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**ICC Background Brief**

**EC - EASTERN EUROPE RELATIONS**

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**The Joint Declaration** signed in Luxembourg on 25 June 1988 established official relations between the European Economic Community and the Council for Mutual Economic Assistance (COMECON). It paved the way for the establishment of diplomatic relations between the EC and individual Central and East European countries.

**HISTORICAL BACKGROUND**

As far back as 1963 an EC aide-mémoire to the Soviet Union expressed the hope that relations between them could be normalized.

In 1974, the Community offered to conclude bilateral agreements with each of the East European countries, in view of the introduction of the common commercial policy. Romania accepted the offer and a trade agreement was concluded in 1980.

It was not until 1986 that the USSR accepted the Community's parallel approach: a working relationship with COMECON (in areas to be determined), with trade relations the subject of separate agreements with COMECON members. Four exploratory meetings between the EC and COMECON have been held between November 1988 and June 1990 to identify potential areas of cooperation (e.g. environmental protection).

## **TRADE AND COOPERATION AGREEMENTS**

*It is a measure of the speed with which the Community's relations with East and Central European countries are changing that by early 1990 the EC was prepared to offer them association agreements, to replace the commercial and economic cooperation agreements concluded recently or in some cases still being negotiated. These "European agreements", as they are now called, would also provide an institutional framework for a political dialogue, thus marking a qualitative jump in relations between the two sides (see page 7 below).*

**EC-Romania** *The 1980 agreement is relatively modest and as early as 1986 the EC had planned its enlargement with a view to completing the trade provisions on agriculture and cooperation. Negotiations began in 1987 but were suspended, together with diplomatic relations between the EC and Romania on 24 April 1989 for reasons that were both economic (Romania did not meet its obligations under the 1980 agreement) and political (a deteriorating human rights situation). The Commission decided to freeze the 1980 agreement on 20 December 1989, the day a demonstration was brutally suppressed in Timisoara.*

*The overthrow of the Ceauscescu regime opened the way for a new agreement. Diplomatic relations were re-established at the end of March 1990. The Council authorized the Commission on 7 May 1990 to negotiate a trade and cooperation agreement between the EEC and EURATOM and Romania.*

*The new agreement was initialled on 8 June, but because of the deteriorating political and human rights situation in Romania, it is not yet signed. The Council authorized its signature on 17 September 1990, but the agreement of the European Parliament is still awaited.*

*The Commission extended emergency food and medical aid beginning on 21 December 1989. A total of ECU 19.5 million had been authorized by 11 January 1990, and a further ECU 40 million of food aid since then.*

**EC-Hungary** *A 10-year trade, commercial and economic cooperation agreement was signed on 26 September 1988; it came into force on 1 December 1988. The trade provisions of this agreement cover most of the trade in industrial and agricultural products. However, in the context of the PHARE (1) Action Programme the Council decided on 6 November 1989 to eliminate all specific quantitative restrictions (2) on imports from Hungary. As a result, they were eliminated on 1 January 1990, instead of by the end of 1995, as stipulated in the 1988 Agreement. The Council also decided to suspend non-specific quantitative restrictions for a period of one year from the same date.*

*The Council extended the Community's Generalized System of Preferences (GSP) for 1990 to Hungary under the PHARE action plan (for details see section on PHARE).*

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(1) PHARE - Poland/Hungary Aid for Restructuring of Economies.

(2) Specific quantitative restrictions, so called to distinguish them from the QRs which apply to the Community's imports from other market economies and GATT signatories.

The 1988 Agreement includes provisions for economic cooperation, aimed at promoting joint ventures and other forms of industrial cooperation. The main sectors covered are industry, mining, agriculture, energy research, transport, tourism and environmental protection. At a Business Forum organized by the Commission and the Hungarian Chamber of Commerce in Budapest on 3-4 October 1989, over 120 Community businessmen met with potential Hungarian partners.

The Joint Committee set up by the Agreement met in December 1988, at ministerial level. The second meeting was on 29 and 30 November 1989, while the third is set for November 1990.

The Hungarian Prime Minister, Mr. Antall, met Mr. Delors on 17 July 1990. He handed over a memorandum setting out Hungary's views on the contents of the future association agreement; he hoped his country could join the EC by 1995.

