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DEPARTMENT OF STATE
BRIEFING MEMORANDUM

EXCISE

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August 18, 1977

TO: The Deputy Secretary

FROM: EUR - Richard D. Vine *in 77*
S/P - Paul H. Kreisberg *in 77*

PRC Meeting on Eastern Europe

PURPOSE:

This memorandum provides you with: (a) background for the pending discussion of U.S. policy towards Eastern Europe at the PRC meeting scheduled for August 23; and (b) analysis of the two policy options which will be under consideration. Talking points are at Tab A, arrayed in Q&A fashion on the basis of the agenda which will have been circulated to principals.

BACKGROUND:

At a PRC meeting on April 14, principals reached consensus that the basic U.S. interest in Eastern Europe is to promote greater internal liberalization and external flexibility among the regimes there. Discussion then turned to the four tactical options presented in PRM-9 (Comprehensive Review of European Issues). Of the four options,* two emerged as the main contenders:

Option III - give preference to Eastern European countries that are either relatively liberal internally or relatively independent internationally, and limit our ties with those that are neither; or

Option IV - abandon any implicit rank ordering, and seek to expand contacts and relations across the

* The first two options were: (I) differentiate more sharply in favor of Eastern European countries which demonstrate greater foreign policy independence from Moscow; and (II) be more forthcoming toward Eastern European countries that are relatively more liberal internally.

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board in Eastern Europe to the extent possible and feasible.

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The meeting ended with instructions for a follow-on study to spell out the practical differences between the options, and to look more deeply into their implications for other U.S. interests, including relations with the Soviets. The follow-on study (Tab C) and related agenda (Tab D) are the basis for discussion at the upcoming PRC.

ANALYSIS:

Proponents of both Option III and Option IV agree that our goal is to further autonomy of the Eastern European states from the Soviet Union, and internal liberalization within them. The disagreement, sharpened by the follow-on paper, is over whether we are more likely to do so by using closer relations as a "reward" for relatively good conduct under one or the other of Option III's two criteria, or by defining our policies toward each of the Eastern European countries in terms of our own interests and, acting accordingly, create a situation where these countries can move closer to our objectives without seeming to be offending the Soviet Union.

No one is under any illusions that our influence will be decisive under either option: our room for movement in relations with these states is small, and factors other than the American connection will be far more important in their development. Nonetheless, the issue is how to use such influence as we may have.

Hungary, Poland and Romania already qualify for closer relations under one or the other of the Option III criteria. Under either option, we are probably going to return the Crown of St. Stephen to Hungary, assuming that a satisfactory scenario can be worked out; and we may also decide to try to work our way towards extending MFN to that country. We would also recommend in either case a limited improvement in relations with the GDR, because they are now at such a low state (less well developed than those with Bulgaria).

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In practice then, the difference between the options largely boils down to whether we are going to try to improve relations with Czechoslovakia and Bulgaria now, in hopes that this, in time, will lead to greater autonomy and liberalization, or continue a relatively cold-shoulder approach until there has been demonstrated progress under those headings. Even in the latter case, however, the U.S. will continue to try to negotiate solutions to certain outstanding bilateral issues,* as part of the basic process of normalizing relations.

Option III in our view actually impedes progress ~~towards them~~ by: (1) unnecessarily inhibiting our flexibility, denying us opportunity for any improvement in relations for a very long time to come; and (2) giving prominence to an approach which, translated into a clear U.S. public position, may frighten the East Europeans and increase Soviet resistance to the processes we want to set in motion.

Option IV is in our judgment analytically and practically distinct: Strategically, we are aiming for a polycentrist relationship, with the axis based on U.S. interests, not the relationship of each Eastern European country to Moscow. In terms of interests, human rights progress is as integral as in Option III, but it can take place in a reciprocally advantageous bilateral framework that does not force the Eastern European countries to retrench to a collective position. By giving the Eastern European countries a stake in good relations with the U.S. that does not ab initio require them to distance themselves from Moscow, we can minimize stress for the Eastern European countries concerned, as well as our own frictions with the U.S.S.R.

Drafted:
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Tab A: Talking Points
Tab B: Secretary's Talking Points
Tab C: PRM-9 Follow-on
Tab D: Agenda

* In the GDR -- claims, consular convention
Czechoslovakia -- claims/gold, consular convention
Bulgaria -- settlement with U.S. bondholders

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