PREM 19/2997

Anglo-German Relations

Part 5

548

GERMANY

Part 1: July 1979
Part 5: Sept 1989

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~4.9.89~~							
~~5.9.89~~							
~~14/9/89~~							
~~11.10.89~~							
~~28.11.89~~							
~~9.1.90~~							
~~5.2.90~~							
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~~20.3.90~~							
~~26.3.90~~							
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~~1.5.90~~							
~~14.6.90~~							
~~19.6.90~~							
~~2.7.90~~							
18.7.90							

PREM 19/2997

Part ends

D 8953031 8 88 C60 GP2265 CCN13412 (3932)

PART 5 ends:-

CDP to PM 13.9.90

PART 6 begins:-

CDP to FCO 16.10.90

(2)

PRIME MINISTER

You were given an incomplete copy of the Defence Secretary's letter to Mr Stoltenberg on low flying last night for which I apologise. I attach a complete version.

CDP

CHARLES POWELL

13 September 1990

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 September 1990

LOW FLYING IN GERMANY

Your letter of 11 September covering the Defence Secretary's latest exchange of letters with Dr Stoltenberg on low flying lacked the last page of the Defence Secretary's letter of 11 September. I should be grateful if you could let me have a complete copy.

Complete copy tagged at reas.

CHARLES POWELL

Simon Webb Esq
Ministry of Defence

CONFIDENTIAL

CONFIDENTIAL

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000

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MO 3/20S

11 September 1990

My dear Gerhard,

Thank you for your letters of 27th and 29th August about military low flying training in the Federal Republic of Germany.

While I appreciate the current pressures on you and your colleagues to respond to the changing environment in Central Europe, I must say that I am very disappointed that you have not been able to take into account the concerns expressed in my letter to you of 20th July. These were, of course, in relation to your earlier proposal to limit flying below 600 ft. The 1000 ft restriction which you have now said you will introduce causes me even greater concern. With our agreement last year the UK sought to [illegible] as far as possible in meeting your Government's efforts to reduce the impact of low flying training on the public in the FRG and I had been under the impression that the results of our agreement had at least met with a favourable reaction from the public.

As you recognised in your latest letter and in your presentation to the Bundestag Defence Committee last year, low flying remains an essential tactic for an effective modern air force. The Royal Air Force would naturally make the very best use of any time available to improve combat readiness before any

Dr Gerhard Stoltenberg
Minister of Defence
Federal Republic of Germany

outbreak of hostilities but our view is that such training must be able to build on a firm base of low flying expertise established in peacetime. Military advice to me is that training at above 600 ft and even more so at 1000 ft cannot meet this latter requirement. If training at levels below 1000 ft is not available in the Federal Republic for forces stationed there, the level of effectiveness of all our forces can only be maintained, even at a minimum level, by seeking compensatory training elsewhere. The UK Low Flying System is, as you know, already heavily used by RAF aircraft based in Germany and by United States aircraft based in the UK, as well as by RAF aircraft based here, and I see no scope for increasing the existing total amount of low flying here. Other locations abroad have environmental and cost considerations of their own and your decision again to alter the arrangements in the Federal Republic will not make it easier for NATO Air Forces to obtain the necessary training elsewhere. As an example, I am sure you will be familiar with the difficulties that led to the decision not to pursue proposals for a NATO Tactical Fighter Centre earlier this year.

This new proposal comes at a particularly difficult time of tension in the Gulf when emphasis must be placed on the need of air crews, particularly those flying Tornados, to be currently fully trained in low flying and therefore comes at a most unwelcome time for the Royal Air Force, with aircraft committed in the Gulf. The level of RAF low flying training activity in the UK has been substantially increased in recent weeks because of the need to provide combat ready crews in the Gulf trained down to 100 ft and crews have been drawn from both UK and RAF Germany Tornado squadrons for this purpose. It may be necessary to supplement or to rotate crews currently on station with further Tornado crews from the UK and from Germany, where as you know the bulk of the RAF's Tornado GR1 squadrons are stationed. The implications of the new regulations on 17th September for the RAF in the FRG would mean

an inevitable disruption of training for these crews. I would therefore hope that you and your colleagues could agree to defer the introduction of this change for the RAF's Tornado force in FRG at least until the current crisis has been resolved. If you agree, our Air Force Staffs could discuss the details.

In the longer term a 1000 ft limit for military flying gives us particular cause for concern on safety grounds. First, a minimum height of 1000 ft is likely to increase considerably the number of occasions when military aircraft will have to abort lower level flights because of a decreasing cloud base and even if you were to legislate to raise the minimum height of general aviation aircraft the density of air traffic then requiring to use the height band above 1000 ft can be expected to increase substantially the risks of accidents. Your staffs will, no doubt, have considered these points and I hope that any new regulations will be designed to ameliorate the risks involved. I would also hope that consideration has been given to exemptions from the 1000 ft limit for the use of weapons ranges and for Forward Air Control training and aspects of tactical air reconnaissance; and also for selected NATO exercises. I should be glad to hear from you at an early date about the results of such considerations.

I have also been considering the implications for low flying training in the United Kingdom of the proposed changes in the FRG. The German Air Force conducts a limited amount of low flying training in the UK, for example, during exercises and squadron exchanges. In the light of the new restrictions in FRG, however, I do not believe that it would be acceptable to UK public opinion for training to be carried out in the UK by aircraft based in other countries under conditions more favourable than those which would apply in their own country. I believe therefore that it will be

necessary to introduce appropriate height restrictions for training carried out here by German aircrew.

So far as future RAF training is concerned, our requirements need to be reviewed in the light of the work currently under way on the Options for Change exercise in the UK. You are being consulted on this as a matter of mutual concern. The reduced availability of training in the FRG with its implications for our ability to maintain the required level of operational capability, and the additional costs of flying aircraft based in Germany to the UK and elsewhere for training will be factors that I shall need to take into account. I shall have to include in my considerations the possibility of changes in training arrangements in the UK at TTTE and also in the presently proposed deployment plans. These however can only be addressed when the future shape of our forces is clearer and we shall keep closely in touch with you on any developments.

As I have indicated above, your decision to introduce this far reaching change at very short notice and without consultation is a very great disappointment. You will know that this unilateral decision may well undermine completely all low flying in our countries. I and my colleagues, in considering the way ahead must seek to maintain the training which we believe is essential to our forces and take due account of UK domestic factors. At the same time I can assure you that we shall not lose sight of the need to preserve the collective security of the Alliance on which we both rely and trust that you will be able to respond in the same spirit to the points I have raised.

Tom King

CONFIDENTIAL

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/3

MO 3/20S

11th September 1990

LOW FLYING IN GERMANY

We discussed briefly my Secretary of State's latest exchange of letters with Dr Stoltenberg on low flying.

The background is that the Secretary of State has received further letters from Dr Stoltenberg (copies attached) in which he states that the FRG has decided to introduce a minimum flight level of 1000 feet above ground level with effect from 17th September 1990. This new rule is being put into effect by the German Air Force from that date and as a result of private discussions between Mr Bush and Herr Kohl on 25th August, the US has also agreed to this new limitation. We were not consulted by the US about this nor by the FRG in advance of Dr Stoltenberg's letter of 29th August, nor has any substantive reaction been received from Dr Stoltenberg to the proposals put forward by the Defence Secretary in July (copy attached to my letter of 19th July) in reply to the German proposal at that time to raise the lower limit to 600 feet.

The Defence Secretary has discussed the situation with Mr Cheney (who was not consulted by Mr Bush before he gave Mr Kohl his agreement) and who felt, in response to a question by Mr King, that any moves such as acceleration of the closure of bases in FRG would have little or no impact on the Germans. A major restructuring of US bases in Europe - mainly in FRG - reducing US troops by about 40,000 had not been greeted with any alarm by the Germans, either in regard to scale or timing. However in the light of UK commitments to the forces in the Gulf, and the deployment of Tornados (the GR1 squadron together with half of the crews came from Germany), we would wish to agree with Dr Stoltenberg that we should continue to fly down to 250 feet in Germany until the crisis is over. We also believe that it would be unacceptable to the public to allow German aircrews to continue to exercise in the UK Low Flying System at a level below 1000 feet although in the case

Charles Powell Esq
10 Downing Street

of the integrated Tri-national Tornado Training Establishment, it is impractical to give this effect. As a result of the German decision, the operational capability of RAF Germany will not be able to be fully sustained by training in Germany and we are giving further thought to the proposals for Options for Change in respect of the number of aircraft deployed in FRG.

A further consequence of the German decision will be that RAF Germany will have to carry out more of their low level training in the UK although we shall have to ensure that the total volume of low flying in this country does not increase. We anticipate achieving this by reducing by about 20% the amount of low level flying by the USAF in the UK. The USAF understand the reasons for this and the Defence Secretary made the position clear to Mr Cheney in his recent conversation, having warned him earlier of the possibility that this would have to happen if the rules changed in the FRG. The additional training by RAF Germany in this country will also lead to substantial additional costs to the RAF in travelling to and from Germany, and we are looking at ways of offsetting these, as mentioned in the draft letter from the Defence Secretary.

I also attach a copy of the reply which the Defence Secretary has sent to Dr Stoltenberg. I am copying this letter to Tim Sutton (Lord President's Office) and Richard Gozney (Foreign Office).

Yours sincerely

Simon Webb.

(S WEBB)
Private Secretary

GERHARD STOLTENBERG
Bundesmin[redacted] der Verteidigung

5300 Bonn 1,
Postfach 1328
Tel.. (0228) 12-9100

August 27, 1990

Dear Colleague

following the intensive consultations during the past months concerning changes to low-level flying in the Federal Republic of Germany a decision is now required.

The US are now prepared to accept a minimum flight altitude of 1000 feet (AGL). This rule is being introduced for the German Air Force.

I would now ask you to likewise adopt this concept, which shall become effective 17. September 1990, for low level flying by your air force within the Federal Republic.

I would appreciate an early reply.

Yours sincerely,

Stoltenberg

en

RESTRICTED

COURTESY TRANSLATION

DR. GERHARD STOLTENBERG
Bundesminister der Verteidigung
Federal Minister of Defence

5300 BONN 1, Aug. 29th, 1990
Postfach 1328,
Tel.: (0228)12-9100

His Excellency
The Secretary of State for Defence
for the United Kingdom and Northern
Ireland
The Rt Hon Thomas Jeremy King TD MP
Ministry of Defence
Main Building
Whitehall

London SW1 2HB

Great Britain

Dear Colleague,

As I have already explained to you in my short letter dated August 27th, 1990, I have decided without delay to put up the minimal height for low-level flying of jet combat aircraft to 300 meters. After the intensive consultations during the past months the administration of the U.S.A. has decided to approve of a respective new regulation from its point of view. The US Air Force will follow this regulation.

This decision was the result of the negotiations and analyses of the past months. The numerous talks and written comments of the colleagues were of help for me with it. I have given serious considerations to your reservations.

.../2

Of special importance for our revised position the agreements had been which Chancellor Helmut Kohl had reached with President Gorbatchev about the quick withdrawal of the Armed Forces of the Soviet Union from the territory of the present GDR on July 16th this year.

There cannot be any doubt that low level flying has always been an indispensable prerequisite for the efficient use of air forces. From this follows the necessity that the crews have to be capable of it if war demands such operations from them. In view of the different political situation in Central Europe, however, I consider it justified to order restrictions for low-level flying in peacetime to take some of the load off the people if it can be expected that combat readiness can be achieved by additional training just before the outbreak of combat activities.

According to your assessment, this will only be possible if your crews will in future have the opportunity to train for low-level flying in heights of 250 feeet in the Federal Republic of Germany, at least for limited periods.

In appreciating all factors, I believe nevertheless that there was no alternative to my decision. I regret that I had been forced by the circumstances to take and to publicise this decision within such a short time, and that I had been left without time to inform you about my intentions in detail. For this I request your understanding and ask for your good, constructive cooperation in future with regard towards our common responsibility for the security of our Alliance.

The new regulation is to become effective from Sept. 17th. I ask you to follow it with the elements of the Royal Air Force which train in the Federal Republic of Germany.

.../3

I realise the necessity to carry out consultations about details of the realisation between our air force staffs before this measure becomes effective. I have asaked the Chief of the Air Staff to get in touch with his colleagues for this matter.

Yours sincerely,

(signed Gerhard Stoltenberg)

CONFIDENTIAL

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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DIRECT DIALLING 01-218 2111/3

MO 3/20S

11th September 1990

My dear Gerhard,

Thank you for your letters of 27th and 29th August about military low flying training in the Federal Republic of Germany.

While I appreciate the current pressures on you and your colleagues to respond to the changing environment in Central Europe, I must say that I am very disappointed that you have not been able to take into account the concerns expressed in my letter to you of 20th July. These were, of course, in relation to your earlier proposal to limit flying below 600 ft. The 1000 ft restriction which you have now said you will introduce causes me even greater concern. With our agreement last year the UK sought to go as far as possible in meeting your Government's efforts to reduce the impact of low flying training on the public in the FRG and I had been under the impression that the results of our agreement had at least met with a favourable reaction from the public.

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Dr Gerhard Stoltenberg
Minister of Defence
Federal Republic of Germany

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This new proposal comes at a particularly difficult time of tension in the Gulf when emphasis must be placed on the need of air crews, particularly those flying Tornados, to be currently fully trained in low flying and therefore comes at a most unwelcome time for the Royal Air Force, with aircraft committed in the Gulf. The level of RAF low flying training activity in the UK has been substantially increased in recent weeks because of the need to provide combat ready crews in the Gulf trained down to 100 ft and crews have been drawn from both UK and RAF Germany Tornado squadrons for this purpose. It may be necessary to supplement or to rotate crews currently on station with further Tornado crews from the UK and from Germany, where as you know the bulk of the RAF's Tornado GR1 squadrons are stationed. The implications of the new regulations on 17th September for the RAF in the FRG would mean

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MEETING RECORD

Subject cc master

CONFIDENTIAL

Cite ff

bcc PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

30 July 1990

Dear Stephen.

PRIME MINISTER'S MEETING WITH THE
FEDERAL GERMAN FOREIGN MINISTER

The Prime Minister had an hour's talk with Herr Genscher this morning. He was accompanied by the Federal German Ambassador and by his Private Secretary. The Foreign Secretary was also present.

Terrorism

Herr Genscher began by expressing sincere condolences on the murder of Mr. Ian Gow, M.P. It strengthened his conviction that the western countries should seek a commitment in the Helsinki process to co-operate against terrorism, so we could be sure that the terrorists had no haven anywhere in the 35 CSCE countries. The Prime Minister agreed that this was a good point and should be pursued.

German Unification

The Prime Minister observed that matters were now moving very fast on German unification, but a lot of details remained to be worked out before the CSCE Summit in the autumn. Many of them were matters for Germany herself, but we would of course help in every way we could. It was very important to get the small print right. One matter which would need to be resolved was the legal basis for the continuing presence of Allied forces in Berlin. There would need to be a clearly defined role for such forces, otherwise their morale would be affected. The Foreign Secretary pointed out that Britain had been the first of the Four Powers to say that we would be willing to keep our forces in Berlin.

Herr Genscher said that he was most grateful for the support which the Federal German Republic had received from the United Kingdom during the Two plus Four talks, and particularly for the helpful role played by the Foreign Secretary at the meetings in Berlin and Paris. Shevardnadze had recently telephoned him to say that the Two plus Four ministerial meeting in Moscow should be the last one. This was a clear indication that the Russians wanted to finish discussion of matters of substance, so that the details could be tied up in good time for the CSCE conference. The Prime Minister said that we were very pleased that the Two plus Four process was working so well.

Options for Defence

The Prime Minister said that the Defence Secretary had made known our plans for reductions in our forces over the next five years, and she had sent Chancellor Kohl a message explaining them. We now looked forward to consultation in NATO. Other members of NATO, including of course the FRG, had already announced proposed reductions.

The Prime Minister noted in passing that the Soviet Union was continuing to place very substantial numbers of tanks behind the Urals, and to transfer aircraft from their air force to their naval aviation, as a way of avoiding limitations under the CFE Agreement.

East Germany

Herr Genscher said that All-German elections would take place on 2 December. A compromise had been found on the question of the electoral system. There were a number of practical problems arising from unification to be resolved, in particular the ownership of property in East Germany. All claims would have to be registered before January, and there would be compensation for those required to give up property or land which they were at present occupying. President Gorbachev had referred to the substantial property which the Red Army held in East Germany, and had made clear that the Soviet Union would be seeking compensation for giving up this. All this could be resolved: but, until then it was something of an obstacle to economic development. However, he did not wish to be pessimistic: people in East Germany were responding enthusiastically to the opportunities of economic and monetary union with the FRG.

The Prime Minister asked Herr Genscher to confirm that Article 23 of the Federal Germany Constitution would be annulled after unification. Herr Genscher confirmed that this would be the case. It would be made explicit that unification was the end of the story. The Prime Minister recalled that both German states had agreed to sign a Treaty with Poland as soon as possible after unification. Herr Genscher confirmed that this would be done.

Herr Genscher continued that he was sure that the elections on 2 December would produce a positive outcome for the Government. In response to a question from the Prime Minister, he said he thought the SPD would focus their electoral campaign on the social problems of unification. Within the Federal Republic, they would stress the heavy costs of unification: in the East they would claim that the Government was not spending enough. But trying to have it both ways like this would not carry much conviction. Herr Lafontaine had failed to recognise the historic nature of developments since last autumn.

European Community

The Prime Minister said that she was following developments in Europe's financial markets with interest. Italy and Spain, which had high inflation rates, faced a tremendous inflow of

money attracted by their high interest rates. They were rightly refusing to reduce the latter because their domestic monetary conditions did not warrant it, but were having to spend considerable sums to keep within their ERM bands. Their experience demonstrated the difficulties of trying to fix exchange rates while disparities between the economies of member states remained so great. In these conditions, a single currency could only be maintained by massive transfers between the better off and the less well off member states. The United Kingdom would join the ERM in order to use the Deutschmark as a sort of gold standard, which would help bear down on inflation. But the whole purpose of this would be lost if there was a single currency and a European Central Bank, whose governing board would be composed of representatives of countries who would not agree that the sole objective was to maintain the value of the currency. In her own view, there was no case for going further than the existing ERM for the foreseeable future. Europe needed time to adjust to the full consequences of the Single Market, and did not need the fresh turmoil which would be caused by attempts to move to a single currency.

The Prime Minister continued that, despite these misgivings, we wanted to avoid a row in the Community. We had therefore agreed to go further than she herself considered strictly necessary or wise, by proposing a common currency and a European Monetary Fund. But this was as far as we could agree to go. A single currency simply did not make sense and would not be accepted by the British Parliament. She was particularly disturbed to see that the Italian Presidency wanted to accelerate the EMU and reach agreement in December. That would be deliberately divisive and unhelpful, when Britain was already making a major effort to avoid a row with its partners. The truth was that those who supported a single currency were not really so much interested in the economic aspects as in creating a federal Europe, which we could not accept. Our proposals represented a major effort to find an acceptable basis for what should follow Stage I.

Herr Genscher, who had found it somewhat difficult to get a word in, said Germany was determined that a European Central Bank would be like the Bundesbank and entirely independent of Governments. There was a chicken and egg situation: the best way to bring other European countries to adopt reasonable economic policies was to force them to submit to the discipline of a single currency and a strong Central Bank. The Prime Minister contested this view: she would have much more confidence in the discipline of the Deutschmark, based on the historic aversion of the German people to inflation, than in a Central Bank where Germany might find itself out-voted. Other countries could follow France's example of using the link with the Deutschmark to force down inflation. There was also the aspect of sovereignty: a national currency and national decision-making on economic and monetary policy were among the most substantial attributes of sovereignty in the modern world. Herr Genscher replied that Germany wanted Britain in whatever monetary arrangements were agreed for Europe. We were needed as a country which followed orthodox economic policies, and played a major role in Europe's economy.

I am copying this letter to John Gieve (H M Treasury), Martin Stanley (Department of Trade and Industry), Simon Webb (Ministry of Defence) and Sonia Phippard (Cabinet Office).

Yours sincerely,

C. D. POWELL

J. S. Wall, Esq., L.V.O.,
Foreign and Commonwealth Office

CONFIDENTIAL

ADVANCE COPY

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MDADAN 6689

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INFO PRIORITY UKDEL NATO, UKREP BRUSSELS

GENSCHER'S VISIT TO YOU AND THE PRIME MINISTER : 29 AND 30 JULY

SUMMARY

1. GENSCHER LIKELY TO URGE SPEED AND SUSTAINED EFFORT ON THE LONG AGENDA TO BE ACCOMPLISHED BEFORE UNIFICATION. CHANCE TO SORT PRIORITIES AND TO LOOK AT LONGER TERM NATO AND EC ISSUES ESPECIALLY. GOOD OPPORTUNITY TO STRENGTHEN ANGLO-GERMAN COOPERATION.

DETAIL

2. THIS OVERNIGHT VISIT OF GENSCHER ON 29 JULY TO YOU AT CHEVENING PROVIDES A RARE OPPORTUNITY FOR RELAXED FREE RANGING DISCUSSION AND PROBING OF THE MAN'S MIND. HE WILL BE IN GOOD FETTLE IN THE KNOWLEDGE THAT GERMAN VOTERS RECOGNISE THAT HE WAS LARGELY THE ARCHITECT OF THE TRIUMPH THAT KOHL ENJOYED IN MOSCOW. WITH LUCK HE WILL BE IN RECEIVING MODE AS WELL AS TRANSMITTING.

THE ISSUES: UNIFICATION: EXTERNAL ASPECTS

3. UNIFICATION AND ITS RAMIFICATIONS IS VIRTUALLY THE ONLY SUBJECT ON GENSCHER'S MIND. FOLLOWING UNEXPECTED PROGRESS IN MOSCOW, GENSCHER NOW WANTS TO WRAP UP THE CONSEQUENTIAL BUSINESS AS QUICKLY AS POSSIBLE AND IS PREOCCUPIED BY THE AMOUNT OF BUSINESS TO BE GOT THROUGH. THIS FALLS INTO TWO BROAD CATEGORIES: STRICTLY TWO PLUS FOUR BUSINESS WHERE GENSCHER WANTS THE MOSCOW TWO PLUS FOUR MINISTERIAL MEETING TO CLINCH THE COMPONENT PARTS OF THE FINAL SETTLEMENT (INCLUDING TEXTS), AND ISSUES DERIVING FROM UNIFICATION (BUT NOT PART OF TWO PLUS FOUR) WHERE THE TIMESCALES VARY AND ARE IN A NUMBER OF CASES CONSIDERABLY LONGER. THESE ISSUES THEMSELVES DIVIDE INTO THREE AREAS:

- THOSE WITH THE SOVIET UNION. NEGOTIATIONS ON THE FINANCIAL CONSEQUENCES FOR THE SOVIET UNION OF THE INTRODUCTION OF THE DEUTSCHMARK INTO THE GDR AND ON THE TERMS OF THE TREATY OF WITHDRAWAL ARE BEGINNING. THE BILATERAL TREATY ON LONG TERM COOPERATION IS SCHEDULED FOR COMPLETION BY NEXT EASTER. (SEE MIFT FOR OUR LATEST INFORMATION ON THE WIDE RANGING COOPERATION THAT IS UNDER CONSIDERATION).

- THOSE WITH THE THREE WESTERN ALLIES. THE AGENDA INCLUDES THE TERMS OF THE FUTURE STATIONING OF THE BERLIN GARRISON, AS WELL AS BERLIN AVIATION.

- THOSE AFFECTING THE ALLIANCE AS A WHOLE. THESE INVOLVE THE CONCLUSION OF CFE (INCLUDING DECLARATIONS ON NATIONAL FORCE LEVELS), THE WARSAW PACT/NATO MEMBER STATES DECLARATION AND THE DEVELOPMENT OF THE CSCE. FINALLY, THERE IS THE FUTURE OF STATIONED FORCES IN GERMANY.

4. WITH BILATERAL NEGOTIATIONS WITH THE RUSSIANS GETTING UNDER WAY NOW, GENSCHER WANTS A TURN OF SPEED FROM THE ALLIES INCLUDING ONE PLUS THREE PREPARATION OF TWO PLUS FOUR ISSUES. THE DESIRE TO GET ALL THE OTHER BITS IN PLACE IN TIME FOR THE CSCE SUMMIT IN NOVEMBER LIES AT THE ROOT OF - BUT DOES NOT EXCUSE - LACK OF CONSULTATION OVER, FOR INSTANCE, THE GERMAN PROPOSAL ON A CSCE CONFLICT PREVENTION CENTRE. GENSCHER WILL NO DOUBT PLEAD WITH YOU FOR THE NECESSARY BUREAUCRATIC EFFORT ON THE FULL RANGE OF ISSUES. YOU CAN ASSURE HIM THIS WILL BE FORTHCOMING. HAVING WILLED THE END OF UNIFICATION AND HAVING GOT OVER THE HUMP OF SOVIET ACQUIESCENCE, THE ALLIES WILL NOT STAND IN THE WAY OF THE CONCLUSION OF UNIFICATION. BUT FENCE RUSHING AND NON-CONSULTATION CAN BE COUNTER PRODUCTIVE, ESPECIALLY IN THOSE AREAS WHERE THE GERMANS NEED THE SUPPORT OF THE CLOSE ALLIES IN WIDER FORA IF THEY ARE TO GET A SATISFACTORY PACKAGE FOR THE CSCE SUMMIT. YOUR TALKS PROVIDE AN OPPORTUNITY TO PUT TO GENSCHER OUR VIEWS ON WHAT REALLY NEEDS TO BE DONE BETWEEN NOW AND THE TERMINATION OF FOUR POWER RIGHTS, AND WHAT CAN BE LEFT FOR LATER (EG THE ELABORATION OF A NEW STATUS OF FORCES AGREEMENT FOR ALLIED TROOPS IN WEST GERMANY).

UNIFICATION: INTERNAL

5. GENSCHER MAY WELL BE WORRIED ABOUT THE FRAGILITY OF THE GDR GOVERNMENT WHICH, EVEN IF IT SURVIVES THE PRESENT CRISIS, LOOKS ILL-EQUIPPED TO HANG ON UNTIL DECEMBER COPING CONVINCINGLY IN THE MEANTIME WITH THE RAPIDLY DETERIORATING ECONOMIC SITUATION. THE CHAIRMAN OF THE FDP, LAMBSDORFF, TAKES THE VIEW THAT FROM THE STRICLY ECONOMIC POINT OF VIEW, A QUICK ACCESSION UNDER ARTICLE 23 WOULD BE A GOOD THING, GIVING BONN DIRECT CONTROL. GENSCHER KNOWS THAT PREMATURE UNIFICATION WOULD COMPLICATE HIS TASK AND MUST HOPE THAT BOTH POLITICAL AND ECONOMIC COLLAPSE IN THE GDR CAN BE AVOIDED. LAMBSDORFF, HAVING HIMSELF MATERIALLY HEIGHTENED THE CURRENT DRAMA OVER THE LAW FOR ALL GERMAN ELECTIONS, IS NOW SHOWING SIGNS OF BEING MORE ACCOMMODATING. THE COMPROMISE WHICH MAY EMERGE - IF THERE IS

ONE - (SEE MIPT) DOES NOT LOOK ESPECIALLY ADVANTAGEOUS FROM THE FDP'S ELECTORAL POINT OF VIEW: A CASE POSSIBLY OF THE BITER BIT. MEANWHILE, THE GREATER THAN ADVERTISED COST TO THE FRG TAXPAYER OF UNIFICATION IS BEGINNING TO EMERGE AS A MAJOR ISSUE. THE QUESTION IS BEING ASKED: DID THE GOVERNMENT NOT KNOW OR NOT ADMIT OR A BIT OF BOTH? KOHL IS WELL AHEAD OF LAFONTAINE IN THE OPINION POLLS, BUT THIS IS THE ISSUE ON WHICH LAFONTAINE COULD MAKE REAL INROADS INTO THE COALITION'S OTHERWISE VERY GOOD PROSPECTS OF VICTORY IN DECEMBER.

EUROPEAN AFFAIRS

6. THE COMMUNITY IS NOT CURRENTLY AT THE TOP OF GENSCHER'S AGENDA, BUT IT IS ALWAYS ON HIS MIND. YOU WANT THE COMMUNITYU FINANCE MINISTERS TO HAVE A GOOD CRACK AT EMU BEFORE FOREIGN MINISTERS GET THEIR HANDS ON IT. THIS VISIT IS HOWEVER AN OPPORTUNITY TO REGISTER SOME FUNDAMENTAL POINTS. THE TEMPTATION MUST BE QUITE HIGH FOR THE GERMANS TO RECONCILE SATISFYING FRENCH PRESSURE FOR PROGRESS WITH THE BUNDESBANK'S ABSOLUTE REQUIREMENT FOR PRICE STABILITY BY GOING DOWN THE ROAD, WITH FRANCE AND THE BENELUX OF A MINIMAL RISK SMALL MEMBERSHIP EMU. GENSCHER MAY BE OPEN HOWEVER TO ACCEPTING THE UNWISDOM OF FORCING A SPLIT ON A CORE ISSUE IN THE COMMUNITY WHICH BEING CALLED UPON TO BEAR A LOT OF WEIGHT IN EUROPE AS A WHOLE.

ANGLO-GERMAN COOPERATION

7. COMMENT IN THE GERMAN PRESS ON MR RIDLEY'S ''SPECTATOR'' INTERVIEW ON THE CHEQUERS SEMINAR MEMORANDUM RUMBLES ON BUT IN LOW KEY. GENSCHER, LIKE KOHL, HAS MADE IT CLEAR THAT THESE INCIDENTS WILL NOT AFFECT ANGLO-GERMAN COOPERATION. THIS VISIT IS A GOOD OPPORTUNITY FOR YOU TO REPEAT YOUR REMARKS ON THE CENTRALITY FOR BRITAIN ON THE RELATIONSHIP WITH FRANCE AND GERMANY AND TO PUT THE ACCENT THE LONGER TERM, ESPECIALLY IN THE COMMUNITY AND NATO. THE ISSUES INCLUDE WORKING TOGETHER ON NEW FORCE STRUCTURES FOLLOWING CFE REDUCTIONS, AND THE RESPECTIVE ROLES OF NATO AND OF THE CSCE. THE FULL EXTENT OF GENSCHER'S AMBITIONS FOR THE LATTER WOULD BE WORTH PROBING.

8. REACTIONS TO MR KING'S STATEMENT ON OPTIONS FOR CHANGE HAS BEEN MUTED. POLITICAL AND OFFICIAL BONN IS LARGELY ON HOLIDAY. GENSCHER WOULD NOT, I GUESS, BE DISMAYED BY THE SCALE OF THE PROPOSED REDUCTIONS IN BRITISH FORCES GERMANY AND HE WILL CERTAINLY SEE THE ELECTORAL ADVANTAGES OF A FIRM PROSPECT IN THE REDUCTION OF THE BURDEN OF TRAINING. THE ROLE OF THE GARRISONS IN BERLIN MAY BE A MORE URGENT PRIORITY FOR HIM. HERE HE WILL WANT TO ENSURE THAT ARRANGEMENTS WITH THE ALLIES DO NOT BREACH GERMAN UNDERSTANDINGS

WITH THE RUSSIANS, THE FULL EXTENT WE HAVE PROBABLY YET TO DISCOVER. YOU MAY HAVE A CHANCE TO PROBE GENSCHER'S THINKING ON THE TICKLISH ISSUE OF WHAT SHOULD HAPPEN TO THE SECURITY STATUS OF EAST GERMANY WHEN THE SOVIETS DEPART FROM GERMAN SOIL WHICH, IF IT TAKES AS LONG AS FOUR YEARS, WILL COINCIDE WITH ANOTHER FEDERAL ELECTION. THE ABSORPTION OF THE GDR WILL NOT BE EASY OR CHEAP AND THE GOVERNMENT OF THE DAY COULD BE UNDER PRESSURE IN 1994.

NEVILLE-JONES

YYYY

DISTRIBUTION 16

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.BERLIN/INNER-GERMAN RELATIONS
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MR WOOD, LEGAL ADVISERS

NNNN

PRIME MINISTER

MEETING WITH HERR GENSCHER

You are to see Herr Genscher on Monday morning for an hour. He is spending the weekend at Chevening with the Foreign Secretary, and going to Glyndebourne.

The media will be watching closely what is the first high-level meeting since Mr. Ridley's resignation and the leak of the Chequer's memorandum. Genscher is most unlikely to refer to either event: nor should you - the Germans would interpret it as weakness. You might say that you are looking forward to seeing Chancellor Kohl in the margins of the EDU meeting in Helsinki in late August.

The four main facts about the current situation in Germany are:

- a big row is going on about the method of holding elections. The CDU/CSU and de Maiziere want separate elections in the FRG and GDR with a 5 per cent hurdle in both. This is the only way that some of the smaller parties in the GDR have any hope of getting elected, thus reducing the size of the left's representation in the next Bundestag. The SPD and FDP have protested vigorously: and the Liberals in East Germany have left the coalition government. But the CDU/CSU have now modified their position to argue that either there should be a single electoral area with a threshold lower than 5 per cent: or the 5 per cent threshold should apply separately Land by Land. The whole thing is a rather distasteful piece of gerrymandering;

- meanwhile the CDU/CSU are well ahead in the polls (44:38);

- but concern is growing about the costs of unification;

- and it is not impossible that the GDR coalition government will collapse before December, forcing premature unification.

Genscher's main interest will be in talking about unification, which is about the only subject on anyone's mind in Bonn. You will want to move on to EMU-related issues.

On unification, you will want to congratulate Genscher on the undoubted achievement of the Stavropol meeting. You could also confirm that we are ready to keep forces in Berlin for another 3/4 years, provided the financial arrangements remain satisfactory. It should now be possible to complete the external aspects of unification by the early autumn. But you would be interested in his assessment of how severe the economic burden of unification will be, and its effect on FRG fiscal policy. You might also comment that the impression that West German commercial interests are stitching up the GDR market will not encourage British and other firms to compete.

You will want to mention our defence statement, and say that we shall of course consult with the Germans about the reductions in British forces. I would avoid TASM with Genscher: it's a subject for Kohl at the end of August.

You should touch on aid to the Soviet Union. The extra German credit has already been used up and the Germans are telling the Russians that they can do no more without an agreed EC or G7 package. But they remain determined to secure a major aid package in October or by the end of the year at the latest: and will certainly 'sneak' to the Russians on us if you contest this. The best course is to stick to your line that we can only know what would be effective when the EC and IMF studies are complete, and we reserve judgment until then. But of course we have no objection if the Germans want to go ahead on their own. (We are going to have to do something substantial in the end.)

You will want to put some tough questions to Genscher on a Central Bank and Single Currency, namely:

- is it not unrealistic to expect economies like those of Greece, Portugal and Italy to manage full monetary union in the short or medium term?

- what would happen if Stage 3 was to be implemented before convergence? Would there not be huge costs? Do the Germans relish paying these, as well as the costs of unification? (We certainly shall not contribute);

- do the Germans really want to see the Community break into two groups on monetary matters, when they place so much weight on the unity of the EC in other matters?

- in the real (as opposed to the rhetorical) world, is it not inevitable that Delors Stage 3 would produce a single currency which is weaker than the DM, and a Central Bank which is not as prepared as the Bundesbank to rule a tough monetary policy? Would the Germans really accept that they could be out-voted by those wanting to dilute German monetary policy?

C.D.P.

(C. D. POWELL)
28 July 1990

cc P.C.
CBup

Foreign and Commonwealth Office

CONFIDENTIAL London SW1A 2AH

27 July 1990

Dear Charles,

Prime Minister's meeting with Herr Genscher

Your letter of 26 July asked for a list of questions the Prime Minister could put to Herr Genscher when they meet on 30 July. The following advice has been cleared with the Treasury.

On German Unification, the Prime Minister might wish to show recognition of the generosity of the GEMU exchange rate arrangements, and the scale of the burden the FRG has taken on in updating the GDR economy. She might ask how severe the short-term burden on FRG fiscal policy will be? How can UK firms best be encouraged to invest in the GDR? She might point to the disincentive to UK firms of the perception that their FRG counterparts are operating on an inside track, with eg the Allianz take-over of the GDR state insurance monopoly, and Ruhrgas and RWG bidding for GDR gas and electricity interests. Could the FRG do more to convince non-German business that the GDR playing field is, and will be, level?

On a Central Bank and Single Currency, the Prime Minister may wish to suggest that:

i) Stability is of overriding importance, and evolution better than revolution. We understand that the Germans want a short or non-existent Stage 2 in order to have as little duplication of authority for monetary policy as possible. But surely it is quite unrealistic to envisage eg the Greek or Portuguese economy - or even Italy - managing full monetary union with the DM in the short/medium term?

ii) What would happen to these economies if the step to Stage 3 were taken before the necessary economic convergence? Is Pöhl's monetary Schengen attractive to the FRG Government? How does Herr Genscher view the prospect of the Community breaking into two or more monetary groups, with implications for other EC business? What message would this send at a time when we are all working to complete the Internal Market and strengthen the Community's international voice?

iii) Could we realistically expect the Delors prescription to produce an ecu as strong as the D-mark, and a Central Bank prepared to run as tough a monetary policy as the Bundesbank? Is it not bound to be weaker than both? Our proposals, because of the repurchase obligation on Central Banks, make the hard ecu by definition as strong or stronger than the

Deutschmark.

The Prime Minister may wish to ask how Herr Genscher would envisage policy-making in a Central Bank. Would the Federal Republic really accept that they could be regularly outvoted by those wanting to dilute German monetary policy? Is Germany ready to accept higher inflation, imposed by other member states?

I am copying this letter to John Gieve (Treasury).

Yours,
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

SA -

cc PC
cc back-up

Foreign and Commonwealth Office

London SW1A 2AH

SECRET

27 July 1990

Dear Charles

Prime Minister's Meeting with Herr Genscher, 30 July

Herr Genscher will call on the Prime Minister at 11.00 am on 30 July. He will be accompanied by the FRG Ambassador and his Private Secretary, Frank Elbe, as well as an interpreter (Frau Notbolm).

Herr and Frau Genscher will be staying with the Foreign Secretary and Mrs Hurd at Chevening on 29 July and will be going to see "Falstaff" at Glyndebourne.

The meeting should enable us to convey a public message of business as usual in Anglo-German relations. By reaffirming our commitment to a speedy conclusion of the 2+4 process, we can encourage the Federal Government to keep us closely informed, and to take account of our views.

Herr Genscher's main concerns are likely to be German unification in the light of the troubles in the GDR coalition. The Prime Minister may also wish to discuss:

- consequences of German unification for the Alliance/security policy;

- the continuation of the Allied military presence in Berlin;

- EC implications of German unification;

- Soviet Union, Gorbachev's prospects, the nationalities and aid;

- developments in Eastern Europe, especially in Yugoslavia, Albania and Romania.

We shall be writing separately with the material you commissioned on 26 July.

FRG Internal and German Unification

The FRG CDU/CSU/FDP coalition is stable and well placed to do well on 2 December (although the CDU lost Lower Saxony

B

to the SPD in the Land elections on 13 May, thereby losing control of the Federal Upper House). Latest polls give the CDU/CSU 44%, SPD 38%, FDP 9% and Greens 7%. The next Land elections will be in Bavaria on 14 October (CSU defending an overall majority).

The main debate (mainly in the GDR, but spilling over into the FRG) is over the arrangements for the all-German elections expected on 2 December. The GDR Prime Minister de Maizière (CDU) has been upsetting his coalition partners by insisting that separate elections be held in separate states, with unification to follow. Separate 5% thresholds in the FRG and GDR would help the faltering DSU (the GDR equivalent of the CSU) to win seats and, by encouraging voters of the GDR to believe it worth while voting for the smaller parties and the PDS (Communists), would split the left-wing vote. The Liberals withdrew from Mr de Maiziere's coalition in protest on 24 July.

The SPD (East) are now considering whether they should follow suit. Their decision is expected on 27 July. If they do pull out, de Maizière's government can still struggle on as a minority administration. But it would have to appeal to the SPD for the two-thirds majority needed in the Volkskammer for the constitutional amendments required to bring about unification. Its capacity to cope with the GDR's formidable economic difficulties post-GEMU would be further impaired. Faced with the SPD's threat, de Maizière has backed off somewhat in the last 24 hours, and has offered to accept a single electoral area, provided that the threshold can be lower than 5%. It is not yet clear whether the SPD will accept. The agreed arrangements are to be reflected in a second FRG/GDR State Treaty to be negotiated by the end of August. Pressure to accelerate unification cannot be ruled out if de Maizière's government does collapse.

On the external aspects of unification, the main problems have been resolved by the agreement between Kohl and Gorbachev at Stavropol on 16 July. The Russians have now agreed that a united Germany may belong to NATO, and that there should be no transitional period between unification and the lifting of Four Power rights and responsibilities. The way is now clear to wrap up the 2+4 negotiation at the next Ministerial meeting in Moscow on 12 September. The Prime Minister has agreed in principle to Kohl's request that Britain should contribute to a garrison in Berlin (where units of the Bundeswehr will also be stationed after unification) for the 3-4 year period in which Soviet troops remain in Eastern Germany. We do not yet know if (or how) the US and France have responded. Important detailed arrangements (eg costs, legal basis for stationing, adequate training facilities) will need negotiating.

The Prime Minister could:

- seek his assessment of the prospects of the GDR coalition holding together until December;

- confirm our wish to contribute to a successful outcome of the 2+4 in the same time-frame as unification and before the CSCE Summit.

On the pol-mil aspects the Prime Minister might wish to:

- congratulate Herr Genscher on the Stavropol achievement and note that it showed the rightness of the FRG's call to partners over past months to speak out firmly about the united Germany's place in NATO; the UK played its part;

- note that Article 5 and 6 of the NATO Treaty will apply to the whole of German territory from unification;

The Prime Minister will wish to refer to the Defence Secretary's statement to the House on options for change and to underline that, as she made clear in her advance message to Chancellor Kohl:

- we are entering a phase of consultation, and that these are interim conclusions subject to further detailed work;

- we are keen to have particularly close consultations with the German Government not only about the future size of British forces in Germany, but also the consequences for our forces in Germany of German unification and the termination of quadripartite rights.

- we have, as Genscher will know, accepted in principle Chancellor Kohl's request to maintain a contribution to the allied presence in Berlin pending Soviet withdrawal; we need to agree on the roles and conditions for the contingent.

The Prime Minister might also refer to the NATO Strategy Review, emphasising that:

- it is very important that national decisions on force levels should be taken in a coordinated way which facilitates the task of NATO's defence planners;

- we hope the review of military strategy will produce early results;

- we should give the French the chance to play their part in the overall review;

D

SECRET

On the CSCE the Prime Minister might note that while we are strong supporters of the CSCE and recognise its major achievements, we should be on guard against allowing the Soviet Union to use the CSCE to undermine NATO. In particular, NATO's proposal for a security institution should initially be modest and centred on practical, confidence-building tasks.

On CFE, we have circulated to Allies some proposals on how the negotiation of measures to limit manpower in Europe proposed by the NATO Summit Declaration should be handled. Although the Germans have now offered to give a commitment on the manpower levels of a unified Germany at the time of signature of a CFE Treaty, they remain worried that they will thereby singularise themselves. They have (with Allied agreement) proposed in Vienna that the CFE Treaty should include both a declaration of intent by all 23 participants to set national manpower limits in the next round of negotiations, and an undertaking by all 23 parties not to increase their personnel levels in Europe pending entry into force of a further CFE Treaty. There is no need for the Prime Minister to raise this subject with Genscher but if he does so, she might take the line that:

- we agree that manpower will be the key issue for the next round of CFE, and that the German undertaking recorded in the NATO Summit Declaration was helpful in addressing one of Gorbachev's most pressing concerns;

- we did not believe that it would singularise the Germans, since their commitment was given in the context of the next round of CFE negotiations which will be focussed on manpower;

- we have no problem of principle with the idea of no-increase commitments. But there are a number of ways in which such a commitment could be framed, and it will be important for our experts to discuss the details.

EC/GDR

On the EC implications of German unification, the Commission are preparing proposals for limited, temporary derogations for the ex-GDR territory, and plan to submit them at the end of August. They have intervened helpfully on competition policy aspects of proposed takeovers by FRG companies of GDR state monopolies, and the GDR authorities have undertaken to avoid discrimination against non-German companies. They will also notify state aids to GDR industry as if the relevant EC rules already applied.

SECRET

Aid to the Soviet Union

The Dublin European Council invited the Commission, with the IMF, IBRD, EIB, OECD and EBRD to consult the Soviet Government and prepare "proposals covering structural reform". Delors and Andriessen visited Moscow on 19-20 July and found President Gorbachev keen for assistance for consumer goods, but opposed to conditionality. The Commission will report to the 27 October European Council. The Houston Summit asked the IMF to prepare a full report on the Soviet economy. The two exercises are separate, but we will wish to promote convergence, and to try to avoid Community decisions before the IMF study is ready. The Prime Minister might say:

- recognise FRG position is unique. Not seeking to persuade Bonn not to provide economic aid to Moscow;

- our own assessment is that the biggest shortage in Moscow is Know How. No shortage of resources there: but plainly huge problems in mobilising them;

- European Council will consider Commission report on 27 October. Need then to feed in our Community analysis into the IMF study requested at Houston;

- believe IMF-type conditionality basic to any financial support for the Soviet Union.

Eastern Europe: Yugoslovia, Albania, Romania

If time permits, the Prime Minister might sound out German thinking on recent developments in Eastern Europe:

Yugoslavia

- American Government very gloomy about prospects for Yugoslavia;

- survival of Yugoslavia a European interest. But we may not be able to ensure it. Outsiders' influence on events very limited.

Albania

- Regime appear to have weathered immediate crisis. Prospects will depend on Alia reforming fast enough to defuse continuing discontent, but without letting rising political and economic expectations sweep him away (cf Krenz or Pozsgay). Not easy;

- chances of further Albanian opening to the West?

Romania

- satisfied with outcome of G24 Ministerial meeting on 4 July and 16 July FAC. After Summer French and others will press again for Romania to be treated leniently. Hope Germany will continue to take a vigorous line as long as doubt about commitment to reform continues.

I am copying this letter to Simon Webb (MOD).

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

26 July 1990

Dear Stephen.

PRIME MINISTER'S MEETING WITH HERR GENSCHER

The Prime Minister and Foreign Secretary had a brief word this afternoon about her forthcoming meeting with Herr Genscher. The Foreign Secretary said the Department would draw up a list of penetrating questions for the Prime Minister to put to Herr Genscher, both on the economic consequences of unification, and on a single currency and European Central Bank. We needed to show both Herr Genscher and Chancellor Kohl how very real and substantial our difficulties with these latter concepts where.

I should be grateful if you could let me have a list of questions by late tomorrow afternoon.

Yours ever,

CHARLES POWELL

J S Wall Esq
Foreign and Commonwealth Office

CONFIDENTIAL

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

MO 3/20S

July 1990

I said in my letter of 28th June 1990 that I would write to you again as soon as possible about your further proposals for low flying in the Federal Republic of Germany.

I well understand that many in Germany, as elsewhere, feel that the lessening of tension should allow a lessening of the low flying burden. Much of this, as a result of forward stationing, is by airforces of your NATO Allies. We discussed last year the particular problems associated with the current 250ft low flying system in the FRG. Although the amount of low flying training in the FRG is similar to that undertaken in the UK, the structure of the FRG system covering, as it does, only a small proportion of the Federal Republic tends of course to concentrate the burden of this training. I am however, worried by your proposal to forego all training at 250ft. Despite the relaxation in tension, I consider that the operational need to be able to carry out such flying in conflict needs to be sustained as part of NATO's current defensive posture. The RAF's Tornado and Harrier aircraft, in particular, are dedicated to the low-level role and military advice to me is that some training at 250ft remains essential in order to retain

Dr Gerhard Stoltenberg
Minister of Defence
Federal Republic of Germany

expertise for the longer term. This cannot be satisfied by the relatively small percentage of lower level training available outside Europe.

This said, I recognise that in peacetime a balance must be struck between the need to maintain effective and adequately trained air forces and the acceptability of this training to the wider public. The judgement of what is acceptable in this respect in the Federal Republic must be for you and your colleagues. I therefore accept that, in principle, Allied flying in Germany should normally take place above 600ft. But to sustain our posture of war-prevention I believe that RAF pilots need on average to be able to undertake about 5 minutes flying down to 250ft a week in Western Germany and I would hope that it would be possible to reflect this in your new structure for low flying. This would reduce the total amount of lower level flying required. Further reductions would of course flow from any subsequent decrease in force levels taken together with the changes offered by other colleagues with different operational needs (such as the United States) there would be a major reduction in Allied low flying overall. We could also readily avoid such flying on Fridays as well as at weekends. My staff are ready to discuss the details of such proposals with yours.

I should be grateful if you would keep in the closest touch about the way in which you propose to take matters forward so that we can deal together with Parliamentary and public opinion.

CONFIDENTIAL

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/3

MO 3/20D

19th July 1990

Dear Charles,

LOW FLYING IN GERMANY

The Prime Minister should be aware of further problems over low flying in Germany.

You may recall that last year a package of measures on low flying was agreed with Dr Stoltenberg after protracted negotiation (Brian Hawtin's letter of 1st September 1989) allowing flying down to 250 ft in seven areas. This package formed the basis of a paper which Dr Stoltenberg presented to the Bundestag. For a time it was successful in lowering the temperature of the low flying debate in the Federal Republic. Developments in Eastern Europe have, however, now led to renewed pressures on Dr Stoltenberg, from parliamentary colleagues in the CDU/CSU. Dr Stoltenberg has written to the Defence Secretary and other NATO colleagues proposing a ban on all low flying training in the FRG under 600 feet in the light of developments in Europe and the increased warning time now available.

The pressure on Stoltenberg (who is, as you know, usually very sound) is from within the coalition and can only be expected to increase in the run up to the German elections. Indeed a group of 30 CDU/CSU members are advocating 1000 ft. We understand that the latest initiative has the support of the Chancellor. Indications are that most of the other nations involved will fall into line. The Canadians may take an opposing view. The Defence Secretary has tried to make common cause with the US. Although there was some concern in the US Air Force, their operational methods do not rely so much on low flying. Mr Cheney will broadly accept Dr Stoltenberg's proposals.

The introduction of more restrictive regulations in the FRG will have operational implications for us. It could also lead to increased public pressure on military low flying in the United Kingdom where we are due to respond to the recent House of Commons Defence Committee report on low flying.

Charles Powell Esq
No 10 Downing Street

Dr Stoltenberg has said that he would like to report to the Bundestag by the end of August but indications are that he is likely to impose a 600 ft limit on flying in FRG by the German Air Force earlier than that irrespective of reactions of NATO colleagues, if only to try to forestall the move to introduce a 1000 ft limit. In a frosty interim reply, the Defence Secretary has made it clear that he is disappointed that the issue is being reopened so soon after last year's settlement and that he will need time to consider the full implications. Even with very little support from NATO colleagues, the Defence Secretary expects to reply shortly on the lines attached. This would cut RAF low flying time by 80%. We doubt whether Dr Stoltenberg will be moved even by this but, by politely disagreeing with the Germans, the Defence Secretary hopes to make any domestic pressure for a 600 ft limit more resistable.

I am sending a copy of this letter to Tim Sutton (Lord President's Office) and Stephen Wall (FCO).

Yours sincerely

Stephen Webb

(S WEBB)
Private Secretary

JT

File

c:/wpdocs/foreign/wall

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

18 July 1990

VISIT OF THE FEDERAL GERMAN FOREIGN MINISTER

BP 11

The Prime Minister is looking forward to seeing Herr Genscher between 1100 - 1200 on Monday 30 July.

C D POWELL

Stephen Wall, Esq., L.V.O.
Foreign and Commonwealth Office

Charles

It's already in the diary - between 11.00 & 12.00

10 DOWNING STREET

CAS

Caroline / Margaret

Re PM visit to Fuji Sec.

this afternoon that we should see Hirs

Consider on Tu morning of 30 July. Can we have a time please?

cross

STRICTLY PERSONAL

SUBJECT cc MASTER OPS

c:AKOHL (MJ)
cc FCO

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 163/90

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

17 July 1990

Dear Helmut-

Your remarks at your press conference today about Nicholas Ridley's unfortunate interview were most generous and I should like to thank you for them. The problem should never have arisen, but he took the honourable course and I hope we can regard that as closing the matter - as indeed you did this morning.

I hope we can make contact when you return from your holiday and we can arrange to meet.

