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FILE TITLE: Internal Situation in East Germany		SERIES GERMANY
		PART: 2B.
PART BEGINS: 16 February 1990	PART ENDS: 28 February 1990.	CAB ONE: 

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SECRET

**PART**

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PART 2 ends:-

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PART 3 begins:-

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KOHL/BUSH MEETING AT CAMP DAVID

1. FEDERAL CHANCELLERY'S ACCOUNT OF KOHL/BUSH MEETING SHOWS THAT GERMAN POSITION ON FUTURE OF SECURITY ARRANGEMENTS IN EAST GERMANY IS IN IMPORTANT RESPECTS UNFORMED. KOHL WANTS US FORCES TO STAY IN WEST GERMANY, WITH NUCLEAR WEAPONS.

DETAIL

2. IN TELTSCHIK'S ABSENCE, KAESTNER OF HIS DEPARTMENT OF THE FEDERAL CHANCELLERY BRIEFED ME TODAY ON KOHL'S MEETING WITH BUSH AT CAMP DAVID. KAESTNER WAS PRESENT. HE SAID THAT THE AMERICANS AND THE GERMANS HAD AGREED THAT ALL EXTERNAL ASPECTS OF GERMAN UNIFICATION SHOULD BE DISCUSSED IN THE 2 PLUS 4 FORUM AND COULD NOT BE DECIDED BY THE AMERICANS AND GERMANS ALONE. FUTURE SECURITY ARRANGEMENTS IN EUROPE HAD BEEN THE MAJOR THEME AT CAMP DAVID. BOTH SIDES AGREED THAT UNITED GERMANY SHOULD BE A MEMBER OF NATO AND THAT NO ORGANISATIONS OR FORCES OF NATO SHOULD BE STATIONED IN EAST GERMANY. KOHL HAD TOLD BUSH THAT HE WANTED US FORCES TO STAY IN WEST GERMANY AND THAT THEY SHOULD RETAIN NUCLEAR WEAPONS ON THE PRESENT BASIS, SUBJECT TO WHAT MIGHT BE AGREED IN ARMS CONTROL NEGOTIATIONS. KOHL HAD SAID THAT SOVIET FORCES IN EAST GERMANY COULD REMAIN FOR A TRANSITION PERIOD. WHEN BUSH HAD ASKED WHY KOHL WANTED THE RED ARMY TO STAY AT ALL, THE FEDERAL CHANCELLOR HAD REPLIED THAT IT WAS NOT POSSIBLE IN PRACTICAL TERMS FOR 380,000 TROOPS TO DEPART QUICKLY. KOHL HAD ADDED THAT HE WOULD NOT BE SURPRISED IF ONE MAJOR POINT IN DISCUSSION OF THIS WITH THE RUSSIANS TURNED OUT TO BE FUTURE PAYMENT OF THE COSTS OF SOVIET FORCES IN EAST GERMANY, WHICH AT PRESENT WERE MET LARGELY BY THE GDR.

3. KAESTNER SAID THAT THE AMERICANS AND THE GERMANS HAD AGREED THAT THE QUESTION OF THE APPLICATION TO EAST GERMANY OF ARTICLES 5 AND 6 OF THE NORTH ATLANTIC TREATY NEEDED FURTHER CONSIDERATION. SOME SPECIAL ARRANGEMENT MIGHT BE REQUIRED. KAESTNER REMARKED IN PASSING THAT ONE POSSIBILITY MIGHT BE THAT THESE TWO ARTICLES WOULD BE EXTENDED TO EAST GERMANY ONCE THE SOVIET FORCES HAD DEPARTED. THE

PAGE 1  
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AMERICANS AND THE GERMANS HAD AGREED THAT THIS SUBJECT SHOULD BE DISCUSSED IN THE NORTH ATLANTIC COUNCIL. KOHL WAS CONSIDERING ATTENDING A MEETING OF THE NORTH ATLANTIC COUNCIL BEFORE LONG. I SAID THAT, IF NATO WAS TO GUARANTEE EAST GERMANY'S SECURITY, THE MEANS TO DO THIS WOULD HAVE TO BE AVAILABLE. WHAT WAS KOHL'S INTENTION REGARDING THE MEANS THAT SHOULD BE AVAILABLE IN EAST GERMANY? KAESTNER SAID THAT THE ANSWER TO THIS KEY QUESTION WAS STILL UNCLEAR.

