



Organization for Security and Co-operation in Europe

**INTEGRATION OF ECONOMIC DIMENSION ISSUES
INTO THE TASKS FACED BY THE OSCE**

**REPORT OF THE CHAIRMAN-IN-OFFICE TO THE
LISBON SUMMIT**

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PROGRESS REPORT ON THE INTEGRATION OF ECONOMIC DIMENSION ISSUES INTO THE TASKS FACED BY THE OSCE

As requested in the Budapest Summit Decisions (Summit Declaration, paragraph 15), the Chairman-in-Office submits the following Progress Report on the integration of economic dimension issues into the tasks faced by the OSCE:

Since the Budapest Summit various ways of integrating economic dimension issues more fully into the work of the OSCE have been explored. Thorough debates have taken place in the Economic Forum, at the Economic Dimension Implementation Review Meeting, at the Review Conference and in the Permanent Council on the role of the OSCE in the economic field and, as a result, a clearer understanding of what the OSCE should undertake within its economic dimension seems to have emerged over the last two years. It is now commonly agreed that the comparative advantage of the OSCE lies in the fact that, in dealing with economic issues, it should concentrate on those which have a direct bearing on security. The OSCE should not, however, take on an operational role in this area, but should rather generate political impulses for an analysis of the economic, social and environmental causes of tensions and crises.

In order to better integrate the economic dimension into the OSCE's overall tasks, the two Economic Fora which have taken place since the Budapest Summit were not dedicated to specific economic themes but to more general security-related economic issues. The 1995 Economic Forum dealt with "regional economic co-operation in the fields of trade, investment and infrastructure" and provided for a strong linkage between regional economic development and regional security. The 1996 Economic Forum was dedicated to the "economic aspects of security and the OSCE role" with the purpose of contributing elements to the discussion on a common and comprehensive security model for Europe for the twenty-first century. It thus became possible to establish a very close linkage between the activities in the economic dimension and one of the main tasks with which the OSCE has been confronted during the last two years.

At the 1996 Economic Forum, a number of economic confidence-building measures which could be included in the security model were identified. Some of these are also closely related to the human dimension; for example:

- the need for a clear, predictable and effective legal framework, including due process of law and independent courts;
- a balanced economic structure which forestalls the emergence of unduly great disparities in wealth and income within a society;
- the need to guarantee a social system which will prevent any social group from being excluded from society.

It was observed that a particular risk of instability arises from economic discrimination against national minorities.

During the Economic Dimension Implementation Review Meeting held in Geneva in January 1996, the need to pay greater attention to the social costs of the transition and to the building of public support for economic reform policies was acknowledged. The crucial importance of the continuing integration of all OSCE participating States into the global economy and their participation in the international economic and financial organizations and institutions was also emphasized at that meeting.

The OSCE can, as to specific expertise, rely on a number of very competent international economic and financial organizations and institutions whose excellent work it should not duplicate. The co-operation with these organizations and institutions has therefore been intensified during the last two years and an international organizations contact point manned by a full-time economic expert was established by the Secretary General (as was requested in the Budapest Decisions, chapter IX, paragraphs 3 and 24).

In November 1995, a special meeting of the Permanent Council was convened to discuss ways of integrating the economic dimension into the tasks faced by the OSCE (as proposed in the Budapest Decisions, chapter IX, paragraph 25). Representatives of relevant international economic and financial organizations and institutions such as the United Nations Economic Commission for Europe (UN/ECE), the Organisation for Economic Co-operation and Development (OECD), the European Bank for Reconstruction and Development (EBRD), the World Bank and the International Monetary Fund (IMF) participated actively in that meeting. They highlighted the deepening interrelation between economic stability and security and underlined the importance of the political impulses given by the OSCE. The idea of continuing and deepening the working relationships between the OSCE and the relevant international economic and financial organizations and institutions was widely supported, since such relationships can help to avoid duplication of work and result in added value.

A particularly close relationship has evolved with the UN/ECE, which made a very useful and highly appreciated contribution to the Economic Dimension Implementation Review Meeting. The Council of Europe, the OECD, the World Trade Organization (WTO), the International Labour Organization (ILO), the EBRD, the World Bank, the IMF, the European Investment Bank (EIB) and some other organizations as well as a number of regional economic groupings also participated in one or both of the Economic Fora, in the Economic Dimension Implementation Review Meeting and in some of the seminars held under the OSCE's economic dimension. They contributed substantially to the discussions which took place during these meetings. The close co-operation between the OSCE and these international organizations and regional groupings also helped to build awareness within these organizations and groupings of the security implications of economic problems. This relationship can therefore be characterized as mutually stimulating.

The seminars held in the economic dimension since the Budapest Summit - on rehabilitating the environment (Tashkent), tourism (Bucharest), infrastructure in the Black Sea region (Sofia) and on investments in the CIS region (Minsk) - dealt with regional security implications and human dimension aspects of these issues and thus also contributed to the integration of the economic dimension into the tasks faced by the OSCE.

Some of the OSCE missions have been reporting on economic and social developments which have had implications for security and stability in their regions of action. This work has also helped to focus attention on the interrelationship between all the dimensions of the OSCE's comprehensive concept of security.

Business community and private sector representatives participating in the Economic Fora and other economic dimension events have expressed their views on economic security, thereby adding a further perspective to these discussions. At the 1996 Economic Forum they adopted a Declaration of Principles and set up a working group to prepare for the establishment of a "European Business Council". At a round-table meeting held in Vienna on 30 October 1996 a charter was discussed and it was decided to found the European Business Council before the 1997 Economic Forum. The participants at that meeting underlined the importance of economic and political stability and security - from personal security to the security of the banking system - for the development of free enterprise.

At the Review Meeting the implementation of OSCE commitments in the economic dimension was dealt with in Working Group 1(b). The main conclusions were that:

- the OSCE should continue to concentrate on its comparative advantages, in particular on its comprehensive approach to security;
- the OSCE should identify the risks arising out of economic and social problems, discuss their causes and potential consequences and draw the attention of governments and international organizations to the need for appropriate corrective measures;
- in conflict prevention and early warning, more attention should be given to the economic aspects of security, including social and environmental aspects, whereby the OSCE should not, however, take on an operational role but should entrust the competent organizations and institutions with appropriate tasks;
- economic dimension issues should be more regularly present on the OSCE security agenda;
- the economic component in the work of OSCE long-term missions should be strengthened and their reporting should be used as an essential early warning tool;
- the ties to mutually reinforcing international organizations and financial institutions should be further deepened, and that co-operation with them should be more structured with the aim of enhancing dialogue and the exchange of information and reducing duplication and overlap;
- the interaction with regional, subregional and transborder co-operative initiatives should be enhanced as they contribute to the building of confidence and to promoting of good-neighbourly relations;
- the interaction with the private sector, business associations and non-governmental organizations should be broadened.

Some delegations proposed a reinforcement within existing resources of the OSCE Secretariat's organizational and financial capacity dealing with economic dimension issues. A broad consensus emerged with respect to the theme for the Fifth Economic Forum of the OSCE, to be held in Prague from 11 to 13 June 1997. The theme "market economy and the rule of law" was subsequently adopted by the Permanent Council at its meeting on 21 November 1996.

