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High-level dialogue

UNECE at 70: Economic integration and cooperation towards 2030

Background note by the secretariat

I. Mandate

1. The rules of procedure of the United Nations Economic Commission for Europe (UNECE) require basic documents to be prepared in relation to the agenda items, as appropriate. This document is being submitted to support the discussion under agenda item 2 of the high-level segment.

II. A history of achievements

2. UNECE emerged in a devastated Europe, where the ravages of war had left behind wretched human conditions, damaged basic infrastructure and severely disrupted international trade networks. The creation of UNECE was an expression of a shared belief in the role of international institutions. International cooperation could support economic recovery in Europe and, through the improvement of economic conditions, provide a solid foundation for the preservation of peace on the continent. From its beginning, UNECE made an important contribution to closer economic interaction in the region and, hence, to improving the living conditions of the population. For a long time, it was the only organization that kept alive the idea of a pan-European region beyond political divisions.

3. Over the years, the landscape of international economic organizations in the region has become increasingly populated with new actors. In particular, institutional integration groups have emerged, including the European Union and, more recently, the Eurasian Economic Union. Organizations such as the Organization for Security and Cooperation in Europe, the Organization for Economic Cooperation and Development and the Council of Europe are also part of this landscape. However, UNECE retains a unique role as part of the United Nations family at the regional level for its wide membership and its power to

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convene all countries and a broad range of stakeholders in the region. Being part of the overall United Nations system means that UNECE provides a multilateral platform to connect regional issues with global concerns and goals and to collaborate closely with other United Nations organizations in the region. These strong assets will facilitate the contribution of UNECE to addressing the evolving challenges that the region will face in coming years.

4. The mandate of UNECE is very broad: “initiate and participate in measures for facilitating concerted action for the economic development and integration of Europe, for raising the level of European economic activity, and for maintaining and strengthening the economic relations of the European countries both among themselves and with other countries of the world”. A broad mandate involves the capacity to adapt in a flexible way to the various challenges that have emerged since its creation, in response to the demands of member States.

5. In the first years after its creation, economic recovery, addressing the fragmentation of Europe through restored transport links and the reactivation of trade were the main priorities. Other issues were progressively incorporated and the agendas of the UNECE sectoral Committees evolved as new concerns emerged. Since the 1970s, environmental considerations and challenges have been recognized as increasingly important, both globally and in the work of UNECE, through initiatives that sometimes originated in the sectoral committees. Pioneering discussions on the negative implications of growth — a harbinger of the debates around the concept of sustainable development — took place at UNECE. Today, environmental issues concerns are considered as important as economic and social issues when trying to shape a sustainable, prosperous future. Sustainability issues are central to UNECE work on transport, energy, housing, forest and in other areas of activity. For many years, UNECE statistical work, with its more than 30 recommendations, has played an important role in advancing measurement issues for informed decision-making including on sustainable development.

6. Through its history, UNECE has produced a sizeable body of conventions, norms, standards and best practice guides as the result of the work of national experts with the support of the secretariat. Some of this work has acquired significance beyond the UNECE region. For example, UNECE played an important role in the harmonization of trade procedures with a number of initiatives that, in 1990, led to the adoption of the United Nations Rules for Electronic Data Interchange for Administration, Commerce and Trade (UN/EDIFACT), a set of internationally agreed standards for the electronic exchange of data that made paperless trade possible. UN/EDIFACT accounts for over 90 per cent of all electronic data interchanged (EDI) messages circulated globally. Today, there are 40 widely-used international recommendations for trade facilitation and over 440 related electronic business standards. A number of these are referenced in international agreements, including the World Trade Organization (WTO) Agreement on Trade Facilitation.

7. The adoption of the Customs Convention on the International Transport of Goods under cover of TIR (TIR Convention) in 1959 made a great contribution to facilitating the transport of goods across Europe. The TIR Convention has been increasingly used in other parts of the world. Overall, there are 57 international agreements and conventions that provide the international legal and technical framework for the development of international road, rail, inland waterway and combined transport in the UNECE region.

8. Most of the conventions negotiated since the 1990s concern environmental issues, thus reflecting the prominence that these matters have acquired and their impact on human well-being. Five multilateral environmental agreements (MEAs) and related protocols cover key transboundary challenges for the region: air pollution, environmental impact assessment, water, industrial accidents and access to information, public participation in decision-making and access to justice in environmental matters. Some of these conventions

started as regional instruments but have already been opened or are in the process of opening up for accession by non-UNECE countries. The work under some of these MEAs, in particular capacity-building, has for a long time included States outside the UNECE region.

