



TOGETHER IN EUROPE



EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

RELATIONS WITH THE COMMUNITY

EU STARTS TO DEVELOP STRATEGY FOR ACCESSION OF CENTRAL AND EAST EUROPEAN COUNTRIES

The EU Council of Foreign Ministers will hold, during its meeting on 18 July, the first discussion over the Commission's draft proposal on the "Strategy for Central and East European Countries's Accession to the European Union". As we go to press, the European Commission has not yet finalized the 7 page draft paper to be discussed by the Council on July 18. The days which preceded the Commission's formal discussion over the "Strategy Paper" on 13 July, were occupied by efforts to adopt contributions and positions of individual Commissioners to be able to produce a single political draft paper to be handed over to the Council, possibly on July 14-15. The formulations from the paper discussed by the Commission on 13 July are still, as we go to press, being refined and for the foreign ministers. Then there is an extensive "annex" produced mostly under the responsibility of Commissioner Leon Brittan. This "annex" believed to contain some more concrete proposals, will continue to be processed by the Commission's specialists at least until the end of July and then it will be transferred (probably in early September) to the Council's working group. The "annex" as such will not be discussed by the foreign ministers on July 18.

Following the Council's discussion, the working group will continue work on the basic political document as well as annexes, with the aim of finalizing the work for a substantial discussion within the EU Council of Foreign Ministers in October. Then the political document and the annexes will be adopted for final decision to be made by the EU Heads of State and Government during their Essen Summit in early December.

It is likely that following the Council's discussions of Monday 18 July, comments could indicate certain disappointment that the EU under the German Presidency is not moving far enough in presenting a somewhat more precise plan and timetable for the future accession of the associated countries of central and eastern Europe into the EU. However, this is not the aim of the "Strategy Paper" and it was clearly said in Brussels, that the scope of the institutional problems linked to the next enlargement of the EU is so well known, and the way in which this would be resolved so unpredictable, that it is unrealistic to expect that during the

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German presidency some indications concerning timetable and accession negotiations, could be provided.

In principle the **“Strategy for Central and East Europe Accession to the EU”** aims to establish guidelines for the process under which the structural relationship between the European Union and the associated countries could be expanded and deepened, guidelines on how to gradually build up the enlargement process, and in particular it shall, via the **“White Paper”** which will later be drafted by the European Commission, set up concrete guidelines on **“Pan-European Convergence”**.

In a way, it will be the **“White Paper”** which will determine the process of enlargement. Its aim will be, probably later this year and after consultations with associated countries of central and eastern Europe, to set forward ideas on **how to jointly meet the obligations of the Single market for each associated country of central and eastern Europe**. The key word is **“jointly”**. This means a common plan for the necessary changes to be made in accession candidate countries of the CEEC in order to operate fairly in the EU's expanded Single market. But it also means, the necessary adoption of EU individual policies to facilitate the involvement of the associated countries in the Single market.

The Commission says that the White Paper and other points of the **“Strategy”** do not mean that the process of accession means firstly to develop something similar to the EEA (European Economic Area) between the EU and EFTA countries. The EEA indeed established a framework for the expansion of the Single market to EFTA countries and facilitated enlargement negotiations with Austria, Finland, Sweden and Norway. According to the Commission the process with associated CEEC countries will not mean a building up of an **“anti-chamber”** to the accession, but may mean a part of the direct accession process. There are as yet no proposals for the construction of common **“Single market”** institutions for the EU and central and eastern Europe. This, it is said, indicates clearly that the accession of CEEC into the EU is the aim, and not the building up of other structures. On the other hand the **“Strategy Paper”** may, as it will be indicated below in the discussion of its main point, seriously question the likelihood that the accession negotiations could eventually start as early as in 1997 following the EU's intergovernmental conference. The implications also are that accession by 2000 is strongly unlikely.

Strategy paper :

The paper re-confirms the objective adopted during the Copenhagen Summit that the associated countries will eventually become members of the EU, as well as the conclusions of the June 1994 Corfu Summit. **The strategy to be followed is that of fulfilling the two major conditions adopted during Copenhagen Summit :**

--- the existence in the candidate countries of the ability to **cope with competitive pressure and market forces within the Union**.

--- the ability to absorb new members while maintaining the momentum of European integration.

Thus the strategy which will be formulated by Essen Summit in final form, is that of an active joint work of the two partners on establishing the conditions on both sides, which will allow central and east European countries to take full participation in the Single Market.

Political and institutional aspects :

The **“strategy”** aims at intensification of political and institutional cooperation in the sense of the proposal adopted in March this year : **“Reinforced political and Security Dialogue”** (cf details in No.45, pp3-5). This means a broad involvement of the CEEC in the second pillar of the Maastricht as well as intensified and formalized cooperation with the EU in the **“third pillar”** of Maastricht, ie cooperation in justice/home affairs.

In this framework there have been only joint meetings on the margins of the Transport Council, and one meeting on the perimeter of the ECOFIN Council. This shall be expanded to other fields and transferred into true cooperation and not only discussions over dinner.

