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Meeting of EC leaders to discuss  
the situation in Eastern Europe  
at Elysée Palace, Paris

EUROPEAN

POLICY

NOVEMBER 1989

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
17.11.89							
<del>19.11.89</del>							
20.11.89							
PREM 19/2672							

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Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

30 November 1989

Agreed to give this paper to M. Delors tomorrow, as representing our Dear Charles, input to the European Council's discussion?

EC Relations with Eastern Europe

On 14 November the Prime Minister and Foreign Secretary discussed the case for a UK paper for Strasbourg setting out proposals on how the Community might in future manage its relations with Eastern Europe. The paper would be a Strasbourg surprise, not discussed in advance with other member states (your letter of 14 November).

CDP  
3/2/89

The Foreign Secretary thinks that this plan has been somewhat overtaken. At the Elysee on 18 November, it was agreed (your letter of 19 November) that the Commission would report to Strasbourg on the various possible forms of agreement between the Community and individual Eastern European countries. An East/West Declaration at Strasbourg is also envisaged, with work in hand among Political Directors on the basis of instructions from Foreign Ministers in Brussels on 27 November. The 27 November discussion went well, and showed that other member states and the Commission are in general agreement with our approach. It follows that it might not best serve our interests to spring a surprise at Strasbourg, and that it would make better sense to feed in our ideas, to the Commission and the Presidency, in advance.

I enclose a short paper which the Foreign Secretary has approved. If the Prime Minister is content with it, she might like to give a copy to M. Delors tomorrow: the Foreign Secretary would similarly give one to M. Dumas when he sees him on 5 December. The option of making public use of it at Strasbourg would not, of course, be foreclosed by trying to ensure that the Commission and Presidency texts being prepared for Strasbourg reflect our ideas.

I am copying this letter to Neil Thornton (DTI) and Trevor Woolley (Cabinet Office).

Jaw,  
*Stephe Wall*

(J S Wall)  
Private Secretary

C. D. Powell Esq  
10 Downing Street

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THE COMMUNITY'S RELATIONS WITH EASTERN EUROPE: A FRAMEWORK

1. The Community wishes to encourage the drive for real democracy in Eastern Europe, within a stable framework. Just as political reform goes together with economic liberalism, so the Community's encouragement should entail both political and economic support.

2. The Community has long followed a policy of differentiation between the countries of Eastern Europe according to the degree of economic reform already achieved. The scope of the Community's bilateral trade and cooperation agreements with individual Eastern European countries has been tailored to reward and encourage economic reform. This principle should apply also to political reform.

3. The Community should not therefore treat Eastern Europe as a bloc, or envisage new regional, multilateral structures. While it is right to lay down principles of general applicability to all Eastern Europe, particular arrangements should be on a country-by-country basis, reflecting individual circumstances.

4. None of the existing models of Community relationships with European neighbours:

- "Association Agreements", as with Turkey, Cyprus and Malta;

- "Cooperation Agreements", as with Yugoslavia and other Mediterranean countries;

- Free Trade Agreements, as with the EFTA countries now;  
or

- the broader EC/EFTA relationship now being explored is necessarily exactly right for the relationship with emerging Eastern European democracies. New forms of association, including elements from several existing ones, may be required.



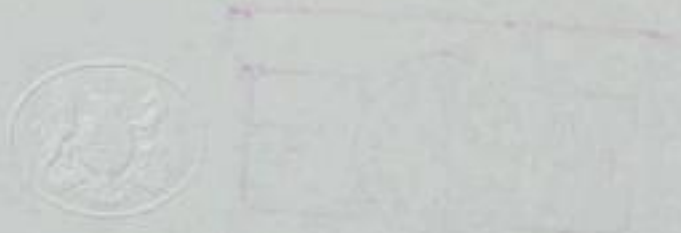
5. Such arrangements should in principle be open to all Eastern European countries. The speed and scale of development of each arrangement will reflect the needs and new circumstances of the individual country, especially the degree of reform achieved.

6. A general principle applicable to all should be that political reform justifies a political response. As democracy and respect for human rights take root in Eastern Europe, so the countries in question should be encouraged to accede to the European Convention of Human Rights and should be welcomed as full members of the Council of Europe. The Community should be ready for full political dialogue with them; and links between member state Parliaments - and the European Parliament - and East European legislatures should be strengthened. The extent of such dialogue should reflect the scale of political reform.

7. In developing closer economic links, the aim should be to reinforce reform in Eastern Europe. This will mean:

- (a) the opening up of trade with Eastern Europe and within Eastern Europe;
- (b) providing emergency short-term assistance, coordinated in the Group of 24, under Commission auspices;
- (c) encouraging the development of local technical and entrepreneurial skills, which could involve extending relevant existing programmes - e.g. ERASMUS and EUREKA - to Eastern Europe;
- (d) encouraging the development of structures favourable to inward investment in Eastern Europe; and
- (e) offering the right long-term financial assistance, in the context of programmes agreed with the IMF.

*See which*



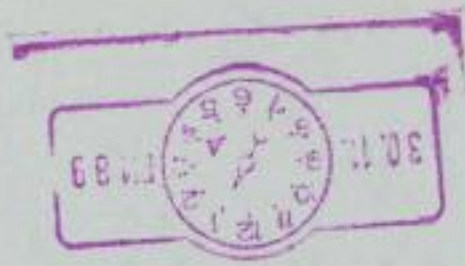
In all cases, the scale of Community economic support should be proportionate to the degree of economic and political reform achieved.

8. Where economic and political reforms are successful, closer institutional association of the individual East European countries with the Community, as envisaged under Article 238 of the EEC Treaty (with regular meetings at the political level), may make sense. In addition, following the introduction of market mechanisms, the development of economic and institutional relationships similar to those now existing between the Community and the EFTA countries could become appropriate.

9. Eventual applications for Community membership cannot, under the Treaty, be excluded. But this is not a question to be addressed now, for the Community cannot envisage any accession negotiations before 1993, and no Eastern European country is ready, politically or economically, to meet the obligations of Community membership. Forms of association for the short to medium term should therefore neither lead automatically to, nor automatically exclude, eventual EC enlargement.

10. The development of the Community's relationships with Eastern Europe should be dynamic and incremental: progress should be reviewed, and further steps charted, at successive European Councils.

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INFORMAL MEETING ON EASTERN EUROPE: DUTCH REACTIONS

SUMMARY

1. DUTCH PRESS WIDELY REPORT CAUTIOUS NETHERLANDS RESPONSE TO MITTERAND'S PROPOSAL FOR A EUROPEAN DEVELOPMENT BANK. MIXED VIEWS ON THE UTILITY OF THE PARIS MEETING.

DETAIL

2. AT A PRESS CONFERENCE ON HIS RETURN TO THE NETHERLANDS, FOREIGN MINISTER VAN DEN BROEK SAID THE THE PARIS MEETING HAD HELD 'NO SURPRISES'. HE DESCRIBED IT AS AN OPPORTUNITY TO 'SYNCHRONISE WATCHES' AT A TIME OF RAPID DEVELOPMENTS AND SAID THAT IT HAD BEEN AGREED THAT THE COMMISSION SHOULD EXPLORE THE OPPORTUNITIES FOR ECONOMIC, FINANCIAL AND POLITICAL COOPERATION WITH EASTERN EUROPE. HE SAID THAT THE EC AND NATO REMAINED THE APPROPRIATE INSTRUMENTS FOR PRESERVING STABILITY IN EUROPE BUT ADDED THAT IT WAS IMPORTANT THAT THE WEST GIVE CLEAR SIGNALS THAT IT WOULD NOT PROMOTE OR EXPLOIT POLITICAL UNREST IN EASTERN EUROPE. HOWEVER, ECONOMIC AID FROM THE EC WAS CRUCIALLY DEPENDENT ON DEMOCRATIC REFORM. VAN DEN BROEK WAS CAUTIOUS ABOUT MITTERAND'S PROPOSAL FOR A SPECIAL FINANCIAL INSTITUTION TO CHANNEL FUNDS TO EASTERN EUROPEAN COUNTRIES IMPLEMENTING REFORMS. THE DUTCH VIEW, HE SAID, WAS THAT EXPERTS SHOULD FIRST CONSIDER WHETHER EXISTING INSTITUTIONS SUCH AS THE EUROPEAN INVESTMENT BANK COULD UNDERTAKE THE TASK.

3. ALL DUTCH PAPERS REPORTED VAN DEN BROEK'S REMARKS. MOST CONCENTRATED ON THE MITTERAND PROPOSAL FOR A BANK, AND THE CAUTIOUS DUTCH RESPONSE. ASSESSMENTS OF THE UTILITY OF THE MEETING VARIED. DE VOLKSKRANT (LEFT OF CENTRE) THOUGHT THAT IT HAD PRODUCED NO 'CONCRETE RESULTS', COMMENTING THAT MEMBER STATES HAD ALREADY PREVIOUSLY AGREED ON THE NEED FOR FINANCIAL AID TO EASTERN EUROPE. PICKING UP THE POINT THAT THE MEETING HAD AGREED THAT DEMOCRATIC REFORM WAS THE PREREQUISITE FOR AID, NRC HANDELSBLAD (LIBERAL) COMMENTED THAT SUCH REFORM COULD TAKE A LONG TIME TO IMPLEMENT AND THAT ASSISTANCE WAS NECESSARY NOW. NRC ADDED THAT THE MEETING HAD PRODUCED NO NEW IDEAS ABOUT HOW TO RESPOND TO DEVELOPMENTS OF EXTRAORDINARY SIGNIFICANCE. ALGEMEEN DAGBLAD (LIBERAL) ON THE OTHER

HAND THOUGHT THE MEETING SUCCESSFUL IN DEMONSTRATING TO THE US AND SOVIET UNION BEFORE THEIR SUMMIT MEETING THAT THE COMMUNITY, TOO, HAD AN ACTIVE ROLE TO PLAY IN EAST/WEST RELATIONS.

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INFORMAL MEETING ON EASTERN EUROPE : FRENCH PRESS REACTION

SUMMARY

1. GENERAL SATISFACTION. DIFFERENCES BETWEEN UK AND FRANCE TREATED IN REASONABLE TERMS. MITTERRAND TO MEET BUSH IN DECEMBER.

DETAIL

2. WHATEVER THEIR POLITICAL PERSUASION THE PRESS EXPRESS GENERAL SATISFACTION AT THE OUTCOME OF THE DINNER ON 18 NOVEMBER. SOME POINT OUT THAT THE AGREEMENT TO WELCOME DEVELOPMENTS IN EASTERN EUROPE WAS HARDLY SURPRISING OR DIFFICULT TO REACH, ARGUING THAT ALL THE HARD DECISIONS ARE STILL TO COME, BUT MOST GIVE MITTERRAND CREDIT FOR ORGANISING AND ARTICULATING A PROMPT POLITICAL RESPONSE TO FAST-MOVING AND FAR-REACHING DEVELOPMENTS ON THE COMMUNITY'S OWN CONTINENT. SENIOR POLITICIANS AND COMMENTATORS HAVE TAKEN PRIDE IN THIS EVIDENCE THAT THE TWELVE CAN SPEAK WITH ONE VOICE AND MAKE THEIR MARK IN THE WORLD. THE OPPORTUNITY TAKEN BY KOHL TO REAFFIRM HIS COUNTRY'S CONTINUED COMMITMENT TO EUROPEAN INTEGRATION IS APPRECIATED, WHILE MITTERRAND HIMSELF IS SEEN AS HAVING GIVEN GROUND IN ACCEPTING THAT ECONOMIC ASSISTANCE TO EASTERN EUROPE SHOULD BE CONDITIONAL ON PROGRESS TOWARDS FULL DEMOCRACY BEING SUSTAINED.

3. THE TWO MAIN DIFFERENCES OF OPINION BETWEEN THE UNITED KINGDOM AND FRANCE ARE CORRECTLY IDENTIFIED BUT DESCRIBED IN GENERALLY REASONABLE TERMS. THE UK IS SEEN BY SOME NEWSPAPERS AS ENJOYING AT LEAST PARTIAL SUPPORT FROM THE FRG IN ITS RELUCTANCE TO COMMIT ITSELF TO THE ESTABLISHMENT OF A SPECIAL DEVELOPMENT BANK WHILE THE MEETING IS SEEN AS HAVING DONE NOTHING TO CONVINCING THE BRITISH OF THE VALIDITY OF THE FRENCH THESIS WHEREBY EVOLUTION IN EASTERN EUROPE CALLS FOR SWIFTER INTEGRATION IN WESTERN EUROPE. THE FORTHCOMING DISCUSSIONS AT STRASBOURG ON EMU AND THE SOCIAL CHARTER THUS REMAIN AS

PROBLEMATIC AS EVER.

4. LE MONDE, WRITING AFTER THE OTHERS, IS ABLE TO FILL OUT A SLIGHTLY OBSCURE ALLUSION MADE BY MITTERRAND DURING HIS PRESS CONFERENCE TO A POSSIBLE MEETING BETWEEN HIM AND BUSH. THEY SAY THAT ACCORDING TO ELYSEE SOURCES SUCH A MEETING WILL TAKE PLACE SOMETIME IN DECEMBER BUT AFTER THE STRASBOURG COUNCIL AND AT A PLACE YET TO BE DETERMINED OUTSIDE FRANCE AND THE UNITED STATES. THIS MEETING WOULD BE IN ADDITION TO ANY POSSIBLE REPORT BACK BY PRESIDENT BUSH AFTER THE MALTA MEETING TO HIS ALLIES IN BRUSSELS.

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10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

19 November 1989

Dear Stephen,

EUROPEAN COMMUNITY HEADS OF GOVERNMENT MEETING IN PARIS  
18 NOVEMBER

European Community Heads of Government met in Paris on the evening of 18 November, at President Mitterrand's invitation, to discuss recent developments in Eastern Europe and the Community's response. Heads of Government met alone for a much greater part of the time. The account of their discussion which follows is based on the Prime Minister de-briefing after the meeting and her scribbled notes. You will also have received the transcript of her press conference which of course stands as her report on the discussions.

Immediately she emerged from the meeting, the Prime Minister summarised the main points to us as follows. Everyone was agreed on the need to encourage reform throughout the Soviet Union and Eastern Europe. But the Community must make clear that it wanted full democracy, meaning genuine elections and all the human rights embodied in the Helsinki Final Act. At the same time change and reform in Eastern Europe needed a background of stability and security. NATO's importance must be reaffirmed, together with recognition that both Alliances - NATO and the Warsaw Pact - would remain in existence. The Community should decide at the Strasbourg European Council on further practical measures of help for Eastern Europe. One element would be additional financial assistance, and the particular urgency of Hungary's and Poland's needs were recognised, together with the importance of early agreement with the IMF. Such assistance should be tied to progress towards full democracy. There should also be help with training, particularly in management; and consideration should be given to extending some existing European Community programmes to Eastern Europe. Examples were the ERASMUS and EUREKA programmes as well as the audio-visual initiative. President Mitterrand had tried to conclude that the French proposal for an Eastern Europe development bank had been agreed, but this was contested by the Prime Minister and Chancellor Kohl, with the result that the proposal would be further studied and discussed again at the Strasbourg European Council. It was further agreed that the Commission would report on the various possible forms of agreement between the Community and individual East European countries so that Heads of Government would see the scope for strengthening links with them. The Prime Minister made the point that the Strasbourg European

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Council ought also to make clear that no further enlargement of the Community could be considered at least until after completion of the Single Market. There had been no discussion of internal Community matters, such as economic and monetary union or of the need to accelerate the development of the Community.

As you will see this account, which the Prime Minister repeated at her press conference, conflicts with President Mitterrand's account at two points. He claimed at his press conference that a development bank had been accepted in principle by all participants. He also claimed agreement that evolution in Eastern Europe should be balanced by integration in Western Europe. The Prime Minister is adamant that neither point was agreed (and the second not mentioned).

The Prime Minister's more detailed notes give the following picture. Before dinner, President Mitterrand posed a number of questions which needed to be discussed. Should the Community give aid to Eastern Europe before democracy was firmly established? Or should democracy be made irreversible first? Should the question of borders in Europe be for discussion? What more could the Community do in terms of practical help? What would be the implications of additional help to Eastern Europe for the Community's existing programmes for the ACP countries and others? How should these matters be pursued at the European Council in Strasbourg?

Chancellor Kohl then spoke for some 40 minutes through the first part of dinner. He said that people wanted to hear Europe's voice. The Community must assume a leading role in responding to events in Eastern Europe. He assured his colleagues that the FRG's commitment to Europe was in no way diminished by what was happening in East Germany. That was the view of the vast majority in the Federal Republic. The FRG was European and would remain European, as well as a loyal member of NATO. Indeed these events would not have happened had NATO and the EC not existed. Great credit was due also to Mr. Gorbachev. His problems had increased significantly, but it was in the west's interest that perestroika should succeed. There was an urgent need for further economic and financial help for Poland and Hungary. In Poland's case we should all work for agreement with the IMF by the end of the year at the latest. Turning to the GDR, Chancellor Kohl said that some three million people had visited the FRG last weekend and another million were likely to come this weekend. But fewer people now wanted to leave permanently. A new government had been appointed. But political and economic reform would need to go much further than hitherto envisaged. He had urged Herr Krenz to follow the Polish and Hungarian model. The West must not destabilise the GDR. The FRG would be ready to give aid in every area - roads, telephone network, the environment - but only on the basis of genuine and irreversible reform. A date for elections must be set as soon as possible, a proper rule of law established and political prisoners released. Chancellor Kohl continued that there should be no discussion about borders. But the people of Germany must be allowed to determine their future for themselves. The right of self-determination was paramount and he would abide by whatever decision was reached.

Signor Gonzalez spoke next. The only point which the Prime Minister recorded him as making was that the priority must be to see democracy firmly established in Eastern Europe before other questions were addressed.

The Prime Minister then spoke herself. The changes in the Soviet Union and Eastern Europe were historic. For the first time, countries were moving from Communism to democracy and free enterprise. But we must not succumb to euphoria. The changes were only just beginning and getting genuine democracy and economic reform in Eastern Europe would take several years. There was no question of changing Europe's borders, which had been confirmed in the Helsinki Final Act. Any attempt to raise this or the issue of reunification would risk undermining Mr. Gorbachev's position, which could in turn put at risk everything that had been achieved in Eastern Europe. It would also open a Pandora's Box of border claims right through central Europe. It was essential to create a background of security and stability for the changes in Eastern Europe. That meant keeping NATO and the Warsaw Pact. The NATO heads of government meeting on 4 December would be the occasion to reaffirm the Alliance's continuing importance. We must not let public opinion believe that defence was no longer necessary. The Prime Minister agreed that we needed to consider further financial and economic help to Poland and Hungary: the Strasbourg European Council should reach decisions on this. We also needed to consider which of the various forms of association/cooperation envisaged in Article 237 of the Treaty of Rome were most appropriate for relations between the European Community and Eastern Europe in future. That too could be considered further at Strasbourg. But it would be best to do it in the context of making clear that the Community was not prepared to consider new applications for membership, at least until the Single Market had been completed, which would postpone the whole question for several years.

Herr Schluter came in next, commending further aid for Poland and Hungary and suggesting that debt forgiveness might be necessary. He agreed that the condition for help must be that the East European countries were moving towards real democracy. He asked about the French proposal for a development bank. In principle he was favourably disposed towards this.

Signor Andreotti spoke about the practical difficulties of giving aid to Poland. There were simply not the organisations there to cope with it. He agreed that an investment bank to organise investment could be helpful. He also agreed that existing Alliances should be maintained. Developments in Eastern Europe underlined the importance of the CSCE process. He agreed with the Prime Minister that it was vital not to raise the issue of borders: everyone should stick to the Helsinki Final Act.

M. Santer congratulated Chancellor Kohl on the strong stand he had taken in favour of reform. Europe had nothing to fear from a democratic Germany. He wanted to see EC aid for Eastern Europe expanded, and was willing to contemplate a new institution such as a development bank. He agreed that borders were not for discussion. If one started down that road, the whole European

structure would collapse.

M. Martens said that European integration must move forward. There was no question of discussing borders. NATO would continue to provide the basis for the West's security. He doubted whether Mr. Gorbachev could survive if the question of borders in Europe were raised openly. He favoured further aid to Eastern Europe.

Senor Cavaco Silva said that aid should be on a case by case basis. He was sceptical about the need for a new institution: the IMF, the World Bank, IFC, the OECD were already available. He noted that there was concern on the part of some of the Lomé countries, particularly in Africa, that they would lose out if the Community gave more assistance to Eastern Europe. He recalled that Portugal had experience of changing from Communism to democracy. It was important that the process should not create destabilisation. We should all reaffirm the importance of NATO and its cohesion, and retain the closest possible relationship with the United States.

Mr. Sartzetakis spoke at great length but the Prime Minister's notes are not very revealing. Greece was the only example in the post war era of a country which had withstood the advance of Communism without any outside help (!!). The unity of Europe must now be preserved. The Community should adopt a clear position on further help to Eastern Europe. Poland's case was the most urgent. It would be a mistake to wait for full democracy to be established before giving aid. He was fearful about Mr. Gorbachev's vulnerability. It was much too early to start talking about borders: they should stay as they were. Nor should we think of adding or shedding members of either of the two Alliances. He liked the idea of a development bank, which would be proof of European solidarity, although he would like to see countries outside the Community participate as well.

Mr. Haughey said that Community aid should not be used to prop up old regimes. But equally it was not possible to wait for full reform.

Mr. Lubbers said there should not be too many pre-conditions to aid. There should be no discussion of borders and we should make clear to Mr. Gorbachev that we did not envisage any change in either NATO or the Warsaw Pact. He was in principle favourable to the idea of a development bank and supported the Prime Minister's suggestion that we should examine different forms of agreement between the Community and Eastern Europe. He attached particular importance to bringing East European countries into the Council of Europe. He claimed there was no discussion in Holland of the German question.

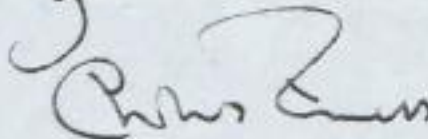
M. Delors reported on his recent visits to Hungary and Poland and said that the Commission would come forward with proposals for further assistance to these two countries. He had been impressed by the readiness of the Hungarian government to take tough economic measures. The Commission would also come forward with a proposal for a trade agreement with the GDR, as well as detailed proposals for a development bank. These should

be discussed at Strasbourg. He stressed the importance of the forthcoming meeting of the Group of 24 on 13 December to discuss further help to Poland and Hungary. He was optimistic that agreement would be reached between Poland the IMF by the end of the year. He hoped that Community countries would contribute to the proposed stabilisation fund for Poland and to a bridging loan for Hungary.