Yours

Margaret

His Excellency Dr Helmut Kohl

STRICTLY PERSONAL

RETURN TO C/F

NNN
NI3511 4 000 232

KOHL COMPARES RIDLEY COMMENTS WITH HIS OWN 'GOEBBELS' GAFFE
BONN, TUESDAY - WEST GERMAN CHANCELLOR HELMUT KOHL TODAY COMPARED A BRITISH CABINET MINISTER'S ANTI-GERMAN OUTBURST WITH HIS OWN GAFFE LIKENING SOVIET LEADER MIKHAIL GORBACHEV TO NAZI PROPAGANDA CHIEF JOSEF GOEBBELS.
TRADE SECRETARY NICHOLAS RIDLEY RESIGNED ON SATURDAY OVER A MAGAZINE INTERVIEW IN WHICH HE CALLED EUROPEAN MONETARY UNION ''A GERMAN RACKET TO TAKE OVER EUROPE'', AND SAID CEDING BRITISH SOVEREIGNTY TO THE EUROPEAN COMMUNITY WAS LIKE SURRENDERING TO HITLER.
KOHL SAID HE HAD NEVER BELIEVED THAT RIDLEY'S COMMENTS REPRESENTED THE VIEWS OF THE BRITISH GOVERNMENT OR PEOPLE. ''IT DID NOT CAST A SHADOW OVER GERMAN-BRITISH RELATIONS AT ALL,'' HE TOLD A NEWS CONFERENCE. ''IT WAS REALLY A COMPLETE FAUX PAS, BUT AS IT WAS PRETTY SILLY, THAT WAS CLEAR TO EVERYBODY.
''YOU KNOW, AS WE GERMANS DO NOT ALWAYS SPEAK ANY MORE PRUDENTLY, MYSELF INCLUDED - I NEED ONLY REMIND YOU OF THE SUBJECT OF GORBACHEV - THEN I THINK ONE SHOULD NOT BE TOO HARD ON HIM,'' KOHL ADDED WITH A SMILE.
KOHL CAUSED A BITTER ROW WITH MOSCOW IN 1986 AFTER BEING QUOTED IN A MAGAZINE INTERVIEW AS SAYING OF GORBACHEV: ''HE IS A MODERN COMMUNIST LEADER WHO KNOWS SOMETHING ABOUT PUBLIC RELATIONS. GOEBBELS, ONE OF THOSE RESPONSIBLE FOR THE CRIMES OF THE HITLER ERA, WAS AN EXPERT IN PUBLIC RELATIONS, TOO.''

171623 JUL 90

PERSONAL

PRIME MINISTER

GERMANY

Chancellor Kohl's comments about Mr Ridley at his press conference were unexpectedly generous. He said in effect that it could have happened to anybody: and he recalled his own gaffe comparing Gorbachev to Goebbels some time ago.

I think it would be right to send a short personal note of appreciation. I attach a draft.

e D.P.

Charles Powell
17 July 1990

c: Germany (MJ)

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TO DESKBY 171300Z FCO
TELNO 863
OF 171217Z JULY 90
AND TO DESKBY 171300Z PARIS

PARIS FOR SECRETARY OF STATE'S PARTY

MR RIDLEY'S RESIGNATION

SUMMARY
1. COMMENTS FROM KOHL.

DETAIL
2. IN ANSWERING QUESTIONS AFTER A PRESS CONFERENCE THIS MORNING KOHL MADE THE FOLLOWING POINTS:

(A) WHILE IT WAS TRUE THAT THERE WERE RESERVATIONS AND FEARS HERE AND THERE, NONETHELESS ALL GERMANY'S NEIGHBOURS WERE IN FAVOUR OF GERMAN UNIFICATION.

(B) HE UNDERSTOOD THE CONCERNS, ESPECIALLY ON THE PART OF THE BRITISH, OF THOSE WHOSE ENTIRE NATIONAL EXISTENCE HAD BEEN AT STAKE IN THE FIGHT AGAINST HITLER.

(C) MR RIDLEY'S REMARKS HAD BEEN RATHER SILLY, BUT THERE WAS NO QUESTION OF HIS VIEWS BEING SHARED BY THE BRITISH GOVERNMENT.

(D) HE HAD NOT TAKEN MR RIDLEY'S COMMENTS AMISS. QUOTE THE MAN HAS BEEN PUNISHED ENOUGH. HE HAS LOST HIS JOB, AND THAT IS RIGHT AND PROPER UNQUOTE.

BUDD

YYYY

'The more assertive Germany became, the easier it ought to become to construct alliances against it in the EC'

What the PM learnt about the Germans

This confidential memorandum reveals the politics and prejudices that have reformed Mrs Thatcher's approach to Germany. Written by Charles Powell, the Prime Minister's private secretary, for limited circulation in Whitehall, the document records the discussion at Chequers on 24 March 1990 between Mrs Thatcher, Douglas Hurd, the Foreign Secretary, and six authorities on the history and the politics of Germany, named and pictured right. The question was: how has Germany changed, and how do we live with reunification? The answers were recorded in the Powell minute, printed here for the first time, in full.

Round the table at Chequers: The Prime Minister and Douglas Hurd, with Charles Powell in the background. Next to Mr Hurd is Lord Dacre, the historian who wrote as Hugh Trevor-Roper, and Norman Stone, the professor of modern history at Oxford. Sitting opposite them is the journalist Tim Garton Ash. The other advisers at the meeting were George Urban, formerly director of research at Radio Free Europe, and two distinguished American professors, Fritz Stern of Colombia, and Gordon Craig, historian of modern Germany from Harvard.

Introduction

The Prime Minister said that Europe had come to the end of the post-war period. Important decisions and choices about its future lay ahead. She herself had a number of crucial meetings in the weeks ahead, with President Bush, President Gorbachev, and Chancellor Kohl, as well as an informal EC Summit. In all of these, German unification would be the main [illegible] We needed an agreed assessment of what a united Germany would be like. History was a guide, but one could not just extrapolate. We also had to devise a framework for Europe's future, taking account of German unification and the sweeping changes in the Soviet Union and Eastern Europe. It was important to get the balance right between the lessons of the past and the opportunities of the future. She would welcome the wisdom and advice of those present.

Who are the Germans?

We started by talking about the Germans themselves and their characteristics. Like other nations, they had certain characteristics, which you could identify from the past and expect to find in the future. It was easier — and more pertinent to the present discussion — to think of the less happy ones: their insensitivity to the feelings of others (most noticeable in their behaviour over the Polish border), their obsession with themselves, a strong inclination to self-pity, and a longing to be liked. Some even less flattering attributes were also mentioned as an abiding part of the German character: in alphabetical order, angst, aggressiveness, assertiveness, bullying, egotism, inferiority complex, sentimentality. Two further aspects of the German character were cited as reasons for concern about the future. First, a capacity for excess, to overdo things, to kick over the traces. Second, a tendency to over-estimate their own strengths and capabilities. An example of that, which had influenced much of Germany's subsequent history, was the conviction that their victory over France in 1870 stemmed from a deep moral and cultural superiority rather than — as in fact — a modest advance in military technology.

Have the Germans changed?

It was as well to be aware of all these characteristics. But there was a strong school of thought among those present that today's Germans were very different from their predecessors. It was argued that our basic perception of Germans related to a period of German history running from Bismarck until 1945. This was the phase of imperial Germany, characterised by neurotic self-assertiveness, a high birth-rate, a closed economy, a chauvinist culture. It had not been greatly affected by defeat in 1918, which had been regarded in Germany as unfair. German attitudes, German teaching, German historiography all continued virtually unchanged after 1918, together with a sense of Germany's historic mission (which was why the German aristocracy had supported Hitler, even while regarding him as a vulgarian). But 1945 was quite different and marked a sea-change. There was no longer a sense of historic mission, no ambitions for physical conquest, no more militarism. Education and the writing of history had changed. There was an innocence of and about the past on the part of the new generation of Germans. We should have no real worries about them.

This view was not accepted by everyone. It still had to be asked how a cultured and cultivated nation had allowed itself to be brain-washed into barbarism. If it had happened once, could it not happen again? Apprehension about Germany did not relate just to the Nazi period but to the whole post-Bismarckian era, and inevitably caused deep distrust. The way in which the Germans currently used their elbows and threw their weight about in the European Community suggested that a lot had still not changed. While we all admired and indeed envied what the Germans had achieved in the last 45 years, the fact was that their institutions had not yet been seriously tested by adversity such as a major economic calamity. We could not tell how Germans would react in such circumstances. In sum, no one had serious misgivings about the present leaders or political elite of Germany. But what about 10, 15 or 20 years from now? Could some of the unhappy characteristics of the past re-emerge with just as destructive consequences?

What will be the consequences of reunification?

We looked more closely at two particular aspects of the future: the consequences of unification and Germany's role in Eastern Europe.

Even those most disposed to look on the bright side admitted to some qualms about what unification would mean for German behaviour in Europe. We could not expect a united Germany to think and act in exactly the same way as the Federal Republic which we had known for the last 45 years — and this would be true even though a united Germany would almost certainly inherit the FRG's institutions. The Germans would not necessarily think more dangerously, but they would think differently. There was already evident a kind of triumphalism in German thinking and attitudes which would be uncomfortable for the rest of us. Reference was also made to Gunter Grass's comment: in the end reunification will get everyone against us, and we all know what happens when people are against us.

Then, too, there were reasons to worry about the effects on the character of a united Germany of bringing in 17 million predominantly Protestant north Germans brought up under a mendacious orthodoxy. How would this alter the basically Catholic Rhineland basis of the post-war FRG, with its political and economic centre of gravity increasingly in the south and west? We could not assume that a united Germany would fit quite so comfortably into Western Europe as the FRG. There would be a growing inclination to resurrect the concept of *Mittel-Europa*, with Germany's role being that of broker between East and West. It was noticeable that Chancellor Kohl now spoke of Germany's partners in East *and* West.

That tendency could be strengthened by the effect of unification on Germany's party system. The vote for the conservative alliance in East Germany could be seen as a vote for quick unification rather than for the values and policies of the West German CDU. There was a strong pacifist, neutralist, anti-nuclear constituency in East Germany, which could have a considerable effect on the views of a united Germany. That effect could be to make a united Germany both less "Western" and less politically stable than the FRG. At worst, the extremes at both ends of the political spectrum could grow in influence, leading to a return to Weimar politics (although no one argued this with any great conviction).

Will a united Germany aspire to dominate Eastern Europe?

This led on naturally enough to debate about a united Germany's likely role and ambitions in Eastern Europe. It was widely agreed that Chancellor Kohl's handling of the Polish border issue, in particular his reference to the need to protect the German minority in Silesia, had given the wrong signals. Historic fears about Germany's "mission" in Eastern and Central Europe had been revived. Some of President von Weizsacker's comments had contributed to this.

But the facts were more reassuring. The German minorities in Eastern Europe were much reduced in number, and the ambition of most of them was to move within the borders of Germany rather than have the borders of Germany come to them. The Germans' own interest lay in keeping the minorities where they were rather than in encouraging their return. They thus had an incentive to give substantial aid to Eastern Europe.

There was no evidence that Germany was likely to make further territorial claims, at least for the foreseeable future. To the extent that border problems might arise, it would be as a result of comparatively wealthy Germans buying land and property in poorer Poland and Czechoslovakia (bearing in mind that the Polish border would be only 40 minutes' drive from the assumed capital of a united Germany).

More widely, it was likely that Germany would indeed dominate Eastern and Central Europe economically. But that did not necessarily equate to subjugation. Nor did it mean that a united Germany would achieve by economic means what Hitler had failed to achieve militarily. There were undoubtedly still some who believed that Germany had a "civilising mission" to the east. But the fact was, the pressure for a German economic presence came as much from the East Europeans themselves as from the Germans. They wanted and needed German help and German investment; indeed it was probably the only way to restore and revive Eastern Europe ("There is only one thing worse than being exploited, and that is not being exploited"). It might indeed be ironic that after 1945 Eastern Europe had set out to avoid ever again being dependent on Germany, but after 45 years of communism was more dependent than ever. But it was nonetheless a fact. The East Europeans might prefer a British or French presence. But neither was prepared to commit adequate resources.

What sort of framework should we build for the future?

Given that a much larger and more powerful Germany would soon be upon us, we had to consider what sort of European framework would be most likely to encourage the benign effects and diminish the adverse consequences.

The East/West aspects roused the greatest concern. There was a tendency on the part of the Germans to take the credit for unification themselves. In fact the real credit should go to the people of Eastern Europe and to Mr Gorbachev. They were the ones who created the conditions in which unification could happen. Whatever solutions we adopted — whether in relation to Germany or to the current problems in Lithuania — must take account of their interests, and above all, of Mr Gorbachev's position. That would affect in particular the security arrangements made for the territory of the former GDR in a united Germany. We could not just shove the Russian troops out.

To an extent Soviet and East European interests paralleled those of Western Europe. We wanted Germany to be constrained within a security framework which had the best chance of avoiding a resurgence of German militarism. We wanted a continuing American military presence in Europe as a balance to Germany's power. We would want to see limits, preferably self-imposed through a further CFE agreement, on the size of Germany's armed forces. We would want a renewed self-denying ordinance on acquisition by Germany of nuclear and chemical weapons. We would want to involve the Soviet Union institutionally in discussions of Europe's future security through the CSCE [Conference on Security and Co-operation in Europe], not least because in the long term (and assuming continued development in the direction of democracy) the Soviet Union would be the only European power capable of balancing Germany.

All that would suggest that an accommodation could be found which would enable a united Germany to remain in Nato, with transitional arrangements to permit the Soviet Union to help keep forces in East Germany. It would also favour building up the CSCE (and possibly giving it a directorate based on the Five). The idea that a united Germany might be a member both of Nato and the Warsaw Pact simultaneously was also canvassed, but given short shrift.

But there were real risks that the situation could develop differently. One was that Gorbachev would be manoeuvred into using force in Lithuania or in some analogous situation; or that his failure to do so would lead to his replacement by a much less moderate leadership. That risk was one reason why it was so important to hold on to the existing structure of Nato: the fact that things had gone the West's way for the last year or so did not absolve us from continuing to guard against something worse.

Another and possibly more likely danger was that the Soviet Union would exploit discussion in the Four plus Two group [Britain, the US, the Soviet Union and France plus the two Germanies] of a united Germany's membership of Nato and the presence of nuclear weapons in Germany, so that they became issues in the West German election campaign. German public opinion was seen as vulnerable on both points, but particularly on the nuclear issue.

The worst fear was that Nato could unravel on the election hustings of Germany. The more positive view argued that this danger only underlined the importance of settling the question of a united Germany's membership of Nato as rapidly and decisively as possible.

Looking longer-term, the idea of building up the CSCE seemed sensible to everyone, not least as a way of managing and conciliating disputes between national minorities in Eastern and Central Europe.

The European Community was surprisingly not much mentioned. German behaviour in the EC — "we pay so we must have our way" — was seen by some as the harbinger of Germany's economic dominance over Western Europe.

There were differing views over how genuine the Germans were in saying they wanted a more integrated Europe in parallel with unification. Was it just a tactic to reassure others? Or a genuine desire to subsume the latent nationalist drive of a united Germany into something broader? The latter was not wholly convincing, given that the structure of the EC tended to favour German dominance, particularly in the monetary area. Against this, it was pointed out that the more assertive Germany became, the easier it ought to become to construct alliances against Germany on specific issues in the Community.

Conclusions

Where did this leave us? No formal conclusions were drawn. The weight of the evidence and the argument favoured those who were optimistic about life with a united Germany. We were reminded that in 1945 our aim had been a united Germany short of its eastern provinces but under democratic and non-communist government, with the states of Eastern Europe free to choose their own governments. We had failed to get that in 1945, but had won it now. Far from being agitated, we ought to be pleased. We were also reminded that Anglo-German antagonisms since the fall of Bismarck had been injurious to Europe as a whole and must not be allowed to revive once more. When it came to failings and unhelpful characteristics, the Germans had their share and perhaps more, but in contrast to the past, they were much readier to recognise and admit this themselves.

The overall message was unmistakable: we should be nice to the Germans. But even the optimists had some unease, not for the present and the immediate future, but for what might lie further down the road than we can yet see.

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FACSIMILIE TRANSMISSION

TO: Mr Charles Powell
Private Secretary to the Prime Minister
10 Downing Street

FAX NO: 00 (44) 71.930.4433.

FROM: James Elles MEP
European Parliament
97-113 Rue Belliard
1040 Brussels
Belgium

Tel No. (02) 234.24.42.
Fax No. (02) 230.65.81.

DATE: 18th July, 1990.

THIS FAX CONSISTS OF 2 PAGES (Inclusive of the covering sheet

as promised, please find attached a copy of the press release by James Elles MEP and Elmar Brok MEP re Joint Initiative Anglo-German Friendship Treaty.

Samantha Gill (Miss)
Assistant to James Elles MEP.

PRESS RELEASE

JOINT INITIATIVE ON AN ANGLO-GERMAN FRIENDSHIP TREATY

Elmar Brok MEP, German Christian Democrat, and James Elles MEP, British Conservative, joined forces today to urge their countries to negotiate an Anglo-German Friendship Treaty along the line of the Franco-German Friendship Treaty signed 28 years ago in 1962.

"We believe that recent events have shown the urgent need for a framework in which current bilateral contacts should be channelled. Ad hoc meetings between ministers of the two countries have so far proved an insufficient bridge to improve bilateral relations.

The Franco-German Friendship Treaty has enabled contacts to be developed at ministerial, official as well as individual levels, for example, in the promotion of student exchange and encouragement of businesses to invest.

In the 1990's, such an Anglo-German framework must be developed so that understanding can grow between the countries, in particular for the benefit of the young generation who favour such contacts".

16/7/90

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of the European Parliament

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16/7/90

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FOP PRIVATE SECRETARY

MR RIDLEY'S INTERVIEW IN THE SPECTATOR

SUMMARY

1. GERMAN PPESS REPORTS INTERVIEW PROMINENTLY. MUCH QUOTATION FROM IT. ANGER AND INDIGNATION THE MAIN REACTION BUT ALSO A SUPERIOR, SOMETIMES HUMOROUS DISMISSIVENESS. GENSCHER'S PRIVATE REACTION IS DISMISSIVE.

DETAIL

2. IN THE RELAXED SETTING OF A PARTY YESTERDAY EVENING, GENSCHER SAID TO MISS NEVILLE-JONES, CLAPPING HER ON THE SHOULDER ''THE WHOLE THING IS SO RIDICULOUS, IT WILL NOT HAVE ANY EFFECT''. TELTSCHIK, WHEN I MENTIONED MR RIDLEY'S WITHDRAWAL, SMILED AND SHRUGGED HIS SHOULDERS. HAVING GIVEN THE SHARP REACTION IN MINISTER OF STATE STAVENHAGEN'S STATEMENT (MY TELNO 845) THE FEDERAL GOVERNMENT HAS EVIDENTLY DECIDED TO DISMISS THE AFFAIR AND PLAY IT COOL.

3. TODAY'S GERMAN PRESS, LIKE LAST EVENING'S TELEVISION NEWS PROGRAMMES, REPORTS MR RIDLEY'S INTERVIEW PROMINENTLY AND EXTENSIVELY. THERE IS MUCH QUOTATION FROM THE INTEPVIEW. MR RIDLEY'S WITHDRAWAL IS NOTED, AND SOME PAPERS REPORT THE PRIME MINISTER'S REMARKS AT QUESTION TIME. MANY PAPERS REFER TO THE SPECTATOR'S CARTOON OF KOHL WITH A HITLER MOUSTACHE. THE STATEMENT BY STAVENHAGEN IS WIDELY REPORTED.

4. THE MAIN THEME OF THE MANY LEADERS IN TODAY'S PRESS IS ANGER AND INDIGNATION. THERE IS ALSO A SUPERIOR AND SOMETIMES HUMOROUS DISMISSIVENESS. TYPICAL OF THIS IS LAMBSDORFF'S REMARK THAT MP RIDLEY MUST HAVE BEEN DRUNK OR NOT HAVE RECOVERED FROM ENGLAND'S DEFEAT IN THE WORLD CUP. OR THE LEADING ARTICLE IN THE BONN GENERAL ANZEIGER, WHICH CONCLUDES THAT WHAT MR RIDLEY SAYS WILL IN FUTURE BE WORTH LESS - IF IT EVER HAD ANY WEIGHT. THE MAJOR NEWSPAPERS DIE WELT AND SUDDEUTSCHE ZEITUNG SAY MR RIDLEY'S RETRACTION IS NOT ENOUGH. GERMANY'S MOST SERIOUS CENTRE RIGHT NEWSPAPER, THE FRANKFURTER ALLGEMEINE ZEITUNG, SAYS MR RIDLEY MUST BE OUT OF HIS MIND. THE SUDDEUTSCHE ZEITUNG SEES WIDER SIGNIFICANE IN MP RIDLEY'S REMARKS, SAYING THAT THEY CANNOT BE DISMISSED AS THE ECCENTRIC VIEWS OF A LITTLE ENGLANDER. MANY NEWSPAPERS SEE MR RIDLEY AS CLOSE TO THE PRIME MINISTER. THE EDITOR OF THE CENTRE RIGHT DUSSELDORF NEWSPAPER RHEINISCHE POST SAYS MR RIDLEY'S SCANDALOUS ALLEGATIONS REVEAL A LOT ABOUT THE THOUGHTS OF GERMANY'S BRITISH FRIENDS.

MALLABY

YYYY

NNNN

PRISEC

PS

PLS

HD/ISD(O)

C:\WPDOCS\PARL\1
DTI (MEM)

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

12 July 1990

As promised I attach a summary of the response the Prime Minister gave during Questions, and in the Statement that followed, when asked about Mr. Ridley's 'Spectator' interview. You will want to fax these out to him tonight. Bernard Ingham has already spoken to Jean Caines. You will no doubt want to fax out also the front page of tonight's 'Standard'.

DOMINIC MORRIS

Martin Stanley, Esq.,
Department of Trade and Industry

c:\PARL1\RIDLEY(MEM)

SUMMARY OF PRIME MINISTER'S REPONSE

To Mr. Kinnock:

> "My Right Honourable Friend has expressed his very great regret and has unreservedly withdrawn his remarks ..... Those views - which have been withdrawn - did not represent the Government's views or indeed mine ..... I have always understood that it is the custom of this House that when remarks have been apologised for and unreservedly withdrawn - as they have in this case - that withdrawal is gracefully accepted."

To Mrs. Ewing:

> "The Government was prominent in furthering co-operation at the Economic Summit in Houston to the benefit of each and every one of the G7 countries. I have nothing to add to what I said about my RHF who has unreservedly withrawn his remarks."

Answers identical to those given to Mr. Kinnock were given to Ms. Dawn Primarolo.

To Mr. John Evans, who asked if your Secretary of State could maintain a harmonious relationship with German Trade Ministers and with the European Commissioner for Trade, the Prime Minister said:

> "I am satisfied that this country will maintain the advantageous and co-operative relationship in matters of trade, as in other things, in the European Community. In the past eleven years the Government have achieved great things in Europe and we will continue to do so."

Bernard has spoken to Nick Ridley's Chief Press officer and strongly recommended

(i) that Mr Ridley should not do the press conference in Hungary scheduled for tomorrow since the Press would only make mischief

(ii) he should slip quietly back into UK on a later flight and be incommunicado over the weekend. His press office authorised to say "Mr Ridley has apologised and unreservedly withdrawn his remarks. Having said that he feels best said should be forgotten".

DMainwaring

If has anything to say, next step should be House or nothing
by personal statement

Andrew.

HOUSE OF COMMONS,
LONDON SW1A 0AA.

Andrew

The PM cannot go to the tea room before 6pm and I should go to the 1922. Cranley wants to see me after the 1922 & I will then return to report to the PM. She could then go to the tea room or smoking room for a drink (or tea) before the vote at 7pm.

Could you explain this?

Mark

PTO

The party is very supportive
of her performance this
afternoon but feel that
Nick Ridley has let her
down badly. The whips
are however going to try
to organize a calming
question at the 1922

Prime Minister

— EC affairs

I hope you will say something my brief about Nick Ridley and the Spectator.

(There are cameras and journalists asking about this outside, and a tabled PNQ)

Doug Hs.

MEETING RECORD: subject cc Master

file A:\POEHL (MRM)
bcc PC

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

2 July 1990

Dear John,

PRIME MINISTER'S MEETING WITH THE PRESIDENT OF THE BUNDESBANK

The Prime Minister had a talk this morning with the President of the Federal German Bundesbank. Herr Poehl was accompanied by his Private Secretary.

GEMU

The Prime Minister commented that the first day of GEMU appeared to have passed off well. Herr Poehl said it was already clear that the operation was a success in technical terms. He was not worried that the East Germans would splash out and spend too much: the average conversion so far was only DM400 per person. The real problem for the GDR was a longer term one of lack of competitiveness. The Prime Minister said that the East Germans had a great advantage, compared with other East Europeans, of being able to plug straight into a successful market economy. She thought that, within about seven years or so, they would have one of the most technologically advanced industrial economies in Europe because everything would have to be renewed. Herr Poehl said that he would not make any precise forecasts. But it was important to make a success of introducing a market economy in East Germany, because the experiment would be watched elsewhere in Eastern Europe. He expected Berlin to become a huge metropolitan area, with an inflow of people from the East and capital from the West. Berlin's development would be spectacular but much of the rest of the GDR would lag behind.

British Economy

The Prime Minister said that Britain's economy had been growing much more strongly than we had realised, and it was taking a long time to slow it down. Herr Poehl interjected that it was much longer than he had expected. The Prime Minister continued that the single most important task was to get down inflation. She envied Germany's record on this. They had not needed to link their currency to anyone else's: their history had given them the necessary will and discipline.

MRM

EMU

The Prime Minister said that Britain would join the ERM. Linking ourselves to the DM should help to keep down inflation, provided that the DM itself remained strong. Herr Poehl said that would depend on how things went. He was worried about the consequences of the great increase in public borrowing. The Prime Minister said that there was a respectable argument for not going beyond the ERM. She doubted that twelve Central Bank Governors would be as resilient as the Bundesbank in making downward pressure on inflation the first priority. Several of them would want to monetary policy to stimulate growth, convergence, expansion and reduction of unemployment. Anyway, the House of Commons has made clear that they were not prepared to hand over control over economic and monetary policy. Herr Poehl said that several other countries in the EC would not in reality be ready to give up sovereignty in these areas: they were just pretending. He would not himself have any problem with simply staying with the ERM. The pressure for EMU came above all from France, which found it unacceptable to have monetary policy dominated by the DM and the Bundesbank. Genscher had supported the French for political reasons and subsequent developments had moved very fast. His private forecast was that France, Germany and the Benelux countries would get together in a Schengen-type agreement, but the southern member states would not be able to join. A high degree of convergence between economies was the first condition for EMU and there was no prospect of that happening in Europe for a long time.

Herr Poehl recalled that he had not himself proposed a European Central Bank. He had only said that if one was set up, then it would have to meet certain criteria. He shared the Prime Minister's concern that it would prove too "soft". He resented the way in which politicians pushed through these proposals. The decision to set up a Franco-German Finance Council, with an obligation to consult on monetary policy, had been taken without his even being consulted, and he had had to insist vigorously on preserving the independence of the Bundesbank. But it was a fact that the political will to make progress on EMU was very strong. As he had said earlier, the most likely outcome was that a few countries would decide to go ahead, while others would follow more slowly.

The Prime Minister referred to our alternative proposals for a hard ecu and a European Monetary Fund. They showed there was another way forward other than a single currency. Herr Poehl said that he would study the proposals carefully. He did not think that they were a solution, but that was not necessarily his last word. He did not like the idea of a parallel currency, and thought that the EMF would have many of the problems of an ECB. But tactically our proposal was a very good one, although it was a pity it had not been put forward earlier. The discussion had already moved on.

Objective Standard

The Prime Minister made a brief reference to the idea of establishing an "objective standard" for currencies, such as a commodity index, which might also extend to the dollar and the yen. Herr Poehl said that you could fix, or nearly fix, currencies on a regional basis as in Europe, but it would be unrealistic to attempt it more widely. Unlike the then Chancellor of the Exchequer, he had never had much faith in attempts by the G5 or G7 to fix exchange rates. He was perfectly happy with a floating DM against the dollar.

I am copying this letter to Stephen Wall (Foreign and Commonwealth Office), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

Yours sincerely

CHARLES POWELL

John Gieve, Esq.,
HM Treasury

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INFO ROUTINE WASHINGTON, PARIS, UKDEL VIENNA, UKDIS GENEVA

SIC

PART 1 OF 2 PARTS

MODUK FOR AUS(POL), DACU AND SEC(NATO/UK)(P)

UK-FRG POLITICO-MILITARY TALKS : BONN, 27 JUNE

SUMMARY

1. USEFUL PREPARATION FOR NATO SUMMIT. GERMANS DO NOT ACCEPT THAT CHANGE IN NATO STRATEGY SHOULD WAIT FOR CFE IMPLEMENTATION AND WITHDRAWAL OF SOVIET FORCES FROM EASTERN EUROPE. AGREEMENT ON NEED TO INVOLVE US IN MULTINATIONAL FORCES. FULL DISCUSSION OF IDEAS FOR CSCE SECURITY INSTITUTIONS: GERMANS MAY WELL ACCEPT ONE RATHER THAN TWO. CENTERS INDICATION THAT SOVIET UNION MAY SEEK TO LIMIT GERMAN EQUIPMENT AS WELL AS MANPOWER IN 2 PLUS 4. INITIAL DISCUSSION OF OBJECTIVES FOR SNF NEGOTIATIONS: GERMAN PREFERENCE FOR PARTICIPATION BY ALL STATES WITH COOPERATIVE SYSTEMS, AND TO EXCLUDE AIR-LAUNCHED SYSTEMS. UK EMPHASISED IMPORTANCE OF PRESERVING A CREDIBLE THEATRE NUCLEAR CAPABILITY. SOME POL-MIL ASPECTS OF UNIFICATION DISCUSSED BREIFLY OVER LUNCH.

DETAIL

NATO SUMMIT

2. HOFSTETTER (DEPUTY POLITICAL DIRECTOR) RECALLED THAT SUDHOFF (PUS-EQUIVALENT) HAD TOLD SIR P CRADOCK THE COMMUNIQUE SHOULD BE FORWARD - LOOKING AND NOT SIMPLY REPEAT OLD PROFESSIONS OF FAITH. THE SOVIET UNION HAD MADE CLEAR IT WOULD LOOK CAREFULLY AT THIS COMMUNIQUE, NOT LEAST IN THE CONTEXT OF GERMAN UNIFICATION, TO SEE WHETHER NATO HAD CHANGED. THE SUMMIT SHOULD STATE THAT THE MEMBERS OF NATO WERE READY TO MAKE A JOINT DECLARATION WITH THE MEMBERS OF THE WARSAW PACT.

3. GOULDEN SAID THE UK FAVOURED SUCH A DECLARATION, PROVIDED THE EAST EUROPEANS HAD NO OBJECTION (OUR EMBASSIES WERE TAKING SOUNDINGS) AND IT DID NOT INHIBIT WHAT WAS ESSENTIAL FOR OUR

SECURITY. IT SHOULD BE OPEN FOR SIGNATURE BY ALL OF THE 35. WE DID NOT SHARE THE US CONCERN THAT ALLIANCE COHESION MIGHT NOT WITHSTAND THE PROCESS OF NEGOTIATING SUCH A DECLARATION. HOFSTETTER SAID THAT THE HUNGARIAN PRIME MINISTER HAD RECENTLY TOLD KOHL HE HAD NO OBJECTION TO SUCH A DECLARATION: ANTALL CLEARLY SAW IT AS NO OBSTACLE TO TAKING HUNGARY OUT OF THE WARSAW PACT. HOFSTETTER SUGGESTED THE DECLARATION BE NEGOTIATED BY THE 23 IN VIENNA (NOT NECESSARILY BY EXISTING DELEGATIONS) IN TIME FOR SIGNATURE TOGETHER WITH CFE. DISCUSSION OF POSSIBLE CONTENTS OF THE DECLARATION SHOWED MUCH COMMON GROUND. WE ALSO FLOATED THE IDEA OF INVITING THE SOVIET AND EASTERN EUROPEAN FOREIGN MINISTERS TO VISIT THE NAC AFTER MINISTERIAL MEETINGS.

NATO STRATEGY REVIEW

4. GOULDEN SAID OUR TWO MAIN OBJECTIVES SHOULD BE TO INVOLVE FRANCE (HOFSTETTER AGREED) AND TO HAVE SUFFICIENTLY CLEAR GUIDELINES FROM THE SUMMIT. THE REVIEW SHOULD PRODUCE RESULTS REASONABLY QUICKLY BUT WITHOUT A DEADLINE. (HOFSTETTER AGREED: IT SHOULD NOT BE TOO HASTY.)OUR PLANNING ASSUMPTION SHOULD BE THAT CHANGES IN STRATEGY WOULD BE PUT INTO EFFECT AFTER IMPLEMENTATION OF CFE 1 AND SOVIET WITHDRAWAL FROM EASTERN EUROPE (RATHER THAN FROM THE GDR). THE GERMANS TOOK ISSUE WITH THIS. HOFSTETTER, WITH SUPPORT FROM COL MARTENS (FMOD) ARGUED THAT THE MILITARY SITUATION HAD ALREADY CHANGED ENOUGH TO WARRANT SOME CHANGES IN OUR STRATEGY NOW. GOULDEN ARGUED THAT THE CHANGES SO FAR WERE STILL REVERSIBLE.

5. HOFSTETTER SAID NATO SHOULD OFFER PRIZES FOR NEW TERMINOLOGY TO REPLACE ''FORWARD DEFENCE'', ''FLEXIBLE RESPONSE'' AND ''DETERRENCE'', BUT HAD NO FIRM PROPOSALS TO OFFER. HE COMMENDED STOLTENBERG'S RECENT SPEECH TO BUNDESWEHR COMMANDERS, WHICH REAFFIRMED A CONTINUING, BUT CHANGE, ROLE FOR NUCLEAR WEAPONS AND STATED THAT DEFENCE IN THE CENTRAL REGION COULD NO LONGER BE BASED ON THE ''LAYER CAKE'' CONCEPT, ALTHOUGH THE CONCEPT OF DEFENDING ALL NATO TERRITORY REMAINED VALID. (FMOD ARE SENDING AN ENGLISH TRANSLATION, WHICH WE WILL COPY TO FCO AND MOD.) COL MARTENS THOUGHT THAT AFTER THE SUMMIT THE NAC WOULD NEED TO WORK OUT MORE DETAILED POLITICAL GUIDELINES FOR NATO'S MILITARY PLANNERS.

MULTINATIONAL FORCES

6. GOULDEN ADVOCATED A REFERENCE BY THE SUMMIT TO MULTINATIONAL FORCES. WE HOPED THAT BOTH THE US AND FRANCE WOULD PARTICIPATE. BUT IF WE HAD TO CHOOSE, US PARTICIPATION WAS MORE IMPORTANT. THE SUMMIT MIGHT SIGNAL THE POSSIBILITY OF CHANGING NATO'S COMMAND ARRANGEMENTS. THIS COULD HELP FRANCE. GOULDEN ADDED THAT THE FRENCH

OVER-ESTIMATED THE US WILLINGNESS TO KEEP FORCES IN EUROPE: IF THE AMERICANS WERE MADE TO FEEL SECOND-CLASS CITIZENS, OUTSIDE (EUROPEAN) MULTINATIONAL FORCE STRUCTURES, THE US ADMINISTRATION WOULD NOT BE ABLE TO MAINTAIN SIGNIFICANT FORCES IN CENTRAL EUROPE. HOFSTETTER AGREED, ADDING THAT THE FEDERAL GOVERNMENT WANTED TO KEEP GERMANY IN THE INTEGRATED MILITARY STRUCTURE, NOT GIVE THE IMPRESSION THAT EUROPEAN MULINATIONAL INTEGRATION COULD PROVIDE AN ALTERNATIVE TO FULL NATO MEMBERSHIP. COL MARTENS CONFIRMED THAT, TO AVOID SINGULARISING GERMANY, FMOD WOULD WISH MULTINATIONAL FORCES TO BE STATIONED IN OTHER ALLIED COUNTRIES TOO. HOFSTETTER WAS MORE RETICENT.

NUCLEAR STRATEGY

7. THERE WAS READY AGREEMENT THAT NEITHER SIDE WANTED A NUCLEAR OR TASM DEBATE AT PRESENT. GOULDEN REFERRED IN PASSING TO COMMENTS (BY GENSCHER'S SPOKESMAN) AT TURNBERRY, WHICH WE HOPED WOULD NOT BE REPEATED. WE WOULD BE PREPARED TO SIGNAL A SIGNIFICANT REDUCTION IN THE NUCLEAR STOCKPILE, BUT TIMING AND TACTICS NEEDED MORE THOUGHT. IT WAS AGREED THAT GNR SHOULD NOT (NOT) BE A YARDSTICK FOR CALCULATING THEATRE NUCLEAR REQUIREMENTS.

CSCE

8. THERE WAS LENGTHY DISCUSSION OF PROPOSALS FOR CSCE SECURITY INSTITUTIONS. HOFSTETTER INITIALLY SAID THE NATO SUMMIT SHOULD PROPOSE BOTH A CONFLICT PREVENTION CENTRE AND A VERIFICATION CENTRE, BUT WAS WILLING TO ENTERTAIN THE IDEA OF A SINGLE CENTRE. (WE KNOW THAT AUSWAERTIGES AMT OFFICIALS ARE SUBMITTING AGAIN RECOMMENDING ACCEPTANCE OF A SINGLE CENTRE, DESPITE THE PUBLIC ESPOUSAL OF TWO CENTRES BY KOHL AND GENSCHER.) IN DISCUSSION IT BECAME CLEAR THAT THE GERMANS' PROPOSED VERIFICATION CENTRE WOULD HAVE SIMILAR FUNCTIONS TO OUR PROPOSED RISK REDUCTION CENTRE I.E. PRINCIPALLY CSBM IMPLEMENTATION (WITH CFE HANDLED BY THE JOINT CONSULTATIVE GROUP). ROSSBACH (AUS ARMS CONTROL) SUGGESTED THAT THE VERIFICATION CENTRE SHOULD CONTAIN AN ''INSTITUTE'' TO COLLECT DATA FROM GOVERNMENTS.

9. GERMAN IDEAS FOR A CONFLICT PREVENTION CENTRE, WHICH WOULD TAKE UP DISPUTED ISSUES AT THE INITIATIVE OF ONE OR MORE STATES, WERE SUBJECTED TO SCEPTICAL INTERROGATION BY GOULDEN AND MISS NEVILLE-JONES. THEY SAID GOVERNMENTS WOULD WANT TO KNOW EXACTLY HOW DISCUSSION COULD BE TRIGGERED. IN A CONSENSUS BODY, PARTIES TO A DISPUTE WOULD ALWAYS HAVE A VETO. ONE STATE MIGHT BRING A DISPUTE TO THE CENTRE TO HARRASS ANOTHER. ACTIVATION OF THE CENTRE - OR FAILURE TO ACTIVATE IT - COULD ITSELF BECOME A GRIEVANCE. IT WOULD BE

PREMATURE TO ESTABLISH A PERMANENTLY-STAFFED CSCE INSTITUTION WITH SUCH POLITICAL RESPONSIBILITIES. IF A SINGLE (MULTI PURPOSE) CSCE CENTRE WERE GIVEN A SIMILAR ROLE, THE SAME DIFFICULTIES WOULD APPLY. IT WOULD BE BETTER TO HAVE A FLEXIBLE MECHANISM, AVAILABLE TO BE ACTIVATED IN DIFFERENT WAYS ON DIFFERENT ISSUES BUT WITHOUT ANY PERMANENT STAFF. HOFSTETTER PLEADED THAT CSCE HAD PRODUCED USEFUL RESULTS IN THE PAST, SUCH AS THE STOCKHOLM DOCUMENT, DESPITE THE CONSENSUS RULE. GOULDEN CONCLUDED THAT CSCE SECURITY INSTITUTION(S) COULD BE AN IMPORTANT AREA FOR A BRITISH-GERMAN-FRENCH INPUT TO PERSUADE THE US. HOFSTETTER AGREED.

CFE

10. GOULDEN SAID THAT THE SOVIET HARD LINE HERE AND ELSEWHERE (E.G. START) WAS A PRODUCT OF DOMESTIC WEAKNESS. NOW WAS NOT (NOT) THE TIME FOR MORE WESTERN CONCESSIONS, E.G. ON AIRCRAFT. THE HLTF HAD AGREED THAT THE NATO SUMMIT SHOULD NOT OFFER ANY FURTHER MOVES. ROSSBACH RESPONDED THAT THE FRG HAD NOT ASKED FOR NEW WESTERN PROPOSALS, BUT WOULD PREFER TO USE THE FLEXIBILITY ON AIRCRAFT AGREED BY THE HLTF IN ONE STEP. THE SOVIET UNION WAS STILL CAPABLE OF ACTING IN THE NEGOTIATIONS (E.G. OVER TANKS/ACVS), SO HE COULD NOT AGREE THAT IT WAS NOT A TIME FOR ANY CONCESSIONS. THE FRG DELEGTATION HAD REPORTED THAT IN CONNECTION WITH GERMAN UNIFICATION THE SOVIET UNION MIGHT ASK FOR LIMITATIONS NOT JUST ON GERMAN MANPOWER BUT ALSO GERMAN TLES, TO BE AGREED IN 2 PLUS 4. GOULDEN SAID WE COULD SEE A WAY OF LIMITING MANPOWER WHICH WOULD NOT SINGULARISE GERMANY, BUT LIMITATION OF GERMAN TLES WOULD BE UNACCEPTABLE SINGULARISATION.

11. ON MANPOWER, ROSSBACH ARGUED THAT THERE WAS LITTLE DIFFERENCE BETWEEN A PROMISE IN CFE 1 TO NEGOTIATE A LIMIT IN CFE 1A AND INSERTING THE LIMIT IN CFE 1. GOULDEN WARNED THAT THERE WOULD BE NO AGREEMENT TO LIMIT OTHER THAN US/SOVIET MANPOWER IN CFE 1. THE GERMAN PROMISE FOR CFE 1A SHOULD PERHAPS BE TIME-LIMITED, IN CASE CFE 1A FAILED TO PRODUCE AN AGREEMENT. OTHERWISE GERMANY MIGHT FIND THAT ONLY ITS FORCE LEVELS WERE LIMITED. ROSSBACH NOTED THAT THE FEDERAL GOVERNMENT'S POSITION HAD STILL TO BE AGREED. OVER LUNCH THERE WAS INCONCLUSIVE DISCUSSION OF THE DIFFICULTY OF ESTABLISHING NATIONAL FORCE LEVELS IN CFE 1A WITHOUT ANY COLLECTIVE CEILINGS, WITH EFFECTIVELY ONLY ONE YEAR FOR NEGOTIATION. GOULDEN SUGGESTED THAT EACH STATE MIGHT DECLARE NOT JUST FORCE CEILINGS BUT ITS FORCE DEFINITONS, GIVEN NATIONAL DIFFERENCES. VERIFICATION COULD BE THE SAME AS FOR US AND SOVIET STATIONED MANPOWER I.E. VERY LIGHT.

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MODUK FOR AUS (POL), DACU AND SEC (NATO/UK) (P)

UK-FRG POLITICO-MILITARY TALKS: BONN, 27 JUNE

SNF

12. BOTH SIDES WERE CONTENT WITH TURNBERRY DECISION THAT THE SUMMIT SHOULD SIMPLY SET UP THE CONSULATIVE GROUP. ROSSBACH EXPRESSED A PREFERENCE FOR ALL COUNTRIES WITH COOPERATIVE SYSTEMS TO TAKE PART IN THE NEGOTIATIONS. GOULDEN SAID OUR PREFERENCE WAS NOT TO PARTICIPATE, ALTHOUGH NO DECISION HAD BEEN TAKEN. LIMITING NSWP SYSTEMS WAS ONLY A SUSIDIARY OBJECTIVE. THE PERSHING 1A SOLUTION (SEPARATE DECLARATION) WAS ONE OPTION FOR WESTERN COOPERATIVE SYSTEMS. BRITISH MINDS WERE ALSO STILL OPEN ON WHETHER AIR-LAUNCHED SYSTEMS SHOULD BE INCLUDED. OUR SINGLE OBJECTIVE WAS TO PRESERVE A CREDIBLE THREATRE NUCLEAR CAPABILITY. THE COMPREHENSIVE CONCEPT WOULD NOT BE TOO TIGHT A CONSTRAINT. ROSSBACH SAID THAT ZERO LAND-BASED SNF WOULD BE A GERMAN OBJECTIVE FOR THE NEGOTIATIONS. HOFSTETTER SAID THE FRG WAS NOT IN FAVOUR OF DENUCLEARISATION. BUT THERE WAS NO STRATEGIC REASON ANY MORE FOR LAND-BASED MISSILES OR NUCLEAR ARTILLERY, REGARDLESS OF WHETHER THERE WAS TASM OR NOT. GOULDEN SUGGESTED THAT THE SOVIET OBJECTIVE WOULD BE TO LIMIT OUR AIR-LAUNCHED SYSTEMS AND PREVENT THEIR MODERNISATION: WE MUST PROCEED WITH FORESIGHT AND CAUTION.

13. OVER LUNCH THE GERMANS SUGGESTED THAT THE NATO SUMMIT MIGHT DECLARE OUR READINESS TO ELIMINATE NUCLEAR ARTILLERY FROM EUROPE. GOULDEN SAID WE WOULD PREFER THE SUMMIT TO SAY NOTHING SPECIFIC, NOT BECAUSE OF A WISH TO PRESERVE NUCLEAR ARTILLERY, BUT BECAUSE OUR POSITION WAS NOT YET SETTLED, AND WE HAD LITTLE MARGIN FOR MANOEUVRE. THE GERMANS THOUGHT THAT ATACMS WOULD BE DISTINGUISHABLE FROM NUCLEAR SYSTEMS. GOULDEN DISAGREED: IF WE WANTED TO ELIMINATE

ALL SOVIET MISSILES INCLUDING CONVENTIONAL, THEY WOULD DEMAND THE SAME, WHICH WOULD MEAN ABOLISHING ATACMS. THIS WAS A SERIOUS DILEMMA. MANN (MOD) EXPLAINED THAT ATACMS AND MLRS HAD A COMMON LAUNCH VEHICLE. FOTL HAD NEVER BEEN FLIGHT-TESTED, SO IT WAS POSSIBLE TO ARGUE THAT ATACMS SHOULD NOT COUNT AS A NUCLEAR SYSTEM. BUT IF THE SOVIET UNION AGREED TO SCRAP ALL LAUNCH VEHICLES THIS POSITION WOULD NOT BE TENABLE. GOULDEN ADDED THAT WARHEADS WERE UNVERIFIABLE

CBMS

14. ROSSBACH SAID THE CSBM NEGOTIATION NEEDED ''POLITICAL IMPULSES''. HE WOULD ADVISE GENSCHER THAT IF HE STILL WANTED A CSBM AGREEMENT THIS YEAR, HE SHOULD START RAISING THE ISSUE WITH SHEVARDNADZE AND OTHER FOREIGN MINISTERS. GOULDEN SAID THE UK STILL WANTED A CSBM AGREEMENT BY THE CSCE SUMMIT. BUT LIKE OPEN SKIES, CSBMS MIGHT BE A CASUALTY OF PARALYSIS IN SOVIET DECISION-MAKING. IF SO, THIS WOULD NOT BE DISASTROUS: BOTH WERE LESSER PRIORITIES. ROSSBACH AGREED.

2 PLUS 4: POL/MIL ASPECTS

15. THERE WAS AGREEMENT THAT THE SOVIET WISH TO AGREE LIMITS ON GERMAN FORCES IN 2 PLUS 4 RATHER THAN IN CFE WAS UNACCEPTABLE. GROENING (2 PLUS 4 STAFF) DISTINGUISHED THREE CATEGORIES OF FOREIGN FORCES ON GERMAN SOIL:

A) SOVIET FORCES WOULD BE SUBJECT TO A BILATERAL GERMAN/WITHDRAWAL AGREEMENT. HE DID NOT KNOW WHETHER THIS WOULD BE PART OF THE FINAL SETTLEMENT. SPECIFIC QUESTIONS SUCH AS AIR DEFENCE AND EXERCISING HAD NOT YET BEEN ADDRESSED.

B) BERLIN: THE SOVIET FORCES SHOULD LEAVE. A NEW LEGAL BASIS WOULD BE NEEDED FOR THE WESTERN FORCES. THE 1 PLUS 3 HAD NOT YET AGREED WHETHER THEIR PRESSENCE SHOULD BE LINKED TO THAT OF SOVIET FORCES IN THE GDR.

C) ALLIED STATIONED FORCES IN THE FRG. THE PRESENCE OF FOREIGN FORCES CONVENTION WOULD EXPIRE WITH THE FINAL SETTLEMENT. DISCUSSION WITH ALLIES, NOT IN THE 2 PLUS 4, WAS NEEDED.

16. GOULDEN STRESSED THAT ALL ALLIES HAD AN INTEREST IN WHAT THE GERMANS AGREED ABOUT SOVIET FORCES. AS FOR BERLIN, THE GERMANS MUST MAKE THEIR WISHES CLEAR. THE UK WAS LOOKING AT DEFENCE ARRANGEMENTS

IN GERMANY IT WOULD HELP TO KNOW GERMAN WISHES ABOUT BERLIN. AS FOR ALLIED FORCES IN THE FRG, THE OPTIONS NEEDED FURTHER DISCUSSION. GROENING THOUGHT THAT, DEPENDING ON HOW THEY DID IT, THE SOVIET UNION COULD MAKE POLITICAL MILEAGE IN GERMANY BUT IF AN ATTEMPT TO PORTRAY ALL FOREIGN FORCES IN GERMANY AS BEING ON THE SAME FOOTING. HOFSTETTER CONFIRMED, HOWEVER, THAT THE PROSPECT OF US AND BRITISH FORCE REDUCTIONS IN GERMANY WOULD EASE THE PRESENTATIONAL PROBLEM. BRITISH FORCES WERE WELCOME IN GERMANY NOW AND IN THE FUTURE.

CW

17. GOULDEN EXPRESSED PLEASURE AT THE EXCHANGE OF PRACTICE CHALLENGE INSPECTIONS. THE RECENT CHANGE IN THE UK POSITION ON CHALLENGE INSPECTION SHOULD BRING OUR POLICIES CLOSER.

WEU

18. READY AGREEMENT, WITH SOME POST-PRANDIAL MIRTH, THAT WEU WAS AN EGG TO BE KEPT WARM BUT WHICH WOULD NOT HATCH FOR A LONG TIME. BOTH UK AND FRG HAD HAD DEMARCHES FROM TURKEY ASKING US TO KEEP GREECE OUT OF WEU. HOFSTETTER CONFIRMED THAT THE FRG WOULD PARTICICIPTE IN THE SATELLITE STUDY BUT WITHOUT ANY COMMITMENT, BECAUSE OF THE POTENTIAL COST.

OPEN SKIES

19. GOULDEN SAID THAT AERIAL INSPECTION WAS NOW BEING DISCUSSED IN VIENNA, AND SHOULD STAY THERE. THERE WAS NO POINT IN ANOTHER OPEN SKIES MEETING UNLESS THE SOVIET UNION CHANGED POSITION (AND THE US TOO, ALTHOUGH THEY WOULD SHIFT IF THE RUSSIANS DID). WE SHOULD KEEP THE BLAME PINNED ON THE SOVIET UNION.

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Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

29 June 1990

Charles Powell Esq
10 Downing Street
LONDON
SW1

Dear Charles,

VISIT OF HERR POEHL, PRESIDENT OF THE BUNDESBANK

... I attach a brief, as requested, for the Prime Minister's meeting with Herr Poehl on Monday, 2 July.

The Prime Minister will be aware that Herr Poehl is in London to give the IEA lecture on Monday, 2 July and that it has been rumoured that he will address the subject of EMU and, in particular, that he will criticise proposals for a parallel currency.

The Chancellor considers that it would be very helpful if the Prime Minister could personally impress upon Herr Poehl that the ideas which we have advanced for developments beyond Stage 1 are seriously meant, that we think they are technically sound and that we hope that he will consider them carefully.

She might also mention the fact that Bank of England officials have been discussing our ideas with their counterparts at the Bundesbank and that the Governor will be presenting them to the meeting of EC Central Bank Governors on 10 July.

I am copying this letter, with the brief, to Stephen Wall (FCO), Sonia Phippard (Cabinet Office), Paul Tucker and Clive Briault (Bank of England).

Yours sincerely,

T TARKOWSKI
Private Secretary

VISIT OF HERR POEHL

Issues for discussion

You may like to ask Herr Poehl some of the following questions:

ERM and EMU

1. What implications will sterling's entry have for the operation of the ERM?

2. What, precisely, does economic convergence mean in terms of indicators and over what period? Should it be substantially complete in Stage 1 (ie as a result of full membership of the ERM by all 12 countries) or will there still be a major job to do beyond Stage 1?

3. Should we work towards a free-market oriented Community? If so, should not the market be permitted to choose a parallel common currency?

4. What are the pros and cons of two-speed progress towards monetary union (an "inner core")?

5. Our hard ecu proposals provide stringent safeguards against inflationary risks. What are Poehl's worries about the non-devaluing ecu and the mandatory repurchase obligation mechanism?

6. Could we be sure that an "independent" Eurofed would give top priority to fighting inflation? Or wouldn't it in fact be subject to political manipulation?

7. Can there be a single currency and single central bank without a much higher degree of political union than now exists.

German economy and GEMU

1. What will the effect of GEMU be on interest rates and exchange rates?

2. The Deutschemark has fluctuated little so far in 1990. Can this relative stability continue?

3. FRG economy already operating at close to capacity. Will an increase in interest rates be necessary to control inflationary pressures arising from additional consumers' expenditure, government expenditure and private investment?

4. Just how weak is GDR industry? How severe will short-term burden on FRG fiscal policy be?

ERM AND EMU

1. Poehl has spoken - on and off the record - a number of times recently on these subjects.

ERM

2. Poehl has said on the record repeatedly that he hopes sterling will join the ERM. With sterling in the ERM, its members would be a bigger counterweight to the dollar in international negotiations; and it would be good for London as a financial centre. Joining the ERM would give us more say in EMU negotiations. On 8 June he said that "the moment is not very good" right now for sterling to join the ERM, citing relatively high UK inflation and the UK current account deficit. He said the Government's "preparedness" for joining the ERM is a "positive" sign, and that "it won't be a very long time" before sterling can join. He considered the absence of the UK "more than just a blemish."

