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**POLICY ISSUES FOR THE ESCAP REGION: STRENGTHENING PACIFIC
ISLAND DEVELOPING COUNTRIES AND TERRITORIES
THROUGH REGIONAL COOPERATION**

(Item 2 (b) of the provisional agenda)

Note by the secretariat

SUMMARY

The document catalogues the constraints Pacific island developing countries and territories face in their quest for economic growth and sustainable development. It notes the courage with which Pacific island leaders have resolved to confront their problems collectively by setting down a bold vision and by adopting the 2005 Pacific Plan for strengthening regional cooperation and integration for the future of Pacific island people.

ESCAP supports the Pacific Plan as an action plan to assist Pacific island people in achieving their desired vision. The Plan recognizes current global instruments, in particular the Millennium Development Goals and the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States, as relevant strategies for Pacific island countries because of their broad coverage of developmental and financing strategies.

The present document examines the Asian/Pacific connection and how cooperation can contribute to the implementation of the Pacific Plan and other global initiatives, including the Millennium Development Goals and the Mauritius Strategy. It suggests that greater linkage of Pacific island countries to the economic dynamism of Asian countries, especially in the areas of trade and investment, infrastructure and information and communication technology (ICT), is one development policy option Pacific island developing countries could utilize to their advantage. Existing assistance and cooperation between Pacific island developing countries and Asian countries are identified and possible future modalities for securing greater benefits for Pacific island countries are explored. Such strategies underpin the Pacific leaders' vision of strengthening "partnerships with our neighbours and beyond" and Pacific Plan initiatives to build stronger partnerships.

The document proposes that Asian countries support Pacific small island developing States (PSIDS) in implementing the Pacific Plan and scaling up their economic and social programmes. ESCAP, the United Nations Development Programme (UNDP) and other United Nations agencies and other development agencies can facilitate this process through their support programmes for PSIDS.

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Introduction¹

1. The Pacific small island developing States (PSIDS) are among the least developed island regions in the world. Although relatively large amounts of resources have been invested in them over the past 30 years, progress and particularly economic growth have been typically low and uneven, and have been negative in some countries.

2. The reasons for this situation are many and complex. For example, the fact that these islands are scattered over wide expanses of the Pacific Ocean, as well as their physical smallness, precludes their benefiting from economies of scale in commerce and in the provision of public services. This results in high-cost economies that are remittance- and aid-dependent, with large government sectors and unskilled labour forces, stemming partly from the emigration of those with skills. Migration within PSIDS is a strong driver of urban squatter settlement growth and the upsurge of new vulnerable communities.

3. Rapid globalization has also made its own impositions on these fragile and vulnerable island countries, which are increasingly being called upon to compete in the global marketplace. Population growth, however, continues to outstrip national income growth in all but a handful of Pacific island countries, thus increasing the pressure on resources. Island countries are also troubled by their ongoing and increasing vulnerability to natural disasters, the potential impact of climate change and the alarming scenario presented by a continuing rise in the sea level. These developments have reinforced the notion that regional cooperation is an important strategy to address the problems of PSIDS.

4. In April 2004, Pacific leaders met in Auckland, New Zealand and crafted the Auckland Declaration, setting out a bold but realistic vision of the kind of future that they want to see unfold in their subregion:

Leaders believe the Pacific region can, should and will be a region of peace, harmony, security and economic prosperity, so that all of its people can lead free and worthwhile lives. We treasure the diversity of the Pacific and seek a future in which its cultures, traditions and religious beliefs are valued, honoured and developed. We seek a Pacific region that is respected for the quality of its governance, the sustainable management of its resources, the full observance of democratic values, and for its defence and promotion of human rights. We seek partnerships with our neighbours and beyond to develop our knowledge, to improve our communications and to ensure a sustainable economic existence for all.²

¹ The Pacific Islands Forum Secretariat provided substantive inputs for the preparation of the present document.

² The Pacific Plan background papers, Pacific Islands Forum Secretariat, September 2005, p. 2.

This vision led to the making of the Pacific Plan, which leaders of the Pacific Islands Forum endorsed in October 2005. The Plan's overall goal is to "enhance and stimulate economic growth, sustainable development, good governance and security for Pacific countries through regionalism".³ It also sets out within a 10-year framework many priority initiatives for collective implementation by the PSIDS. They include initiatives to develop national policies and planning arrangements for regional approaches to make better use of regional goods and services.

