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## The Second Basket: Evolution of the Economic and Environmental Dimension of the OSCE

The economic and environmental dimension of the OSCE originated in the “second basket” of the 1975 Helsinki Final Act, “Co-operation in the Field of Economics, of Science and Technology and of the Environment”. From our present-day perspective it may seem surprising how large this basket was and how much it included.

The second chapter of the Helsinki Final Act, in which the provisions of the second basket were enumerated, contained a preamble and six substantive parts: commercial exchanges; industrial co-operation and projects of common interest; provisions concerning trade and industrial co-operation; science and technology; environment; and co-operation in other areas (development of transport, promotion of tourism, economic and social aspects of migrant labour, training of personnel).

There was of course a specific historical reason for this multiplicity of desires, promises, and agreements, namely the necessary and difficult task of strengthening links between two fundamentally different economic systems, that of the market economy countries, on the one hand, and the state-trading countries, on the other. Already in the preamble, the participating States confirmed their will to intensify their co-operation irrespective of the diversity of their social and economic systems. This was qualified, however – also in the preamble – with the reference to a principle of reciprocity, “permitting, as a whole, an equitable distribution of advantages and obligations of comparable scale”.<sup>1</sup> In the course of the co-operation, there was to be an attempt to compensate for one-sided market advantages and imbalances.

In this context, it proved difficult to include the according of most favoured nation status in the Final Act, as desired by some states that did not belong to the General Agreement on Tariffs and Trade (GATT, today the World Trade Organization, WTO). Still, agreement was reached on the formula: “The participating States [...] recognize the beneficial effects which can result for the development of trade from the application of most favoured nation treatment”.<sup>2</sup>

It is worth noting that, for many Western European countries, the negotiated elements of the second basket already fell at that time within the exclu-

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1 Final Act of the Conference on Security and Co-operation in Europe, Helsinki, 1 August 1975, in: Arie Bloed (ed.), *The Conference on Security and Co-operation in Europe. Analysis and Basic Documents, 1972-1993*, Dordrecht 1993, pp. 141-217, here p. 156.

2 *Ibid.*, p. 157.

sive jurisdiction the European Economic Community (EEC, today the European Union). The European Commission, although not formally a participant in the conference, therefore played a substantial role in the consultations. The acting president of the European Council (Italian Prime Minister Aldo Moro, who was murdered in 1978) signed the Final Act not only on behalf of the Italian Republic but also in the name of the EEC.

The second basket also figured prominently in the concluding documents of the Madrid and Vienna Follow-up Meetings of 1983 and 1989, respectively. The participating States declared their willingness to strengthen their economic co-operation, and a special conference was convened to this end in Bonn in the spring of 1990. However, with the sudden disintegration of the Eastern Bloc economic system, the agenda changed. The transformation of the real-socialist state-run systems into market economies became the centre of attention. With the overcoming of the division of Europe into systems – not only in the economic sphere – the task originally set for the Bonn gathering had become obsolete.

### *Transformation*

The political upheavals of the years 1989-90 heightened and transformed the significance of economic and social factors for security policy. Arrangements for turning conflict into coexistence were replaced by arrangements to turn coexistence into co-operation. The CSCE/OSCE was confronted with new challenges, among them the transformation of the planned economies into functioning and environmentally sustainable market economies. The Bonn Conference marked an upswing – albeit a short-lived one – of the economic dimension. In the concluding document, the participating States emphasized the connection between political pluralism and a market economy, and agreed on a series of principles that were to determine the process of reform: free elections, multi-party democracy, rule of law, protection of private property, environmentally sustainable economic growth and development, the right to freely establish independent trade unions, and the expansion of free trade and the free flow of capital.

In 1992, the Committee of Senior Officials (later renamed the Senior Council) was charged with convening as an Economic Forum. Its task was to stimulate dialogue on the transition to and development of free market economies and on economic co-operation and to encourage activities already underway within specialized international organizations.

