are often not effective in addressing these problems.

Kickbusch emphasises that, as an “increasing range of health issues that transcend national boundaries”31 emerge, the scope of a country’s health policy can no longer remain on a national level to be effective. Wallberg-Henriksson defines global health as “health issues that have a political and economical impact across national borders.”32 The significance of global health governance has been raised by multiple scholars in the field of public health. Gushulak and MacPherson urge global health governance, arguing “the globalisation of risks — manifested by the mobility of large numbers of individuals flowing across and between disparities in health environments and disease prevalence — will require increased investment in globally-focused resources and management commitments, as opposed to inward-looking national management strategies and programmes.”33

What is needed in an area of constant flow of people is continuous access to healthcare, which enables monitoring of clients’ conditions. This contributes to the purpose of public health which is to prevent the spread of disease. From this point of view, the following three recommendations for the three main stakeholders - governments, the private sector and civil society - are proposed.

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Key Messages

Government

• **Stronger Law Enforcement to Ensure Healthcare for All Workers**

The responsibility of providing healthcare to both regular and irregular migrants lies with government. Government has a key role to play in establishing and protecting rights, as well as setting up an accessible health infrastructure. To improve the health of migrants, regulatory bodies, such as a ministry of labour, need to devote more resources for the stronger enforcement of protective laws, e.g. to ensure that employers do not unlawfully terminate employment contracts or use part-time contracts denying benefits to full-time workers. The need for an intersectional cooperation and approach to migrants’ health has been discussed on the international level.\(^3^4\) *Migration and Healthcare* reports cases where employers manipulate migrant workers’ employment status from full-time to part-time, and from continuous contract to non-continuous contract, so the workers will not be entitled to full benefits such as paid medical leave. In addition to targeting employers, enforcing regulatory policies for employment agencies is another effective measure that can be pursued. Informing migrant workers about their rights and entitlements will also support the implementation. IOM’s report, *Financing Healthcare for Migrants*, presents several options that have been implemented in Thailand, targeting both regular and irregular migrants.\(^3^5\)

• **Extending healthcare to irregular migrants**

Public authorities can make provisions to make healthcare facilities accessible to irregular migrants, e.g. by allowing anonymous treatment for undocumented migrants, or treatment paid by cash for migrants without a bank account or applicable health insurance.

• **Language Barriers and Culturally Sensitive Service Delivery**

In order to help with language barriers, governments can mainstream the use of interpreters in healthcare facilities to allow better communication. Currently the remediation of this gap in delivery of services is often left solely to voluntary community organisations. This leads to unreliable translation services of varying quality. Language skills of migrant community members can be used, with the precondition that standardised requirements for qualified medical interpretation ensure service quality. Information on available services only reaches the target group if it is provided in the applicable languages.

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• Reflecting Real Needs

Collaboration between government agencies, the migrant community and civil society serving migrants helps to address the specific needs of migrant workers. It can also evaluate the economic and social costs of inappropriate or lack of access to mainstream healthcare services. When representatives from the target groups are involved in developing policies affecting migrants, their needs are better reflected and implementation is more effective. The economic benefit is that no money is wasted for inappropriate services.

Private Sector

• Ensuring Health Coverage of Employees

The private sector provides migrants with employment and controls the level of protection afforded to migrants. Employers have the obligation to comply with the regulations protecting migrants’ rights in their country. As migrants often work in jobs with physical risks, eliminating unnecessary risks and the availability of personal protective equipment are first steps to safeguarding the health of migrants. Recruitment of low-skilled migrant workers is often performed through private recruitment agencies, which are the first point of reference for migrants to obtain information on their entitlements and available public services. The power imbalance between recruitment agencies and migrant workers places migrants in a vulnerable position. Although migrant workers heavily rely on recruitment agencies as their first, and sometimes only, resource to turn to for support, research by Trummer et. al. identified a number of cases where recruitment agencies misinform migrants about their rights in times of crisis, including making them sign illegal contracts. Other reported cases include employers refusing to provide a medical fee waiver form that migrants need to bring to clinics to be covered by their employer’s health insurance.

• Sexual and Reproductive Health and Rights

Women’s sexual and reproductive health and rights often become a space where a state’s desire to control overrides human rights. At the same time, private employers with a strong interest in continued service (employers of maids and household helpers) are frequently not aware of basic labour rights. Trummer et. al. cite a case in which agencies in Hong Kong imposed contraception on foreign domestic workers without their consent. Cases of involuntary sterilisation were also reported in Europe, where the European Court of Human Rights reported the occurrence of involuntary sterilisation of Romani women, including minors, during childbirth in Slovakia in 2012.

37 Ibid., p.21.
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Although termination of an employment contract due to pregnancy is not legal in Hong Kong, Trummer et. al. found it fairly common for foreign domestic workers to face unlawful termination as there is lack of a regulatory body to enforce labour legislation effectively. A Thai government proposal in 2012, which ordered the deportation of female migrant workers who become pregnant, fuelled foreign domestic workers’ fear of loss of job and deportation. This regulation had been proposed as an attempt to reduce the occurrence of migrant child trafficking. However, it was pointed out that this regulation would make many migrant women more economically and physically vulnerable, pressuring them into unsafe abortions so as to remain in Thailand. All these examples show that the state’s role in protecting women’s rights is closely linked to the protection of their health.

- **Enhanced Productivity through Adequate Healthcare**

The private sector has legal obligations to comply with the labour legislation of the country where it operates. One aspect of this is that the employment contract matches the actual work and work hours undertaken by the employee and indicates working conditions that relate to workers’ health and safety issues. Information on rights and procedures for work-related injuries need to be made available to all workers. What the private sector (and by extension, the country’s economy) loses by denying or limiting employees’ rights to healthcare is productivity as well as the skills and motivation of healthy workers. Some companies see a long-term benefit in investing in the healthcare of their employees, some including contract workers on-site. The benefits of corporate health management include generating benefits for employees as well as companies - higher efficiency and motivation of staff, preservation of know-how and trained workforce as well as lower costs for medical leave where applicable. For example, BASF, a multinational company based in Germany with more than 110,000 employees worldwide and subsidiaries in more than 80 countries, offers a periodical health check and yearly flu vaccinations free of charge to employees, based on the calculation of economic benefits. As seen in BASF’s case, multinational companies can complement public healthcare provision. If convinced of the economic benefits, these companies have the resources to implement a standardised healthcare policy across the board.

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Civil Society

• Filling in Service Gaps

In both Asia and Europe, civil society organisations, such as NGOs, play a significant role in filling in the gap by supporting migrants and their families through advocacy and the provision of social, legal and healthcare services. Their services are not limited to healthcare services, but also cover housing, interpreter services, immigration and settlement services, labour dispute mediation, and food programmes to serve in particular marginalised migrant population. However, NGOs are often underfunded or unequipped with the necessary instruments and are unable to conduct sufficient outreach activities.

Nonetheless, the financial, social and human resources they are capable of mobilising have a considerable positive impact on society. They absorb the social and economic burdens of migrants' health and undertake fundraising and volunteer work. *Migrants and Healthcare* points out that NGOs contribute to savings in public spending on healthcare by providing preventative care to clients, who would otherwise end up in emergency care, and by mobilising a number of volunteers.\(^42\) For example, Trummer et. al. calculate healthcare services by volunteer doctors from the Amber-Med, a non-profit health service organisation in Austria, to amount to “EUR 106,859 (USD 140,125) in total […] based on fixed rates that doctors can allocate from health insurance for insured patients' treatment.”\(^43\)

• Providing Data from the Front Line

An additional strength of civil society groups is their capacity to collect first-hand information from target populations and accumulate in-depth working knowledge through years of direct service delivery. They support provision of evidence through the collection of reliable data from front-line programmes, expand partnership with governments in health service delivery, and sensitise policy makers and decision makers on the benefits of inclusive health policies.

Conclusion

Given the interdependence of the global economy, no country will be left untouched by the impact of global migration and its implications for national health policies. No-one will be left uninfluenced by migration because, whether you leave your country of origin or not, you still reside in a transnational environment. As we stand only a step away from the beginning of the SDGs, ASEM Countries are urged to make a decision on the direction of the post-2015 health policies, which will impact everyone living in the regions, whether documented or undocumented. If governments, business and civil society all contribute through the implementation of inclusive law, ensuring the respect of rights, supporting data collection and service improvements, then health care can be made more accessible with a positive impact on both economies and societies.

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\(^{43}\) Ibid., p.86.
Be Good Little Migrants (Excerpts)

Be good, little migrants
We’ve saved you from starvation
war, landlessness, oppression
Just display your gratitude
but don’t be heard, don’t be seen

Be good, little migrants
Give us your faithful service
sweep factories, clean mansions
prepare cheap exotic food
pay taxes, feed the mainstream

Be good, little migrants
Use leisure with prudence
sew costumes, paint murals
write music, and dance to our tune
Our culture must not be dull

Be good, little migrants
We’ve given you opportunity
for family reunion
equality, and status, though
your colour could be wrong

Be good, little migrants
Learn English to distinguish
ESL from RSL
avoid unions, and teach children
respect for institutions

Be good, little migrants
Museums are built for your low arts
for your multiculturalism
in time, you’ll reach excellence
Just waste a few generations.

Uyen Nhu LOEWALD, 1940 -

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44 Uyen Nhu LOEWALD was born in 1940 in Viet Nam; she is living in Australia.
10 Healthcare for Migrants: Does It Pay Off?

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11 CLIMATE CHANGE NEGOTIATIONS IN ADVANCE OF COP21: REASON FOR OPTIMISM?
SHAUN GAVIGAN

The priority theme that is the focus of the following discussion is Energy and Climate Change, theme 8 as outlined in Chapter 1, Setting Sustainable Development Priorities.

Under the goal statement “Climate change is effectively addressed while access to clean and sustainable energy is significantly improved”, this chapter addresses the following sub-goal:
8.3 The rate of Greenhouse Gas concentration increases in the atmosphere has been reduced.

Nobody on this planet is going to be untouched by the impacts of climate change.

Rajendra Pachauri, Chair of the IPCC

Introduction

By the dawn of 2016 it will be clear if the international community has been successful in securing a negotiated agreement to address comprehensively the issue of human-induced climate change. Scientists, academics, policymakers, politicians, commentators and multiple other stakeholders would all appear to be in agreement that COP21 (21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, UNFCCC) in December 2015 in Paris will be a fundamental event in revealing the global community’s commitment and ability to solve this hitherto seemingly intractable global issue. Jeffrey Sachs, Special Advisor to the United Nations Secretary-General, says: “Humanity has just about run out of time to address climate change. The last chance for action has arrived, that chance lies in Paris.”1 In saying this, Sachs speaks for many people who believe that the urgency of the situation demands action now. However, this focus on the urgency of “now” is one that has been espoused multiple times over the past 20–25 years. The question that needs to be asked is, what hope is there of it being different this time?

This paper is designed to present an overview of some interesting aspects of the climate change debate in the context of the Asia-Europe Meeting (ASEM). Tying into the goal of Volume I of this publication, Facts at a Glance, Part I of this paper will present a brief sketch of the most up-to-date scientific evidence related to climate change. This sketch will be followed by a discussion on the UNFCCC process and the status of ASEM Members within the negotiations. Part II of this paper will be more analytical and present a discussion of the negotiation process, offering a number of recommendations that may be of interest to ASEM Members.

Part I

The scientific evidence

In January 2014, the Intergovernmental Panel on Climate Change (IPCC) issued the first in a series of three high-profile reports that outline the most up-to-date scientific evidence related to climate change.

The first report was the IPCC’s Working Group I contribution to the IPCC Fifth Assessment Report. The document titled Climate Change 2013: The Physical Science Basis provides the most comprehensive assessment of the physical science basis of climate change produced to date by the Panel. The document gives a detailed analysis of key climate observations throughout the climate system and includes an atlas of climate projections for 35 regions of the world.

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The second report from Working Group II, *Climate Change 2014: Impacts, Adaptation and Vulnerability*\(^3\) examines the vulnerability of human and natural systems to the impacts of climate change. The report provides an analysis of future risks and the potential for and limits to adaptation.

The final report is from Working Group III, *Climate Change 2014: Mitigation of Climate Change*,\(^4\) issued in April 2014. This document offers a menu of options for mitigating climate change, including an analysis of underlying technological, economic and institutional requirements.\(^5\)

The key messages that emerged from these very comprehensive reports are detailed in the following section.

*Climate change 2013: The physical science basis*

- Warming of the climate system is unequivocal, and since the 1950s, many of the observed changes are unprecedented over decades to millennia.
- Human influence on the climate system is clear. This is evident from the increasing greenhouse gas concentrations in the atmosphere, positive radiative forcing, observed warming, and understanding of the climate system.
- The increase in global temperatures is negatively impacting the atmosphere, the oceans, sea level and the cryosphere. Continued emissions of Greenhouse Gases (GHGs) will cause further warming and changes in all components of the climate system. Limiting climate change will require substantial and sustained reductions of GHG emissions.


\(^5\) All reports can be accessed at [http://www.ipcc.ch](http://www.ipcc.ch).
Climate change 2014: impacts, adaptation and vulnerability

- The impacts of climate change are widespread and substantial. They are evident in all continents and oceans.
- The increase in global temperature is increasing the likelihood of “severe, pervasive, and challenging irreversible impacts”.

Global patterns of impacts in recent decades attributed to climate change


- There are several key risks to humans related to climate change. These include: sea level rise, coastal flooding and storm surges; heat waves, drought and rain variability; inland flooding and water shortage; and loss of marine and terrestrial ecosystems and their ecosystem services.
Climate change 2014: mitigation of climate change

- Annual anthropogenic GHG emissions have increased by 10 gigaton (Gt) Carbon dioxide equivalent (CO₂eq) between 2000 and 2010, with this increase directly coming from energy supply (47 per cent), industry (30 per cent), transport (11 per cent) and buildings (3 per cent) sectors. Accounting for indirect emissions raises the contributions of the buildings and industry sectors.
- Globally, economic and population growth continue to be the most important drivers of increases in CO₂ emissions from fossil fuel combustion.
- There are multiple scenarios with a range of technological and behavioural options, with different characteristics and implications for sustainable development, that are consistent with different levels of mitigation.
- Mitigation scenarios in which it is likely that the temperature change caused by anthropogenic GHG emissions can be kept to less than 2°C relative to pre-industrial levels are characterised by atmospheric concentrations in 2100 of about 450 ppm CO₂eq.

