



**Statement by Mr. Sven Alkalaj**

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**at**

**Informal Meeting of Permanent Representatives to the OSCE**

**“Identifying new and evolving economic and environmental challenges that  
impact on security”**

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Mr. Chairman,  
Excellencies,  
Distinguished delegates,  
Dear colleagues,  
Ladies and gentlemen,

On behalf of the United Nations Economic Commission for Europe, I would like to thank you for inviting me to deliver a keynote address about the current economic and environmental challenges facing Europe and their possible security implications.

The study of the relationship between economics and security may have begun some 150 years ago with Frederic Bastiat. This brilliant French economic journalist argued passionately that **“if goods cannot cross borders, armies will”**. Bastiat proclaimed these words in the middle of the XIX century - one of Europe’s tumultuous periods of military conflicts coupled with extensive government interventions in international economic affairs.

Many had hoped that Europe’s XIXth century interplay of nation states, economics and violent conflict would come to an end in 1918 – following the end of WWI. However already in 1919 - while the map of Europe was being redrawn – an English economist, John Maynard Keynes, predicted in the “Economic Consequences of the Peace” that **Europe could not prosper without an equitable, effective and integrated economic system**. He argued that the economic terms of the Peace Treaty of Versailles precluded this outcome.

With hindsight, Lord Keynes was right. Twenty years later, WWII came. In the early 1930s a typical financial crisis was allowed to escalate into a decade long depression due to economic policy mistakes of historic proportions. The central problem was that countries were unable to forge a coordinated strategy to solve the global crisis but instead each pursued policies to **maximize their own national interest**. As the great economic historian Charles Kindleberger wrote of the 1930s, “When every country turned to protect its national private interest, the world public interest went down the drain, and with it the private interests of all.” In the end, that war resulted in a previously unthinkable scale of human suffering and physical devastation.

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After 1945, the European nations became richer, more equal, more educated and healthier. Political freedoms expanded with practically all European countries being democracies today. The divergences between countries declined through increased economic integration and, in some cases, aid transfers. In economic terms, **the greater economic interdependence** in Europe has significantly decreased the relative attractiveness of waging war by increasing its costs and reducing its benefits.

There were, of course, some major departures, including the division of Europe into East and West, but outright military conflicts were minimal. More recently, however, there were military conflicts in South Eastern Europe and the Caucasus. Nevertheless economic growth and strengthening regional cooperation and **institutions provided a solid foundation** for simultaneous peace and prosperity.

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Recently, however, Europe's longer run economic trends may have reversed. Growth in Europe has been non-existent for the last five years. Current projections suggest that Europe will likely experience a "lost decade" of almost no **economic growth**.

Europe's **unemployment**, already at unacceptable levels, continues to rise. It is over 10 per cent in the European Union and over 20 per cent in much of South-East Europe. Approximately one in four young people is unemployed in Europe. Not only is this creating a "lost generation", but it is widely recognized that large numbers of unemployed and disillusioned young men and women are a powder-keg that can rapidly turn destructive.

**Inequality** has been increasing throughout Europe. Progress in reducing poverty and hunger has slowed down. These may represent security threats as countries with severe inequality, in particular between ethnic or regional groups are more vulnerable to conflict. [Talk of Discussions about](#) creating a common European identity and a strong political union in Western Europe has [given way to triggered](#) anti-European sentiment, nationalism and [some populist rhetoric in and between countries.](#) ~~rhetoric including cultural insults of countries being spendthrift, lazy and corrupt.~~ It must surely be recognized that these are not positive developments and that they are eroding the ability of countries to address their own problems and for countries to cooperate in addressing regional or global problems.

The implications of a lost decade of growth in Europe extend beyond its borders. Growth in North Africa and elsewhere is being negatively impacted. As a result of the crisis, total **official development assistance** declined in 2011 by about seven per cent. This may enhance the probability of a violent conflict, in particular an intra-state conflict. Global increases in the level, scope, and effectiveness of development assistance have lowered the threat of violent internal conflicts.

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In addition to these immediate economic problems, there are other significant longer-run developments that need to be addressed more effectively. For example, **climate change**. Although Europe, to its credit, has taken the lead in addressing this issue, progress at the global level has been inadequate. Rising temperatures will lead to significant melting of the Arctic ice cap, changing precipitation patterns and thus crop yields. Melting glaciers in Europe and Central Asia will affect summer river flows. The implications of these changes will be significant. Inevitably, this will result in disputes about how the costs and benefits of these developments are to be distributed. Just this month two ECE member states have proposed that a UN legal framework be adopted to cover the rights of those that migrate due to climate change.

Another longer-run trend is the **changing global distribution of world population and economic output**. The share of global GDP of UNECE member states has declined by over ten percentage points over the last decade. This trend is likely to continue. As this region becomes less dominant economically, the balance of economic and military power will shift and this will inevitably raise issues that could easily turn into disputes.

In the ECE region, there are a number of **frozen political disputes**. These are largely frozen because of a stalemate between two similar powers. As the distribution of population and economic output shifts the balance of power, these disputes may become unfrozen in a disruptive manner.

