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## The Economic Dimension - In Search of OSCE Added Value

The economic dimension is an essential part of the OSCE. Provisions relating to the economic dimension of CSCE's/OSCE's history fill over three hundred pages. Hardly any other aspect of the OSCE equals this volume of commitments. Nevertheless discussions on the economic dimension are very often characterized by frustration and dissatisfaction. At the seventh Economic Forum in Prague several delegates even went so far as to refer to this dimension as a "step-child" or "unwanted child" of the OSCE.

On a general level few, if any, can object to the notion that the economic dimension remains extremely relevant to the successful implementation of the OSCE mission - to build a stable security environment based on jointly shared values. It is equally unquestionable that the OSCE agenda should reflect the comprehensive concept of security of which economy and environment protection are an inalienable part.

For many states a sense of security in today's environment derives increasingly from economic prosperity. In the absence of existential military threats, a state's perception of security is predetermined by economic factors. It is quite indicative that at the early stages of the discussion on a Document-Charter on European Security, when delegations were invited to share their understanding of security risks and challenges, almost half of the factors articulated were related to the economic dimension. In particular such risks as the disruption of the flow of energy and natural resources, growing economic disparities, impediments to free trade, cross-border pollution, mismanagement of water resources and others were voiced.

The difficulties arise in translating these general notions into concrete items on the OSCE agenda. The economic dimension remains a field in which individual visions and expectations of a particular role for the OSCE are still at considerable variance with each other. Some states believe that the OSCE should expand its economic dimension activities and play a more prominent role in this area. Particularly noteworthy is the lively interest in the enhancement of the economic dimension displayed by the Central Asian and the Transcaucasian states. Other states are highly sceptical about the usefulness of OSCE involvement in economic matters. This scepticism is very often attributed to the approach of the European Union. Even independent experts offer contradictory advice.

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*From the "Second Basket" to the Economic Dimension: the Economic Forum and Implementation Review*

The "inferiority complex" of the economic dimension is nothing new. Between the Helsinki Summit 1975 and the 1990 Paris Summit the centre stage of the then CSCE was after all occupied by human rights and humanitarian questions as well as military security aspects, like CSBMs. The "second basket" functioned in the shadow of other, highly important topics. The Eastern states hoped to get better access to Western technology and markets through the economic basket while the Western states sought to loosen the state's grip on foreign trade and economy in the Eastern states. In other words, the West pressed for a free flow of commodities and capital, for reliable statistics and freedom of enterprise. The East wanted Western technology, loans, joint ventures and good trading terms. Compromise was not too difficult to achieve and as a rule the drafters of the "second basket" were the first to report textual agreement on the occasion of the main CSCE follow-up meetings. These agreements, voluminous as they were, served as useful indicators of desirable fields of co-operation between East and West but not concrete agreements on joint action.

In 1990 the "second basket" got its spotlight. The Bonn Conference of 1990 served as the prelude to the historic Paris accords. It was the high point of the economic basket of the CSCE. The Bonn Document was the first CSCE document ever in which the jointly shared values of human rights, democracy, and rule of law were subscribed to by all CSCE participating States. Among these was also the commitment to a market economy. Some may well have thought this commitment exhausted the CSCE role.

The fact is that no new significant normative commitments in the economic field have been added to OSCE agreements since 1990. The discussions and decisions have focused, rather, on institutional aspects. In 1992 the participating States decided to establish the Economic Forum. Meeting once a year, its role is to give political stimulus to the dialogue on the transition to free-market economies, to suggest practical means for developing free-market systems and economic co-operation, and to encourage activities with relevant international organizations. The Economic Forum is the main platform of the Organization for a dialogue on the economic dimension. Seminars to prepare the Forum meeting and to follow-up on its discussions have become a regular feature as well.

In 1996, a free standing economic dimension implementation review took place for the first time. Since then such meetings normally have preceded the sessions of the Economic Forum.

Review of implementation can play an important role in making use of the potential contained in the economic dimension for the benefit of the whole OSCE. The lessons from implementation discussions in the human dimension show that such debates are quite useful early warning indicators. They are

also a tool helping to define the security implications of economic policies and processes. Finally, they can be a natural birthplace of ideas and concrete proposals aimed at developing existing commitments.