Everyone is entitled to his own opinion, but not to his own facts.

US Senator Daniel Patrick Moynihan

With the IPCC’s three most recent reports, there is now the greatest amount of certainty and consensus surrounding the science of human-induced climate change that has existed to date. The scientific community has been increasingly successful in hammering home its key findings in relation to this matter. What in the past often appeared to be a complex and disputed subject is increasingly becoming distilled into much simpler messages. Based on these findings, the IPCC has confirmed that “human influence has been the dominant cause of the observed warming since the mid-20th century”. Setting out what has to be achieved, the reports say that immediate and dramatic cuts to greenhouse gases are required if the world is to avoid crossing the 2°C warming mark deemed “dangerous”.

From an ASEM perspective, a key issue is the observation that some areas of Asia (specifically South-East Asia) are considered to be among the most vulnerable to the impacts of climate change. Problems associated with climate change are expected to be more acutely felt in countries that are becoming more urbanised and that have strong population growth. Pressure on natural resources is expected to become acute and the results of climate events more impactful. Lacking strong adaptive capabilities, these Asian countries are also likely to be disproportionately impacted by extreme weather events including changes in regional rainfall, droughts, floods and cyclones. Indeed, in those parts of the world that have recently experienced climate-related issues, including extreme weather events, water stress, biodiversity impacts, human health and agriculture problems, politicians and policymakers are increasingly coming to realise that climate change has moved “firmly into the present”.7

So what needs to be done in the face of this challenge?

An issue not often mentioned during discussions on climate change is the fact that the means to achieve material action to address the problem are readily available. It is important to note that the obstacle to action is a political one, and that no new technical solutions need be developed in order to bring about the dramatic and meaningful changes required.

A decade ago, a study by Princeton scholars Robert Socolow and Stephen Pacala8 demonstrated that it was possible for the world to stabilise emissions through the increased roll-out of a set of seven groups of existing technologies. Following on from this, in 2009, consulting firm McKinsey & Company made similar findings in its report *Pathways to a Low-Carbon Economy*.9 The document found that by switching to both existing and new technologies, it would be possible for the world to reduce greenhouse gas emissions by 35 per cent below 1990 levels with a related increase in business costs of between 5–6 per cent.

So if the solutions are out there, and if we understand that the problem is political and not technical, what is preventing the world from putting the required changes in place? To answer that question, it is necessary to examine key aspects of the global climate change negotiations process.

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11 Climate Change Negotiations in Advance of COP21: Reason for Optimism?

The search for a global climate change agreement

The UNFCCC is the mechanism through which countries engage in the process of negotiating a global climate agreement. The series of annual talks dates back to the 1992 Earth Summit in Rio.

The initiative’s earliest and greatest achievement was the 1997 Kyoto Protocol, an agreement of 191 nations that set binding limits on climate-altering greenhouse gases. The agreement commits a group of developed (“Annex 1” – see below) nations to reduce domestic emissions by an average 5 per cent by 2012 from 1990 levels.\(^\text{10}\) With commitments extending to the end of 2012, Kyoto has suffered numerous setbacks and is generally understood not to have fulfilled its early promise.

COP15 held in 2009 in Copenhagen was earmarked as the event at which a new framework for climate change mitigation beyond 2012 was to be agreed. However, this Conference broke up in acrimony, with no successor agreement established. Following Copenhagen, meetings of the COP in Cancun (2010), Durban (2011), Doha (2012) and Warsaw (2013) have sought to restore trust in the multilateral process and to set the groundwork for a new global agreement that will be sought in 2015.

Before going on to discuss the current status of the negotiation process, it is necessary to give a little more detailed description of the mechanics of the process itself.

Parties to the convention engage as part of various groupings for substantive and political purposes. The key groups are the Group of 77 and China (G-77 and China), the Alliance of Small Island States (AOSIS), the Least Developed Countries (LDC), the European Union (EU), The Umbrella Group, and the Environmental Integrity Group (EIG). Other groups include the Organization of Petroleum Exporting Countries (OPEC), Central Asia, Caucasus, Albania and Moldova (CACAM), the League of Arab States and the Agence intergouvernementale de la Francophonie. As important as the relevant grouping is the categorisation of countries according their responsibilities and obligations within the climate negotiation talks. Under the UNFCCC, there are clear distinctions made between developing countries and developed countries. This distinction is outlined below.

**UNFCCC Country Groups**

The UNFCCC divides countries into three main groups according to differing commitments:

Annex I Parties include the industrialised countries that were members of the OECD (Organisation for Economic Co-operation and Development) in 1992, plus countries with economies in transition (the EIT Parties), including the Russian Federation, the Baltic States, and several Central and Eastern European States.

Annex II Parties consist of the OECD members of Annex I, but not the EIT Parties. They are required to provide financial resources to enable developing countries to undertake emissions reduction activities under the Convention and to help them adapt to adverse effects of climate change. In addition, they have to “take all practicable steps” to promote the development and transfer of environmentally friendly technologies to EIT Parties and developing countries. Funding provided by Annex II Parties is channelled mostly through the Convention’s financial mechanism.

Non-Annex I Parties are mostly developing countries. Certain groups of developing countries are recognised by the Convention as being especially vulnerable to the adverse impacts of climate change, including countries with low-lying coastal areas and those prone to desertification and drought. Others (such as countries that rely heavily on income from fossil fuel production and commerce) feel more vulnerable to the potential economic impacts of climate change response measures. The Convention emphasises activities that promise to answer the special needs and concerns of these vulnerable countries, such as investment, insurance and technology transfer.

The 49 Parties classified as least developed countries (LDCs) by the United Nations are given special consideration under the Convention on account of their limited capacity to respond to climate change and adapt to its adverse effects. Parties are urged to take full account of the special situation of LDCs when considering funding and technology-transfer activities.

*Source: UNFCCC*

**Reasons for optimism?**

Areas that are expected to be in particular focus in Paris include whether the level of national emissions commitments will be sufficient to put the world on target to limit warming to less than $2\,{}^\circ\text{C}$, the application of the principle of Common But Differentiated Responsibilities (CBDR), the legal nature of the agreement and the means of implementation including finance, technology and capacity building.¹¹

The failure to agree a successor agreement to the Kyoto Protocol has led to a situation where many key stakeholders have very real concerns about the viability of the UNFCCC negotiations to deliver a solution. However, one year out from COP21 in Paris, there is a greater level of positivity about the chances of achieving some form of agreement than there has been at any time since 1997.

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The reasons for this more upbeat outlook are tied to several factors. These include increasing consensus and certainty about the science of climate change as developed by the IPCC and presented in the first part of this paper. Added to this, since 2009, there has been a perceptible refocusing of minds following the emergence of a more positive global economic outlook. Other positive developments that point to the possibility of securing an agreement are recent national policy initiatives among some of the world’s largest economies including China, the United States and Germany. Finally, and importantly, there is growing evidence that there is an increased appetite among the public for a political agreement to be secured.

Where do ASEM Members stand?

ASEM Members belong to several key groupings, specifically the Group of 77 and China, the Alliance of Small Island States (AOSIS), the Least Developed Countries (LDC), the European Union (EU) and The Umbrella Group. The respective groupings of which ASEM Countries are members are outlined in the diagram below.
11 Climate Change Negotiations in Advance of COP21: Reason for Optimism?

UNFCCC Country Groups

Source: Betzold et al & Castro et al. adapted by Fiachra Mullen

The respective negotiating positions of the various groups are presented in the following section. This analysis is based on the report Climate Change and the UN Sustainable Development Goals: A Handbook for ASEAN Member States’ Government Officials, which was developed as part of a recent project run by the French Regional Delegation for Cooperation with ASEAN and the German Hanns Seidel Foundation in Viet Nam, to which ASEF made a major contribution.
Summary of the main negotiating groups’ standpoints as we approach 2015

The EU advocates legally-binding targets for all countries, but suggests that targets should be distinguished according to different country situations (Duyck, 2013). It also stresses the importance of scaling up the pre-2020 ambitions and promotes voluntary commitment. The EU also recognises that mitigation and adaptation are closely interlinked activities and both are essential (Council of the European Union, 2013).

The group of Like-Minded Developing Countries (LMDC), a subset of the Group of 77 and China group, called for a fair, universal and rule-based regime (a strengthened Kyoto agreement), in which developed countries launch and pursue ambitious mitigation actions as well as support developing countries in their contribution to tackling climate change (Duyck, 2013). The group underlines the importance of balancing mitigation and adaptation actions, in accordance with the Convention’s principle on comprehensiveness, stressing that the new agreement must appropriately address the issue of financing and technology transfer by developed countries (LMDC, 2013).

The LDC group also outlines the responsibility of developed countries, but in addition it advocates for all countries to take climate actions and suggests the introduction of a strong compliance mechanism (Duyck, 2013). For developed countries, it advocates absolute economy-wide emissions targets. For developing countries, it suggests various forms of commitment, such as relative economy-wide targets or sectoral emissions reduction targets. In case of all targets, however, the group recommends adjustability over time. It calls for balance between adaptation and mitigation and for the inclusion of the Loss and Damage mechanism in the agreement. Apart from this, the LDC group also outlines the importance of means of implementation, including finance, technology development and transfer, and capacity building (LDC, 2014).

The AOSIS calls for a legally binding agreement, but as a group of countries highly vulnerable to climate change, it emphasises the historical responsibility and the leadership role of developed countries (Duyck, 2013). At the same time, it also calls for accelerated mitigation action pre-2020 to ensure that global warming remains under 1.5°C.

The EIG advocates for a legally binding instrument, under which all countries make differentiated mitigation commitments according to their capacity levels (Duyck, 2013). It suggests that the agreement must be supported with a strong MRV framework and underlines a balanced approach to mitigation and adaptation as an integral part of actions against climate change (EIG, 2013). It stresses the importance of means of implementation, including capacity building and support to adaptation actions in developing countries, and more effective co-ordination at the international level (EIG, 2013).

Source: Climate Change and the UN Sustainable Development Goals: A Handbook for ASEAN Member States’ Government Officials

Part II

As goes China, so goes the world

While there are multiple examples of ASEM Countries engaged in a struggle to balance economic growth and environmental sustainability, trends and challenges within China make it an illustrative example of some of the most important issues that arise as part of this debate.
As the world’s second largest economy and the largest producer of GHGs, China is arguably the single most important country in the ASEM context with respect to the issue of climate change. The crucial role of China within the debate is well illustrated by looking at just one aspect of its energy sector. Using in excess of 3.2 billion tons of coal per year, in 2011, China’s use of just one energy source was responsible for one-fifth of the world’s carbon dioxide emissions from fossil fuels.

The centrality of the energy sector within the overall debate makes it particularly relevant for further study. It was for this reason that it is the first to be addressed in ASEF’s new project Energy Challenges and Climate Change. In partnership with the Paris-based Asia Centre, the seminar Coal and Climate Change: “The Chinese Way?” held in June 2014 in Beijing, analysed multiple facets of this complex issue.

When considering the scale of the sector and its immense impact on the global issue of climate change, it is tempting to draw the conclusion that the chances of reducing climate emissions to within safe limits is nigh on impossible. China appears to have a seemingly insatiable thirst for fossil fuels, but at the same time, it has also developed into one of the world’s leading renewable energy providers over the last decade.

What makes China an interesting study is its recent declaration of a “war on pollution”, a commitment to overhaul its economic model that has served the country so well over the past two decades. Chinese authorities appear to have accepted that they have reached a tipping point in the country’s economic development where the costs of the externalities of its massive economic growth are beginning to outweigh the benefits. The risks posed by pollution and the country’s (over) reliance on fossil fuel imports are key domestic concerns, but are also ones that will have positive knock-on effects for the rest of the world if confronted by Chinese authorities.

A greener economic trajectory means Chinese domestic concerns are now, to a much greater extent than at any time over the past two decades, in line with the international community’s priority to develop a globally agreed accord. That said, the greening of the Chinese dragon is no guarantee that the country will adopt a more benevolent stance during talks. However, following on from the previous discussions about reasons to be optimistic in advance of COP21, the Chinese pivot is unquestionably the most positive global development since Copenhagen.
Climate Change Negotiations in Advance of COP21: Reason for Optimism?

The unsolved conflict about responsibility

The common but differentiated responsibilities (CBDR) concept was fundamental in enabling negotiators to agree on an international legal framework for climate policy in the 1990s. However, the UNFCCC’s original differentiation of “Annex I” and “Non-Annex I” parties is now strongly contested, given that it no longer reflects scientific knowledge or current political realities. The CBDR concept will determine the design of any new accord which will require a pledge from developing countries to agree to meaningful and ambitious emissions reductions commitments. If it is accepted that the conceptualisation and implementation of CBDR is in urgent need of review, the immediate question arises, on what basis might a new method of responsibilities be developed?

The challenge in developing this new method is immediately apparent. The zero-sum structure of grouping countries depending on their national interests is far from an ideal framework for negotiators to take a broader perspective on the overall objective of the talks. Given the “I win, you lose” nature of the negotiation process, there appears to be no basis on which the parties can agree a fairer means of assigning responsibilities. This incommensurable starting point can be illustrated when we consider the tables below.

When we ask which nations are most responsible for climate change, on what basis can we make this judgement? The answer to the question about responsibility for emissions will determine who pays for action, and who financially supports those who cannot afford measures of mitigation and adaptation themselves.

Is the per capita approach (Table 1) the most equitable method to assign responsibilities? Should the basis instead be based on the responsibilities of a country’s global impact (Table 2)? Should the historical perspective (Table 3) take precedent? Or can we find another basis, such as consumption footprints (Table 4), to assign responsibility?

