

EUROPEAN COUNCIL
(Strasbourg, 8-9 December 1989)

DECLARATION BY THE TWELVE ON CENTRAL AND EASTERN EUROPE

Each day in central and eastern Europe change is asserting itself more strongly. Everywhere a powerful aspiration toward freedom, democracy, respect of human rights, prosperity, social justice and peace is being expressed. The people are clearly showing their will to take their own destiny in hand and to choose the path of their development. Such a profound and rapid development would not have been possible without the policy of openness and reform led by Mr. Gorbachev.

Expressing the feelings of the people of the whole Community, we are deeply gladdened by the changes taking place. These are historic events and no doubt the most important since the Second World War. The success of a strong and dynamic European Community, the vitality of the CSCE process and stability in the area of security, in which the United States and Canada participate, have contributed greatly to them.

These changes give reason to hope that the division in Europe can be overcome in accordance with the aims of the Helsinki Final Act which seeks, through a global and balanced approach and on the basis of a set of principles which retain their full value, to establish new relations between European countries whether in the area of security, economic and technical cooperation, or the human dimension.

We seek ^a (the strengthening of) the state of peace in Europe in which the German people will regain its unity through free self-determination. This process should take place peacefully and democratically, in full respect of the relevant agreements and treaties and of all the principles defined by the Helsinki Final Act, in a context of dialogue and East-West cooperation. It also has to be placed in the perspective of European integration.

Already the hopes which we expressed a year ago in the Rhodes Declaration have begun to take shape. The progress recorded in the negotiations on conventional and chemical disarmament, the greater freedom of movement of persons and ideas, the greater

assurance of respect of human rights and fundamental freedoms, and the different agreements concluded between the Community and certain of these countries are substantially changing the climate of relations in Europe.

The European Council is convinced in the present circumstances that all must, more than ever, demonstrate their sense of responsibility. The changes and transitions which are necessary must not take place to the detriment of the stability of Europe but rather must contribute to strengthening it.

Far from wanting to derive unilateral advantages from the present situation, the Community and its member States mean to give their support to the countries which have embarked upon the road to democratic change. They deplore all the more so that in certain countries this process is still hindered.

The Community and its member States are fully conscious of the common responsibility which devolves on them in this decisive phase in the history of Europe. They are prepared to develop with the USSR and the other countries of central and eastern Europe, and with Yugoslavia, in so far as they are committed to this path, closer and more substantive relations based upon an intensification of political dialogue and increased cooperation in all areas. The Community has in particular decided to support the economic reforms undertaken in these countries by contributing -in collaboration with its western partners- to the establishment of healthy and prosperous economies within the framework of appropriate structures.

The European Council has drawn up conclusions which illustrate this intention.

For the future and in accordance with the developments taking place, the Community is willing to implement still closer forms of cooperation with these countries.

At this time of profound and rapid change, the Community is and must remain a point of reference and influence. It remains the cornerstone of a new European architecture and, in its will to openness, a mooring for a future European equilibrium. It is obvious that this equilibrium would be still better ensured if there were a parallel development of the role of the Council of Europe, EFTA and the CSCE process.

Construction of the Community must therefore go forward: the building of European Union will permit the further development of a range of effective and harmonious relations with the other countries of Europe.

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INDICATIVE FINANCIAL AND AID COMMITMENTS AND
NEAR COMMITMENTS IN FAVOUR OF
POLAND AND HUNGARY
(over one to three years)

Updated: 8 December 1989

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TABLE 1

P O L A N D

1 FUNDS ALLOCATED TO THE ORIGINAL PRIORITIES OF THE G-24

	Amount actually committed or envisaged in local currency (millions)	ECU equivalent (millions)	Particulars (G: Grant, L: Loan FC: Firm Commitment PC: Possible Commitment)
<u>A. Food supplies</u>			All G-FC except Finland and Japan
Australia	5	3.5	
Austria	40	2.0	
Canada	12	0.2	
EC	125	125	a new tranche is being prepared
Finland	33	7.0	FC
Iceland		0.3	
Italy		80	estimated value
Japan			
Norway	50	0.6	
Switzerland	5	2.8	*purchase of Hungarian wheat *a second delivery is being prepared
Turkey	\$1	0.92	
USA	8	7.37	FY88
	125	112.6	FY90
		358.09	

B. Technical Assistance to Agriculture

D	5	2.5	G-FC; aid to the Polish Church to promote the private agricultural sector (2 in FY 88 and 3 in FY 90)
Netherlands	3	1.3	G-FC; cooperation actions
Switzerland	30	16.8	PC-G including food processing and distribution

EC will be allocating part of its 300 MECU contribution to the 25 September action plan as well as its food counterpart fund to this end.

