



Resolution 1036 (1994)¹

Progress of economic reform in central and eastern Europe: lessons and prospects

Parliamentary Assembly

1. The Conference "Progress of Economic Reform in Central and Eastern Europe: Lessons and Prospects" (Helsinki, 2-4 June 1993) brought together parliamentarians, government members and officials from all the countries represented in the Assembly, representatives of international organisations and leading experts. The conference was the second of its kind, following that held in Budapest in May 1990 at the time of the launching of economic reform in central and eastern Europe.
2. The Assembly considers the appended Helsinki Declaration approved at the close of the conference as a timely and fair evaluation of the lessons and prospects for economic reform in central and eastern Europe. The Assembly calls on governments and parliaments concerned to take the findings and suggestions contained in the declaration duly into consideration, and to incorporate them in their decisions and policies.
3. The conference also, however, expressed concern over the political fragmentation occurring in several of the countries concerned, and over the social disruption which has resulted from the transition. This situation has worsened beyond earlier fears, and indeed risks undermining the democratic and economic reform process itself.
4. The Assembly, in the light of the Helsinki Conference, recommends to the countries of central and eastern Europe that the following objectives be pursued:
 - 4.1. to further enhance the stability and democratic legitimacy of political institutions, including at regional and local level, as well as the efficiency and accountability of the public administration. The latter includes a fair, authoritative and comprehensive legal and judicial system, and its adaptation to the needs of a market-oriented economy;
 - 4.2. to continue building a market-oriented economy, taking due account of the particular circumstances of each country, which differ considerably among them as far as economic development is concerned. Of particular importance are the privatisation of state-owned enterprises ensuring an equitable access to ownership and the competitiveness of firms, including the improvement of managerial skills; and the creation and promotion of small and medium-sized enterprises in all sectors of economic life;
 - 4.3. to initiate restructuring programmes and policies for industry, focusing on those business entities which are of key importance for employment and economic recovery, which have the potential to survive if given proper assistance, and which have demonstrated an ability and will to adapt their activities to the new circumstances;
 - 4.4. to establish clear legislation governing business, including foreign investment, and urgently to create a functioning banking and financial infrastructure, fundamental to sustained economic development;
 - 4.5. to introduce and consolidate, as a matter of urgency, modern tax systems and to enhance the efficiency of tax administration and collection;

1. See [Doc. 7058](#), report of the Committee on Economic Affairs and Development, Rapporteurs: Dame Peggy Fenner and Mr Lotz. Text adopted by the Standing Committee, acting on behalf of the Assembly, on 18 May 1994.



- 4.6. to provide protection for vulnerable groups, such as the aged, the unemployed and the handicapped;
 - 4.7. to improve education and retraining of the work force, not least of young people and of women, in order to prepare them for the challenges of a market-oriented economy;
 - 4.8. to create a cost-effective social security system, so as to cushion the impact of a rise in unemployment;
 - 4.9. to make more efficient use of energy, notably by moving toward market-guided energy prices and through a modernisation of energy-producing and energy-consuming sectors in the economy;
 - 4.10. to introduce environment-friendly technologies, and to consider the repair of already incurred environmental damage as a priority;
 - 4.11. to strengthen regional initiatives aiming at increased trade and economic co-operation among the countries of central and eastern Europe, thus realising more fully their common trade and development potential - and seek inspiration in so doing from already existing co-operation in Europe, such as within the Benelux Union, the European Free Trade Association (EFTA) and the Nordic Council.
5. The Assembly invites the governments of other Council of Europe member states, and the European Union:
- 5.1. to enhance access to their markets for the exports of the new democracies in central and eastern Europe - including their agricultural and other "sensitive" products - and to allow these countries both temporarily to protect their "infant industries" and to profit from comparative advantages such as the low cost of labour. In this regard the Assembly regrets rising protectionist tendencies in certain established market economies, and calls for the speedy establishment of a European multilateral trading framework respectful of the General Agreement on Tariffs and Trade (GATT) principles, eventually leading to a "pan-European common market";
 - 5.2. to pursue, and where necessary improve, their material and technical assistance to the countries in transition;
 - 5.3. to assist the development of private banking institutions in central and eastern Europe, capable in particular of supplying emerging small and medium-sized enterprises.
6. The Assembly also reiterates its proposal for the Council of Europe to become a political forum for pan-European co-operation on economic issues, along the lines suggested by the Assembly in its [Resolution 995 \(1993\)](#) on economic renaissance of the Baltic Sea region, involving the European Union and other European organisations concerned.
7. Finally, the Assembly invites the international organisations concerned to improve substantially the co-ordination of their conceptual and material assistance to the countries of central and eastern Europe - both amongst themselves and with the national bodies in charge of bilateral assistance, thus enabling on-the-spot initiatives to take advantage of experience gained.

