

PRESS RELEASE

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**Declaration by the Presidency on behalf of the European Union
on the financial and economic situation in Russia**

The European Union is firmly convinced that the best way to re-establish confidence in the Russian economy and to overcome the current financial difficulties is the rapid and complete implementation of the programme recently agreed with the IMF and the economic reform measures to which major institutions and authorities of the Russian Federation have committed themselves.

The measures adopted on Monday, 17 August 1998 by the Russian Government and Central Bank in the face of mounting pressures on their financial markets and the rouble exchange rate involve a major change in the exchange rate policy and include a substantial restructuring of rouble denominated public debt as well as temporary controls on certain types of capital movements.

The Union considers that this new development makes it all the more necessary that the Russian Government adheres to the stabilisation and economic reform program supported by the international community. The Union therefore underlines the need for the Russian Government and State Duma to find a basic and lasting consensus as soon as possible on the legislative measures essential to put the budget on a sound foundation and to revive investment and economic growth. It stresses the importance of constructive dialogue with lenders, and welcomes the Russian Government's commitment to pursue this, as close cooperation with the IMF and the main creditors and their authorities will be essential to restore investor confidence as rapidly as possible.

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Only through resolute structural reform in Russia will it be possible to sustain the needed capital flows that are essential for the modernization of the Russian economy. Moreover, the implementation of the measures announced by the Government and the Central Bank of the Russian Federation should be fashioned in a way to maintain investor confidence and to avoid further increases in Russia's future borrowing costs.

The EU and Russia enjoy a privileged relationship. Not only are we close neighbors and linked increasingly by trade and investment flows, but we also aim at developing a broadbased and effective partnership based on the Partnership and Co-operation Agreement which came into force on 1 December 1997.

The EU has already made a considerable contribution to assisting Russia in the difficult transition to a market economy. The Union remains ready to consider further ideas in partnership with the Russian authorities on how to mobilise its existing instruments, particularly the TACIS Programme of technical cooperation, and stimulate private sector initiatives in order to help Russia better overcome the current public finance difficulties and relaunch economic growth. To this end Member States will also continue to coordinate closely with the international financial community.