9. Work on standardization has been a strong tradition at UNECE since the early years of the organization, when an important focus was the facilitation of exchanges between countries with different economic systems. UNECE activities have resulted in standards in multiple areas, which address a range of different needs: from facilitating economic interaction and increasing resource efficiency to incorporating environmental concerns and increasing safety for consumers and the population at large. This work remains a core business area for UNECE, and extends also to conformity assessment techniques and the recognition of different standards. UNECE has produced over 100 specific standards for agricultural produce, close to 20 best practice recommendations on regulatory cooperation as well as risk management, quality infrastructure, market surveillance, education on standards and use of international standards.

10. In addition, capacity-building activities to assist member countries in adopting and implementing UNECE conventions and norms have become increasingly prominent, sometimes in collaboration with other partners.

11. The above are just a few examples of the normative activity of UNECE, which has evolved as emerging problems and shifting concerns require new solutions. This work has had a significant impact on facilitating trade and transport links in the region, with lower transaction costs contributing to increased exchanges and prosperity, and on reducing environmental pressures, managing forests sustainably and increasing energy efficiency.

12. The work of UNECE has relied on close collaboration and partnerships with other international organizations. The partnership with the Food and Agriculture Organization (FAO) on forest issues is the oldest, having been forged in the early years after the creation of UNECE. Since then, multiple forms of collaboration with various organizations have been established. These have allowed the pooling of resources and expertise, thus increasing efficiency and impact. The intergovernmental process underpinning UNECE work and the multisectoral scope of its activities framed in the context of economic integration remain important assets in attracting partners.

13. Beyond these concrete achievements, UNECE retains value as a platform for exchanging experiences on technical issues, policy options and their impacts, thus contributing to knowledge diffusion and the harmonization of national practices. This intergovernmental platform has been open to the participation of many different kinds of actors (non-governmental organizations, private sectors and academia), including sometimes as part of government delegations.

14. Articulating a vision for the future of the region requires a space where multiple views across different sectors are expressed and future intentions are communicated. Throughout its long history, UNECE has provided such a space. New challenges and opportunities have emerged, and the 2030 Sustainable Development Agenda provides the vision and direction to deliver a more prosperous and sustainable future for all. UNECE can play an important role in translating this vision at the regional level, as it continues to connect countries, drive progress and improve the lives of all citizens in the region.

III. The challenges and opportunities ahead: a vision for the future

15. Since the creation of UNECE, the region has experienced significant increases in prosperity, although this overall positive trend has been punctured by a number of crises. Growth drivers have also changed: while the initial emphasis was on the mobilization of resources and the restoration of damaged infrastructure in a post-war reconstruction context, current concerns include the need to improve the use of resources as well as fostering innovation and creativity in our knowledge-based societies; all while leaving nobody behind.

16. Connectivity — not only physical but also through other channels that facilitate the exchange of ideas, complex forms of collaboration and access to markets and technologies — has become a central issue in the efforts to promote prosperity, both at the national and the subnational levels. These efforts have been underpinned by new forms of collaboration between the public and the private sectors.

17. UNECE member States face many challenges that require appropriate policy actions. Economic dynamism is the foundation of increased prosperity but growth cannot come at the expense of social inclusion or environmental degradation. The real threat of climate change and the inescapable trend of ageing societies require crafting models of development that provide new growth drivers while ensuring inclusiveness and reducing the environmental footprint.

18. All UNECE member States confront these problems. Despite national disparities, there is a common thread: the goals of economic prosperity, social inclusion and environmental sustainability cannot be addressed in isolation. There are multiple linkages, synergies and trade-offs that require an integrated perspective.

19. These challenges are not new. On the contrary, they reflect well-established adverse trends that need to be addressed urgently, as the cost of inaction or inappropriate responses increases as time passes. These problems have become a rallying point to galvanize public action, and therefore they are also an opportunity to create a better, more sustainable basis for economic development.

A. Trends and challenges ahead

20. Despite this overall positive picture, some challenges loom ahead. The region is still reeling from the latest setback, the global financial crisis of 2008, and is yet to overcome a legacy of sluggish investment and low productivity growth. Economic expansion has picked up recently but at rates that are generally well below those observed in the pre-crisis period. Roughly speaking, labour productivity growth has halved over the last decade in comparison to the previous one. In many cases, the process of economic convergence, where countries with lower income grow more rapidly, has slowed. In some cases, these overall trends have been accompanied by rising inequality. Trade, which facilitates economic specialization and is a channel for the diffusion of innovation, has also slowed, partly reflecting the weakness of investment.

