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Irish Presidency of the European Union

EU Statement to the 12th OSCE Economic Forum, Prague 2004

Opening Plenary, 31.5.04

The European Union is very pleased to participate in this 12th Economic Forum of the OSCE. It is a particular pleasure for us because, although we have been coming here for many years for the Economic Forum, only a few weeks ago Prague became one of the newest capital cities of the European Union. We would like to thank our Czech hosts for their hospitality and everyone responsible for the organisation of this meeting.

The EU attaches great importance to the Economic and Environmental Dimension, as one of the three pillars of the OSCE comprehensive concept of security. In recent years, as threats to security have come increasingly from instability and perceptions of inequality within States, rather than traditional disputes between States, the importance of the EED has become much clearer. The Economic Forum is the principal event in this Dimension and gives focus and direction to the work of the organisation and the Participating States in the EED for the year ahead.

This is the first Economic Forum to be held since the agreement at Maastricht of the new Strategy Document for the Economic & Environmental Dimension. The Strategy is a landmark document, whose agreement reflects the importance the OSCE Participating States gave to imparting a new impetus in the EED. It focuses attention on the threats to security arising from economic and environmental factors, and enumerates responses to which Participating States have committed themselves to try and remove or reduce these threats. The Strategy must be the centrepiece of all our work in the EED from now on.

The theme of this year's Forum, and the Preparatory Seminars, have been well chosen by the Bulgarian Chairmanship, allowing us to tackle a central issue in the EED, the promotion of economic development. The achievement of greater prosperity for our citizens, more widely shared, based on sustainable development and protection of the environment in which people live, and the opening up of hopes and opportunities, are the principal means by which we can remove economic and environmental threats to security.

Of course these are huge tasks, which all governments struggle with, and involve a huge range of actors, including many international organisations. Here in the OSCE we are primarily concerned with governmental or institutional aspects – ways in which governments can help or hinder economic development. And for the moment our focus in that work is necessarily largely on the countries in transition, whose governments face particular difficulties in tackling these issues, hampered by the legacy of an authoritarian system, the disruption of a formerly unified economy, transition from a command to a market economy, and low levels of economic activity, investments, savings and government revenues, which greatly restrict the State's freedom of action.

It is for that reason – only – that at present we concentrate our attention more on some Participating States, where we believe the OSCE can be of assistance, than on others who already have the resources to tackle many of these problems themselves. This is not to say that any of us are perfect, or have nothing to learn – we all do.

Of course no organisation, not even ones larger and disposing of much greater funds than the OSCE, can 'solve' these problems by its own actions. Our task here is to identify those actions by which OSCE can help, which are proper to its own skills and mandate.

The three Preparatory Seminars have prepared our discussions thoroughly, examining in depth the critical areas of SME promotion, investment, and professional skills. They considered examples of successful practices in some countries, and expositions of the many and varying problems faced by transition countries. The input of officers from the OSCE Missions was particularly helpful, as we are sure it will be here.

The Introductory Note for this meeting has necessarily, and in our view quite successfully, distilled from the substantial reports of the Seminars those suggestions for action which seem most appropriate for the OSCE to pursue. But our starting point should nonetheless be to recognise that, in the discussions and reports of the Seminars, the great majority of the tasks and actions called for in these areas fall to be undertaken by the Participating States themselves. This is also clear in the Strategy document itself.

This is not to say that the OSCE has no role in these areas – on the contrary it can play a positive role, assisting Participating States by offering encouragement, advice, information and experience, influencing and helping policy makers and administrators in taking crucial steps. Every country faces differing problems, but the experience of others can help them avoid repeating others' mistakes, or alert them to problems not foreseen. The Preparatory Seminars, for instance, were good examples of the OSCE performing this role, and were worthwhile exercises in their own right. OSCE should actively continue this type of assistance, including but not limited to seminars, and particularly when requested to do so by Participating States, who we hope will remain alert to the know-how and experience they can access via the OSCE.