<table>
<thead>
<tr>
<th>Table 1: Emissions per capita</th>
<th>Table 2: Current CO2 emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qatar: 36.9 tonnes</td>
<td>1. China: 9697 million tonnes (MT) or 28.6%</td>
</tr>
<tr>
<td>United States: 17.3 tonnes</td>
<td>2. USA: 5420 MT or 16.0%</td>
</tr>
<tr>
<td>Australia: 17.0 tonnes</td>
<td>3. India: 1967 MT or 5.8%</td>
</tr>
<tr>
<td>Russian Federation: 11.6 tonnes</td>
<td>4. Russia: 1829 MT or 5.4%</td>
</tr>
<tr>
<td>Germany: 9.3 tonnes</td>
<td>5. Japan: 1243 MT or 3.7%</td>
</tr>
<tr>
<td>UK: 7.8 tonnes</td>
<td>6. Germany: 810 MT 2.4%</td>
</tr>
<tr>
<td>China: 5.4 tonnes</td>
<td>7. Korea: 609 MT or 1.7%</td>
</tr>
<tr>
<td>World average: 4.5 tonnes</td>
<td>8. Canada: 555 MT or 1.6%</td>
</tr>
<tr>
<td>India: 1.4 tonnes</td>
<td>9. Indonesia: 490 MT or 1.4%</td>
</tr>
<tr>
<td>Africa average: 0.9 tonnes</td>
<td>10. Saudi Arabia: 464 MT or 1.4%</td>
</tr>
<tr>
<td>Ethiopia: 0.1 tonnes</td>
<td>Source: International Energy Statistics</td>
</tr>
</tbody>
</table>

Source: International Energy Statistics

Source: Netherlands Environmental Assessment Agency
Intuitively, we think we know the obligations of enormous emitters such as China and USA, yet the figures above are far from helpful in drawing any clear conclusions. Since we are far from solving the question on responsibilities, the task of securing an accord is as challenging today as it has been at any time over the past 30 years, even without discussing other issues such as financing and governance.

Additional theoretical and practical challenges

A fundamental challenge that has prevented concrete action on climate change is the lack of motivation among policymakers and the general public around the world to take action in response to a problem that is inter-national and inter-generational in nature.

The asymmetrical relationship between the sites of the causes of the problem and the areas where the impact is most pressing has led to a situation where beyond ethical and moral considerations, developed counties have had little cause to recognise the responsibilities that have arisen in relation to this matter as a result of historical and/or current GHG emissions. This problem is closely tied to the fact that national concerns continue to be the primary site of political, economic and moral responsibilities and obligations.

The inter-generational nature of the issue of climate change is one that has been much studied over the years, but there remains no clear solution to counteract the fact that the present generation appears unwilling to forgo present goods to mitigate risks for future generations. Added to this, the short-termism of the political cycle in the vast majority of countries around the world creates a system that removes incentives for elected representatives to consider and act upon issues that are not focussed on immediate results.

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Another major obstacle that continues to stand in the way of concrete action is reluctance among politicians and policymakers to pursue any policy that might undermine national economic performance. There continues to exist a great deal of concern about signing up to binding obligations in case such obligations have a negative impact on economic growth, either now or in the future.

**A way forward?**

Building on the observation about the primacy of economic performance over other concerns, I would like to posit my *first recommendation*. It is clear that there is an insufficient amount of published, peer-reviewed science analysing the risks that climate poses to the economy. The next greatest challenge for the academic community will be shifting its focus away from the natural science of climate change to providing more clarity around costs. This transformation of the debate is possibly needed to justify difficult political decisions. The language of economics is one that is better understood by politicians and one they will find much easier to communicate to the public.

The *second recommendation* builds on the first. This relates to the need for new statistical tools to be employed that can begin to measure and assess the negative externalities of the current economic model, specifically the development of new indicator sets that include environmental damage such as climate change emissions.

The scope of this paper does not allow an exhaustive examination of debates about the development of new indicators of economic, social and environmental progress. However, it should be clear from the other chapters in this publication that a truly sustainable development model needs to replace the solely economic model that currently predominates. The old model, with the economy front and centre, is no longer adequate. It is preferable that a new, more holistic framework encompassing economic development, social inclusion, environmental sustainability and good governance will take hold over the coming years.
A **third recommendation** is that the issue of climate change be developed in league with the new development agenda currently being discussed by policymakers worldwide. There are multiple benefits to strongly associating the climate change issue with the development of the new set of Sustainable Development Goals (SDGs) that will guide the post-2015 development agenda.

First and foremost, the marriage of climate change to other development challenges is an effective means of identifying the true costs of the impact of global warming. The relationship between the effects of a changing climate and associated challenges including poverty, hunger, health, water security and sustainable living are likely to become more apparent through the SDG process than they might when studied and debated in isolation.

A second reason to support the inclusion of climate change as a new SDG, is that the process involved in developing the new SDGs can act as a separate yet complementary forum though which the key challenges presented by climate change can be discussed. This forum of debate is a much more bottom-up process and will allow different stakeholders to provide valuable inputs on challenges and possible solutions.

Since 2013, the Asia-Europe Environmental Forum (ENVforum), a consortium of partners of which ASEF is the secretariat, has been engaged in making strong inputs into the SDGs development process. The production of two reports under the ENVforum 2013–2015 *Sustainable Development: Goals for Asia and Europe* project has revealed that this very inclusive and cooperative process has much to teach the more top-down UNFCCC negotiation model.

COP21 arguably represents the final opportunity for the current negotiation structures to prove their worth. The UNFCCC process is subject to much criticism, most recently in relation to the lack of co-ordination that was said to be responsible for the failure of previous negotiation sessions. The criticisms of the process are well-known and do not need to be repeated here. However, in presenting some final recommendations, I will draw attention to two key aspects of the process that hinder the securing of a global deal.

The current negotiation process is one that is characterised by complexity, hinging as it does on all parties agreeing to the importance of all issues and their respective solutions before an accord can be agreed. This “nothing is decided until everything is decided as a package” or “Grand Agreement” approach13 is a fundamental problem in bringing the parties together.

A second aspect that hinders progress is that the process magnifies the differences between different parties. If it could be characterised by one specific feature it would be its inability to bridge the differences that exist between the respective parties. Instead of convergence, the process often results in the magnification of the differences between the different nations.

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As discussed earlier, while there is growing confidence that some form of agreement will be made in Paris, the ambition and scope of the agreement remains to be determined. As Joshua Busby, Climate Expert with the Stanley Foundation, notes: “There may be some compromise that some elements, such as measuring and reporting emissions, may be binding while mitigation measures might not be”.14 The question should be raised at this point about that logic behind the laser-eyed focus of some parties on securing a legally-binding agreement.

When we look at the Kyoto Protocol, the only agreement yet secured, it was the case that countries that agreed binding targets later dropped out of the Protocol on the basis of domestic political and economic concerns. There would appear to be little to prevent countries from doing something similar, should a Paris Protocol be secured in 2015.

So are there any alternative approaches that might complement or improve upon the complex, divisive and overly legally-embedded system that is currently in place?

A fourth recommendation is the pursuit of an alternative model that aims to resolve smaller problems which would subsequently build trust and confidence between the parties. This approach has greater potential to achieve tangible outcomes. An example that might be used to prove the value of such an approach are nuclear negotiations which, while small and partial, were more successful than larger agreements in moving the world closer to the ultimate goal of a nuclear free world.15 This more nuanced and partial approach, using the international weapons treaty model, would not deliver everything at once, and could clearly be used as a vehicle for parties more interested in inaction. However, it could also be used as a complementary means to bring about meaningful change while improving trust and cooperation.

This model becomes even more attractive when one considers that the current negotiations have set themselves the ambitious goal of not only securing an accord on agreed and ambitious targets, but also an accord which needs to be adaptable enough to be remodelled into a more radical document over time. Given the history of negotiations to date, this may be a task beyond this or any generation of decision-makers.

Within the less ambitious but more realistic model, it might also be possible to experiment with more innovative ideas and concepts that would not be possible within the UNFCCC model. For example, going back to an earlier point made about the ability of several existing and emerging technologies to introduce climate fixes, an approach could focus on the ability of multi-national companies to deliver meaningful solutions to the problem. Given that the vast majority of technology is made by only a very small number of companies, it may be possible to develop a separate agreement in relation to research and development associated with new technology and technology transfer within discussions on financing and taxation. This would appear impossible within the current system.

Responding to the challenge of the tendency of the current negotiation process to magnify rather than reduce the differences that exist between the parties to the talks, my **fifth recommendation** is support for the adoption of a new approach which was recently articulated in a paper titled *A bargaining game analysis of international climate negotiations*. Specifically, the establishment of a peace and reconciliation process between big climate polluters and their victims is recommended. This mechanism would introduce a means to challenge the existing problem of the complicated and contested principle of CBDR.

**Conclusion**

The opening section of this paper offered an up-to-date review of the science of climate change. When we look at the growing certainty of the information included in recent IPCC reports, it is easy to see why so many commentators are looking towards COP21 as a make-or-break event. As I have outlined, there are more reasons to be optimistic about the Paris negotiations than there have been at any time since 1997. The author of this paper is hopeful that a global agreement can be reached and that the outcome document will be one that is fundamentally grounded in the science of climate change.

As well as mentioning reasons to be optimistic, this paper examined some of the fundamental problems in the existing negotiating system. In circumstances where talks conclude without agreement (or conclude with an inadequate agreement), there may be other means to bring about positive change in relation to meeting the challenges posed by climate change, as argued in our recommendations.

Observers continue to live in hope rather than in expectation that an all-encompassing and globally agreed accord will emerge from the current top-down and legally binding process approach. Support for a more bottom-up, conciliatory and partial approach to the problem, is one that complements the existing top-down and “Grand Agreement” model. A complementary approach, embracing a bottom-up process based on national and sectoral targets, may well help to avoid a repeat of the situation that prevailed post-Copenhagen where stakeholders were disillusioned with the prospect of meaningful action ever being agreed, never mind implemented. Agreement or no agreement, we hope that 2016 will dawn with a new hope in mankind’s ability to address climate change.

*Blossoming waves: has snow returned to water, flowering out of season?*  
*Basho, 1644–1694 the greatest master of haiku*  

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12 GOVERNANCE FOR SUSTAINABLE DEVELOPMENT: HOW TO SUPPORT THE IMPLEMENTATION OF SDGS?

INGEBORG NIESTROY

The priority theme that is the focus of this chapter is Adaptive Governance and Means of Implementation, theme 11 as outlined in Chapter 1, Setting Sustainable Development Priorities.

Under the goal statement “Adequate structures and mechanisms are in place to support the implementation of the priorities underlying the SDGs at all levels”, this chapter addresses the following sub-goals:

11.1 Long-term integrated visions of sustainable development are developed to guide physical, thematic and sectoral plans.

11.2 A sustainable development cooperation framework at the international level is well established.

11.3 Policies and plans are co-ordinated to integrate SDGs into decision-making and implementation.

11.4 Progress towards the SDGs is tracked, and the relevant information is accessible to all and reviewed on a regular basis.

Introduction

While governance used to be regarded as a buzzword and was a source of confusion among both practitioners and academics, some mainstream views on the concept have now emerged. An encompassing definition is: “Governance is the totality of interactions in which government, other public bodies, private sector and civil society participate (in one way or the other), aimed at solving public challenges or creating public opportunities” (Meuleman, 2008: 11).

This emerging mainstream view most notably sees governance as an analytical concept, a non-normative perspective on institutions and processes, on “polity” and “politics” — as it used to be coined in earlier political science, in contrast to “policy”, i.e. the content, the agreed goal, target or measure. In other words, governance is the hardware and software of policy-making, and even more: of implementation. It is about who does what, and how, to turn policy into being. It is, with finance, a key “means of implementation”, as the international negotiation term goes.
One main aspect in the discussions on Sustainable Development Goals (SDGs) has been whether there should be a stand-alone goal on governance, or whether it should be integrated in the individual (thematic) goals. The solution in the Open Working Group (OWG) Outcome Document was to have both (OWG 2014 b). Similarly, the Asia-Europe Environment Forum’s research Sustainable Development Goals and Indicators for a Small Planet had a clearly indicated stand-alone goal (10 + 1), as well as some sub goals strong in governance among the thematic goals, e.g. for land use planning (Asia-Europe ENVforum, 2014). The other key means of implementation, and debated even more heatedly during the OWG meetings, is financing (see Chapter 11).

This chapter examines the main developments of governance thinking and insights from governance research (section 1), shows some experience with the five identified key principles in Asia and Europe (section 2), summarises recommendations for the national level on how to bring the SDGs about (section 3) and ends with conclusions for the next steps (section 4).

1. Setting the scene: Governance of and for Sustainable Development

While the more academic deliberations on governance have more or less moved to a non-normative definition, on the normative side the notion of “good governance” has remained. It was introduced as objective and requirement by the World Bank in 1992, and subsequently by the International Monetary Fund (IMF) and the United Nations (UN). Improving accountability and tackling corruption is key for the IMF, while World Bank and UN also focus on capacities of governments to formulate and implement policies, and consider, inter alia, transparency and participation as important. All institutions consider the rule of law as underlying feature of “good governance”. The approach has been criticised as somewhat culturally blind and Western biased. However, key elements now seem to have become consensus, as the Proposed Goal 16 of the OWG’s Zero draft and Outcome Document for SDGs shows (OWG, 2014 and 2014b).

Biermann et al. (2014) recently also used “good governance”, acknowledging that the concept has the backing of important actor coalitions. They, however, underline that it must not dominate the SDG governance agenda at the expense of other important aspects, which the authors frame as “effective” and “equitable” governance (Biermann et al., 2014: 3). Overall, while under the Millenium Development Goal 8 (MDG 8: “global goal for development”), governance was rather vaguely described as a commitment to “good governance”, virtually all proposals for SDGs put much more attention on this aspect, including the OWG’s Zero draft. However, the OWG Outcome Document dilutes this again: The more specific governance aspects for implementing the SDGs, as addressed in this chapter, have disappeared, or have been subsumed in other sub-goals or targets.

