




**Organization for Security and Co-operation in Europe
Secretariat**

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Conference Services

Please find attached the presentation by Mr. Abdur Chowdhury, Director, Economic Analysis Division, UNECE, delivered to the Session of the *Review of the implementation of OSCE commitments in the economic and environmental dimension focusing on “Integration, Trade and Transport”* of the 13th OSCE Economic Forum, Prague, 23-27 May 2005.




Review of the implementation of OSCE commitments in the economic and environmental dimension

INTEGRATION, TRADE AND TRANSPORT

Thirteenth OSCE Economic Forum

*24 May 2005
Prague, Czech Republic*

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What are OSCE commitments?

- The Charter of the United Nations, the Helsinki Final Act, the Charter of Paris and all other OSCE documents to which participating States have agreed to
- Participating States are accountable to their citizens and responsible to each other for implementation
- Commitments are regarded as common achievements and therefore are considered to be matters of immediate and legitimate concern to all participating States

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UNECE and OSCE commitments:

- UNECE has reviewed the implementation of OSCE commitments annually since 1996
- Memorandum of Understanding between UNECE and OSCE signed in December 2004 defines commitment clusters
- “Integration, trade and transport” to be reviewed in 2005


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 **Integration:**

The participating States will pursue opportunities for regional and subregional economic integration and cooperation, which will be mutually beneficial (OSCE Strategy Document for the Economic and Environmental Dimension 2003)

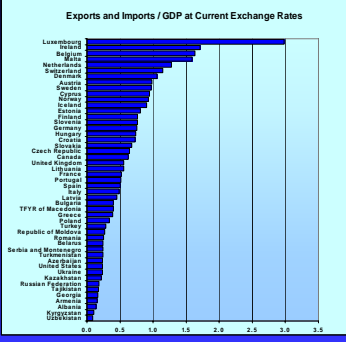
- Integration: greater openness towards the flow of foreign goods, services, capital, labour and information
- Neither easily defined nor measured

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 **Integration: international trade**

- Openness to international trade is typically illustrated by ratios of value of trade to GDP
- Countries with large domestic markets appear not to be “open” as their reliance on international trade is relatively lower
- In contrast, smaller countries appear to be more “open”

Exports and Imports / GDP at Current Exchange Rates



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 **Integration: international trade**

The participating States will endeavour to achieve or maintain international and domestic policies aimed at expanding the free flow of trade, capital and investment (Document of the Bonn Conference on Economic Co-operation in Europe 1990)

Estimates of trade restrictiveness exist, but they are often methodologically challenging and obtain controversial results

Overall trade protection index, in per cent



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 **Integration: international trade**

The participating States stress that expeditious process/treatment of goods and persons at international borders stimulates international trade and they will therefore make their borders more open for that purpose. They also stress the importance of trade facilitation and electronic data interchange for their trade relations (Document of the Bonn Conference on Economic Co-operation in Europe 1990)


Presentation on “trade facilitation” by M. Apostolov, UNECE, in the afternoon

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 **Integration: capital markets**

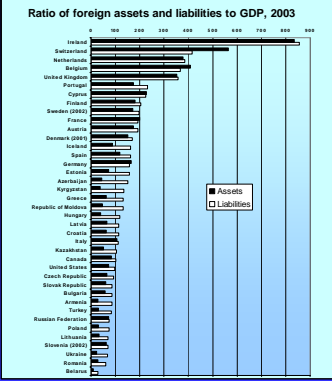
- The measurement of freedom of capital movement is also difficult
- Emphasis on *de facto* openness indices as opposed to *de jure* domestic rules
- The differences are important
- Capital flight may illustrate the existence of ineffective capital controls
- In contrast, countries with fully liberalized capital markets may attract no capital flows

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 **Integration: capital markets**

- Emerging markets in the UNECE region tend to have lower ratios and a more unbalanced position as liabilities largely exceed assets
- Large liabilities represent mostly the stock of FD

Ratio of foreign assets and liabilities to GDP, 2003



Country	Assets (%)	Liabilities (%)
Iceland	~100	~100
Switzerland	~100	~100
Netherlands	~100	~100
Belgium	~100	~100
United Kingdom	~100	~100
Poland	~100	~100
Cyprus	~100	~100
Sweden (2002)	~100	~100
Finland	~100	~100
Austria	~100	~100
Denmark (2002)	~100	~100
Iceland	~100	~100
Spain	~100	~100
Germany	~100	~100
Canada	~100	~100
Azerbaijan	~100	~100
Kyrgyzstan	~100	~100
Greece	~100	~100
Republic of Moldova	~100	~100
Hungary	~100	~100
Latvia	~100	~100
Croatia	~100	~100
Egypt	~100	~100
Kazakhstan	~100	~100
Canada	~100	~100
United States	~100	~100
Czech Republic	~100	~100
Slovak Republic	~100	~100
Belgium	~100	~100
Armenia	~100	~100
Turkey	~100	~100
Russian Federation	~100	~100
Poland	~100	~100
Lithuania	~100	~100
Slovenia (2002)	~100	~100
Ukraine	~100	~100
Romania	~100	~100
Bulgaria	~100	~100

