



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 03.09.1997

COM(97) 292 final

97/0163 (ACC)

Proposal for a

COUNCIL DECISION

on the position to be taken by the Community within the Association Council established by the Europe Agreement signed on 16 December 1991 between the European Communities and their Member States, of the one part, and the Republic of Hungary, of the other part, with regard to the extension for a further five years period in accordance with the provisions of Article 62 § 4(a) of the Europe Agreement

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. Article 62, paragraph 4 (a) of the Europe Agreement with Hungary provides that, for the purpose of applying certain provisions relating to public aid, during the first 5 years after the entry into force of the Agreement any public aid granted by Hungary shall be assessed taking into account the fact that Hungary shall be regarded as an area identical to those areas of the Community eligible for state aid pursuant Article 92(3) (a) of the Treaty establishing the European Economic Community.

2. The period of five years referred above expired on 31 December 1996.

3. In accordance with the last sentence of article 62(4)(a) of the Europe Agreement, the Association Council shall, taking into account the economic situation of Hungary, decide whether that period should be extended for a further period of five years.

4. On 27 November 1996, Hungary requested the extension of the above-mentioned provisions.

5. The main criterium for considering an area eligible for regional aid pursuant to Article 92(3)(a) provisions is that GDP per capita should be less than 75% of the average GDP of the EU-15, measured in PPP terms¹.

6. The relevant services of the Commission have examined the requests on the basis of the figures and information available for Hungary. The data shows that in the case of Hungary GDP/capita measured in Purchasing Power Parities (PPP) reaches 37% of the Community average in 1995. Data received from the Hungarian statistical office at regional level confirm that the whole country is under the 75% ceiling and that even Budapest which shows the highest GDP/capita in the country, is only 66% of the Community average. Hungary is thus far from reaching the 75% ceiling mentioned above. Furthermore, it is clearly below the GDP figures for certain Member States whose territories are considered as Article 92(3)(a) areas².

7. Based on the above, the Commission believes that the figures available provide sufficient grounds for granting an extension for Hungary. However, the Commission should be provided with the necessary data to assess whether, in the future, Hungary will

¹ OJ C212/2 of 12.8.1988 and C163/6 of 4.7.1990

² In the case of Greece, the GDP per capita established in PPP is around 64% of Community average, in Portugal around 70% and in Ireland 85% (1994 figures).

not exceed the ceiling of 75% of the Community's average GDP which is required in order to benefit from 92(3)(a) status.

8. This extension will not be applicable to products covered by Protocol 2 of the Europe Agreement, which will be the object of a separate examination and procedure.

9. The Commission therefore requests the Council to adopt the attached proposal for a Council Decision.

Proposal for a Council Decision
on the position to be taken by the Community within the Association Council established by the Europe Agreement signed on 16 December 1991 between the European Communities and their Member States, of the one part, and the Republic of Hungary, of the other part, with regard to the extension for a further five years period in accordance with the provisions of Article 62 § 4(a) of the Europe Agreement

The Council of the European Union,

Having regard to the Treaty establishing the European Community, and in particular Article 113 in conjunction with the first sentence of Article 228(2) thereof,

Having regard to the proposal of the Commission of the European Communities,

Whereas the European Community and its Member States concluded the Europe Agreement with the Republic of Hungary on 13 December 1993;

Whereas Article 62(4)(a) of the Europe Agreement lays down that the Association Council shall, taking into account the economic situation of Hungary, decide whether the period within which any public aid granted by Hungary shall be assessed taking into account the fact that Hungary shall be regarded as an area identical to those areas of the Community described in Article 92(3)(a) of the Treaty establishing the European Economic Community should be extended for a further period of five years;

HAS DECIDED AS FOLLOWS:

The position to be taken by the Community within the Association Council established by the Europe Agreement signed on 16 December 1991 between the European Communities and their Member States, of the one part, and the Republic of Hungary, of the other part, with regard to the extension for a further period of five years in accordance with Article 62 § 4(a) shall be based on the draft decision of the Association Council annexed to this Decision.

Done at Brussels on

For the Council

**Association between the European Union
and the Republic of Hungary
The Association Council**

Draft decision n° .../... of the Association Council between the European Communities and their Member States, of the one part, and the Republic of Hungary, of the other part, of .../..., adopting the extension for five years of the period within which any public aid granted by Hungary shall be assessed taking into account the fact that Hungary shall be regarded as an area identical to those areas of the Community described in Article 92(3)(a) of the Treaty establishing the European Economic Community

The Association Council,

Having regard to the Europe Agreement establishing an association between the European Communities and the Member States of the one part, and the Republic of Hungary of the other part, and in particular Article 62(4)(a) thereof,

Whereas Article 62(4)(a) of the Europe Agreement lays down that the Association Council shall, taking into account the economic situation of Hungary, decide whether the period within which any public aid granted by Hungary shall be assessed taking into account the fact that Hungary shall be regarded as an area identical to those areas of the Community described in Article 92(3)(a) of the Treaty establishing the European Economic Community should be extended for a further period of five years,

HAS DECIDED AS FOLLOWS:

Article 1

The period within which any public aid granted by Hungary shall be assessed taking into account the fact that Hungary shall be regarded as an area identical to those areas of the Community described in Article 92(3)(a) of the Treaty establishing the European Economic Community is extended for a further period of five years

Article 2

Within two years from the date the extended period of five years enters into force and thereafter annually until the end of the five-year period, Hungary will provide the European Commission with the necessary data to assess, according to the method used by the Commission, whether Hungary continues to fulfill the conditions to be regarded as an area identical to those areas of the Community described in Article 92(3)(a) of the Treaty establishing the European Economic Community.

Done at Brussels on

The Secretaries

For the Association Council
The President

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