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FRAME EXTERNAL

FOREIGN AFFAIRS COUNCIL : 17 JULY 1989

AID FOR POLAND AND HUNGARY

mr A pity that Genscher was allowed to give the impression that the Germans are in the lead.

SUMMARY

1. THE COMMISSION SAID THAT THE REMIT THEY HAD RECEIVED FROM THE ECONOMIC SUMMIT INVOLVED THREE ELEMENTS: THE IMMEDIATE SUPPLY OF EMERGENCY FOOD AID, LONGER TERM SUPPORT FOR THE RESOLUTION OF THE POLISH FOOD SUPPLY PROBLEM AND SUPPORT FOR ECONOMIC AND TRADE COOPERATION IN HUNGARY AND POLAND. ON THE FORMER, THEY WOULD BE SUBMITTING A PROPOSAL TO THE JULY AGRICULTURE COUNCIL, INVOLVING THE USE OF THE COMMUNITY'S SURPLUS STOCKS. THEY WOULD ALSO BE CALLING FOR A MEETING BEFORE THE SUMMER BREAK OF OFFICIALS OF THE COUNTRIES CONCERNED BY THE SUMMIT REMIT. THE COMMISSION WILL ALSO PRODUCE SHORTLY A PAPER ON THE EIB'S ROLE IN PROVIDING LOANS TO THE EASTERN BLOC. IT WAS AGREED THAT COREPER SHOULD EXAMINE THE COMMISSIONS FORTHCOMING PROPOSAL ON FOOD SUPPLIES URGENTLY IN ORDER TO ALLOW A DECISIONS BY THE END OF JULY.

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DETAIL

2. UNDER OTHER BUSINESS, GENSCHER (GERMANY) SAID THE DECISION OF THE SUMMIT TO ASK THE COMMISSION TO COORDINATE AID TO HUNGARY AND POLAND WAS AN IMPORTANT POLITICAL EVENT. THE AGRICULTURE COUNCIL SHOULD BE INVITED TO REACH CONCRETE DECISIONS AT ITS NEXT MEETING. MOLLER (DENMARK) RECALLED THAT THE DANES HAD ASKED THE COMMISSION TO CONSIDER A LARGER ROLE FOR THE EIB OVER LOANS TO THE EASTERN BLOC. HE HOPED THAT WORK WAS IN PROGRESS ON THIS. MRS CHALKER ASKED THE COMMISSION TO EXPLAIN ITS IDEAS.

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3. ANDRIESSEN (COMMISSION) SAID THE SUMMIT CONCLUSIONS CONCERNED (A) TRADE AND ECONOMIC COOPERATION WITH POLAND AND HUNGARY AND (B)

FOOD SUPPLIES FOR POLAND. THERE WERE ALSO CONCLUSIONS ON DEBT, BUT THESE HAD BEEN PLACED IN THE CONTEXT OF EXISTING MULTILATERAL BODIES. THE COMMISSION'S ROLE OF COORDINATING SUPPORT FOR REFORM IN THESE COUNTRIES WAS AN IMPORTANT CHALLENGE. THEY WOULD BE CALLING A MEETING WITH ALL CONCERNED IN THE NEAR FUTURE.

4. ON THE QUESTION OF FOOD SUPPLIES FOR POLAND IT WAS IMPORTANT TO DISTINGUISH BETWEEN THE LONG TERM STRUCTURAL PROBLEM AND THE IMMEDIATE NEED FOR FOOD AID. FOR THE LATTER, THE COMMUNITY'S STOCKS WERE LOW. SMALL AMOUNTS OF BEEF AND A REASONABLE AMOUNT OF BREAD-MAKING CEREALS WERE AVAILABLE. OF THE 100,000 TONNE STOCK OF BEEF, A LARGE PART WAS EARMARKED FOR INTERNAL PROCESSORS. NO BUTTER OR MILK, HOWEVER, WAS AVAILABLE. NOR WAS THERE ENOUGH MONEY IN THE BUDGET. THERE WAS A PRECEDENT FOR RELEASING STOCKS FROM FEOPA AT ZERO PRICES, ALSO FOR POLAND, IN 1981. THIS HAD COST 86 MECU. THE COUNCIL'S BACKING WOULD BE NEEDED TO REPEAT SUCH AN OPERATION. TURNING TO THE QUESTION OF COORDINATING INTERNATIONAL SUPPORT FOR DEALING WITH THE STRUCTURAL PROBLEM, THIS TOO WOULD REQUIRE FUNDING, SINCE IT WOULD INVOLVE BUYING SUPPLIES ON WORLD MARKETS AT WORLD PRICES. A FUND MIGHT BE SET UP, FOR EXAMPLE, IN THE HANDS OF THE BANK FOR INTERNATIONAL SETTLEMENTS WHICH COULD BE DRAWN ON FOR THIS PURPOSE.