(i) Development of the system

3. Poehl in his lecture to the Frankfurt Society for Trade, Industry and Science on 30 May argued that the DM was the "stabilising anchor of the European Monetary System". The Bundesbank and Federal Government had a responsibility to see that it stayed that way, in particular to those countries with currencies pegged to the DM. Poehl mentioned the Netherlands, Austria and now Belgium. The east Europeans wanted the DM to play this role too.

EMU

(i) Stage 1

4. Poehl said in his Frankfurt lecture on 30 May that EMU was in fact further advanced than most people thought. Integration of

the markets, including now capital markets, was far advanced. The EMS was highly developed. Currencies within the ERM had been in a stable relationship to each other since 1987.

(ii) Institutions

5. He went on to say that he believed that the EMS would develop in the direction of fixed exchange rates. He foresaw the greatest difficulty in the area of institutions. He doubted if any government (he singled out France) would be willing to give up its sovereign rights to a supranational institution. His fear was that for political reasons the inter-governmental negotiations on EMU would lead to some sort of squalid compromise. He thought that parallel currencies would not work. If people believed in parallel currencies they should favour a European Central Bank (which the Bundesbank would like to be sited in Frankfurt).

6. Poehl emphasised privately to the Anglo-German Economic Committee on 11 May the difficulties that a number of countries would face in signing a Treaty which set up the kind of European central bank that he (Poehl) wanted, and in applying the necessary budgetary discipline. He thought the UK had appreciated earlier than some others the extent of loss of sovereignty involved.

(iii) "Inner core"

7. Poehl went on to discuss the likelihood of a core group of Member States, with sufficiently convergent economies and policies, setting up a single monetary policy and central bank. France, Benelux and possibly Denmark could be Germany's partners in this. He did not want to see contractual arrangements for some member states to be in and some out; but different speeds would be appropriate. (He has indicated separately that the development of an inner core would be less than ideal because it would bring about a two-speed Europe, leaving some Member States affected by the operations of the market outside the decision-making process.) Spain and Italy, which would have particular difficulty in signing

up to no monetary financing, would not be able to join for some time.

8. Speaking after ECOFIN, 11 June, Poehl said: "What I could envisage is a smaller number of countries would start with a European Central Banking System, and others who have not reached the same degree of convergence are invited later." We understand that this answer was in response to a question from journalists, that Poehl later regretted his answer and that he had written to his Central Bank colleagues to say so. The idea of an inner core will be divisive and would be widely resented by the southern states: Carli's tetchy response to Poehl's press conference after the June ECOFIN was an indication. Nevertheless, Poehl may be launching an initiative for an inner core EMU at his IEA lecture on 2 July. In addition, he has been invited to give evidence to the House of Lords Select Committee on EMU, and he may wish to do this during his 2-3 July visit.

(iv) Hard ecu

9. In an interview with 'The Times', published on 26 June (attached), Poehl said:

- a parallel currency has more disadvantages than advantages;

- it would not solve the real problem, which is also posed by the Delors proposals: how to achieve a genuinely independent central bank?

- however, the UK proposals should be discussed in the relevant EC Committees;

- a two-speed EMU is possible: all EC countries might sign an EMU Treaty, but they could enter the arrangements at different speeds.

10. A front-page headline read "Poehl rejects Major's plan for hard ecu."

... 11. Telegrams 781 and 795 (attached) from Bonn give Poehl's latest thinking on EMU (the latter telegram also covers GEMU).

(v) Central Bank Governors' Committee

12. Poehl is Chairman of the Central Bank Governors' Committee which has a strengthened mandate in Stage 1. Poehl has said that Committee's enlarged secretariat provides a "strong nucleus for a European central bank system."

GERMAN ECONOMY AND GERMAN ECONOMIC AND MONETARY UNION

Summary

1. Currency union (GMU), to take place on 1 July. FRG Government wants all-German elections on 2 or 9 December, to be followed by immediate unification. State Treaty on all aspects of economic monetary and social union signed by GDR and FRG Ministers on 18 May, and ratified by Bonn and GDR parliaments on 21 June. Unity Fund will tap capital markets to meet the cost of unification. FRG economy growing strongly: GDR economy in need of extensive restructuring.

Detail

Currency Union

2. Details of GMU set out in State Treaty. The main elements are:

- The Bundesbank gets full freedom to operate in the GDR.

- Wages and pensions to be converted on the basis of a one for one conversion of Ostmarks for Deutschemarks.

- Savings balances up to an average of 4,000 Ostmarks converted on a one for one basis.

- Other stocks, including corporate debt to the former GDR state banks to be converted at 2 for 1.

FRG Economy and Monetary Policy

3. Growth in the Federal Republic continues at a rapid rate: GNP grew by 4 per cent in 1989, led by investment and net exports, and by 4.4 per cent in the year to 1990Q1. GEMU will increase the growth of domestic demand in the FRG economy: GDR residents will purchase FRG consumer goods, and firms will order capital goods to locate in the GDR. The OECD expects domestic demand growth in the

FRG to be 4.1 per cent in 1990 (up from 2.8 per cent in 1989), and GNP to grow by 3.9 per cent.

4. The current account surplus, 4.6 per cent of GNP in 1989, puts the FRG economy in a strong position. Even so, there is some concern at the possible inflationary consequences of additional demand: capacity utilisation is at high levels and the labour market tight, and the weak GDR economy will not be able to meet very much of the additional demand GEMU will create. Consumer price inflation in the FRG was 2.3 per cent in May, and is likely to be under 3 per cent for year as a whole.

5. 3-month interbank rate on 18 June was 8.3 per cent. While short-term rates have been little changed since November 1989, long-term bond yields have risen from 7.2 per cent in December to 8.9 per cent on 18 June on concerns over inflation and increased expected demand for capital. The money supply target for 1990 is M3 growth of 4-6 per cent. The annualised rate of growth in the period to April was 4.0 per cent, although the Bundesbank's new measure of extended M3, including stocks of DM held overseas is growing at 6.4 per cent. On balance, the Bundesbank is probably content with its present monetary stance. The DM appreciated in the second half of 1989 but has been relatively stable so far in 1990: slightly weak within the ERM but remaining firm against the Dollar.

Restructuring in GDR

6. Much of GDR industry will be uncompetitive: at a 1:1 conversion rate wages are about a third of those in the FRG, and productivity also about a third. The large Kombinate are to be broken up and privatised: some parts may have to be closed. Estimates in circulation that 30 per cent of GDR industry will not be viable and 40 per cent will only be viable with significant restructuring. GDR companies face severe liquidity constraints, and a period of adjustment before profitable investments can take place in the GDR may be necessary. Pressures towards equalisation of wages will worsen competitiveness. Figures of up to

1½-2 million unemployed, within a workforce of 8-9 million, have been mentioned.

7. The Treaty provides for the GDR to adopt GATT principles, while fulfilling existing CMEA trade commitments. Trust fund set up to assist restructuring, and credit given to it by FRG to be repaid from asset sales. Also temporary investment grants (8 or 12 per cent) and tax reliefs to aid restructuring. Subsidies for housing, transport to be maintained in short-term. Prices will be freed, and agricultural producer prices will be set conformably with the CAP.

Unity Fund and Fiscal Policy

8. The Treaty states that the GDR is to have a maximum budget deficit of DM33bn in 1990H2 and DM53bn in 1991. Bonn government announced (May 16) plans to raise total of DM115bn over 4½ years via German Unity Fund to be managed and guaranteed by FRG. DM20bn will be raised in 1990H2 and DM35bn in 1991, and these funds will be used to finance GDR budget deficit. Implications for FRG budget remain unclear. Latest forecast for 1990 is a deficit of DM35bn. FRG spokesmen stress that pressure on budget only a short-term problem so no rise in taxes is necessary, but admit combined fiscal deficit may rise to 3½ per cent of combined GDP in 1991, perhaps implying a Federal deficit of DM50-60bn. However, this should be set against background of a generally good budget position, FRG growth of close to 4 per cent forecast for 1990, and net public sector debt only 20 per cent of FRG GNP.

Currency Union and Monetary Policy

9. The period immediately after currency union will present real challenge to Bundesbank: size of GDR consumers' additional spending and extent to which GDR savings balances will enter into targetted M3 aggregate are unknown. Bundesbank will review experience at end-1990. Until then, will probably rely less on monetary aggregates than hitherto. The key indicators will be those of inflationary pressure. Bundesbank has made clear its continued anti-inflationary commitment, and a rise in official

interest rates will be the likely response to any sharp rise in inflation.

10. Pohl is now playing down his earlier disagreements with Chancellor Kohl e.g. over the timing of GEMU and over the appropriate exchange rate. He has expressed concern over the large sums of FRG support that may be needed to support the weak GDR public finances, and has warned that fiscal "irresponsibility" would lead to higher interest rates.

IF2 Division
25 June 1990

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[redacted]
2. Mr McIntyre o/r

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TO IMMEDIATE FCO
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OF 271650Z JUNE 90
INFO ROUTINE UKREP BRUSSELS, PARIS, DUBLIN
INFO SAVING HMCG FRANKFURT

FRAME GENERAL

MY TELNO 731: BUNDESBANK PRESIDENT'S CALL ON THE PRIME MINISTER, 2 JULY.

SUMMARY
1. POEHL'S REPUTATION IS RIDING ON THE SUCCESS OF GEMU. HE PROFESSES TO BE OPTIMISTIC. ON EMU IT WILL NOT BE POSSILE TO GAIN HIS SUPPORT FOR OUR VIEWS, BUT HE DOES WANT TO CONTINUE THE DIALOGUE.

DETAIL
2. POEHL WILL BE CALLING ON THE PRIME MINISTER LESS THAN 48 HOURS AFTER THE GDR BEGINS TO INTRODUCE THE DM. HIS MOOD, AS EXPRESSED MOST RECENTLY TO THE PARLIAMENTARY SELECT COMMITTEE ON TREASURY AND CIVIL SERVICE AFFAIRS, IS ONE OF SLIGHTLY FORCED OPTIMISM. HAVING DELIBERATELY MINIMISD HIS DIFFERENCES WITH THE FEDERAL GOVERNMENT OVER THE TERMS OF GEMU (WHICH WERE REAL ENOUGH AT THE TIME), HE IS NOW SADDLED WITH THE RESULT, AND HIS REPUTATION, WHICH CURRENTLY REMAINS HIGH, IS RIDING ON GEMU'S SUCCESS. HE CLAIMS THAT MONETARY UNION ON THE AGREED TERMS WILL NOT INCREASE LIQUIDITY AND THAT THE EAST GERMANS ARE TOO UNCERTAIN ABOUT THE FUTURE TO GO ON A SPENDING SPREE. HE BELIEVES THAT THE FINANCIAL MARKETS HAVE ALREADY DISCOUNTED ANY SHORT-TERM EFFECT OF THE CURRENCY EXCHANGE ON INTEREST RATES. HE ADMITS TO BEING MORE WORRIED ABOUT WHETHER IN THE LONGER TERM WAGE LEVELS IN THE GDR CAN BE KEPT DOWN UNTIL PRODUCTIVITY RISES, WHICH IN PART DEPENDS ON THE SPEED OF INVESTMENT. HE ALSO THINKS THAT THE GDR GOVERNMENT WILL BE TEMPTED TO PROFLIGACY IN THE RUN UP TO THE ELECTIONS, AND THAT HE AND WAIGEL WILL HAVE A BATTLE TO KEEP THE LID ON. HE BELIEVES THAT TOTAL PUBLIC SECTOR BORROWING, WHICH HE SAYS WILL RISE TO DM 100 BILLION NEXT YEAR, IS STILL UNDER CONTROL (ABOUT 3 PER CENT OF GDP) BUT SUSPECTS THAT THERE ARE UNRECOGNISED COSTS IN THE PIPELINE. WHETHER OR NOT THERE IS MORE BORROWING, HE BELIEVES THAT IN THE END THE FRG WILL HAVE TO INCREASE TAXES.

3. POEHL'S POSITION ON EMU REMAINS COMPLEX AND NOT ENTIRELY ABOVE

BOARD. HE SAYS, DISINGENUOUSLY, THAT IT IS THE FEDERAL GOVERNMENT'S BUSINESS, NOT HIS, WHILE CLAIMING THAT HE PREFERS THE STATUS QUO AND THAT CALLING THE IGC IN DECEMBER WAS PREMATURE. HE WILL NOT, I THINK, BE MORE CRITICAL OF THE DELORS APPROACH UNLESS IT BECOMES CLEAR THAT THE IGC IS ABOUT TO FUDGE THE ISSUE WHICH HE REGARDS AS PARAMOUNT: CONTROL OF THE VALUE OF MONEY. HIS VIEW REMAINS FIRMLY THAT THIS CAN ONLY BE SECURED BY IMPOSING THE BUNDESBANK MODEL ON A EUROPEAN MONETARY UNION. HE WELCOMES THE FACT THAT THE UK IS CONTRIBUTING IDEAS TO THE DISCUSSION AND WANTS TO CONTINUE A DIALOGUE WITH US, BUT HE IS HOSTILE TO THE CONCEPT OF A PARALLEL CURRENCY AND TO THE APPLICATION OF SUBSIDIARITY TO MONETARY POLICY, WHERE HE BELIEVES POWER CANNOT BE SHARED AND MUST BE EXERCISED AT THE CENTRE. HIS RECENT HINTS THAT SOME MEMBER STATES MIGHT GO AHEAD WITH EMU WITHOUT OTHERS ARE MEANT AS A WARNING TO BE TAKEN SERIOUSLY, IN PART BECAUSE HE HOPES THAT FEAR OF BEING LEFT BEHIND WILL BRING THE UK ROUND. AND OF COURSE HE WANTS UK SUPPORT AGAINST THOSE MEMBER STATES WHOSE FISCAL POLICY IS LESS PRUDENT. HE WANTS TO SEE STERLING IN THE ERM, THOUGH NOT UNTIL UK INFLATION IS LOWER.

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AREAS OF EC POLICY BUT WOULD NOT WORK IN THE MONETARY FIELD.

4. FULL RECORD FOLLOW BY BAG.

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Mr. Williams

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INFO ROUTINE UKREP BRUSSELS, ALL EC POSTS
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FRAME ECONOMIC

MY TELNO 775: ECONOMIC AND MONETARY UNION

SUMMARY
1. POEHL, THOUGH SCEPTICAL ABOUT THE BRITISH PROPOSALS, DOES NOT REJECT THEM OUT OF HAND.

DETAIL
2. WHEN THE PARLIAMENTARY SELECT COMMITTEE ON TREASURY AND CIVIL SERVICE AFFAIRS CALLED ON HERR POEHL AT THE BUNDESBANK IN FRANKFURT ON 26 JUNE, HE SPOKE ON FAIRLY FAMILIAR LINES ABOUT EMU. HE SAID THAT HE DID NOT WANT TO COMMENT IN DETAIL ON THE BRITISH PROPOSAL BECAUSE HE HAD PROMISED THE GOVERNOR OF THE BANK OF ENGLAND THAT HE WOULD NOT DO SO BEFORE THE CENTRAL BANK GOVERNORS HAD HAD A CHANCE TO DISCUSS IT AMONG THEMSELVES IN BASLE. HE RECALLED NEVERTHELESS THAT IN THE DELORS REPORT ALL CENTRAL BANK GOVERNORS HAD REJECTED PARALLEL CURRENCIES, BECAUSE THEY WOULD ADD TO, RATHER THAN SOLVE THE PROBLEM OF CURRENCY MANAGEMENT HE AND HIS DUTCH COLLEAGUE HAD CONTRIBUTED ANNEXES TO THE DELORS REPORT WHICH WENT INTO THE SUBJECT IN MORE DETAIL. HE HAD TO ADMIT THAT THE BRITISH PROPOSAL INTRODUCED A NEW ELEMENT IN THE SHAPE OF THE 'HARD' ECU. HE ADDED THAT IN PRACTICE HE THOUGHT THE EMF WOULD ENCOUNTER THE SAME CURRENCY MANAGEMENT PROBLEMS AS A FULL BLOWN EUROPEAN CENTRAL BANK HE THOUGHT THAT THE BRITISH PROPOSAL HAD COME A LITTLE LATE IN THE GAME, THOUGH HE DID NOT WANT TO FORECAST THE RESULT.

3. THE REST OF THE DISCUSSION WAS VINTAGE POEHL. HE DID NOT WANT TO GIVE UP THE DM OR THE BUNDESBANK, BUT IF THE EUROPEAN HEADS OF STATE AND GOVERNMENTS WANTED EMU, WHO WAS HE TO ARGUE ? IT WAS NOT YET CLEAR WHETHER GOVERNMENTS WERE REALLY PREPARED TO GIVE UP THEIR SOVEREIGNTY, BUT IF THEY WERE THE CENTRAL BANK GOVERNORS WERE READY TO ADVISE ON THE TECHNICAL ASPECTS. IF EMU WENT AHEAD IT MUST BE ON THE BASIS OF AN INDEPENDENT EUROPEAN CENTRAL BANK RESPONSIBLE FOR MAINTAINING PRICE STABILITY. THE CATHOLIC CHURCH HAD INVENTED THE CONCEPT OF SUBSIDIARITY (SIC), WHICH MIGHT BE ALL RIGHT FOR OTHER

THE TIMES 26.6.90

Hard ecu, harder problems says Pöhl

BRITISH proposals for a hard European currency unit (ecu) as Europe's common currency will not achieve monetary union, Bundesbank president Karl Otto Pöhl claims.

The proposal was made last week by John Major, the Chancellor of the Exchequer, and endorsed by Margaret Thatcher and Robin Leigh-Pemberton, Governor of the Bank of England. It envisaged the establishment of the ecu as a 13th European currency.

In an interview with *The Times*, Herr Pöhl said the proposals would not solve the problem of achieving monetary union for Europe. "A parallel currency has more disadvantages than advantages and would not solve the real problem. The real problem if you create a genuine ecu – not just a basket ecu – is that you get the same problems which you would have with a single European bank and currency; that is, questions like the bank's independence that would need to be decided. But I would like to add that we will discuss the British proposals in the relevant committees."

In his proposal, outlined last week, Mr Major proposed the establishment of a European Monetary Fund (EMF) to act as a currency board and supply member states with "hard ecus" in exchange for their national currency.

The EMF's responsibility would be to manage the hard ecu and ensure it stayed within its margins in the exchange-rate mechanism. In case of a realignment within the ERM, the hard ecus would not be devalued. The Chancellor said this proposal, unlike other previously floated ideas of parallel currencies, had the advantage of being evolutionary and anti-inflationary.

Herr Pöhl rejects this ideas as impractical: "Once you create a central bank which does not have the instruments and the opportunity to conduct efficient monetary policies, national and central banks will still be in charge. It is the non-divisibility of responsibility for monetary policy which is the decisive argument.

"In monetary policy, the principle of subsidiarity does not apply. I believe this represents a widespread mistake in the current debate. The responsibility for monetary politics cannot be divided.

Karl Otto Pöhl: more disadvantages than advantages

"There is also a lack of clarity in the most recent proposals by the EC Commission. There, an impression is being created that the European central bank would formulate only the general principles, while it would be up to national central banks to implement them. This concept is unrealistic and will not work."

He also said the establishment of the hard ecu would ignore the rationale of EMU; to reduce the power of the Deutschmark. "A process of competition of currencies would lead to one currency – and no prizes for guessing which one that is – which would dominate a system. That's the whole philosophy behind this argument. You can't solve the problem by creating an additional currency to the 12 we have already."

Herr Pöhl also stressed that a parallel currency, in hard and soft forms, had been rejected in the Delors Report, which set out the three stages towards monetary union. Herr Pöhl stressed the report had been signed by all EC central bank governors, including Mr Leigh-Pemberton.

Herr Pöhl's comments indicate that the Chancellor's proposals may not prove to end the deadlock between Britain and the rest of Europe in the debate on European Montary Union, as was hoped last week. The West German government and the Bundesbank favour a single European currency only on the condition that a European central bank would enjoy independence in the day-to-day conduct of its monetary policy.

Herr Pöhl said: "If we are to have a European monetary régime, then it has to be as good as, for example, the Bundesbank's. And a European central bank can only achieve price stability if it is independent in its monetary policies of the EC institutions and governments."

Mrs Thatcher again rejected last week the concept of a single European currency on the grounds of national sovereignty.

Herr Pöhl repeated comments made last week that in the event of a delay towards an agreement on monetary union, some nations could progress more rapidly than others: "It is conceivable that the treaty will be ratified by all members, but also that some who are unable or do not want to participate straight away, are invited to take part at a later stage. This is not new in Europe. The EMS, too, was founded in this manner.

"As far as monetary union is concerned, it is evident there are some countries which do not want that or cannot do that. The Delors Report also mentions this explicitly under paragraph 44."

He also said the "time is not yet ripe" for Britain to join the exchange-rate mechanism, but said the situation could change soon. "The success [of reducing inflation] is a result not of membership of the exchange rate mechanism, the success is a result of changes in policies. But Britain already conducts such a [anti-inflationary] policy. I am optimistic that the rate of inflation will be reduced to a degree, which will enable Britain to enter the system without creating tensions for the system itself."

Wolfgang Münchau
Frankfurt

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FRAME GENERAL

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Prime Minister

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SECRET

PRIME MINISTER

19 June 1990

MS

VISIT TO BONN

I spent Monday in Bonn seeing a number of junior ministers and senior officials, including Teltschik. The attached telegrams give highlights. To me the most important points were:

GDR

There was confidence that the GDR economy could be turned round fairly quickly: 4 to 5 years was the period generally cited, though some were even more optimistic than that. But in the short term there was concern over a) the impatience of the GDR Parliament, as shown in Sunday's resolution seeking immediate unification; b) the fragility of the present GDR administration and their possible inability to handle the situation after GEMU. This could force an earlier take-over by the FRG and enormously complicate the timetable. Teltschik's view, however, was that the FRG could probably keep events in the GDR under control (he could not be absolutely certain). They were planning for unification in December and thought they could meet that timetable, but it was essential that there should be no delay beyond that date.

SOVIET ATTITUDE

It was thought that the Russians would eventually agree to a unified Germany joining NATO. Not yet; perhaps in the early autumn. Words and presentation to sweeten the pill were very important. In this connection a really forthcoming communique from the NATO Summit in July was seen as necessary.

ALLIANCE DECLARATION

Teltschik did not like the idea of an alliance to alliance declaration as proposed by Shevardnadze. He preferred a statement by individual members of NATO to which other CSCE members could

subscribe. He spoke of the idea of a non-aggression treaty.

AID FOR THE SOVIET UNION

Teltschik said there was now a letter from Kohl, which you will have. He spoke of the need for very large sums, many billions of dollars, which would be too much of a burden for the FRG alone to sustain. Kohl would want to discuss this in Dublin and Houston. One object he admitted would be to buy Soviet acquiescence on politico-military issues, another to preserve Gorbachev and orderly reform. He spoke of the possibility of providing Western advisers who could do something to ensure that the money was properly used. I went over the obvious objections, pointing out that as yet there was no framework at all into which such money could be usefully placed. More advisers would not suffice; what was needed was something more like a total receivership of the Soviet economy. So far we lacked even the basic commitments in principle to market development. Teltschik accepted this and in the end fell back upon the argument that we must at least show ourselves forthcoming and ready to help. There is of course a great gap between a gesture of this kind and actually providing the aid he originally spoke of. You will need an agreed line on this for Dublin and later.

NATO STRATEGY

Teltschik stressed the need for some undertaking to cap the German armed forces in order to reassure the Russians. He would prefer this to be done in as positive and early a form as possible, as part of CFE rather than part of CFE 1(a). But in the end he accepted that a prospective statement about future force reductions would probably suffice.

On the nuclear element, he warned of the extreme vulnerability of German public opinion. Faced with a choice between a fully agreed unification settlement and nuclear weapons they would certainly opt for the first. The denuclearisation card had not yet been played, but the Russians could be reserving it for later on in the game. On tactics over SNF, he was very firm that the less said about it at the

moment the better. Later on when it came to negotiation he thought it would be safer to seek an overall ceiling for short range nuclear weapons under which the two parties would have freedom to mix. This is our own preference.

MOOD IN BONN

I found my interlocutors naturally obsessed with the German question. Sudhoff for example, the PUS equivalent in the German Foreign Ministry, though briefed to cover with me a whole range of non-European issues, spoke exclusively about the GDR and the external aspects of unification. There is a mood of suppressed excitement, emotion and some optimism - the feeling that they are successfully handling the great range of questions flung at them at the beginning of the year as a result of the revolutions in Eastern Europe. Our own standing is good. I was several times warmly thanked for the support we (and other Western allies) are giving over the external aspects of unification.

PERCY CRADOCK

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OF 190844Z JUNE 90
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SIR PERCY CRADOCK'S VISIT TO THE FRG: 18 JUNE

SUMMARY

1. OPPORTUNITY TAKEN TO SAMPLE WIDE RANGE OF FEDERAL GERMAN OPINION AT TIME WHEN EXPECTATION OF GERMAN UNITY THIS YEAR IS HARDENING. WARM GERMAN THANKS FOR BRITISH SUPPORT REGARDING UNIFICATION. NO SUGGESTION THAT UNITY WILL COME BEFORE DECEMBER, BUT STRESS ON NEED FOR SPEED AND ON UNWILLINGNESS TO WAIT UNTIL 1991. POSITIVE SIGNAL FROM NATO SUMMIT SEEN AS IMPORTANT IN GETTING RUSSIANS TO ACQUIESCE IN GERMAN MEMBERSHIP OF NATO. EMPHASIS ON DIFFICULTIES INHERENT IN DISCUSSION OF SNF MODERNISATION.

DETAIL

2. SIR P. CRADOCK PAID CALLS ON FRAU WILMS (FEDERAL MINISTER FOR INNER GERMAN RELATIONS), STAVENHAGEN (MINISTER OF STATE AT THE FEDERAL CHANCELLERY), TELTSCHIK (KOHL'S FOREIGN POLICY ADVISER), SUDHOFF (PUS-EQUIVALENT, AUSWAERTIGES AMT) AND EHMKE (DEPUTY CHAIRMAN OF THE SPD PARLIAMENTARY PARTY), AND MET OTHER PROMINENT GERMANS OVER LUNCH.

3. FRAU WILMS EXPRESSED THE FEDERAL GOVERNMENT'S THANKS FOR HMG'S ATTITUDE TOWARDS UNIFICATION: THE PROCESS COULD HAVE DEVELOPED DIFFERENTLY HAD THE WESTERN ALLIES NOT BEEN SUPPORTIVE. THIS WAS ECHOED BY SUDHOFF, AND (OVER LUNCH) BY FRAU PFARR (BERLIN SENATOR FOR FEDERAL AFFAIRS), WHO PAID TRIBUTE TO THE ALLIES FOR NOT MAKING DIFFICULTIES ABOUT THE RAPID GROWING TOGETHER OF THE TWO PARTS OF BERLIN.

TIMING OF MOVEMENT TOWARDS UNIFICATION.

4. TELTSCHIK SAID THAT THE FEDERAL GOVERNMENT DOUBTED THE ABILITY OF THE GDR TO MANAGE THE PROBLEMS WHICH WOULD FOLLOW GEMU, AND THEREFORE SAW EARLY STATE UNIFICATION AS ESSENTIAL. HE SAID THAT IT

SHOULD COME, MORE OR LESS SIMULTANEOUSLY WITH ALL-GERMAN ELECTIONS IN DECEMBER. IT COULD NOT BE DELAYED, AS MANY IN THE SPD WANTED, UNTIL AUTUMN 1991. TELTSCHIK ASSERTED THAT UNITY WOULD NOT COME BEFORE DECEMBER, BUT LEFT THE IMPRESSION, AS DID OTHERS DURING THE DAY, THAT PRESSURES IN THE GDR FOR EARLIER UNITY COULD BECOME INTENSE.

5. FRAU WILMS SAID THAT THE LATEST OPINION POLLS SHOWED THE VAST MAJORITY OF WEST GERMANS TO BE IN FAVOUR OF UNITY. PEOPLE COULD SEE THAT THE FINANCIAL BURDEN WOULD BE TOLERABLE AND THAT UNITY WOULD BRING NEW OPPORTUNITIES. SHE WAS GLAD THAT THE PROCESS WAS BEING ACCOMPLISHED WITHOUT ANY APPEARANCE OF GERMAN NATIONALISM (''HURRAH PATRIOTISM''). SHE REGRETTED HOWEVER THAT A MOTION HAD BEEN INTRODUCED INTO THE VOLKSKAMMER ON 17 JUNE PROPOSING IMMEDIATE ACCESSION TO THE FRG VIA ARTICLE 23. THE TIME WAS NOT RIPE FOR SUCH A MOVE. IT REMAINED IMPORTANT THAT THE INTERNAL AND EXTERNAL TRACKS OF UNITY SHOULD RUN IN PARALLEL.

6. STAVENHAGEN SAID THAT THE AIM OF THE MOTION DEBATED BY THE VOLKSKAMMER ON 17 JUNE HAD BEEN TO SHOW THAT THERE WAS A MAJORITY FOR ARTICLE 23. WHILE IT HAD FAILED TO COMMAND A MAJORITY FOR IMMEDIATE UNITY IT HAD SHOWN THAT THREE QUARTERS OF THE VOLKSKAMMER WANTED UNTIY SOON. ALL-GERMAN ELECTIONS WOULD TAKE PLACE BETWEEN 2 AND 16 DECEMBER, PROBABLY ON 9 DECEMBER.

7. EHMKE RECOGNISED THAT A DETERIORATION IN THE GDR'S SITUATION MIGHT FORCE THE TIMETABLE, AND THAT A GDR APPLICATION UNDER ARTICLE 23 COULD BE MADE AS EARLY AS THIS SUMMER. EVEN SOME OF HIS SPD COLLEAGUES WERE NOW SPEAKING IN FAVOUR OF A SINGLE ALL-GERMAN ELECTION. TOO MUCH SPEED MIGHT MEAN THAT THE INTERNAL TRACK GOT AHEAD OF 2 PLUS 4, MAKING IT EASIER FOR THE RUSSIANS TO ARGUE THAT QRR SHOULD CONTINUE IN A UNIFIED GERMANY. EHMKE, SURPRISINGLY, WAS WILLING IN THOSE CIRCUMSTANCES TO ENTERTAIN THE IDEA OF QRR CONTINUING FOR A TIME.

8. SUDHOFF POINTED TO THE SIGNIFICANCE OF THE RECENT DECISIONS BY THE MAJOR PARTIES IN THE FRG TO UNITE BY THE AUTUMN WITH THE EQUIVALENT PARTIES IN THE GDR. THESE MOVES MADE AN ALL-GERMAN ELECTION IN DECEMBER ALL THE MORE LIKELY.

NATO.

9. TELTSCHIK SAID IT WAS IMPORTANT FOR THE WEST TO MAINTAIN THE LINE THAT A UNITED GERMANY SHOULD BE A MEMBER OF NATO. THE RUSSIANS NEEDED TO BE PERSUADED THAT THIS WOULD BE IN THEIR INTERESTS TOO. SO

FAR THEY HAD NOT REACHED A SETTLED POSITION. SINCE SHEVARDNADZE HAD MADE IT CLEAR AT THE 2 PLUS 4 MINISTERIAL IN BONN THAT THEY WANTED A PACKAGE DEAL AT THE END OF THE 2 PLUS 4 NEGOTIATIONS WE SHOULD NOT EXPECT A FINAL SOVIET POSITION UNTIL THE EARLY AUTUMN, AT THE EARLIEST (SUDHOFF SAID HE HAD NO EXPECTATION OF TANGIBLE PROGRESS BEFORE THE SOVIET PARTY CONGRESS IN JULY).

10. TELTSCHIK SAID THAT, IN ORDER TO CONVEY A POSITIVE SIGNAL TO THE RUSSIANS, THE LONDON NATO SUMMIT NEEDED TO WORK UP A DECLARATION TO THE EFFECT THAT, IF THE CURRENT CHANGES RESULTED IN THE WITHDRAWAL OF SOVIET TROOPS FROM EASTERN EUROPE AND A CEILING ON THE SIZE OF THE SOVIET WESTERN GROUP OF FORCES, THEN NATO WOULD BE PREPARED TO MAKE CHANGES IN ITS STRUCTURE. THE FEDERAL GOVERNMENT WERE CONSIDERING SHEVARDNADZE'S PROPOSAL THAT THE TWO MILITARY PACTS SHOULD MAKE A STATEMENT THAT THEY DID NOT VIEW EACH OTHER AS ENEMIES. IN HIS SPEECH TO THE BUNDESTAG ON 21 JUNE KOHL WOULD SAY THAT THE MEMBERS OF BOTH ALLIANCES MIGHT CONSIDER, AS PART OF THE CSCE PROCESS, SIGNING A NON-AGGRESSION TREATY WHICH COULD LATER BE ADOPTED BY ALL THE CSCE SIGNATORY STATES. THIS SHOULD BE MANAGED SO AS TO AVOID BREATHING LIFE INTO THE WARSAW PACT.

11. TELTSCHIK SAID THAT DISCUSSION OF MODERNISATION OF SNF SHOULD BE DELAYED FOR AS LONG AS POSSIBLE: IF THE RUSSIANS MADE DENUCLEARISATION OF GERMANY A PRECONDITION FOR UNIFICATION THIS MIGHT FIND GREAT POPULAR SUPPORT IN THE FRG IN AN ELECTORAL YEAR. THE GERMANS WERE CONSIDERING APPROACHING THE SNF QUESTION BY SETTING EQUAL CEILINGS FOR SUB-STRATEGIC NUCLEAR SYSTEMS. BENEATH THESE CEILINGS THE TWO SIDES WOULD BE ABLE TO DETERMINE THE MIX FOR THEMSELVES.

12. EHMKE ACCEPTED THAT GERMANY SHOULD BE IN NATO FOR SOME YEARS AFTER UNITY. THE NATO TREATY SHOULD APPLY POLITICALLY, BUT NOT MILITARILY, TO THE PRESENT GDR. IN DUE COURSE, SOMETHING NEW WOULD BE NEEDED. HE SPOKE OF A EUROPEAN-ATLANTIC ORGANISATION (EAO), WHICH WOULD BE AN ALLIANCE BETWEEN A EUROPEAN FEDERATION AND NORTH AMERICA. EASTERN EUROPEANS WOULD BE INCLUDED, AND THIS WOULD GUARANTEE THAT THE SOVIET UNION COULD NOT REOCCUPY EASTERN EUROPE. EAO WOULD HAVE INTEGRATED FORCES AND WOULD ALLOW FOR MAJOR US REINFORCEMENTS IN EUROPE IN AN EMERGENCY. EHMKE FORESAW A REAL FIGHT OVER TASM. THE SPD WOULD ARGUE FOR ZERO IN ANY FUTURE SNF TALKS. SO, HE THOUGHT, WOULD THE FDP. THE CDU MIGHT PREFER UPPER LIMITS, BUT PUBLIC OPINION WOULD SEE TASM AS A POLITICAL CIRCUMVENTION OF THE INF TREATY. EVEN THE CDU MIGHT COME OUT AGAINST IT IN THE END. HE ADDED THAT HE HAD JUST SEEN A US JOINT CHIEFS OF STAFF PAPER WHICH

ARGUED THAT NATO COULD NOW FOREGO FIRST USE OF NUCLEAR WEAPONS, A STEP WHICH THE SPD WANTED NATO TO TAKE AT NEXT MONTHS SUMMIT

GDR ECONOMY

13. FRAU WILMS SPOKE ABOUT THE LIKELY ECONOMIC SITUATION IN THE GDR AFTER UNITY. THERE WOULD BE A DIFFICULT PERIOD OF ABOUT TWO YEARS WHICH WOULD BE FOLLOWED BY RAPID GROWTH. (COMMENT: A MOST OPTIMISTIC VIEW.) 50 PER CENT OF GDR COMPANIES WOULD BE ABLE TO ADAPT TO A MARKET ECONOMY. WITH HELP, ANOTHER 30 PER CENT COULD DO SO. THE REMAINDER WOULD GO TO THE WALL. SHE WAS CONFIDENT THAT THE PEOPLE OF THE GDR WOULD SEE MORE FUTURE IN STAYING WHERE THEY WERE THAN IN MOVING TO THE WEST. THERE WERE ALSO SIGNS THAT A GOOD NUMBER OF WEST GERMANS WOULD SEE CHANCES FOR CAREER DEVELOPMENT BY MOVING EAST.

14. SUDHOFF STRESSED THE IMPORTANCE OF ECONOMIC RELATIONS BETWEEN THE GDR AND THE SOVIET UNION, THE FULL EXTENT OF WHICH AHD BEEN DIFFICULT TO ESTABLISH BUT SEEMED LIKELY TO EXCEED EXPECTATIONS. ONE FACTOR WAS THAT THE SOVIET UNION, AS A RESULT OF THE EXPROPRIATIONS FROM 1945-49, OWNED SOME 10 PER CENT OF ALL PROPERTY IN THE GDR.

15. FRAU PFARR SAID BERLINERS WERE WORRIED THAT UNEMPLOYMENT IN THE GDR WOULD SPILL OVER INTO BERLIN: BY THE END OF THE YEAR GREATER BERLIN (FOUR MILLION) MIGHT HAVE ONE THIRD OF A MILLION UNEMPLOYED. THIS WAS A PROSPECT WHICH HAD TO BE TAKEN SERIOUSLY, SINCE THERE WAS A RISK OF A POLITICAL BACKLASH (TO THE RIGHT IN WEST BERLIN, TO THE PDS IN THE EAST).

16. CABINET OFFICE PLEASE PASS TO SIR P. CRADOCK.

MALLABY

YYYY

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NNNN

Foreign and Commonwealth Office

RESTRICTED London SW1A 2AH

18 June 1990

Dear Charles,

Visit to London by the Head of the Bundesbank

Thank you for your letter of 14 June. Herr Poehl will call on the Prime Minister at 1200 on 2 July as proposed. He will be accompanied by his Private Secretary, Herr Gierenstein.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

GERMANY: Relations RT 5

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 June 1990

We have had a request from Herr Karl-Otto Poehl, the Head of the Bundesbank, to see the Prime Minister when he visits London on 2 July. Could you please ask our Embassy in Bonn to say that the Prime Minister would be pleased to see him at 1200 on 2 July. Unfortunately it is the only time that day she can manage.

CHARLES POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

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file

lc: PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

13 June 1990

EXPO 2000

Thank you for your letter of 12 June conveying the Foreign Secretary's recommendation that we should vote for Hanover as the site for EXPO 2000. The Prime Minister agrees that this is right. Although in some ways she would have preferred Toronto, it is not long since Vancouver had an EXPO.

I am copying this letter to Martin Stanley (Department of Trade and Industry).

Charles Powell

Simon Gass, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH
12 June 1990

Dear Charles,

EXPO 2000

On 14 June the International Exhibitions Bureau at Paris will decide by secret vote whether Hanover, Toronto or Venice should be the site for the universal exhibition to mark the year 2000.

The Venetian bid is technically unattractive because the exhibition would be held on a number of different sites around Venice. It has also drawn powerful opposition on environmental grounds both inside and outside Italy. It looks as if the Italian Government may withdraw the bid for Venice.

Toronto has a major place in the burgeoning North American free trade area; it is near important commercial areas of the USA, and could grow rapidly as Canada's financial centre. Like Hanover, Toronto offers excellent exhibition facilities; the Commonwealth link and the English language are powerful arguments in its favour.

The Foreign Secretary has weighed these points carefully but concluded that we should vote for Hanover as a major platform for the display of goods and services to a European wide audience, including to Eastern Europe and the Soviet Union where in 2000 industries are likely still to be modernising. Hanover, being closer to the UK than Toronto and within the EC, should be more accessible and more attractive than Toronto to private sector sponsors. The city is well versed in hosting major exhibitions, and has particular historical connections to Britain which could help us to get space and prominence at the exhibition. DTI officials are strongly in favour of Hanover on commercial grounds.

We shall try to ensure that the secrecy of our vote is preserved. There is considerable media interest, and our vote for one candidate could be portrayed as criticism of the competing bids.

/I am

ID5AAO

I am copying this letter to Martin Stanley (DTI).

Yours ever,

(S L Gass)
Private Secretary

C D Powell Esq
10 Downing Street

ID5AAO

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 June 1990

PRESIDENT OF THE BUNDESBANK

Herr Pöhl has asked to see the Prime Minister when he is in London on 2 July to deliver a lecture. We have put him in the diary for 12 noon that day. I would be grateful for briefing nearer the time.

C. D. POWELL

John Gieve, Esq.,
H.M. Treasury.

PRIME MINISTER

7 June 1990

MR POEHL'S VISIT TO LONDON : 2 JULY

Mr Poehl's office telephoned today to say that he is coming to London on 2 July to deliver a lecture at the IEA and would if possible like to talk to you, if you were free sometime during the day. The Private Secretary said that there were a number of important issues he wished to discuss.

BRIAN GRIFFITHS

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 May 1990

HERR GENSCHER

Thank you for your letter of 29 May about Herr Genscher's proposed visit at the end of July. The Prime Minister would be happy to see him on Monday 30 July. I suggest you discuss a time with Margaret Bell.

CHARLES POWELL

J.S. Wall, Esq., L.V.O.,
Foreign and Commonwealth Office.

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(1)

Foreign and Commonwealth Office

London SW1A 2AH

29 May 1990

Dear Charles

Prime Minister

Yes ok Content?

CDP 29/5

Herr Genscher

We discussed the possibility that Herr Genscher might call on the Prime Minister during one of his visits to London. The Foreign Secretary explained to him that it would not be possible to see the Prime Minister when he was in Britain yesterday and he quite understood.

Mr Hurd and Herr Genscher agreed to meet again in Britain before the summer break. We have not yet put dates to Herr Genscher's office but the Foreign Secretary has it in mind to invite him to Chevening on Sunday 29 July and to take him to Glyndebourne that afternoon. I wonder if the Prime Minsiter might be free to see Herr Genscher on Monday morning, 30 July, before he flies back to Germany? If so, we will then put dates and times to Herr Genscher.

Yours.

Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

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Done
CDM
3/7

10 DOWNING STREET

Reynolds

Can the PM
see Hew
Consider. Green
Foreign Minister,
or 30 July?
11 a.m.
(one hour)
CD.

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MO 13/5/32D

NOTE OF A MEETING WITH THE FRG DELEGATION IN THE MARGINS OF THE NPG KANANASKIS, CANADA, 9TH MAY 1990

Present:

Federal Republic of Germany

Dr G Stoltenberg
Federal Minister of Defence

Dr H F von Ploetz
Ambassador, Permanent Representative

Admiral D Wellershoff
Chief of Staff, Federal Armed Forces

Lt Gen J Schonbohm
Chief Planning Staff

Maj Gen K Naumann
ACOS Politico Military Affairs, Operations

Col R Schüwirth
Staff Officer to Dr Stoltenberg

United Kingdom

The Rt Hon T King
Secretary of State for Defence

Sir M Alexander
Ambassador/Permanent Representative on the North Atlantic Council

Sir D Craig
Marshal of the Royal Air Force/Chief of Defence Staff

Mr R Mottram
Deputy Under Secretary of State(Policy)

Mr S Webb
Private Secretary to the Secretary of State

The Defence Secretary began the meeting by thanking Dr Stoltenberg for his help in reaching a mutually satisfactory arrangement on the radar for the European Fighter Aircraft.

Unification of Germany

2. Dr Stoltenberg said that he had had a useful meeting with Pastor Eppelmann, the new Defence Minister of the GDR. Pastor Eppelmann had agreed to communique language accepting full membership of NATO though he was inclined to add qualifications depending on whether he was speaking to Dr Stoltenberg or in Moscow. It was clear that the Soviets were leaning hard on the GDR Government. At present Soviet forces seemed to be acting in a restrained way, being confined either to their Camps or designated training areas. Dr Stoltenberg thought that Mr King's visit to Moscow next week came at an interesting and opportune time.

3. On the military aspects of unification, Dr Stoltenberg said that his Ministry of Defence needed to do more conceptual work. The problem was how to discuss this with the East Germans without the Russians finding out. A particular issue, which he has mentioned to Mr King privately before, was whether - as a fall-back compromise - we should accept ceilings on troop numbers in GDR as part of CFE (obviously this could not be allowed to become an issue in "two-plus-four"). The GDR looked intent on keeping their conscript Army. There was a considerable problem about the Senior Officer Corps. Pastor Eppelmann found his predecessor was now Army Chief of Staff; and there were 300 Generals in the NVA, a much higher ratio than in the Bundeswehr.

NATO Summit

4. Dr Stoltenberg reiterated remarks he had made at the Ministerial lunch about the need to ensure a proper Defence input into the NATO Summit preparations. Obviously we could not pretend to elaborate a new strategy by then, but it would be important to describe the major principles and to have them endorsed by the DPC before the Summit preparations went too far. Otherwise there was a risk of valid Defence concerns getting lost.

Basing of F15Es

5. The Defence Secretary explained the proposition that had been put to him by the US Secretary for Defense, and the response he had given earlier that day (ie to suggest that the main base for F15Es should be Upper Heyford with Bentwaters as a forward operating base). Dr Stoltenberg said that when the UK had reached its decision, the FRG could then turn to the question of using Ramstein as a Forward base for these aircraft. He was not so sure anymore that a joint announcement would be needed; indeed there would be much to be said for leaving any public decision on F15Es until the New Year. General Naumann interjected that because of delays in completing works at Crotone, the US had raised the possibility of deploying F16s from Torrejon to Ramstein as an intermediate measure.

6. This led on to a discussion on the likely timing of German elections. Dr Stoltenberg said that constitutionally, delay beyond next January was not possible. This meant that to have a combined election would require arrangements for unification to have been settled by November which was optimistic. On the other hand, the feeling was that any FRG election should only be followed by a elections for a unified Germany after an interval of ten to twelve months (lest the voters get tired of voting).

7. Questioned about evolving political attitudes, Dr Stoltenberg said that it had been helpful to his Government for the SPD to have modified their position on German membership of NATO (particularly acceptance that this would be necessary for at least an interim period).

8. The meeting concluded after half an hour.

Ministry of Defence
9th May 1990

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(cc: Foreign Wright)

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

2 April 1990

Dear Oliver,

Thank you very much for inviting me to attend and address the 40th Anniversary Dinner of the Konigswinter Conference. It was a great occasion for Anglo-German relations and an excellent start for our Anglo-German Summit the next day. I hope your meeting was as successful and congenial as mine with Chancellor Kohl!

With every good wish,

Yours sincerely

Margaret

Sir Oliver Wright, G.C.M.G., G.C.V.O., D.S.C.

ECL

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(c:\foreign\Supple)

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

30 March 1990

Dear Professor Supple

I am most grateful to you and your wife for your extremely kind hospitality, both to me and to Chancellor Kohl, during my visit to Cambridge for the Konigswinter Conference dinner yesterday. I am afraid it must have caused great disruption in your household but you made us very comfortable and welcome.

The dinner was most enjoyable and a great event in relations between Britain and Germany. I am glad to think St. Catharine's contributed to that.

With every good wish to you both,

Yours sincerely

Margaret Thatcher

Professor Barry Supple

ECL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 March 1990

I am writing on behalf of the Prime Minister to thank you for flying her and her party flying to Cambridge yesterday evening. Mrs. Thatcher was most grateful for the use of the helicopter which enabled her to get to the Königswinter Conference remarkably quickly.

C. D. POWELL

Flight Lieutenant Jack Robson
33 Squadron
RAF Odiham
Basingstoke
Hants.

KK

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RECORD OF A MEETING BETWEEN THE SECRETARY OF STATE FOR DEFENCE AND THE MINISTER OF DEFENCE OF THE FEDERAL REPUBLIC OF GERMANY ON 30TH MARCH 1990

Present:

The Rt Hon Tom King MP
Secretary of State for Defence

Mr Simon Webb
Private Secretary

HE Dr Gerhard Stoltenberg
Federal Minister of Defence

Colonel Rainer Schuwirth
Adjutant

During this meeting Dr Stoltenberg expressed some personal views, as well as the agreed positions of the FRG Government. This should accordingly be treated with caution and not quoted back directly to German officials.

After initial greetings, the Secretary of State said how grateful British forces in Germany were about the arrangements made to improve the protection for servicemen and their families living off-base in the Federal Republic. Dr Stoltenberg said he would pass on the British Government's thanks to his colleagues in the Interior Ministry.

EFA

2. In response to queries, the Defence Secretary said that Herr Ruppelt and Sir Peter Levene had agreed the terms of the side-letter. He had written to Italian and Spanish colleagues on 22nd March seeking their support. He would then have to confirm the arrangements to his Cabinet colleagues. The UK was keen to sign as soon as possible now.

3. Dr Stoltenberg said he was anxious that waiting for the other two countries should not lead to delay, which was costing 5 million DM a month. If they were ready to sign, that was fine. Otherwise did we really need them, given that the arrangement was between the British and the FRG Governments? He was under growing pressure in the Bundeswehr over the project. During the supplementary budget debate today, the SPD would try to kill it off. He could sustain a majority at present, but it was always difficult to keep the FPD on line and he was worried that continued delay might jeopardise the whole project.

4. The Defence Secretary explained that the UK Government assurance over the 200 million DM had to be sustained by an industrial guarantee back-to-back. GEC were prepared to provide

this but wanted their partners in the other two countries to take their share. In further exchanges, during which Dr Stoltenberg reiterated that he was only concerned with his arrangements with the UK Government, the two Ministers agreed that the Government-to-Government arrangements must be finalised during April.

Exercises

5. Dr Stoltenberg thanked the Defence Secretary for his co-operative approach to Exercises. It was important to be sensitive to the political climate and environmental concerns. He was grateful for the reductions agreed on the UK side. There had been a silly leak in the press about low flying, alleging (and then inaccurately) that he wished to cut out all flying under 300m. In fact, Dr Stoltenberg had commissioned a study to report at the end of April which would then be discussed within appropriate NATO groups, before being exposed for political discussion with other Allied Ministers. No decisions had been taken. The Defence Secretary commented that British Forces in Germany had to be able to train; they could not remain effective confined to barracks. He had commented to Herr Momper in Berlin earlier in the week that this was part of the price tag for the continuing British presence in Berlin which the Mayor and his predecessor had sought.

Implications of Unification

6. Turning to broader issues, Dr Stoltenberg said that when they had last met there had been good progress on CFE at Vienna. During the latest round he had seen a noticeable hardening of the Soviet position. It was difficult to judge what this meant but he was concerned that they might be trying to strengthen their negotiating stance in the "two-plus-four" talks.

7. Continuing Dr Stoltenberg set out the key elements of the FRG Government's position on the security aspects of unification:

a. Obviously, a wholly unified Germany;

b. No demilitarisation or neutrality;

c. No transfer of NATO units to the Territories of the former GDR;

d. They were prepared to discuss in "two-plus-four" a formula which allows the Soviet Union to keep Red Army units (within 195,000 ceiling) for some time after unification. His preference was to establish a clear final date.

COVERING

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e. Articles V and VI of the NATO Treaty should apply to the Eastern Territory (though "one colleague" believed that this should not occur while the Red Army were present).

8. On the question of whether there would be German troops in the GDR while the Red Army was there, Dr Stoltenberg said his personal answer was yes, with limitations. The Federal Government would not take a final position until they had had discussions with the new GDR Government. It was immensely helpful that this would be led by the CDU. Herr de Maizière had said in an important article in WELT am SONNTAG last Sunday (which had gone unnoticed in the West) that he accepted there would be German troops in the GDR during the transition, but with limitations. Even the Polish Foreign Minister had said to the WEU in Brussels recently that it was conceivable to have German troops in the GDR during this phase (though, he had added, without weapons).

9. Dr Stoltenberg then added that, privately, he was very worried that a settlement without German troops in the GDR during transition would lead eventually to demilitarisation after the Red Army left. There was now agreement within the Government that the "two-plus-four" process should not be allowed to bring limitations on the Bundeswehr or on Allied forces in Germany. These were areas for CFE at Vienna. The Germans had discussed the military dimensions of this problem with the US Government (and he understood that it had been touched on in diplomatic discussions with the British Foreign Office). He felt it was important for NATO to reach a view within the next few months which could then be presented at Vienna, so as to avoid the focus shifting to "two-plus-four".

10. In response, Mr King said that it was increasingly his view that the Eastern Europeans would agree to a unified Germany joining NATO, and that the Soviet position was not as rigid as it sounded. The UK accepted that NATO troops as such could not be based in East Germany while the Red Army remained. It was however vital to ensure that a credible security structure was created to back-up the security guarantee that would be conferred on that Territory. In other words, NATO needed the infrastructure to support German troops in holding a new frontline if a unified Germany was attacked. Dr Stoltenberg referred again to Mr de Maizière's views and commented that it was important to continue with the tradition of conscription in East Germany. The whole Germany military tradition was, unlike that of Britain, founded on a conscript Army. One could not have a truly unified Germany in which conscription continued in the West but not in the East. In practice this meant that the National People's Army would need to be rebuilt (if only to provide a force in which East German conscripts could serve). There were, however, considerable problems since the officer structure of the NVA was predominantly composed of members of the

Communist Party. In response to a question from Mr King about whether officers might be sent over from the FRG, Dr Stoltenberg said this was a very sensitive issue which needed to be discussed with the new GDR Government, but it might be possible to build up from a low level in that direction. It was important, he reiterated, that there were no limitations on German forces overall in "two-plus-four" (though he could see, as a final compromise, that some constraints might have to be accepted on the size of German forces in East Germany and their equipment).

