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REPORT

drawn up on behalf of the Committee on External
Economic Relations

on trade relations between the European Community and
Hungary

Rapporteur: Mr ZARGES

Resolution adopted at the Sitting of 13 June 1986 annexed.

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During its sitting of 15 April 1985 the European Parliament referred the motion for a resolution tabled by Mr Seeler and others on behalf of the Socialist Group (Doc. 2-31/85), pursuant to Rule 47 of the Rules of Procedure, to the Committee on External Economic Relations.

At its meeting of 21 May 1985 the committee decided to draw up a report and appointed Mr Zarges rapporteur.

It considered the draft report at its meetings of 26 June 1985, and 23 January and 2 and 3 April 1986, and adopted the motion for a resolution as a whole by 15 votes to none.

The following took part in the vote: Dame Shelagh Roberts, chairman; Mr Hindley, vice-chairman; Mr Zarges, rapporteur; Mr Cano Pinto, Mr Escuder Croft, Mr Grimaldos Grimaldos, Mr Hitzigrath, Mrs Nielsen, Mr Pegado Liz, Mr Rinsche (deputizing for Mr van Aerssen), Mrs van Rooy, Mr Rossetti (deputizing for Mr Galluzzi), Mr Seeler, Mr Silva Domingos and Mr Zahorka.

The report was tabled on 9 April 1986.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT.....	8
I. General data on Hungary.....	8
II. Hungarian foreign trade.....	9
III. Hungary's 'own road' within Comecon - the economic reform programme	10
IV. Hungary's 'own road' within Comecon - 'liberalization' of the State and society.....	14
V. The XIIIth Congress of the Hungarian Socialist Workers' Party of 25-28 March 1985 in Budapest.....	15
VI. Moscow-Comecon and the Hungarian reform programme	16
VII. EEC-Hungary trade relations - the Hungarian view	18
VIII. Proposals for the form of trade relations between the Community and Hungary.....	20
 <u>ANNEXES</u>	
Table 1	22
Table 2	23
Table 3	24
Motion for a resolution B 2-31/85	25

The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on possible trade relations between the European Community and Hungary

The European Parliament,

- having regard to its resolution of 15 October 1980 on the meeting to be held in Madrid within the framework of the follow-up to the Conference on Security and Cooperation in Europe, in which Parliament laid down the principles for economic relations between the Community and its Member States and the countries of Eastern Europe¹,
 - having regard to its resolution of 11 October 1982 on relations between the European Economic Community and the East European State-trading countries and the CMEA (Comecon)²,
 - having regard to the motion for a resolution tabled by Mr Seeler and others on behalf of the Socialist Group on trade relations between the European Community and Hungary (Doc. B 2-31/85),
 - having regard to its resolution of 24 October 1985 on relations between the European Community and the countries of Central and Eastern Europe,
 - having regard to the report of the Committee on External Economic Relations (Doc. A 2-28/86),
- A. appreciating Hungary's historical significance for the development of the Balkans and its efforts to go its own way, within the Communist community of states (Comecon), in accordance with the traditions of its people and its characteristics,
- B. appreciating the Hungarian economic reform programme, which since 1968 through the 'New Economic Mechanism' (NEM) has sought to eliminate the authority of central economic planning with its compulsory targets for undertakings and replace it by largely free price formation, the fixing of wages and salaries in accordance with the profitability of undertakings, worker participation in undertakings' decisions on production programmes and investment priorities and a certain autonomy for companies whilst at the same time restricting the State's influence to the general economic regulators (taxation, credit, etc.), one reason being in order to make it possible to compete with third countries,
- C. recognizing the freedom of movement in Hungary which like the measures referred to in recitals B, D and E, is seen as evidence of a desire on the part of the Communist leadership to implement the Helsinki resolutions and has produced a situation in which every Hungarian may travel to the West once a year and, moreover, has the right to seek employment there in return for an undertaking to invest one-fifth of his earnings in Hungarian currency; and recognizing the freedom for foreign visitors to Hungary to travel throughout the country without hindrance,

¹OJ No. C 291, 10.11.1980, p. 24

²OJ No. C 292, 08.11.1982, p. 15

- D. appreciating the new electoral law introduced in 1985 designed to introduce 'socialist democracy' in Hungary and, for the first time in a Comecon country, allowing election meetings to nominate up to four candidates for each constituency, with the result that out of the 387 members of the present Hungarian Parliament, 43 had stood as independents,
- E. having regard to the 'CSCE Cultural Forum' held in October and November 1985 in Budapest, involving not only many official talks with Hungarian politicians, but also parallel events (parallel symposium of the International Helsinki Federation for Human Rights) organized privately, at which about 150 opposition writers, intellectuals and others were freely able to talk to Western visitors and give lectures,
1. Believes, with regard to relations between the European Community and Hungary that the European Community must do all within its power to obtain an agreement on trade and economic cooperation tailored to Hungary's economic and political characteristics and following the principle of dealing with Hungary as it really is;
 2. Does not consider there to be any connection between possible negotiations with Hungary and the recently resumed dialogue between the Community and Comecon;
 3. Considers in particular that a gradual adjustment of imports would be desirable in so far as the Community's international commitments allow;
 4. Does not believe, in view of Hungary's aforementioned special characteristics by comparison with other State-trading countries, that the gradual liberalization of trade with Hungary would constitute a precedent for the European Community's common commercial policy towards State-trading countries;
 5. Notes that in Hungary, which is also a member of the GATT, pricing is linked to market factors far more than in the other Comecon countries, where prices are set primarily on political grounds;
 6. Calls on the Commission to seek authorization from the Council to negotiate and conclude an agreement on trade and economic cooperation with Hungary, and calls on the Commission to initiate negotiations with Hungary immediately it receives such authorization;
 7. Considers it vital to conclude an agreement on trade and economic cooperation with Hungary including the following points:
 - (a) the gradual raising of quantitative import restrictions according to a specified timetable, taking into account the sectoral and regional sensitivity of the individual products;
 - (b) a safeguard clause giving the Community's internal market adequate protection in the event of changes in economic circumstances;
 - (c) tariff reductions and customs arrangements on a reciprocal basis for an agreed list of commodities according to a timetable;
 - (d) in respect of agriculture, a new approach that takes account of Hungary's need to export, whilst observing reciprocity and respecting the sectoral and regional sensitivity of individual Community products;

- (e) the establishment of an EEC-Hungary joint committee instructed to consider the further expansion of economic relations (e.g. industrial cooperation, joint ventures in transport, technology and research) for mutual benefit, and to draw up appropriate proposals;
- 8. Calls on the Commission to inform the European Parliament and its appropriate committees regularly of the progress of its efforts to initiate negotiations with Hungary and to submit a report after no more than one year, on the results obtained from such negotiations or, alternatively, on the reasons that prevented negotiations taking place;
- 9. Instructs its President to forward this resolution to the governments of the Member States and the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. General data on Hungary

1. In 1984 Hungary had a population of 10.7 million of which about 5 million (46.6%) are employed, and 2.1 million pensioners (men from the age of 60 and women from the age of 55). 4.3% of the population consists of national minorities (230 000 Germans, 130 000 South Slavs, 130 000 Slovaks/Czechs and 25 000 Romanians).