Discussion then became rather more general. The Prime Minister and Chancellor Kohl both expressed scepticism about a development bank. Chancellor Kohl said that it was something to be looked at for the future. Both agreed that the proposal should be studied but were not ready to endorse it. Chancellor Kohl urged that particular reference should be made to Yugoslavia's difficulties. He also noted that the FRG had now agreed to contribute \$250 million to the stabilisation fund for Poland. With the \$250 million already promised by the US, that left \$500 million for others to find. More generally he stressed that time was of the essence in both Poland and Hungary and the Community must respond to their needs quickly. He was sceptical whether there would be free elections in East Germany within 12 months.

President Mitterrand then summed up that the Community should encourage reform and democracy throughout Eastern Europe with free elections and full human rights. There was no disposition to raise the question of borders. There should be further discussion of practical help for Eastern Europe at the Strasbourg European Council, as well as of the possibility of extending some existing European Community programmes to these countries. The proposal for a development bank should also be addressed at Strasbourg. The Community was following with sympathy the efforts of Yugoslavia to deal its economic problems and expressed support for reform in Czechoslovakia and Bulgaria. He would make these points at his press conference.

I am copying this letter to John Gieve (HM Treasury), Neil Thornton (Department of Trade and Industry), Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).

*Yours sincerely,*  


(C. D. POWELL)

Stephen Wall, Esq.,  
Foreign and Commonwealth Office.

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10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

19 November 1989

*Dear Stefan,*

EUROPEAN COMMUNITY HEADS OF GOVERNMENT MEETING IN PARIS  
18 NOVEMBER

It might be worth recording a few points which come up at the dinner for Heads of Governments' aides held at the Elysée on Saturday night in parallel with the more august events. Jean-Louis Bianco and Jacques Attali presided.

Pascal Lamy (Commission) reported on the visit to Poland and Hungary by Delors and Dumas. In Poland they found uncertainty whether to go for a crash programme of economic reform with maximum pain: or slower and gentler reform. They had also found the Hungarians uncertain about what they wanted from the Community, but resolute in their determination to take tough economic decisions.

In a discussion of what sort of agreements between the Community and Eastern Europe might be appropriate in future, the general feeling was that Association Agreements would be going too far, at least at this stage. No-one saw a need for new forms of agreement: Article 237 of the Treaty of Rome already offered sufficient flexibility.

Jacques Attali spoke about the proposed Development Bank. It should be modelled on the existing regional banks of the World Bank. The Eastern European countries should be members of it as well as the Community. The Community would provide 51 per cent of the capital. The main purpose was to provide an identifiably European initiative. The French would press very hard for agreement in principle at Strasbourg. It need not be the occasion for new money, but rather rationalisation of existing sources of finance for Eastern Europe. It would lend on looser conditions than the EIB. In discussion I was the only one to dispute the need for or efficacy of such an institution (although the Germans and Portuguese expressed private doubts).

The Portuguese argued that developing countries associated with the Community were very perturbed by the proposed aid for

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Eastern Europe, which they feared would be at their expense.

I am copying this letter to John Gieve (HM Treasury), Neil Thornton (Department of Trade and Industry), Myles Wickstead (Overseas Development Administration) and Trevor Woolley (Cabinet Office).

*Yours sincerely,  
C. D. Powell*

(C. D. POWELL)

Stephen Wall, Esq.,  
Foreign and Commonwealth Office

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INFORMAL MEETING ON EASTERN EUROPE:

MITTERRAND'S PRESS CONFERENCE

## SUMMARY

1. UNANIMOUS JOY AT DEVELOPMENTS IN EASTERN EUROPE AND AGREEMENT OVER NEED TO ENCOURAGE AND HELP, WITH ECONOMIC ASSISTANCE DEPENDANT ON PROGRESS TOWARDS DEMOCRACY. TROIKA TO STUDY SPECIFIC MEASURES IN PARTICULAR PROJECT FOR DEVELOPMENT BANK FOR EASTERN EUROPE. INSTITUTIONAL LINKS BETWEEN EC AND E. EUROPE POSSIBLE FURTHER DOWN THE ROAD: MEANWHILE NO ENLARGEMENT, AND SOLIDARITY WITH EAST TO BE BALANCED BY PROGRESS OVER CONSTRUCTION OF COMMUNITY. STRASBOURG COUNCIL NOW FREE TO DISCUSS THAT.

## DETAIL

2. DESCRIBING THE DISCUSSIONS PRESIDENT MITTERRAND EXPLAINED THAT QUESTIONS OF EUROPEAN COMMUNITY CONSTRUCTION WOULD BE TACKLED AT THE STRASBOURG COUNCIL: THE PURPOSE OF THIS MEETING HAD BEEN TO DISCUSS THE REPERCUSSIONS OF EVENTS IN EASTERN EUROPE ON EUROPE AS A WHOLE, BOTH EAST AND WEST.

3. ALL REPRESENTATIVE HAD DECLARED THEIR OVER-RIDING REACTION TO BE ONE OF JOY. THEY WERE ALL DETERMINED TO DO EVERYTHING POSSIBLE TO ENCOURAGE REFORM IN EASTERN EUROPE. THEY WERE AGREED THAT THE EXISTENCE OF THE COMMUNITY OF TWELVE WAS A STIMULUS AND AN INSPIRATION. A STRONG WELL-STRUCTURED COMMUNITY DETERMINED TO MOVE FORWARD WOULD BE A FACTOR IN MOVES TOWARDS FREEDOM IN EASTERN EUROPE.

? 4. EVOLUTION IN EASTERN EUROPE SHOULD BE BALANCED BY INTEGRATION IN WESTERN EUROPE. THE MORE EASTERN EUROPE MOVED FORWARD THE MORE WESTERN EUROPE MUST REAFFIRM ITS DESIRE FOR PROGRSS TOWARD UNITY. OTHER COUNTRIES WITH LINKS TO THE COMMUNITY MUST NOT BE FORGOTTEN SUCH AS THE LOME COUNTREIS AND EFTA.

5. THE COMMUNITY MUST SUPPORT ANYTHING THAT HELPED EVOLUTION. THEY WERE READY TO COOPERATE IN CONTRIBUTING TO THE INSTALLATION OF HEALTHY ECONOMIES BUT THE PRECONDITION FOR COMMUNITY COOPERATION WAS A RETURN TO DEMOCRACY, RESPECT FOR HUMAN RIGHTS AND MOVES TOWARDS FREE ELECTIONS.

6. ON POLAND AND HUNGARY A SERIES OF SPECIFIC MEASURES HAD BEEN CONSIDERED. THE INITIATIVE TAKEN AT THE G7 SUMMIT HAD BEEN RECALLED, AND THE MEETING OF THE 24 DUE IN DECEMBER. AN IMF AGREEMENT WAS AN ESSENTIAL FIRST STEP WHICH MUST BE ACHIEVED FAST. POLAND REQUIRED A STABILISATION FUND OF PERHAPD 1 BILLION DOLLARS, HUNGARY BRIDGING CREDITS. MOVES TOWARDS DEMOCRACY IN THE GDR HAD BEEN DISCUSSED WHILE THE CRISIS IN YUGOSLAVIA HAD BEEN EVOKED AND THE NEED FOR AN EMERGENCY PLAN THERE.

? 7. THE TROIKA HAD RECEIVED A MANDATE TO CARRY OUT PROMPTLY A STUDY FOR A PROJECT OF SETTING UP A DEVELOPMENT BANK FOR EASTERN EUROPE. THEY WERE ALSO TO BRING FORWARD PROPOSALS FOR MANAGEMENT TRAINING AND OTHER EDUCATIONAL PROGRAMMES.

8. THE POSSIBILITY OF OPENING CERTAIN INSTITUTIONS SUCH AS THE COUNCIL OF EUROPE TO EASTERN EUROPEAN COUNTRIES AS THEY MADE PROGRESS TOWARDS DEMOCRACY HAD ALSO BEEN EVOKED.

9. TO SUM UP THE MEETING HAD REFLECTED THE NEED FOR SOLIDARITY WITH THE WHOLE OF EUROPE, DEMOCRACY BEING THE COMMON FACTOR, AND FOR UNITY, IE FIRM STRUCTURES WITHIN THE EC AND WITH THOSE WHO FURTHER DOWN THE ROAD MIGHT JOIN THE COMMUNITY WHEN THEY WERE ABLE TO ASSUME THE OBLIGATIONS.

10. IN ANSWER TO QUESTIONS MITTERRAND MADE THE FOLLOWING ADDITIONAL POINTS:

) A) THE DEVELOPMENT BANK. WHILE THE PRINCIPLE HAD BEEN ACCEPTED BY ALL PARTICIPANTS THE TERMS OF REFERENCE AND CONDITIONS WOULD BE PROPOSED BY THE TROIKA AND COMMISSION STUDY.

B) ENLARGEMENT WAS NOT A REASONABLE PROPOSITION UNTIL 1993. TURKEY'S APPLICATION WOULD RECEIVE NEITHER A REFUSAL NOR AN ACCEPTANCE. THE COMMUNITY NEEDED A PERIOD FOR DIGESTION. THE SAME WOULD APPLY TO AUSTRIA AND ANY OTHER APPLICANTS FOR MEMBERSHIP. THE OBJECTIVE AND FINAL GOAL REMAINED EUROPE IN ITS ENTIRETY: THUS THE EVENTS IN BULGARIA HAD BEEN WELCOMED AS A FIRST STEP.

C) HE, LIKE OTHER EUROPEAN LEADERS, WAS IN FREQUENT CONTACT WITH GORBACHEV AND BUSH. THERE WOULD BE NO FORMAL MESSAGE FROM THE 12 BEFORE THE MALTA SUMMIT BUT THEIR DISCUSSION TODAY WOULD IN THE NATURE OF THINGS INFORM THAT MEETING.

D) THE DISCUSSION TONIGHT HAD BEEN POLITICAL IN THE FULLEST SENSE OF THE TERM. IT REPRESENTED A PROMPT RESPONSE TO DEVELOPMENTS IN A WAY THAT LEFT THE STRASBOURG COUNCIL FREE TO TACKLE QUESTIONS RELATING TO COMMUNITY CONSTRUCTION AND TAKE DECISIONS ON THEM. THERE WOULD OF COURSE BE POLITICAL DISCUSSION AT STRASBOURG AS WELL, INCLUDING THE CUSTOMARY TOUR DE TABLE WHICH WOULD COVER ISSUES OTHER THAN EASTERN EUROPE, FOR EXAMPLE LATIN AMERICA AND NORTH/SOUTH QUESTIONS. BUT THE BASIS OF THE AGENDA REMAINED ECONOMIC AND MONETARY UNION, THE SOCIAL CHARTER AND THE OTHER ITEMS ALREADY PUT FORWARD.

11. FCO ADVANCE TO RESIDENT CLERK AND NO 10 (FOR INGHAM) AND TO NEWS DEPT

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INFO ADDRESSEES: PERSONAL FOR AMBASSADORS

FCO TELS 1548/9: CALL ON SOVIET PRESIDENT, 17 NOVEMBER  
SUMMARY

1. 30 MINUTE MEETING WITH GORBACHEV TO DELIVER PRIME MINISTER'S REPLY ON GERMANY. GORBACHEV IN EBULLIENT FORM: EXPRESSES WARM APPRECIATION OF MRS THATCHER'S INTEREST, WHILE KEEPING UP HIS END OF THE IDEOLOGICAL DEBATE. GORBACHEV REFERS ALSO TO HIS TELEPHONE CONVERSATIONS WITH KOHL AND MITTERRAND, AND TO THE SUMMIT WITH BUSH. HE STRESSES THE IMPORTANCE OF ALLOWING CHANGE TO CONTINUE IN EASTERN EUROPE WITHOUT EXTERNAL INTERFERENCE: AND OF SUSTAINING AND DEVELOPING EXISTING INSTITUTIONS AND EXCHANGES. SOME RESERVATIONS ABOUT REVANCHISM IN THE FRG, AND ABOUT WESTERN CLAIMS THAT SOCIALISM IS FINISHED. GORBACHEV SPOKE FRANKLY, AND HIS REMARKS SHOULD BE CLOSELY PROTECTED.

DETAIL

2. GORBACHEV (WHO HAD BEEN TAKEN UP YESTERDAY WITH THE WEEKLY POLITBURO MEETING) SAW ME FOR HALF AN HOUR ON THE MORNING OF 17 NOVEMBER. HE WAS ACCOMPANIED ONLY BY CHERNYAYEV, AND I BY MY POLITICAL COUNSELLOR.

3. WHEN GORBACHEV HAD READ MY TRANSLATION OF THE MESSAGE, I REINFORCED CERTAIN POINTS. WE APPRECIATED THE WAY THE SOVIET GOVERNMENT HAD REACTED TO THE EVENTS IN GERMANY AND HAD BEEN STRUCK BY THE COMMON SENSE SHOWN BY THE LEADERS OF DIFFERENT COUNTRIES AND BY THE GERMANS TO THIS UNEXPECTED SITUATION. GORBACHEV INTERJECTED THAT IT WAS NOT UNEXPECTED TO THE RUSSIANS. (CHERNYAYEV HAD SAID THE SAME TO ME BEFOREHAND). I SAID THERE HAD BEEN CONCERN ABOUT THE FEELINGS OF INSTABILITY, BUT NOTED THAT EAST GERMANS, THOUGH KEEN TO VISIT THE WEST, WERE NO LONGER STAYING THERE IN SUCH NUMBERS (GORBACHEV SAID THE QUEUES WERE NOW IN THE EASTWARD DIRECTION). TENSION HAD DECLINED. BUT IT REMAINED VERY IMPORTANT TO PRESERVE STABILITY, AS THE PRIME MINISTER HAD EMPHASISED TO THE PRESS AND IN HER GUILDHALL SPEECH. GORBACHEV SAID HE HAD READ THE GUILDHALL SPEECH YESTERDAY EVENING AT HOME.

4. I SAID THAT CONTACT AND COOPERATION IN MANAGING THE CHANGING SITUATION WOULD BE VERY IMPORTANT, AND NOTED THE SUCCESSION OF MEETINGS BETWEEN WESTERN LEADERS AND BETWEEN EAST AND WEST WHICH WAS IN TRAIN. GORBACHEV REMARKED THAT PRESIDENT BUSH WAS GATHERING OPINIONS FROM WESTERN PARTNERS BEFORE THE MALTA SUMMIT. HE SAID JOCULARLY THAT HE HOPED THE PRIME MINISTER'S OPINION WOULD WEIGH LARGELY IN THE BALANCE.
5. I SAID THE KEY POINT TO US WAS THAT THERE SHOULD BE NO EXTERNAL INTERFERENCE IN THE AFFAIRS OF EAST GERMANY. GORBACHEV SAID, ONLY HALF JOKING, THAT IT WOULD BE BETTER TO INTERFERE IN THE AFFAIRS OF WEST GERMANY: "THERE WE SHOULD EXCLAIM." I SAID THAT WE SAW FREE MULTI-PARTY ELECTIONS IN THE GDR AS A VITAL STEP TOWARDS INTERNAL STABILITY. AGAIN IN A SEMI-JOCULAR MANNER, GORBACHEV REPLIED THAT PUTTING IT THAT WAS CONSTITUTED INTERFERENCE. I SAID THAT I WAS EXPRESSING A JUDGEMENT: IT SHOULD BE LEFT TO THE PEOPLE TO DECIDE. TO THAT HE AGREED.
6. ON REUNIFICATION, GORBACHEV INTERPOSED REFERENCES TO VARIATIONS IN THE LINE TAKEN BY WESTERN LEADERS. IN PARTICULAR, MITTERRAND HAD NOT FOUND THE BEST FORM OF WORDS IN HIS OFF THE CUFF REPLY TO JOURNALISTS AFTER HIS MEETING WITH CHANCELLOR KOHL. I SAID THAT DUMAS HAD TAKEN A CLEAR LINE IN THE NATIONAL ASSEMBLY - AFTER SEEING GORBACHEV IN MOSCOW: HE NODDED. HE THEN DREW ATTENTION TO THE LINE HE HAD TAKEN IN THE STUDENTS' FORUM ON 15 NOVEMBER (MOSCOW TELNO 1920). THESE MATTERS WOULD FIND THEIR OWN SOLUTION OVER A PERIOD OF YEARS. LOOK, FOR EXAMPLE, AT THE TRANSFORMATION OF BRITISH/SOVIET RELATIONS OVER THE PAST 5 YEARS.
7. I CONCLUDED MY REMARKS BY EMPHASISING THAT WE WISHED TO REMAIN IN VERY CLOSE CONTACT, AT DIFFERENT LEVELS, INCLUDING CONTACTS BETWEEN SIR C MALLABY AND THE SOVIET AMBASSADOR TO THE GDR, AND ESPECIALLY BETWEEN THE PRIME MINISTER AND HIMSELF. HE WELCOMED THAT.
8. GORBACHEV THEN GAVE HIS VIEWS. HE WAS VERY GRATEFUL FOR THE PRIME MINISTER'S MESSAGE. IT WAS IMPORTANT TO KEEP IN TOUCH ON THIS QUESTION. OUR VIEWS WERE NOT SO MUCH CLOSE AS MORE OR LESS IN AGREEMENT. HE HAD ALSO SPOKEN TO MITTERRAND AND KOHL, AND WOULD OF COURSE BE SEEING BUSH.
9. WHAT HAD HAPPENED WAS JUST THE FIRST STAGE. WHO COULD TELL WHAT THE SITUATION WOULD BE 2 OR 3 YEARS FROM NOW? WE WOULD HAVE TO WAIT AND SEE. BUT THE TURN-AROUND HAD TAKEN PLACE - A HISTORIC TURN OF EVENTS. THE SITUATION WOULD BECOME MORE DIFFICULT IF ANYONE INTERFERED.
10. WE WERE ALL PART OF ONE CIVILISATION. IN THEIR PROCESS OF TRANSFORMATION, THE SOCIALIST COUNTRIES WOULD FEEL FREE TO ADOPT USEFUL IDEAS FROM ELSEWHERE - ON ECONOMICS, FINANCE, EVEN SOCIAL QUESTIONS. THERE WOULD BE LOCAL VARIANTS. THESE WERE DEEP CHANGES.

GORBACHEV SAID THAT IT WAS "COLOSSALLY DIFFICULT" TO SUSTAIN THIS COURSE BOTH INSIDE HIS OWN COUNTRY AND IN EASTERN EUROPE. DIFFERING VIEWS, SOME OF A PRIMITIVE KIND WERE BEING EXPRESSED FROM THE BOTTOM TO THE TOP OF SOCIETY, EVEN AMONG THE INTELLIGENTSIA.

11. TURNING SPECIFICALLY TO THE GDR, GORBACHEV SAID THAT HIS VISIT TO EAST BERLIN HAD CONVINCED HIM OF THE NEED TO REACT QUICKLY. HE HAD FELT "FOOLISH" WHEN FORCED TO STAND SIDE BY SIDE WITH HONECKER TO TWO AND A HALF HOURS WHILE THE CRODS WERE SHOUTING AT HIM TO HELP THEM. HE ACKNOWLEDGED THAT HONECKER HAD DONE MUCH, BUT THE TIME HAD COME TO CHANGE. THIS WAS "PAINFUL, BUT IT IS NOW UNDER WAY."

12. GORBACHEV SAID IT WAS VITAL TO STAND FIRMLY BY THE HELSINKI PROCESS. THERE SHOULD BE NO TURNING BACK. HELSINKI I SHOULD BE FOLLOWED BY HELSINKI II. THE PROCESS ALSO EMBRACED THE VIENNA NEGOTIATIONS, EC/CMEA RELATIONS, CONTACTS WITH NATO, AND THE IMPORT OF INVESTMENT AND CAPITAL. THE TWO SIDES WERE MOVING TOWARDS EACH OTHER.

13. HOWEVER, ON THIS POINT HE DID NOT SHARE THE PRIME MINISTER'S INTERPRETATION. AT THE STUDENTS FORUM, HE HAD HAD TO ANSWER QUESTIONS ABOUT HER REMARKS ON THE DECLINE OF SOCIALISM. GORBACHEV SAID, WITH A BEAM, THAT YESTERDAY HE HAD BEEN CROSS ABOUT THE "IDEOLOGICAL ASPECT" INTRODUCED BY THE PRIME MINISTER: "WE ARE CHANGING. SHOULDN'T PEOPLE LIKE YOU AND THE FRENCH CHANGE AS WELL? I THINK THAT YOU NEED PERESTROIKA." HAVING MADE HIS POINT GORBACHEV HASTENED TO ADD THAT THIS WAS "NOT A THREAT" (I SUSPECT HE HAD KHRUSHCHEV'S REMARK ABOUT BURYING CAPITALISM IN MIND) AND THAT THE PRIME MINISTER HAD ALREADY BROUGHT ABOUT GREAT CHANGES.

14. GORBACHEV SUMMARISED THE SOVIET POSITION AS BEING, FIRST, TO ENCOURAGE CHANGE BUT EXCLUDE EXTERNAL INTERFERENCE: AND, SECOND, TO SUSTAIN EXISTING INSTITUTIONS AND THE HELSINKI PROCESS. ON THE LATTER POINT, HE WAS PLEASED THAT A DIALOGUE HAD BEGUN BETWEEN NATO AND THE WARSAW PACT: HE SPOKE OF "INTERPENETRATION." THIS SHOULD CONTINUE. THE POLITICAL ASPECTS OF THE TWO ALLIANCES SHOULD BE BROUGHT TO THE FORE. HE WAS ALL IN FAVOUR OF THE GENERALS FROM BOTH SIDES MEETING ONE ANOTHER: HE WELCOMED THE ANGLO-SOVIET MILITARY EXCHANGES WHICH HAD NOW GOT UNDER WAY. THE GENERALS SHOULD EXCHANGE VIEWS ON THE ROLE OF THE MILITARY IN THE NEW SITUATION.

15. GORBACHEV SAID THAT HE FULLY AGREED WITH THE POINTS THAT I HAD MADE ABOUT STABILITY. THERE WERE TWO GERMANIES, TWO UN MEMBER STATES. THEY WERE INDEPENDENT COUNTRIES. IT WAS IMPORTANT TO BE CLEAR ABOUT THIS. HE HAD ACTED TO PREVENT PUBLIC SPECULATION IN THE SOVIET UNION (VIZ ABOUT THE GERMAN QUESTION), BUT ACKNOWLEDGED THAT IT WAS NOT SO SIMPLE TO CONTROL THE LINE IN THE WEST.

