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FICHE EC-EASTERN EUROPE RELATIONS

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. This paved the way to the establishment of diplomatic relations between the EC and the individual East European countries (except Romania).

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.

It was not until 1986 that the COMECON accepted the Community's parallel approach: working relationship with COMECON, trade relations being the subject of separate agreements with COMECON members. Romania had already accepted this and a trade agreement was concluded in 1980.

AGREEMENTS

EC-Hungary signed on 26 September 1988 a ten-year trade, commercial and economic cooperation agreement which came into force on 1 December 1988.

The trade provisions of the 1988 agreement cover trade in industrial and agricultural products with some exceptions. Hungary undertook to improve conditions for Community businessmen in Hungary. But key provisions on access to the EC market for Hungarian products were re-written by the EC Council of Ministers on 6 November 1989 in the context of the PHARE Action (1) Programme. The Council scrapped the 7-year timetable for the elimination of all specific quantitative restrictions (QRs) (2) on imports from Hungary and decided to eliminate them from 1 January 1990 instead. The Council also decided to suspend non specific quantitative restrictions (i.e. those that apply to other third countries) for a period of one year from the same date.

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

(2) QRs: 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 EC Council extended the Community's Generalized System of Preferences for 1990 to Hungary under the PHARE action plan (for details see section on PHARE).

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

First meeting of the Joint Committee set up by the Agreement on 12 and 13 December 1988, the second on 29 and 30 November 1989.

The Commission on 6 December 1989 asked the Council for a mandate to conclude a 5-year borrowing programme for maximum 1 billion ECUs covered by a Community budgetary guarantee.

Objective: to help Hungary to overcome its structural adjustment problems. First tranche available in the first quarter of 1990. The Community's offer is subject to an agreement being reached between IMF and Hungary.

Commission intends to open a Delegation in Budapest in 1990.

EC-Czechoslovakia a four-year agreement signed on 19 December 1988.
Only covers trade in industrial products.

The first meeting of the Consultation body (held on 1-2 June 1989) finalized some liberalisation measures.

EC-Poland A five-year Trade and Cooperation Agreement signed on 19 September 1989 provides for trade cooperation aiming at development and diversification of exchanges.

The agreement had not even come into force before its key provisions on access of Polish products to the EC market were revised by the EC Council of Ministers on November 6 under the PHARE action plan. The 5-year timetable for the complete liberalization of Polish exports subject to specific quantitative restrictions was jettisoned, and a European Commission proposal eliminating all such restrictions from 1 January 1990 was adopted. 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, thus giving the country's exporters greatly improved access to the EC market. (For details, see the section on the PHARE action programme).

Key figure¹ of the agreement, economic cooperation, in industry, in agro-industries, in the mining sector, energy, transport, tourism, protection of the environment, scientific research.

First EEC-Poland Joint Committee was held on 4 and 5 December in Brussels.

Whilst Poland's legal framework provides wide opportunities for direct investment and for trade and economic cooperation, further improvements needed in the infrastructure for 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.

The Commission is envisaging the opening of a Delegation in Warsaw in 1990.

EC-USSR 19-20 July 1989 first round of negotiations for ten years wide-ranging trade, commercial and economic cooperation agreement. Second round on 9 and 10 October 1989. At third round of negotiations from 22 to 26.11.1989 in Brussels, the negotiators reached agreement on a text. The agreement will provide for removal of specific quantitative restrictions by the end of 1995, with exceptions, and for non-discriminatory treatment by the USSR of Community products and business operators. There is a section on economic cooperation covering a wide range of areas.

The signature of the agreement could take place in Brussels on 18/19 December 1989, on the fringe of the General Affairs Council.

Moscow envisaged as the site of a Commission Delegation in 1991.

EC-Bulgaria Negotiating mandate for trade and cooperation agreement adopted by Council on 20 February 1989. Formal negotiations began on 6-7 April 1989. A second round took place on 29-30 May 1989.

EC-GDR After three rounds of exploratory talks with GDR (third round on 18-19 January 1989), the Commission is preparing draft negotiating directives for a trade agreement. These are likely to be submitted to the Council before the end of 1989.

EC-Romania Agreements in force since 1980 on trade in industrial products and on a Joint Committee. In April 1987 beginning of negotiations on a trade and cooperation agreement involving enlargement of this accord. On 24 April 1989 the Council and the Commission jointly announced the formal suspension of negotiations until improvement in Romania's respect for human rights.

EC-Sectoral agreements with East European countries

Self-restraint arrangements covering steel currently in force with **Bulgaria**, **Czechoslovakia**, **Hungary**, **Poland** and **Romania**

Hungary and USSR have proposed extension to the areas of coal and steel of their agreements; this will probably be done by separate agreements to be concluded later.

Textile agreements Concluded with **Bulgaria**, **Czechoslovakia**, **Hungary**, **Poland** and **Romania**. Negotiations with USSR opened on 18 July 1989.

Self restraint agreements covering **agricultural products** with most East European members of COMECON.

Negotiations continued in Moscow from 18 to 20 July 1989 for an USSR **agreement on fisheries** ; negotiations on fisheries agreements with Poland and the GDR are envisaged to start soon.

PHARE operation (Poland/Hungary: aid for restructuring of economies).

The Paris Summit (Summit of the Arch, 15-16 July 1989, Heads of State and Government of the Seven and the Commission) decided that along with interested countries they should give coordinated economic aid to Poland and Hungary. To give both moral and material support to the Hungarians and the Poles in their effort at democratic reform. The Commission was given the task of coordinator of this operation.

1 August 1989, First coordination meeting of the Group of 24 for economic assistance to Poland and Hungary, (12-EC, Members of EFTA, Canada, USA, Japan, Australia, New Zealand and Turkey).

Categories of action being coordinated: food aid to Poland, facilitating investment (creation of joint ventures), access to Western markets, cooperation regarding the environment and vocational training.

First consignment of food aid from the Community to Poland was delivered in October 1989. "Counterpart funds" resulting from the sale in Poland of emergency food aid to finance action for restructuring and training in the agricultural sector.

The Commission launched a trainee plan to develop the financial system in Poland and Hungary. (21 September 1989).

On 26 September 1989 in Brussels second coordination meeting of the Group of 24.

Action plan launched by Commission involving an EC Budget subsidy of 200 million ECU, rapid removal of Community QRs, additional agricultural concessions, access to EEC preferences (GSP) and to European Investment Bank (EIB) loans.

- Hungary and Poland urged to reach an early agreement with IMF.
- Support for investment in Poland and Hungary. Poland urged to complete procedures enabling it to participate in the multilateral Investment Guarantee Agency.
- Most Favoured Nation status granted or to be granted to Poland and Hungary. Extension of the Generalized System of Preferences (GSP).
- In the environment field, specific projects embarked upon by the 24.

A third meeting of the G-24 at senior level took place in Brussels on 24 November 1989. The 24 noted that:

- more than one third of the 336 million ECU (\$370 million) pledged for food assistance had been supplied.
- The Community decided to increase the financial means for economic cooperation with Poland and Hungary in 1990 to 300 million ECU.
- Most members of the 24 including the Community have decided to improve access to their markets for Polish and Hungarian exports notably through an extension of the GSP.
- Identification of projects in the 4 priority areas defined by the 24: agriculture, training, environment and investment, is under way.

A meeting of coordination at ministerial level will be held on 13 December.

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