Administration and political structure

Under the Constitution of 20 August 1949 Hungary is a People's Republic (Hungarian People's Republic - 'Magyar Nepkozatarsasag'). It is divided into 19 counties (Komitate). Budapest, the capital, has the status of an independent administrative area. Local administration is conducted by the Councils.

Hungary is the most liberal Communist country within the Eastern Bloc, does not deny the existence of differing sets of values and differing political principles, but is prepared to grant its citizens the highest degree of freedom within a Communist country and, in particular, to conduct extensive cooperation with the countries of the free world. Despite ideological loyalty to the Soviet Union, Hungary has increasingly managed to improve and strengthen its relations with the West. In this respect the Member States of the European Community have been and still are Hungary's most important economic and cultural partners.

Hungary is a member of the UN and its special bodies, since 1973 has been a member of the GATT and since 1982 of the IMF. It also belongs to Comecon and the Warsaw Pact.

Economic structure

2. After the 1949 Constitution came into force Hungary adopted the socialist centrally-planned economic system. A country whose industry has been entirely based on agriculture became industrialized in the full sense of the word. Its important industries now include engineering, the furniture and paper industries, electrical and telecommunications, motor vehicles (lorries and buses), railway rolling stock, shipbuilding, textiles and leather goods, pharmaceuticals and foodstuffs.

Under the Hungarian economic system the means of production are overwhelmingly socialist (state and cooperative) property. On 1 January 1968 a comprehensive economic reform, which will be discussed in greater detail below, was introduced, a major feature of which was that Hungarian undertakings are in principle allowed to decide their production programmes independently. In their business decisions they are influenced not so much by central instructions as by the economic framework (fiscal system, tax arrangements, etc.) and certain indirect regulators (credit). Although the Hungarian economy is still suffering from general obsolescence of equipment and is in the throes of adapting its production patterns, the reform system introduced in 1968 has led to increased productivity and a modernized production structure and hence to higher rates of increase of the standard of living.

Economic situation of the people

3. In 1984 the national income was 8.1% higher than in 1978, with industrial output up by 10.7% and agricultural output up by 14.1%. Industry and the building trade accounted for 61.2% of national income and 74.8% of exports, and agriculture for only 16 and 25.2% respectively. Real per capita incomes were 5.8% higher in 1984 than 1978. The considerable increase in pensions to 3 110 Forint and the sharp rise in incomes from self-employed activities and second jobs should be mentioned in this context. Blue and white collar workers, on whom the economic system actually centres, have done worst, with their average monthly income of 5 500 Forint in 1984, as a result of a 30% increase in prices of consumer goods, representing a 6% drop in purchasing power by comparison with 1981 for example.

It must however be realized that average monthly wages in Hungary are substantially boosted by second jobs, which are never officially acknowledged but probably involve about 70% of the working population.

II. Hungary's foreign trade

4. Hungary's foreign trade is still largely a State monopoly. This monopoly is however confined to State authorization for undertakings to conduct foreign trade, and no longer extends to undertakings' decisions on the conclusion of contracts or to fixing the terms (delivery periods, credit, etc.) on which they are concluded.

Foreign trade is conducted via over 300 State foreign trade undertakings and manufacturing and service establishments authorized for that purpose, with undertakings in certain industries enjoying a large measure of independence in respect of such trade. This is true both of the allocation of goods, the choice of trading partners and the individual terms (price, delivery periods, credit, etc.) in the contracts. Foreign trade accounts for about 40% of national income.

5. In 1984 Hungarian imports from the Western industrialized countries ran at the same level as the year before, while Hungarian exports to those countries were US\$ 150 million higher. In 1984 the Western industrialized countries took a 25% share of Hungary's total foreign trade, roughly the same as 1983.

In 1984 53% of the total volume of foreign trade was conducted with the 'socialist countries' and 47% with non-socialist countries. The Soviet Union is still the country's largest trading partner, accounting for 32% of total Hungarian foreign trade. Trade in goods between Hungary and the Soviet Union was worth 8 500 m roubles.

In 1984 Hungary achieved a trade surplus in convertible currencies amounting to US\$ 600 m (as against a deficit of \$ 1 200 m in 1978). In addition there was a net income of about \$ 164 m from tourism, giving a hard currency surplus of \$ 764 m. This allowed a cut in short-term foreign debts and an increase in the National Bank's foreign currency reserves. The National Bank itself announced a net indebtedness of \$ 4 400 m for mid 1984. By the end of 1985 convertible currency debts should have been cut by another \$ 1 000 m.

6. Hungary has now re-established herself on the international capital market. In addition to IMF support and further World Bank loans, Hungary has also obtained two new consortium loans. Among the Comecon countries Hungary's credit rating is now third, behind the USSR and East Germany.

The surplus on foreign trade with Western industrial countries was earned mainly in trade with Italy, Austria and the USA. Over 40% of Hungarian exports to the West were materials and parts, 30% foodstuffs and over 20% consumer durables. On the other hand, machinery and equipment did not even account for 6%. Almost 70% of imports from the Western industrialized countries were materials and parts, 15% machinery, about 10% consumer durables and about 6% agricultural products.

In 1984 the Community accounted for about 58% of total Hungarian imports and took 45% of Hungarian exports, related to the 'developed capitalist countries'.

Trade agreements

7. The trade agreements between the Member States of the Community and the State-trading countries expired on 31 December 1974. On 1 January 1975 the power to conclude trade agreements was transferred to the Community. However, in order to ensure the continuity of trade until the conclusion of any trade agreements, the Council on 28 December 1975 prolonged the independent arrangements adopted on 3 December 1975 which came into force on 1 January 1976.