This Forum was intended to provide “senior officials”, economic policymakers, parliamentarians, and representatives of non-governmental organizations (NGOs) with an opportunity to exchange opinions and experiences and discuss co-operation and the transformation towards a market economy.

In 1993, the Forum's first meeting was attended by a particularly large number of representatives of international organizations. In February 1994, the Forum held a seminar in Bishkek on promoting small and medium-sized enterprises. Despite the participation of numerous international organizations once again in the Forum's second meeting in March 1994, and the introduction of a new element in the form of the participation of five Mediterranean littoral states that are not OSCE participating States, as well as experts from the Commonwealth of Independent States (CIS), it did not prove possible to maintain the Forum's key function, namely to act as a platform for dialogue between decision-makers in the various governments as well as the public and the private sectors.

The second Economic Forum seminar, held in Tallinn in September 1994 on the topic of "Business and Environment", focused on discussions of practical steps to improve the environmental situation in the region. These included effective economic instruments and incentives for sustainable economic development, particularly the transfer of safe and environmentally sound technologies.

As at previous meetings, the document of the 1994 Budapest Summit also mentioned environmentally sound policies. The assembled representatives suggested the creation of environmental centres in the Russian Federation and the participating States that had recently gained independence. The aim of such centres would be to encourage broad participation of the public and private sectors, including NGOs, in decision-making processes related to the environment.

The Forum's third meeting, in 1995, expanded the discussion to include new areas of concern. However, the Forum failed once again to bring about an intense and comprehensive discussion process between the senior officials, businesspeople, and economic experts present. There was general agreement that for the Forum to be successful required the active participation of a broad spectrum of high-ranking representatives of governments, international institutions, the private sector, business associations, trade unions, academic institutions, and NGOs.

As the contributions they made to the fourth OSCE Economic Forum in Prague in 1996 (and a preparatory meeting held a few months earlier in Geneva) showed, the participating States had differing views on the breadth of the economic dimension of security and even of its place within the OSCE. Thus, the representatives of a number of states stressed legal and contractual certainty; the protection of property; and stable, reliable, and predictable economic policies, while others mentioned economic early-warning systems, and yet others proposed encouraging environmentally sustainable methods of production.

With regard to the Lisbon Summit in 1996, a wide range of economic aspects of security were discussed that were considered to be relevant to the debate on a common and comprehensive security model for Europe for the

21st century. In the run-up to the event, representatives of business had tabled the creation of a “European Business Council” for discussion. Debates on the extent of the economic dimension, a seminar in Tallinn on the environment, and the reference at the Budapest Summit to the need for action in the area of nuclear security had already shown how the meaning of economic security was evolving. This development was also reflected in the concluding document of the Lisbon Summit adopted by the participating Heads of State or Government in December 1996.

The document called for the OSCE to focus on identifying risks to security arising from economic, social, and environmental problems. It stressed the ability of regular consultations with international economic and financial institutions to improve the OSCE’s ability to recognize and evaluate security-related consequences of economic, social, and environmental developments at an early stage.

If the security of the economy was at the heart of the OSCE’s efforts during the Cold War and in the early years of transformation, the Lisbon Document recognized that the economy could itself pose a threat to security. As a result, the document called for the participating States to give more attention to these risks and possible means of alleviating them.

Under the overall topic of “Market Economy and the Rule of Law”, the fifth meeting of the Economic Forum in 1997 dealt with the social aspects and political risks of transformation as well as the role of economic confidence-building as an aspect of the promotion of security. The participants discussed the importance of reliable legal norms for the economy; it was stressed that tolerating statutory violations such as bribery, money laundering, and corruption undermines public support for democracy and the market economy.

