



Memorandum

Berlin, Germany
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Reviving growth in Central, Eastern and South-Eastern Europe after the debt crisis

The east forum Berlin is a new dialogue platform that gathers high-ranking opinion leaders from the political and business world to discuss challenges and opportunities for an economic space from Lisbon to Vladivostok. Its aim is to intensify a network of leaders, to discuss the most pressing political and economic issues of the regions and to identify future goals. The **east forum Berlin Memorandum** provides a summary of the discussions of this two-day conference and presents ideas on how to establish a pan-European economic space and on how to revive growth after the debt crisis.

I. Ten Steps towards a Common European Economic Space

With the accession of Russia to the World Trade Organization (WTO), the establishment of a Eurasian Economic Community (EAEC) and the possible signature of the EU-Ukraine Association Agreement, the 10-year-old idea of a Common European Economic Space (CEES) is back on the agenda. It would be the best response to the economic slowdown across much of Europe, the decrease of Europe's share in the global economy and the current countervailing European integration projects. A first step towards this market with more than 700 million consumers would be via a pan-European free trade area, initially linking the European Union (EU) and Russia, with the prospect of adding all other WTO members in Eastern and South-Eastern Europe. To fulfil the vision of an economic space from Lisbon to Vladivostok and to ensure better cooperation and coordination between our states, the east forum Berlin participants discussed the following key measures:

1. **Forge a common vision:** Europe needs to define a common vision for stronger economic cooperation and growth. We need to develop a roadmap, which outlines the steps towards a common European economic space and which initiates an integration process with different circles (EU, Customs Union, European Free Trade Association - EFTA, Central European Free Trade Agreement - CEFTA, Free Trade Agreement of the Commonwealth of Independent States - CISFTA).
2. **Provide a platform for exchange:** We need to jointly develop the necessary milestones along this path, for example at a large European Economic Conference. The conference can serve as a dialogue platform to discuss ideas on how to revive European and Eurasian economies and to promote deeper economic integration. A conference would be an important confidence-building measure, since the lack of confidence currently blocks further integrative steps.
3. **Establish a pan-European free trade area:** The basis for a common economic space is a pan-European free trade area, initially linking the EU and Russia, with the prospect of adding all other European WTO members. With the accession, the states would also adhere to the full application of the WTO requirements.

4. **Endorse visa-free travel:** One confidence-building measure is to find a workable solution to the current visa impediments in Europe. Visa barriers are a large impediment for stronger economic ties. The visa requirements between the EU and Eastern European countries limit business opportunities for example in tourism and cost one billion Euro per year. The east forum Berlin therefore requests a conclusion of the current negotiations on visa-free travel between the EU and Russia and Ukraine, Georgia and Moldova.
5. **Enable equal economic development:** The different rates of development in Europe lead to ever-greater imbalances and tensions. The roadmap must allow less developed countries and regions to catch up on the common process.
6. **Harmonize the regulatory framework:** In this European market with more than 700 million consumers we need to establish a regulatory level playing field, by introducing common standards and norms and by abolishing tariffs and protectionist barriers. This should include international standards for export, standards of compliance and transparency in government and business, Basel III implementation and the use of International Accounting Standards.
7. **Allow free movement of people, capital, goods and services:** Free development opportunities for people, trade, services, capital and investment are key to an economically successful Europe. Business permissions should for example be eased to allow intensified exchange of professional and cultural experiences. Custom procedures should be improved to ease the daily lives of exporters and importers and to facilitate trade.
8. **Promote exchange programmes and knowledge transfer:** Investments in the training of young professionals are essential for less developed regions to catch up with the European labour market. Therefore education and exchange programs as well as the general transfer of knowledge must be expanded further. To build up and strengthen a European labour market, grants for work permits and business permissions should be less restrictive.
9. **Invest in infrastructure:** An important factor for stronger economic cooperation is a common European infrastructure. The East-West corridor needs to be developed further with common investments in infrastructure.
10. **Promote small and medium-sized enterprises:** Every country and region, especially the economically weaker ones, should profit from a common free trade area. Not only large corporations should benefit from free trade agreements, but especially small and medium-sized enterprises (SME). The agreements should therefore be designed to especially strengthen and promote SMEs.

II. Reviving growth in Central, Eastern and South-Eastern Europe after the debt crisis

The financial and sovereign debt crisis has been a persisting source of instability for the global financial system since 2008. The EU in particular has been struggling since the crisis to preserve both its inner structure and its common currency. The strong inextricable link between the economies of the European Monetary Union (EMU) and Central, Eastern and South Eastern Europe (CESEE) caused the crisis to also spill over to the countries in CESEE. A first effect was the significant drop in demand coming from EU and EMU countries for the region's products. In the meantime, however, there are

numerous reasons to assume that the economy already bottomed out at the end of 2012 and that an upswing will be seen in the course of the year.

To overcome the current debt crisis and the faltering public and private investments, the EU and the CESEE states are called upon to undertake measures to revitalise productivity, competitiveness and growth in the region. The east forum participants discussed the following key measures as part of a “Roadmap Lisbon to Vladivostok”:

1. **Encourage foreign investment:** Enhance public private partnerships to stimulate investments in the region and develop local infrastructure. Cooperation with the European Investment Bank Group (EIB), the World Bank Group and the European Bank for Reconstruction and Development (EBRD) should be intensified. New sources of equity capital (such as sovereign wealth funds and pension funds) could also be channelled.
2. **Implement austerity measures:** Reforms and austerity measures are necessary to restore fiscal balance and economic competitiveness. Fiscal discipline should not be regarded as a burden but as a precondition for growth.
3. **Invest in priority areas:** Under lower availability of funds, more focus is needed on the selection of projects. European institutions are called upon to provide assistance in setting up an infrastructure for promoting innovation and growth as well as regional development, especially in the following fields: SMEs, start-ups and young enterprises, renewable energy and energy efficiency, business technologies, infrastructure, information and communication technologies.
4. **Strengthen entrepreneurship:** Government support to entrepreneurship, including women and youth entrepreneurship, should be intensified. There is practically no network for entrepreneurs or local contact points for start-ups. These defects mean that considerable potential for growth is not being made use of, particularly in the fields of energy, hydro and environmental technology, digital technologies, transportation, tourism, trade and financial services.
5. **Intensify cooperation on bank supervision:** Already due to the tight inextricable link between the banking systems from Lisbon to Vladivostok, close cooperation between the macro- and micro-prudential bank supervision is indispensable. The newly formed central EU bank supervisory mechanism at the European Central Bank (ECB) is an initial step in the right direction.
6. **Further stabilize the European Monetary Union:** The stabilisation of the EMU and its economic recovery needs to continue, as only a strong Eurozone can serve as a powerhouse of growth for its Eastern partners. It needs to significantly strengthen the competitiveness of the weaker countries. It needs to enhance the democratic legitimacy of the European institutions and to guarantee a wider participation of European citizens to the reforms. It needs to promote a greater prosperity based on the free flow of goods, services, personal and capital. And it needs to do everything within its power to get future upheavals under control. The centralised supervisory framework with the completion of the Banking Union is more important than ever.