



Organization for Security and Co-operation in Europe

**Remarks of the OSCE Secretary General, Ambassador Ján Kubiš,
at the
OSCE-UNECE Workshop
"The Economic Dimension of Security"**

Geneva, 8 March 2004

Thank you for the invitation to address this workshop. Ties between the OSCE and UNECE are strengthening as we, together, look for ways to address contemporary threats to security. The OSCE, through its New Strategy Document, is paying increased attention to economic and environmental issues that can challenge security within and between States. In this process the UNECE is a logical partner for us, and we appreciate the close co-operation that is evident, including through this joint workshop. In the same vein, I am glad that at this panel I am joined by two other traditional OSCE partners – the EC and the Council of Europe. We work together – and successfully – at all levels and in many fields.

The approach to security in Europe has changed dramatically since the end of the Cold War. Threats stemming from superpower bi-polarity have given way to a new security environment that has to increasingly consider trans-state and non-state factors, while more traditional threats continue to exist, at least in some places, and cannot be neglected.

Sovereignty, stability and rule of law are increasingly being challenged by forces that do not respect borders, including pollution, terrorism, trafficking, cyber crime, and disputes over natural resources. Furthermore, threats to security are becoming more complex, particularly in relation to socio-economic factors like disparity within and between states, social marginalisation of certain population groups (often minorities) and intolerance, lack of opportunities, and unequal access to food, employment and health care. If we get

the basics wrong, then the threat of instability increases and can boil over into social discontent and even violent conflict.

The economic and environmental dimension, for so long seen as peripheral to security issues, is now moving into the mainstream. There is an increasing awareness that economic and environmental deficiencies can affect human security, the security of whole states or regions.

Addressing economic and environmental issues at an early stage is therefore a key element of conflict prevention. Identifying potential difficulties can provide vital early warning.

Allow me, therefore, to address some of these issues in more detail.

In the OSCE area, there are major economic discrepancies between participating States. Although eight countries of the former Communist bloc are about to join the European Union, others still face significant challenges of transition. The post-Communist experience has, in some cases, polarized societies; some people have been more successful than others at capitalizing on new opportunities. Others are falling through the cracks. The gap between rich and poor in many OSCE States is growing. This disparity has brought with it feelings of resentment, marginalization and even anger. It is fertile ground for populism, corruption, clandestine emigration, organised crime, illicit trafficking of all kinds – all of which are sources of instability.

Environmental mismanagement inherited from the old command economy also continues to take its toll. This is evident from the shrinking Aral Sea, poisoned rivers, water shortages, and insecure nuclear waste.

Inherited environmental damage, which is sometimes the legacy of a conflict, as well as environmental degradation and the unsustainable exploitation and use of natural resources, can have considerable social and economic consequences. Such effects can become security concerns when they are combined with a high population density, socio-

economic pressure and weak governance structures, notably in societies where good governance is a rather recent concept.

In countries experiencing socio-economic hardship, many mostly young people have just one dream: to leave their home country and look for better opportunities abroad. The resulting migration pressures can create problems both in the home country – through “brain drain” and diminished human capital – as well as in the countries of destination that may not be prepared or capable of integrating an influx of immigrants of all kinds. It is no secret that notably migration and movement of the workforce are often unjustly perceived or misrepresented as grave factors of eventual instability and are accompanied by excessively restrictive measures. Another symptom is trafficking in human beings, drawing on criminal networks and resulting in the brutal exploitation of children and the virtual enslavement of young women.

Poverty and poor governance reinforce each other, resulting in a vicious circle: poverty weakens state institutions that open doors to corruption, which creates fertile ground for interest groups, often criminal, to penetrate the system. The resulting legal void, and indeed criminalization of parts of the system in the conditions of tolerance for such a situation or the incapability to address it, deters domestic and foreign investment. That leads to economic distortions and a misallocation of resources, which, in turn, creates more poverty, and so the cycle goes. It can also erode the legitimacy of state structures.

Having overcome the ideological and bloc division, we must prevent new divisions of Europe. It is worth recalling that in the Charter for European Security, agreed at Istanbul in 1999, OSCE participating States spoke of their determination to form a common and indivisible security space, free of dividing lines. And in the new OSCE Strategy Document for the Economic and Environmental Dimension, the OSCE participating States concluded that "Promoting economic and environmental co-operation within the OSCE area is necessary to avoid new divisions". This can be best achieved if all countries and all international organizations represented here collaborate as closely as

possible. Together we can prevent new division and more effectively cope with new security challenges in a changing environment.

One of the many bottlenecks of the transition process is the lack of human capital, particularly skills and knowledge in economics, management and commercial law. Action is needed to increase training opportunities and educational exchanges especially in these disciplines.

Investing in human capital is a long-term investment for a country's transition. The OSCE is currently looking into developing activities with its partners which will address the shortage of skills in the economic and environmental dimension. The 12th OSCE Economic Forum in Prague from 31 May to 4 June 2004, and its Preparatory Seminar in Bishkek at the end this month, will address the issue of human capital for market economies.