16. GORBACHEV REFERRED AGAIN TO HIS CONTACTS WITH THE LEADERS OF THE FRG, BRITAIN, FRANCE AND THE UNITED STATES, INCLUDING HIS TELEPHONE

CONVERSATIONS. HE SAID POINTEDLY THAT THERE WAS INDEED 'A BIT OF REVANCHISM' IN WEST GERMANY. WITH ELECTIONS COMING UP, THE WEST GERMAN GOVERNMENT WAS AFRAID OF STAMPING ON THIS. HE HAD TOLD KOHL ON THE TELEPHONE NOT TO FORGET THAT THE DIVISION OF GERMANY WAS A RESULT OF GERMAN ACTIONS FIFTY YEARS AGO. KOHL HAD SOUGHT TO REASSURE HIM.

17. WINDING UP, GORBACHEV SAID TWICE MORE THAT THERE SHOULD BE NO EXTERNAL INTERFERENCE. EAST/WEST EXCHANGES WERE USEFUL SO LONG AS THEY DIDN'T CONSTITUTE INTERFERENCE. AND IF THIS PROVISION WAS RESPECTED, THE CURRENT PROCESS OF TRANSITION SHOULD RESULT IN GREATER SECURITY, NOT LESS. BULGARIA WAS ANOTHER EXAMPLE: THE BULGARIANS WERE DECIDING FOR THEMSELVES. HE CONCLUDED BY SENDING WARM GREETINGS TO THE PRIME MINISTER AND THANKS FOR THE ATTITUDE SHE HAD TAKEN (WITH A LAUGH: - 'APART FROM THE IDEOLOGICAL ASPECTS').

PRESS LINE

18. PENDING FURTHER INSTRUCTIONS, WE ARE SIMPLY TELLING THE PRESS THAT IT FALLS WITHIN THE CONTEXT OF THE CLOSE DIPLOMATIC CONTACTS TO WHICH YOU REFERRED IN BONN.

19. FOR SOMMENT, SEE MIFT

BRAITHWAITE

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MIPT: CALL ON SOVIET PRESIDENT, 17 NOVEMBER

## COMMENT

1. GORBACHEV WAS EXTRAORDINARILY RELAXED AND WARM - ESPECIALLY IN HIS REFERENCES TO THE PRIME MINISTER - AND MAINTAINED A JOCLAR BANTER FROM START TO FINISH. HE LOOKED IN THE PINK. NO SIGN OF THE FATIGUE AND GREYNESS OF MID-SUMMER: FULL OF BOUNCING CHARM, AS HE WAS AT LAST WEEK'S KREMLIN RECEPTION. THERE WERE NO/NO FLASHES OF ANGER. HE DELIVERED HIS DIGS - ON OUTSIDE INTERFERENCE, ALLEGED GERMAN REVANCHISM AND WESTERN EXUBERANCE OVER THE DEMISE OF SOCIALISM - WITH A VERY LIGHT TOUCH. EVEN ON GERMAN REVANCHISM HIS TONE WAS NO MORE THAN ADMONITORY

2. GORBACHEV DARTED TO AND FRO AT HIGH SPEED, AS MIPT INDICATES, BUT HIS THRUST WAS:

A) VERY STRONG EMPHASIS ON NON-INTERFERENCE, BUT NO/NO SUGGESTION THAT ANY WESTERN GOVERNMENT WAS TAKING A CONTRARY ATTITUDE.

B) SOME CONCERN ABOUT THE EFFECT OF PUBLIC STATEMENTS IN THE WEST - ON REUNIFICATION (HIS POINTS ABOUT MITTERRAND AND ABOUT GERMAN 'REVANCHISM') AND ON THE COLLAPSE OF SOCIALISM (THE IDEOLOGY POINT). BUT HE SHOWED APPRECIATION THAT WESTERN LEADERS HAD DOMESTIC FACTORS TO CONSIDER, AS HE DID. IT WAS EVIDENT THAT HE HAD SOUGHT AND RECEIVED EXPLANATIONS FROM THE FRENCH AND GERMANS.

C) AGREEMENT ON THE IMPORTANCE OF MAINTAINING THE DIALOGUE. HE RARELY SEES AMBASSADORS ( I BELIEVE THIS WAS ONLY THE SECOND CALL BY A BRITISH AMBASSADOR ON THE SOVIET LEADER SINCE KRUSCHEV'S DAY), AND HIS DECISION TO RECEIVE THE PM'S MESSAGE IN PERSON WAS A SIGN OF HIS ATTITUDE. HIS TELEPHONE CONVERSATIONS AND OTHER CONTACTS WITH WESTERN LEADERS HAVE CLEARLY HELPED TO SUSTAIN HIS PRESENT CONFIDENCE.

D) INTEREST IN MAINTAINING AND DEVELOPING DIFFERENT CHANNELS, SUCH AS EXCHANGES BETWEEN NATO AND WARSAW PACT GENERALS.

E) DETERMINATION TO PRESS AHEAD WITH CHANGE INSIDE AND OUTSIDE THE SOVIET UNION, HOWEVER PAINFUL AND HOWEVER STRONG THE CRITICISM. HIS

REMARKS ABOUT THE ''COLOSSAL DIFFICULTY'' OF THE PROCESS AND FEELING ''FOOLISH'' WITH HONECKER WERE STRIKINGLY FRANK.

3. I THINK GORBACHEV IS CONFIDENT THAT HE HAS GOT OVER ANOTHER HUMP, BUTR REMAINS WARY OF THE WEST GERMANS. HE WILL CONTINUE TO STAMP FIRMLY ON REUNIFICATION TALK.

4. PERHAPS WE COULD :LOOK FOR FURTHER WAYS OF FURTHER DEVELOPING THE MILITARY DIALOGUE TO WHICH GORBACHEV ATTACHES IMPORTANCE (HE HAS DOMESTIC POLITICAL CONSIDERATIONS IN MIND HERE, AS WELL AS POLITICAL ONES, AS HIS DIPLOMATIC ADVISERS INDICATED TO ME BEFORE GENERAL YAZOV'S VISIT TO THE UK IN JULY). HE NEED TO GET HIS GENERALS, WHO ARE PROBABLY SORE AT THE WAY THINGS ARE GOING GENERALLY, OUTOF THEIR BUNKERS AND INTO THE OUTSIDE WORLD.

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INFO PRIORITY UKREP BRUSSELS, EASTERN EUROPEAN POSTS18 NOVEMBER MEETING OF THE TWELVE: FRENCH ATTITUDE TO 'THE GERMAN  
PROBLEM'

## SUMMARY

1. REFLECTIONS ON FRENCH ATTITUDES TO GERMANY PRIOR TO 18 NOVEMBER  
INFORMAL PARIS SUMMIT MEETING. COMMON INTEREST OF MITTERRAND AND THE  
PRIME MINISTER IN CAUTIOUS APPROACH ESPECIALLY TO REUNIFICATION.

## DETAIL

2. IN EVERY PUBLIC STATEMENT MITTERRAND AND HIS MINISTERS HAVE THE  
DIFFICULT TASK OF RECONCILING THE REQUIREMENTS OF THE INTERNATIONAL  
SCENE ITSELF WITH THEIR DOMESTIC POLITICAL REQUIREMENTS. TO  
UNDERSTAND THEIR CAUTION AND AMBIGUITY ONE HAS TO MAKE SOME  
ASSESSMENTS ABOUT CURRENT FRENCH ATTITUDES TO GERMANY AND THE GERMAN  
PROBLEM.

3. MITTERRAND MOST OF ALL, VIRTUALLY ALL OF HIS SENIOR MINISTERS AND  
THE SOCIETY FROM WHICH THEY COME, HAD EXPERIENCE OF THE HUMILIATION  
OF DEFEAT IN 1940 AND THE MISERY OF GERMAN OCCUPATION. SINCE THE WAR  
RECONCILIATION HAS BEEN A NECESSITY. THE CONSTRUCTION OF THE  
EUROPEAN COMMUNITY AND THE FRANCO-GERMAN BARGAIN ON WHICH IT WAS  
BASED WERE MOTIVATED ON THE FRENCH SIDE BY THE NEED TO KEEP GERMANY  
UNDER CONTROL. THE DIVISION OF GERMANY WAS, IN THOSE CIRCUMSTANCES,  
A SOURCE OF CROCODILE TEARS NOT OF GENUINE LAMENT. ON THE OTHER  
HAND, GIVEN THE FRAGILE ANTECEDENTS OF FRANCO-GERMAN RECONCILIATIONS  
AND THE NEED NOT TO ROCK THE BOAT IT HAS ONLY BEEN IN PRIVATE THAT  
THE RELEVANT GENERATION OF FRENCH PEOPLE HAVE EVER BEEN PREPARED TO  
EXPRESS THEIR INHERENT FEARS OF GERMAN POWER. THAT SITUATION HAS  
BEEN CHANGING SOMEWHAT IN RECENT YEARS AND FRUSTRATION AND  
IRRITATION WITH THE PRESENT DAY FRG HAS OCCASIONALLY SURFACED (EG  
OVER FINANCIAL AND MONETARY ISSUES) BUT THE RELATIONSHIP ON THE  
WHOLE IS GOVERNED ON THE FRENCH SIDE BY AN OFTEN UNCOMFORTABLE  
SELF-IMPOSED DISCIPLINE OR INHIBITION. AS GERMAN MUSCLE AND  
ASSERTIVENESS INCREASES, SO THE FRENCH INSTINCT IS TO GRIT THEIR

TEETH AND HANG ON TO THEIR POLICY OF RECONCILIATION/ANCHORING OF THE FRG.

4. THE STRUCTURES OF THE FRANCO-GERMAN TREATY OF 1963 MASSIVELY ENCOURAGED EXCHANGES BETWEEN THE YOUNGER GENERATION OF FRENCH AND GERMANS, AND TIME AND 'LIFE ITSELF' HAVE DONE MUCH IN THE INTERVENING PERIOD TO SOFTEN MEMORIES AND TO ENCOURAGE A MUCH MORE POSITIVE ATTITUDE TOWARDS THE FEDERAL REPUBLIC. THAT ACCOUNTS FOR THE LEADING ROLE WHICH THE FRG PLAYS IN ANY OPINION POLLS ON WHO FRANCE'S FRIENDS ARE AND IN RECENT PUBLISHED OPINIONS ON 'REUNIFICATION'. THE DIFFICULT QUESTION TO ASSESS IS WHETHER THE YOUNGER GENERATION ARE NONETHELESS INHERITING THEIR PARENTS' UNDERLYING CAUTION AND AMBIGUITY.

5. FROM MY OWN CONTACTS (BUT THEY TEND INEVITABLY TO BE AMONG THOSE WHO, AT THEIR YOUNGEST, ARE IN THEIR MID 40S) THE NERVOUSNESS ABOUT WHAT IS GOING ON AT PRESENT IN EAST GERMANY IS VERY APPARENT. WHEN ASKED WHY IT IS THAT THE OPINION POLLS INDICATE A MUCH MORE POSITIVE RESPONSE, THE ANSWER IS THAT, ON SO SENSITIVE A SUBJECT NO ONE WOULD DREAM OF ANSWERING A POLLSTER HONESTLY. THAT MAY BE SO FOR THE OLDER ONES. BUT THERE IS PROBABLY A GENUINE GENERATIONAL DIFFERENCE. PERHAPS ALL THAT CAN BE HAZARDED IS THAT FEARS AND CAUTION REMAIN SUBMERGED IN THE PSYCHE AND COULD EASILY RE-EMERGE EVEN AMONG THE YOUNGER GENERATION: PARTICULARLY IF GERMAN ASSERTIVENESS COMES TO BE WIDELY SEEN AS DIMINISHING FRANCE'S ROLE AND OPPORTUNITIES FOR LEADERSHIP.

6. PRESIDENT MITTERRAND (ACTIVE IN THE RESISTANCE) AND M. DUMAS (FATHER SHOT BY THE GERMANS) WILL BOTH BE VERY SENSITIVE TO THE CURRENTS OF DOMESTIC OPINION. EXPERIENCES HAS SHOWN THAT THAT IS LIKELY TO LEAD THEM TO BE PARTICULARLY ACTIVE IN PRESSING FOR WHAT IN THEIR EYES IS THE MOST EFFECTIVE WAY OF BINDING WEST GERMANY TO THE WEST - THE CEMENTING OF EUROPEAN CONSTRUCTION.

7. IN THIS CONTEXT 'REUNIFICATION' IS OBVIOUSLY A PARTICULARLY SENSITIVE WORD. I AM SURE THAT PRESIDENT MITTERRAND WILL SEEK TO FOCUS ATTENTION RATHER ON THE NEED NOT TO DO ANYTHING TO ROCK MR GORBACHEV'S BOAT THAN ON THE PROS AND CONS OF DIFFERENT FORMS OF POSSIBLE ASSOCIATION BETWEEN EAST GERMANY AND THE EUROPEAN COMMUNITY. IN THAT PRIME MINISTER AND HE SEEM TO SHARE A CLEAR COMMON INTEREST.

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GERMAN INTENTIONS AT THE PARIS MEETING OF COMMUNITY HEADS OF  
GOVERNMENT

SUMMARY

1. KOHL WANTS THE MEETING TO BE A POLITICAL GESTURE OF SOLIDARITY AMONG PARTNERS AND OF SUPPORT FOR REFORM IN THE GDR, POLAND, HUNGARY AND THE SOVIET UNION. NOT LOOKING FOR DECISIONS.

DETAIL

2. MEETINGS OF MINISTERS ABOUT THE LINE KOHL SHOULD TAKE IN PARIS TOMORROW ARE STILL CONTINUING IN BONN. BUT THE OVERALL LINE APPEARS TO BE CLEAR. KOHL, WHOM I SAW SOCIALLY THIS MORNING, TOLD ME THAT HIS PURPOSE WOULD BE POLITICAL. DECISIONS WERE NOT APPROPRIATE. THE MEMBERS OF THE COMMUNITY SHOULD DEMONSTRATE THEIR POLITICAL SOLIDARITY IN RELATION TO THE GREAT CHANGES IN EASTERN EUROPE, AND THE MEETING SHOULD BE PRESENTED AS A POLITICAL GESTURE OF SUPPORT FOR REFORM, NOT ONLY IN THE GDR BUT ALSO IN POLAND, HUNGARY AND THE SOVIET UNION.

3. KOHL'S OFFICIALS DO NOT EXPECT HIM TO AGREE IN PARIS TOMORROW TO THE FRENCH IDEA OF A NEW BANK FOR HELPING EASTERN EUROPE. HE MIGHT GO SO FAR AS TO WELCOME THE IDEA IN PRINCIPLE AND WILL PROBABLY AGREE THAT IT SHOULD BE STUDIED IN DETAIL. GERMAN OFFICIALS DO NOT BELIEVE THAT THE FRENCH THEMSELVES YET HAVE CLEAR IDEAS. THE GERMANS DO NOT KNOW, FOR INSTANCE, WHETHER THE FRENCH INTEND THAT CONTRIBUTIONS TO THE BANK COULD BE MADE BY NON-MEMBERS OF THE EC.

4. TELTSCHIK TOLD ME THAT THE GERMANS AGREED WITH THE FRENCH VIEW THAT THERE SHOULD BE NO COMMUNIQUE FROM THE PARIS MEETING. IT WOULD BE HUMILIATING TO GET BOGGED DOWN IN ARGUMENTS ABOUT DRAFTING. AT THE SAME TIME, TELTSCHIK SAID THAT KOHL WAS A BIT ANXIOUS ABOUT WHAT MITTERRAND MIGHT TELL THE PRESS HAD BEEN THE CONCLUSIONS OF THE MEETING.

5. KOHL AGAIN STRESSED IN A SPEECH THIS MORNING THAT ALL MEMBERS OF THE COMMUNITY SHOULD PARTICIPATE IN HELP FOR REFORM IN THE GDR. HIS OFFICIALS ARE SAYING THAT AGREEMENT TO MOVE TOWARDS NEGOTIATIONS BETWEEN THE COMMUNITY AND THE GDR WOULD BE AN APPROPRIATE WAY OF GIVING EXPRESSION TO THIS IN THE NEAR TERM. THIS CHIMES WITH GENSCHER'S REMARK TO YOU ON 15 NOVEMBER THAT A COMMISSION MANDATE FOR NEGOTIATIONS WITH THE GDR SHOULD NOW BE AGREED (MY TELNO 1115).

THE POLITICAL BACKGROUND IN THE FRG

6. THE FEDERAL GOVERNMENT AND KOHL HIMSELF ARE LOOKING GOOD AT PRESENT. THE CHANGE IN THE GDR REFLECTS WELL ON FEDERAL POLICY OVERALL. THE OPENING OF THE GDR FRONTIERS IMMEDIATELY REDUCED THE FLOW OF PERMANENT IMMIGRANTS INTO THE FRG, AND THEREFORE THE RISK OF A POPULAR BACKLASH CAUSED BY NEW COMPETITION FOR HOMES AND JOBS. IT IS ESTIMATED THAT SOME 30,000 OF THE APPROXIMATELY 280,000 GDR IMMIGRANTS SO FAR THIS YEAR WILL RETURN TO THE GDR OVER THE COMING MONTHS.

7. KOHL AND HIS MINISTERS CONTINUE TO TAKE A DELIBERATELY RESPONSIBLE PUBLIC LINE ON THE GERMAN QUESTION. KOHL SET OUT HIS POSITION IN THE BUNDESTAG YESTERDAY (BONN TELNO 1121). THE ONE NEW ELEMENT WAS HIS RECOGNITION THAT HUMANITARIAN AID AND SUPPORT FOR INFRASTRUCTURE PROJECTS IN THE GDR COULD BE UNDERTAKEN BEFORE ECONOMIC REFORM THERE. HE MAINTAINED HIS POSITION THAT MAJOR NEW ECONOMIC SUPPORT WOULD BE DEPENDENT ON REFORM.

8. AS YOUR TALKS WITH GENSCHER ON 15 NOVEMBER SHOWED, GERMAN VIEWS ABOUT REFORM IN EASTERN EUROPE AND THE SOVIET UNION AND ABOUT EAST-WEST RELATIONS ARE GENERALLY CLOSE TO OURS. THE ONE MAJOR DIFFERENCE IS THAT KOHL AND GENSCHER, AND INDEED ALL POLITICAL LEADERS HERE, BELIEVE AND CONSTANTLY DECLARE THAT EVENTS IN EASTERN EUROPE MAKE ACCELERATION OF INTEGRATION IN THE EC ALL THE MORE IMPORTANT. A MAJOR MOTIVE IS THAT THE GERMANS THINK THAT TO OPPOSE MITTERRAND ON CALLING AN IGC ON MONETARY UNION WILL BE TO INVITE ACCUSATIONS OF DRIFTING EASTWARDS. THAT IS A MATTER FOR STRASBOURG BUT IT WOULD BE GOOD TO DEPLOY AT THE PARIS MEETING THE LINE IN PARA 7 OF PARIS TELNO 1523. THE GERMANS NEED TO SEE THAT CREATION OF THE SINGLE MARKET MAKES THE PRESENT A PERIOD OF PARTICULAR PROGRESS IN BUILDING EUROPE AND THAT RUSHING AHEAD ON CONTROVERSIAL SUBJECTS IS HARMFUL.

9. THE OTHER SUBJECT ON KOHL'S MIND RECENTLY HAS BEEN POLAND. HIS VISIT FROM 9 TO 14 NOVEMBER, A POTENTIALLY HAZARDOUS EXERCISE, PASSED OFF WITHOUT SERIOUS DIFFICULTY. BUT HE MAY BE DISAPPOINTED

CONFIDENTIAL

012210  
MDADAN 4735

THAT, BECAUSE THE GDR HIJACKED THE HEADLINES, THE VISIT TO POLAND,  
LONG BILLED AS AN HISTORIC EVENT, WAS OVERSHADOWED.

MALLABY

YYYY

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MR S MCCARTHY SEC(NATO/UKP)MOD

WG CDR ANDREWS DCTS NATO MOD

MRS GLOVER LEGAL ADV

NNNN

PAGE 3  
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MY TELNO 1127

GERMAN INTENTIONS AT THE PARIS MEETING OF COMMUNITY HEADS OF GOVERNMENT

SUMMARY

1. ADDITIONAL GERMAN AIMS AT PARIS

DETAIL

2. WHEN THE MINISTER CALLED ON HARTMANN AT THE FEDERAL CHANCELLERY (HE WILL BE ACCOMPANYING KOHL TO PARIS) HE MENTIONED TWO GERMAN AIMS FOR THE PARIS MEETING IN ADDITION TO THOSE MENTIONED TO ME BY KOHL THIS MORNING (PARA 2 OF TUR). HARTMANN SAID THAT KOHL WOULD ALSO WANT THE HEADS OF GOVERNMENT TO CONFIRM THEIR OWN COMMITMENT TO WESTERN INTEGRATION AND TO MAKE IT CLEAR THAT IN SUPPORTING REFORM IN EASTERN EUROPE THEY WOULD NOT ENGAGE IN DESTABILISATION.

COMMENT

3. THE GERMANS FEEL THE NEED TO REASSURE - WEST AS WELL AS EAST.

4. FCO PLEASE ADVANCE TO NO 10.

MALLABY

YYYY

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NNNN



PRIME MINISTER

HEADS OF GOVERNMENT DINNER IN PARIS

You are attending the Heads of Government Dinner in Paris tomorrow night. The programme is:

- 1610 Depart Chequers.
- 1650 Take-off from Northholt (BAe146) (Foreign Secretary will be with us).
- 1900 Arrive Paris.
- 1925 Arrive Embassy to change.
- 2000 Dinner at the Elysee (Foreign Ministers will dine separately but will join Heads of Government at some point).
- 2230 Approximately, Dinner ends.
- 2300 Approximately, President Mitterrand to speak to press.
- 2300 Prime Minister sees British press at Embassy.
- 2400 Take-off for London.
- 0010 Arrive London (Heathrow Southside)
- 0030 Return to No. 10

CJP

CHARLES POWELL  
17 NOVEMBER 1989

c:paris.mrm

Trade

GEC  
EFSA

CONFIDENTIAL

1572 - East Germany  
 - Quidipath. M...  
 Helmut  
 -35  
 CSU-

Referent one  
 another fraction  
 as would  
 Bushby  
 Max R...  
 1975  
 120

c:Meeting (MJ)

Ass Friday  
 Co-sponsor  
 Lyj...  
 PRIME MINISTER

12  
 Community

Inner Germany

Pre-delet  
 22  
 Council of Europe

MEETING WITH EC HEADS OF GOVERNMENT IN PARIS, 18 NOVEMBER

The meeting will take place over dinner at the Elysée, which means that there will be only some two-and-a-half to three hours for discussion.

