

2.6. “Promoting the Creation of Small and Medium Sized Business”

Address at the CSCE Economic Forum Seminar

Bishkek, 23 February 1994

Mr. President,
Ladies and Gentlemen,

I am deeply honoured to address this Bishkek Seminar on my first stay in Central Asia.

My visit to this CSCE Region is a follow-up to a visit that the then Chairman-in-Office of the CSCE, the Swedish Foreign Minister Madam Margaretha af Ugglas, made a bit less than a year ago.

Her message and the message of all CSCE participating States that I want to repeat is simple and clear: The CSCE cares about its participating States in the area of Central Asia.

The more we learn about Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan the more we realise that your countries are giving the CSCE a new dimension. Your countries have been part of the CSCE area from the very beginning. But did anybody really take note of it? This is why we now face a new, challenging task. All CSCE participating State want to know more about you and you want to know more about the CSCE. This process of discovering, this desire to understand is not a one-way street. Only reciprocal efforts can lead to real and full integration.

The common standards enshrined in particular in the Helsinki Final Act and in the Charter of Paris have been solemnly signed and accepted by all CSCE participating States. They are the basis and at the same time the real target of this developing community of CSCE States. Human rights, democracy and the rule of law, economic liberty, social justice and environmental responsibility as well as the objective of developing market economies are binding commitments of all of us. They bind us together and we are bound to fulfil them. The more we strive to implement essence and spirit of these commitments the better we will understand that civic societies are far from being uniform societies. It is the other way round: because we agree on basic values and concepts we can allow for the rich diversity of our cultures and traditions without losing a sense of belonging and identity.

What has this to do with promoting the creation of small and medium-sized business? The answer is, that the economic dimension is part and parcel of the CSCE's comprehensive concept of security. It is comprehensive because it relates closely the maintenance of peace to the respect for human rights and fundamental freedoms, and it links economic and environmental solidarity and co-operation with peaceful interstate relations.

Fundamental disagreements about basic values and economic principles were part of the division and confrontation between East and West. It was not pure coincidence that the real Perestroika of the CSCE came at the CSCE Conference on Economic Co-operation in Europe. Held in Bonn in the Spring of 1990 amidst a period of profound and rapid transformation in Europe, it formulated the new, far reaching agreement of participating States on fundamental values and objectives. This agreement included, market economies, multi-party democracy based on free elections and human rights, freedom of enterprise, protection of private property, free flow of trade, capital, investment and repatriation of profits. In short: For the first time all CSCE participating States agreed that democratic institutions and fundamental rights and freedoms foster economic and social progress. The Bonn Document also stressed the need to create conditions that would improve economic relations between the States and encourage direct contacts between their business communities. Agreements on practical measures included the readiness to strengthen economic information channels and networks, to standardise statistical data and accounting systems, to promote management and expert training, to develop industrial co-operation and, not least, to pay special attention to the creation of a competitive business environment conducive to the development of small and medium-sized enterprises.

The Charter of Paris for a New Europe, further developed agreement on a comprehensive concept for developing market economies towards sustainable economic growth. Economic liberty, social justice and environmental responsibility were acknowledged as indispensable for prosperity. The participating States reaffirmed the need to support democratic countries in transition towards the establishment of market economies, as well as to ensure their increased integration into the international economic and financial system.

A new impetus to CSCE activities in the Economic Dimension was given by the Rome Ministerial Council last December. The Ministers agreed on the need to integrate fully the Economic Dimension into the mainstream of CSCE activities.

Ladies and Gentlemen,

This is the first seminar organised as follow-up to the first meeting of the Economic Forum (March 1993, Prague). It is conducted in conformity with the pledge by the Participating States in the Helsinki Document 1992 to support the on-going transformation to market-economies. This seminar is also part of the Program of co-ordinated support for recently admitted participating States launched equally in Helsinki in 1992.

The economic transformation in Central Asia is particularly complex and painful. You inherited a difficult legacy. The enterprises built to serve the huge and now defunct Soviet and Comecon markets are now completely out of size compared to local and even regional demand. Many defence-related industrial units were set up in the region not least to take advantage of readily available mineral resources. Their conversion to civilian needs is another challenge. These are only two examples from a long list of problems that you have to cope with.