Trade aspects :

The **“Strategy”** doesn't contain **any new proposals, except bringing the Interim Agreements with Bulgaria and Romania to the level of the four central European countries**. In this way the timetable and the scope of trade liberalization will be made uniform throughout all the associated countries of central and eastern Europe and the situation of **“free market area”** will be reached at the same time.

The position of the Commission which will be also adopted on 18 July by the Council is that **Association agreements following the improvement adopted in Copenhagen have practically established a free-trade area in industrial products**.

In fact trade in industrial products will be fully liberalized as of 1 January 1995 with the exception of

textiles, when the liberalization will be completed by 1998, and with exception of steel products, where the limits shall cease by the end of 1995. Then there is the problem of agricultural products.

The "Strategy" doesn't directly answer the problem of trade imbalances (See our article below which brings the latest trade results indicating a steep rise in the EU surplus in trade with the CEEC and the fact that EU now has a significant trade surplus also in food and agricultural products).

But the "Strategy" sets the guidelines for what must be done to substantially broaden trade liberalization and expand market access. It also establishes guidelines for the way the EU could phase out the use of trade defence instruments.

In concrete terms this means that associated countries of central and eastern Europe shall speed up implementation of **major structural changes** which will help them to start to cope with the Single Market :

--- it would be necessary to carry out cuts in steel industry and heavy industry as such.

--- there will have to be reform of agricultural policies in the sense of approaching agricultural policies carried out by CEEC to the reformed CAP (see our discussion in No 52).

--- more effort shall be made in support of SMEs and private sector.

--- there shall be more rapid progress in the reform of the banking sector, financial services and infrastructure as such.

"Strategy's" part Towards the Wider Market aims at concrete steps for integrating CEEC into the Single market : **this is in the establishment and adoption of proper a legal and related system: ie steps already established by the fulfillment of provisions of the association agreements.**

--- development of corresponding competition policy.

--- fulfillment of the rules concerning state aid, subsidies.

--- legal and procedural transparency.

--- protection of intellectual property.

In short this means an accelerated implementation of all the provisions from the association agreements which will help the CEEC to come close to the Single Market provisions.

The "Strategy" aims at the development of "flanking policies" giving assistance to individual moves.

Trade defence measures :

The "Strategy" establishes a link between the dismantling of EU trade defence instruments and progress of CEEC towards fulfilling Single Market conditions. Trade defence instruments (anti-dumping, anti-subsidy and safe-guard measures) will have to continue, but only as far as the CEEC will not further fully adopt to the Single market conditions and mutual trust is built up, making it clear that dumping is not broadly used, that the similar subsidy code and practice are being carried out etc. To this are also linked ideas on the "Social dimension".

Financial Assistance :

"Strategy" advocates a qualitative change in PHARE assistance in favour of more PHARE involvement in investment rather than in technical assistance as such, which in turn shall be more adopted to support the major structural changes indicated above. The figure of increasing the next PHARE budget to ECU 7 billion over five-years is not included in the paper which will be presented to the Council on 18 July, but it is believed that this figure will be re-installed before the Essen Summit as the EU will make an effort to assure that the budgetary authorities have made the necessary moves. ■

EU INITIALS FREE TRADE AGREEMENT WITH ESTONIA

A free trade agreement has now been initialled by the EU and Estonia. The Agreement foresees the creation of a free trade zone for industrial goods. This is the first time that the EU has concluded an agreement on immediate free-trade on a reciprocal basis with a country from central and eastern Europe. This is due to the very liberal trade regime Estonia practices already. Concessions on behalf of the EU have also been agreed for agricultural, processed agricultural and fisheries products. Besides the general regime, trade in textiles products will be ruled by specific provisions, with all tariffs being dismantled upon entry into force of the agreement. Estonia will be able to apply an "infants industries" clause, while the agreement also contains provisions on payments, competition rules, monopolies, customs cooperation and approximation of laws covering trade and customs matters. ■