11. Mr King said that the UK well understood the difficulties and sensitive issues involved here but it was important to ensure that practical military arrangements were put in place. He then went through with Dr Stoltenberg the advice he had received from the Chiefs of Staff about the measures they thought necessary. A copy is attached at Annex A. The Defence Secretary emphasised this was not yet the UK Government's position. Dr Stoltenberg said he would not respond formally, but indicated his agreement to most of the points, with the following exceptions:

a. Peace-time contingency planning for German forces in the former GDR to become part of the integral military command structure in transition-to-war would pose difficulties.

b. He paused over the idea of integrated air defence over the unified Germany, but did not demur.

c. He saw substantial difficulties in the detail of item K.

12. Dr Stoltenberg said it was important to register this kind of thinking in the "two-plus-four" forum, commenting whimsically in another apparent reference to Herr Genscher that "we must all educate the diplomats on military matters".

Nuclear Forces

13. Dr Stoltenberg said he was sure we must now move towards smaller numbers of theatre nuclear weapons on both sides. It was becoming very difficult to justify any dual-capable artillery and Lance in Germany. The German Government would be placing increasing emphasis on dual-capable aircraft, but recognised that TASM was an essential component.

14. The Defence Secretary said that he recognised some of the reality of these pressures but it was very important that the Alliance should not change from the comprehensive concept until it had a clearer position on where we were going. Otherwise the Russians would have endless opportunities for mischief in

COVERING

"two-plus-four". He understood the sensitivities about basing on German soil and the role of other Allies in helping the German Government not to appear singularised.

15. The two Ministers agreed that their staffs should work together closely on these questions in the run-up to the NPG.

Ministry of Defence
30th March 1990

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SUMMARY OF MILITARY OBJECTIVES

47. From a military point of view, in discussion amongst Allies on the military implications of the unification of Germany, the UK aim should be to achieve agreement on the following framework:

a. Articles 5 and 6 of the North Atlantic Treaty extend to the whole of the united Germany.

b. The present GDR does not become "demilitarized" to the extent that the only forces allowed are paramilitary.

c. Regular German forces are stationed in the former GDR both to man installations and to facilitate forward deployment by the Alliance in a crisis. These forces should be appropriate for the eventual military task, although there could be advantage if the force-level was not such as to justify the Soviet Union stationing large forces in Poland). Peacetime contingency plans should also be made for the incorporation of German forces stationed in the former GDR to become part of the IMCS in ITW within an agreed GDP.

d. An integrated air defence is established over the united Germany.

(Footnote 4 continued from previous page)
air-delivered forces and tactical air transport.

(281630)
[B-1096]

e. German forces stationed in the present FRG are within the IMCS.

f. Nuclear weapons, including those of the US, are retained on German soil.

g. Significant levels of US and European forces are stationed in the present FRG. While it is accepted that no US and European forces are to be stationed in the former GDR in peacetime, this limitation should be expressed in the form of unilateral declarations by the NATO countries concerned rather than by a contractual agreement with the Soviet Union.

h. An equitable solution is achieved concerning GDR military equipment, though NATO should be sympathetic to Soviet demands for non-TLEs to be destroyed.

i. Soviet forces do not remain in the GDR for any longer than is necessary.

j. Transitional arrangements allow the continued functioning of UK forces in Berlin until their subsequent orderly withdrawal.

k. NATO is not committed to defence in strength on the Oder-Neisse line, but that the ability to deploy forward of the existing IGB is improved by ideally negotiating the right to:

(1) Conduct exercises, albeit on a limited scale, in the GDR.

(2) Make provision for support forward.

(3) Make use of former military air bases in East Germany

(281630)
[B-1096]

Interview mit dem Ost-CDU-Vorsitzenden und designierten DDR-Ministerpräsidenten Lothar de Maizière

„Den Staatsrat wird es bald nicht mehr geben"

Von HEINZ VIELAIN

Bonn

Am Freitagabend erklärte sich der Vorsitzende der CDU in der DDR, Lothar de Maizière, bereit, als Ministerpräsident zu kandidieren. Gegenüber WELT am SONNTAG gab er in einem Interview Auskunft über seine Pläne.

WELT am SONNTAG: Was wird aus den Institutionen Staatsrat und Staatsratsvorsitzender, der einmal Honecker hieß?

de Maizière: Wir sind der Auffassung, daß es den Staatsrat bald nicht mehr geben wird. Wir brauchen künftig einen Präsidenten. Es muß eine Persönlichkeit sein, die das Vertrauen der überwiegenden Mehrheit unserer Bevölkerung hat. Wir werden einen solchen Präsidenten finden. Zum Verzicht auf Staatsrat und Staatsratsvorsitzenden ist eine Verfassungsänderung notwendig. Ich gehe davon aus, daß dies mit der Mehrheit fast aller Parteien so entschieden wird.

WELT am SONNTAG: Die Allianz – CDU, DSU und DA – verfügt über 192 Volkskammerabgeordnete. Sie sagen, für einen Beitritt der DDR zur Bundesrepublik nach Artikel 23 Grundgesetz sei eine Zwei-Drittel-Mehrheit notwendig. Es gibt Experten, die dem widersprechen ...

de Maizière: Die Vereinigung mit all ihren Konsequenzen wird am Ende der Arbeit der Volkskammer stehen. Ich bin der festen Überzeugung, daß der Weg gemäß Artikel 23 Grundgesetz der richtige zur Vereinigung Deutschlands ist. Ich glaube, daß es zu gegebener Zeit eine notwendige Mehrheit für diesen Weg gibt.

WELT am SONNTAG: Große Koalition um jeden Preis? Wo ist die Grenze des guten Willens bei Ihnen? SPD statt DSU, geht das?

de Maizière: Die große Koalition ist nach wie vor wünschenswert. Von dem Angebot an die SPD machen wir keine Abstriche. Aber wir werden uns auch nicht verbiegen.

WELT am SONNTAG: Eine Fraktionsgemeinschaft von CDU, DSU und DA wird es nicht geben, sondern eine Arbeitsgemeinschaft der Abgeordneten der Allianz. Ist das kein Hemmnis für die praktische Parlamentsarbeit?

de Maizière: Ob eine Sache zum Hemmnis wird, kann man erst beurteilen, wenn man zumindest einen Teil des Wegs gegangen ist. Eine Fraktionsgemeinschaft, wie es sie zwischen CDU und CSU im Bundestag gibt, sieht die Geschäftsordnung der Volkskammer nicht vor. Die parlamentarische Arbeit bei uns muß schon auf die Verhältnisse der Volkskammer abgestellt werden. Im übrigen hatten wir die Arbeitsgemeinschaft nicht vereinbart, wenn wir sie nicht für tragfähig hielten.

WELT am SONNTAG: Sie haben diese Woche mit dem Bundeskanzler über weitere Schritte auf dem Weg zur deutschen Einheit gesprochen. Geht es voran?

de Maizière: Die Verhandlungen für die Währungs-, Wirtschafts- und Sozialunion sind auf einem guten Weg, obwohl die Rahmenbedingungen außerordentlich schwierig sind. Das ist schon sehr viel. Die Parteien bei uns sind nun aufgerufen, Fraktionen in der Volkskammer zu bilden und eine Regierungsmannschaft zu stellen. Was dann gemeinsam zu geschehen hat, wird mit der Regierungserklärung dargelegt.

WELT am SONNTAG: Währungs-, Wirtschafts- und Sozialunion – die Bundesregierung möchte all dies bis Anfang Juli unter Dach und Fach haben. Was haben Sie in der DDR für einen Zeitplan?

de Maizière: Genaue Zeitpunkte werden weder ich noch andere nennen, weil wir bei der Währungsumstellung keinen Raum für Spekulationen schaffen wollen. Dies kann nicht unser Interesse in der DDR sein. Die DDR-Bürger haben nach den Jahren des Lebens mit der Mauer die Möglichkeit zu reisen. Das ist für sie eine neue, wichtige Erfahrung. Sie möchten bald reisen mit dem richtigen Geld in der Tasche. Deswegen sage ich: Im Sommer soll es sein.

WELT am SONNTAG: Eines der aktuellen Probleme in der DDR ist die Volksarmee. Was soll aus der NVA werden?

de Maizière: Sie wissen, daß bei uns die Verkürzung der Wehrdienstzeit ansteht. Wir haben zudem eine Verordnung über einen sozialen Friedensdienst geschaffen. Das wird meines Erachtens die Welt der NVA schon wesentlich verändern. Ich glaube, daß diese Frage auch ganz stark verknüpft ist mit den Ergebnissen, die im Rahmen der Zwei-plus-vier-Gespräche zu finden sind. Diese Gespräche, die sicherlich nicht ohne Probleme sind, will ich nicht mit Prognosen belasten. Wir gehen davon aus, daß es schon der Balance wegen in der DDR Streitkräfte mit noch zu beschreibenden Aufgaben geben wird. Deshalb gibt es keinen Grund für Soldaten, jetzt zu verzweifeln oder gar zu sagen, sie hätten sich in ihrem Leben völlig falsch entschieden.

WELT am SONNTAG: Diese Woche gab es aus der DDR Hinweise, wonach Ex-Stasi-Leute in die neue Volkskammer gewählt worden sein sollen. Liegen dazu konkrete Informationen vor oder werden Gerüchte verbreitet, um das erste frei gewählte Parlament in der DDR zu diskreditieren?

de Maizière: Erstens müssen wir mit dem Stasi-Problem fertigwerden, wir Menschen in der DDR. Zweitens ist die Funktion bundesrepublikanischer Medien dabei nicht immer hilfreich. Drittens sehe ich ein ziemliches Problem darin, daß das erste frei gewählte Parlament mit Diskussionen dieser Art belastet wird. Wir werden auf jeden Fall nach Mitteln suchen, alle Zweifel am Parlament auszuräumen, die Menschen bei uns in der DDR haben könnten.

WELT am SONNTAG: Betrifft die Offenlegung eines möglichen Stasi-Vergangenheit auch die Abgeordneten der PDS, also der früheren SED?

de Maizière: Wenn man sich zu der Maßnahme entschließt, die Legitimität eines frei gewählten Parlaments zu überprüfen, das sich noch nicht einmal konstituiert hat, also wenn man sich überhaupt zu einem solch umfassenden Schritt entschließt, müssen natürlich alle Fraktionen eingeschlossen werden, auch die PDS.

VARIO-PRESS

Der Vorsitzende der DDR-CDU, Lothar de Maizière, 50, (links), und WELT am SONNTAG-Redakteur Heinz Vielain beim Interview unterwegs im Auto

Speech by

Dr Helmut Kohl,

Chancellor of the Federal Republic of Germany,

on the occasion of the 40th anniversary of the Königswinter Conference

Cambridge, 29 March 1990

Ladies and Gentlemen,

Translation
of advance text

Embargoed until ~~10.30~~ 9.00 p.m. CET
~~9.30~~ 8.00 p.m. Local Time

Sir Oliver,
Prime Minister,
Vice-Chancellor,
Your Lordships,
Ladies and Gentlemen,

I am most grateful, Sir Oliver, for your kind words of welcome. Last year we celebrated the 40th anniversary of the Federal Republic of Germany.

On that occasion we also recalled with gratitude the part played by the United Kingdom in building our democracy and safeguarding our freedom.

Together with the members of the Bundeswehr and other forces of the Atlantic Alliance, the British Army of the Rhine have contributed to our common security. Nor have we forgotten Britain's helpful role in Berlin, beginning with the airlift in 1948-49. And even at a time when the East-West confrontation is diminishing, we should always recall that alertness is the price of freedom.

Anglo-German friendship is deeply rooted in our centuries-old political, economic, cultural and human relations. Looking upon the changes taking place in Central, Eastern and South-Eastern Europe Germans and Britons can note with pride that we are on the verge of attaining the goals we have been pursuing together for four decades.

In that span of 40 years the Königswinter Conference, named after that pleasant little town on the right bank of the Rhine near Bonn, has played an important role as a forum for debate among representatives of both countries. The Königswinter Conferences long since became a hallmark of Anglo-German relations. This is to the great credit of far-sighted men and women in both countries who, soon after the war, established this institution which will continue to have an important function to perform.

Hardly any other institution has done so much to foster Anglo-German understanding as the Königswinter Conferences. Time and again they have provided stimulus for the solution of common political, economic and social problems.

The success of this unique forum is primarily due to three outstanding members: Sir Robert Birley, Sir Frank Roberts, and not least Frau Lilo Milchsack. From its very inception you, Frau Milchsack, have been "Königswinter's" life and soul. You have brought this circle together and kept it together for 40 years.

This jubilee conference is also the prelude to this year's Anglo-German intergovernmental consultations. The conference's motto "Germany and Europe - undivided", which was chosen early on, would without doubt be a suitable caption for tomorrow's talks in London as well.

II

We are currently experiencing a radical change in Europe's post-war history. The dismantling of the East-West confrontation and the democratic awakening in the countries of Central, Eastern and South-Eastern Europe offer the first realistic opportunity since the Second World War to end the division of Europe, and with it the division of Germany, by peaceful means. That division has always been a source of instability and insecurity. Its termination therefore benefits the whole of Europe.

The threat to the Western democracies did not only come from an ideology inimical to human dignity. More than once the confrontation - especially in Germany - assumed proportions which made it a grave danger to peace.

It was above all the people who suffered under the division of their country and under the bondage imposed upon them. And it was they, the peoples of Central, Eastern and South-Eastern Europe, who gave the decisive impetus for the breakthrough to democracy and freedom. They enforced a change in the status quo to which many of us in the West, too, had grown accustomed.

As a German I am proud that my countrymen in the GDR, through their peaceful revolution, have helped write a chapter of German and European history marked by freedom.

III

We have reason to be grateful to all who have helped make this historic change possible. Thanks are due in the first place to our friends and allies in the West, especially the Americans, the British and the French. They have stood by our side in times of danger, when the blockade, the wall, and the barbed wire threatened to keep our country permanently divided.

In the Bonn Convention they agreed to cooperate "to achieve, by peaceful means, their common aim of a reunified Germany enjoying a liberal-democratic constitution, like that of the Federal Republic, and integrated within the European Community".

But we also thank President Mikhail Gorbachov who, in conjunction with his domestic reforms, has turned Soviet foreign policy in a new direction. "New thinking" is now also changing Soviet policy towards Germany and permits of a constructive, future-oriented solution to the German question. It is therefore in our mutual interest that President Gorbachov's domestic reform policy should prove successful.

But the recent developments in the GDR would not have been possible without the example of extensive reforms in Hungary and Poland either. This in itself indicates how tightly our national fate is bound up with that of our neighbours.

IV

The 18 of March 1990 brought the first free elections in the GDR. They resulted in overwhelming victory for those who advocate freedom, democracy and social market economy.

Our friends and partners know our unequivocal response to the question as to Germany's position in a future Europe. Forty years of the Federal Republic of Germany - that is to say, 40 years of democracy and the rule of law - allow no doubt as to where we stand: on the side of freedom, on the side of our friends. And the free elections in the GDR, too, can only be regarded as a manifestation of democratic maturity.

The unification of the two German states is taking place on the basis of the right of self-determination. But it also affects the interests of our neighbours. We have from the very beginning made sure that the process of unification takes place within a stable European framework. We intend it to stay that way and will not present anyone with a fait accompli.

The words chanted by the people in the GDR - "We are one nation!" - made it clear from the start what the great majority of my fellow-countrymen want: unity in freedom.

In the first two months of this year alone the number of resettlers increased dramatically. To date over 150,000 have come to the Federal Republic - many more than the entire population of Cambridge, for instance. They include mostly young people, doctors, engineers and many other skilled persons who are urgently required to rebuild the GDR's economy. But this exodus is not only threatening the GDR's recovery; it poses problems for the Federal Republic, too.

Since the elections on 18 March the number of resettlers has dropped. The prospect of reunification is inducing people in the GDR to stay there. We must refrain from anything that would weaken their hope.

My Government has proposed that the Deutschmark also be made the GDR's currency and that a "social market economy" be introduced there. It has thus given an answer to the question asked by people of what will come next. At the same time the coalescence of the two German states must be harmonized with the external aspects of this process. These external aspects concern:

- the rights and responsibilities of the Four Powers with regard to Berlin and Germany as a whole,
- border questions,
- the existing and future security structures and
- the integration of the present-day territory of the GDR into the European Community.

Talks in accordance with the "2 plus 4" formula agreed at Ottawa were started by experts in mid-March. I would very much like to see these talks making progress. My aim is that they be completed before the CSCE summit this year.

In addition, we make sure that our partners in NATO and the European Community are kept informed of developments and are consulted on important questions concerning them. Together we shall have to pay special attention to ensuring that Europe's security is guaranteed in future, too. This is a vital, long-term question for which a spirit of partnership is particularly necessary. I know that Britain holds a sober and firm position in this matter, and I greatly appreciate such reliability.

In assessing the security interests of a future Germany and all its neighbours, indeed of Europe as a whole, we set out from the following parameters:

First: the future united Germany must not be neutralized or demilitarized. A Germany integrated in Western security policy is an essential element of European stabilily.

Second: the future united Germany must therefore remain embedded in the Western alliance. Secession from NATO must not be the price for German unity. Such a policy is not acceptable to me.

Third: the transatlantic security link between Europe and North America continues to be of vital importance for us Germans and for Europe as a whole. Our aim must therefore be to further deepen cooperation between the European Community and the United States in the field of foreign policy.

Fourth: for the sake of our national interest we must not encumber progress towards German unity with border issues. In 1985 I declared in the Bundestag: "In the areas beyond Poland's western border Polish families live today for whom those regions have become their home in the course of two generations. We shall respect this and not call it into question."

I strongly advocate that the two freely elected German parliaments and governments issue as soon as possible an identical declaration reaffirming the inviolability of the borders with Poland as the indispensable basis of peaceful relations in Europe. This declaration should unequivocally express the idea that immediately after unification of the two German states the all-German government and parliament will definitively settle the border question along these lines in an internationally binding treaty with the Republic of Poland.

Such a settlement can only be made by an all-German sovereign state. An identical declaration by the two governments and two parliaments is politically the strongest undertaking that can be expressed by the Germans before reunification. An overwhelming majority in the two German parliaments are in favour of such an undertaking, and thus there can be no doubt either about the position of a future all-German parliament and government.

The overwhelming majority of my fellow-countrymen seek definitive reconciliation with the Polish people. Lasting peace throughout Europe presupposes such reconciliation - just as the unification of Western Europe was only possible once the French and Germans had become friends after 1945.

I myself have time and again - for example in my policy statement on 1 September 1989 - recalled the untold suffering inflicted on the Polish people by Germans. It would no doubt be beneficial for the relationship between our two peoples if Poland were to refer with equally clear and noble words as President Vaclav Havel did for Czechoslovakia to the injustice committed by Poles against innocent Germans. We Germans are not entitled to such words, and even less must we try to balance accounts in one way or another. But I am certain that such a gesture would point the way to a future in which the relationship between the Polish and German peoples is marked by a spirit of good-neighbourliness in a common Europe.

V

On 28 April the heads of state or government of the European Community will meet in Dublin. Questions concerning the integration of the GDR into the European Community will be at the forefront of the summit.

I strongly welcome the fact that the EC Commission, the European Parliament and the EC Council of Ministers began at an early stage to make intensive preparations for the process of German unification and its implications for the Community. I intend to ensure that my Government consults consistently and closely with these three Community organs on all essential issues.

A united Germany will also be a reliable member of the European Community. The larger German market will, moreover, afford additional opportunities for all our European partners. I am certain that in five years the disastrous effects of "Socialism in practice" will be overcome. Thuringia, Saxony and the other Laender of what is now the GDR will flourish and achieve new prosperity.

VI

Just as we resolutely strive for German unity, we seek early realization of a European Union. Strengthening the rights of the European Parliament and expanding European Political Cooperation are important stages along the path to that goal. Those who want a united Germany to be firmly integrated into European structures must logically support further progress in European unification.

We seek speedy progress with a view to the completion of the single market by the end of 1992. We would like this year's intergovernmental conference to make constructive, intensive and swift efforts so that economic and monetary union can be completed.

At the special EC summit in Dublin at the end of April I shall again propose, as I did in Strasbourg, that a further intergovernmental conference be convened this year with a view to making faster progress towards political union.

VII

We want to follow the path of German and European unification together with our British friends. For us Germans, close relations with Britain marked by mutual trust have for decades been a cornerstone of our foreign policy.

In his famous speech at Zurich in September 1946, Winston Churchill indicated with his vision of a "United States of Europe" a path on which we have since then jointly made considerable progress.

Europe has now again reached a turning point in its history. But there is less cause than ever for faintheartedness. As the past year in particular demonstrated, time is working in favour of, and not against, the cause of freedom. This awareness should encourage us.

As Karl Popper explained at the end of his splendid work entitled "The Open Society and its Enemies", progress towards freedom is not the outcome of anonymous historical processes. It rests exclusively "with our watchfulness, with our efforts, with the clarity of our conception of our aims, and with the realism of their choice". We Germans want to contribute - as German Europeans and European Germans - to a future marked by freedom. The 1990s must become Europe's decade.

VISIT TO KÖNIGSWINTER CONFERENCE

You travel to Cambridge after Questions tomorrow to attend the 40th anniversary Königswinter Conference. I enclose a detailed note by the Press Office about the arrangements, together with a full list of those attending the dinner and a table plan for the top table. You will notice that Mr Heseltine will be on the top table, but not particularly close. I have also put in the folder the text of your speech as it stands. We have now translated it and hope to issue it to the press under embargo at 4.00 pm tomorrow afternoon.

CHARLES POWELL

28 March 1990

A

KÖNIGSWINTER 1990

BRITISH PARTICIPANTS

ALEXANDER Sir Michael KCMG	NATO
ANDERSON Dr Iain	Unilever
ASHDOWN Rt Hon Paddy MP	Liberal Democrat MP
BANHAM John	CBI
BECK Barbara	Anglo-German Foundation
BLAIR Tony MP	Labour MP
BONHAM-CARTER Lord	SLD spokesman on Foreign Affairs
BRAINE Sir Bernard MP	Anglo-German Parliamentary Group
BRITTAN Rt Hon Sir Leon QC	European Commission
BULLARD Sir Julian	ex-Ambassador
BUTT-PHILIP Alan	Univ of Bath
CALLAGHAN Bill	TUC
CAMPBELL Menzies MP	Liberal Democrat MP
CHALKER Rt Hon Lynda MP	Minister for Overseas Development
COHEN Janet	Charterhouse Bank
CORNFORD Prof James	Inst for Public Policy Research
CROHAM Lord	Anglo-German Foundation
CURRY David MP	Conservative MP
DAHRENDORF Prof Ralf	Warden, St Antony's College, Oxford
DAVY Richard	Univ of Oxford
DAY Sir Robin	Journalist and broadcaster
DEEDES Lord	Daily Telegraph
EBERLE Admiral Sir James	Royal Institute of International Affairs
EIDINOW John	BBC

FORMAN Nigel MP	Conservative MP
GILES Frank	Former Editor, Sunday Times
HAIGH Nigel	Inst for European Environmental Policy
HAMMOND Eric	EETPU
HANSON Dr Philip	Univ of Birmingham
HENDERSON Douglas MP	Labour MP
HESELTINE Michael MP	Conservative MP
HILTON Isabel	The Independent
HOBLEY John	Lloyds Bank
HOLME Richard	Constitutional Reform Centre
HOWELL David MP	Conservative MP
JENKINS Peter	The Independent
JOHNSON Daniel	The Times
KASER Michael	St. Antony's College, Oxford
KAUFMAN Gerald	Labour MP
KAY John	London Business School
KENNEDY Sir Francis	British Airways
KERR John	Foreign & Commonwealth Office
KESWICK Mrs Tessa	Special Adviser to Sec of State for Health
KING Chris	BP
LAIRD Gavin	AEU
LEIGH PEMBERTON Robin	Bank of England
LOEHNIS Anthony	S G Warburg
McGREGOR Peter	Export Gp for the Constructional Industries
MACLAY Michael	Sunday Correspondent
MALLABY Sir Christopher	British Ambassador
MANDELSON Peter	Campaigns & Communic Director, Labour Party

MAPLES John MP	Conservative MP
MARQUAND Prof David	University of Salford
MARSH David	FT Bonn
MARTIN Bob	Anglo-German Association
MATHER Graham	Inst of Economic Affairs
MAUDE The Hon Francis MP	Minister of State, FCO
MORETON Dr Edwina	The Economist
MORGAN Prof. Roger	European University Institute, Florence
MORRIS Dr Derek	Oriel College, Oxford
MOWLAM Dr Marjorie MP	Labour MP
MUNRO Colin	British Embassy, E Berlin
NAUGHTIE James	BBC World at One
O'NEILL Martin	Labour MP
PATERSON William	University of Warwick
PEARCE Edward	Daily Telegraph
PICK Hella	The Guardian
PORRITT Jonathan	Friends of the Earth
RADICE Giles MP	Labour MP
RIDLEY Sir Adam	Hambros
ROBERTS Sir Frank	
ROBERTSON George MP	Labour MP
ROPER John	RIIA
RUSHTON Derek	ICI
SHELDON Robert MP	Labour MP
SHEPHARD Gillian MP	Conservative MP
SIEGHART Mary Ann	The Times
STEVENSON Dennis	SRU Group
TAYLOR Ian	Conservative MP

TAYLOR Prof Trevor	Staffordshire Polytechnic
TENNANT Sir Peter	Former Committee member, Br. Ko. Steerg.Cte.
TONGUE Carole MEP	Labour MEP
TUGENDHAT Christopher	CAA
URWIN, Jeffrey	Samuel Montagu
WALTON David	BP
WARWICK Diana	AUT
WEIDENFELD, Lord	Publisher
WELSH Michael MEP	Conservative MEP
WESTON, JOHN CMG	Political Director & Deputy Under-Secretary of State, FCO
WHITTALL John	TSB
WILLETTS David	Centre for Policy Studies
WILLIAMS Rt Hon Shirley	John F Kennedy School of Government
WOLFERS Nicolas	Midland Bank International
WRIGHT Sir Oliver	Chairman, Brit Konigswinter Steering Cttee
WRIGHT Sir Patrick KCMG	Permanent Under-Secretary of State, FCO

as at 7.3.90

KÖNIGSWINTER 1990

GERMAN PARTICIPANTS

BARBIER, Dr. Hans Dieter	Frankfurter Allgemeine Zeitung
BARING, Prof. Dr. Arnulf	Freie Universität Berlin
BARTH, Helmut	Deutsche Unilever
BETTERMANN, Dr. Dr. Peter	BP
BETTZUGE, Dr. Reinhart	Auswärtiges Amt
BIEDENKOPF, Prof. Dr. Kurt	CDU MdP
BIERICH, Dr. Marcus	Robert Bosch GmbH
v. BISMARCK, Dr. Ing. Gottfried	Korber AG
BROK, Elmar	MdEP, CDU
CORNELSEN, Dr. Doris	Deutsches Inst.f.Wirtschaftsforschung,Berlin
CORTERIER, Peter	NATO
DELIUS, Rudolf	Deutsche Englische Gesellschaft (DEG) - Bielefeld
DOHNANYI, Dr. Klaus von	MdEP SPD
DÖNHOFF, Dr. Marion Gräfin	Die Zeit
DUVE, Freimut	SPD MdB
EHMKE Prof. Dr. Horst	SPD MdB
ELMAR, Konrad	SPD (East Germany)
FROSCHMAIER, Dr. Franz	Minister f.Wirtschaft SPD Schleswig-Holstein
FRIEDENSBURG, Dr. Ferdinand	DEG (Freiburg)
GANZEL, Norbert	SPD MdB
GOOSE, Dr. Dieter	DSL Bank
GRUBER, Edmund	Deutschlandfunk
HAENSCH, Dr. Klaus	MdEP SPD
v. HASE, Karl-Gunther	Vorsitzender, DEG

HELLWIG, Renate	MdB CDU
HENLE, Christian Peter	Deutsche Ges. f. Auswärtige Politik
HERTER, Ulrich	BATIG
HEYDT, Peter von der	Delbrück & Co.
HOLZER, Werner	Frankfurter Rundschau
JOFFE, Dr. Josef	Süddeutsche Zeitung
KAISER, Prof. Dr. Karl	Deutsche Ges.f. Auswärtige Politik, Bonn
~~KASTRUP, Dr. Dieter~~	~~Auswärtiges Amt~~
KEMNA, Friedhelm	General-Anzeiger
KIELINGER, Thomas	Rheinischer Merkur
KIEP, Walter Leisler	Fa Gradmann & Holler
KIESSLER, Dr. Richard	Der Spiegel
KOHLER-KOCH, Prof. Dr. Beate	Technische Hochschule, Darmstadt
KRÜGER, Ralf	Bank für Gemeinwirtschaft, Frankfurt
KUHNHARDT, Dr. Ludger	St. Antony's College, Oxford
LAUK, Kurt J.	Audi AG
LEBAHN Dr. Axel	Deutsche Bank AG
LECIEJEWSKI, Prof. Dr. Klaus	Deutsche Bank
LIENER, Dr. Gerhard	Daimler Benz
LINDNER, Manfred	DEG - Essen
LINTNER, Eduard	CDU MdB
LIPP, Ernst Moritz	Dresdner Bank
MECHTERSHEIMER, Dr. Alfred	Independent MdB(former Green)
MIEGEL, Dr. Meinhard	Inst.f.Wirtschaft u.Gesellschaft, Bonn
MILCHSACK, Lilo	Founder of the Königswinter Conference
NOELLE, Gottfried	DEG - Düsseldorf
OEHLER, Bernd	Mitglied Initiative Frieden und Menschen-rechte, Leipzig , East Germany

OERTEL, Martin	IG Metall
OETKER, Arend	Otto Wolff AG
PEISE, Prof. Gunter	DEG - Münster
PFARR, Prof Dr. Heide	Senatorin f.Bundesangelegenheiten, Berlin
PFLÜGER, Dr. Friedbert	Matuschka Group
RADZIMANOWSKI, Dr. Kersten	CDU (East Germany)
REIFENBERG, Dr. Jan	Journalist in Brussels
von RICHTHOFEN, H.E. Hermann	German Ambassador
ROTH, Wolfgang	SPD MdB
ROSE, Gunter	Gewerkschaft Banken
RÜHL, Lothar	Staatsekretar a.D
SAUTER, Gudrun	DEG - Heidelberg
SCHAFER, Helmut	Staatsminister, Auswärtiges Amt
SCHARPF, Prof. Dr. Fritz	Max Planck Institut, Köln
SCHMITZ, Dr. Ronaldo	BASF AG
v. SCHRÖDER, Manfred	DEG - Hamburg
SCHÜTZ-SEVIN, Dr. Barbara	DEG - Bonn
SCHWARZKOPF, Dietrich	ARD TV
SCHWEPCKE, Dr. Hans-Jürgen	DEG - Munich
SEELMANN-EGGEBERT Rolf	NDR Fernsehen
SOMMER, Theo	Die Zeit
SPETHMANN, Dr. Dieter	Thyssen AG
STAVENHAGEN, Lutz	Staatssekretar Bundeskanzleramt
STERKEN, Dr. Hans	CDU MdB
STOCKS,Christian	German Embassy
STÜRMER, Prof Michael	Stiftung Wissenschaft und Politik
THIES, Dr. Jochen	Chefradakteur, Europa-Archiv
VOGEL, Dr. Heinrich	Bundesinst. f. Ostwiss. und Int. Studien

VOIGT, Karsten	SPD MdB
VÖLLE, Dr. Angelika	Deutsche Ges. f. Auswärtige Politik
v. WARTENBERG, Dr. Ludolf	Head of BDI
v. WECHMAR, Rüdiger	FDP MdEP
WEIDENFELD, Prof. Dr. Werner	Inst f.Politikwissenschaft, U. of Mainz
WELLERSHOF, Admiral Dieter	Bundesministerium der Verteidigung
WISSMANN, Matthias	CDU MdB
ZIMMERMAN, Monika	Correspondent FAZ, East Berlin

GUESTS

BAAS, Dr. Norbert	Office of Helmut Schafer

Plus: German Embassy people

PLACEMENT FOR THE KONIGSWINTER DINNER

B

Charles Powell

Dieter Spethmann	Thomas Kielinger
Robert Leigh-Pemberton	George Robertson
Master's wife	Countess Donhoff
German Ambassador	Paddy Ashdown MP
Vice-Chancellor	David Howell
Herr von Hase	Kurt Biedenkopf
Prime Minister	Lynda Chalker MP
Sir Oliver Wright	The Master
Chancellor Kohl	Mrs Vice Chancellor
Sir Christopher Mallaby	Robert Rhodes James MP
Dame Lilo Milchsack	Lother Ruehl
Karl Kaiser	Sir F Roberts
Michael Heseltine	Horst Ehmke
Theo Sommer	Sir Patrick Wright
Mrs Robert Rhodes James	Rudi von Wechmar MEP

Minister Klein

Meeting Record

ACG

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

26 March 1990

Dear Richard.

PRIME MINISTER'S MEETING WITH THE MINISTER-PRESIDENT OF BADEN-WURTTEMBERG

The Prime Minister had a talk this morning with the Minister-President of Baden-Wurttemberg. Dr. Spaeth was accompanied by the German Ambassador, Dr. Menz, Herr Mengele and an interpreter. The Secretary of State for Wales was also present.

The Prime Minister said we were very keen to attract more foreign investment to Wales and she welcomed the interest shown by companies from Baden-Wurttemberg. Dr. Spaeth said that a number of German companies, particularly those who were already suppliers to Bosch, were interested in investment in Wales. Generally speaking, the manpower costs were much lower than in Baden-Wurttemberg: 17DM per hour as against 32DM, with productivity only slightly below German levels. The Prime Minister asked whether unification of the two Germanies would not give Baden-Wurttemberg access to a larger reserve of labour. Dr. Spaeth said that, generally speaking, the East German workforce were not adequately trained. He estimated it would take some 6-7 years to bring them up to West German levels.

The Prime Minister asked how Dr. Spaeth assessed the likely consequences of German economic and monetary union. Was there not a risk that it would lead to inflation? That would certainly be one's natural expectation of the consequences of offering to exchange deutschmarks for Ostmarks at a 1:1 rate. Dr. Spaeth agreed there was a considerable likelihood that the East Germans would spend their newly acquired deutschmarks, thus causing inflation. He expected East Germany's GNP to fall steadily immediately after unification, perhaps by as much as 30 or 40 per cent. No-one would want to buy the products of, for instance, the East German automobile industry. It would be necessary to undertake a root and branch modernisation of East Germany's industry and this was bound to last some time. But within 6-7 years, Germany would be significantly stronger than now. The Prime Minister questioned whether the modernisation process would not go even faster than Dr. Spaeth predicted. Dr. Spaeth said there would certainly have to be an immediate start to it, otherwise emigration from the GDR to the FRG would continue. The rationale for German economic and monetary union was to keep people in the GDR.

Dr. Spaeth spoke of the problems of trade with the Soviet Union. He thought the economic situation there virtually hopeless. Baden-Wurttemberg had set up arrangements for management training, but found the task virtually impossible. Soviet managers seemed unable to understand how the market economy worked and could think only in military-strategic terms. He was experimenting with involving the East Germans in joint ventures with the Soviet Union, so that they could "interpret" Soviet thinking.

In reply to a further question from the Prime Minister about the likely pace of unification, Dr. Spaeth said that he thought it might well take somewhat longer than the West German Government were currently suggesting. The GDR would have to take over West German laws in toto and that would take a time. It would also require amendments to the West German laws themselves. The constitutional process of unification would not necessarily be easy. It would be necessary to recreate the laender in the GDR. At present, communist officials were entrenched at district level and would make it very difficult to change the way in which East Germany was governed, unless a new unit of local government was created. Dr. Spaeth added that it would also be important to resolve various problems affecting NATO and the European Community before unification took place. The Prime Minister explained some of the difficulties we foresaw in absorbing East Germany into the EC. Dr. Spaeth agreed that one would need plenty of time to discuss these consequences. The Prime Minister commented that she had been pilloried, castigated and criticised some months ago for demanding time to work out the consequences of unification: now that seemed to be everyone's position.

I am copying this letter to Martin Stanley (Department of Trade and Industry) and Stephen Williams (Welsh Office).

Yours ever,

C. D. POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

Foreign and Commonwealth Office

London SW1A 2AH

23 March 1990

Dear Charles,

Call on the Prime Minister by Dr Späth, 26 March at 1130

Dr Lothar Späth, the CDU Minister-President of Baden-Württemberg, is calling on the Prime Minister at 11.30 am on 26 March (I enclose a personality note). He is visiting Britain at the invitation of the Welsh Secretary to promote the links between Wales and Baden-Württemberg. He will see the Foreign Secretary before he calls on the Prime Minister. He will visit Wales from later on 26 March. Mr Walker is accompanying him on his calls.

Dr Späth has been Minister-President of Baden-Württemberg since 1978. Baden-Württemberg's economic position in the FRG is pre-eminent. It is the home of Mercedes-Benz, Bosch and Porsche, amongst other companies, and claims to be the only area of Europe to run a trade surplus with Japan. Until last year Dr Späth was widely regarded as a potential rival to Chancellor Kohl, but his failure to win re-election as Deputy Chairman of the CDU in 1989 (a position he had held from 1981) was a setback. Nonetheless, he remains one of the most important politicians in the FRG and perhaps the most successful Minister-President.

Dr Späth's main interest will be in the Prime Minister's views on the German Question. He has been cautious on German unity and developments in the GDR. He will be pleased at the victory of the "Alliance for Germany" in the GDR elections, if it gives Chancellor Kohl more control over the pace of unification.

The Prime Minister might like to draw Dr Späth out on his view of the pace of unification following the GDR elections; and on the prospects for the FRG elections in December. She might like to make some of the following points:

- We hope Ministerial two plus four talks can get under way soon, once there is a legitimate GDR representative.

- We welcome assurances that the Federal Government will ensure that the external aspects are settled before unification takes place.

- We welcome German decision in favour of a Treaty on Poland's border. Much the most sensible way to resolve the problem.

- How will the GDR election results affect the next steps? What are the main internal problems to be resolved?

If time permits, the Prime Minister could ask Dr Späth how Baden-Württemberg has been coping with the influx of German immigrants from the GDR and Eastern Europe.

The Prime Minister may also like to stress the importance of NATO. Senior CDU/CSU politicians continue to state firmly that a united Germany should be a member of NATO. But they need to give a lead during the election year. The Prime Minister could say:

- We welcome Dr Späth's robust support for a united Germany in NATO. This is vital.

- NATO should certainly develop its political role and adapt to changing circumstances. But sound defence remains important and cannot be taken for granted.

If Dr Späth raises the EC aspects of unification, the Prime Minister may wish to reaffirm our support for the early integration of the GDR into the EC after unification. She could:

- Welcome the FRG government's intention to avoid treaty amendment and to ensure that Community competition and standards rules apply to ex-GDR territory from the start.

- Urge the need for transparent negotiations, involving the Council and not just the Commission, over any derogations that might be necessary.

- Reiterate the need for adequate safeguards against any distortion of trade.

If economic and monetary union (EMU) is mentioned, the Prime Minister might want to seek Dr Späth's views on the possible implications of EMU for the Länder. (The new Commission paper, prepared for the 31 March ECOFIN, departs from the Delors prescription by rejecting binding constraints on budget deficits but still favours binding procedures for surveillance.)

The Prime Minister may also like to mention the reopening of a Career Consulate-General in Stuttgart. She could say:

- Importance of Baden-Wurttemberg as trade of business centre. Welcome decision to reopen in Stuttgart.

- British Marketing Office and staff will be subsumed into Consulate General.

- Hope to have Consulate-General up and running later this year, once premises have been obtained.

I am copying this letter to Stephen Williams (Welsh Office).

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secreary

C D Powell Esq
10 Downing Street

SPÄTH, DR H C LOTHAR

Minister-President of Baden-Württemberg (CDU) since August 1978.

Born 1937 in Sigmaringen. Studied administration at the State School of Administration, Stuttgart. Began his career in local government finance, then became Manager in several firms of building contractors. Active in regional politics since late 1960s.

Chairman of the CDU in the Regional Parliament 1972. Minister for the Interior February 1978. August 1978 elected Minister-President in succession to Hans Filbinger (who resigned over his war-time activities). Led his party to convincing land election victories in 1980 and 1984 followed by a third narrower success in 1988. Elected a Deputy chairman of the Federal CDU in 1981. As Minister-President he has nurtured Baden-Württemberg's pre-eminent economic position in the FRG by a policy of active encouragement to new firms investing in high technology.

He has made his dissatisfaction with Kohl's leadership of the party since the 1980 Federal election increasingly clear. As Minister-President he has become more statesmanlike and, following his third successive electoral victory in 1988, is widely regarded as having strong ambitions on the Federal Chancellery himself. His failure to win re-election as a Deputy Chairman of the CDU in September 1989 was a serious reverse and showed the party's impatience with his sniping at Kohl. But he cannot be written off yet. If the way to the Chancellery remains blocked, he could yet turn up in Brussels as one of the FRG's Commissioners.

PRIME MINISTER

MEETING WITH DR. LOTHAR SPAETH

You will be seeing Dr. Lothar Spaeth, the Minister-President of Baden-Wurttemberg briefly on Monday. He is a leading CDU politician and was at one time seen as a potential rival to Chancellor Kohl, although he has fallen back a bit recently. Baden-Wurttemberg is the richest Land in West Germany, and probably the most prosperous single area of Europe, numbering Mercedes Benz, Bosch and Porsche among its companies. It runs a trade surplus with Japan, allegedly the only part of Europe to do so. Dr. Spaeth has been Minister-President for twelve years and you last saw him when he was on an official visit here in 1986.

Dr. Spaeth is here at the invitation of the Welsh Secretary and will be spending his time in Wales. The purpose is to promote links between Wales and Baden-Wurttemberg and no doubt to attract some investment. Mr Walker will accompany him at the meeting with you.

You will want to discuss German unification and environmental issues: when you last met you had quite a discussion about acid rain and the damage done to the Black Forest. You might also like to ask him how he views the extreme right wing Republikaner Party and its prospects in the elections in December.

You might also say that you are very pleased that we are going to reopen a full Consulate General in Stuttgart. We hope to have it operating by the end of the year. (It was a great mistake ever to close it down, given Baden-Wurttemberg's economic importance.)

C.D.P.

Charles Powell
23 March 1990

c: Spaeth (MJ)

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 0549 (Llinell Union)

ODDI WRTH YSGRIFENNYDD
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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

22 March 1990

Dear Charles,

VISIT OF HERR DR SPATH

... I attach the final programme for the visit of Herr Dr Späth
... to London and Wales next Monday and Tuesday. Also attached is a list of those in the party.

As you know, it has been agreed that, in addition to Mr Walker and Herr Dr Späth, the meeting with the Prime Minister at 11.30 am will be attended by Baron von Richthofen (West German Ambassador), Herr Dr Menz (the "State Secretary" in the Baden-Württemberg Staatsministerium) and Herr Gurmann (interpreter). This will also be the party for the meeting with the Foreign Secretary at 10.45 am with the addition of Herr Mengele (the Head of International Affairs in the Staatsministerium).

My office is making all the arrangements for transport. I understand that the press call in Downing Street at 12 noon has been arranged directly between the West German Embassy and No 10.

/ Copy to Richard Gozney in the Foreign Secretary's Office.

Yours sincerely
Stephen Williams

STEPHEN WILLIAMS

Charles Powell Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

VISIT TO WALES BY HERR DR h c LOTHAR SPÄTH,
MINISTERPRÄSIDENT DES LANDES BADEN-WÜRTTEMBERG:
26/27 MARCH 1990

MONDAY 26 MARCH

0855 **Arrive Heathrow Airport**

Received by:

Rt Hon Peter Walker MBE MP - Secretary of State for Wales
Baron Hermann von Richthofen - West German Ambassador
Dr Gwyn Jones - Chairman, Welsh Development Agency

Car 1:	Herr Dr Späth	)	
	Mr Walker	)	
	Baron von Richthofen	)	
		)	
Car 2:	Herr Dr Menz	)	to Welsh Office,
	Herr Mengele	)	Whitehall, London
	Mr Williams	)	
		)	
Car 3:	Herr Reichl	)	
	Herr Dr Diepes	)	
	Herr Meisner	)	
		)	
Car 4:	Herr Dr Stocks	)	
	Mr Aggett	)	

The rest of the party travel with Dr Jones by coach to South Wales (programme at Annex A)

1000 (approx) **Arrive Welsh Office.** Meet David Hunt MBE MP, future Secretary of State for Wales; Sir Richard Lloyd Jones, Permanent Secretary, Welsh Office; and Mr Geoff Roberts, Director of Information, Welsh Office. (Herr Gurmann, interpreter, to be present.)

1035 **Depart for Foreign Office** (King Charles Street entrance)

Car 1: Herr Dr Späth
Mr Walker
Baron von Richthofen

Car 2: Herr Dr Menz
Herr Mengele
Herr Gurmann

Car 3: for return of Herr Mengele to Welsh Office at 11.15

1045 Meeting with Rt Hon Douglas Hurd MP, Foreign Secretary

1115 **Depart.** (Cars 1 and 2 as above, except that Herr Mengele returns to Welsh Office in Car 3)

1130 Meeting with **Prime Minister**, Downing Street

Car 2 returns to Welsh Office

Herr Reichl, Herr Dr Stocks, Herr Dr Diepes, Herr Meisner, Sir Richard Lloyd Jones, Mr Roberts and Mr Williams remain at Welsh Office, to be joined by Herr Mengele at 11.20. At **1150** they **depart for Downing Street** to meet up with rest of party (Cars 2, 3, and 4). Herr Hacker (Stuttgarter Zeitung) joins party.

1200 **Press call**, Downing Street

1215 **Depart for Paddington Station**

Car 1: Herr Dr Späth
Mr Walker
Baron von Richthofen

Car 2: Herr Dr Menz
Herr Mengele
Sir Richard Lloyd Jones

Car 3: Herr Reichl
Herr Dr Diepes
Mr Roberts

Car 4: Herr Dr Stocks
Herr Meisner
Herr Hacker
Mr Williams

1300 **Depart by train to Cardiff** (not Baron von Richthofen and Herr Dr Stocks, who return to Embassy)

Party to be joined for lunch on the train by

Mr Geoffrey Inkin - Chairman, Cardiff Bay Development Corporation

Mr Ian Kelsall - Director of the Confederation of British Industry (CBI) Wales

Herr Helmut Wegner - Minister, West German Embassy

1500 **Arrive Cardiff Central Station.** Depart for AB Electronic Products (via Civic Centre)

Car 1: Herr Dr Späth
Mr Walker

Car 2: Herr Dr Menz
Herr Mengele
Herr Wegner

Car 3: Herr Reichl
Herr Dr Diepes
Herr Hacker
Herr Meisner
Mr Roberts
Mr Williams

1515 **Arrive AB Electronic Products**, Forest Farm, Whitchurch, Cardiff. Received by Mr Peter Phillips, Company Chairman, for tour of factory and discussions (and meet up with rest of party, who will have arrived at 1505).

1615 **Depart by coach**

1630 **Arrive University of Wales College of Cardiff**, Trevithick Building, Newport Road, Cardiff. Received by Sir Aubrey Trotman-Dickenson, Principal, to view a new building for the faculty of Engineering and Environmental Design, and for discussions with academic staff and representatives of companies with which the College is collaborating.

1800 **Depart**

1805 **Arrive Holiday Inn, Cardiff**

1930 **Reception at Bardd Suite, Holiday Inn**

2000 **Dinner hosted by Mr Walker in honour of Herr Dr Späth**

Overnight at Holiday Inn

TUESDAY 27 MARCH

0810 Depart hotel by coach

0820 **Arrive National Museum of Wales, Cardiff.**
Received by the Honourable Jonathan Davies (President of the Museum), Mr Alistair Wilson (Director) and Mr Timothy Stevens (Keeper of Art). View the refurbished art gallery and Wales' major collection of Impressionist paintings.

0900 **Depart Museum**

Car 1: Herr Dr Späth
Mr Walker

Car 2: Herr Dr Menz
Herr Mengele or Herr Prof Löhn
Mr Williams

Rest of party by coach for alternative programme (Annex B). This will become the programme for the whole party in the event of bad weather preventing the helicopter tour.

0905 **Arrive Blackweir Fields for helicopter tour** of South Wales to include the Cardiff Bay redevelopment area, Newport, the South Wales Valleys, the new Bosch development at Miskin, coastal scenery along the Gower Peninsular and Swansea.

1050 **Arrive Morfa Stadium, Swansea.** Received by Mr Trevor Osborne, Director of Development, Swansea City Council.

1100 Depart by coach for a **tour of the Swansea Enterprise Zone and the Maritime Quarter**

1200 **Arrive the Guildhall, Swansea.** Received by the Lord Mayor of Swansea, Councillor Lorna Aldron; the Leader of the Council, Councillor Tyssul Lewis; and the Chief Executive, Mr Andrew Boatswain. Official signing of a declaration of partnership between Wales and Baden Württemberg. Press conference.

1230 **Lunch at the Guildhall**, hosted by the Lord Mayor of Swansea.

1425 **Depart** by coach.

1435 **Arrive University College, Swansea (Taliesin Theatre).** Received by the Principal, Professor Brian Clarkson and academic colleagues.

Presentations and discussions of the work of the College.

1535 **Depart** for Swansea Airfield.

1545 **Arrive at Swansea Airfield** to depart by private jet to Heathrow.

1650 **Arrive Heathrow** to connect with 1830 flight to Stuttgart, LH 1655. Booked into Hounslow Suite.

ANNEX A

0935 (approx) **Depart Heathrow** by coach. (All baggage - including that for the London party - to go in the coach for delivery to the Holiday Inn, Cardiff).

During the journey to Cardiff there will be a number of presentations given by Welsh Development Agency staff and by video, covering such things as the Welsh economy, technology in Wales and the presence of German companies in Wales.

WDA staff present will be:

Dr Gwyn Jones - Chairman
David Graham - Director Technology Marketing
Christine Warwick - Public Relations Director
Chris Thomas - European Director Welsh Development International
Ian Rooks - Property Services Director
David Griffiths - European Manager Welsh Development International
Menna Lewis - European Team Welsh Development International

1200 **Arrive Amersham International**, Forest Farm, Whitchurch, Cardiff. Received by Mr David Warrell (Site Manager)

1245 **Depart for Cardiff Castle**

1300 **Arrive Cardiff Castle** for lunch

1445 **Depart for AB Electronic Products**, Forest Farm, Whitchurch, Cardiff

1505 **Arrive AB Electronic Products** to meet up with London party

ANNEX B

0900 **Depart Museum** by coach

0920 **Arrive Bosch development site, Miskin,** to be met by Mr Martin Wibberley (Director of Personnel, Bosch (Wales)) and Mr Robin Elvin (Site Manager) to view the site, followed by a briefing on the project at nearby Miskin Manor Hotel.

1005 **Depart** for Swansea via Bridgend.

1050 **Arrive at Morfa Stadium, Swansea** to meet up with helicopter party.

VISIT TO WALES BY HERR DR SPÄTH

GERMAN DELEGATION

Herr Dr h c Lothar Späth - Minister President of Baden-Württemberg.

Herr Dr Lorenz Menz - State Secretary, Staatsministerium.

Herr Hans-Peter Mengele - Head of Department of International Affairs, Staatsministerium.

Herr Professor Johann Löhn - State Commissioner for Technology Transfer, Chairman of the Board of the Steinbeis Foundation for Economic Promotion.

Herr Hartmut Reichl - Deputy Speaker of the Land Council, Head of the Staff Unit for Press and Public Relations, Staatsministerium.

Herr Walter Weik - Head of the Personal Office of the Minister President, Staatsministerium.

Herr Ulrich Mach - Department of International Affairs, Staatsministerium.

Businessmen

Herr Wilfried Fackner - Managing Director of Isicad GmbH, Jacques Alt, Ellwangen.

Herr Horst Hölzl Eng - Managing Director of Murrplastik GmbH, Oppenweiler.

Herr Dieter Hölzle - Managing Director of Technikprojekte, Development and Construction, Gachingen.

Herr Wolfgang Hohmann - Managing Director of Kunststoffwerk Gessmann GmbH, Leingarten.

Herr Werner Kieninger - Managing Director of Walter Kieninger GmbH, Lahr.

Herr Winfried Otto - Member of Board of Progress, Werk Oberkirch AG, Oberkirch-Stadelhofen.

Herr Walter Söhner - Managing Director of Walter Sohner GmbH, Schwaigern.

Academics

Herr Professor Dr Erwin Reisch - President of the University of Hohenheim and Chairman of Baden-Württemberg University Association.

Herr Professor Dr Otto H Jacobs - Rector of Mannheim University.

Herr Professor Dietmar von Hoyningen-Heune - Doctor of Mannheim Fachhochschule (Technical University) and Chairman of the Baden-Württemberg Fachhochschule Association.

Press

Herr Matthias Meisner - Deutsche Presse-Agentur.

Herr Dr Volker Diepes - Suddentscher Rundfunk.

Herr Reinhardt Hacker - London correspondent of the Stuttgarter Zeitung.

Embassy

Baron Hermann von Richthofen - West German Ambassador (London end only).

Herr Helmut Wegner - Minister, West German Embassy.

