

**United Nations and the Business Community:
Vital Partners**

Lecture

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Mr. Chairman,

Ladies and Gentlemen,

1. I am honoured to have the opportunity of speaking to you today under the auspices of the Geneva Business Club. Cooperation with the business community has always been an important part of the United Nations activities and in recent years this cooperation has considerably intensified. I hope that this event will help to further strengthen understanding and interaction between the Geneva business community and the numerous programmes and agencies of the UN system located in this city. Therefore, I would like to start with a brief overview of what the UN is doing in Geneva and then to talk about its economic activities and the opportunities that they open for the private sector.

2. As you are aware, Switzerland, and in particular Geneva, hosts a considerable number of organizations of the UN system. The United Nations comprises 18 intergovernmental organizations and some 20 autonomous UN special programmes, funds, offices, and research institutes. To fulfil their various mandates and further the Organization's continuing efforts to promote peace, development and democracy, these structures have established offices and deployed personnel throughout the world. Geneva serves as one of the major operational centres of the whole system through which many of these entities coordinate their activities in the field.

3. Among them the United Nations Office at Geneva (UNOG) occupies a special place. With its 2,700 international civil servants, it is the second largest UN office after New York Headquarters and the largest and most active centre for conference diplomacy in the world. The Palais des Nations has been the site of many historic negotiations and the place where some important international agreements have been signed, for example the Afghanistan Peace Accords known as the "Geneva Accords". It is also the world's most important site for human rights, humanitarian work and multilateral disarmament negotiations.

4. UNOG is providing administrative, financial, personnel and other services to numerous UN bodies and programmes located in Geneva. For example, many of them are doing their procurement through UNOG. It also serves as a link between the various UN specialized agencies and other international organizations, facilitating their cooperation. The United Nations has recognized 17 intergovernmental organizations as "specialized agencies" under Chapters IX and X of its Charter. Six of them are based in Switzerland: the International Labour Organization; the International Telecommunication Union; the World Health Organization; the World Intellectual Property Organization; the World Meteorological Organization; and the Universal Postal Union in Berne.

5. The work carried out by the Geneva-based programmes and agencies of the UN system has significant economic dimension - to promote sustainable development and free trade. Some of them, for instance the United Nations Conference on Trade and Development and the Economic Commission for Europe, are specifically dealing with economic issues. Others have had to emphasize their activities in this field as a response to the rapidly changing

international environment.

6. In the economic sphere, like in all others, the world is in transition. This is a difficult, and sometimes painful, genesis of a new international structure which could be called the global society. The globalization process is most obvious in the financial and economic sectors. Here, two major developments are of primary importance. Firstly, the transition of a large number of States from centrally planned to market economies, and accordingly their increasing participation in the international capital and goods markets. In particular the opening of the economies of the world's two biggest States with considerable resources - China and Russia - will have very important global consequences. Secondly, the accelerated rate of economic development in some Asian countries, in particular those of the Pacific Rim. Taken together these and other trends may increase competition in the international economy and ultimately fundamental shifts in the distribution of the world's economic and political power.

7. Another key factor of globalization is the revolution in telecommunications. Digital networks spreading across the globe are radically changing the way information is processed and disseminated. The exponential growth of Internet shows that this and similar systems will play a tremendously important role in the future of the world. Internet has already started competing with newspapers and even the television as a major source of information for millions of people. The possibilities it offers in fast and targeted worldwide information dissemination were never imaginable before. The United Nations is playing an active role in these developments.

8. Globalization brings some obvious benefits, however, it also has its negative side. Some of the consequences of the globalization are quite alarming and, if the international mechanism is not properly activated, can lead to very serious economic and social problems. For example, one of the results of globalization is the worsening problem of unemployment. The jobs crisis is a global phenomenon. Even the members of the Organization for Economic Cooperation and Development - who are the wealthiest in the world - now have an unprecedented 35 million unemployed.

9. Another international economic phenomenon, which in the long run may lead to serious negative consequences, is the trend towards the creation of regional economic blocs. In the absence of a global economic system, which would smooth contradictions and open equal opportunities for all, many countries are trying to create smaller regional substitutes. The European Union is moving from a single market towards an economic and monetary union. The Western hemisphere is now dominated by NAFTA; the countries of the former Soviet Union are looking for ways to recreate their economic integration; and strong efforts in the same direction are being made in the Pacific Rim.

