

Chairman's Summary

According to its mandate, the Economic Forum should give political stimulus to the dialogue on the economic transition and suggest practical efforts for the development of free market systems and economic co-operation and encourage activities within relevant international organizations.

The First Meeting of the Economic Forum conducted a free and stimulating dialogue on key issues of the transition process to democratic market economies. Pursuant to the Helsinki Document 1992 representatives of international organizations were invited to participate. Representatives from OECD, EIB, EBRD and ECE as well as from UNEP, the Council of Europe, IBRD, IMF, ICC and ILO participated in the meeting and made oral and written contributions. This participation is especially important in order to deepen co-operation with these organizations, to ensure the broadest possible exchange of information and experience, and in order to avoid duplication.

Representatives of national NGOs and the business community were included in national delegations and participated actively in the discussions. The CSCE offers a unique forum for such a dialogue as it permits a discussion of the transition process on the basis of the links between human rights, individual freedom and democratic values.

The discussion was based on the principles of the Charter of Paris of a common conviction that freedom and political pluralism are necessary elements for sustainable economic growth, prosperity and efficient use of economic resources and that preservation of the environment is a shared interest and responsibility of all nations.

Against this background we have exchanged experiences of progress made and problems encountered so far and the progress in economic reform achieved by the countries in transition were welcomed. We have been reminded that economic reforms presuppose and must be the result of the mobilization of all internal possibilities and resources in a country but also that external assistance can and must play an important supportive role in a successful implementation of these reforms. The participants in the Economic Forum confirmed their support of the strong efforts towards market reforms in Russia aimed at the creation of relevant conditions for its integration into the system of modern economic co-operation and partnership.

The transition process is complex, lengthy and contains difficult policy choices. It was stressed that the Bonn principles and commitments are still valid and crucial for continued progress. In particular, they stressed the responsibility of each participating State to apply these principles fully both internally and externally.

The participating States and the relevant international organizations were to increase their efforts to remove obstacles and support measures for the creation of a favourable business climate and stimulate production, trade and investments in the transition countries.

It was suggested that the CSCE Secretariat, on the basis of information provided by the international organizations invited to the Economic Forum, should circulate details of ongoing programmes which could be relevant to the process of economic transformation and, on a quarterly basis, issue a calendar of activities carried out by such organizations and by individual participating States.

During the discussions of the First Meeting of the Economic Forum the following points were highlighted:

Key elements of a favourable business climate

- The interdependence of economic and political factors in the process of social change was stressed and it was pointed out that economic policies with a view to enhancing economic liberty, growth and prosperity constitute a prerequisite for a politically stable and secure Europe;
- the Economic Forum should actively support and contribute to a sustained dialogue on matters pertaining to the successful implementation of economic transition towards free-market economies, in particular emphasizing the involvement of the countries in transition, relevant international organizations and the private sector;
- the development of national policies establishing clearly defined macro-economic and structural priorities, including appropriate legislation, with a view to sustainability and transparency, is of fundamental importance for the successful pursuance of the process of economic and political transition. In this context, participants underlined the vital importance of a new social and political culture based on popular involvement and motivation and an entrepreneurial spirit as well as understanding of the priorities and means of the transition process;
- the development of the private sector is a key element in the process of transition, calling for particular attention to the role of privatization and the creation of small and medium-sized enterprises. In this context, the need for structural reforms, including of the financial sector, and for protection of all types of property was emphasized;
- the discussion manifested broad interest in establishing more regular contacts between representatives of business and entrepreneur circles of the CSCE area;
- the catalytic role of foreign direct investments as a vehicle for economic development and transfer of know-how was underlined and participants pointed to the complementary roles of the three parties involved, host and home countries and enterprises;
- the fundamental importance of trade for the transition process and the need to facilitate trade in the CSCE region.