The Commission opened a Delegation in Budapest in mid-1990.

**EC-Czechoslovakia** A 4-year agreement, limited to trade in industrial products, was signed on 19 December 1988. It has been replaced by a non-preferential, 10-year trade and commercial and economic cooperation agreement signed on 7 May 1990, in the presence of the Czech Prime Minister. The new agreement covers trade in both industrial and agricultural products, with the exception of products covered by the ECSC Treaty and by sectoral agreements (textiles and agriculture). It also deals with the energy and nuclear safety.

The 1990 agreement provides for the progressive elimination, by 31 December 1994, of most of the specific quantitative restrictions applied by the EC. The Council agreed on 17 September 1990 to eliminate them from October 1990, as the Commission had proposed.

The goal of commercial cooperation is the promotion, development and diversification of trade. To this end the two sides will encourage commercial activities and contacts between their businessmen. The agreement also lists a number of measures to be undertaken by Czechoslovakia to help EC economic operators. The provisions for economic cooperation are no less important. The aim is to strengthen and diversify economic ties and to back structural changes to the Czech economy. The areas covered range from mining, industry and agro-industry, transport and tourism to financial services, management training, technical standards and health.

A Joint Committee, set up under the agreement, will meet annually, to ensure its successful operation and to make recommendations to this end.

EC-Czechoslovakia consultations in the political cooperation framework took place on 23 May 1990.

Czechoslovakia submitted its views on the future association agreement to the Commission in February 1990. On 17 September 1990 the Council agreed to extend the PHARE programme to Czechoslovakia.

A Delegation of the Commission will be opened in Prague in 1991.

**EC-Poland** a five-year Trade and Cooperation Agreement signed on 19 September 1989 provides for trade cooperation aimed at the development and diversification of their two-way trade.

However, even before the Agreement came into force, its key provisions on access of Polish products to the EC market were revised by the EC Council on 6 November 1989 under the PHARE action plan. A Commission proposal eliminating all specific quantitative restrictions from 1 January 1990 was adopted by the Council, in place of the original 5-year liberalization programme. The Council also suspended the non-specific quantitative restrictions applied to Poland. At the same time the Council extended the Community's Generalized System of Preferences (GSP) to Poland for 1990.

The aim of commercial cooperation is trade expansion and diversification, with Poland undertaking to improve market access for EC undertakings. Economic cooperation seeks to create favourable conditions for economic and industrial cooperation in not only industry (including petrochemicals, shipbuilding and food processing), agriculture and mining but also environmental protection and management of natural resources, health and service industries including banking and insurance.

A Joint Committee, to meet annually, is responsible for ensuring the proper functioning of the 1989 Agreement. The first meeting was in December 1989.

Whilst Poland's legal framework provides wide opportunities for direct investment and for trade and economic cooperation, further improvements to the country's infrastructure are needed from the viewpoint of economic operators. Both parties agreed to work together in the promotion of direct investment and other forms of cooperation between the Community and Polish firms.

Under the ECU 110 million food aid programme decided by the Council in July, 1989, foodstuffs provided by the EC have been sold on the market for zloty. These counterpart funds which will be used to help restructure and revitalize Poland's rural economy, were expected to amount to 800 billion zloty by end June 1990 (one billion zloty equals roughly ECU 100,000). The Foundation responsible for the management of these counterpart funds held its first meeting on 12 January 1990; it was attended by Agricultural Commissioner Ray Mac Sharry. Half the projects in question related to meat and cattle production half to the production of vegetables and grain dryers.

Polish Prime Minister Mozowlecki visited the Commission on 1 February 1990, and a memorandum setting out Poland's concept for a future association agreement was received on 21 June.

A Delegation of the Commission was opened in Warsaw in mid-1990.

**EC-USSR** A 10-year trade and economic and commercial cooperation agreement was signed on 18 December 1989, and came into force on 1 April 1990. EURATOM is a party to the Agreement, given the EC's interest in nuclear research and safety in the Soviet Union. The Agreement provides for the progressive abolition by the EC of specific quantitative restrictions on Soviet exports by 31 December 1995, with the exception of some sensitive products. In return the USSR, will grant non-discriminatory treatment to EC exports as

regards quotas, licences and the necessary currency allocations. The Agreement stipulates that goods shall be traded at market-related prices and contains a safeguard clause, with provision for consultations.