NATO

French Intentions

Our assessment is that Mitterrand is intending a fairly general discussion of political developments in Eastern Europe and does not envisage any formal communique or conclusions. He accepts that specific initiatives - additional aid, new forms of association between the EC and Eastern Europe, a European Bank for Eastern Europe - will need to be remitted to the Strasbourg European Council. There is likely to be a general consensus on the need to welcome developments in Eastern Europe, while doing nothing to undermine Gorbachev: a measured response in fact. (For a fuller assessment, there are telegrams in the folder from Ewen Fergusson.)

This generally reassuring account of French motives and intentions needs to be qualified in two ways;

- I suspect Mitterrand will want to emerge from the meeting with something in the nature of a mandate to speak for Europe in contacts with Presidents Bush and Gorbachev. There are signs that he is angling for meetings with both of them.
- he may try to use the discussion to argue that the right response to events in Eastern Europe is to accelerate progress on economic and monetary union and other aspects of European integration. His subsidiary purpose will be to demonstrate your isolation. You

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Greece

X

Do not interfere with Military  
matters - have N.A.T.O. Don't think  
adding on shipping matters in  
any of these two alliances.

Practical way - ? Bank? A  
good idea - plans have  
to be discussed.

Proper European solidarity  
Problems in whole world  
financed by U.S. Japan  
etc.

Greece joins along with  
and for Eastern Europe.

- Hungary ① Provide sharp  
evidence to respond
- ② Aid - not to be used  
to prop up old regimes  
but rather wait for full reform
- ③ Equal emphasis on assistance to persecuted

Greece

R

Subjected to civil war  
at end of war  
Only miracle in postwar  
era of country able to  
withstand communism without  
any outside help !!!

If Europe does not safeguard  
own interests - situation  
very different.

Unity of Europe which saves present situation.

- ∴ Add voice of Greece  
E.C. should adopt position with  
regard to help to Eastern Europe countries  
Poland - most urgent  
Hungary - we must help.

All this is irrevocable.

Do not wait until full democracy is  
E.C. exercise some caution  
because of the 4 factors

"Continual forces" must be there  
Must be early to start talking about Greece  
They stay as they are - Helsinki agreement

will want to point out that the effect of going hell-bent for a particular concept of European economic and monetary union, which is not acceptable to all members states, will be to underline the divisions in the Community not its strength. You are not arguing that we should stop discussion of economic and monetary cooperation: it should go on at its own pace. But at the same time, the Community must take a much broader look at the implications of the historic changes in Eastern Europe and not try to pretend that the situation is just as before.

Intentions of others

I imagine Kohl will want to dominate the discussion with accounts of his visits to Berlin and to Poland. He will be at pains to deny that Germany is pressing for early discussion of reunification, while wanting acknowledgement that this is a matter for the German people to decide freely. He will also be anxious to demonstrate how thoroughly European and reliable Germany is, and therefore willing to press on with EMU.

We have less detailed information on what the others expect. Some are anxious to ensure that the Strasbourg Council is not 'cluttered up' with Eastern Europe but concentrate exclusively on EMU and Social Charter. The Belgians have a tentative scheme for a European Confederation with a tightly-knit EC at its core and looser ties to other European countries. In their view, this would be a way of bringing the two parts of Germany closer together without reunification. The Commission seem to have an idea for bringing East German into early membership of the Community. But this does not have the support of the Germans, who envisage a trade agreement at most.

Your Objectives

It seems to me that your main objectives should be:

- to get the widest possible consensus round your view of

Parity has  
experience of change  
back from Commission to make structural  
provisions.

VIII

This process must not  
create destabilization.  
Also obligations to Africa / Latin America /  
They will say - now all attention is  
going to ~~the~~ Europe

NATO - neither <sup>must</sup> coherence of alliance

- can discuss summit  
with U.S.

Must retain privileged  
relationship with U.S.

Prevision of Greece - Go into what has  
withheld change. Within year.

United Europe - hope change earlier than otherwise

Sartre

Booney - No - whole

European structure  
would collapse.

VII

Sartre

- European integration  
must move forward  
Sigh Sartre by 1952

No question of differing borders

Policy co-ordinated as now.

Bid

- no difficulty with those  
countries who have  
demanded such relief.

Guarantee that changes will continue.

Corleone

- will continue if we do  
not detach borders.

Parity

- What to do.

Bid - case by case

Institution I.M.F. World Bank OED?

Take Force to consider - co-ordinated  
by Commission.

the need for a measured response to events in Eastern Europe, with tacit acknowledgement that reunification is not on the agenda

- to emphasise that there is a NATO aspect to all this as well as an EC one. We need to consider the defence and strategic implications in NATO
- to identify points on which the European Council at Strasbourg ought to take decisions (aid, new forms of relations with Eastern Europe, an investment bank).
- to resist attempts to argue that the right response to developments in Eastern Europe is to accelerate European integration: and to try instead to increase the doubts of others whether it does make sense to race ahead (some of the poorer EC countries will worry that funds which they aspire to get their hands on may be diverted to Eastern Europe)
- to give notice that you think the Strasbourg Council should take a view on the principle of enlargement of the Community, with a view to putting off all applicants for the time being.

What you might say

I think you have all the main points in your mind. In brief they are:

- of course we welcome what is happening in Eastern Europe. It is the justification and reward for our steadiness and resolve over four decades
- but we must not become euphoric. Getting genuine democracy and economic reform in Eastern Europe will be a long business. Our task is to help that process and do nothing to undermine it

~~Sibulati~~

VI

J, Andreotti - Democracy -  
What are chances of future?  
Ready to send whole hand to Poland  
but haven't organization to cope  
Bank to organize investment  
Something to help in organization of aid

Military matter in hands of Albanians

Frankie important to CSCE conference  
(federal to make borders)

Ohio conference has global approach

U.S. leaves European countries

State Dept Helmut approved

Mr. Sander - great ed for  
Helmut's position.

Europe nothing to fear from  
democratic Germany

Aid - must go further. Belgium and  
Contemplation with U.S. B could  
tele. line - in Republ

Wonderful to hear  
units of organization

Green - Europe hand

How 40 min

Consider

12 min. - Very good but  
- let's get democracy first

M.T.

- 10 min [Not to be  
- need reality

Sibulati

- Aid now by

Should not be able to re

to pay back old loans to private banks

Condition - that they are


moving towards

liberal market democracy

Full checks

Investment Bank - worthwhile - where money  
are now in force to - fixed conditions.



- in particular we must show sensitivity to Gorbachev's position. His sticking point is to preserve the Warsaw Pact and the 1945 frontiers. If we put these in question, his position would become very vulnerable and we would put at risk everything which has been achieved so far in the Soviet Union and Eastern Europe. We need prudence and restraint in what we say and what we do. You welcome the general recognition that 'the German question' is not and cannot be on the agenda at this stage
- the Community needs to consider what more it can do to help in practical terms, both in terms of and by establishing a new framework for relations with Eastern Europe. There is a wide range of possibilities and the Strasbourg European Council should reach conclusions on this, to demonstrate that it is not just preoccupied with the Community's internal developments
- the Community should also take the opportunity at Strasbourg to address the principle of further enlargement. We cannot take sensible decisions about future relations with Eastern Europe unless we are clear in our own minds about the Community's intentions towards other West European applicants.
-  within NATO we need to reaffirm the policies which have proved so successful, as expressed in the communiqué of the May summit. We must not let public opinion convince itself that defence is no longer necessary. We should also of course press on with the negotiations to reduce conventional forces in Europe
- (if necessary) it is not a question of accelerating the development of the Community: that must proceed at its own pace - and the immediate priority is to complete the Single Market. The result of acceleration is likely to be to increase the divisions.

W  
Date for Elected must be  
No criminal prisoners  
Proper criminal code  
~~Pro~~ P1 prisoners must be  
released.

No discussion about borders

Am not going to do so,  
Govt: - EEC must determine  
own jobs themselves

had to move so much  
in united nation

Future of Guyana must  
be open.

Can't be asked against

Right to self-determination

Will abide by their decisions

Fed Rep G. will never  
accept that there are less  
incentives in Poland things

ERM required.

107  
-  
We must not wait  
Poland is such a European  
and now.

GDR - Part of you have  
no real idea of what is  
happening - 3m comes  
to EDR on visit,  
40 mile long wall from  
Monday - 200 km - wall  
solid.

New York setup.

will need to go further  
Fewer people want to leave  
- previously young started left  
- EDR

Krus - Warsaw or Pipert model  
Must not decide GDR  
Will continue to give aid  
in every area - road network  
environmental telephone network  
these things 'not necessarily linked  
to human rights  
GDR, we IRPW. Rof-revery

Background

You will find in the folder:

- a minute by the Foreign Secretary
- an FCO letter with further background
- telegrams from Ewen Fergusson in Paris
- telegrams from other EC posts
- your messages to Presidents Bush and Gorbachev

C.D.R.

Charles Powell

17 November 1989

# Helmut Kohl II

① People want to hear voice of Europe, in its political aspect. Policies must make that clear.

② Point of substance.

Where does FRG stand?  
Is their Europeaness being diminished?

No, - that's the need of the majority.

With 1990 decision their freedom would not have happened. FRG is European

③ Happened because of O.S.G. (his policy)

His problems have increased

One solution is that policies work

What further help to Hungary

Poland - united for reform  
Sanctions - 1990 by end year

① What should be asked I  
or what not

② Should we give aid before democracy? Yes (things spoiled)

③ Should democracy be made inevitable

④ ? Borders? No

What should be done in practice

① Algeria - contracts with  
and contacts with  
African countries,  
EFTA countries

Procedure? - Standstill (Trade)  
People will need to eat

More  
fund  
work

1523  
What do the Helsinki Agreements say about borders/frontiers in Europe?

CSCE HELSINKI FINAL ACT IN 1975

Declaration on Principles Guiding Relations between Participating States

(i) Sovereign equality, respect for the rights inherent in Sovereignty.

"Within the framework of international law, all the participating states .... consider that these frontiers can be changed, in accordance with international law, by peaceful means and by agreement."

(iii) Inviolability of frontiers

"The participating states regard as inviolable all one another's frontiers as well as the frontiers of all states in Europe and therefore they will refrain now and in the future from assaulting these frontiers."

(viii) Equal rights and self-determination of peoples

"By virtue of the principle of equal rights and self-determination of peoples, all peoples always have the right, in full freedom, to determine, when and as they wish, their internal and external political status, without external interference, and to pursue as they wish their political, economic, social and cultural development."



Go to...

SECRET

3A-D

(1)

PRIME MINISTER



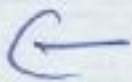
The President will ring at 8.15 p.m. this evening.

TELEPHONE CALL WITH PRESIDENT BUSH

You said that you would speak to President Bush on the telephone if possible before leaving for the meeting in Paris. I have suggested to General Scowcroft that this might be between 7 and 9 p.m. this evening or 2 to 3.30 p.m. tomorrow. At the time of writing, I have not heard from the White House which they would prefer, but it could be shortly after your return to Chequers this evening.

I attach a copy of your message to the President. The points you might make to him are;

- you are at one in welcoming what is happening in Eastern Europe as a great step for freedom and a justification and reward for the West's steadiness and resolve over several decades;
- you are agreed, too, on the importance of maintaining stability. The worst outcome would be to undermine Gorbachev's position and risk a reversal of all that has been achieved in Eastern Europe;
- the way we handle German reunification will be crucial. The issue arouses strong emotions in all of Europe, not just in Germany. We need to make clear that the priority must be to get democracy established in Eastern Europe - which will take a long time even on the most optimistic view - and that reunification must take second place. We all need to observe the maximum prudence and restraint on this, because it is the aspect most likely to put Gorbachev in danger;
- you do not know precisely what President Mitterrand plans for the meeting in Paris. But you sense that most European governments are coalescing around the



B

prudent approach you have described.

- other aspects likely to be considered are further EC aid to Eastern Europe: and new links between the EC and those East European countries which are moving towards democracy. The EC already has a range of possible agreements - Association agreements, Cooperation agreements, and Trade agreements - and it is a question of choosing which would suit the circumstances and would best support and sustain emerging democracy. But you doubt there will be more than a first discussion, with decisions more likely at the Strasbourg European Council;
  
- you would much prefer discussion of the wider political and strategic consequences of these developments to take place in NATO rather than the EC, with the US present. That is one reason why you hope the President will come to Brussels after his meeting with Gorbachev, if he possibly can. It would be very helpful to reaffirm the conclusions of the NATO Summit last May. There is a risk of euphoria breaking out which can rapidly undermine NATO's defences at a time when we need to remain strong;
  
- you look forward to discussing all these issues with the President at Camp David next Friday.

C.D.P.

CHARLES POWELL  
17 November 1989

Please now see diagrams about Gorbachev's meeting with our Ambassador (attached)



a:bush (MJ)

SECRET

Following for General Scowcroft from Charles Powell

Please pass following message to President Bush from Prime Minister Thatcher:

Dear George,

I have been following closely your public statements on developments in East Germany, and our general approach seems very similar. We have also co-ordinated our replies to President Gorbachev's message of last weekend. But I thought it would be useful to set out my views for you ahead of the meeting of European Heads of Government in Paris on Saturday, to be sure that we are on the same lines.

It seems to me that our Western response to the events in East Germany and more widely in Eastern Europe needs to be a measured one. There is every reason for celebration: democracy in Eastern Europe is something we always wanted to see. Nothing should dim our success. At the same time, those with most at stake are the people of Eastern Europe. Their restraint and discipline has been remarkable. We should be culpable if a false step or injudicious action on the part of the West resulted in their newly won freedom being once more extinguished. We must in particular be careful to do nothing which might undermine Mr Gorbachev's position, given his crucial role in these events.

Our priority must be to see genuine democracy established in the GDR and the rest of Eastern Europe (as well as eventually in the Soviet Union) and other issues should take second place to that. We must demonstrate that we do not intend to exploit the situation to the detriment of the Soviet Union's security interests. This will involve continuing to make plain our view that the future of the Warsaw Pact, like that of NATO, is a matter for its members to decide without interference from outside; and that German reunification is not a matter to be addressed at present.

This was the gist of my remarks in a speech which I made in the

City of London earlier this week. I shall take the same line on Saturday at the European Community Heads of Government meeting which Francois Mitterrand has called in Paris. We shall have a further and more detailed discussion at the Strasbourg European Council meeting on 8/9 December. In Paris I shall say that the Community must respond imaginatively to developments in Eastern Europe. We must give more practical and financial help. And we should devise a new framework for relations between the EC and the Eastern European countries. (There is a whole range of different sorts of agreement on which the Community can draw.) The purpose would be to sustain and encourage them as they progress towards genuine democracy. There has been much talk of the importance of locking the FRG into the Community and the West: we must not at the same time lock Eastern European countries out. Above all I shall stress the vital importance of our keeping in very close step with the United States.

We can discuss this in more detail when we meet at Camp David next week. I am looking forward very much to that. I hear that you are considering a visit to Brussels after your meeting with Mr Gorbachev, in order to brief NATO. I hope that you will. There is a lot to be said for demonstrating that the whole NATO Alliance is united on these issues and also that it stands by our agreement at the NATO Summit last May.

Meanwhile, I might try to reach you on the telephone tomorrow or Saturday just to check that we are in full agreement on these important points.

Warm regards,

Margaret

CS

SECRET



4A-B

HLE shw  
alc

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

17 November 1989

Dear Stephen,

**EASTERN EUROPE: PRIME MINISTER'S TALK WITH  
PRESIDENT BUSH**

The Prime Minister had a talk on the telephone this evening with President Bush about the situation in Eastern Europe and the forthcoming meeting of European Community heads of government in Paris.

The President said that he had read in detail the Prime Minister's "marvellous message". He was looking forward to the two of them putting their feet up at Camp David for a really good talk. The Prime Minister said there was a great deal to discuss. She had thought it useful to put her views in writing before the Paris meeting, so the President could see what she intended to say there. Her impression was that they were thinking in very much the same way. The President said they were indeed very, very close: really eye to eye. A lot of people wanted the United States to posture more, but he was not keen on that.

The President asked what the Prime Minister expected to come out of the Paris meeting. The Prime Minister said that there was unlikely to be anything very concrete. There might be some sort of communiqué but even that was uncertain. Her view was that we should concentrate on supporting economic reform and the introduction of genuine democracy in Eastern Europe. That in itself was a considerable task and would take several years. It would only succeed in conditions of stability, and that meant that we must be very careful not to undermine Mr. Gorbachev. His main concern was to maintain the present borders in Europe and keep the Warsaw Pact intact. This meant that we should avoid talking about German reunification, which still aroused strong emotions in the Soviet Union and in Europe. No one could foresee what would happen in a few years' time. The Prime Minister continued that her impression was that the situation in Europe had steadied after a bumpy few days. She thought most governments understood the need for a measured approach. She knew that Chancellor Kohl had problems with the right wing of his own party: but talk of reunification would be seriously destabilising and would interfere with other positive developments such as arms control negotiations. Finally, we needed to re-affirm the importance of NATO and the conclusions reached at its May Summit, and try to tone down public euphoria.

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President Bush said that he wholeheartedly agreed with the Prime Minister's approach.

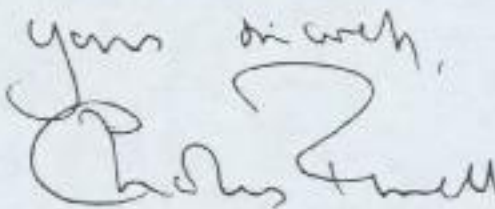
President Bush said that the Prime Minister's visit to Camp David would be very timely and he would want to discuss with her the handling of his meeting with President Gorbachev. Two particular points which concerned him were first to spot in advance any surprises which Gorbachev might try to spring; and second to think about initiatives which he might take which would capture people's imagination. He was not thinking of anything specific, for instance in the arms control field, but some more general gesture. He would very much welcome the Prime Minister's views. He was determined to avoid another Reykjavik. The Prime Minister said that she would give some thought to this before she met the President next week.

The Prime Minister mentioned that our Ambassador in Moscow had seen Mr. Gorbachev this morning and had found him in excellent form. That in itself was interesting considering the scale of the problems he faced. The President agreed that it was interesting and a preview of what he would encounter when they met in Malta.

The President said that Dr. Woerner had suggested that he might stop over in Brussels after his meeting with Gorbachev to brief NATO heads of government. He would be very ready to do so. The Prime Minister said that this would be an excellent idea and an occasion to re-affirm NATO policies. This would help steady the ship. President Bush agreed that it was very important in the present situation to stress NATO's role.

I should be grateful if the Foreign and Commonwealth Office and the Ministry of Defence could give consideration to the two points mentioned by President Bush and take account of them in the briefing which you are preparing for the Prime Minister's meeting with the President on 24 November.

I am copying this letter to Brian Hawtin (Ministry of Defence), John Gieve (HM Treasury), Neil Thornton (Department of Trade and Industry) and Trevor Woolley (Cabinet Office).

Yours sincerely,  


(C. D. POWELL)

Stephen Wall, Esq.,  
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

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London SW1A 2AH

17 November 1989

Dear Charles,

Paris Summit: 18 November 1989

The Foreign Secretary has sent the Prime Minister a minute on our approach to the Paris Summit. We wrote separately, in connection with the message to President Bush, about handling of the meeting. I enclose copies of relevant telegrams from our Embassy in Paris.

Prospects in the GDR. Developments so far will not satisfy the people. The Party is in crisis. Almost all the old regional Secretaries have now been voted out by the grass-roots. Four recently-appointed Politburo members have resigned. Membership rolls are falling. A Party Congress is to take place on 15-17 December. Sweeping changes of the Central Committee and Politburo are possible, even of Krenz. In the meantime we must press for genuine elections based on a sound electoral law.

Poland. The Polish economy is in a near-catastrophic state. But the IMF is impressed with the leadership's resolve and measures taken so far. The Poles are considering either a rapid, high-risk option or a more cautious approach to economic reform. The IMF could live with either and is ready for an early agreement. Government and national unity are holding up well, but this winter will be a severe test. The momentum of change must be kept up. On the basis of a firm but tolerable IMF programme, the UK is ready to participate in a far-reaching Paris Club debt rescheduling, and meet our share of any collective financing effort to support economic reform and stabilisation. No decisions have yet been taken on resumption of export credits. Our "Know-how" Fund is well under way.

In Hungary, pending elections, the Government is unwilling to take unpopular measures. A non-Communist government is likely in the spring. If Pozsgay fails to secure the Presidency, a wholly new and inexperienced administration would take over. Reform is not in doubt; but there may be a messy coalition. External support will remain essential. The Hungarians are determined to avoid debt rescheduling and to retain a good international credit rating. We want to help them. This might involve participation in a bridging loan until drawings can be made under a new IMF programme (currently under negotiation).

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In Bulgaria Mladenov is more flexible than Zhivkov, and conscious of the country's external image. Better treatment of the Turkish minority is likely, and tolerance of dissidents has already improved. The old guard are being dismissed in short order. The omens for political reform are good.

In Czechoslovakia changes so far are barely perceptible. The latest changes in travel laws were minor. The leadership are coming under increasing pressure and Prime Minister Adamec could lead a reform group against the post-1968 generation of Party leaders. Change when it comes could be very swift - and relatively successful given the country's industrial base and low debt.

In Romania, the clearing of foreign debt has brought no relief for the people. The EC has suspended negotiations for a trade agreement; avoids Ministerial visits; and exerts pressure including through the CSCE.

In Yugoslavia, Prime Minister Markovic's economic reform programme is impressive but inter-republic rivalries prevent full implementation. Ethnic tensions remain high. Political reform is advanced in Slovenia but much less so elsewhere. The Yugoslavs are seeking massive financial assistance - oddly, since their external balance is strong and they have stopped paying principal on their official debts. This would be premature until there is more internal reform.

NATO: The US Ambassador approached Michael Alexander on 15 November expressing the hope that the Paris Summit would recognise the importance of NATO in similar terms to those used by the Prime Minister in her Guildhall speech.

EC/Eastern Europe

The Community's policy is based on establishing trade or trade and economic cooperation agreements which vary according to the extent of reform achieved in each East European country. Simple trade agreements limited to industrial products have been reached with Romania (1980), and Czechoslovakia (1988). Hungary (1988) and Poland (1989) have Economic Cooperation Agreements providing for greater trade access, and broader cooperation. Separately the Community is working to build up relations with EFTA going beyond the present free trade, to study how the internal market might be extended to them. With most Mediterranean countries, the Community has Association Agreements, eg Turkey (1963) or Cooperation Agreements, eg Yugoslavia (1980) which include substantial trade concessions, and some financial aid. The Prime Minister might argue:

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- must deepen our association with the emerging democracies, taking account of their particular circumstances, the reform achieved, their prosperity, and the nature of their economies;
- must tailor the present models to suit individual circumstances;
- look to the Commission to use imagination to produce proposals. Must then study them quickly.