Herr Dr Christian Stocks - West German Embassy (London end only)

Mr Roger Thomas - British Consul General, Stuttgart.

c: Konigswinter

file

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

12 March 1990

Königswinter Conference

I am afraid a problem has cropped up over the travel arrangements after the Königswinter dinner. The Prime Minister has decided that she does not want to helicopter back to London at that time of night: and anyway it takes only an hour to drive (not much longer than the helicopter, given the circuitous route which it has to take). I think it must be up to the Germans whether they want nonetheless to helicopter: if they do, the Prime Minister wants it to be a helicopter of the Royal Flight: and hopes it will avoid Battersea Heliport, which is an eyesore, and come in to Chelsea Barracks (if permitted at that time of night).

C.D. POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

MEETING RECORD
SUBJECT cc MASTER.

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 February 1990

Dear Simon,

PRIME MINISTER'S MEETING WITH THE FEDERAL GERMAN DEFENCE MINISTER

The Prime Minister had a talk in her room in the House of Commons this afternoon with the Federal German Defence Minister. Herr Stoltenberg was accompanied by the German Ambassador.

The Prime Minister said that the agreement reached in the margins of the Open Skies Conference in Ottawa to establish the Four plus Two framework had been enormously important. She had been determined to see that the consequences of German unification for NATO and for European security were properly thought through before unification took place. Some of Herr Stoltenberg's colleagues had been curiously reluctant to accept this. But now we had a framework, although it was a pity that there seemed to be resistance to starting discussion until after the elections in the GDR. At the same time, there was agreement to hold a special meeting of the European Council to discuss the consequences of unification for the European Community. These would be very substantial. She understood there was also agreement to hold discussions and consultations in NATO. At last things were getting on the right track. It was important that no-one should feel excluded, above all adjacent states like Poland, which had a particular concern about its border with Germany. Herr Stoltenberg agreed there was now a very reasonable framework for consultation where all international security aspects of unification could be considered. Germany's allies and neighbours had a legitimate right to be consulted. He thought there was a good prospect of bringing such consultations to a successful conclusion by the end of the year. He hoped the most sensitive questions would be handled in the Four plus Two forum. The Prime Minister said that we ought also to develop the CSCE framework. Herr Stoltenberg said he fully shared this view.

The Prime Minister continued that she had also been rather concerned about piecemeal developments affecting Europe's defence. There had been the American proposals to reduce the numbers of stationed forces, with which we had had to deal at short notice. Countries like Belgium appeared to want to pre-empt any reductions agreed in the CFE negotiations. We had also been a bit worried by the attitude in the Federal Republic to issues such as low flying and tank training. She hoped that in future all these problems would be dealt with in a more

coordinated manner. We were all bound by our Treaty commitments to NATO and must stand by them. Once reductions were agreed in the CFE talks, it might become necessary to review Britain's commitment under the Brussels Treaty to keep specific numbers of our forces in Germany. Herr Stoltenberg said that Chancellor Kohl had undertaken that Germany would stay in NATO after unification, even though this might cause electoral difficulties for him. The German Government had every intention of standing by that commitment. The Prime Minister said that she assumed it extended also to keeping the American forces and nuclear weapons in Germany. Herr Stoltenberg assented, although with less conviction.

The Prime Minister then said that we had been very disappointed not to get support from the Federal Republic in relaxing some of the voluntary sanctions against South Africa. She knew that Chancellor Kohl was much preoccupied with the problems of unification and with the elections in East Germany. He had been stalwart in joining her to resist sanctions against South Africa. Both Government's had given President de Klerk assurances that the release of Mandela and other steps would meet with a positive response. Consequently she found it rather hard to understand why the Federal Republic have not joined us in relaxing some of the measures in response to de Klerk's bold steps. Indeed she had mentioned this to Herr Genscher during his visit to London, as they were walking downstairs at Downing Street, and he had seemed to agree that the Community should take some positive action. The German Ambassador said it was simply a matter of time. The German Government took the view that any action should wait until the state of emergency had been lifted and political prisoners released. A decision had been reached in Dublin to send a troika to South Africa. The Prime Minister said this was a weak answer. Of course there was a danger that countries which took action to relax sanctions would be misrepresented. But that was not an argument for doing nothing. Our view was that we should proceed step by step. It would be absurd to treat President de Klerk in exactly the same way as we had treated President Botha. Herr Stoltenberg said that he entirely agreed that President de Klerk had taken courageous decisions and deserved support. He thought the German position different from ours only on the question of timing. But he would mention the matter and the Prime Minister's strong views to Chancellor Kohl next Monday.

I am copying this letter to Stephen Wall (Foreign and Commonwealth Office), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

Yours sincerely,

(CHARLES POWELL)

Simon Webb, Esq.,
Ministry of Defence.

PRIME MINISTER

MEETING WITH THE GERMAN DEFENCE MINISTER

You are to see Herr Stoltenberg in your room in the House after Questions tomorrow for about half an hour. He has been in Scotland for a NATO Defence Minister's meeting. The main purpose of seeing you is to maintain contact at the highest level between the British and German government in this somewhat trying period. You do, of course, know Herr Stoltenberg well; he has been at the top of the Christian Democrat Party for more than 20 years, most recently as Finance Minister from 1982-89. He has always been seen as a rival to Chancellor Kohl, and a cleverer and more substantial man. But he lacks the political base, coming from the relatively small Land of Schleswig Holstein: and his somewhat cold and formal manner have made him a bit out of place in the gemutlich style of German politics in which Chancellor Kohl excels.

As Defence Minister, Herr Stoltenberg will have a key role in working out German policy on defence and NATO in the period leading up to and after unification. His instincts on this are generally sound: but, as you will have seen from the telegrams, he received a sharp set-back from Genscher when he suggested that units of the regular German army could be stationed in the former GDR after unification. Chancellor Kohl seems to be siding with Genscher in creating the presumption that, at most, only reservists will be allowed there. This is unhelpful.

I think the points you will want to get across to Stoltenberg are:

- you hope he will assure Chancellor Kohl that you are not opposed to unification but determined to see the consequences for the rest of Europe properly discussed before unification takes place. The agreement in Ottawa to establish the Four plus Two mechanism was a major step forward, as is the agreement on an EC Summit. There will also need to be discussions in NATO.

- we regard it as essential that Germany should stay in NATO. The Russians cannot bring themselves to accept this explicitly yet, and we shall have to devote a lot of effort to bringing them round. This will mean we must show

ourselves ready to take account of their security interests, by allowing Soviet forces to remain in the GDR for a transitional period.

- in the meantime, we should not make any concessions about how former GDR territory will be defended after unification until there has been proper discussion in the Four plus Two group and in NATO.

- we also attach the highest importance to maintaining American troops and their nuclear weapons in the FRG after unification. You hope Stoltenberg supports this.

- we think that the Polish government are justified in seeking a legally-binding guarantee of their border. This is another of the matters which will need to be discussed in the Four plus Two group.

It is possible that Herr Stoltenberg will suggest that NATO should start to prepare for SNF negotiations. Our view is that we should stick strictly to NATO's Comprehensive Concept, which said that negotiations can begin once an agreement on conventional forces is being implemented. This is still some way off: and the most that we could envisage in the way of preparatory work might be some discussion in NATO of technical problems which will eventually have to be confronted in negotiations, such as verification. [We do not want to get drawn into discussion of NATO's negotiating position, or the issue of LANCE will be raised.]

You might take the opportunity to say to Herr Stoltenberg that we would like to see the FRG take a more robust line on South Africa. All our previous careful co-operation with Chancellor Kohl seems to have slipped away, now that the moment for action has come.

e DP.

C. D. POWELL

21 February 1990

C:\wpdocs\foreign\stol (pmm)

P.S. There may be some further briefing from a Defence Secretary. — now received & in folder.

Foreign and Commonwealth Office

London SW1A 2AH

CONFIDENTIAL

20 February 1990

Dear Charles,

Call by the FRG Defence Minister

Dr Stoltenberg is in the UK to attend an IEPG meeting. He is seeing the Lord President, the Secretary of State for Defence and the Foreign Secretary. I enclose a personality note. Stoltenberg was appointed last April, having previously been Finance Minister.

The main subject will be German unification. Stoltenberg has a key role to play in speaking up within the FRG for a responsible approach to future security arrangements. The Prime Minister might underline our support for unification, and welcome the agreement at Ottawa on a framework for resolving the external aspects of Germany unity.

It is clear from the public disagreement between Stoltenberg and Genscher over the weekend that German thinking on the details of future security arrangements for Germany remains at an early stage. Stoltenberg has been trying to establish how the Bundeswehr would defend the territory of the GDR. Genscher has said that the matter was undecided. But latest reports are that Stoltenberg and Genscher have made a joint statement that Bundeswehr forces should not be stationed in the territory of the former GDR. The statement, however, leaves the question of what security arrangements there will be for negotiations with the GDR and the Four Powers. The Prime Minister might take the line that:

- crucial that Germany stays in NATO;

- Allied opinion seems to be coalescing around the proposition that NATO would forswear deployment of non-German forces on territory of former GDR. We should not concede anything about the defence status of the former GDR territory until there has been intensive discussion in the Four plus Two and NATO;

- but the Soviet Union have not yet reconciled themselves to Allied thinking. We will all need to pursue with tact, assuring them that we have their security interests in mind;

- NATO now needs to flesh out its thinking. Important for Western Four to work jointly at finding the answers in weeks ahead;

- a crucial aspect will be transitional arrangements for Soviet forces. Once we have reached a common view among the Western Four, we will need to consider how to take this forward in the Two plus Four structure.

The Bundeswehr's current active strength of 456,000 cannot be maintained for demographic reasons. Proposals for a restructuring, under the umbrella title 'Bundeswehr 2000', have evolved substantially since they first became known in 1988. Provided a CFE treaty is concluded soon, the Bundeswehr's active strength will fall to about 400,000 by 1995. Wartime strength would be maintained through increased reliance on reserves. The Germans have kept their NATO allies fully informed of their plans, and appear to have taken some account of their concerns. We recognise the demographic pressures on the Bundeswehr, and accept realistic measures to counter them, provided they do not undermine the Western position in the run-up to CFE. Political pressure for deeper cuts will continue. The Prime Minister could say:

- grateful to have been kept in touch with plans. Appreciate need to address future demographic constraints: clearly important to plan well in advance;

- hope any reductions will be consistent with progress in arms control.

The Prime Minister might commend NATO's recent moves to give impetus to the CFE negotiations (the US/Soviet bilateral ceiling for Central Zone of 195,000; amended aircraft and helicopter proposals and an amended tank definition that have all been expressly designed to meet Soviet concerns) and point to the substantial UK role in achieving this. On the subject of CFE Follow-Up, the Prime Minister might say that a further parity-based bloc to bloc negotiation is unlikely to be feasible, and that we shall need to consider among the Allies, and then in the CSCE context, how to take the process forward after CFE.

Both Herr Genscher and Dr Stoltenberg have recently raised the question of SNF negotiations. In January Dr Stoltenberg proposed that NATO should begin preparations for SNF in the course of this year. The Comprehensive Concept says that negotiations aimed at partial reductions in US and Soviet short-range nuclear missiles can begin once a CFE agreement is being implemented. The conditions are therefore likely to be fulfilled in the not too distant future; and before then NATO will need to decide on its negotiating position. Our aim should be to try to restrict NATO's preparations before the German elections to a discussion of technical issues such as verification (which will be a particularly difficult aspect of SNF negotiations). If we allowed ourselves to be drawn into a discussion of the

Alliance's negotiating position as a whole, the issue of LANCE would probably resurface before the German elections.

If, therefore, Dr Stoltenberg raises the question of preparation for SNF negotiations, the Prime Minister might say:

- that we stick by the Comprehensive Concept;

- we should only start preparatory work on SNF negotiations in the Alliance when the CFE agreement is on the verge of being concluded;

- we shall want to consult bilaterally with both the US and the FRG before opening this topic in the Alliance later in the year.

I am copying this letter to Tim Sutton (Lord President's Office), Simon Webb (MOD) and Sonia Phippard (Cabinet Office).

Yours,
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

STOLTENBERG, DR GERHARD HON GCMG

Federal Minister for Defence (CDU). A Deputy Chairman of the CDU.

Born 1928 in Kiel, the son of a clergyman. War Service 1944-45. Studied history, social science and philosophy at Kiel University, taking his doctorate in 1954 with a thesis on the work of the First Reichstag. Thereafter worked as an assistant at Kiel University. Appointed Lecturer in Modern History in 1960, his special topic being Tirpitz and his naval policy. 1965 and again 1969-70, a Director af Friedrich Krupp, and Head of the company's Economic Policy Department.

He entered politics through the Young CDU, of which he was Federal Chairman from 1955-61. A member of the Schleswig-Holstein Land Parliament from 1954-57 and again 1971-82. A member of the Bundestag from 1957-71. 1965-69 Federal Minister for Scientific Research. Elected a Deputy Chairman of the CDU in 1969 and from 1969-71 was Vice Chairman CDU/CSU Parliamentary Party. He resigned from the Bundestag in 1971 to lead the CDU campaign in the Schleswig-Holstein Land Elections and became Minister-President, retaining the office until he returned to Bonn in 1982 to become Federal Minister of Finance. Re-elected to the Bundestag in the Federal election in 1983.

Stoltenberg was one of Kohl's main rivals for leadership of the Party in 1970s. He stood as Vice-Chancellor candidate alongside Strauss in the 1980 Federal election. For this, and his grasp of economic policy, he won increasing respect in the CDU. His contribution to CDU policies at a time of increasing economic difficulty for the FRG made him an obvious choice as Finance Minister when the CDU took office in 1982. His expertise and consistency of purpose in reducing the Federal budget deficit contributed very

substantially to the economic successes of the Kohl Government and his political stature grew accordingly. His position suffered after the 1987 elections when, perhaps to cut him down to size, Kohl publicly offered his job at the Finance Ministry to Strauss. Further damage to his personal and political reputation followed the disclosures of a dirty tricks campaign by the CDU in the run-up to the Schleswig-Holstein elections in September. Stoltenberg professed ignorance of the schemes of the then Minister-President, Barschel. There was widespread feeling however that, as Chairman of the local CDU, Stoltenberg may have known more than he admitted; or that, if he were not informed he should have been. Alongside these set-backs, he appeared indecisive at the Finance Ministry. His handling of decisions in 1987 and 1988 concerning the Federal budget and tax increases was marked by delay, coalition bickering and poor public presentation. The controversy surrounding his introduction of a Withholding Tax contributed to Kohl's decision to reshuffle his cabinet in April 1989.
Stoltenberg was moved to the Defence Ministry, where he has earned respect for his thoughtful measured approach. He has steadied the volatile debate on defence and defence related issues in the FRG.

Stoltenberg is tall, well built and good-looking, with white hair. Reserved, not easily accessible, a little cool, but an effective speaker. He is normally courteous and friendly, but occasionally shows signs of impatience or a touch of arrogance. Has a North German's natural friendliness towards the UK, and visited the UK as the guest of HMG in 1974. Awarded Honorary GCMG 1978.

Protestant. Married. One daughter and son. His wife is quiet and takes little part in her husband's public life. He speaks good English.

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SPAETH ON GERMAN UNIFICATION

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SUMMARY
1. SPAETH FAVOURS RAPID MOVEMENT TO GERMAN ECONOMIC AND MONETARY UNITY AFTER GDR ELECTIONS BUT HOPES FOR AN ORDERLY PROCESS TOWARDS STATE UNITY OVER 1-3 YEARS.

DETAIL
2. THE MINISTER PRESIDENT OF BADEN-WUERTEMBERG, ON WHOM THE WELSH SECRETARY AND I CALLED IN STUTTGART ON 20 FEBRUARY, SHARED THE FEDERAL GOVERNMENT'S VIEW THAT THE BEST HOPE OF GIVING PEOPLE IN THE GDR HOPE OF BETTER DAYS WAS TO INTRODUCE GERMAN MONETARY UNION QUICKLY AFTER THE GDR ELECTIONS. IT WOULD BE NECESSARY FOR THE NEW GDR GOVERNMENT AFTER 18 MARCH TO INTRODUCE THE LEGISLATIVE FRAMEWORK FOR A FREE MARKET ECONOMY INCLUDING THE BUNDESBANK LAW. THEREAFTER, PERHAPS IN THREE MONTHS FROM NOW, THE D MARK CULD BE INTRODUCED. THE GDR ECONOMY BEING MUCH SMALLER THAN THE WEST GERMAN, IT WOULD BE POSSIBLE IMMEDIATELY TO EXCHANGE EAST MARKS FOR D MARKS AT ONE-TO-ONE FOR CURRENT FLOWS (WAGES, PENSIONS ETC) AND TO REPLACE SAVINGS AT THE SAME EXCHANGE RATE BUT IN STAGES OVER A PERIOD.

3. INVESTMENT, MOSTLY WEST GERMAN BUT ALSO JAPANESE AND OTHER FOREIGN, COULD THEN FLOW RAPIDLY INTO THE GDR. AT FIRST INCOMES IN THE GDR WOULD BE 50 PER CENT OF THOSE IN THE FRG BUT THEY WOULD GROW QUICKLY OVER THE NEXT FEW YEARS. SPAETH ADMITTED, HOWEVER, THAT EMIGRATION MIGHT WELL CONTINUE DURING RESTRUCTURING OF THE EAST GERMAN ECONOMY, AND MIGHT EVEN BE INCREASED BY THE NEW UNEMPLOYED MOVING TO THE FRG. THERE WOULD BE PRESSURES TO INCREASE SALARIES FASTER THAN PRODUCTIVITY IMPROVED.

4. SPAETH SAID THAT THERE WAS TOO MUCH EMOTION IN THE ATTITUDE OF THE FEDERAL GOVERNMENT. ONCE ECONOMIC UNITY HAD BEEN ACHIEVED, A STABLE STRUCTURE FOR MOVING STEP BY STEP TO STATE UNITY SHOULD BE ESTABLISHED. THE PROCESS MIGHT TAKE 1 - 3 YEARS, AND THAT SHOULD ALLOW TIME FOR THE FOUR PLUS TWO DISCUSSIONS TO SUCCEED. DURING THE TRANSITION TO STATE UNITY THERE SHOULD BE A CONFERENCE OF THE EAST AND WEST GERMAN PARLIAMENTS AND A CONFERENCE OF THE LAENDER IN ALL

GERMANY. SPAETH SAID THAT THE PUBLIC MOOD IN THE FRG WAS NOW LESS EUPHORIC ABOUT UNITY THAN IN DECEMBER, AND IMPLIED THAT AN ORDERLY PROCESS FROM ECONOMIC TO STATE UNITY MIGHT SUIT THE PUBLIC MOOD.

5. SPAETH SAID THAT THE GDR PARTIES ALLIED TO THE FEDERAL CDU WOULD WIN AT MOST 20 PER CENT OF THE VOTE ON 18 MARCH. THE EAST GERMAN SPD WOULD DO MUCH BETTER. IT WOULD BE DIFFICULT FOR THE FEDERAL COALITION TO NEGOTIATE WITH AN EAST GERMAN GOVERNMENT LED BY THE EAST GERMAN SPD AND NO DOUBT GREATLY INFLUENCED BY THE FEDERAL SPD. THE LAENDER IN THE GDR COULD BE QUICKLY RECALLED INTO EXISTENCE, AND MIGHT GIVE MORE IMPORTANCE THAN THE GDR GOVERNMENT EVEN WHEN THE LATTER WAS DEMOCRATIC. ALTHOUGH IT SEEMED LIKELY THAT THE GDR WOULD NOT BREAK DOWN COMPLETELY BEFORE 18 MARCH, AUTHORITY THERE WAS VERY WEAK AND ALL SORTS OF UNECPECTED THINGS MIGHT HAPPEN IN DUE COURSE.

COMMENT
6. SPAETH LIKES TO EXPRESS OPINIONS DIFFERENT FROM THOSE OF HIS RIVAL, KOHL. HIS VIEW THAT STATE UNITY MIGHT NOT BE REACHED FOR THREE YEARS IS HIGHLY UNTYPICAL OF VIEWS HERE. WHAT SPAETH FORESEES IS DESIRABLE BUT THE GENERAL EXPECTATION AT PRESENT IS THAT STATE UNITY MIGHT COME IN ABOUT A YEAR FROM NOW.

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 February 1990

VISIT OF DR. LOTHAR SPATH

Thank you for your letter of 15 February about the visit of Dr. Lothar Spath. The Prime Minister can see him at 1130 on Monday 26 March.

I am copying this letter to Stephen Williams (Welsh Office).

C. D. POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office

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10 DOWNING STREET

Amanda

She does want

to be

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Charles

1130 on

Monday 26

March.

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CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

15 February 1990

Dear Charles,

Visit of Dr Lothar Späth

Dr Lothar Späth, the Minister-President of Baden-Württemberg, is visiting Wales on 26 and 27 March at the invitation of the Secretary of State for Wales, to further the growing links between Baden-Württemberg and Wales. Dr Späth has suggested that he might call on Ministers in London, in particular the Prime Minister whom he last met in 1986.

Dr Späth has been CDU Minister-President of Baden-Württemberg since 1978 and has made a major mark, especially by nurturing Baden-Württemberg's pre-eminent economic position in the FRG. It is the home of Mercedes Benz, Siemens and other top companies and claims to be the only area of Europe to run a trade surplus with Japan.

Until recently Dr Späth was regarded as a potential rival to Chancellor Kohl, but his failure to win re-election as Deputy Chairman of the Federal CDU in 1989 (a post he had held since 1981) was a serious reverse. He remains nonetheless one of the top politicians in the FRG, and perhaps the most successful Minister-President. As Prime Minister of a Land he ranks as a Cabinet Minister.

The Foreign Secretary believes that the Prime Minister might find an exchange of views with Dr Späth useful. He has taken a cautious line on German unity. The Foreign Secretary intends to see him, so we would not press the case for a call on the Prime Minister.

I am copying this letter to Stephen Williams (Welsh Office).

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

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Telegrammanschrift-Telegrams:
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El/Mü

Mrs. Amanda Ponsonby
Private Secretary
10 Downing Street
London SW1A 2AA

15 February 1990

Dear Mrs. Ponsonby

Thank you very much for having arranged a meeting of our Federal Minister of Defence, Dr. Gerhard Stoltenberg, with your Prime Minister on

Thursday, 22 February at 16.00

in the Prime Minister's room at the House of Commons.

I should like to inform you, that the Minister will be escorted by

The Ambassador of the Federal Republic of Germany,
Baron Hermann von Richthofen

and

Brigadier General Schade,
Ministry of Defence.

Yours sincerely

E. Elbers
Major (GS)

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GENSCHER'S VISIT TO LONDON: MEDIA COVERAGE

SUMMARY

1. EXTENSIVE COVERAGE IN TODAY'S PRESS OF GENSCHER'S CALL AT NUMBER TEN. PRIME MINISTER'S STATEMENT OF SUPPORT FOR GERMAN UNITY DESCRIBED AS A GREAT ENCOURAGEMENT FOR THE BONN GOVERNMENT. VISIT ALSO REPORTED PROMINENTLY ON ELECTRONIC MEDIA.

DETAIL

2. GENSCHER'S VISIT TO LONDON ON 14 FEBRUARY ON HIS WAY BACK FROM OTTAWA IS REPORTED EXTENSIVELY IN ALL LEADING WEST GERMAN NEWSPAPERS, FREQUENTLY ACCOMPANIED BY PHOTOGRAPHS OF HIS MEETING WITH THE PRIME MINISTER. THE GENERAL ANZEIGER (INDEPENDENT), PUBLISHED IN BONN AND WITH CLOSE CONNECTIONS TO GENSCHER'S OFFICE, REPORTS HIM AS BEING VERY PLEASED WITH THE PRIME MINISTER'S STATEMENT THAT SHE HAS NO RESERVATIONS ABOUT GERMAN UNITY, AND SUGGESTS THAT SUCH A ''MESSAGE OF HARMONY'' SHOULD ENSURE THAT THERE IS NO FURTHER SPECULATION ON PERSONAL DIFFERENCES BETWEEN MRS THATCHER AND CHANCELLOR KOHL. THE NEWSPAPER QUOTES GENSCHER AS SAYING THAT THE REMOVAL OF ANY DOUBTS ON THE BRITISH ATTITUDE TO THE QUESTION OF GERMAN UNITY WOULD GREATLY ENCOURAGE GERMANS IN EAST AND WEST. THE FRANKFURTER ALLGEMEINE ZEITUNG (CONSERVATIVE) REPORTS THAT AFTER BEING TELEPHONED BY GENSCHER CHANCELLOR KOHL HAD EXPRESSED PLEASURE IN CABINET AT THE PRIME MINISTER'S STATEMENT. BILD ZEITUNG (RIGHT-WING TABLOID), WHICH HAD BEEN PARTICULARLY ANT-BRITISH IN RECENT DAYS, ADOPTS A POSITIVE LINE AND SEES GENSCHER'S VISIT TO LONDON AS A PERSONAL TRIUMPH FOR HIM.

3. IN SEPARATE REPORTS HOWEVER BOTH DIE WELT (CONSERVATIVE) AND THE FAZ DRAW ATTENTION TO THE PRIME MINISTER'S STATEMENT AT HER DINNER ON 13 FEBRUARY FOR THE POLISH PRIME MINISTER IN WHICH SHE EXPRESSED UNDERSTANDING FOR POLISH CONCERN THAT SOME OF THE PRESENT DEVELOPMENTS IN EUROPE COULD AWAKEN ''DEEP-ROOTED FEARS'' AND THAT GERMAN UNIFICATION MUST BE ACHIEVED ONLY WITH THE ASSURANCE OF INTERNATIONAL GUARANTEES. FAZ ALSO REFERS TO REPORTS OF A STATEMENT

BY THE PRIME MINISTER TO CONSERVATIVE POLITICIANS THAT THE RECONSTRUCTION OF THE GDR SHOULD NOT IMPOSE UNDUE COST ON BRITAIN.

4. THE VISIT TO NO 10 AND YOUR SUBSEQUENT BRIEFING WITH GENSCHER OF JOURNALISTS IN DOWNING STREET WERE REPORTED PROMINENTLY AND FACTUALLY ON THE MAIN TELEVISION AND RADIO BULLETINS.

MALLABY

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From the Private Secretary

14 February 1990

PRIME MINISTER'S MEETING WITH THE GERMAN FOREIGN MINISTER

The Prime Minister had an hour's talk this morning with Herr Genscher, who was on his way back from the Open Skies Conference in Ottawa. Herr Genscher was accompanied by the German Ambassador and by his Private Secretary. The Foreign Secretary was also present.

The discussion was robust but basically good-humoured, and a positive line was agreed for the press at the end. You will be receiving separately a transcript of the remarks made by the Foreign Secretary and Herr Genscher outside No. 10.

The Prime Minister began by congratulating Herr Genscher and the Foreign Secretary on the agreement reached in Ottawa to establish a framework for meetings of the Berlin Four and the two Germanies. But before getting into that, she wanted to tell Herr Genscher how strongly Poland's Prime Minister felt about the need for a Treaty to confirm the Polish/German border. Herr Genscher indicated that he was aware of Mr. Mazowiecki's concerns, but gave the impression that he did not take them very seriously. There was no doubt about the substance of the German position on borders. Any problems could be sorted out in the CSCE framework. The Prime Minister said that Mr. Mazowiecki had been quite clear that there must be a Treaty. She thought he was justified in demanding this. Poland did not want to be side-lined and the border must be put beyond legal dispute. Herr Genscher said that Germany did not want to have to sign a Peace Treaty with everyone. They would clarify their position on the border and find a way to convince the Polish Government. He repeated that there was no difficulty on the substance. The Prime Minister said she could not see why, in that case, there was any difficulty about having a Treaty.

Discussion then turned to the subject of German unification. The Prime Minister said that it was very important that Germany should understand the anxieties of others about unification. She tended to speak up more openly than others. But she could assure Herr Genscher that the anxieties she expressed were widely shared in Europe. Her basic concern was that the German government seemed entirely pre-occupied with German unification and had not given sufficient attention to consultation with Germany's allies about its wider consequences. As a result the

rest of us were feeling ignored or excluded, and problems were being dealt with piecemeal. We had played our full part in preserving Europe's and Germany's security for over 40 years. We had kept to our commitment under the Brussels Treaty to keep substantial forces in Germany, even though it might have suited our interests better to organise our defence differently. She was determined that German unification should not have the effect of undermining the stability and security which Europe enjoyed. Had the Germans been ready to accept from the beginning that the consequences of unification should be discussed in the Four Power Forum, there need have been no problem. As it was, we were simply told that such vital matters as the future of NATO would be settled in due course. We understood the emotion which unification generated in Germany: the Germans, for their part, should show more sensitivity to the no less genuine emotions of others. The agreement now reached to establish a forum of the Berlin Four plus the two Germanies was an important step forward. But it was a pity it had taken so long.

Herr Genscher said that he needed no convincing of the importance of dealing with the consequences of unification. He had dealt with these aspects fully in three recent speeches. The problem lay rather with the pace of events and that stemmed basically from the collapse of East Germany. It was possible that the situation could be held until the elections on 18 March. But people would expect the process of unification to start immediately thereafter: and if it did not they would simply unite Germany de facto, creating chaos. Herr Genscher continued that some people used to think that a divided Germany was in itself a contribution to stability. He had never accepted that: it was certainly not true now. To all intents and purposes, the GDR no longer existed as a state. Under these pressures, the FRG simply had to move forward. The Prime Minister interjected that Herr Genscher was constantly stressing the priority which had to be given to unification. But it was important that the wider issues should be sorted out before unification took place. By his own admission, unification could happen shortly after the elections on 18 March. In that case, it was urgent to get down to resolving the issues such as borders and the implications for NATO without any delay. It was not as though there were many options to be considered. We all accepted unification. But we felt hurt that our interests were simply being put on one side.

The Prime Minister continued that neutrality could not be an option for a united Germany. It was also vital that the United States should keep substantial forces and nuclear weapons in Germany. Herr Genscher interjected that there was no disagreement on these two points. Not even the East European countries wanted a neutral Germany. The Prime Minister said the main question was what should happen to Soviet forces in the GDR. In her view, they should be able to stay there, at least for a transitional period. Herr Genscher said there was no problem over this either. He had told President Gorbachev and Mr. Shevardnadze that if they wanted to keep Soviet troops on GDR soil, that was perfectly acceptable to the FRG. Soviet security interests had to be taken into account. At the same time it was clear that the Warsaw Pact was disintegrating. This was one reason why the Soviet Union attached so much importance to a CSCE

summit, as an alternative means of providing security. The Prime Minister commented that such a summit should reaffirm existing borders all over Europe. Herr Genscher said that the principles of the existing Helsinki Final Act could be made legally binding.

The Prime Minister said that she was glad that she and Herr Genscher could talk frankly without causing any resentment. She hoped that she had made clear to him why she felt strongly about the way in which unification was being handled. It was this to which she objected, not to unification itself. Herr Genscher said that he hoped that he had persuaded the Prime Minister that Germany did not want anything to happen behind the backs of the Four Powers. They must be involved in the talks between the two Germanies from the beginning. The procedure which had been agreed in Ottawa was a good one. For his part, he wanted to say to the Prime Minister that it was important that the FRG's allies should not give the impression that they had reservations about unification. While the leaders of the three main political parties in the FRG were determined that Germany should remain in NATO and that American forces should stay, there were others on the extreme right and left who favoured neutrality. If the impression gained ground that the allies were putting obstacles in the way of unification, that would only strengthen extremists. He hoped, therefore, that the Prime Minister would take every opportunity to make clear that she favoured German unification. People in Germany must believe that they had the support of the allies. The Prime Minister said that she had no difficulty in giving such support, provided that German Ministers took every opportunity to make clear that they recognised the need to deal with the consequences of unification now, in full consultation with the allies. Until recently they constantly emphasised unification and neglected to talk about the consequences. These ought to be addressed now and if possible resolved before the elections were held in East Germany. Otherwise unification might just come about and no decisions would have been taken on, for instance, the position of Soviet forces in East Germany or Germany's role in NATO. She was worried that people were doing things for political reasons without working out the wider consequences. Herr Genscher said that there was no need to be alarmed about Germany's intentions on this. The Prime Minister responded that she would not be alarmed provided we got the wider framework sorted out. This could not be done by German unification alone. Nor without it, said Herr Genscher. The Prime Minister concluded that she was now much happier that a structure had been agreed in Ottawa.

Herr Genscher said that he had been struck when in Moscow by how Gorbachev, during his meetings with his German visitors, appeared to have no other preoccupation except the matter in hand. Shevardnadze, by comparison, appeared deeply preoccupied with some of the developments at the Central Committee Plenum, particularly the criticism of Soviet foreign policy.

Herr Genscher also referred to his own remarks in Ottawa of the importance of establishing better relations between the European Community and the United States. This would be absolutely fundamental to the future.

Herr Genscher said that he would be addressing political meetings in East Germany later this week. His impression was that the SED would receive between 5 and 10 per cent of the votes in the elections on 18 March, mostly from party members who feared losing their jobs. The Social Democrats would do very well: the GDR had formerly been a stronghold of social democracy. He thought that the Liberals would also do well, perhaps better than in the FRG. The unknown was the likely performance of the various Conservative groupings. There were very few catholics in East Germany and it was catholics who made up the bulk of the CDU's support in the Federal Republic. He thought the most likely outcome would be an all-party government excluding the SED.

There was then a brief discussion of what should be said to the press. The Prime Minister said that we should welcome the agreement reached in Ottawa on a framework of the Berlin Four and the two Germanies to discuss the wider consequences of unification. It should be clearly stated that the United Kingdom supported unification in accordance with its previous undertakings. At the same time, it would be made clear that the German government agreed that unification must take place within a framework which guaranteed the continued stability and sure defence of Europe, and would be ready to consult fully to ensure this.

I am sending a copy of this letter to Simon Webb (Ministry of Defence) and to Sonia Phippard (Cabinet Office).

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

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FROM PRIVATE SECRETARY

MEETING OF FOUR FOREIGN MINISTERS: 13 FEBRUARY

SUMMARY

1. AGREEMENT ON PROCEDURE FOR SETTING UP A MEETING OF THE FOUR PLUS TWO. EMOTIONAL SPEECH BY GENSHER THANKING HIS ALLIES FOR SUPPORT OVER GERMAN UNIFICATION. AGREEMENT IN PRINCIPLE ON GERMAN PROPOSAL ON BERLIN ELECTIONS BUT NOTHING TO BE SAID TO THE RUSSIANS FOR THE MOMENT.

DETAIL

2. THE FOUR FOREIGN MINISTERS MET FOR BREAKFAST THIS MORNING. THE MAIN TOPIC WAS FOLLOW-UP TO YESTERDAY'S DISCUSSIONS WITH SHEVARDNADZE ON ESTABLISHMENT OF A MEETING OF THE FOUR PLUS TWO (OR AS THE GERMANS WOULD PREFER IT, THE TWO PLUS FOUR). BAKER REPORTED THAT HE HAD TALKED TO SHEVARDNADZE WHO, WHILE STILL HANKERING AFTER SOMETHING ELSE, HAD AGREED THAT THIS APPROACH SEEMED INEVITABLE. HE HAD CONSULTED GORBACHEV OVERNIGHT AND WE AWAITED THE SOVIET RESPONSE.

3. MUCH OF THE ENSUING DISCUSSION WAS A MIXTURE OF SUBSTANCE AND PROCEDURE. THE MAIN POINTS WERE:

A) IT WAS AGREED THAT, IF THE RUSSIANS WERE ON BOARD, WE SHOULD AIM FOR A STATEMENT BY THE SIX LATER TODAY. THERE WOULD BE NO SUBSTANTIVE MEETING OF THE SIX IN OTTAWA BUT THEY SHOULD BE WILLING TO MEET FOR A PHOTOGRAPH WHEN THE STATEMENT WAS ISSUED. GENSCHER WAS ADAMANT THAT THERE COULD BE NO COLLECTIVE DISCUSSION WITH FISCHER: THE GDR GOVERNMENT NOW HAD NO LEGITIMACY AND KOHL HAD INSISTED THAT MODROW BE ACCOMPANIED ON HIS VISIT TO BONN BY REPRESENTATIVES OF THE ROUNDTABLE.

B) THE FIRST MEETING AT FOREIGN MINISTER LEVEL SHOULD TAKE PLACE AFTER THE 18 MARCH ELECTIONS. IT WAS AGREED THAT ALL THE MEETINGS WOULD BE IN GERMANY, SOME POSSIBLY IN THE WEST, SOME IN THE EAST. GENSCHER WAS KEEN THAT THE STATEMENT SHOULD SAY THAT THE GERMANS WOULD HOST THE MEETINGS BUT DUMAS, THE SECRETARY OF STATE AND BAKER RESISTED THIS. THE SECRETARY OF STATE SAID THAT, IN PRACTICE, THE

MEETINGS WOULD BE HOSTED BY THE GERMANS BUT IT WAS IMPORTANT FROM THE SOVIET POINT OF VIEW, AND TO SOME EXTENT FROM OURS, THAT THE MEETING a OF THE SIX SHOULD NOT JUST APPEAR TO RUBBER STAMP SOMETHING ALREADY AGREED BETWEEN THE TWO GERMANIES.

C) EXCHANGES BETWEEN POLITICAL DIRECTORS IN PREPARATION FOR A MEETING AFTER 18 MARCH COULD START STRAIGHTAWAY. THE FOUR POLITICAL DIRECTORS WOULD ANYWAY DISCUSS HOW TO HANDLE THESE CONTACTS. GENSCHER WAS ONCE AGAIN ADAMANT THAT THERE SHOULD BE NO COLLECTIVE MEETING OF THE SIX INVOLVING THE POLITICAL DIRECTOR OR EQUIVALENT FROM THE PRESENT GDR GOVERNMENT.

4. ELECTION OF MEMBERS OF THE BUNDESTAG FROM BERLIN. GENSCHER ASKED FOR THE VIEWS OF HIS ALLIES. BAKER SAID THE AMERICANS HAD NO PROBLEM ON THE SUBSTANCE OF THE PROPOSAL BUT HE WONDERED IF IT WAS RIGHT TO RAISE IT WITH THE RUSSIANS UNTIL THE PROCESS OF THE FOUR PLUS TWO HAD GOT UNDERWAY. THIS WOULD BE JUST ONE MORE JAB IN THE RUSSIAN EYE, WHICH WOULD NOT BE WISE. THE SECRETARY OF STATE AND DUMAS AGREED. GENSCHER SAID HE WAS HAPPY WITH THAT. IF EVERYBODY WAS AGREED IN PRINCIPLE, THEN THERE WAS NO NEED TO RAISE THE MATTER WITH THE RUSSIANS NOW. HE CLEARLY THOUGHT THAT, WITH THE DEMISE OF AN INDEPENDENT GDR, THE ISSUE WOULD QUITE QUICKLY BECOME ACADEMIC.

5. GENSCHER THEN MADE A RATHER EMOTIONAL STATEMENT. HIS COLLEAGUES COULD UNDERSTAND HOW EVERYTHING THAT WAS HAPPENING IN GERMANY WAS DEEPLY MOVING FOR THE GERMANS AND FOR HIMSELF. HE WANTED TO EXPRESS HIS GRATITUDE TO HIS FRIENDS AND ALLIES FOR THEIR CONTINUOUS SUPPORT. THIS WAS APPRECIATED NOT ONLY BY THE GOVERNMENT BUT BY ORDINARY GERMANS AS A WHOLE. GENSCHER HIMSELF WAS VERY FAMILIAR WITH THE VIEWS AND FEELINGS CHERISHED BY THE GERMAN PEOPLE. THEY HAD ALWAYS BEEN PART OF A COMMUNITY OF DEMOCRATIC COUNTRIES. THAT WAS IRREVERSIBLE. HE WANTED TO ADDRESS HIMSELF PARTICULARLY TO HIS TWO COLLEAGUES WHO WERE MEMBERS OF THE EUROPEAN COMMUNITY. WHAT WAS NOW HAPPENING IN GERMANY SHOULD SERVE TO INCREASE THEIR MUTUAL EFFORTS TO CONTINUE THE INTEGRATION OF THE COMMUNITY IN ALL AREAS AND TO SPEED UP THE PROCESS. HE ALSO HOPED THAT THE COMMUNITY WOULD FIND WAYS AND MEANS TO DEVELOP ITS RELATIONSHIP WITH THE UNITED STATES, IN KEEPING WITH THE NEW SITUATION. HE ALSO BELIEVED, AS HE HAD TOLD SHEVARDNADZE, THAT THERE WAS SCOPE FOR A CLOSER RELATIONSHIP BETWEEN THE EC AND THE SOVIET UNION. GENSCHER SAID THAT HE HAD NOT WILLINGLY LEFT THE GDR AS A YOUNG MAN BUT HAD BEEN FORCED TO DO SO. HIS COLLEAGUES COULD IMAGINE WHAT IT MEANT TO HIM TO VISIT HIS HOME TOWN OF HALLE LATER IN THE WEEK TO TELL THE PEOPLE THERE OF THE EXCITING DEVELOPMENTS. ONCE AGAIN HE WANTED TO EXPRESS HIS HEARTFELT GRATITUDE TO HIS ALLIES. THEY WOULD FIND IN THE GERMANS FRIENDS, PARTNERS AND ALLIES ON WHOM THEY COULD RELY.

6. THE SECRETARY OF STATE SAID WE COULD ALL MAKE THE EFFORT OF IMAGINATION TO UNDERSTAND GENSCHER'S FEELINGS. WE WOULD ALL DO OUR BEST TO BE FRIENDLY AND CONSTRUCTIVE AS HIS VISION BECAME A REALITY. DUMAS (WHOSE FATHER WAS SHOT BY THE GERMANS) SAID RATHER RUEFULLY THAT GENSCHER WOULD APPRECIATE WHAT WAS IN EVERYONE'S MINDS WITH ALL THE HISTORY THAT LAY BEHIND THEM. ALL THIS WAS A MATTER OF PAST RELATIONSHIPS AS WELL AS OF THE FUTURE. WE WERE TURNING A NEW CORNER AND NEEDED STRONG LINKS IN THE FUTURE.

7. BAKER SAID HE APPRECIATED GENSCHER'S REMARKS ABOUT THE STRENGTHENED TIES BETWEEN THE EC AND THE US. THESE TIES WOULD PLAY A LARGER ROLE IN A CHANGED EUROPE. HE HAD BEEN MOVED WHEN GENSCHER HAD CALLED HIM LAST NOVEMBER AND WHEN THE GERMAN SWITCHBOARD OPERATOR PUTTING THROUGH THE CALL HAD SAID ''GOD BLESS AMERICA AND ALL YOU HAVE DONE FOR GERMANY''. THESE WERE HISTORIC TIMES. IF THE SOVIET UNION AGREED TO THE TWO PLUS FOUR MECHANISM THEY HAD DISCUSSED THAT MORNING, THAT TOO WOULD BE A SMALL PART OF HISTORY.

8. THE SECRETARY OF STATE SAID HE WAS SORRY TO DRAG MATTERS BACK TO THE PEDESTRIAN BUT IT WAS IMPORTANT THAT WE SHOULD ALL BEAR IN MIND THAT, WITH THE NATO COUNCIL IN JUNE, PRECEDED BY A MEETING OF THE FOUR FOREIGN MINISTERS AT CHEVENING, FOLLOWED BY THE EUROPEAN COUNCIL AND THE ECONOMIC SUMMIT, WE NEEDED TO THINK THROUGH THE OPPORTUNITIES THAT WOULD BE OPEN TO US TO MANAGE THE PROCESS OF CHANGE. ALL THE OTHERS AGREED, DUMAS EMPHASISING THE NEED FOR FLEXIBILITY.

9. BAKER STRESSED THAT, IN PREPARING FOR THE CSCE SUMMIT, IT WAS VERY IMPORTANT THAT THE NATO COUNCIL SHOULD BE ABLE TO BRING SOME INFLUENCE TO BEAR. THESE MATTERS MUST BE SHAPED WITHIN THE NATO COUNCIL AND NOT COMPLETELY APART FROM IT. NATO WOULD BE COME LESS OF A MILITARY AND MUCH MORE OF A POLITICAL ALLIANCE. IT WAS THE ALLIANCE WHICH TIED THE UNITED STATES TO EUROPE AND IT WAS VITAL NOT TO LOSE THAT POLITICAL COMBINATION. SO THE SPECIAL GROUP PREPARING FOR THE CSCE MUST REPORT TO THE NATO COUNCIL OR NATO WOULD BE DIMINISHED. THE SECRETARY OF STATE AGREED. DUMAS SAID THAT WE NEEDED A BROAD DISCUSSION ON THE FUTURE OF NATO. BAKER, WITH CONSIDERABLE EMPHASIS, SAID THAT AS LONG AS EUROPE WANTED THE US TO BE COUPLED WITH THE CONTINENT AND TO HAVE THE BENEFITS OF THE NUCLEAR UMBRELLA, THERE MUST BE CLEAR POLITICAL LINKAGE. HE HAD SUGGESTED MORE POLITICAL CONTACTS WITH THE COMMUNITY. NATO WAS ANOTHER FORUM. ONE WAY OR ANOTHER THE LINKS MUST BE MAINTAINED.

10. THE SECRETARY OF STATE ASKED FOR HIS COLLEAGUES' VIEWS ON SHEVARDNADZE'S IDEA OF A MEETING OF THE 35 AT FOREIGN MINISTER LEVEL BEFORE THE SUMMIT. GENSCHER SAID IT WOULD BE USEFUL. THE RUSSIANS NEEDED IT AS THE WARSAW PACT ERODED. WE MIGHT ALL NEED SOMETHING TO KEEP EUROPE TOGETHER. IN THE FACE OF THE DANGER OF BALKANISATION, WE NEEDED SOMTHING MORE THAN NATO AND THE EC. THE SECRTARY OF STATE SAID HE COULD NOT VERY EASILY SEE A MEETING OF FOREIGN MINISTERS TAKING PLACE ON THE SORT OF TIMESCALE SHEVARDNADZE SEEMED TO ENVISAGE. BAKER ASKED WHAT SUCH A MEETING WOULD DO. GENSCHER SAID THAT IT WAS NOT A MATTER OF PRINCIPLE WHETHER SUCH A MEETING TOOK PLACE, IE MEANING THAT WE SHOULD NOT OPPOSE IT.

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GERMAN UNIFICATION: PROPOSED MEETINGS OF TWO AND FOUR:

STATEMENT OF SIX FOREIGN MINISTERS

1. WE HAVE ALREADY FAXED TO DEPARTMENT THE TEXT WHICH THE SIX FOREIGN MINISTERS GAVE TO THE PRESS THIS AFTERNOON IN THE MARGINS OF THE OPEN SKIES CONFERENCE. IT READS AS FOLLOWS:
QUOTE: STATEMENT BY THE FOREIGN MINISTERS
THE FOREIGN MINISTERS OF THE FEDERAL REPUBLIC OF GERMANY, THE GERMAN DEMOCRATIC REPUBLIC, FRANCE, THE UNITED KINGDOM, THE SOVIET UNION AND THE UNITED STATES HAD TALKS IN OTTAWA. THEY AGREED THAT THE FOREIGN MINISTERS OF THE FEDERAL REPUBLIC OF GERMANY AND THE GERMAN DEMOCRATIC REPUBLIC WOULD MEET WITH THE FOREIGN MINISTERS OF FRANCE, THE UNITED KINGDOM, THE SOVIET UNION AND THE UNITED STATES TO DISCUSS EXTERNAL ASPECTS OF THE ESTABLISHMENT OF GERMAN UNITY, INCLUDING THE ISSUES OF SECURITY OF THE NEIGHBOURING STATES. PRELIMINARY DISCUSSIONS AT THE OFFICIAL LEVEL WILL BEGIN SHORTLY.
UNQUOTE.

2. WHEN THE TEXT WAS SUBSEQUENTLY READ OUT TO A MEETING OF THE NATO CAUCUS, AT THE REQUEST OF VAN DEN BROEK (NETHERLANDS), HE IMMEDIATELY QUESTIONED THE REFERENCE TO DISCUSSION OF SECURITY OF THE NEIGHBOURING STATES, EMPHASISING THAT THE NETHERLANDS WERE ONE SUCH AND THAT HE WOULD FIND IT EXTREMELY DIFFICULT TO EXPLAIN WHY THE FOUR POWERS WERE CLAIMING THE RIGHT TO DISCUSS THIS PARTICULAR QUESTION. WITH SUPPORT FROM BAKER, AND TO A LESSER AND LESS TACTFUL EXTENT FROM THE FRENCH AND GERMAN OPEN SKIES AMBASSADORS WHO WERE IN THEIR DELEGATION SEATS, YOU EXPLAINED THE BACKGROUND TO THE AGREEMENT ON THE TEXT. YOU EMPHASISED, AS DID BAKER, THE NEED TO FIND AND TAKE THE OPPORTUNITY TO DISCUSS WITH THE TWO GERMANIES SOME OF THE CONSEQUENCES OF THE PROCESS UNDER WAY, AND ADDED THAT IT WAS CLEAR FROM BILATERAL TALKS IN THE MARGINS THAT THE QUESTION OF POLISH FRONTIERS WAS BECOMING ACUTE: THIS WAS THE REASON WHY THE WORDS ABOUT THE SECURITY OF NEIGHBOURING STATES HAD BEEN INCLUDED. YOU POINTED

OUT ALSO THAT THE TEXT DID NOT CLAIM THAT THE FORUM OF THE SIX WOULD BE THE ONLY ONE INVOLVED IN DISCUSSION OF EXTERNAL ASPECTS: THE OMISSION OF QUOTE THE UNQUOTE BEFORE QUOTE EXTENAL ASPECTS UNQUOTE HAD BEEN DELIBERATE. IT WAS IN SHORT NOT A CLAIM TO EXCLUSIVITY, AND YOU MADE QUITE CLEAR YOUR VIEW THAT NATO POINTS WOULD HAVE TO BE DISCUSSED IN NATO.

3. DE MICHELIS (ITALY) INTERVENED IN SUPPORT OF VAN DEN BROEK, RATCHETING THE LEVEL OF COMPLAINT A GOOD FEW NOTCHES FURTHER UP, BY CLAIMING THAT IT WAS NOT ENOUGH TO SAY THAT THE POINTS OF INTEREST TO NATO SHOULD BE DISCUSSED IN NATO. ITALY WAS A SIGNATORY OF THE FINAL ACT, AND WAS DIRECTLY INTERESTED IN THE QUESTION OF POLISH FRONTIERS.

4. VAN DEN BROEK INTERVENED AGAIN TO EXPLAIN THAT HE HAD NO PROBLEMS WITH THE FACT THAT THE SIX HAD AGREED TO MEET, AND THAT HIS CONCERNS WOULD BE MET IF THE TEXT COULD BE REDRAFTED TO READ, QUOTE INCLUDING WHERE APPROPRIATE ISSUES OF SECURITY OF NEIGHBOURING STATES UNQUOTE. AFTER FURTHER DISCUSSION AND SOME CONVERSATION IN THE MARGINS BETWEEN GENSCHER (WHO HAD BY THEN RETURNED) AND VAN DEN BROEK, IT WAS ACCEPTED THAT THE TEXT COULD NOT BE RE-NEGOTIATED AND THAT THE ITALIAN SUGGESTION OF A BILATERAL STATEMENT BY NATO COUNTRIES WOULD NOT FIND GENERAL AGREEMENT. IT WAS LEFT THAT CLARK WOULD TAKE AN OPPORTUNITY AT HIS PRESS CONFERENCE AFTER THE MINISTERIAL MEETING HAD ADJOURNED TO MENTION THE NATO CAUCUS AND SAY THE FOLLOWING: QUOTE THERE WAS DISCUSSION OF THE DECISION TAKEN BY THE TWO AND THE FOUR AND MEMBER STATES THAT IT WAS CLEAR TO THEM THAT THE REFERENCE TO NEIGHBOURING STATES IS NOT A REFERENCE TO MEMBERS OF NATO UNQUOTE. WE MONITORED CLARK'S PRESS CONFERENCE, AT WHICH HE USED THE PRECISE FORM OF WORDS AS AGREED. ASKED WHY THE FOUR WERE INVOLVED RATHER THAN ANY OTHER GROUPS, HE STATED THAT THEY HAVE CERTAIN RESIDUAL OBLIGATIONS WHICH ARISE FROM THEIR LEGAL RESPONSIBILITIES AND STATUS STEMMING FROM WORLD WAR TWO. PRESSED AS TO THE REACTION OF SMALLER ALLIANCE MEMBERS TO THE ANNOUNCEMENT, HE COMMENTED THAT HE FORESAW FURTHER CONSULATIONS WITHIN NATO. HE ADDED THAT HE ANTICIPATED QUOTE OTHER DISCUSSIONS IN OTHER FORA REGARDING THE EXTERNAL EFFECTS OF UNIFICATION UNQUOTE.

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PRIME MINISTER

1(a-b)

MEETING WITH HERR GENSCHER

You are to see Herr Genscher at 1000 am tomorrow. He will have flown overnight from Ottawa, and will be coming straight from the airport. You have up to an hour with him. The Foreign Secretary should also be back in time and hopes to be present.

You will want to maintain your lively and good-humoured style which characterised your last meeting with Herr Genscher. It might be worth saying that you are sorry some of your remarks have provoked a hostile reaction in the Federal Republic. You are not and never have been opposed to unification, but you are concerned that it should take account of the interests and apprehensions of others, and maintain the stability of Europe. For that reason, you are very pleased that agreement was reached in Ottawa to hold meetings of the Berlin Four and the two Germanies. You think that will help reassure people, in both Eastern and Western Europe, that all the consequences of German unification will be fully considered and taken into account.

You might then ask what account Herr Genscher has of yesterday's meeting in Bonn between Chancellor Kohl and Mr Modrow and whether the West German Government has, as a result, revised its views on the likely collapse of the GDR before the elections on 18 March. Your own view is that it would be preferable to get through until then with two separate German states, so that there is a clear and convincing act of self-determination.