The two sides undertake to facilitate their trade and economic cooperation by encouraging trade promotion activities and contacts between EC and Soviet business associations. Economic cooperation is aimed at strengthening and diversifying economic links between the two sides and encouraging economic operators, promoting investment and encouraging joint ventures, licensing agreements and other forms of industrial cooperation. The areas of economic cooperation include mining, agriculture, environmental protection, energy, including nuclear energy and safety, and the service industries (banking, insurance, transport, etc.).

A Joint Committee, meeting annually, will ensure the effective operation of the Agreement and recommend measures for achieving its objectives. The Committee held its first meeting in Moscow on 10 and 11 May 1990.

Commission President, Jacques Delors, visited Moscow from 18 to 20 July 1990 at the invitation of President Gorbachev.

The Commission will open a Delegation in Moscow in early 1991.

**EC-Bulgaria** A 10-year trade and economic and commercial cooperation Agreement was signed on 8 May 1990, under which the two sides grant each other most-favoured-nation (MFN) treatment. The agreement covers both industrial and agricultural products, with the exception of those covered by the ECSC Treaty and the sectoral agreements on textiles and agricultural products. However, the Community's undertaking to abolish progressively nearly all specific quantitative restrictions by 31 December 1995, was made irrelevant by a Council decision of 17 September 1990, eliminating quantitative restrictions from October 1990, as proposed by the Commission. This decision also extended to Bulgaria the PHARE economic assistance programme.

The provisions for commercial and economic cooperation are similar to those contained in the agreements with the other East European countries. Economic cooperation is aimed at strengthening and diversifying economic links between the two sides, encouraging scientific and technical progress and supporting structural changes to the Bulgarian economy.

A Joint Committee, meeting once a year, will supervise the operation of the Agreement.

## **GERMAN UNIFICATION**

The 10-year trade and cooperation agreement between the EC and the German Democratic Republic signed on 8 May 1990, similar in many respects to those with the other Central and East European countries, was however intended to make a positive contribution to German unification as regards trade and economic cooperation.

In practice, the agreement was totally overtaken by the speed and dynamism of the unification process: economic, monetary and social union between the two parts of Germany took place on 1 July 1990, and full unification just three months later, on 3 October. The first made the GDR de facto part of the EC; the second made it legally and constitutionally so. However, because of the precarious state of the East German economy, it cannot compete straight away in the open market of the Twelve.

The European Council, at its special meeting in Dublin on 28 April 1990, had already warmly and unreservedly welcomed the process of German unification taking place under the Community roof. It stated that integration into the EC would become effective as soon as unification was legally established, subject to the necessary transitional arrangements. The Council confirmed it would be carried out without revision of the Treaties.

The European Parliament welcomed the conclusions of the Dublin Council in its Resolution of 17 May 1990. In a further Resolution on 12 July it particularly welcomed the efforts to bring about European integration in parallel with German unification. It also set out its views on the nature and contents of the transitional measures.

In a communication to the Dublin Council the Commission had analysed the integration of the GDR into the Community and its effects on common policies ("acquis communautaires"), trade policy and the EC's external commitments. The Commission saw this integration as a special case. Its implementation would be in stages, the first of which began on 1 July. During this interim adjustment phase the GDR has progressively introduced the legislation needed for its gradual integration into the Federal German and Community systems. Formal unification on 3 October marked the beginning of the transitional phase, when Community laws would automatically apply in their entirety in the territory of the now-defunct GDR, though where appropriate subject to temporary exceptions.

The Commission adopted on 21 August 1990 the transitional measures needed to assure the gradual integration of the territory of the GDR into the Community. The package of legislative proposals it put before the European Parliament and Council was the outcome of a major technical exercise, on much the same scale as the formal accession of a new Member State, but completed within a matter of weeks.