10. Perhaps the most important consequence of globalization is that economic prosperity of any country, even the most influential, has never been more dependant on the world economy. On the other hand, no single State can dictate the nature of that economy. In fact, the accelerating globalization of business and finance means that the process of writing new rules for the world economy will intensify. Yet because national economic interests differ for the same reasons that national security interests do, the setting of new rules requires a mechanism of

multilateral negotiations, a mechanism that facilitates compromise solutions, and this is precisely the purpose of the United Nations.

11. The UN involvement in world economic transactions is multidimensional. It is setting common norms and standards and “rules of the game” for the participants of the economic processes, allowing them to better and more smoothly interact across borders. It is mobilizing resources to facilitate sustainable development, in particular, in the less developed countries. It is settling domestic and international conflicts and creating a stable political environment favourable for business activities. In all these fields of activities the UN is cooperating with the private sector, and the potential for greater and closer cooperation is enormous. I would like to give you a few examples.

12. In the field of standards setting, perhaps one of the most vivid cases is the UN/EDIFACT system developed by the UN Economic Commission for Europe here in Geneva. It establishes international rules for Electronic Data Interchange for Administration, Commerce and Transport. These rules comprise a set of standards, directories and guidelines for the electronic interchange of structured data, and, in particular, that related to trade in goods or services, between independent computerized information systems. EDIFACT was developed in close cooperation with private companies who contributed significantly to the work of the Economic Commission for Europe. Thus the system is now adopted in many countries of the world, not just European. EDIFACT is the standard used by S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication) for bank-client data exchange and it is recommended by the US National Institute for Standards. The Economic Commission for Europe has a formal Memorandum

of Understanding with the International Organization for Standards (ISO) - which is of course also based here in Geneva.

13. Many UN agencies are involved in technical assistance and development facilitation programmes. However, the bulk of this work is concentrated in the United Nations Development Programme (UNDP). This organization is the world's largest multilateral source of grant funding for development cooperation. Its funds come from the voluntary contributions of UN Member States which provide approximately US\$ 1 billion yearly to UNDP's central resources. Through a network of 136 offices worldwide, UNDP assists 175 countries in strengthening their capacities to achieve sustainable, human development giving top priority to eliminating poverty and building equality. In administering its programmes, UNDP draws upon developing countries' national technical capacities, as well as on the expertise of over 30 international and regional agencies and many non-governmental organizations.

14. Most of the projects undertaken by UNDP as well as other UN agencies are implemented through contracts with private companies. In 1994 UNDP spent approximately US\$ 227 million on goods and services for its projects. At the UN this is a rule that contracts valued at a certain amount and above, usually US\$ 30,000, should be carried out through selective competitive bidding, and above US\$ 100,000 - through international competitive bidding. The Organizations keep rosters of manufacturers, consulting companies and individual consultants who would like to do business with the UN and appropriate invitations are sent to them to participate in the bidding. There is also a big and somewhat complicated controlling mechanism which is watching the procurement process

to ensure that no UN rules are violated.

15. In the case of UN agencies located in New York the largest number of contracts is usually won by the American companies. The situation is different in the Europe-based UN organizations. For example, the Food and Agricultural Organization, located in Rome spends about US\$ 70 million annually for the purchases of agricultural products such as seeds and fertilizers, as well as agricultural equipment and services. Its largest suppliers are Italian companies with 31 per cent and the Japanese with 9.5 per cent of purchases. Switzerland is not among the major players with just US\$ 279,000 worth of goods sold. On the other hand, the UN bodies located here in Geneva usually buy most of their supplies from the Swiss companies. UNOG's purchases and contracts in 1995 totalled US\$ 54 million. Switzerland was its No. 1 supplier with over 73 per cent of all procurement.

16. I have mentioned these figures primarily to indicate that the UN does not have any geographic preferences when it chooses partners from among the private companies. The rule is that local companies are usually better informed regarding the activities of the UN body nearby and are accordingly better equipped to bid for a contract. However, nothing precludes them from doing business with other UN agencies elsewhere and the opportunities in this field completely depend on their own energy and dynamism.