Parallel to the “good governance” debate, various empirical and other consolidating research has resulted in what may be considered a baseline of governance for sustainable development (Lafferty 2004, Swanson et al. 2004, Swanson & Pintér 2007, Niestroy 2005 and 2007, Meadowcroft 2007, Bitzer et al. 2010, Steurer 2010, Jacob et al. 2013): Due to the holistic sustainability approach, developing and implementing policies for Sustainable Development (SD) takes place in a multi-actor, multi-level and multi-sector situation. Because of an “explosion of

1 These aspects are also reflected in the way the European SD Network (ESDN) structures its country information: http://www.sd-network.eu/?k=country profiles.
complexity” (Jaenicke 2006: 1), and in order to make SD policies successful, they need to be accompanied by work on governance, with institutions and processes needing to be improved in a way that these “multi-“aspects may flourish and function. As is true for SD policies in general, the implementation of the SDGs will also require a mindful approach and means to get from A to B, whether it is called a plan, strategy, roadmap, action plan or transition pathway.²

The following aspects of successful SD governance were already agreed upon in the Rio Declaration and in Agenda 21, one of the main outcomes of the Rio conference on Environment and Development in 1992. They were reiterated in the Johannesburg Plan of Implementation (JPOI) 2002, as well as in the Rio+20 Outcome Document (United Nations General Assembly, 2012: paragraphs 75 – 90):

1. Multi-sector:

   - Set up a national co-ordination structure responsible for the follow-up of Agenda 21 [...] which would benefit from the expertise of non-governmental organisations (Agenda 21, Chapter 38).

   - Governments should adopt national strategies for sustainable development for the implementation of the decisions taken (Agenda 21, Chapter 8.7).

   - Enhance coherence, reduce fragmentation and overlap and increase effectiveness, efficiency and transparency, while reinforcing coordination and cooperation (Rio+20, para 76 (d)).

   - [The High-Level Political Forum could ...] Improve cooperation and coordination within the UN system on sustainable development programmes and policies (Rio+20, para 85 (g)).

2. Multi-level:

   - An effective institutional framework for sustainable development at all levels is key to the full implementation of Agenda 21, [...] (JPOI, Chapter XI #137).

   - We recognize that effective governance at the local, subnational, national, regional and global levels representing the voices and interests of all is critical for advancing sustainable development,[ ..]. Underscore the importance of interlinkages among key issues and challenges and the need for a systematic approach to them at all relevant levels. (Rio+20, para 76 and 76 (c); see also paragraphs 97 – 103 under Section E. Regional, national, subnational and local levels).

² Notions and terms for such approaches have altered over time (and differently in different regions of the world, - the following roughly for Europe): From the planning “hype” in the 1970s (everything was planned and “plans”), “plans” are now still in place for more narrowly defined and formal approaches (including: National Development Plans), to “strategies”, such as sustainable development strategies, with the notion to include the whole range from (long-term) vision, broken down to goals, objectives and targets (to be monitored and reported), to “programs” or “roadmaps” or “action plans” as more implementation oriented underpinnings of a guiding strategy (Those terms are also used as sole approach by countries or government departments who find an SD strategy as too fluffy anyway.), to the again even broader and more systemic perspective of “transition pathways”.

12 Governance for Sustainable Development: How to Support the Implementation of SDGs?
3. Multi-actor:

• States shall facilitate and encourage *public awareness and participation* by making information widely available. (Rio Declaration, Principle 10).

• The fundamental prerequisite for the achievement of sustainable development is *broad public participation in decision-making*. (Agenda 21, Chapter 23).

• States shall promote the establishment or enhancement of *sustainable development councils [...] at the national level, including at the local level*. (JPOI, Chapter XI #165).

• *Enhance the participation and effective engagement of civil society* and other relevant stakeholders in the relevant international forums and, in this regard, promote transparency and broad public participation and partnerships to implement sustainable development. (Rio+20, para 76 (h)).

These two — even more challenging — aspects should be added:

4. the knowledge dimension, i.e. improving the science-policy interface (see also Rio+20, para 76 (g)) and the need to integrate knowledge and experience from various areas in society in decision-making, which requires enhanced reflexivity, and

5. the time dimension, i.e. the need to combine short-term with long-term thinking. This requires building in long-term thinking despite short election cycles and the desire for short-term political gains.

The table below shows the five normative governance principles as introduced, explaining which aspects they refer to and what their challenges are. Following these principles and fostering respective governance approaches may be called governance for sustainability.
12 Governance for Sustainable Development: How to Support the Implementation of SDGs?

Five normative governance principles for SD

<table>
<thead>
<tr>
<th>Aspects of integration</th>
<th>Governance principle</th>
<th>What needs to be coordinated/integrated?</th>
<th>Challenge for a governance for SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy sectors / areas</td>
<td>Horizontal coordination/ integration</td>
<td>Multiple sectors: economic, social and environmental policies</td>
<td>Policy coherence</td>
</tr>
<tr>
<td>Policy levels</td>
<td>Vertical coordination/ integration</td>
<td>Multiple levels: local, subnational, national and supranational</td>
<td>Links/cooperation of governments and administrations at all levels</td>
</tr>
<tr>
<td>Actors</td>
<td>Participation</td>
<td>Multiple actors: decision-makers and stakeholders from politics, business and civil society</td>
<td>Stakeholder participation in discussion and decision-making processes</td>
</tr>
<tr>
<td>Knowledge</td>
<td>Reflexivity</td>
<td>Knowledge and experience from various areas in society (&quot;walks of life&quot;)</td>
<td>Continuous reflection of ones decisions</td>
</tr>
<tr>
<td>Time</td>
<td>Intergenerational justice</td>
<td>Long- and short-term thinking</td>
<td>Long-term thinking despite short election cycles</td>
</tr>
</tbody>
</table>

Source: adapted from Jacob et al. 2013: 18 and adapted from Steurer 2010: 37

While the first three aspects could almost be considered as managerial ones, the latter two are more positioned on the systemic side, and point towards what has later become framed as “transition” (Grin et al., 2010), “transformation” (WBGU, 2011) and “transgovernance” (In’t Veld, 2013). These concepts have in common the notion that systemic changes are needed in our societies in order to make sustainable development a reality, a “new normal”, similar to earlier systemic changes such as industrialisation.

All of them, in particular “transgovernance”, address the surrounding governance, i.e. the politico-administrative system with its culture and aspects. It becomes governance of SD when analysing these aspects through SD lenses, i.e. the disposition, the beneficial aspects already in place and the missing elements. Two notions are considered as key:

a) metagovernance, as a clever combination of the three ideal styles of governance – hierarchy, network and market style (Meuleman, 2008). This is at the same time one way of “adaptive governance”;

b) the notion of reflexivity (see above principle 4), as well the “second modernity viewpoint” (Beck, 1992). The latter stresses that societal evolution is characterised by tense relationships between contradictory phenomena, which coexist and even need each other. Second modernity is “and” instead of “or”.

This resonates with empirical research on governance for sustainable development (Niestroy, 2004), where in a comparative perspective of national strategies for sustainable development it had turned out that countries have a certain “starting point” in the governance aspects of their journey towards sustainable development. While reflecting and learning during the process, they tend to move “towards the other end”, tend to tackle challenges that had not been on the original agenda. For example, a country with a tradition of network approaches, participative and
innovative in process terms, and less formal approaches, discovers over time that the logical structure is missing and eventually develops a full-fledged strategy. Or a country with a tradition for hierarchy, which helps the public sector function well, realises that it needs to develop openness and tools to meet the needs and desires of citizens in the 2.0 world.

Hence, governance of sustainable development is not about “leadership or ownership”, “bottom-up or top-down”, but about combinations of both “and” instead of “or”. The selection of priorities during the process will depend on the starting point of the country. Along these lines, the “transgovernance” signals look towards a “culturally sensitive metagovernance for sustainable development” (Meuleman 2013: 77).

There might be repercussions from governance for SD on governance of SD, i.e. from (new) approaches that are meant to improve the governance principles important for SD that might over time become established as “new normal”. The following section addresses some examples of governance for SD.

2. Key principles in practice

As a contribution to one of the two main topics of the Rio+20 Conference in 2012, Institutional Framework for Sustainable Development, the Asia-Europe Environment Forum conducted comparative desktop research covering both regions. It analysed the progress on establishing and putting into operation governance structures for these key aspects (Asia-Europe ENVforum, 2012), culminating in a number of recommendations on the three principles of multi-sector, multi-level and multi-actor integration: horizontal and vertical coordination and multi-stakeholder participation, which are summarised here.

2.1 “Multi-sector”, or the need for horizontal coordination mechanisms, refers first and foremost to policymaking processes on the government side, where some kind of inter-departmental working groups are needed, for example “inter-service consultation” as it is called in the European Commission. They are meant to provide for better policy coherence and environmental integration, as well as mainstreaming sustainable development in all sectoral plans and policymaking. This applies for individual policies and even more for overarching plans and strategies, which are themselves, of course, meant to improve policy coherence.

2.1.1 One option is, as Agenda 21 encouraged, the elaboration and adoption of standalone (National) Strategies for Sustainable Development. This approach has been adopted quite well in Asia and Europe, with some differences in level of activity and duration. Some countries and sub-national regions have pursued such SD strategies with success in improved policy coordination, and won praise for their better functioning as communication and engagement tools. This has only been accomplished through smart governance set-ups. On a similar note The Rio+20 Outcome Document recommends (UN 2012, Para 98):

“...
However, many other countries displayed less determination when it came to SD strategies, and subsequently their strategies, if started at all, have withered. An additional difficulty — in particular in developing countries — has been a mushrooming of strategies (e.g. Poverty Reduction and Climate Change Strategies), which might discourage or disperse energy in an overarching government body, as well as create inconsistencies as different departments need to prepare different strategies. This often comes at the expense of policy coherence.

2.1.2 For these and other, reasons there has also been a drive to mainstream sustainable development perspectives into existing overarching plans, such as the National Development Plans, which are widespread in the South. This approach has also gained importance within the EU. While the EU SD Strategy had lost momentum in the years after 2007, the so-called EU 2020 strategy “for smart, sustainable and inclusive growth” was adopted in 2010, *inter alia*, as a reaction to the 2008 financial crisis. This strategy is equipped with the European Semester, an interesting governance mechanism for vertical coordination (see below).

2.2 “Multi-level” refers to the need for vertical coordination mechanisms across levels, i.e. both from the national to the international level (“upwards”) and from the national to the subnational and local level (“downwards”). The notion of multi-level governance has evolved in political science over the past 20 years, since it was first mooted in 1993 by Gary Marks in the context of EU policymaking (Hooghe & Marks, 2012). This has taken place without specific connection to the discourse on SD governance, but confirms the need for better connecting levels through coordination mechanisms, both on the government side and between governments and non-governmental actors, as well as the need for fostering networks and learning arrangements across levels.

Key criteria for good vertical coordination or integration would hence be:

- Regarding the content: How far do the SD Strategies refer to the lower level, i.e. the national ones to the subnational (and local) and the subnational to local level? And how far do the sub-national strategies refer to the upper level, — do they translate and break down goals and targets where existing?

- Regarding the approach: Is it “not only top-down, but also bottom up”? How much, and in which ways, does the subnational level develop its own approaches, and how much does it feed them with a “bottom up” approach to higher levels, and is it allowed to?

- What are the coordination mechanisms, e.g. framework laws that need to be transposed at the lower level, and what targets need to be broken down at the lower level? What are the mechanisms that the lower level needs, and which capabilities and ambitions are taken up in an upper level strategy?

- What is the style of the vertical coordination? What does the cooperation of governments and administration of different levels look like? Are there more formal rules for participation in decision-making, such as in federal states and in inter-governamental constructions such as the EU? Are there more cooperative mechanisms in place, such as consultation committees?
The role of the subnational level must not be seen as enforcing, i.e. hierarchical, only. The greatest importance derives from being close to people and needs, and also communicating and engaging for the SD perspective, for more sustainable living and other lifestyles. It is the place for bringing SD to the ground, as well as for fostering grassroots action, for innovation and pilots that may be scaled up. This again needs to be acknowledged and nurtured by the national and supra-national level. Depending on the constitution and the political culture, the latter might be more the case in many countries.

**Greening the European Semester – an example of soft steering**

The European Semester is the annual monitoring and coordination cycle of economic governance of the EU and its 28 member states. The semester process combines hard top-down recommendations to countries with soft collaborative action through peer pressure. In 2013, the EU’s Environment Commissioner decided that “greening the European Semester” was one of his top priorities, that environmental policies should not be seen as a problem, but as part of the solution to economic, social and financial crises (European Commission, 2014). Themes like shifting taxation from labour to environmental pollution, phasing out environmentally harmful subsidies, stimulating eco-innovation and green jobs and promoting a zero waste or circular economy have become part of the economic policy agenda of the EU, its Member States, the subnational regions and civil society organisations. One of the interesting points is that the EU debate on sustainable economic governance resonates beyond the formal competences of the EU’s executive, the European Commission, which has no say about national tax systems, for example. In this opaque governance environment, subnational regions can develop influence beyond their constitutional remits, because the logic of sustainable development is the logic of common sense on what is left of the commons.

2.3 “Multi-actor” refers to the need that concerned citizens and/or the wider public should be better involved in decision-making, with a range of ways for accessing information, consultation and (direct) participation. The benefits are that a broader knowledge base is made available (see 4) and that the chances for more ownership and acceptance of policies increase. While the interaction of government with stakeholder groups, as well as more direct involvement of citizens, e.g. via online consultation, has become an addition to many representative democracies, it remains difficult where government institutions remain generally closed, or it is largely impossible in other countries.
The aspect of knowledge transfer (principle 4) is also touched upon here:

- There is an ongoing need to bridge the science-policy gap, i.e. for achieving insights from research to better inform policymakers, and conversely - that knowledge gained from policy processes is better taken up by research.\(^3\)

- On the other hand there is:

  a) a bedrock agreement, although still not very advanced in practice, that a problem should be analysed in an inter-disciplinary approach, i.e. by different scientific disciplines that interact with each other, and

  b) it has become more widely acknowledged that the knowledge of practitioners and lay people should be brought in as valuable additional sources in research and policy processes. This is a key aspect of transdisciplinarity.

