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ROUND TABLE WITH HEADS OF UNITED NATIONS ECONOMIC COMMISSIONS

"Regional Dimensions of Development"

Summary

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Panellists' presentations

Yves Berthelot, Executive Secretary of the **Economic Commission for Europe** (ECE), said that globalization was an ambiguous concept. For some, it is unavoidable; for others, it is imposed by the richer countries. In the case of Europe, regionalism is stronger than global integration. Indeed, European trade and investment activities are taking place predominantly within Europe itself, a trend obviously related to the strengthening of the European Union.

One of the arguments for increased liberalization is that it could lead to better allocation of resources. However, that is true only if strong institutions are in place, which requires a proper sequencing of liberalization policies. The role attributed to capital movements, combined with the fact that these include short-term volatile flows, has led a number of countries to follow very prudent economic policies in the monetary area. In some countries, especially in Eastern Europe, for instance, this constrains economic development.

He stressed the efforts of the Commission to assist economies in transition to develop market institutions and provide them with policy recommendations. The Commission also contributes to the development of conventions, norms and standards that are adopted by the countries in the region but that have also been used by countries outside the region (such as in the case of hazardous goods transport). He urged further cooperation among the regional Commissions.

Jose Ocampo, Executive Secretary of the **Economic Commission for Latin America and the Caribbean** (ECLAC) noted the two strategies followed by the countries in that region: increased global openness on the one hand, and increased regional links on the other. Regional agreements had long existed in the region, such as the Andean Community; the North American Free Trade Agreement (NAFTA), which had led to a substantial increase of trade for Mexico; other bilateral agreements between the United States and other countries in the region; and the Southern Common Market (MERCOSUR). While trade had grown considerably within the region, these agreements had also resulted in a dynamic diversification of trade, with a sizeable rise in the share of manufactured products.

In the past decade, foreign direct investment (FDI), including intraregional FDI, had also expanded significantly. Latin America and the Caribbean, like other regions, had also experienced serious instability during the tequila crisis and after the Asian crisis. Regionalism and global integration were not incompatible; on the contrary, the former could support the latter. Regional integration, particularly in the ECLAC region, was not limited to trade but also covered such areas as transport, energy, environment and social issues.

Kingsley Yeboah Amoako, Executive Secretary of the **Economic Commission for Africa** (ECA), stressed the importance of poverty reduction and sustained growth in his region. The impact of globalization has to be assessed against the fact that, to achieve poverty reduction by the year 2015, substantial and sustained economic growth rates must be achieved, requiring more domestic savings, more foreign investment, and more aid. Africa had been largely bypassed by the growth in trade and foreign investment registered worldwide over the past decades. There were at least two important reasons for this: the prevailing international economic system is not favourable to African countries; and the continent is still faced with significant domestic problems, such as low domestic savings and weak infrastructures. There is hence a need for action at the national, international and regional levels.

Regional action is of particular importance for Africa, but on the whole the continent's record of regional integration has been mixed, and ECA had accordingly begun to assist in enhancing that process. It had, for example, created a joint secretariat for the Commission, the African Development Bank, and the Organization of African Unity, devoted to interregional integration. ECA was also providing technical cooperation to such regional schemes as the Southern African Development Community and the West African Economic and Monetary Union (UEMOA). Other ECA assistance covered the fields of transport, capital market development (with the creation of a capital market forum), and debt and aid issues -- an area in which ECA made a special effort to bring African countries together.

Adrianus Mooy, Executive Secretary of the **Economic and Social Commission for Asia and the Pacific** (ESCAP), said that although the Asia-Pacific region is a fast-growing one, the level and pace of integration differ greatly among countries, as do the benefits obtained from globalization. Most countries in the region were hurt by the Asian crisis. However, those that enjoyed fast growth and more benefits from globalization were more seriously affected, while those that grew more slowly and reaped fewer benefits from globalization suffered less. Despite the crisis, globalization has had a positive impact on the region, with an average GDP growth of 5 per cent over the past decade.