17. It should be mentioned that sometimes the UN imposes certain political restrictions on its procurement activities. When the UN Security Council voted for economic sanctions against the apartheid regime in South Africa, the UN

agencies ceased relations with those companies carrying out business in that country. Recently the UN has started a worldwide campaign against land-mines. Accordingly, some of the UN agencies now request their suppliers to guarantee that they are not involved directly or indirectly in the sales or manufacturing of anti-personnel land-mines or their components.

18. As I have mentioned, one of the major aims of the United Nations is the maintenance of international peace and security. In the current international political situation this involves primarily settling domestic and international conflicts. The UN peace activities are extremely varied and require enormous resources. Accordingly, they open up plenty of possibilities for the private sector to contribute to the UN efforts and exploit some business opportunities. Again, as in the case of development assistance, private companies are involved in all stages of the conflict resolution process.

19. Today the World Organization deploys 24 field missions worldwide, of which 17 are peace-keeping operations and 7 are human rights and humanitarian operations or missions of good offices. The UN peace-keeping budget is the largest source of contracts and totals about US\$ 3.3 billion. About one third of this amount is spent on procurement of goods and services for the UN field operations.

20. Peace-keeping is usually accompanied by the humanitarian assistance programmes and assistance to the refugees. Currently there are more than 25 million refugees in the world and it is no surprise that the budget of the UN High Commissioner for Refugees recently exceeded US\$ 1 billion. UNHCR, which

is the world's major organization providing assistance to the refugees, purchases a wide variety of goods, among which shelter products, vehicles and telecommunication equipment are the largest items. Swiss companies hold fourth place among the UNHCR suppliers, after Germany, Japan and the United Kingdom.

21. In the mass media the UN is usually associated with peace-keeping or relief operations. No doubt these activities are of primary significance. However, from the business point of view, of no less importance are the political and social consequences of the UN operations. The UN brings political stability to the region in which it operates, strengthens the local administrative structures and creates a favourable environment for all kinds of business activities including foreign investments. In this connection I would like to mention two examples - that of Cyprus and Cambodia.

22. As you perhaps remember, Cyprus became independent on 16 August 1960 with a Constitution that was intended to balance the interests of the island's Greek Cypriot and Turkish Cypriot communities. However, the accumulated tension between the two communities resulted in the outbreak of violence on the island on 21 December 1963. After numerous attempts to restore peace on the island had failed, the UN Security Council established in March 1964 the United Nations Peace-keeping Force in Cyprus (UNFICYP) with a mandate to use its best efforts to prevent a recurrence of fighting, and, as necessary, to contribute to the maintenance and restoration of law and order and a return to normal conditions. Apart from maintaining the cease-fire, UNFICYP was performing plenty of other important functions. It encouraged the fullest possible resumption

of normal civilian activity in the buffer zone, for example by facilitating the resumption of farming in this zone and assisting both communities on matters related to the supply of electricity and water across the lines.

23. The results of these efforts are quite impressive. Though there is no formal political settlement of the Cyprus problem yet, economic development of the island is remarkable. The armed conflict caused the destruction of about 70 per cent of Cyprus' productive economic base. Today it is a vibrant free market economy with a per capita income at a very satisfactory level of some US\$ 13,000. GDP growth was 4.6 per cent last year, inflation is low at 3.4 per cent and falling, unemployment is negligible at 2.4 per cent, and foreign exchange reserves are healthy. According to the Human Development Index, devised by the UNDP, which takes into account the level of standard of living as well as other socio-economic factors such as literacy, educational attainment and life-expectancy, Cyprus ranks third among the developing countries and twenty-sixth in the world, on a par or above that of several other European countries.

24. Tourism is booming in Cyprus with over 2 million visitors last year, and a substantial number of offshore companies are currently based in Cyprus and doing business elsewhere in the region. Cyprus ranks fourth in the world as a maritime nation and third in telecommunication facilities, while it is one of the top countries in the world in the ratio of university graduates to population. It is obvious that without the UN presence such results could hardly be achieved.

25. Another characteristic case is the UN action in Cambodia. The operation in this country was perhaps one of the largest and the most difficult to implement.

After two decades of violent conflict and chaos, including the extraordinarily brutal rule of the Khmer Rouge, Cambodia was completely devastated. The UN operation there - United Nations Transitional Authority in Cambodia (UNTAC) - started in 1991 after the signing in Paris of the Agreements on a Comprehensive Political Settlement of the Cambodia Conflict. Its objectives were both military and civilian.