In many countries, the National Sustainable Development Councils, set up after the Rio conference 1992 typically pursue both objectives.\(^4\)

At the same time, knowledge-based governance needs to be combined with approaches designed to overcome powerful resistance from organised interests. Jaenicke (2006) suggests several options to establish “countervailing pressure for environmental innovation and sustainable policy objectives” (Jaenicke, 2006: 5).

It is to be welcomed that attempts to tackle the systematic dimension more vigorously have become widespread. Countries such as Finland and Germany, which have a long-standing perseverance in their SD strategies, are now working explicitly with the notion of transition.\(^5\) The German *Energiewende* (energy transition) is one such approach in a key sector, and entails a radical system change, namely the phasing out of nuclear energy.\(^6\) In Finland, which recently revised its SD strategy and launched its national *Society’s Commitment to Sustainability*,\(^7\) the notion of multi-actor commitments is now emphasised.

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3 One way, inter alia, is the use of ex-ante policy “Impact Assessments (IA)” (and increasingly also ex post evaluations). The EU is a frontrunner here with its comprehensive IA system that is applied to virtually all policy proposals, and always analyses the economic, social and environmental impacts of policy alternatives. In the EU SD strategy of 2001 (Gothenburg), and hence before its official introduction, the instrument used to be also called “sustainability impact assessment”. Also the *Rio+20 Outcome Document* asks to “Promote the science-policy interface through inclusive, evidence-based and transparent scientific assessments” (Rio+20, para 76 (h).

4 See the European network EEAC www.eeac.eu, and the more recently established Global network www.ncsds.org.


7 a) Finland revised SD strategy and Societal commitments http://www.ym.fi/en-US/The_environment/Sustainable_development. b) Ongoing website, where all commitments are listed (in finnish): http://sitoumus2050.fi/.
12 Governance for Sustainable Development: How to Support the Implementation of SDGs?

3. How to bring SDGs about: Input from Small Planet

As introduced in Chapter 1, the ASEF study *Sustainable Development Goals and Indicators for a Small Planet* followed-up the work on SD governance prior to the *Rio+20* Conference. The post-Rio ASEM9 Summit in October 2012 gave the mandate to work on SDGs. The study analysed goals related to governance for SD in 14 countries in Asia and Europe, as well as evolving proposals for SDG goal sets. At the core of the methodology was a two-level approach (*W-approach*, see Chapter 1 of this volume), i.e. an example for a multi-level approach. It is also useful to have this in mind when developing and agreeing SDGs at the national level, i.e. for linking to the international level and to the sub-national level.

With this two-level approach the study identified (in a bottom-up fashion) goals and sub-goals for governance as a means of implementation as listed in the beginning of this chapter (Asia-Europe ENVforum, 2014: 54).8

These sub-goals break down the multi-sector, multi-level and multi-actor aspects, as well as the knowledge and time dimension into concrete requirements, such as the translation of long-term visions into plans (time, multi-sector), international cooperation frameworks (multi-level) and coordinated policies and plans (multi-sector and actor). At the same time, they are complemented by good governance criteria of transparency, measuring progress, accountability and legal flows of money.

Besides identifying a set of SD goals and sub-goals, the study also draws conclusions from lessons learnt and gives guidance for country-level SDG development. It highlights as important:

- Identifying a common terminology among those participating in the SDG development;
- Considering the priorities of lower politico-administrative levels (see also above on the *W-approach*), but with a careful process design in order to avoid shopping lists;
- Analysing the governance system, the governance of sustainable development;
- Designing a process with sufficient flexibility and adequate stakeholder involvement;
- Considering an conceptual framework, where needed, beyond the one of the (international) SDGs;
- Being aware of ambiguities should it come to re-ordering of goals or sub-goals;
- Working towards an essential package of goals and sub-goals, targets and indicators.

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8 In addition, a subgoal on financial governance was identified: “Illicit flows of money and goods, tax evasion, bribery and corruption are reduced”, - an area that is partly covered in the following chapter, and already earmarked for further research.
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4. Conclusions: What are the next steps and key challenges ahead?

This chapter provides a rough overview of theory and empirical research on sustainable development governance. The latter includes two studies undertaken by the Asia-Europe Environment Forum that looked into (selected) ASEM Member countries, i.e. they took a “bottom-up” empirical and comparative approach. With this approach, the Small Planet study on SDGs stands out from other work on SDGs undertaken so far.

The chapter takes the viewpoint of ASEM Countries, which will soon need to implement the SDGs agreed at the UN at a national and sub-national level, and a regional level, where applicable. The fact that all countries have different starting points, also in terms of governance, is included and cultural diversity is strongly acknowledged. ASEM Countries should demonstrate their commitment to sustainable development and to SDGs by establishing the essential entire SDG package of goals, sub-goals, targets and indicators (Asia-Europe ENVforum, 2014: 60). Work may and should already be launched with the following steps:

1) Preparing, from October 2014 on, for the implementation of globally agreed SDGs at national level, to start from October 2015, by establishing the process and related governance for a SDG framework of their own, embedded in the overall governance framework, starting with:

   a) Taking stock of existing goals and targets in sectorial and overarching plans and of the planning system;

   b) Performing a SWOT analysis of the existing governance framework for SD, taking account of the five principles as addressed: horizontal coordination of sectorial policies and plans; vertical coordination of different levels; participation of stakeholder groups; integration of different knowledge arenas; the time dimension.

2) Analysing the governance of SD, i.e. the culture and aspects of the polito-administative system with SD lenses, i.e. identifying the dispositions in terms of governance styles, the starting point, the direction along which to move and the missing elements.

3) Establishing a process for SDG development, based on the national stocktaking and analysis (see steps 1 and 2), with appropriate (meta) governance. This also means embedding the SDG governance in the national systems, and considering the introduction of an ex-ante policy screening.
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While the chapter hopefully answers everything you always wanted to know about governance but were afraid to ask, it might also invoke the question whether we are dealing with “old wine in new wineskins”. There may be some truth in this, and lies in the very nature of sustainable development as addressed in this chapter and volume. It is not easily done, it is very complex, it is a wicked problem, it goes against long-held habits, behaviour, powerful profit and other interests. It is about social justice, resources, distribution and equity – just to mention a few. It therefore requires stamina, tenacity and perseverance, which means that the same, or similar things, need to be repeated, with often small learning steps built into the process. This might also be a new “wineskin”, while “the wine” has not changed much. At the same time the good news is: “The governance toolkit for the 21st century is ready” (Swanson et al., 2014: 26).

The original saying, however, underpins this chapter’s theme and its conclusions. When introducing new policies, one should always also work on the governance: “Don’t pour new wine into old wineskins.” Similarly, capacity needs should be assessed and adequate support provided, through capacity-building and/or sequencing and capacity-saving (Jaenicke 2006: 12). Eventually, working on the wineskins will hopefully refurbish them, making “new from old”.

Furthermore, it is advisable for ASEM Members and ASEF to expand and deepen their unique potential to foster mutual learning across the two regions, and to set up related arrangements, including twinning programmes. This potential will be even more valuable in the future, as for the first time there will be universally applicable SDGs to be broken down and implemented at national level. The experience of ASEF is very valuable, and should be built upon.

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9 With a bit more emphasis on the outcome, still similarly framed recently: “Governance in the turbulence of the 21st century must be: outcome-based, multi-stakeholder, forward-looking and multi-dimensional” (Swanson et al., 2014: 26).
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Bibliography


12 Governance for Sustainable Development: How to Support the Implementation of SDGs?


12 Governance for Sustainable Development: How to Support the Implementation of SDGs?


The priority theme that is the focus of this chapter is *Adaptive Governance and Means of Implementation*, theme 11 as outlined in Chapter 1, *Setting Sustainable Development Priorities*.

Under the goal statement “Adequate structures and mechanisms are in place to support the implementation of the priorities underlying the SDGs at all levels”, this chapter addresses the following sub-goals:

11.3 *Policies and plans are co-ordinated to integrate SDGs into decision-making and implementation.*

11.5 *Illicit flows of money and goods, tax evasion, bribery and corruption are reduced.*

**Introduction**

The international community does not suffer from a lack of treaties, conventions, resolutions and solemn commitments to dedicate more resources to fight poverty, correct inequalities and make the world a more eco-friendly place. Global resolutions to dedicate 0.7 per cent of the Gross National Income (GNI) of developed countries to Official Development Assistance (ODA) date from 1970.¹ After more than forty years and countless reconfirmations of the commitment, net ODA still represents only 0.3 per cent of GNI (OECD 2013).

The United Nations Environment Programme (UNEP) has listed more than 600 internationally recognised agreements in the past 50 years; 61 atmosphere-related agreements, 155 biodiversity-related, 179 related to chemicals, hazardous substances and waste, 46 land conventions and 196 conventions related to water (The Guardian, 2012). While most of these are legally binding, they have not prevented the world from going backwards in most critical environmental areas, including biodiversity, greenhouse gas emissions, desertification and marine pollution.

¹ 1970: UN resolution 0.7 per cent ODA/GNI target; 2005: Gleneagles G8; 2007: Monterrey consensus, 2008: Doha Declaration on Financing for Development, etc.
The same may very well happen to the Sustainable Development Goals (SDGs) under decision; they may join the well-furbished museum of the never implemented international commitments, if the huge financial resources required to implement them fail to be mobilised.

Putting an exact price on what SDGs would cost is a seemingly impossible task; the UN System Task Team Working Group (UNTT) on Sustainable Development Financing, which undertook a review of hundreds of research papers, identifies a range of about USD 3 trillion to 15 trillion (UNTT, 2013a) – somewhere between 3.5 and 17 per cent of a worldwide GDP of USD 85 trillion. Even the lower side of the range would represent an unprecedented mobilisation of resources in peace time. Section 1 of this paper focusses on how big this challenge is in terms of numbers.

Can available resources match the above needs? Indeed, global public and private savings have never been so high and would be sufficient, with Asia playing a key role. In section 2, we will explore where the funding — which will need to be a mix of public and private sources with domestic sources being the main contributor — could come from.

Resources being available do not guarantee that they will be directed towards investments that support sustainable development. Sustainable development will attract financing only if it can deliver acceptable returns and if – as far as public investment is concerned – sufficient “social and political returns” can be delivered. Section 3 will present the policy framework necessary to ensure that the expected returns are met.

In the conclusion, the authors will argue in favour of an organic approach for the funding for sustainable development that would make the implementation of SDGs more profitable, cheaper and more politically appealing.

1. The Implementation of SDGs will not come cheap

1.1. Sectorial analysis of global needs

Huge amounts of money will be required to implement the SDGs. According to the UNTT report, investment requirements for “climate-compatible” and “sustainable development” scenarios are in the order of several trillion USD per year. Its findings across sectors are summarised in the following table.
Orders of magnitude of annual investment requirements for various sectors, in billion USD per year

<table>
<thead>
<tr>
<th>Sector</th>
<th>Annual investment requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDGs</td>
<td>20 to 200</td>
</tr>
<tr>
<td>Climate change mitigation</td>
<td>600 to 3000</td>
</tr>
<tr>
<td>Climate change adaptation</td>
<td>70 to 700</td>
</tr>
<tr>
<td>Universal access to energy</td>
<td>40 to 110</td>
</tr>
<tr>
<td>Renewable energy</td>
<td>300 to 800</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>400 to 700</td>
</tr>
<tr>
<td>Land and agriculture</td>
<td>70 to 300</td>
</tr>
<tr>
<td>Infrastructure (non energy)</td>
<td>800 to 8000</td>
</tr>
<tr>
<td>Management of Global Commons:</td>
<td></td>
</tr>
<tr>
<td>Oceans</td>
<td>40 to 80</td>
</tr>
<tr>
<td>Forests</td>
<td>60 to 100</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>250 to 700</td>
</tr>
<tr>
<td>Health</td>
<td>(180)</td>
</tr>
</tbody>
</table>

Source: adapted from UNTT report (UNTT, 2013a)

There are many methodological caveats and limitations preventing clear figures being derived, as “estimates are necessarily imprecise, highly dependent on assumptions, suffer from aggregation problems as approaches and methodologies often differ across countries” (UNTT, 2013b), not to mention the difficulty of drawing the border line of “business as usual”. In addition, some important dimensions are not well covered by existing estimates, including peace and security and disaster risk management. In other clusters, the existing picture is partial at best, for example oceans and tourism (ibid.). Despite these methodological limitations, the needs are gigantic, especially for infrastructure, energy and all climate change related investments, as similar calculations by UNESCO, World Bank, the Overseas Development Institute (ODI) and others confirm. Asia has the highest investment requirements.

1.2. Needs analysis for Asia

The UN Economic and Social Commission for Asia and the Pacific (UNESCAP) conducted a study of ten Asia-Pacific countries, accounting for over 80 per cent of the population and 80 per cent of GDP of the developing Asia-Pacific region (Bangladesh, China, Fiji, India, Indonesia, Malaysia, the Philippines, the Russian Federation, Thailand and Turkey). It estimated that the region would need USD 500–800 billion per annum merely to close development gaps in the areas of education, health, employment, social protection and access to energy services between 2013 and 2030.

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2 Limits of the estimation: “Due to the multiplicity of estimates, for some sectors or clusters, defining the range involves a dose of arbitrariness. Figures from different sectors and clusters should not be added up, as there are significant overlaps across them. Health and gender are not shown on this graph, as figures provided for this paper were on a per capita basis, instead of global annual investment amounts. Unless stated otherwise, the numerical estimates provided in this paper focus on investment requirements (where investment is understood in a broad sense), as the most relevant concept from the perspective of investment and financing, which is the focus of this paper. The paper does not review estimates of damages or benefit from undertaking or failing to undertake specific actions (for example, regarding biodiversity and ecosystem conservation, or managing fisheries sustainably).” (UNTT, 2013)
Countries with special needs would require relatively more resources than others to implement an inclusive and sustainable development agenda. For example, Bangladesh would require on average about 16.4 per cent of its GDP over the period 2013–2030 to provide universal access to modern energy services, compared with an average of 8.2 per cent of GDP for other countries in the region (ESCAP 2013).

