www.unece.org/press/execsec/2005/bs050523.html

Prague, Czech Republic 23-27 May 2005

Demographic Trends, Migration and Integrating Persons belonging to National Minorities:
Ensuring Security and Sustainable Development in the OSCE area

Opening remarks by Mrs. Brigita Schmögnerová,
Executive Secretary

Mr. Chairman, Ladies and Gentlemen:

It is a great pleasure to address you at the opening session of the 13th OSCE Economic Forum. The topic of this year's Forum: "Demographic Trends, Migration and Integrating Persons belonging to National Minorities: Ensuring Security and Sustainable Development in the OSCE area" combines many important and timely economic, demographic and security policy issues.

Ladies and Gentlemen:

Europe is in the midst of a situation without parallel in demographic history. Fertility is well below replacement level, populations are rapidly ageing, and most countries face imminent or anticipated population decrease. If we add the intensifying and diversifying migration flows, it becomes clear that population trends could pose serious challenges for the security and economic stability in the UNECE region.

According to United Nations projections, the combined population of Europe increased by over 180 million between 1950 and 2000; it is projected to decrease by about 96 million between 2000 and 2050. This decrease will be most pronounced in Central and Eastern Europe. It is also expected to strongly affect Southern Europe.

The shift from sustained population growth to marked decline will have far reaching social and economic implications. Some even argue that it will call into question sustainable development in Europe and put a strain on social cohesion. These concerns are exacerbated by the differences in reproductive behaviour and rates of growth among different population sub-groups. Even though these differences are diminishing, they may still alter sensitive cultural and ethnic balances.

The decrease of the European populations will be accompanied by rapid shifts in their age structures, notably a significant decline in the working-age population. This progressive population ageing has important consequences for public and private savings and spending and for future macro-economic performance in general. There are fears that the anticipated huge deficits in public pension schemes could inflict serious macroeconomic damage, both on the domestic economy and, in the case of large industrial countries through international linkages, on the world economy. The fears are real and – even if not short-term – they need adequate policy responses now. What are adequate policy responses?

Firstly, it is imperative to ensure that economies adapt and grow at a sufficiently rapid and sustainable pace. The type of growth should be adjusted to the existing situation of either labour supply/demand overhang. Increases in labour force participation rates, higher employment rates, as well as stronger investment in modern, knowledge-intensive sectors are part of the required policy response.

Secondly, it will also be important to reform the pension and health care systems.

The major challenge in the current and future efforts to reform the pension systems is to prevent a weakening of the intergenerational solidarity, as certain generations might end up being net losers from the current reforms. In fact, in my opinion, intergenerational fairness is a prerequisite for the long-term financial sustainability of a pension system if we want to ensure its social inclusiveness.

Thirdly, pro-birth policies:

The very low fertility rates currently observed in Southern, Central and Eastern Europe, but also in parts of Western Europe, are in the spotlight of both policymakers and the public at large. The need to create an environment free of barriers for men and women to freely decide on their parenting status is currently among the most important challenges of social policy. There is evidence that in the emerging market economies of the UNECE region, low and decreasing fertility is strongly linked to the degradation of the standard of living, poor housing conditions and

rising poverty, all of which urgently need to be addressed.

Fourthly, migration policy:

A question emerges: to what extent can migration compensate for the low fertility in Europe? Clearly, this cannot be the solution, but it could be part of the solution. Receiving countries recognize that for economic, social and demographic reasons immigration is a necessity. The main challenge here is to devise policies that manage migration in a positive way, rather than emphasize control and repression, and to create favourable conditions for the rapid integration of immigrants.

Ladies and Gentlemen, with respect to migration I would like to make one more point:

Frequently when we speak about migration we focus only on the receiving countries and ignore the countries of origin. The implications for the latter are often serious because of the difficult economic conditions, the fiscal constraints and the vulnerability of their societies. Clearly, there are short-term benefits for the sending countries for example migration tends to reduce unemployment, and migrant workers can be a source of significant remittances.

However, there is also a range of problems created by migration. I have already spoken about the fact that populations in the UNECE region are projected to age rapidly. Emigration exacerbates this process in the countries of origin, as most of the migrants are young people, hence when they leave the age structure of their native country gets further skewed towards older persons. Those who emigrate are also potential taxpayers and contributors to the social security system, so the difficulties of the pension schemes in these countries are likely to be further accentuated.

A related issue is the impact of emigration on the labour market, especially in the modern knowledge-based economy. The available data show that most of the emigrants from the UNECE emerging market economies are highly educated. This “brain drain” depletes the human capital base of a country and has a negative impact on the growth potential of its economy.

We should not forget, however, that the distinction between sending and receiving countries is often vague, as the same country could be both the origin of migration flows and the destination of others. This is certainly the case for many countries in central and eastern Europe and the Commonwealth of Independent States.

This situation raises two issues. Firstly, while most of the emigrants from these countries are highly educated, the majority of the immigrants are low-skilled workers. In some cases this could exacerbate existing labour market imbalances. Secondly, frequently the immigrants consider the countries in central and eastern Europe and the Commonwealth of Independent States only as a stepping stone for further migration toward Western Europe, and hence are not motivated to integrate within the receiving communities.