21. Intraregional trade (i.e. among UNECE countries) accounts for the bulk of total trade, but its relative importance has been declining, reflecting faster economic growth in countries outside the region and geopolitical tensions within the region. The share of merchandise exports among European countries in their total trade, according to the United Nations Conference on Trade and Development data, declined to 67 per cent in 2015, down from 74 per cent one decade earlier.

22. Ageing — in itself an indicator of success — is a well-established trend that will transform our societies and will require appropriate policy responses. Projections show that 21 per cent of the population in the UNECE region will be aged 65 years or older by 2030, while children below 15 years old will account only for 17 per cent. Longer lives and an ageing population require the rethinking of a broad range of policies and new statistics to adequately capture the implications of this trend.

23. Despite progress, environmental pressures have not been fully addressed. Large differences in levels of sanitation and access to drinking water persist. Resilient ecosystems, clean air and water, efficient resource use, sustainable management of chemicals and waste, and sustainable cities are essential to preserve the planet and the health of the population. Environmental challenges are more systemic, multi-faceted, complex, and intertwined with socio-economic factors. Climate change is a major threat to economic prosperity, health and environmental sustainability, compounding and accelerating other environmental risks.

24. Poor air quality is now the greatest environmental health risk to the population of the UNECE region. The proportion of the population living in areas exceeding the World Health Organization (WHO) air quality guideline values varies by pollutant but remains significant. In the WHO Europe region, the health burden of pollution, including premature deaths and morbidity, was estimated to represent 10 per cent of the Gross Domestic Product or more in half of the countries in the region in 2010. In addition, air pollutants continue to damage ecosystems and the built environment, and also influence climate change.

25. Across the region, competing interests for land resources are widespread. Heavy metals and persistent organic pollutant concentrations in the environment have on average been reduced, though hotspots remain.

26. Living within planetary boundaries will require fundamental transitions in energy, food, mobility, and urban systems. This requires integrated, cross-sectoral answers that go beyond incremental responses to more systemic changes to decouple resource use, including material footprints, from overall economic performance, decarbonize energy and transport systems and reduce other harmful emissions, restore ecosystems and ecosystems services, and reduce food loss and waste.

27. National energy strategies in the UNECE region are varied, reflecting differences in economic development, resource availability, and policy preferences. Large-scale changes in how energy is produced, traded, transformed, and consumed are required, as the energy sector accounts for 60 per cent of total global greenhouse gas emissions. This transformation, which is closely linked to the implementation of the 2030 Agenda, will require a systems perspective to shape overall policy. It will also require a radically different approach in the way we perceive energy — not as a series of commodities but as services. However, the rate of improvement in energy efficiency, the deployment of net low carbon energy solutions, and the provision of sustainable access to modern energy services are insufficient today, so a faster pace of progress is required.

28. Energy access is not the only issue that matters for the future energy systems of the region. Affordability issues are also critical as the share of population in the region for whom energy poverty is an important issue is non-negligible, in particular in relation to heating. In parts of the region, there is a legacy of older, often poorly insulated buildings with inefficient heating systems which are unaffordable without significant subsidies. In addition, quality of service is also an important dimension of access.

29. To avoid exceeding the amount of carbon emitted that is consistent with the objective of limiting global warming to 2°C, and to set the stage for future reductions in atmospheric greenhouse gas concentrations, all options for reducing energy's net carbon intensity must be developed and pursued urgently. The contribution of the energy sector to

advance the 2030 Agenda will falter in the absence of concrete measures to improve energy productivity, optimize energy resources, and deploy both new energy technologies and sustainable energy infrastructure.

30. Forest cover in the region has increased in a sustained way over the last decades, with a 1.5 per cent increase between 2000 and 2015. At the same time, the area of forests certified as sustainably managed expanded by 45 per cent between 2006 and 2013. Forests are a significant carbon sink (255 million tonnes of carbon per year between 2005 and 2010). The substitution of products and energy from sustainably managed forests for non-renewable materials and energy sources also contributes to climate change mitigation. There is potential to develop all these approaches further, while maintaining or increasing economic benefits to forest owners. However, there are trade-offs between these and other forest management objectives, so policy choices will determine final outcomes.

