

Chairman's Summary
of the Third Meeting of the Economic Forum
9 June 1995, Prague

I. Summary of the discussion in the Working Groups. Conclusions and suggestions

The Working Groups discussed regional economic co-operation following the introduction of a number of case studies. They paid particular attention to the question of how regional, subregional and transborder co-operation can stimulate trade, investment and the development of infrastructure. While focusing on the results and problems of countries with economies in transition, they also examined what lessons can be drawn from the experience of western countries in Europe and North America.

The importance of the political climate, the legal and institutional environment, and stable and credible government policies was frequently noted.

When discussing trade and commerce at regional, subregional and transborder levels, it was noted that free-trade zones can contribute to the stabilization and expansion of bilateral trade flows. The exports generated by foreign direct investment, the effect of European Union (EU) associate status on capital and trade flows, and the positive influence of subregional co-operation in Central and Eastern Europe were discussed. A lively debate took place on market conditions in the West. Concerning trade imbalances, the hope was expressed that the phenomenon will be a temporary one as the economies of Central and Eastern European countries take off and structural reforms are carried through. The importance of sound macro-economic policies, low taxes and transparent legal accounting systems was mentioned.

While discussing the role of the United Nations Economic Commission for Europe (ECE) and the EU in the development of trade in the OSCE area, participants examined new trade patterns and barriers among the OSCE countries. They also asked how the West should respond to these phenomena and what assistance, specifically financial assistance, could be offered for transborder and interregional economic co-operation.

Delegations stressed the crucial role regional economic co-operation can play in stimulating investment. Among the principal problems facing economies in transition, the lack of inter- and intra-regional investments and the failure to attract substantial inflows of foreign direct investment were mentioned. Participants emphasized the need to involve the private sector in regional economic co-operation initiatives. For this, the need for stable and predictable economic policies on which to base their investment projects was mentioned, specifically guarantees of profit repatriation and investment protection.

A debate took place on the definition of the term "region", the importance of decentralization in facilitating transborder agreements, and the role of national and local governments. One of the principal difficulties mentioned was the determination of common goals and their implementation in relation to State institutions. Among negative factors influencing subregional and transborder co-operation in Central and Eastern Europe, the

problems of social instability, migration, mistrust, xenophobia and unresolved environmental questions were mentioned.

During the discussion on infrastructure there was wide agreement that the rehabilitation, modernization and upgrading of transport infrastructure in Central and Eastern European countries are a basic condition for the success of the ongoing economic transition process. The existing infrastructures are inadequate to the present situation and cannot support new economic growth, since bottlenecks would develop everywhere, especially in corridors linking Central European countries and the European Union. The continuing inadequacy of transport infrastructure would hamper the development of East-West and North-South trade in Europe, as well as the expansion of private sector activities, and the restructuring of the whole economic system.

The participants recognized that the interconnection of the transport infrastructure networks of all countries concerned would be instrumental in ensuring the mobility of people and goods and in fostering trade. International and regional co-operation in developing an adequate transport infrastructure would thus contribute to security and peace for the European continent.

The financing gap between infrastructure needs and available financial resources from national budgets, international financial institutions, and multilateral and bilateral assistance programmes requires innovative approaches to alleviate the bottlenecks that develop on the major European transport axes.

Such approaches will have to take into account the necessity to develop projects and programmes that can be implemented and financed gradually, because major infrastructure improvements can only materialize in the medium term.

Implementing this systematic and comprehensive approach will require extensive co-operation between all parties concerned: the governments of all OSCE countries, international financial institutions, international organizations, and representatives of the private sector. The existing forums, notably the G-24, the Pan-European Transport Conference and the ECE, have played a key role in co-ordinating projects and programmes with a strong international or regional focus, such as projects to alleviate border-crossing bottlenecks, which were highlighted by all participants as a major impediment to the development of trade in Europe.

A number of participating States raised the issue of the serious economic difficulties they encounter as a result of their implementation in good faith of trade and economic sanctions against Yugoslavia (Serbia and Montenegro), as imposed by the relevant United Nations Security Council resolutions, and stressed their desire to alleviate these problems by further measures in developing infrastructure, investments and trade for the benefit of the countries affected and the security and stability of the region and of Europe as a whole.

