

COMMISSION OF THE EUROPEAN COMMUNITIES

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ACTION PLAN FOR COORDINATED AID
TO POLAND AND HUNGARY

**Action plan for coordinated aid
to Poland and Hungary.**

**The Commission explains the coordination effort so far
and proposes additional measures**

1. The Arche Summit, which was held in Paris on 14 and 15 July, entrusted the Commission with the task of coordinating aid to Poland and Hungary, which is designed to facilitate the restructuring of these two countries' economies. The Commission sees this task in the context of the restoration of the major financial and monetary balances and the economic adjustment of these two countries, including, with regard to Hungary, the possible granting of specific financial support for their balance of payments (bridging loans) in the framework of action by international financial organisations. The Governments of Poland and Hungary have clearly indicated that this restructuration requires budgetary, monetary and exchange rate reforms, the elimination of subsidies as well as the clear separation between Government and enterprise. The action plan is the fruit of close contacts with both countries and, as regards action by the Group of 24, the information supplied and the efforts of the working parties set up at the meeting on August 1.

The action plan must meet certain well-defined conditions:

- there must be a firm commitment from both the recipient countries to introduce as soon as possible, and continue with, substantial reforms in their current economic systems;
- a lasting partnership must be established, linking the recipient countries to those which are undertaking to provide the aid;
- the aid which is being added to that already committed or promised by the participating countries must be additional;
- the burden consented to by the participating countries must be shared, since they all have an interest in what is politically and economically at stake.

2. In accordance with the mandate conferred by the Arche Summit and confirmed by the 24 countries at their meeting on 1 August, the Commission is determined to carry out its task by coordinating the activities of the 24 participating countries and exercising its power of Initiative within the Community in order to implement the action plan. It thus intends to make an active contribution to this operation and imbue aid to Poland and Hungary with an element of dynamism. The Commission will take steps to identify the areas where such aid can be most useful and propose ways of filling any gaps that might be revealed by multiannual programming, accompanied where appropriate by Community measures or Community funds; such measures would have to involve increased Western aid.

3. The measures will involve, in particular, the following fields:

A. Agriculture: supplies and restructuring

The Commission has organized the supply of agricultural products to Poland approved by the Council of Ministers on 17 July. This will continue over the coming months until the quantities available are exhausted. The sale of these products under Polish market conditions constitutes a counterpart fund, whose value-indexation and utilization have been agreed with the Polish authorities. The counterpart fund finances restructuring and training measures.

The Commission is now proposing a new, multiannual measure, more wide-ranging in scope, to integrate the supply of means of production such as pesticides and agricultural machinery. Only a contribution of this nature will be able to meet the genuine needs of Polish agriculture.

This measure, which is designed to give Poland the means of achieving the level of agricultural self-sufficiency of which it seems capable, cannot under any circumstances replace the efforts which Poland itself must make to modernize its production and develop in accordance with the economic reforms in this area, especially the demonopolization of distribution.

B. Access to markets

Action to modernize the Polish and Hungarian economic system must, initially, involve measures to facilitate access for products from these countries to the markets of 24. Poland's and Hungary's expectations in this respect cannot be disappointed.

As far as the Community is concerned, the Commission is envisaging proposing, in the appropriate bodies, the following measures:

the accelerated abolition of quantitative restrictions specifically applied to imports of Polish and Hungarian products;

Improved agricultural concessions by the Community, taking into account the importance of agriculture in these two countries, its development potential, and the sensitivity of trade in agriculture;

possible tariff concessions by the Community vis-à-vis Poland and Hungary, in the light of these two countries' and the Community's international commitments;

extension of the benefits of the system of generalized preferences to these two countries as from next year.

In the context of its coordination of the 24's efforts, the Commission finds that some of these measures are already being applied by the countries participating, notably as regards the system of generalize preferences. It expects that the benefits of the system can be applied by other participating countries and that supplementary facilities will be envisaged in the agricultural and industrial sectors for better access for Polish and Hungarian products to those countries' markets.

C. Investment

Poland and Hungary have strongly emphasized the importance of promoting investment in their countries. The process of reforming their economies must result in an improved climate for foreign investment.

The Commission takes the view that measures can be envisaged both by the Community as such and by the Member States with a view to facilitating and guaranteeing new investment in both countries. Such measures could consist of:

making Poland and Hungary eligible for loans from the ECSC and the European Investment Bank, to be guaranteed by the Community budget;

the utilization of other sources of funds, currently enabling the Community to finance risk-capital operations in the developing countries;

new initiatives concerning export credit or bank guarantees, investments and the promotion of investment protection agreements between the Community and Poland and Hungary, as provided for in the trade and cooperation agreements concluded with these two countries.

D. Vocational training

The economic reforms in Poland and Hungary can only be implemented through a vast action plan for training at very different levels (executives, instructors, managers, students). This urgent need is felt in very different fields, especially financial and banking services.

At Community level, the Commission, having acquired some experience in this area, is preparing specific training measures, to be implemented through public and private institutes, which should be incorporated in a long-term multiannual programme. In the customs and statistics field, cooperation as requested by the Polish authorities will be started in the coming weeks.

The Commission notes the interest expressed by most of the 24 in conducting or taking part in training schemes. Some of them already provide substantial sums to that end.

E. Environment

The Commission has found ample evidence that Poland and Hungary are aware of the problems of the environment, particularly in the industrialised regions and sites of historic or artistic value.

- In accordance with the powers and activities of the Community in this field, the Commission is studying with the Polish and Hungarian authorities areas for possible cooperation. The Community's experience is being used in selecting projects, notably in regions where the environment has deteriorated.
- The Commission notes the interest of several of the 24 countries and their intention to participate in environmental measures in Poland and Hungary.

4. Increased financial outlay

The Commission takes the view that the Community will have to contribute additional finance in order to carry out the measures envisaged. It is thus considering proposing special financing of about ECU 200 million in the budget for 1990; this does not preclude measures of a multiannual nature.

It is suggested that this outlay, which can only be one instrument among many, should be supplemented as regards 1990 by a contribution of ECU 100 million from the Member States out of their national budgets and of ECU 300 million from the other members of the group.

5. Follow-up

The Commission takes the view that the proposed action plan must be considered and receive support at the highest political level. It considers it desirable that, as soon as conditions allow, a meeting of the 24 participating countries should be held at ministerial level. In the meantime, the Commission is determined to pursue its coordinating and promotional activity both at Community level and in the 24 participating countries.

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