

## **“Integration of the economies in transition into the world economy”**

### **A report on the activities of the Economic Commission for Europe**

Over the past four years, economies in transition have generally made significant progress in their economic and political transformation. Market reforms have been accompanied with the opening of these economies, leading to their further integration into the European and global economy. But this transition and integration process has advanced at different speeds across countries and has contributed to increased economic heterogeneity across the region. This can be well illustrated by the fact that by 2002, 20 out of 27 countries had not reached their pre-transition real GDP level. On 1 May 2004 a group of eight central and east European countries became full members of the European Union, a major recognition of their achievements in economic transformation and re-integration into the European economy. Some of the CIS and SEE countries are still in the early stage of transformation. Russia’s “market economy status” has been recognized both by the EU and by the US recently. All post-transition countries, nowadays new EU members, are WTO members while this is the case for only 4 out of 7 countries from South East Europe and 4 out of 12 CIS countries. Those which are negotiating their future WTO membership are at various stages in this process and most of them are still struggling with basic systemic and structural reforms.

The UNECE has been instrumental in assisting transition economies in facing the policy challenges related to this diversity of situation in terms of transformation and integration, through its analytical, norms and standards-setting and technical assistance activities.

During the period 2000-2004 the *Economic Survey of Europe* (<http://www.unece.org/ead/survey.htm>) continued to review macroeconomic developments and structural reforms in the ECE region, with chapters focused on Eastern Europe and CIS countries. It also examined various policy issues in the transition economies, including the integration of some of them into the European Union. The studies concluded that the realization of the long-run growth requires deepening the systemic and structural reforms including the reduction of barriers to competition, increased flexibility of product, labour and capital markets.

The Annual (Spring) Seminar and the High-Level Policy Segment of the Annual Session of the Commission provided a forum for policy dialogue among policy makers, government officials, academics and representatives of the civil society in areas such as sustained growth, structural change, institutional reforms, business environment, labour market challenges and competitiveness, and ICT. Furthermore, it initiated its Wider Europe programme for promoting regional economic cooperation, stability and prosperity as well as preventing the emergence of new divides in the UNECE region between EU and non-EU members with economies at various stages of transition through regulatory convergence.

In the UNECE region – perhaps unlike the other regions – multilateral and bilateral trade arrangements proved to be second best solution and in the absence of global trade arrangements – even the best solution to promote economic cooperation and development in the region. The EU integration – that by far exceeds trade arrangements – has proved to be a strong engine for transformation of the economies from planned to market. The UNECE contributed to this process by promoting the implementation of norms, standards and

recommendations, conventions and protocols and non-binding legislations in trade, environment and transport, by its activities in development of transport infrastructure, technical cooperation, statistics and energy.

The main constraints faced in the transport sector by transition economies are insufficient or inadequate transport infrastructures, conflicting legislations and time consuming border procedures. In response to these problems, UNECE facilitated the participation of transition economies in the international transport standard-setting bodies, assisted them in the modernization of their transport systems and infrastructures and helped them make border crossing easier. Most transition economies became Contracting Parties to the main UNECE international Agreements and Convention on transport. UNECE also provided strategic guidance and support to sub-regional cooperation among East European governments in the framework of the TEM and TER Projects, establishing an inventory of the priority transport infrastructure needs of these countries. In cooperation with ESCAP, UNECE started the implementation of a UN Development Account Project, aimed at identifying the main Euro-Asian routes for development and covering also intermodal and border crossing issues. The project involves the participation of 18 countries with transition economies, including all Caucasus and Central Asian countries.

UNECE responded to the urgent need for technical assistance and capacity-building for countries in transition in the area of trade facilitation with focus on technical harmonization and standardization, e-commerce and e-business (like UN/EDIFACT, UN e-Docs) in order to reduce trade transactions costs, increase stimuli for SMEs and promote FDI.

In the energy sector in countries in transition, UNECE focused on issues such as the restructuring in coal-mining, the liberalization of energy markets, energy security and energy-efficiency and on electricity transmission.

Countries-in-transition face problems with management of natural resources, air and water pollution, accumulated waste, including hazardous waste and toxic chemicals, and their related impacts on health, employment and security. Lack of data, institutional weakness and limited international cooperation have further complicated the situation. UNECE has supported sustainable development in the countries-in-transition through its Environmental Performance Review (EPR) Programme, its role in the Ministerial Conferences "Environment for Europe" (EfE), and work in its five regional conventions related to air, water, environmental impact assessment, industrial accidents, and public access to environmental information and justice. EPRs, which assess a range of issues, have brought national attention to the need for capacity-building at both national and local levels, and for strengthening compliance and enforcement mechanisms. The Reviews have also provided a forum for sharing experience and dialogue among the stakeholders in the country, among different countries in transition, and between countries-in-transition and other ECE member States. The EfE Conferences, for which UNECE provides the Secretariat, at the most recent EfE Conference (Kiev, 2003) adopted an Environment Strategy for Countries of Eastern Europe, the Caucasus and Central Asia, and supported the preparation of a partnership agreement on transboundary water problems, environment and security in Central Asia.

In order to monitor the progress in transition and integration into the world economy, countries with economies in transition have to develop or improve their national statistics. This has created the need for strengthening the statistical capacity at the national and regional levels. UNECE has played a major role in this area, through the development of standards

such as the “Fundamental Principles of Official Statistics”, the “Recommendations for Population Censuses”, etc, and through including these countries in expert meetings on national accounts, etc.

UNECE continued to provide technical assistance to the economies in transition, focused on the implementation of legally binding instruments, agreed recommendations, norms and standards, on the development of national policies, regulations and actions. The main channels of providing technical assistance have been capacity-building workshops, seminars, study tours, policy advisory services and field projects in the areas of environmental protection, energy efficiency, transport infrastructure development, trade facilitation, development of statistics, entrepreneurship and property markets. In order to maximize impact in capacity building and promote exchange of experiences among neighboring countries, many of UNECE’s technical assistance activities were undertaken in cooperation with subregional initiatives such as the Black Sea Economic Cooperation (BSEC), the Central European Initiative (CEI), the South-east European Cooperative Initiative (SECI), and the Special Programme for the Economies of Central Asia (SPECA) and international organizations (EU, OECD, IMF, the World Bank, UNDP).