

## The OSCE's Economic Dimension on the Eve of the 21st Century

As we stand at the threshold of the twenty-first century, it is indisputable that economic and environmental developments in particular will play a decisive role in shaping world events in our common future. It is equally clear that - for the maintenance of security and stability throughout the OSCE region - national economic growth and prosperity in each of our countries must be shared and seen to be shared in a reasonably equitable manner among all citizens. The global challenge for OSCE States preparing for the twenty-first century is, therefore, to adopt economic and environmental policies which are predictable, fairly applied, and sustainable - and which therefore contribute to the augmentation of international security and stability.

For almost three decades, the OSCE has served as a forum in which participating States conduct constructive dialogue with one another on these very subjects. It has also served as a forum in which participating States pledge to undertake progressive economic and environmental initiatives. In recent years, and particularly following the OSCE's transition from *Conference* to *Organization* in 1995, participating States have sought to enlarge the role played by the OSCE in these areas. They have sought increasingly proactive work from the Organization, and have continued to strengthen its capacities. It is therefore appropriate to look to the OSCE as a facilitator of economic and environmental developments which are both equitable and sustainable. As we approach the twenty-first century, the OSCE emerges as a formative force in the shaping of policies which can help foster these developments.

Recognizing the economic and environmental challenges now facing the international community, and recognizing the OSCE's evolving role in meeting these challenges and contributing to greater security and stability, we are left to question what *specific* role the OSCE can expect to play internationally in the years to come. The OSCE is not an economic organization in the sense of the many specialized organizations that collect and analyze data (such as the UNECE, OECD or IEA), nor is it an economic organization like the many international organizations, multilateral institutions, and bilateral donors (such as the IMF, World Bank, EBRD, *et al.*) which have provided much-needed assistance to states in the process of restructuring their economies. What does that then leave as an appropriate role for the OSCE in its work as facilitator of economic and environmental policies which promote security?

It is the purpose of this article to provide a response to this question, first by defining the OSCE's understanding of international security, then by exam-

ining briefly how the OSCE approaches security operationally. Answering the above question must begin from this point, since the OSCE's understanding of and approach to security *defines* the nature of its economic and environmental work. After examining this point, we can then turn to the specifics of OSCE economic and environmental work. Finally, we make the argument that the appropriate role for the OSCE in its work as facilitator of economic and environmental initiatives is embodied in the mandate for the Co-ordinator of OSCE Economic and Environmental Activities, as decided by the Permanent Council in November 1997. We believe that this mandate is emblematic of the OSCE's attempts to continue to re-invent itself in order to meet the challenges of the twenty-first century, and of the role the participating States foresee for the OSCE in the economic and environmental dimension.

### *The OSCE's Understanding of Security and the Resulting Approach*

What is the OSCE's understanding of security? In addressing the question of the OSCE's appropriate role in economic and environmental initiatives, it is critical to begin any response by asking this question. It is clear that even during the initial negotiations leading to the signing of the Helsinki Final Act in 1975, the "founding fathers" of what was then the CSCE understood security to be a *multifaceted* phenomenon. The comprehensive concept of security which they postulated in the course of negotiating the Final Act during the late sixties and early seventies was quite revolutionary at the time. Although it has since become more widely accepted, there are still, unfortunately, conflict-prone regions of the world where security is defined largely in terms of military arsenals and the degree to which a given regime possesses a capacity for repression. Since many of these regions abut the OSCE area, it is important to recall that the insightful concept of security on which the OSCE is based is not yet universally shared; even as we act to strengthen it within the OSCE, we may wish to act in ways which promote it elsewhere. As the Helsinki Document stated in 1992: "Our approach is based on our comprehensive concept of security (...) This concept relates the maintenance of peace to the respect for human rights and fundamental freedoms. It links economic and environmental solidarity and co-operation with peaceful inter-State relations."<sup>1</sup> The OSCE, therefore, does not understand security to be simply balances of military hardware or economic might; instead, it understands security to relate to many additional facets of national life: human

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1 CSCE Helsinki Document 1992: The Challenges of Change, Helsinki, 10 July 1992, in: Arie Bloed (Ed.), *The Conference on Security and Co-operation in Europe. Analysis and Basic Documents, 1972-1993*, Dordrecht/Boston/London 1993, pp. 701-777, here: para. 21, p. 706.

rights, fundamental freedoms and satisfactory environmental conditions, to name just a few. In this understanding of security, internal political, social, and environmental realities of participating States are linked to external relations and regional stability. Stated differently, what goes on *inside* a state in all areas of life is of importance to the conduct of international relations *outside* a state. For security to be maintained, these multiple and varied areas of national life (e.g. economic, social, environmental, and political) must then be considered and acted upon internationally and co-operatively.

