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United States Mission to the OSCE



Session 3: Introductory Remarks on Good Governance

*Including through promoting transparency, combating corruption,
money laundering, and the financing of terrorism*

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Mr. Chairman:

This year we are celebrating the 20th anniversary of the Copenhagen Document and the Charter of Paris, key documents at the heart of the OSCE process, which in the words of the Charter endorsed confidence and security building measures to “lead to increased transparency and confidence among all participating States.” Likewise, the Charter states that, “The free will of the individual, exercised in democracy and protected by the rule of law, forms the necessary basis for successful economic and social development.” As we survey the economic and financial landscape of the OSCE, we can see that the principles embodied in the Helsinki Final Act, the Copenhagen Document, and the Charter of Paris are no less relevant today than they were 20 years ago.

We have come a long way, but it is clear that we have yet to reach our goals.

For the United States, advancing good governance both domestically and internationally is a high priority. Earlier this year the United States Congress passed legislation, and President Obama signed into law, the Wall Street Reform and Consumer Protection Act, in order to address the causes of the near-collapse of the financial system and to help prevent future financial crises. The law goes a long way toward restoring the transparency, accountability, and good governance that is fundamental to a healthy and vibrant economy.

The necessity for passing this legislation cannot be overstated. Over the past two years, many OSCE countries, including the United States, have been battling the worst recession since the 1930s. The shockwaves felt by economies around the world were a tangible example of the growing interconnectedness of our economies and of the urgent need for multilateral approaches to our complex financial challenges. The world economy is growing slowly again, albeit unevenly and slower than before the recession. Many people in my country and around the world are still feeling the pain of the economic crisis.

While a number of factors led to the so-called Great Recession, one of the major causes were glaring holes in the oversight of the U.S. and global financial system. Runaway innovation in the financial sector created a parallel financial system that was not adequately governed by the

traditional banking regulations set up after the market crash of 1929 – a system that put in place specific transparency requirements.

Markets function most efficiently when investors and regulators have adequate information about prices and quantities of assets. In this case, the information was hidden, and this gap in knowledge allowed some to game the system and take risks that endangered the entire economy. Unscrupulous lenders locked consumers into complex loans with hidden costs, and investment firms profited from complex transactions in which the risk and exposure was not fully known to investors.

Combating transnational crime that finances terrorism is a critical security issue for each individual participating State, but the very name – transnational – shows that eradicating this scourge requires cooperation. The globalization of crime and the increasing sophistication of criminal actors mandate the strengthening of our networks and creation of international instruments to combat crime and the laundering of ill-gotten gains.

I do not wish to imply that Wall Street was using these tactics to finance organized crime, – it was not – rather, only that the confusion and lack of transparency in transactions make it easier for criminal elements to game the system.

Although the United States acknowledges that the OSCE is not the organization best suited to solve the regulatory issues that led to the financial crisis, we strongly believe that deepening our cooperation within the OSCE on good governance is vitally important. We already have tools at hand to help in this endeavor, namely the United Nations Convention Against Corruption, the Convention against Transnational Organized Crime, and the Financial Action Task Force Recommendations, among others. These are all key mechanisms that the work of the OSCE can support as it seeks to implement our mutual commitments to transparency and the rule of law.

Combating corruption is another area where all participating States and their citizens must be vigilant. Merely the perception of public sector corruption has a direct negative impact on private sector investment. According to Transparency International, the respected organization which compiles data on perceptions of public sector corruption, from 2008 to 2009 almost every region of the world witnessed increases in the public perception of corruption among officials and civil servants.

The fight against corruption at its heart is not just an economic matter, but also an important social and human rights issue. Last month, President Obama highlighted the connection between economic development and human rights at the Millennium Development Goals Summit, saying that in many places, “corruption... is the single greatest barrier to prosperity, and ... is a profound violation of human rights.”

The tools we need to fight corruption—and to protect human rights—are familiar to all. The same institutions that underpin our economies – an independent judiciary, robust and free media, and an active civil society – also protect human rights.

Of course, anti-corruption laws that are selectively enforced, or used by governments to make false charges against individuals in order to stifle political dissent and/or legitimate economic competition, is a practice that unfortunately has occurred in the OSCE region. Such abuse of anti-corruption laws, aside from being immoral, detracts attention and diverts resources from combating the real problem of corruption.

Within all three dimensions of the OSCE, we should adopt a more comprehensive approach to combating corruption and promoting good, transparent, accountable governance. We can do this in part by ensuring that combating corruption is an element of every discussion – whether it concerns transportation, border security, or environmental protection – because without addressing corruption we ignore a key factor that can fatally compromise progress in those areas.

As we noted at the Warsaw portion of the Review Conference, ensuring the rule of law and judicial independence in all participating States is an ongoing process. It requires dedication to principles – principles that separate democracies from tyrannies. The fight against corruption is an essential element of this process. I urge my colleagues to consider how we can better implement our commitments to combat corruption and create transparent, accountable systems of government.