



Resolution 955 (1991)¹

Economic reform in Central and Eastern Europe: a challenge for all Europe

Parliamentary Assembly

1. Following the democratic reforms in 1989, the large majority of countries in Central and Eastern Europe have decided, or have already begun, to transform their centrally planned economies into modern, market-oriented ones. Few tasks can be more demanding, more determining for the future of democracy and peace in Europe, and more deserving of support and assistance from Council of Europe member states and other democratic countries.
2. These economic reforms so far have been accompanied by very serious difficulties, which have been further compounded by the effects of the Gulf crisis. The cessation of Iraqi debt repayments, the disruption of oil supplies from that country with which several Central and East European countries have barter agreements, and the shortfalls in oil production in the Soviet Union have dealt severe blows to these countries' already weak economies.
3. The Assembly's Conference "Economic reform in Central and Eastern Europe : a challenge for all Europe", held in Budapest from 16 to 18 May 1990, permitted parliamentarians from all Europe and beyond - assisted by members of government, representatives of international organisations and leading economic experts - to share experiences and promote co-operation aiming at facilitating this historic change.
4. The "Budapest Declaration" approved at the close of the conference provides a framework for intensified pan-European co-operation to strengthen democracy and economic development, and amongst other things "emphasises the particular need for greater co-operation and solidarity ... and calls for a significant increase in the volume of international economic assistance in favour of the Central and East European countries".
5. It is vital that the introduction of market-oriented economies in the area succeed, so as to consolidate democratic gains and fulfil the legitimate economic, social, human and environmental aspirations of the populations.
6. The Assembly takes note of the conclusions of the Budapest conference, which suggest a policy to be followed by the countries of Central and Eastern Europe in order to adapt their economies to meet the requirements of the market economy and world trade. It proposes that the sovereign states concerned take account thereof in so far as this policy is compatible with their own interests and pursue the following principles and objectives in reforming their economies :
 - 6.1. to recognise the strong interdependence of the various elements of a market economy designed to be socially just and environment-friendly, bearing in mind that it is not possible to achieve success by perpetuating the old system alongside the new one ;

1. Assembly debate on 29 and 30 January 1991 (21st and 23rd Sittings) (see [Doc. 6351](#), report of the Committee on Economic Affairs and Development, Rapporteur : Dame Peggy Fenner ; and [Doc. 6376](#), opinion of the Committee on Relations with European Non-Member Countries, Rapporteur : Mr Masseret). Text adopted by the Assembly on 30 January 1991 (23rd Sitting).



- 6.2. to introduce as a matter of priority the right to private property, and a price system which adequately reflects the market situation for goods and services, thereby giving appropriate indications to producers and consumers, and encouraging an efficient allocation of society's resources ;
 - 6.3. to give priority, in so doing, to a reduction of inflation, the establishment of a banking system facilitating sufficient investment and means to encourage savings ;
 - 6.4. to encourage a freely initiated industrial dialogue for the purpose of determining wages -through collective bargaining, for example -and foster the creation of new jobs by relying on small and medium-sized businesses, in particular, and removing obstacles to labour mobility ;
 - 6.5. to ensure that the privatisation of state-owned enterprises is carried out according to precise legal rules and careful, duly verified financial estimates, on the understanding that a statutorily specified proportion of the capital of privatised enterprises may be set aside for popular capitalism ;
 - 6.6. to try and ensure as much competition among producers as possible, so that they seek to improve and render their services or products less costly ;
 - 6.7. to strive -in co-operation with the industrialised market economies -for as complete an integration as possible into the world economy, by introducing currency convertibility, gradually deregulating foreign trade and payments, reducing trade barriers, building up market organisations in countries targeted for export and providing a friendly, stable environment for foreign investment, including sound, internationally recognised accounting standards ;
 - 6.8. to achieve a reduction in price-distorting subsidies, create truly independent central banks and introduce an effective tax collection system ;
 - 6.9. to reform their education and training systems, permitting the latter to provide broad-based, multidisciplinary qualifications capable of being used in a variety of professions in a rapidly changing market place or as a basis for further education ;
 - 6.10. to reduce the economic role of the state to that of ensuring macroeconomic control, of creating an institutional and legislative framework for an ecologically sustainable market-oriented economy, and of establishing and managing an adequate system of social security ;
 - 6.11. to share out the fruits of growth and ensure that resources set aside for social purposes are used to help vulnerable groups directly rather than via general consumer subsidies ;
 - 6.12. to involve trade unions and other interest groups in the planning and implementation of economic and social reforms in order to ensure public support for the necessary changes.
7. The Assembly, furthermore, calls on the member states of the Council of Europe to pursue the following principles and objectives in their co-operation with the reformist countries of Central and Eastern Europe :
- 7.1. to examine in a positive spirit possible ways of alleviating the debt burden in cases where it clearly impedes economic development, and to increase financial assistance wherever it can be brought to productive use ;
 - 7.2. to make special efforts to open their markets to exports from the region, even where sensitive domestic sectors might be affected ;
 - 7.3. to facilitate the transfer of technology by reducing to a minimum the number of restricted product categories, while establishing, with the importing countries, guarantees against the re-exporting of the technology in question to areas of international tension ;
 - 7.4. to give priority to assistance designed to improve infrastructure, with particular emphasis on environmental protection, energy production, telecommunications and transportation, especially for the establishment of trans-European rail, motorway and inland water networks ;
 - 7.5. to recognise the importance of macroeconomic stability in the West for its long-term ability to help finance economic reform in Central and Eastern Europe ;
 - 7.6. to lay emphasis, in the first stages of reform, on conceptual assistance aimed at closing the "knowledge gap" between East and West relating, inter alia, to market principles, legislation, administrative and financial practices, statistics and new technologies, so as to enable recipient countries to usefully absorb financial assistance.

8. The Assembly calls upon member states of the Council of Europe urgently to provide comprehensive assistance to alleviate the devastating impact of the Gulf crisis on Central and East European and developing countries. In addition, member states should strengthen their efforts to build greater North-South solidarity, while committing themselves at the same time to reinforced co-operation with the reformist countries of Central and Eastern Europe.

9. The Assembly calls on the governments of member states to draw up a coherent plan for aid to countries of the former Eastern bloc, enabling donors and recipients to co-ordinate different kinds of assistance -economic and environmental, technical and humanitarian -in order to achieve better sequencing and thus greater efficiency in supporting the historical transformation process taking place in Central and Eastern Europe.

10. Finally, the Assembly resolves to organise a follow-up parliamentary conference in 1992 on the theme "Evaluation of the progress of economic reform in Central and Eastern Europe -Lessons and conclusions". Its purpose will be to take stock of the economic changes achieved, and to compare setbacks and successes in order to offer help in correcting the direction of reform.