To achieve these goals the implementation review has to be adequately focused and open. An implementation review without proper identification of shortcomings and problems serves little purpose. Experience with these reviews provides enough material to enable us to ponder necessary improvements.

A useful role is played by the comprehensive overviews prepared by the United Nations Economic Commission for Europe (UNECE). The first was submitted to the implementation meeting in 1996. It was then updated for the Economic Forum in 1998. Such reports would be useful as part of the preparation for each annual meeting. They should be made available within a reasonable period before each implementation review to give ample time for analysis and response. ECE observations should be complemented by remarks summarizing the experiences of the Chairman-in-Office and the Co-ordinator of OSCE Economic and Environmental Activities in fulfilment of economic dimension activities since the last implementation review. Other OSCE institutions like OSCE field offices and missions could make useful written contributions to the implementation review as well.

A prominent role in preparing and conducting the review should also be given to the business community and NGOs. A voice from business concerning obstacles to trade or investment activities would add more credibility to the discussions. Non-governmental actors would in addition feel more at ease when raising issues which some states might not feel it is diplomatic to talk about. Several independent economic think tanks assisting some governments of the states in transition could be usefully invited to share their observations on the problems encountered in implementing OSCE commitments.

Such an ambitious concept for an implementation review requires a lot of preparatory effort on the part of the OSCE Chairmanship and the Co-ordinator for Economic and Environmental Activities. However it will only bear fruit if the participating States themselves take up the challenge of making a critical but co-operative contribution to the review. Comparing the reviews undertaken since 1996, one can discern slow but constant progress towards more candid and concrete discussion. However, only a handful of states are prepared to speak critically about real implementation problems and cite the implementation records of individual states. Even those states which are openly named and thus "invited" to be polemic prefer not to do it in public. The majority of the participating States seem to follow conventional wisdom of recognizing the existence of sometimes considerable implementation problems in the economic field but denying that the OSCE is the place or set-up to raise them.

It is true that at least since the pre-Lisbon review meeting in 1996 there is a noticeable tendency in certain quarters of the OSCE to downplay the role of traditional implementation reviews in favour of more discussion on current operational experience. However, one should recognize that without serious and in-depth evaluation of the implementation of OSCE commitments the notion of the OSCE as a source of norms and standards will be difficult to uphold.

The weakest point in the implementation review is however that the discussion does not extend beyond the framework of the Economic Forum. The OSCE, contrary to its human and military dimensions, possesses neither the mechanisms nor the practice for a day-to-day monitoring of the implementation of economic dimension commitments. When a law is adopted in a participating State which gives rise to concern over its compliance - for example with regard to free election standards - one can expect an almost immediate reaction on the part of the ODIHR, a field officer or at least of some participating States. Only rarely, if ever, are there similar reactions in the OSCE when a state adopts a law introducing currency or administrative regulations that interfere with the requirements of fair business conditions for foreign firms.

To be able to organize such implementation monitoring on a day-to-day basis, the OSCE does not have to establish its own mechanisms. A well-functioning link between the Chairmanship, the Co-ordinator and the existing economic institutions, like the ECE, can easily ensure this.

The political conclusion which can be drawn from the implementation meetings is that the general commitment to a market economy is not placed in doubt by any of the participating States. In this sense the transition to market economies is irreversible. There is, however, a problem because of the degree to which individual states pursue this objective consistently in their policies. There is a question as to the adequacy of the yardstick by which the OSCE can measure the consistency of these policies. The Bonn Document, which remains the main point of reference in evaluating the behaviour of states, was adopted almost a decade ago when the economies in the Eastern part of the continent were just about to embark on the transition course. Since then new experiences have been gathered, new problems have emerged and new challenges have appeared that sometimes would have been difficult to predict at the beginning of the nineties. These new circumstances need re-assessment. Perhaps the logical conclusion may be to update and amplify the Bonn commitments. The more concrete they are and the more geared towards today's politico-economic realities, the more useful the implementation debates will be.

*OSCE Added Value: the Link between Economics and Security*

One has to recognize that there is a considerable conceptual difference between the CSCE "second basket" and the OSCE economic dimension. Economic issues were treated during CSCE times in an all-embracing way as the engine for developing the second idea contained in the name of the CSCE - that of "co-operation". This was also justified by the fact that the CSCE was a unique forum for discussing East-West co-operation, also in the field of economics. During the Cold War there were few lines of multilateral communication available.

