



Organization for Security and Co-operation in Europe

**Co-ordinator of OSCE Economic and
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The Twelfth Meeting of the OSCE Economic Forum

**“New Challenges for Building up Institutional and Human Capacity
for Economic Development and Co-operation”
Prague, 31 May - 4 June 2004**

Welcoming remarks
by Marcin Świącicki

Distinguished Chairperson,

Excellencies

Distinguished Ambassadors

Ladies and Gentlemen,

It is a great pleasure and an honour for me to welcome all of you to the Twelfth Meeting of the Economic Forum –the twelfth one in Prague, but the first one in the European Union - in the presence of our esteemed Chairman-in-Office, Minister Solomon Passy, and our Secretary General, Ján Kubiš. First of all, I would like to express my gratitude to the Government of the Czech Republic, and in particular to H.E. Cyril Svoboda, Minister for Foreign Affairs, for hosting the meeting. I also extend my appreciation and special thanks to the Executive Secretary of the United Nations Economic Commission for Europe, Brigita Schmögnerová, and her dedicated staff for their valuable contribution to this Forum.

I have noticed with great pleasure that many representatives from the private sector, academia and various NGOs are present. I am also very pleased to see numerous representatives of various international organizations. Only by working together can we achieve success. I am also delighted to welcome our representatives from OSCE field presences and all other participants.

The issues addressed by this year's Economic Forum are of the utmost importance. Developing Small and medium-sized enterprises, attracting investment and building up human capital are key components in the fight against poverty, and we can still observe that the disparities in all three areas in the OSCE region are quite substantial.

The OSCE Strategy Document for the Economic and Environmental Dimension emphasizes that widespread poverty, unemployment and deepening economic and social disparities within and among countries are among the main threats to security and stability in the OSCE region.

Addressing the threats stemming from poverty and economic disparities calls for concerted action that tackles the problem from various angles, ranging from the strengthening of civil society and improvement of transparency and accountability in public affairs, to the provision of support to people in starting up and running their own businesses. As poverty and poor governance are mutually reinforcing, we can only break this vicious cycle by addressing them together. The preparatory seminars leading to this year's Economic Forum illustrated this time and time again.

Our preparatory seminars analysed in which many ways OSCE participating States, the OSCE and also other institutions and organizations can facilitate the development of SMEs, attract investment and enhance human capacities for market economies. The discussions at this year's Economic Forum should identify priority issues and should focus on a certain number of issues that can be pursued by us, by our institutions and by our field presences, but we should also raise the awareness of other institutions in the areas in which we cannot be active in the way that they are. Raising awareness also represents an important contribution to combating poverty and avoiding new dividing lines in Europe.

To cope with these problems we need allies. I would like to draw your attention to business associations and chambers of commerce, which are the voice of the business community and its interests. As partners States in the legislative process, they can provide governments with insights and advice when policies relating to business are being developed.

They can act as a mechanism to close the "implementation gap" between written legislation and its application. They are instrumental in defending their members against over-regulation and excessive interference by the State. As we learned at the first Preparatory Seminar in Yerevan, they can be very promising partners in addressing and combating corruption. In short, strong and independent business associations are valuable partners in economic transition.

Yet, in reality, business associations often face numerous constraints and lack expertise. Therefore, we need to strengthen the independent position of such associations, improve their capacities and know-how and facilitate international co-operation.

Ladies and gentlemen, sometimes it is easier to write new laws than to implement them and apply them to every day activities. Without adequate human capital for market institutions, countries in transition will fail to create a business environment that is conducive to the development of and investment in SMEs.

However, there is a deficit of skilled people who are able to run market institutions, as it was highlighted at all three preparatory seminars. At universities, there are not enough lecturers to teach market disciplines. Textbooks and teaching materials are inadequate. Curricula, despite having been reformed, still neglect the importance of institutional skills. Uncompetitive remuneration for those already trained in market disciplines makes emigration a tempting alternative.

The OSCE has already been devoting substantial resources and efforts to the training of border guards, police forces and judges. Similarly, I believe the OSCE participating States should give thought to instruments for increasing educational exchanges and channeling professional skills to those countries which lack adequate human resources in the field of market institutions.

One of the ways to improve the transfer of knowledge and skills might be through “twinning” programmes. These aim at facilitating institutional capacity building in countries in transition by seconding experienced experts from advanced market economies to their partners. The twinning programmes between the State institutions of candidate countries and of EU members proved to be very successful.

How wonderful it would be if the success of the investment promotion agencies in Ireland and Hungary could be replicated in other OSCE regions such as Central Asia or the South Caucasus .

There are many ways that could be explored during the coming days. For instance, we should think about ways to encourage universities in countries with more advanced market economies to share their knowledge with institutions in countries that are still struggling with the challenge of transition. The OSCE can be instrumental in supporting exchange

programmes between academics and students as well as in providing scholarships and fellowships.

