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Review of the implementation of OSCE commitments in the economic and environmental dimension focusing on the investment climate

Statement of the European Commission on behalf of the EU

Excellencies, Ladies and Gentlemen

We want to express once again our thanks to UNECE for providing us a report, this time a very focused one, on OSCE commitments related to improving investment climate.

In our mind the basic issue is very well formulated in the new OSCE Strategy Document for the Economic and Environmental Dimension (para 3.2.1.) namely that “Good public and corporate governance and strong institutions are essential foundations for a sound economy, which can attract investments”.

The argumentation and figures of the UNECE report in front of us concretely demonstrate and give evidence that this is the way to go.

The broad observations of the report are well balanced and coincide with the conclusions of the Dublin preparatory seminar. The example of Ireland clearly shows that a favourable investment climate is a result of a policy mix which also includes fostering education and skills in addition to appropriate economic governance. Figure 1 on page 7 of the report namely “Inward cumulative FDI stocks as a percentage of gross domestic product” by UNCTAD illustrates the record of 48 OSCE/UNECE countries from 1980 to 2002 and it speaks for itself.

Allow me briefly elaborate on some of the key policy factors catalysing Foreign Direct Investment, which UNECE has raised in its report. Evidence points to the relevance of a wide range of policies well beyond the basic requirements of macroeconomic stability and essential liberalisation of Government regulation of business.

All participating States have to continuously work towards good governance as a key factor for sustained FDI inflows. That means improving, not complicating, the regulatory framework. It is crucial to abandon excessive, inconsistent regulation and burdensome administrative formalities which exist in most countries. The legislative framework, including taxation, needs to be transparent and guarantee a level playing field with a sufficient degree of protection to property rights. Fighting corruption at all levels of public services remains an extremely important task in this area.

Finally the establishment of information agencies and one-stop-shops providing complete and clear information to potential foreign investors should be prioritised by governments as well

as encouraged and supported by international donors. Improving the banking system and capital market is another area which is emphasized in the UNECE report.

Let me now turn to the methodology and practicalities of future reviews. How do we see this working?

On the one hand we all know that OSCE, through mechanisms like CSBMs (Confidence and Security Building Measures), its field missions and through its institutions like ODIHR continuously informs, monitors, analyses and reports on developments in the politico-military and human dimensions. There is less reporting on the economy and environment and this lacuna needs to be dealt with.

On the other hand: UNECE has professional in-house expertise and analytical capability over a wide range of topics accumulated over 50 years. It is the custodian of a number of international conventions, standards and recommendations which can be used in monitoring of developments in these areas. Furthermore, the joint OSCE-UNECE plan to develop early warning mechanisms and indicators could become a promising avenue for new cooperation.

For these reasons, we strongly believe that UNECE remains the right partner organisation for OSCE economic and environmental work. Therefore, we fully support the initiative for the deepening of OSCE-UNECE cooperation to be recognised by a Memorandum of Understanding so as to increase the synergies of the two organisations and render their action for the stability and security of the region more transparent and better adapted to the needs of participating States.