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Seminar 16 November 2012

Regional development policies and energy policies.
A comparison between South East Asia, Latine America and Europe.

Synthesis

Morning session : Development strategies 2020, 2030, 2050

1. ASEAN 2030: Aspirations, challenges and political answers, Dr Jean-Pierre Verbiest, Policy Advisor, Mekong Institute

The aim of the presentation was to present the design defined by ASEAN in the achievement of an ASEAN economic community and the challenges to be addressed to reach this target.

ASEAN is composed of countries presenting highly differentiated level of development. The ASEAN Economic Community blueprint has been published in 2007. It is an extremely comprehensive document setting targets for the achievement of this economic community. It is based on **four pillars and phases**. The objectives are scored every two years to show the level of their achievement.

The **first pillar** is designed to create a single production market. This is based on free flow of goods; free flow of skilled labour; free flow of services and free flow of investment. But harmonising customs tariffs is very slow considering the fact that there are many players coming from very different organisations. A number of priority services has been emphasised: air transport and tourism are two sectors where harmonising is quite well advanced, which is not the case for logistics for example although this represents a priority sector. One main aim is to promote facilitation especially in the free flow of investment and capital. Some big gaps still exist.

The **second pillar** aims at creating a competitive economic region. Some countries in South East Asia are quite well advanced on certain aspects like competition or intellectual property rights. But many countries don't even have a competition policy nationally. Infrastructure development is part of this pillar but is facing huge problems of implementation such as the lack of transit system between countries.

The *third pillar* aims at reaching an equitable economic development, supporting especially SMEs. And the *fourth pillar* is supposed to reach the integration of the region into the global economy.

The score board shows that the easiest things have been done but when it gets more complicated the implementation rate is quite low. The problem is the lack of solidarity mechanisms between the countries facing sometimes resistance from the richest countries that are reluctant to support countries where corruption is important.

The aspirations of ASEAN are to be seen in a context of changing global context: pressure on exchange rates, pressure on the export oriented model and emergence of large middle class in the next 20 years in China.

In such a context, ASEAN needs to address **five main challenges**:

- the macro-economic and financial stability: ASEAN needs to accelerate the free flow of capital, align fiscal and monetary policy. At the moment the existing arrangements are more formal than real and are based on freedom to adjust.
- The economic convergence and equitable growth: a lot needs to be done to reduce the development gap among ASEAN countries in order to develop human capital.
- Competitive and innovative region: if the region wants to get into higher income level countries, investment needs to be made in research and development and market size by introducing more competition, education, creating synergies and promoting centres of excellence.
- The management of natural resources and environment.
- The political challenges: a lot has been done but still a lot remains to be done, especially in the way agreements can be translated into national goals and regulations.

If we compare with the EU, the question is: is there something between a European model and a loosely integrated entity? ASEAN is still looking for one's model.

Discussion:

- *In the face of China and India, what is the market capacity of ASEAN?*
- *Without institution is it possible to achieve an integrated regional development?*
- *What kind of supra-national constraints do exist?*
- *How to get to 2050 if ASEAN countries are not willing to put up the money to integrate the market?*
- *What can be the role of international business networks to develop the infrastructure?*
- *Is there a policy coordinating anti-corruption actions, without which it seems difficult to achieve the integration?*

2. Towards a model of sustainable development of public infrastructures? The case of Brazil of Dilma Rousseff, Dr Alvaro Artigas, Sciences Po Paris

The question of development of the public infrastructure was raised in 2007 and is very present in the political debates since then especially regarding the issue of the development programme of integrated logistics. The ambition of Brazil is to be among the best of the BRICs and is therefore leading these development programmes. The notion of infrastructure has changed over time from a classical form of infrastructure (road, electricity, port etc.) to a

notion of infrastructure including a human dimension to boost the emergence of a middle class. Despite this ambition, Brazil remains characterized by high social inequalities.

It is therefore important to analyse the role of the State in an integrated model of development of national infrastructure. At the moment many processes and programmes are working but there is still a lack of appropriate answer.

Indeed, the interactions between private and public sector in the development of infrastructure remains problematic. The role of the public sector was particularly strong until 1994. Then privatisations have taken place with quite nuanced results. Now private companies with an important public share, such as Petrobras, represent influential actors in the orientation of infrastructure development programme. The question of connectivity with neighbouring countries is also central. Dilma Rousseff as president of Brazil is now piloting programmes to accelerate growth in Brazil in which infrastructure development plays a central role. A first programme with 190 billion euros was launched in 2007. This programme is based on the development energy production capacity of Brazil, driven by Petrobras. The aim of this programme is to optimize and make the public investment programmes more flexible. BNDES plays a central role with new mechanisms of regulation. And an inter-ministerial coordination has been created to pilot the programme. But the achievement is quite low: only 14% of the funds have been invested and several dysfunctions have been noted.