The impact of the Uruguay Round Agreements on trade and investment in the region is limited so far, as only 24 of the 58 ESCAP member States are also WTO members. Moreover, for products of great importance to the region, such as agriculture and textiles, the benefits of trade liberalization have not materialized. Transnational corporations (TNCs), especially banks, and institutional funds of developed countries outside the region remained the major source of FDI, while intraregional sources, such as Japan, the newly industrializing economies (NIEs) and China, have become increasingly important. Intraregional FDI is mainly concentrated in the manufacturing sectors that use cheap labour, such as electronics, footwear and garments. In many cases raw materials are imported from outside the region. Most FDI from Western Europe and North America goes to natural resource development projects. As many countries in the region are following the same pattern in their development, there is intense competition among them.

Hazem El-Beblawi, Executive Secretary of the **Economic and Social Commission for Western Asia** (ESCWA), said that despite the region's favourable geographical and cultural factors, it remains unintegrated economically. This is mainly due to political considerations. Intraregional trade is small and private capital transactions remain limited. Labour flows are large but skewed, with labour markets relatively more integrated than in other regions. In the area of trade, ESCWA member States have opened up more to the outside than to one another. Oil and oil-related products account for a considerable share of their intraregional trade. At the intraregional level, while foreign assistance has been generous, private capital flows have been relatively limited.

Most ESCWA members are not members of the WTO. In order to facilitate their effective participation in the multilateral trading system, ESCWA, in collaboration with UNCTAD and the United Nations Development Programme (UNDP), has initiated programmes to assist them in their accession to the WTO.

Ensuing discussion

The interactive debate that followed the round table presentations shed light on the importance of the regional dimension of development and highlighted the merits of using regional instruments to harness the impact of globalization forces on the development process.

Participants stressed the circumstances under which regional integration had begun among developing countries several decades ago and evolved since. While strong political motives often prevailed in generating regional ties, there were also important practical reasons. In particular, regional integration was recognized as a desirable avenue for overcoming issues of transaction costs and gaining competitiveness through shorter transportation time and distance and greater trade efficiency.

Several participants took the view that the degree and mode of regional integration achieved have generally influenced the way globalization forces affect different countries. Developing countries that have enjoyed export-led growth – which include most South-East Asian and several Latin American nations –generally have also achieved significant regional integration. The latter often amplifies the benefits of globalization through the transmission of new trading opportunities to neighbouring countries. But regional integration has also facilitated economic contagion: in Asia, the recent economic crisis was passed on regionally through a collapse in the demand for several regional products. In contrast, this amplification factor was almost non-existent in Africa, where the Asian crisis had a limited impact because there was little intercontinental exposure and little intraregional contagion. The debate clearly demonstrated that globalization forces have aggravated the marginalization of African economies and of some countries in the Middle East, while offering relatively better economic opportunities to the more integrated Asian region.

In analysing the effects of globalization in a regional perspective, the heads of the regional economic commissions and several participants in the interactive debate generally agreed on the importance of harnessing, through an appropriate level of regional action, the impact of globalization on developing economies and economies in transition. Some particularly important areas of regional cooperation were highlighted by speakers from Latin America, who echoed the importance attached by the regional commission heads to deepening regional integration beyond the scope of regional trade liberalization. In the case of the Andean Community, for example, the political motivation had been strong at the beginning. Its activities had developed in the economic sphere and today encompass a wide range of economic and social issues as well, such as those in the financial and health sectors.

For most developing countries, free trade zones and customs unions alone cannot generate sufficient benefits; they must be complemented by a range of regional actions, in particular, to facilitate trade efficiency within regional entities. It was generally felt that, without a multifaceted and pragmatic approach to regional integration involving targeted support in the areas of trade, investment and economic efficiency, most developing countries would be hampered in their efforts to take advantage of new economic opportunities, and the risk of marginalization would remain high.

The heads of the regional commissions stressed the advantages they have derived, in their efforts to promote effective integration, from their cooperation with UNCTAD.