In November 1974 the Commission advised all State-trading countries, especially the Comecon countries, to negotiate new trade agreements with the Community, but met little response. Agreements were reached with Hungary itself on textiles, and on iron and steel products. The steel agreements with Hungary and four other State-trading countries provide for imports from these countries to be governed not by base prices, but the Community's cost prices, less a penetration margin of 6% for bulk steel and 4% for high-grade steel. The State-trading countries are also allowed to approximate their offers to market prices prevailing in the Community. Hungarian self-restraint in exports of ECSC steel products to the Community in line with traditional patterns of trade, is Hungary's quid pro quo in return for these advantages.

An important aspect of both these trade agreements is the consultation system which has ensured that these agreements have run smoothly.

8. In 1984 Hungarian undertakings concluded 20 cooperation agreements with Western firms (mainly German, Swiss and Austrian). According to its own figures, Hungary at present has about 550 production cooperation arrangements with undertakings from 23 Western countries (including Yugoslavia); 330 of these are with West German undertakings. There are 47 joint ventures with Western countries. The share capital in these 47 undertakings with their Hungarian and foreign holdings amounts to over 1 500 m Forint.

III. Hungary's 'own road' within COMECON - the economic reform programme

9. If we are to say whether trade relations between the European Community and Hungary are possible and desirable and whether they should take similar form to those with Romania in the past and with Czechoslovakia or Bulgaria in the future, we must first examine the independent road Hungary has taken since 1968 within Comecon. Has it really been Hungary's 'own unique road'? Has it been more 'liberal' than in other Eastern European countries? How 'liberal' is the Hungarian economy, society and State?

10. In 1968 Hungary introduced a new system for directing its economy, the 'New Economic Mechanism' (NEM). This economic reform was triggered, or forced on the country by primarily internal considerations: to boost growth, improve the quality of producer goods, to make more efficient use of under-exploited capital equipment and to improve the links between structural modernization and central planning efforts.

The main concern of this internally motivated economic reform was the introduction of market forces into the economic system, to link economic planning to realities and the effects of market conditions. The original system of centrally directed compartmentalized economic planning with obligatory targets for the individual undertakings was abolished, and replaced by guidelines giving undertakings a wide measure of independence. Pricing and decisions on wages and salaries, and on production and investment programmes are largely left to the management of the individual undertakings. Similar structural changes have been made in the cooperative farm sector. These measures have substantially increased the competitive element in the economy to the extent that the NEM may be regarded as a 'socialist market economy'.

After the first difficult years of the NEM the reforms were extended to cover foreign trade as well, in order to improve industry's ability to compete on foreign markets.

11. The new procedure for appointing management is a vital element in the reform programme. The old system under which the management of the individual State undertakings was appointed by the central bureaucracy was abandoned, and the power of appointment transferred to the individual firms and establishments, that is to say it is no longer the State (the State bureaucracy) but the undertaking in the market place itself which decides its management. Thus directors-general (responsible for more than one establishment in an undertaking) or directors (heading one establishment) are no longer appointed by the appropriate ministry but by the factory collectives. In the firm visited by the rapporteur, Graboplast of Győr (a plastics undertaking employing about 3 200 people) this was a body comprising 32 members (about 40% of them women) known as the 'works council' comprising the various groups, working parties and managers of the undertaking.

Only in communal establishments, trusts and some large undertakings (in industry about 20% and in agriculture 1-2% of undertakings) do the appropriate ministries continue to appoint directors-general and directors.

12. The ministries are however still responsible for the continuous adaptation of the economic framework required to achieve the goals of the reforms. These include specific measures of support, such as the formulation of organizational recommendations, the preparation and supply of information for industry and support for training schemes for industry and agriculture.

They also still keep a continuous watch on the markets and intervene using financial or administrative regulators when markets are disturbed.

13. Financial and fiscal economic regulators can therefore be used by the State at any time. It is therefore permissible to ask how far decentralization and industrial independence goes, whether the director-general and his board really can take independent decisions. The question can be answered on the basis of what the rapporteur learnt about the firm he visited, Graboplast and another large undertaking, Vacikotottarugyar, of Vac, the oldest Hungarian knitwear factory, founded over 100 years ago and employing about 3 500 people today (producing

various articles for Adidas, Puma, Felina and C & A for example). These undertakings can draw up their annual plans themselves, independently of the State; determine their organizational structure; fix their production programmes; determine the nature of work, the fields of technology and in particular prices. Prices - and here the Hungarian reform system differs from the normal State-trading country (where prices are set by the State on economic and political criteria) - are determined by the undertaking, in the light of the market, competition and its own profitability. The State can in fact order short-term price freezes for individual products, but this does not change the overall situation. Undertakings are genuinely independent and market forces play a real role.

However, two other factors at present restrict this independence. On the one hand the lack of finance and, on the other, the great influence of the trade unions. As in any market economy undertaking, there are two important requirements: firstly to maximize profits (in the past 'profiteering' was branded by law as dishonest; the Law on unfair economic activity which banned any activities directed at making a profit, was repealed in 1984), and secondly, the creation of high dollar exports.

14. The State is however encountering great difficulty in creating the conditions under which these two goals can be attained. It cannot provide undertakings with sufficient funds. And the unions' influence is enormous. Every worker is entitled to a wage, but he is not obliged in return to give the undertaking a fair day's work. It is almost impossible to get rid of a lazy worker, as where there is any doubt he will always have the staunch support of the trade union (and most workers are or are obliged to be members of the unions). The works councils, which have a voice in major company decisions, are often influenced by external considerations and thus import the party and national line into the undertakings.

We can, nevertheless, still speak of genuine decentralization and commercial independence in Hungary, and this is leading to more freedom in society. Together with the legalized 'second economy', this is producing further liberalization and increased prosperity for large sections of the population.

15. The 'second economy' allows an opportunity of founding 'economic partnerships'. These take two forms.

'Internal company economic partnerships' (VGМК) are enterprises consisting of private individuals. The members have a working relationship with an undertaking, and perform second jobs outside legal working hours (the 7-hour day applies in industry, 8 in agriculture, and Saturdays are not worked on principle) but on behalf of that undertaking. Such partnerships have between two and thirty members. They generally use production capacity made available by the undertaking (materials, plant, tools, etc.) and are paid by the undertaking under a contract. They may however use their own resources.

Arrangements differ from undertaking to undertaking, but the partnerships may continue company production, but on a smaller scale, either because orders are smaller or because it would be uneconomical to use the larger machinery, or may manufacture spare parts, undertake repairs, etc. There are today about 10 000 of these internal company economic partnerships.

'Economic partnerships' (ГМК) are partnerships outside undertakings for the performance, organization and promotion of services, small-scale production and tasks supplementary to the activities of other undertakings. Partnerships of this type may comprise between two or

thirty full or part-time members. They operate on the basis of inputs by their members using the jointly owned or jointly used resources. For their activities partnerships may however also rent, lease or otherwise obtain for their use, tools, means and facilities belonging to the State or a cooperative. There are at present about 5 000 of these 'economic partnerships' in Hungary.

