

STEPS FOR SUCCESSFUL CONVERGENCE

1995-2020 RECENT PAST

PRESENT

FUTURE

If CEE countries want to continue on their present course of successful convergence, they should consider the following steps:

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1 Build national innovation systems (NIS)

Use industrial policy to create national innovation systems. Expand government-university-private sector links ('entrepreneurial state'), maximise all resources from EU.
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2 Support R&D

Expand research & development activities to shift the more value-added processes such as research, development & marketing from the head quarter economies to the Central Eastern European factory economies.
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3 Direct resources to new sectors, especially digital

Learn from frontrunners, take advantage of strong human capital, help small & medium enterprises, support labour market transition (e.g. retraining).
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4 See the green transition as an opportunity

Use EU transition fund resources (JFT or "Just Transition Fund"), improve innovation capacity (to avoid becoming 'green factory economies'), look for 'leap-frogging' opportunities.
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5 Support automation as a solution to demographic challenges

Increase use of robots, increase minimum wage, ease transition to new jobs, strengthen education systems, develop active labour market policy, extensive retraining programmes.
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6 Manage the social fallout of EU-CEE's 'second transition'

Ensure that welfare system eases the cost of what will be a major transition. More progressive income tax, address urban/rural disparities.
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7 Use fiscal and monetary policy space

Do not repeat the mistakes of post-2008 such as a fixation on fiscal consolidation and work to create more policy space within EU rules.