

**2nd day of the Eleventh Meeting
MC(11) Journal No. 2, Agenda item 8****OSCE STRATEGY DOCUMENT
FOR THE ECONOMIC AND ENVIRONMENTAL DIMENSION**

The OSCE Ministerial Council,

Reaffirming the substantive importance of the economic and environmental dimension (EED) in the OSCE concept of comprehensive security and co-operation and its role in early warning, conflict prevention, crisis management and post-conflict rehabilitation,

Recalling the principles of the 1975 Helsinki Final Act related to co-operation in the field of economics, science and technology and the environment,

Recognizing the significance of the Concluding Document of the CSCE Conference on Economic Co-operation in Europe (Bonn 1990) in establishing a set of key commitments in the economic and environmental areas, and reaffirming these commitments, together with commitments in other OSCE documents and decisions concerning co-operation and action in these fields, in particular, the Charter for European Security adopted at the 1999 OSCE Istanbul Summit,

Taking as a basis Decision No. 5 of the Tenth Meeting of the OSCE Ministerial Council in Porto calling for the development of a new OSCE Strategy document in the economic and environmental dimension,

Taking account of the major changes and developments in the economic and environmental situation in the OSCE area during the last decade, which have led not only to progress and achievements, but also to the emergence of new threats and challenges of an economic and environmental nature,

Underlining the resolve of the participating States to respond to these economic and environmental threats and challenges by developing a strategy with clear priorities which makes full use of the OSCE's capabilities and comparative advantages,

Convinced that more effective co-operation by all the OSCE participating States on an equitable, mutually beneficial and non-discriminatory basis to counteract threats and challenges

caused by economic and environmental factors, can make a crucial contribution to security, stability, democracy and prosperity in the OSCE region,

Reiterating the determination of all the participating States to further strengthen our co-operation for this purpose with other international and regional institutions and organizations, *inter alia*, the United Nations Economic Commission for Europe (UNECE), in accordance with the Platform for Co-operative Security,

Has come to the following conclusions:

1. Challenges and threats in the economic and environmental dimension

1.1 During the last decade, many of our countries made considerable progress towards achieving our common objectives set out in the 1990 Bonn Document, such as sustainable economic growth and development, rising standards of living, an improved quality of life, efficient use of economic resources and protection of the environment. These aims remain pertinent for the years ahead.

1.2 Our common commitment to market economy principles contributed to enhanced performance and improved efficiency in our economies. The process of transition and reform in a number of countries, sometimes painful and difficult, led to more stable conditions for development. It also fostered economic co-operation and integration among our countries.

1.3 But these important achievements were sometimes uneven and were accompanied by the emergence of disturbing new trends and economic and environmental threats to security and stability.

1.4 Globalization, liberalization and technological change offer new opportunities for trade, growth and development, but have not benefited all the participating States equally, thus contributing, in some cases, to deepening economic disparities between and also within our countries. In the context of the growing openness of national economies and their greater exposure to external economic shocks and financial turbulence, this raises the challenge of managing globalization so that the benefits are available to all and contribute to our common security.

1.5 Notwithstanding the progress achieved in advancing the market economy in the OSCE area, some participating States still need assistance for transition, reforms and integration into the world economy in a fair and effective manner.

1.6 Deepening economic and social disparities, lack of the rule of law, weak governance, corruption, widespread poverty and high unemployment are among the factors that contribute to global threats such as terrorism, violent extremism, transnational organized crime, and also to illegal economic activities, including money-laundering, trafficking of all kinds, and illegal migration. Inter-State and intra-State conflicts, in their turn, impede regional economic

co-operation and development and undermine the security, *inter alia*, of communications and energy transport routes.

1.7 Our concerns over the environment have increased during recent years. Environmental degradation, unsustainable use of natural resources and mismanagement in the processing and disposal of wastes have a substantial impact on the health, welfare, stability and security of our countries and can upset ecological systems. These factors, together with problems of access to resources and negative external effects of pollution, can cause tensions between countries.

Ecological disasters resulting from natural causes, economic activities or terrorist acts may also pose a serious threat to stability and security.