16. A further distinction has to be made between the partnerships and other private commerce and small traders, the 'small businesses' of which there were about 84 000 in 1975 and over 140 000 in 1984, including 123 000 private tradesmen and 19 000 retailers.

Private commerce exists principally in the hotel trade and tourism. Any adult producing evidence of appropriate training can, in principle, obtain a licence. The small trades are concentrated on building, garages, and clothing. Private businessmen may employ a maximum of 12 people including members of their families, or 9 without members of their families. The first large private hotel in Hungary, the three-star 'Victoria' in Budapest, has recently opened, and is unique in Eastern Europe.

The economic partnerships and small businesses are today not simply important to the liberalization process but a considerable economic factor. Partnerships provide workers with a second income (a worker's main income from employment in a factory is between six and 12 000 Forint per month, about 400 - 800 DM, according to his qualifications), which is frequently much higher than his main income.

17. In agriculture there is also the fact that a Hungarian working on an agricultural cooperative is provided with 0.5 ha of land for his exclusive use. Private agriculture altogether accounts for about 40% of Hungary's total agricultural output, evidence of its efficiency. The private sector accounts for between 16 and 18% of GDP, making the second economy a substantial economic factor in Hungary, and contributing to its earning capacity and competitiveness.
18. Finally, in this consideration of the private sector of the economy we would mention the joint ventures, which are a factor both for greater liberalization and for opening up the market to interesting third parties. Hungary was the first Comecon country to change its laws to allow a foreign partner in certain circumstances to obtain holdings of over 51% in such joint ventures instead of the minority share of 49% as in the past.

As markets are opened up further to capitalist partners the number of joint ventures - 47 at present, will certainly substantially increase. There is great pressure in Hungary for the activities of these joint ventures to cover third country projects.

Hungary is already active in these third country projects and has encouraged this trend by its policy of decentralization by comparison with the other Comecon countries. The first third country transaction was concluded with Simmering-Gratz-Pauker AG of Vienna over 20 years ago, that is at a time when the other Comecon countries had not even got as far as their first bilateral cooperation agreement with a Western undertaking. Today no less than 25 - 30% of West/East third country business involves Hungarian undertakings.

19. The economic reform programme can therefore be said not only to be achieving economic goals, but to be redefining organizational and social goals and giving people new independent responsibilities, unlike the situation in any other State-trading country. By this reform, which we

have illustrated with these few examples, Hungary is acquiring a largely decentralized economy in which competition, profit and initiative are highly valued. This is the way towards greater freedom, of course within a Communist State and social system.

The question we asked at the start has now been answered: Hungary is no longer a State-trading country as we would deserve the other Comecon States.

IV. Hungary's 'own road' within COMECON - 'Liberalization' of the State and society

20. Our description of the Hungarian reform programme has already shown that not only has there been a decentralization of the Hungarian economy, but there has been relaxation in many aspects of State and society. This liberalization process will be illustrated by further examples from State and society to enable an overall judgment which will allow us to answer the question asked at the beginning.

(a) Increased freedom of movement

21. Freedom of movement has been expanded by stages over the last 10 years. Today every Hungarian citizen is allowed to travel to the West once a year and has even acquired the right to work there if he undertakes to invest 20% of his income in Hungarian currency. He is also allowed to advertise at home or abroad for a foreign job.

In 1984 13.4 million foreigners went to Hungary, 30% more than in 1983. 9.9 million came from other socialist countries, bringing in 340 million roubles, and 3.5 million from the Western countries, bringing \$ 268 m. 670 000 Hungarians travelled to the West and 430 000 to Yugoslavia, a total of 1.1 million, while 4.3 million Hungarians visited other socialist countries.

Late last year the Hungarian Government made important law changes to encourage international tourism. Thus the currency regulations have been relaxed, allowing visitors to Hungary now to bring in and take out 400 Forint instead of the 100 allowed in the past, and customs duties for travellers and gifts have been cut by 10%. The result of these measures will be to open up Hungary to the outside world by means of a diversified tourist industry quite unlike that of any other Comecon country, especially as the tourist can go anywhere in the country and enjoy it in all its aspects.

(b) Comprehensive protection of minorities

22. Hungary is very generous to its minorities. In no other Communist country of Eastern Europe would the 230 000 strong German minority for example receive such fair and tolerant treatment. This minority has a representative in parliament who is today also the vice-president of the Hungarian-German Association. It also has 160 kindergartens, 160 elementary schools (children between 5 and 14), three German secondary schools, (Budapest, Pecs and Frankenstadt) and two universities. Not only does the Hungarian State accept and facilitate German teaching, but the Ministry of Culture has developed schemes to encourage more Hungarians to learn German. There are also 200 Hungarian-German ensembles. Budapest radio, the central radio station, broadcasts a German programme every day. Two provincial stations broadcast German programmes twice a week. There are television programmes for Hungarian-Germans, and they have access to German newspapers, etc. German customs are encouraged in many ways, and 120 local authorities have reverted to the practice of including

the German name under the Hungarian on all signposts and name plates for streets, squares and public buildings etc.

(c) Media no longer governed solely by ideology

23. Hungary was the first Communist country to decide, this May, to operate a radio station jointly with a democratic constitutional country, in this case Austria. From the Plattensee the two countries will run the 'Danubius' station, broadcasting to Austria as well. It might be described as a kind of Eastern European Radio Luxembourg.

It should also be pointed out that throughout the country Hungarians can buy Western newspapers of any political colouring.

(d) Electoral reform giving choice of candidates

24. The culmination of this liberalization process was undoubtedly the adoption by the Hungarian Parliament in early 1985 of a new electoral law designed to introduce 'socialist democracy' in Hungary. In the general elections on 8 June 1985 for the first time in the history of this Communist country the citizens and electors in each of the 352 constituencies were able to choose between several candidates, some of them non-communists.

After the general election of 8 June 1985 second ballots had to be held in 45 constituencies where none of the candidates had obtained more than 50% of the votes. In the second ballots held on 22 June 1985 19 out of 28 independent candidates were elected with the result that there are now 43 independents sitting in the Hungarian Parliament.

V. The XIIIth Congress of the Hungarian Socialist Workers' Party of 25-28 March 1985 in Budapest

25. The XIIIth Congress on 25-28 March 1985 in Budapest held particular significance for political and economic reform in Hungary, the party leadership issuing fundamental statements regarding future policy.

