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## Security through Co-operation

### *The Economic Dimension of the OSCE*

At the present time we are witnessing a dramatic change in the world. Bipolar structures have disappeared and given way to multipolar developments without our yet being able to see what kind of system for distributing power will prevail in the future. Some countries have disappeared entirely, other new ones have come into being. The relative strength of some countries in the international system has changed. Internal and international stabilizing factors on which we could depend until recently are now exposed to challenges of a fundamental kind. Globalization processes have taken control over the economic and security systems; steadily developing technology in information and communications is revolutionizing old structures and powerfully calling for adaptation or change. The world economy and global security have to be rethought and given a new foundation and they must be put in a reasonable relationship to regional efforts. The OSCE and its economic dimension offer good examples for the development just described.

### *The Transformation of our View of Security*

The OSCE, formerly CSCE, has done a great deal to replace the one-dimensional view of security policy as something exclusively determined and dominated by military considerations. Recognizing, correctly, that peace and security cannot be threatened in a military sense alone, the CSCE laid the cornerstone for a more broadly conceived security policy in the Final Act of Helsinki. Today it is generally accepted that peace and security are not threatened by weapons alone but also by suppression of human rights, undemocratic behaviour on the part of states, natural catastrophes and environmental influences, social injustice and inequality, economic differences and many other causes.

Inevitably, the traditional instruments for maintaining peace are no longer effective - at least not when they are used alone. Security policy must be supplemented and completed by human rights policy, the promotion of democracy and parliamentarianism, and economic co-operation. We used to see the guarantee for peace and security in a finely tuned balance of power; later, mutual deterrence had the effect of promoting peace and security; today, on the eve of the 21st century this function has to be served by co-operation between states. Co-operation with the broadest possible base in many areas and involving many

countries reduces the risks to the security and peace of mankind. In this connection, economic co-operation is of particular importance. In view of the galloping globalization process already mentioned, however, one must ask whether economic co-operation at the regional level really has a stabilizing effect or whether it does not, on the contrary, rather produce destabilizing results.

*The World Economy between Regionalization and Globalization*

The question whether regionalization of the world economy is more of a building block or a stumbling block on the path to world-wide reduction of trade barriers is not an easy one to answer. Regional economic integration is fundamentally ambivalent. It is true that it always involves some reduction of trade barriers; on the other hand it inevitably creates preferences for the economies of the participating States and can lead to conflicts between economic blocs which work against global economic integration.

Of course we cannot close our eyes to the fact that the most important actors on the world economic stage, the European Union and the United States, also use regional economic integration as an instrument of global competition. Thus the European Union seeks through various arrangements - the Europe agreements for Central and Eastern European countries; the co-operation agreements with Russia, Belarus, Ukraine and Moldova; and the new EUROMED free trade agreements as part of its Mediterranean partnership programme with North African and Middle Eastern countries bordering on the Mediterranean Sea - to create an integrated space comprising the whole geographic area of Europe and the region around the Mediterranean Sea. The United States, for its part, tries to improve its chances in heightened world economic competition through regional unions such as the North American Free Trade Area (NAFTA), the initiative for a pan-American Free Trade Area (FTAA), and the Asia-Pacific Economic Cooperation (APEC).

Still, even if regional integration agreements of that kind pursue the goals of a strategic trade policy they can nevertheless have a positive effect. This is particularly evident in the competitive export of their own market economy regimes which can help to raise the level of needed standards and rules world-wide and thus let better arrangements prevail. Precisely because such arrangements are lacking in a world economy undergoing globalization it makes sense to develop on a multilateral basis at least a minimally unified framework. I shall come back to this in connection with my proposal for an OSCE Economic Charter.

Here a much more fundamental and serious problem arises, namely that the ability of countries to guide economic affairs has diminished in several areas of domestic and international economic policy. Thus it appears that there is very

little that states can do vis-à-vis the global financial markets just as the international flows of information and communications scarcely lend themselves to regulation by the political authorities. This makes abundantly clear that the globalization processes we are talking about are having fundamental consequences for the traditional instruments of control and for our ideas about the role of the state.

#### *From Basket to Economic Dimension*

The CSCE's original role in the economic area (Basket II of the Helsinki Final Act) had the main purpose of making life together and co-operation possible between two blocs with differing economic systems and developing a set of rules for them. Even then it was perfectly clear that the three baskets of Helsinki did not stand side by side without any relationship between them but that there were manifold forms of interdependence. People knew, for example, that co-operation in economics, science, environment and technology would contribute substantially to building mutual political trust and thus to enhanced common security.

The overcoming of the East-West conflict led, here as in other areas, to a number of changes which have not been without effect on the role of the CSCE/OSCE in economic affairs. It has meant that the traditional purpose of the CSCE's Basket II - making peaceful co-existence possible between two different economic systems - has largely been overtaken by events. There are no dividing lines between economic systems any more. The end of the East-West conflict opened the way for tight linkage between the economies in the OSCE area. The participating States of the OSCE accept the market economy. For the first time, East and West have the opportunity to develop common answers to the economic, social and ecological challenges of the 21st century.