NO

The Foreign Secretary's minute covers the French proposal for a "European Bank to promote Eastern countries' economies". The majority of donors would be the Community and individual member states; and the recipients - Poland, Hungary, Yugoslavia, and later other Eastern European countries. All members of the Bank would subscribe total callable capital up to 10 becu. The rate of contribution is not specified. The French proposal would offer a particular advantage if it secured extra US and Japanese financing for Eastern Europe.

The third round of negotiations on an EC/USSR Trade and Cooperation Agreement will take place on 22-24 November. The Commission and the Presidency are pushing for conclusion of negotiations then. We share that aim.

The Commission, following discussions with the GDR, has prepared a draft mandate for negotiation of an EC/GDR Trade Agreement. The Foreign Affairs Council on 6 November decided that it was premature for the Commission to table a draft. Events have moved on and we and others now believe that the Commission should make its proposal. The prospects for reform in the GDR may in due course justify an agreement going beyond trade to economic cooperation covering, eg environment and technology.

Following the Prime Minister's initiative, the Community and member states have responded well to aid for Hungary and Poland. In the Community, 100 mecu of free food has been disbursed in Poland; a 300 mecu package agreed in principle for 1990 covering agricultural reform, environmental protection and manpower vocational training; the principle of the extension of Generalised Scheme of Preferences to these countries; European Investment Bank lending; the abolition of all discriminatory quantitative restrictions from 1 January 1990. Detailed consideration of the agricultural coverage within GSP continues, and the Commission should propose abolition of certain non-discriminatory agricultural QRs. The 27 November Foreign Affairs Council should take final decisions. The Prime Minister might say:

- Community and member states have responded positively. Commission has coordinated G24 exercise effectively. Look to the Foreign Affairs Council on 27 November to finalise

Funds - all put up capital.

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the measures.

- UK "Know-How Fund" for Poland under way. 40 projects already agreed. Looking to do more. Similar fund for Hungary to start next year.

President Mitterrand may suggest that the Community support observer status in GATT for the USSR. This would be welcome but we would need to maintain the distinction between observer status and full membership. An early Soviet application for membership would be premature. They could not apply the necessary open market principles.

I am copying this letter to John Gieve (HMT), Brian Hawtin (MOD) and Trevor Woolley (Cabinet Office).

*Yours,  
Stephen Wall*  
(J S Wall)  
Private Secretary

C D Powell Esq  
10 Downing Street

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PM/89/53

PRIME MINISTER

Eastern Europe

1. I had talks with Genscher in Bonn on 15 November and visited Berlin yesterday. The German analysis of developments in the GDR is very close to our own. They want to encourage free elections, avoid talk of reunification and reassure the Soviet Union. Only the right-wing of the CDU are making much of reunification. The reformers in the GDR are deliberately avoiding the topic. Genscher thought the new government in the GDR would want free elections. These might well come a month or two before the elections in West Germany and the FRG political parties are already thinking about what role they might play. Whatever happens, it is clear that developments in the GDR will be a major election issue in the FRG over the next year. So far the government parties are benefiting but the SPD claim that what is happening was started by Willy Brandt, and that the credit belongs to them.

2. The Germans think the time has come for the Commission to open negotiations on a Community trade agreement with the GDR. If democracy takes hold, we shall need to look at other forms of cooperation. Genscher agreed with me that we should look at all the models, including EFTA and the Council of Europe. But he doubted if EFTA would turn out to be the right model and thought that different agreements would be needed with each emerging Eastern European democracy, tailored

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to their requirements. The Association Agreement which we have with Turkey looks forward to eventual membership of the EC, which may not be realistic for the East Europeans for a long time to come. As agreed at our talk this week, we are working on a paper on all this for Strasbourg.

3. We agree with the Germans that the Community has been a pole of attraction to the countries of Eastern Europe. <sup>? later i-</sup> The Germans think we will give the wrong signal if we do not now proceed apace with further integration. I suspect the French may try and point up differences with us on this in Paris at the weekend. I said to Genscher that we too wanted to see progress in Europe. The best signal we could give to Eastern Europe was to show that the Community was implementing its existing undertakings, notably completion of the single market. The argument about EMU was less about the pace than about whether we should have a liberal free market approach or a more bureaucratic centralist one.

4. The French have proposed in the Monetary Committee the establishment of an investment bank for Eastern Europe. It would have a capital of 10 billion ecu, 20% up front. It would be financed primarily by EC countries but participation by other OECD members is envisaged. Mitterrand will mention this on Saturday. We shall want to look in detail, but I think we should welcome it as an interesting idea.

5. Genscher agreed that the kind of message which should emerge from Paris would be:

- an enthusiastic welcome for developments in Eastern Europe;

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- reaffirmation of NATO and EC policies which have helped to make these developments possible;
- recognition both of Gorbachev's role and his concerns.

Mitterrand will obviously want to talk to Bush after the weekend meeting. I see no point in trying to prevent him from conveying the sort of message outlined above.

6. There are a number of other issues which you will want to discuss with President Bush and which we can talk about with Tom King next Wednesday. I shall send you a note on these before our meeting but some of them may come up on Saturday night, notably what kind of initiative Gorbachev may produce at Malta. It would be surprising if he does not produce a trump card. This might be:

- some dramatic proposal on nuclear weapons so as to get SNF talks underway straight away;
- a proposal to give Berlin back to the Germans: East Berlin to the GDR and West Berlin to the FRG;
- a proposed peace treaty to end the Second World War.

I hope Bush would resist being bounced. But he should be prepared.

7. The press were suggesting a few days ago that NATO was now redundant. People have sobered up since then. It was very obvious to me that the role of the Allies continues to give a tremendous sense of stability to West Berlin and is one reason why they have been able to react

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with such controlled enthusiasm to developments in the East: they know they still have the underpinning of Allied support. The British garrison in Berlin has responded to recent developments with everything from accommodation to soup kitchens. We shall have to adapt to changing circumstances and the Commandant and his team are giving thought to this. But our presence remains a necessary insurance policy for the democratic reforms that are now taking place.

8. I am copying this minute to the Chancellor of the Exchequer, the Defence Secretary and the Cabinet Secretary.

(DOUGLAS HURD)

Foreign and Commonwealth Office  
17 November 1989

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Ria Smith

Treasury Chambers, Parliament Street SW1P 3AG

Charles Powell Esq  
Private Secretary  
10 Downing Street  
London  
SW1

17 November 1989

A cautious  
note on the  
French proposal for  
an investment  
bank for East Europe.  
You won't want to  
shoot President  
Mitterand's horse from  
under him: but we

Dear Charles

**EASTERN EUROPEAN INVESTMENT BANK**

The French proposal for an investment bank will be discussed in Paris tomorrow. This was discussed by the Monetary Committee earlier this week and I have been asked to send you a copy of the report by the Chairman (Sarcinelli). This sets out useful principles to guide us in applying our very positive stance on Eastern Europe. The report notes that the French proposal will require detailed and careful examination, which will be conducted by the Monetary Committee.

can examine it to  
date. CA? 17/11

2. In the absence of the Chancellor and the Chief Secretary I have been asked to record our strong reservations about the French proposal. I have discussed these with the Chief Secretary who is concerned that they should be included in the Prime Minister's briefing on this proposal. He believes that while our general stance on Eastern Europe must of course remain very positive, this particular proposal is very dubious, and our approach should be correspondingly cautious.

3. First, the scale of proposed multilateral and bilateral activity is already substantial. As an illustration of the extent of help already planned for Poland, officials have calculated that for 1990 it is of the same order of magnitude (some 3 per cent of Polish GDP) as was Marshall Aid of annual benefit to the UK in the 1948-51 period.

4. Second, the new French proposal would add another, and probably unnecessary, element to the work of the IMF, the IBRD, the IFC and the European Investment Bank in this area, as well as the Community itself. This new institution would represent public money channelled into private sector investment in Poland. The result would be that Poland, having privatised its own industry, would simply find this owned by Western Governments. Our objective should be to promote private sector investment, which can bring with it Western managerial skills, access to Western

technology, and the spur of the profit motive. By contrast, heavy public sector involvement in Eastern Europe's industry could lead to an inefficient use of resources, compared to resources flowing from the West's private sector; and of course the public sector would crowd out the private sector.

5. Third, the scale of the operation proposed (10 billion ecu, £7 billion) is enormous. If it were confined to European countries alone, our paid up share would be about £270 million, and our contingent liabilities (which could well be called upon) a great deal higher. The constraints on investment in Poland and Hungary are not lack of funds from overseas, but the right conditions in these countries - which we can help to put right through technical assistance, increased involvement of the private sector, and advice (and loans) from existing lending institutions. Finding the right projects to invest in, rather than any shortage of investment funds, is likely to be the problem for some time.

6. We now have a preliminary assessment from the Fund Staff that financing an IMF programme would not cause major problems in 1990. So there is no need to rush into creating a new institution.

7. The Chief Secretary feels therefore that there is a strong case for caution in responding to this proposal at the Paris Summit. The Prime Minister's response might be that it is an interesting idea which will require a good deal of detailed work, avoiding any final commitment.

8. I am sending a copy of this letter to Stephen Wall, Brian Hawtin and Trevor Woolley.

Yours

Carys E

MISS C EVANS  
Private Secretary

TO ALL MEMBERS OF THE MONETARY COMMITTEE

THERE FOLLOWS THE TEXT OF THE REPORT OF THE CHAIRMAN AFTER THE COMMITTEE'S DISCUSSION OF 15 NOVEMBER. THIS REPORT CORRESPONDS TO A MANDATE GIVEN BY MINISTERS ON 13 NOVEMBER ON A PROPOSAL BY PRESIDENT DELORS. YOU ARE KINDLY ASKED TO HAND THIS REPORT TO YOUR MINISTER AS PART OF THE PREPARATION FOR THE DISCUSSION TO BE HELD BY HEADS OF STATE OR GOVERNMENT ON SATURDAY.

A. KEES  
COMEU B

BRUSSELS, 16 NOVEMBER 1989

REPORT TO FINANCE MINISTERS  
BY THE CHAIRMAN OF THE MONETARY COMMITTEE  
ON ASSISTANCE TO EASTERN EUROPE

IN RESPONDING TO THE REQUEST FROM THE COUNCIL FOR A "BALANCE SHEET" OF THE FORMS OF ASSISTANCE BEING UNDERTAKEN FOR EASTERN EUROPE, THE MONETARY COMMITTEE BRIEFLY REVIEWED THE ECONOMIC AND FINANCIAL SITUATION OF POLAND, HUNGARY AND THE GERMAN DEMOCRATIC REPUBLIC ON THE BASIS OF ANALYTICAL PAPERS PRESENTED BY COMMISSION STAFF, TAKING DUE NOTE OF THE DIFFERENCES AMONG THESE COUNTRIES. IT ASSESSED IN PARTICULAR THE PROPOSALS FOR FINANCIAL ASSISTANCE, WHETHER IN THE NAME OF THE COMMUNITY OR OF THE MEMBER STATES, MAINLY TO FACILITATE MACROECONOMIC AND STRUCTURAL ADJUSTMENT. THE COMMITTEE KEPT IN MIND THAT MANY OF THE PROBLEMS DISCUSSED ARE SHARED BY OTHER COUNTRIES OF EASTERN EUROPE, INCLUDING YUGOSLAVIA, WHICH HAS CLOSE LINKS WITH THE COMMUNITY.

ECONOMIC BACKGROUND

1. THERE ARE FUNDAMENTAL DIFFERENCES AMONG THE THREE COUNTRIES.

IN POLAND OUTPUT PER HEAD IS NOW LOWER THAN IT WAS IN 1980 AND THE POPULATION SUFFER FROM SEVERE SHORTAGES, NOT LEAST FOOD SHORTAGES, WHILE INFLATION HAS ACCELERATED AT LEAST TO 600 0/0 P.A. THE NEED FOR MACROECONOMIC ADJUSTMENT IS EVIDENT. ON EXTERNAL ACCOUNT THE CURRENT BALANCE HAS DETERIORATED THIS YEAR TO SOME USD 2 BN AND, GIVEN THE NEED FOR DEBT REPAYMENT, THE OVERALL DEFICIT WILL TURN OUT AT USD 3.8 BN. THE COUNTRY'S TOTAL EXTERNAL DEBT IS USD 39 BN, SOME 60 0/0 OF GDP, OF WHICH USD 26 BN IS TO PARIS CLUB COUNTRIES, PREDOMINANTLY IN EUROPE. IN HUNGARY RECENT GROWTH PERFORMANCE HAS ALSO BEEN BAD BUT, GIVEN THE BETTER STARTING POSITION, LIVING STANDARDS ARE HIGHER THAN IN POLAND., NEVERTHELESS THERE IS A DANGER OF A FURTHER AND UNCONTROLLED SLIDE. INFLATION HAS THUS FAR BEEN KEPT TO 20 0/0 P.A. THE CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS IS HOWEVER NOW MOVING RAPIDLY INTO DEFICIT, PARTLY BECAUSE OF HUNGARIAN TOURIST EXPENDITURE, AND THIS COULD REACH USD 0.5 BN THIS YEAR. THE COUNTRY'S EXTERNAL DEBT WAS USD 17 BN AT THE END OF 1988. FOR THE MOMENT HUNGARY RETAINS ITS ACCESS TO THE MARKETS, BUT WILL FACE ACUTE PROBLEMS IN ITS OVERALL BALANCE OF PAYMENTS IN THE EARLY PART OF 1990. UNLIKE THE OTHER TWO COUNTRIES, THE GERMAN DEMOCRATIC REPUBLIC HAS NOT YET EMBARKED ON ECONOMIC REFORM. THE COUNTRY BENEFITS FROM CLOSE LINKS WITH THE COMMUNITY THROUGH THE FEDERAL REPUBLIC AND ITS EXTERNAL DEBT IS MANAGEABLE, BEING USD 20 BN GROSS BUT ONLY USD 11 BN NET.

2. THESE COUNTRIES ALL FACE A NEED FOR HEAVY INVESTMENT IN VIRTUE OF THEIR AGEING AND ILL-PLANNED CAPITAL STOCK. TO THE EXTENT THAT THEY MOVE TOWARDS THE MARKET ECONOMY THEY FACE DIFFICULT PROBLEMS OF STRUCTURAL CHANGE. THEY ALSO, TO DIFFERING DEGREES, HAVE TO MAKE MACRO-ECONOMIC ADJUSTMENTS. IN POLAND THERE IS IN ADDITION AN IMMEDIATE AND PRESSING NEED FOR BASIC SUPPLIES. THE MEASURES ENVISAGED TO HELP THEM THEREFORE HAVE MANY ASPECTS : MEETING IMMEDIATE NEEDS, TRANSITIONAL FINANCE FOR MACROECONOMIC AND STRUCTURAL ADJUSTMENT AND THE ENCOURAGEMENT OF LONG-TERM CAPITAL INFLOWS.

#### ACTIONS ENVISAGED

3. MEASURES ALREADY ANNOUNCED TO ASSIST POLAND AND HUNGARY INCLUDE FOOD AID AND ASSISTANCE TO INVESTMENT, TO VOCATIONAL TRAINING AND TO BETTER ENVIRONMENTAL PROGRAMMES. AMOUNTS COMMITTED AS LOANS OR GRANTS UNDER THESE HEADINGS BY G24 COUNTRIES AMOUNT TO SOME ECU 2 BN. IN ADDITION THE EIB AND THE WORLD BANK ARE EACH COMMITTED TO PROGRAMMES OF ECU 1 BN, AND ADDITIONAL EXPORT CREDITS HAVE BEEN ANNOUNCED, FOR USD 1.35 BN. THE COMMUNITY IS IMPROVING THE TWO COUNTRIES' ACCESS TO ITS MARKETS, TO SOME EXTENT UNDER THE GENERAL SYSTEM OF PREFERENCES, AND HAS STARTED NEGOTIATIONS FOR A NEW DEAL ON TEXTILES. FURTHER, THE FEDERAL REPUBLIC OF GERMANY HAS RECENTLY ANNOUNCED A WILLINGNESS TO MAKE SUBSTANTIAL FUNDS AVAILABLE FOR ASSISTANCE TO POLAND. THE MONETARY COMMITTEE FELT, HOWEVER, THAT IT SHOULD CONCENTRATE ITS OWN DISCUSSION ON CERTAIN IMPORTANT PROPOSALS TO GRANT FINANCE IN SUPPORT OF MACROECONOMIC OR STRUCTURAL ADJUSTMENT.

#### GENERAL PRINCIPLES FOR FINANCIAL ASSISTANCE

4. GIVEN THE POLITICAL IMPERATIVE FOR THE COMMUNITY TO RESPOND TO THE DRAMATIC CHANGES OCCURRING IN EASTERN EUROPE, THE COMMITTEE HAS ASKED ITSELF WHAT CONSIDERATIONS MUST BE TAKEN INTO ACCOUNT TO ENSURE THAT FINANCIAL INITIATIVES UNDERTAKEN IN THIS PART OF EUROPE ARE SUCCESSFUL. THEY ARE,
- . ANY REQUEST FOR FINANCE MUST BE ACCOMPANIED BY CORRESPONDING ADJUSTMENT EFFORTS, WHETHER MACROECONOMIC OR STRUCTURAL.,
  - . IMF CONDITIONALITY SHOULD NOT BE WEAKENED., THE COMMUNITY'S ACTIONS MUST REMAIN CONSISTENT WITH ATTITUDES TAKEN BY MEMBER STATES IN THE FUND.,
  - . THERE SHOULD BE NO WEAKENING OF THE RULES WHICH WE APPLY TO ALL HEAVILY INDEBTED COUNTRIES.,
  - . ACTION BY THE COMMUNITY SHOULD NOT INVOLVE CHANGING THE NATURE OF EXISTING COMMUNITY INSTRUMENTS., WE SHOULD AVOID ANY CROWDING-OUT OF ASSISTANCE TO MEMBER STATES.,
  - . FINANCIAL ASSISTANCE FROM WESTERN COUNTRIES SHOULD NOT SIMPLY LEAD TO A BAILING-OUT OF THE COMMERCIAL BANKS.,
  - . ASSISTANCE MUST BE RELATED TO SPECIFIC AND PRESSING ECONOMIC NEED., WE MUST NOT CREATE ANY PRECEDENT FOR EASY ACCESS TO ASSISTANCE BY EVERY CENTRAL OR EASTERN EUROPEAN COUNTRY.



## FINANCIAL ASSISTANCE FOR POLAND

5. IN SEPTEMBER OF THIS YEAR POLAND ASKED FOR A USD 1 BN STABILIZATION LOAN TO BUILD UP INTERNATIONAL RESERVES AND ENABLE THE ZLOTY TO BE MADE CONVERTIBLE WITH A SINGLE EXCHANGE RATE. THE USA RESPONDED WITH A PLAN FOR GRANTS BY SEVERAL COUNTRIES TOTTALLING THAT AMOUNT TO FORM A STABILIZATION FUND.

6. THE STABILIZATION FUND PROPOSAL HAS TO BE SEEN AS PART OF AN OVERALL PROGRAMME. POLAND IS AT PRESENT NEGOTIATING WITH THE IMF FOR A STANDBY OF USD 575 MN TO HELP MEET POLAND'S IMMEDIATE CASH NEEDS. MORE IMPORTANT, THIS NEGOTIATION WILL RESULT IN THE AGREEMENT OF A MACRO-ECONOMIC ADJUSTMENT PROGRAMME. WHEN THAT PROGRAMME IS IN PLACE, THERE WILL IN ALL PROBABILITY BE A PARIS CLUB RESCHEDULING. IN THAT CONTEXT THE STABILIZATION FUND MAY BECOME A KEY PART OF THE OVERALL PACKAGE BECAUSE OF THE NEED FOR A CURRENCY REFORM, THE RESPONSIBILITY FOR WHICH LIES WITH THE POLISH AUTHORITIES AND THE IMF. ONCE NEGOTIATIONS WITH THE IMF HAVE ADVANCED SUFFICIENTLY TO SHOW WHETHER SUCH A FUND IS NEEDED AND TO GIVE AN IDEA OF ITS SIZE, THE FOLLOWING CONSIDERATIONS SHOULD DETERMINE THE POSITION OF THE MEMBER STATES. IF NEEDED,

- . IT SHOULD BE SET UP VERY QUICKLY (AND MANY MEMBER STATES HAVE THE NECESSARY ENABLING LEGISLATION).,
- . THE EUROPEAN SHARE IN IT SHOULD IN PRINCIPLE INCLUDE CONTRIBUTIONS FROM ALL MEMBER STATES AND THE COMMUNITY SHOULD HAVE AN IMPORTANT WEIGHT.,
- . ITS UTILIZATION SHOULD BE IN THE HANDS OF A TRUSTEE CHOSEN BY AGREEMENT BETWEEN THE POLISH AUTHORITIES AND THE COUNTRIES CONTRIBUTING TO THE FUND.

- 6 -

7. SOME MEMBERS OF THE MONETARY COMMITTEE DID NOT FEEL ABLE TO COMMIT THEMSELVES TO THE PRINCIPLE OF A STABILIZATION FUND BEFORE THE OUTLINE OF THE ADJUSTMENT PROGRAMME AND THE DEBT RESCHEDULING IS KNOWN. MOST MEMBERS EMPHASIZED, HOWEVER, THAT POLAND SHOULD BE GIVEN SUBSTANTIAL ASSISTANCE, RAPIDLY DISBURSABLE AND HIGHLY CONCESSIONAL, EVEN IF IT DOES NOT TAKE THIS PRECISE FORM.

8. AS REGARDS THE FINANCIAL ASSISTANCE OF USD 500 MN, REPORTEDLY REQUESTED BY THE POLISH AUTHORITIES IN SEPTEMBER, TO BRIDGE THE FINANCIAL GAP FORECAST FOR THE FOURTH QUARTER OF 1989, MOST MEMBERS WERE NOT AWARE OF IT. WITH REFERENCE TO A POSSIBLE BRIDGING LOAN TO ADVANCE IMF DISBURSEMENTS AND TO BE REPAID WHEN THE IMF MONEY BECOMES AVAILABLE, MANY MEMBERS EXPRESSED THE VIEW THAT IT WOULD NOT BE POSSIBLE TO SAY ANYTHING BEFORE THE TERMS AND CONDITIONS OF THE IMF PROGRAMME BECOME KNOWN.