Subsequent Forums were dedicated to topics including security aspects of energy developments in the OSCE area (1998), security aspects in the field of the environment (1999), economic aspects of post-conflict rehabilitation (2000), transparency and good governance in economic matters (2001), co-operation for the sustainable use and protection of the quality of water in the context of the OSCE (2002), trafficking in humans, drugs, small arms and light weapons (2003), demographic trends, migration, and integrating persons belonging to national minorities (2005), secure transportation networks and transport development (2006), maritime and inland waterways co-operation (2008), and development of sustainable energy and transport (2011). The debates in the 2014 Forum focused on joint approaches to disaster management. This was in response to a decision of the 2013 Kyiv Ministerial Council, which had called for enhanced co-operation among participating States to reduce the risks posed by natural and man-made disasters.<sup>3</sup> When one considers this breadth of topics, it raises the question of which concept of security is

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3 The annex at the end of this contribution details all the many topics covered by the Forum over the years.

being applied. Precisely whose security are we talking about here? The issue of the arms industry, disarmament, and conversion, which is also problematic in view of this sector's role in the economy, was not raised.

The Lisbon Document not only expanded the range of tasks under the economic dimension, it also created an institutional basis. The Permanent Council was tasked to develop a mandate for a Co-ordinator of Economic and Environmental Activities (CEEAA) within the OSCE Secretariat. The mandate was adopted at the 1997 Ministerial Council Meeting in Copenhagen, and an office was established in Vienna. Nonetheless, the range of instruments available to the Organization for its work in this area remained limited. Subsequent concluding documents have therefore repeatedly stressed the necessity of co-operation with other international institutions working in this field in Europe, which can be considered to indicate that the OSCE was looking for ways to retain this dimension's relevance.

The 2004 Ministerial Council in Sofia agreed to undertake a root-and-branch reform of the Economic Forum with the aim of increasing its policy orientation before, during, and after its meetings. To this end, it was called to focus each meeting on issues in areas where the OSCE could bring added value, to strengthen its role as a framework for political dialogue among the participating States on key questions in the economic and environmental dimension, to improve its strategic orientation, and to concentrate on practical proposals. According to this Ministerial Council Decision, the Economic Forum should enable "more effective" participation of officials and experts from the participating States, relevant international, regional, and subregional organizations, financial institutions, representatives of academia and the business world, and NGOs. In 2006 the Forum was renamed the Economic and Environmental Forum, in line with the designation of the OSCE's second dimension. Since then, the topics dealt with within the Forum have occasionally also been the subject of additional seminars.

For instance, a regional seminar for fire brigades, trainers, and managers from the South Caucasus and Western Balkans was held in Antalya on combating wildfires.<sup>4</sup> Water management was the subject of a workshop on environment and security issues in the Southern Mediterranean region. The Office of the OSCE Co-ordinator (OCEEAA) supported bilateral talks between Azerbaijan and Georgia to finalize the Kura River Basin Agreement on the protection and sustainable use of water resources. Also in 2014, the Office held three regional workshops in Dushanbe, in collaboration with the World Customs Organization (WCO) and the United Nations Economic Commission for Europe (UNECE), on customs risk management, trade facilitation, and the implementation of a trusted-trader programme.

The Office has also concerned itself with the implementation of the United Nations Convention against Corruption. Here, issues of interest in-

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4 For details of this and the following examples, cf. Organization for Security and Co-operation in Europe, *Annual Report 2014*, pp. 40-41.

cluded codes of conduct for public officials, transparency in public procurement, the protection of whistleblowers, and conflicts of interests. In partnership with the United Nations Office on Drugs and Crime (UNODC) and the Organisation for Economic Co-operation and development (OECD), the Office held a regional seminar in Batumi (Georgia) on preventing corruption for government officials from states in the South Caucasus and Eastern Europe. In co-operation with the OECD and the OSCE Presence in Albania, the OSCE also organized a seminar on preventing corruption for officials from Eastern Europe and Central Asia.

Together with the UNODC and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism, the Office held a workshop for government officials from Central Asia, the South Caucasus, and Eastern Europe, which dealt with questions of cross-border co-operation in the fight against corruption and money laundering. To encourage transboundary co-operation, the OSCE hosted a workshop to exchange best practices to protect electricity networks from natural disasters. An OSCE Security Days event focused on enhancing security through water diplomacy, considering water as both a source of tension and a tool for confidence-building and co-operation. The OCEEA also gave presentations in several participating States on the security implications of climate change; an environmental assessment mission was dispatched to an arsenic mining site in the Tsana area in Georgia; and experts from Eastern Europe, the South Caucasus, and Central Asia received training in how to detect illegal trafficking of hazardous waste at borders.