Appendix

The Helsinki Declaration²

The Parliamentary Conference "Progress of Economic Reform in Central and Eastern Europe: Lessons and Prospects" was held by the Parliamentary Assembly of the Council of Europe in Helsinki from 2 to 4 June 1993 at the invitation of the Finnish Parliament. It brought together: parliamentarians from the twenty-nine member states of the Council of Europe as well as the eleven European countries whose parliaments enjoy special guest status with the Parliamentary Assembly; government members and officials; representatives of international organisations; and leading experts. The conference was the second of its kind, following that held in Budapest in May 1990 at the time of the launching of economic reform in central and eastern Europe.

The participants:

welcomed the courageous and significant progress made by the countries in central and eastern Europe in strengthening pluralist democracy - including at regional and local level -, in ensuring human rights and the rule of law, and in adopting a market-oriented economy. These fundamental principles are prerequisites for any sustainable, socially fair and environmentally sound economic development. The Council of Europe has an essential role in promoting and safeguarding them;

expressed concern at the political fragmentation, crime and corruption in some countries, and at the social disruption caused by the transformational recession in the countries of central and eastern Europe which has worsened beyond previous expectations and risks undermining the democratic and economic reform process. Therefore reforms should aim at balanced development, based on the principles of equity and social justice, enshrined in the European Social Charter of the Council of Europe;

encouraged the countries concerned to seek further to enhance the stability of their political institutions, as well as the responsibility, efficiency and accountability of their public administration. This includes a comprehensive legal and judicial system, and its adaptation to the needs of the new market economies;

noted that the first encouraging results of economic reform are being observed in certain transition economies, in the form of a halt to economic decline or indeed modest economic growth. They called on all countries in the region to pursue efforts towards a more market-oriented economy, taking into account the particular situation prevailing in each country. Of particular importance are: the privatisation of state-owned enterprises ensuring an equitable access to ownership; the creation of private enterprises in all sectors of economic life; a clear recognition of the right to property; efficient tax collection; stable prices reflecting the true market situation for goods and services, not least through a central bank free from political pressure and determined to fight inflation; and a functioning financial infrastructure;

stressed the importance of providing targeted protection for vulnerable groups in society, such as the aged, the unemployed, the handicapped and minorities. Particular attention will have to be paid to education and retraining of the work force, not least young people and women, in order to prepare it for the challenges of modern society;

emphasised the need to protect the environment, or to repair environmental damage already incurred, which takes on particular significance in central and eastern Europe. The participants especially welcomed the Environmental Action Programme (EAP) agreed upon in Lucerne in April 1993 and called for its speedy implementation;

urged OECD member countries to fulfil their commitments to enhance access to their markets for the exports of the new democracies in central and eastern Europe, as well as those from the developing countries in the south. They recalled the enormous potential for trade and economic development that would result from a "pan-European common market", and deplored existing protectionism in established market economies;

asked central and eastern European countries not to overlook the prospects for increased trade and economic co-operation among them, and called for the strengthening of regional initiatives towards this end;

2. Approved by participants at the close of the Conference "Progress of Economic Reform in Central and Eastern Europe: Lessons and Prospects", held from 2 to 4 June 1993 in Helsinki.

called on the established market economies to pursue and where necessary improve their assistance to the countries in transition. The participants invite the international organisations to co-ordinate their assistance, whether conceptual or material, in favour of the countries of central and eastern Europe with the national bodies in charge of bilateral assistance, so as to enable the on-the-spot mechanisms and staff to take advantage of the experience gained;

expressed the belief that the fate of democracy, peace and prosperity in all European countries depends vitally on the achievement of greater unity among them, and called on governments and parliaments to make the fullest use of, and strengthen, the Council of Europe and other institutions to this end.