The Commission President had pointed out to the Council on 10 August, that with unification taking place on 3 October (rather than by the end of 1990 as originally planned), the Commission would need special powers to apply the proposed transitional measures and technical adjustments before they were formally adopted. The Commission therefore asked the Council and Parliament on 21 August 1990 for authority to apply interim measures, thus avoiding a potential legal

vacuum between German unification and the final adoption by the Council of the necessary transitional and technical adaptation measures to take place by the end of the year.

Parliament authorized the Commission on 11 September to make interim arrangements. They were formally adopted by the Council on 17 September 1990, following the completion of the consultation procedure between Parliament and Council. These arrangements enable the Commission to authorize the Federal Republic to maintain provisionally in force legislation applicable in the territory of the former GDR which does not comply with Community acts as long as the derogations remain within the limits of the transitional measures proposed by the Commission. This authorization will remain in force no later than 31 December 1990.

German unification and the consequent integration of the GDR into the Community will not impose an unbearable strain on the EC budget. The estimated additional cost will be on average ECU 500 million in each year from 1991 to 1993. (Additional expenditure averaging ECU 2 billion per year, less additional revenue of some ECU 1.5 billion which is expected to accrue to the Community budget.)

The GDR was included in the Council decision of 17 September 1990 extending the Community's PHARE programme to other East European countries.

However, the speeding up of the unification process has meant that since 3 October the five länder, which cover the former territory of the GDR, qualify for aid from various EC "Structural Funds" but no longer from the PHARE programme.

#### **ASSOCIATION AGREEMENTS**

Nothing better illustrates the sea change in the EC's relations with the countries of Central and Eastern Europe than:

- (1) the speed with which the decision to offer them association agreements was made;
- (2) the quick, positive response it elicited from them.

The Strasbourg European Council of December 1989 concluded that the EC would "continue its review of appropriate forms of association with those countries which are on the road to economic and political reform." A Commission Communication to the Council in February 1990, looked towards a type of relationship reflecting geographical proximity, shared political, economic and cultural values and increasing interdependence.

The Commission felt the Association Agreements (under article 238 of the Rome Treaty) could include the following elements: trade (with a view to free trade); economic and commercial cooperation (in new forms and with new instruments); cultural cooperation; technical assistance and financial support; joint projects, especially in the sector of infrastructure; political dialogue and an appropriate institutional framework.

The Dublin European Council in June 1990 agreed to an immediate start to discussions with each of the Central and East European countries (with the exception of the USSR), on the basis of guidelines to be drawn up by the Commission. Association would not automatically lead to EC membership, however; although not excluded, the European Council regarded it as a totally separate question from that of association. The Community would work to complete association negotiations as soon as possible, on the understanding that the basic conditions with regard to democratic principles and transition towards a market economy were being met.

The Commission sent the Council on 1 August 1990 a paper setting out the factors to be taken into account during exploratory talks. Its general approach was favourably received by the Council, which discussed the Commission paper on 17 September 1990. It was agreed that the Commission would begin by holding exploratory talks with Poland, Czechoslovakia and Hungary, all of which had formally asked for such talks. On the basis of these talks the Commission will ask the Council to approve specific negotiating directives for each of the three countries before the end of 1990.

In the Commission's view these new agreements will:

- help create the climate of confidence and stability needed to ensure the success of political and economic reforms;
- encourage trade and investment, especially in the private sector;
- enable a better management of the transition from a planned economy;
- make Community financial aid more transparent and coherent.

The Commission made it clear, however, that every country would be treated as a separate case, so that each association agreement would reflect the specific nature of the country in question.

#### **SECTORAL AGREEMENTS WITH EAST EUROPEAN COUNTRIES**

**Self-restraint arrangements on steel products** are currently in force with Bulgaria, Czechoslovakia, Hungary, Poland, and Romania. The 1990 arrangements provide for a 15 % increase in self-restraint levels. The future of these agreements is uncertain. Meanwhile, trade in these products is excluded from the Cooperation Agreements with these countries.

**Textile Agreements** have been concluded with Bulgaria, Czechoslovakia, Hungary, Poland, Romania and the USSR. Trade in these products is therefore excluded from the cooperation agreements concluded with these countries.

**Self restraint agreements covering agricultural products** are in force with most Central and East European members of COMECON. Trade in these products is therefore excluded from the corresponding Cooperation Agreements.

