

## **DRAFT RAPPORTEUR'S REPORT**

ENGLISH only

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

**Moderator: Ambassador Boris Frlec, Head of the OSCE Task Force, Ministry of Foreign Affairs of the Republic of Slovenia / OSCE Chairmanship**

**Rapporteur: Jörn Beißert, Permanent Mission of the Federal Republic of Germany to the OSCE**

Mr **Abdur Chowdhury**, Director, Economic Analysis Division, UNECE presented the UNECE report on the implementation of OSCE commitments in the area of "Integration, Trade and Transport". He concluded that the absence of violent conflict is a precondition for integration. He underlined that poverty can only be reduced if governments follow sound fiscal and monetary policies, create a climate of predictability which is governed by the rule of law, secure private property rights and create an adequate institutional framework. Good governance and poverty reduction have a positive impact on security.

Ms **Vanessa Mitchell Thomson**, Principal Economist at the European Bank for Reconstruction and Development, supported these findings by presenting transition indicators. Whereas many transition countries in the OSCE area had successfully implemented reforms in the field of small-scale privatization, trade and price liberalization, many of them found reforms in the fields of infrastructure and regulation much more difficult to complete. Especially in the field of electricity, railroad transport and telecommunications there was a need to increase private sector participation, to boost competition and to establish a sound regulatory framework. She noted that geographic constraints, border controls, imperfect regulatory policies and weak institutions hampered economic progress especially in Eastern Europe and Central Asia.

Ms **Gina Volinsky**, UNDP Regional Center in Bratislava, argued that the cause-effect relationship between the degree of openness of an economy and its prosperity was unclear. She urged wealthy countries to open their markets even more for developing countries and to reduce non-tariff barriers. She underlined that the benefits of market liberalization in transition or developing economies may be distributed unevenly between different strata of society. Wealthy countries should provide technical assistance to transition or developing countries in order to prepare them adequately for WTO accession negotiations.

Mr **Michael Harms**, German Committee on Eastern European Economic Relations, stressed the importance of good governance and emphasized the need of a dependable and predictable environment which gives planning security for foreign investors. In order to address insufficient market size small countries should pursue policies of integration. A good transport network, reliable energy supply, good telecommunications, the qualifications of the workforce, but also the image of a country were important factors determining investment decisions.

In his presentation of the answers to the questionnaire which had been sent out to participating States, the Coordinator for OSCE Economic and Environmental Activities, Mr **Marcin Świącicki**, concluded that his findings supported the analysis of the UNECE and the EBRD. He called on wealthy states to support transition countries in their preparations for WTO accession. In the field of foreign direct investment, economies in transition had to intensify their efforts to improve the investment climate, to streamline procedures and to improve the protection of property rights. Economies in transition often suffered from non-tariff barriers, lack of information and visa requirements. Some countries, which faced an accumulation of different barriers, needed special assistance.

In the discussion many delegations expressed support for the new format of the review of implementation of commitments. In this context, they welcomed the Memorandum of Understanding concluded between the OSCE and the UNECE and called on the two organisations to continue enhancing their co-operation. Several delegations also encouraged the OSCE to intensify its co-operation with other international organisations, development banks and international financial institutions.

Delegations agreed with the notion that integration was conducive for security. Therefore, both integration into the global economy and regional approaches should be welcomed.

One delegation reported on the results of the recent EU/Russia Summit and welcomed the efforts to build a common economic space. It emphasized that new dividing lines in Europe had to be avoided. Echoing this, another delegation welcomed the EU enlargement process and the New Neighbourhood Policy, but at the same time pointed out that the EU in co-operation with the concerned countries should make every effort to prevent or alleviate negative consequences.

One delegate reported about related discussions in the OSCE Parliamentary Assembly and underlined the important role of Parliamentarians in creating conditions conducive for economic development. He informed about the Fourth Sub-regional Conference of the Parliamentary Assembly “The High North, Environment, Security and Co-operation” which was held in Tromsø, Norway recently.

Several delegations underlined the important role of WTO membership for the integration of their country into the global economy. For transition countries a rapid accession to the WTO could also pose some risks. A thorough preparation for entry into the WTO was necessary and a gradual approach might be appropriate.

Several delegations expressed their support for the deliberations of the future Chairman-in-Office regarding the topic for the Economic Forum in 2006.

Referring to the confiscation of property of its citizens in the aftermath of World War II one participating State expressed the concern that another participating States did not

adhere to its OSCE commitments relating to property rights. The participating State concerned reserved its right to reply.