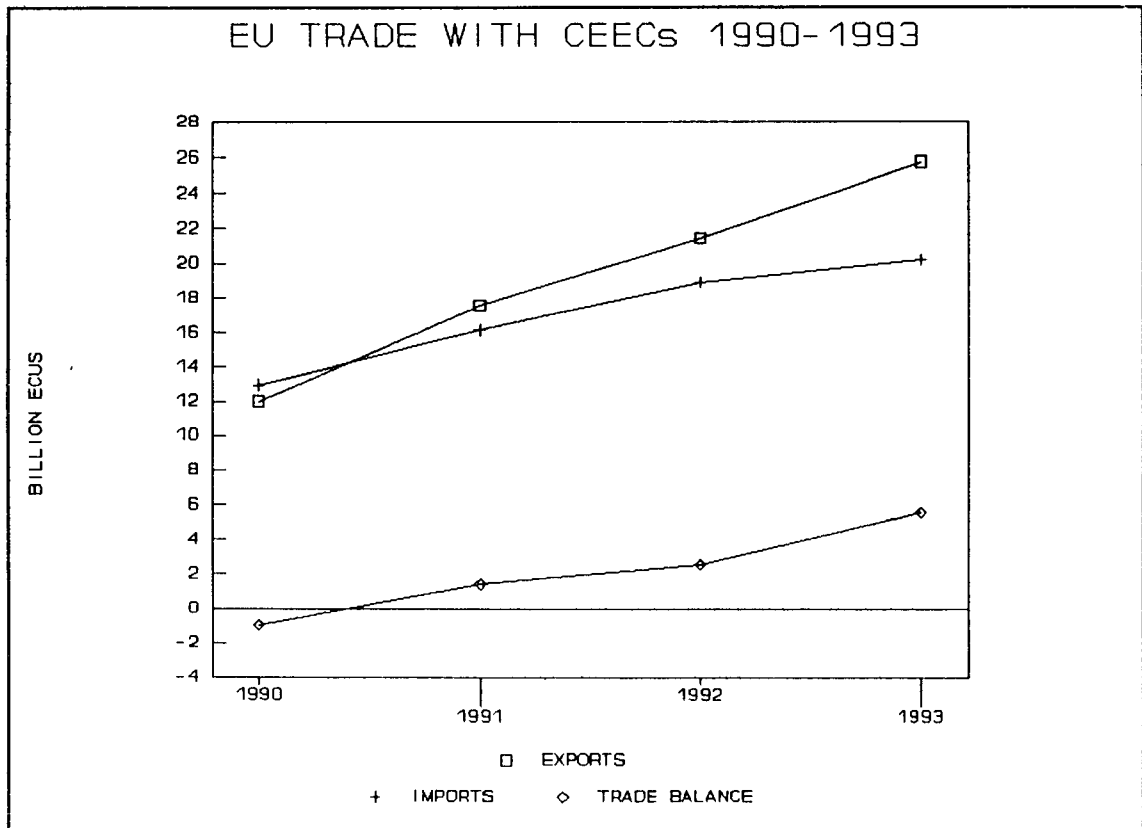
EUROPE UNION'S TRADE WITH ASSOCIATED COUNTRIES OF CENTRAL AND EASTERN EUROPE

The European Union's trade surplus with the six associated countries of central and eastern Europe increased in 1993 by over ECU 3 billion and reached a record value of ECU 5.56 billion. The EU increased its trade surplus with all central and eastern European associated countries. The trade surplus with Poland jumped by ECU 1.3 billion, the surplus with Hungary increased by over ECU 900 million. The surplus in trade with the Czech Republic and Slovakia increased to ECU 1.24 billion in 1993 as compared to ECU 730 million in 1992. Of this the trade surplus with the Czech Republic amounted in 1993 to ECU 1.19 billion.

This picture results from the calculations by East-West and Together in Europe from the statistical data bases of the European Commission. Eurostat has not yet produced official trade statistic for the full year 1993, and its release in early July on the EU's trade with the associated countries of central and eastern Europe referred to the trade flows during the first half of the last year.

The steep increase in the EU trade surplus with the six associated countries in 1993 results from the fact that EU exports grew by 20%, while the increase in imports from the associated countries was much smaller and amounted to only 6.7%. The decrease in EU imports from the associated countries last year was expected, because of the lower demand due to the continued EU economic recession. In absolute terms, EU imports from the associated countries increased by ECU 1.27 billion in 1993. On the other hand the absolute increase in EU exports to the associated countries was quite substantial and amounted to ECU 4.29 billion.

Some of this increase was due to higher exports of machinery and equipment needed for the modernization of economies of central and eastern Europe. However, the bulk of the increase resulted from exports of products intended for consumption in the associated countries. It also confirmed the impact of the trade liberalization which resulted from the Europe Agreements.



(continued on page 9)

EU EXPORTS TO POLAND 1990-1993

'000ECUs (expolf)