31. On the basis of these choices, which reflect the different priority attached to various objectives (from maximizing biomass carbon to promoting wood energy, biodiversity preservation, or a more general emphasis on innovation), different impacts can be expected. Under almost all scenarios, biodiversity remains a main concern. Changing climate conditions, whose effects will vary widely by geographic area and forest type, will also create a need for adaptation that can be supported by appropriate forest management.

32. Forest sector policies, institutions and instruments in Europe are generally effective but the challenges posed by climate change, energy and biodiversity loss issues are exceptionally complex and long term, and require profound changes if they are to be satisfactorily resolved. Effective cross-sectoral policy making and strong political are essential to mobilize enough wood for energy, to implement the right balance between carbon sequestration and substitution, to conserve biodiversity without sacrificing wood supply, and thereby to make the best possible contribution to economic prosperity, human well-being and environmental sustainability.

33. An estimated 70 per cent of the world's population will be living in cities by 2050. Therefore, cities will remain the focus for key challenges that the UNECE region will face, including the need to devise sustainable and healthy mobility solutions, increase energy efficiency and reduce pollution. But urban agglomerations will also remain a major driver of economic dynamism and will be reshaped by the possibilities opened by new technologies and the needs of ageing populations.

34. The general tendency towards urban sprawl raises problems for environmental sustainability due to increased car dependency and soil sealing while leading to greater expenditure for sustaining oversized infrastructure. On the other hand, the shift to cleaner, greener manufacturing and intelligent transport systems can reduce spatial demands.

35. The rise of the knowledge economy and digitalization is opening new possibilities for employment and the organization of production, with implications for urban planning. The search for new models of sustainable urban development that harness the potential of innovative information and communication technologies to shape smart, sustainable cities is a well-established policy trend. Technologies can create an enabling, networked environment, where new solutions and forms of collaboration are possible.

B. Delivering the necessary change for a better future

36. The wide range of changes required to put the economies of the region on a path towards sustainable development opens multiple possibilities for concerted action in many areas. The varied normative outputs and policy frameworks of UNECE can make an important contribution to supporting national policy efforts and to guide the decisions of economic actors in support of sustainable development.

37. Rapid technological changes are creating new possibilities for economic interaction and shifting the way in which we consume. These changes may contribute to finding solutions to existing problems but they will also raise new issues, as, for example, they make possible new forms of organizing production and have an impact on the geographic and sectoral distribution of economic activity and trade.

38. The “fourth industrial revolution” is proceeding at a rapid pace, with changes that will affect multiple sectors in a systemic way, as the effects of digitalization and massive computing power fundamentally change production, management and consumption possibilities. Transportation and trade costs will decline as the scope for electronic trade increases and intelligent transport systems emerge. Enhanced connectivity will create new possibilities to devise smart and efficient solutions to urban challenges in cities and integrate energy systems as well as new forms of human interaction. These changes, which will reshape the interplay between technologies and the physical world, will also alter the scope and instruments of policies.

39. Regulatory changes will be required to reap the benefits of these new technologies (for example, to address coordination problems in automated driving or to shape the future smart sustainable cities). But regulation will also need to adapt to an environment where changes will be faster and more decentralized than previously. UNECE provides a well-established platform to facilitate exchanges and discussions on these new technological developments and their various implications. The adoption and dissemination of these technologies can be supported by UNECE recommendations and compilations of good practices.

40. In a context of slowly growing productivity and continued environmental pressures, the search for increased efficiency will remain paramount. UNECE normative work has contributed to this increased efficiency — both in the private and the public sectors — and will continue to do so. Those savings compare well with the modest budget of the organization. For example, the Occupational Safety and Health Administration of the United States Department of Labor estimated that the adoption of the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) as of 2015 would result in savings of around \$800 million, a large multiple of the UNECE regular budget.

41. Widely used trade facilitation and electronic business standards tools developed under the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) continue to deliver significant value for business. For example, in Odessa (Ukraine), the establishment of a Port Community System based on UN/CEFACT recommendations and standards resulted in economic gains close to \$200 million. Transport regulations have multiple social and economic impacts. For example, the impact of a new UNECE testing method for cars regarding pedestrian safety introduced in 2014 was estimated by the German Federal Highway Research Institute to lead to annual cost savings close to \$90 million.

42. UNECE work not only saves money, thus freeing resources, it also contributes to saving lives. For example, the latest Scientific Assessment under the 1979 Convention on Long-range Transboundary Air Pollution estimates that related abatement measures have resulted in an extra year of average life expectancy.