Despite several rounds, negotiations with the USSR over a **fisheries agreement** appear deadlocked, because of sharp differences over fishing rights. The EC has also had initial contacts with Poland over a projected fisheries agreement.

## **ECONOMIC ASSISTANCE**

### **Phare Operation** (Poland/Hungary: aid for restructuring of economies).

At the Paris Summit of the Arch (July 1989) the Heads of State and Government of the Group of Seven (1) and the Commission decided to provide aid to Poland and Hungary and to support their efforts at democratic reform. They were joined by all the other EC countries, the EFTA countries, Australia, Canada, Japan, New Zealand, Turkey, and the US, to form the Group of 24 (G-24). The Commission was given the task of coordinating this operation, which includes food aid to Poland, investment promotion (creation of joint ventures), improved access to Western Markets, cooperation in environmental protection and vocational and professional training.

The first G-24 coordination meeting was held on 1 August 1989 and was chaired (like all subsequent meetings) by Commission representatives. At subsequent meetings there was agreement to grant Poland and Hungary most-favoured-nation (MFN) status where this had not already been done. (The Community's agreements provide for this.) Most G-24 countries also undertook to improve access to their markets for Polish and Hungarian exports. The EC did this by extending GSP benefits to the two countries and eliminating a wide range of quantitative restrictions. The G-24 countries also embarked on specific projects in the environment field, and began identifying projects in the priority areas fixed by them: agriculture, training, environment and investment.

The G-24 held its first ministerial level meeting on 13 December 1989. It was the first occasion since the Paris 7-nation summit for a political examination of the PHARE operation. The meeting decided to set up a one billion dollar stabilization fund in favour of Poland and provide adjustment loans for a similar amount to Hungary.

The G-24 coordination meeting in Brussels on 22 May 1990 was able to look back over a period of almost one year since the PHARE programme was launched. The G-24 felt that the action to support the political and economic reform process in Poland and Hungary, had achieved substantial results, especially as regards strengthening the private sector. It called for the coordinated assistance to be reinforced.

The meeting also noted that most of the food aid Poland had been promised in July 1989, had been delivered. It included over one million tons of wheat, most of it supplied by the EC; 178,000t. of maize (including 100,000t. from the EC); 200,000t. of barley (EC) and 115,000t. of sorghum (US) as well as vegetable oil, citrus fruit, fish, cheese, baby food, butter and whole milk powder. The G-24 also noted that no further requests for food aid had been received from Poland, as its needs were covered until the next harvest.

The second G-24 meeting at Ministerial level was held in Brussels on 4 July 1990. It was chaired by the Commission and attended by ministers from Poland, Hungary, the GDR, Czechoslovakia, Yugoslavia and Bulgaria, but not Romania (see below). The G-24 ministers noted that the coordinated assistance to Poland and Hungary had entered its operational phase, and stressed their willingness to strengthen and

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(1) Federal Republic of Germany, France, Italy, UK, Canada, Japan, USA. The Commission is represented by its President.

*adapt their aid to take account of the priorities thrown up by the reform process and develop common programmes and projects whenever possible.*

*Total G-24 financial aid commitments (loans and grants) amounted to ECU 6,864 million for Poland and ECU 3,959 million for Hungary, according to figures supplied to the G-24 meeting on 4 July 1990. The Community has provided 300 MECU to Poland and Hungary, to fund programmes under the PHARE plan. The Community has also made available ECU 125 million of food aid for Poland, and granted a 5-year loan of ECU 870 million to Hungary (of which ECU 350 million has already been provided).*

*As for actions already taken, the Commission noted that the stabilization fund for Poland had helped the country implement a programme which had brought down inflation, strengthened the zloty and improved the country's balance of payments. The ECU 350 million medium-term loan provided to Hungary had helped it maintain its access to international capital markets. But the Commission also noted that strains were appearing in the social fabric of both countries, as the cost of adjustment became evident.*

#### ***Extending PHARE's Geographical reach***

*The G-24 formally extended its coordinated assistance programme to Bulgaria, Czechoslovakia, the GDR, and Yugoslavia, at its ministerial level meeting in July 1990. A decision to extend such assistance to Romania was put off, because of recent events in that country. The Commission had sent fact-finding missions to several of these countries in March 1990 to get additional information and examine progress achieved by them in establishing the rule of law, respect for human rights, the introduction of multi-party democracy, the holding of free and fair elections and the development of market oriented economies.*

