



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

30 November 1989

Agree to give this
paper to M. Delors
tomorrow, as representing an
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
3/12/89

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

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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

East Germany

- 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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