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**OPERATION "PHARE"**  
(Poland and Hungary: assistance for  
economic restructuring)

At the last economic summit, held in Paris from 14 to 16 July last year, it was agreed, with regard to East-West relations, that there should be cooperation with other interested countries and multilateral institutions and that there should be concerted action to support the current process of reform in Hungary and Poland. In this way the measures proposed by the various parties involved could be made more effective.

To this end, the summit asked the Commission to take the necessary initiatives in agreement with the other Member States and in association with any other interested countries not present at the summit.

The Commission has since taken the necessary steps to get its Operation Phare coordination plan under way.

Three coordination meetings of officials were held in the second half of last year, and a ministerial meeting of the Group of 24 was held on 13 December to take stock of action taken since the Western Economic Summit in Paris and to sketch out the package of measures to be put into operation from the beginning of this year.

**1. THE COMMISSION'S ACTION PROGRAMME**

On 26 September the Commission presented an action plan for Operation Phare.

The plan accords with the directives the Commission received from the Paris Summit and reflects also its determination to take the initiatives needed to implement certain specific operations.

Action is to be focused on five areas:

**1. Agriculture: supply and restructuring**

Having already arranged for the delivery of agricultural products to Poland, the Commission is proposing a broader, multiannual operation, including the supply of such production aids as pesticides and agricultural machinery.

## 2. Access to markets

The Commission is planning measures to help facilitate access to the markets of the 24 for products originating in Poland or Hungary.

## 3. Investment

The Commission considers that measures can be drawn up, both by the Community as such and by its Member States, to facilitate and guarantee new investment in Poland and Hungary. To this end, it makes reference, *inter alia*, to initiatives on export credits and bank guarantees and the financing of risk capital operations.

## 4. Vocational training

The economic reforms in Poland and Hungary can be carried out only through a broad action plan for training at different levels (management, instructors, administrators and students). Very different fields may be covered by this action, especially financial and banking services.

## 5. Environment

With the help of the Polish and Hungarian authorities, the Commission is studying projects in which cooperation should help improve the quality of the environment in Poland and Hungary.

## 2. IMPLEMENTATION OF THE VARIOUS CHAPTERS OF THE ACTION PROGRAMME

### \* Food aid: Deliveries of food products to Poland

Food products being made available by the Community to Poland are continuing to be delivered according to the programme drawn up by the Community and the Polish authorities.

### Cereals

#### - first batch:

200 000 tonnes of wheat for breadmaking  
100 000 tonnes of maize

The deliveries which began in mid-September in 25 000-tonne boatloads were completed at the end of November.

- second batch:

300 000 tonnes of wheat for breadmaking  
(200 000 tonnes transported by boat to Gdynia, Gdansk and three small Polish ports (Kolberg, Ustka and Darlowo). 100 000 tonnes transported by rail from Bavaria across Czechoslovakia to southern Poland (Miedzylesie)).

100 000 tonnes of malze (delivered from the Channel ports and ports in the North Sea)

100 000 tonnes of barley (delivered from the Baltic and North Sea ports).

Tender procedures for transporting the breadmaking wheat (from intervention agency silos to Poland) were opened on 26 October and were completed on 9 November. Deliveries commenced on 23 November and were completed by the end of December. Tender procedures for malze and barley were opened on 10 November, the deadline for receipt of tenders being 13 December. Deliveries are planned for January.

**Beef**

10 000 tonnes has been delivered as planned.

**Olive oil**

Deliveries were made on schedule, by boat from Spain (2 500 tonnes) and by rail from Italy (2 500 tonnes).

**Citrus fruit**

On 3 November the Commission adopted its draft Regulation opening tender procedures for the delivery free of charge of citrus fruit to Poland. The draft sets out to establish the detailed arrangements for supplying Poland with 15 000 tonnes of lemons and 5 000 tonnes of oranges withdrawn from the market by producers in the Member States according to availability and to be delivered between December of last year and February this year.

The Commission recently decided to make further deliveries of food products in 1990, a decision recently confirmed by the Strasbourg European Council. The Commission is currently studying the list of products to be supplied, the volume of deliveries and the financial implications.



**\*. Improved access to the Community market**

On 6 November, to improve access to the Community market for Polish and Hungarian products, the Council (General Affairs) took two decisions based on proposals from the Commission:

- It extended the GSP (generalized system of preferences) scheme for 1990 to include Poland and Hungary;
- It abolished the specific quantitative restrictions applying to those countries.

Moreover, the Council (General Affairs) meeting on 27 November:

- approved the suspension for one year of non-specific quantitative restrictions and granted further agricultural concessions;
- extended the textiles GSP;
- approved the principle that the Commission enter into discussion with Poland and Hungary regarding an increase in import quotas in the Community for textiles.

**\* Vocational training**

At Community level, the Commission, which has considerable experience in this field, is preparing practical training operations through public and private institutions, which must fit into a long-running multiannual programme and the work of the future European training foundation.

**\* Assistance for specific operations**

On 14 November the Council (Budget) approved aid of ECU 300 million for Poland and Hungary in 1990 at second reading. The money will be used to finance operations under the Commission's action plan (see section 1 above). In a declaration the Council stated that, wishing to provide the Community with the means of demonstrating Europe's solidarity with the Polish and Hungarian peoples, it considered its duty was to respond to Parliament's appeal by increasing the amount of aid it had approved on 9 October on a proposal from the Commission.

\* **EIB participation**

It has been agreed in the appropriate Council bodies that the EIB (European Investment Bank) be involved in Operation Phare. Accordingly, loans totalling up to ECU 1 billion may be granted for 1990, 1991 and 1992 for the financing of practical projects. The loans will be guaranteed by the Community budget.

\* **ECSC loans**

On 23 November the Commission decided to grant Poland and Hungary ECU 200 million in ECSC loans:

- for investment projects in coal and steel;
- for infrastructure projects in which Community steel may be used.

This decision must receive the assent of the Council.

\* **ECU 1 billion loan to Hungary**

On 6 December the Commission asked the Council for directives to conclude a five-year loan programme for a maximum of ECU 1 billion with a Community guarantee. The loan is intended to enable Hungary to overcome the problems involved in structural adjustment, in particular its balance of payments. The Commission hopes to be able to make the first instalment of the loan available to the National Bank of Hungary during the first quarter of this year.

However, the loan is conditional upon the conclusion of an agreement between Hungary and the IMF.

In view of the urgent situation, confirmed by the European Council in Strasbourg, the Commission hopes to see the Council and Parliament adopt the decision before the end of this month.

**3. 1990: THE OPERATIONAL STAGE**

On the basis of the various provisions drawn up during 1989, the Commission is now planning to enter the operational stage of its plan. It is aiming to bring into force the various measures envisaged in the action plan, using the funds committed for that purpose for 1990.

That means that positive measures will be introduced to assist Poland and Hungary in addition to the food aid already provided for the latter.

Moreover, in accordance with the conclusions reached at the Strasbourg summit on 8 and 9 December last year and confirmed at the Brussels conference of the Group of 24 on 13 December, the Commission has said it is ready to extend Operation Phare if necessary to other countries in Central and Eastern Europe, including the GDR, Czechoslovakia, Bulgaria and Yugoslavia. In the wake of the recent political events in Romania, that country too might in future be included in the coordinated action.

Mr Andriessen, Vice-President of the Commission, will be paying an official visit from 12 to 14 January to Czechoslovakia, Bulgaria and Romania.