5. The Pacific Plan is closely aligned with the Millennium Development Goals framework. A formal resolution of the Pacific Islands Forum in 2003 recognized the value of the Millennium Development Goals framework for guiding effort at all levels of development intervention. The Forum particularly appreciated the results-based framework of the Millennium Development Goals, which enabled countries to focus and enhance their planning for sustainable development, and to monitor and evaluate performance against specific benchmarks. The Forum recognized that there was a need to adapt and localize Millennium Development Goal indicators to make them more relevant to the situation of PSIDS. The Pacific Plan will incorporate indicators of success similar to if not the same as those for the Millennium Development Goals but closely customized to the Pacific context.

6. The Pacific Islands Regional Millennium Development Goal Report completed in 2004 by the Secretariat of the Pacific Community and the United Nations Development Programme (UNDP) summarized the progress achieved by PSIDS towards implementing the Millennium Development Goals and contributed to the United Nations Secretary-General's comprehensive review of the Millennium Development Goal process in 2005. The regional report also highlighted policies, agreements and processes that PSIDS had undertaken in pursuit of Millennium Development Goal targets and recommended, inter alia, that data definition, collection and measurement needed to be improved for clearer and more accurate knowledge of Millennium Development Goal performance in the PSIDS. The report found that performance varied considerably among PSIDS and that even within individual countries there was much disparity in the quality and pace of Millennium Development Goal achievement. Apart from slow economic growth, there has been a low level of investment in social sectors. In regard to a number of Millennium Development Goal indicators, in particular health, some countries have clearly gone backwards and there is a real risk that some of the PSIDS gains could be reversed.

7. The first objective of the present document is to point to a number of areas where Asian and Pacific countries can work together to raise awareness about the economic and social concerns of PSIDS. The second objective is to suggest, drawing on the Pacific Plan, the primary areas where concrete outcomes in Asian and Pacific cooperation might be achieved. The strengthening of the partnership between the Pacific and Asia envisioned here is not an alternative path of development for PSIDS but an addition to existing modes of cooperation, especially between PSIDS and Australia,

³ The Pacific Plan, Pacific Islands Forum Secretariat, October 2005, para. 4.

Canada, the European Union, New Zealand and the United States of America. It is intended to take advantage of the growing dynamism of Asia and its impact on the global economy to support the vision of Pacific leaders and the implementation of the Pacific Plan.

I. THE CURRENT STATE OF ASIAN AND PACIFIC COOPERATION

A. Bilateral and multilateral relations

8. At the bilateral and multilateral levels, a relations-architecture is already in place. For instance, many PSIDS already have diplomatic relations with Asian countries. Their relations with Asian countries include relations with China, India, Indonesia, Japan, Malaysia, the Philippines, the Republic of Korea, Singapore and Thailand. These relations were established at various times after their attainment of political independence, starting in the early 1960s. Asian countries, in turn, have opened diplomatic and trade missions in a number of PSIDS.

9. Many PSIDS have bilateral fisheries agreements with the distant-water fishing nations of Asia, principally Japan and the Republic of Korea. The total tuna catch from the combined exclusive economic zones of PSIDS, estimated at approximately 1 million tonnes annually and worth close to US\$ 2 billion, is equivalent to a third of the total world tuna catch. PSIDS themselves account for 10 per cent of this catch and received annual access fees of more than US\$ 60 million from distant-water fishing nations in 1999. For quite a number of PSIDS this is an important source of revenue for the Government. It amounts to 34 per cent of total revenue in Kiribati, 30 per cent in Tuvalu and 22 per cent in the Federated States of Micronesia.⁴ A newly established body, the Western and Central Pacific Fisheries Commission, monitors the implementation of the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean. All PSIDS, the main Pacific Rim countries and the distant-water fishing nations are members of this Commission. The Forum Fisheries Agency, the members of which are the PSIDS, Australia and New Zealand, monitors, coordinates and advises PSIDS on the implementation of country/distant-water fishing nation fishery agreements and the design of national fisheries plans.