1.8 Problems of governance, such as ineffective institutions and a weak civil society, lack of transparency and accountability in the public and private sectors, deficient economic and environmental legislation and inadequate implementation of economic and environmental laws, rules and regulations, absence of national and individual security and inadequate treatment of vulnerable groups, poor public management and unsustainable use of natural resources, corruption and lack of respect for business ethics and corporate governance, deprive participating States of the capacity to ensure sustainable economic, social and environmental development and to address economic and environmental challenges and threats to security and stability effectively, and need to be addressed in all their aspects. Good governance on the international as well as the national level is crucial for well-being, security and stability in the OSCE region.

1.9 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, as well as to the achievement of successful transition.

2. Our response and action

Our common response to economic and environmental challenges and threats to security will include further development of co-operation among the participating States in various areas, action and policies aiming at strengthening good governance at all levels, ensuring sustainable development in all its aspects and protecting the environment. In its response, the OSCE will take fully into account the activities of other international organizations and institutions, in accordance with the Platform for Co-operative Security, with a view to adding value and seeking synergies.

2.1 Through co-operation to enhanced development, security and stability

2.1.1 Economic co-operation remains an essential element of the OSCE. We believe that increased co-operation among the participating States can make a substantial contribution to tackling emerging economic and environmental challenges and threats to security. Co-operation among the participating States and the international and regional institutions and organizations to which they belong is an essential way to enhance security and

stability and to prevent possible conflicts in the OSCE region. Promoting economic and environmental co-operation within the OSCE area is necessary to avoid new divisions and to narrow disparities between and within our countries and to achieve sustainable results.

- 2.1.2 Our co-operation should be based on solidarity, transparency, equal and non-discriminatory partnership, mutual accountability and full respect for the interests of all the OSCE participating States. If action in the economic field has a negative impact on other participating States, we will seek to minimize this, in line with our international obligations.
- 2.1.3 We will continue to co-operate closely with each other and with the relevant regional and international institutions and organizations through the exchange of information, statistical data, expertise, know -how and best practices, the promotion of information and business networks, the conclusion of agreements and arrangements, the implementation of agreed policies of standardization and harmonization, technical assistance and advice and the promotion of public and private joint projects and programmes in appropriate areas.
- 2.1.4 In particular, we will endeavour to enhance public and private co-operation in fields such as trade, transport, energy, environmental protection, communication, finance, investment, education, science and technology, and to promote the development of business co-operation across the OSCE region.

Integration into the global economy

- 2.1.5 Successful integration of our countries into the global economy is a precondition for benefiting fully from globalization and trade liberalization. We will assist each other to increase the integration of our economies into the international economic and financial system, above all through early accession to the World Trade Organization (WTO). We will strive to develop co-operation among our governments and with financial institutions and other organizations having the necessary expertise and resources to provide participating States with the technical assistance they need to achieve these objectives.

Regional integration

- 2.1.6 Regional and subregional integration processes and agreements can give an important impulse to trade and economic development in the OSCE region and the OSCE participating States.
- 2.1.7 We will pursue opportunities for regional and subregional economic integration and co-operation, which will be mutually beneficial. We agree to strengthen our co-operation with a view to assisting the participating States to identify and follow up such opportunities.
- 2.1.8 In order to ensure that integration processes are harmonized and complementary, we will seek to ensure that they take due account of the economic interests of other participating States and do not contribute to the creation of new divisions. For this purpose, we will

encourage direct dialogue among interested participating States. The establishment of common economic spaces could contribute to these processes. Regional and subregional trade arrangements should be compatible with WTO rules and obligations.

Trade and access to markets

2.1.9 International trade and investment are vital factors for accelerating economic growth and promoting economic development. The establishment in the OSCE region of open and integrated markets functioning on the basis of compatible or harmonized rules and further liberalization could bring significant economic and other benefits to all the OSCE participating States. Such markets could further enhance economic co-operation and integration within the OSCE region.

