

Statement by Mr. Ján Kubiš
United Nations Under-Secretary-General
Executive Secretary of the United Nations Economic Commission for
Europe

Regional Cooperation as a Catalyst for Development in the UNECE
UN Economic and Social Council

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Mr. Chairman,
Distinguished Participants,
Excellencies,
Ladies and Gentlemen,

Regional economic cooperation has been the central core of European economic policy since the Second World War. In no other place in the world or in human history has economic and political cooperation between sovereign nations reached the levels in Europe today. Most notable has been the expansion of the **European Union** throughout this period including the accession of the 10 former planned economies in eastern and central Europe. Although there is much reform and work to be done, and it is certainly not a foregone conclusion, it is nevertheless reasonable to believe that in time the European Union will one day also encompass all of the former planned economies in south-east Europe. This integration effort has not only been **broad but it has been deep** and continues to deepen. It has not been without growing pains, as the

recent crisis surrounding **its monetary union and Euro** exemplifies. Nevertheless this crisis has once again revealed the importance of regional cooperation and the extent to which European countries are willing to sacrifice in order to ensure that it continues. Another important cooperative framework is **EFTA**, now smaller, that before, but still agile and important, not least as a source of support and expertise to the countries in transition. **Increased cooperation and re-integration also are beginning to characterize the CIS region** after years of dis-integration during the 1990s.

A fundamental problem facing both the European Union and the CIS is that there is a clear recognition of the benefits of cooperation and economic integration but at the same time **the public does not want to sacrifice its political and economic autonomy** in order to achieve it, notably in the time of economic and social hardship and crisis. Addressing this trade-off and attempting to design institutional arrangements that provide high levels of both cooperation and autonomy has been a central challenge facing both regions.

There are undoubtedly a number of **reasons** why cooperation is so extensive in Europe, but let me briefly list four important ones. Firstly is **Europe's level of economic development**. As countries develop, their economic footprint increases and their horizons extend outwards. For example, as part of the industrialization process, countries specialize and see the need for foreign markets in order to achieve economies of scale or acquire needed raw materials.

Secondly, is the fact that Europe is made up of so many relatively **small countries geographically**. The continent of Europe accounts for less than seven per cent of the world's land area and a tenth of its population but over a quarter of its countries. Generally, the smaller a country, the greater the level of interaction with the rest of the world. Not only will trade and external capital flows be greater but a small country needs to cooperate with those around it as they are likely to share many things in common like rivers and lakes and will be affected by the externalities of other countries. This could include negatives like pollution or positives like macroeconomic stimulus.

Thirdly, there is **European history including two world wars** and dozens of others; no region of the world has suffered as much as Europe from not cooperating. An enlightened generation of European leaders looking over the devastation of the Second World War vowed that this should never happen again and **created a set of institutions that would permanently cement its nations into cooperative frameworks**. A number of these institutions remain important today such as the OSCE, the Council of Europe, and NATO and some such as the OECD have become more global. **The historic role of the UNECE which continues today has been to bridge western and eastern Europe; and our main focus since the 1990s has been to assist the eastern economies in integrating into the world economy and its institutions.**

Finally, there is the **success of what has been achieved by cooperating** over the last decades. As the proverb says: *Nothing succeeds*

like success. The clear benefits of European cooperation and integration have provided the basis for the next stage.

European Union membership and reform

The prospects for membership in the EU were the key impetus driving reform in the former transition economies in central and eastern Europe. This reform process has been a great success; economic growth and political reform in these economies has been solid. **Economic convergence has occurred as the average per capita income in these economies has increased from 46 per cent of the EU average in 1995 to 63 per cent today.** And there is every reason to think that this convergence process will continue. The same holds true today in south-east Europe. This was made clear at the ECE's Annual Commission Session this spring where **the Serbian representative¹ stated that the pursuit of EU membership and other regional cooperation efforts in south-eastern Europe provided the basis for that country's wider social, political and economic development and was the basis for the overall stability of the subregion.** This cooperation is extensive, covering trade, investment, transport, energy, justice and the fight against organized crime and corruption. This cooperation was further enhanced with the creation in 2008 of the Regional Cooperation Council for South-east Europe (RCC) for which the ECE was a founding member.