10. Several multilateral organizations with specifically Asian and Pacific mandates are also actively promoting and serving the interests of Asian and Pacific countries. The 12 PSIDS that are members of the Asian Development Bank (ADB), for instance, receive financial and technical assistance from ADB for their development. Asia-Pacific Economic Cooperation (APEC) is another framework for economic cooperation, although only Papua New Guinea among the PSIDS is a member of APEC. The work of APEC, particularly that pursuing its current objectives of (a) supporting the multilateral trading system, (b) facilitating trade, (c) ensuring transparency and fighting corruption and (d) developing the digital economy and intellectual property rights, can have beneficial effects for all PSIDS.

⁴ *Trends & Developments*, Pacific Islands Forum Secretariat, January 2005, p. 8.

11. PSIDS regional organizations are also associated with Asian countries and organizations. China, India, Indonesia, Japan, Malaysia, the Philippines, the Republic of Korea and Thailand participate in the Post-Forum Dialogue process, convened annually after the Forum Leaders meeting to discuss and review policies that affect the mutual interests of the PSIDS and dialogue partners. The Forum Secretariat also maintains trade missions in China and Japan to support PSIDS through the provision of trade and market information to its members.

12. Australia, the European Union, France, Japan, New Zealand and the United States have been and continue to be the main donors of development assistance to PSIDS ever since these countries achieved political independence, starting some 40 years ago. Australia, Japan and New Zealand lead all other trading countries in the value of merchandise exports to PSIDS and maintain an overwhelming trade surplus with them, although there is a clear shift to Asia in the overall direction of PSIDS trade.⁵

13. Australia and New Zealand are also the only developed countries that are members of the Pacific Islands Forum, the organization that brings together annually the leaders of 14 independent PSIDS to decide on policies for the subregion. The Pacific Islands Forum is served by the Pacific Islands Forum Secretariat, which advises on and implements Forum decisions.

B. Trade and investment

14. ADB statistics on PSIDS exports for 1990 and 2004⁶ show that the direction of export trade has shifted to Asia for all PSIDS, except for Cook Islands and Papua New Guinea. With regard to PSIDS imports, Australia, New Zealand and PSIDS themselves continue to account for the largest share of this trade. However, the direction of import trade has also shifted, with Asian countries supplying a growing share of the merchandise imports of PSIDS.⁷ For example, imports from Asia accounted for 44 per cent of the total merchandise imports of Fiji in 2004; in 1990 such imports accounted for only 26 per cent of the total. Thus, Fiji has recorded an almost 70 per cent increase in imports from Asia. For Papua New Guinea, the increase in imports from Asia was more modest: in 1990 about 29 per cent of the country's imports came from Asia and in 2004 almost 39 per cent. Similarly, Solomon Islands imported increasing amounts of merchandise from Asia: 10 per cent more in 2004 than in 1990. Asian imports account for more than half that country's total imports. By comparison, the gains in PSIDS imports from Australia, New Zealand and PSIDS themselves were much smaller in general and in some cases there was a decline in imports from these countries. For example, the growth in imports from Australia, New Zealand and PSIDS themselves between 1990 and 2004 was only 1.8 per cent for Fiji, 3 per cent for Papua New Guinea and -6 per cent for Solomon

⁵ C. Bowman, "Why are we so keen on a single currency for the Pacific?", University of the South Pacific, Fiji (www.usp.ac.fj/index.php?id=2649).

⁶ See *Asian Development Bank - Key Indicators 2005*, ADB, Manila, 2005 (www.adb.org/statistics), table 20.

⁷ Ibid., table 21.

Islands. Other PSIDS also increased their imports from Asia, except for Palau, Samoa, Tonga and Vanuatu, which increased their imports from Australia, New Zealand and PSIDS themselves.

15. A significant and unfavourable trend for PSIDS is the decline in foreign direct investment (FDI), which for the whole PSIDS area plummeted from a high of US\$ 290 million in 1999 to a low of just US\$ 63 million in 2002.⁸ However, FDI increased to US\$ 141 million in 2003. Papua New Guinea alone accounts for well over half of FDI in PSIDS. Only Fiji, Papua New Guinea, Solomon Islands and Vanuatu have attracted FDI of some significance, reflecting the economic potential of their land and marine resources. The FDI per capita for PSIDS in 2003 was US\$ 16, compared with US\$ 41,189 FDI per capita for China, the recipient of the largest amount of FDI in the ESCAP region.⁸ Declining FDI in PSIDS reflects, in the main, the shortage of investment opportunities and the high cost of doing business in PSIDS, due to their isolation (high transportation costs) and the small size of their economies (small markets). A significant and encouraging trend is that Asian economies, particularly China; Hong Kong, China; and the Republic of Korea, are net exporters of FDI, although they are clearly investing in countries other than PSIDS.

