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**OSCE Conference on Globalization**

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**Introductory Remarks:**

Ladies and Gentlemen,

First of all let me express my sincere welcome to all the participants that have gathered here today in the Hofburg in Vienna for the OSCE Conference on Globalization. It is an honor for me to be invited to chair this conference.

From my own experience within the Netherlands government and at the OECD I have dealt with the issue of Globalization already for many years in various forums of international cooperation. It is, however, the first time that I participate in a discussion on this topic in the framework of the OSCE and it is to my knowledge also the first time that the topic appears in such a specific way on the OSCE agenda. I look forward to the discussion in this OSCE framework, since this can add to the discussion in economic forums. After all, the OSCE is first and foremost a security organization and not a specialized economic agency.

Which brings me to one of the most important questions that we will elaborate upon in the coming days: the relation between globalization, security and conflict prevention, and poverty. Allow me to start with expressing some ideas on the link between conflict and poverty. Conflict occurs in every society. There is no development without conflict. It only becomes a problem, however, when a society is no longer able to reconcile conflicting interests, often because its institutions and governments are weak. Conflict causes severe poverty. Of that there can be no doubt. But does poverty also cause conflict? Many volumes have been written on this subject, of which a majority seems to conclude that poverty as such does not lead to armed conflict on a large scale.

But impoverishment and growing inequality within society do lead to social and political unrest and finally to despair. Such a development can indeed lead to conflict. And it is clear that impoverishment does exist. You only need to drive through some of the poorer regions in the OSCE area to see this inequality. And then there is the alarming inequality between rich and poor countries on the one hand and between rich and poor population groups within countries on the other.

What is the relationship between globalization and poverty? Globalization offers plenty of opportunities for reducing poverty in developing countries. I am convinced that any structural strategy for poverty reduction must be based on open economies and open societies. In this respect a large number of emerging and transition economies provide us with firm evidence. To someone from the Netherlands, one of the most globalized countries in the world, this seems fairly obvious. One should be aware however that globalization is not synonymous with an unbridled free market.

Globalization does not always spontaneously lead to a wide distribution of prosperity and social progress. Under unfavourable circumstances globalization could have another face – the risk that it will make existing contrasts even sharper. And countries and people who are not able to join in will become marginalized. International trade and capital flows might bring greater prosperity, but it is not automatically shared equally. It all hinges on having appropriate governance and institutions. Without those preconditions, poorer countries certainly will hardly have the capacity to participate on an equal footing in the world markets.

And now Globalization and conflict prevention and security. It is clear that globalization in the long term is a very important driving force for stability and security, by the creation of wealth and economic interdependence. Moreover, globalization opens up closed societies to external influences. As a result, it can lead to more involvement in international debate, less repression for example of women, and less violence. As Thomas Friedman wrote in the Herald Tribune: “Countries that don’t trade in goods and services also tend not to trade in ideas, pluralism and tolerance”.

However again, stability and security, are by no means automatic side-effects of globalization. Take for instance, the global arms trade, the illegal trade in diamonds and other precious commodities, and drug and human trafficking. All are more difficult to control as a result of globalization. The same goes for the spread of HIV/AIDS, which poses potential security threats to countries like Russia and others.

Conflicts often occur within states. Weak states already find it difficult to hold violence under control. And globalization may complicate that even further. Internal conflicts soon attract external stakeholders. Weaker states ultimately fall prey to elites that benefit from complex and chaotic situations. In such situations the plundering of natural resources, the enrichment of groups through illegal activities become evident. It therefore becomes an economic opportunity for such illegal groups to keep the conflict going. Conflict can indeed as well be fuelled by greed as by grievances.

I should like to stress that these issues not only affect the poorer countries. Also interests of developed countries are at stake. There can be no global security as long as part of humanity lives in vicious circles of poverty and violence.

Please allow me to share some of my ideas with you as a kick-off to the discussions in the coming days.

My first point would be to focus on the concept of inclusion at the global level. The Human Development Index Report 2002 rightly makes a plea for global democracy, good governance within international institutions and more transparency in decision making. Developing countries must participate more fully in global governance. By developing good governance at home, they will be better able to defend their interests in the international context.

At the same time, we must not expect that global solutions are the only means to cure all ills. Also regional solutions can, as a stepping stone, pave the way to progress and prosperity. But the global as well as the regional level are often far removed from the ordinary people. Inclusiveness for most people begins at the level of national and even local governments. It is crucial for people to

have confidence in these local structures. This applies not only to western countries, but to all countries in the OSCE region.

Countries that prepare for globalization by creating the right institutions and governance will benefit from it and will be able to reduce poverty, inequality and insecurity. For example, countries should only liberalize their financial markets when they can count on adequate institutions and regulation and they should not privatize services unless they can monitor abuses of monopoly positions. Private monopolies can be even more harmful than the ones that are state owned. In other words, they should not rely on the market unless they have the institutions in place to ensure that the society at large benefits and inequality decreases.

So getting ready for globalization as soon as possible is crucial.

Finally, let me briefly focus on the role of the OSCE in globalization issues. As I stated earlier, the ability to reap the benefits of globalization often depends on issues like good governance and transparency, at the international, as well as at the national level. This is typically a field where the OSCE can have an added value, in supporting countries to establish and strengthen their institutions, in contributing to transparency in policymaking and in promoting the awareness of the added value of participatory processes. I was very pleased to learn that this issue will be one of the most important parts of the new strategy for the OSCE Economic and Environmental Dimension, which is currently being developed.

But the OSCE should not act alone. One of the main tasks of this organization is the provision of a platform for comprehensive security. As such, it can play an important role in bringing together the relevant actors, as we can see in looking around us in this very room.

Ladies and Gentlemen,

Let me conclude for the moment. My words only provide a first start of the discussions. The program for the coming 2 days is a long one, filled with experts from all over the OSCE area and with a broad level of knowledge on the various topics related to the issue of Globalization. I wish you

all interesting discussions and I hope that many of you will actively participate and contribute to these discussions. Thank you for your attention.