Most of the OSCE's environmental activities were carried out in collaboration with the United Nations Development Programme (UNPD), the UNECE, the United Nations Environment Programme (UNEP), and the Regional Environmental Center (REC) under the Environment and Security Initiative (ENVSEC), and occasionally with the European Union and the Austrian Development Agency.

There was always general agreement that the OSCE should avoid overlap with the work of other organizations and institutions and that its task in the economic dimension consisted in promoting interaction between the private and public sectors.

The OSCE's role in the economic and environmental dimension nonetheless remained unclear in view of the many specialized international and often financially powerful organizations and institutions or "clubs" that exist. As a consequence, the OSCE's role in this dimension has so far been largely restricted to giving out appropriate political impulses and supporting occasional projects together with OSCE Missions. Other tasks within the economic and environmental dimension have been discussed, such as the monitoring of economic and social factors as a step towards a "comprehensive monitoring system" as an aspect of conflict prevention.

A number of representatives of participating States are in favour of introducing “economic confidence-building measures” or a kind of “code of conduct” for economic relations between OSCE States. Yet others prefer the idea of an early-warning system for critical social and economic situations in the OSCE area with a danger of developing into acute crises. This would have to apply to internal conflicts as well, which also threaten stability and security and require appropriate action.

### *Differing Conceptions*

The general assertion that there are economic aspects to security is undisputed, and the inclusion of the economic dimension in the OSCE’s concept of comprehensive security has therefore never been openly and directly contested. The recommendation that the OSCE should give political impetus to economic co-operation has repeatedly been tabled at various OSCE meetings and is reflected in numerous documents. However, the economic aspects of security have never been developed into building blocks of a comprehensive security architecture in such a way as to result in an operational function for the OSCE.

The governments of OSCE participating States have different notions of the scope of the economic and environmental dimension of security and even of its meaning and purpose within the OSCE. The representatives of some countries have put the emphasis on legal and contractual certainty, the protection of economic property, and stable, reliable, and predictable economic policies; several have referred to early-warning systems. Others have named encouraging environmentally sustainable methods of production, and combating industrial espionage and international economic crime as tasks for the OSCE.

It is striking how little reference has been made to the economic and environmental security of people in their roles as citizens, employees, and consumers. The focus during the first decade after the end of the Cold War was on instabilities, crises, and threats to and risks for the economy, i.e. for national economies, enterprises, production, and markets. The goal has been to make the economy, economic policy, and entrepreneurial activity secure and resilient to crises. The trust of entrepreneurs was to be won through measures designed to strengthen economic security. It was in this context that measures to counter discrimination against migrant workers or social exclusion were mentioned. The Helsinki Final Act already contained a chapter entitled “Economic and social aspects of migrant labour”, and this was reiterated in the concluding documents of the Madrid and Vienna Follow-up Meetings (1983 and 1989, respectively).

In this context, it is important to mention one major absence: Trade unions were not mentioned in connection with the economic dimension or in

