

Statement

Secretary of
State for
External Affairs



Déclaration

Secrétaire
d'État aux
Affaires
extérieures

89/69

CHECK AGAINST DELIVERY

NOTES FOR A STATEMENT

BY THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS,

THE RIGHT HONOURABLE JOE CLARK,

AT THE MEETING OF THE GROUP OF 24

FOR ECONOMIC ASSISTANCE TO POLAND AND HUNGARY

BRUSSELS, BELGIUM

December 13, 1989.

In a war that began in Poland, and in the 40 years since its end, Canada has devoted enormous human and physical resources to the freedom, stability and security of Western Europe. Our objective from the start was to see Eastern Europe free and prosperous too. Now that hope is becoming reality.

The decision taken by the seven Heads of Government in Paris in July was fully in keeping with the historic changes taking place in East and Central Europe - to lend assistance and to join in a common effort. We are pleased that the European Community, an institution symbolizing political freedom, cooperation and economic strength, has taken the lead in coordinating the assistance to Poland and Hungary by this Group of 24.

The Polish and Hungarian peoples are making remarkable and historic progress towards democratic pluralism and the rule of law in their societies. Indeed, the peaceful transformation of their countries has been a powerful inspiration for others in the region. Now their peoples too are demanding similar freedoms.

While political developments in Poland and Hungary have been uniformly positive, the same cannot yet be said on the economic front. Great difficulties there underscore the importance of western support for Polish and Hungarian efforts to transform their economies along free-market lines. We must help, and the aim of our assistance must continue to be to help these countries help themselves. Only reform based fundamentally on the efforts of reforming countries themselves can set the conditions for future growth in the region. In our own discussions with the Polish and Hungarian authorities we have stressed the importance of pursuing the programmes of structural adjustment being discussed with the IMF.

The priorities identified by the Group of 24 are helpful and necessary in this framework. We have sought to do our share. Canada is already deeply engaged in support for the Polish economy as Poland's fourth largest official creditor. Poland's outstanding debt to Canada is over \$2.6 billion. It is probable that over the next eighteen months, Canadians will pay at least \$500 million to service this debt. Nonetheless we are ready to support a further rescheduling of Poland's debt subject to an IMF programme agreement.

In addition, last October, Canada announced a program of economic assistance to Poland and Hungary amounting to Cdn \$42 million.

This includes an immediate grant of \$12 million in emergency food supplies for Poland. We expect most of this to be delivered this month.

A \$10 million economic development fund was established to support private-sector development in both countries through the provision of technical and managerial assistance.

We have also told the Polish authorities that we are ready to open a \$20 million revolving credit insurance facility subject to an agreement on an IMF programme. This facility will provide short term financing to help Poland meet urgent import requirements.

Our support goes beyond funding. With respect to market access, the Canadian government has extended, as of December 1, 1989, the benefits of the general preferential tariff to both Poland and Hungary.

The framework for the operations of the stabilization fund requested by Poland is now being finalized. The fund will bolster the confidence of the Polish people and the international community in the convertibility of the zloty as part of the reform measures which the Polish authorities will begin implementing early next year, in line with their IMF programme.

I am pleased to announce that Canada is prepared to contribute its share of Canadian \$30 million to this fund.

We are also actively working to intensify our trade and investment ties with Poland. A series of investment seminars in mid-January is being organized in three major cities in Canada. In late January, we will be holding the second session of the Canada/Poland mixed economic commission. In the spring, my colleague the Deputy Prime Minister and Minister of Agriculture, Mr. Mazankowski, will be leading a delegation of business leaders to Poland to encourage Canadian investment in that country.

For Hungary, trade access and foreign investment remain the key to economic success. In addition to granting GSP, Canadian companies are currently discussing investments and joint ventures in Hungary worth Canadian \$50 million. We know that others will follow. Canadian business played a key role in the first Hungary investment fund, which has already mobilized over Canadian \$100 million. Our technical cooperation efforts are focussed on building and sustaining a viable private sector.

We expect to conclude agreements on investments with both Hungary and Poland. We are now concluding a double taxation agreement with Hungary. We have already concluded one with Poland.

We all recognize that, despite their own serious efforts and external support, fundamental reforms will be painful and difficult. Nor will they show tangible results overnight.

Thus, while we must act with a sense of urgency, we also need to focus on longer term goals; the transformation of Central and East European societies over the long term implies their increasing integration into the international trade and payments system over time. The major international institutions will need to reflect this process of integration.

In the short term too, we should cooperate to reinforce the multilateral mechanisms to channel assistance in support of democracy, human rights, and economic reforms in East and Central Europe.

The IMF and World Bank, including the international finance corporation, are already playing a key role. We wish to encourage these institutions to continue their efforts.

Other institutions should play similar complementary roles. Specifically, the OECD has a wealth of expertise to contribute. It provides a forum which should play a leading role in providing macro and micro-economic analysis and advice to those governments committed to reform. The UN Economic Commission for Europe provides a unique East-West economic forum. The CSCE's role is clearly changing and offers great possibilities as we enter a new phase of relations. We must choose wisely how and when we use these many institutions available to us.

In this context, my government strongly welcomes the proposal to establish a European bank for reconstruction and development.

A bank could be an excellent vehicle to mobilize and coordinate financial support for productive investment, particularly for private sector development, while helping to ensure that appropriate and necessary economic reforms are undertaken. It would enable us to respond to the varying needs across the whole region through an effective, specialized multilateral mechanism. Canada believes that the widest possible participation in the proposed bank is necessary to ensure sufficient capitalisation and to help build concrete foundations for the region's economic future.

At this stage, there are many details regarding the structure and operations of the bank which must be addressed, but Canada welcomes the suggestion that the interested parties meet at the end of January to discuss the proposal.

Many challenges lie ahead. We are off to a good start. We must move so that we match the speed of change in East and Central Europe which has accelerated beyond all expectation. But to do that well, to help the reforming economies achieve sustainable development, we must constantly keep in mind the need to construct a solid and lasting framework for our relations. Canada has played an active role in that spirit. We intend to continue doing so with energy and commitment.