

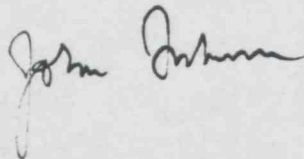
To: Private Secretary

SYNTHESIS PAPER ON RELATIONS WITH EASTERN EUROPE

1. At the joint lunch of Political Directors and Permanent Representatives today, the attached paper was agreed for presentation to Foreign Ministers and Heads of Government.

2. Ministers need only take note of it. It is a balance-sheet of progress in political and economic relations with the East, with a number of pointers for further measured development of relations. It is an internal document.

3. Some member states attach symbolic importance to it as a manifestation of our ability to achieve coherence between the separate but parallel approaches to Eastern Europe developed in political cooperation and the Community framework.



Sir John Fretwell

26 June 89
cc: Mr Powell

RELATIONS OF THE EUROPEAN COMMUNITY AND ITS
MEMBER STATES WITH THE COUNTRIES OF CENTRAL AND
EASTERN EUROPE

I. The aims and the lines of action of the Community and its Member States in their relations with Eastern Europe were clearly and constructively affirmed in the Declaration of the European Council in Rhodes on 3 December 1988.

This text expresses the determination to overcome the division of Europe and to promote the principles and the universal values to which they are attached. In this context, the European Council undertook in particular to strive to achieve full respect for the provisions of the CSCE, the establishment of a secure and stable balance of conventional forces at a lower level, the strengthening of mutual confidence and military transparency, the complete and verifiable ban on chemical weapons, the respect for human rights and for fundamental freedom, the free circulation of people and ideas, the establishment of more open societies, the promotion of human and cultural exchanges between East and West and the development of political dialogue with our Eastern neighbours.

The Council also marked the Community's interest in developing relations with the countries of Eastern Europe on the basis of a pragmatic and flexible approach, taking account of each country's particular characteristics and on the basis of reciprocity and mutual benefit.

In essence, the Community and its Member States defined not only an objective, the establishment of new relations in Europe, but also ways of achieving this, through the CSCE process, through dialogue and co-operation.

These aims and methods remain fully valid and represent the basis of the policy of the Community and its Member States towards Central and Eastern Europe.

The circumstances in which East-West relations have continued to develop confirm the validity of a constructive approach. They have made it possible, after the adoption of the Rhodes document, to pursue these aims and implement the mechanisms for which it provided, in a satisfactory manner, both at the CSCE meeting in Vienna and in the political dialogue and the new relationship established between the Community and its Member States, on the one hand, and certain countries of Central and Eastern Europe on the other. Since 1985 the Community's relations with these countries have undergone profound changes, moving on from a climate of ignorance and even confrontation in which these countries refused to deal with the Community to a stage marked by the establishment of diplomatic relations, the conclusion of agreements and the launching of a process of co-operation in various fields.

The significant role which the Community is asked to play in the future evolution of Europe in accordance with the aims of the Single European Act, underlines the importance of a closer co-operation between the Community and the countries of Central and Eastern Europe. Its internal dynamic development and its position of openness towards the external world are essential factors in the active pursuit of efforts to overcome the division of Europe.

The countries of Eastern Europe -apart from Romania- have requested the establishment of diplomatic relations with the Community at ambassador level. Missions have so far been opened by the Soviet Union, Hungary, Poland, Czechoslovakia and the GDR. The Commission and the Council, working closely together, have agreed on the procedures implicit in the opening of these Missions, in accordance with Article 17 of the 1965 Protocol on Diplomatic Privileges and Immunities.

The conclusion of agreements represents one of the highest expressions of the existence of normal international relations.

The progress of reform in Hungary led the Community to sign a broad trade and co-operation agreement with that country on 26 September 1988. The Community has also indicated its intention of responding to the positive trends in the reform process in Poland. Following the round table and the holding of elections, the Council called on the Commission to make full use of the margin of flexibility allowed by the directives of 20 February 1989 to secure the rapid completion of a broad economic and trade co-operation agreement.

Taking into consideration current developments in the Soviet Union and the interest in developing our relations with that country, on 12 June the Council adopted negotiating directives for a trade and co-operation agreement with the USSR which opens the way to wide-ranging co-operation.

On 19 December 1988 a trade agreement on industrial products was signed with Czechoslovakia. On 20 February 1989 negotiating directives were adopted for a trade and co-operation agreement with Bulgaria.