The Secretary-General of the Hungarian Socialist Workers' Party, Mr Janos Kadar, stated that Hungary would stay on its present course for a very long time. Hungary had no alternative to the reform programme. The socialist planned economy could only work if it took account of the laws of the market. Undertakings had to be given still greater independence. Incomes should be based on performance, socialist support on need, and social contributions on capacity.

The Party Congress gave its full approval to these policies, setting in its resolutions the following tasks for the future: preserving economic equilibrium as the first priority, but also continuous economic growth; restructuring the economy; strengthening profit-consciousness in industry; increasing the rate of innovation; concentrating resources in advanced sectors such as electronics, automation and robotics; the use of modern production planning methods; biotechnology; the introduction of raw material- and energy-saving technologies. The Party Congress also spoke of bringing the quality of Hungarian products up to the highest international standards, and of integrating Hungary more into the international division of labour.

In general the Party Congress also favoured continuity and the extension of the Hungarian model to all areas in order to allow the highest degree of personal freedom, views which closely approximate to Western scales of values.

26. The individual examples of liberalization in Hungary, largely the result of the reform policies, cannot disguise the fact that Hungary obviously has not developed a democratic system compared with that found in the West. But it is an Eastern European Communist country which in many areas is not identical or comparable with the structures of its fellow Comecon countries, and thus the traditional State-trading countries. It is rather a Communist system sui generis. Hungary therefore deserves special treatment from the Community and help to continue on its road, as values and principles of human rights which are important to the Community have been or are being applied there, even if only partially.

VI. Moscow - Comecon and the Hungarian reform programme

27. In the summer of 1984, Comecon, by approaching the European Community to begin a new dialogue between the two organizations, seemed to herald a new age of détente, peaceful co-existence and even of political cooperation, with possibly a distant prospect of pan-European unity. How is this approach to be assessed in relation to trade relations with the countries of Eastern Europe, with special reference to Hungary?

From its inception Comecon's constant concern has been that its members, and especially the countries of Eastern Europe, should develop only along common guidelines under the leadership of the USSR. It was very reluctant to embark on cooperation with other countries such as the 1973 cooperation agreement with Finland, the first with a non-socialist country. In 1975 there followed agreements with Iraq and Mexico.

28. In late 1974 the Community offered the individual Comecon countries bilateral agreements and forwarded draft agreements for the purpose. Negotiations for a non-preferential agreement would cover the following areas:

- most favoured nation customs arrangements
- import quotas
- liberalization of specific agricultural imports
- trade safeguards
- payment and financial problems.

The establishment of joint committees was also proposed. The Comecon countries, with the exception of Romania, did not reply direct to this draft, but in February 1976, via their Moscow headquarters, forwarded a draft agreement between Comecon and the EEC on the basis for mutual relations. On the basis of the CSCE Final Act the draft contained the following proposals:

- improvements in trade in goods and services, especially in agricultural products,
- most favoured nation treatment for both sides
- most favourable credit terms
- EEC trade preferences for the Comecon members involved,
- safeguards against market disturbance,
- establishment of a joint governmental committee,
- cooperation on standardization, environmental protection and the exchange of information.

29. The Community responded in November 1976 by submitting its own draft agreement in which it proposed the establishment of working relations, in the following fields:

- the exchange of information
- standardization
- environmental protection and
- the organization of meetings on matters of mutual interest.

Negotiations between the two organizations lasted from 1978 until 1981 but for legal and political reasons no consensus could be reached. The main obstacle was the Comecon demand that a trade agreement be concluded in the form of an outline agreement between the two organizations, and a standing committee be set up, both with the objective of having trade relations between the Community and the individual Comecon member countries shaped, determined and monitored by Comecon, Moscow headquarters. In the negotiations the Community pointed out the differences between the legal status and organizational structures of the two bodies, and to Comecon's incapacity to conclude trade agreements, by contrast with Article 113 of the EEC Treaty.

The divide was clear. The Community could not and cannot agree to a policy strengthening the USSR's hegemony over the smaller Eastern European countries in Comecon. Comecon made it clear to the EEC that there was no question of recognizing the Community in international law, especially as it still hoped that public conflicts of interest between the Community Member States might one day lead to its collapse.

30. At a very early stage, in its resolution on relations between the European Community and the East European state-trading countries and the CMEA (Comecon) (Irmer report), the European Parliament stated that despite the great differences between the two economic blocs, agreement between the Community and Comecon and its member-countries was desirable on political and economic grounds, but made it very clear that the Community could never allow any agreement with Comecon as an organization to rank above agreements between the Community and the individual Comecon countries. That would be indefensible on legal, political and economic grounds.

After a lengthy pause the Comecon Summit held in Cuba in Summer 1984 decided to resume the dialogue with the Community and sent the Community a written proposal to this effect in summer 1985.

31. After the new Comecon proposal, there is just one fundamental question to be answered regarding the scope for opening negotiations between the Community and Hungary: during the dialogue between the EEC and Comecon should all contacts between the Community and the individual Comecon States be suspended and no negotiations take place between them, or should they proceed independently and/or parallel to the Community-Comecon contacts? For the Community the answer to this question is inherent in its fundamental approach, which is that no outline agreement of any form between the Community and Comecon, even in the form of a general declaration, can be accepted if it controls relations between the Community and the individual Comecon countries or lays down binding guidelines for those relations. In adopting this approach, the Community is taking into account the Soviet Union's dominance within Comecon and the Community's intention of avoiding any further restriction of the individual East European countries' room for manoeuvre, however small it may be. The Community cannot assist and lend international recognition to any disciplining by Comecon of its members. The Community's answer can only be that negotiations between the Community and Hungary should be opened and conducted independently and possibly parallel to the dialogue between the Community and Comecon, and the outcome of these negotiations must reflect the interests of the two partners alone.

