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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

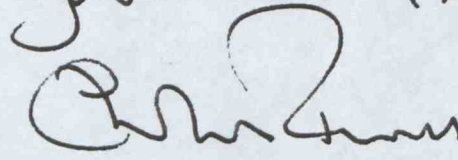
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Eastern Europe, which they feared would be at their expense.

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)

Stephen Wall, Esq.,
Foreign and Commonwealth Office

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