*Within the framework of the PHARE programme the Commission decided in October 1990 to extend benefits of the new GSP (1) to Bulgaria and Czechoslovakia. The extension of the GSP to Romania is subordinated to the coming into effect of the Trade and Cooperation Agreement with the EC, signed by the Council in October 1990 but not yet approved by the European Parliament.*

*The G-24 recognized that further financial efforts would be needed to meet requests for aid from the four countries. Commission Vice-President Frans Andriessen told ministers that Czechoslovakia was asking for a large standby credit of anywhere up to \$ 3 billion, while Yugoslavia and Bulgaria were seeking other forms of financial aid. Bulgaria in fact had just requested a short-term loan of up to ECU 300 million. In submitting their requests to the Commission, for consideration by the G-24, these countries stated they wanted to ensure that short-term financial constraints did not delay reform. Mr. Andriessen thought their needs might total ECU 10 billion, and asked the G-24 ministers to consider the possibility of setting up a "G-24 reserve facility". However, the latter felt that international financial institutions, particularly the IMF, should take up these requests in the first place.*

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*(1): The EC's Generalized Scheme of Preferences came into force on 1 July 1971. The Scheme involves full exemption from customs duties for all industrial goods, including certain textile products, and partial exemption for certain processed agricultural products.*

The G-24 ministers welcomed the Action Plan presented by the Commission, noting they shared the Plan's general orientations and sectoral priorities. The Action Plan sets out five global priorities as well as individual priorities for each of the five countries in question. The global priorities are: improved access to Western markets, food supply, training, the environment, and investment and economic restructuring.

The G-24 ministers agreed to develop joint programmes and projects whenever possible and implement, as a matter of urgency, measures supportive of economic reform, such as better access for Central and East European exports.

In line with the G-24 decisions the EC Council adopted on 17 September 1990 the regulation extending Community economic assistance under the PHARE programme to the other East European countries (including the GDR until 3 October 1990), but excluding for the moment Romania.

#### **EC Action under PHARE**

The EC and its Member States have been major contributors to the action undertaken by the G-24 under the PHARE Action Plan. The Commission has played a key role, having been entrusted by the Paris Summit with responsibility for coordinating assistance. Priorities identified by the Commission have provided both the G-24 and the EC itself a focus for their aid to these two countries.

But the Commission has also exercised its power of initiative within the EC and put forward measures for adoption by the EC itself in the following fields: food aid to Poland, improved access to EC markets for Polish and Hungarian goods, investment and joint ventures, training and environmental cooperation. Another early result of the Commission's efforts was a Council Regulation of 18 December 1989, which earmarked ECU 300 million from the EC budget to finance Community activities in Poland and Hungary under the PHARE Plan up to the end of 1990. A further ECU 200 million were earmarked for activities in the other countries of Central and Eastern Europe brought into the PHARE scheme after 17 September.

By 10 October 1990, ECU 325 million had already been committed. Financing decisions taken by the Commission cover a wide range of projects.

A plant protection programme for Poland was launched early in 1990 (ECU 50 million) along with a multidisciplinary technical assistance programme for Poland and Hungary (ECU 5 million). In May the Commission adopted a series of new programmes including environmental protection programmes in Poland (ECU 23 million) and Hungary (ECU 25 million); a programme of basic technical assistance for Poland's privatization programme (ECU 9 million); the modernization of Hungary's financial system (ECU 5 million); a sectoral import programme for animal feedstuffs and additives for Poland (ECU 20 million); a programme of cooperation in the field of economics with Poland and Hungary (ACE) (ECU 1.5 million) and technical assistance for the start up of the educational programme TEMPUS (ECU 2 million).

In July 1990, the Commission announced it had adopted five new programmes. They included a sectoral import programme and technical assistance for small and medium-sized businesses (Poland - ECU 25 million); lines of credit for imports of farm machinery and plant for the food industry (Poland - ECU 30 million); a programme for the development of private farming (Hungary - ECU 20 million); technical aid for the privatization agency (Hungary - ECU 5 million) and implementation of the educational programme TEMPUS (Poland and Hungary - ECU 18 million).