This was an impressive and forward-looking understanding of security for the CSCE to adopt amid Cold War orientations and the accompanying nuclear/military preoccupations, and required participating States to address creatively and co-operatively a whole range of questions outside the domain of what was then regarded as *realpolitik*. Accordingly, the Helsinki Final Act of 1975 incorporated declarations on issues as diverse as cultural exchanges, educational development, water pollution, military exchanges, human rights, international law and tourism. These wide-ranging declarations were further testimony to the OSCE's understanding of security as a multifaceted phenomenon.

What, then, is the OSCE's operational approach to security? Understanding security to be a multifaceted phenomenon, the participating States at Helsinki in 1975 divided the OSCE's areas of activity into three dimensions (or "baskets"). The first dimension is the military and territorial security dimension, dealing with issues from territorial integrity to disarmament in their relation to international security. The second dimension is the economic and environmental dimension, dealing with issues such as economic development, science, technology, and environmental protection in their relation to international security. The third and final dimension is the human dimension, dealing with issues from inter-country travel to cultural tolerance and their relationship to international security.

Having divided the Organization's work into these three dimensions, the question remains of how the OSCE then acts upon these dimensions. This question must be answered in historical context, for the scope of the OSCE's activities in the three dimensions has evolved over the course of nearly three decades. A major factor in that evolution was the economic and political orientation of Europe at the time of the signing of the Helsinki Final Act in 1975. Although the Act embodied a spirit of co-operation and dialogue, the participating States were deeply divided at that time - politically, economically and socially. These divisions are no doubt well known to the reader, and need not be recalled here; but appreciating the implications of these divisions for the CSCE's early operations is necessary. A sharply divided Europe curtailed the abilities of participating States to live up completely to the ideals of the Final Act and to work together fully towards accomplishing these

objectives. As a result, the work of the CSCE during its first 15 years was extremely limited in comparison to the wide range of objectives articulated in the Final Act.

It should also be emphasized here, without belabouring the obvious, that the OSCE was for nearly two decades only a *Conference*, and that the Helsinki Final Act was more of a statement of intent than a charter forming a working structure in support of the Act's contents. The OSCE was in those years something quite different from an autonomous body with the mandate and resources to work full-time in pursuit of a given set of objectives. In short, the OSCE's abilities to work within the three dimensions was limited in its first decades both by historical considerations *and* by the fact that the *Conference* (the CSCE) was not institutionalized. It was only after the unprecedented developments in Europe in the late eighties - developments to which the CSCE made an important contribution - that the Conference's work within the three dimensions changed significantly. Only after massive shifts in the political, social, and economic orientations of the participating States created greater common ground among them could institutionalization begin and a significant change in the CSCE's work take place.

This significant transition entailed, as the Helsinki Document of 1992 noted, the OSCE shifting its work from "promoting changes" and "mitigating confrontation" to the task of "managing change".<sup>2</sup> The operational approach of the OSCE to security, therefore, underwent a significant change following the dramatic developments in Europe at the end of the last decade: the OSCE moved from its earlier work of promoting understanding and acceptance of the Final Act's objectives in the three dimensions to active facilitation of the realization of these objectives in all three dimensions. The Bonn Document of 1990, to date the only major document of the CSCE/OSCE to focus exclusively on the "second basket", is a good example of this transition. This assumption of a more proactive role, and OSCE developments within a rapidly changing Europe in the early nineties, laid the foundation for fuller institutionalization.

This process of institutionalization was, of course, formalized only at the Budapest Summit in 1994, when Heads of State or Government elected to change the OSCE's name from CSCE to OSCE.

In adopting these changes to the OSCE's operational approach to security, participating States were seeking a role in international security and co-operation for the OSCE above and beyond its earlier work. The Organization would play a central role in constructing the new Europe, and participating States would equip it with the resources to do so. Particular emphasis would be put on developing the OSCE's abilities to predict, prevent, and manage conflict; therefore its tools for these purposes would need to be strengthened.