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How can we ensure that these economic problems and longer term trends are addressed in a peaceful and constructive matter? The current economic crisis has many similarities with what transpired in the 1930s. However, this time the crisis has been better contained. Why?

Let's look at just one aspect of the crisis. In the 1930s, ~~as~~ countries imposed trade restrictions on each other as they attempted to shift their unemployment onto others. As a result, the economic downturn was amplified. This time, this did not happen due to trade agreements including most importantly the disciplines of the WTO.

However, the eurozone crisis has been allowed to continuously escalate largely due the absence of an institutional structure to adequately address the underlying problems. As these two counter examples show, **where there are existing institutions, agreements or frameworks, disputes can be constructively addressed; and where they are absent, forging an agreement can be quite difficult and much damage can be done along the way.**

It is within this context - I think – that the program activities of the UNECE should be viewed. By providing legal agreements, norms and standards in the areas of trade, energy, transport, and the environment **we provide a framework for addressing existing and new problems** so that they do not escalate into more serious disputes.

I believe our activities are important in another way as well. By allowing countries to resolve more technical problems using widely agreed upon frameworks they act as a confidence building exercise that develops rapport between officials. As a result, when new issues arise, these countries have confidence that they have partners with which they can constructively work.

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In my remaining time, I would like to highlight some ECE programs that I think are especially important in creating a more secure Europe. At the same time, I will touch upon some selected joint UNECE-OSCE activities.

Since December 2006, both the OSCE and UNECE have been making constructive efforts toward facilitating **international transport and border crossing**. Both organizations have organized numerous and successful joint capacity building events. In Dushanbe, the UNECE is supporting the OSCE Border Management Staff College. The College provides training programs to high level customs, border and transport officials. This “transport” cooperation culminated, this year, in the publication of the OSCE-UNECE Handbook of Best Practices at Borders.

At a first glance, efficient transport and smooth border crossing may not appear to have immediately obvious conflict prevention features. But they

do! Closed borders indicate a complete lack of economic cooperation and insecurity. Non-existent roads point to the lack of interest or incentives to exchange goods, to visit and to communicate with each other. In contrast, roads that are travelled frequently, that are modern, safe and secure clearly prove that the peoples, who are linked by them live, co-operate and wish to prosper together.

In December 2011, the annual “Inland Transport Security Discussion Forum” was jointly organized by the UNECE and OSCE. The UNECE believes that more should - and could - be done to enhance **inland transport security**. Effective exchange of views and best practices are the first basic steps in this direction. I would like to take this opportunity to invite the OSCE to continue its interest in cooperating in this area. The next “Transport Security Discussion Forum” is planned to take place in February 2013 in Geneva. The subject is “Secure Parking Areas”.

In the area of the environment, the UNECE with its five environmental conventions and 12 related protocols as well an abundant expertise and experience in regional approaches is well-placed. Four of the five UNECE conventions focus on regional, cross-border or transboundary co-operation. Not only do they provide frameworks to address **cross-border environmental issues**, but they are also practical instruments to prevent conflict. Joint UNECE and OSCE activities in the field of the environment are typically components of the Environment and Security Initiative (ENVSEC).

The UNECE highly values collaboration within the **ENVSEC**. This initiative is not only about environmental co-operation as a tool for preventing conflicts, but also about pragmatic and efficient sharing of responsibilities to achieve common objectives.

Scarcity of water is an emerging security concern as countries compete for this resource. The ECE’s **Water Convention** has supported the development of transboundary waters co-operation for twenty years now.

I already mentioned the importance of climate **change and transboundary waters**. When waters are shared between countries, cooperation on adaptation measures is necessary. Why? This is so because this is the only way to resolve the negative impacts of national adaptation measures and thus potential conflict. Cooperation enables more effective and efficient adaptation through a wider knowledge base and a larger planning space. Furthermore, it opens up the possibility to share costs and benefits.

The UNECE “**Aarhus Convention**” (UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters) aims at fostering greater participation in pluralistic societies thereby contributing to enhanced security. I welcome OSCE’s strong commitment to promoting the implementation of the “Aarhus Convention”. OSCE’s support has provided an effective means of strengthening the implementation of the Convention at a very practical level.

**Energy security** is a priority for the majority, if not for all, UNECE member states. It is not surprising then that UNECE mandate and expertise includes energy - specifically, the ability for UNECE members to secure affordable and sustainable energy supply. The energy sector is at the nexus of not only economic and environmental sustainability but also security. Let us not forget that it was an ~~an United States~~ oil embargo ~~on Japan~~ that led to the ~~war in the Pacific during WWII. attack on Pearl Harbor.~~ In general, countries that rely heavily on primary commodities are believed to be more vulnerable to conflict. The ECE looks forward to working with the OSCE on energy issues, in particular on improving energy efficiency in order to address energy security, and other environmental and economic challenges.

In closing, many perceive the OSCE as a unique and model regional security organization. The UNECE, in turn, believes that the **UNECE-OSCE partnership represents a model for co-operation** between economic and security organizations. I would like to stress that the UNECE looks forward to continuing and deepening its co-operation with the OSCE. We need to work together for the sake of the stability and well-being of our region.

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