Finally, the process of exploratory talks with the GDR, aimed at finding appropriate solutions for the specific questions relating to trade relations between that country and the Community and in particular those resulting from implementation of the Protocol on German internal trade, was brought to a conclusion. In due course the Commission will be able to propose draft negotiating directives.

In contrast to this favourable trend in relations between the Community and the other countries of Eastern Europe, the internal political situation currently prevailing in Romania induced the Council and the Commission to suspend negotiations on a trade and co-operation agreement with that country which had been opened in April 1987. These negotiations will be resumed only when the political situation so permits, in accordance with arrangements defined at the appropriate moment and in consultation with the Council.

Bilateral relations with each of these countries taken separately and in accordance with their individual characteristics represent the Community's priority. However, for some considerable time the Eastern European countries -and particularly the Soviet Union- have been anxious to establish links between the Community and the Council for Mutual Economic Assistance (CMEA). After two years of talks a Joint Declaration was signed in Luxembourg on 25 June 1988 establishing relations between the Community and the Council for Mutual Economic Assistance, opening up the way for co-operation in areas of mutual interest on the basis of their respective areas of competence. This Declaration includes the territorial application clause stating that it applies to all the territories of the Community covered by the Treaty of Rome, which was one of the major obstacles to completion of the talks.

Under the present circumstances the Community and its Member States should continue to play a constructive and dynamic role in East-West relations, along the lines set out in the

Rhodes Declaration, at the informal meeting in Granada and in the Council's conclusions of 25 July 1988 and 24 April 1989.

II. The political dialogue with the countries of Central and Eastern Europe must serve first and foremost for the advancement of our principles and values, but it must also give us a better understanding of the positions of our interlocutors and help us to identify, in practical terms, the possible points of convergence. It should therefore be open and regular in character.

In recent months the Presidency, acting on behalf of the Twelve, has embarked on a political dialogue with the Ministers of the USSR, Poland, Hungary and Yugoslavia. The Troika of Political Directors has held talks with the USSR, and the Ambassadors of the Twelve have had a working dinner in Moscow with the Soviet Minister for Foreign Affairs.

The meeting between the Ministers for Foreign Affairs of the Twelve and the Minister for Foreign Affairs of the USSR in New York in September should be followed by periodical meetings of the Troika of Political Directors and regular contacts between the Presidency and the USSR, in addition to the regular meetings between the Ambassadors of the Twelve in Moscow and the Soviet Minister for Foreign Affairs.

With regard to the agenda for these meetings, the four points put forward in the Political Committee document of November 1988 remain valid, with particular emphasis on the CSCE process, although other subjects of mutual interest could be added. In this connection account should also be taken of the Soviets' interest in understanding the evolution of European integration and giving further consideration to their "common house" idea, on the basis of the document drawn up on this subject within EPC.

At the same time, the dialogue with the other countries of Central and Eastern Europe should be developed. In view of the differences in nature between the Community and the CMEA, a meeting between the Twelve and the European members of the CMEA, as proposed by the USSR, is not desirable. On the other hand it would be appropriate to strengthen the dialogue with certain individual countries. In this connection the contacts established with Poland and Hungary at ministerial level should continue. Consideration could also be given to the possibility of Presidency meetings at Political Director level. The Twelve should also respond positively to the interest expressed by these two countries in establishing closer links with the Council of Europe on the basis of respect and implementation of the principles of

human rights and of pluralist democracy contained in the statutes of the Council, in the European Human Rights Convention and in the European Social Charter.

Consideration should also be given to the possibility of extending the political dialogue, under appropriate arrangements, to countries such as the GDR, Czechoslovakia and Bulgaria which are experiencing a slower and more uneven advance, so as to enable the Twelve to play a role of stimulation and critical persuasion here. With regard to Romania, however, such a possibility would appear to be far removed as long as the serious infringements of human rights persist and the country's authorities refuse to react to the approaches made by the Twelve.

III. The CSCE process - with its security, co-operation and human rights chapters - represents the appropriate framework for overcoming the division of Europe and building new relationships on our continent.