4. KAESTNER SAID THAT THERE HAD BEEN LITTLE DISCUSSION AT CAMP DAVID OF THE OTHER EXTERNAL ASPECTS OF GERMAN UNIFICATION, NAMELY GDR/EC AND ALLIED RIGHTS (FOR DISCUSSION OF THE GERMAN/POLISH FRONTIER SEE MY TELNO 257). THERE HAD BEEN NO DISCUSSION OF MOMPER'S IDEA THAT ALLIED GARRISONS MIGHT STAY IN BERLIN SO LONG AS SOVIET FORCES STAYED IN EAST GERMANY.

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CALL ON MODROW

SUMMARY

1. I PAID A COURTESY CALL ON MODROW ON 28 FEBRUARY. HE EXPRESSED SATISFACTION WITH THE GOVERNMENT'S PREPARATION OF THE ELECTIONS, IRRITATION AT THE FEDERAL CHANCELLOR'S STYLE, CONCERN AT FEDERAL GERMAN POLICIES TOWARDS UNIFICATION, AND ASKED THAT WE SHOULD DO WHAT WE COULD TO SLOW THE PROCESS DOWN.

DETAIL

2. I PAID A COURTESY CALL ON THE PRESIDENT OF THE COUNCIL OF MINISTERS ON THE AFTERNOON OF WEDNESDAY 28 FEBRUARY. MODROW LOOKED TIRED BUT SPOKE LUCIDLY AND ENERGETICALLY. HIS MAIN THEMES WERE AS FOLLOWS (FULLER ACCOUNT BY BAG TO FCO AND BONN).

3. AFTER REVIEWING EVENTS IN THE GDR SINCE OCTOBER, MODROW EXPRESSED SATISFACTION AT THE WAY THE GOVERNMENT HAD SETTLED DOWN TO WORK. AFTER INITIAL HESITATION THE ROUND TABLE MEMBERS WERE SHARING FULL RESPONSIBILITY FOR THE GOVERNMENT'S DECISIONS. HE THOUGHT THEY WERE GRATEFUL FOR AN OPPORTUNITY TO BECOME FAMILIAR WITH THE WORKINGS OF GOVERNMENT AGAINST THE DAY WHEN SOME OF THEM WOULD HAVE TO FORM ONE.

4. MODROW SHED IRRITATION AT THE FEDERAL CHANCELLOR'S STYLE IN DEALING WITH THE GDR AND CONCERN AT THE APPROACH THE FEDERAL AUTHORITIES WERE ADOPTING. NO ONE COULD SAY THAT HE (MODROW) HAD NOT WORKED RESPONSIBLY TO PREPARE FOR UNITY, WHICH WAS INEVITABLE. BUT HIS EFFORTS HAD NOT MET THE RESPONSE HE HAD HOPED FOR. HE PUT THE PROBLEMS DOWN TO KOHL'S APPROACH BEING DICTATED BY ELECTORAL CONSIDERATIONS RATHER THAN THE INTERESTS OF THE PEOPLE. BUT HE THOUGHT THAT KOHL'S APPROACH MIGHT PROVE COUNTER-PRODUCTIVE.

5. AS TO STYLE, MODROW POINTED TO THE OFF-HAND TREATMENT GIVEN TO THE GDR DELEGATION WHEN IT VISITED BONN IN MID-FEBRUARY. AS TO SUBSTANCE, HIS CONCERN WAS THAT THE HASTE IMPOSED BY THE CHANCELLOR

WOULD MAKE IT IMPOSSIBLE TO DEAL PROPERLY WITH THE NEXUS OF PROBLEMS RAISED BY UNIFICATION. THERE WERE THREE ASPECTS WHICH NEEDED TO BE TIED TOGETHER: REPLACEMENT OF THE MARK BY THE DEUTSCHMARK, THE ALIGNMENT OF THE ECONOMY, INCLUDING WIDE-RANGING CHANGES IN LEGISLATION, AND SOCIAL MEASURES TO EASE THE STRAINS WHICH THE OTHER CHANGES WOULD IMPOSE. CONCENTRATING ON ONE ELEMENT AT THE EXPENSE OF THE OTHERS COULD BE VERY DAMAGING, AND IMPORTANT ASPECTS WERE BEING NEGLECTED.