43. The search for economic efficiency fits well with one of the principal aims of the 2030 Agenda on sustainable use of resources and will lead to continued efforts to reduce regulatory costs, while at the same time ensuring that consumers and the environment are protected.

44. Overall, there is a need to develop a new growth narrative that contributes to dispelling existing uncertainty and providing a new impetus for the economies of the region. The 2030 Agenda, with its promise of shared prosperity and environmental

sustainability, shapes a strong vision for the future that contributes to this necessary narrative. The 2030 Agenda can have a powerful impact on shaping expectations, and these expectations will influence future economic performance, as different economic actors anticipate that resources will flow to those areas identified in the Agenda — from energy efficiency, the shift to renewables and improved road safety to water management and sustainable housing. Perceptions of a strong commitment to this Agenda may therefore in themselves be a factor supporting structural change.

45. Progress in implementing the 2030 Agenda will depend on the extent to which the business sector is effectively engaged in contributing to the necessary change. Sustainable Development Goals (SDGs) can be understood as business opportunities, signaling areas where policy action is going to create demand and encourage investment flows. UNECE work on norms, standards and conventions will contribute to creating the regulatory environment that will guide these flows. There is therefore a need to better understand the implications of UNECE normative work to advance SDGs and to create the necessary conditions for change by influencing the way in which economic actors operate.

46. In many areas of work of UNECE, the private sector is the direct or indirect beneficiary of most of the recommendations and standards developed, and often also functions as implementer or implementing partner. Therefore, the quality of UNECE outputs and its policy responsiveness in these areas depends heavily upon partnerships with both the private sector and civil society. Examples of these partnerships include the Public-Private Partnerships (PPP) Business Advisory Board, which provides pro bono technical advice to governments on PPP standards, PPP projects and policies; the multi-disciplinary, multi-stakeholder project teams who develop best practices and standards for agricultural trade and for the Trade Facilitation Recommendations under UN/CEFACT.

47. The transition to a green and inclusive economy, as an approach to redirect consumption habits, investments and trade, is a promising avenue to achieve sustainable development in the region and beyond. Decoupling economic growth from environmental degradation would require stimulating green investments, valuing natural capital, and promoting sustainable consumption and production, energy and resource efficiency and innovation. This transition will create momentous shifts in the allocation of resources and could be an engine of growth and net generator of jobs, in addition to providing other benefits to human well-being in the long term.

48. Understanding the magnitude of the transformation is necessary to develop effective policies to facilitate this transition, including by building new skillsets and providing social support to those who may be negatively affected. More sustainable consumption and production patterns, including through the reduction of food waste, are needed for a greener, more sustainable future. UNECE work on agricultural quality standards and electronic business standards for agricultural trade can also make a contribution in this regard.

49. The transition to a green economy will require support from two critical levers: successful integration of different policy areas and initiatives (policy coherence) and a clear framework for the initiatives of different economic actors (policy certainty). Hence, this transition will need enhanced cooperation among and within countries, because policy measures, including market-based instruments, deliver better results if implemented in a clear, predictable and coordinated manner. Cooperation also allows actors to build on one another's knowledge, experience and good practices, and helps to engage more effectively the private sector and civil society, whose role and influence increasingly go beyond national borders.

50. By building on the knowledge base, policies and actions at both the regional and national levels, and by addressing key constituencies, the Pan-European Strategic

Framework for Greening the Economy will help to advance such cooperation. The Batumi Initiative on Green Economy (BIG-E), covering the period 2016-2030, comprises voluntary commitments by interested countries and organizations, both public and private, in the form of green economy actions that will contribute to the operationalization of this Framework.

51. The transformation of energy systems, in particular, is going to figure prominently in the policy agenda and remain a major focus of attention for investors and companies in the years ahead. If successful, by 2030 energy productivity will have improved significantly throughout the region. The energy system will function as an integrated whole, with flexible and efficient energy supply and energy use in all sectors interacting dynamically and transparently, thereby enabling major contributions, from intermittent energy sources in both on- and off-grid applications.

52. Energy performance in buildings and cities will need to improve dramatically by 2030, with lower energy consumption being accompanied by increased use of renewables or zero carbon sources. Transport must reduce its carbon dioxide emissions by 25 per cent, methane emissions from the extractive industries must decline by 60 per cent, and the overall net carbon intensity of the energy system to one third of current levels. At the same time quality of service, affordability, and quality of life must meet societal requirements as expressed in the 2030 Agenda and in the Paris Agreement.

