

Check against delivery

**Statement by H.E. Ms. Marjatta Rasi, Permanent Representative of Finland to the
United Nations and President of Economic and Social Council**

Meeting of the Security Council on the role of business in conflict

New York, 15 April 2004

Mr. President,
Excellencies,
Ladies and Gentlemen,

I have the honor to speak at this meeting today, in my capacity of President of the Economic and Social Council, to talk about the role of business in conflict. I also wish to thank you, Mr. President, for inviting me.

Let me start by making reference to the recent report of the UN Commission on the Private Sector and Development, entitled "Unleashing entrepreneurship: Making Business Work for the Poor". The report recognizes the importance of the private sector in many spheres of economic and social life, including in alleviating poverty. Overall, the report emphasizes the private sector's contribution to sustained economic growth.

It is my strong conviction that sustained economic growth is one of the keys to conflict prevention. In this regard, there must be constant efforts to better mobilize the whole UN system. The General Assembly, the Security Council, the Economic and Social Council and other bodies must all have a role in conflict prevention. Institutional gaps should be filled, and the division of labor among UN bodies should allow for complementary considerations of countries in turmoil, within the respective areas of competence of each body.

We also need more thorough analysis of the various causes of conflicts, e.g. political, economic, social and cultural. Sources of conflicts and violence are manifold but economic elements are often decisive. Overcoming economic vulnerability and insecurity is central to help prevent violent conflict. Moreover, environmental degradation may also contribute to social eruption and conflict.

The causes and prevention of poverty overlap substantially with the causes and prevention of open violence and complex humanitarian emergencies. We may distinguish between short-term and long-term prevention. Long-term efforts include undertaking structural and institutional change, building capacity and spurring economic and political development. Short-term measures are often political and military, but also developmental and humanitarian to ameliorate potential conflict.

Mr. President,

Today, it is widely accepted that the private sector has a primary responsibility in building economic and social well-being. There is also an emerging understanding about the need to bring the business as one of the actors to the same table where we discuss conflict prevention, post-conflict peacebuilding and recovery in fragile, conflict-prone societies. We need partnerships and multi-stakeholder approaches between governments, civil society institutions and corporations. It is worth noting that OECD development ministers in 2001 encouraged trends towards partnership with business - domestic and international - to raise awareness of how firms can be good corporate citizens, avoid feeding the negative dynamics of conflict, and make positive economic and social contributions to preventing violence.

In the spirit of corporate citizenship and civic-mindedness, the private sector itself must assume a responsibility, also in uncertain conditions, to help prevent and mitigate conflict. The actions of private companies during conflicts - and the corporate ethics behind those actions - and sensitivity to human rights are important in this regard.

Today, conflict is too often caused by the struggle to exploit natural resources. The private sector contribute towards instability and conflict if it provides a source of finance to armed groups in exchange for natural wealth (diamonds, gold, timber, etc.). In this regard, Security Council Resolution 1306 of 2000 banning uncertified rough diamond imports from Sierra Leone, was a major step in recognizing the role of the private sector in conflicts. It should also be noted that some industries have engaged in self-regulation with various degree of success

Peace-building requires a huge economic investment and the involvement of investors. The key challenge is to rebuild economies in such a way that the benefits of recovery are spread as widely as possible across society.

Such an enabling environment of broad-based recovery requires considerable institution building. Encouraging the private sector to stimulate local development, job creation and basic social infrastructure can contribute to long-term social stability and improved local livelihoods. However, private business cannot be forced to invest in post-conflict areas. An environment should be created to attract private business into that area and to contribute to stabilizing social situations. The private sector can have a particularly positive role of providing jobs during, and after, the Disarmament, Demobilization and Reintegration (DDR) process. Private companies may also support social development programmes with concern to wider development and conflict prevention concerns. The key constituencies to be engaged in the peacebuilding process are the local businesses, as they have a true vested interest in peace and stability.

More concrete work is required in looking into the political economy of violent conflicts and identifying conflict-sensitive investments: promote transparency of natural resources revenues and the extractive industries, assist in strengthening the rule of law

and effective enforcement, target corruption, promote economic diversification, encourage the development of local business, and reduce exposure to price shocks.

Resuming normal economic activity is severely impeded without a central bank or a revival of commercial banks and insurance companies. The provision of bank finance for working capital, fixed investment and residential reconstruction must also restart. Prior to the start of major violence, financial systems are often insolvent. The involvement of all economic actors is vital, while the basic functions need to be put in place.

Mr. President,

In recent years the Economic and Social Council has taken a more active role in developing a capacity to respond to the countries emerging from conflict and thus helping to prevent human conditions from worsening. The Council continues to address the roots of conflict throughout its work. This year the Council will concentrate on the least developed countries at its substantive session. In the preparations we have also focused on those countries that are emerging from conflict. In the light of their experiences, the private sector is essential as a development partner - with the support of the international community in backing the recovery efforts when necessary.

I'm happy to note that ECOSOC and the Security Council have begun to collaborate in these endeavors. But much more can be done by the General Assembly, the Security Council and ECOSOC working together to develop a comprehensive and a more rapid-response capacity for countries in special situation, where speed, scale and time are of the essence. We must also develop together a sufficiently long-term perspective towards both sustainable development and conflict prevention.

We are confident that the setting up of the High-level Panel on Threats, Challenges and Change will help the Organization undertake reform measures that will make it more agile and more flexible in responding to the challenges of the 21st century. We at the Economic and Social Council stand ready to play our part in contributing to strengthening the United Nations in this strategic area.

Thank you for your attention.