6. ONE OF THESE ASPECTS, RECOGNISED BY BUSINESSMEN IN THE FEDERAL REPUBLIC BUT IGNORED BY THE AUTHORITIES, WAS THE VALUE OF THE GDR'S POTENTIAL ROLE AS A SUPPLIER OF THE SOVIET UNION. THE GDR WAS THE SOVIET UNION'S PRINCIPAL SUPPLIER IN COMECON, JUST AS THE FEDERAL REPUBLIC WAS AMONG OTHER STATES. IT WOULD BE IMPORTANT TO GIVE THE SOVIET UNION A HELPING HAND IN COMING YEARS IN THE INTERESTS OF STABILITY.

7. AGAINST THAT BACKGROUND, HERR MODROW SAID THAT HE WISHED TO ASK FOR BRITISH HELP, NOT IN PREVENTING THE PRESENT MOVEMENT TOWARDS UNIFICATION, WHICH WAS INEVITABLE, BUT IN CONTROLLING IT IN THE INTEREST OF STABILITY IN EUROPE. IT WAS OF GREAT IMPORTANCE THAT THERE SHOULD BE TIME TO THINK THROUGH THE RELATIONSHIPS, NOT ONLY BETWEEN THE TWO GERMANIES BUT BETWEEN WHATEVER EMERGED AND THE EUROPEAN COMMUNITY. (HE MENTIONED IN THIS CONTEXT, THOUGH WITHOUT ANY GREAT EMPHASIS, HIS SUGGESTION FOR A MILITARILY NEUTRAL GERMAN STATE.)

8. I SAID THAT IN THE UK'S VIEW WHETHER AND HOW THE TWO GERMAN STATES WERE UNITED WAS THE BUSINESS OF THE GERMANS ALONE. BUT IF THEY DECIDED THAT THEY DID WISH TO UNITE, THE INTERESTS OF THEIR NEIGHBOURS AND OTHERS CONCERNED MUST BE TAKEN INTO ACCOUNT. WE THOUGHT IT OF GREAT IMPORTANCE THAT A UNITED GERMANY SHOULD BE BEDDED NOT ONLY INTO THE EUROPEAN COMMUNITY BUT ALSO INTO NATO, THOUGH WE COULD CONTEMPLATE ARRANGEMENTS WHICH WOULD ALLOW SOVIET TROOPS TO REMAIN FOR A WHILE IN WHAT WAS NOW THE TERRITORY OF THE GDR.

9. AS I STOOD UP TO GO HERR MODROW REPEATED HIS MESSAGE THAT HE LOOKED TO US TO STEADY THE PACE OF THE DISCUSSION OF THE EXTERNAL ASPECTS OF GERMAN UNITY, AND ASKED THAT HIS PERSONAL GOOD WISHES BE PASSED TO YOU AND TO THE PRIME MINISTER.

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FRAME ECONOMIC

COREPER (AMBASSADORS) LUNCH: 28 FEBRUARY  
GERMAN UNIFICATION

SUMMARY

1. GERMANS AND COMMISSION EXPLAIN WORK IN PROGRESS. COMMISSION URGED TO ENTER INTO DIALOGUE WITH COREPER, WITH A VIEW TO A PREPARATORY DISCUSSION FOR DUBLIN AT THE APRIL FOREIGN AFFAIRS COUNCIL.

DETAIL

2. TRUMPF (GERMANY) SAID MUCH WORK WAS BEING DONE IN BONN ON THE COMMUNITY IMPLICATIONS OF GERMAN UNIFICATION. A COMMITTEE CHAIRED BY RAMBOW WAS LOOKING AT INTERNAL COMMUNITY MATTERS AND ONE CHAIRED BY VON KYAW AT EXTERNAL MATTERS. THEY WERE IN INFORMAL CONTACT WITH THE COMMISSION AND EACH WOULD PRODUCE A PAPER BY MID-MARCH. IT HAD ALREADY BEEN AGREED THAT THERE WAS NO NEED FOR TREATY CHANGE AND THAT THERE SHOULD BE NO INSTITUTIONAL CHANGES. THE EUROPEAN PARLIAMENT WAS AN INSTITUTIONAL PROBLEM WHICH MIGHT NEED AN AD HOC SOLUTION IF UNIFICATION HAPPENED VERY QUICKLY. OTHERWISE THE ONLY CHANGES REQUIRED WOULD BE SECONDARY LEGISLATION. THERE WAS A MAJOR PROBLEM RESULTING FROM LACK OF INFORMATION AND STATISTICS ABOUT EAST GERMANY.