- The fundamental objective of the European Community and its Member States is to promote respect for human rights and fundamental freedoms, the circulation of people, information and ideas, and the establishment of more open, democratic and pluralist societies. This objective must be pursued realistically and gradually, but also tenaciously. To this end the Twelve will follow developments in the situation in the countries concerned with great care, and in co-ordination with one another. They will act constructively to foster all positive trends. They will also utilize the mechanisms introduced for the human dimension of the CSCE in the Vienna Final Document, with a view to securing compliance with existing commitments. They will continue to make use of the follow-up meetings to promote compliance with the commitments entered into and the gradual enlargement of the scope of the process.

- In security fields, the Twelve should play an active part - within the framework of the provisions and perspectives of the Single Act - with a view to ensuring that the arms limitation and arms reduction process maintains its impetus and accords with their interests. They will work towards the establishment of a stable and secure balance of conventional forces in Europe at the lowest possible level, and the improvement of the climate of confidence, also through a greater transparency of military activities.

To this end, the proceedings at the first two series of the Vienna Negotiations on Conventional Forces and Confidence Building Measures represent an encouraging element. The Twelve are particularly keen that these two series of negotiations should produce rapid and positive

results, in the interest of security and stability throughout Europe and for all participants in the CSCE process.

- The European Community and its Member States are prepared to develop co-operation with the countries of Central and Eastern Europe in economic, scientific, technological and ecological areas, etc. They will co-ordinate their activity in respect of this important part of the CSCE process, particularly in the follow-up meetings planned in this connection in the Concluding Document of the Vienna Conference and more specifically the Sofia Conference on the Environment and the Bonn Economic Conference.

IV. In the field of economic relations, implementation of the trade and co-operation agreements with the Eastern European countries demands of the Community and its Member States a dynamic and coherent approach which takes account of the particular characteristics of each case, and of the possible advantages accruing to the Community from these agreements on terms of reciprocity. With regard to trade, the Community will ensure that the advantages granted to these countries take into consideration :

- their progress in economic reforms towards a more open and decentralized economy ;

- international commitments, and in particular their status vis-à-vis GATT ;

- the Community's own objectives in the prospect of the creation of the internal market ;

- the sensitivity of certain sectors which face competition that is all the keener as it fails to comply with international rules on the fixing of prices, and

- guarantees of better access to the markets of these countries and improvements in living and working conditions for Community businessmen.

The progressive removal of the quantitative restrictions hitherto applied by the Community specifically to these countries is a major element in the agreements entered into by the Community with them. As they gradually move towards greater integration into the international economic system, the Community could also consider the possibility of further developing its trade relations with them.

With regard to co-operation, the Community is aware of its importance for the Eastern European countries, as an element that can help their economies to advance and bring them

closer to the Community. The Community welcomes this attitude, which is in fact often mutual. Such co-operation could be developed in a substantial number of areas on the basis of reciprocity and mutual benefit at three different levels : on a bilateral level, by pursuing co-operation between the Member States and the countries of Eastern Europe ; at Community level, taking account of the principles of complementarity in areas where such competence already exists or might come into being as a result of developments within the Community ; and finally in international fora of which the CSCE follow-up meetings represent, among others, a significant example.

Given that the Community's co-operation with the countries of Eastern Europe is not intended to replace that of the Member States, but must supplement it, giving it a new dimension and reflecting the present and future of the Community, a dynamic and comprehensive approach to this co-operation must take the following form :

- improved co-ordination of the co-operation policies of the Community and its Member States towards these countries ;

- in the area of export credits, continuation of the transparency of the policies of the Member States, due allowance being made for the importance of ensuring that these policies are coherent ;

- strengthening of the active presence of the Community in the countries of Eastern Europe ;

- active participation in the follow-up conferences of the CSCE within the framework of the existing rules.

In accordance with these lines of action, the Commission plans to submit proposals to the Council in the near future for the achievement of these objectives.

V. Collaboration between the Council and the Commission should in future be strengthened and take the form of reciprocal and continuous exchange of information ; as regards relations with the countries of Eastern Europe, the aim of greater coherence between Community policies, on the one hand, and those agreed in the context of Political Co-operation, on the other, should be achieved.

Lastly, it has been noted that in pursuing its activity in Eastern European countries the Community should concern itself with further improvement of its image. In this connection document CPE/SEC/275 provides a useful basis for

future action by the European Community and its Member States in an area becoming more crucial, at a time when communications are assuming ever-increasing importance.

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