At the first Preparatory Seminar, we also started to discuss how the OSCE can improve international co-operation between chambers of commerce, and facilitate the exchange of expertise from well established chambers to newly born organizations. I hope that, the framework of the plenary session on partnership with the business community and Working Group B on capacity building for the private sector, we can resume these discussions and achieve a concrete outcome.

Let me take this opportunity to commend the invaluable work that has already been done in this area by our economic and environmental officers in the field.

At this year's Economic Forum, a special session will focus on the integration processes in the OSCE region. Economic integration benefits both economic development and peace. The founders of the European Union used economic integration as a political tool in order to overcome the age-old opposition between France and Germany. They succeeded. Similarly, the enlargement process of the European Union has extended the sphere of peace, stability and prosperity in Europe. The prospect of EU accession itself proved to be the most powerful stimulus the EU could offer to the Central European and Baltic States in order to encourage their transition process, to mobilize them and to give them a sense of the sacrifice they are taking upon themselves.

The EU Wider Europe Initiative, which is now called the European Neighbourhood Policy, has a chance of becoming just such an anchor of stability as the enlargement process proved to be. The European Neighbourhood Policy has been designed "to share the benefits of the EU's 2004 enlargement with neighbouring countries in strengthening stability, security and well-being for all concerned" and "to prevent new dividing lines between the enlarged EU and its neighbours."¹ In return for progress in the implementation of political, economic and institutional reforms, the EU's neighbourhood will benefit from being offered a stake in the EU's internal market, deeper integration of trade and economic relations and the possibility of participating in a number of EU programmes.

¹ Communication from the Commission. European Neighbourhood Policy. Strategy Paper. 12 May 2004.

Ladies and Gentlemen, as you may recall, at last year's Economic Forum I already advocated that the EU's Wider Europe Initiative should be extended to the countries of the South Caucasus and Central Asia. Last November, the European Parliament, in its Resolution on a Wider Europe² also called for the inclusion of the South Caucasus in this initiative. The European Commission recommended to the Council the inclusion of Armenia, Azerbaijan and Georgia under the European Neighbourhood Policy (ENP). OSCE participating States should welcome this development and encourage the Council to follow the Commission's recommendations. By offering the prospect of privileged relationships and making them contingent upon certain conditions, the European Union has created a powerful incentive to expedite the transition process significantly.

Facilitating economic integration by eliminating trade barriers constitutes an important means of enhancing prospects for economic development and transition. But, despite many declarations and attempts, regional economic integration between countries in several OSCE regions is still encountering too many barriers: e.g., customs duties, convertibility restrictions and clogged borders.

Let me also mention a paradox concerning the trade relations between the EU and non acceding countries. As we know, the EU is relatively open to industrial goods. At the same time, the EU is protectionist in regard to agricultural products. However, Eastern neighbours do not have enough capacity to compete in advanced industrial products, whereas they have the potential to realize a competitive edge in agricultural products.

Opening up markets to agricultural products would increase the opportunities for earning income of countries in transition such as Moldova, Ukraine and Georgia.

Many countries lose more owing to trade barriers affecting their agricultural products than they gain from all the international aid they receive. The President of the World Bank recently pointed out once again that reducing agricultural protectionism translates into reducing poverty.³

This unfair competition for agricultural products also costs a lot. Making the EU the most competitive economy of the world in 2010, as envisaged by the Lisbon Agenda, will be costly. Reducing the EU's internal economic disparities, which have substantially increased

² Cf. European Parliament resolution on 'Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours (COM(2003)104 –2003/2018 (INI)).

³ Cf. James Wolfensohn, The growing threat of global poverty. IHT, April 24-25, 2004.

with the recent EU enlargement, will have a price. Turning the European Neighbourhood Policy into a success will require appropriate financial support.

Notwithstanding these ambitious objectives, the largest single item in the EU budget for 2007-2013 is to be the least competitive industry: agriculture, benefiting particularly the largest farmers, the most affluent farmers in the EU, and also requiring the continuation of protection for overproduction capacity in the EU.

I hope that, during the special session on integration processes, we will discuss all barriers to trade and to regional integration, so that we can further prepare and promote benefits that could be realized by lowering barriers to trade.

This was something concrete that I wanted to add, also to provide some provocations for the further discussions, as Minister Svoboda invited us to do.

Ladies and Gentlemen,

Alleviating poverty, eliminating misery and reducing instabilities call for a joint and concentrated effort by all the OSCE participating States and international organizations active in our region.

Let me conclude with a quotation from the new OSCE Strategy Document for the Economic and Environmental Dimension: our new bible and koran.

“Promoting economic and environmental co-operation within the OSCE area is necessary to avoid new divisions and to narrow disparities between and within our countries and to achieve sustainable results.”

Thank you for your attention.