32. The rapporteur would emphasize the fact that Hungary also wishes to reach a trade agreement with the Community, reflecting its economic and political characteristics. Hungary of course had a voice in deciding on the resumption of dialogue between Comecon and the Community. It could not, and did not wish to, oppose it. But one thing is certain: Hungary is prepared to conclude a trade agreement with the Community completely independent of any negotiations between the Community and Comecon, at any time the two partners, the Community and Hungary, reach agreed solutions to the outstanding problems. Hungary does not want any agreement between the two organizations which would prevent it from concluding bilateral trade agreements with the Community. It is therefore a matter of indifference to Hungary whether the Comecon-Community talks or the trade talks between Budapest and the Community begin first, or whether they may be conducted at the same time. There is a great deal of flexibility here. The vital point is that Hungary is prepared to conduct talks with the Community on bilateral matters. It is only a question of finding satisfactory solutions. If they are, an agreement between Hungary and the Community could be concluded today.
33. If trade and economic relations between the Community and Hungary are governed by an agreement that will benefit Hungary, help solve its economic problems and give it a degree of international backing to bring its hitherto successful reform programme to fruition. A policy along these lines, directed towards a trade agreement between the EEC and Hungary, has nothing to do with destabilization. The Community cannot and must not attempt to play individual Comecon countries off against each other. However, it does have the right to use its trade and economic policies to help a country like Hungary which, in difficult conditions and under internal and external pressures, is successfully taking its own road, to provide the individual and the Hungarian people with the highest degree of autonomy. With such a policy we are finally also helping to alleviate the human consequences of the division of Europe, and in a way which would one day unite all European States and peoples under one roof.

VII. EEC-Hungary trade relations - the Hungarian view

34. The Hungarian Government takes the view that a comprehensive trade agreement with the EEC already exists, the GATT, so that in theory no further trade agreement is necessary; the Community would only have to put the GATT rules into practice. It points out that neither Japan nor the USA has concluded any general agreement with the Community in addition to the GATT. It therefore believes that the protocol of accession to the GATT entitles Hungary to ask the Community to remove discriminatory quantitative restrictions.

In earlier talks the Community argued the opposite, claiming that the GATT Protocol did not give Hungary that right, especially as Hungary as a State-trading country had to be treated differently from Japan or Austria for example. Hungary then proposed a three-part arrangement for liberalizing trade:

- definition of liberalized products
- of sensitive products subject to self-restraint
- of equally sensitive products where restrictions cannot be removed overnight but at a later date, set out in a calendar, and to be fixed in the agreement.

The Hungarian Government's general aims may be described as follows: Hungary wishes to take its place in the world economy. In the process the principle of equality must be observed and discrimination removed. Essentially Hungary is calling for full most-favoured nation treatment.

35. There are four individual problems: quantitative restrictions, customs duties, the size of agricultural exports and the development of economic relations.

(a) On the first point Hungary neither can nor wishes to acknowledge expressly or tacitly the European Community's practice under which quantitative restrictions or the like have to be applied to Hungary because it is a State-trading country.

Hungary refers to its membership of the GATT, but I believe account should also be taken of other factors such as its economic reform programme, its freedom of movement and the substantial progress towards liberalization, for example in the media, the treatment of minorities and the new electoral law.

The Hungarian Government refuses to embark on another round of talks with the Community on the economic role of the State, and maintains that the GATT and its member countries had already investigated the matter and cleared Hungary to become a member of the GATT. There was therefore no need for a further examination.

One solution envisaged by the government would be for a gradual general liberalization to take place between the Community and Hungary for which a calendar would have to be agreed for a wide range of products, taking into account the individual regional and sectoral problems and trends of individual products in the various Member States of the Community. A 'Greek calendar' ('let's see how things go and then decide') will not do; there must be a fixed timetable, over a period of about 5 to 10 years.

Hungary could agree to and carry out self-restraint on sensitive products. A selective safeguard clause would be possible but it would have to apply to all parties.

(b) In respect of customs, Hungary requests application of the System of generalized preferences. It refers to the example of Romania to which the Community has given such preferences. The government refers to the general disadvantages of which it is aware, viz. the Community's customs union, its agreement with the EFTA countries and the numerous Community association agreements, especially with the ACP countries. The nub of the matter is contained in the request for the same customs treatment from the Community as for countries at the same level as Hungary. The earlier emphasis on general customs preferences as for a developing country (the GSP is only a criterion) has been abandoned; the concept is to be depoliticized, thus clearing the way for a compromise.

(c) In respect of agriculture, Hungary is requesting cuts in levies on certain products and in May 1984 submitted a list to the Community of products (including live cattle, beef and veal, pork and ham, rabbit, poultry and vegetables) as a basis for negotiations on the granting of levy- and duty-free quotas.

(d) The Hungarian Government is also seeking a further extension of economic cooperation, in which studies should be made of aspects of

industrial cooperation, joint ventures, transport cooperation, research and technology, statistics, etc., suitable proposals drawn up, and projects given aid.

VIII. Proposals for the form of trade relations between the Community and Hungary

36. It has been argued in detail above that Hungary is no longer a conventional State-trading country. It has also been made clear that whatever general agreements may be reached on cooperation between the Community and Comecon, trade relations can and should only be governed by bilateral agreements.

Both points must be taken into account if we are to work out the actual form trade relations should take and how the arrangements should be tailored to Hungary's particular characteristics. We have outlined Hungary's desire to be treated on its merits.

Yes to extensive liberalization of trade with Hungary

37. Hungary's economic and political development justifies as in no other Comecon country the liberalization of trade between it and the Community, eliminating quantitative restrictions, albeit only according to a calendar, dealing with individual items over a very long period. Such a calendar with fixed dates could govern liberalization over a period of say 10-20 years, catering for individual sensitive products or commodity groups on both a sectoral (e.g. textiles, steel, wine) and a regional basis (wine for southern France or Italy; textiles for the Federal Republic of Germany).

I must however make it clear that an experiment of this nature would be justified only in respect of Hungary on its road to liberalization.

A classification of individual products should provide adequate safeguards for both sides. Many products can be liberalized at an early date. More sensitive products, which might also be made subject to self-restraint, much later, and very sensitive products right at the end of the calendar.

A safeguard clause would have to be inserted to protect the Community's interests in the event of infringement of any general or specific agreements or if fundamental changes took place in individual areas.

Yes to preferential customs arrangements based on a List (as with Romania)

38. In the process the two sides must consider the products for which a rapid growth in exports is desirable, and whether in an initial phase, customs concessions would be possible 'erga omnes' for products in which Hungary is not a privileged first supplier.

It also has been decided how non-tariff barriers are to be removed and import promotion (information on import priorities, finance models, etc.) is to be carried out.

Yes too to the gradual liberalization of trade in agricultural products

39. In this connection, concerning the application of existing measures to further products, the removal of additional levies, cuts in the amount of levies and the establishment of levy- and duty-free quotas are to be regarded as instruments for achieving such liberalization. Some products such as table wine and beef and veal are especially important to Hungary, but Hungary too must realize that farm surpluses in the Community have reached dangerous proportions.

