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**Session 1: Effective government and efficient markets**

**Statement by the Representative of the European Commission**

Globalisation presents new opportunities in terms of increased trading and investment potential, sustainable development and the exchange of knowledge and experience. But it also presents new challenges, because it tends to exacerbate the problems associated with a variety of asymmetries of power, both between and within countries.

We need to manage globalisation in order to maximise its potential benefits in the areas of economic development and poverty reduction. To do so, we need to strengthen governance both at the national and at the global level. Globalisation is a complex and multi-dimensional phenomenon and solutions to its problems involve national and international efforts.

Good governance at the national level is the key to good economic performance and the ability of states to compete successfully in the global economy. Although no nation's governing structures and institutions are perfect, and all can be continuously improved, the development of democratic states will be supported when they are shown to:

- respect human rights,
- enforce legal claims and facilitate effective access to judicial and administrative proceedings,
- provide access to information and protect the freedom of the press,
- be transparent, open and accountable,
- respond adequately to civil society participation in decision-making processes, and
- mobilise effectively against corruption.

In addition to these points which fall into a more traditional definition of the term “good governance”, the choice of sound national policies in a variety of fields is essential:

- sound macroeconomic policies that foster stability,
- outward-looking trade and investment policies,
- appropriate policies and public investment in environment, health, education and infrastructure,
- appropriate redistributive policies that ensure equitable access to assets such as land and credit, and
- the implementation of social safety nets that cushion the negative short term impact of reforms on specific groups.

At the same time there is a need to strengthen the global governance system. We cannot leave the task of reducing existing imbalances to market forces alone. And global public goods – such as cures for malaria, or action to protect the global environment – by their very nature will be underprovided by the market. We have to develop trade rules that are more balanced and equitable, taking seriously the need for special and differentiated treatment in certain areas. And, through multilateral negotiations, we need to set out harmonised standards and norms so as to reconcile free trade with societal concerns such as the environment, health and consumer protection, workers' rights, cultural diversity and the delivery of public services, be it by the private or the public sector.

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