

**The Community  
and the countries of Central and Eastern Europe:  
Poland, Hungary, the Czech and Slovak Federal Republic (CSFR),  
Bulgaria and Romania.**

The European Community supports the process of political and economic reforms in Central and Eastern Europe by way of improving market access, by making available aid programmes and by extending its loan facilities.

**I. GENERAL VIEW**

1. Agreements

- a. The joint EEC/Comecon Declaration of 25 June 1988 marked the start of a new era in trade and political relations with the countries of Central and Eastern Europe. Diplomatic relations were established and permanent missions were sent from each of these countries to the Community. Negotiations for bilateral treaties were also initiated.
- b. Trade and cooperation agreements were concluded between October 1988 and March 1991 with all the Central and East European countries. They are to last ten years except in the case of Poland where it is five years. (More information in the trade and cooperation agreements in annexe 1).
- c. Prior to the commercial and economic agreements, sectorial trade arrangements were signed in the late seventies and early eighties between the Central and East European countries and the Community concerning textiles, steel and beef.
- d. Negotiations for association or Europe agreements between the Community and Hungary, Poland and the CSFR are entering the final phase. They will replace the earlier commercial and economic cooperation agreements and will provide for political dialogue, free trade in industrial products and economic and cultural cooperation.

Exploratory talks with Bulgaria and Romania concerning the possible start of negotiations for similar agreements are envisaged.

(More information on the Europe agreements in annexe 2).

2. Assistance

- a. In order to improve market access, the Community decided in 1989 to grant GSP (generalized system of trade preferences) treatment to



imports from Poland and Hungary; and to eliminate or suspend quantitative trade restrictions as of 1 January 1990. These measures were later extended to imports from Czechoslovakia, Bulgaria and Romania.

- b. The Community's PHARE programme is aimed at supporting the process of economic restructuring and encouraging the changes necessary to build a market-oriented economy and to promote private enterprise. The support is mainly in the form of technical assistance and skills transfer. In addition humanitarian emergency aid was made available to some countries. The high priority sectors include agriculture, industry, energy, financial services, privatisation, investment promotion, environment protection, and training. The Commission's PHARE budget was 500 MECU in 1990; 785 MECU in 1991 and approximately 1000 MECU is foreseen for 1992. All Community PHARE funding is in the form of non-reimbursable grants to the beneficiary governments. PHARE assistance was initially intended for only Poland and Hungary but has since been extended to include the CSFR, Bulgaria, Romania and Yugoslavia although assistance to Yugoslavia is presently blocked due to the political situation there.
- c. Community loans targeted at helping the countries of Central and Eastern Europe overcome their balance of payment difficulties amount to 2090 MECU. The Community contribution usually equals the sum of the contributions from the remaining G24 contributors.
- d. The European Investment Bank (EIB), under Community aegis, has been allowed to extend its investment activities to Poland, Hungary, CSFR, Romania and Bulgaria. The Community guarantees these loans. For the period ending December 1992, the EIB earmarked a total amount of 1,700 MECU for loans to these five countries.
- e. The European Coal and Steel Community (ECSC) is contributing to the restructuring of the steel and coal industries in Central and Eastern Europe via trade and cooperation agreements and by way of loans.
- f. The European Bank for Reconstruction and Development (EBRD), under G-24 aegis, officially opened on 15th April 1991. The Community contributes to the capital of the EBRD.
- g. In addition, the Commission coordinates the assistance offered to the countries of Central and Eastern Europe by all 24 industrialised market economy countries, the "G-24". Working groups have been set up amongst the G-24 representatives to deal with the coordination of financial and technical assistance in specific sectors.

### 3. Trade

- a. The overall balance of Community trade with Central and Eastern Europe is in favour of the countries of Central and Eastern Europe. In 1990 only the balance with Bulgaria showed a surplus in favour of the Community while it's deficits with Poland and Romania were the highest.
- b. In the year 1990, Community imports from the five countries of Central and Eastern Europe grew by 7% and the exports grew by 4%.



- c. The Community's largest imports from the five Central and East European countries consisted in 1990 of : agricultural products including processed agricultural products : 17%; base metals and articles of base metals : 15% ; textiles and textile products : 14%; and mineral products : 11%.
  
- d. The Community's largest exports to Central and Eastern Europe in 1990 were machinery and electrical equipment : 32%; chemical products : 12%; textiles and textile products : 11%; and agricultural products, including processed products : 10%.