For this reason the CSCE Conference on Economic Co-operation in Europe which was held in early 1990 in Bonn was of fundamental importance; it would not have been possible without the reform process in Eastern Europe and the transformation of world politics towards the end of the eighties. There, for the first time, the countries of Eastern and Central Europe committed themselves to the principles of market economy. The Bonn document rests on three pillars:

- It lays out a reform strategy towards market economy for the Central and Eastern European transition countries based on pluralism and the rule of law;
- it contains basic principles and rules of conduct for co-operation between firms and for investments; and

- it calls on the governments of OSCE participating States to co-operate closely on economic policy.

Today, the countries of Central and Eastern Europe are involved in the activities of international economic and financial organizations and are integrating themselves ever more closely into the world economy. Like the western industrial countries they must, increasingly, face the challenges of economic globalization which is revolutionizing traditional forms of economic behaviour at a breath-taking pace and forcing countries to adapt and/or change their economic and social security systems.

For that reason it is doubtless correct to say that the economic component of the OSCE has taken on substantially greater significance and value for the OSCE process. The "basket" has become a "dimension" which can make an important contribution to the European Security Model for the 21st Century. The Summit Meeting of Heads of State or Government in Lisbon in December 1996 was certainly an important milestone in this development. Correctly recognizing the value and effectiveness of the economic dimension in preventing conflicts the Heads of State or Government of the OSCE participating States at that Summit assigned threefold responsibilities to the OSCE:

- to identify the security risks emerging from economic, social and environmental problems;
- to discuss their causes and possible consequences; and
- to direct the attention of relevant international economic and finance institutions to the difficulties stemming from these risks and to call on them and the international community to take appropriate counter-measures.

In addition, the Lisbon Summit produced the important decision to task the Permanent Council of the OSCE to create the office of a co-ordinator of economic activities. His job is to guide and watch over the economic activities of the OSCE. His mandate is to be passed at the next OSCE Ministerial meeting at Copenhagen in December 1997.

All of these tasks assigned to the OSCE could and should help it to become more fully aware of its responsibility for confidence-building in the economic sphere. Agreement on the bases of economic co-operation and an economic policy dedicated to shared principles are especially important in this area. In particular, they should include:

- the determination to create the conditions necessary for involvement in the international division of labour; examples are the opening of markets, transparency and calculability of economic legislation, along with unbureaucratic handling of cross-border traffic in people and goods;

- the will to integrate the economies of all OSCE States into the world economy and rejection of any new economic lines of division;
- the willingness to create favourable conditions for trade and investment, e.g. legal security and efficient administration, fair and comprehensible taxation, secure property rights and open markets;
- the willingness to increase the level of mutual economic linkage and dependency, especially in the key areas of energy, communications and transportation.

Agreement and dialogue on these fundamentals would create the conditions for dealing with the risks and dangers that might emerge from economic, social and ecological problems in the OSCE area.

These insights and convictions formed the background of my initiative within the OSCE's Parliamentary Assembly for the establishment of an "OSCE Economic Charter".

#### *The Parliamentary Assembly's Contribution to the Further Development of the Economic Dimension*

It is not widely known that the OSCE has not one but two forums for the exchange of information and discussion on economic topics. One is the so-called "OSCE Economic Forum" which has been conducted annually in Prague by the governmental side of the OSCE. In addition to it, however, the OSCE Parliamentary Assembly has a committee for this purpose on its own, the "Committee on Economic Affairs, Science, Technology and Environment" corresponding to the former Basket II of the CSCE. These two forums taken together give participating States of the OSCE ideal opportunities to discuss economic challenges and consider solutions.

As Chairwoman of the Committee on economic co-operation of the Parliamentary Assembly from 1993 to 1995 I tried from the beginning to promote parliamentary participation in the OSCE Economic Forums. In fact we did succeed again and again in ensuring that high-ranking members of the economic Committee of the Parliamentary Assembly were adequately represented in the OSCE Economic Forums. In this way the economic Committee can, in the best sense of the word, grow into the role of a parliamentary counterpart to the governmental side of OSCE activities in the economic field. Hence I began early, as Chairwoman of the economic Committee, to seek contacts and co-operation with the most important existing international economic and financial institutions such as the OECD, the United Nations Economic Commission for Europe (UNECE), the European Bank for Reconstruction and Development (EBRD), the World Bank and the IMF.

So far the main focus of the economic Committee of the Parliamentary Assembly has been on describing and taking inventory of the transformation process in the Central and Eastern European countries. As the Rapporteur of the economic Committee in 1991 and 1992 I myself gave written reports on "the importance of the social market economy for building and strengthening democratic structures" and "economic transformation in Central and Eastern Europe - developments and prospects".