3. WILLIAMSON (COMMISSION) SAID EACH DIRECTORATE GENERAL HAD BEEN ASKED WHETHER ALL THAT NEEDED TO BE DONE COULD BE DONE BY SECONDARY LEGISLATION. SO FAR NO REQUIREMENT FOR TREATY CHANGE HAD BEEN IDENTIFIED BUT THIS WAS NOT YET A DEFINITIVE ANSWER. THE COMMISSION'S PAPER HAD BEEN PROMISED FOR BEFORE 28 APRIL BUT IT WAS A BIG JOB AND THE LACK OF STATISTICS WAS A MAJOR PROBLEM. THE COMMISSION SHOULD HAVE AGREED ITS PRELIMINARY VIEWS IN THE NEXT TWO TO THREE WEEKS.

4. I SAID THAT INFORMATION AND PREPARATORY WORK WAS NEEDED BEFORE THAT. IF NECESSARY THIS WOULD HAVE TO BE DONE BEFORE THE

DOCUMENT WAS READY. THE LUNCH WITH DELORS ON 15 MARCH AND THE COREPER LUNCH BEFORE THE APRIL FOREIGN AFFAIRS COUNCIL WOULD PROVIDE OPPORTUNITIES TO PREPARE FOR THE APRIL FOREIGN AFFAIRS COUNCIL WHICH WAS BOUND TO DISCUSS THE SUBJECT. THE COMMISSION SHOULD REFLECT ON THE BEST WAY OF GETTING A DIALOGUE GOING. CAMPBELL SUPPORTED THIS PLEA AND CONCLUDED THAT THE COMMISSION SHOULD NOTE THE LEGITIMATE REQUEST FOR AN INFORMAL DIALOGUE.

5. IN REPLY TO A QUESTION WHETHER ARTICLE 23 OF THE CONSTITUTION WAS THE ROUTE BY WHICH UNIFICATION WOULD BE BROUGHT ABOUT, TRUMPF SAID THIS WAS ONE POSSIBILITY. ANOTHER WAS ARTICLE 146 BUT HE THOUGHT ARTICLE 23 MORE LIKELY. ALL WOULD DEPEND ON THE OUTCOME OF THE EAST GERMAN ELECTIONS. WILLIAMSON SAID THE COMMISSION WERE WORKING ON BOTH HYPOTHESES BUT CONSIDERED THE ARTICLE 23 ROUTE TO BE THE MORE PROBABLE.