2.1.10 We are also convinced of the benefits for the participating States of measures to facilitate market access including reduction of customs tariffs and barriers to entry, gradual elimination of existing non-tariff barriers, harmonization of laws in the sphere of customs regulations and foreign trade, harmonization or equivalence of standards and simplification of access to financial resources, including loans and investments. We will look for ways to make progress on these issues in the appropriate fora.

Finance

2.1.11 We are committed to a strong international framework for the prevention and resolution of financial crisis, and support the activities of the International Monetary Fund (IMF) to enhance its surveillance. Underlining the need for financial stability, we commit ourselves to promote and apply high quality accounting standards. We will continue to develop, implement and enforce financial legislation and regulations on combating money laundering and corruption and criminalizing the financing of terrorism.

Energy

2.1.12 We recognize that a high level of energy security requires a predictable, reliable, economically acceptable, commercially sound and environmentally friendly energy supply, which can be achieved by means of long-term contracts in appropriate cases. We will encourage energy dialogue and efforts to diversify energy supply, ensure the safety of energy routes, and make more efficient use of energy resources. We will also support further development and use of new and renewable sources of energy.

Investment in industry and infrastructure

2.1.13 We recognize that foreign and domestic investment, including investment in industry, as well as in energy, transport and communications infrastructure, is a necessary condition for sustainable and environmentally sound economic growth, increased employment, higher living standards and reduced levels of poverty, and hence for stability and security throughout the OSCE region. We will step up exchange of information and experience on

the best means of attracting investment, in particular foreign direct investment (FDI), and removing the obstacles to it.

Transport

2.1.14 We encourage the development of transport networks in the OSCE region which are efficient and integrated, free of avoidable safety and security risks and sensitive to the environment. In this regard, we will give a high priority to the uninterrupted operation of the existing transport corridors and to construction of new ones, where this can be economically justified.

2.2 Strengthening good governance

2.2.1 Good public and corporate governance and strong institutions are essential foundations for a sound economy, which can attract investments, and thereby enable States to reduce poverty and inequality, to increase social integration and opportunities for all and to protect the environment. Good governance at all levels contributes to prosperity, stability and security. Peace, good international relations, the security and stability of the State and the security and safety of the individual within the State, based on the rule of law and respect for human rights, are crucial for the creation of the climate of confidence which is essential to ensure positive economic and social development.

2.2.2 Good governance is of critical importance for all the participating States, and we are agreed to work on a national basis, with the support of relevant international institutions, to strengthen good governance in all its aspects and to develop methods of co-operation to assist each other in achieving it.

2.2.3 Achieving good governance requires a comprehensive and long-term strategic approach, so that successes in one area are not undermined by weaknesses in others. We will co-operate in the development of our strategies for good governance and will share experience regarding best practices.

Promoting transparency and combating corruption

2.2.4 Transparency in public affairs is an essential condition for the accountability of States and for the active participation of civil society in economic processes. Transparency increases the predictability of, and confidence in an economy that is functioning on the basis of adequate legislation and with full respect for the rule of law. Free and pluralistic media which enjoy maximum editorial independence from political and financial pressure have an important role to play in ensuring such transparency.

2.2.5 We will make our governments more transparent by further developing processes and institutions for providing timely information, including reliable statistics, about issues of public interest in the economic and environmental fields to the media, the business community, civil society and citizens, with a view to promoting a well-informed and

responsive dialogue. This is essential for decision-making which is responsive to changing conditions and to the needs and wishes of the population.

- 2.2.6 Transparency is also important for the exposure and prosecution of all forms of corruption, which undermines our economies and our societies. In addition to transparency, the fight against corruption requires the adoption by the participating States of a comprehensive and long-term anti-corruption strategy.
- 2.2.7 We agree to make the elimination of all forms of corruption a priority. We will consider accession to, encourage ratification of, and support full implementation of, international conventions and other instruments in the field of combating corruption, in particular those developed by the Council of Europe and the Organisation for Economic Co-operation and Development (OECD). We welcome the adoption of the UN Convention against corruption and look forward to its early signature, ratification and entry into force.