16. Official development assistance (ODA) to PSIDS has also declined, from US\$ 106 per capita in 2000 to US\$ 89 in 2003. This compares favourably with ODA per capita for Maldives of US\$ 58 in 2000 and \$73 in 2003. The highest ODA per capita of the other ESCAP subregions is that for Central Asia, which was \$16 in 2000 and \$15 in 2003. The East Asian and South-East Asian subregions were net donors of ODA in 2002 and 2003, giving net ODA of over US\$ 1.5 billion in 2000 and over US\$ 3.3 billion in 2003.⁹

II. ECONOMIC AND SOCIAL DEVELOPMENT PRIORITIES OF PACIFIC SMALL ISLAND DEVELOPING STATES

A. Economic growth

17. The PSIDS economies are the slowest-growing developing country group in the ESCAP region. They grew by only 3 per cent in both 2003 and 2004, and even lower growth rates of 2.6 and 2.4 per cent are forecast for the two years up to 2006. The Pacific Plan identifies economic growth as a key goal and one of its strategic objectives to achieve that growth is the expansion of trade in goods within the framework of existing trade agreements (the South Pacific Regional Trade and Economic Cooperation Agreement, the Pacific Island Countries Trade Agreement and the Pacific Agreement on Closer Economic Relations) and with non-Forum countries. The challenge is to achieve, through the framework of existing trade agreements and with non-Forum countries, a higher rate of economic growth than the 3 per cent which was the PSIDS average rate of economic growth in 2003.

⁸ Ibid., table 23.

⁹ Ibid., table 26.

18. There are benefits in regionalism and indeed in global market integration, but it is the capacity of the local economy and government to draw up and implement plans to capture those benefits that determines whether integration is useful or not.

B. Trade

19. Regional trade agreements and bilateral free trade agreements are proliferating across the world, creating difficulty for PSIDS because their trade interests are excluded from those agreements.

20. Countries with which PSIDS have non-reciprocal trade agreements may also insist that PSIDS convert to reciprocal trade arrangements to be in line with regional trade agreements and free trade agreements that those countries have entered into or may be entering into with other countries. The initial impact on PSIDS of converting to reciprocal trade arrangements could be the loss of government revenues that PSIDS may currently be receiving through tariffs on trade with non-reciprocal trading partners. The extent of this loss depends on, among other things, the volume of trade currently taking place between PSIDS and their non-reciprocal trading partners.

C. Tourism

21. PSIDS have not fully exploited their tourism potential, although already tourism is the lead foreign exchange earner and employment source in many Pacific island countries. In Fiji some 507,000 tourists in 2004 generated employment equivalent to 9 per cent of total employment and 13 per cent of all income. In the Cook Islands, 83,000 visitors accounted for 47 per cent of the country's gross domestic product (GDP) in 2004. In French Polynesia, Samoa, Tonga and Vanuatu, tourism is the leading industry. International investment is already flowing into these PSIDS from well-known global tourist operators and investments in five-star hotels are being planned and some hotels are already under construction, particularly in the larger PSIDS. Most tourist visitors to PSIDS come from Australia, New Zealand and the United States. As the emerging economies of Asia continue to grow, the tourism potential of Pacific islands should also increase. There is a need to further promote Pacific tourism in Asian markets.

22. While tourism will continue to be a catalyst for socio-economic development, it is of crucial importance for the Pacific island countries to address issues relating to the leakage of tourism revenue arising from foreign ownership of tourism-related businesses and from the import of goods and services.

D. Information and communication technology

23. The PSIDS have already developed a Pacific Regional Digital Strategy, based on prior studies, especially the Communication Action Plan and the Pacific Islands Information and Communication Technologies Policy and Strategic Plan. Key priorities of the Pacific Regional Digital Strategy include: improving access to communications technology; reducing costs; linking PSIDS to the global ICT network; and improving the regulatory environment. PSIDS recognize that

the provision of reliable, competitive and low-priced telecommunication and ICT services are crucial to their sustainable social and economic development.