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MIPT: GERMANY/POLISH BORDER

1. SYMPATHY FOR POLAND IS STRONG IN THE UNITED STATES. POLISH VOTERS ARE IMPORTANT TOO. REACTIONS TO WHAT ARE SEEN BY THE PUBLIC AS INADEQUATE ASSURANCES BY KOHL ON 25 FEBRUARY COME IN THE WAKE OF SOME COMMENT BEFORE HIS VISIT THAT THE DRIVERS OF THE GERMAN STEAM ROLLER SHOULD HAVE MORE CARE FOR THE REACTIONS OF THOSE AFFECTED, ESPECIALLY IN WARSAW, PARIS AND LONDON.
2. SUCH COMMENT HAS NOT HOWEVER SO FAR BEEN TRANSLATED INTO CRITICISM OF THE ADMINISTRATION'S OVERALL POLICY OF WORKING WITH KOHL TO ENSURE A SMOOTH BIRTH FOR GERMAN UNIFICATION, PROBABLY SOONER RATHER THAN LATER. BRITAIN HAS CONTINUED TO BE SINGLED OUT FOR PRESS CRITICISM, SOME OF IT STRONG, FOR TAKING AN UNREALISTIC AND ULTIMATELY FUTILE ATTITUDE TOWARDS GERMAN UNIFICATION. THE PRIME MINISTER'S SPEECH OF 18 FEBRUARY TO THE BOARD OF DEPUTIES OF BRITISH JEWS WAS WIDELY (AND UNFAIRLY) INTERPRETED IN SUPPORT OF THIS THESIS. YOUR STATEMENT OF 22 FEBRUARY HAS BEEN A HELP IN COUNTERING THIS SORT OF IMPRESSION, BUT THE MESSAGE WILL NEED REPEATING, INCLUDING AT THE HIGHEST LEVELS, IF IT IS TO GO HOME.
3. THE NSC AND THE STATE DEPARTMENT HAVE BOTH CONFIRMED TO US THAT THE PRINCIPAL US OBJECTIVES REMAIN TO ENSURE FULL NATO MEMBERSHIP BY A UNITED GERMANY TO BE FOLLOWED AS SOON AS PRACTICABLE BY THE DEPARTURE OF SOVIET TROOPS FROM THE PRESENT GDR AS WELL AS THE REST OF EASTERN EUROPE. THEY HAVE SAID THEY WOULD MUCH WELCOME ANY PUBLIC STATEMENTS WE MIGHT BE ABLE TO MAKE WHICH WOULD SHOW OUR SUPPORT FOR KOHL'S PUBLIC ADHERENCE TO THE PRINCIPLE OF FULL NATO MEMBERSHIP DURING HIS 24/25 FEBRUARY VISIT, INCLUDING AS A COUNTER BALANCE TO THE PRIME MINISTER'S ANSWER TO A PARLIAMENTARY QUESTION ON 27 FEBRUARY IN WHICH SHE COMMENTED THAT IT WOULD BE VERY GOOD TO RECEIVE ASSURANCES ABOUT THE POLISH BORDER. THE ADMINISTRATION OF COURSE AGREE THAT THE BORDER ISSUE IS IMPORTANT AND SENSITIVE. THE LAST THING THAT THEY WANT IS FOR THIS SORT OF QUESTION TO PROVOKE AN INCREASE IN NATIONALIST FEELINGS IN EUROPE. BUT THEY GIVE CREDENCE TO KOHL'S ASSURANCES THAT HE TOO IS AWARE OF THESE DANGERS AND IS TRYING TO STEER A COURSE WHICH WILL TAKE ACCOUNT OF THEM AS BEST

HE MAY DURING THE CURRENT GERMAN ELECTORAL YEAR.

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MY TELS 460 AND 461: GERMAN/POLISH BORDER  
SUMMARY

1. KOHL'S STATEMENTS ON THE BORDER QUESTION AT HIS PRESS CONFERENCE WITH PRESIDENT BUSH AT CAMP DAVID ATTRACT CONCERNED CRITICISM.

DETAIL

2. SENATORS NUNN AND PELL RAISED THE ISSUE AT THE WHITE HOUSE DURING A DISCUSSION ON NICARAGUA ON 27 FEBRUARY. AFTERWARDS NUNN EXPRESSED DISAPPOINTMENT THAT THE CHANCELLOR HAD NOT BEEN CLEARER DURING THE VISIT. QUOTE I THINK THE WHOLE QUESTION OF BORDERS SHOULD BE PUT TO REST, CLEARLY, BY CHANCELLOR KOHL. HE TAKES A POSITION THAT THIS CAN ONLY BE DONE LEGALLY AFTER YOU HAVE A GERMAN REUNIFICATION. LEGALLY THAT IS CORRECT, BUT I THINK HE OUGHT TO STATE HIS OWN POSITION, UNEQUIVOCALLY, AS OTHER LEADERS IN GERMANY HAVE. UNQUOTE. FELL SAID BLUNTLY THAT KOHL'S EQUIVOCATION ON POLAND WAS UNACCEPTABLE. QUOTE WE SHOULD BE VERY CONCERNED WHEN CHANCELLOR KOHL REFERS TO GERMAN UNIFICATION AS THE UNITY OF THE GERMAN PEOPLE AND WHEN MODROW REFERS TO UNIFICATION AS PROVIDING A FATHERLAND FOR THE GERMAN PEOPLE ..... ONE HAS TO BE CAREFUL WHEN PEOPLE TELL US THAT THE GERMANS HAVE GIVEN US ASSURANCES. THAT IS WHAT PEOPLE SAID IN 1938. UNQUOTE. IN A CIRCULAR LETTER ON THE HILL, SENATOR SIMON SAID THAT WHILE THE PROCESS OF UNIFICATION WAS MOVING FAR MORE QUICKLY THAN PEOPLE IMAGINED POSSIBLE, KOHL AND MODROW HAD YET FORMALLY TO RENOUNCE ALL TERRITORIAL CLAIMS AGAINST POLAND. PUTTING THE ISSUE OF TERRITORIAL ADJUSTMENTS TO BED WOULD FACILITATE GERMAN UNIFICATION AND EASE FEARS ELSEWHERE.