## FINANCIAL ASSISTANCE FOR HUNGARY

9. IN SEPTEMBER MINISTER MAYSTADT PROPOSED THAT THE COMMUNITY SHOULD INVESTIGATE WHETHER IT WOULD BE POSSIBLE AND OPPORTUNE TO GRANT A COMMUNITY LOAN TO HUNGARY WITHIN THE FRAMEWORK OF THE MEDIUM-TERM FINANCIAL ASSISTANCE AVAILABLE TO MEMBER STATES. HOWEVER, MOST MEMBERS OF THE COMMITTEE EXPRESSED CONSIDERABLE CAUTION, SINCE THIS PROPOSAL MIGHT BE DIFFICULT TO RECONCILE WITH THE PRINCIPLES SET OUT IN PARAGRAPH 4 ABOVE. OTHERS ARGUED THAT FINANCIAL ASSISTANCE TO HUNGARY SHOULD TAKE THE FORM OF A STRUCTURAL ADJUSTMENT LOAN., THIS IDEA MERITS FURTHER EXAMINATION IN ALL ITS RAMIFICATIONS, BUT IT MUST NOT LEAD TO A BAIL-OUT OF THE COMMERCIAL BANKS. IT WOULD HAVE TO BE IMPLEMENTED IN A WAY WHICH IS CONSISTENT WITH THE POLICY OF THE IMF.

10. THE HUNGARIAN AUTHORITIES HAVE REQUESTED A SHORT-TERM LOAN OR STANDBY FROM THE EUROPEAN COMMUNITY IN ORDER TO COVER WHAT THEY CONSIDER IS A TEMPORARY PROBLEM IN THEIR BALANCE OF PAYMENTS IN THE EARLY MONTHS OF 1990. HOWEVER, THE GENERAL OPINION IN THE MONETARY COMMITTEE WAS THAT FOR VARIOUS REASONS THERE IS A DANGER OF A RAPID DETERIORATION OF THE COUNTRY'S EXTERNAL FINANCIAL POSITION. SHORT-TERM ASSISTANCE THEREFORE DOES NOT SEEM THE APPROPRIATE SOLUTION, PARTICULARLY AS INFORMAL DISCUSSIONS ARE TAKING PLACE WITH THE IMF AND THE PRESSURE TO REACH SOME UNDERSTANDING WITH THE FUND SHOULD NOT BE REDUCED.

A PROPOSAL FOR A NEW FINANCIAL INSTITUTION

11. THE RAPID CHANGES OCCURRING IN EASTERN EUROPE AND THE NEEDS WHICH THESE COUNTRIES WILL FACE OVER THE NEXT FEW YEARS HAVE LED THE FRENCH MEMBERS OF OUR COMMITTEE TO PRESENT A PROPOSAL WORKED OUT IN SOME DETAIL FOR A EUROPEAN BANK DEVOTED TO ECONOMIC ADVANCE IN THE EASTERN PART OF OUR CONTINENT. IF THERE WERE AGREEMENT ON THIS PROPOSAL THE BANK COULD BE SET UP RELATIVELY QUICKLY. THE PROPOSAL DOES NOT IMPLY ANY DELAY IN THE CONSIDERATION OF SUCH IDEAS AS THE POLISH STABILIZATION FUND OR A STRUCTURAL ADJUSTMENT LOAN FOR HUNGARY - IN FACT THESE COULD BE SUBSUMED INTO THE FUNCTIONS OF THE BANK AT A LATER STAGE.

THE EXISTING REGIONAL DEVELOPMENT BANKS PROVIDE A MODEL TO SOME EXTENT, BUT THE NEW BANK WOULD BE DEVOTED TO THE RECONSTRUCTION OF OLD ECONOMIES RATHER THAN TO THE DEVELOPMENT OF NEW ONES. IT WOULD BE ABLE TO OPERATE ON BOTH CONCESSIONAL AND NON-CONCESSIONAL TERMS AND MIGHT ALSO BE GIVEN A ROLE IN THE MANAGEMENT OF GRANTS AND THE ASSOCIATED COUNTERPART FUNDS. SHAREHOLDING WOULD BE OPEN TO ANY EUROPEAN COUNTRY AS WELL AS

TO THE EUROPEAN INVESTMENT BANK AND TO THE COMMUNITY IN ITS OWN RIGHT, BUT THE COMMUNITY AND ITS MEMBERS WOULD BE ASSURED OF A MAJORITY. THIS WOULD ENSURE THAT THE RECONSTRUCTION PROCESS IS FIRMLY ROOTED IN EUROPE. THE CREATION OF A NEW INSTITUTION ALONGSIDE THE EIB IS CONSIDERED BY THE FRENCH MEMBERS TO BE NECESSARY IN ORDER TO PRESERVE THE PRESENT SPECIALIZATION OF THE EIB, WHICH IS GENERALLY THOUGHT TO BE EXTREMELY VALUABLE.

THIS RADICALLY NEW PROPOSAL PRESENTED TO THE MONETARY COMMITTEE TOGETHER WITH OTHER ALTERNATIVES DESERVES DETAILED AND CAREFUL EXAMINATION, AND THIS WILL BE CONDUCTED IN THE COMMITTEE IN THE NEAR FUTURE.

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End of message

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FM PARIS

TO IMMEDIATE FCO

TELNO 1523

OF 161613Z NOVEMBER 89

INFO IMMEDIATE BONN, EAST BERLIN, BMG BERLIN

INFO PRIORITY MOSCOW, WASHINGTON, UKDEL NATO BRUSSELS

INFO PRIORITY UKREP BRUSSELS

INFO ROUTINE OTHER NATO POSTS, OTHER EAST EUROPEAN POSTS, DUBLIN

MIPT: 18 NOVEMBER MEETING OF THE TWELVE HEADS OF STATE AND  
GOVERNMENT

## SUMMARY

1. HOW MITTERRAND WILL APPROACH THE MEETING, AND SUGGESTIONS FOR THE PRIME MINISTER'S APPROACH.

## DETAIL

2. THE MESSAGE BEING RECEIVED FROM THE ELYSEE POINTS TO AN ENTIRELY NATURAL WISH OF MITTERRAND TO TAKE A BROAD LOOK AT THE POLITICAL IMPLICATIONS OF CURRENT CHANGE IN EASTERN EUROPE WITH THE 11 OTHER HEADS OF STATE AND GOVERNMENT. THIS SUITS US WELL AND WILL OFFER THE PRIME MINISTER THE OPPORTUNITY TO DEVELOP THE THINKING WHICH LIES BEHIND HER MESSAGE TO GORBACHEV, AND WAS EXPRESSED IN HER GUILDHALL SPEECH, ON THE NEED FOR A MEASURED APPROACH TO CHANGE, AND SUPPORT FOR GORBACHEV'S EFFORTS AT PERESTROIKA.

3. IN ALL THIS I BELIEVE THE PRIME MINISTER WILL BE ON THE SAME WAVELENGTH AS MITTERRAND. HIS CONCERN WILL BE TO MAINTAIN A STABLE BALANCE IN EUROPE. HE WILL NOT WANT TO ENCOURAGE THE THOUGHT THAT THE THREAT FROM THE EAST IS IN THE PROCESS OF DISAPPEARING, EVEN IF ITS NATURE IS CHANGING, AND IS COMPLICATED BY THE UNCERTAIN POLITICAL PROSPECTS. HE WILL SEE NO INTEREST IN ANY WESTERN RESPONSE WHICH COULD UNDERMINE GORBACHEV'S POSITION. HE WILL BE PARTICULARLY CAUTIOUS OVER THE QUESTION OF GERMAN REUNIFICATION, EVEN THOUGH HE HAS PUBLICLY SAID THAT HE IS NOT AFRAID OF IT. I NEED HARDLY SPELL OUT ALL THE DOMESTIC POLITICAL SENSITIVITIES OF THIS ASPECT, AND THE FUNDAMENTAL AMBIGUITIES IN THE FRANCO-GERMAN RELATIONSHIP AS A WHOLE.

4. TWO ASPECTS OF THE 18 NOVEMBER MEETING ARE MORE PROBLEMATIC. FIRST, THE THOUGHT HAS BEEN CANVASSED, INCLUDING BY DUMAS IN THE NATIONAL ASSEMBLY (MY TELNO 1515), THAT A PART OF THE PURPOSE OF THE 18 NOVEMBER MEETING IS TO ENSURE THAT EASTERN

EUROPE DOES NOT WEIGH DOWN THE STRASBOURG EUROPEAN COUNCIL AND CUT INTO TIME FOR DISCUSSION AND DECISIONS ON EMU AND THE SOCIAL CHARTER. I AM SATISFIED THAT, THOUGH THIS MAY BE SEEN BY THE FRENCH AS ONE OF THE ADVANTAGES OF HOLDING A DISCUSSION OF EASTERN EUROPE NOW, MITTERRAND'S MAIN MOTIVE WAS A PROPER WISH THAT THE TWELVE SHOULD GET TO GRIPS WITH CHANGE IN EASTERN EUROPE AT THE TOP LEVEL WITHOUT DELAY. IT IS CLEAR FROM WHAT THE ELYSEE HAVE TOLD US THAT THEY ACCEPT THAT THE NECESSARY DECISIONS ON EC AID TO EASTERN EUROPE ARE FOR STRASBOURG NOT FOR THE 18 NOVEMBER PARIS MEETING.

5. HOWEVER (PARIS TELNO 1516), IT IS EQUALLY CLEAR THAT MITTERRAND'S IDEA OF A BANK FOR EASTERN EUROPE IS THE MAIN INITIATIVE WHICH HE WILL WANT TO DEVELOP ON 18 NOVEMBER, AND THE PRIME MINISTER WILL NEED FULL BRIEFING FOR THIS.

6. THE SECOND PROBLEM AREA IS THE CONNECTION BETWEEN EC/EASTERN EUROPE RELATIONS AND PROGRESS IN EUROPEAN INTEGRATION. MITTERRAND WILL WANT TO USE SATURDAY'S DISCUSSION TO GAIN SUPPORT FOR HIS CONVICTION THAT CURRENT DEVELOPMENTS IN EASTERN EUROPE POSE A CHALLENGE FOR THE COMMUNITY WHICH CAN BEST BE MET BY ACCELERATING AND FURTHER STRENGTHENING THE PROCESS OF EUROPEAN CONSTRUCTION, NOT LEAST THROUGH EMU. THE HIDDEN PREMISE HERE IS THAT CURRENT EVENTS MAKE IT ALL THE MORE IMPORTANT TO BIND GERMANY INTO THE COMMUNITY AND THAT ACCELERATING EUROPEAN INTEGRATION IS THE WAY TO DO THIS.

7. AS SEEN FROM HERE, THE PRIME MINISTER'S RESPONSE TO THIS COULD BE THAT BRITAIN IS AMONG THE FIRST TO RECOGNISE THE NEED FOR A COHESIVE, STRONG AND OUTWARD LOOKING EUROPEAN COMMUNITY, CAPABLE OF ASSISTING ECONOMIC DEVELOPMENT IN EASTERN EUROPE. WE HAVE BEEN AMONG THE LEADERS IN PUTTING FORWARD PRACTICAL PROPOSALS, AND THE PRIME MINISTER RECOGNISED IN HER GUILDHALL SPEECH THE NEED TO DEVELOP NEW FORMS OF ASSOCIATION WITH THE EMERGING DEMOCRACIES OF EASTERN EUROPE. SO IT IS NOT THE UK WHICH IS APPLYING THE BRAKE. BUT THAT DOES NOT MEAN THAT WE SHOULD ACCEPT THE NEED FOR ACCELERATION TOWARDS A PARTICULAR VISION OF EUROPEAN CONSTRUCTION (EMU DELORS VERSION) THE EFFECT OF WHICH WILL ACTUALLY PUT COMMUNITY COHESION UNDER STRAIN. THE ENTERPRISE THE COMMUNITY IS ALREADY ENGAGED IN (COMPLETION OF THE SINGLE MARKET - STAGE 1 OF DELORS ETC) IS ALREADY INCREASING THE ATTRACTION OF THE COMMUNITY FOR EASTERN EUROPE. COHESION YES, ACCELERATION TOWARDS STAGES 2 AND 3 NO, AT A TIME WHEN STEADINESS IS REQUIRED ALL ROUND.

FERGUSON

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TELNO 1121

OF 161754Z NOVEMBER 89

INFO IMMEDIATE BMG BERLIN, EAST BERLIN, WASHINGTON, PARIS

INFO IMMEDIATE UKDEL NATO, MOSCOW

INFO ROUTINE WARSAW, PRAGUE, BUDAPEST, UKREP BRUSSELS

FRG/GDR RELATIONS: STATEMENT BY KOHL TO THE BUNDESTAG ON 16 NOVEMBER

SUMMARY

1. MORE DETAIL ON KOHL'S THINKING ON INNER-GERMAN RELATIONS.  
DETERMINATION TO HELP.

DETAIL

2. MUCH OF KOHL'S STATEMENT TO THE BUNDESTAG FOLLOWING HIS VISIT TO POLAND WAS DEVOTED TO RELATIONS WITH THE GDR. TO SOME EXTENT HE RETRACED THE GROUND COVERED IN HIS STATEMENTS OF 8 NOVEMBER (OUR TELNO 1061) AND 11 NOVEMBER (OUR TELNO 1090).

3. HE SAID THAT SINCE THE NIGHT OF 9 NOVEMBER THE STATE OF THE NATION HAD FUNDAMENTALLY CHANGED. AFTER NEARLY THIRTY YEARS OF SEPARATION, THE WORLD HAD SEEN THE PEOPLE OF BERLIN AND GERMANY CELEBRATE SEEING EACH OTHER AGAIN, A FESTIVAL OF TOGETHERNESS AND UNITY. BERLINERS HAD SHOWN THEY WISHED TO LIVE TOGETHER IN ONE CITY. BUT THIS WAS ONLY A BEGINNING. THE RIGHT OF ALL GERMANS TO SELF-DETERMINATION HAD NOT YET BEEN REALISED, NOR HAD THE COMMITMENT OF THE BASIC LAW TO THE UNITY AND FREEDOM OF GERMANY YET BEEN FULFILLED. IT WAS IMPORTANT TO STAY LEVEL-HEADED AND REMAIN COOL.

4. HE THEN TOUCHED ON VARIOUS ASPECTS OF RELATIONS WITH THE GDR:

(A) FIRST THERE WERE CERTAIN FORMS OF IMMEDIATE HELP WHICH COULD AND SHOULD BE GIVEN TO ALLEVIATE PROBLEMS ARISING FROM THE EXODUS. HE INSTANCED ESPECIALLY HOSPITALS AND MEDICAL HELP. TWINNED CITIES SHOULD TAKE INITIATIVES TO PROMOTE CONTACT AND TRAVEL BETWEEN ORDINARY PEOPLE.

(B) THERE WERE ALSO OTHER FIELDS IN WHICH THE FRG STOOD READY TO COOPERATE AT ONCE. FOR EXAMPLE, VISITORS FROM THE GDR NEEDED HARD CURRENCY. THE FRG WANTED TO HELP, BUT THE GDR WOULD HAVE TO MAKE ITS OWN CONTRIBUTION: A PART OF THE HARD CURRENCY EARNED THROUGH INNER-GERMAN TRAVEL SHOULD BE PUT AT THE DISPOSAL OF THOSE WHO

WANTED TO LEAVE ON VISITS. COOPERATION ON ENVIRONMENTAL ISSUES, ESPECIALLY ON PROJECTS THAT WERE ALREADY IN THE PIPELINE, SHOULD GO AHEAD. THE INNER-GERMAN TELEPHONE SERVICE SHOULD BE IMPROVED. THE JOINT ECONOMIC COMMISSION AGREED AT THE TIME OF HONECKER'S VISIT TO BONN SHOULD GET UNDER WAY. BERLIN SHOULD NOT BE LEFT OUT OF THE DEVELOPMENT OF INNER-GERMAN CONTACTS.

(C) IN THE LONGER TERM, AS AND WHEN FUNDAMENTAL CHANGE IN THE POLITICAL AND ECONOMIC SYSTEM OF THE GDR HAD DEFINITELY AND IRREVERSIBLY BEEN SET IN MOTION, THEN THE FEDERAL GOVERNMENT WOULD AS ANNOUNCED ON 11 NOVEMBER BE READY TO OFFER A "NEW DIMENSION" OF HELP AND COOPERATION. NO ONE SHOULD BE FORCED TO ACCEPT THE FRG'S IDEAS, BUT IN THE GDR AS ELSEWHERE SOCIALISM HAD FAILED. PEOPLE WANTED A SYSTEM THAT ALLOWED THEM THE FRUITS OF THEIR LABOURS.

5. THE PEOPLE OF THE GDR WANTED:

- FREEDOM OF OPINION AND INFORMATION (WESTERN NEWSPAPERS SHOULD BE MADE AVAILABLE):

- A FREE PRESS, FREE TRADE UNIONS AND FREE AND INDEPENDENT POLITICAL PARTIES:

THE SED WOULD HAVE TO GIVE UP ITS MONOPOLY ON POWER, AND THE CRIMINAL LAW SHOULD BE COMPLETELY REVISED. TRAVEL WITHOUT VISAS SHOULD BE ALLOWED IN BOTH DIRECTIONS.

6. THE FLOW OF PEOPLE FROM THE GDR SEEMED TO BE EBBING, APPARENTLY BECAUSE THE INHABITANTS OF THE GDR WERE NOW MORE OPTIMISTIC ABOUT THE CHANCES OF FURTHER REFORMS. KOHL HAD TOLD KRENZ IN THEIR TELEPHONE CONVERSATION OF 11 NOVEMBER THAT ALONG WITH POLITICAL REFORMS THE GDR NEEDED TO TAKE QUICK AND COMPREHENSIVE ACTION TO IMPROVE LIVING CONDITIONS, IN ORDER TO MAKE PEOPLE FEEL THEY HAD NO REASON TO LEAVE THE COUNTRY.

7. SUPPORTING THE REFORM MOVEMENT IN THE GDR WAS NOT JUST A NATIONAL RESPONSIBILITY FOR THE FRG: THE TASK ALSO HAD A COLLECTIVE EUROPEAN DIMENSION. THE FAILURE OF REFORMS IN ONE WARSAW PACT COUNTRY COULD AFFECT PROSPECTS FOR REFORM IN ANOTHER, SO IT WAS IN THE INTEREST OF ALL EC COUNTRIES TO SUPPORT REFORM IN THE GDR. KOHL HAD TOLD MITTERRAND THAT HE WANTED THIS TO BE A CENTRAL THEME OF THE STRASBOURG EUROPEAN COUNCIL. HE ALSO WELCOMED THE OPPORTUNITY TO DISCUSS THE LATEST DEVELOPMENTS AT THE PARIS SUMMIT ON 18 NOVEMBER, AND THE READINESS OF THE COMMISSION TO PROPOSE A MANDATE FOR THE

NEGOTIATION OF AN EC/GDR TRADE AGREEMENT.

8. HE THEN REFERRED TO THE SUPPORT THE PRIME MINISTER, BUSH AND MITTERRAND HAD VOICED FOR EVENTS IN THE GDR AND THE ATTITUDE ADOPTED BY THE FRG. HE STRESSED THAT THE FRG WOULD REMAIN A PART OF THE WESTERN COMMUNITY. QUOTE WE KNOW THAT THE SOLUTION OF THE GERMAN QUESTION IS ENSEPARABLY CONNECTED TO THE PROCESS OF BRINGING AN END THE DIVISION OF EUROPE UNQUOTE.

9. IT WOULD BE A SERIOUS MISTAKE TO SLOW DOWN EC INTEGRATION BECAUSE OF DEVELOPMENTS IN EASTERN EUROPE. THE EC SHOULD REMAIN OPEN FOR ALL (UNDERLINED) DEMOCRATIC EUROPEAN STATES.

10. THE CORE OF THE GERMAN QUSTION WAS FREEDOM. THE PEOPLE OF THE GDR MUST BE GIVEN THE CHANCE TO DECIDE THEIR OWN FUTURE: QUOTE TO DO THAT THEY NEED NO ADVICE FROM OTHERS - FROM ANY QUARTER. THEY THEMSELVES KNOW BEST WHAT THEY WANT. THAT GOES FOR THE QUESTION OF REUNIFICATION AND FOR GERMAN UNITY, TOO UNQUOTE.

## COMMENT

11. FURTHER EMPHASIS ON THE FRG'S DETERMINATION TO REMAIN FIRMLY EMBEDDED IN THE WEST. BUT THE MAIN POINT OF INTEREST HERE IS THE TIGHTROPE KOHL NOW HAS TO WALK IN SEEKING TO MOVE FORWARD FRG/GDR RELATIONS. HE KNOWS HE MUST LAY DOWN PRECONDITIONS FOR LARGE SCALE FRG HELP. BUT HE KNOWS TOO THAT HIS AIM MUST BE TO DO THAT WITHOUT SOUNDING PATRONISING AND WITHOUT APPEARING TO TELL THE PEOPLE OF THE GDR HOW TO RUN THEIR OWN AFFAIRS. HENCE THE STRONG EMPHASIS ON SELF-DETERMINATION.

12. THE FIRST SENTENCE OF THE DIRECT QUOTATION IN PARA 10 MAY BE A RIPOSTE TO THE STATEMENT BY GORBACHEV REPORTED IN PARA 3 OF MOSCOW TELNO 1920.

13. SEPARATE COMMENT FOLLOWS ON THE FRG VIEW OF KOHL'S VISIT TO POLAND.

14. FCO ADVANCE NO 10.

NEVILLE-JONES

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TELNO 381  
OF 161445Z NOVEMBER 89  
INFO PRIORITY PARIS, UKREP BRUSSELS, BONN  
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EC SPECIAL SUMMIT, 18 NOVEMBER: PORTUGUESE VIEWS

SUMMARY

1. ALTHOUGH PUBLICLY WELCOMING DEVELOPMENTS IN EAST GERMANY, PORTUGUESE ARE PRIVATELY WORRIED THAT EASTERN EUROPE WILL COMPETE WITH PORTUGAL FOR TRADE, INVESTMENT AND AID. BUT PORTUGAL STILL FAVOURS CLOSER EC ASSOCIATION WITH EFTA. PORTUGAL WILL BE PRESIDENT OF COUNCIL OF EUROPE FOR NEXT 6 MONTHS. SUPPORT FOR DELORS PLAN COULD BE WEAKENED IF EC FUNDS FOR PORTUGAL ARE PUT AT RISK.