Yes to economic cooperation between the Community and Hungary

40. An EEC-Hungary joint committee should be set up to investigate the scope for a further expansion of economic relations and to submit proposals to that end. Priority should be given to industrial cooperation, investment incentives, joint ventures, cooperation in transport, technology and research, etc.
41. These four central statements are intended to mark the way for the dialogue which the Community must initiate without delay. We hope that it will lead to a trade agreement giving proper consideration to both sides' economic interests, but primarily helping Hungary on its road towards liberalization. This could create a model for East-West cooperation in the heart of Europe, alleviating the consequences of the division of our continent, making everyday life more bearable and more human, and paving the way to the unification of all the people of Europe.

TABLE 1

EEC TRADE WITH HUNGARY

(EEC exports, imports and balance in m ECU)

	1981			1982			1983			1984		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Exports to Hungary												
Imports from Hungary												
France	213,1	151,1	62,0	200,6	165,4	35,1	185,3	173,0	12,3	184,7	197,3	-12,6
Belgium - Luxembourg	81,5	29,1	52,4	90,4	32,5	57,9	100,7	36,9	63,8	98,4	42,5	55,9
Netherlands	140,5	84,9	55,7	155,5	91,1	44,4	120,0	101,1	18,9	141,8	102,1	39,7
Fed. Rep. of Germany	1.056,7	791,7	265,0	1.106,3	776,0	330,3	1.074,1	824,0	250,1	1.225,8	916,2	309,5
Italy	241,4	247,6	-6,2	232,5	309,9	-77,4	236,4	345,0	-108,7	260,7	386,5	-125,8
United Kingdom	151,7	80,4	71,3	137,8	82,5	55,3	155,8	95,3	60,5	167,1	129,5	37,7
Ireland	4,3	4,3	-0,0	3,7	3,3	0,4	8,3	2,4	5,9	8,5	3,6	4,9
Denmark	37,9	31,6	6,3	37,7	55,5	2,2	36,1	42,7	-6,6	41,8	47,4	-5,6
Greece	31,5	40,3	-8,8	18,0	37,3	-19,3	40,3	41,9	-1,6	30,8	39,7	-8,9
E-10 Total	2.958,6	1.461,0	497,6	1.962,4	1.533,4	428,9	1.957,1	1.662,3	294,7	2.159,5	1.864,8	294,8

Source: EUROSTAT

EEC: EXPORTS TO HUNGARY, BY SITC Sections, 1979-1984

TABLE 2

Value in Mio ECU

SITC SECTION	EXPORTS TO HUNGARY					
	1979	1980	1981	1982	1983	1984
Food and live animals	62	53	85	82	93	84
Beverages and tobacco	4	3	13	9	16	12
Crude materials-inedible, except fuel	55	59	73	77	80	91
Minerals fuels, lubricants, etc.	20	22	53	20	13	26
Oils and fat-animal and vegetable	4	4	3	4	4	5
Chemicals	272	329	387	394	411	467
Manufactured goods classified by chief material	381	411	496	505	507	548
Machinery and transportation equipment	473	444	574	596	544	597
Miscellaneous manufactured articles	102	121	142	149	149	180
Commodities and transactions not elsewhere classified	107	105	131	127	140	150
Total :	1.478	1.550	1.959	1.962	1.957	2.160
	Percent of total					
Food and live animals	4,1	3,4	4,3	4,1	4,7	3,9
Beverages and tobacco	0,2	0,2	0,6	0,4	0,7	0,6
Crude materials-inedible, except fuel	3,7	3,7	3,7	3,9	4,1	4,2
Mineral fuels, lubricants, etc.	1,3	1,3	2,7	1,0	0,6	1,2
Oils and fats-animal and vegetable	0,2	0,2	0,1	0,1	0,1	0,2
Chemicals	18,3	21,1	19,7	20,0	20,9	21,6
Manufactured goods classified by chief material	25,8	26,5	25,3	25,7	25,9	25,6
Machinery and transportation equipment	31,9	28,6	29,3	30,3	27,8	27,6
Miscellaneous manufactured articles	6,9	7,8	7,2	7,6	7,6	8,3
Commodities and transactions not elsewhere classified	7,2	6,7	6,6	6,4	7,1	6,9
Total :	100,0	100,0	100,0	100,0	100,0	100,0

Value in Mio ECU

SITC SECTION	IMPORTS FROM HUNGARY						
	1979	1980	1981	1982	1983	1984	1985
0. Food and live animals	296	305	354	396	421	475	198
1. Beverages and tobacco	22	25	27	26	21	20	475
2. Crude materials-inedible, except fuel	100	97	109	136	142	174	20
3. Minerals, fuels, lubricants, etc.	63	55	62	50	83	100	174
4. Oils and fats-animal and vegetable	3	6	6	11	8	100	100
5. Chemicals	101	135	155	157	174	194	7
6. Manufactured goods classified by chief material	221	243	218	244	256	313	194
7. Machinery and transportation equipment	129	143	157	161	177	184	313
8. Miscellaneous manufactured articles	297	324	341	324	344	359	184
9. Commodities and transactions not elsewhere classified	24	28	32	30	36	39	359
Total :	1.255	1.359	1.461	1.534	1.662	1.865	1.865
	Percent of total						
0. Food and live animals	23,5	22,4	24,2	25,8	29,3	25,	25,
1. Beverages and tobacco	1,7	1,8	1,8	1,6	1,2	1,	1,
2. Crude materials-inedible, except fuel	8,0	7,1	7,4	8,8	8,5	9,	9,
3. Minerals, fuels, lubricants, etc.	4,9	4,0	4,2	3,2	4,9	5,	5,
4. Oils and fats-animal and vegetable	0,2	0,4	0,4	0,6	0,4	0,	0,
5. Chemicals	8,0	9,9	10,6	10,2	10,4	10,	10,
6. Manufactured goods classified by chief material	17,6	17,8	14,8	15,9	15,3	16,	16,
7. Machinery and transportation equipment	10,2	10,4	10,7	10,4	10,6	9,8	9,8
8. Miscellaneous manufactured articles	23,6	23,8	23,3	21,1	20,7	19,3	19,3
9. Commodities and transactions not elsewhere classified	1,9	2,0	2,2	1,9	2,1	2,1	2,1
Total :	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Sources: EUROSTAT

