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CHANCELLOR OF THE EXCHEQUER

Assistance for Eastern Europe

1. The Paris Economic Summit invited the European Commission to coordinate Western help for Hungary and Poland. This they have done increasingly effectively through G24, whose membership corresponds to that of the OECD, with inputs from the International Financial Institutions and the OECD Secretariat. The response, particularly from the Community, has been generous and speedy.
2. As a result of the momentous changes in the rest of Eastern Europe we now need to consider help to Czechoslovakia, Bulgaria, Romania and the GDR, as they open up their societies and economies.
3. I believe the best means of ensuring a coherent, widely based response will be through the G24 mechanism, because it involves the US, Japan and other potential donors. The G24 Ministerial meeting on 13 December showed that G24 is ready to take on the work for those countries putting in place economic and political reform.
4. The Strasbourg European Council has already agreed that an Eastern European Bank for Reconstruction and Development should be established.



5. Operating through G24, as we are advocating for the Hungarian adjustment loan, would avoid the proposed Bank taking on a more grandiose role, and strengthen the argument for it to concentrate on financing the nascent private sector.

6. If colleagues agree, I will press the argument at the informal meeting of Foreign Ministers in Dublin on 20 January.

7. I am copying this minute to the Prime Minister, the Secretary of State for Trade and Industry, the Minister of Agriculture, Fisheries and Food and the Cabinet Secretary.

DH.

(DOUGLAS HURD)

Foreign and Commonwealth Office  
12 January 1990

dti

the department for Enterprise

CEPC

The Rt. Hon. Nicholas Ridley MP  
Secretary of State for Trade and Industry

• Rt Hon Douglas Hurd CBE MP  
Secretary of State for Foreign and  
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Date 19 January 1990

CDP 1990

*See Secretary of State*

*yes*

Thank you for copying to me your minute of 12 January to the Chancellor of the Exchequer with the suggestion that the European Commission is best placed to coordinate Western help to Eastern Europe through the G24.

I agree with your proposal for two quite different reasons: first the use of G24 is clearly desirable as a means of spreading the load to the USA and Japan as well. Secondly it strengthens the argument for reserving the proposed Eastern European Bank for reconstruction and development to concentrate its efforts on financing the nascent private sector.

As you know I also hope that, in considering how the UK might contribute to assisting the economic and political reforms in these countries, we could build upon the vehicle we have created to assist Poland and Hungary ie the UK Know-How funds and that provision could be found for similar funds for Bulgaria, Czechoslovakia, the GDR and Romania.

It is clear to me that investment opportunities exist for UK companies in Eastern Europe. As you will have noted from my letter of 15 January on official support for export credit and investment I would hope, therefore, that part of these Know-How funds could be used to enable UK companies to undertake feasibility studies for investment opportunities, although much investment will take place solely on the basis of ECGD cover. This is, of course, something which we can pursue separately.



**dti**

the department for Enterprise

I am copying this minute to the Prime Minister, the Chancellor of the Exchequer, the Minister of Agriculture, Fisheries and Food and the Cabinet Secretary.

*Your sincerely*

*Seán Stowell*

(Approved by the Secretary of State  
and signed in his absence)



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Ministry of Agriculture, Fisheries and Food  
Whitehall Place, London SW1A 2HH

**From the Minister**

The Rt Hon Douglas Hurd MP  
Secretary of State  
for Foreign & Commonwealth Affairs  
Foreign & Commonwealth Office  
Downing Street  
London  
SW1A 2AL

*cell*  
*107, 17* January 1990

*Dear Secretary of State*

**ASSISTANCE FOR EASTERN EUROPE**

Thank you for sending me a copy of your minute of <sup>*12*</sup> <sup>*17*</sup> January to John Major.

As you know, I believe there are useful initiatives which the UK itself can take here, not least in encouraging agriculture and food production in Eastern Europe. Nevertheless, it is obviously right that the West's response as a whole should be coordinated through the Group of 24 mechanism, for the reasons set out in your minute. I would, therefore, support the course you recommend.

I am copying this letter to the Prime Minister, John Major, Nicholas Ridley, and Sir Robin Butler.

*Yours sincerely*  
*A. Gummer*

*11* JOHN GUMMER  
*(approved by the Minister & signed in his absence)*

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