In August the Commission adopted two further programmes for Hungary, one for the modernization of the country's infrastructure for scientific research for (ECU 3 million), the other for encouraging the growth of small businesses (ECU 21 million) The EC also joined the US and other countries setting up a regional environment centre, which opened its doors in Budapest on 6 September 1990.

In September three programmes were announced for the GDR. These were an environmental protection programme (ECU 20 million); a programme designed to promote the development of the regional economic structure and the adaptation of economic statistics (ECU 14 million) and the participation in the TEMPUS programme for the academic year 1990-91 (ECU 1 million). These were followed in October by the adoption of a multidisciplinary technical assistance programme for Central and Eastern Europe (ECU 5 million); a programme of support for the reform of Bulgarian agriculture (ECU 16 million); a statistical cooperation programme with Poland (ECU 1.5 million) and implementation of the TEMPUS programme in Czechoslovakia (ECU 4 million).

To these sums must be added European Investment Bank (EIB) and ECSC loans and the counterpart funds raised in Poland from the local sales of food aid.

#### **TEMPUS Scheme and the European Training Foundation (ETF)**

A decision setting up a Trans-European Mobility Scheme for University Students (TEMPUS), and a regulation establishing a European Training Foundation (ETF), were adopted by the Council on 7 May 1990 in the context of economic aid for Central and Eastern Europe. Both the ETF and TEMPUS are open to eventual participation by non-EC countries, especially the G-24 countries. Community funding for the ETF and TEMPUS could be of the order of ECU 300 million for a 3-year period (1990-1992).

TEMPUS became operational on 1 July 1990, the Commission having allocated ECU 2 million to meet start-up expenses. The Commission allocated a further EC 18 million in July, to fund a programme aimed at helping Hungary and Poland:

- (1) modernize their higher education systems and improve vocational training;
- (2) establish links with higher education institutions in the EC.

The three priority areas to be aided are: joint European projects linking East European universities and firms with their counterparts in the EC; travel grants for teachers, trainees, students, etc. and complementary activities.

A further ECU 1 million were allocated in September to fund the participation of the GDR, and another ECU 4 million in October for Czechoslovakia's participation.

The ETF will contribute to the development of vocational training. Its work will cover initial and continuing vocational training as well as retraining for young people and adults, including in particular management training. The ETF will give help in defining training needs and priorities; act as a clearing house to provide information on current initiatives and future needs and provide a framework through which aid can be channelled; examine the scope for joint ventures of training assistance, including pilot projects, etc.

#### **European Investment Bank (EIB)**

The EIB plays an important role in providing financial aid. It has been able to make loans to Poland and Hungary since February 1990, when the Community agreed to provide guarantees. It was originally agreed that the loans would amount to ECU 1 billion over three years, but it is now proposed to increase the total to ECU 2 billion.

In August 1990, the Commission approved a proposal extending the EIB's activities to other countries, in accordance with the desire of the Council and G-24. Since Yugoslavia is already eligible for EIB loans, as was the GDR, the Commission's proposal extended the EIB guarantee programme to Czechoslovakia, Bulgaria and Romania (subject to a special Council decision in Romania's case).

#### **European Bank for Reconstruction and Development (EBRD).**

Agreement on the EBRD's statutes was reached at a meeting attended by representatives of 42 countries on 9 April 1990 in Paris. The shareholders are the governments of the G 24, the Central and East European countries (including the USSR) Malta, Cyprus, Lichenstein, Egypt, Isreal, Morocco, Mexico and South Corea, plus the Community and the EIB. The new Bank, based in London, will become operational only after its statutes have been signed and ratified. EC countries and institutions will together hold 53.7 percent of the Bank's capital of ECU 10 billion. The initiative for the EBRD came from President Mitterand, whose former advisor, Jacques Attali, is the Bank's President.

The EBRD will seek to promote, in consultation with the IMF and World Bank, productive investment in the countries of Central and Eastern Europe; to reduce any risks related to the financing of their economies; to assist the transition towards a more market-orientated economy and speed up the necessary structural adjustments.

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