| | 1990 | 1991 | 1992 | 1993 |
|--|---------|---------|---------|---------|
| 1 Live animals; animal products | 73638 | 227895 | 157200 | 182807 |
| 2 Vegetable products | 272089 | 209925 | 253543 | 411452 |
| 3 Animal or vegetable fats & oils, products of; prepared edible fats; animal/vegetable waxes | 33472 | 43838 | 77059 | 76185 |
| 4 Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes | 235773 | 514245 | 436222 | 414419 |
| 5 Mineral products | 141680 | 343403 | 498779 | 454362 |
| 6 Products of the chemical or allied industries | 423702 | 733925 | 889851 | 1088068 |
| 7 Plastics & articles thereof; rubber & articles thereof | 164929 | 306613 | 416820 | 565765 |
| 8 Raw hides/skins, leather, furskins & articles thereof; saddlery & harness; travel goods, handbags etc.; animal gut | 45229 | 62841 | 80895 | 89929 |
| 9 Wood & articles of wood; wood charcoal; cork & articles of; manufactures of straw, of esparto or of other plaiting materials; basketware & wicker work | 5547 | 17508 | 22451 | 31435 |
| 10 Pulp of wood or other cellulosic material; waste & scrap of paper/paperboard; paper & paperboard & articles thereof | 71430 | 198808 | 263983 | 325792 |
| 11 Textiles & textile articles | 504570 | 773082 | 943437 | 1202603 |
| 12 Footwear, headgear, umbrellas, walking sticks, whips, riding crops; prepared feathers and articles made therewith; artificial flowers; articles of human hair | 46762 | 87040 | 51203 | 51334 |
| 13 Articles of stone, plaster, cement, asbestos, mica, similar materials; ceramics, glass & glassware | 52746 | 114024 | 14619 | 182389 |
| 14 Natural or cultured pearls, precious or semi-precious stones, precious metals & articles thereof; imitation jewelry; coins | 5919 | 15177 | 20541 | 17929 |
| 15 Base metals & articles of base metals | 263128 | 365887 | 452840 | 557214 |
| 16 Machinery & mechanical appliances; electrical equipment, parts thereof; sound recorders/producers, TV image & sound recorders & reproducers, parts & accessories of such articles | 1374083 | 1883622 | 2067281 | 2400917 |
| 17 Vehicles, aircraft vessels & associated transport equipment | 258683 | 1278749 | 721345 | 1051238 |
| 18 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & apparatus; clocks & watches; musical instruments; parts thereof | 146120 | 228671 | 209056 | 285413 |
| 19 Arms & ammunition; parts & accessories thereof | 3910 | 3277 | 2953 | 2052 |
| 20 Miscellaneous manufactured articles | 80151 | 176974 | 182549 | 196257 |
| 21 Works of art, collectors' pieces & antiques | 7824 | 3413 | 7711 | 2554 |
| 22 Not classified elsewhere | 181932 | 286418 | 382983 | 282393 |
| TOTALS | 4393317 | 7875335 | 8153321 | 9872507 |

EU IMPORTS FROM POLAND 1990-1993

'000ECUs (impolf)

| | 1990 | 1991 | 1992 | 1993 |
|--|---------|---------|---------|---------|
| 1 Live animals; animal products | 530056 | 456273 | 436526 | 358445 |
| 2 Vegetable products | 374218 | 382258 | 273806 | 248815 |
| 3 Animal or vegetable fats & oils, products of; prepared edible fats; animal/vegetable waxes | 9801 | 20618 | 19154 | 13214 |
| 4 Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes | 192378 | 221151 | 222108 | 195120 |
| 5 Mineral products | 626313 | 714271 | 705416 | 762750 |
| 6 Products of the chemical or allied industries | 344822 | 436139 | 397513 | 315212 |
| 7 Plastics & articles thereof; rubber & articles thereof | 148776 | 166827 | 184010 | 189666 |
| 8 Raw hides/skins, leather, furskins & articles thereof; saddlery & harness; travel goods, handbags etc.; animal gut | 66479 | 77130 | 104446 | 96154 |
| 9 Wood & articles of wood; wood charcoal; cork & articles of; manufactures of straw, of esparto or of other plaiting materials; basketware & wicker work | 235481 | 287389 | 384283 | 425617 |
| 10 Pulp of wood or other cellulosic material; waste & scrap of paper/paperboard; paper & paperboard & articles thereof | 44918 | 67180 | 98020 | 92239 |
| 11 Textiles & textile articles | 592860 | 865835 | 1113607 | 1382797 |
| 12 Footwear, headgear, umbrellas, walking sticks, whips, riding crops; prepared feathers and articles made therewith; artificial flowers; articles of human hair | 84851 | 113589 | 124957 | 115562 |
| 13 Articles of stone, plaster, cement, asbestos, mica, similar materials; ceramics, glass & glassware | 80160 | 123292 | 127847 | 129532 |
| 14 Natural or cultured pearls, precious or semi-precious stones, precious metals & articles thereof; imitation jewelry; coins | 36868 | 28660 | 30382 | 45630 |
| 15 Base metals & articles of base metals | 858521 | 1078156 | 1338479 | 1036096 |
| 16 Machinery & mechanical appliances; electrical equipment, parts thereof; sound recorders/producers, TV image & sound recorders & reproducers, parts & accessories of such articles | 416302 | 433037 | 483656 | 583881 |
| 17 Vehicles, aircraft vessels & associated transport equipment | 159677 | 183563 | 405011 | 796997 |
| 18 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & apparatus; clocks & watches; musical instruments; parts thereof | 22452 | 28876 | 33379 | 37236 |
| 19 Arms & ammunition; parts & accessories thereof | 539 | 593 | 319 | 521 |
| 20 Miscellaneous manufactured articles | 205425 | 324923 | 418878 | 549388 |
| 21 Works of art, collectors' pieces & antiques | 2879 | 1984 | 3281 | 5238 |
| 22 Not classified elsewhere | 122668 | 199950 | 173383 | 185933 |
| TOTALS | 5156444 | 6211694 | 7078461 | 7566043 |