24. Satellite communications are viable and convenient for scattered island countries with small populations and poor communication infrastructure. Communication with the outside world by such means as optical fibre linkage, is expensive and beyond the resources of most PSIDS. However, the rapid advance in satellite technology and the drastic decrease in its cost make satellite communications an ideal alternative. Individually, the 19 PSIDS may not have sufficiently large populations but, collectively, their combined population of 8 million may be enough to warrant satellite connectivity.¹⁰

E. Infrastructure

25. Good physical infrastructure is essential for sound economic and social development. The theme study for the sixty-second session of the Commission, entitled “Enhancing regional cooperation in infrastructure development, including that related to disaster management” has analysed the state of infrastructure (transport, energy, ICT and water) in Asia and the Pacific. The study found regional cooperation to be a very effective modality for meeting increased infrastructure requirements in the areas of transport, energy and ICT. The study proposed the use of the region’s large financial surpluses for infrastructure investment in the countries of the region, particularly those with limited access to services and markets, such as the least developed countries and PSIDS. Existing institutions, such as ADB, and/or new institutions, such as the Asian investment bank proposed in the study, similar to the European Investment Bank, might mobilize and make available the requisite financial resources for investment in the development of infrastructure in the ESCAP region.

26. Infrastructure development in PSIDS has been largely funded from aid and development finance sources because of the lack of profitable investment opportunities in these island countries. In the current climate of declining development assistance, the need to improve the coordination of all aid donations has become more urgent. The Task Force for Regional Infrastructure Initiatives consisting of representatives of ADB, the World Bank, AusAid and NZAID has been established with a mandate to improve the coordination of donor assistance and their intervention programmes to develop PSIDS infrastructure.

F. Social development

27. There are many social issues which remain significant challenges to sustainable development in PSIDS:¹¹

¹⁰ ESCAP has invited a leading regional satellite service provider to make a presentation to Pacific leaders at the United Nations Summit (PLUS), to be held in Jakarta in April 2006, on the different scenarios of communication through satellites and optical fibres that PSIDS could adopt.

¹¹ The Pacific Plan’s strategic areas of intervention under the heading of sustainable development are poverty reduction, improved management of natural resources and the environment, improved health, improved education and training, improved gender equality, enhanced involvement of youth in the development process, increased levels of participation and achievement in sports, and the recognition and protection of cultural values, identities and traditional knowledge.

- Accurate and timely data on poverty are difficult to obtain. Using a purchasing power parity of \$1 a day as a measure of poverty, approximately a third of the PSIDS population is considered to be poor.
- The most common communicable diseases in PSIDS are respiratory diseases, influenza, diarrhoea, sexually transmitted infections and dengue fever. On the non-communicable disease side, the proportion of people with diabetes in the population of many PSIDS is among the highest in the world. Maternal health issues are of serious concern and are inadequately addressed in many Pacific island countries.
- Population growth and the continuing increase in urban drift have undermined social cohesion and created problems with the provision of potable water and sanitation infrastructure in many PSIDS urban centres.
- HIV/AIDS poses a real threat to PSIDS. While the numbers of HIV-positive people there are low, except where there is already a generalized epidemic, the rates of increase of HIV/AIDS are alarming. Pacific leaders have endorsed the Pacific Regional Strategy on HIV/AIDS (2004-2008), which addresses such issues as prevention, care and support, and human rights.
- Education indicators in PSIDS vary, particularly in respect of net enrolment rates, which are significantly lower in Melanesia. In some PSIDS, where there has been success in achieving high levels of access to education, issues concerning quality need to be addressed. There is also a growing need for education to reflect local social and economic priorities. A further concern is that most children with disabilities do not receive any education.
- Women remain severely underrepresented in decision-making bodies and high-level positions. Violence against women and children is also an issue of serious concern. PSIDS are party to a range of international commitments addressing the rights of women and children, including the Pacific Platform for Action for the Advancement of Women, the Convention on the Elimination of All Forms of Discrimination against Women, the Convention on the Rights of the Child, and the Stockholm Declaration adopted by the World Congress against the Commercial Sexual Exploitation of Children. However, the limited availability of sex-disaggregated data and gender indicators at the national level hinders the monitoring of progress in implementing these commitments.