The activities of ECE in providing legal norms, standards and best practice recommendations have been important in promoting Pan-

¹ Mr. Srdjan Majstorovic, Deputy Director, European Integration Office, of Serbia

European and Transatlantic economic integration and cooperation, in building a coherent regional economic space in the ECE area. These efforts also indirectly assist many of the former transition economies in joining the European Union. The ECE's instruments and projects continue to support the process of implementation of the *acquis communautaire* in the candidates for membership in the EU. For example, the Environmental Performance Reviews carried out by ECE, such as recently in Montenegro and Serbia, as well as projects on transboundary water management and long-range transboundary air pollution are helping the countries of the western Balkans comply with European norms for the protection of the environment. The ECE has been one of the organizations providing substantive support to CEFTA – the Free Trade Agreement with a revolving membership that has served as an antechamber for EU accession for all of the central and eastern European members of the EU.

The ECE work on standards has also contributed more directly to EU integration. In their broad standardization work, the European Union and the European Commission have used many ECE standards either because they were already adopted and widely in use, or because they wanted a broader pan-European constituency for the use of these standards.²

² Consider three examples. First, the ECE legal norms on transit including the TIR Convention system, vehicle standards, and road signs have been adopted in the EU transport system. Second, ten ECE commercial quality standards for fresh fruit and vegetables have been reproduced with minor amendments in Commission regulations. This includes Council Regulation (EC) No. 1182/2007 and Commission Regulation (EC) No. 1580/2007, in which there is also a clause allowing the use of other ECE standards for fresh fruit and vegetables in order to comply with the EU regulation. Third, the information exchange for international trade in the EU follows the ECE standards. Notably, the European Single Administrative Document, which combined 200 previously used customs and statistics forms, is based on the ECE layout and various codes for data elements. The Cross-Industry Invoice standard (CII), developed by UN/CEFACT, is an electronic document exchanged between trading partners with a prime function being a request for payment. It is used in the European Union as the key document for VAT declaration and reclamation, for statistics declaration, and to support export and import declaration.

Cooperative efforts in the CIS

Not engaged in this enlargement process, except for the Baltic economies, have been the former states of the Soviet Union. Here the process of regional cooperation has been fairly unique. After the breakup of the Soviet Union we had a **region that was rather integrated economically but lacked internal conditions, political will and effective institutions that could manage cooperation under the new conditions**. Progress in creating an institutional framework to govern political, economic and security cooperation has been difficult to achieve. Not only did the region not have the prize and pull of EU membership to drive cooperation or a similar sub-regional integration project but it was composed of newly created states that initially aimed at establishing themselves as fully independent and sovereign states, including from Russia. The most they were able to agree on was to create a framework for **some political consultations in the form of the CIS**. At the same time they often lacked basic governmental institutions and qualified staff; it took considerable time to establish these before serious inter-governmental cooperation could be undertaken.

Yet, more recent developments have been characterized by enhanced cooperation and integration. The members of **EurAsEC** have made significant progress on a number of fronts. As an example, a \$10 billion anti-crisis fund was established in 2009 and is currently being used to provide assistance to Belarus in dealing with its currency crisis. The establishment of **the customs union between Belarus, Kazakhstan and Russia**

represents a milestone in strengthening economic integration in this region, and there are future plans for the creation of an even more integrated common economic space. **The ECE and the Secretariat of the Commission of the Customs Union signed in April of this year a Memorandum of Understanding** to strengthen their cooperation in order to promote wider European economic cooperation and integration; to increase regulatory cooperation at the regional and international levels; to develop trade facilitation measures including the Single Window concept; to organize joint activities and research; to help harmonize customs and other border control procedures; and to contribute to the harmonization of energy-related trade.

The need to foster economic cooperation to promote growth is especially great in the land-locked central Asian economies. These are among the poorest countries in the ECE but this is a region where we have particular expertise and knowledge. In response to this need the UN Special Program for the Economies in Central Asia or **SPECA** was established in 1998. Since these countries have no other functioning regional economic organizations or institutions, SPECA fills an obvious gap by offering a neutral UN umbrella to discuss strategic issues of regional cooperation. SPECA is jointly supported by the ECE and ESCAP.