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2 Ibid., paras. 18 and 21, pp. 705, 706.

As the Ministerial Council observed in Prague during January of 1992, " (...) the CSCE has a vital role to play in the building and consolidation of a new Europe (...) the CSCE also has a prominent role to play in the evolving European architecture (...)"<sup>3</sup> The objectives of the OSCE, the Council declared, are "to prevent conflict and consolidate peace through eliminating the root causes of tensions",<sup>4</sup> which can be achieved "by building democratic institutions and by fostering economic and social progress".<sup>5</sup> "In this era of transition, the CSCE is crucial to our efforts to forestall aggression and violence by addressing the root causes of problems and to prevent, manage and settle conflicts peacefully by appropriate means", the Heads of State or Government observed at the 1992 Helsinki Summit. "To this end, we have further developed structures to ensure political management of crises and created new instruments of conflict prevention and crisis management."<sup>6</sup>

As will be noted shortly, this process of structural development still continues within the OSCE. Therefore, it is accurate to observe that the Organization's approach to security (and by implication all three dimensions) is still evolving, still a work-in-progress, but all the while remaining faithful to the comprehensive concept of security first articulated in the 1975 Helsinki Final Act.

#### *The OSCE's Economic and Environmental Dimension: Tenets of Understanding*

Having examined the OSCE's understanding of security, as well as its operational approach to the three dimensions of security identified in the Final Act, it is now appropriate to ask: how does the OSCE understand economic and environmental issues? It was noted above that the OSCE regards economic and environmental work as one of three dimensions in the pursuit of building greater international security and co-operation. In seeking to explore the appropriate role for the OSCE in its work in this area, we should now examine the economic and environmental dimension further. Reviewing the Organization's understanding of economic and environmental issues will help illuminate the role which participating States have foreseen for the OSCE in this dimension.

The fundamental tenets of the OSCE's understanding of economic and environmental issues were declared in the Helsinki Final Act of 1975. These tenets are found throughout OSCE documentation and activity from 1975 on-

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3 Prague Meeting of the CSCE Council, 30-31 January 1992, Summary of Conclusions, in: Bloed (Ed.), cited above (Note 1), pp. 821-839, here: p. 824.

4 Ibid., p. 822.

5 Ibid.

6 CSCE Helsinki Document 1992, cited above (Note 1), paras. 19, 20, p. 705.

wards, and very few changes to the foundations laid down by the "founding fathers" have been necessary in subsequent years. The fundamental tenets of understanding of economic and environmental issues growing out of the Helsinki Final Act are as follows:

1. As stated explicitly in the Charter of Paris, "[e]conomic liberty, social justice, and environmental responsibility are indispensable for prosperity (...) The success of the transition to market economy (...) is important and in the interest of us all."<sup>7</sup>
2. There is no magic formula for states engaged in economic development and transition. Therefore it is necessary to take into account the prevailing political and economic conditions in each state and to recognize its individual needs.
3. A wide range of international economic and environmental organizations have an important, and in some cases unique, role to play in assisting cooperation, development and stability among participating States. Their abilities should be fully utilized rather than duplicated, and working in collaboration with these organizations is almost always desirable.
4. In addition to global and regional organizations, sub-regional organizations and associations which exist in the OSCE area (such as, *inter alia*, the Council of the Baltic Sea States, the Black Sea Economic Cooperation, the Barents Euro-Arctic Council and many others) are of particular interest; these groupings are, in some cases, still in the process of developing their own capacities, and the OSCE should strive to develop increasingly fruitful co-operation with them.
5. Environmental issues are of central importance to the well-being of citizens and to the economic development of states.
6. The environmental activities or developments in one state have direct consequences for other states and by implication for international security.
7. Public education and awareness are of central importance to successful environmental initiatives and conservation.
8. The best approach to environmental protection is a preventive approach that makes economic development compatible with environmentally prudent practices.
9. Common, long-term co-operation is highly desirable among all participating States in order to hasten economic development, help solve problems faced by all states, and promote security. Indeed, many problems cannot be solved without this co-operation. It should extend to all fields of economic and environmental importance.

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7 Charter of Paris for a New Europe, Paris, 21 November 1990, in: Bloed (Ed.), cited above (Note 1), pp. 537-566, here: p. 539.