EU EXPORTS TO HUNGARY 1990-1993
 '000ECUs (exhunj)

| | 1990 | 1991 | 1992 | 1993 |
|--|----------------|----------------|----------------|----------------|
| 1 Live animals; animal products | 10498 | 12832 | 31691 | 62129 |
| 2 Vegetable products | 40679 | 52196 | 64571 | 88151 |
| 3 Animal or vegetable fats & oils, products of; prepared edible fats; animal/vegetable waxes | 7015 | 7756 | 10982 | 12042 |
| 4 Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes | 60918 | 79705 | 121414 | 176941 |
| 5 Mineral products | 11427 | 46395 | 27498 | 29482 |
| 6 Products of the chemical or allied industries | 358172 | 408822 | 455431 | 542234 |
| 7 Plastics & articles thereof; rubber & articles thereof | 133557 | 150733 | 183376 | 228568 |
| 8 Raw hides/skins, leather, furskins & articles thereof; saddlery & harness; travel goods, handbags etc.; animal gut | 93475 | 98172 | 103076 | 114291 |
| 9 Wood & articles of wood; wood charcoal; cork & articles of; manufactures of straw, of esparto or of other plaiting materials; basketware & wicker work | 22420 | 28239 | 13683 | 18633 |
| 10 Pulp of wood or other cellulosic material; waste & scrap of paper/paperboard; paper & paperboard & articles thereof | 73898 | 94245 | 111227 | 133227 |
| 11 Textiles & textile articles | 383700 | 459042 | 553748 | 602271 |
| 12 Footwear, headgear, umbrellas, walking sticks, whips, riding crops; prepared feathers and articles made therewith; artificial flowers; articles of human hair | 48316 | 66569 | 77514 | 84179 |
| 13 Articles of stone, plaster, cement, asbestos, mica, similar materials; ceramics, glass & glassware | 58078 | 60482 | 68425 | 90822 |
| 14 Natural or cultured pearls, precious or semi-precious stones, precious metals & articles thereof; imitation jewelry; coins | 14643 | 15625 | 16155 | 13910 |
| 15 Base metals & articles of base metals | 183099 | 226971 | 235204 | 319803 |
| 16 Machinery & mechanical appliances; electrical equipment, parts thereof; sound recorders/producers, TV image & sound recorders & reproducers, parts & accessories of such articles | 909070 | 989363 | 1090888 | 1360572 |
| 17 Vehicles, aircraft vessels & associated transport equipment | 182828 | 341614 | 490099 | 616720 |
| 18 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & apparatus; clocks & watches; musical instruments; parts thereof | 107523 | 123891 | 144424 | 159372 |
| 19 Arms & ammunition; parts & accessories thereof | 222 | 605 | 1006 | 1968 |
| 20 Miscellaneous manufactured articles | 45547 | 87271 | 144430 | 159948 |
| 21 Works of art, collectors' pieces & antiques | 6613 | 8801 | 2451 | 3234 |
| 22 Not classified elsewhere | 123449 | 126042 | 113154 | 125935 |
| TOTALS | 2875147 | 3485371 | 4060447 | 4944432 |

EU IMPORTS FROM HUNGARY 1990-1993

'000ECUs (imhuf)

| | 1990 | 1991 | 1992 | 1993 |
|--|---------|---------|---------|---------|
| 1 Live animals; animal products | 380358 | 433439 | 398122 | 344202 |
| 2 Vegetable products | 166620 | 235581 | 205530 | 193285 |
| 3 Animal or vegetable fats & oils, products of; prepared edible fats; animal/vegetable waxes | 11440 | 16404 | 13094 | 10873 |
| 4 Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes | 155332 | 234213 | 213841 | 166947 |
| 5 Mineral products | 94862 | 92877 | 70372 | 72982 |
| 6 Products of the chemical or allied industries | 200117 | 223132 | 221242 | 209621 |
| 7 Plastics & articles thereof; rubber & articles thereof | 137554 | 196734 | 241073 | 213348 |
| 8 Raw hides/skins, leather, furskins & articles thereof; saddlery & harness; travel goods, handbags etc.; animal gut | 55833 | 68586 | 76854 | 63406 |
| 9 Wood & articles of wood; wood charcoal; cork & articles of; manufactures of straw, of esparto or of other plaiting materials; basketware & wicker work | 87416 | 103869 | 108957 | 88346 |
| 10 Pulp of wood or other cellulosic material; waste & scrap of paper/paperboard; paper & paperboard & articles thereof | 30861 | 36522 | 45762 | 39741 |
| 11 Textiles & textile articles | 464684 | 554441 | 657397 | 696337 |
| 12 Footwear, headgear, umbrellas, walking sticks, whips, riding crops; prepared feathers and articles made therewith; artificial flowers; articles of human hair | 99945 | 133558 | 171285 | 166769 |
| 13 Articles of stone, plaster, cement, asbestos, mica, similar materials; ceramics, glass & glassware | 53635 | 83464 | 91729 | 97213 |
| 14 Natural or cultured pearls, precious or semi-precious stones, precious metals & articles thereof; imitation jewelry; coins | 7872 | 10329 | 6493 | 5737 |
| 15 Base metals & articles of base metals | 390118 | 358932 | 412761 | 383449 |
| 16 Machinery & mechanical appliances; electrical equipment, parts thereof; sound recorders/producers, TV image & sound recorders & reproducers, parts & accessories of such articles | 412130 | 542660 | 654713 | 804170 |
| 17 Vehicles, aircraft vessels & associated transport equipment | 35251 | 81567 | 128768 | 125893 |
| 18 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & apparatus; clocks & watches; musical instruments; parts thereof | 15353 | 24558 | 35330 | 36014 |
| 19 Arms & ammunition; parts & accessories thereof | 2150 | 2538 | 2100 | 2073 |
| 20 Miscellaneous manufactured articles | 83995 | 131776 | 161880 | 157728 |
| 21 Works of art, collectors' pieces & antiques | 3856 | 3596 | 3978 | 9337 |
| 22 Not classified elsewhere | 44486 | 55772 | 64012 | 58799 |
| TOTALS | 2933868 | 3624548 | 3985293 | 3946270 |