A number of countries could be committing resources in this area (Austria, Iceland, Norway, Switzerland, Denmark, Ireland).

Italy: agriculture mission to determine allocation of resources.

C. Vocational Training (Training and Retraining, Management Training)

Austria	20	1.4	
Finland	2	0.4	<u>Both countries</u>
France	90	14.4	D-FC; research, training and co-operation programme in the food industry
D	3.2	1.6	Special training programme in the fields of science, economics and law (to be completed by scholarships)
	2.2	1.1	Democratic institutions.
Italy	2000		<u>Both countries</u>
Norway	10	1.23	GFC
UK	60	71	"know how fund" (G-FC)
USA	31	28	Cultural/scientific exchanges. Both countries
	24	21.6	Support for democratic institutions. Both countries
Switzerland	30	16.8	PC-G. Both countries (includes cultural cooperation)

Note: Besides these countries, almost all the 24 are involved in this field, with grants in unspecified amounts, either with firm commitments (Austria, Canada, France, Japan, Netherlands, Portugal and Sweden) or with possible commitments (Australia, Belgium, Denmark, Finland, Italy, New Zealand, Switzerland).

D. Investments, joint ventures, industrial development credits

Canada	0.05	0.039	Promotional programmes for joint ventures (G-FC)
	10	7.7	G-FC (both countries)
Denmark	300	37.5	Fund for private investments
	1000	125	
Finland			Investment guarantee scheme
France	900	144	Investment guarantee scheme
D	10	5	*
Italy	50.000		Public corporation to finance joint ventures and to extend support to small businesses
	100.000		(L-FC) Concessionary terms (1.75 %, 20 year loans, with a 5 year grace period).
Netherlands	3	1.3	Cooperation actions
Norway	100	19.8	Export credit guarantee for investment and export of capital goods (FC).
Turkey	\$1	0.92	Grant local currency
USA	240	216.2	"Enterprise fund" to help promote the private sector (G-FC). Both countries
	6	5.4	Trade development
			Telephone system modernisation
Switzerland	155	88.6	PC-G/L

Note: Italy is considering (PC) entering this field with as yet unspecified commitments; France and the UK are committed (FC) for unspecified amounts.

* Two year programme (DM 7 M for 1989; DM 3 M for 1990) for the promotion of private agriculture sector (water works) and guarantees for bank credits.

E. The environment

Finland	90	18.4	Over three years, <u>mainly</u> for the environment.
Norway	10	1.3	GFC
Sweden	300	42.5	Three year programme
Switzerland	30	16.8	PC-G. Both countries
USA	16	13.8	G-FC, for Krakow (sulphur dioxide emissions, water quality and supply, air quality).

Note: D, France, Japan, Netherlands and Austria are also involved with firm commitments but for unspecified amounts (in the form of export credit guarantees in the case of D)
Denmark is examining possible commitments.

Italy: in contact with both countries and in the process of studying steps to take.

F. Energy

USA has authorised \$30 M (27 MECU) for energy activities. Both countries.

G. Others

Italy is pledging 10 billion lire (7-8 MECUS) in medical aid (G-FC).

USA has authorised \$5.5 M (4.9 MECU) for science and technology exchanges.
USA has authorised \$4 M (3.8 MECU) for medical supplies, hospital equipment and medical training.

II. RECENT DEVELOPMENTS OUTSIDE THE SCOPE OF THE ORIGINAL EXERCISE

A. Export Credit Guarantee Ceilings

Austria	1 billion	89	
Canada	20	15.4	PC
D	2500	1250	FC
France	3000	480	
Italy	(\$400M)	363.6	
Norway	150	19.8	(cf. ID)
USA	200	180	Both countries

N.B. Finland on case by case basis.

B. Project Financing (2)

EIB		1000	Over three years for both Poland and Hungary; principle approved by Council of Ministers; EC budget guarantee
IBRD(1)	(300)	(276)	Two projects are ready; they should be followed by another \$300M project loan and then perhaps by a \$500M SAL; total commitments could reach \$1bn by the end of 1990 (PC)
Austria	5 billion	345	
Turkey	\$1	0.9	N.B. Both countries
UK	15	21	Agricultural project
<u>EEC Action Plan</u>			
EEC	300	300	G-FC (both countries) for various fields

D. Poland's request for a \$1bn Stabilisation Fund

D	250	125	PC-G (subject to IMF agreement)
France	100	92	PC
USA	200	184	PC-G (subject to IMF agreement)

Notes: Canada is considering a commitment for an as yet unspecified amount.
Italy studying allocation.
Portugal studying allocation.
Japan is considering a commitment of \$150M.