SPECA Economic Forums have provided an opportunity to address both intra-regional trade and investment and cooperation with their main economic neighbors in the region including the Russian Federation and the European Union. These strategic discussions have also covered broader aspects of regional economic cooperation, including its role in the

stabilization and development of **Afghanistan**. **SPECA has created six project working groups to promote regional cooperation; these include: transit and border crossing, water and energy resources, ICT for development, statistics, trade and gender.** In addition to strengthening and modernizing existing institutions, the ECE is offering assistance within the SPECA framework regarding legal harmonization. The ECE leads international efforts to strengthen and modernize the legal basis of the **International Fund for Saving the Aral Sea** - an umbrella organization dealing with the joint management of shared water resources and coordinating efforts to overcome the consequences of the environmental catastrophe caused by the shrinking of the Aral Sea.

The ECE is also supporting the implementation of **the SPECA Aid-for-Trade Road Map Initiative**, launched in 2008, to ensure greater inclusion of SPECA countries in the WTO Aid for Trade Initiative. A key component of the Baku Ministerial Declaration approved in December 2010 was the call for the establishment of a SPECA Aid for Trade Implementation and Monitoring Council. This Council will bring together all of the major development partners to work with the beneficiary countries in order to respond to their priorities with concrete projects while ensuring coherence and coordination.

Many of the emerging economies in the ECE region share similar developmental problems and can benefit from the experiences and lessons learned by their neighbors. Thus regional cooperation in developing best practices to overcome these shared challenges has been important for the region and comprises a significant aspect of ECE activities. One area that

has been particularly useful have been **country performance reviews**. With these we send a team of specialists, including some outside contracted experts, on a fact-finding mission to a country to study and analyze in great detail the country's institutions, policies, and programs; then we make recommendations as to how their effectiveness could be improved. In addition we provide follow-up technical assistance in carrying out these recommendations and in time we may do a second review to assess how well the recommendations have been implemented. These performance reviews began with the environment and we have recently begun performance reviews of trade policy and of national innovation systems.

Regional cooperation in education

A common challenge facing the region's economies which can benefit from sharing best practices and lessons learned concerns education. Creating dynamic innovative economies is the shared objective of all the region's economies, and the key ingredient to such an economy is an educated workforce. Educational practices and outcomes differ substantially throughout the region and therefore there is much that can be gained from adopting best practices. A broad education is also essential in a democratic society; there are numerous current policies that will need to be changed in the future in order to create more efficient, just, and environmentally sustainable economies. Leaders can only lead so much; the electorate must be informed about policy alternatives if governments are to make the right decisions. The needed policy changes often require coordinated actions, one obvious example being climate change. Therefore

creating a more informed public in one country has external benefits for other countries.

There are numerous other areas where the need for regional cooperation in education extends beyond simply the benefits of sharing best practices to more direct impacts on neighboring economies. One of the key characteristics of both Europe and the CIS is the large number of migrants. Educational practices in one country will ultimately affect labor force quality in its neighbors. Similarly, many of the ECE countries have significant numbers of minorities that speak the language of a neighboring country; providing an education for these students in their native language is an issue of interest to these neighboring states. Reducing new HIV infections is largely an education issue; as a communicable disease it does not respect national borders. As these examples show, there is solid logic behind promotion of education on a regional basis.

The ECE has undertaken several such education initiatives. Firstly, is our gender program which has a project to **train women in entrepreneurial skills** as a way to increase their opportunities to participate in the formal economy. This contributes importantly to building women's capacity to gain economic independence through entrepreneurship and successfully set up and manage their own businesses. In this regard, the **ECE has collaborated with the Golda Meir Mount Carmel International Training Center and Israel's Agency for International Development Cooperation since 2006, and has provided bi-annual training workshops for professional women from eastern Europe, the Caucasus and central Asia.** These workshops focus on support systems for women entrepreneurs and information and

communication technologies (ICTs). Over 230 women entrepreneurs from government institutions and SME support agencies, NGOs dealing with small business development, women's business associations and academia have received training in obtaining finance and setting up and managing a business.