The human factors in the economic transition process

- Special attention should be paid to the overall social impact of measures of transition, particularly sharing of its costs and benefits, as well as to labour market effects;
- participants emphasized the importance of programmes for vocational, technical and professional training and retraining at different levels and for all segments of society, including training of trainers and training of disadvantaged groups, with a view to furthering the development of human resources and the capacity to meet the requirements of the transition process both in the private and public sectors;
- all actors in the transition process - governments, enterprises, employers, trade unions and international organizations - have an essential role to play in this regard.

Integrating economic and environmental factors

- Economic and environmental policies cannot be made and implemented in isolation as sustainable economic growth is not possible without environmental considerations being brought into economic policy making. Such environmental consideration should be implemented by both economic and regulatory instruments;
- the ecological crisis was in many countries in transition seen to be as grave as the economic crisis. Problems are considered to be particularly serious in the areas of nuclear energy, air and water pollution and hazardous waste. The need for financial and technical assistance as well as foreign investment and joint ventures was underlined. It was acknowledged that anticipatory measures are preferable to reactive response;
- the process of structural change in the economies of transition offers a unique opportunity to improve the environmental situation. This opportunity should be fully used and supplemented inter alia by an appropriate tax system and implementation of the polluter pays principle. Participating States looked forward to the successful outcome of the Financing Conference in Gdansk and the post-Dobris Ministerial Conference in Lucerne.

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It was agreed that the results of the first Economic Forum should be conveyed to the CSCE Parliamentary Assembly, noting the prominent role of parliamentarians in the context of creating favourable conditions for economic transition.

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### Topics for seminars

In accordance with paragraph 27 of Chapter VII of the Helsinki Document, participants in the Economic Forum identified the following issues as being especially important for the process of economic transition to market economies:

#### 1. Business climate development

For example:

- creation of favourable conditions for investment in countries in transition, including legislation, role of incentives and taxation policy;
- the "business incubator" concept;
- efforts to support small and medium-sized businesses, including legal and institutional frameworks;
- Business, Education and Transition (BET) points network;
- increased co-operation between domestic entrepreneurs in countries in transition to market economy and foreign entrepreneurs active in those countries;
- means of promoting regular contact among business representatives, as well as researchers and academics, to discuss the process of economic transition.

#### 2. Restructuring of economy and privatization

For example:

- legal framework for privatization;
- privatization and direct foreign investment;
- promotion of investment under limited financial resources;
- financing of conversion of military-industrial complexes.

#### 3. Training/Retraining

For example:

- retraining of workforce in industries being phased out in economies in transition.

#### 4. Unemployment, including the development of the labour market and efforts to resolve long-term unemployment.

5. Environmental policies

For example:

- recycling and destruction of industrial waste;
- organization and financing of community environmental projects.

6. Infrastructure

For example:

- transport;
- telecommunications;
- energy sector.

These areas may require further attention in accordance with paragraphs 27 to 29 of the Helsinki Document. Pursuant to these paragraphs, the participants in the Economic Forum urged CSCE States and the international organizations invited to the Forum to seek funds to organize and finance seminars and meetings of expert groups on the issues listed above or other related topics authorized by the CSO. They furthermore agreed that the Committee of Senior Officials should encourage financing from other external sources.

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Indicative agenda for the Second Meeting of the CSCE Economic Forum  
Prague, 15-17 March 1994

1. Opening
2. Discussion items  

Exchange of views and experiences concerning key issues of the transition process, and in this respect an implementation review, with particular focus on the following four areas, with an eye to the possibility for further co-operation, by governments and other actors:

  - (a) further consideration of key elements in a favourable business climate, in particular the human factor, as well as legal and institutional frameworks, and the role of public administration in their implementation;
  - (b) favourable conditions for mutual trade and investments in the CSCE area;
  - (c) the role of infrastructures as key elements in the transition process;
  - (d) co-operation in the area of science and technology for the development of industry and for the strengthening of its international competitiveness.
3. Reports from seminars and consideration of proposals for topics for 1994
4. Dates and agenda for the next Meeting of the Economic Forum
5. Closure