G. Environment and sustainable development

28. The challenge posed by the need to manage the fragile environment of PSIDS is a significant one. The adverse effects on these fragile islands of climate change and sea-level rise, and the increased frequency and intensity of natural disasters are among the threats of greatest concern to PSIDS, especially the atoll nations. Where appropriate, PSIDS are developing and implementing national adaptation strategies in the context of the United Nations Framework Convention on Climate

Change. The support of various funding modalities, in particular the Global Environment Facility (GEF), underpins the implementation of the multilateral environmental agreements. A major difficulty for PSIDS in securing aid is that their national priorities differ from the aid approval criteria of the globally oriented GEF. The new Resource Allocation Framework of the GEF indicates that all PSIDS fall into the lowest indicative allocation of funds category under the climate change focal area, although they are among the countries that are the most vulnerable to the effects of climate change. As such, PSIDS will now have to focus on obtaining access to other sources of funding, including the Least Developed Countries Fund, the Special Climate Change Fund and many bilateral sources.

29. Activities are also being carried out to implement the Mauritius Strategy in the following areas:

- (a) Localization of the Mauritius Strategy and the development of national sustainable development strategies;
- (b) Setting up a regional institutional framework based on the Pacific Plan;
- (c) Establishing a stakeholder partnership to achieve a coordinated and integrated approach to disaster risk reduction and management.

30. Other components of the Mauritius Strategy and the Pacific Plan dealing with different aspects of environmental policy are equally illuminating and instructive for PSIDS and the international community, in particular the increased potential financial and economic benefits of investment in renewable energy, in the light of the continuing rise in fossil fuel prices.

III. OPPORTUNITIES FOR CLOSER ASIAN AND PACIFIC COOPERATION

31. The Pacific Plan, which provides a demand-driven framework for implementation of the key Millennium Development Goals and the Mauritius Strategy, sets out a range of areas upon which Pacific and Asian cooperation could be forged. As the Plan prioritizes Pacific solutions by Pacific people, it will play an important role in providing an overall framework for development in the area and will ultimately form the basis for partnership within and between Pacific countries, and between the Pacific and the rest of the world. Asian countries that have a substantial record of rapid economic growth and poverty reduction, as well as technical know-how and large financial surpluses, are well placed to assist PSIDS in their efforts to make better use of opportunities arising from globalization. Some of these opportunities are presented below.

A. Trade and investment

32. The dynamic growth of Asian countries provides PSIDS with an opportunity to diversify away from their historical trading partners (the European Union, Australia, New Zealand and other PSIDS). Asian countries could help PSIDS integrate into their dynamic trade and investment flows by providing PSIDS with additional market access preferences. In addition to encouraging PSIDS to join

the Asia-Pacific Trade Agreement (APTA), Asian countries (particularly the large and dynamic trading ones) could enter into bilateral economic partnership agreements with them. The core of the Forum's proposed economic partnership agreement would be a free(r) trade agreement whereby duty- and quota-free access for PSIDS exports could be provided. A second pillar would consist of an "aid for trade fund" to supplement preferential market access. This fund would provide budgetary support, thus compensating PSIDS for tariff revenue losses they may experience as a result of entering into a bilateral trade agreement/economic partnership agreement. The fund would also help to address many supply-side constraints, notably infrastructure bottlenecks that currently prevent PSIDS from supplying their products to Asian markets in a competitive manner. A third pillar would consist of wider economic cooperation programmes, spanning issues such as cooperation in science and technology, ICT, tertiary education exchanges/scholarships.

33. Given these developments and opportunities for Asian and Pacific cooperation, ESCAP is well placed to initiate research and capacity-building activities on selected themes of the Pacific Plan relating to trade and investment, especially:

- (a) A regional trade facilitation programme;
- (b) An investment programme;
- (c) The development and utilization of Mode 4 access in services trade.¹²

B. Infrastructure development

34. Apart from a supply of finance, Asian countries also could provide PSIDS with their expertise and experience in conceiving, building and maintaining infrastructure, on the one hand, and in the areas of infrastructure policies and institutions for improving infrastructure service delivery, on the other. The provision of technical assistance and finance for infrastructure development would also enable private-sector participation in this important area, as new investment in the infrastructure sector provides investors with the security they need to borrow capital, the absence of which has been one of the main reasons for the private sector's lack of participation in infrastructure in the developing countries, including PSIDS.