More assistance to improve governance at all levels must be offered. A fully independent and competent judiciary and democratic police must be established to facilitate the effective implementation of new legislation and guarantee the rule of law. The fight against corruption must become a priority.

The OSCE, in co-operation with the OECD and UNODC, has been developing a range of activities in the field of good governance, such as helping develop national strategies in the fight against corruption and the development of municipal finance.

Regional co-operation is another important component which can contribute to more international security. Following the collapse of communism the number of OSCE participating States grew from 35 to 55. Experience shows that often, the emergence of new borders can impede traditional economic relations, including free movement of goods and people, that have developed over decades. Support must therefore be provided for regional integration schemes that aim at facilitating trade and economic co-operation, especially in the Balkans and Central Asia, as well as in the South Caucasus.

This also relates to the need for further development of transportation and communication links, for the fight against unemployment and discrimination and the creation of conditions conducive to the attraction of foreign direct investment, especially in co-operation with key institutions like the EBRD and the EIB.

We may also want to consider in more detail the role that the private sector can play in helping us to face new challenges in a changing environment. I simply pose this as an open question.

What is the role of the OSCE?

The OSCE, at its inception, adopted a comprehensive and co-operative approach to security that includes also its Economic and Environmental Dimension. Its participating States adopted numerous commitments and strive to put these into practice. In the past years, our activities in this field have become increasingly operational. It is not because we are looking for more work or seeking to duplicate what others are doing. Rather, since our Organization is designed to address risks and threats to security in the OSCE area and those risks and threats come, inter alia, from economic and environmental sources, we need to find ways of addressing them. This motivated the creation of the Office of the Co-ordinator of Economic and Environmental Activities as part of the OSCE Secretariat in November 1997.

That is also why at the OSCE Ministerial Council in Maastricht last December the OSCE participating States adopted a new OSCE Strategy Document for the Economic and Environmental Dimension. The central focus of the document is on good governance, economic co-operation and sustainable development as well as on early warning and the review of commitments by OSCE participating States which is carried out annually during the OSCE Economic Forum with the help of the UNECE (the OSCE's main partner in the Economic and Environmental Dimension). The Strategy builds on the 1990 Bonn Document.

Economic and environmental issues are not free-standing. They relate to core activities of the OSCE in other dimensions, notably the human dimension. Socio-economic issues

and good governance are inextricably linked to respect for and promotion and protection of human rights, to the rule of law and by extension law enforcement. The rejection or breakdown of a system based on democracy, empowerment, rule of law and good governance leads to instability.

The OSCE Economic Forum is the economic and environmental dimension's main annual event. This year's Forum, that engages the OSCE participating States and its partners, including businesses and NGOs, will focus on "New challenges for building institutional and human capacity for economic development and co-operation" and will focus mainly on SME development, Investment and Human Resources.

Beyond the Forum, activities of the OSCE Office of the Co-ordinator focus on the training of young entrepreneurs, good governance, the fight against money laundering and the financing of terrorism, river and water management, anti-trafficking measures and other economic and environmental priorities outlined by the new Strategy Document and past Economic Fora.

It is also worth noting that economic and environmental activities are increasingly part of the work of OSCE field missions and centres.

The OSCE has neither the resources nor the expertise to tackle these major challenges on its own. Furthermore, our mandate is focused on the security aspects of the economic and environmental dimension – in other words how they relate to early warning, conflict prevention, crisis management and post-conflict rehabilitation.

To be most effective we rely on the support and co-operation of experts in the field. That is why we are deepening and broadening our network of partnership. For example, we have carried out joint activities with the UNECE in the establishment of a transboundary water commission on the Chu and Talas rivers in Kazakhstan and Kyrgyzstan and we are developing a joint project on sustainable water management of the Dniestr river between Moldova and Ukraine, involving the separatist region of Transdniestria.

The OSCE also co-operates closely with both the UNDP and UNEP in the framework of the Environment and Security Initiative and works with NATO on a river monitoring project in the South Caucasus.

We also regard our role as that of a catalyst and match-maker to use our wide networks and contacts to both political decision makers and civil society to draw in partners and players with the required expertise and means, e.g. the UNECE (economic expertise), the European Union (market access and infrastructure), EBRD (investment and loans), the UNDP, World Bank, IFC etc.

Within the framework of its activities in the economic and environmental dimension, the OSCE aims above all at encouraging a transfer of know-how from more to less advanced transition countries, by drawing on the experience on all sectors of society, i.e. governments, NGOs, the business sector, Chambers of Commerce as well as international organisations.

The ultimate aim of our joint efforts should be to encourage the emergence of fully fledged democracies with working market economies, independent courts and predictable policies in all countries of the OSCE region.

Only stable, well-governed democracies and market economies can provide the framework which guarantees long term regional stability and security.

Thank you for your attention.