Drawing lessons from this programme, a second programme (PAC2) covering the period between 2011 and 2014 was enlarged with massive investment and was more result oriented. The aim is to link logistics and inter-modality. This programme represents a massive investment in the oil infrastructure. But one year after the launch of this programme only 7% of the funds are used.

Then the latest new development took place this summer with the launch of a national programme of integrated logistics. The fundings are more modest but better targeted. It is piloted by a public-private partnership with a large place for the private sector. The aim is to integrate all the highways and railways programmed in the previous plans.

This presentation shows that the number of programmes does not necessarily lead to concrete achievements for three main reasons: first the lack of coordination between the initiatives, the still unclear role of the State and the question of the role to be played by the private sector.

Discussion

- *if we compare with the EU, we can see that the absorption level of the funds is quite low too. The problem seems to be linked with the question of governance: what is the link between the State and the regions?*
- *How is the consensus on the projects financed by the programmes obtained?*
- *Does the State have enough capacity to organise public-private partnership?*
- *The presentation shows that equipping a territory is not enough to create a model of growth.*

3. “Multiscale” analysis of regional inequalities in large regional spaces : European Union, neighbouring countries and Brazil, Professor Claude Grasland, Paris 7, Director of the UMS RIATE

The model of European regional policy is not exportable, neither to ASEAN nor to MERCOSUR. The notion of “territorial” cohesion has been first added to the Lisbon Treaty. It used to be presented in the Maastricht Treaty but in relation with the services of general interest. The cohesion policy until 2013 is addressing regions according to their level of the average EU GDP. This approach needs to be criticized

- because it is a static approach not considering the development of the region over the programming period,
- because it takes only one scale of reference, ie NUTS 2 which does not systematically correspond to a level of governance and the influence of the neighbouring regions on their perspectives of development is not taken into account,
- because it is not a multidimensional approach. Whereas the cohesion needs to consider at least 3 pillars such as economic, social and environmental dimension, the only indicator used is the GDP.

On this basis and within the ESPON project, we have developed a tool, the Hypertatlas, which tries to take into account a multidimensional approach, the question of the scales and contexts considered and the gap between the regions and the horizontal and vertical opportunities. We added a new indicator: the cost it will require to cover the development gap between the regions showing either a social version (we support the most disadvantaged regions) or more liberal one (people need to move to the more dynamic regions). It can be used to develop arguments in favour of different kind of policies, which may represent a risk as well. You can test this tool on the web site <http://hypercarte.espon.eu/HyperCarte/initLicense.action>

The principle of the scales can be applied to other geographical zones. A prototype has been developed for Brazil.

We have developed this technical tool, the question is now to know if and how it is appropriated by the political decision makers.

Discussion:

- *With such tool, can we better understand the place based approach?*
- *How can this tool be used to support the European debate on equity / efficiency? Can it help answer the question: is the development a matter of the EU level or the State level or the regional level?*

4. Comments by Romain Pasquier, DR CNRS, CRAPE, Rennes

All three presentations raise questions on three aspects:

- the geopolitical context: how does the geopolitical context influence the three regions?
 - o What are the geopolitical threats on ASEAN? What about the competition with China and India?
 - o How is the infrastructure policy of Brazil connected to an integration process with Mercosur and Unasur? Is Brazil the leader of such integration processes?
 - o What are the internal political balances influencing the future of the cohesion policy in Europe?
- The institutional level: what is the role of the State?
 - o What is the role of the States in ASEAN to pilot the implementation of the single production market? What is the link between centralism and inter-governmentalism?

- Brazil is composed of 27 federal States, how are competences distributed between the central State and the federal States in terms of infrastructure development?
- Are the European states likely to use Hyperatlas to coordinate policies? Isn't there a risk with the use of different evaluation criteria?
- The programming tool: what are the public policies implemented?
 - For ASEAN it seems that the political challenges are a key factor: is the EU a good example regarding the institutional development?
 - In Brazil, there seems to be a lack of methodology of public action: can it find some inspiring development in some of the European principles such as partnership, additionality etc.?
 - Is the tool of Hyperatlas used in the present negotiations on the budget 2014-2020?

5. Comments by Ruth Banomyong, Professor, Tamassat University, Thailand

In ASEAN the aim is to build a single production market but what is the impact of this choice on the development of infrastructure? Some countries will receive more goods than they used to get, some existing infrastructures may suffer from such changes. A master plan of ASEAN connectivity has been signed in order to boost the integration of the countries but although facilitation agreements were signed in 1998, their implementation is very slow.

In this context, we have developed a geographical simulation model to be linked with a model of competitiveness. Two criteria have been taken into account to work out scenarios on the possible impacts of these changes on the growth poles: the development of infrastructure and the implementation of trade facilitation. This can help political decisions.

Synergies of this model can be found with other simulation models like the Hyperatlas.

6. General Discussion

- Is there a sociological dimension in the Hyperatlas?
- What are the obstacles and fears of ASEAN?
- What is the place of civil society?
- In the simulation model, how can you integrate indicators showing the path dependency?