

Statement by Press Secretary Fitzwater on Economic Assistance for Poland and Hungary

October 4, 1989

The world has watched with wonder as Poland has moved -- swiftly and peacefully -- to form a new government under Prime Minister Mazowiecki, the first non-Communist government in Eastern Europe in more than 40 years. We salute Prime Minister Mazowiecki, President Jaruzelski, Solidarity leader Lech Walesa, and so many other distinguished Polish leaders for their courage and wisdom in helping bring about a new beginning for Poland.

From the very start of this administration, President Bush has taken the lead in supporting reform in Poland and Hungary. At Hamtramck, Michigan, in April, on the day of the signing of the roundtable agreement in Poland, the President announced a set of measures to open U.S. markets and encourage private sector loans and investments. In July, he visited Poland and Hungary and spoke before the Polish Parliament, as well as to a massive gathering at the Solidarity monument in Gdansk. He announced a further comprehensive package of assistance measures to support Poland's economic and political regeneration, a package which took account of the fact that Poland did not yet have its new government or its new economic policies in place. He announced a similar program during his visit to Hungary, which is also embarked on a promising path of political and economic reform. A few days later, at the Paris economic summit, the President proposed and our summit partners agreed to a plan for concerted Western action to encourage and assist economic reform and democratic change in Poland and Hungary.

In early September, the administration submitted to Congress a comprehensive legislative proposal that would create a 0 million enterprise fund for Poland and a million fund for Hungary, as well as a labor initiative and an environmental initiative together totaling million. In addition to this 5 million proposal, and other initiatives taken by reprogramming existing resources, we have offered 0 million in emergency food aid to Poland in the coming fiscal year, in addition to million in FY '89. In dollar terms, this total package already involves over 0 million.

We have also moved to encourage new trade and investment by proposing that Congress grant both Poland and Hungary access to the U.S. Generalized System of Preferences and that it authorize the Overseas Private Investment Corporation (OPIC) to operate in both countries. On September 18, the President announced that he would grant Hungary permanent most-favored-nation status, contingent upon passage by the Hungarian Parliament of new emigration legislation, which has since occurred.

We have engaged the resources and creativity of the private sector, recognizing that the U.S. Government alone could not and should not render all the support Poland and Hungary require. On the eve of his trip to those countries in July, the President hosted a White House symposium in which he urged leaders from the American private sector -- labor leaders, businessmen, educators, and others -- to be actively engaged in supporting economic and political change in Eastern Europe. Labor Secretary Dole visited Poland in August and signed an agreement providing for U.S. technical assistance and bilateral exchanges in the labor field. In mid-September, Commerce Secretary Mosbacher led a U.S. investment mission to Poland and

Hungary, where he and American businessmen developed concrete proposals to encourage new private investments, joint ventures, and other forms of expanded U.S. business involvement in redeveloping these two economies.

The dramatic changes in Poland over the past 2 months have lent new urgency to our efforts. What Poland is doing is historic, in the largest sense of the word. It holds the promise not only of a peaceful transition to democratic rule in Poland but also of the beginning of the end of Europe's division -- toward a Europe whole and free. It is also unprecedented: never before has a country attempted a successful transformation of a state-controlled economic and political system into one of political pluralism, democracy, and a market economy. The new Polish Government under Prime Minister Mazowiecki has a chance to consolidate the public trust that is needed for the difficult economic steps ahead, but it faces major economic problems.

There is no disagreement that both Poland and Hungary need, and will have, strong U.S. support. There is no disagreement that the U.S. needs to play a leading role in developing a concerted Western approach to Poland's economic recovery. The question is how best to achieve our goal. We believe, as do our Western economic partners, that Poland can best go forward by reforming its economy and becoming creditworthy again by reaching early agreement with the IMF on an economic reform plan. We also support a prompt and generous Paris Club rescheduling of Poland's international debt. This, along with agreement with the IMF, will make Poland eligible for IMF and World Bank loans totaling hundreds of millions of dollars annually. It will also give confidence to official and commercial lenders and to investors, whose participation in Poland's recovery is vital.

Poland is taking important steps toward reforming its economy. The administration had a series of meetings last week with key ministers in the new Polish Government and reviewed the outlines of their economic reform program. It is an ambitious and bold plan, calling for radical economic reform and rapid movement toward agreement with the IMF. An integral part of the plan is an urgent request for Western economic assistance in helping to stabilize the Polish economy as reforms are implemented. In the context of an agreement with the IMF, the Poles seek, in addition to IMF and World Bank support, billion in stabilization funds from the Western industrialized countries.

In response to Poland's request, the President has decided on two major new steps. He will ask Congress to approve a 0 million grant for stabilization purposes, which would be the U.S. contribution to the billion in Western assistance the Poles have requested. The grant would be contingent upon conclusion of an IMF agreement, and upon the recommendations of an experts mission that the President will send to Poland soon. The U.S. will be working closely with the summit seven and its other allies to make certain that the entire billion is available to Poland for this stabilization fund since the concept can be effective only if the fund is fully financed. A program for use of the 0 million U.S. contribution will be developed with the Polish Government. The President wants to work with Congress to develop a strong bipartisan approach toward the common goal of providing prompt and effective support to the Government and people of Poland.

It is important to complete development of a strategy to assist Poland's recovery. Toward that end, the President will send to Warsaw within the next few weeks a Presidential mission

including senior U.S. officials, business leaders, and experts to discuss with the Polish Government its economic plans and evaluate its needs. This mission will make recommendations to the President based on their own findings and their deliberations with experts from the 24-nation Group for Economic Assistance to Poland and Hungary as to the most effective use of the billion stabilization fund.

This mission will also focus on those economic sectors where U.S. expertise and experience can be of greatest assistance -- agriculture, business management, financial services, and others -- pinpointing areas for reform and for productive use of assistance resources. The Congress can certainly be helpful in this endeavor. This initial mission will be followed by experts missions in key economic sectors. In addition, administration economists will examine urgently the structural economic challenges Poland will face now and in the years ahead so that we can provide the most effective help possible to the Polish Government.

As the President has said, the futures of Poland and Hungary depend on concerted and sustained Western action. These efforts must be complementary, not duplicative, and must be coordinated with the efforts of the IMF and World Bank. That is why the President called on our G - 7 economic partners at the Paris economic summit to establish new mechanisms for coordinating our efforts. The resulting 24-nation group has already met 3 times under the chairmanship of the EC [European Communities] Commission. The EC on October 3 committed itself to 0 million in additional assistance, over and above the 1 million in emergency food aid already pledged by the United States, the EC, and other donors. It has also begun to develop a common assistance strategy for Poland and Hungary, along with working groups on food aid, environment, manpower training, and other specific areas of assistance. The goal is to set clear priorities, avoid redundant efforts, and assure maximum aid effectiveness.

West Germany, France, Britain, Japan, and several other countries have already announced their intention to provide substantial bilateral assistance. The IMF has indicated it will move quickly in assisting Poland to develop an overall economic stabilization and reform program; and the World Bank is prepared to extend promptly major new credits, once an IMF program is in place, and to develop additional loans.

Finally, in order to continue the dialog with Poland's leaders that he began in July, the President is inviting President Jaruzelski and Prime Minister Mazowiecki to visit Washington at times convenient for each of them.

These are steps the administration has taken and will be taking in support of democratic change in Poland and Hungary: economic assistance conditioned upon real progress toward reform, business and technical assistance, the opening of investment and trade opportunities, and concerted Western action in conjunction with other industrialized democracies and the international financial institutions. These combined measures constitute an international recovery program that provides broad and substantial Western support for the historic changes now underway in Poland and Hungary.