MOTION FOR A RESOLUTION

tabled by Mr SEELER, Mrs WIECZOREK-ZEUL and Mr HITZIGRATH
on behalf of the Socialist Group

pursuant to Rule 47 of the Rules of Procedure

on the European Community's trade relations with Hungary

The European Parliament,

- A. having regard to its resolution of 17 October 1980 on the follow-up meeting to the Conference on Security and Cooperation in Europe in Madrid, in which Parliament laid down its basic principles for the relations of the Community and its Member States with the countries of Eastern Europe in economic matters,
- B. welcoming the resumption of talks between representatives of the USA and the Soviet Union on arms limitation, disarmament and the related subject of East-West relations,
- C. having regard to the efforts of Parliament to expand East-West trade on the basis of a report by the Committee on External Economic Relations on 'relations between the European Community and the East European state-trading countries and CMEA (COMECON) - 1-531/82', while allowing the development of trade relations between the states party to the Helsinki Final Act with the liberalization of the exchange of persons and information,
- D. having regard to the historical importance of Hungary as a mediator with the states and peoples of Eastern Europe,
- E. having regard to the growing trend towards liberalization in Hungary,
 1. Takes the view that the economic and trade relations between the European Community and Hungary should be codified and expanded through a cooperation treaty;
 2. Expects the Commission, in close collaboration with the governments of the Member States to improve the conditions for the expansion of economic and trade relations;
 3. Calls on the committee responsible to draw up a report, examining the possibilities for comprehensively stepping up trade relations between the European Community and Hungary.

Friday, 13 June 1986

8. Trade relations between the Community and Hungary

— Doc. A2-28/86

RESOLUTION

on possible trade relations between the European Community and Hungary

The European Parliament,

- having regard to its resolution of 15 October 1980 on the meeting to be held in Madrid within the framework of the follow-up to the Conference on Security and Cooperation in Europe, in which Parliament laid down the principles for economic relations between the Community and its Member States and the countries of Eastern Europe ⁽¹⁾,
- having regard to its resolution of 11 October 1982 on relations between the European Economic Community and the East European State-trading countries and the CMEA (Comecon) ⁽²⁾,
- having regard to its resolution of 24 October 1985 on relations between the European Community and the countries of Central and Eastern Europe ⁽³⁾,
- having regard to the motion for a resolution tabled by Mr Seeler and others on behalf of the Socialist Group on trade relations between the European Community and Hungary (Doc. B2-31/85),
- having regard to the report of the Committee on External Economic Relations (Doc. A2-28/86),

- A. appreciating Hungary's historical significance for the development of south east Europe and its efforts to go its own way, in pursuing internal reforms, within the Communist community of states (Comecon), in accordance with the traditions of its people and its characteristics,
- B. appreciating the Hungarian economic reform programme, which since 1968 through the 'New Economic Mechanism' (NEM) has sought to eliminate the authority of central economic planning with its compulsory targets for undertakings and replace it by largely free price formation, the fixing of wages and salaries in accordance with the profitability of undertakings, worker participation in undertakings' decisions on production programmes and investment priorities and a certain autonomy for companies whilst at the same time restricting the State's influence to the general economic regulators (taxation, credit, etc.), one reason being in order to make it possible to compete with third countries;

extension in recent years of the powers of Hungarian undertakings in certain industries in the field of foreign trade, which have substantially changed the State-monopoly nature of Hungarian foreign trade; but also appreciating the goal of developing a 'second economy' through 'economic partnership', substantial private commerce and the expanding small businesses sector, leading to more autonomy, independence, freedom and increased economic efficiency in Hungary;

- C. recognizing the freedom of movement in Hungary which like the measures referred to in recitals B, D and E, is seen as evidence of a desire on the part of the Communist leadership to implement the Helsinki resolutions and has produced a situation in which every Hungarian may travel to the West once a year and, moreover, has the right to seek employment there in return for an undertaking to invest one-fifth of his earnings in Hungarian currency; and recognizing the freedom for foreign visitors to Hungary to travel throughout the country without hindrance,

⁽¹⁾ OJ No C 291, 10. 11. 1980, p. 24.

⁽²⁾ OJ No C 292, 8. 11. 1982, p. 15.

⁽³⁾ OJ No C 343, 31. 12. 1985, p. 92.

Friday, 13 June 1986

- D. appreciating the new electoral law introduced in 1985 designed to introduce 'socialist democracy' in Hungary and, for the first time in a Comecon country, allowing election meetings to nominate up to four candidates for each constituency, with the result that out of the 387 members of the present Hungarian Parliament, 43 had stood as independents,
- E. having regard to the 'CSCE Cultural Forum' held in October and November 1985 in Budapest, involving not only many official talks with Hungarian politicians, but also parallel events (parallel symposium of the International Helsinki Federation for Human Rights) organized privately, at which about 150 opposition writers, intellectuals and others were freely able to talk to Western visitors and give lectures,
1. Believes, with regard to relations between the European Community and Hungary that the European Community must do all within its power to obtain an agreement on trade and economic cooperation tailored to Hungary's economic and political characteristics and following the principle of dealing with Hungary as it really is;
 2. Considers in particular that a gradual adjustment of imports would be desirable in so far as the Community's international commitments allow;
 3. Does not believe, in view of Hungary's aforementioned special characteristics by comparison with other State-trading countries, that the gradual liberalization of trade with Hungary would necessarily constitute a precedent for the European Community's common commercial policy towards State-trading countries;
 4. Notes that in Hungary, which is also a member of the GATT, pricing is linked to market factors far more than in the other Comecon countries, where prices are set primarily on political grounds;
 5. Takes note of the discussions which have taken place so far between the Commission and the Government of Hungary and considers that, should the Government of Hungary indicate a willingness to conclude a formal trade cooperation agreement with the Community, the Commission should seek authorization from the Council, without delay, in order to negotiate and conclude such an agreement;
 6. Considers it vital to conclude an agreement on trade and economic cooperation with Hungary including the following points:
 - (a) the gradual raising of quantitative import restrictions according to a specified timetable, taking into account the sectoral and regional sensitivity of the individual products;
 - (b) a safeguard clause giving the Community's internal market adequate protection in the event of changes in economic circumstances;
 - (c) customs arrangements on a reciprocal basis for an agreed list of commodities according to a timetable;
 - (d) in respect of agriculture, a new approach that takes account of Hungary's need to export, whilst observing reciprocity and respecting the sectoral and regional sensitivity of individual Community products;
 - (e) the establishment of an EEC-Hungary joint committee instructed to consider the further expansion of economic relations (e.g. industrial cooperation, joint ventures in transport, technology and research) for mutual benefit, and to draw up appropriate proposals;
 7. Calls on the Commission to inform the European Parliament and/or its appropriate committee regularly of the progress of its efforts to initiate negotiations with Hungary and to submit a report after no more than one year, on the results obtained from such negotiations or, alternatively, on the reasons that prevented negotiations taking place;

Friday, 13 June 1986

8. Instructs its President to forward this resolution to the governments of the Member States and the Council and Commission.