## II. SITUATION BY COUNTRY

### POLAND

#### 1. Agreements

- a. A five-year trade and economic cooperation agreement was signed on 19 September 1989. It entered into force on 1 December 1989. This non-preferential agreement which includes the clause of reciprocal MFN (Most Favoured Nation) treatment, foresees the gradual liberalization by 1994 of quantitative restrictions applied by the Community on imports originating from Poland. However, in the framework of PHARE, the Community decided to speed up the process and agreed to suspend non-specific and liberate all specific quantitative restrictions as of 1 January 1990 in all Member States except Spain and Portugal. Moreover, the agreement provides for cooperation aimed at the development and diversification of EC/Polish two-way trade.

There have been two Joint Committees, the last of which was held in Warsaw on 27/28 September 1990.

- b. Poland also benefits from GSP (Generalised system of Trade Preferences) treatment for industrial, textile and agricultural products excluding fish and ECSC products.
- c. An ECSC (European Coal and Steel Community) protocol relating to trade and cooperation in coal and steel products is expected to be finalised by the end of 1991.
- d. Negotiations for the Europe Agreement between the Community and Poland have entered their final stage.
- e. A delegation from the Community was opened in Warsaw on 21 September 1990. The head of delegation is Mr Dijckmeester.

#### 2. Assistance

- a. In 1990, 180 MECU of the Community's PHARE programme was allocated to Poland. This amount was earmarked for projects in the fields of environment, agriculture, economic and industrial reform and training. The indicative programme for the 1991 and 1992 allocates Poland between 270 and 410 MECU in order to continue to fund the above programmes as well as new initiatives in the social, financial and medical fields. Poland also benefits from PHARE programmes destined for several Central European countries.
- b. So far, Poland received five EIB loans for a total value of 240 MECU. The beneficiary sectors include : railways, telecommunications, energy and small and medium sized enterprises.
- c. The ECSC agreed in March 1991 to a 40 MECU loan to contribute to the restructuring of the coal and steel industries in Hungary and





Poland. Poland is expected to receive approximately 25 MECU of this. In addition, in May 1991 a further ECSC loan of 25 MECU was agreed upon which will also be divided between Hungary and Poland.

### 3. Trade

- a. Trade between the Community and Poland has increased substantially over the last two years. Total imports into the Community from Poland have increased by 53% since 1988 to just over 5.1 billion ECU in 1990. Exports from the Community to Poland increased by 59% between 1988 and 1990 to 4.3 billion ECU. The balance of 763 MECU is in favour of Poland.
- b. In 1990, the Community imported from Poland mainly agricultural products, including processed agricultural products : 21%; base metals and articles of base metals : 17%; mineral products: 12%; textiles and textile articles: 11%.

The largest exports from the Community to Poland in 1990 were machinery and electrical equipment 31% ; textiles and textile articles 12% ; and chemical products 10%.

## HUNGARY

### 1. Agreements

- a. A ten-year trade and economic cooperation agreement was signed on 26 September 1988. It entered into force on 1 December 1988. This non-preferential agreement also included the clause of reciprocal MFN (Most Favoured Nation) treatment and foresees the gradual liberalization by 1994 of quantitative restrictions applied by the Community on imports originating from Hungary. The agreement provides for cooperation aimed at the development and diversification of EC/Hungarian two-way trade.

There have been three Joint Committee meetings, the last of which was held in November 1990 in Budapest.

- b. Since 1 January 1990 Hungary has benefited from GSP (generalised system of trade preferences) as well as measures aimed at accelerating trade liberalization with reference to the 1988 agreement - the elimination of specific quantitative restrictions and the suspension of non specific quantitative restrictions as of January 1990.
- c. An ECSC protocol relating to trade and cooperation in Coal and Steel products was negotiated in 1990 and initialled on 15 October 1990. It is expected to be signed before the end of 1991.
- d. Negotiations for the Europe Agreement between the Community and Hungary have entered their final stage.
- e. The Community opened a delegation in Budapest on 29 November 1990. The head of delegation is Mr. Beck.



## 2. Assistance

- a. Hungary has benefited from PHARE since the programme was launched. Community action for 1990 reached 89 MECU and included initiatives in the areas of agriculture, environment, economic restructuring and training. The indicative programme for the 1991 and 1992 budgets allocates between 200 and 330 MECU to Hungary and extends in addition to the afore-mentioned areas to social and financial sectors. In addition Hungary benefits from the PHARE projects destined for several Central European countries.
- b. In order to help Hungary overcome its balance of payments difficulties, the Community has granted in 1990 and 1991 two loans with a total value of 1,050 MECU.
- c. Since 1990, Hungary has also had access to loans from the European Investment Bank which are guaranteed by the European Community. The total value of the three loans approved by the EIB is 120 MECU and the money has been targeted at projects in telecommunications, energy and SMEs.
- d. In March 1991 the ECSC agreed to a 40 MECU loan to contribute to the restructuring of the coal and steel industries in Hungary and Poland. Hungary is expected to receive 15 MECU of this. A final decision has still to be made. In May 1991 a further ECSC loan of 25 MECU was agreed upon to be shared between Hungary and Poland.