All this underscores the importance of comprehensive national and international approaches toward migration, and the necessity to create incentives for retaining highly educated young people. The impact of these policies will be greater if they are coordinated at the local, national and regional levels and if all stakeholders, including employers associations, participate in the conception, implementation and monitoring of these policies.

When speaking about migration we also have to address the issue of migrant workers’ remittances. Globally they represent the second largest financial flow after FDI. Remittances are large and critical in many UNECE member countries, some of which in relative terms are among the world’s largest recipients. In Albania, Armenia, Bosnia and Herzegovina, the Republic of Moldova and Tajikistan, remittances are greater than any category of capital inflows, and account for more than 5 per cent of GDP (in some cases even reaching 25 per cent).

Economists focus on remittances as a source of financing, but such transfers could contribute to continuous external dependence, or lead to the appreciation of local currencies and aggravate trade imbalances. Most importantly, the remittances are used mainly for consumption, so the challenge that policymakers face is how to encourage the recipients of remittances to invest rather than spend on consumption and contribute to already existing external imbalances.

Ladies and Gentlemen:

The UNECE region is very diverse in economic, social and other terms. The levels, trends and implications of demographic change vary significantly among various parts of Europe depending on the level of economic development, health situation, cultural background and other factors. For

example, dramatic differences exist in life expectancy between Western and Eastern Europe. On average, the life expectancy at birth in the CIS countries is 7 to 8 years lower than in Western Europe. Even though recently there have been signs of improvement, special efforts are needed to diminish this gap.

Many of the countries with emerging market economies face weakened health care infrastructure and limited access to quality health care. They have also experienced growth in inequality and poverty, collapse of support systems and environmental degradation. The negative tendencies in morbidity and mortality are compounded by major irregularities in the age structures in these countries, triggered by the effects of wars, civil strife and population policy interventions in the pre-transition time. More importantly, the economic difficulties, the fiscal constraints and the vulnerability of the societies undergoing transition put to a critical test their capacity to adequately respond to the future demographic change. All these represent serious threats to security.

Ladies and Gentlemen:

I wish to conclude my remarks with a few words about the OSCE Strategy Document for the Economic and Environmental Dimension and its implementation. Specifically, I would like to focus on measures related to the review of OSCE commitments.

The Report of the UN Secretary-General's High-level Panel on Threats, Challenges and Change mentions economic and social threats such as poverty and environmental degradation among the six main clusters of threats with which the world must be concerned now and in the decades ahead. It also urges the UN to cooperate more closely with regional and sub-regional organizations. The Secretary-General's report is even more explicit: it sees very close links between development, security and human rights, and on the basis of this it proposes to reform the Security Council, the Economic and Social Council, and to transform the Human Rights Commission into a Human Rights Council.

It appears that the close cooperation between the UNECE and OSCE over the last few years has been fully in line with this recommendation of the report. Similarly, by virtue of the topics addressed and work undertaken either separately or together, both the UNECE and OSCE have recognized the importance of economic development and the state of the environment for strategies aiming at conflict prevention and minimization of security threats.

Most importantly, UNECE and OSCE member States recognized that the two organizations working together could address these new challenges more effectively than alone. That is why they instructed the Secretary-General of the OSCE and myself to develop a Memorandum of Understanding, which was signed last December in Sofia. By doing this, the UNECE and OSCE laid the foundations for an even closer relationship than in the past.

As you all know, the UNECE has since 1996 been providing reports to the Economic Forum on the implementation of OSCE commitments in the economic and environmental dimension. Tomorrow, the UNECE staff will present yet another report reviewing OSCE commitments in the area of "Integration, trade and transport". Two additional UNECE presentations will also be made outlining in more detail policy issues in the areas of trade facilitation and transport.

With respect to integration, there are many political motivations behind closer cooperation between countries. Enhanced security, increased bargaining power and integration as a tool to lock-in policy commitments are only some of them. While political incentives appear to play a dominant role in integration decisions, it is also critical to understand the economic consequences of various design choices.

Integration is not only important because it has the potential to promote peace directly through closer economic cooperation. Integration – or greater openness towards the flow of foreign goods, services, capital, labour and information – also contributes indirectly to peace through a potentially positive impact on economic growth and real incomes per head. This is significant because still too many UNECE countries have low per capita GDP. And poverty – as I noted earlier – is a root cause of many unfavourable demographic and migratory phenomena.

In conclusion, economic integration through its development effects can contribute to making UNECE member States better off, their citizens better governed and their societies better informed. A move towards an even more effective integration within the UNECE region therefore deserves closer attention from policymakers.

Lastly, I wish to congratulate the Slovenian Chairmanship-in-Office for achieving a successful year. And looking forward, I extend my best wishes to the government of Belgium for their forthcoming

chairmanship. UNECE stands ready to continue its cooperation with OSCE under Belgium’s chairmanship.

Thank you for your attention.

_____