



GREATER MEKONG SUBREGION ECONOMIC COOPERATION
PROGRAM
SECOND ENVIRONMENT MINISTERS' MEETING
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**Sustainable Natural Resource Use and Economic Competitiveness:
Challenges and Opportunities**

By

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1. Honorable Deputy Prime Minister, GMS Environment Ministers, Excellencies, distinguished colleagues and friends. Let me start by thanking Madam Khempheng Pholsena for her inspiring opening remarks. I would also like to thank Lao PDR Government for hosting this meeting.

2. I believe that the theme and timing of this meeting is very opportune. The question of how we best use the natural resources of this earth to increase the welfare of our citizens of this generation and those to come could not be more relevant than it is today. The GMS countries have been part of an explosion of economic growth in Asia that is unprecedented in the history of mankind in its speed and breadth. But with that growth has come degradation of the environment on which we and our children ultimately depend to sustain us. That growth is also leading to an increase in consumption of, and with it record prices for, the products that come from the earth – oil, commodities and now even food. We do not believe the current patterns of resource use in the GMS countries can sustain growth, maintain GMS economic competitiveness or improve human welfare over time.

3. The challenge of changing the growth model is formidable, but the opportunities for the GMS countries are equally exciting. The genius of the GMS's approach is that they reject the simplistic notion that stewardship of our environment is a trade-off against growth, but instead see environment as a *driver* of growth. That is what we mean by environment *for* development. Discovering together how to do that will create new vistas for economic and environmental performance that will serve our citizens well for generations to come.

Key Challenges

4. First, let's look at the extent of that challenge. We know that average annual GDP growth rates of over 6% achieved during recent years will have to be maintained at 6-8% to halve poverty by the year 2015. But this past rate of growth has been accompanied by declining natural resource endowments and environmental degradation that are already becoming constraints on growth as the region depletes its natural capital. Declining resource use efficiencies and low natural replacement rates are contributing to dwindling water, forest, and fishery resources and land degradation.

5. For example, pressure on forests and fisheries resources, including many poor households who depend on those resources, continue to stretch response

capacities. Our analysis of FAO data on forest cover and condition in the GMS for 1990-2000 indicate that inefficient forest resource management has resulted in a forest capital disinvestment of over \$27 billion in the GMS. Yes, I did not misspeak – it is \$27 billion and it is unlikely any combination of investment plan can match up to this challenge. We have to halt and reverse forest loss and degradation. It is an environmental and economic imperative.

6. Similarly, our fish stocks from coastal and fresh water systems are collapsing under increasing demand and rapid growth in aquaculture and commercial fishing. These trends do not bode well for our poverty reduction and development goals in the GMS where millions depend on natural resources for their livelihood.

7. Increasing population pressure and intensification of agricultural production is contributing to land degradation, soil loss and nutrient depletion. The water sector is also increasingly vulnerable to the multiple threats of low water availability, poor water quality and high water extraction rates for irrigated agriculture, industrial use and hydropower development. Simply put – current resource patterns are putting our people, many of them low income, economic plans and environment at great risk.

8. Yes, these challenges are not new and they are not limited to developing economies. Today developed countries work hard to find ways to increase resource efficiency. That effort has gained new impetus with high world commodity and oil prices, a trend that is not likely to reverse itself in the coming years, barring a major slowdown in the global economy, which we do not expect. To remain competitive, all economies, developed and developing, must find ways of using natural resources more efficiently.

9. The current situation on this front in the GMS is not encouraging. For example, agriculture, water and forestry sector productivity in the GMS is 1/5th to 1/7th of the developed economies. In many cases GMS country resource productivity is 1/3rd of its neighboring developing countries in Asia. There is no reason why GMS forestry industry cannot match the resource use efficiencies of processing plants in Japan and South Korea - which have a recovery rate of 90% as compared to 30-35% in the GMS. Even rainfall use efficiencies in our agriculture sector are at best 55% and at worst at 20% of the annual rainfall. Such resource efficiencies pose serious challenges to our environment and economic aspirations and goals.

10. Climate change presents an added layer of complexity to the development process. The economic cost of the potential impact of climate change in developing countries is estimated at 5-9 percent of GDP – considerably higher than in industrial nations. GMS countries are particularly vulnerable. The extensive coastline and seasonal variability associated with tropical monsoons makes the countries of the Lower Mekong Basin especially susceptible to climate change. The projected shift in temperature and rainfall patterns and intensities will not only impact agriculture, but manufacturing and service sectors of GMS economies as well. Also of special concern are the rural and urban poor. Their tenuous access to adapting technologies and institutional support make them particularly vulnerable as climate change impacts their livelihoods.