E. Balance of Payments support

IMF(1)	700	544	PC-L (for the time being, a mere request by Poland).
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Table 2

HUNGARY

I. FUNDS ALLOCATED TO THE ORIGINAL PRIORITIES OF THE G-24

	Amount actual- ly committed or envisaged in local curren- cy (millions)	ECU equivalent (millions)	Particulars (G: grant L: Loan FC: Firm Commitment PC: Possible Commitment)
<u>A. Vocational training (training, retraining, management training)</u>			
Austria	20	1.4	G-FC mainly for tourism and services
Finland			Management training (elections) Energy saving, telecommuni- cations, food processing
D	3.2	1.5	Special training programme in the fields of science, economics and law (to be completed by scholarships); Democratic institutions
	2.2	1.1	
UK	25	35.6	G-PC ("know how fund")
Switzerland			see under Poland
USA			see under Poland

Note: Other countries are already involved in this field with firm commitments for unspecified amounts (Norway, Canada, Japan, D. France, Netherlands); and yet another group is studying the possibility of entering into commitments (Australia, New Zealand, Belgium, Denmark).

B. Investment (joint ventures)

USA	1	0.92	PC (would cover a three year period)
(see also under Poland)	25	23	G-PC (enterprise fund to promote the private sector)
Switzerland	5	2.8	PC-G investment promotion activity

Note: * Belgium, Denmark, D. France and the Netherlands are also involved in this field with firm commitments for unspecified amounts.

* Canada is looking into the possibility of entering into commitments.

C. Environment

USA	5	4.6	G-FC creation of a Regional Environmental Centre in Budapest.
	20	18.4	

Note: * Finland, Austria, the D and the Netherlands are also involved in this field with firm commitments for unspecified amounts.

* Denmark is looking into the possibility of entering into commitments.

D. Energy

USA	see under Poland
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E. Others

* Canada has given a 11.7 MECU equivalent credit to the Hungarian National Bank for the purchase of Canadian goods (FC-L).

* Belgium has earmarked for 1990 a budget of BF 130 M (3 MECUS) for various bilateral projects along the lines of the action plan of the 24.

II RECENT DEVELOPMENTS OUTSIDE THE SCOPE OF THE ORIGINAL EXERCISE

A. Export credit guarantees

D	2000	1000	FC- 1500 DM from the Federal government, 250 from Bavaria, and 250 from Baden Württemberg.
USA			see under Poland
Switzerland			open without ceiling

B. Project financing

EIB			L-FC (as much as 1bn ECUs could be extended as EIB loans to both Hungary and Poland, with a Community budget guarantee)
Finland	400	85	PC Reconstruction Projects
(Turkey	\$1	0.92	See Poland).

TRADE AND MARKET ACCESS

Country	MFN	QR	GSP	Trade agreement	Export Credit System
AUSTRIA	X	-	X	-	-
FINLAND	X	-	-	1974	(2)
ICELAND	X	-	-	1970	-
NORWAY	X	-	(1)	1984	X
SWEDEN	X	-	-	1992	-
SWITZERLAND	X	-	-	1974	-
TURKEY	X	-	-	1974	X
CANADA	X	-	-	-	X
USA	(3)	-	(1)	-	X
					Trade + Development program worth \$500 000 for regional development
JAPAN	X	-	X	-	X
AUSTRALIA	X	-	(1)	1967	X
NEW-ZEALAND	X	-	X	1970, rev. 1978	-
EC	X	-	X	1988	

(1) GSP status under consideration.

(2) The extending of credit facilities is under consideration.

(3) Granting of MFN status is under consideration

TRADE AND MARKET ACCESS

Country	MFN	GR	GSP	Trade Agreement	Export Credit System
AUSTRIA	X	-	-	-	-
FINLAND	X	-	-	1978	X
ICELAND	X	-	-	1975	-
NORWAY	X	-	-	1981	(2)
SWEDEN	X	X	-	1978	-
SWITZERLAND	X	-	-	1973	-
TURKEY	X	X	-	1974	X
CANADA	X	-	(1)	-	X
USA	X	-	(1)	-	(2)
JAPAN	-	-	(1)	-	X
AUSTRALIA	X	-	(1)	1966	X
					Revolving A\$ 200 M line of credit to cover raw materials processed for export markets
NEW-ZEALAND	X	-	X	1965	-
EC	X	-	X	1989	

(1) GSP status under consideration

(2) Granting of export credit facilities is under consideration.