53. In this significant transformation, the share of fossil fuels in the energy mix in the UNECE region is expected to drop from 80 per cent to 40 per cent by 2050, although there is significant subregional variation around these figures. This is a large fall, but would still leave a critical role for fossil fuels, a fact that is not always duly recognized in policy discussions.

54. Renewable energy output nearly doubled from 1990 to 2014 across the region and increased from 6 per cent to 12 per cent of the total energy consumption. Doubling the share again will depend on the potential for renewable energy, prevailing energy market conditions, and available socio-economic drivers. In particular, wood, which continues to be the leading source of renewable energy, is the object of increased policy attention in many countries. These policies aim not only at mitigating climate change, but also at increasing energy security by promoting alternatives to imported and costly fuels.

55. In fostering this transition, the development of internationally recognized minimum energy performance standards in all sectors will be important. There are multiple policy initiatives aiming to reduce energy waste, both in the UNECE region and beyond. In 2015, mandatory energy standards covered 30 per cent of fuel used worldwide, up from 11 per cent in 2000. Investors directed \$221 billion into incremental energy efficiency improvements (around 14 per cent of the global spending on energy supply), up 6 per cent from 2014.

56. Increased energy efficiency in buildings, which account for 40 per cent of the global energy demand, is a prime area for reaching higher energy savings. Vehicle efficiency standards cover almost three quarters of car sales worldwide, with savings that represent around 2.5 per cent of oil demand. The International Energy Agency forecasts that energy-saving products and service markets will grow by 7-8 per cent annually in the next two decades. The costs related to saving energy through energy efficiency measures are typically much lower than the costs related to generating new energy. Developing standards and guidelines for improved energy efficiency in different sectors can become an increasingly important area of activity for UNECE.

57. Environmental and energy-use considerations are likely to weigh heavily not only on the development of new technologies and their use but also on the creation of new infrastructures. There is a need to carry out comprehensive assessments of the costs and benefits of new projects and initiatives. Growing awareness of the costs of pollution and

other environmental damage, driven by mounting scientific evidence, will have an increasing influence on investment decisions and the way in which we shape our cities and transport and energy systems. Time is of the essence here: current decisions on infrastructure will shape the future for many years. On the other hand, not only physical infrastructure matters. Regulations and standards that define how we use this infrastructure may have a great impact on resource efficiency. This “soft” normative infrastructure is a core area of work for UNECE.

58. Among the multiple variables that can be considered in devising future scenarios for the development of the UNECE region, ageing is the trend that can be identified with most certainty. While none of the UNECE countries will escape ageing, appropriate policies could make an important contribution to offsetting key implications of this trend. This will require changes in the educational, social, health and welfare systems. Age-friendly housing and transport infrastructure, consumer goods and services need to be developed. Supported by the right policy choices, ageing populations can continue to make important contributions to economic and social life. The shift in the age structure of the population will create a demand for new technologies and products (robotics, sensing, internet of things, smart homes) and result in new types of health and care organization and delivery, new patterns of work and new urban development.

59. Digitalization is also a well-established trend that will provide new impetus for UNECE activities in the area of trade facilitation and e-business instruments, including Single Window systems. The traditional standards of UNECE related to trade information exchange (e.g., UN/EDIFACT or the Core Components Library) will be combined with new standards and guidelines for regulatory practices that are aligned with sustainable development needs (e.g., the FLUX standard for sustainable fishing, traceability for agricultural produce, electronic messages in support of the Convention on International Trade in Endangered Species of Wild Fauna and Flora to combat illegal trade of endangered species). The WTO Trade Facilitation Agreement will provide the legal roof for a global system of trade facilitation rules, yet UNECE, as part of a family of standard-setting organizations, will remain an important component of this overall system.

IV. Fostering further economic cooperation and integration in the UNECE region

60. Economic cooperation and integration have contributed to the increased prosperity of the UNECE region and will continue to play an important role in supporting its member States in their sustainable development efforts. Advancing further economic cooperation and integration would require taking into account the major policy, technological and demographic trends that are shaping the future of the region.

61. Addressing regulatory differences is a central issue when considering how to facilitate economic integration. Non-tariff barriers to trade are increasingly related to the cost of different regulations and procedures. Member States in the UNECE region have various regulatory models but UNECE has nevertheless provided a platform to find shared regulatory solutions. Diversity has not been an unsurmountable obstacle for cooperation. On the contrary, it may be a source of learning, as different solutions are confronted and eventually converge or are harmonized.