26. UNTAC had to stabilize the security situation and build confidence among the parties to the conflict; verify the withdrawal from Cambodia of all categories of foreign forces; supervise the cease-fire; confiscate caches of weapons; and assist with mine-clearance. It also had to organize free and fair general elections. In practical terms UNTAC had to replace the collapsed local administrative and governmental structures and to exercise direct control over Cambodia's foreign affairs, national defence, finance, public security and information.

27. Despite numerous problems the general elections in Cambodia were conducted and the Constituent Assembly began its work. The mandate entrusted to UNTAC was concluded on 24 September 1993. On that date, Cambodia became a constitutional monarchy and an independent, sovereign, peaceful, neutral and non-aligned State.

28. It will take Cambodia many years to overcome all the consequences of the war. However, the UN had laid the basis for the reconstruction of the country and, as a result today, from the business point of view, Cambodia is a very busy place. The recent review of minerals in Cambodia confirms investigations carried out earlier indicating the existence of significant mineral deposits in this country

which include sapphires, rubies, alluvial cassiterite, silica, bauxite, manganese, kaolin coal, lignite, and phosphate. A number of large foreign companies, in particular American and Japanese, have already started their operations in Cambodia. The United States alone are represented by 91 companies which are involving in import-export, services, construction, oil exploration and manufacturing. There are now 25 foreign commercial banks in Cambodia including one British, one French, and one Australian.

29. As you can see from this brief overview, the United Nations and the business community have been working together for a long time. However, today the World Organization intends to raise this cooperation to a new level. During the cold war the UN was reluctant to establish close ties with the private sector. Recently, however, the situation has started to change. The UN is developing a new concept of solidarity. Its aim is to ensure the broadest possible public support of its activities and to set up links of communication with all social strata - non-governmental and religious organizations, labour unions, and the business community. The core of this concept is the understanding of belonging to a single world. We all have a common aim - "stability and well-being" in the world - as was defined in the UN Charter. Thus, we need to join efforts to achieve this aim.

30. As the UN Secretary-General said in his address to the Davos World Economic Forum: "It is this new phase of democratization that the United Nations has already sought to espouse by eliciting a collective mobilization with respect to the new planet-wide issues and promoting the participation of private agents of a global democratic society".

31. The Ninth Session of the UN Conference on Trade and Development which took place in Midrand, South Africa, last month also point in the same direction. The Conference has requested the Secretary-General to convene a meeting with non-governmental actors including the private sector in order to examine modalities for their involvement in the activities of the Organization so as to build a lasting partnership for development between the civil society and UNCTAD. The Conference agreed that these actors should be invited to participate in an advisory capacity at the intergovernmental meetings.

32. Businessmen need to be more closely involved in international decisions. Firstly, large companies, in particular transnational business, possess enormous resources and can considerably influence the course of political events. Accordingly, their political status should match their economic capabilities provided that they include in their economic strategies considerations of the general interest and collective well-being. Secondly, businessmen should more actively participate in the resolution of the crucial problems facing mankind. It is essential for private enterprises to be associated with these global efforts, led by the United Nations, to facilitate social and economic development, strengthen democratic institutions and promote human rights. They should be seen not as predators, but rather as the driving force of development and social integration.

33. It appears that some steps in this direction can be taken here in Geneva. Recently ECE and UNCTAD made an interesting proposal - to set up a special organ for the interaction between the UN and the Swiss business community, let's say an Advisory Council. Its purpose would be to facilitate closer cooperation between the business community and the organizations of the UN system. It

could help to encourage private support of the UN efforts in various fields such as economic development; protection of human rights; promotion of the democratic institutions; assistance to the refugees; etc. It could seek new business opportunities by facilitating participation of private companies in the UN-sponsored technical assistance projects. It could help to organize the exchange of information between the business community and the organizations of the UN system and arrange meetings between businessmen, diplomats and politicians, including the highest-level officials. In particular, the United Nations could provide businessmen with insight into the political, economic and social processes in a global context, enabling them to better understand the interplay of economic and political factors underlying current international developments.]

34. Concluding my address I would like to stress that the business community has a lot to give to the United Nations and can get much in return. In fact improved cooperation between them is imperative if we wish to create a better world based on the lofty principles of the UN Charter.

Thank you for your attention.