Thereafter, you may like to work through the various aspects which will need to be considered:

Germany and NATO/.
You will want to emphasise the importance of making provision for Soviet security interests to be properly considered and for the retention (for a time at least) of Soviet forces in East Germany. You will also want to

underline the importance of retaining American nuclear weapons in Europe, including in Germany.

Germany/EC

Our preliminary assessment is that GDR membership of the Community would involve considerable extra costs and we would regard these as primarily Germany's own responsibility. We need to work out how discussions about GDR membership of the Community would be organised, and what transitional provisions would be necessary. You might also ask him what he expects to be the implications for the Deutschmark, and thus the ERM, of currency union between the two Germanies.

Helsinki process.

It seems to be envisaged that the meetings of the Berlin Four plus the two Germanies will report to a CSCE Summit in the autumn, to complete the process of unification. This would be instead of a peace Treaty. You might tell Herr Genscher of Mr Mazowiecki's great concern about the Polish/German border and his wish for a Treaty or other agreement with legally binding force to confirm it.

Four Power Rights.

We shall need to consider how the rights of the Allies in Berlin are handled.

You will want to assure Herr Genscher that we shall play a very active and constructive part in all these negotiations. Your sole concern is to ensure that Europe is not less secure or less stable as a result of German unification than it was before: and that means everyone must honour existing treaties and agreements.

C.D.P.

CHARLES POWELL

13 February 1990

P.S. Two important telegrams immediately behind which you ought to see.
CDP.

cc P.C

Foreign and Commonwealth Office

London SW1A 2AH

13 February 1990

Dear Charles,

Call on the Prime Minister by Herr Genscher, 14 February

We have just heard from the Germans that Herr Genscher would like to call on the Prime Minister at 1000 tomorrow, 14 February, as you offered. He will be accompanied by the Federal German Ambassador (or, just possibly, his Political Director, Herr Kastrup) and his Private Secretary, Herr Elbe. Herr Genscher will also bring an interpreter, Frau Notbohm. His Press Officer (Herr Chroborg) and a detective will remain outside in the car.

The Foreign Secretary's plane from North America is due to land at 0845. He should reach Number 10 in time for the meeting.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

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OTTAWA FOR SECRETARY OF STATE'S PARTY

MODROW'S VISIT TO BONN: FIRST DAY

SUMMARY

1. JOINT PRESS CONFERENCE BY KOHL AND MODROW ON FIRST DAY OF VISIT REVEALS THAT NO (NO) PROGRESS APPEARS TO HAVE BEEN MADE TOWARDS ECONOMIC AND MONETARY UNION BETWEEN THE TWO GERMANIES.

DETAIL

2. KOHL AND MODROW GAVE A JOINT PRESS CONFERENCE AT 1500 HOURS ON 13 FEBRUARY, ACCOMPANIED BY THEIR RESPECTIVE MINISTERIAL TEAMS. IN HIS OPENING STATEMENT, KOHL STRESSED ONCE MORE THE NEED IN MOVING TOWARDS GERMAN UNIFICATION FOR ACCOUNT TO BE TAKEN OF THE INTERESTS OF THE FRG'S FRIENDS AND NEIGHBOURS. HE REPEATED HIS OFFER OF ECONOMIC AND MONETARY UNION WITH THE GDR AS THE ONLY WAY OF OFFERING THE PEOPLE IN THE GDR ANY HOPE OF EARLY CHANGE. HE SAID THAT EMIGRATION FROM THE GDR SINCE 1 JANUARY HAD NOW REACHED SOME 85,000 AND THAT THIS, COMBINED WITH THE KNOWN ECONOMIC SITUATION IN THE GDR, MEANT THAT LONGER TERM PHASED PLANS WERE NO LONGER POSSIBLE. HE SOUGHT TO COUNTER RECENT CRITICISM OF THE APPARENT RASHNESS OF HIS OFFER OF EARLY ECONOMIC AND MONETARY UNION BY ARGUING THAT THE SITUATION HAD REACHED SUCH A POINT THAT ONLY BOLD, RADICAL MEASURES STOOD ANY CHANCE OF BEING EFFECTIVE.

3. KOHL'S INTRODUCTORY REMARKS AND HIS ANSWERS TO QUESTIONS WERE NOTICEABLY SHORT ON THE DETAILS OF HOW SUCH AN ECONOMIC AND MONETARY UNION WAS TO BE ACHIEVED. HE SAID ONLY THAT THE ECONOMIC COMMISSION CHARGED WITH TAKING IT FORWARD WOULD BEGIN ITS WORK WITHOUT DELAY AND THAT ONE OF THE FIRST REQUIREMENTS WOULD BE COMPREHENSIVE INFORMATION ABOUT THE REAL ECONOMIC STATE OF THE GDR. HE AGAIN EMPHASISED THAT MONETARY UNION COULD NOT BE SEPARATED FROM RADICAL, SIMULTANEOUS ECONOMIC REFORM IN THE GDR TO CREATE THE CONDITIONS FOR PRIVATE SECTOR INVESTMENT. HE ALSO LAID STRESS ON THE NEED TO ENSURE THE STABILITY OF THE DM AND TO PREVENT INFLATION IN THE FRG, COMMENTING THAT, THANKS TO THE CURRENT STRENGTH OF THE FRG ECONOMY,

THE FRG WAS WELL-PLACED TO HELP THE GDR QUOTE AS A MEASURE OF NATIONAL SOLIDARITY UNQUOTE.

4. MODROW'S OPENING ADDRESS WAS SIMILARLY BROAD-BRUSH IN APPROACH. HIS ATTEMPT TO SUGGEST THAT THE GDR'S ECONOMIC SITUATION WAS NOT AS BAD AS HAD WIDELY BEEN REPORTED WAS UNCONVINCING. HE SAID THAT THE PEOPLE OF THE GDR WOULD HAVE MUCH TO CONTRIBUTE TO THE NEW GERMAN STATE BUT (ILLOGICALLY) LATER EMPHASISED THAT THE GDR SAW ITSELF AS A PRESENT AND FUTURE PARTNER FOR THE SOVIET UNION. HE REJECTED THE IDEA OF QUOTE JOINING THE GDR ONTO THE FRG UNQUOTE (PRESUMABLY A REFERENCE TO UNIFICATION VIA ARTICLE 23 OF THE BASIC LAW)

5. IN ANSWERING QUESTIONS:

(A) MODROW MADE LITTLE EFFORT TO CONCEAL HIS DISAPPOINTMENT THAT THE FEDERAL GOVERNMENT HAD MADE NO ATTEMPT TO OFFER GREATER IMMEDIATE ASSISTANCE OR TO PROVIDE DETAILED PLANS FOR ECONOMIC AND MONETARY UNION (CHANCELLOR KOHL INTERJECTED AT THIS POINT THAT IT WAS COMPLETELY UNREALISTIC TO EXPECT A BLUE-PRINT TO HAVE BEEN DRAWN UP BY NOW, NOT LEAST BECAUSE THE GDR HAD NOT MADE AVAILABLE ESSENTIAL DATA).

(B) MODROW SAID THAT IN THEIR TALKS KOHL HAD GIVEN THE IMPRESSION THAT HE ACCEPTED POLAND'S PRESENT WESTERN BORDER AS FINAL. KOHL HOWEVER SAID THAT HIS QUESTION COULD ONLY BE SETTLED BY THE PARLIAMENT AND GOVERNMENT OF A UNIFIED GERMANY.

(C) KOHL REITERATED HIS POSITION THAT GERMAN NEUTRALITY WAS QUOTE OUT OF THE QUESTION UNQUOTE. AN IMPORTANT POINT WOULD BE THE WAY IN WHICH THE TWO MILITARY PACTS DEVELOPED. THIS WAS A QUESTION FOR THE FUTURE.

COMMENT

6. IT SEEMED INCREASINGLY LIKELY IN THE RUN UP TO THIS MEETING THAT NO (NO) REAL PROGRESS WOULD BE REGISTERED. THIS APPEARS TO HAVE BEEN THE CASE. THE BRIEFING WHICH FEDERAL CHANCELLERY MINISTER SEITERS WILL BE GIVING ME AND MY FRENCH AND AMERICAN COLLEAGUES AT 1500 LOCAL ON 14 FEBRUARY WILL PROVIDE A CHANCE TO PROBE FURTHER.

7. FCO PLEASE ADVANCE TO NO.10.

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FROM PS/FCO FOR POWELL, NO 10

1. THE SECRETARY OF STATE WOULD BE GRATEFUL IF YOU COULD PASS THE FOLLOWING NOTE FROM HIM TO THE PRIME MINISTER.

BEGINS

I HAD A LONG TALK YESTERDAY WITH SHEVARDNADZE, WHO WAS IN A MELANCHOLY AND FATALISTIC MOOD. HE IS GLOOMY ABOUT GERMAN UNIFICATION BUT ACCEPTS THAT IT IS GOING TO HAPPEN. HE ALSO THINKS THAT A UNITED GERMANY WILL ASK FOR THE WITHDRAWAL OF SOVIET TROOPS AND CLEARLY THINKS THIS TOO WILL HAVE TO HAPPEN. IN THAT CASE HE FORESEES THE DISAPPEARANCE OF THE WARSAW PACT AND ARGUES HALF-HEARTEDLY THAT NATO TOO SHOULD BE DISSOLVED. BUT HE WENT ON TO ARGUE THAT A UNITED GERMANY COULD BECOME A THREAT TO ITS NEIGHBOURS IF KOHL AND GENSCHER, WHOM HE TRUSTED, WERE REPLACED BY SOMETHING LIKE THE REPUBLICANS. I SAID ALL THE MORE REASON TO BIND THE GERMANS IN BY HAVING THEM AS PART OF NATO, WITH AMERICAN TROOPS ON GERMAN SOIL. HE SEEMED TO HALF ACCEPT THIS.

WE ARE THIS MORNING, AFTER OUR QUAD BREAKFAST, CLOSE TO AGREEMENT ON MEETINGS OF FOUR PLUS TWO, TO BEGIN SOON AFTER 18 MARCH WITH PREPARATORY EXCHANGES BEFORE THEN. SHEVARDNADZE AGREED LAST NIGHT TO PUT THIS TO MOSCOW AND WE AWAIT THAT REPLY. THIS WOULD BE A BIG STEP FORWARD, ACHIEVED BY A FIRM FRONT AMONG THE AMERICANS, FRENCH AND OURSELVES. QUITE APART FROM ITS OWN IMPORTANCE, IT SHOULD BE AN EFFECTIVE REBUTTAL OF THE CHARGE THAT WE HAVE BEEN PUSHED TO THE MARGIN OF EVENTS.

GENSCHER WILL TALK TO YOU AT LENGTH ABOUT THE EMOTIONS OF THE GERMANS AT COMING TOGETHER AFTER SO LONG A DIVISION, ABOUT THEIR IRREVERSIBLE COMMITMENT TO DEMOCRACY AND TO EUROPE, AND THEIR REJECTION OF NEUTRALITY. HE WILL STRESS THAT THE SWIFT PACE OF EVENTS HAS BEEN DICTATED BY THE COLLAPSE OF THE GDR, WHICH IS CERTAINLY OCCURING THOUGH NOT AS FAST AS HE SAYS. HE IS TOO CLEVER TO SHARE THE INDIGNATION SHOWN BY KOHL AND THE GERMAN PRESS ABOUT OUR RECENT PUBLIC STATEMENTS. INDEED HE CONTINUALLY THANKS ME FOR OUR UNDERSTANDING. BUT OUR INFLUENCE IN THE NEW FOUR PLUS TWO PROCESS

WILL CERTAINLY IN PART DEPEND ON OUR WILLINGNESS TO SOUND WELCOMING AND CONSTRUCTIVE, WHILE CONTINUING TO RESTATE INPUBLIC AND PRIVATE WHAT WE BELIEVE TO BE THE ESSENTIALS OF EUROPEAN SECURITY.
ENDS

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GENSCHER'S CALL ON THE PRIME MINISTER ON 14 FEBRUARY
GERMAN UNIFICATION

SUMMARY

1. EFFECT IN FRG OF THE KOHL/GENSCHER VISIT TO MOSCOW AND FIRST REPORTS OUT OF OTTAWA. FRG ATTITUDE TO MODALITIES OF UNIFICATION, AND TO DIALOGUE WITH THE FOUR POWERS. STATE OF FRG/GDR RELATIONS.

DETAIL

2. KOHL AND GENSCHER HAVE CREATED THE CLEAR IMPRESSION HERE THAT AS A RESULT OF THEIR VISIT TO MOSCOW THE SOVIET UNION HAS DEFINITIVELY OPENED THE WAY TO GERMAN UNIFICATION. THERE IS A WIDESPREAD EXPECTATION THAT THIS CAN HAPPEN BEFORE THE END OF 1990. THE RELATIONSHIP OF A UNITED GERMANY WITH NATO IS REGARDED AS NOT YET BEING IN THE BAG, BUT WITHIN SIGHT OF BEING FIXED. AS THE RESULT OF STATEMENTS BY GOVERNMENT LEADERS THE 1990 SEQUENCE OF EVENTS NOW IMPLANTED IN GERMAN MINDS IS:

(A) GERMAN/GERMAN NEGOTIATIONS AFTER 18 MARCH ABOUT THE MODALITIES OF COMING TOGETHER,

(B) A CONFERENCE OF THE ''TWO PLUS FOUR'' POWERS. (FUNCTION LESS CLEAR, BUT PRESUMABLY DESIGNED IN GERMAN THINKING TO BRING TOGETHER, AT GERMAN INITIATIVE AND TIMING, THE DOMESTIC SELF DETERMINATION TRACK AND THE INTERNATIONAL CONTEXT OF UNIFICATION AND TO SETTLE THE LATTER),

(C) PRESENTATION TO THE CSCE SUMMIT FOR ITS BLESSING OF THE RESULTS OF (B).

THE TIMING OF (B) HANGS TO SOME EXTENT ON (A), WHICH IS IN TURN DEPENDENT ON THE FORMATION OF A CREDIBLE EAST GERMAN GOVERNMENT. THE SPD HAVE SUGGESTED THE SECOND HALF OF APRIL FOR A TWO PLUS FOUR CONFERENCE. THE FEDERAL GOVERNMENT HAVE SO FAR (WISELY) SAID NOTHING ON TIMING.

3. MODROW IS IN BONN TODAY. SCRATCHINESS ON THE SURFACE OF FRG/GDR REFLECTS DEEPER TENSIONS. AS SEEN IN BONN, THERE ARE TWO SEPARATE PROBLEMS, THE SOLUTIONS TO WHICH DO NOT COINCIDE. THE GDR IS THOUGHT TO BE NEAR BREAKDOWN (HOW NEAR IS BECOMING A CONTROVERSIAL ISSUE IN ITSELF). IT IS FUNDAMENTAL TO FRG POLICY HOWEVER THAT PROPERLY ORGANISED ELECTIONS TAKE PLACE IN THE GDR ON 18 MARCH. HOW SHOULD THE FEDERAL GOVERNMENT PROP UP THE SYSTEM THEREFORE WITHOUT EITHER SELLING THE FRG'S ECONOMIC PRINCIPLES DOWN THE RIVER OR APPEARING TO GET TOO CLOSE TO AN ANCIEN REGIME WHICH COULD GIVE THE SPD EAST A GRATUITOUS ELECTORAL BOOST? MODROW AND HIS COLLEAGUES ARE NOT PROVING AS INSTANTLY PLIABLE AS HAD BEEN HOPED: PEOPLE HERE HAVE READ REPORTS OF CROSS PARTY RESENTMENT IN THE GDR OF WHAT IS SEEN AS FRG INTERFERENCE AND PATRONAGE. THE FEDERAL GOVERNMENT WILL TRY HARD DURING MODROW'S VISIT TO SMOOTH OVER TENSION AND MOVE FORWARD PLANNING FOR MONETARY UNION.

4. FEDERAL GOVERNMENT LEADERS ARE NEVERTHELESS BEGINNING TO FEEL THAT THEY SEE THE WAY FORWARD IN BROAD TERMS ON UNIFICATION. THEY ARE FITTING TOGETHER THE BITS OF THE JIGSAW AS THEY SEE IT, IN WHICH GENSCHER HAS ACCORDED THE FOUR POWERS A MORE IMPORTANT AND PROMINENT ROLE THAN PUBLIC OPINION HERE HAD BEEN LED TO EXPECT. THE NETTLE OF BORDERS IS ALSO BEING GRASPED: KOHL APPEARS TO BE SAYING THAT ONCE THE TWO GERMANYS CAN SPEAK AS ONE VOICE, THEY WILL GIVE THE NECESSARY GUARANTEES. IMPORTANT ASPECTS REMAIN UNRESOLVED, EVEN IN OUTLINE: NOTABLY HOW THE TWO GERMANYS WILL COME TOGETHER, WHETHER BY THE GDR ACCEDING TO THE FRG OR BY A CONSTITUTIONAL CONFERENCE INVOLVING BOTH COUNTRIES. PROCEDURE WILL NOT BE DECIDED UNTIL AFTER 18 MARCH. IT COULD HAVE AN IMPORTANT IMPACT ON THE TIMETABLE FOR AND EXTERNAL ASPECTS OF UNIFICATION.

NEVILLE - JONES

YYYY

ADVANCE 14

.BERLIN/INNER-GERMAN RELATIONS
.(WIDE)
PS
PS/PUS
MR P J WESTON
MR RATFORD
HD/WED

HD/SOVIET
HD/NEWS
RESIDENT CLERK
MR S MCCARTHY SEC(NATO/UKP)MOD
WG CDR ANDREWS DCTS NATO MOD
PRESS SECRETARY NO 10
MRS GLOVER LEGAL ADV

NNNN

GR-nr
CF

R 912.

Botschaft
der Bundesrepublik Deutschland
Embassy
of the Federal Republic of Germany

G.I.Lech - Secretary to
Ambassador Baron von Richthofen

London, o8.o2.1990

Mrs. Amanda Ponsonby
1o Downing Street
London, SW1A 2AA

noted AP/8/2

Dear Mrs. Ponsonby

I just received your kind letter confirming the meeting between the Prime Minister and Herr Stoltenberg on Thursday, 22o2.1990, 16.oo, at the House of Commons in the Prime Minister's room.

We are indeed very happy with these arrangements and I personally thank you very much for all your endeavours und extreme kindness. I tried to ring you immediately but was not sucessful. Perhaps I can reach you tomorrow morning.

Yours sincely

1.2.L.R

GERMANY: Relations Pts

010

CC PC

dti

the department for Enterprise

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

J S Wall Esq
Private Secretary to
the Secretary of State
The Foreign and Commonwealth Office
LONDON
SW1A 2AH

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G
Fax 01-222 2629

CC 8/2

Direct line
Our ref 215 5622
Your ref PE4AMN
Date 8 February 1990

Dear Stephen

ANGLO GERMAN SUMMIT

WILL REQUEST IF REQUIRED

You sent Martin Stanley a copy of your letter of 5 February.

My Secretary of State would be happy to participate on 30 March as suggested and to hold bilateral discussions with Mr Haussman. We have noted the illustrative programme and look forward to further details.

I am copying this letter to Charles Powell (No 10), John Gieve (Treasury), Simon Webb (MOD) and Sonia Phippard (Cabinet Office).

Yours ever

Ben Slocock.

BEN SLOCOCK
Private Secretary

Recycled Paper

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

7 February 1990

I can now confirm that I have managed to rearrange our meetings on Thursday 22 February and the Prime Minister will therefore be able to see Herr Stoltenberg at 1600 that afternoon. You should, however, note that the meeting will take place in the Prime Minister's room at the House of Commons and not at 10 Downing Street.

Perhaps you could confirm in writing that you are happy with these arrangements.

AMANDA PONSONBY (Mrs)

Miss Lech,
Embassy of the Federal Republic of Germany.

est.to/ksedgwick/7.2.2

CC PC

070

CB 9/2

VISIT BY DR OTTO GRAF LAMBSDORFF, CHAIRMAN OF THE FDP, AT 4.45PM ON THURSDAY 1 FEBRUARY 1990.

Present: Economic Secretary
Mr A C S Allan
Mr A Tyrie
Dr Lambsdorff
Baron Von Richthofen - German Ambassador
Mr M Uden - British Embassy
Mr K Jones - COI

The Economic Secretary asked if Dr Lambsdorff had been surprised by Mr Gorbachev's recent statements about German unification. Dr Lambsdorff agreed with the Prime Minister's comments in her recent Wall Street Journal interview, that matters should be handled in a way not to undermine Mr Gorbachev and should proceed in systematic fashion. He said that he understood Mr Gorbachev wanted to see a quick, orderly and non-chaotic development in the GDR. He added that the GDR had lost its strategic importance for the USSR, and that Mr Gorbachev was disappointed with the deterioration of the GDR economy.

The Economic Secretary enquiried about the number of people crossing over from East to West and whether the fact that most of these people were young, skilled workers would cause significant problems to the GDR in particular. Dr Lambsdorff understood that people were still crossing to the West at a rate of approximately 2,500 a day and, of course, this could lead to serious problems in East Germany, though the labour market in the West was able to absorb the impact without difficulty. The earlier hope, based on what people in the East had said, was that provided they were allowed to travel freely to and from the West they would not necessarily choose to emigrate. This had proved unfounded. The Economic Secretary suggested that the migration of mainly unskilled ethnic Germans from other countries accounting to 370,000 a year must be causing difficulties to the Federal

Republic. Dr Lambsdorff agreed that this raised much greater problems of assimilation, since the younger generation of such migrants did not speak German - indeed they had been banned from learning German in many countries.

The Economic Secretary asked if Dr Lambsdorff envisaged a significant proportion of the migrants voting for the SPD rather than the FDP or CDU in view of the pre war social democrat traditions in the GDR. Dr Lambsdorff said that although he agreed that most people would not be voting for his party, he would not expect a landslide to the SPD: quite a number would vote CDU. However, he conceded that the SPD organisation in the GDR directed by Willy Brandt was better than the CDUs.

The Economic Secretary asked how long it would take the GDR to replicate the FRG's party system. Dr Lambsdorff predicted that it would happen quickly with the election approaching on 18 March. He was unable to assess what affect this would have on the FRG elections later in the year.

Mr Allan observed that, as with Poland, economic reform could be painful and stimulate emigration. Dr Lambsdorff replied that he appreciated this and the Federal Republic would want to do what it could to help ease the economic transition in the GDR.

Mr Tyrie asked what Dr Lambsdorff's views were on Community membership for Eastern European countries. Dr Lambsdorff said that the GDR was not an immediate candidate for full membership but he could see them heading in that direction in time.

On the Delors proposals, Dr Lambsdorff broadly shared the same views as Pohl. He felt that the most important aim was to achieve liberalisation of capital markets and that Stage two should not start prematurely. He favoured revaluing the DM in an EMS realignment.

The Economic Secretary and Dr Lambsdorff concluded the meeting with an exchange of views on the extent to which the housing market caused inflationary pressures in Britain.

K SEDGWICK
Assistant Private Secretary
6 February 1990

cc Those present:

PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Sir T Burns
Sir P Middleton
Mr Wicks
Mr H P Evans
Mr R I G Allen

Mrs Brown
Mr Mountfield
Mr Pickering
Mr Bottrill
Mr P Edmonds
Mr A E W White

Mr Powell No.10
WED/FCO

F.C.S can't be an alternative contact PM

Foreign and Commonwealth Office

London SW1A 2AH

CONFIDENTIAL AND PERSONAL

Prime Minister
Not at all satisfactory or reassuring. We are just told to leave it all to the Germans, even though it will be a peace treaty. I do not think you can accept NATO to

7 February 1990

Dear Charles,

Foreign Secretary's Call on Chancellor Kohl: 6 February

Foreign Secretary can be an alternative political contact for Kohl, in place of yr. CDS 7/2

Thank you for your letter of 4 February. The Foreign Secretary had an hour and 10 minutes with Chancellor Kohl in Bonn yesterday, with only an interpreter present.

The Foreign Secretary said that the Prime Minister had asked him to say that she very much agreed with what Chancellor Kohl had said about NATO. Continued German membership was crucial. On the party front, the Prime Minister also regarded the success of the CDU as crucial. She hoped Chancellor Kohl would let her know if there was any way in which we could help.

Chancellor Kohl said he was grateful. He had nothing personal against the Prime Minister, but was not happy at the state of our official relations. He cited the Prime Minister's Wall Street Journal interview. He had known the Prime Minister for 15 years. How could he be accused of nationalism? He then went on to give a long account of his family history, his credentials as an internationalist and his views on the German question. He dwelt on the risks of disintegration in the GDR and the continuing catastrophic flow of emigrants to the West. This was on very much the same lines as Herr Genscher's conversation with the Foreign Secretary earlier in the afternoon (see telegram enclosed).

/ Chancellor Kohl said that the Federal Government had to respond to the deteriorating situation in the GDR. The cabinet would agree on 7 February on proposals for discussion of an economic and monetary union with the GDR designed to make the GDR currency stable.

The Foreign Secretary said that he too would speak frankly. The Prime Minister's anxiety was based on a realistic acknowledgement of Germany's great economic strength and the fear that other German leaders at some point in the future might use that strength to establish a new hegemony. The Prime Minister of course understood that events had moved fast. She was therefore concentrating on those areas where unification would require a transitional period. She had mentioned areas of which the Chancellor himself had spoken.

The Foreign Secretary mentioned Kohl's 10-point plan to which the Chancellor had earlier alluded. The surprise involved had been disconcerting. The fewer such surprises the

better. Chancellor Kohl said he took the point (though in any competition with the Prime Minister on Alliance consultation he would win). The speech had been made in very difficult circumstances when Krenz was in office, and Kohl had had to speak to Gorbachev (to whom he talked quite often on the telephone) about Krenz's inadequacy. He had not even felt able to consult his coalition partners. He emphasised his wish to work closely with us.

Chancellor Kohl said that, as he had told the Japanese Prime Minister, the 1990s were going to be the decade of Europe. He referred to a visit he had once made to Britain where, with a couple of hours to spare, he had been to see Churchill's grave. Later, he had had a long talk with the Prime Minister about Churchill at which he had said: "The difference between you and me, Margaret, is that you are Churchill before the Zurich speech and I am Churchill after it". It was preposterous to suppose that Europe could be made without Britain. He spoke appreciatively of his last meeting with Sir C Mallaby but said that he also needed a political point of contact. He suggested that this might be the Foreign Secretary. The Foreign Secretary said, at the end of the meeting, that he would be happy to come for a quiet talk at any time it could be useful.

[I don't think this is very satisfactory. You or I in charge. Kohl must deal with you] CDP

No

Chancellor Kohl went into something of a ramble about the issue of a peace treaty. He was not prepared to have a conference of all the people who had ever declared war on Germany between 1939 and 1945 - people like the Uruguayans who had come in 1944 and would no doubt be seeking reparations (which Germany had already made in large measure). At the right time there should be a meeting of the Four Powers and the Poles formally to establish the peace.

On the internal political scene, Chancellor Kohl said that the CDU should be in a strong position at the elections with the economy buoyant and unemployment less serious than the figures implied, because of the black market. He hoped they were past the worst with the farmers, though cereal growers were still indignant. The coal miners were a difficulty because his predecessors had neglected the necessary decisions on run-down. Law and order was a real problem with the kind of people who were tempted to vote for the Republicans . There were lots of Italian, Chinese and other foreign restaurants in his own Land (Rhineland-Palatinate). With them came drug money, protection money and other things which the Germans were not used to and of which their police had no experience. That was why he had proposed a European FBI. But Mitterrand had effectively squashed the idea. Europe had to get its act together on policing. The real uncertainty in the FRG election was the unification issue. He did not know how this might affect what would otherwise be a strong CDU position.

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We understand that Chancellor Kohl may be visiting Moscow very soon and, though he did not mention it himself, I understand he will be going to Camp David at the end of the month. It seems likely that, if he follows normal form, he will have a meeting with President Mitterrand at about the same time. The Foreign Secretary thinks that the Prime Minister might want to consider your saying to Teltschick later this week that she would welcome a chance to talk to Kohl before they meet in Cambridge at the end of March.

The Foreign Secretary has seen on his return from Bonn your letter of 6 February. It is pretty clear from his visit that Genscher and Kohl are not now pushing but pulling. They are genuinely anxious about the possible collapse of the GDR into chaos and the emigration which would follow. They think of little else. They will go for a currency union and maximum FRG party involvement in the GDR election campaign to shore things up until 18 March. After that (and only after that) will they discuss the four transitions (NATO, EC, Four Power, frontiers/CSCE) with us all. They hope (and the SPD so far agree) to keep the NATO issue out of the FRG election campaign. Their public utterances on NATO are now better, ditto on frontiers. There is no disposition to alarm the Russians. They have not turned their minds to the EC complications.

The Americans believe we are being unduly alarmist. The French sympathise with our worries but Dumas, in conversation with Mr Hurd on Monday, had no answer to these except one we can't accept, namely more EC institutional integration.

The Foreign Secretary will seek opportunities at Ottawa next week to discuss with Baker and Dumas the Prime Minister's first subject (NATO and the military status of the former GDR in a united Germany). We also have a Quad Meeting of Foreign Ministers on 13 February which will be important. On 15 February, he will discuss with Dumas her second subject, ie EC. The Foreign Secretary is commissioning papers with our own ideas on both and will send these to the Prime Minister.

Yours,
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL AND PERSONAL

RESTRICTED

Foreign and Commonwealth Office

London SW1A 2AH

5 February 1990

Dear Tim,

Visit by the West German Defence Minister to the UK

Dr Gerhard Stoltenberg, the West German Defence Minister, is due to visit the UK on 21-23 February to attend an IEPG meeting at Gleneagles, and to give a talk at the LSE.

Dr Stoltenberg has asked to call on the Prime Minister, the Lord President and the Foreign Secretary on 22 February. Dr Stoltenberg is a member of Chancellor Kohl's CDU party and is a former Minister of Scientific Research (1965-69) and Minister of Finance (1982-89). He has also held the post of Minister-President of Schleswig-Holstein. As Defence Minister, he has earned respect for his thoughtful, measured approach. I enclose a telegram from Bonn giving background to the visit.

We recommend that the Lord President see Dr Stoltenberg. He should be able to offer some interesting insights into the latest German thinking on defence matters, and prospects for German unification. A call is pencilled into the Prime Minister's diary for 1715 hrs on 22 February and the Foreign Secretary is seeing him at 1500 hrs.

I am copying this letter to Charles Powell (No 10) and Simon Webb (MOD).

Yours,

Stephen Wall

(J S Wall)
Private Secretary

Tim Sutton Esq
PS/Lord President

RESTRICTED
FM BONN
TO PRIORITY FCO
TELNO 117
OF 011036Z FEBRUARY 90
INFO ROUTINE MODUK

SIC
FOR WED
MODUK FOR PS/SOFS, SEC (NATO/UK)(P)

VISIT TO UK BY FRG DEFENCE MINISTER, 21-22 FEBRUARY

1. WE HAVE CONFIRMED WITH STOLTENBERG'S OFFICE THAT HE INTENDS TO TRAVEL FROM THE IEPG AT GLENEAGLES TO LONDON ON 21 FEBRUARY (EVENING) AND WILL SPEAK AT THE LSE ON THE AFTERNOON OF 22 FEBRUARY ON ''PROSPECTS THROUGH COMPETITION: REFLECTIONS ON A SOCIAL MARKET ECONOMY IN THE FRG''. HE WOULD LIKE IF POSSIBLE TO CALL THAT MORNING ON THE SECRETARY OF STATE, THE LORD PRESIDENT AND THE PRIME MINISTER. HE WILL, OF COURSE, HAVE SEEN THE DEFENCE SECRETARY AT GLENEAGLES.

2. I HOPE THAT AT LEAST THE SECRETARY OF STATE WILL BE ABLE TO FIND TIME TO SEE STOLTENBERG. HE WOULD FIND HIM A THOUGHTFUL AND AUTHORITATIVE EXPONENT OF CDU/CSU THINKING ON THE GERMAN QUESTION AND THE FUTURE OF EUROPEAN SECURITY. THIS WOULD COMPLEMENT THE SECRETARY OF STATE'S SESSIONS WITH GENSCHER AND KOHL ON 6 FEBRUARY.

MALLABY
YYYY

DISTRIBUTION 32

MAIN 32

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PS
PS/MR MAUDE
PS/MR WALDEGRAVE
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MR P J WESTON
MR RATFORD
MR GOULDEN

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Anglo.das)
bc: PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 February 1990

Dear Stephen,

ANGLO-GERMAN SUMMIT

Thank you for your letter of 5 February about the agenda, participation and arrangements for the Anglo-German Summit. It might be considered foolhardy to try to set the agenda this far ahead. Judging from the latest telegrams from Bonn, we may well be dealing with a Germany which, to all intents and purposes, is united by then (at least economically). But it is probably a safe bet that we shall want to discuss the German Question in one form or another, with EC matters in second place. Participation could be as you suggest, provided the Ministers concerned are available. I have no comments on the programme.

I am copying this letter to John Gieve (HM Treasury), Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

Yours sincerely,

C. D. POWELL

Cat

Stephen Wall, Esq.
Foreign and Commonwealth Office

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GIO

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cc/pc

Foreign and Commonwealth Office

London SW1A 2AH

5 February 1990

Dear Charles,

Anglo-German Summit

We need to put to the Germans fairly soon our proposals for the agenda and participation at the Anglo-German Summit on 30 March.

The Foreign Secretary suggests that the agenda might cover:

- developments in Eastern Europe and the Soviet Union;

- the German Question;

- consequences for the Alliance, security policy and East-West diplomacy;

- EC matters (EMU, Single Market, EC/Eastern Europe, enlargement and GATT);

- South Africa (if necessary in the light of events).

As for participation, the Foreign Secretary suggests that the Prime Minister might be accompanied by himself, the Chancellor, and the Defence and Trade and Industry Secretaries. Waigel has adopted a cautious approach to EMU. It would be useful to discuss this and other EC issues with him before the informal ECOFIN meeting in Brussels on 31 March-1 April. Mr Ridley and Mr Haussman might discuss the Single Market, the implications of developments in Eastern Europe, GATT and other international trade issues. Defence Secretaries would have much to discuss. They might report back to Heads of Government on the work of the joint study group as well as on EFA and other bilateral matters.

We are in touch separately about arrangements for the Prime Minister and Chancellor Kohl to attend the Konigswinter dinner in Cambridge on 29 March. Other German Ministers would arrive on the morning of 30 March. I enclose an illustrative programme for the Summit itself.

I am copying this letter to John Gieve (HMT), Simon Webb (MOD), Martin Stanley (DTI) and Sonia Phippard (Cabinet Office).

Yours,

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

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ANGLO-GERMAN SUMMIT: 30 MARCH

ILLUSTRATIVE TIMETABLE

[0800]	German Ministers arrive from FRG
0900	Talks begin
	- Prime Minister/Kohl at No 10
	- Others in respective Departments
1030	Plenary
1130	Break
1145	Press Conference
1230	Lunch, No 10
[1500	Kohl attends Round Table at FT]

10 DOWNING STREET

Herr Stoltenberg will try to re-arrange his programme to manage 1715 with the PM.

German Embassy ringing back to confirm.

Amanda

10 DOWNING STREET

Rachel Sweet

I have a horrid feeling that this won't work, because he's making a speech too. Could you ask Derek if he remembers? Ta

CB

Duty Clerk
to check date -
with German
Ambassador

Charles
1715 on
22 Feb.
AP 31/1

(1)

Agreed

Cd. I love a tree
please.

CDP 28/1

PRIME MINISTER

GERMAN DEFENCE MINISTER

The German Ambassador has been in touch to say that Herr Stoltenberg will be in the United Kingdom in late February for a NATO meeting and is coming on to London to give a talk at the LSE. He wondered if he might possibly call on you for 30 minutes. He thinks it very important in the present political climate to demonstrate that Anglo-German contacts continue at the highest level: and his current responsibilities for defence make a meeting quite topical.

I think the reasoning is sound and that it would be a good idea for you to see him briefly. It is not the best of days, but we can probably fit in half an hour. Agree to see him?

C.D.P.

Yes

(CHARLES POWELL)

26 January 1990

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bc: PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

9 January 1990

ANGLO-GERMAN SUMMIT

Thank you for your letter of 8 January about events to entertain Chancellor Kohl in the margins of the Anglo-German Summit. I think the Prime Minister's preference would be a visit to the British Antarctic Survey, together with a walkabout and a meeting with young dons and students. This should still leave time for attendance at the pre-dinner reception for the Konigswinter participants. I shall be grateful if you could begin planning on this basis. I do not think the Prime Minister would want a separate meeting with Chancellor Kohl that evening.

(CHARLES POWELL)

DTI

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

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CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

8 January 1990

Dear Charles,

Anglo-German Summit

Thank you for your letter of 21 December. We have identified the following possibilities for events in the margins of the Anglo-German Summit which might give Chancellor Kohl pleasure:

- a tour of the Cavendish laboratory (which is well used to receiving foreign visitors and can lay on an impressive show of world-class British science);

- perhaps as an add-on to the Cavendish laboratory: a visit to the Newton relics in Trinity College library. The library also contains impressive early German manuscripts;

- the British Antartic Survey or the Scott Polar Institute (your idea). The BAS would lay on an impressive display. Kohl's personal interest in environmental issues is on the vague side but he is fully alive to their political significance. BAS's work on the ozone layer should therefore grab his attention. The Scott Polar Institute, though impressive, might be of less direct interest to Kohl;

- a visit to the Pepys library (Magdalen). This houses Pepy's diaries and his library exactly as bequeathed. It includes Pepy's collection of Rembrandt and other prints. The library is well used to entertaining foreign visitors who generally come out amused. Could only take a small (?max 10) party;

- a walkabout: Kohl likes to spend time exploring on foot during his foreign trips. Cambridge lends itself to that. A walk would pose obvious security problems but would be presentationally effective;

- hospitality: (as you suggest) A meeting with young Dons and students, including German students (of whom several are sponsored by the FCO). The current Professor of German, Dr Paulin, is a former librarian of Trinity. This could perhaps be combined with a visit to Trinity College library.

There is a reception at St Catherine's at 1915 hrs for the Konigswinter participants. There should be a particularly impressive turn-out this year. The Prime Minister and

/

CONFIDENTIAL

Chancellor Kohl may like to take this opportunity to see rather more of them than the dinner will allow. Any meeting with Dons/students would best be kept separate.

I enclose an illustrative programme with two options. On balance the BAS looks the best bet to us. This could be combined with a walkabout and a meeting with Dons/students etc, perhaps in Trinity library. We have not yet approached any of the institutions concerned.

Yours.

Stephen Wall

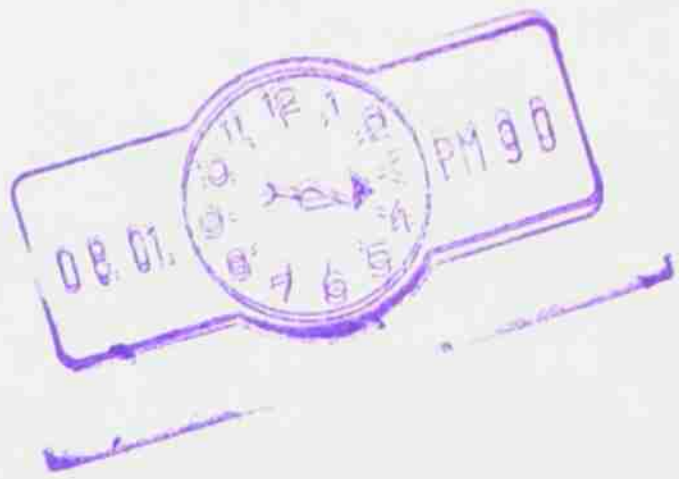
(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

ILLUSTRATIVE PROGRAMME FOR CAMBRIDGE: 29 MARCH

A		B
1515	Kohl lands (? Cambridge)	1615
1545	Prime Minister and Kohl meet at Cambridge	1645
1600	Walkabout	-
1630	Visit [BAS, Cavendish etc]	1700
1745	either: Trinity College: view Newton memorabilia etc. Meet Dons, students.	1800
	or: first tete a tete meeting	
1845	Change/rest at St. Catherine's	1845
1915	Reception to meet Konigswinter participants	1915
2000	Dinner	2000
2230?	Leave for London	2230

Gemany - Ch Kohl's visit PR-10.



PRIME MINISTER'S
PERSONAL MESSA
T221/89

SUBJECT cc OPS
MASTER

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

27 December 1989

Dear Helmut.

Thank you very much for your kind gift of wine for Christmas which I very much appreciate.

I share your view that 1989 has been a year of exceptional change and promise. I hope that it heralds a decade in which democracy and enterprise will spread throughout the countries of Eastern Europe, bringing with it prosperity and a better life. The best guarantee for that will be that we in the West should stay true to the principles, the Alliances and the policies which have brought us success. I know that you share this view and hope that 1990 will see the excellent co-operation between Britain and Germany continue.

I send you and your wife every good wish for the New Year.

Kind regards.

Yours ever

Margaret

His Excellency Dr. Helmut Kohl

Subject cc Thatcher Ops.

COURTESY TRANSLATION

THE CHANCELLOR OF THE
FEDERAL REPUBLIC OF GERMANY

Bonn, 21 December 1989

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T219C/89

Her Excellency
The Rt.Hon. Margaret Thatcher, MP
Her Majesty's Prime Minister and
First Lord of the Treasury
London

Dear Prime Minister,

May I convey to you my sincere thanks for your condolences on the death of Dr. Alfred Herrhausen.

Yours sincerely,

Helmut Kohl

SUBJECT ⊂ MASTER OPS -

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T218B/89.

Translation

Federal Republic of Germany
The Federal Chancellor

Bonn, 14 December 1989

Dear Prime Minister, dear Margaret,

I wish you a happy Christmas and a prosperous and peaceful 1990.

This last year has been of outstanding importance for Europe's development. Together with our partners we successfully advanced the economic and political integration of the European Community as a model of the free association of European nations.

At the same time we are witnessing radical changes in Central, Eastern and South-Eastern Europe, which confront the European Community with new, major challenges but simultaneously hold out the prospect of a Europe marked by common freedom, human rights and self-determination.

Precisely this prospect requires of us an even stronger commitment to Europe. In a future peaceful order in Europe we shall also have the chance to overcome the division of Germany.

I would like to thank you for your friendship and solidarity during the last year.

Yours sincerely,
(sgd) Helmut Kohl

The Rt.Hon. Margaret Thatcher, M.P.
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland
London

BUNDESREPUBLIK DEUTSCHLAND
DER BUNDESKANZLER

Bonn, den 14. Dezember 1989

Ihrer Exzellenz
Frau Margaret Thatcher, MP
Premierminister des Vereinigten
Königreichs Großbritannien und Nordirland
London

Sehr geehrte Frau Premierministerin,
liebe Margaret!

Ich wünsche Ihnen ein frohes Weihnachtsfest und ein glückliches und friedvolles Jahr 1990.

Das zurückliegende Jahr war von herausragender Bedeutung für die Entwicklung Europas. Zusammen mit unseren Partnern haben wir die wirtschaftliche und politische Integration der Europäischen Gemeinschaft als Modell für einen freien Zusammenschluß europäischer Völker erfolgreich fortentwickelt.

Zugleich sind wir Zeugen tiefgreifender Veränderungen in Mittel-, Ost- und Südosteuropa, die die Europäische Gemeinschaft vor neue große Herausforderungen stellen, aber zugleich die Perspektive für ein gemeinsames Europa der Freiheit, der Menschenrechte und der Selbstbestimmung eröffnen.

Gerade diese Perspektive fordert uns zu einem noch nachdrücklicheren Eintreten für Europa auf. In einer künftigen europäischen Friedensordnung haben wir auch die Chance, die Teilung Deutschlands zu überwinden.

Für Ihre freundschaftliche Verbundenheit danke ich Ihnen.

Mit freundlichen Grüßen
Ihr

SUBJECT

cc MASTER

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 November 1989

Dear Stephen,

PRIME MINISTER'S MEETING WITH HERR GENSCHER, THE FEDERAL GERMAN FOREIGN MINISTER

The Prime Minister had a talk this evening lasting some 45 minutes with Herr Genscher, who was accompanied by the German Ambassador. The Foreign Secretary was also present. The meeting was lively and good humoured. It dealt almost exclusively with the changes in Eastern Europe and their implications for the West.

The Prime Minister said that the meeting in Paris of European Community Heads of Government and Foreign Ministers on 18 November had been a good one and had reached the right conclusions. We should all stick faithfully to them. Great changes like those in Eastern Europe needed a background of stability. We had preserved our freedom through NATO and it would remain the key to our collective defence. The history of central Europe had been a history of minorities causing trouble, which was one good reason not to reopen the Pandora's box of borders. The Prime Minister continued that she had been struck by a growing tendency on the part of Mr Gorbachev and reformers in East Germany and elsewhere in East Europe talk of preserving socialism. If this persisted, we should not see the real, profound changes for which we had hoped.

Herr Genscher said that the process of change in the East was not monolithic. In the GDR, Czechoslovakia and Poland, the revolution had come from below. In the Soviet Union and in the Hungary it had been imposed from the top. His personal impression was that Mr Gorbachev knew that socialism did not work but had to continue to use its language. More importantly, he had concluded the Soviet Union's earlier expansionist and aggressive foreign policy had failed: and had realised that he could get better results in Eastern Europe by encouraging reform and democracy than by using bayonets. In his view, Gorbachev would be well advised to start economic reform in the Baltic Republics or in special economic zones so that he could have some examples of success.

Herr Genscher said that he would like to brief the Prime Minister on the Federal Republic's policy. Their motto was: never change a winning team or a winning concept, by which they meant NATO and the European Community. We must show at the Strasbourg European Council that the Community's dynamic progress would be maintained because it was this which gave hope to Eastern Europe. He believed the process of reform in Eastern Europe was irreversible and that East and West Europe would come steadily closer together. Germany did not want to be treated as a special case: it wanted to be part of this wider process. It would be a mistake to say that East and West Europe could come closer together but Germany could not. He believed democracy in East Germany would lead to substantial changes in relations between the two Germanies. But the Federal Republic would tie its fate to that of Europe as a whole and remain loyal to NATO and the European Community. This was why Chancellor Kohl had said that the Federal Republic was ready to strengthen its ties with East Germany once there had been free elections, which he expected to be held in 1990. He agreed with the Prime Minister that we would continue to need the two Alliances for a long time both for security and as a framework within which to negotiate arms reductions. He very much supported the Prime Minister's concept of diverse agreements between the European Community and individual countries within Eastern Europe. The Prime Minister said that she would like to study the complete text of Chancellor Kohl's speech. But from Herr Genscher's account it seemed consistent with what had been agreed in Paris. There could be no timetable for the two parts of Germany to come closer together. Herr Genscher agreed that a timetable was impossible.

Herr Genscher said that he was very concerned about the state of the Soviet economy which was so serious that there might even be a need for food aid this winter. This was the greatest threat to Gorbachev's position, and his failure would have an enormous impact on the whole international scene. He hoped that President Bush would speak very frankly to Mr Gorbachev about what needed to be done to overcome the Soviet Union's economic problems. He intended to do so himself when he visited Moscow on 5/6 December. The Prime Minister recalled that Alan Greenspan, whom she had met in Washington, had been horrified at the scale of the Soviet Union's economic problems. One practical way in which we could help was with management training and perhaps in areas such as distribution.

Herr Genscher said that another way to help Mr Gorbachev would be to give a strong impulse to the process of disarmament in order to reduce the importance to the Soviet Union in security terms of central Europe. The Prime Minister said this was all right if it meant bringing existing negotiations to a successful conclusion. But reductions beyond those already envisaged in the CFE talks would entail a change of strategy. This was why she had been concerned about Mr Cheney's speech. We must not rush into reckless reductions but keep our defences strong. Herr Genscher recalled that he had switched from coalition with the SPD to one with the CDU/CSU because the social democrats no longer supported NATO's double track position. He was very well aware of the importance of maintaining the West's defence.

The Prime Minister concluded that it had been very helpful to talk in this fashion. She encouraged Herr Genscher to come again.

I am copying this letter to Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).

Yours sincerely,

Charles Powell

Charles Powell

Stephen Wall Esq
Foreign and Commonwealth Office

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PRIME MINISTER

MEETING WITH HERR GENSCHER

Herr Genscher is over here tomorrow to see the Foreign Secretary, who will bring him for a brief meeting with you at 5 pm.

Although he is not exactly your favourite person - and knows it - Genscher is a major force in current East/West politics. He is also Germany's most popular politician. Whether or not his purposes are sinister, his outward conduct over the present events in Eastern Europe and East Germany has been more responsible than that of Chancellor Kohl. He has played down the reunification issue and taken the lead in reaffirming Germany's border with Poland. He understands the need to reassure the Russians. But on arms control - particularly SNF - and the European Community he is devilish and likely to become more so as the German elections approach. He will be no help at all at Strasbourg.

On Eastern Europe, you will want to ask him to explain the plan for bringing the two Germanies closer together which Kohl is unveiling to the Bundestag today. This apparently envisages free elections as the first step (probably not until 1991), followed by the setting up of joint committees to explore co-operation in various fields, with German unity restated as a long term aspiration and subject to the consent of the four powers. You will want to reiterate your view that the priority is to get genuine democracy in Eastern Europe (Genscher agrees), and not to raise the question of borders. Anything else lies well down the road.

Meanwhile we must preserve existing Alliance structures and the forces - including nuclear weapons - which make them credible. Above all we must keep US forces and nuclear weapons in Europe: on this at least you agree with Henry Kissinger's recent article. Anyway we have a full arms control agenda, with the priority being to reach a CFE agreement next year. We all continue to be bound by the communiqué of the NATO Summit last May, both its arms control and defence aspects.

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There seems little point in discussing European Community issues, since he is solidly against it. You might just let him know that you have no intention of subscribing to the Social Charter in its present form, and we think it premature to set a date for an IGC before any serious work has been done within the Community on the substance of the later stages of EMU. We do not follow the argument that developments in Eastern Europe mean that we should accelerate European integration: indeed it seems to us rather insulting to Germany, since it appears to cast doubt on her European commitment. We also have strong doubts - which Chancellor Kohl seemed to share - about the need for a Development Bank for Eastern Europe, which would only duplicate existing institutions.

I don't think there is anything to be gained by having what might subsequently be presented publicly as a row with Genscher. It would only be used against you. We would simply confirm after the meeting that you had reiterated our policy on all the main issues.

You will find in the folder:

- a note by the FCO

- telegrams about Genscher's last meeting with the Foreign Secretary and his visit to Washington.

CDP

C. D. POWELL

28 November 1989

A:\foreign\genscher (pmm)

C.C. FCO 11/29/11

[Letter by Herr Genscher
to CDU - not FM]

CDU 29/XI

Extradition of Jens Söring

I wish to draw your attention to the case of a young German awaiting extradition in the United Kingdom about which I am particularly concerned. His name is Jens Söring, the son of a member of our Foreign Service then on assignment in the United States, who whilst studying at the University of Virginia is alleged to have killed the parents of his girlfriend.

The British Government have received an American and a German request for his extradition. They have informed us that, owing to the fact that the crime was committed in the United States and that the United States request arrived first, they intend to extradite Jens Söring to the United States.

I urgently request you to reconsider whether Söring cannot be extradited to the Federal Republic of Germany. I am prompted to make this request by the following circumstances and considerations:

- Söring, who at the time of the crime was 18 years old, apparently was under the influence of his older girlfriend - the daughter of the persons killed - and possibly acted in a kind of erotomania. These facts, and the question of diminished responsibility, can be judged much better in Germany than in a third country.

- With such a young offender special consideration should be given to the concept of rehabilitation provided for in European criminal law. As Söring has no family ties in the United States and considering the conditions prevailing in the prisons of Virginia, his chances of rehabilitation in the United States must unfortunately be judged much less favourable than if he were extradited to the Federal Republic of Germany. And only here can he be adequately cared for by his family during his detention.

My request is based on the understanding that although there are important criteria as expressed in article 10 of the British-Amercian extradition treaty which speak in favour of Söring's extradition to the United States, the

British Government are free to decide otherwise and in particular to give priority to the criterion of the offender's nationality which is likewise provided for in article 10.

Finally, you might also consider whether, in the case of conflicting requests for extradition, the request from a European partner state should not generally be given precedence.

Foreign and Commonwealth Office

CONFIDENTIAL London SW1A 2AH

28 November 1989

Dear Charles,

Meeting with Herr Genscher: 29 November

Since my letter of 27 November, Chancellor Kohl has made a major speech in the Bundestag on FRG policy towards the GDR. Herr Genscher also took part.

Chancellor Kohl proposed a ten-point plan, "on the road to unity". I enclose a translation of his "ten points". In his preliminary remarks (not part of the text) Chancellor Kohl also stressed the FRG's allegiance to NATO.

Teltschik briefed the Ambassadors of the UK, US and France this afternoon (I enclose Sir Christopher Mallaby's record). As you will see, Chancellor Kohl put forward the ten points on his own authority, without consulting Herr Genscher. When he spoke to the Bundestag later in today's debate, Herr Genscher endorsed Chancellor Kohl's ten points but in a restrained manner, making no mention of reunification as such. We will let you have details of Herr Genscher's speech as soon as possible.

Chancellor Kohl's speech marks the beginning of a more active debate on the German Question within the FRG. Rejoicing over the new climate in the GDR is giving way to sometimes heated discussion of a host of practical problems for the authorities in Bonn, most of them requiring early answers.