any other part of the Final Act.<sup>5</sup> In subsequent CSCE documents where they are mentioned, they are largely praised for their role in the domestic sphere. Nonetheless, against the background of the banning of the dissident Polish trade union “Solidarity”, the following statements were included in the 1983 Concluding Document of Madrid in the section on “questions relating to security in Europe”: “The participating States will ensure the right of workers freely to establish and join trade unions, the right of trade unions freely to exercise their activities and other rights as laid down in relevant international instruments. [...] They will encourage, as appropriate, direct contacts and communication among such trade unions and their representatives.”<sup>6</sup> The Document of the 1990 Bonn Conference on Economic Co-operation in Europe mentions the rights of workers to establish and join independent trade unions. The Document of the Copenhagen Meeting of the Conference on the Human Dimension of 29 June 1990 mentioned unions in three places, twice in relation to the freedom of association and the right to strike: “The right to form and [...] freely to join a trade union will be guaranteed. [...] Freedom of association for workers, including the freedom to strike, will be guaranteed”,<sup>7</sup> and again when the participating States declare that they will encourage, facilitate, and support contacts and co-operation between free and independent trade unions.<sup>8</sup> There is no mention of unions in the concluding document of the Vienna follow-up meeting (1989) and the Charter of Paris (1990), nor in any subsequent CSCE/OSCE documents. Also noteworthy is that the 1992 Helsinki Document explicitly mentions the economy, the environment, and science and technology, though “social issues” are missing here, as is the fact that, among all the international non-governmental organizations mentioned in the various CSCE documents in reference to some form of collaboration, not one reference is made to the International Labour Organization (ILO). Nonetheless the ILO was invited to take part in the Economic Forums. However, on the occasion that a representative of the ILO Secretariat did speak at an Economic Forum, their comments were so general as to indicate that the ILO has no major interest in the OSCE, given the latter’s minimal operational competencies.

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5 For details, see: Tom ETTY/Kurt P. Tudyka, No Room for the Trade Unions in the Economic and Human Dimensions of the OSCE? In: Institute for Peace Research and Security Policy at the University of Hamburg/IFSH (ed.), *OSCE Yearbook 1997*, Baden-Baden 1998, pp. 317-322.

6 Concluding Document of Madrid, Madrid, 6 September 1983, in: Bloed (ed.), cited above (Note 1), pp. 257-287, here: p. 262.

7 Document of the Copenhagen Meeting of the Conference on the Human Dimension of the CSCE, Copenhagen, 29 June 1990, in Bloed (ed.), cited above (Note 1), pp. 439-465, here p. 446. Cf. also p. 447.

8 Cf. *Ibid.* P. 454.



### *What Role Today?*

Today, the main concern in the second dimension is no longer just security *for* the economy, and certainly not security *from* the economy as a whole. Rather, dangers and risks arising from specific economic activities have increasingly attracted attention. These include the production, distribution, and export of dangerous substances; the transportation of hazardous waste; corruption; the illicit trade in and transport of reactor fuel, drugs, and weapons; trafficking in human beings; and money laundering. The environmental and social aspects of economic security have also been more strongly brought to the fore.

“Strengthening stability and security through co-operation on good governance” was the general theme of the 2016 OSCE Economic and Environmental Forum. The agenda included various issues related to good governance, transparency and accountability as prerequisites for economic growth and sustainable economic development, a favourable investment climate and competitiveness, and enhanced stability and security. Specific topics included combating corruption, international money-laundering, and the financing of terrorism. The Forum Meeting also evaluated aspects of good migration governance to support stable economic development in countries of origin, transit, and destination.

The Economic and Environmental Forum is considered an “OSCE meeting”, and hence, like all OSCE meetings, has no power to adopt decisions that create binding commitments for the participating States. Indeed, the only decisions that have ever been adopted in the Forum concern rules of procedure. The Forum takes place regularly every year, covering a range of changing, broadly formulated topics. Its effectiveness, however, has always been and remains questionable.

Today, the economic and environmental dimension of security also extends to economic factors and circumstances that play or could play a role in trouble spots and crisis areas, such as energy supply, water resources, natural resources, and environmental damage. This area of concern figures in the mandates of several field operations. The CEEA has organized several seminars on related topics, and relevant problems have been addressed extensively by the Economic and Environmental Forum (see table 1 on pages 270-271).

A number of high expectations have been linked with Germany’s holding of the OSCE Chairmanship in 2016. In this connection, the OSCE’s business conference on “Connectivity for Commerce and Investment”, opened by the Chairperson-in-Office, Foreign Minister Frank-Walter Steinmeier, in May 2016, can be seen as an effort to revive the dimension. The conference brought together close to 1,000 representatives of politics, business, and civil society from the 57 OSCE States and eleven partner countries. The neologism “connectivity” stands for “stronger and better physical and virtual links”

among the countries in the OSCE area and beyond, which translates into concrete infrastructure projects, transport corridors, trade agreements, and the linking of national digital infrastructure. An example of the enhancement of physical links is the Yuxinou freight railway line between Chongqing in China and Duisburg in Germany. The conference sought to develop common political visions in “times of serious political dislocation”.