Both reports stressed the close reciprocal relations between the three baskets of Helsinki and between freedom, pluralism, prosperity, social justice and balanced goals for the development of market economy. In both of them I pointed out the importance of economic co-operation for conflict prevention and confidence-building and stressed my conviction that a free and democratic economic order prevents new instability, discourages the misuse of economic power and provides latitude for the individual everywhere in Europe and in the states of North America.

All of the discussions and resolutions of the economic Committee were informed by the awareness, first, that the transition to a market economy is of decisive importance for the building and strengthening of democratic structures and the rule of law in the countries of Central and Eastern Europe as well as the former Soviet Union and, second, that the creation of such structures is an absolutely necessary condition for security and stability in the entire OSCE area. I am also convinced, however, that the economic Committee will in future need to pay more attention to evaluating the transformation process because that is the only way to forestall the danger that transformation might fail as a result of bad or uncoordinated measures, or for other reasons.

What emerges more and more clearly in the discussions in the economic Committee of the Parliamentary Assembly is the specific potential of the OSCE for accomplishment in the economic dimension. We know that the OSCE has a limited range of instruments at its disposal for meeting responsibilities in the economic dimension. It is natural that when it comes to developing and carrying out support measures of an economic, ecological or social nature for the transformation countries there are actors other than the OSCE in the front line. They are, above all, the big international economic and financial institutions, but also the European Union and the G-7 states as well as new regional combinations such as the Central European Initiative. Even so, the usefulness of the OSCE's economic and social activities should not be underestimated. It lies, for one thing, in the fact that the OSCE is the largest institutional forum - focused on but also transcending Europe - for discussing the relationship between economic, ecological and social development on the one hand and security-related matters on the other. The OSCE is at the same time a forum in which both developed industrial countries and less developed transformation countries are represented - a fact which not only provides an opportunity for "East-West dia-

logue" but also for intensive "East-East communication"; the latter is important because it helps to counter further disintegration of the economies in the eastern part of Europe. Finally, the OSCE is the most important pan-European organization and includes countries that have no chance of becoming partners or full members of the European Union.

Thus it would be good if the Parliamentary Assembly of the OSCE could agree on an "OSCE Economic Charter" - an idea that I introduced in the Parliamentary Assembly and that in the meantime has taken on form and developed to the point where a sub-committee of the economic Committee, established at the last session of the Parliamentary Assembly in Stockholm, is looking at it.

The idea for an OSCE Economic Charter is based on the considerations discussed at the beginning of this article: the reciprocal relationship between regionalization and globalization of the world economy, the diminishing ability of the traditional actors to guide financial, economic and informational processes and, not least, the conviction that economic co-operation aids conflict prevention and confidence-building.

The Charter attempts first to reach an understanding on an economic policy based on common principles shared by all OSCE participating States. An economic policy of this kind must take as its starting point the elementary fact that security and co-operation in the economic dimension depend in a decisive way on the confidence that all participants in economic life have in dependable and transparent rules for political and economic activity. A particularly important part of this is confidence in a dependable, market-based economic policy dedicated to sustainable economic growth, monetary stability, high employment, balanced public budgets and balance in foreign trade relations. For that purpose there must also be confidence in certainty of the law, without which economic activity entails risks that are hard to calculate. Confidence in the security of access to the market and the protection of investments is important as is, finally, the guarantee of an appropriate standard of social security.

The globalization of the economy, the need for secure and durable jobs and the pollution of the natural environment make it necessary for all OSCE participating States to undertake great efforts in the establishment and development of border-crossing infrastructures, in the use of the scientific and technological potential that is richly available in all participating States and, not least, in the pursuit of environmentally sound and resource-sparing economic practices.

An OSCE Economic Charter embodying these principles could also be a valuable instrument for carrying out the task, assigned to the OSCE by the Lisbon Summit, of identifying security risks that stem from economic, social and ecological problems, discussing their causes and possible consequences, and directing the attention of relevant international institutions to the necessity of taking appropriate measures to mitigate the difficulties to which these risks give rise. In this way the OSCE Economic Charter could help to strengthen the

OSCE's ties to mutually reinforcing international economic and financial institutions.

The OSCE Economic Charter is an attempt to make possible in one region an economic policy committed to shared principles and thus to propagate a regime oriented to the market economy - so as to prevent the development of different and incompatible systems in world economy that would give rise to new trade barriers.

On the global level, a statement issued by the Interim Committee of the International Monetary Fund on 29 September 1996 and called "Partnership for Sustainable Global Growth" points in the same direction. In it the 181 members of the IMF commit themselves to a common economic strategy that combines a balanced monetary, fiscal and structural policy in a harmonious whole.

Regional and global economic policy are not contradictory but can, ideally, supplement each other in the interest of free world trade. The Parliamentary Assembly of the OSCE and its economic Committee will continue to follow these processes with lively attention and participate actively in them.