

*Strengthening integration of transition  
economies into the world economy through  
economic diversification*



# ROUND TABLE 1

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**Milica Uvalic (moderator)**  
University of Perugia  
*DESA, UN and UNECE, Geneva*  
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## *Round Table 1 - Objectives*

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*Coordinating the efforts of international and domestic institutions to diversify production in the countries with economies in transition*

- CIS, Western Balkans
- Institutions that facilitate productive diversification, at national, regional and international level



## *Round Table 1 - Objectives*

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- 3 questions:
  - (1) Which institutions are needed to diversify the economy?
  - (2) What support are international institutions providing?
  - (3) What are the strategies to improve these institutions – domestic and international?



## *(1) Domestic institutions*

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- Further progress in structural and institutional reforms, also in countries lagging behind (→ convergence)
- Market-enabling reforms, though not second and third-phase reforms (financial sector, competition policy...)
- Productive diversification: through FDI, trade... but *not enough!*



## *Domestic institutions*

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Lessons from CEE countries

- Business environment crucial for FDI (*Doing Business* indicators), but
  - Transparency
  - Enforcement of laws (timely judiciary reforms)
- Maintaining competitiveness



## *Domestic institutions*

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Promoting further diversification

- Attract FDI in higher value-added sectors (compensating for the outflow of earlier FDI)
- *Major constraint*: shortages of skilled labour (educational mismatches)
- → Investment in human capital – education, R&D, S&T (neglected)



## *(2) International institutions*

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- Important role in sustaining diversification (institution-building, trade, finance...)
- UN and its agencies (UNECE)
- EU policies
  - EU Enlargement Policy (Western Balkans)
  - EU Neighbourhood Policy (CIS)
  - Russian Federation – Strategic Partnership



## *EU – Western Balkans (candidates and potential candidates)*

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Since 2000 → 2 parallel processes

- *Integration WB-EU* through the SA Process: trade access, SAA → EU membership, financial assistance programmes (CARDS + IPA), adoption of *acquis* in many areas  
→ important stimulus to reforms
- *Regional integration*: trade liberalisation & integration among the WB Cs (CEFTA)



## *EU – CIS*

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- EU Strategic Partnership with Russia
- EU Neighbourhood Policy – “everything but institutions” (Prodi, 2002)
- Different framework than for the WB, (conditionality, accession prospects...)
- Yet important similarities



## *EU & neighbourhood – WB and CIS*

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- Similar objectives (capacity building, trade...) + instruments (Road maps, Action plans, financial & technical assistance...)
- Result? Increasing economic integration (trade, FDI, financial markets, sectoral cooperation, selective adoption of *acquis*)  
→ stimulus to reforms, promoting further productive diversification



### *(3) Future strategies*

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- Better coordination of international and national policies to promote further economic diversification
- International support policies insufficient, if absorption capacity is not there → reforms of public administration & institutional capacity building
- Better alignment of priorities



## Concluding...(wrap up question)

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- Are the discussed initiatives for promoting diversification sufficient – are they already contained in the *Monterrey Consensus Financing for Development* document?
- If not, what should be added to the Doha Review document so that the issues raised here would be properly addressed?
- Concrete recommendations?