Chancellor Kohl sees a historic opportunity to influence the GDR towards a liberal economic and political order closely akin to that of the FRG. This would be a major step, as he sees it, towards some form of eventual reunification. But he continues to insist that any solution to the German Question must be sought in a wider process of overcoming divisions in Europe and he has attached no timetable to all this. He is trying not to appear to dictate the outcome of self-determination or to undermine the very existence of the GDR in advance.

The opposition, meanwhile, are urging caution. Lafontaine (who may well be the SPD's candidate for Chancellor next year) has pointed out that the unconditional offer of citizenship and West German social security benefits to all GDR citizens might no longer be justified if a fully legitimate state emerges in the GDR. This point has hitherto

been sacred in the FRG.

There are signs of greater support for reunification within the GDR (I enclose a copy of East Berlin telegram 417). While the intellectuals want to develop socialism with a human face, other people are increasingly impressed with what they have now seen for themselves in West Germany. But the popular mood in the GDR remains hard to read.

In these circumstances we believe it would be best to adopt an interrogative approach to Kohl's speech. It would be worth a reminder to Herr Genscher of the importance we attach to early consultation on such key questions. Otherwise the basic points on the need for stability, a step-by-step approach etc suggested in my letter of 27 November remain valid.

Soering

In a message to the Foreign Secretary last week, Herr Genscher said he intended to raise the possibility of Soering's extradition to the FRG in his talks with the Prime Minister and Foreign Secretary. If he does raise the matter with the Prime Minister, she could suggest that he discuss it with the Foreign Secretary at their talks tomorrow evening.

Soering is a young German whom we have agreed to extradite to the United States on charges of murdering the parents of his girlfriend there. We have secured US assurances that he will not be tried on a capital charge. Herr Genscher will want to press for him to be extradited to the FRG instead on humanitarian grounds. A life sentence in the FRG means 10-15 years whereas in the US it could mean life. The Germans also claim that the US extradition request has lapsed following subsequent legal processes - a view we do not share. We believe Soering should be extradited to the US, both because he is alleged to have committed the crime there and also because the US request was submitted first. Soering's extradition is currently held up while his lawyers consider an appeal direct to the House of Lords.

Yours,
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

Translation

Ten-Point Programme

One: Firstly, immediate measures are required to deal with the problems arising from the events of recent weeks, especially from the wave of resettlers and the new dimension of travel.

The Federal Government is prepared to give immediate concrete help where this help is needed. We shall assist in the humanitarian sector and with medical supplies where this is requested.

We also know that the "welcome money", which we pay to each visitor from the GDR once a year, cannot be a solution to the financing of travel. In the final analysis, the GDR itself must provide its travellers with the necessary foreign currency. However, we are prepared to contribute to a currency fund for a transitional period. But the pre-requisite for this is that the minimum exchange amount for travellers to the GDR should be abolished, entry to the GDR considerably eased and that the GDR make a substantial contribution of its own to the fund.

Our objective is for travel in both directions to be as unhindered as possible.

Two: The Federal Government will continue cooperation with the GDR in all areas which immediately benefit the people on both sides. This applies in particular to economic, scientific-technological and cultural cooperation. Increased cooperation in the field of environmental protection is particularly important. It will shortly be possible to take decisions on new projects in this area.

Furthermore, we want to work towards a rapid expansion of the GDR telephone network.

Negotiations are continuing on the further development of the railway line Hanover-Berlin. Talks will also be needed on fundamental questions of rail routes in a Europe with open borders and links with of the GDR network - above all in view of the modern high-speed trains.

Three: I have offered an extensive increase in our help and cooperation if a fundamental change in the political and economic system in the GDR is bindingly decided and irreversibly set in motion. For us, "irreversible" means that the GDR leadership reaches agreement with opposition groups on a change in the Constitution and a new electoral law.

We support the demand for free, equal and secret elections in the GDR with the participation of independent, also non-Socialist parties. The SED's monopoly of power must be repealed. Calls for the introduction of a constitutional system mean above all the abolition of political criminal law.

Economic aid can only be effective if there are fundamental reforms of the economic system. This is clear from the experience of all COMECON States. The bureaucratic planned economy must be dismantled.

We do not want to stabilise conditions which have become untenable. An economic upswing will only be possible if the GDR opens itself to western investments, creates market economy conditions and enables private sector activities. In Hungary and Poland there are already examples which the GDR can follow. Joint ventures would very soon be possible if these pre-requisites are fulfilled. Numerous companies at home and abroad have already signalled their readiness in this direction.

None of these are pre-conditions, but concrete pre-requisites for our help to take effect. Moreover, there can be no doubt that the people in the GDR want an economic order which will also give them economic freedom and thus prosperity.

Four: In his Government Declaration, Prime Minister Modrow spoke of a "treaty-based association" (Vertragsgemeinschaft). We are prepared to take up this idea. The closeness and special character of relations between the two states in Germany call for an increasingly close-meshed network of agreements in all areas and at all levels.

This cooperation will also require joint institutions to an increasing extent. Existing joint Commissions can take on new tasks, further Commissions can be established. I am thinking here particularly of the economy, transport, environmental protection, science and technology, health and culture. It is self-evident that Berlin should be fully integrated into this cooperation.

I call upon all social groups and institutions to work together on the shaping of such a treaty-based association.

Five: But we are also prepared to take a further decisive step, namely to develop confederative structures between the two States in Germany with the aim of creating a federation, a federal order in Germany. A legitimate democratic government within the DDR is an absolute pre-requisite.

We could imagine the following institutions being established soon after free elections:

- a joint governmental committee for permanent consultation and political coordination,

- joint technical committees,

- a joint parliamentary body.

Previous policy vis-a-vis the DDR had to concentrate essentially on small steps, which were intended to alleviate the consequences of division for the people whilst maintaining and heightening awareness for the unity of the nation. If in the future, a democratically legitimized, that is a freely elected government becomes our partner, this will open up completely new prospects.

New forms of institutional co-operation can gradually be created and further developed. Such a coming together is inherent in the continuity of German history. The German State has always been organised as a confederation or a federation. We can now again make use of this historical experience.

Nobody currently knows <u>how</u> a reunified Germany will eventuallly look. However, I am sure that unity will come, if it is wanted by the German people.

<u>Six</u>: The development of inner-German relations remains anchored in the pan-European process and in East-West relations. The future architecture of Germany must fit into the future architecture of Europe as a whole. The West has acted as a pace-maker here with its concept for a lasting and just European peace order.

In our Joint Declaration of June this year, General Secretary Gorbachev and I speak of the building components of a "common European house." For example:

- The unlimited respect for the integrity and security of each State. Each State has the right to freely choose its own political and social system.

- The unlimited respect for the principles and standards of international law, particularly respect for the right of self-determination of nations.

- The realization of human rights.

- Respect for and maintenance of the historically evolved cultures of the peoples of Europe.

General Secretary Gorbachev and I set out that these points are intended to link into the historically based European traditions and help overcome the division of Europe.

Seven: The attraction and the aura of the European Community are and remain a constant feature of pan-European developments. We want to strengthen these still further.

It is now up to the European Community to approach the reform-oriented States in Central, Eastern, and South-Eastern Europe with openness and flexibility. This was unanimously agreed by the Heads of State and Government of the EC Member States during their recent meeting in Paris.

This of course includes the GDR:

- The Federal Government therefore advocates the early conclusion of a trade and co-operation agreement with the GDR which extends and secures GDR access to the Common Market, also with a view to 1992.

- We can imagine certain forms of association for the future which draw the economies of the reform-oriented States of Central and South-Eastern Europe closer to the EC and thus help to close the economic and social gap on our Continent.

We understand the process of regaining German unity as a European matter. It must therefore be viewed in the context of European integration. In this sense, the European Community must keep itself open for a democratic GDR and for other democratic States in Central and South-Eastern Europe. The EC must not stop at the Elbe, it must also preserve openness towards the East.

This is the only way the EC can become the basis for a really comprehensive European unity. This is the only way it can preserve, maintain and develop the identity of all Europeans. This identity is not only founded on Europe's cultural diversity, but also and above all on the basic values of freedom, democracy, human rights and self-determination.

As far as the States of Central and South-Eastern Europe fulful the necessary pre-requisites, we would also welcome their accession to the Council of Europe - and particularly to the Convention on the Protection of Human Rights and Basic Freedoms.

Eight: The CSCE process is and remains central to this pan-European architecture and must be advanced energetically. The forthcoming CSCE fora must be used for this purpose:

- the human rights conferences in Copenhagen (1990) and Moscow (1991).
- the conference on economic cooperation in Bonn (1990).
- the symposium on cultural heritage in Cracow (1991) and
- not least of all the next review conference in Helsinki.

There we should also consider new institutional forms of pan-European cooperation. We can envisage a common institution to coordinate East-West economic cooperation and the establishment of a pan-European Environment Council.

Nine: Overcoming the division of Europe and the partition of Germany requires far-reaching and rapid steps in the field of disarmament and arms control. Disarmament and arms control must keep pace with political developments and therefore be accelerated where possible.

This applies in particular to the Vienna Talks on the Reduction of Conventional Forces in Europe and for the agreement of confidence-building measures as well as the global ban on chemical weapons. This also makes it necessary for the nuclear arsenals of the super-powers to be reduced to the strategically required minimum. The forthcoming meeting between President Bush and General Secretary Gorbachev offers a good opportunity to give fresh impetus to the current negotiations.

We are endeavouring to support this process - also in bilateral talks with the Warsaw Pact States, including the GDR.

Ten: With this comprehensive policy we are also working towards a state of peace in Europe in which the German people can regain its unity in free self-determination. Reunification, that is the regaining of the national unity of Germany, remains the political objective of the Federal Republic. We are grateful that we again found the support of our Allies for this objective in the Declaration of the Brussels NATO summit.

We are aware that the path to German unity is strewn with particularly difficult questions to which we cannot yet give conclusive answers. This includes above all the question of supra-national security structures in Europe.

[redacted]

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MY TELNO 1154 : KOHL'S SPEECH ON THE GERMAN QUESTION

SUMMARY

1. TELTSCHIK, BRIEFING US AND FRENCH AMBASSADORS AND ME, PRESENTS KOHL'S SPEECH AS AN ATTEMPT TO PUT GERMAN UNITY AT THE END OF A LENGTHY PROCESS AND THUS TO HEAD OFF CALLS FOR EARLY UNITY. IT IS TRUE THAT THE MAJOR INNOVATION IN KOHL'S 10-POINT PROGRAMME - THE SUGGESTION OF CONFEDERATIVE STRUCTURES - NEED NOT ALTER PRESENT ALLIANCES AND IN ITSELF MAY NOT BE HARMFUL. BUT KOHL'S DECISION TO SET OUT A PROGRAMME CULMINATING IN UNITY, WITHOUT AGREEMENT OF COALITION PARTNERS OR PRIOR CONSULTATION WITH ALLIES, IS A SIGN OF THE SPEED WITH WHICH THE DEBATE IS MOVING. AND TELTSCHIK VOLUNTEERED THAT KOHL'S VISION OF A LENGTHY PROCESS BEFORE UNITY COULD BE OVERTAKEN BY OTHER VIEWS BEFORE LONG.

DETAIL

2. TELTSCHIK, KOHL'S DIPLOMATIC ADVISER, BRIEFED THE US AND FRENCH AMBASSADORS AND ME ABOUT KOHL'S SPEECH TWO HOURS AFTER THE CHANCELLOR HAD SPOKEN. HE SAID THAT THE 10-POINT PROGRAMME IN THE SPEECH HAD BEEN ADVANCED ON KOHL'S OWN AUTHORITY, WITHOUT AGREEMENT WITH COALITION PARTNERS OR ALLIES. BUT IT HAD TAKEN ACCOUNT OF NUMEROUS TELEPHONE CALLS BETWEEN KOHL AND BUSH, CONTACTS BETWEEN KOHL AND MITTERRAND, THE EC SUMMIT ON 18 NOVEMBER AND CONTACTS AT MANY LEVELS WITH THE GDR.

3. THE CHANCELLOR'S TEN POINTS HAD ALSO TAKEN ACCOUNT OF HIS CONTACTS WITH GORBACHEV AROUND 9 NOVEMBER. THERE HAD ALSO BEEN IMPORTANT CONTACTS WITH ADVISERS TO GORBACHEV. THEY HAD SUGGESTED THAT THE FEDERAL CHANCELLOR SHOULD NOT VISIT THE GDR BEFORE THE COMMUNIST PARTY CONGRESS THERE ON 14/15 DECEMBER, THUS IMPLYING THAT THE PRESENT LEADERSHIP MIGHT NO LONGER BE IN PLACE AFTER THE CONGRESS. TELTSCHIK SAID THAT THE EARLIEST THE CHANCELLOR COULD VISIT EAST GERMANY WAS 19 DECEMBER. HE WOULD NOT GO TO EAST BERLIN AND HOPED TO GO TO LEIPZIG. HIS DECISION WOULD DEPEND ON THE POLICY DECISIONS TAKEN AT THE PARTY CONGRESS. RETURNING TO WHAT GORBACHEV'S

ADVISERS HAD SAID, TELTSCHIK SAID THEY HAD REVEALED THAT THE RUSSIANS WERE REFLECTING ABOUT FAR-REACHING POSSIBILITIES INCLUDING A FOUR-POWER CONFERENCE, A PEACE TREATY, AND A UNITED, NEUTRAL GERMANY. BUT THE SOVIET POSITION STILL INSISTED ON TWO BASIC POINTS: NO DEPARTURES FROM THE WARSAW PACT AND MAINENANCE OF THE SEPARATE STATEHOOD OF THE GDR. IT WAS INTERESTING, HOWEVER, THAT GORBACHEV'S ADVISERS WERE LIMITING THIS STATEMENT ABOUT THE SOVIET BOTTOM LINE TO PRESENT CIRCUMSTANCES AND NO LONGER IMPLYING THAT THE BOTTOM LINE COULD NEVER CHANGE. GORBACHEV'S ADVISERS HAD ASKED TELTSCHIK WHETHER THE FEDERAL CHANCELLOR WANTED A PEACE TREATY OR A FOUR-POWER CONFERENCE AND WHAT FORM OF UNITY WOULD IN DUE COURSE BE PREFERRED.

4. TELTSCHIK CONTINUED THAT THESE SOVIET REMARKS AMONG OTHER FACTORS HAD MADE THE CHANCELLOR DECIDE THAT IT WAS TIME TO PRESENT A WAY FORWARD ON THE GERMAN QUESTION. THE FEDERAL REPUBLIC'S ALLIES SHOULD CAREFULLY NOTE THAT KOHL'S SPEECH, BEFORE SETTING OUT THE 10 POINTS, DREW ATTENTION TO THE FACTORS WHICH HAD PRODUCED POSITIVE CHANGE IN EUROPE. THESE FACTORS BEGAN WITH THE FRG'S MEMBERSHIP OF THE COMMUNITY OF DEMOCRACIES AND THE FIRMNESS OF NATO OVER INF. IT ALSO INCLUDED WEST EUROPEAN INTEGRATION, GORBACHEV'S POLICY OF REFORM, THE REFORM IN POLAND AND HUNGARY, CSCE, THE FREQUENCY OF EAST-WEST SUMMITS, THE FEDERAL REPUBLIC'S OSTPOLITIK AND THE FEDERAL REPUBLIC'S INSISTENCE THAT THE GERMAN NATION REMAINED ONE. TELTSCHIK SAID THAT THESE POINTS, ESPECIALLY THE ONE ABOUT NATO, SHOULD BE SEEN AS BELONGING INSEPARABLY WITH THE 10 POINTS THEMSELVES. AS WE KNEW, THE FEDERAL GOVERNMENT STOOD FIRMLY BY ITS MEMBERSHIP OF THE ALLIANCE. TELTSCHIK CONTINUED THAT THE 10 POINTS SHOULD BE SEEN AS A SINGLE PACKAGE. THE MAJOR NOVELTY WAS POINT 5, ABOUT CONFEDERATIVE STRUCTURES. THESE WERE PRESENTED AS OPENING UP THE AIM OF A FEDERATION IN DUE COURSE IN GERMANY. (MY TUR DESCRIBED THIS MISTAKENLY IN PARAGRAPH 2(5) AS A CONFEDERATION). TELTSCHIK CONTINUED THAT THE CHANCELLOR HAD DELIBERATELY NOT SPOKEN OF A CONFEDERATION SINCE THAT REQUIRED A TREATY BETWEEN TWO SEPARATE STATES AND THEREFORE WOULD CONFIRM THE EXISTENCE OF TWO STATES IN GERMANY. A FURTHER ADVANTAGE OF PROPOSING CONFEDERATIVE STRUCTURES BUT NOT A CONFEDERATION WAS THAT THE FORMER DID NOT CALL THE TWO GERMANIES' MEMBERSHIP OF ALLIANCES INTO QUESTION. TELTSCHIK POINTED OUT THAT KOHL'S POINT 9 ABOUT ARMS CONTROL REFERRED TO NUCLEAR REDUCTIONS ONLY BY THE SUPERPOWERS.

5. I ASKED TELTSCHIK WHY THE CHANCELLOR HAD MADE THIS MAJOR MOVE ON THE GERMAN QUESTION AT THIS TIME. TELETSCHIK SAID THAT THE CHANCELLOR HAD FELT A NEED TO SET OUT CLEAR GERMAN VIEWS, TO INFLUENCE THE THINKING THAT WAS EVIDENTLY TAKING PLACE IN MOSCOW.

SECONDLY KOHL HAD WANTED TO LEAD THE DEBATE IN THE FRG, WHICH HAD BEEN FLOUNDERING RECENTLY (MY TELNO 1151). HE HAD ALSO WANTED, BY SETTING GERMAN UNITY AT THE END OF A LENGTHY PROCESS ALSO INVOLVING A EUROPEAN SETTLEMENT, TO INFLUENCE PEOPLE IN THE GDR WHO INCREASINGLY WERE CALLING FOR GERMAN UNITY AND MIGHT START SAYING THAT IT SHOULD HAPPEN SOON. THE CHANCELLOR ALSO HOPED THAT A CLEAR PROGRAMME CULMINATING IN GERMAN UNITY WOULD INSTIL PATIENCE INTO THE PEOPLE OF THE GDR AND THUS REDUCE THE LIKELIHOOD THAT THE FLOOD OF EMIGRANTS MIGHT BEGIN AGAIN. FINALLY, THE CHANCELLOR WANTED TO RE-EMPT CALLS FOR REUNIFICATION IN NEUTRALITY, WHICH MIGHT COME FROM THE LEFT IN THE FEDERAL REPUBLIC BEFORE LONG. TELTSCHIK ADMITTED, HOWEVER, THAT KOHL'S ATTEMPT TO BE A ROCK IN THE STORM AND TO SET REUNIFICATION WAY DOWN THE ROAD COULD BE OVERTAKEN BY OTHER VIEWS.

COMMENT

6. TELTSCHIK WAS AT PAINS TO STRESS THAT FEDERAL GERMAN MEMBERSHIP OF NATO WAS NOT IN QUESTION AND THAT THE REFERENCE TO IT IN KOHL'S SPEECH SHOULD BE TAKEN AS PART OF THE 10 POINTS. I AM SURE THAT KOHL AND TELTSCHIK ARE SINCERE ABOUT THE ALLIANCE. BUT IT IS A PITY THAT THE 10 POINTS THEMSELVES DO NOT MENTION THE ALLIANCE AND TO MENTION OTHER MATTERS COVERED IN THE PRELIMINARY PART OF THE SPEECH. I FIND GENERALLY CONVINCING TELTSCHIK'S EXPLANATION OF KOHL'S REASONS FOR SPEAKING UP NOW. AND IT IS TRUE THAT CONFEDERATIVE STRUCTURES, AT LEAST IN THE EXAMPLES GIVEN IN KOHL'S SPEECH, MAY NOT IN THEMSELVES BE HARMFUL. BUT SOME OF THEM, NOTABLY ''A COMMON PARLIAMENTARY BODY'' COULD ACQUIRE MAJOR SIGNIFICANCE OVER TIME. THE KEY POINT IS THAT THE PRESSURES HAVE REACHED A LEVEL WHERE KOHL HAS FELT OBLIGED TO MAKE A HIGH PROFILE STATEMENT OF A POLICY EXPRESSLY INTENDED TO LEAD IN TIME TO GERMAN UNITY. AND HE HAS DONE SO ON HIS OWN AUTHORITY, NOT ON BEHALF OF THE WHOLE COALITION, AND WITHOUT PRIOR CONSULTATION WITH THE ALLIES HAVING RESPONSIBILITY FOR THE GERMAN QUESTION. IT SHOWS HOW FAST THE GERMAN QUESTION IS MOVING.

MALLABY

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MY TELNO 413 : GDR INTERNAL DEVELOPMENTS

SUMMARY
1. RENEWED CALLS AT LEIPZIG DEMONSTRATIONS FOR UNITY/ REUNIFICATION. NO PARTY NOW RULES THIS OUT ENTIRELY BUT TIME SCALES VARY GREATLY.

DETAIL
2. OVER 200,000 PEOPLE TURNED OUT ON 27 NOVEMBER TO PRESS DEMANDS FOR REFORM. SIMILAR DEMONSTRATIONS TOOK PLACE IN DRESEDEN, HALLE, COTTBUS, NEU-BRANDENBURG AND SCHWERIN.

3. AS AT LAST WEEK'S DEMONSTRATION (PARA 2 OF MY TELNO 405) THERE WERE AGAIN CALLS FOR REUNIFICATION. ACCORDING TO NEUES DEUTSCHLAND (ND) SUCH CALLS WERE REJECTED BY THE MAJORITY -''ONE PEOPLE - TWO STATES, THAT IS THE REALITY'' WAS THE SED'S REPLY. TWO MEMBERS OF CHANCERY WERE IN LEIPZIG LAST NIGHT AND HAVE, HOWEVER, REPORTED THAT IN ADDITION TO ATTACKS ON THE OLD REGIME THE THEME OF UNITY/REUNIFICATION WAS PRESSED STRONGLY. A SIZEABLE PROPORTION OF THE CROWD APPEARED TO BE IN FAVOUR AND A CONSIDERABLE NUMBER OF THE BANNERS CARRIED MESSAGES SUCH AS -DONT BE AFRAID, REUNIFICATION NOW.

4. THERE HAVE BEEN A SERIES OF STATEMENTS ABOUT THE POSSIBILITY OF UNITY/REUNIFICATION IN THE LAST FEW DAYS. ON 25 NOVEMBER KRENZ, IN AN INTERVIEW WITH THE FINANCIAL TIMES SAID THAT GERMAN UNITY WAS NOT ON THE AGENDA. IN THE LONGER TERM, HOWEVER, HE THOUGHT THAT THE QUESTION COULD NOT BE RULED OUT DEPENDING ON THE ''FRAMEWORK'' OF THE COMMON EUROPEAN HOME. ACCORDING TO NEUES DEUTSCHLAND'S ACCOUNT OF THAT INTERVIEW KRENZ DID NOT EXCLUDE THE POSSIBILITY THAT ''THE GDR AND THE FRG COULD MOVE IN THE DIRECTION OF A CONFEDERATION IF, IN THE COMING YEARS, NATO AND THE WARSAW PACT WERE DISBANDED.''

5. I ASKED GERLACH YESTERDAY, IN HIS CAPACITY AS DEPUTY CHAIRMAN OF THE COUNCIL OF STATE, WHAT INTERPRETATION TO PUT ON KRENZ'S WORD. GERLACH SAID THAT FOR THE PRESENT TWO REALITIES EXISTED IN THE GDR. IT WAS A SOCIALIST STATE AND A SOVEREIGN STATE. WHAT MIGHT HAPPEN IN THE FUTURE WOULD DEPEND ON DEVELOPMENTS IN EUROPE. HE DID NOT PERSONNALY RULE OUT A MORE CLOSELY STRUCTURED RELATIONSHIP SUCH AS CONFEDERATION OR FEDERATION.

COMMENT

6. THE QUESTION OF UNITY/REUNIFICATION HAS IN THE LAST WEEK OR SO BECOME MUCH MORE PROMINENT IN THE GDR. OFFICIAL ATTITUDES TOWARDS IT HAVE MOVED CONSIDERABLY IN A FAIRLY SHORT TIME. FROM HONECKER'S POSITION OF THE INSEPARABILITY OF SOCIALISM AND CAPITALISM (FIRE AND WATER), NONE OF THE OFFICIAL PARTIES NOW RULE OUT THE POSSIBILITY OF A MUCH CLOSER RELATIONSHIP WITH THE FRG INVOLVING STRUCTURAL CHANGE ALTHOUGH THIS IS REFERRED TO AS A POSSIBILITY FOR THE DISTANT FUTURE.

7. I JUDGE THIS TO BE AN ACKNOWLEDGEMENT OF PRESSURE FROM THE STREETS. WHILE THE INTELLECTUAL AND CULTURAL LEADERS OF THE REFORM GROUPS IN BERLIN REMAIN CAUTIOUS, IF NOT HOSTILE TO THE IDEA OF UNITY/REUNIFICATION, THE PERCEPTIONS OF THE PEOPLE, PARTICULARLY IN THE INDUSTRIAL TOWNS OF THE SOUTH, HAS DEFINITELY BEEN AFFECTED BY WHAT THEY HAVE BEEN ABLE TO SEE OF THE FRG AND WEST BERLIN SINCE 9 NOVEMBER. THEY ARE BECOMING CONSCIOUS OF THE DECEPTION PRACTISED UPON THEM BY THE PREVIOUS LEADERSHIP ABOUT LIFE IN THE WEST, AND ARE INCREASINGLY AWARE OF THE ENORMOUS GAP IN THE LIVING STANDARDS AS WELL AS POLITICAL FREEDOMS BETWEEN THE TWO COUNTRIES. THE EDITOR OF ND, TO WHOM I PUT THIS QUESTION YESTERDAY, ACKNOWLEDGED THAT THERE WAS THE BEGINNINGS OF A NEW MOOD ON THE STREETS. THE SED WOULD HAVE TO FACE THIS AND WIN THE PEOPLE BACK TO THEIR VERSION OF SOCIALISM BY BECOMING A THOROUGHLY REFORMED PARTY, ADOPTING COHERENT REFORMING POLICIES.

8. I WILL SEND A FURTHER ROUND UP ON POLITICAL AND ECONOMIC DEVELOPMENTS HERE BEFORE THE NATO MINISTERIAL MEETING ON 4 DECEMBER.

BROOMFIELD

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GENSCHER'S VISIT TO LONDON ON 29 NOVEMBER

SUMMARY

1. A CHANCE TO QUESTION GENSCHER ABOUT KOHL'S NEW TEN POINT PLAN ON THE GERMAN QUESTION (MY TELNOS 1154 AND 1156). HIS APPROACH TO EASTERN EUROPE CLOSE TO OURS. DIVERGENCE OVER GOALS AT STRASBOURG. BUT HE REMAINS FIRM ON THE FEDERAL REPUBLIC'S ALLEGIANCE TO THE WEST, INCLUDING THE ALLIANCE.

DETAIL

2. IN SPEAKING TO THE BUNDESTAG ON 28 NOVEMBER KOHL FOR THE FIRST TIME DECLARED UNITY TO BE THE GOAL OF A PROCESS STARTING NOW. GENSCHER, SPEAKING LATER THE SAME DAY, SUPPORTED THIS BUT AS USUAL WAS RESTRAINED, MAKING NO MENTION OF REUNIFICATION AS SUCH. MAIN POINTS AS FOLLOWS:

(A) THE FDP SUPPORTED THE TEN POINTS FORMULATED BY CHANCELLOR KOHL, AND BELIEVED THAT THEY SHOULD FORM THE BASIS OF A CONSENSUS IN THE BUNDESTAG ON THE SUBJECT OF RELATIONS WITH THE GDR. IT WAS MOST IMPORTANT THAT POLICY IN THIS AREA SHOULD NOT BECOME THE SUBJECT OF PARTY INFIGHTING IN THE COMING ELECTORAL CAMPAIGN.

(B) HE STRESSED IN PARTICULAR THE IMPORTANCE OF THE FRG BEING READY TO HELP THE GDR EVEN AT THIS STAGE IN EVERY POSSIBLE WAY (THE FDP, UNLIKE THE CDU/CSU, HAS MADE PLAIN RECENTLY ITS PREFERENCE FOR MAKING AID TO THE GDR UNCONDITIONAL). THERE WERE IMPORTANT MEDICAL AND OTHER NEEDS TO BE SATISFIED BY MEANS OF URGENT ACTION. IF DURING THE WINTER THE GDR WERE TO LACK ADEQUATE MEANS OF TRANSPORT, THEN THE FRG SHOULD CONSIDER MAKING BUSES AVAILABLE. MUCH COULD BE DONE IN THIS SORT OF WAY.

(C) THE SHAPE OF THE RELATIONSHIP BETWEEN THE FRG AND THE GDR WOULD HAVE TO BE COMPLETED BY DEVELOPING THE GDR'S RELATIONSHIP WITH THE EUROPEAN COMMUNITY. THE GDR LEADERSHIP HAD COMMITTED THEMSELVES IN WRITING TO THE COMMUNITY TO FREE, DEMOCRATIC AND SECRET ELECTIONS. THIS WAS AN IMPORTANT STATEMENT WHICH OPENED

THE WAY FOR RELATIONS WITH THE GDR ON A TRADE AGREEMENT, AND ON A COOPERATION AGREEMENT, WHICH IF IT WAS TO MEET THE GDR'S EXPECTATIONS SHOULD COVER NOT ONLY ECONOMIC COOPERATION, BUT TRADE, SCIENCE AND TECHNOLOGY, ENVIRONMENT, TRANSPORT, FISHERIES, STANDARDS, STATISTICS, CULTURE AND INFORMATION. CLOSE RELATIONSHIP BETWEEN THE GDR AND THE COMMUNITY WOULD CORRESPOND ALSO TO THE BASIC APPROACH OF ENTWINING THE GERMAN QUESTION WITH THE FATE OF EUROPE AS A WHOLE.

(D) THE PROGRESS BEING MADE BY THE REFORM MOVEMENTS IN EASTERN EUROPE WAS DUE BOTH TO THE CORRECT AND CONSISTENT LINE WHICH THE WEST HAD FOLLOWED AND TO THE LINE TAKEN BY GORBACHEV. IT WAS OF KEY IMPORTANCE THAT GORGACHEV'S POLICIES IN THE SOVIET UNION SHOULD BE SUCCESSFUL. THE WEST FOR ITS PART NOW NEEDED TO APPLY ITSELF AS MUCH TO MAKING THE REFORM MOVEMENTS IN EASTERN EUROPE A SUCCESS AS IT HAD DONE IN THE PAST TO THE TASK SAFEGUARDING PEACE AND FREEDOM IN THE WEST. FOR THE WEST TO DO THIS WOULD BE AN INVESTMENT IN ITS OWN FUTURE.

3. OVER POLICY TOWARDS EASTERN EUROPE AS A WHOLE THERE IS MUCH TO WELCOME IN GENSCHER'S ATTITUDE. HE PLACES STRONG EMPHASIS IN PARTICULAR ON THE NEED FOR THE WEST NOT TO MAKE THINGS HARDER FOR GORBACHEV OR TO EXPLOIT CHANGE IN EASTERN EUROPE UNILATERALLY. HE HIMSELF WILL BE SEEING GORBACHEV DURING HIS VISIT TO MOSCOW FROM 5-6 DECEMBER. HE VISITED POLAND WITH KOHL EARLIER THIS MONTH, AND HAS JUST RETURNED FROM HUNGARY (HIS THIRD VISIT THERE THIS YEAR: BUDAPEST TELNO 553).

4. WHERE GENSCHER AT PRESENT DIFFERS NOTABLY FROM HMG IS IN HIS REFRAIN (MY TELNO 1076) THAT THE BEST WAY TO SAFEGUARD THE GAINS IN CENTRAL AND EASTERN EUROPE IS FOR THE TWELVE TO MOVE RAPIDLY TOWARDS EUROPEAN UNION. HIS LINE ON THE MAIN TOPICS FOR THE COMING EUROPEAN COUNCIL IS UNHELPFUL TO OUR POLICIES. HE WILL FOLLOW THE FRENCH ON THE SOCIAL CHARTER. ON EMU HE HAS BEEN URGING KOHL TO AGREE AT STRASBOURG TO CALL ON IGC IN THE SECOND HALF OF 1990. HIS ATTITUDE TO KOHL'S LATEST PRONOUNCEMENT ON EMU (SEPERATE TELEGRAM) IS AS YET UNKNOWN.

5. SPEAKING ON FRENCH RADIO ON 26 NOVEMBER, GENSCHER WAS ASKED (IN A DISCUSSION OF EMU) WHETHER IT WOULD IF NECESSARY BE POSSIBLE TO TAKE MATTERS FORWARD WITHOUT THE BRITISH. HIS REPLY WAS THAT QUOTE THE HISTROY OF THE EC SHOWS THAT IF THOSE WHO WANT TO PUSH THE COMMUNITY FORWARD FOLLOW A RESOLUTE COURSE THEN THE OTHER MEMBER STATES WILL JUMP ON TO THE MOVING TRAIN UNQUOTE.

6. GENSCHER'S PUBLIC STATEMENTS IN RECENT MONTHS HAVE CONSISTENTLY STRESSED THE NEED FOR THE FEDERAL REPUBLIC TO REMAIN FIRMLY EMBEDDED IN THE WEST. THIS WAS AGAIN A MAJOR THEME OF THE CLUTCH OF INTERVIEWS HE GAVE DURING LAST WEEKEND. IN THE INTERVIEW WITH FRENCH RADIO REFERRED TO ABOVE, ONE OF HIS COMMENTS ON THE PRESENT STATE OF EAST-WEST RELATIONS WAS THAT ''THE FUNCTION OF THE ALLIANCES REMAINS UNCHANGED. I ALSO THINK THAT THEIR POLITICAL SIGNIFICANCE WILL INCREAST (...)''.

MALLABY

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27 November 1989

Dear Charles.

Meeting with Herr Genscher: 29 November

Herr Genscher will call on the Prime Minister at 1700 hrs on 29 November, accompanied by a Private Secretary (probably Bernd Mueztlebourg), and, possibly, the West German Ambassador. The Foreign Secretary will be present. Genscher speaks mostly in English but is likely to bring an interpreter.

The visit is at Genscher's request. He goes to Moscow on 4-6 December. He saw President Bush, Mr Baker and Mr Scowcroft in Washington on 21 November (I enclose a telegram recording the key points). We suggest concentrating on East/West issues and developments in the GDR. Arms Control, and our broad approach to Strasbourg could also be covered if there is time.

The GDR

Genscher was born in Saxony (now in the GDR). He has played a major role in recent events, for example flying to Prague to ensure the departure of the refugees in the FRG Embassy (an experience he described as the most moving of his career).

Although he has spoken of "one nation", Genscher has played down the question of reunification (more so than Kohl) and has instead put the emphasis on the need for reform, including genuine elections, in the GDR. He says that any 'coming together' of the two Germanies can only take place in the context of a free and united Europe. He has underlined the vital role of NATO and the EC as factors for stability. He has also taken the lead in getting the Bundestag to confirm that the FRG has renounced any present or future questioning of Polish borders. He is well seized of the need to reassure the East Europeans and Russians. The Foreign Secretary found common ground in this area during his talks with Genscher on 15 November (I enclose a record of the key points).

In the GDR, pressure for reform continues unabated. For virtually the first time, public protesters have included calls for German unity (in Leipzig on 20 November). The Communist Party Congress on 15-17 December is likely to produce sweeping changes in personnel and endorse major policy changes (including changes to the Constitution and the role of

the Party). Elections are envisaged in late 1990/early 1991. This may seem a long time to wait, but it is in fact desirable, in order to give embryonic non-Communist parties time to develop. The elections may thus fall close to the Federal elections in the FRG (December 1990).

Attention is starting to focus on the GDR's economy. A senior FRG Minister, Seiters, told Krenz and Modrow in Berlin last week that there would be no blank cheques from the FRG. GDR dismay was evident. Kohl is to visit the GDR after the Party Congress, probably in early January. He will no doubt take with him a package of help in a few selected areas. But a 'new dimension' of economic help, of which he has spoken, is conditional on political and economic reform. Kohl seems to be keeping his options open till he sees the outcome of the Congress. Genscher stressed to the Foreign Affairs Council on 27 November the importance of free elections in the GDR in 1990 as a condition for any EC assistance.

Economic problems risk destablising the GDR still further. The exodus (275,000 this year) has severely affected skilled labour supply, hitherto useless savings (some 150 bn East Marks) threaten inflation and a collapse in the currency, and smuggling into the FRG for Deutschmarks is helping to empty what remains in the shops. Tightening of customs controls is under way.

In discussions of the GDR and East/West more generally the Prime Minister may wish to:

- welcome recent developments, express support for the FRG's cautious handling so far, and underline our step by step approach;

- stress the need not to undermine Gorbachev's position;

- agree with Genscher's stress on the need to avoid triumphalism, which would help neither East European reformers nor Gorbachev;

- stress the importance of NATO and of existing security arrangements in Europe in preserving stability;

- mention the idea of a joint Western-funded international management institute in Moscow as one way of helping to provide the sort of expertise needed to make reform work.

Arms Control

In Washington on 21 November Genscher spoke of the need for a 'new dynamism' in NATO's arms control policies. The Prime Minister might reaffirm our commitment to work for a CFE agreement in the course of next year; but add that much will depend on the willingness of the East to work to the same

timetable. It is difficult at this stage to assess how recent developments in Eastern Europe might affect the East's ability to negotiate at Vienna. Speed must not mean sloppiness in negotiation. Important European interests must not be prejudiced. Under the terms of the CFE the UK will not be prepared to see the limits on the stationing of US and Soviet forces extended to European troops. The Alliance will also need to decide on its own minimum security requirements, notably for forward defence, before commiting itself to any further CFE talks.

Strasbourg European Council: Internal Issues

Genscher wants rapid progress towards Economic and Monetary Union (EMU). His emotional commitment to European integration leaves him indifferent to the concerns expressed by Pöhl and Waigel about diluting the anti-inflationary stance of the Bundesbank. Genscher wants an IGC date to be set at Strasbourg, but he also called for an IGC decision at Madrid, when Kohl overruled him. Kohl's doubts about the handling of EMU at Strasbourg surfaced publicly following the Paris meeting, but it is not clear whether his concerns relate more to the effects of the Delors prescription than to the immediate Strasbourg issue of an IGC date. Genscher also strongly supports the Social Charter, and on this Kohl will certainly agree with him in resisting dilution of the present Commission/Presidency text. We want Strasbourg to reaffirm the Madrid priorities on the Single Market, particularly financial services and transport, where more progress is needed. But Genscher is not involved in the detail of these subjects, and there is little point, given his views, in taking the initiative to discuss them with him.

UK/FRG Bilateral

The Prime Minister may wish to underline our full commitment to Berlin and to a close relationship with the FRG. This is demonstrated by our help over the accommodation of refugees from the GDR (tents, blankets, barracks, "greenfield" sites etc).

Kohl and the Prime Minister are to attend the opening dinner for the 40th Königswinter Conference, in Cambridge next March. The Anglo-German Summit follows the next day (30 March).

FRG Internal

There will be four Land elections in the FRG next year, leading up to Federal elections on 2 December. Notwithstanding the poor reception given to Kohl in Berlin (a SPD stronghold) the Coalition's poll ratings have now stabilised at about 48%, after a bad patch in the spring. But the result of the Federal elections is still wide open.

Housing, problems resulting from the influx from the GDR and Eastern Europe and the German Question may complicate the electoral picture.

Genscher

Genscher remains the most popular politician in the FRG, widely seen by the German public as one of the architects of recent improvements in East/West relations. His importance to Kohl as a block to SPD aspirations is likely to grow in the next twelve months. He seems to have recovered well from a heart attack in August. I enclose a personality note.

I am copying this letter to Trevor Woolley (Cabinet Office), Brian Hawtin (MOD) and John Gieve (HMT).

Yours,
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

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GENSCHER'S VISIT TO WASHINGTON

SIC

SUMMARY

1. WELL JUDGED PERFORMANCE BY GENSCHER. PRESENTS PRESIDENT WITH PIECE OF BERLIN WALL. PROVIDES REASSURANCE ABOUT FRG ATTITUDES. BUT ARGUES FOR ACCELERATED E C MOMENTUM, NEW DYNAMISM IN ARMS CONTROL AND NEW ROLES FOR NATO TO PROVIDE BROAD EAST-WEST RECONCILLIATION WITHIN WHICH GERMAN UNITY CAN ALSO BE ACHIEVED.

DETAIL

2. GENSCHER PAID ONE OF HIS CHARACTERISTIC ONE-DAY VISITS TO WASHINGTON ON 21 NOVEMBER. HIS MAIN CALLS WERE ON BAKER (WITH WHOM HE LUNCHED), SCOWCROFT AND THE PRESIDENT. THE POLITICAL SIGNIFICANCE OF THE VISIT, GIVEN DEVELOPMENTS IN EAST EUROPE AND COMING JUST BEFORE MALTA, WAS WELL SIGNALLED BY THE PRESS IN ADVANCE, WHO BILLED IT AS AN EXERCISE IN REASSURANCE ABOUT BONN'S INTENTIONS AND AN EFFORT TO INFLUENCE THE ADMINISTRATION ON THE LINE TO TAKE WITH GORBACHEV. BY ALL ACCOUNTS GENSCHER SCORED THE SUCCESS HE WAS SEEKING, EXEMPLIFIED IN PRESS PHOTOGRAPHS OF HIM PRESENTING THE PRESIDENT WITH A FOOT-LONG CHUNK OF THE BERLIN WALL - THE LATEST IN THE SERIES OF THANK YOUS FROM THE GERMANS FOR AMERICAN SUPPORT.

3. THE ATMOSPHERE APPEARS TO HAVE BEEN VERY GOOD THROUGHOUT, CLOUDED ONLY FALNTLY BY A REBUKE FROM BUSH ABOUT STATEMENTS MADE BY GENSCHER'S SHERPAS ON SNF MODERNISATION (TEBBIT'S TELELETTER TO LEVER OF 22 NOVEMBER, NOT TO ALL). GENSCHER HIMSELF, HOWEVER, GAVE A BALANCED AND RESPONSIBLE PERFORMANCE ON SNF, AS WELL AS ON THE GERMAN QUESTION AND EAST/WEST RELATIONS GENERALLY. IN HIS MEETINGS, AS WELL AS IN PUBLIC, HE STRESSED FIVE POINTS:

(A) GERMAN UNITY COULD COME ABOUT ONLY AFTER DEMOCRACY AND FREE ELECTIONS WERE ESTABLISHED IN THE GDR, AND THAT MEANWHILE THERE WAS QUOTE ONE NATION WAITING TO COME TOGETHER

UNQUOTE THROUGH SELF-DETERMINATION.

(B) THIS COULD TAKE PLACE ONLY WITHIN THE FRAMEWORK OF A BROADER DRAWING TOGETHER OF EASTERN AND WESTERN EUROPE - HENCE THE IMPORTANCE OF ACCELERATED EUROPEAN UNITY.

(C) IT MUST ALSO BE ON THE BASIS OF WESTERN VALUES, UNDERLINING THE CONTINUING VITAL ROLE OF NATO AND THE COMMUNITY.

(D) THERE WAS NO QUESTION OF ALTERING THE POST-WAR INTERNATIONAL BOUNDARIES OF THE TWO GERMANIES.

(E) CONTINUING US PRESENCE IN EUROPE WOULD BE ESSENTIAL, IRRESPECTIVE OF WARSAW PACT DEVELOPMENTS.

4. WE HAVE BEEN GIVEN A MORE DETAILED ACCOUNT OF THE THIRTY-MINUTE CALL ON THE PRESIDENT BY BLACKWILL (NSC). GENSCHER HAD SAID THAT THERE WAS NO NEED FOR A BLUEPRINT TO MANAGE DEVELOPMENTS. THE WEST WAS WINNING, THOUGH IT SHOULD NOT CROW. THE NEXT STAGE WAS FOR DEMOCRACY AND ELECTIONS TO TAKE PLACE IN THE GDR SO THAT THE GERMANS COULD EXPRESS THEMSELVES IN SELF-DETERMINATION. THE FRG'S TIES TO THE WEST THROUGH NATO AND THE COMMUNITY WERE MORE IMPORTANT THAN EVER AND WERE PREREQUISITES FOR CLOSER TIES BETWEEN THE TWO GERMANIES. THERE WAS NO NEED FOR CONCERN ABOUT EVENTS IN EAST EUROPE: IT WAS THRILLING THAT WE WERE AT LAST SEEING WHAT WE HAD BEEN AIMING AT FOR 40 YEARS.

5. THE PRESIDENT HAD RAISED SNF. HE SAID HE UNDERSTOOD THAT GENSCHER HAD JUST TOLD THE PRESS THAT THERE WAS NATO AGREEMENT THAT THIS WOULD BE CONSIDERED IN 1992 AND THAT IT WAS PREMATURE TO SPECULATE. HE HAD BEEN GLAD TO HEAR THAT, BECAUSE PRESS STORIES ABOUT STATEMENTS MADE BY GERMAN MINISTRY OFFICIALS HAD CAUSED QUOTE HEARTBURN HERE UNQUOTE. GENSCHER HAD NOT RESPONDED.

6. THE GERMAN DESK IN STATE DEPARTMENT HAS TOLD US THAT PREPARATIONS FOR MALTA HAD BEEN THE CENTRE-PIECE OF BAKER'S OWN DISCUSSION WITH GENSCHER. ASKED WHAT MESSAGE THE AMERICANS MIGHT USEFULLY CONVEY TO GORBACHEV, GENSCHER HAD SAID THAT FROM A GERMAN PERSPECTIVE IT SHOULD BE TO REASSURE THE RUSSIANS THAT WHILE QUOTE GERMAN UNITY/SELF DETERMINATION UNQUOTE WOULD REMAIN AN FRG GOAL IT WOULD BE PURSUED SOBERLY AND RESPONSIBLY. NO THREAT TO RUSSIAN SECURITY WAS INTENDED OR WOULD EMERGE. NEITHER WOULD THE WEST SEEK TO TAKE ADVANTAGE OF THE CURRENT SITUATION.

7. IN ADDITION TO REPEATING THE CALL FOR ACCELERATED EUROPEAN UNITY AND THE NEED FOR CONTINUING US INVOLVEMENT IN EUROPE, GENSCHER RAISED ARMS CONTROL. HE SAID THAT THERE WAS A NEED FOR A NEW DYNAMISM IN THIS AREA AS AN ESSENTIAL CONCOMITANT TO ECONOMIC ASSISTANCE TO EASTERN EUROPE. WESTERN FLEXIBILITY ON CFE WOULD

ENABLE THE RUSSIANS TO MAKE CONVENTIONAL CUTS AND PLOUGH RESOURCES SAVED INTO PERESTROIKA.

8. STATE DEPARTMENT ALSO SAY THAT GENSCHER APPEARED TO BE PRESSING FOR A CHANGE IN NATO'S FOCUS. WHEN BAKER HAD POINTED OUT CONTINUING STRONG US PARTICIPATION IN NATO AS EVIDENCE OF LONG-TERM COMMITMENT, GENSCHER ARGUED THAT THE ALLIANCE SHOULD HAVE AN INCREASINGLY IMPORTANT POLITICAL AND ECONOMIC ROLE. BAKER HAD QUERIED THE LATTER POINT, REFERRING TO OTHER ORGANISATIONS AS BEING MORE APPROPRIATE FOR COORDINATION OF ECONOMIC POLICIES. GENSCHER HAD NOT PRESSED FURTHER BUT HAD REITERATED THE FORMULA THAT NATO'S MISSION SHOULD BE MODIFIED TO REFLECT CHANGING REALITIES IN EUROPE.

9. THE GERMAN AMBASSADOR'S BRIEFING FOR EC COLLEAGUES THIS AFTERNOON ADDED THREE GLOSSES TO THE ABOVE:

(A) IN SPEAKING OF THE DEVELOPMENT OF NATO, GENSCHER REFERRED TO THE NEED FOR ARMS CONTROL AND DISARMAMENT TO CONTRIBUTE TO EUROPEAN STABILITY. POLITICAL CHANGE IN EASTERN EUROPE HAD GOT AHEAD OF THE DISARMAMENT PROCESS WHICH THEREFORE NEEDED TO CATCH UP.

(B) GENSCHER STRESSED THE ROLE OF THE COMMUNITY IN ENCOURAGING THE PROCESS OF CHANGE IN EASTERN EUROPE, A PROCESS WHICH WAS DEPENDENT ON MAINTAINING MOMENTUM WITHIN THE COMMUNITY, INCLUDING AT THE STRASBOURG MEETING. THE GDR, LIKE THE STATES OF EASTERN EUROPE WANTED TO BE A PARTNER OF THE COMMUNITY, NOT MERELY AN OBSERVER. THE EAST GERMANS RECOGNISED THEIR FUTURE LAY IN GETTING CLOSER TO EUROPE AS A WHOLE, NOT THE FRG ALONE. GENSCHER THOUGHT THE COMMUNITY MEETING ON SATURDAY, 18 NOVEMBER IN PARIS HAD BEEN VERY USEFUL. HELPING EAST GERMANY WOULD NOT BE AT THE EXPENSE OF HUNGARY AND POLAND. THE QUESTION OF A EUROPEAN BANK WAS GERMANE. HE THOUGHT IT MIGHT BE BETTER TO CALL IT A COOPERATIVE BANK THAN A DEVELOPMENT BANK. IT MIGHT BE POSSIBLE TO INCLUDE NON-COMMUNITY EUROPEAN COUNTRIES. (HE APPEARED TO TAKE IT FOR GRANTED THE BANK WOULD GO AHEAD IN SOME FORM OR OTHER).

(C) THE AMERICANS SAID THAT IF GORBACHEV PUT FORWARD PROPOSALS ON ARMS CONTROL OR DISARMAMENT AT MALTA, THEY WOULD TAKE NOTE AND REFER TO THEIR WISH TO CONSULT CLOSELY WITH THEIR ALLIANCE PARTNERS.

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FROM PRIVATE SECRETARY

SECRETARY OF STATE'S MEETING WITH HERR GENSCHER

SUMMARY

1. TWO HOURS OF DISCUSSION CONCENTRATING ON DEVELOPMENTS IN EASTERN EUROPE. GENSCHER OUTLINES HIS THINKING WHICH IS VERY CLOSE TO OUR OWN. BRIEF DISCUSSION OF EC ISSUES. NO SURPRISES IN GERMAN VIEWS. GENSCHER SEES INTERNAL EC PROGRESS AS POSITIVE SIGNAL TO EASTERN EUROPE. BELIEVES THAT EASTERN EUROPEAN COUNTRIES MAY EACH DEVELOP A SPECIAL RELATIONSHIP WITH THE EC IN TIME.

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2. THE SECRETARY OF STATE HAD TWO HOURS OF DISCUSSION WITH GENSCHER IN BONN THIS EVENING, FOLLOWED BY DINNER. THE ATMOSPHERE WAS VERY FRIENDLY. GENSCHER GAVE A FRANK ACCOUNT OF HIS THINKING SUPPLEMENTED, OVER DINNER, BY ANECDOTES ABOUT GERMAN POLITICAL LIFE. THIS TELEGRAM DEALS WITH EASTERN EUROPE AND THE EC. OTHER ISSUES IN MIFT.

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3. GENSCHER SAID CURRENT DEVELOPMENTS WERE THE RESULT OF NATO/EC POLICY ON THE ONE HAND AND GORBACHEV'S LEADERSHIP ON THE OTHER. BOTH HAD COME TOGETHER. THE NEXT STEP IN THE GDR MUST BE FREE AND SECRET ELECTIONS NEXT YEAR. THE OPPOSITION GROUPS IN THE GDR DID NOT WANT THOSE ELECTIONS TOO EARLY. THE LIBERAL PARTY AND THE CDU IN EAST GERMANY HAD TO HAVE TIME TO GAIN THE CONFIDENCE OF THE ELECTORATE. THE FDP HAD LINKS WITH THE EAST GERMAN LIBERALS WHO WERE THE FIRST PEOPLE TO HAVE OPPOSED THE COMMUNIST PARTY. THEY HAD BEEN GIVEN SOME ENCOURAGEMENT IN THAT DIRECTION BY THE RUSSIANS. HE WAS NOT SURE HOW WELL THIS WOULD BE UNDERSTOOD AMONG THE EAST GERMAN ELECTORATE. THE CDU DID NOT HAVE LINKS WITH THE CDU IN THE GDR. GENSCHER SAID HE WOULD LIKE TO CAMPAIGN IN THE GDR ELECTIONS BUT DID NOT KNOW WHETHER THIS WOULD BE ALLOWED. THE POLITICAL PARTIES IN THE FRG WERE CONSIDERING WHAT HELP THEY MIGHT BE ABLE TO GIVE OVER CAMPAIGN

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8. GENSCHER SAID HE DID NOT KNOW WHAT OBJECTIVES THE PRESIDENCY HAD IN MIND BUT IT HAD BEEN RIGHT TO CALL THE MEETING. HEADS OF GOVERNMENT MIGHT CONSIDER AN APPROACH TO PRESIDENT BUSH IN ADVANCE OF HIS MEETING WITH GORBACHEV. THE FRG ALSO WANTED A COMMON EC APPROACH TO THE PROBLEMS OF EASTERN EUROPE. EAST/WEST RELATIONS WERE NOT A GERMAN MONOPOLY. THE ISSUE SHOULD BE EMBEDDED WITHIN THE EUROPEAN COMMUNITY, AND IN THE FRAMEWORK OF A LARGER EC POLICY - IF SUCH A POLICY EXISTED. A COMMON APPROACH WOULD ALSO BE A GOOD THING IN DEALING WITH THE OTHER REFORM COUNTRIES INCLUDING THE SOVIET UNION. THE SECRETARY OF STATE SAID THAT WE TOO HAD WELCOMED THE PARIS MEETING. IT COULD NOT RESOLVE ALL THE ISSUES BUT THE SORT OF ELEMENTS THAT MIGHT EMERGE WERE: (1) ENTHUSIASTIC WELCOME FOR DEVELOPMENTS IN EASTERN EUROPE. (2) A DECLARATION OF THE NEED TO HOLD FAST TO THE EC AND NATO POLICIES WHICH HAD HELPED MAKE THESE DEVELOPMENTS POSSIBLE. (3) RECOGNITION OF GORBACHEV'S ANXIETIES THE NEED NOT TO MAKE HIS TASK IMPOSSIBLE.