3. KOHL'S ELECTORAL DILEMMA HAS BEEN ACKNOWLEDGED BUT, REPORTING ON THE PRESS CONFERENCE, THE US PRESS NOTED THE DISTINCTION BETWEEN THE PRESIDENT'S CLEAR STATEMENT AND KOHL'S POSITION QUOTE, WHICH STOPPED WELL SHORT OF THE SORT OF GUARANTEE THAT THE ADMINISTRATION AND OTHERS WOULD LIKE TO HEAR UNQUOTE. THE NEW YORK TIMES ADDED THAT BUSH AND BAKER QUOTE HAD HOPED THAT THEY WOULD BE ABLE TO CAJOLE THE GERMAN CHANCELLOR TO ESTABLISH A CLEAR CUT TIMETABLE FOR ADDRESSING THE BORDER QUESTION AND TO

MAKE SOME PUBLIC STATEMENTS THAT WOULD DEFUSE IT UNQUOTE, KOHL HAD FALLEN SHORT OF THIS.

4. IN AN EDITORIAL, THE WASHINGTON POST SAID THAT KOHL WAS QUOTE MAKING A SERIOUS MISTAKE IN CONTINUING TO PLAY WORD GAMES WITH THE ISSUE OF POLAND'S BORDERS ..... IT IS DISQUIETING TO SEE A WEST GERMAN CHANCELLOR PAY SUCH DEFERENCE TO THE ULTRA NATIONALISTS. THAT WAY LIES REAL TROUBLE. UNQUOTE. THE NEW YORK TIMES SUGGESTS THAT IF KOHL QUOTE CANNOT SUMMON THE WORDS OR THE COURAGE TO SAY THEM, THEN OTHERS WILL HAVE TO, PREFERABLY OTHER WEST GERMAN LEADERS .... AND SINCE WORDS ALONE WILL NOT NOW BE VERY REASSURING, THEY CAN INVITE THE FOUR POWERS AND ULTIMATELY ALL WEST AND EAST EUROPEANS, TO GUARANTEE THOSE BORDERS AGAINST AGGRESSION ..... KOHL HAS TO WELCOME GUARANTEES OF GERMANY'S EASTERN BORDER BY THE US, THE SOVIET UNION AND EUROPEAN COUNTRIES PREPARED TO RESIST WITH FORCE ANY AGGRESSION AGAINST THOSE BORDERS. IF HE CANNOT BRING HIMSELF TO DO THAT, MR VON WEIZSAECKER AND MR GENSCHER COULD JOIN WITH OTHER POLITICAL PARTIES TO CALL FOR GUARANTEES, AND PRESIDENT BUSH COULD JOIN WITH OTHER NATO ALLIES TO DO THE SAME. UNQUOTE.

5. THE ADMINISTRATION HAS DECLINED TO CRITICISE. THE WHITE HOUSE SPOKESMAN ACKNOWLEDGED ON 27 FEBRUARY THAT QUOTE WE HAVE DIFFERENT POSITIONS, BUT WE ARE NOT GOING TO EXPRESS THE FEELING OF ANY KIND OF CHARACTERISATION OF CHANCELLOR KOHL'S STATEMENT UNQUOTE.

6. COMMENT IN MY MIFT

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PRIME MINISTER

MEETING WITH SIR CHRISTOPHER MALLABY

Christopher Mallaby is coming in to see you tomorrow afternoon. Sir Percy Cradock will also be present.

Christopher will want to bring you up to date on his assessment of how the unification process is likely to develop. He may also say something about the impact in Germany of your public comments.