The CEEA is located within the OSCE Secretariat and reports to the Secretary General. The activities in the economic and environmental dimension are carried out by 22 of the OSCE’s total of 550 employees and cost 2,141,000 of the annual budget of 141,107,600 euros, or roughly 1.5 per cent.<sup>9</sup>

The activities consist of term-limited and task-specific consulting activities on issues of concern and regular speaking appointments. The Forum and other meetings are attended by people from a wide range of professional fields and backgrounds, who largely present their papers dutifully in the form of communiqués. Discussion is rare, let alone real debate and criticism. The value of such activity remains uncertain. An evaluation has never been carried out.

The area covered by this dimension of the OSCE is a field of intense activity by numerous organizations and institutions – above all the many-tentacled EU. What is the OSCE’s unique selling point? It has no material or institutional advantages over the others. Who would miss the OSCE’s economic and environmental dimension? Who needs it?

The cessation of activity in this area would have no concrete effects, though it would be damaging for the image and internal constitution of the OSCE, doing irreparable harm to the OSCE as a whole. It is certainly justified to ask whether, in the course of long-running and repeated efforts at reform of the OSCE, the survival of the Organization’s economic and environmental dimension would be guaranteed.

*Table 1: Topics of OSCE Economic and Environmental Forums\**

Year	Topic
1993	The transition process to democratic market economies
1994	The transition process to democratic market economies
1995	Regional, subregional and transborder co-operation, and the stimulation of trade, investment and development of infrastructure
1996	Economic aspects of security and the OSCE role

<sup>9</sup> Figures from the 2016 Unified Budget. The inadequate resourcing of this dimension and the need to improve matters was already highlighted in the OSCE Yearbook seven years ago, cf. Kilian Strauss, Economic and Environmental Security Should Remain Key Components of the OSCE’s Core Mandate, in: Institute for Peace Research and Security Policy at the University of Hamburg/IFSH (ed.), *OSCE Yearbook 2008*, Baden-Baden 2009, pp. 311-319.

1997	Market economy and the rule of law
1998	Security aspects of energy developments in the OSCE area
1999	Security aspects in the field of the environment
2000	Economic aspects of post-conflict rehabilitation: the challenges of transformation
2001	Transparency and good governance in economic matters
2002	Co-operation for the sustainable use and the protection of quality of water in the context of the OSCE
2003	Trafficking in human beings, drugs, small arms and light weapons: National and international economic impact
2004	New challenges for building up institutional and human capacity for economic development and co-operation
2005	Demographic trends, migration and integrating persons belonging to national minorities: Ensuring security and sustainable development in the OSCE area
2006	Transportation in the OSCE area: Secure transportation networks and transport development to enhance regional economic co-operation and stability
2007	Key challenges to ensure environmental security and sustainable development in the OSCE area: Land degradation, soil contamination and water management
2008	Maritime and inland waterways co-operation in the OSCE area: Increasing security and protecting the environment
2009	Migration management and its linkages with economic, social and environmental policies to the benefit of stability and security in the OSCE region
2010	Promoting good governance at border crossings, improving the security of land transportation and facilitating international transport by road and rail in the OSCE region
2011	Promotion of common actions and co-operation in the OSCE area in the fields of development of sustainable energy and transport
2012	Promoting security and stability through good governance
2013	Increasing stability and security: Improving the environmental footprint of energy-related activities in the OSCE region
2014	Responding to environmental challenges with a view to promoting co-operation and security in the OSCE area
2015	Water governance in the OSCE area – increasing security and stability through co-operation
2016	Strengthening stability and security through co-operation on good governance

\* Economic Forum up to and including 2006, Economic and Environmental Forum thereafter