The Asian Development Bank (ADB) made a comparable estimate of about USD 800 billion per year for the Asian region to close its infrastructure gaps by 2020 (ADB, 2009). Again, each institution addresses different perimeters and not exactly the same timeframe, but the conclusions are the same. The amount of money involved is staggering and the implementation of SDGs in Asia will not work with financing as usual.

1.3. Needs analysis for Europe

The context in Europe is very different. Since 2000, the EU has implemented a sustainable development strategy, complete with a system of indicators and monitoring by Eurostat. Sustainable Development (SD) is mainstreamed in all other policies in a way that makes it difficult to isolate the costs specifically allocable to SD. This is also true for non-EU ASEM Countries — Norway and Switzerland — which are both very advanced in implementation of sustainable development policies.

Studies in Europe focus less on investment requirements and more on the impact of certain sustainable development policies on GDP growth. Discussions on the impact of climate change policies are typical of this kind of debate. Some believe that such investments put an unbearable burden on European economies, but other studies seem to demonstrate that the impact on growth is close to nil. According to one study by Enerdata, a target of reducing 40 per cent of domestic greenhouse gas emissions by 2030 would cost the EU 0.2 per cent of GDP in 2030. The study compares this 0.2 per cent to a 0.01 percentage point reduction average annual growth rate between 2014–2030, taking the current EU policy as the reference case (reduction from 1.59 to 1.58 per cent).

1.4. Prioritising SDG implementation — cost-benefit analysis of SDGs

As stated at the Rio+20 Summit, goals must be “aspirational”. Indeed, most contributors to the debate on SDGs list what they deem desirable, not which goals will have the best effect for a given amount of money, if achieved. The proposals made by the UN Open Working Group on SDGs are typical of this approach. They propose a list of 17 goals and 169 targets, which is considered by some tantamount to having no priorities at all. For instance, “end malnutrition,” sounds attractive but the full implementation in a given timeframe is both implausibly optimistic and inefficient. Even if it could be achieved, the resources to help the last hungry person would be much more efficiently spent elsewhere. From an economic perspective, it is necessary to point to the marginal costs. In SDG implementation, “low-hanging fruits” should be harvested first.

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3 Cf. UNTT 2012; ESCAP 2013, ESCAP 2014, World Bank 2014. In an earlier study, ESCAP estimated that the region needed USD 639 billion per annum to attain the Millennium Development Goals by 2015, see ESCAP, 2010.
4 Enerdata, 2014. Total costs include abatement cost, permit trading cost, the purchase of international credits, and renewables subsidies.
As emphasised by the Copenhagen Consensus Center, the targets with the highest expected return on investment should be implemented first (Lomborg 2014):

- Phasing out fossil fuel subsidies and “removing barriers to women’s employment” are deemed likely to deliver benefits that are at least 15 times as great as their costs.
- Broad access to family planning is expected to pay back as much as USD 150 for every dollar spent.
- Halving malnutrition would generate almost USD 60 in benefits to future generations for every dollar spent.
- Equal access to assets, equal participation in public and private institutions, and ending early and forced marriage are considered “good” investments, meaning there is robust evidence of benefits between five and 15 times higher than costs.

While limited resources should be allocated to the most efficient projects, political debate needs to determine the benefit side – which is not purely about economic benefit, but also about values. The ultimate decision with targets set for the coming 15 years is a complex and deeply political discussion. Advice from economists will not resolve all complications, but advisors might provide evidence of what works really well and what does not, so that more efficient measures can be prioritised. 5

1.5. The cost of action and the cost of inaction

There is a vast and convincing literature comparing the cost of action to the cost of inaction in various SD fields. At regular intervals, for example, the International Panel on Climate Change (IPCC) reminds us that the benefits of reducing greenhouse gas emissions outweigh the costs by trillions of dollars. This applies to most fields covered by sustainable development. Therefore, if action is much cheaper than inaction, why don’t we act now? Simply put, we do not because the cost of action would immediately show in our tax bills, on the Profit and Loss statements of businesses and in the prices paid by consumers. To act would require well-informed and thought-out decisions, with financial impacts that are immediately measurable. By contrast, nobody knows precisely who will have to pay for the cost of inaction, and when it will be incurred. In all likelihood, those who would have to pay for action are not the ones who will be paying for the cost of inaction. The cost of inaction is diluted over time and not attributable to specific individuals or groups. In a way, the cost of inaction is paid by the anonymous victims of climate-related disasters, most of them poor people living in developing countries. Action today would have to be founded on moral grounds, such as the sense of intergenerational and international solidarity, which are not necessarily the main motivations for most collective decisions. As we will argue later, the cost of action will only be paid if mechanisms for rewarding decision makers who are responsible for action are in place, so that they can prove the long-term benefits to their stakeholders, whether in terms of growth or, for example, reducing the number of vulnerable people who need to be cared for.

5 "Investment requirements for MDGs and other related goals (e.g. universal access to electricity) are one order of magnitude lower than those related to climate change mitigation. The opportunity cost of achieving those goals would seem to be low, regardless of what other goals are adopted." (UNTT, 2013).
The needs being assessed and the priorities being set, the next question to be answered is: Where is the money?

2. Resources are there, but no longer where they used to be

2.1. Sourcing where the money is

The stock of global financial assets – a placement of only a small portion of annual global savings – is estimated to be around USD 218 trillion. Global savings remain robust, at around USD 22 trillion a year (inclusive of public and private sources). Therefore, we dare to state that the resources are there; even a small shift in the way resources are allocated would have an enormous impact. However, resources are no longer where they used to be as the worldwide distribution of wealth has been through a radical transformation during the last 20 years. The issue is no longer about how to transfer resources from the North to the South; it is about how to mobilise available resources worldwide so that they give a more sustainable orientation to our growth models.

Four radical transformations took place over the last 15 years:

2.1.a More than half of global GDP is now generated in emerging and developing countries, a steep rise compared to one decade ago. The average public debt-to-GDP ratio of emerging and developing countries dropped from 50 (2001) to below 40 (2013) per cent, while it increased to nearly 110 per cent in the advanced economies.

What is more, emerging and developing market economies continued to prosper between 2001 and 2013, while the advanced economies suffered more under the financial crisis.

2.1.b State-controlled savings are mostly in Asia and the Middle East. Major investment funds with strategic and long-term investment interests, such as state-controlled and pension funds, are continuing to gain importance. The Sovereign Wealth Fund Institute counts USD 6.6 trillion in so-called Sovereign Wealth Funds, of which USD 1.66 trillion is in China and USD 1.08 trillion in the UAE Abu Dhabi, Dubai and Ras Al Khaimah, followed by Norway’s Government-Pension Fund (USD 878 billion), Saudi Arabia, Singapore and Kuwait (Sovereign Wealth Fund Institute, 2014).
Currently, only two per cent of these funds are invested in sustainable activities.

2.1.c The Asia-Pacific region enjoys among the highest rates of private savings. According to PricewaterhouseCoopers, the region’s high net worth individuals had USD 12.7 trillion in assets in 2012, while the region’s mass affluent had USD 20.5 trillion in assets. However, the development of capital markets in the region has not kept pace with its rapid economic growth, and, as a result, substantial amounts of the region’s savings are held in other parts of the world.  

2.1.d Asia-Pacific will soon become the home to most of the worldwide middle-income class. By 2030, Europe will represent less than 14 per cent of the worldwide middle class. Public sources and economic strength correlate in many countries with the strength of the middle income class. Its geographical distribution is changing, as the table below shows.

<table>
<thead>
<tr>
<th>Middle class population, in millions</th>
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<tbody>
<tr>
<td></td>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>1.845</td>
<td>3.249</td>
<td>4.884</td>
</tr>
<tr>
<td>Europe</td>
<td>664</td>
<td>703</td>
<td>680</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>525</td>
<td>1.740</td>
<td>3.228</td>
</tr>
<tr>
<td>America</td>
<td>519</td>
<td>584</td>
<td>635</td>
</tr>
<tr>
<td>Africa and Middle East</td>
<td>137</td>
<td>222</td>
<td>341</td>
</tr>
</tbody>
</table>

Source: Adapted from UNDP 2013 (Brookings Institution 2012, p. 14)
All of the above suggest that it is very unlikely that Europe will remain the main source of international funding for Sustainable Development.

2.1.e Financing for sustainable development will be a mix of public and private resources, primarily derived from domestic sources

All four types of finance — public and private, domestic and international — have increased in the last 10–15 years with the fastest increase being in domestic finance, which is by far the greatest share of financing sources for most countries. It is only in the Least Developed Countries that public international finance remains crucial. Except for these, the way forward will be mostly based on the mobilisation of domestic public and private resources.

2.2. Public domestic resources mobilisation

Public domestic finance in developing countries more than doubled between 2002 and 2011, increasing from USD 838 billion to USD 1.86 trillion. In absolute terms, this growth mainly reflects developments in middle-income countries. Domestic public finance also doubled in low-income countries, though it remains insufficient to meet sustainable development needs. The main domestic source of funding is tax.

2.2.1. Tax

Tax is the main source of public funding with significant differences between developed and developing countries. Tax revenues account for about 10-14 percent of GDP in low-income countries, which is about one third less than in middle-income countries. It is significantly less than in high-income countries, which achieve tax to GDP ratios of 20–30 per cent or more in some European countries.

There is significant potential for increasing tax revenues in Asia. The collection of tax revenues in the developing countries of Asia is low, not only compared with developed regions or countries, such as Europe, but also compared with other developing regions.

An important element to increase tax-to-GDP ratios will be taxing capital gains more effectively, which is currently seldom the case. Second, many countries have shifted from taxation of trade to taxation on goods and services by introducing and expanding value added taxes (VAT) or general sales taxes (GST). Collection efficiency of VAT/GST is quite low in many Asian countries, indicating tax exemptions and difficulties in implementation of the tax. Third, in many Asian countries, a large part of tax revenue in general is eroded by exemptions and concessions as countries aim at promoting investment and, in particular, attracting foreign direct investment (FDI).

9 ESCAP research indicates that Governments in the Asian region have great potential to strengthen tax revenues as a major source of domestic resources for financing sustainable development. In several economies the tax potential is quite sizeable, amounting to several percentage points of GDP. ESCAP, Shifting from Quantity to Quality: Growth with Equality, Efficiency, Sustainability and Dynamism - 2013, http://www.unescap.org/sites/default/files/Shifting%20from%20quantity%20to%20quality.pdf accessed in August 2014.
10 In 2011, the average tax-to-GDP ratio in Asia and the Pacific was only 14.8 per cent of GDP for central government revenues, compared with 17.1% of GDP in Latin America and the Caribbean and 16.3% in sub-Saharan Africa.
2.2.2. Tax evasion and illicit financial flows

Public resources for development could be raised by curbing illicit financial flows, including those related to tax evasion and avoidance. The challenge would be both for Europe and Asia.

Many European governments do not yet accept that financial regulation to prevent capital flight is a necessary part of the development agenda. While the OECD only considers a list of three non-cooperative tax havens today (Monaco, Liechtenstein and Andorra), there is still a long list of tax havens located in Europe and overseas territories of European countries: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, Isle of Man, Jersey, Montserrat, Aruba, and the Netherlands Antilles among others.

The Asia-Pacific region accounts for more than 60 per cent of the estimated USD 5.9 trillion that flowed out of developing countries illicitly or illegally between 2001 and 2010 to evade or avoid taxation. Of the ten countries with the largest illicit capital flows, six are in the Asia-Pacific region, most being part of the Least Developed Countries (Kar 2012).

2.2.3. Fuel subsidies

The International Energy Agency estimates that subsidies to fossil fuel amounted to more than USD 500 billion worldwide in 2012 (World Energy Outlook). Decreasing these subsidies has been on the agenda for a number of years, but implementation is difficult given the interest of powerful business and large number of individual beneficiaries. Among ASEM Countries, Bangladesh, Brunei Darussalam, China, India, Indonesia, Malaysia, Pakistan and the Russian Federation are the ones dedicating the most to fuel subsidies. Removing or reducing subsidies is politically challenging; in many countries the removal of fuel and energy subsidies has sparked protests. The cut could make significant resources available; however, it depends on the national political decisions if these resources would be used for sustainable development.

2.3. Public international resources mobilisation

2.3.1. Official Development Assistance (ODA)

The development contribution of ODA improved in the wake of the adoption of the Monterrey Consensus in 2002, with increased attention paid to making ODA more effective while increasing its volume. ODA reached an all-time high of USD 134.8 billion in net terms in 2013.

Nonetheless, only five OECD-DAC donors reached the 0.7 per cent of GNI target, the average being 0.3 per cent in 2013 (OECD 2014). However, it is unlikely that the fiscal situation in OECD countries will allow for any significant increase of ODA. Except for Least Developed Countries, ODA can only be a very small part of the solution.
Putting the burden on more shoulders of financially strong countries is necessary. Emerging economies and Upper Middle Income Countries should contribute their fair share to assist the poorest and most fragile. South-South cooperation must become a significant complement to North-South cooperation; while data on concessional South-South flows are incomplete, they are estimated at between USD 16.1 and 19 billion in 2011, representing around 10 per cent of global public finance flows. Non-concessional South-South flows, such as FDI or bank loans, have also expanded dramatically in recent years. The share of these South-South flows should continue to increase.

2.3.2. Sovereign debt

A comparable paper written 15 years ago would have been largely dedicated to the sovereign debt issue. There has been considerable change in the landscape of sovereign debt of developing countries since the Millennium Declaration. External debt amounted to 22.6 per cent of GDP in developing countries in 2013, as compared to 33.5 per cent a decade earlier. The debt difficulties of heavily indebted poor countries (HIPCs) have largely been addressed under the terms of the HIPC Initiative and the Multilateral Debt Relief Initiative. Generally speaking, for most ASEM developing countries, repayment of sovereign debt is no longer among the major concerns and could potentially become an interesting source of funding again.

2.4. Development of private sources

Before going into detail regarding private sources, it needs to be stressed that national growth is widely seen as the main lever for generating resources for SD. Private investments are the key drivers of growth and can contribute to such goals. Even a small shift in private investment priorities and modalities could bring significant benefits to public policy goals (EU 2013, p. 8). The challenge for policymakers is to set the right incentives. This chapter does not intend to make a comprehensive review of all the private resources available — the list would be very long — but will cover some of the most innovative approaches that should be encouraged.