Today's "economic dimension" is linked functionally to the notion of "security" rather than being all-encompassing. The number of economic and financial institutions active in the economic field is impressive. The resources they manage, the technical expertise they possess and the intellectual capacity they offer by far exceed what the OSCE can afford. The OSCE, itself an advocate of the productive division of labour among international organizations, should thus concentrate on its comparative advantages when developing the profile of the economic dimension. The main advantage of the OSCE is the capacity to establish the link between economic phenomena and security. The ability to concentrate on the intersection between security and economy constitutes the OSCE's added value.

On a conceptual level such a link is not so difficult to define. The difficulty is the political embodiment of this link, i.e. the concrete issues which should be raised at the OSCE and acted upon within its framework.

At least since the Rome Ministerial the most debated issue has been how to integrate the economic dimension into the mainstream of OSCE activities. Without the habit of introducing the economic and environmental aspects of security into the Permanent Council's regular agenda, this task will remain unfulfilled. The most natural issues which can be brought up at the Permanent Council are issues directly linked to the realization of OSCE tasks in the field of conflict prevention, crisis management and post-conflict rehabilitation. The economic problems involved in the concrete situations that the OSCE deals with deserve constant attention. There are also economic processes of a more general nature which the OSCE can address, even while exchanging information. Let us not forget the usefulness of the OSCE as a channel for information exchange.

One can usefully compose a list of issues of an economic nature which in the past could have been the subject of a well-prepared exchange of views within the framework of the Permanent Council. The repercussions of the financial crisis in Russia, the risks involved in the financial schemes in Albania, topics such as the implementation of initiatives and programmes by the European Union on economic projects with security implications (Traceca, Inogate, Aral Sea, etc.) are the most obvious examples in recent years. Even the ques-

tion of the enlargement of the European Union and in particular its impact on regional and sub-regional relations could at times be worthy of discussion.

In addition to the habit of discussing *ad hoc* topical issues, sometimes related to early warning, more routine forms of addressing the economic dimension issues could be helpful. To achieve this - more frequent information at Permanent Council meetings on the activities of the Co-ordinator of OSCE Economic and Environmental Activities and more frequent visits by representatives of economic organizations to the Permanent Council would be useful.

In addition certain legal standards on economic and environmental policies are far from being universal in the OSCE area. The OSCE could serve as a vehicle for making these regimes more universal.

The discussions on a Document-Charter on European Security have been a good occasion to try to examine questions of the future economic architecture in the OSCE area and its impact on security relations. The fact remains that economic architecture is highly diversified despite the universal commitment to market economy principles.

What will the pace and limit of the enlargement of the European Union be? Which states will be admitted to the OECD and when? When will the OSCE area become homogenous enough to fulfil the terms of WTO membership? Does it make sense to develop integration schemes which would slow down incorporation into the world economy? What are the prospects for sub-regional co-operation across institutional lines? One has to recognize that these questions have relevance for security architecture. Understandably they have been overshadowed by the very emotional discussions on NATO enlargement and the mutual relations between the OSCE and other organizations. However, in the long term the question of the economic architecture of Europe will be of no less importance.

Perhaps this could be another argument in favour of conducting these discussions in conjunction with a meeting convened to adopt a Bonn-II Document.

The Economic Forum has served well as the anchor of the economic dimension. Nonetheless, its *modus operandi* needs critical assessment. The debates of the Forum suffer from their inconclusive character. The Forum as such is a Senior Council meeting, which would normally mean that high-ranking officials meet to discuss and prepare policy guidance on issues submitted for their consideration. In practice, the organization and the conduct of the work resembles more seminar-type, academic-style gatherings. Without a clear sense of the political and practical objectives of the debates in the Economic Forum it will not possible to make full use of its potential. As a rule the Chairman's conclusions and rapporteur summaries offer substantive food for thought. How much of this food has been turned into a consensus by the OSCE up to now? How much of it has found its reflection in the daily work of OSCE institutions? How much of this substance was able to make a real impact on the policies of the participating States and specialized organizations?