(see page 4)

In the area of machinery and equipment, (excluding transport equipment and vehicles), the biggest market for EC exports is that of the former Czechoslovakia. In 1993 the EU exported to the Czech Republic, machinery & equipment worth ECU 2.2 billion and to Slovakia worth ECU 0.4 billion. These exports expanded by 10%. The second biggest market is the Polish one which took machinery products worth ECU 2.4 billion last year. This was more than ECU 300 million against 1992. Altogether the increase in EU exports of machinery and equipment in 1993 to the six associated countries of central and eastern Europe amounted to ECU 1.1 billion. This, however, means that higher exports of machinery and equipment to the associated countries shared only 25% of the total rise in EU exports.

In the field of vehicles and related transport equipment the trade more or less stagnated last year following a strong upward trend in previous years. Nevertheless the EU's surplus with the six associated countries in this field amounted to ECU 1.15 billion. During the 1990-1993 period, EU exports of vehicles and other transport equipment jumped by 320%. In absolute terms this means a jump from exports worth ECU 630 million in 1990 to ECU 2.65 billion in 1993.

Agricultural products and food :

Data on 1993 agricultural and food trade between the EU and six associated countries confirm the conclusion made by Mr. H. Nallet and Mr. Van Stolk in their report submitted in June to Mr. Steichen, Commissioner in charge of agriculture. The conclusions said it is more likely that the EU agricultural products will disturb farming in the CEEC rather than the reverse. They also concluded that the Association agreements had not had a positive effect in this field. (see.No52, pp2-3).

In 1993 EU exports of agricultural products and food to the six associated countries increased by 23.8%, while imports from the six central and eastern European countries fell by 14.9%. The European Union has managed to improve its trade balance in agriculture and food with the associated countries by some ECU 825 million in 1993. In 1993 the EU still had a trade deficit of ECU 300 million but this turned in 1993 to an ECU 525 million trade surplus.

Hungary is now the only associated country which has a trade surplus in food and agricultural products with the EU. This surplus was, however, reduced to ECU 376 million as EU agricultural exports to Hungary increased by 48% last year, while imports from Hungary declined by 14%. EU agricul-

tural exports to Poland were only worth in 1990 ECU 235 million while in 1993 they amounted to nearly ECU 1.1 billion. During the same time agricultural imports from Poland fell from ECU 1.1 billion in 1990 to ECU 815 million last year. The EU's traditional deficit in agricultural trade with Bulgaria turned into an ECU 50 million surplus last year. In particular EU exports to Bulgaria of prepared foodstuffs, beverages and related products increased in 1992 by 90 % and by 54 % in 1993. In 1993 EU supplied Bulgaria with twice as much foodstuffs than vice-versa.

Textiles :

Trade liberalization between the EU and the six associated countries gave an especially strong boost to trade in textiles and textiles articles. These now represent, depending on each associated country, either the second or sometimes third most important trade flow in mutual trade. The EU trade deficit in 1993 declined marginally from ECU 750 million in 1992 to slightly over ECU 700 million last year. Trade in textiles was the field in which trade most expanded since 1990 with the exception of trade with Hungary.

EU textile exports to the six associated countries were worth ECU 3 billion in 1993. This represents 12 % of total EU exports to the six countries. Imports from the associated countries were worth ECU 3.7 billion, ie they shared 18.4 % of total imports from the associated countries.