11. The GMS has made a start on climate change with the launch in 2005 of the GMS Core Environment Program and its flagship Biodiversity Conservation Corridor Initiative. My colleagues tell me that BCI landscapes in the GMS can forewarn us about the potential impacts of climate change, much as a canary is used to detect gas in a coal mine. This will provide important data that can help us find ways to adapt to climate change.

What can be done?

12. The important policy discussions and the new tools and institutional approaches that have emerged from a decade of experience and that the CEP is building on - provide us the necessary capacity for addressing the dual challenge of low natural resource productivity and climate change.

13. In the coming years, promoting environmentally sound development will require concerted action in four key areas. First technology can lead the way in this effort and GMS countries must take full advantage of technological initiatives and opportunities to improve their economic competitiveness and environmental management:

- Adoption of innovative technologies and sound policies can enable the GMS to “leapfrog” the environmental and health costs the developed world has had to contend with. In the GMS, we have a good opportunity to decouple economic growth from environmental degradation.
- Examples of such technological innovations already taken up by GMS countries include mobile communication networks, light-emitting traffic lights and hybrid flexible fuel vehicles are some examples of leapfrogging technologies already taken up by GMS countries. Targeted and innovative deployment of bio- and nanotechnology can provide major resource use efficiencies and financial gains. For example, potential nano-technological innovations in paper industry could allow the reuse of damaged paper indefinitely. Similarly, deployment of biotechnology for waste treatment can result in substantial reduction in waste management costs.
- In the energy sector, green house gas emissions from energy represent half of all emissions in Asia. To mitigate energy-related emissions, energy efficiency improvements and low or zero carbon solutions need to be adopted. The ADB is promoting several energy and environmental programs, including the Energy Efficiency Initiative, Carbon Market Initiative and Sustainable Transport Initiative.
- The CEP is also exploring the role of carbon neutral GMS transport corridors that would combine deployment of fuel efficient freight engines, low carbon fuel supply chain, and sustainable forestry and watershed protection, as an integrated approach to economic competitiveness within the GMS. Responsible use of biofuels with sufficient attention to environmental and food security concerns is another opportunity that needs your attention.
- GMS countries must take full advantage of these initiatives and opportunities to improve their economic competitiveness and environmental management.

14. Second, mainstreaming of environment should add value and increase the performance of the core economic sector investments. This explicit linking of improved environmental management to performance improvements in key economic sectors such as energy, transport, tourism and trade is essential for securing sustained environmental and economic performance gains. CEP initiated Strategic Environmental Assessments are a good tool for accomplishing this integration, and greening the development planning process in the GMS.

15. Third, it will be important to strengthen partnerships with civil society and the private sector to provide effective mechanisms for implementation, technical and knowledge resources to leverage sound policies and institutional reforms in support of integrated development. The Biodiversity Corridor Initiative, for example, works to build trust among all the various stakeholders in the Corridors and ensuring that their views are incorporated in the design and implementation of all GMS projects. The Phnom Penh municipal water supply system is another excellent example of such partnerships. Its work with stakeholders was key to cutting water supply system losses to levels that are better than many European cities.

16. Fourth, fostering private-public partnerships will be necessary to mobilize the needed human, technological and financial resources. It is important to note that new environmental technology related business in Asia is likely to reach over \$212 billion in 2015. Yearly spending on waste management in GMS countries especially PRC and Thailand is expected to increase from about \$2 billion in 2007 to over \$6 billion in 2015. I believe GMS countries are well placed to take advantage of this emerging market. .

17. Indeed, the private sector is already playing an increasingly constructive role, an acknowledgement that preserving the environment is also good business. Many firms are working to reduce their environmental footprints and adopting cleaner production options. I am pleased to note that this afternoon we will be hearing more on this subject from a globally reputed private enterprise.

18. However, the capacity of both private and public sector to engage in the environment technology sector is limited in many countries of the subregion. We need to address this capability gap by assisting communities, businesses and stakeholders to capture the business opportunities. Equally important is the need for transparent and pro-environment fiscal policies that can catalyze investments – both from private and public sectors. GMS governments and leaders will have to ensure that an enabling policy and regulatory environment is in place for translating this potential into tangible gains.

Conclusion

19. Honorable Ministers, under your able leadership and guidance, I believe the Working Group on Environment and CEP is well placed to rise up to the challenges, and seize the opportunities that lie within our reach. Seeing this distinguished gathering of Environment Ministers, development partners, civil society and other stakeholders, I am confident that the recommendations of this meeting will help us effectively respond to challenges that we need to overcome for improving economic and environmental performance in the GMS.

20. I can assure you that you will find ADB as a responsive and active partner in this endeavor.

Thank You!