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**COPY OF A LETTER**

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from : Mr Jack STRAW, Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom

dated: 28 January 2002

to : Mr Josep PIQUE I CAMPS, Minister for Foreign Affairs of the Kingdom of Spain, President in Office of the Council of the European Union

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Subject : EU's relationship with its future neighbours following enlargement (Ukraine, Belarus and Moldova)<sup>1</sup>

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Delegations will find attached copy of a letter dated 28 January 2002 addressed by Mr Jack STRAW, Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom to Mr Josep PIQUE I CAMPS, Minister for Foreign Affairs of the Kingdom of Spain, President in Office of the Council of the European Union related to EU's relationship with its future neighbours following enlargement (Ukraine, Belarus and Moldova).

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Encl.: 1

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<sup>1</sup> This letter was received in English only.

28 January 2002



Foreign &  
Commonwealth  
Office

London SW1A 2AH

*From The Secretary of State*

*Dear José*

I am writing to raise some concerns about the EU's relationship with its future neighbours following enlargement (Ukraine, Belarus and Moldova).

The UK welcomes the valuable work that the Commission and successive Presidencies have done in this field in recent years. We strongly support such initiatives as the new emphasis on JHA co-operation, the involvement of candidate countries in technical assistance, the increased frequency of political dialogue and the proposal of European Conference membership at Gothenburg.

Like you, I am preoccupied by the situation in these three countries. Ukraine and Moldova's record on reform is mixed. Belarus is going backwards. Within three years, Ukraine and Belarus will border the EU – with all the attendant problems of cross-border crime, trafficking and illegal immigration. Moldova will not be an EU neighbour until later, when Romania joins, but it already faces grinding poverty, huge social problems and mass emigration. We have a direct stake in helping address the challenges posed by and within these three countries.

... The attached paper sets out some ideas which my officials discussed with yours last summer on developing our approach. These draw on the lesson of our experience with the Stabilisation and Association Process (SAP) in the Western Balkans. Unlike the SAP, however, this approach does not hold out the prospect of

HE Mr Josep Piqué



EU membership, but offers clear and practical incentives in return for progress on political and economic reforms.

Our ideas aim to build on what the EU is already doing and offer a kind of 'special neighbour status' rooted in a commitment to democratic and free market principles. Neighbour status might grant trade liberalisation, a closer relationship on JHA and border issues, and a privileged political dialogue including deeper co-operation on CFSP.

These benefits would have to be earned by fulfilment of existing commitments (such as those under the Partnership and Co-operation Agreements, or the requirements of WTO, IMF and Council of Europe). We should set clear priorities and build conditionality into the process as we do in the Western Balkans. At the moment only Moldova – following its entry into WTO – would qualify for trade liberalisation, but we could, for example, offer Ukraine the prospect of similar treatment after WTO accession. We are unlikely to reward Belarus under the present regime.

This is not an issue we need to decide next week or next month. But we need to set thinking in hand, with the aim of Commission ideas being presented to the GAC, perhaps as a Communication to the Council, at some point in the Danish Presidency. This would give us time to assess the future direction of Ukraine following the Parliamentary elections this March. It would also give us time to consider how we could liberalise trade with Moldova given the ongoing dispute over Transdniestra.

In parallel, it will of course be important to pursue the established priority of developing our relations with Russia. The EU's relations with Russia and the Western CIS are related but separate tracks. The relationships should be differentiated and transparent if we are to give due weight to Russia, but we cannot in the medium term, afford to neglect either.



The UK strongly supports recent Presidency and Commission work on EU-Russia relations. Mr Blair has recently written a joint letter with Silvio Berlusconi to Romano Prodi in support of Commission efforts to help Russia join the WTO and meet Russian concerns about the market economy status issue. My officials have also circulated our ideas on wider aspects of EU-Russia relations to your officials.

I am copying this letter to Chris Patten, Javier Solana and to other EU Foreign Ministers.