Steel products :

The early 1990s saw a strong expansion in EU imports of steel and steel products from the associated countries of central and eastern Europe. In 1993 the EU effectively arrested the continuation of this trend. Steel imports for the Czech Republic and Slovakia declined by 1.3%, from Poland they fell by 22.6%, from Hungary imports declined by 7%. Imports from Bulgaria were down by 25% and from Romania by over 11%. The expansion of steel exports from the EU to associated countries continued last year. Total EU imports of iron and steel from the six associated countries were last year worth slightly over ECU 2.6 billion, while EU exports to the associated CEE countries increased to ECU 1.5 billion.

Note :

The enclosed tables (pp5-8) bring details of 1990-1993 trade with Poland and Hungary. The trade is broken-down into 22 main categories. Data was calculated by East-West from the European

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(see page 9)

Commission's statistical data base. Because of space reasons we are unable to publish similar data for the Czech Republic, Slovakia, Bulgaria and Romania as well as more detailed breakdowns for Poland and Hungary.

We would like to inform our readers that in late June, East-West produced a 57 page detailed statistical report on EU trade with the six associated countries of central and eastern Europe which covers trade developments in full 1993 and the trade since 1990. Data published on pp.5-8 is taken

from this report, which in addition brings more detailed breakdowns for number of key types of products. "Together in Europe" is now able to offer the East-West's statistical report to its readers in associated countries of central and eastern Europe at a specially reduced price of BF 4,400 (ECU 110) as against normal price of BF 7,500. Anyone interested in receiving the full statistical report, please place your order with : **Together in Europe/East-West, 10 blvd. St. Lazare, 1210 Brussels. Fax (32-2) 218 19 85.** ■

ECOFIN SUPPORTS BALANCE OF PAYMENTS ASSISTANCE TO SLOVAKIA, PROBLEMS OVER AID TO ALBANIA

The first meeting of the ECOFIN Council under the German Presidency (with an active participation of "observers" from the four EFTA countries joining the EU) mainly discussed recommendations on economic policy and other follow up to the Corfu European Council, but the ministers were also able to make some first steps which will, later on this year, lead to granting macroeconomic financial assistance to Slovakia and Albania.

Assistance to Slovakia :

The first discussions within the ECOFIN over the balance of payments assistance package to Slovakia passed without difficulties. Slovakia has agreed with the IMF a macroeconomic program which, however, leaves a financing gap of ECU 260 million which the G-24 Countries are requested to cover.

The portion of the EU and its member states will be ECU 130 million. Half of it covered by the EU and the other half by member states.

ECOFIN has favorably received a presentation by

Vice-President of the Commission Mr. H. Christophersen as well as an oral report by Commission President Delors. The ministers agreed to send a positive signal to other G-24 members and it was decided that the Commission will prepare a formal proposal to the Council for a decision later on. In principle the funds will be disbursed in two tranches.

As the meeting of the ECOFIN Council was convened, former Slovak Premier Minister and now the head of the Slovak Christian Democratic Party (KDH) Mr. Carnogursky was having discussions with Commissioners Leon Brittan and van den Broek. This visit was organized by the European Commission under a special programme of informal discussions with leading personalities from the associated countries over the shaping of the policy towards a wider Europe.

Assistance to Albania :

The discussions over financial assistance in the form of grant to Albania were hampered by the attitude taken by Greece. The ECOFIN accepted

in principle an ECU 35 million grant to Albania to be disbursed in two tranches : the first one of ECU 15 million, the second ECU 20 million. The principle of providing the grant was agreed, but the matter was transferred for the decision to the next EU General Council. The foreign ministers who will meet on July 18 will have to establish the conditions for the release of the second tranche. This, it is expected, will allow Greece reservations to be overcome. This political conditionality will be related to the respect of human rights and minorities in Albania and further progress in democratization.

PHARE assistance to Albania :

In 1994 Albania is benefiting from ECU 20 million under the PHARE assistance programme. This grant assistance goes mainly to sectorial restructuring, development of infrastructure, development of human resources and towards reform of the institutions.

Financing Proposals under 1994 programme are likely to be approved by September by the PHARE Managing Committee. ■

EIB LOANS FOR ECU41M FOR RAIL AND ROAD PROJECTS

In the context of the first European Community/Slovenia financing protocol (1993-1997), the EIB has decided to grant two loans over twenty years for a total of Ecu41 million for the modernization of Slovenia's road and rail networks. DARS, a company recently created for the financing, construction and management of motorways, is to receive Ecu28 million which will help it to finance the transformation of secondary roads into a 55km motorway around the East-West corridor Ljubljana-Celje. New ring roads will help traffic, improve safety and reduce noise pollution. By the end of 1996, the EIB's financial participation in this project should reach Ecu90 million.