9. GENSCHER SAID THAT HE HAD READ, BUT WAS NOT SURE HE UNDERSTOOD, THE PRIME MINISTER'S STATEMENT THAT WE NEEDED TO BE CAUTIOUS ABOUT THE DEVELOPMENT OF THE EC IN VIEW OF WHAT WAS HAPPENING IN EAST EUROPE. GENSCHER HIMSELF BELIEVED THAT THE INTEGRATION OF THE COMMUNITY WAS ONE OF ITS ATTRACTIONS TO THE COUNTRIES OF EASTERN EUROPE. IF WE GAVE UP THE COMMUNITY'S OBJECTIVES IN STRASBOURG EG ON AN IGC, IT MIGHT GIVE THE WRONG SIGNAL TO THE REST OF EUROPE. HE HIMSELF BELIEVED THAT GORBACHEV WAS EVEN MORE IMPRESSED BY THE DEVELOPMENT OF THE COMMUNITY THAN BY THE STRENGTH OF NATO. THE COMMUNITY HAD AN ALMOST MAGICAL QUALITY FOR HIM.

10. THE SECRETARY OF STATE AGREED ON THE ROLE OF THE COMMUNITY AS A MODEL FOR EASTERN EUROPE. WE MUST HOLD ON TO THAT, BUT IT WOULD BE A PITY IF THE STRASBOURG SUMMIT COULD BE PORTRAYED AS A MJAOR ROW AMONG COMMUNITY MEMBERS. THERE WAS A GREAT DEAL STILL TO BE DONE TO FULFILL THE SINGLE EUROPEAN ACT, ON WHICH THE FRENCH PRESIDENCY HAD

NOT MADE AS MUCH PROGRESS AS WE HAD HOPED. WE HAD ALL AGREED ON STAGE I OF THE DELORS REPORT INCLUDING ERM MEMBERSHIP. GENSCHER ASKED WHETHER WE WOULD IN FACT JOIN THE ERM. THE SECRETARY OF STATE SAID WE WOULD. HE COULD NOT SAY EXACTLY WHEN BUT THE CONDITIONS HAD BEEN CLEARLY SET OUT. WE BELIEVED OUR OWN IDEAS AS PUT FORWARD IN ECOFIN WERE A MORE LIBERAL APPROACH TO EMU. WE WANTED THOSE AND THE HIGH LEVEL GROUP QUESTIONNAIRE TO BE FULLY DISCUSSED BEFORE AN IGC WAS CALLED. GENUINE DISCUSSION NEEDED TO BE HELD. GENSCHER SAID THAT THE COMMUNITY'S DYNAMIC MUST BE MAINTAINED, BUT HE DID NOT WANT A TWO SPEED EUROPE.

11. THE SECRETARY OF STATE ASKED WHAT SORT OF RELATIONSHIP GENSCHER THOUGHT THE COUNTRIES OF EASTERN EUROPE WOULD HAVE WITH EUROPE IN FIVE YEAR'S TIME. GENSCHER SAID MANY ARTIFICAL BLUE-PRINTS WERE BEING LOOKED AT. THE TWELVE SHOULD HAVE A COMMON APPROACH. HE COULD NOT IMAGINE ANY MEMBNER OF THE WARSAW PACT AS A MEMBER OF THE EC. WE SHOULD BE CAREFUL OF THESE QUESTIONS. WE DID NOT WANT TO RING RUSSIAN ALARM BELLS. HE DID NOT THINK THE COUNTRIES OF EASTERN EUROPE WOULD BE INTERESTED IN JOINING EFTA OR NECESSARILY HAVING AN EFTA-TYPE LINK WITH THE COMMUNITY. THE EC HAD DEVELOPED MANY DIFFERENT MODELS OF COOPERATION WITH DIFFERENT COUNTRIES. EACH OF THE EASTERN EUROPEAN COUNTRIES WOULD WANT A SOMEWHAT DIFFERENT FORM OF COOPERATION. THE SOVIET UNION TOO WOULD WANT SOME KIND OF AGREEMENT. THE COMMISSION HAD HAD AN IN-HOUSE DISCUSSION OF THESE ISSUES LAST WEEKEND. THEY MIGHT PRESENT THEIR VIEWS AT PARIS. THE SECRETARY OF STATE SAID THAT SIR LEON BRITTAN HAD SPOKEN OF FULL GDR MEMBERSHIP OF THE COMMUNITY. HE DID NOT THINK THAT WAS FEASIBLE. GENSCHER DOUBTED WHETHER THE GDR WOULD EVEN WANT IT.

POLAND

12. THE SECRETARY OF STATE ASKED GENSCHER FOR HIS IMPRESSIONS. GENSCHER SAID THE POLISH ECONOMIC SITUATION WAS CATASTROPHIC. THEY URGENTLY NEEDED IMF SUPPORT AND THE MONEY WHICH THE UNITED STATES HAD PROMISED. GERMANY HAD UNDERTAKEN TO PARTICIPATE. POLAND NEEDED CURRENCY REFORM AND WESTERN INVESTMENT. IN THE RURAL AREAS THERE WAS A NEED FOR THE MOST BASIC NECESSITIES SUCH AS GROCERS AND BAKERS. THE POLISH PRIME MINISTER HAD THE SUPPORT OF THE PEOPLE BUT SOMETHING HAD TO BE DONE TO GET POLAND THROUGH THE WINTER WITHOUT STARVATION. IT WAS A VICIOUS CIRCLE BECAUSE OF THE UNREALISTIC ECONOMIC POLICIES OF THE PAST. THERE WAS NO DISTRIBUTION SYSTEM. MONEY WAS WORTHLESS AND FARMERS WERE HORDING THEIR PRODUCE PENDING CURRENCY REFORM. THERE WERE NO SIGNS YET THAT SOLIDARITY WAS BECOMING UNPOPULAR. THE HONEYMOON WAS STILL ON. BUT CONDITIONS IN POLAND WERE WORSE THAN IN HUNGARY AND FAR WORSE THAN THE GDR AND

CZECHOSLOVAKIA. WHAT WAS NOW THE GDR HAD ONCE BEEN ONE OF THE MOST PROSPEROUS AREAS OF GERMANY PRE-WORLD WAR II. THE SECRETARY OF STATE COMMENTED THAT THE PROSPECT OF A MASSIVE INCREASE IN GERMAN TRADE WAS BEGINNING TO CAUSE SOME CONCERN TO OUR BUSINESSMEN. DID GENSCHER THINK THERE WOULD BE A SIGNIFICANT TRADE INCREASE? GENSCHER SAID THIS DEPENDED ON THE GDR. THE FRG WAS INTERESTED IN MORE TRADE BUT THE GDR HAD TO CREATE THE RIGHT CONDITIONS.

SOVIET UNION

13. THE SECRETARY OF STATE WONDERED WHETHER GORBACHEV OR THE SOVIET MILITARY, LOOKING AT WHAT HAD HAPPENED IN EAST GERMANY, WOULD START TO THINK THAT ENOUGH WAS ENOUGH. GENSCHER SAID THE STABILITY OF THE GDR WAS VERY IMPORTANT FOR THE SOVIET UNION FOR GEOGRAPHICAL AND STRATEGIC REASONS. IT WAS WISE OF THE REFORM GROUPS IN THE GDR TO HAVE CONCENTRATED ON INTERNAL REFORM AND NOT ON RELATIONS WITH THE FRG. HE DID NOT THINK THEY WOULD PUSH THEIR LUCK BY CALLING FOR WITHDRAWAL FROM THE WARSAW PACT. IT WAS ONLY IN HUNGARY THAT THESE ISSUES WERE BEING DISCUSSED BUT HUNGARY WAS NOT A FRONT LINE STATE. THE COUNTRIES WHICH THE SOVIET UNION WAS NERVOUS ABOUT WERE THE GDR, CZECHOSLOVAKIA AND BULGARIA WHICH ALL HAD COMMON BORDERS WITH NATO COUNTRIES. GENSCHER AGREED WITH THE SECRETARY OF STATE THAT WE SHOULD NOT EXACERBATE SOVIET DIFFICULTIES BY PUSHING FOR THE INDEPENDENCE OF THE BALTIC STATES. HOWEVER IF SOME INDEPENDENT DEVELOPMENT WITHIN THE BALTIC STATES WAS ALLOWED, THEY COULD PROVE A MODEL OF PERESTROIKA. GROBACHEV'S PROBLEMS IN THE SOUTH OF THE SOVIET UNION WERE MUCH MORE SERIOUS.

ARMS CONTROL

14. THE SECRETARY OF STATE SAID THAT THE VIENNA TALKS WERE ON COURSE FOR AN AGREEMENT NEXT YEAR. HE WONDERED IF GROBACHEV MIGHT BE TEMPTED TO GAMBLE ON SOME NEW PROPOSALS. GENSCHER SAID THAT HE COULD NOT IMAGINE GORBACHEV GOING TO A MEETING WITH BUSH WITHOUT A PRECISE PROPOSAL. AT THE LAST NATO SUMMIT, THE ALLIANCE HAD REGAINED THE INITIATIVE. GORBACHEV WOULD WANT TO WIN IT BACK AND TO REDUCE HIS DEFENCE BURDEN. IF THE SOVIET UNION NOW PERCEIVED THAT THE WEST WAS NOT A SERIOUS THREAT, WHY SHOULD THEY MAINTAIN SUCH A LARGE MILITARY INFRASTRUCTURE? THE SECRETARY OF STATE SAID THAT THE SOVIET MILITARY MACHINE UNDERPINNED THE STATE. HE WONDERED HOW FAR THE LEADERSHIP COULD IMPOSE ITS WILL ON THE SYSTEM. THE SOVIET ARMS EFFORT HAD NEVER BEEN JUSTIFIED IN TERMS OF A REAL THREAT FROM THE WEST.

MALLABY

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GENSCHER, HANS DIETRICH, HON GCMG GBE

Federal Foreign Minister and Vice-Chancellor since May 1974.

Born in 1927 Reideburg, Saxony (now GDR). Son of a farm cooperative official. War service with the Luftwaffe. POW. Later studied law in Halle and Leipzig. Left the GDR for Federal Republic in 1952 and joined the FDP. Became Business Manager of the FDP Parliamentary Party in 1959 and then in addition, 1962-64, Federal Business Manager of the FDP. Elected to Bundestag in 1965. Become Vice-Chairman of the Party in 1968, Minister of the Interior 1969-74. When Scheel became Federal President in 1974, Genscher succeeded him as Chairman of the FDP, Vice-Chancellor to Schmidt, and Foreign Minister.

Genscher led his party out of coalition with the SPD in 1982, to form the present coalition with Kohl. Genscher realigned the FDP well to the right, but was eventually forced to to stand down as Party Chairman in 1985.

Although Genscher's problems with his own Party inevitably affected his authority as Foreign Minister for a while, he has made a remarkable comeback. The FDP's good showing in the 1987 Federal elections was largely due to his shrewd exploitation of the attacks made on him in the campaign by Strauss. The current brand of ostpolitik is mostly his doing.

Married. He is an easy-going man, informal yet with a certain reserve. He reads voraciously anything that lies to hand and his tastes in music are equally wide-ranging from classical to pop.

In 1950s he suffered a near fatal bout of tuberculosis which kept him three years in a clinic. In November 1977 he was admitted to hospital with pneumonia, and secondary blood circulation instability. He did not return to work until mid-January 1978. In March 1989 a prostate operation kept him from his desk for nearly a month. In the summer he suffered a heart attack, and although he seems to have recovered well, the enormous strain of his working habits has taken its toll and he looks less than healthy.

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TELECONS BUDD/RAMSDEN

PLANNED VISIT BY MR KINNOCK TO GERMANY

SUMMARY
1. MR KINNOCK HOPES TO VISIT BONN, BRITISH FORCES GERMANY AND BERLIN FROM 6-8 DECEMBER.

DETAIL
2. MR KINNOCK'S OFFICE CONTACTED US ON 24 NOVEMBER TO EXPLORE THE POSSIBILITY OF A VISIT ON THE ABOVE LINES. HE HAS IN MIND:

(A) A PROGRAMME OF CALLS IN BONN ON 6 DECEMBER INCLUDING KOHL AND POSSIBLY ALSO GENSCHER AS WELL AS THE SPD (KOHL CAN SEE MR KINNOCK AT 1615 ON 6 DECEMBER):

(B) A MEETING ON 7 DECEMBER WITH THE COMMANDERS IN CHIEF OF BAOR AND RAF(G), FOLLOWED BY A VISIT TO TROOPS IN THE FIELD AND AN RAF STATION:

(C) WEST BERLIN ON 8 DECEMBER:
CALLS ON MAJOR-GENERAL CORBETT AND MOMPER, A MEETING WITH GARRISON UNITS, AND A TOUR OF THE WALL:

(D) POSSIBLY A HALF DAY IN EAST BERLIN (TO FIT IN WHICH MR KINNOCK MAY BE PREPARED TO STAY UNTIL LUNCH ON SATURDAY 9 DECEMBER).

3. WE ARE PROVIDING MR KINNOCK'S OFFICE WITH THE NORMAL ASSISTANCE IN SETTING UP THE VISIT. THEY ARE IN TOUCH WITH THE SPD HQ IN BONN, AND HAVE THEIR OWN LINK TO MOMPER'S OFFICE. THEY HAVE TOLD US THAT THEY WILL APPROACH MR KING'S OFFICE DIRECT ABOUT THE PROPOSED VISIT TO BFG.

MALLABY

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 November 1989

Dear Richard.

POSSIBLE CALL BY FRAU SCHNEIDER-LENNE

Thank you for your letter of 23 November about Frau Schneider-Lenne. I am afraid her visit comes at a particularly busy time for the Prime Minister and a meeting will not be possible on this occasion. But please let me know about any future visits she plans to make.

Yours sincerely,

Charles Powell

Richard Gozney Esq
Foreign and Commonwealth Office

CF R2314

Foreign and Commonwealth Office

London SW1A 2AH

23 November 1989

Dear Charles,

Possible Call by Frau Schneider-Lenne, Director of the Deutsche Bank

Correspondence rests with my letter of 28 September (copy enclosed). Frau Schneider-Lenne will be in London on 5 December (arriving on the evening of 4 December and leaving on the last flight on the evening of 5 December). This might be an opportunity for her to meet the Prime Minister, especially if there happens to be a suitable function to which she could be invited.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
PS/10 Downing Street

WED+A

Foreign and Commonwealth Office

London SW1A 2AH

28 September 1989

Dear Charles,

Possible Call by Frau Schneider-Lenne,
Director of the Deutsche Bank

In your letter of 6 September you sought views on whether to invite one of the Directors of the Deutsche Bank, Frau Schneider-Lenne, especially for a meeting with the Prime Minister: you thought it might look odd to her Chairman.

The Embassy in Bonn are inclined to think that, despite Frau Schneider-Lenne's impressive credentials, there is no particular reason to invite her to No 10 unless she were to be in the UK for some other purpose. To single her out could cause friction with other equally important members of the German banking/industrial community. The Chairman of Deutsche Bank, Herr Herrhausen, has already met the Prime Minister and might also be surprised.

It would seem preferable to introduce Frau Schneider-Lenne to the Prime Minister at a bigger function, perhaps a social one. We have not so far been able to identify a suitable occasion. But if no earlier opportunity arises, we could try to invite Frau Schneider-Lenne to a reception when the Prime Minister next visits the FRG, or alternatively arrange something for the Koenigswinter Conference next March.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

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PARIS SUMMIT

8. GENSCHER SAID HE DID NOT KNOW WHAT OBJECTIVES THE PRESIDENCY HAD IN MIND BUT IT HAD BEEN RIGHT TO CALL THE MEETING. HEADS OF GOVERNMENT MIGHT CONSIDER AN APPROACH TO PRESIDENT BUSH IN ADVANCE OF HIS MEETING WITH GORBACHEV. THE FRG ALSO WANTED A COMMON EC APPROACH TO THE PROBLEMS OF EASTERN EUROPE. EAST/WEST RELATIONS WERE NOT A GERMAN MONOPOLY. THE ISSUE SHOULD BE EMBEDDED WITHIN THE EUROPEAN COMMUNITY, AND IN THE FRAMEWORK OF A LARGER EC POLICY - IF SUCH A POLICY EXISTED. A COMMON APPROACH WOULD ALSO BE A GOOD THING IN DEALING WITH THE OTHER REFORM COUNTRIES INCLUDING THE SOVIET UNION. THE SECRETARY OF STATE SAID THAT WE TOO HAD WELCOMED THE PARIS MEETING. IT COULD NOT RESOLVE ALL THE ISSUES BUT THE SORT OF ELEMENTS THAT MIGHT EMERGE WERE: (1) ENTHUSIASTIC WELCOME FOR DEVELOPMENTS IN EASTERN EUROPE. (2) A DECLARATION OF THE NEED TO HOLD FAST TO THE EC AND NATO POLICIES WHICH HAD HELPED MAKE THESE DEVELOPMENTS POSSIBLE. (3) RECOGNITION OF GORBACHEV'S ANXIETIES THE NEED NOT TO MAKE HIS TASK IMPOSSIBLE.

9. GENSCHER SAID THAT HE HAD READ, BUT WAS NOT SURE HE UNDERSTOOD, THE PRIME MINISTER'S STATEMENT THAT WE NEEDED TO BE CAUTIOUS ABOUT THE DEVELOPMENT OF THE EC IN VIEW OF WHAT WAS HAPPENING IN EAST EUROPE. GENSCHER HIMSELF BELIEVED THAT THE INTEGRATION OF THE COMMUNITY WAS ONE OF ITS ATTRACTIONS TO THE COUNTRIES OF EASTERN EUROPE. IF WE GAVE UP THE COMMUNITY'S OBJECTIVES IN STRASBOURG EG ON AN IGC, IT MIGHT GIVE THE WRONG SIGNAL TO THE REST OF EUROPE. HE HIMSELF BELIEVED THAT GORBACHEV WAS EVEN MORE IMPRESSED BY THE DEVELOPMENT OF THE COMMUNITY THAN BY THE STRENGTH OF NATO. THE COMMUNITY HAD AN ALMOST MAGICAL QUALITY FOR HIM.

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10. THE SECRETARY OF STATE AGREED ON THE ROLE OF THE COMMUNITY AS A MODEL FOR EASTERN EUROPE. WE MUST HOLD ON TO THAT, BUT IT WOULD BE A PITY IF THE STRASBOURG SUMMIT COULD BE PORTRAYED AS A MJAOR ROW AMONG COMMUNITY MEMBERS. THERE WAS A GREAT DEAL STILL TO BE DONE TO FULFILL THE SINGLE EUROPEAN ACT, ON WHICH THE FRENCH PRESIDENCY HAD

NOT MADE AS MUCH PROGRESS AS WE HAD HOPED. WE HAD ALL AGREED ON STAGE I OF THE DELORS REPORT INCLUDING ERM MEMBERSHIP. GENSCHER ASKED WHETHER WE WOULD IN FACT JOIN THE ERM. THE SECRETARY OF STATE SAID WE WOULD. HE COULD NOT SAY EXACTLY WHEN BUT THE CONDITIONS HAD BEEN CLEARLY SET OUT. WE BELIEVED OUR OWN IDEAS AS PUT FORWARD IN ECOFIN WERE A MORE LIBERAL APPROACH TO EMU. WE WANTED THOSE AND THE HIGH LEVEL GROUP QUESTIONNAIRE TO BE FULLY DISCUSSED BEFORE AN IGC WAS CALLED. GENUINE DISCUSSION NEEDED TO BE HELD. GENSCHER SAID THAT THE COMMUNITY'S DYNAMIC MUST BE MAINTAINED, BUT HE DID NOT WANT A TWO SPEED EUROPE.

11. THE SECRETARY OF STATE ASKED WHAT SORT OF RELATIONSHIP GENSCHER THOUGHT THE COUNTRIES OF EASTERN EUROPE WOULD HAVE WITH EUROPE IN FIVE YEAR'S TIME. GENSCHER SAID MANY ARTIFICAL BLUE-PRINTS WERE BEING LOOKED AT. THE TWELVE SHOULD HAVE A COMMON APPROACH. HE COULD NOT IMAGINE ANY MEMBNER OF THE WARSAW PACT AS A MEMBER OF THE EC. WE SHOULD BE CAREFUL OF THESE QUESTIONS. WE DID NOT WANT TO RING RUSSIAN ALARM BELLS. HE DID NOT THINK THE COUNTRIES OF EASTERN EUROPE WOULD BE INTERESTED IN JOINING EFTA OR NECESSARILY HAVING AN EFTA-TYPE LINK WITH THE COMMUNITY. THE EC HAD DEVELOPED MANY DIFFERENT MODELS OF COOPERATION WITH DIFFERENT COUNTRIES. EACH OF THE EASTERN EUROPEAN COUNTRIES WOULD WANT A SOMEWHAT DIFFERENT FORM OF COOPERATION. THE SOVIET UNION TOO WOULD WANT SOME KIND OF AGREEMENT. THE COMMISSION HAD HAD AN IN-HOUSE DISCUSSION OF THESE ISSUES LAST WEEKEND. THEY MIGHT PRESENT THEIR VIEWS AT PARIS. THE SECRETARY OF STATE SAID THAT SIR LEON BRITTAN HAD SPOKEN OF FULL GDR MEMBERSHIP OF THE COMMUNITY. HE DID NOT THINK THAT WAS FEASIBLE. GENSCHER DOUBTED WHETHER THE GDR WOULD EVEN WANT IT.

POLAND

12. THE SECRETARY OF STATE ASKED GENSCHER FOR HIS IMPRESSIONS. GENSCHER SAID THE POLISH ECONOMIC SITUATION WAS CATASTROPHIC. THEY URGENTLY NEEDED IMF SUPPORT AND THE MONEY WHICH THE UNITED STATES HAD PROMISED. GERMANY HAD UNDERTAKEN TO PARTICIPATE. POLAND NEEDED CURRENCY REFORM AND WESTERN INVESTMENT. IN THE RURAL AREAS THERE WAS A NEED FOR THE MOST BASIC NECESSITIES SUCH AS GROCERS AND BAKERS. THE POLISH PRIME MINISTER HAD THE SUPPORT OF THE PEOPLE BUT SOMETHING HAD TO BE DONE TO GET POLAND THROUGH THE WINTER WITHOUT STARVATION. IT WAS A VICIOUS CIRCLE BECAUSE OF THE UNREALISTIC ECONOMIC POLICIES OF THE PAST. THERE WAS NO DISTRIBUTION SYSTEM. MONEY WAS WORTHLESS AND FARMERS WERE HORDING THEIR PRODUCE PENDING CURRENCY REFORM. THERE WERE NO SIGNS YET THAT SOLIDARITY WAS BECOMING UNPOPULAR. THE HONEYMOON WAS STILL ON. BUT CONDITIONS IN POLAND WERE WORSE THAN IN HUNGARY AND FAR WORSE THAN THE GDR AND

CZECHOSLOVAKIA. WHAT WAS NOW THE GDR HAD ONCE BEEN ONE OF THE MOST PROSPEROUS AREAS OF GERMANY PRE-WORLD WAR II. THE SECRETARY OF STATE COMMENTED THAT THE PROSPECT OF A MASSIVE INCREASE IN GERMAN TRADE WAS BEGINNING TO CAUSE SOME CONCERN TO OUR BUSINESSMEN. DID GENSCHER THINK THERE WOULD BE A SIGNIFICANT TRADE INCREASE? GENSCHER SAID THIS DEPENDED ON THE GDR. THE FRG WAS INTERESTED IN MORE TRADE BUT THE GDR HAD TO CREATE THE RIGHT CONDITIONS.

SOVIET UNION

13. THE SECRETARY OF STATE WONDERED WHETHER GORBACHEV OR THE SOVIET MILITARY, LOOKING AT WHAT HAD HAPPENED IN EAST GERMANY, WOULD START TO THINK THAT ENOUGH WAS ENOUGH. GENSCHER SAID THE STABILITY OF THE GDR WAS VERY IMPORTANT FOR THE SOVIET UNION FOR GEOGRAPHICAL AND STRATEGIC REASONS. IT WAS WISE OF THE REFORM GROUPS IN THE GDR TO HAVE CONCENTRATED ON INTERNAL REFORM AND NOT ON RELATIONS WITH THE FRG. HE DID NOT THINK THEY WOULD PUSH THEIR LUCK BY CALLING FOR WITHDRAWAL FROM THE WARSAW PACT. IT WAS ONLY IN HUNGARY THAT THESE ISSUES WERE BEING DISCUSSED BUT HUNGARY WAS NOT A FRONT LINE STATE. THE COUNTRIES WHICH THE SOVIET UNION WAS NERVOUS ABOUT WERE THE GDR, CZECHOSLOVAKIA AND BULGARIA WHICH ALL HAD COMMON BORDERS WITH NATO COUNTRIES. GENSCHER AGREED WITH THE SECRETARY OF STATE THAT WE SHOULD NOT EXACERBATE SOVIET DIFFICULTIES BY PUSHING FOR THE INDEPENDENCE OF THE BALTIC STATES. HOWEVER IF SOME INDEPENDENT DEVELOPMENT WITHIN THE BALTIC STATES WAS ALLOWED, THEY COULD PROVE A MODEL OF PERESTROIKA. GROBACHEV'S PROBLEMS IN THE SOUTH OF THE SOVIET UNION WERE MUCH MORE SERIOUS.

ARMS CONTROL

14. THE SECRETARY OF STATE SAID THAT THE VIENNA TALKS WERE ON COURSE FOR AN AGREEMENT NEXT YEAR. HE WONDERED IF GROBACHEV MIGHT BE TEMPTED TO GAMBLE ON SOME NEW PROPOSALS. GENSCHER SAID THAT HE COULD NOT IMAGINE GORBACHEV GOING TO A MEETING WITH BUSH WITHOUT A PRECISE PROPOSAL. AT THE LAST NATO SUMMIT, THE ALLIANCE HAD REGAINED THE INITIATIVE. GORBACHEV WOULD WANT TO WIN IT BACK AND TO REDUCE HIS DEFENCE BURDEN. IF THE SOVIET UNION NOW PERCEIVED THAT THE WEST WAS NOT A SERIOUS THREAT, WHY SHOULD THEY MAINTAIN SUCH A LARGE MILITARY INFRASTRUCTURE? THE SECRETARY OF STATE SAID THAT THE SOVIET MILITARY MACHINE UNDERPINNED THE STATE. HE WONDERED HOW FAR THE LEADERSHIP COULD IMPOSE ITS WILL ON THE SYSTEM. THE SOVIET ARMS EFFORT HAD NEVER BEEN JUSTIFIED IN TERMS OF A REAL THREAT FROM THE WEST.

MALLABY

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ECPC.

Foreign and Commonwealth Office

London SW1A 2AH

9 October 1989

CDP 9/X.

Dear Charles

UK/FRG Consultations: 11 October

As you know, Peter Hartmann will be meeting Roger Tomkys on 11 October to discuss Southern Africa. Our objectives at this meeting will be:

- to encourage Chancellor Kohl to lobby strongly against further sanctions when he visits the United States later this year;
- to lower expectations of the speed and extent to the reform process in South Africa;
- to try to prepare Chancellor Kohl to stand firm with us when the going gets rougher next year.

In support of these objectives, Roger Tomkys will give Hartmann a paper for use in the Federal Chancellery in briefing Chancellor Kohl before his visit to the United States, to cover the results of the South African elections, the prospects for political change and the / international context. I enclose a copy of this paper which has been cleared with Robin Renwick. It is deliberately general and Roger Tomkys will supplement the paper with oral presentations elaborating on the US position and on the importance of Chancellor Kohl's lobbying President Bush on the need to avoid additional sanctions.

Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

PROSPECTS FOR CHANGE IN SOUTH AFRICA AND THE INTERNATIONAL CONTEXT

INTRODUCTION

1. Developments in the Southern African region during the last year have been remarkable. The Angola/Namibia agreement, the consequent start on implementing the UN Plan for Namibian independence and the improved South African relationship with Mozambique all denote a substantial shift in South Africa's policy in the region. A successful outcome in the Namibia independence process will demonstrate the benefit of negotiation, not only to countries in the region but also to South Africans of all races. In South Africa itself, the departure of P W Botha, the rise of a new generation in the National Party and the election of a leading parliamentarian, F W de Klerk, to the Presidency have raised hopes of new departures.

South African Government After the Elections

2. The results of the elections on 6 September were encouraging. The National Party have a reduced but still comfortable working majority. The Conservative Party made fewer, and the Democratic Party more, gains than generally expected. They confirmed that de Klerk was right to direct his campaign at the "reformist" centre-left rather than the conservative right. They confirmed that there is a positive shift in white opinion. De Klerk himself has spoken of a "mandate for change". This has raised hopes both in South Africa and abroad of a resumption of the reform process.

3. So far there has been little action - this is not surprising such a short time after the elections. Positive steps so far have included the toleration of large peaceful demonstrations and ecnouragment of town councils to lift separate amenity rules. Another promising move has been de Klerk's appointment of Gerrit Viljoen as Minister of Constitutional Development and Planning and National Education. Viljoen is on the liberal wing of the National Party and is likely to be able to establish a much more effective working relationship with opposition groups than Mr Heunis was able to do. Nevertheless, Mr de Klerk will clearly keep a tight personal control over developments in this field. He has made clear that he regards the present tricameral Constitution (now thoroughly discredited by the low turn out in voting on 6 September for the House of Delegates and House of Representatives) as an interim arrangement. His stated objective is to implement a new constitution within the five year life of the parliament elected on 6 September.

Short-term Prospects

4. De Klerk reaffirmed his commitment to change in his inaugural speech, but has given few clues about his short-term plans.

5. We would speculate that the most that de Klerk might do in the next six to nine months is:

- release political prisoners. Mandela is the big prize and the SAG will want to gain the maximum international credit. But they will want to release him into a political process. This

suggests that he is unlikely to be released until there has been the beginnings of a road towards dialogue with the black opposition. This argues for a release later, rather than earlier. But there are better prospects that Walter Sisulu and Oscar Mpetha will be set free.

- amend the State of Emergency, which was renewed for a further 12 months last June. His decision to allow the large, peaceful demonstrations in Cape Town and Johannesburg amounted to a temporary suspension of the emergency regulations. He is unlikely to lift the State of Emergency before Mandela's release. If that goes smoothly, he might persuade the securocrats that the extensive powers open to the SAG in the Internal Security Act would suffice to safeguard law and order.

- initiate "talks about talks". The process of consultation with black opposition groups, began by de Klerk even before he became State President, can be expected to continue. He may try to expand the various meetings between influential whites and ANC to include more direct representatives of the government if secrecy can be preserved. Progress will be slow.

- dismantle some apartheid legislation. Certain aspects are already crumbling. Recent decisions by city councils to end segregation of municipal public facilities and on public transport are major steps forward. So are the moves to create Free Settlement Areas. So we could see the replacement of the Group Areas Act.

Longer Term Prospects

6. For the longer-term (which we interpret as the five-year lifetime of the new Parliament) de Klerk will maintain that he is already committed to working towards:

- a new constitution. The tricameral system is discredited. He has said that he wants to give the blacks a share of power. But he is still wedded to the idea of "group rights" and unless he modifies his negotiating stance it is going to be difficult to make progress;

- a "Great Indaba". This will not include the ANC until they renounce violence. But it will be difficult to make meaningful progress without them. Other participants, eg, Buthelezi, will not attend until pre-conditions are met, such as the release of Mandela. He might try holding elections amond non-homeland blacks to choose delegates to an indaba, a device which is unlikely to work. Whether or not he is able to bring this idea to fruition will probably depend on the process of "talks about talks".

- a Bill of Rights for all South Africans. This would build on the work of the Law Commission.

Constraints on de Klerk's Freedom of Manoeuvre

7. De Klerk will argue that South Africa has already made some forward moves for which they have gained inadequate credit.

- Namibia, where they have kept to their commitments in spite of provocations at various stages since 1 April.

- The conciliatory approach to the campaign of civil disobedience.

8. Whatever further positive moves he decides to take will be conditioned by:

- his own caution and the need to keep his party with him;

- the need to assert control over the securocrats;

- the threat to law and order posed by the defiance campaign. There were signs during and after the election campaign that the Mass Democratic Movement were pushing the authorities as far as they could. There are those among the opposition who would welcome the chance to prove that the de Klerk regime is going to be just as repressive as its predecessor;

- the outcome of the Namibian independence process. This can go wrong. If SWAPO are disappointed by the result they may return to the bush. The Constituent Assembly may take too long to produce a constitution.

- new sanctions. If there are early moves to introduce new sanctions, de Klerk may not be able to convince his Cabinet or public opinion in SA that this is the time for more radical liberal steps.

The International Context

9. The Commonwealth meeting (in October) will include its usual show of anti-apartheid rhetoric, but there is less likelihood of a major row over sanctions than in previous years. The UN General Assembly will provide the normal annual opportunity for letting off steam, but the thunder may be saved for the UN Special Session on Apartheid in December.

10. US Congress remains keen to ratchet sanctions upwards, with particular attention to financial sanctions. The lobby seems to be prepared to give de Klerk until March to show his paces. The Administration is trying to buy more time. In his recent testimony to the Senate Foreign Relations Committee, Cohen argued that they should await the completion of the next South African Parliamentary Session (June 1990) the earliest opportunity for action to be taken on modifications to apartheid legislation. With mid-term elections due in the US later in the year, the demand for new sanctions in likely to become intense unless there has been significant progress in South Africa. Moreover, the desire of the Bush Administration for a bipartisan approach on South Africa leaves it reluctant to face up to lobbying.

11. The current focus of attention for those pressing for more sanctions is the debt rescheduling negotiations with the international banks. The deadline for a new agreement is June 1990. In reality there is limited leverage, since, in the absence of an agreement, South Africa will simply impose its own debt repayment terms (as it did last time). The banks will have no alternative other than to accept, but they will want to talk tough to dilute the pressure from the anti-apartheid movement which is being directed towards them. Agreement seems likely to be concluded later this year on terms very similar to that of the existing interim agreement.

12. The ANC are moving to wrong foot the South African Government in the approach to negotiations by securing widespread international endorsement of their position. The ANC negotiating framework document has been endorsed by the OAU and NAM, with the prospect that similar endorsement will be sought from the Commonwealth and the UN. There is no chance that the SAG will accept this document as it stand. It amounts essentially to an agreement to transfer power. If the ANC document becomes a "sacred text" it will remove the flexibility from the ANC negotiating position which will be needed if they are ever to sit down at the same table as the South Africans. This makes it more important than ever to hold on to the EPG negotiating concept. Although the South African Government will not move to that position in the near future, it is likely to be pushed to that point eventually. The South African Government will go on wanting to know what the Western response will be if they do move in the direction the West wants (their main need is for renewed access to external capital of which an IMF stand-by arrangement might be a first step).

N10AAO/7

Conclusion

13. De Klerk has aroused expectations, at least abroad, which he will find difficult, if not impossible, to satisfy. The fact is that the international timetable is conditioned by factors unconnected with South Africa, notably Congressional mid-term elections in the United States. De Klerk will be determined to keep control inside the coury as he tries to make progress with "reform". There is a danger of an attempt by the US Congress next year to intensify sanctions at much the same time as de Klerk is trying to initiate negotiations. In mid-1990, US Congress-led pressures for more sanctions may become acute at the very moment when de Klerk is about to begin his initiative process towards dialogue. it will be important for countries with influence on South Africa to stand firm against sanctions while pressing de Klerk to move forward.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 October 1989

VISIT BY GRAF LAMBSDORFF

Thank you for your letter of 6 October about the visit of Graf Lambsdorff early next year. The Prime Minister will be able to see him at 1100 hours on Monday 29 January.

CHARLES POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

Foreign and Commonwealth Office

London SW1A 2AH

6 October 1989

Dear Charles,

Visit to the UK by Graf Lambsdorff, 29 January to 2 February 1990

In your letter of 16 December 1988 to Lyn Parker (copy enclosed) you indicated that the Prime Minister would very probably be willing to see Graf Lambsdorff on a visit to the UK.

Lambsdorff has now accepted our invitation and will be in the UK as a COI Category I visitor, later than we had hoped, on 29 January to 2 February 1990. We are putting together a programme of calls for him, and I would be grateful for confirmation that the Prime Minister would be able to see him, and, if so, for the preferred timing.

Yours ever

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

WRG 027/20

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 December 1988

Dear Lyn,

POSSIBLE VISIT TO THE UNITED KINGDOM BY GRAF LAMBSDORFF

Thank you for your letter of 15 December about the possibility of inviting Graf Lambsdorff to visit the United Kingdom. The Prime Minister knows him quite well and I am confident that she would be willing to see him. You can refer to this in an invitation.

Yours sincerely,

CHARLES POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

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FRG/GDR

SUMMARY
1. A CAREFULLY WORDED STATEMENT BY KOHL TO QUOTE BILD UNQUOTE, AND TELTSCHIK'S COMMENTARY ON IT.

2. SITREP ON THE DEBATE IN THE FRG.

DETAIL
3. THE BILD (SUN EQUIVALENT) OF 5 OCTOBER HAS AN INTERVIEW WITH KOHL, IN WHICH HE MADE THE FOLLOWING STATEMENT ON RELATIONS WITH THE GDR: QUOTE THE RESPONSIBILITY FOR MAKING THE NECESSARY CHANGES LIES EXCLUSIVELY WITH THE GDR LEADERSHIP: IT IS THEY WHO MUST RESPOND TO THE DEMANDS OF THEIR PEOPLE. I AM HOWEVER READY TO MAKE THE GDR LEADERSHIP A CONCRETE OFFER POINTING THE WAY FAR INTO THE FUTURE: IF THE GDR LEADERSHIP SETS IN MOTION FUNDAMENTAL POLITICAL AND ECONOMIC REFORMS, THEN THE FEDERAL GOVERNMENT WILL BE READY TO SUPPORT THIS CHANGE OF COURSE BY MEANS OF A COMPREHENSIVE AND FAR-REACHING PROGRAMME OF COOPERATION. THIS APPLIES ABOVE ALL TO THE ECONOMIC SPHERE, BUT ALSO FOR EXAMPLE TO POLICY ON SCIENCE, TECHNOLOGY, TRANSPORT AND ENVIRONMENTAL PROTECTION. WE WANT LIVING CONDITIONS IN THE GDR TO BE IMPROVED SUFFICIENTLY FOR ITS INHABITANTS TO FEEL AT EASE IN THEIR HOMELAND AND WANT TO STAY THERE UNQUOTE.

4. KOHL ALSO HAD A MEETING ON THE MORNING OF 5 OCTOBER WITH DELORS, AND PRESSED WITH HIM THE CASE FOR INCREASED EC ASSISTANCE FOR THE GDR.

5. OVER LUNCH ON 5 OCTOBER TELTSCHIK (FEDERAL CHANCELLERY) TOLD ME THAT THE CHANCELLOR'S STATEMENT TO BILD HAD BEEN VERY CAREFULLY PHRASED. IT HAD BEEN MADE PARTLY IN RESPONSE TO REMARKS BY FALIN TO TELTSCHIK ON 3 OCTOBER. FALIN HAD SAID THAT REFORM OF ANY KIND IN EASTERN EUROPE INCLUDING THE GDR WAS NOW ACCEPTABLE TO THE SOVIET UNION, ON TWO CONDITIONS. FIRST WAS THAT ALL MEMBERS SHOULD REMAIN IN THE WARSAW PACT. THE SECOND WAS THAT THE ''STATEHOOD'' OF THE GDR

COULD NOT BE CALLED INTO QUESTION. KOHL TOOK FALIN'S REMARKS AS MEANING THAT GORBACHEV WOULD THIS WEEK URGE THE EAST GERMAN REGIME TO BEGIN TO REFORM, AND HAD THEREFORE WANTED TO ADD TO THE PRESSURE FOR REFORM AT THIS MOMENT. BUT TELTSCHIK AGREED WITH ME THAT HONECKER WOULD NOT BE LIKELY TO ENGAGE IN REFORM IN RETURN FOR OFFERS OF MONEY, SINCE THAT WOULD BE AN EXTREME HUMILIATION.

6. TELTSCHIK SAID THAT KOHL WAS FULLY AWARE THAT IT WAS DANGEROUS TO TALK OF REUNIFICATION AS A DIRECT AIM. THAT COULD ENDANGER THE PROCESS OF REFORM IN POLAND AND THE SOVIET UNION, QUITE APART FROM INHIBITING REFORM IN THE GDR. HENCE HIS REFERENCES TO THE GERMAN QUESTION. BUT IT WAS IMPORTANT TO KEEP UP THE PRESSURE: THE MORE THE ALLIES COULD CALL FOR REFORM AND HUMAN RIGHTS IN THE GDR IN THE WAY THAT YOU HAD DONE AT YOUR PRESS CONFERENCE IN BONN ON 20 SEPTEMBER, THE BETTER.

7. WE SHALL BE REPORTING BY BAG IN MORE DETAIL ON THE VOLUBLE AND VOLUMINOUS DEBATE HERE ABOUT THE STATE OF THE GDR AND ITS IMPLICATIONS. BUT IT CAN BE SUMMED UP AS FOLLOWS:

(A) THE EXODUS FROM THE GDR HAS DEMONSTRATED THE DEEP UNPOPULARITY OF THE REGIME. THAT HAS CAUSED INTENSE DISCUSSION IN THE FRG ABOUT THE STATE OF THE GDR AND ITS PROSPECTS. THAT IN TURN HAS LED TO MUCH DISCUSSION OF REUNIFICATION. PEOPLE DO NOT THINK THAT REUNIFICATION IS AT ALL NEAR. BUT WHILE IT USED TO BE THOUGHT OF AS REMAINING A HYPOTHETICAL HOPE FOR AS LONG AHEAD AS ONE COULD SEE, IT NOW SEEMS A LESS DISTANT PROSPECT.

(B) IT IS NOW ASSUMED THAT THE WAY THE GERMAN QUESTION WILL CHANGE IS THROUGH CHANGE IN THE GDR. SINCE THE GDR REGIME AND IDEOLOGY ARE SEEN AS BANKRUPT, THE ASSUMPTION IS THAT A REUNIFIED GERMANY, IF IT CAME, WOULD HAVE THE POLITICAL AND ECONOMIC SYSTEM OF THE FEDERAL REPUBLIC.

(C) THE GENERAL VIEW IS THAT POLICY IN THE SHORT TERM SHOULD CALL FOR REFORM IN THE GDR, EVEN THOUGH HONECKER AND IMMEDIATE SUCCESSORS MAY TAKE NO NOTICE: SUPPORT REFORM IN POLAND AND HUNGARY, AS THE BEST WAY OF MAKING REFORM INEVITABLE ONE DAY IN THE GDR: STRESS THAT THE GERMAN QUESTION CAN BE SOLVED ONLY IN A WIDER PROCESS OF RECONCILIATION ACROSS EUROPE: AND LOOK TO WESTERN ALLIES FOR SUPPORT AND SOLIDARITY.

(D) MANY POINTS IN THE DEBATE ARE UNCERTAIN. SHOULD THE TRADITIONAL POLICY OF SMALL STEPS TO IMPROVE INNER-GERMAN RELATIONS BE PURSUED?

MANY PEOPLE THINK THAT THE GDR IS TOO WEAK AT PRESENT TO RISK INTENSIFICATION OF INNER-GERMAN RELATIONS. WHAT ELEMENTS COULD BE ADDED TO THE TRADITIONAL POLICY OF SMALL STEPS? IN ADDITION TO THOSE AT (C) ABOVE, THERE ARE FEW IDEAS. SOME PEOPLE ARE SAYING THAT THE PROCESS OF WESTERN EUROPEAN INTEGRATION SHOULD BE SLOWED DOWN, SO AS NOT TO MAKE IT HARDER FOR THE GDR, POLAND AND HUNGARY TO JOIN THE COMMUNITY IN THE FUTURE. BUT THE FEDERAL GOVERNMENT AND MOST POLITICIANS WANT TO PRESS AHEAD WITH WESTERN EUROPEAN INTEGRATION, TO STRENGTHEN THE EC'S EXAMPLE TO THE EASTERN EUROPEANS AND THUS INCREASE THE PRESSURES ON THEM FOR REFORM. THERE IS ALSO A DEBATE (LETTER FOLLOWS) ON HOW FUTURE ENLARGEMENT OF THE COMMUNITY AND DEVELOPMENTS IN EASTERN EUROPE MIGHT INTERACT.

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 October 1989

Visit of Herr Hartmann, Federal Chancellor's Office

Thank you for your letter about Peter Hartmann's visit on 11 October. I would be happy to see him at 1500 hours that day.

(CHARLES POWELL)

J.S. Wall, Esq.,
Foreign and Commonwealth Office.

Foreign and Commonwealth Office

London SW1A 2AH

4 October 1989

4/10

Dear Charles

Visit of Herr Hartmann, Federal Chancellor's Office

Hartmann has asked to come here on 11 October to talk about the European Community, East/West and Southern Africa. He is arranging to see a number of people here but attaches particular importance to having a talk to you. He arrives at 0735 hrs and leaves on a flight at 2130 hrs. Could you spare him an hour? If so, please could you suggest a time. I understand Hartmann's visit has the blessing of Teltschik. I think the call on you would be the main raison d'etre of the visit.

Yours,

Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

GERm. Reb

CC PC (2)

Foreign and Commonwealth Office

London SW1A 2AH

28 September 1989

Dear Charles,

CDP 29/9

Chancellor Kohl

You might like an update on the progress of Chancellor Kohl's medical treatment.

His office have informed our Embassy in Bonn that he will be taking a fortnight's convalescence, ordered by his Doctors, starting from his release from hospital on 25 September. This should mean that he will be back at work in the week beginning 9 October. In the meantime he will be taking some papers.

Yours ever,

R. Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 September 1989

Further to my telephone call, I am writing to confirm Sir Christopher's meeting with the Prime Minister at 1530 on Wednesday 1 November.

MRS. AMANDA PONSONBY

Miss Hilary Mills

Hilary

1530
Wed 1st
NOV

S. PONSONBY

SIR CHRISTOPHER MALLABY

Could you please see whether he could manage 1 November? Half an hour is enough.

C. D. POWELL
25 September 1989

CONFIDENTIAL

MR POWELL

22 September 1989

SIR CHRISTOPHER MALLABY

You will recall we had a word about a possible call by Christopher Mallaby on the Prime Minister. He has told me that he will be in London on 9-10 October and again on 1 November and would very much welcome a chance to brief the Prime Minister on Germany, both the internal and external aspects. It would, I think, be useful, if the Prime Minister's programme permits.

PERCY CRADOCK

CONFIDENTIAL

DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND

Baron Hermann von Richthofen

London, 14.09.1989

CDU
14/6.

Dear Prime Minister,

I have the honour to transmit the enclosed letter from Herr Helmut Kohl, Chancellor of the Federal Republic of Germany.

I am, dear Prime Minister,

Yours sincerely

Hermann Richthofen

The Rt Hon Margaret Thatcher, MP
Prime Minister
10, Downing Street
London

Subject filed a Germany: Rels A-S
cc OPS
Master.

BUNDESREPUBLIK DEUTSCHLAND
DER BUNDESKANZLER

Bonn, den 06. Sept. 1989

Ihrer Exzellenz
Frau Margaret Thatcher, MP
Premierminister des Vereinigten
Königreichs Großbritannien
und Nordirland

L o n d o n

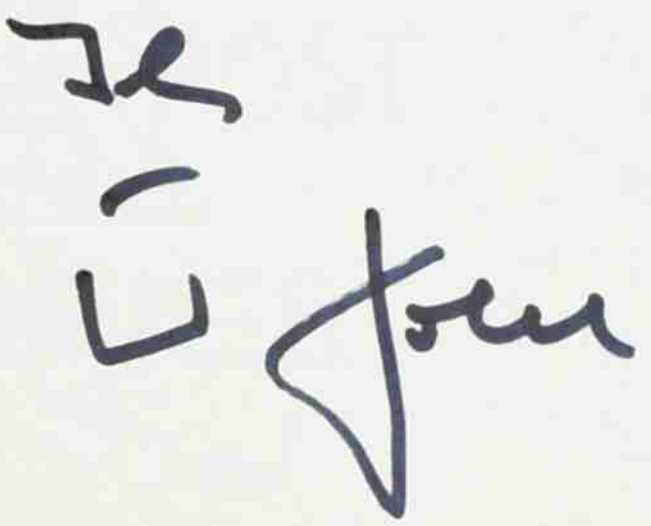
PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 161a 189

Liebe Margaret,

herzlichen Dank für Ihren Zuspruch und Ihre Genesungswünsche.

Dieses Zeichen der Freundschaft hat mir wohlgetan.

Mit freundlichen Grüßen



105102
MDHOAN 2752

UNCLASSIFIED
FM FCO
TO DESKBY 051600Z BONN
TELNO 511
OF 051416Z SEPTEMBER 89

TELECON WORDSWORTH/UDEN: CHANCELLOR KOHL'S HEALTH
1. PLEASE PASS THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO CHANCELLOR KOHL AS SOON AS POSSIBLE.
BEGINS
I WAS VERY SORRY TO HEAR THAT YOU ARE UNWELL AND WILL BE GOING INTO HOSPITAL. I DO HOPE THAT YOU ARE NOT SUFFERING TOO MUCH DISCOMFORT, AND SEND YOU MY BEST WISHES FOR A SPEEDY RECOVERY.
ENDS
2. SIGNED ORIGINAL FOLLOWS.

MAJOR

YYYY

DISTRIBUTION 34

MAIN 34

LIMITED
WED
PROTOCOL
RESEARCH
PS
PS/MR MAUDE
PS/PUS
PS/SIR J FRETWELL
MR RATFORD

NNNN

SUBJECT
CC MASTER
OPS.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL NO. 161/89

10 DOWNING STREET
LONDON SW1A 2AA

cc JD
CCHO
T

THE PRIME MINISTER

5 September 1989

File: GERMANY:
Anglo German Relations Part 5.

Dear Helmut,

I was very sorry to hear that you are unwell and will be going into hospital. I do hope that you are not suffering too much discomfort, and send you my best wishes for a speedy recovery.

With warm regards.

Yours ever

Margaret

His Excellency Dr. Helmut Kohl

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 September 1989

I read on the tapes yesterday that Chancellor Kohl is to go into hospital shortly for an operation. The Prime Minister has signed the enclosed message and I should be grateful if you could arrange for our Embassy in Bonn to deliver it as soon as possible - provided they have confirmation of the PA story.

C. D. Powell

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T160/89

Fleet
KAMAZ
cc Ato
+ Sir PC

SUBJECT cc MASTER
OPJ

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

4 September 1989

Dear Helmut,

I greatly appreciate your message to me covering a copy of the statement you made in the German Bundestag on the occasion of the 50th Anniversary of the outbreak of World War II.

As you suggest, it is salutary for us all to remember the appalling suffering and injustices which occurred before and during that conflict and to renew our determination to work for a future in which such events cannot happen again.

Warm regards,

Yours ever

Margaret

His Excellency Dr. Helmut Kohl

Foreign and Commonwealth Office

London SW1A 2AH

1 September 1989

Dear Charles,

Chancellor Kohl today delivered in the German Bundestag a statement on the 50th Anniversary of the outbreak of World War II. He has also sent a personal message to the Prime Minister enclosing a copy of the speech. These were delivered to the FCO today, under cover of a letter to the Prime Minister from the Federal German Ambassador, with the request that they be passed to the Prime Minister as soon as possible.

In delivering these papers, the Minister of the Federal German Embassy indicated that the speech was primarily directed to the domestic German audience and dealt particularly with Poland. He was not instructed to draw any particular points to our attention. Nor was there any specific new announcement, for instance on the question of refugees from the GDR.

The Prime Minister may wish to acknowledge / Chancellor Kohl's letter. I enclose a draft.

Yours,

Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

DSR 11.(Revised)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:
Prime Minister

DEPARTMENT:

TEL. NO:

Reference
HNHAAX

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

.....In Confidence

CAVEAT.....

TO:
Herr Helmut Kohl,
Chancellor of the Federal Republic
of Germany

Your Reference

Copies to:

KHAZJ

SUBJECT:
I greatly appreciate your message to me covering a copy of the statement you made in the German Bundestag on the occasion of the 50th Anniversary of the outbreak of World War II.

As you suggest, it is salutary for us all to remember the appalling suffering and injustices which occurred before and during that conflict and to renew our determination to work for a future in which such events cannot happen again.

CD

Enclosures—flag(s).....

PART 4 ends:-

KOHL to PM 30.8.89

PART 5 begins:-

FCO to CDP 1.9.89