The OSCE should also seek to be more aware of what other international institutions and organisations are doing in the same fields. It should strive to work with them and compliment their activities, contributing the OSCE's undoubted added-value in a number of areas to the overall international effort, rather than dissipating its effort by working on its own in an uncoordinated fashion. This responsibility to work with

others is incumbent on us all – OSCE and EU alike – and derives, inter alia, from the Platform for Co-operative Security. It can serve both to prevent duplication of effort and to ensure that threats to security in the EED are being addressed effectively wherever they arise, including by other organisations. Are there EED threats which are being overlooked? In this context, we have been impressed with the early warning and threat assessment system being planned in the Environment and Security Initiative, and we would like to see those plans developed and tested further.

In addition to these areas, we will seek in our discussions here to identify and prioritise tasks suitable for direct action and assistance by the OSCE itself, through the Office of the Coordinator in Vienna and the Field Missions and EED Officers.

The European Union believes strongly, based on its own experience, that the field in which the OSCE can make the greatest difference, and which will pay most dividends for PSs themselves, is in the extensive area of good economic governance. We believe the Strategy Document powerfully supports this view. More so than tax rates or direct incentives, the greatest contribution governments can make to economic development is to create the right conditions for business to flourish, and remove factors which inhibit it.

Good economic governance is about a great deal more than just anti-corruption, although this is a crucial area, for pervasive official corruption can undermine and defeat the most enlightened government policies. Good governance also covers the whole environment in which business operates, and which is determined to a very large extent by government actions. Some studies see it as the most important factor in determining foreign investment flows, more important even than the natural advantages or disadvantages of a country. It includes: a stable political and economic environment; the rule of law and the end of state impunity; sound commercial law and courts; transparency, dialogue and accountability in decisions, which itself involves strong and active civil society, NGOs and media. The OSCE can assist PSs in all of these areas, by encouragement, experience, legislative advice, and dissemination of best practices.

The Introductory Note from the Secretariat has done a good job of pulling together from the Seminars some of the most practicable ideas for OSCE actions in these areas. The European Union, through its Presidency and Commission and individual Member States, will be ready to comment on these suggestions in the working sessions of the Forum, querying the practicality of some but supporting many and suggesting priorities.

Examples of proposals which we think particularly appropriate to the OSCE include:

- OSCE support for the establishment or strengthening of active business representative organisations has potential value across the fields under discussion.
- a necessary corollary of this is encouraging governments to recognise the important role of business associations and to engage in an active stakeholder dialogue with them in decisions on the regulatory environment for business.
- further promotion of public-private dialogue to identify and address impediments to business and investment.
- raising awareness of the need for sustainable development, including promotion of the adoption and implementation of relevant international agreements.

- support for capacity building and training for public servants in economic and administrative fields.

We are less persuaded of the capacities or comparative advantages of the OSCE :

- to promote linkages between major investors and SME's, which seems a task for PSs
- in support of the idea of a Private World Fund to promote investment issues
- in involvement in the micro-credit issue, where there seem already to be many actors engaged and where OSCE has no especial expertise.

And we are cautious about the Office of the Coordinator becoming involved in the field of academic education, which is a very large area. Real action here must be for PSs, with perhaps assistance by OSCE as requested in areas such as legislative framework, stakeholder dialogue and best practices.

We look forward to discussing these and other ideas in more detail as the Forum proceeds.

Finally, the European Union would like to welcome and support the proposed theme for the 2005 Forum announced by Slovenia. We believe that this theme is relevant to many areas of the Economic and Environmental Dimension, and could lead to a lively discussion next year. We understand that the theme has received broad support from Participating States in informal discussions, and we hope that we can reach general agreement upon it here, with a view to formally adopting it at the Reinforced Permanent Council on 1 July.

The Candidate Countries Bulgaria, Romania and Turkey align themselves with this statement.