Your countries are undergoing a process of rapid transition affecting all spheres of social, political and economic life. It is full of hardships for your people and difficulties for your Governments. The economic aspect is probably crucial. It is legitimate and understandable that at this pivotal point you expect support, encouragement, solidarity and assistance. Also in this respect it is important to be realistic. We must develop a common understanding of what the CSCE can do and what it cannot do. The CSCE is not an economic development agency nor is it a channel for technical assistance. It does not provide or arrange loans or offer expertise. Dedicated international economic and financial organisations with expertise and experience accumulated over decades are by far better placed than the CSCE to tackle such specific problems.

What the CSCE can do and must do is to provide strong political support and encouragement to your endeavours. This support can constitute reliable credentials to individual states and business communities. It will reinforce the prospects for stability, pluralistic democracy, and the irreversibility of reforms. This support can contribute to create a reputation that a country is good for investment and attractive for assistance. In addition, the CSCE is well suited to provide a framework for discussion and overall political guidance. This offers to your countries another opportunity to highlight your re-established identity, to articulate your problems, to specify your needs and to attract the attention of relevant specialised organisations.

This Seminar can open up new prospects for mutually reinforcing co-operation between the new CSCE and financial and economic organisations. As the CSCE seeks to integrate more fully the economic dimension into its activities, I would wish to take this opportunity and thank, also on behalf of the participants of this Seminar, the distinguished representatives of these international organisations. We will draw on your experience and your contributions will in particular make this Seminar a worthwhile exercise.

The CSCE's priority task at present is early warning, conflict prevention and crisis management. While fulfilling this task the CSCE tries to identify the root causes of conflict. Economic difficulties are very often amongst the key problems underlying potential conflicts. In such cases there is no better recipe for conflict prevention than economic development – difficult as it may be.

The CSCE has no ready-made solutions to the complex problems related with transition to market economies. Neither is this seminar likely to provide them. No outside researcher, no matter how sympathetic or understanding, can come up with a panacea. But the Seminar could help you to choose among options. Adjusting and altering such options you could make them compatible with local needs and conditions.

It is also an important task of this Seminar to strengthen your feeling that you are not alone. You are not alone because a great many other countries share the same or similar problems. As all former Comecon Countries have pledged to transit to market economies they are all suffering from the pains of fundamental change. There was and there is no really tested therapy for these pains. This relates to substance as well as to procedure. In some cases shock might be right in others shock might be wrong. You certainly need advice, but in the end, **You** have to make **Your** choices.

What might facilitate these difficult choices are good examples. There can be no doubt that transition to market economy is feasible. You all know the encouraging figures: Poland had in 1993 a 4.5 per cent growth rate. By far the highest in Europe. The Czech Republic's exports to recession afflicted Western Europe rose by 16 per cent last year. I think in both countries small and medium-sized business played a decisive role.

Not being alone has also another meaning: the CSCE community understands that you need outside help. I have no mandate to make promises and perhaps too many promises have already been made. But let me assure you that people and governments of the market economy industrialised countries have come to understand finally that it is simply inconceivable to create stability in CSCE area divided between haves and have nots. To help you so that you can help yourself is becoming the order of the day – and this is what this Seminar is all about.

Yet we also underline in this context that all CSCE participating States observe with great attention and sympathy the efforts that are being made for new forms of economic integration on a regional level and beyond. None of the challenging problems that face us all in the political, in the economic and in the environmental area can be solved by a nationalistic, do-it-alone approach. Freely chosen forms of integration in all these areas is a key factor for long term success. At the same time it is an important signal that nationalistic trends and policies are doomed for failure and in the last instance misery and disaster.

Your countries have, in different degrees, made considerable progress in reforming your economies. Despite setbacks and difficulties you should feel encouraged to pursue this path. This Seminar should strengthen your resolve to continue.

I would like to thank the President and the Government of Kyrgyzstan for hosting this Seminar. The manner in which it was prepared is a good example of mutually supportive co-operation. Kyrgyzstan as the host bears the main burden. But many CSCE participating States are making contributions. I am sure that discussions at the Seminar will prove stimulating. If this leads to practical results, it would be a good start for the series of CSCE Seminars that will be held in Central Asia during the next months.

Thank you for your attention.