II. Future of the Economic Forum

Delegations emphasized the clear-cut need for a viable economic dimension. The situation in Europe has changed since the end of the Cold War and the collapse of the bipolar structure. The importance of economic security as an integral part of the comprehensive concept of security has become more evident than ever.

The economic dimension is of great interest to a large number of participating States, which believe that it is an integral part of the OSCE's role as a key organization in the future security architecture of Europe. Our Heads of State or Government acknowledged this fact when they decided to encourage participating States to discuss means of integrating the economic dimension into the tasks faced by the OSCE.

Delegations also felt that the effectiveness of the Economic Forum can be further improved. The agenda of the Economic Forum needs recasting. New objectives should be developed for the Forum in the light of the comparative advantages of the OSCE, and taking into account the possibility of tapping into the intellectual resources of relevant international organizations and institutions through much closer co-operation with them, which would result in synergy.

The process of revitalizing the economic dimension should start with stock-taking and evaluation. This would facilitate the work of recasting, including a well-thought-out follow-up and a well-chosen subject for next year's Forum. A number of ideas were discussed during the past few days. Some of them already enjoy wide support and even consensus:

- The review of the implementation of previous commitments, in the Bonn Document and elsewhere, within the economic dimension. Many delegations had a strong feeling that this should be accomplished before the next meeting of the Economic Forum;
- To ensure that special attention is paid to the economic dimension during the ongoing discussions of a comprehensive model of security for the twenty-first century;
- Recommendations to include specific reference to socio-economic and environmental questions in the conclusion of future agreements on good-neighbourly relations, as called for by both the Budapest Document and the Final Conference on the Pact on Stability in Paris;
- To direct the attention of the Economic Forum and of seminars held within the framework of the economic dimension to an active exploration of ways in which greater bilateral, subregional and regional co-operation in telecommunications, transportation and energy networks, *inter alia*, as well as increased science and technology exchanges, can contribute to greater economic co-operation and conflict prevention. Closer co-operation with other relevant international organizations, especially with the ECE, is desirable;
- To agree to a schedule of seminars in the economic dimension from June 1995 to May 1996;
- To establish and distribute a calendar of international events, activities and seminars, maintained by the Secretariat and updated at least once a month, to facilitate exchanges of information among international organizations, participating States and the private sector;

- Many participants in this Economic Forum expressed interest in the creation of a businesspersons' association, after appropriate consultations at the national and subregional levels, to facilitate exchanges of information and experience and promote interaction among private and public sectors within the OSCE region.

There is also wide-ranging agreement that the next Meeting of the Economic Forum should take place from 27 to 29 March 1996 in Prague.

The economic dimension should be fully taken into account in the work and reflections carried out continuously within the OSCE.

In this regard, delegations should bring to the attention of the appropriate bodies of the OSCE economic problems, especially those which directly affect the security and stability of participating States.

Review Conferences of the OSCE should take full account of the economic dimension during their deliberations and, in particular, review the commitments and principles accepted within the OSCE.

There are a number of ideas which need further informal consultations by the Chairman-in-Office supported by the Troika and the Secretary General. These consultations should start immediately after the end of this Economic Forum.

Many delegations expressed the wish to re-examine the nature and goals of the Economic Forum in order to define its objectives better and frame a more suitable agenda for future meetings. In addition to discussing specific economic questions, there was widespread support for the notion that the Forum should give political impulse and co-operate closely with other international organizations and institutions active in the economic field.

Preparations for next year's Economic Forum must begin as soon as possible in close co-operation with relevant international organizations and institutions. The forthcoming meeting of the Senior Council or the Ministerial Council could take formal decisions on any of these issues.

One of the focal points of the work of the OSCE during the period from now until the Lisbon Summit is the discussion on a security model for the twenty-first century. It is generally accepted that the basis for this work is the comprehensive concept of security of the OSCE, which contains the economic dimension as one of its key elements.

How to integrate the economic dimension into this work? Many possibilities were discussed, both in terms of this general question and in terms of how to improve the Economic Forum in particular. There was a general sense that the Chairman-in-Office should organize informal consultations on these questions.

This work would require much closer co-operation with relevant economic organizations and institutions than has existed in the past.

Decisions based on these discussions can be adopted by the appropriate OSCE body. In the event of consensus on the main elements, preparations to enact these decisions could start well before the actual decisions are taken.