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 **Integration: labour markets**


- Labour markets in the UNECE region (except the EU to some extent) are generally not integrated
- Labour mobility across international borders faces a number of political and institutional barriers
- The national labour markets in the UNECE members are not well integrated (persistent differences in regional unemployment rates)

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 **Integration: labour markets**

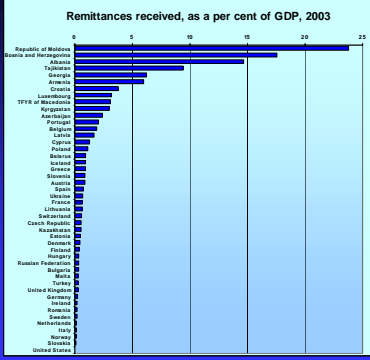
- A recent increased interest in migrant workers' remittances
- Hybrid character: links labour markets and remittances as a source of finance
- No specific OSCE commitment, but worth considering in the context of financial integration
- Globally, remittances represent the second largest financial flow after FDI

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 **Integration: labour markets**

- Geographically, the largest recipients of remittances are located in South-east Europe and the CIS region
- In the SEE remittances mostly originate in Western Europe and the United State
- In the CIS countries, Russia and, to a lesser extent, Kazakhstan appear to be important sources

Remittances received, as a per cent of GDP, 2003




Country	Remittances received, as a per cent of GDP, 2003
Republic of Moldova	23.5
Georgia	12.5
Armenia	11.5
Azerbaijan	10.5
Kyrgyzstan	8.5
Tajikistan	7.5
Uzbekistan	6.5
Turkmenistan	5.5
Kazakhstan	4.5
Russia	3.5
Other countries	1.0 - 3.0

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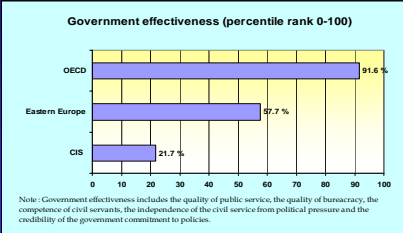
 **Integration: governance**

- To be effective, institutions need to be suitable for and complement existing conditions in a country, but
- Countries that are “open” and allow the flow of goods, services, capital, labour and ideas from abroad appear to have better quality institutions
- Good public governance – through a favourable investment climate - is an important determinant of economic progress

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 **Integration: governance**

Institutional performance varies widely across the UNECE area



Region	Government effectiveness (percentile rank 0-100)
OECD	91.6 %
Eastern Europe	67.7 %
CIS	21.7 %

Note: Government effectiveness includes the quality of public services, the quality of bureaucracy, the competence of civil servants, the independence of the civil service from political pressure and the credibility of the government commitment to policies.

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 **Integration and increased security risks**

- Closer integration can also be a source of security risks
- Due to rapid technological progress and improvements in transportation and communication transnational forms of crime have appeared
- Terrorism, drug smuggling, trafficking in arms and human beings, money laundering and cyber crime are global

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Integration and increased security risks

- Defy traditional notions of sovereignty and render obsolete many of the existing institutions, legal frameworks and law enforcement techniques
- Innovative, international solutions are needed

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Conclusions

The outcome of globalization depends on the policy choices adopted by our governments and international institutions and on the responses of the private sector and civil society. Good governance, including policies enabling the private sector to grow, efficient markets and a coherent international framework are essential to ensure that the benefits of economic growth and globalization are maximized and fairly distributed (*The OSCE Strategy Document for the Economic and Environmental Dimension*, para. 1.9).

- At the national level, neither economic growth nor integration can happen in the presence of violent conflict

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Conclusions

- Poverty cannot be reduced nor can integration be fruitful in the absence of sound fiscal and monetary policies, predictable rule of law, secure private property rights and many other institutional pillars
- In many UNECE member countries, improving public governance still requires more attention and effort
- Through greater integration, many countries may improve their institutions and reduce poverty thereby decreasing the likelihood of occurrence of internal or inter-state violent conflict

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