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International Conflict Resolution: Why it matters for Business How the EU deals with Global Challenges?

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

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I'd like to thank the American Business Forum on Europe and the US Council for International Business for the invitation to speak today. The European Commission shares your objective of promoting an open system of world trade and investment, where human welfare and protection of the environment are given their rightful place. So it is with pleasure that I accepted the invitation to speak today.

"Why?" you ask me "should International Conflict resolution, and the way the EU tackles Global challenges, matter for Business"?

A report by the World Business Council for Sustainable Development answers the first part of the question. It tells us:

"Long-term business growth requires bringing millions of people into the global economy... The expanding middle and lower income consumers represent big potential markets...However, the conditions for these may be threatened by widening income inequalities and economic failures that foster violent conflict, erode democracies and the rule of law."

In other words rapid world economic growth is creating huge new opportunities for business, many in the developing world. Some of those countries are subject to Conflict. And Conflict is bad for business. As we know, by 2030, 90% of the world's labor force will live in developing countries. And many big economic opportunities, particularly in the energy sector – for example in oil - are in regions of the world which are unstable and subject to conflict. So businesses need to get good at risk assessment if they are to remain competitive. And that means working closely with other stakeholders, not least international institutions and government.

I've heard people say Conflict is bad for business, but good for international institutions. It gives them a role, keeps plenty of people negotiating and drafting UN resolutions... But Conflict, of course, fundamentally undermines the work of international institutions.

The costs of violent conflict are enormous:

- The average cost of one conflict is nearly equivalent to the value of annual development aid worldwide;
- Of the 34 countries furthest from reaching the Millenium Development Goals - rightly the focus of much discussion in New York this week - 22 are in the midst of - or emerging from - violent conflict;
- For every year of civil war, a country's growth rate falls by an estimated 2.2%

And, if more recent examples were needed, just look at the Caucasus. In the wake of the Georgia conflict, investors have pulled money out of Russia at the fastest rate since the 1998 ruble crisis and the Russian stock market has collapsed.

So there is a wide commonality of interests between Business and International Institutions in trying to prevent or mitigate the effects of Conflict.

The second part of the question you put to me was why it should matter to Business how the EU deals with global challenges.

First, and simply, if Conflict is bad for business then it matters to you that those who have tools and levers to influence its outcomes, should do so well. When people think about what the European Union does well, they often think about trade – competition policy, setting environmental standards for cars, light bulbs and so on. But in the last four years, the Union has made great strides in international crisis management. We've led successful developing ESDP missions in the Western Balkans, in Sudan and the Democratic Republic of Congo. We've contributed significantly to the peace process in Indonesia/Aceh.

A major new EU cooperation instrument under my responsibility is the Stability Instrument which enables us to work across the conflict cycle - on crisis response, conflict resolution, early recovery and long-term peace-building. We have also used it to create Strategic Partnerships with the IAEA and UN on non-proliferation issues, counterterrorism and the fight against drugs.

The value of EU work on election monitoring and peacekeeping is widely recognised. And funding is currently being stepped up.

We are the biggest donor of development and humanitarian assistance in the world. And our aid is targeted at tackling the causes of instability. It focuses on eradicating poverty, raising prosperity, supporting reforms leading to democracy, respect for human rights and the rule of law. We promote regional co-operation. In other words we are fostering systems which enable tensions to be resolved through peaceful means.

Other tools include trade instruments, cooperation agreements with third countries, not to mention the collective knowledge, networks, interests and leverage of our Member States.

Which brings me to the final instrument I wanted to mention: the European "soft-power" brand. Our strong political relationships - fostered through regular Summits and Ministerial meetings and our 130-strong Delegation worldwide – give it considerable diplomatic reach. To paraphrase the famous Heineken advert, our "soft power" enables us to reach the parts that other interlocutors can't. And that includes our own Member States, whose individual ability to be perceived as neutral brokers can be negatively affected by colonial history. To quote one of our founding fathers, Paul-Henri Spaak:

"Europe consists only of small countries - some of which know it and some of which don't yet."

So my second point is that the European Union not only has many instruments at its disposal, but an unparalleled array of them.

A good example of how their combined use can be effective is our response to the Georgia conflict. Under the leadership of the French Presidency, the European Union negotiated an end to the fighting, and hopefully soon a withdrawal of troops to their pre- conflict positions. This will be monitored by a 300-strong EU Observer Mission.

We will keep our channels of communication open with Russia, but have signaled clearly that a red line was crossed in August, and that negotiations on our new agreement cannot proceed under current circumstances.

The EU will host a donor conference to ensure that Georgia gets the support it needs to rebuild, and continue to be Georgia's closest partner in its efforts to move closer to Europe. But the work doesn't stop there.

Our eastern neighbours look to the EU to give them concrete support at a time when they feel vulnerable to a more assertive Russia. We have to answer those expectations, and we will shortly be making proposals for a new "Eastern Partnership".

Given the potential of the so-called "frozen conflicts" in the Caucasus to affect European energy security, the Commission is also reviewing how to strengthen efforts to ensure energy security, in particular diversification of sources and supply routes. That means working hard to deepen our bilateral energy relations with key partners in the Caspian Basin, Central Asia, the Mediterranean and the Middle East.

My third point why the way the EU tackles global challenges matters relates to the magnitude and complexity of the threats we face today. Paradoxically, there are fewer wars today than 30 years ago. But the types of conflict are changing. There are fewer wars between neighbouring states, but more civil wars. There are reportedly fewer deaths in war. But people feel greater human insecurity. Part of this is a spin-off of globalization as people realize that an event in a distant country can affect them. What used to make them feel safe – be that their Government, national borders, or the local mayor – no longer does. A border isn't going to stop Climate Change. One Government alone can't stop electricity bills going up. Or, if the truth be told, a terrorist attack. Look at the sad events from 9/11 to the 7/7 bombings in London a couple of years ago, to those in Pakistan this weekend. Hence the increasing retrenchment we see in local nationalisms across the world. Nationalisms which in turn fuel some of the Conflicts we have been speaking about.

I would argue that given the magnitude of the challenges, solutions will only be effective if all stakeholders – Government, business and civil society - work collectively. And that means properly consulting, listening to and engaging all stakeholders.

Which brings me to the final point I wanted to make today: the need for reform of our international institutions so that all stakeholders are properly engaged. By 2020, China will be the 2nd and India the 6th largest economies in the world. If, given this shifting balance of power, existing institutions are to remain fit for purpose, then they must adapt. And Europe must help them do so. That means a reformed UN, G8, World Bank and IMF which better reflect the world of the 21st century. In my personal view, it means that the IMF should switch its focus to deal with global financial market challenges. In my personal view, it means a permanent seat for the European Union at some stage on the Security Council. And it means a Security Council which accepts new majority voting fast-track procedures for dealing with extreme humanitarian disasters requiring urgent response. Finally, it means improving the UN's peacekeeping capabilities to ensure that we have the necessary forces and equipment not only to talk our talk, but to walk it.

Ladies and gentlemen, I've tried to explain today why the EU's action on Conflict should matter to Business. Let me say in closing, that I need no convincing why the actions of Business in Conflict situations should matter to the EU. Not only will any Business worth its salt have a wealth of knowledge, networks and influencing capacity which is different from that of Governments, but trade and investment is a huge lever. Look at its role in ending apartheid in South Africa. Investment is also the foundation of economic development. And to return to my opening remarks, the first building block for sustainable development is job creation in full respect of human welfare and the environment.

I thank you for your attention.