The Slovenian railway (Slovenske Zeleznice) is to be granted Ecu13 million in order to improve the main international lines. The credits will be used for modernizing level crossings, tunnels and the rail telecommunications network due to the installation of digital exchanges and optical fibre cables. ■

HUMANITARIAN AID TO EX-YUGOSLAVIA

The EC has decided to grant Ecu34m in favour of the victims of the conflict in the ex-Yugoslavia. The aid will be distributed in the following way:

- Ecu20m to the UN Refugee Fund. This will be divided into Ecu17.12m for Bosnia-Herzegovina, and Ecu1.44m respectively to Croatia and Serbia Montenegro. The aid will be used for medical supplies, shelter, the supply of domestic goods, rehabilitation of important sectors including water supply.
- Ecu6.18m needed by Non-Governmental Organisation partners of ECHO in the above mentioned regions. Ecu2.5m has been reserved for urgent hygiene projects, the other projects being in the domain of medicine and food aid.
- Ecu3.6m for direct food aid in conjunction with ECHO and The EC Task Force in Croatia.
- Ecu2.1m of aid for the former Yugoslav republic of Macedonia. ■
- Ecu2.1m to Mostar.

DEVELOPMENTS WITHIN THE EC

REGIONAL IMPLICATIONS OF ENLARGEMENT

The envisaged enlargement of the EU on 1 January 1995, will require a certain amount of adaptation for the EFTA countries with regard to regional policies, according to EC Commissioner Bruce Millan. Further enlargement east would have "substantial implications", and the central and eastern European countries do not account for the budgetary constraints of structural funds.

The forthcoming enlargement alters the geographical balance of the European Union. In terms of population, there is a 7% increase, but emphasised Millan, this needs to be contrasted to the fact that territories of the new EU

will have been extended by 50%. This is particularly the case in Scandinavia. In terms of climate, with the exception of Austria, for the first time there will be Arctic regions within the EU.

Barents Sea

Cooperation with Russia is "of important concern". The "geographical balance is shifting" and this affects the southern countries, moreso in relation to the CEECs potential accession. However funding on the part of Russia will have to come from TACIS funds. External funding is not within Millan's brief. Important in this area is the issue of pollution, but

Millan conceded that Russia's willingness to use this money remains to be seen.

Europe 2010

Arising from Europe 2000, a Commission document on regional policies, Europe 2010 will be published in September. This will focus on special planning, TENs, urban and rural policies, and the effects of the EFTA countries becoming full Members, and the potential effects of the CEECs joining later on.

Finance

Finance was a "key point" in the enlargement negotiations.

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Excluding Finland, Norway and Sweden will be net contributors to the budget. On the basis of the various criteria (objectives) for selection as an aid recipient, the EC will be designating areas in need from 1995, and payment will come as soon as possible after selection.

Politics

Particularly in the case of Scandinavian countries (who have not yet held their referenda on EU accession), there is a political objective of providing as much assistance as possible. "Satisfactory Regional Policy is important for satisfactory referenda results". The Scandinavians were worried about their own domestic state aid programme, but in this regard, Commissioner Karel Van Miert has taken a substantial step. In June, he came up with criteria unique to the Scandinavian requirements. He extended the objective 6 criterion in such a way as to ensure that aid was not applicable to other regions in the EU, and so as not to prejudice any existing Member States.

Borders

External borders will be significantly altered. For example, Finland's border with Russia is 1,400km. Inter-regional cooperation will be very relevant, and funding will play an important part in this. In some cases, such as the INTERREG programme on Copenhagen-Malmö maritime borders, this will become, from 1 January, an internal issue. The EC has adopted a regulation on the implementation of cross-border cooperation within the framework of PHARE between CEECs and Member states. All PHARE countries sharing a common border with the Union are concerned, regardless of whether it is an inland

or a maritime border. The new programme has a budget of Ecu150m.

Overall, the Member States are happy, and the applicant countries have been dealt with fairly, which should ensure a positive result in the forthcoming referenda.

Meanwhile, "interregional cooperation days" took place in Brussels on 11-12 July, between region in the EU and central and eastern Europe and the CIS. The aim of these "days" is to bring together regions that take part in projects and programmes within the framework of the ECOS/Opening "Community Initiative". This aims at promoting cooperation between the territorial communities of the regions in question. The programme is financed in the framework of Article 10 of the European Regional Development Fund (ERDF) of the EU. The projects cover economic development, local and regional democracy, and urban and environmental services. The next submission of projects is the first to include CIS partners.

RECOMMENDATIONS OF COMMITTEE OF ENQUIRY ON ROAD TRANSPORT

The Committee of Enquiry on road transport has made the following recommendations to the EC. Of interest to central and eastern Europe is that the Committee recommends bilateral negotiations at EU level with eastern European countries on access to the Community market and transit. Market access and transit (to replace existing bilateral national agreements) should be negotiated gradually and linked to progress in harmonizing technical, social and tax regulations, rules on access etc.

Delays on external borders to the EU should also be reduced. It is considered vital to eliminate quantitative market access barriers to ensure that road transport remains competitive and to harmonize operating conditions throughout the EU. Ongoing use of market access quotas on national markets in the EU undermines the sector as a whole. The report also recommends that the Commission only authorize state aids where there is evidence of the introduction of a strong system controlling the unauthorized market. For example, fraud often cancels the effects of state-aided restructuring policies because hauliers leaving the sector under such restructuring are only able to return via the unauthorized market.

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