

**SIXTY-FOURTH SESSION OF THE ECONOMIC COMMISSION
FOR EUROPE**

Palais des Nations, Room XIX

29 March 2011, 11:00-13:00

**Item 2: Economic integration in the ECE region: developments and
new challenges in light of the economic crisis**

Issues Note

The Commission is responsible for making strategic decisions on the UNECE Programme of Work and also provides a forum for policy dialogue on the economic developments in the region. Hence, the Biennial Session of the Commission provides an opportunity for its member States and the UNECE's other intergovernmental partners to provide their strategic vision of how the effectiveness of the organization could be enhanced.

The objective of the discussion under agenda item 2 "Economic integration in the ECE region: developments and new challenges in light of the economic crisis" is to discuss the economic situation of the wider-European region with a focus on recent and anticipated developments regarding trade and financial integration within the region and the region's integration into the wider global economy. This includes a discussion of the region's overall global competitiveness, its progress in recovering from the recent financial and economic crisis and other technological, environmental or social developments that might impact its economic situation. The objective is to consider how the work programme of the UNECE could or might be adjusted over the coming two years in order to deal with the new challenges deriving from these changes.

Before engaging in a more focused discussion in the afternoon (see full programme in provisional agenda) of how changing economic circumstances could be reflected more specifically in the work programme of the ECE, this session will begin with several presentations providing broad overviews, from several different perspectives, of the economic situation especially in regard to trade and financial integration, competitiveness, and promoting sustainable development and the role of and need for intergovernmental cooperation in helping to address the current challenges.

The ECE region is the most highly integrated region of the world. Nevertheless this integration process is far from complete, even within the most highly integrated sub-regions but especially between the East and West due to the decades in which they followed different development paths. Prior to the beginning of the financial crisis in 2007, significant progress was being made in terms of increasing trade and investment flows throughout the ECE region and closely connected to this had been some convergence in living standards. In addition, the institutional structures that govern these movements of goods, services and capital were being improved and further adapted to deal with newer challenges regarding migration, technological transfers,

and environmental externalities. Nevertheless, numerous trade barriers remain; progress in achieving WTO membership for all the ECE economies has been poor; border crossings are often quite time consuming and involve excessive amounts of paper work, health and product standards are often incompatible; some transboundary environmental issues remain unaddressed; transport networks – both rail and road – are often less than adequate; the energy infrastructure is limited and characterized by a number of important choke points or bottlenecks; financial restrictions still limit capital flows; and migration, even within sub-regions such as the EU or the CIS, remains restricted. Given these limitations on integration, what are the key areas where significant progress is possible and what role could the UNECE play in addressing these challenges?

Beginning in 2007 the global economic crisis impacted the ECE region especially hard, with large declines in GDP as well as in trade, investment and capital flows. Intergovernmental cooperation proved critical in containing the crisis and as a result most of the region is currently experiencing a moderate recovery. However, in many regions unemployment remains high and sovereign debt levels have become problematic. To what degree has the crisis set back progress in promoting integration and could its aftereffects constrain future progress?

In view of the above, the discussion on this theme will address the following issues and the role of the UNECE:

- a) What are the latest economic developments in the ECE region? Is the crisis over? What has been learned?
- b) What were the changes concerning the trade, investment and remittance flows within the region (both in volume and direction) that resulted from the economic and financial crisis?
- c) How successful were the regional institutional structures in avoiding beggar-thy-neighbor restrictions on these flows? How effective were the main coordinated responses that were implemented during the crisis at the regional or sub-regional level and what was their impact in minimizing its consequences?
- d) To what extent have these flows, and the region's more general global competitiveness, been affected by longer-run structural changes that are occurring in the world economy, e.g. by the rapid growth of Asia, accelerating technological change and increased globalization?
- e) What new initiatives could be envisaged under current economic circumstances that could strengthen regional economic cooperation and integration within the ECE region?