This final point merits additional emphasis, since it is at the heart of the OSCE's understanding of the economic and environmental dimension. Indeed, co-operation has an intrinsic value and is of utmost necessity for the participating States; otherwise, their security and all other tenets of understanding here cannot be fully acted upon or completely realized.

If there has been a significant addition to these tenets of basic understanding since the Helsinki Final Act, it regards the role of non-governmental organizations (NGOs) in the economic and environmental dimension. Beginning in the late eighties, the important contribution NGOs can make to economic and environmental initiatives received wider recognition with the OSCE, gaining specific mention in the Charter of Paris for a New Europe adopted in 1990 by OSCE Heads of State or Government.<sup>8</sup> Subsequent documents such as the 1992 Helsinki Document called on the OSCE to improve relations with NGOs (in addition to international organizations) and work in constant co-operation and consultation with them.<sup>9</sup> The Aarhus Convention, signed in June 1998, enshrines some of these principles in a legally binding document to which all states - both in and outside of the OSCE region - can accede. It remains to be seen to what extent OSCE participating States will ratify this convention and then implement its provisions, but there is no doubt that the OSCE should encourage participating States to go as far as they possibly can in this regard.

Having examined the OSCE's tenets of understanding with regard to the economic and environmental dimension, the question of the Organization's operational approach to the dimension arises. What is to be made by participating States of the understanding summarized above? Based on our earlier examination of the OSCE's evolution, it can be assumed that co-operation on economic and environmental issues should also progress from being merely "promoted" to being facilitated by the OSCE. In addition, we can postulate that the OSCE seeks - or should seek - to create new instruments of conflict prevention and crisis management within the economic and environmental dimension. Is this the case, and does it illuminate the appropriate role for the OSCE in its work as a facilitator of economic and environmental conflict prevention in the twenty-first century?

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8 See the specific paragraph under "Guidelines for the Future" on non-governmental organizations in the OSCE, in: *ibid.*, p. 548.

9 In fact, this Document devoted a sizeable portion of its final contents to this subject. See CSCE Helsinki Document 1992, cited above (Note 1), here: Chapter IV, pp. 730-733.

Turning to recent developments in the OSCE, one discovers that the above assumptions are indeed the basis of the OSCE's current activities in this area. Not only do the participating States seek to progress from a "promotional" stage vis-à-vis economic and environmental co-operation to something closer to a managerial stage; they also seek to strengthen the Organization's ability to predict and prevent conflict arising from economic and environmental factors. The OSCE's operational approach to the economic and environmental dimension is therefore at least twofold: on the one hand, the OSCE has charged itself with the responsibility of monitoring economic and environmental developments among participating States, with the intention of alerting the OSCE to any threat of conflict; on the other hand, the OSCE seeks to increase its role in facilitating the formulation of economic and environmental policies and initiatives among participating States, particularly those involved in the process of transition, which promote international security.

From another perspective, at the most recent meeting of the Parliamentary Assembly in Copenhagen (July 1998), parliamentarians from participating States suggested that the operational approach within the economic and environmental dimension was at least threefold:

1. taking into account economic factors in connection with early identification of threats to security with the aim of prevention and resolution of conflict;
2. sharing with the responsible international organizations at appropriate senior levels information about risks to security stemming from economic and environmental problems;
3. creating political support for the development of economic policies for the OSCE participating States based on common principles and bringing the economic dimension of the OSCE, which embraces the economic aspects of comprehensive security, into the international debate on economic and security issues.<sup>10</sup>

These points confirm that our parliamentarians, who - in democratic systems - directly represent the voice of the citizens we serve, share the assumptions described above, including our emphasis on OSCE co-operation with other international organizations concerned more specifically with economic issues.

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<sup>10</sup> Cf. OSCE Copenhagen Declaration of the Parliamentary Assembly of the Organization for Security and Co-operation in Europe, 1998, p. 22.

Examining the operational tasks of the OSCE economic and environmental dimension is useful in formulating a response to the central question of this paper, "What is the appropriate role for the OSCE in its work as facilitator and co-ordinator of economic and environmental initiatives?" A concise answer can already be found in a close reading of the recently defined mandate for the Co-ordinator of OSCE Economic and Environmental Activities (CEEA). It is this newly created position which indicates the precise role the OSCE participating States consider appropriate for the Organization in the economic and environmental dimension.