## 3. Trade

- a. Total imports into the Community from Hungary have increased by 26.5% since 1988 to just over 2.9 billion ECU in 1990. Exports from the Community to Hungary have increased by 22% since 1988 to just under 2.9 billion ECU in 1990. However EC exports to Hungary were decreasing in 1990 (-4%). The balance of trade at the end of 1990 was 59 MECU in favour of Hungary.
- b. The Community's main imports in 1990 from Hungary consisted of: agricultural products, including processed goods: 24%; textiles and textile articles: 16%; machinery and electrical equipment: 14%; base metals : 13%.

The largest exports from the Community to Hungary were machinery and electrical equipment : 32% ; textiles and textile articles 13% ; and chemical products 12%.

## Czech and Slovak Federal Republic (CSFR)

### 1. Agreements

- a. An agreement between the CSFR and the Community on the trade of industrial products was signed on 19 December 1989.



- b. A ten-year trade and economic cooperation agreement was signed on 7 May 1990. It came into effect on 1 November 1990. This non-preferential agreement also included the clause of reciprocal MFN (most favoured nation) treatment. It foresees the gradual liberalization by 1994 of quantitative restrictions applied by the Community on imports originating from the CSFR. The agreement provides for cooperation aimed at the development and diversification of EC/CSFR two-way trade. It covers industrial and agricultural goods with the exception of ECSC products and those already covered by existing agreements.

The meeting of the Joint Committee was held in Prague on 9 March 1991 in the presence of Vice President Andriessen and the Minister for Foreign Trade Mr. Baksay.

- c. Since 1 January 1991 the CSFR has benefited from GSP (Generalised System of trade Preferences) and the lifting or suspending of quantitative restrictions.
- d. An ECSC protocol relating to trade and cooperation in Coal and Steel products is on the point of being initialled.
- e. Negotiations leading to the conclusion of the Europe agreement with the CSFR are entering their final stage.
- f. The Commission expects to open a delegation in Prague before the end of 1991.

## 2. Assistance

- a. In September 1990, the CSFR became eligible for PHARE funding from the Community. A 30 MECU programme for environmental protection was approved. The agreed indicative PHARE programme for 1991 and 1992 includes: environment, training, energy, restructuring and the privatisation of state owned properties and development of SMEs as priority areas. An indicative amount of between 200 and 330 MECU is earmarked. In addition, Czechoslovakia benefits from the PHARE projects destined for several Central European countries.
- b. The Community extended in May 1991 a 375 MECU medium term loan in order to help support the CSFR's balance of payments.
- c. The Community has agreed to extend its guarantee of EIB loans in Central and Eastern Europe to the CSFR, Bulgaria and Romania. The credit line for these three countries is 700 MECU over a 2 year period (1991-1992).
- d. A decision to extend ECSC loans to Czechoslovakia is awaited.

## 3. Trade

- a. Total imports into the Community from the CSFR have increased by 22% since 1988 to almost 2.7 billion ECU in 1990. Total exports from the Community to the CSFR have increased by 17% since 1988 to just slightly over 2.6 billion ECU in 1990. The balance of trade at the end of 1990 is 81 MECU in favour of Czechoslovakia.



- b. The Community's most important imports from the CSFR in 1990 were base metals and articles of base metals : 17%; textiles and textile articles 11% ; machinery and electrical equipment 9% ; agricultural products, including processed products 8%.

The largest exports from the Community to the CSFR were machinery and electrical equipment 42% ; chemical and connected industrial products 12% ; plastic materials and rubber 6%.

## BULGARIA

### 1. Agreements

- a. The ten-year trade and economic cooperation agreement between the Community and Bulgaria was signed on 24 September 1990 and came into force on 1 November 1990. The first meeting of the Joint Committee was held in Sofia on 30 November 1990.
- b. Since 1 January 1991, the Community extended its GSP (Generalised System of trade Preferences) to imports from Bulgaria, and eliminated or suspended the quantitative restrictions it applied on imports from Bulgaria.
- c. Council directives for an agreement on ECSC products are currently in preparation.
- d. Exploratory talks with Bulgaria concerning a possible Europe agreement are envisaged.
- e. The Commission expects to open a delegation in Sofia by the end of 1991.