2.4.1. Sustainable investment from corporations

There are at least two ways to encourage sustainable investment strategies in businesses:

2.4.1.1 Voluntary approaches

Voluntary approaches by corporations committed to follow the principles of good corporate social and environmental responsibility, include assessing the impact of investments on policy goals, following the arm’s length principle in transfer pricing, providing transparency on their activities, and adhering to international Corporate Social Responsibility and investor guidelines (EU 2013, p.9-10). These initiatives include the issuance of codes of conduct, the implementation of associated management systems and public reporting on the non-financial performance of companies (see Chapter 6).

11 About the importance cf. UNTT 2013b.
2.4.1.2 A new regulatory accounting and reporting framework that would internalise environmental and social costs

Put simply, policymakers need to improve the profitability of sustainable businesses relative to unsustainable ones. Policies should be designed so that corporate externalities are integrated into company accounts via, for example, increased use of fiscal measures, standards and market mechanisms.

One of the primary failures of markets in relation to sustainable development is their inability to reflect the costs associated with unsustainable behaviours in Profit & Loss statements and Balance Sheets. This, in turn, is a result of the failure of global governments to properly internalise environmental and social costs into companies’ accounts. Indeed, it would be irrational for investors or business operators to incorporate the costs affecting the companies’ profitability. The consequence of this is that unsustainable companies have a better profitability and a lower cost of capital than sustainable ones.

Two main reasons are usually given to explain why this is not happening or happening at a very slow pace: the complexity of pricing for externalities and the fear of losing competitiveness.

Pricing for externalities is not straightforward as, by definition, there is no market price to set them. But these supposed technical obstacles are not really convincing. We will see below (section 3.1.) that there are accounting frameworks for estimating the value (positive or negative) of environmental services or environmental degradation. Although far from perfect, prices do not have to be scientifically correct and arbitrary prices would be better than no prices at all.

The fear of losing some competitiveness is a more serious concern. No country wants to be the first one or among the first ones to implement such measures. Indeed, a concerted international effort would be required.

2.4.2. Foreign Direct Investments (FDI)

Gross flows of FDI to developing countries reached USD 778 billion in 2013, exceeding FDI to developed economies. FDI is the most stable and long term source of private sector foreign investment. However, Least Developed Countries receive less than two per cent of these flows.\(^{13}\) Furthermore, the contribution of FDI to sustainable development is not uniform.

Economic benefits associated with the inflow of FDI are well-known: an increase in the production base, the introduction of new skills and technologies, and the creation of employment. Environmental and social impacts are mixed.

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\(^{13}\) OECD Global forum on international investment — new horizons and policy challenges for foreign direct investment in the 21\(^{st}\) century.
On the one hand, investment liberalisation might lead to increased polluting. On the other hand, FDI can improve structural efficiencies and make new investments in environmental protection possible. Furthermore, by contributing to an economy’s economic growth, investment can also increase society’s demand for a healthier environment, since wealthier societies are more able to pay for protection of the environment. But it might take years of growth before environmental quality begins to improve, at the risk of possibly irreversible environmental damage in the short term.

It is suspected that competitive forces would move foreign direct investment away from countries with high environmental standards. However, empirical research shows that the risk of redeployment of productive resources towards low standard countries is rather small. Environmental costs are only one of a broad number of factors, including quality of infrastructure, access to inputs, wage costs, labour productivity, political risk, the size and growth potential of markets, that investors take into account in location decisions. The costs of adhering to environmental regulations are typically a small part (on average 2–3 per cent) of total production costs for most firms (OECD, 1998; Adams, 1997; UNEP, 2000). Instead, multinational enterprises generally seek consistent environmental enforcement, rather than lax environmental enforcement (OECD, 1997).

FDI also impacts upon the labour market. Although foreign firms create employment, the quality of that employment is sometimes questioned. This is especially the case where governments compete to attract FDI, as some may be tempted to be less vigilant in enforcing its core labour standards. In the majority of cases, core labour standards are not important determinants for investment location decisions, thereby making policy competition between governments in core labour standards unnecessary and even harmful for society (OECD, 1998).

2.4.3. Remittances

There is a growing awareness of the importance of the financial impact of migration in the post-2015 development agenda. Remittances to developing countries are estimated at USD 404 billion in 2013, and their growth is expected to accelerate to reach USD 516 billion in 2016. India is the largest recipient of officially recorded remittances in the world, and received about USD 70 billion in 2013. Other large recipients include China (USD 60 billion) and the Philippines (USD 25 billion) (ibid).

The central role of remittances in underpinning the balance of payments is also evident from comparisons with exports and imports of goods and services. In large emerging markets, such as India, remittances in 2013 were equivalent to 15 percent of exports. During the same year, remittances to Bangladesh were equivalent to 84 percent of garment exports.

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14 Some evidence supporting this relationship has been found – the amount of environmental regulation, as well as many indicators of environmental quality, increase steadily with the growth in per capita income (Furtado et al., 2000).
Remittances flows to developing countries far exceed official development assistance and are more stable than private debt and portfolio equity flows. As poor families are very often the recipients, remittances are the most efficient form of international private development assistance.

A better contribution of remittances to sustainable development would entail two dimensions: It would reduce the transfer costs and mobilise diaspora savings for sustainable projects.18

3. Innovative financing and accounting for natural resources

Green bonds, social bonds, and a long list of new taxes or fees on (for example) sporting events are among the many proposals discussed in order to create momentum for sustainable economic growth, very often in connection with climate change. Only some of examples of the new forms, recently implemented in Asia and Europe, will be reviewed here.

3.1. Payments for ecosystem services

The importance of accounting for the value of the natural capitals has been recognised, to avoid free-riding behaviour with negative externalities. In the last two decades, frameworks have been developed to measure the real value of ecosystem services, as well as the stock and flow of available natural resources, and various natural capital accounting methodologies are used.

Most systems are based on the UN Central Framework System of Environmental-Economic Accounting (SEEA), an international statistical standard for the valuation of renewable and non-renewable natural resources and land. Experience shows that even countries with less advanced statistical systems were able to launch the SEEA framework and introduce natural resource, material flow and discharge accounts into their national accounting.

More than one quarter of Indonesia’s wealth originates from natural resources. The preparation of natural accounts started in the 1990s taking into account the nine most prominent natural resources of the country: crude oil, natural gas, coal, bauxite, tin, gold, silver, nickel ore, and timber wood (GLOBE, 2014). Indonesia is working on updating its statistics, including new accounts on land and water.

In 1998, the Philippines started collecting data for accounts on forests, fisheries, water, mineral and energy, land and soil. Since 2012, it has been successful in integrating outcomes of natural accounting processes into strategies and policies. The Philippines government also monitors its natural capital assets and budget elements related to climate change during its budget reviews.

18 On transfer costs, the G20 target toward reducing them to 5 per cent by 2014 is in the process of being reached: The weighted average of making remittances declined to 5.9 per cent in the first quarter of 2014, a significant reduction as compared to the start of the programme in 2009. Efforts are also underway to mobilise diaspora savings for development purposes, including through diaspora bonds. In many instances, countries can mobilize the savings of their diaspora at lower interest rates than charged by institutional investors in the international capital markets (World Bank, Remittance Prices Worldwide).
China’s *Grain for Green* programme offers farmers grain in exchange for not clearing forested slopes for farming, thereby reducing erosion. The programme has covered 25 provinces, involving 60 million farmers, and has cost more than USD 43 billion. It is by far the largest programme of its kind ever initiated.\(^{19}\)

### 3.2. Carbon tax

One way of internalising negative externalities is by setting a carbon tax that should be as universal as possible. A tax on CO₂ emissions of USD 25 per tonne, which would only be paid in a first stage by developed countries, would raise an estimated USD 250 billion per year.

Proposals focus on aviation and bunker fuels, i.e. on activities under no jurisdiction with access to tax-free fuels. It is estimated that USD 22 billion could be raised with a USD 25 tax per ton of carbon.

The tax on aviation fuel is strongly challenged by many countries who fear it would hurt sales of airline tickets. It is interesting to point out that the nine countries (Cameroon, Chile, Congo, France, Korea, Madagascar, Mali, Mauritius and Niger) who do apply a small levy on plane tickets, have not reported any negative impact. The levy is paid by each passenger and collected amounts are transferred to UNITAID for the purchase of drugs. The initiative generates USD 251 million a year. According to the UNTTT, this type of levy has considerable growth potential of up to USD 10 billion a year.

### 3.3. Tax on financial transactions

The EU continues to push for more action regarding innovative financing mechanisms, as demonstrated by the discussions on a Financial Transaction Tax. The idea of a tax on financial transactions and capital dates as far back as 1972, but has gained new support after the 2008 financial crisis. Its supporters point to its enormous potential. Depending on definition, a transaction tax of one half of a basis point (0.005 per cent) on all trading in main currencies would yield USD 40 billion per year (Matheson, 2011).

EU countries participating in the proposal have reiterated their intention to implement the tax, most likely starting with shares and some derivatives, no later than 2016. However, some member states, including the UK and Sweden, have strongly opposed the tax so far (KPMG 2014).

### 3.4. New multi-stakeholder funds

The last few years have witnessed a proliferation of sustainable-development-related international funds, such as the GAVI (Vaccine) Alliance, the Global Partnership for Education and the Global Fund to Fight AIDS, Tuberculosis and Malaria. In addition, there are now over 50 climate-related international public funds including the Global Environment Facility (GEF), the Adaptation Fund (AF), the Climate Investment Funds (CIF), and most recently the Green Climate Fund (GCF). In addition there are new evolving financial instruments, such as performance-based

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\(^{19}\) Li Zhiyong, A policy review on watershed protection and poverty alleviation by the Grain for Green Programme in China [http://www.fao.org/docrep/008/ae537e/ae537e0j.htm](http://www.fao.org/docrep/008/ae537e/ae537e0j.htm).
payments for reducing emissions from deforestation, degradation, and forest conservation (REDD+). These global sector funds, premised on multi-stakeholder partnerships, bring together governments, private sector, civil society, philanthropists, and emerging donors.

These funds are successful in attracting fresh funding for several reasons: they have a clear profile for a specific purpose, contributors get the impression they can keep track of the use of their money, and the efficient management procedures contrast with the slowness and high transaction costs of international bureaucracies. The main concern towards such funds is their fragmentation.

**Conclusion**

If sustainability was more profitable and competitive than unsustainability, all businesses would only sell products and services supporting SD. If sustainability was cheaper than unsustainability, all consumers would buy sustainable products or services. If sustainability was more politically rewarding than unsustainability, all politicians in democratic countries would implement sustainable policies. Thus, the key question is how to make sustainable development more profitable, cheaper and more politically appealing. It can be done; the resources are there, but success will not come with outdated tax, accounting, pricing and financing systems. If we do not find ways to improve the funding for sustainable development, then who pays? First of all people in poverty and those prone to natural disasters, but in the end all of us, as economic growth will be limited. This is our motivation. We can make a difference by changing the underlying mechanisms, by targeting money where it is today with the right incentives, internalising externalities and prioritising the right SDGs.

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**The Speech about Peace**

Near the end of a very important speech
The great statesman stumbling
Over a beautiful hollow phrase
Falls silent
And bewildered, with gaping mouth,
Breathes,
Shows his teeth
And the dental decay of his peaceful discourse
Lays bare the nerve of war
The delicate question of money.

Jacques Prévert, 1900-1977
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About the Contributors

Tihomir ANDONOV
Consultant for World Intellectual Property Organization (WIPO)

Tihomir Andonov’s educational background is in Resource Economics. He holds a Master of Science degree from the University of Massachusetts. His professional background is mostly in the area of data analytics, with 15 years of experience in this field. He has been part of the departments of database marketing of major marketing communication firms, working with clients from Fortune 500 companies across the industry spectrum. Since 2011, Tihomir Andonov has contributed to a number of projects for WIPO, dealing with research, data compilation and analysis of the creative industries’ contribution to national economies. He is author of the chapter on Creative Industries in this volume.

Rémi BOURGEOT
Chief Economist, Asia Centre

Rémi Bourgeot holds a Master’s degrees from the Higher Institute for Aeronautics and Space (SupAero) and from the Toulouse School of Economics. He has led a dual career as a Eurozone market strategist in the financial sector and as an economic expert on emerging markets for various leading think-tanks. His expertise lies particularly in monetary and international economics. Rémi Bourgeot joined Asia Centre in 2014 to help to develop macro-financial expertise Asia-wide, notably through a comparative approach. He has contributed his expertise to the ASEF Outlook Report 2014/2015, discussing the draft report at a workshop in July 2014, with a special focus on the chapter on Sustainable Growth.

Jaime F. CALDERON, Jr.
Regional Migration Health Adviser, Regional Office for Asia and the Pacific, International Organization for Migration (IOM)

A medical doctor dedicated to the practice of international public health, Dr Calderon specialises in the general aspects of migration health, particularly on the control of communicable diseases, maternal and child health, reproductive health and health development in addition to disaster risk management, pandemic preparedness and emergency response. Dr Calderon is a medical alumnus of the West Visayas State University of the Philippines and earned his post-graduate degree in Public Health from the University of the Philippines as a University Scholar of the Fe Del Mundo Scholarship Programme. With a career spanning more than 20 years, Dr Calderon has worked in Asia (Thailand, Cambodia, Indonesia, Philippines, Thailand), Europe (Switzerland, Former Republic of Yugoslavia), Middle East (Iraq) and Africa (Kenya), mainly with IOM, but also with the International Rescue Committee, Médecins Sans Frontières, Health Net International (HNI) and the World Health Organization. He has contributed with his expertise to the ASEF Outlook Report 2014/2015, discussing the draft report at a workshop in July 2014 and providing comments on the chapter on Healthcare for Migrants.
Jean-François DI MEGLIO  
*President, Asia Centre*

An alumnus of the Ecole Normale Supérieure (Paris) and Beijing University, Jean-François Di Meglio has over 23 years of experience with a major French financial institution, mostly abroad and especially in Asia. Most recently he headed the energy and commodities programme in China for BNP Paribas. He joined the Asia Centre in May 2008 and became its president in 2009. He also teaches at the Institute of Political Studies (Lyons), the Ecole Centrale (Paris), HEC ParisTech, Mines ParisTech and Lille I. He is author of the chapter *A European View on Recent Developments in Asia* in this volume.