The earliest impetus for the creation of the CEEA position began in the early nineties, at which time the OSCE placed new emphasis on the importance of economic issues, and questioned its own effectiveness in dealing with them. At the Fourth Ministerial Council Meeting in December 1993 (Rome), the Ministers declared their conviction that the OSCE should play a more active role in the economic and environmental dimension. As a result, the Council went on to instruct the Permanent Council to "integrate more fully the economic dimension into its consideration of tasks facing the CSCE"<sup>11</sup> and to "identify practical means of deepening dialogue and expanding co-operative projects with (international and non-governmental) organizations".<sup>12</sup>

The theme of strengthening the economic and environmental dimension was continued, as was the foreshadowing of the CEEA position, at the 1994 Budapest Summit. Here, our Heads of State or Government formally instructed the Chairman-in-Office "to explore ways to integrate economic dimension issues into the tasks faced by the CSCE",<sup>13</sup> and the Secretary General to "establish an international organizations contact point which would assist in the exchange of information between representatives of the CSCE and these organizations on activities relating to the economic dimension".<sup>14</sup> The latter request led to the hiring of an Economic Adviser for the OSCE, the first officer in the Secretariat dedicated exclusively to the economic and environmental dimension.

Two years later, the OSCE Heads of State or Government mandated the creation of a senior position for the economic and environmental dimension, above the Economic Adviser, as a response to the long series of requests for the strengthening of this dimension of the OSCE. At the Lisbon Summit in December 1996, Heads of State or Government reiterated the need for OSCE to fine-tune its focus on the risks to security posed by economic, social and environmental problems, and the Organization's responsibility for bringing

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11 CSCE Fourth Meeting of the Council, Rome, 30 November - 1 December 1993, in: Arie Bloed (Ed.), *The Conference on Security and Co-operation in Europe, Basic Documents, 1993-1995*, The Hague/London/Boston 1997, pp. 192-214, here: p. 205.

12 Ibid.

13 Budapest Document 1994, Budapest, 6 December 1994, in: Bloed (Ed.), cited above (Note 11), pp. 145-189, here: Budapest Summit Declaration, p. 148.

14 Ibid., p. 184.

such risks to the attention of relevant international organizations. In order to empower the OSCE to fulfil this need, they decided to create the CEEA position. The mandate, which was to be submitted no later than the 1997 Ministerial Council, eventually included the following key elements:

1. enhancing OSCE interaction with relevant international organizations;
2. strengthening the economic, environmental, and social components of the work of OSCE missions and field offices;
3. deepening interaction with the OSCE Parliamentary Assembly;
4. broadening OSCE contacts with NGOs and the private sector; and
5. developing a work programme for appropriate activities in, and related to, the OSCE's economic dimension.

In December 1997, the Ministerial Council formally welcomed the mandate for the Co-ordinator of OSCE Economic and Environmental Activities, and the author of this article arrived in Vienna to take up his duties in accordance with this mandate in March 1998. It is much too soon to predict exactly how his activities will evolve as he attempts to implement the important and far-reaching mandate assigned to him by the participating States, but several indications have already emerged:

1. Many of the international organizations which specialize in economic and environmental work have demonstrated an enthusiastic welcome for the notion of a closer operational partnership with the OSCE. They see pragmatic co-operation as a win/win proposition, in that their expertise in the fields of data collection and analysis, drafting international agreements, and crafting assistance packages finds a natural partner in the OSCE's experience in conflict prevention, standard-setting, and security-building;
2. OSCE participating States have welcomed a more coherent approach - and one which is more clearly tied to conflict prevention - to the activities they have traditionally undertaken in the economic/environmental dimension: the Economic Forum, seminars, conferences, workshops, and the like; the governments and parliamentarians of our participating States have clearly endorsed an approach to the security model exercise which takes due note of the growing importance of economic and environmental factors to national and international security; and
3. Finally, citizens of the OSCE States, both through their parliamentary representatives and through voluntary associations (NGOs), have applauded a more inclusive, consultative approach to formulating policies on matters which affect the air they breathe, the food they eat, the housing in which they dwell, and the natural environment in which they live; greater receptiveness to their concerns and priorities will help to build

democracy and increase security both within and among the OSCE's participating States.