Secondly is the ECE strategy for education for sustainable development. The objective of the Strategy is to incorporate key themes of sustainable development into the region's education systems. These themes include a wide range of issues: poverty alleviation, peace, ethics, democracy, justice, security, human rights, health, social equity, cultural diversity, environmental protection, and natural resource management. As part of this program countries have agreed to develop indicators to assess its implementation, organize thematic and sub-regional workshops and compile good practices in education for sustainable development. The objective is to install ESD plans into every school by 2015.

Another activity of the ECE concerns our efforts to **educate the public about road safety.** Given that traffic deaths are exceedingly high in many of the transition economies, especially compared to western Europe, there are significant gains from adopting best practices. However with large numbers of people migrating for work or driving to vacations in other countries, there is a clear logic in promoting safety on a regional basis. With our partner, the International Basketball Federation, we have had an effective campaign targeted at young people to get them to respect traffic laws.

European cooperation in education has a long history; an early example was the Council of Europe's 1953 *European Convention on the Equivalence of Diplomas*. With the Lisbon Treaty, the EU's role in encouraging cooperation in education between Member States is explicitly defined.³ The treaty specifies that the EU is to promote mobility of students and teachers, promote mutual recognition of programs and diplomas, and develop exchanges of experience on issues common to the education systems.

The European Union and EFTA have established several programs to promote a regional approach to education, which have an annual budget of over a billion euros. To enhance student mobility there is the **Comenius program for the lower grades, Erasmus for higher education, Leonardo da Vinci for vocational education, and Grundtvig for adult education.** Erasmus was established in 1987 and over the last two decades over 2.2 million university students have received grants for studying abroad in another European country. Currently one per cent of European students and almost two per cent of teachers take part in the program. A key objective of this program is to broaden the horizons of students and provide them a more European outlook. As a result it is not surprising that several ECE staff have been part of this program.

Complimentary to these programs is the European Credit Transfer and Accumulation System that has created a standardized system awarding university credits, which promotes student mobility throughout Europe. This program not only includes all the EU and EFTA countries but also those in

³ In Article 165 of the *Treaty and Functioning of the European Union*.

southeast Europe and Georgia. More recently the European Higher Education Area was launched as part of the Budapest-Vienna Declaration of March 2010. This initiative is similar in that it attempts to create a more standardized and comparable system of higher education. It includes 47 countries including all the European countries except Belarus which has yet to join, Turkey, the Caucasus, and Kazakhstan. Overall, foreign students account for more than 10 per cent of university students in France, Germany, and the UK.

A relatively similar set of initiatives has been under consideration both within EurAsEC and the CIS. The Educational Council of the EurAsEC Integration Committee and the CIS Educational Council both consider regional cooperation of education projects. The EurAsEC Education Council has addressed the issue of mutual recognition of diplomas, academic degrees, and education certificates. More generally there are discussions about the formation of a EurAsEC unified education space as, one of the stated aims of the organization is to provide equal rights to an education for citizens of the economic union.

The US has been the largest destination for foreign students for decades with over a half a million each year. Surprisingly only about a tenth of these come from Europe. Having a study-abroad program is almost mandatory for any US university, as about a quarter million US students study abroad each year. **There are a number of programs to support studying abroad including the selective Fulbright program that has sent over 100,000 US students abroad and brought over 180,000 students to the US.** Alumni of this program include many notables,

including several recent ECE executive secretaries.⁴ There are many other scholarship programs supporting foreign study in the region, such as the British Rhodes Scholarship program, that began with a regional focus but have since become global.

Finally, it should be noted that because of the region's long tradition of mandatory school attendance and equal access for women, it is likely that the MDGs regarding education will be achieved in most if not all of the ECE economies.

In conclusion, **economic development in the pan-European area is based solidly on strengthening regional cooperation and integration. The new EU 2020 strategy for increased competitiveness has education one of its most prominent components.** A regional approach to education is an important component of this process. In my limited time I have only touched upon a few of the many ECE activities but there are many others including promoting a regional approach to developing transport and energy networks, addressing transboundary pollution, improving customs procedures, standardizing statistical methodologies, and financing innovative activities. Quite simply, **promoting regional cooperation as a catalyst for development is the core function of the UNECE.**

⁴ For example, Marek Belka had a post-doctoral Fulbright scholarship at Columbia, and Danuta Hubner was a Fulbright scholar at the University of California.