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DECLARATION OF THE GROUP OF 24 FOR ECONOMIC ASSISTANCE TO POLAND AND HUNGARY¹

The "Group of 24"² met today at a decisive moment in the process of democratization and economic reform in Poland and Hungary. Much has already been achieved but the reform process remains fragile. For this reason The 24 are convinced that additional measures of support from the industrialized countries, in response to the requests from the two countries concerned, are indispensable.

The 24 welcome the Polish and Hungarian authorities' contributions to their work. They have closely studied the proposals for cooperation made by the governments of Poland and Hungary in the light of the cooperative projects already under way or planned by each member of The 24 and by the European Community, and have also reviewed the priority areas identified at the August 1, 1989 meeting following the Paris Summit (July 1989).

The 24 urge Poland and Hungary to reach for an early agreement with the International Monetary Fund (IMF), and to establish effective programs of adjustment and structural reform

¹ Declaration made in Brussels, September 26.

² The Group of 24 are the 12 E.C. member states (Belgium, Denmark, France, F.R. Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom), the 6 member states of the European Free Trade Association (Austria, Finland, Iceland, Norway, Sweden, Switzerland), Canada, the United States, Japan, Australia, New Zealand and Turkey.

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to increase their capacity to attract foreign finance. Such agreements would constitute a favorable framework for additional aid from The 24.

The 24 appreciated the presence of representatives of the IMF, the World Bank, the Organization for Economic Cooperation and Development (OECD), and the Paris Club. They expressed the hope that close cooperation might be developed with those institutions, in particular in the areas of macroeconomic analysis and structural adjustment.

The 24 expressed their appreciation of the coordination work carried out by the E.C. Commission and encouraged it to continue its efforts in that direction. They welcomed the approach taken by the Commission in its action plan for the implementation of the aid program for the two countries as well as the initiatives announced by other participants.

The 24 declare that progress has been made in their coordination efforts in different fields. This progress must be continued in conjunction with Poland and Hungary, with the aim of consolidating the reforms in those countries. In response to an urgent request for assistance from Poland, several countries have supplied it with foodstuffs worth some \$271 million. These deliveries have been coordinated by the Commission in conjunction with the donor countries. Other participants announced that they would also contribute to the food supply program. The money raised by the sale of these supplies on the Polish market will go towards the creation of counterpart funds which will finance cooperative measures, especially in the agricultural sector. These supplies are exceptional in nature. The prime objective remains that of encouraging productivity in Polish agriculture.

In the area of improving access to the markets of The 24, certain participants have already granted or are considering granting measures such as Most Favored Nation status to Poland and Hungary, an extension of the General System of Preferences, tariff concessions compatible with their international obligations and the abolition of quantitative restrictions.

The 24 are taking steps to encourage cooperation in the field of vocational training, especially in the financial services and banking sectors. Initiatives have already been launched by public institutions and private companies. Certain countries have allocated substantial

resources to such initiatives. The coordination of these actions by a special working group will need to be intensified.

The 24 have noted the efforts of several participants to support foreign investment in Poland and Hungary, by means of agreements to encourage and protect investments, double taxation agreements, public export credit guarantees. The 24 believe that these instruments must be more extensively used for the two countries in question. They urge Poland to complete the procedures enabling it to participate in the Multilateral Investment Guarantee Agency. In addition some countries have set up special financial measures to encourage private investment. A special working group on investment will be meeting imminently.

In the environment field, Poland and Hungary have expressed an interest in action connected with the deterioration of certain industrial or mining regions, or of certain historic or artistic sites. A number of specific projects have already been embarked upon by The 24. Other priorities will be identified by the special working group with the aim of a joint project by The 24.

The working groups will be an essential tool in coordinating future actions, including contact with the authorities and private institutions in Poland and Hungary.

The 24 envisage another high-level meeting no later than the second half of November, with the aim of reviewing actions already under way and of promoting new ones. Several participants consider that, once the necessary conditions have been fulfilled, a meeting should be held at the political level to give the necessary political impetus for cooperation with Poland and Hungary and to set in train further actions with this aim in mind.

