



Organization for Security and Co-operation in Europe
The Secretariat

**Co-ordinator of OSCE Economic
and Environmental Activities**

Prague, 23 May 2006

14th OSCE Economic Forum, Part 2, Prague

Plenary Session IV
OSCE transport activities and their contribution
to confidence building and the solution of unresolved conflicts

Talking points
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Ladies and Gentlemen,

This year's Economic Forum has brought a wealth of discussion on transport issues within the OSCE.

We have devoted a lot of attention to the role of transport development in achieving sustainable economic growth, better social conditions and wider transboundary cooperation in the region, thus contributing to regional stability and security.

In most **countries not involved in any conflicts**, to achieve these potential gains requires mainly a certain amount of technical expertise, capacity building, infrastructure development and the necessary political will. In itself, this is a daunting task, but one I think the OSCE will be able to assist participating States in.

However, **in countries that are involved in conflicts**, either external or internal, the matter becomes significantly more difficult. It is uncontroversial that the resolution of the conflicts can lead to a further development of trade and transport in the region. The international community has already devoted a significant amount of thought to how to assist conflicting parties engage once 'peace occurs'.

Yet we should not shy away from asking ourselves if and how one can develop the transport sector in a way that is conducive to conflict resolution? After all the OSCE's mandate, besides conflict prevention and post-conflict rehabilitation, is also one of **conflict resolution** and, having in mind also the encouragement given to us this morning by Ambassador Colin Munro of the United Kingdom, I should like to use this year's Economic Forum Theme as a perspective from which to approach this issue in the coming minutes.

In many of the regions in question– I am referring to the South Caucasus region as well as the Moldovan/Transdnietrian region – there used to be a flourishing trade. The ongoing and partially frozen conflicts in these regions have seriously reduced these thriving trade flows, and disrupted economic growth, especially in the border regions.

If one just looks at a map- one can see the **illogical and inefficient routes, resulting from the frozen conflicts**, that goods must take to reach their destination. This not only seriously affects the national economies by undermining their competitiveness and as a result their import/export potential, but also reduces the revenue generated by internationally transiting goods. There is also a loss of tax revenue due to the impossibility for the countries concerned to control part of their borders. Ultimately, the global economy loses as well, as transport costs rise due to longer and more cumbersome transport routes which must bypass these areas.

A World Bank study illustrates the point quite clearly: the first 700 km of the 2200 km between Yerevan and Moscow account for 80% of the total cost of moving a consignment.

Let me concentrate first on the South Caucasus region. I would like you to consider a number of interesting routes, whose potential lies far above the current degree of use.

For example: (see slides)

- The Baku-Yerevan Railway, along the Arax river, passing through the South Eastern part of Armenia and Nakhichevan, is not functioning.
- The road Agdam to Nakhichevan, through Nagorno Karabkh, the Lachin Corridor and Goris, is also a route that is not functioning but could be re-opened.
- The Road connection between Georgia and Russia through the Roki tunnel runs through South Ossetia, whose transit is made very difficult if not close to impossible. There is another connection – the Georgian Military Highway – which is closed most of the winter months due to avalanches and landslides.
- The Georgia-Russia Railway via Abkhazia functions so far only between Russia and Abkhazia. However there have been some encouraging discussions and the negotiation process is still ongoing.

I think that we should be conscious of the very significant fact that, to a large extent, the transport **infrastructure in the mentioned areas is already available even though it may need rehabilitation in some segments**. So, in fact, what is essentially required is a political decision to reopen these routes. I say this ironically, because, although building roads requires much labour and machinery, it sometimes seems that the political decision is in fact the hardest part to making transport links work as they should. Of course, once a decision has been reached there might be, as I said, work to be done to rehabilitate the corridors, but far less than would be required to build a new road or railway line.

Let me now turn to **Moldova**.

The main highway between Odessa and Brest, and therefore one of the main transport corridors between the Black and Baltic Seas, crosses the Dniestr River just north of

Tiraspol via the Gura-Bicului Bridge. The structure was damaged during the fighting between the parties in June 1992. After an agreement was brokered by the OSCE mission in 1998, reconstruction was financed by the European Commission for some 2 million euros.

Use of the bridge is currently supervised by the Joint Control Commission, which has not been able to reach consensus on conditions for re-opening the bridge and highway to passenger and freight traffic. This is a pity because the highway basically provides **unimpeded high speed transit** North South through Moldova. As it is not being used at the moment or since 1992, it is falling into a state of disrepair.

Opening the bridge and highway to passenger and freight traffic could bring significant economic benefits to both sides. In the face of such a **classic “win-win”** situation, I can only re-iterate my conviction that it would be prudent for both sides to consider this issue as an important potential confidence building measure towards settling their dispute.

Finally let me turn **to the role of the OSCE** in all of this, and elaborate a bit on the modalities our involvement could take.

- Firstly, we will of course continue to monitor both regions very carefully together with our field presences, as well as other expert organizations such as the World Bank, EBRD, BSEC, EURASEC and TRACECA, etc..
- Secondly, we could undertake needs assessments in the area of transport for the affected regions. My colleague Mr. Hanlon will give you more details on one such needs assessment in the next presentation.
- Thirdly, we could, with the help of relevant experts, undertake an analysis whose aim would be to bring light to the economic opportunity costs of the continuation of the status quo. In other words, the analysis would shed light on the potential to be gained from the reopening of the transport corridors, including small corridors connecting for instance enclaves if this appears possible ahead of the re-opening of major corridors. This as well as the creation of possible working groups on these issues would of course require the consent of the countries concerned. .
- Fourthly, pending progress on conflict issues, the OSCE could work in co-operation with other international organisations on the other issues where OSCE might bring a contribution, for example improving security and governance and enhancing capacities in the Ministries of Transport of the countries concerned, so that when a window of opportunity does open, improvements of physical links can take place more speedily.

Ladies and Gentlemen,

I should like to sum up the point of my intervention.

Countries, and more importantly their citizens, already struggling to keep up with the impact of globalization, are losing their competitiveness and therefore income, as long as political disputes continue to hamper trade flows and close down transport corridors vital to access to global markets.

I am fully aware of the political sensitivities when it comes to the **‘low-politics of transport’ interacting with the ‘high politics’ of conflicts** and sovereignty issues.

However, it is also my firm belief that allowing transport routes to be opened in certain cases can only be of benefit to both sides concerned. In the important political discussions on issues of territory and borders, we should not lose sight of the real victims of conflicts, namely the citizens, the civilian population. We should strive to make these citizens the target of our deliberations and transform them from victims into beneficiaries.

My office stands ready to assist any participating State in the ways I have outlined.

Thank you.