Improving the management of public resources

- 2.2.8 Another component of good governance is the effective management of public resources by strong and well-functioning institutions, a professional and effective civil service and sound budgetary processes. Good management of public resources, including revenue collection, budget formation and execution and public procurement, is particularly important in order to provide the best possible public and social services. We will seek to provide a solid financial basis for our public administration systems and to further strengthen their effectiveness and efficiency at all levels.

Developing a business-friendly environment and promoting small and medium-sized enterprise(s) (SME)

- 2.2.9 Good governance implies the creation of a framework of economic policies, institutions and legislation, in which business can thrive and the confidence of investors can grow. This involves the adoption and enforcement of business-friendly legislation, which promotes and protects private ownership, lays down clear rules and regulations for economic activities and streamlines procedures and formalities. We are determined to establish clear legal and institutional frameworks conducive to the development of business, including SMEs, and to the promotion of investment.

Improving the practice of corporate governance

- 2.2.10 Good corporate governance, based on efficient management; proper auditing and accountability; and adherence to and respect for laws, rules and regulations, business ethics and codes of conduct established in close consultation with business, is essential for the functioning of a healthy economy. As has frequently been demonstrated, serious problems can arise from a breakdown of corporate governance, which can lead to crises in the interrelated economies of participating States.

2.2.11 We will endeavour to maintain good corporate governance on the basis of a close dialogue with corporate business and civil society, *inter alia*, through chambers of commerce, business associations and other fora. We encourage participating States to adopt, on a voluntary basis, appropriate principles such as the OECD Principles of Corporate Governance and the OECD Guidelines for Multinational Enterprises, and to promote the UN Global Compact Initiative. We will also encourage the business community to take into account in its activities the social, environmental, humanitarian and security needs of participating States.

Human capital development

2.2.12 Human resources are an essential factor for economic growth and development, which require knowledge and skills, *inter alia*, in economic, business, administrative, legal and scientific matters. We will take appropriate measures to promote education and training and will increase co-operation, including with specialized international institutions and organizations, in areas such as facilitating and widening access to educational, research and training institutions through increased fellowships and internship programmes.

Social conditions

2.2.13 Good governance and sustainable development imply policies and systems that promote social partnership and cohesion. We will work for improved access for all to basic social benefits, such as affordable health services, pensions and education, and for adequate levels of protection of socially vulnerable groups, and the prevention of social exclusion.

2.2.14 We are determined to take measures to improve social conditions, including by identifying and targeting vulnerable groups in society, providing adequate and effective safety nets, strengthening health services, increasing employment opportunities and implementing rehabilitation programmes.

2.3 Ensuring sustainable development

2.3.1 The OSCE is committed to the achievement of sustainable development, which aims at economic growth and poverty reduction and takes fully into account the impact of human activities on the environment. We support the global action foreseen in the Rio Declaration on Environment and Development, Agenda 21, the Monterrey Consensus, and the internationally agreed development goals, including those in the UN Millennium Declaration, and the Plan of Implementation adopted at the 2002 Johannesburg World Summit on Sustainable Development.

2.3.2 For this purpose, and in order to ensure economic and social development and environmental protection, we will pursue our action and co-operation, as appropriate, through:

- (a) Promotion of co-ordinated approaches to institutional frameworks for sustainable development, including, as appropriate, through the strengthening of authorities and mechanisms necessary for policy-making and the enforcement of laws;
- (b) Formulating and elaborating national strategies/programmes of sustainable development which involve business and civil society, and beginning to implement them by 2005;
- (c) Promoting public participation in sustainable development policy formulation and implementation;
- (d) Enhancing the role of local authorities and stakeholders in implementing Agenda 21 and the outcomes of the Johannesburg World Summit;
- (e) Increasing efficiency in the use of natural resources and preventing the deterioration of the environmental habitat; and
- (f) Providing conditions and mechanisms for mobilizing internal and external resources for development, and ensuring adequate social conditions.

2.3.3 We support the efforts of the participating States to implement policies of poverty reduction and sustainable development, including the national poverty reduction programmes in countries with economies in transition. We will encourage the provision of the necessary advice and assistance by international organizations and institutions having the relevant expertise and resources.