62. At UNECE, normative outputs are not imposed. They may be initially agreed by a group of countries and subsequently adopted by others, in a context in which all countries have an equal voice. In this way, UNECE has contributed to increased integration in the region, alongside the emergence of institutional integration initiatives involving some of its members. Rules and standards created in UNECE can be used by all, which facilitates

general economic interaction, no matter to which particular group countries belong. As an example, agricultural quality standards are widely shared and used, including by countries outside the region.

63. The multiple normative outputs developed by UNECE, mostly of a technical nature, have thus played a role in what technology historians refer to as the “hidden integration” of the region, i.e. outside formal integration structures based on shared standards and norms. In a context in which the benefits of international cooperation are sometimes questioned, it is worth remembering how UNECE has been engaged in “necessary” cooperation, i.e. driven by the search for solutions to concrete problems that bring tangible benefits to the partners involved.

64. Economic connectivity, through good transport links and free-flowing trade, is critical for the prosperity of the UNECE region. It is both a reflection and a driver of integration. In addition, improved transport solutions can play an important role in the achievement of the SDGs, including in relation to climate change mitigation and the reduction of road accidents. Physical connectivity, both cross-border and domestic, is an essential condition for economic and social development. This openness is also the foundation for thriving innovative economies that enjoy the benefits of cross-border cooperation.

65. However, facilitating the flow of goods across borders requires more than simply improving physical infrastructure. The development of transport infrastructure should be complemented by a “soft” connectivity agenda that seeks to eliminate all types of barriers. Harmonization of regulations can save money without having to invest further in infrastructure. An analysis of the Bishkek-Warsaw route suggested that for \$28 billion an additional two lanes could be added, cutting travel time by 3.9 days. However, if key UNECE customs facilitation methods were adopted this would save 4.1 days without requiring the infrastructure investment. The application of the UNECE normative outputs can significantly reduce transit times without the need to revamp physical infrastructure, thus facilitating economic links.

66. UNECE recommendations for removing regulatory and procedural barriers to trade and its studies in this area support increased economic interaction among the countries of the region and beyond. As trade takes place within complex global value chains, there is a case to be made for going beyond a sector and country focus to assess regulatory and procedural barriers in cross-border supply chains. These assessments could capture the interplay between regulatory and procedural measures, enterprise development and employment generation. This broader approach, which reflects the significance of these chains in the global economy, could provide further insights on how to strengthen economic cooperation and integration in the region by better identifying and assessing a variety of costs that regulatory and procedural barriers impose on firms.

67. International cooperation relies on a shared language. UNECE has contributed to developing this shared language since its very beginnings. Sometimes, this shared language becomes codified in particular outputs, such as the United Nations Framework Classification for Fossil Energy and Mineral Reserves and Resources (UNFC), the UN/CEFACT work, GHS, UN/LOCODES or the Agricultural Quality Standards, which are of direct benefit to the business sector and have direct economic implications. But even in the absence of such codified results, developing this shared language facilitates dialogue and the identification of issues that need to be addressed.

68. Sound data is necessary to ensure that meaningful exchanges can take place and that effective comparisons on the basis of agreed methodological standards are possible. The UNECE work on statistics is also an excellent example of how collaboration between the regional and global levels can take place. Besides the work carried out by the Statistical

Division, in particular in support of the Conference of European Statisticians, there are other examples of important data work carried out by other subprogrammes, including environment, forest, transport and energy.

69. For example, the Programme on Environmental Monitoring and Assessment assists countries in developing environmental data and information, with a view to producing indicator-based national and international state-of-the-environment reports. The Programme includes capacity development and co-managing the establishment of the Shared Environmental Information System to underpin regular environment assessments in the pan-European region. The UNECE/FAO Forestry and Timber section works with multiple partners to collect information on forests and forest resources according to agreed standards and rules, improve the quality of the information, notably by ensuring international comparability, storing, disseminating and analysing the information and helping countries to strengthen their capacity in this area.

70. The relevance of good data and reliable assessments for the effective work of UNECE should be emphasized. There is a need to understand the impact of regulations and other normative outputs and to develop the evidence that supports informed choices among different options. Critically, communicating the impact of UNECE work convincingly requires the backing of reliable assessments. There are good examples in UNECE work, such as the assessments carried out under the Air Convention. Sometimes, these assessments are carried out in collaboration with other partners, such as the environmental assessment jointly run by the United Nations Environment Programme and UNECE launched at the Batumi Ministerial Conference in 2016. More efforts could be devoted in this direction while giving more prominence to the diverse initiatives that already exist in UNECE.

