



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12.09.1997
COM(97) 452 final

97/0236 (ACC)

Proposal for a Decision of the Council and the Commission

on the position to be taken by the Community within the Association Council established by the Europe Agreement signed on 16 December 1991 between the European Communities and their Member States of the one part, and the Republic of Poland of the other part regarding the extension of the period during which Poland may grant public aid in the steel sector

(presented by the Commission)

Explanatory Memorandum

1. In accordance with Article 8.4. of Protocol 2 to the Europe Agreement with Poland, during the first five years after the entry into force of the Agreement Poland may exceptionally, as regards ECSC steel products, grant public aid for restructuring purposes under the conditions mentioned in that Article.
2. The period of five years referred to above expired on 31 December 1996.
3. In accordance with Article 8.4. of Protocol 2 to the Europe Agreement, the Association Council has, taking into account the economic situation of Poland, to decide whether the above-mentioned period of five years could be extended.
4. In November 1996 Poland requested the extension of the period during which it may grant public aid in the steel sector. This request has been examined by the Commission and the Council, with the result that in its Common Position which was presented at the Association Council meeting of 30 April 1997, the Community side expressed its agreement in principle to the extension of the above-mentioned period under the conditions specified in the attached draft Association Council Decision, accompanied by the attached Joint Declaration of the Council and the Commission of the European Communities.
5. The Commission therefore requests the Council to adopt the attached proposal for a Decision of the Council and the Commission as well as the Joint Declaration of the Council and the Commission of the European Communities annexed to it.

Proposal for a Council and Commission Decision

on the position to be taken by the Community within the Association Council established by the Europe Agreement signed on 16 December 1991 between the European Communities and their Member States of the one part, and the Republic of Poland of the other part regarding the extension of the period under which Poland may grant public aid in the steel sector

THE COUNCIL OF THE EUROPEAN UNION,

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

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

Having regard to the Treaty establishing the European Coal and Steel Community, and in particular Article 95 thereof,

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

After consulting the ECSC Consultative Committee,

Whereas the European Communities and their Member States have concluded a Europe Agreement with the Republic of Poland on 13 December 1993,

Whereas Article 8.4. of Protocol 2 to the Europe Agreement lays down that the Parties recognise that during the five first years after the entry into force of the Agreement, Poland may exceptionally, as regards ECSC steel products, grant public aid for restructuring purposes under the conditions mentioned in that Article, and that the Association Council shall, taking into account the economic situation of Poland, decide whether the period of five years could be extended,

HAVE DECIDED AS FOLLOWS:

The position to be taken by the Community within the Association Council established by the Europe Agreement signed on 16 December 1991 between the European Communities and their Member States of the one part, and the Republic of Poland of the other part regarding the extension of the period during which Poland may grant public aid in the steel sector shall be based on the draft decision of the Association Council annexed to this Decision.

Done at Brussels on

For the Council

For the Commission

**Association Agreement between the European Union
and the Republic of Poland
The Association Council**

**Draft Decision no. of the Association Council between the European Communities
and their Member States of the one part and the Republic of Poland of the other part of
... adopting the extension of the period during which Poland may grant public aid in
the steel sector**

THE ASSOCIATION COUNCIL

Whereas the Europe Agreement in its Protocol 2, Article 8.4 provides that the Association Council shall, taking into account the economic situation of Poland, decide whether the period of five years for granting state aid in the Polish steel sector could be extended,

Having taken into account the economic situation of Poland,

Having taken into account that there is still a necessity of considerable rationalisation of production structure of the Polish steel industry,

HAS DECIDED AS FOLLOWS:

Article 1

The period during which Poland has been exceptionally allowed, under Article 8.4. of Protocol 2 to the Europe Agreement, as regards ECSC steel products, to grant public aid for restructuring purposes under the conditions mentioned in that Article, is extended until 31.12.1999. The Association Council may, taking into account the economic situation of Poland and the implementation of the restructuring of the Polish steel sector in the period 1996-1999, decide to further extend this period until 31.12.2001.

Article 2

The conditions mentioned under Article 8.4. of Protocol 2 for granting such state aid remain valid and fully applicable. Poland will inform the Association Committee on the individual aid to individual companies two months before the granting of the aid in the framework of concrete restructuring.

Article 3

The implementation of the restructuring of the Polish steel sector shall be subject to a continuous review and exchange of information by means of two annual meetings between the Commission of the European Communities and Poland.

For the Republic of Poland

For the Council of the European Union

Joint Declaration by the Council and the Commission of the European Communities

Although the present Polish restructuring plan is, in the view of the Union, still far from being satisfactory, the Council and the Commission of the European Communities agree to grant to Poland a three year extension of the period during which state aids can be granted under the conditions mentioned under Article 8.4. of Protocol 2 of the Europe Agreement, with the understanding that the modified restructuring plan, which will be submitted soon, will be in full conformity with Article 8.4. of Protocol 2.

For the fulfillment of these conditions, the implementation of the restructuring programme of the Polish steel sector shall be subject to a continuous review and exchange of information.

For the implementation of Decision .../... of the Association Council, the Commission of the European Communities will continue consultations with Poland about certain specific issues, namely:

- the Polish restructuring plan for the period up to 2001;
- the reference period for measuring changes in capacity (1992 or later), and
- the reduction of the production capacity for hot-rolled products, having regard to the overcapacity in the relevant market.

These elements shall also be taken into account when assessing concrete state aid cases.

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