The specific aspects you will want to touch upon are:

- what is his view of how unification will take place (negotiations, Article 23) and the likely time-scale. Will the West Germans continue to press forward very hard after the GDR elections?
- does he still expect economic and monetary union to be pursued separately from and ahead of unification? At what rate will the Germans exchange Ostmarks for DM? (Incidentally, the Germans have begun to consult in the EC.)
- will Kohl be shamed into giving reassurance on the Polish border? You will have noticed that several leading German politicians support your line.
- with the firm commitment to keep a United Germany in NATO, the focus is on what security arrangements to make for East Germany. Where does he expect the debate on this in the FRG to come out? How vulnerable will German public opinion be to Soviet pressure during the election campaign to back away from membership of NATO or give up nuclear weapons?
- Kohl has warned that the SNF issue will come to the fore again during the election campaign. What form

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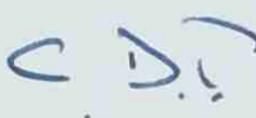
does he expect this to take? We propose to take a firm line of sticking to the NATO Summit conclusions.

- how does he read the party political aspects? Kohl has spoken of an all-German election in 1991.

On a separate issue, you will want to consult Sir Christopher on the Anglo-German Summit at the end of March and what we want to come out of it. It will be important to avoid a press conference at which you and Kohl say different things and there is open disagreement. Should we start work now on preparing a joint statement to hold the line? (rather on the lines of the one you had on SNF at the Frankfurt Meeting)

You might also ask his advice on what you should say in your Koenigswinter Speech.

He may ask whether he can attend the meeting with historians at Chequers on 24 March. I have politely but firmly rebuffed all comers on this, to keep numbers to eight. Anyway, Christopher is the last person who needs to come since, as Ambassador, by definition he knows all about Germany!

  
CDP

28 February 1990

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*From the Private Secretary*

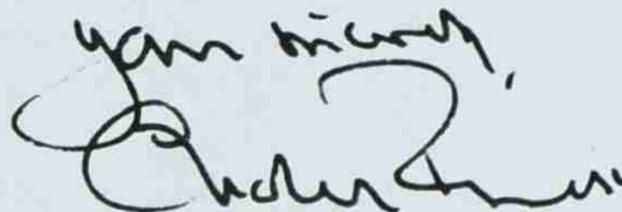
28 February 1990

*Dear Richard,*

BRITISH MILITARY GOVERNMENT, BERLIN

Thank you for your letter of 27 February about the proposed change in title of the British Military Government Berlin to British Mission Berlin. The Prime Minister is content with this.

I am copying this letter to Simon Webb (Ministry of Defence).

*Yours sincerely,*  
  
(C. D. POWELL)

Richard Gozney, Esq.,  
Foreign and Commonwealth Office.

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OUR TELNO 237: POLAND'S WESTERN BORDER

## SUMMARY

1. FDP AND SPD CRITICISM OF KOHL'S LATEST STATEMENT ON GERMANY'S BORDERS. SUESSMUTH, ALONG WITH GENSCHER, APPEARS STILL TO FAVOUR AN EARLY DECLARATION BY THE TWO GERMAN STATES.

## DETAIL

2. KOHL'S STATEMENT ON BORDERS AT HIS JOINT PRESS CONFERENCE WITH PRESIDENT BUSH (WASHINGTON TELNO 460) HAS PROVOKED FRESH CRITICISM OF HIS POSITION FROM THE FDP AND SPD. LAMBSDORFF, CHAIRMAN OF THE FDP, EXPRESSED REGRET ON 26 FEBRUARY THAT KOHL HAD NOT STATED HIS RECOGNITION OF POLAND'S PRESENT BORDERS AS CLEARLY AS BUSH. THE TWO GERMAN STATES COULD NOT BE UNIFIED UNLESS THE BORDER QUESTION HAD FIRST BEEN SATISFACTORILY ANSWERED. IN A NEWSPAPER INTERVIEW ON 24 FEBRUARY GENSCHER SAID THAT THERE WAS NOTHING TO PREVENT THE TWO GERMAN STATES TAKING ACTION STRAIGHT AFTER THE GDR ELECTION (18 MARCH) TO DISPEL, BY MAKING IT CLEAR THAT THEY HAD NO TERRITORIAL CLAIMS WHATSOEVER, THE UNCERTAINTY ON THIS ISSUE WHICH WAS IMPEDING GERMAN UNIFICATION. FRAU DAEUBLER-GMELIN, A DEPUTY CHAIRMAN OF THE SPD, SAID ON 26 FEBRUARY THAT KOHL WAS MORE INTERESTED IN 'KOWTOWING TO THE RIGHT-WING OF THE (CDU/CSU) UNION' THAT IN MAINTAINING THE RELIABILITY OF THE FRG'S FOREIGN POLICY.