It is true, one could argue that the dialogue has a value in itself. However, in the economic dimension the number of existing forums and the wide coverage of subjects discussed at numerous seminars present special requirements for the selection of topics and the organization of the work of the Economic Forum. There must be a certain added value to what the Economic Forum does. And the deliberations at the Forum should be consistently targeted at defining this added value.

Since 1992 the most contentious "in-house" issue has been whether the OSCE needed an operational tool to deal with the economic dimension. The issue at stake was staff positions and budget lines. Starting with the Rome Ministerial of 1993 every year has brought small and gradual progress in the economic dimension positions within the Secretariat.

The establishment of the post of Co-ordinator of OSCE Economic and Environmental Activities within the Secretariat was a particularly important step. The mandate as agreed upon in November 1997 was focused on strengthening the ability of the Permanent Council and the OSCE institutions to address economic, social and environmental aspects of security.

The Co-ordinator's regular priorities include:

- enhancement of OSCE interaction with relevant international organizations;
- strengthening the economic, environmental, and social components in the work of OSCE missions and field activities;
- in-depth interaction with the OSCE Parliamentary Assembly;
- broadening OSCE contacts with non-governmental organizations and the private sector;
- formulating a programme of work for appropriate additional activities in and relating to the OSCE's economic dimension.

Three aspects of these activities seem to deserve special attention:

First, the OSCE should through the activities of the Co-ordinator of Economic and Environmental Activities expand its ties with NGOs and the business community. Networking with NGOs, particularly in the environmental field, helps to build a strong bridge between the economic dimension and the other tasks of the OSCE. After all, strengthening NGOs, especially in newly established democracies, helps to fulfil one of the strategic goals of the OSCE, the goal of building civil societies. Many of the good patterns established by the ODIHR in working with human dimension NGOs can be creatively used by the Economic Co-ordinator.

Second, in addition to the well-established co-operation with such economic bodies as the ECE or financial institutions, more attention should be paid to the development of working-level ties with sub-regional organizations, like the Barents Euro-Arctic Council, the Council of the Baltic Sea States, the Black Sea Economic Cooperation and the Central European Initiative. The

work they perform serves the OSCE strategic objectives of stabilizing sub-regional relations through civil security measures well. This framework could offer a valuable contribution to OSCE economic dimension activities.

Third, the Economic Co-ordinator could be particularly helpful in developing a visible profile of OSCE field mission and office input into the economic dimension. One should probably think about how to amplify their reporting on economic and environmental processes and developments, including early warning. Through their on the spot interaction with the representatives of financial and other relevant institutions they could undertake useful initiatives aimed at supporting the political goals of conflict prevention and crisis management through appropriate economic programmes.

Finally, the Co-ordinator should stand ready to provide conceptual advice to the Chairmanship on how to advance the work on the economic dimension within the OSCE.

In the light of the experience gathered in the first several months of the work of the Co-ordinator of OSCE Economic and Environmental Activities it might be useful to discuss possible improvements, also in terms of better budgeting of his activities.

### *Prospects*

Even the best concepts do not materialize by themselves. The economic dimension lives on the talents and expertise of the people involved in the work in this field.

The economic dimension can hardly be well integrated into day-to-day OSCE activities without the existence of a broad circle of diplomats stationed in Vienna at the Permanent Missions. These would have to be competent diplomats in a position to discuss economic dimension issues on a daily basis. Such a group has been slowly but steadily emerging during recent years. They do not necessarily have to be economic experts, but primarily - security experts with economic imagination and with access to good sources of economic information.

Such experts could take upon their shoulders the preparation of the economic dimension discussions at the Permanent Council, ensure a more organic link between the contents and the format of the Economic Forum discussions and the Permanent Council and monitor the follow-up to the Forum meetings. They should be competent partners giving support to the Co-ordinator of OSCE Economic and Environmental Activities.

Likewise, the reinforcement of the contribution of the field missions to the economic dimension largely depends on the availability of at least one good economic expert in each mission.

Realistic political concepts for the economic dimension and dedicated people within OSCE diplomatic circles will probably help to overcome the still per-



sistent feeling of frustration when it comes to the state of affairs of the economic dimension. The OSCE can benefit from it significantly. Without the enhancement of economic dimension activities the OSCE will hardly be able to fill the confidence gap which still exists towards the OSCE in certain regions, for instance in Central Asia.