

Key Issues and Challenges

Gearing Up for Global Demands

The key issues and challenges for the GMS Program derive in large part from these global and regional trends. Economic cooperation should help member countries respond to the pressures of globalization, to new business practices, and the IT revolution. It should also help them diversify, specialize and modernize faster towards more productive economies and higher standards of living. Rural-urban migration, continued rapid population growth in some countries, and increasing labor mobility pose further challenges for the subregion. The environment is at risk. Land and other natural resources that are the source of livelihood for the great majority of people are threatened.

The strategic framework for economic cooperation in the GMS addresses five strategic issues and challenges:

Creating a conducive environment for trade, investment and private sector development

Following the Asian financial crisis, and in the face of the current world economic downturn, reestablishing investor confidence in the GMS is of para-

Economic cooperation will help GMS countries globalize, diversify, and specialize towards more productive economies.

Policy and institutional reform should strengthen financial markets, and liberalize trade and investment. mount importance. Policy and institutional reform must be continued and accelerated. This should cover the strengthening of financial markets, commercialization of state-owned enterprises, and liberalization of trade and investment regimes. Impediments to cross-border trade and investment must be reduced or eliminated. Among these are inefficient customs clearance procedures, lack of transparent regulations and procedures, and inadequate infrastructure.

Accelerating the pace of regional integration

The pace of regional integration will not only depend on how fast the GMS countries can adapt to the AFTA, APEC, WTO and other trade/investment liberalization initiatives. Much depends also on how efficiently they can establish cross-border infrastructure and streamline the flow of goods and people. The GMS Program can complement the 'rule-based approaches' inherent in these initiatives by concentrating on practical measures at the national level. These could include the provision of transportation and telecommunications infrastructure and securing cross-border agreements on the inter-country movement of goods and people.

Human resource development

Skills development and labor force upgrading are normally country-based initiatives that are critical to reducing poverty and achieving national goals. However, subregional economic cooperation can also contribute much in these areas. Networks of higher education and research institutions can be strengthened in order to facilitate the transfer of research, technology and know-how among GMS countries, and to help create centers of excellence.

To facilitate sharing of skilled labor resources, a standardized system of trade certification and accreditation is needed. Common health problems, such as HIV/AIDS, must also be given priority in the strategic framework.

Protecting the environment and ensuring equitable development

To achieve sustainable development in the GMS, the social and environmental consequences of public and private investment projects must be fully anticipated, and corresponding safeguards installed to mitigate undesired effects. Pro-poor sustainable economic growth demands an overarching environmental strategy that is fully integrated with the development process. Such a strategy should involve all stakeholders in the decision-making process. Successful pro-poor sustainable economic growth also requires that the interests of those most affected by investment decisions are fully respected, and that compensation offsets unavoidable costs.

Resource mobilization

The availability or lack of project financing bears strongly on the pace of economic cooperation. This is one of the lessons of the ten years of the GMS Program and is especially true with infrastructure investments designed to link the subregion. Mechanisms must be created for mobilizing resources. The private sector must also be given a greater role in financing subregional projects.

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