MUENSTER PROCESS: RESULTS OF THE MOSCOW CONFERENCE AND FOLLOW-UP

This document is submitted for information under item 9h of the agenda at the CIME meeting on 14-15 December 2000.
The Sixth West-East (Muenster) Conference of Ministers of Economy, Industry and Trade in Moscow 5 December 2000

This Muenster VI meeting was hosted by the Russian Ministry of Economic Development and Trade in Moscow on 5 December 2000 and brought together Ministers, senior officials and business executives from 23 countries* (G.8 plus transition economies).

The Process of the West-East Conferences of the Ministers of Economy, Industry and Trade was initiated in Muenster, Germany, in 1992. It was created as a forum for those countries embarking on the process of economic reform and transition to discuss their common problems and comparable challenges and to benefit from a co-operative interaction with industrialised economies. Subsequent Muenster Conferences were held in Japan, in 1993; Poland, in 1994; USA, in 1996; and the Czech Republic, in 1998. Policy recommendations endorsed by Ministers and recommendations from the business community have been the key outputs of the Conferences.

For the Moscow Conference, OECD prepared all substantive papers and provided assistance to the Russian Ministry of Economic Development and Trade in the preparatory process.

The meeting provided a unique opportunity for business dialogue between Ministers and senior business executives from a mix of industrialised countries and reforming economies of Central and Eastern Europe and the New Independent States on measures to improve the general investment climate. It also featured a special informal Dialogue between Muenster Ministers and Chief Executive Officers of selected companies active in the Muenster zone.

The meeting was opened by Russian Prime Minister Kasyanov and co-chaired by Mr. German Gref, Minister for Economic Development and Trade of the Russian Federation, Ms. Maria Livanos-Cattaui, Secretary-General of the International Chamber of Commerce and OECD Secretary-General Donald Johnston.

In their final declaration (see Annex), Ministers participating at the Muenster meeting sent a clear message that they attribute sustained growth to investment in their countries. They welcomed the progress achieved over the past eight years of the Muenster Process and expressed their commitment to further improving the investment climate and accelerate economic growth, agreeing to develop partnerships with the private sector in order to achieve these objectives. The Ministers invited OECD to pursue the objectives of the Muenster Process through its Programme of Co-operation with Non-Members and to review progress made by the countries in the region.

In his concluding statement, Mr. Johnston said that in “the eight years since the first Muenster meeting, we can conclude that most transition countries have passed the point of no return on the journey towards democracy and the market economy”. He also stated that he is confident that the objectives of the Muenster Process can continue to be achieved efficiently and successfully within the framework of OECD’s dialogue and co-operation with non-members, in close interaction with all partners in the Process, including other international organisations, the business community and civil society.

Belarus, Bulgaria, Canada, Croatia, the Czech Republic, Estonia, France, Germany, Hungary, Italy, Japan, Kazakhstan, Latvia, Lithuania, Moldova, Poland, Romania, the Russian Federation, Slovakia, Slovenia, Ukraine, United Kingdom and USA.

*
Muenster VI Ministerial Declaration

Adopted by the Sixth West-East Conference of Ministers of Economy, Industry and Trade, Moscow, 5 December 2000

We, Ministers of Industry, Trade and Economy of 23 countries including Belarus, Bulgaria, Canada, Croatia, Czech Republic, Estonia, France, Germany, Hungary, Italy, Japan, Kazakhstan, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovakia, Slovenia, Ukraine, United Kingdom, United States of America, building on objectives identified at the First Muenster Meeting in 1992 and subsequently at Meetings in Tokyo, Warsaw, Baltimore and Prague, respectively:

Recognise that foreign direct investment (FDI) is an important catalyst for sustainable economic growth, private sector development and structural adjustments, offering host countries external resources, technology, management and access to foreign markets.

Acknowledge that the Muenster Process, as a unique vehicle bringing together Ministers of Economy, Industry and Trade and business executives from 23 countries has:

- identified those factors and issues that have hindered the growth of trade and investment between Muenster economies, generated recommendations on critical actions and asked participating countries to follow-up on the recommendations;

- stressed the important role of the private sector and the civil society in generating domestic and international investment and enterprise creations;

- promoted a better understanding of the countries in the Muenster region and the development of co-operative relationship among themselves;

- facilitated discussion of issues of mutual interest, making easier convergence in prospects of multilateral negotiations.

Welcome the progress that has been achieved at a different pace in the countries of the region in improving the environment for foreign investment, in particular as regards:

- small scale privatisation;

- entry of FDI, in particular in telecommunications, public transport and other public utilities;

- the reduction of ownership and control requirements imposed on FDI, as well as general authorisation and performance requirements;

- suppression of limits to the transfer of profits and repatriation of capital;

- protection extended under bilateral agreements on investments and international conventions and recognition of international arbitration in the settlement of disputes;
The improvement in the investment framework has had a positive impact on investment flows since 1989. Practically non existent in the reforming countries of the region in the 1980s, cumulated foreign direct investment has steadily increased to reach nearly US$ 75 billion for Central and Eastern Europe and CIS Muenster countries, over 1989-1998 period.

Note that foreign investment has steadily increased but falls short of the capital requirements of many countries in the region and does not meet the investment opportunities offered by these countries.

Agree to pursue rigorously the path of reform of the investment climate and accelerate economic growth and to undertake further efforts to create a sound and stable basis for investment growth and sustainable development, in particular:

- Further improve the macroeconomic environment. Sound monetary and fiscal policies and a well-regulated and supervised financial and banking sector are the sine qua non of economic growth and essential for investor confidence.

- Foster business development by enhancing stability, transparency and predictability of the legal, tax and regulatory framework, including mechanisms for business licensing and formation, and removing bureaucratic obstacles to the creation of new businesses.

- Create the necessary conditions for a successful government/business dialogue on the promotion of foreign investment taking into account the experience demonstrated by the surveys of the development of common initiatives as presented at this Conference.

- Further improve the climate for foreign investment by, inter alia:
  - developing open, transparent, predictable, stable policies, including full protection and strong enforcement of property rights;
  - establishing customs regimes harmonised with international practice;
  - taking measures to assist reforming countries toward integration into world trade and improving their trade opportunities;
  - pursuing vigorously the privatisation of public enterprises in a transparent and equitable manner, with a view to fostering a dynamic private sector, specifying clearly the scope for foreign participation in each case, including in expanding regional infrastructures, especially in key areas like telecommunications, energy and transport.

- Take further measures to combat crime and corruption and to develop legal institutions supportive of the rule of law, through inter alia enactment and effective enforcement of laws on accepting and soliciting bribes, taking into account existing international instruments such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and actions to address problems connected to sizeable unrecorded capital flows, as well as actions taken by other international organisations, such as OSCE and the Council of Europe.
• Take additional measures to assure that investment takes place within a regulatory framework adequate to protect health, safety, environment and respecting internationally recognised core labour standards and to guarantee periodic consultations between foreign and domestic investors, representatives of civil society, including trade unions, and the Government.

• Recognise the importance of partnership among governments, the private sector and civil society in consulting at an early stage on regulations and policies affecting business.

**Acknowledge** the contribution of the Organisation for Economic Co-operation and Development to developing benchmarks for FDI policies and private sector development.

**Invite** the OECD to provide within its programme of work for the region a forum for focused and pragmatic policy dialogue on improving the investment environment in the region and for period review of progress made by Muenster economies. The review would be comprehensive and cover all the areas mentioned above. It would be carried out in close co-operation with international organisations active in the field and would include a continuous business/civil society dialogue.