DETAIL

2. PORTUGUESE PRIME MINISTER PUBLICLY WELCOMED BREACH OF BERLIN WALL AT WEEKEND AS DID PORTUGUESE PRESIDENT AND JUNIOR MINISTER FOR FOREIGN AFFAIRS. BUT PRIVATELY, PORTUGUESE ARE CLEARLY CONCERNED THAT TOO RAPID AND EXTENSIVE AN EC OPENING TO THE EAST WILL DAMAGE PORTUGUESE NATIONAL INTERESTS. IN A CONVERSATION WITH ME ON 14 NOVEMBER, PRIME MINISTER'S EC ADVISER (CARLOS SAMPAIO) EXPRESSED PORTUGUESE ANXIETIES ABOUT EASTERN EUROPEAN COMPETITION IN TRADE (EG TEXTILES, SHOES, AGRICULTURAL PRODUCTS) AND ABOUT THE DANGER OF JAPANESE INVESTMENT BEING DIVERTED FROM PORTUGAL TO EASTERN EUROPE, WHERE INDUSTRIAL DEVELOPMENT AND EDUCATIONAL LEVELS WERE IN SOME CASES HIGHER THAN PORTUGAL'S.

3. PORTUGAL IS ALSO CONCERNED THAT THE EC AID ON WHICH ITS CURRENT BOOM HAS BEEN BASED WILL BE REDUCED IN FAVOUR OF EASTERN EUROPE. CAVACO MAY WELL TRY TO INSIST THAT ANY EC AID TO LATTER INCLUDES COMMITMENT TO CONTINUE SUPPORT FOR POORER MEMBERS OF PRESENT COMMUNITY. PORTUGUESE SECRETARY OF STATE FOR BUDGET WAS QUOTED IN PRESS AFTER EC BUDGET COUNCIL ON 14 NOVEMBER AS SAYING THAT SUMS CONCEDED TO POLAND AND HUNGARY WOULD NOT UPSET EXISTING BALANCE OF AID.

4. PORTUGUESE FOREIGN MINISTER IS LIKELY TO BE WORRIED THAT EC AID FOR EASTERN EUROPE WILL DETRACT FROM POSSIBLE AID FOR EX-PORTUGUESE COLONIES UNDER LOME AND FOR RECONSTRUCTION IN ANGOLA. (PORTUGUESE COMPANIES ARE EXPECTING TO MAKE MONEY OUT OF BOTH, WHICH WOULD BE

MAINLY PAID FOR BY RICHER MEMBERS OF THE COMMUNITY.) DIARIO DE NOTICIAS, THE MAIN SERIOUS DAILY, HAS COMMENTED THAT IN AIDING EASTERN EUROPE, EC SHOULD NOT FORGET THIRD WORLD.

5. AS FOUNDER-MEMBER OF NATO AND STAUNCH ATLANTICIST, PORTUGAL WILL BE CAUTIOUS ABOUT ANY MOVES TOWARDS DISMANTLING WESTERN EUROPEAN DEFENCES. DE MELO (DEFENCE MINISTER) MADE THIS CLEAR AT A SEMINAR GIVEN HERE BY LOCAL INSTITUTE OF STRATEGIC STUDIES LAST WEEK. PORTUGUESE EXPERIENCE OF COMMUNISM, UNLIKE MOST OF THE EC, HAS BEEN CLOSE AND RECENT PORTUGUESE COMMUNIST PARTY (WHICH IS STILL STALINIST) HAS MADE MINIMAL AND EVASIVE COMMENT ON EVENTS IN EASTERN EUROPE.

6. PORTUGAL STILL HAS SOFT SPOT FOR EFTA TO WHICH IT USED TO BELONG AND WHICH IS STILL GIVING AID AND INVESTING HEAVILY HERE (PARTLY AS A MEANS OF GETTING INTO EC BY BACK DOOR). IN ANY DISCUSSION OF ENLARGEMENT, PORTUGAL IS THEREFORE LIKELY TO BE PRO-EFTA AND ANTI-EASTERN EUROPE (AND TURKEY, BECAUSE OF TEXTILES).

7. FOREIGN MINISTER HAS PUBLICALLY WELCOMED THE PROSPECT OF HUNGARIAN MEMBERSHIP OF COUNCIL OF EUROPE UNDER PORTUGUESE PRESIDENCY OF THE COUNCIL STARTING ON 16 NOVEMBER AND HAS ALREADY PROPOSED SEMINAR IN LISBON IN JANUARY TO DISCUSS DEVELOPMENTS IN EASTERN EUROPE.

8. THERE ARE NO CLEAR INDICATIONS YET OF PORTUGUESE THINKING ON ANY CONNECTION BETWEEN DEVELOPMENTS IN EAST GERMANY AND PROGRESS ON EMU. FINANCE MINISTER CADILHE WAS QUOTED IN THE PRESS HERE AS HAVING TOLD JOURNALISTS THAT PORTUGAL WAS OPPOSED TO THE BRITISH APPROACH TO THE DELORS PLAN DURING THE ECOFIN COUNCIL ON 13 NOVEMBER. CARLOS SAMPAIO (PARA 2 ABOVE) ALSO IMPLIED TO ME THAT PORTUGAL WOULD SUPPORT AN EARLY IGC, ALTHOUGH HE CLAIMED NOT TO KNOW WHAT CAVACO WOULD DECIDE. THE TOUCHSTONE WILL, I SUSPECT, CONTINUE TO BE HOW FAR THEY BELIEVE PORTUGAL WILL CONTINUE TO BE GUARANTEED ADDITIONAL COMMUNITY FUNDS AS 'COMPENSATION' FOR ACCEPTING THE DELORS PLAN. IF COMMUNITY DECISIONS ON CENTRAL EUROPE PUT THESE AT RISK, PORTUGUESE COMMITMENT TO THE DELORS PLAN COULD WELL BE CORRESPONDINGLY WEAKEND PARTICULARLY BECAUSE WHAT THE UK PAPER SAYS ABOUT THE POLITICAL DISADVANTAGES OF THE DELORS PLAN MAY WELL THAN ASSUME GREATER IMPORTANCE.

ARBUTHNOTT

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UNCLASSIFIED  
FM MADRID  
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TELNO 1059  
OF 161700Z NOVEMBER 89  
INFO IMMEDIATE EC POSTS, UKREP BRUSSELS, WASHINGTON, MOSCOW

PARIS SUMMIT ON EASTERN EUROPE: FERNANDEZ ORDONEZ VIEWS

SUMMARY

1. FERNANDEZ ORDONEZ CLAIMS PARIS SUMMIT WAS GONZALEZ IDEA. CALLED NOW TO AVOID SIDETRACKING STRASBOURG SUMMIT. GERMAN REUNIFICATION NOT ON THE CARDS YET BUT SPAIN NOT OPPOSED TO IT IN PRINCIPLE. MRS THATCHER ASKED TO TAKE MORE POSITIVE ATTITUDE TOWARDS EC INTEGRATION.

DETAIL

2. IN AN INTERVIEW CARRIED IN TODAY'S EL PAIS FERNANDEZ ORDONEZ CLAIMED THAT THE IDEA FOR THIS WEEKEND'S SUMMIT IN PARIS TO DISCUSS DEVELOPMENTS IN EASTERN EUROPE CAME INITIALLY FROM FELIPE GONZALEZ. FERNANDEZ ORDONEZ, ON INSTRUCTIONS FROM GONZALEZ, PUT THE SUGGESTION TO A RECEPTIVE DUMAS ON 11 NOVEMBER IN TUNIS AND BY MONDAY MITTERRAND HAD TAKEN STEPS TO SET THE SUMMIT IN TRAIN.

3. FERNANDEZ ORDONEZ SAID THAT THE REASONS FOR CALLING THE SUMMIT NOW WERE:

(A) TO STIMULATE IDEAS ABOUT THE TYPE OF SUPPORT THE EC MIGHT GIVE TO THE RPAID PROCESS ON DEMCORATISATION IN EASTERN EUROPE.

(B) THE AVOID THE STRASBOURG SUMMIT BEING DOMINATED BY THE ISSUE OF EASTERN EUROPE AND, AS A RESULT, PUSHING THE ISSUE OF MONETARY UNION INTO SECOND PLACE.

(C) TO SHOW, ON THE EVE OF THE BUSH/GORBACHEV MEETING, THAT THE EC HAD MUCH TO SAY ABOUT DEVELOPMENTS IN EASTERN EUROPE.

4. HE WENT ON TO SAY THAT CLOSER RELATIONS BETWEEN THE FRG AND THE GDR WOULD NOT HARM SPAIN, WHICH WAS TRADITIONALLY A FRIEND OF

*a Fretwell's - part 1*

GERMANY. THE ISSUE OF REUNIFICATION WAS NOT ON THE CARDS AT THE MOMENT, AS GENSCHER HAD ALREADY INDICATED, BUT IF, IN THE LONGER TERM, THE PEOPLE OF BOTH STATES SHOWED A DESIRE TO REUNITE THEN IT WOULD BE DIFFICULT TO PREVENT THEM DOING SO. THE MATTER WOULD NEED TO BE DEALT WITH SENSIBLY WITH GUARANTEES FOR BOTH EUROPE AND THE SOVIET UNION. MEANWHILE THE TWO ALLIANCES, NATO AND THE WARSAW PACT, WERE STABILISING FACTORS. BONN REALISED THIS.

5. ASKED IF HE THOUGHT THE BRITISH GOVERNMENT SHARED HIS VIEW THAT DEVELOPMENTS IN EASTERN EUROPE MERITED AN ACCELERATION IN THE PACE OF EC INTEGRATION FERNANDEZ ORDONEZ SAID HE HOPED MRS THATCHER WOULD THINK ABOUT HER POSITION AND ADOPT A MORE POSITIVE ATTITUDE TOWARDS THE CONSTRUCTION OF EUROPE AT THE STRASBOURG SUMMIT. THE ALTERNATIVE TO A STRENGTHENING OF THE COMMUNITY WAS THE RESURGENCE OF A 19TH CENTURY EUROPE WHICH HAD BEEN BOTH UNSTABLE AND A SOURCE OF CONFLICT.

6. FERNANDEZ ORDONEZ BELIEVED THAT THE DEMOCRATISATION PROCESS WOULD SPREAD TO CZECHOSLAVAKIA AND RUMANIA BUT HE DECLINED TO SAY WHETHER THE SAME WOULD HAPPEN IN MARXIST COUNTRIES OUTSIDE EUROPE, SUCH AS CUBA. EVENTS WERE TAKING PLACE WITH SUCH RAPIDITY THAT IT WAS DIFFICULT TO SAY WHAT WOULD HAPPEN NEXT. LIKE ALL PERIODS OF MAJOR POLITICAL CHANGE THERE WERE OBVIOUS EXPECTATIONS AND RISKS. THE BIGGEST RISK IN THIS CASE WAS POSED BY THE SOVIET UNION'S ECONOMIC CRISIS AND THE IMPATIENCE OF ITS MINORITIES.

ROBERTS

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TELNO 376  
OF 161730Z NOVEMBER 89  
INFO PRIORITY VIENNA, UKREP BRUSSELS, BONN, PARIS, LUXEMBOURG,  
INFO PRIORITY EAST BERLIN

PARIS SUMMIT: BELGIAN FOREIGN MINISTER'S VIEWS ON EUROPE

SUMMARY

1. BELGIANS SEE PARIS SUMMIT DINNER AS OCCASION FOR WARM WORDS ON DEVELOPMENTS IN EASTERN EUROPE WITHOUT SACRIFICING NEED TO MAINTAIN PACE OF EUROPEAN INTEGRATION. FOREIGN MINISTER SPECULATES ABOUT FUTURE EUROPEAN STRUCTURE.

DETAIL

2. EYSKENS HAS FOLLOWED UP HIS INTERVIEW WITH THE AUSTRIAN DER STANDARD (VIENNA TELEGRAM NO 308) WITH AN INTERVIEW IN THE BELGIAN DE STANDAARD ON 17 NOVEMBER. THE MAIN POINTS ARE AS FOLLOWS:

I) EYSKENS FAVOURS CREATING A QUOTE CONFEDERATION UNQUOTE OF EUROPE, WITH A CORE OF PRESENT EC AND LOOSER TIES WITH THE OTHER EUROPEAN COUNTRIES INCLUDING THE DEVELOPING DEMOCRACIES IN THE EAST AND EFTA. THE CONFEDERATION WOULD BE BASED ON THE PRINCIPLES OF DEMOCRACY, SOCIAL JUSTICE, FREEDOM AND HUMAN RIGHTS.

II) THE CONFEDERATION WOULD SOLVE THE PROBLEMS OF LINKS BETWEEN THE TWO GERMANY: THE FRG WOULD BE WITHIN THE FEDERAL STRUCTURE AND THE GDR WITHIN THE CONFEDERATION. THERE WOULD BE SPECIAL LINKS BETWEEN THE TWO. HE REJECTS THE IDEA OF POSSIBLE GERMAN NEUTRALITY.

III) THE EC TWELVE FORM A POLE OF ATTRACTION FOR THE EAST: INTEGRATION SHOULD THEREFORE CONTINUE AND NOT SLOW DOWN.

IV) BILATERAL ASSISTANCE TO POLAND, HUNGARY ETC WOULD BE BEST COORDINATED IN THE EC FRAMEWORK.

EYSKENS CONCLUDED THAT HE WOULD BE PUTTING FORWARD THESE IDEAS TO THE COUNCIL OF MINISTERS ON 17 NOVEMBER. HE MENTIONED ALSO HIS FORTHCOMING VISITS TO CZECHOSLOVAKIA NEXT WEEK AND

POSSIBLY TO THE GDR A WEEK LATER.

3. WE HAVE SOUGHT A READ OUT ON EYSKENS' TWO INTERVIEWS FROM HIS CHEF DE CABINET, AND ALSO DISCUSSED THE BELGIAN APPROACH TO THE 18 NOVEMBER SUMMIT IN PARIS WITH THE PRIME MINISTER'S DIPLOMATIC ADVISER. TWO PAPERS ON EUROPEAN DEVELOPMENTS HAVE BEEN PREPARED FOR THE COUNCIL OF MINISTERS MEETING TOMORROW (17 NOVEMBER). THE FIRST, ON POLAND AND HUNGARY CONCLUDES THAT WHAT POLAND AND HUNGARY NEED MOST FROM THE EC IS AID. BELGIANS PREFER THIS TO BE COORDINATED WITHIN THE G24 RATHER THAN THROUGH UNSYSTEMATISED BILATERAL APPROACHES, REALISTICALLY RECOGNISING THAT ANY BELGIAN CONTRIBUTION ON ITS OWN WOULD BE INSIGNIFICANT.

4. AS REGARDS THE SECOND PAPER, ON A WIDER EUROPE, THE BELGIANS REGARD THE FIRST PRIORITY AS BEING CLOSER LINKS WITH THE EFTANS. THAT SAID, THEY HOPE THE SUMMIT WILL GIVE A CLEAR WELCOME TO THE DEVELOPMENTS IN EASTERN EUROPE PARTICULARLY AS REGARDS A MOVE TO DEMOCRACY. BUT THE DEVELOPMENTS IN EASTERN EUROPE SHOULD NOT BE A BARRIER TO A FASTER PACE OF EUROPEAN INTEGRATION. THE SECOND PAPER APPARENTLY HAS ONLY A PASSING REFERENCE TO THE MORE DISTANT FUTURE WHEN QUOTE CONCENTRIC CIRCLES UNQUOTE (AS IN THE EYSKENS AUSTRIAN INTERVIEW) MIGHT BE A POSSIBILITY.

5. REYN (EYSKENS' CHEF DE CABINET) COMMENTED CANDIDLY THAT EYSKENS STILL FAILS TO REMEMBER THAT HE IS FOREIGN MINISTER AND TENDS TO AIR PUBLICLY HIS RATHER ACADEMIC PERSONAL MUSINGS. THUS THE QUOTE CONFEDERAL APPROACH UNQUOTE SET OUT IN TODAY'S INTERVIEW (WHICH HAS ALREADY DISTURBED SOME OF MY COLLEAGUES) REPRESENTS VERY MUCH HIS PERSONAL VIEWS RATHER THAN THOSE OF THE GOVERNMENT. THAT SAID IT IS MOST LIKELY THAT EYSKENS WILL EXPRESS THE SAME VIEWS AT THE FOREIGN MINISTERS' DINNER ON SATURDAY. MARTENS IS LIKELY TO TAKE AN ALTOGETHER MORE PRUDENT LINE WHICH WILL CERTAINLY CALL FOR A STRONG WELCOME TO DEVELOPMENTS IN THE EAST (RECALLING THE HARMEL DOCTRINE) AND EMPHASISE THE NEED FOR FASTER EUROPEAN INTEGRATION AS THE GREAT POLE OF ATTRACTION WITHOUT SPECULATING FURTHER.

O'NEILL

CONFIDENTIAL

FM PARIS

TO IMMEDIATE FCO

TELNO 1522

OF 161612Z NOVEMBER 89

INFO IMMEDIATE BONN, EAST BERLIN, BMG BERLIN

INFO PRIORITY MOSCOW, WASHINGTON, UKDEL NATO, UKREP BRUSSELS,

INFO ROUTINE DUBLIN, NATO POSTS, EAST EUROPEAN POSTS

## SUMMARY

1. MITTERRAND'S 18 NOVEMBER WORKING DINNER TO BE INFORMAL, WITH NO AGENDA AND NO FORMAL DECISIONS OR COMMUNIQUE. ELYSEE SAY MITTERRAND WANTS FULL DISCUSSION OF POLITICAL DEVELOPMENTS IN EAST EUROPE AND GDR AND THEIR EFFECTS ON THE POLITICAL AND STRATEGIC BALANCE IN EUROPE. HE WILL OUTLINE IDEAS FOR A BANK FOR EASTERN EUROPE. BUT DECISIONS ON THIS, AND GENERALLY ON AID TO POLAND AND HUNGARY, ARE FOR THE STRASBOURG EUROPEAN COUNCIL.

## DETAIL

2. MINISTER ASKED HENNEKINNE, MITTERRAND'S DIPLOMATIC ADVISER, HOW THE PRESIDENT WOULD MANAGE THE 18 NOVEMBER DISCUSSION AND WHAT HE HOPED TO GET OUT OF IT.

3. HENNEKINNE SAID THIS WOULD BE AN INFORMAL MEETING. 26 WAS TOO MANY FOR THE SORT OF DISCUSSION MITTERRAND WANTED. THAT WAS WHY FOREIGN MINISTERS WOULD EAT SEPARATELY. THERE WOULD BE 14 ROUND THE TABLE (THE TWELVE HEADS OF STATE AND GOVERNMENT PLUS DELORS AND ROCARD). THERE WOULD BE NO AGENDA AND NO FORMAL WRITTEN DECISIONS OR COMMUNIQUE, ALTHOUGH THE PRESS AND THE PUBLIC WANTED 'RESULTS'. IT WOULD HAVE BEEN DIFFICULT TO DRAFT A COMMUNIQUE WHICH STEERED BETWEEN PLATITUDES AND THE DANGERS OF BEING TOO SPECIFIC (EG ON THE GERMAN QUESTION). HENNEKINNE SAID SOME PARTNERS HAD WANTED A COMMUNIQUE, OTHERS NOT.

4. MITTERRAND HAD NOT REVEALED HIS HAND ON HOW HE WOULD PLAY THE DISCUSSION. HENNEKINNE EXPECTED HIM TO HOLD A GENERAL TOUR DE TABLE ON DEVELOPMENTS IN EASTERN EUROPE AND THE GDR. SINCE THE DIVISION OF GERMANY WAS A PRODUCT ALSO OF THE DIVISION OF EUROPE, AND SINCE REINFORCING EUROPEAN CONSTRUCTION WOULD CONTRIBUTE TO ENDING THESE DIVISIONS, MITTERRAND WOULD WANT TO EXPLORE WHAT THE EC COULD CONTRIBUTE TO A SOLUTION OF THE WIDER EUROPEAN DIMENSION.

5. HE WOULD WANT TO LOOK ALSO AT THE QUESTION OF AID TO POLAND AND HUNGARY, THOUGH DECISIONS HERE WERE FOR THE STRASBOURG EUROPEAN

*a meeting  
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COUNCIL, AND AT THE WIDER QUESTION OF THE RELATIONSHIP WHICH SHOULD BE DEVELOPED BETWEEN THE COMMUNITY AND THE GDR. HENNEKINNE CONFIRMED THAT MITTERRAND WOULD WANT TO OUTLINE HIS IDEAS FOR A BANK FOR EASTERN EUROPE (MY TELNO 1516). BUT HE WOULD BE LOOKING ONLY FOR PRELIMINARY REACTIONS : THERE SHOULD BE FURTHER CONSIDERATION IN BRUSSELS WITH A VIEW TO DISCUSSION/DECISION AT THE STRASBOURG EUROPEAN COUNCIL.

6. HENNEKINNE SAID THAT IT MIGHT BE HARD TO KEEP THE DISCUSSION AWAY FROM ENLARGEMENT (EG AUSTRIA): THERE WOULD BE DISCUSSION NO DOUBT OF RELATIONS BETWEEN THE EC AND EFTA ON THE ONE HAND AND THE EASTERN EUROPEAN COUNTRIES ON THE OTHER.

7. MITTERRAND WOULD PROBABLY WANT TO STEER DISCUSSION TOWARDS THE EFFECTS OF CURENT DEVELOPMENTS ON THE POLITICAL AND STRATEGIC EQUILIBRIUM OF EUROPE. THE GERMAN QUESTION, REUNIFICATION AND THE CFE NEGOTIATIONS WERE ALL RELEVANT FACTORS HERE, AS WAS (HENNEKINNE SAID WITH SOME PROMPTING) THE QUESTION OF THE MAINTENANCE OF THE CURRENT SYSTEM OF ALLIANCES. ALL THIS COULD BE DISCUSSED, BEARING IN MIND THAT MUCH OF IT WAS OF DIRECT CONCERN TO OTHER ORGANISATIONS INCLUDING NATO. THERE WOULD BE NO QUESTION OF DRAWING CONCLUSIONS. LLEWELLYN SMITH ASKED WHETHER AND HOW THE FRENCH WOULD BE BRIEFING THE NATO COUNCIL ON THE 18 NOVEMBER MEETING. (UKDEL NATO TELNO 338). HENNEKINNE SAID THAT THEY HAD AN OPEN MIND ABOUT THIS: THE DECISION COULD ONLY BE MADE IN THE LIGHT OF THE 18 NOVEMBER DISCUSSION.