Teresa FOGELBERG  
*Deputy Chief Executive, Global Reporting Initiative (GRI)*

Teresa Fogelberg started her career as an anthropologist at Leiden University in the Netherlands. She has spent many years in development organisations, including ILO, USAID, and the Netherlands Ministry of Foreign Affairs, and in several countries in West Africa, specialising in gender issues and famine early warning systems. Before joining GRI, she worked for the Netherlands Ministry of Foreign Affairs as Director Social Development, Women and Development, Director Research and Education, as well as President of the OECD Club du Sahel. She was also Chair of the OECD Working Party on Women and Development, and Member of the CG IAR Oversight Committee, hosted by the World Bank. At the Netherlands Ministry of Environment, she was Director of the Climate Change and Industry Department, and Head of Delegation to the UN Climate Change Convention. In 2002, she acted as Executive Assistant to the Special Envoy of the UN Secretary General for the World Summit on Sustainable Development in Johannesburg, and was in charge of private sector involvement. As Deputy Chief Executive of the Global Reporting Initiative, she engages in strategic external relationships and sits on the board of several sustainable development organisations such as WWF, the International Institute of Environment and Development, and SEED International. She is the author of the chapter on *Business Accountability* in this volume.
About the Contributors

Preeti GAONKAR  
*Project Executive, Asia-Europe Foundation (ASEF)*

Preeti Gaonkar joined ASEF in January 2013. She is currently a Project Executive in the Cultural Department, focusing on the creation and development of projects that promote research and dialogue on cultural policy between Asia and Europe. The main programme aligned to this area of work is the ASEF Cultural Policy Dialogue Series, which supports research on arts and culture in ASEM Countries. It also facilitates dialogue between government officials and civil experts. Prior to joining ASEF, she worked with the British Council and in the arts sector in India. She holds a Master’s degree in Management Studies and a Bachelor’s degree in Economics from Mumbai University in India. She supervised the contribution of ASEF’s Culture Department to the *ASEF Outlook Report 2014/2015*.

Dimiter GANTCHEV  
*Acting Director, Creative Industries Division, World Intellectual Property Organization (WIPO)*

Dimiter Gantchev is Head of the Creative Industries Section and Deputy Director in the Culture and Creative Industries sector in the World Intellectual Property Organization (WIPO). Prior to this, he worked as a Senior Counsellor in the Copyright and Related Rights Sector and in the Economic Development Sector of WIPO. Until 2002, he was a diplomat in the Ministry of Foreign Affairs of Bulgaria and served in Sweden, Belgium and Switzerland. He holds a MA in International Relations from the Moscow State Institute of International Relations and a PhD in Economics from the Sofia University of National and World Economy. He is a Founding Member of the Bulgarian National Association on Intellectual Property and Member of the Bulgarian Association for studies on the European Community. He has published numerous publications on intellectual property and foreign policy issues and is author of the chapter on *Creative Industries* in this volume.

Shaun GAVIGAN  
*Project Executive, Asia-Europe Foundation (ASEF)*

Shaun Gavigan joined the Political & Economic Department of ASEF in February 2014. Prior to this, he worked with the Industrial Development Authority (IDA) Ireland. He received his BA degree in Politics/Sociology and History at the National University of Ireland, Galway. He later completed a Master’s in Politics at Queen’s University Belfast, Northern Ireland. In 2013, Shaun Gavigan was awarded a place on the Farmleigh Fellowship Programme, a scholarship programme supported by the Department of Foreign Affairs and Trade of Ireland. This Master’s in Asian Business comprised of study at University College Cork’s School of Asian Studies in Ireland and enrolment in Nanyang Technological University’s executive MBA programme in Singapore. He is editor of the *ASEF Outlook Report 2014/2015, Volume II*. 
Yvonne GUO
PhD Student, Lee Kuan Yew School of Public Policy

Yvonne Guo is currently a PhD student at the Lee Kuan Yew School of Public Policy, NUS, writing her thesis on the political economy of Singapore and Switzerland. She holds a Bachelor’s degree from Sciences Po in Paris, France, and a dual Master’s in International Affairs, Sciences Po Paris and University of St Gallen. Yvonne is fluent in English, Chinese, French, and German, and has extensive experience in research, having worked in government, international organisations, and the media and communications sector in Paris, Geneva and Singapore. She is author of the chapter on Sustainable Growth in this volume.

Hanae HANZAWA
Project Officer, Asia-Europe Foundation (ASEF)

Hanae Hanzawa has a BA degree in English and Sociology from Tokyo University of Foreign Studies and a MA degree in Women and Gender Studies from University of Toronto. She has more than three years of experience on health promotion and advocacy on HIV/AIDS, mental health, addiction and homelessness and worked in various non-profit organisations in Japan, USA and Canada. She is a Project Officer for the ASEF Public Health Network. For the ASEF Outlook Report 2014/2015, she is the author of the chapter Healthcare for Migrants and a contributor to the chapter Sustainable Migration.

Natalie HONG
Project Manager, Asia-Europe Foundation (ASEF)

Natalie Hong’s education background spans across Asia and Europe. She received her Bachelor in Russian Language and Literature from China and Master’s in International Relations from Singapore. She holds another Double Master’s in Economy, State and Society obtained from the UK and Hungary. She has also pursued Doctoral studies in Political Science in Belgium and Switzerland. She is a Project Manager in ASEF’s Education Department and is in charge of ASEF’s Higher Education Programme which includes the ASEM Rectors’ Conference and Students’ Forum and ASEF Education Workshops, and the cooperation with the ASEM Education and Research Hub for Lifelong Learning. Natalie is the author of the chapter Education for Sustainable Development in this volume. In addition, she made the proposal, supervised its implementation and contributed to the narratives for the education statistics and graphs in Volume I.
About the Contributors

Saskia JUNG  
*Editor and Project Manager, Asia-Europe Foundation (ASEF)*

Saskia Jung holds a Master’s equivalent degree (Diplom) in Arts of Administration from Konstanz University, Germany. She received scholarships and an award for her studies and research in social policy in Germany and Canada. Prior to ASEF, she worked in strategic management and projects in the private, public and civil society sectors. She is experienced in issues of sustainability, environmental protection, poverty and inclusion. She joined ASEF in May 2014 as a Project Manager, focusing on non-formal and formal education. She became the editor responsible for *Volume II* of this report, *Perspectives on Sustainable Development*.

Sunkyoung LEE  
*Acting Deputy Director, Political and Economic Department, Asia-Europe Foundation (ASEF)*

Sunkyoung Lee obtained her BA degree in English Language and Literature at Ajou University and her MA degree in European Public Affairs from Maastricht University. She has worked in Korea and Europe (Netherlands, Ireland, Belgium), before joining ASEF in April 2009 first as Project Executive, now as Acting Deputy Director. Sunkyoung is in charge of the Department’s day-to-day operations as well as its internal and external communications. She contributed to the *ASEF Outlook Report 2014/2015* by commenting on the data on public health in Volume I and reviewing the chapter *Healthcare for Migrants* in this volume.

Huong LE THU  
*Visiting Research Fellow, Institute of Southeast Asian Studies*

Dr Huong LE THU is a researcher based at the Institute of Southeast Asian Studies (ISEAS), Singapore. She does research on socio-political issues in Viet Nam as well as the regional context of ASEAN. She has published studies on trafficking in women and children, irregular migration, human security and the emerging middle class of Viet Nam. She is author of the chapter on *Poverty and Inequality* in this volume.
Kishore MAHBUBANI  
Dean, Lee Kuan Yew School of Public Policy, National University of Singapore

Kishore Mahbubani has had the good fortune of enjoying a career in government and, at the same time, in writing extensively on public issues. He was with the Singapore Foreign Service for 33 years (1971-2004) where he had postings in Cambodia (1973-74), Malaysia, Washington DC and New York, including two postings as Singapore’s Ambassador to the UN and as President of the UN Security Council in January 2001 and May 2002. He was Permanent Secretary at the Foreign Ministry from 1993 to 1998. Currently, he is the Dean and Professor in the Practice of Public Policy at the Lee Kuan Yew School of Public Policy of the National University of Singapore. He continues to serve in Boards and Councils of several institutions in Singapore, Europe and North America.

In the world of ideas he has spoken and published globally. He is the author of Can Asians Think?, Beyond The Age Of Innocence: Rebuilding Trust between America and the World, The New Asian Hemisphere: The Irresistible Shift of Global Power to the East, and The Great Convergence: Asia, the West, and the Logic of One World which was selected by the Financial Times as one of the best books of 2013. His latest book, Can Singapore Survive? was launched on 16 March 2015.

Kishore Mahbubani was conferred the Public Administration Medal (Gold) by the Singapore Government in 1998. The Foreign Policy Association Medal was awarded to him in New York in 2004. He was also listed as one of the top 100 public intellectuals in the world by Foreign Policy and Prospect magazines in 2005, and included in 2009 Financial Times’ list of top 50 individuals. He was selected as one of Foreign Policy’s Top Global Thinkers in 2010 and 2011. In 2011, he was described as “the muse of the Asian century”. Most recently, he was selected by Prospect magazine as one of the top 50 world thinkers for 2014. He is author of the chapter An Asian View on Recent Developments in Europe in this volume.

Ratna MATHAI-LUKE  
Project Executive, Asia-Europe Foundation (ASEF)

Ratna Mathai-Luke joined ASEF in 2009, where she has been working on programmes related to ASEF’s thematic focus of Human Rights and Governance. In particular, she coordinates the Informal ASEM Seminar on Human Rights series and the Asia-Europe Migration Project. She received her BA (Hons) degree from Delhi University (St Stephen’s College) and her Master’s degree in from the University of Oxford. She is the author of the chapter on Sustainable Migration in this volume.
Ingeborg NIESTROY
Strategies for Sustainable Development

Dr Ingeborg Niestroy has 15 years of experience in sustainable development policies and multi-stakeholder processes. In the context of various comparative studies she has researched on governance for sustainable development at national, European and international level, including the necessary links with local, regional/EU and global levels, and in linking different sectors, policy areas, knowledge arenas and stakeholder groups. From 1999–2012, she was Secretary-General of the European Network of Advisory Councils for Environmental Policy and Sustainable Development (EEAC). Ingeborg Niestroy has been part of the research teams of studies conducted by the Asia-Europe Environment Forum (ENVforum) on sustainable development governance, both for the preparation of the Rio+20 conference and the subsequent work on Sustainable Development Goals. For this publication, she has contributed to Chapter 1, Setting Sustainable Development Priorities and is author of the chapter on Governance as Means of Implementation for the Sustainable Development Goals. Furthermore, she discussed a draft of the ASEF Outlook Report 2014/2015 in July 2014.

Yiru QIAN
Data Analyst

Yiru Qian received her Bachelor of Art degree in International Business Management from University of Nottingham and her Master of Science degree in Economics & Strategy for Business from Imperial College London. She was a member of the International Student NGO Enactus. She worked on consulting projects such as GlaxoSmithKline’s sustainable sourcing strategy for Scott’s Brand in her Master’s period, during which she found her particular interest in data visualisation and data interpretation in infographic style. She was responsible for the data visualisation and the graph design support for the consulting projects. She contributed to Volume I of this report by researching and visualising data in August and September 2014.
Thierry SCHWARZ
Director, Political and Economic Department, Asia-Europe Foundation (ASEF)

Thierry studied at the Monterey Institute of International Studies, California, the National School of Public Administration in Paris, Paris II University and Sciences Po. He was founder and Dean of the Europe-Asia Undergraduate Programme at the Paris Institute of Political Studies, France, from 2007 to 2010. From 2001 to 2007, he was Regional Counsellor for Cooperation in South-East Asia with the French Embassy in Bangkok and Deputy Counsellor for Cooperation with the French Embassy in Beijing. His other experiences prior to ASEF include the management of different companies in Singapore, the USA and France. Prior to his secondment to ASEF, he was Adviser to the Council for Administrative Reform in Phnom Penh, Cambodia. He was nominated by the French government to head ASEF’s Political and Economic Department in 2012 and as Director, he supervised the preparation and editing of the ASEF Outlook Report 2014/2015. He is author of the chapters on Sustainable Growth, on Poverty and Inequality and on Financing for Sustainable Development of this volume.

Joanne TAN
Student and Poet

Joanne Tan is a Singaporean student who, after her A-levels in Singapore, studied in France from 2009. She has recently completed a Master’s degree in Economics and Public Policy, a joint degree from Sciences-Po, École Polytechnique and École Nationale de la Statistique de l’Administration Économique (ENSAE). With English Literature as one of her A-level subjects, Joanne occasionally writes poems. She has written for this volume the poem at the end of the chapter on Poverty and Inequality. She is the first generation in her family not to be born into poverty.
Nikita VARMAN
Intern (May–July 2014), Asia-Europe Foundation (ASEF)

Nikita VARMAN, an Indian national, is a second-year undergraduate student at Singapore Management University (SMU), majoring in Political Science, Organisational Behaviour and Human Resources. She is an active member of the Music Interactive Club and the Indian Cultural Club at her University. Over the past few months, she has worked as a Research Assistant for Political Science at SMU and as a Research Intern for a project on “Human Trafficking in the Asia-Pacific Region” for the International Organization for Migration. She contributed to the chapter on Healthcare for Migrants in this volume.

WU Lien
Intern (May–July 2014), Asia-Europe Foundation (ASEF)

Lien is studying for a Master of Public Policy at the Lee Kuan Yew School of Public Policy (LKYSSP), National University of Singapore. He holds a Bachelor of Philosophy from Sun Yat-sen University in Guangzhou, China and was an Exchange Student at the National Taiwan University in Taipei, as well as a Visiting Student at the Chinese University of Hong Kong. Lien Wu worked on Volume I of the ASEF Outlook Report 2014/2015 during his internship and continued to support it with extensive data research and compilation afterwards.
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