71. The 2030 Agenda for Sustainable Development defines a complex policy agenda where multiple trade-offs and synergies are involved. Navigating this space — and communicating the rationale for different choices — would require not only data but also analytical work that facilitates identifying the value of economic cooperation in different areas. UNECE has a rich tradition of sectoral studies that have contributed to shaping key policies.

72. Greening the economy, a transformative approach to fostering economic progress while ensuring environmental sustainability and social equity, will be a major focus for economic cooperation, fostering the integration of the region while addressing environmental and social concerns. However, communicating the benefits of the green economy to move away from “business-as-usual” and building support coalitions would need to be based on a good understanding of expected impacts, so the credibility of policy efforts is maintained and effective policies are developed. These efforts define a major space for international cooperation, exchange of experiences, policy learning and concerted action.

73. There are also some options for improving the performance of energy systems that are sometimes not fully considered for a variety of reasons, including public perceptions and legitimate but possibly solvable concerns of safety or environment (e.g., carbon capture and storage, shale gas, nuclear power, use of natural gas in transport). Addressing these concerns requires an open, evidence-based debate to facilitate the possible acceptability of these alternatives, which can play a role in meeting the energy requirements of the 2030 Agenda and the Paris Agreement.

74. Action by national governments and regulators, international organizations, civil society, and private sector investors could accelerate the needed transformation of energy systems. There is significant value in international cooperation, strategic partnerships and functioning energy markets across regional corridors. However, sometimes energy security

concerns restrict improvements in technical, environmental, and economic efficiency of energy systems, often by promoting energy independence over more efficient enhanced integration of energy markets.

75. The air we breathe and many elements of the environment we share do not know national boundaries. Addressing transboundary issues and challenges remains critical for the region. Environmental considerations and the internalization of negative externalities are therefore essential for further economic integration and cooperation. MEAs and UNECE environmental policy instruments and processes can facilitate this task.

76. The UNECE region is not isolated — it is part of the global economy — and what happens beyond the region also has implications for further regional economic cooperation and integration. In a context in which the relative economic weight of the region is changing, there is a need to pay attention to the implications of this trend for UNECE work, so challenges and opportunities are identified. The growing economic importance of Asia is of particular relevance for the UNECE region, including — but not only — in relation to connectivity and infrastructure development issues, which have been traditionally core issues for UNECE. The One Belt One Road initiative by China has important implications for many areas of UNECE work that could be explored.

77. Collaboration with other regional commissions may provide a useful mechanism to address some of these questions. In some areas, non-UNECE countries are already directly involved in the work of UNECE. Some normative outputs have already acquired significance beyond the UNECE region, not by design but as a reflection of their value and positive impact. The accession of China to the TIR Convention is a recent milestone. The value of a network for existing members increases when the size of a network increases. UNFC is also widely used outside the UNECE region, where most of the energy deposits are located. These are just some examples among many. Bearing in mind the interests of the countries of the UNECE region, the global context in which UNECE operates is crucial and can impact its future normative work and other activities.

78. Overall, advancing economic cooperation and integration relies on the communication between multiple partners. The future is shaped by the actions of many actors. Therefore providing a platform where information is exchanged and future intentions announced contributes to dispelling uncertainty and coordinating efforts. Such a platform can help define a vision for transformation and chart the actions for its implementation. Many of the necessary changes ahead would need large coalitions of support, involving different levels of government, businesses, international organizations and other partners. UNECE, as a regional multisectoral intergovernmental platform, can play an important role here, reaching out to the appropriate constituencies and linking up with relevant partners.

V. Some policy issues for discussion

79. In view of the above, the discussion under this item could consider the following questions:

(a) What are the major trends that will shape the future of the UNECE region in the multiple sectors in which UNECE works? What scenarios can be envisaged?

(b) How will the implementation of the 2030 Agenda for Sustainable Development shape future sectoral policies?

(c) What could be the key steps to achieve a vision towards 2030 in the UNECE region? What could integration and cooperation in support of sustainable development look

like in the UNECE region towards 2030? What would be the impact of the transition to a green economy?

(d) What role can UNECE play in helping countries convene and cooperate to create an enabling environment to ensure the implementation of the 2030 Agenda for Sustainable Development in a way that leaves nobody behind? How could UNECE work on norms, standards and conventions be leveraged?

(e) How can the creation of the necessary conditions be ensured to find additional synergies, remove barriers and lay the foundations for greater economic integration in the UNECE region?