### 2. Assistance

- a. In September 1990, the Community's PHARE programme was extended to Bulgaria. Projects for a total amount of 35 MECU concerning agriculture, environment and health were approved by the end of 1990. For the indicative 1991 and 1992 programmes, a sum of between 135 and 270 MECU has been earmarked for the above-mentioned areas as well as those of energy, training and economic restructuring. In addition Bulgaria benefits from the PHARE projects destined for several Central European countries. Bulgaria also received together with Romania part of 100 MECU humanitarian aid programme in the form of emergency food and medical aid.
- b. The Community decided in June 1991 to extend a 290 MECU loan to Bulgaria in support of its balance of payments, as part of a coordinated effort within the G24. A first instalment of 150 MECU was disbursed in July.
- c. The Community has extended its guarantee of EIB loans in Central and Eastern Europe to include Bulgaria. The credit line for Bulgaria, Romania and Czechoslovakia together is 700 MECU over the two years 1991-1992.





- d. A decision to extend ECSC (European Coal and Steel Community) loans to Bulgaria is awaited.

### 3. Trade

- a. Total imports into the Community from Bulgaria have increased by 26% since 1988 to almost 0.6 billion ECU in 1990. Total exports from the Community to Bulgaria have decreased by 35% since 1988 to 0.9 billion ECU in 1990. The balance of trade at the end of 1990 was 317 MECU in favour of the EC.
- b. The largest imports to the Community from Bulgaria in 1990 were: agricultural products including those already processed 26%; base metals and products of base metals 16%; textiles and textile articles 14%.

The largest exports from the Community to Bulgaria were machinery and electrical equipment 37% ; chemical products 11% ; textiles and textile articles 7%.

## ROMANIA

### 1. Agreements

- a. Since 1974 Romania has benefited from GSP and in 1980 an agreement was signed concerning the trade of industrial products. This 1980 agreement ought, according to the Council Directives of 1986, to have been replaced by an agreement of greater scope. However negotiations on this were suspended in April 1989.
- b. Community relations with Romania were reactivated after the revolution of December 1990 and a trade and economic cooperation agreement was concluded on 5 March 1991, and entered into force on 1 May 1991. The first meeting of the Joint Committee was held in Brussels on 30 May 1991.
- c. An ECSC protocol relating to trade and cooperation in coal and steel products is envisaged before the end of the year.
- d. Exploratory talks with Romania concerning a possible Europe agreement are envisaged once the political situation in Romania is clarified.

### 2. Assistance

- a. The Community's PHARE programme was officially extended to Romania in September 1990 but was suspended until January 1991 for political reasons. The 1991 and 1992 programmes foresee assistance in the area of general technical assistance and human resources as well as some sectoral programmes concerning imports and healthcare. The indicative programme foresees an amount of between 200 and 330 MECU. Romania also benefits from the PHARE projects destined for several Central European countries.



- b. Before its full inclusion in the PHARE programme, Romania received 60 MECU worth of humanitarian and emergency aid in 1990. Of this, 11 MECU was for medical aid, 41 MECU for agriculture and 7 MECU for orphanages and Romanian children.

The European Council of 14 and 15 December 1990 decided on new emergency aid equalling 100 MECU to be shared by Romania and Bulgaria. 80 MECU of this is allocated to food aid and 20 MECU supplied by PHARE, to medical aid.

- c. In order to help Romania overcome its balance of payments difficulties the Community decided in July 1991 to extend a loan of 375 MECU. A first instalment is expected to be disbursed in November 1991.
- d. The Community has extended its guarantee of EIB loans in Central and Eastern Europe to Romania. So far a one loan of 25 MECU has been approved in favour of the electricity company.
- e. A decision to extend ECSC loans to Romania is awaited.

### 3. Trade

- a. Total imports into the Community from Romania have decreased by 29% since 1988 to 1.6 billion ECU in 1990. Exports from the Community to Romania have almost doubled to 1.2 billion ECU in 1990. The tradebalance in 1990 was 377 MECU in favour of Romania.
- b. The largest imports into the Community from Romania in 1990 were: mineral products 26% ; textiles and textile articles 23% ; base metals and articles of base metals 11%.

The largest exports from the Community to Romania were agricultural products including processed products 22%; textiles and textile articles 17% ; chemical products 16%.

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