C. Information, satellite technology and telecommunications

35. In an effort to bridge the digital divide which has characterized and disadvantaged many PSIDS, ESCAP members, in particular the ICT-advanced and donor countries, may wish to assist PSIDS to implement the Regional Digital Strategy (which encompasses the Plan of Action of the World Summit on the Information Society) and, more specifically, help them develop ICT infrastructure, for example, by setting up a dedicated satellite communication system, building human and institutional capacity, developing relevant applications and content, and monitoring the progress

¹² Mode 4 of the General Agreement on Trade in Services deals with services delivered through the temporary movement of people.

of the Regional Digital Strategy, with a view to building an inclusive and development-oriented information society for PSIDS and facilitating their participation in the global knowledge economy.

D. Tourism

36. Tourism to Pacific island destinations, especially from Asian countries, is one of the key areas whose potential has not been fully exploited. Further, Asian countries have expertise that can assist PSIDS in terms of infrastructure development and human resource training, as well as sharing experience in attracting investment. The Plan of Action for Sustainable Tourism Development in the Asian and Pacific Region, phase II (2006-2012) and its Regional Action Programme for Sustainable Tourism Development (2006-2012) were adopted by the High-level Intergovernmental Meeting on Sustainable Tourism Development, held in Bali, Indonesia, in December 2005. The Meeting recognized that PSIDS required special attention from bilateral donors and international organizations to support national efforts to develop their tourism industries. Since the leakage of tourism revenue is a grave concern for many developing countries in Asia and the Pacific, the Commission may wish to recommend that, subject to the availability of resources, the ESCAP secretariat set up a forum under the regional tourism marketing and investment plan to enable Asian and Pacific developing countries to share experience on this subject.

37. PSIDS, through the South Pacific Tourism Organisation (SPTO), have extended invitations to several Asian countries to join SPTO. China joined SPTO in April 2004, five other Asian countries are considering the invitation to join and three further countries are in the process of being invited. Four PSIDS, the Cook Islands, Fiji, Tonga and Vanuatu, have received approval from China as destinations for Chinese tourists. ESCAP encourages its member countries to join SPTO, and other international organizations and agencies to support efforts to widen SPTO membership.

E. South-South cooperation in implementing the Millennium Development Goals, the Mauritius Strategy and the Pacific Plan

38. South-South cooperation is an important mechanism for linking the Pacific countries and different subregions/countries of Asia, especially in implementing the Millennium Development Goals, the Mauritius Strategy and the Pacific Plan. In that context, ESCAP started a regional project in 2005 on South-South cooperation for tsunami and other disaster risk management, marking the beginning of a new phase in the South-South cooperation activities of ESCAP. Through South-South cooperation, the project will facilitate a process driven by the participating countries that will allow Governments in the region, including those of interested Pacific countries, to share expertise in, experiences of and models for tsunami and other disaster risk management. It is expected that the project will, inter alia, develop a suitable institutional mechanism for South-South cooperation in the field of disaster risk management which could perhaps be replicated for other priority areas in Millennium Development Goal, Mauritius Strategy and Pacific Plan implementation.

39. The South-South cooperation mechanism could also be applied in the area of renewable energy development. Asian countries could assist PSIDS in the development of renewable energy resources, particularly solar energy, biogas, ocean thermal energy conversion and wind power. In 2005, ESCAP prepared a programme for renewable energy training in collaboration with the members of the Council of Regional Organizations of the Pacific (CROP) and, reflecting the Pacific Plan's prioritization of this issue, is continuing to work with member Governments and Pacific subregional organizations to secure support for this programme. In regard to energy issues, attempts have been made to link PSIDS energy issues to those of the other ESCAP subregions with a view to addressing energy needs through the Commission on Sustainable Development.

40. A further example of South-South cooperation could be the sharing of information on the following innovative approaches to poverty reduction that have proved effective in Asian countries and that could be offered for adaptation and replication, taking into account the varying social structures in the PSIDS:

- (i) Alleviating poverty (income and non-income) through community-based growth strategies such as micro-finance for self-employment and community-based tourism;
- (ii) Studying the potential for small and medium-sized enterprise-based rural development, including value adding, agro-processing and medium- to large-scale agro-processing;
- (iii) Maximizing the development impact of remittances;
- (iv) Strengthening economic institutions to leverage trade and investment opportunities for growth and poverty reduction.

41. ESCAP encourages Asian countries to support PSIDS in implementing the Pacific Plan and to increase their involvement in the economic and social development of PSIDS. ESCAP, the United Nations Development Programme and other United Nations agencies, along with other development agencies, can facilitate this process through their various programmes of support to PSIDS.

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