

EC - CENTRAL AND EASTERN EUROPE TRADING AGREEMENTS

ISSUE

In the latter half of the 1980s, the EC and the countries of Central and Eastern Europe concluded a number of trade and cooperation agreements, providing for trade benefits and financial assistance. Following the internal changes in Eastern Europe, the EC is now replacing these pacts with the more comprehensive "Europe Agreements". These would allow for deeper economic, political and cultural ties. Ultimately, the EC expects that the closer cooperation will lead to integration of the EC and these countries into a continental free trade zone, together with the EFTA countries.

BACKGROUND

The current trade agreements with Hungary, Poland, Czechoslovakia, Bulgaria, Yugoslavia, Romania and the USSR, have three components in common: trade concessions, economic cooperation in agriculture, energy, technology and environment, and promotion of a favourable climate for Western investments. In particular, the EC granted Poland and Hungary relatively favourable access to the internal market.

EC POSITION

Under the Europe Agreements, the East and Central European countries and the EC will gradually introduce free movement of goods, services, capital and persons. Additional provisions such as non-discrimination in taxes and approximation of laws in various areas will be made to facilitate the liberalisation of trade. The agreements will provide for cooperation, and will form an institutional framework for political dialogue. However, eventual membership in the EC is not among the objectives of these agreements, and is treated as a separate issue. Czechoslovakia, Hungary and Poland have shown a strong interest in a Europe Agreement; in September 1990, Hungary started preliminary discussions with the Community. Another candidate is Yugoslavia. At present the necessary (political) preconditions for concluding such agreements have not yet been established in Bulgaria and Romania.

CANADIAN POSITION

Closer economic cooperation between the EC and Central and East European countries will lead to the establishment of an even larger market, presenting opportunities for Canadian business. Concurrently, however, competition from Soviet and East European exporters in supplying the EC market for forestry products, etc. will likely increase. In addition, trade diversion might result from granting preferential access to the EC, thus limiting opportunities for Canadian goods and services in Eastern Europe. Canada encourages cooperative projects and investment in East European markets.