5. AS REGARDS TRADE AND ECONOMIC COOPERATION, THE AGREEMENT WITH HUNGARY ALREADY CONTAINED LANGUAGE WHICH WOULD MAKE SPECIAL MEASURES POSSIBLE AND HE WAS CONFIDENT THAT THE AGREEMENT WITH POLAND WOULD DO SO TOO. BUT MONEY WOULD BE NEEDED HERETO: THE PRESENT BUDGET LINE FOR POLAND AMOUNTED TO 4 MECUS.

6. MRS CHALKER SAID THAT IN ADDITION TO WHAT THE COMMUNITY COULD DO FROM INTERVENTION STOCKS, WE SHOULD LOOK TO COUNTRIES LIKE JAPAN TO PUT UP CASH FOR FURTHER FOOD SUPPLIES. THE COMMISSION SHOULD MAKE AN ASSESSMENT OF WHAT MEMBER STATES WERE DOING AND THE AGRICULTURE COUNCIL SHOULD BE ASKED TO LOOK AT THE POSSIBILITIES.

7. COMMENTING ON THE DANISH POINT, ANDRIESSEN SAID THAT THE EIB WERE WELL DISPOSED TO DOING WHAT THEY COULD WITHIN THEIR STATUTES IN COOPERATION WITH PRIVATE PARTNERS. BUT THE BACKING OF THEIR GOVERNORS (IE, THE MINISTERS OF FINANCE) WOULD BE NEEDED FOR ANY WIDER ACTION. DUMAS (PRESIDENCY) SUGGESTED THAT THE COUNCIL SHOULD AGREE TO SEND A POLITICAL SIGNAL TO THE EIB. RUGGERIO (ITALY) AND ADAM-SCHWAETZER (GERMANY) SAID THEY COULD SUPPORT THIS IDEA. MRS CHALKER, SOLBES (SPAIN) AND NIEMAN (NETHERLANDS) SAID FURTHER CONSIDERATION WAS NEEDED AND THEY COULD NOT AGREE. MRS CHALKER

INVITED THE COMMISSION TO EXPLAIN THE POSITION REACHED WITH THE EIB IN A PAPER.

8. GENSCHER SAID THE COMMUNITY MUST LIVE UP TO THE CHALLENGE GIVEN TO IT BY THE SUMMIT. AGRICULTURE MINISTERS SHOULD BE ASKED TO TAKE A DECISION ABOUT EMERGENCY AID AT THEIR JULY MEETING. THE COMMISSION SHOULD SUBMIT A PAPER ON THE EIB SOON AS SHOULD ALSO EXAMINE WHAT MEMBER STATES WERE DOING.

9. ANDRIESSEN SAID HE WOULD BE HAPPY TO PUT IN WRITING THE POSITION WHICH HAD BEEN REACHED CONCERNING EIB LOANS. BUT A DECISION MUST BE TAKEN QUICKLY ON THE QUESTION OF A POLITICAL SIGNAL TO THE EIB. ON FOOD AID, THE QUESTION WAS WHETHER THE COMMUNITY WAS WILLING TO FOLLOW THE 1981 PRECEDENT. A PROPOSAL TO THE AGRICULTURE COUNCIL WAS NEEDED. AS REGARDS THE COMMISSION'S COORDINATION ROLE, THEY WOULD BE CALLING A MEETING OF THE COUNTRIES CONCERNED BEFORE THE SUMMER WITH A VIEW TO DEVELOPING SPECIFIC IDEAS ABOUT LONGER TERM SUPPLIES IN SEPTEMBER.

10. DUMAS ECHOED GENSCHER'S VIEW OF THE POLITICAL IMPORTANCE OF A RAPID AND POSITIVE RESPONSE. BUT AGREED THT NO DECISIONS SHOULD BE TAKEN ON AN OTHER BUSINESS ITEM. HE PROPOSED TO THE COUNCIL THE CONFLUSION IN MIFT. THIS WAS AGREED.

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