8. LLEWELLYN SMITH ASKED WHETHER THERE WOULD BE ANY STRUCTURED DIVISION OF SUBJECT MATTER BETWEEN HEADS OF GOVERNMENT AND FOREIGN MINISTERS. HENNEKINNE SAID THAT THERE WOULD NOT, THOUGH OBVIOUSLY DUMAS WOULD BE IN A GOOD POSITION TO BRIEF FOREIGN MINISTERS FULLY ON HIS TALKS IN MOSCOW. HIS PRESENCE WITH FOREIGN MINISTERS AND DELORS'S WITH HEADS OF GOVERNMENT WOULD ENSURE THAT BOTH GROUPS GOT AN AUTHORITIATIVE ACCOUNT OF THEIR VISIT TO POLAND AND HUNGARY. HE ADDED THAT RUMOURS CIRCULATING THAT FOREIGN MINISTERS WOULD HAVE AN ADDITIONAL MEETING BEFORE DINNER WERE WRONG. DUMAS WOULD ONLY BE GETTING BACK TO PARIS JUST BEFORE DINNER. (WE HAVE HEARD SEPARATELY FROM THE QUAI THAT NEITHER WILL THE FOREIGN MINISTERS HAVE ANY SET AGENDA: THE INTENTION IS TO DISCUSS EASTERN EUROPE, IN PARTICULAR POLAND, HUNGARY, EAST GERMANY AND THE USSR.)

9. HENNEKINNE SAID THERE WAS NO DATE FIXED YET FOR THE MEETING WHICH HAD BEEN AGREED BETWEEN MITTERRAND AND GORBACHEV, NOR WAS IT KNOWN WHETHER THIS WOULD BE IN MOSCOW OR PARIS (NEWSPAPER SPECULATION IS NO MORE PRECISE THAN DECEMBER OR JANUARY) WE



UNDERSTAND FROM A QUAI CONTACT THAT THE FRENCH HAVE INVITED  
PRESIDENT BUSH TO STOP OFF IN PARIS ON HIS WAY TO THE MALTA SUMMIT  
BUT THAT IT SEEMS UNLIKELY AT PRESENT THAT BUSH WILL ACCEPT,  
DESPITE THE FRENCH PRESIDENCY.

10. FOR COMMENTS SEE MY TWO IFT (THE SECOND NOT TO ALL)

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From: The Rt. Hon. JULIAN AMERY, M.P.

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112, EATON SQUARE,  
LONDON SW1W 9AE  
Tel: 01- 235 1543  
01- 235 7409



15 November, 1989

*Zia Anwar*

*CP 16/11*

COSQUET

*Dear Charles,*

I enclose a talking point that might be useful for next Saturday's meeting in Paris.

*No answer,*

*Julian,*

\_\_\_\_\_

Julian Amery

Charles Powell, Esq.

NOTE:-

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In 1877 Bismarck's Germany, which had a publicly known military alliance with Imperial Austria, concluded a reinsurance treaty with Imperial Russia. This gave an assurance that Germany would not participate in any war or act of aggression committed against Russia.

The reinsurance treaty was originally secret but it became known and <sup>resented</sup>resented by Austria. Kaiser William renounced it when "he dropped the pilot".

It has been argued by many historians that, if the reinsurance treaty had continued, Austria would not have dared attack Serbia in 1914 since it would have known that it could not count on German support.

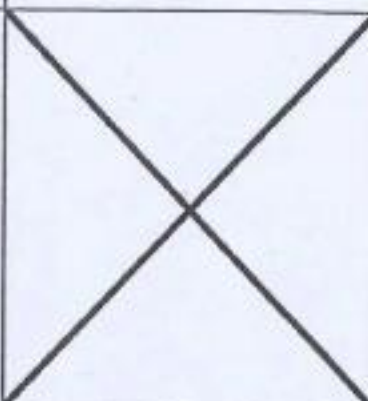
Might there be a case for concluding a similar reinsurance treaty either between a united Germany or between the European Community or between NATO, and the Soviet Union?

This could avoid German neutrality or unilateral disarmament while still allowing a united Germany to remain part of the Western European Union or of NATO.

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JA/15.11.89

# A The National Archives

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1 suspect that  
Mitterrand will be looking  
for a mandate to  
meet Gorbachev.

18 NOVEMBER MEETING OF THE TWELVE HEADS OF STATES AND GOVERNMENT

SUMMARY

1. ELYSEE CONFIRM THAT STRASBOURG COUNCIL AS WELL AS 18 NOVEMBER MEETING WILL ADDRESS EASTERN EUROPE, THOUGH MAIN PRIORITIES FOR STRASBOURG REMAIN EMU AND SOCIAL CHARTER. ELYSEE SHARE PRIME MINISTER'S VIEW OF NEED FOR A CAUTIOUS APPROACH IN FACE OF UNCERTAINTIES GENERATED BY EVENTS IN EAST EUROPE.

DETAIL

2. MINISTER ASKED MME GUIGOU, PRESIDENT MITTERRAND'S ADVISER ON EC QUESTIONS, FOR HER VIEW ON THIS MEETING AND IT CONNECTION WITH THE STRASBOURG EUROPEAN COUNCIL. HE REFERRED TO PRESS SPECULATION THAT ONE OF THE REASONS FOR CALLING THE MEETING WAS TO AVOID THE EUROPEAN COUNCIL BEING TOO TAKEN UP WITH THE PROBLEMS RELATING TO EASTERN EUROPE.

3. MME GUIGOU SAID THAT THIS WAS AN INCORRECT INTERPRETATION. THE AGENDA FOR STRASBOURG WAS WELL KNOWN AND WOULD OF COURSE INCLUDE DISCUSSION OF EASTERN EUROPE ESPECIALLY EC AID TO POLAND AND HUNGARY. THE EUROPEAN COUNCIL REMAINED THE OCCASION ON WHICH THE DECISIONS COULD BE TAKEN ON THESE MATTERS. HOWEVER, IT WAS OF COURSE THE CASE THAT THE PRESIDENCY WAS DETERMINED TO HAVE A FULL DISCUSSION OF EMU AND THE SOCIAL CHARTER LEADING TO APPROPRIATE DECISIONS IF DISCUSSION OF EASTERN EUROPE ON 18 NOVEMBER COULD CLEAR THE GROUND FOR THE EUROPEAN COUNCIL, AND THUS SAVE TIME, SO MUCH THE BETTER.

4. AS TO THE 18 NOVEMBER MEETING, MITTERRAND SIMPLY FELT A REAL NEED FOR HEADS OF GOVERNMENT THEMSELVES TO TALK OVER EVENTS IN EASTERN EUROPE SOON (''CONFRONTER LEURS ANALYSES''). MINISTERS OF FOREIGN AFFAIRS (AND FINANCE - SHE WAS PRESENT AT THE ECONFIN LUNCH OF 13 NOVEMBER) HAD ALREADY HAD A NUMBER OF OPPORTUNITIES. MITTERRAND WANTED POLITICAL REFLECTION ON WHAT WAS HAPPENING IN EASTERN EUROPE GENERALLY AND ALSO IN RELATION TO EACH PARTICULAR COUNTRY. THE TIMING WAS IDEAL IN THAT DUMAS WOULD BE ACK FROM MOSCOW, WHERE HE

MET GORBACHEV (TODAY'S FRENCH PRESS SPECULATES FOLLOWING THIS MEETING THAT A GORBACHEV/MITTERRAND MEETING WILL TAKE PLACE BEFORE TOO LONG). AND DUMAS PLUS DELORS WIL JUST HAVE RETURNED FROM POLAND AND HUNGARY.

5. BOTH GUIGOU AND VEDRINE, MITTERRAND'S ADVISER ON EAST/WEST QUESTIONS, WHOM THE MINISTER SAW ALSO, SAID THAT THE VIEWS OF LONDON AND PARIS WERE CLOSE ON THE SUBSTANCE OF DEVELOPMENTS IN GERMANY AND EASTERN EUROPE. VEDRINE SAID THAT WHAT THE PRIME MINISTER SAID IN HER GUILDHALL SPEECH ABOUT A PRUDENT APPROACH IN THE FACE OF UNCERTAINTIES HAD BEEN NOTED FAVOURABLY. IT WAS NOT THE TIME TO GIVE THE IMPRESSION THAT THE WARSAW PACT WAS IN QUESTION. MME GUIGOU SAID THAT TERE WAS NO DIFFERENCE OF SUBSTANCE IN OUR APPROACH TO THE QUESTION OF RE-UNIFICATION. IT HAD BEEN NECESSARY FOR MITTERRAND, IN RESPONSE TO THE QUESTION PUT HIM IN BONN LAST WEEK, TO SAY THAT THE PROSPECT OF RE-UNIFICATION DID NOT FRIGHTEN HIM. HE HAD TO SAY THIS IN ORDER TO DISSIPATE ANY POSSIBLE MISUNDERSTANDING ON THE PART OF THE GERMANS, AND TO SHOW THAT THERE WAS NO SPECIFICALLY FRENCH OBSTACLE TO THE PROCESS UNDER WAY IN GERMANY. BUT WE SHOULD LOOK VERY CLOSELY AT THE QUALIFICATIONS WITH WHICH HE CONTINUED, CONCERNING THE WAY IN WHICH THIS PROCESS SHOULD BE CARRIED FORWARD (DEMOCRATICALLY, PEACEFULLY), AND THE FACT THAT OTHER SATES BESIDE THE TWO GERMANIES WERE INVOLVED (NOT LEAST THE SOVIET UNION). THE PRESIDENT'S UNDERLYING CAUTION WILL COLOUR HIS APPROACH TO THE 18 NOVEMBER MEETING.

6. MINISTER WILL SEE HENNEKINNE, MITTERRAND'S DIPLOMATIC ADVISER, ON 16 NOVEMBER AFTER WHICH I WILL TELEGRAPH VIEWS ON HOW THE FRENCH ARE LIKELY TO HANDLE SATURDAY'S MEETING.

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From the Private Secretary

14 November 1989

Dear Stephen,

EAST/WEST RELATIONS

The Prime Minister and the Foreign Secretary had a talk this evening about the present state of East/West relations and the action required by the Government over the next week or so.

The following points were agreed:

- the Prime Minister should reply as soon as possible to Mr Gorbachev's message conveyed to her by the Soviet Ambassador on 10 November. The reply ought to issue on the evening of 15 November.
- the Prime Minister will send a message to President Bush setting out her views on the way ahead in East/West relations, and telling him of the general line she proposes to take at the meeting of EC Heads of Government in Paris on 18 November (for which see below).
- this message would be the prelude to a telephone call to the President, probably on the evening of 17 November, to underline our intentions to consult and keep in close touch with the United States at every stage. The message will therefore need to issue in time for the President to have read it before the telephone call.
- the Foreign Secretary will let the Prime Minister have his reflections on the handling of the Paris meeting in a minute following his own visits to Bonn and Berlin on 15/16 November.
- the Prime Minister will want a discussion with the Foreign Secretary and Defence Secretary before she goes to Washington on 23 November about the general line she should follow in her talks with the President. We will be in touch to set a time for this on 21 or 22 November.
- we should plan to circulate a paper at Strasbourg with proposals on how the Community might in future manage its relations with Eastern Europe. This would draw on the ideas in the Prime Minister's speech at the Lord Mayor's Banquet and answers in the House of Commons this afternoon, and make clear recommendations about the future structure of these relations and the form they should assume (eg Association Agreements, Co-operation Agreements or something new). The

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options should cover not only association with the Community but also membership of the Council of Europe. The paper would not be discussed in advance with our other partners but launched as a United Kingdom initiative at Strasbourg.

As regards the handling of the Paris meeting, we obviously need the best assessment we can make of President Mitterrand's intentions and no doubt the Embassy will be letting us have that. The Prime Minister suspects that the meeting will be used to try to clear East/West relations from the agenda of the Strasbourg European Council, in order to leave that meeting free to concentrate on EMU and the Social Charter. The Prime Minister would not regard that as satisfactory. She sees the Paris meeting as only a preliminary to a full discussion of East/West relations at Strasbourg. This argues against any agreed conclusions or text at the Paris meeting or any mandate to President Mitterrand to meet President Bush or President Gorbachev on behalf of the Twelve (should that be in his mind).

The Prime Minister's own remarks at the Paris meeting should be based on what she said at the Lord Mayor's Banquet, in her various statements to the press and in the House. She would say that our twin priorities should be to see democracy securely established in East Germany and elsewhere in Eastern Europe, while managing the situation in such a way that it does not undermine or put at risk Mr Gorbachev. This will require the West Europeans to show the same degree of restraint and discipline as have the East Europeans, bearing in mind that the risks and penalties for them if the present situation were to be reversed would be far greater than for Western Europe. We should make clear that it is not Western Europe's intention to exploit the current situation in the GDR against the Soviet Union or in ways which would damage its perceived security interests. Our public statements should be based on the assumption that the existing Alliances will continue, and acknowledge that reunification is not for now on the agenda. While others of us understand the strong emotions which recent developments arouse in West Germany, we hope they will equally show understanding for the emotions of others. We are all playing for very high stakes, and the crucial element is Gorbachev's survival. If we undermine his position and there is a reversion to a much more hard-line approach by the Soviet Union which extinguishes the new freedom enjoyed in Eastern Europe, we should all be culpable. We must therefore proceed with the maximum prudence and restraint, concentrating on building up democracy in Eastern Europe. We should co-ordinate our position very closely with the United States at every point. And we should have a further and more considered discussion at Strasbourg.

*Your sincerely,*  
*Charles Powell*  
C. D. POWELL

Stephen Wall, Esq.  
Foreign and Commonwealth Office

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PARIS EXTRAORDINARY SUMMIT, 18 NOVEMBER

SUMMARY

1. MITTERRAND'S MOTIVES FOR CALLING A SPECIAL MEETING :
- (A) (IMPLICITLY) TO AVOID HAVING THE STRASBOURG COUNCIL HIGHJACKED BY EASTERN EUROPE AND THE GERMAN QUESTION, AND
  - (B) (EXPLICITLY) TO SHOW THAT THE TWELVE, LED BY FRANCE, ARE ACTIVELY ENGAGED. HIS EYE MAY ALSO BE ON THE MALTA SUMMIT.

DETAIL

2. COMMENTS IN THE FRENCH PRESS, FOLLOWING BRIEFING BY THE ELYSEE, SUGGEST THAT ONE OF MITTERRAND'S MAIN MOTIVES IN CALLING THE 18 NOVEMBER SUMIT IS TO AVOID HAVING THE STRASBOURG COUNCIL TAKEN OVER BY A DISCUSSION OF DEVELOPMENTS IN EASTERN EUROPE, WHEN THE FRENCH WISH TO CONCENTRATE ON INTERNAL EC MATTERS SUCH AS EMU AND THE SOCIAL CHARTER. MITTERRAND IS ALSO SEEN AS WISHING TO SHOW THAT THE TWELVE CAN REGAIN THE INITIATIVE, IN THE FACE OF THE IMPRESSION SO FAR THAT EVENTS MAY BE MOVING TOO FAST FOR THEM.
3. THESE REASONS ARE PLAUSIBLE. IT WOULD APPEAR ENTIRELY NATURAL FOR MITTERRAND TO WISH TO CONSULT HIS PARTNERS AFTER EVENTS HAVE TAKEN SUCH AN EXTRAORDINARY TURN. HE IS SAID TO HAVE BEEN CONSULTED FIRST BY GONZALEZ ON 9 NOVEMBER, AND SHORTLY AFTERWARDS BY HAUGHEY, BOTH OF THEM PROPOSING A SPECIAL MEETING. HE THEN SPOKE ON THE TELEPHONE ON THE EVENING OF 10 NOVEMBER TO KOHL, WHO AGREED THAT, INSTEAD OF THE SUBJECT BEING RAISED AT STRASBOURG AS HE HAD EARLIER REQUESTED, IT SHOULD BE THE PRETEXT FOR A MEETING AS SOON AS POSSIBLE. GISCARD'S PROPOSAL ON 12 NOVEMBER FOR A SPECIAL MEETING CAN THUS BE SEEN, BY OBSERVERS FOLLOWING THE ELYSEE LINE, AS A COINCIDENCE RATHER THAN A LEADING IDEA.
4. IT SEEMS HIGHLY LIKELY THAT MITTERRAND WANTS TO BRING THE TWELVE TOGETHER BEFORE BUSH AND GORBACHEV MEET IN MALTA IN EARLY DECEMBER. THE US AND FG EMBASSIES MAKE THIS ASSUMPTION ALSO. THE ELYSEE

BRIEFING BY VEDRINE PUTS THE WEIGHT ON THE STRICTLY EUROPEAN ASPECTS AND DENIES THAT THE MALTA MEETING IS A MOTIVE, BECAUSE THERE IS NO REASON TO SUPPOSE THAT IT COULD TAKE ANY DECISIONS ON THE FUTURE OF THE TWO GERMANIES: ON THE CONTRARY, THE SOVIET UNION, LIKE OTHER EASTERN EUROPEAN COUNTRIES, IS A DEMANDEUR AS FAR AS ECONOMIC AND OTHER ASSISTANCE FROM WESTERN EUROPE IS CONCERNED. I CANNOT BELIEVE, HOWEVER, THAT THIS IS NOT A FACTOR IN MITTERRAND'S THINKING: AND I SHOULD NOT BE SURPRISED IF HE SOUGHT A MEETING WITH PRESIDENT BUSH BETWEEN 18 NOVEMBER AND MALTA ON 2/3 DECEMBER. (THE ELYSEE HAVE REVEALED, INCIDENTALLY, THAT THE PRESIDENT HAD A LONG TELEPHONE CONVERSATION WITH GORBACHEV THIS MORNING.)

5. THE FRG EMBASSY BELIEVE THAT THE IDEA OF INCLUDING THE FOREIGN MINISTERS ON 18 NOVEMBER CAME UP IN A DISCUSSION BETWEEN DUMAS AND GENSCHER BUT, AS ONE WOULD EXPECT, THAT IT WAS NOT AT ALL GENSCHER'S IDEA THAT THERE SHOULD BE SEPARATE DINNERS (THIS MAY BE A COMPROMISE IMPOSED BY MITTERRAND, INSISTING THAT AT LEAST PART OF THE EVENING SHOULD ENABLE HEADS OF GOVERNMENT TO HAVE A DISCUSSION AMONGST THEMSELVES).

6. SEE M I F T (NOT TO ALL) FOR ADMINISTRATIVE DETAILS SO FAR AVAILABLE.

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MRS. LICHTHES

*From the Private Secretary*

13 November 1989

Dear Stephen,

EASTERN EUROPE

The French Chargé d'Affaires telephoned me this morning with an oral message for the Prime Minister from President Mitterrand. This was to the effect that President Mitterrand was of the opinion that the situation in Eastern Europe, and particularly the German Democratic Republic, was such that the twelve Heads of Government of the European Community ought to meet to discuss it in advance of the Strasbourg European Council. He was therefore issuing an invitation to the twelve of them to dinner at the Elysée Palace in Paris on the evening of Saturday 18 November. I said that I would convey this to the Prime Minister and we would reply in due course. I asked if he knew when this proposal was likely to be made public. He did not.

I dare say this is in part a ploy to prevent East/West issues dominating the Strasbourg European Council at the expense of discussion of the Social Charter and Economic and Monetary Union. I will consult the Prime Minister as soon as possible about her attendance. Meanwhile, you will want to make a contingency booking of an HS125 and alert the Embassy in Paris. I think we would send only a very small party, consisting of me, Bernard Ingham and one Garden Room girl. I am sure the Prime Minister's preference would be to return the same night if possible.

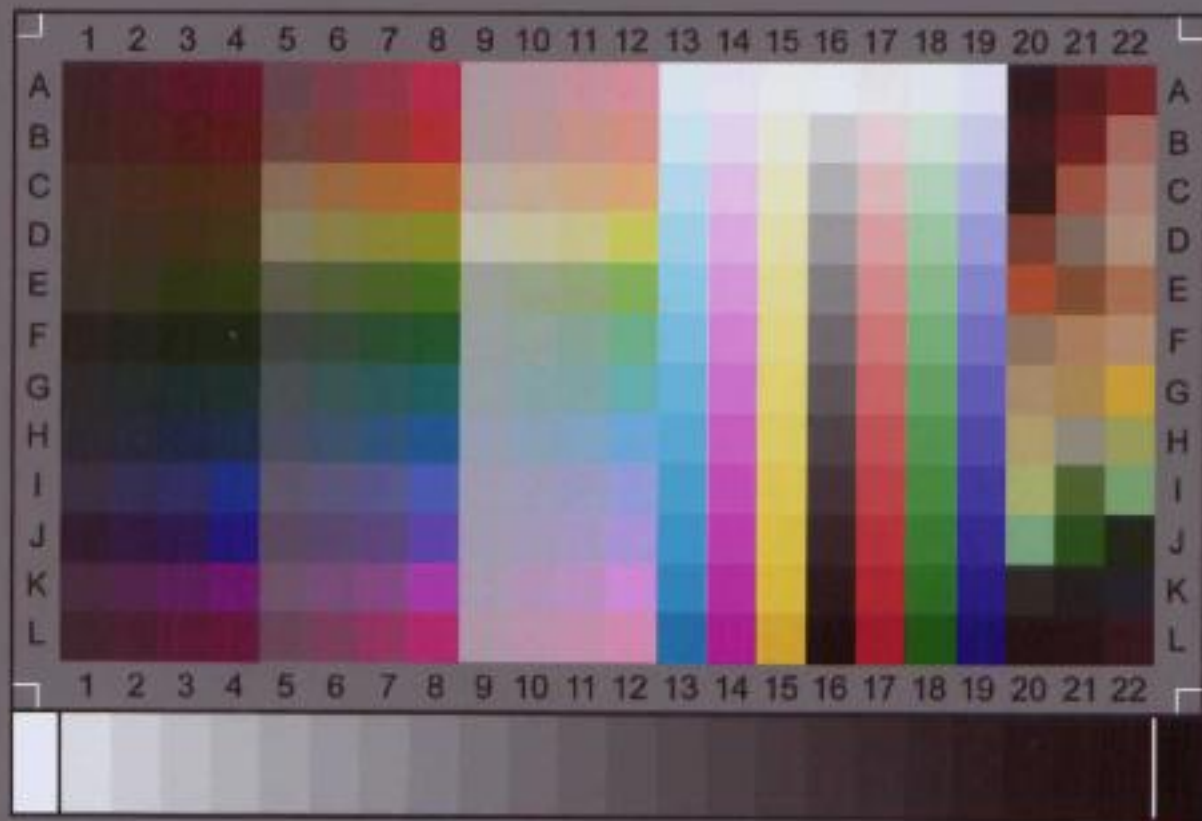
Yours sincerely,  
*C. D. Powell*

C. D. POWELL

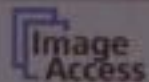
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