2.4 Protecting the environment

- 2.4.1 We are agreed that the protection of the environment is a high priority for all our States. In the light of the growing impact of environmental factors on the prosperity, stability and security of our States and the health of our populations, we encourage dialogue and the exchange of information, *inter alia*, on best practices, on a voluntary basis, on environmental issues of importance for participating States, including on environmentally sound technology.
- 2.4.2 We will strengthen our co-operation to address jointly key environmental issues such as pollution, particularly when it has external effects, and the unsustainable use of natural resources, with a view to preventing ecological risks and their irreversible effects on environment and health. Strong national environmental legislation and institutions are essential for the promotion of sound and sustainable management of the environment and natural resources.
- 2.4.3 We will regularly assess the state of our environment, building on the work already done by international organizations in the UN system such as UNECE, UNEP, UNDP, WMO and FAO. In this regard, we support further development of the UNEP-UNDP-OSCE Environment and Security Initiative. We also support closer co-operation with the

Environment for Europe process, building on the outcome of the Fifth Ministerial Conference, held in Kiev in 2003.

- 2.4.4 We will share and disseminate this information on the state of our environment, on a voluntary basis, among all the participating States so that all parties which are or might be affected by environmental degradation are fully informed about the current situation and potential dangers. Environmental threats, including risks of natural and manmade disasters, should be identified in a timely fashion and tackled by the common efforts of the participating States.
- 2.4.5 We will encourage States to consider the ratification of existing international environmental legal instruments, including the relevant UN conventions, and will support the full implementation of these instruments by States that are parties to them. Participating States that have ratified the Kyoto Protocol strongly urge participating States that have not already done so to ratify it in a timely manner.
- 2.4.6 We will promote training on the environment and security for national, regional and local administrations, as well as for the business community, and will promote capacity-building and research programmes for a sound environment and the management of natural resources, when appropriate.

3. Enhancing the role of the OSCE

The role of the OSCE in promoting the fulfilment of our objectives in the economic and environmental dimension can be further enhanced by:

- Enhancing the dialogue among participating States on economic and environmental issues through the better use of the OSCE Economic Forum, the OSCE Permanent Council and its Economic and Environmental Subcommittee;
- Improving the process of review of the implementation of commitments;
- Strengthening the OSCE's capacity to provide advice and assistance to all the participating States on the implementation of commitments, *inter alia*, by implementing appropriate programmes and projects in areas where it can add value, and has or can obtain cost effectively the expertise and resources required;
- Strengthening the OSCE's capacity to effectively mobilize and facilitate deployment of the expertise and resources of other international organizations.

3.1 Enhancing the dialogue

- 3.1.1 The Economic Forum remains the major annual event of, and provides the annual focus for activities in, the OSCE economic and environmental dimension. It should be made more effective by ensuring a better targeting of its theme(s) on issues of major concern, an

improved preparatory process and an effective procedure for ensuring follow-up of its deliberations.

- 3.1.2 The Economic and Environmental Subcommittee of the Permanent Council provides an important instrument for ongoing dialogue on EED issues and for the preparation and follow-up of the Economic Forum. We will make additional efforts to bring economic and environmental issues more regularly to the agenda of the OSCE, *inter alia*, to Permanent Council meetings on the basis of the recommendations made by the Economic and Environmental Subcommittee in accordance with its mandate. The Office of the Co-ordinator of OSCE Economic and Environmental Activities will provide working support for these discussions.
- 3.1.3 For the purpose of enhancing the dialogue among the participating States on key EED issues, the Office of the Co-ordinator of OSCE Economic and Environmental Activities will identify fields where the OSCE can add value to the promotion of economic and environmental co-operation. As a contribution to OSCE early-warning and conflict-prevention activities, it will also, as appropriate, catalogue and monitor economic and environmental challenges and threats to security and stability in the OSCE region, in collaboration with relevant international organizations. The Office will prepare reports on economic and environmental issues and submit these reports and proposals through the Economic and Environmental Subcommittee to the Permanent Council for further discussion, decisions and actions. In carrying out these activities, it will co-ordinate with relevant organizations and institutions in order to develop synergies and avoid duplication.