Yours ever,  
*Jack*

JACK STRAW

## EU-WIDER EUROPE

- The UK welcomes greater Commission/Council activity on relations with the EU's future Eastern neighbours during 2001. Visits by Prodi and Solana to Kiev, extension of European Conference membership at Gothenburg, important steps.
- Hard to be optimistic about these three countries. Reform momentum in Ukraine and Moldova is uncertain. Ukraine is about to face critical parliamentary elections. The new Government in Moldova is making little headway on Transnistria and lacks capacity to tackle serious social and developmental problems. In Belarus, the slide to authoritarian rule continues.
- But we can't sit back. These countries matter to Europe. Not just because of the risks posed by poverty, lawlessness, trafficking, pollution – but because of their untapped potential. Ukraine should be a source of stability and a magnet for EU investment.
- The Commission is already doing valuable work: implementation of PCAs, support for WTO membership, increasing involvement of candidate countries in cross-border aid projects. But many voices now arguing for greater EU engagement with Ukraine/Moldova. Is there scope to work up a new approach?
- UK sees a case to draw on the lessons learnt in the Balkans. Stabilisation and Association process shows the importance of linking incentives to strict conditionality. In Ukraine we have all been trying to send the message that progress on PCA implementation is a route to a closer relationship with the EU. Is there more we could be doing to make that perspective more attractive?

### Room for a new model ?

- UK has been considering a package of incentives including reinforced political signals and work towards greater economic interdependence. The onus would be on the countries themselves to fulfil existing obligations (eg. WTO, PCA, IMF, Council of Europe) and create the right investment climate.
- We wouldn't necessarily need new agreements. Could include the incentives above as bolt-ons to existing PCAs. Or we could relabel agreements - substance would be the same, but could rebrand/upgrade PCAs to 'neighbourhood or 'wider Europe' agreements. Labelling will need to be careful, given sensitivity over status.
- Clearly we cannot offer EU membership. But we will need to send stronger political signals than we have sent hitherto. Gothenburg has moved in this direction by extending European Conference Membership. Could we not offer recognition that these are 'European' countries and, as such, should enjoy the special status of 'neighbours'?

Based on enhanced incentives...

- We might offer a more concrete route map to the free trade areas foreshadowed in PCAs. Why not get Commission trade experts to look at scope for asymmetric trade liberalisation as we have done in the Balkans? Step by step trade liberalisation could be tied to fulfilment of existing commitments (WTO, PCA) as well as further work on legislative approximation towards Single Market norms.

- This doesn't imply that Community should make the same up-front offer of tariff-free access as it made to SAA countries. But trade liberalisation will have to be gradual and asymmetric if future neighbours are to meet disciplines of free trade.
- Moldova's WTO accession gives it the best claim to asymmetric trade liberalisation. Better market access would have little adverse effect on EU but would help Europe's poorest country.
- EU might also consider bringing cooperation framework for JHA issues into line with other third country agreements. Again, the kind of regional planning on JHA issues, which DG Relex is preparing for the West Balkans, could serve as a model. It makes sense to pursue JHA regionally – and give priority to our future neighbours.
- And we could also - as is possible under the new Tacis Regulation – more actively seek input from candidate countries both in political dialogue and through provision of technical assistance. Could build on EU/Ukraine/candidate dialogue on borders.

*1. And stricter conditionality to enforce existing obligations?*

- Already have a reasonably detailed set of benchmarks: PCA, WTO accession, IMF programmes, Council of Europe/OSCE obligations. Need to fit these into an effective, well-sequenced framework that sets clear priorities, differentiates between countries, and rewards those that have met existing commitments.
- Advantage of this approach is that it will reinforce existing obligations and link them to clear benefits. And a formal review mechanism could keep each country up to the mark and give them a platform on which to seek domestic support for reforms.

**But how best to present this to Russia?**

- Vital that we are transparent with Russia, and emphasise that our approach is designed to benefit all. EU should not set out to compete with Russia in the Western CIS. Instead should continue to pursue strong EU/Russia relationship in parallel and explain our strategy to Russia.

Foreign and Commonwealth Office  
January 2002