3. FRAU SUESSMUTH, THE PRESIDENT OF THE BUNDESTAG, SAID ON 26 FEBRUARY THAT WHILE SHE RECOGNISED THE LEGALITY OF KOHL'S POSITION THAT ONLY THE GOVERNMENT OF A UNIFIED GERMANY COULD GUARANTEE POLAND'S WESTERN BORDER, THIS DID NOT MEAN THAT AN INTERIM STATEMENT OF POLICY COULD NOT BE MADE. WHETHER THIS SHOULD BE A JOINT STATEMENT BY THE TWO GERMAN GOVERNMENTS WAS 'FOR CONSIDERATION'.

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Foreign and Commonwealth Office

London SW1A 2AH

27 February 1990

*Prime Minister*

*It is bound to attract attention in the present situation. But agree?*

*Dear Charles,*

British Military Government Berlin

You may wish to be aware of a proposal to change the name of the British Military Government in Berlin (BMG) to "British Mission Berlin".

*CDM 27/2*

The background to this is that the present title has become increasingly anachronistic and misleading. BMG is neither military nor a Government. The only military member of BMG is the Commandant. The rest of the staff are civilians. It does not govern Berlin; it exercises, with the French and Americans, the residual Allied rights in the city. It is clear that many Berliners find the present name offensive, however much they may support the Allied role more generally.

*Yes no*

The Americans made a simple change of name back in the 1950s. We have been consulting the French on plans to follow suit. The Berlin Senat have now asked us to make the change. We understand that the French may announce their change when M. Dumas visits West Berlin on 1 March. We think we should announce a similar change at the same time - or just before.

We would not seek to attract any fanfare or publicity for our change. We would announce it in a low key, making it clear that we saw it as part of a process of modernising our role in the city. Further background is set out in the enclosed note.

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

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"BRITISH MILITARY GOVERNMENT" BERLIN: ITS NAME AND ITS HEAD

1. This paper is concerned with two matters: (A) replacing the name "British Military Government" with "British Mission, Berlin" and (B) the question who should hold the title of head of Mission. A major aim, in deciding both matters, is to describe existing arrangements and responsibilities as accurately as possible, without altering them.

(A) Change of Title

2. The title "British Military Government" ("BMG") for many years has not reflected the real functions of the organisation. It is, in fact, neither military nor a government. BMG's governmental functions are exiguous, following the handing over of the great majority of the Allies' powers and responsibilities to the Berlin civil authorities. The only military member of BMG is the Commandant. What BMG does is to exercise, with the French and the Americans in Berlin, and through contacts with the city authorities and with the Soviet Embassy in East Berlin, the residual Allied responsibilities in the city. These mainly concern the need to ensure that the city authorities conduct relations with the GDR and the FRG in ways compatible with the special status of Berlin; and also the way public order is maintained by the Berlin police.

3. Although there is little direct pressure for the title to be dropped, it is obviously anachronistic. Berliners are generally too polite to raise the matter (possibly more so than visitors from the Federal Republic) but there is undoubtedly an instinctive and virtually unanimous reaction by those who become aware of the continuing existence of Allied military governments that the term is offensive; it appears to lay unnecessary emphasis on limitations on German sovereignty and even carries a disagreeable flavour of martial law.

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4. A change of name is desirable in order to describe BMG more truly and to correct the anachronistic impression. Such a change would be in line with our policy of modernising the Allied role in Berlin without undermining the essential elements of our legal position. The Americans made the change to a Mission in the 1950s.

5. The change has appeared desirable for some time. The question has been when would be an appropriate time. This question of timing has now been precipitated by the opening of the Wall. The case for "modernising" the Allies' practices and arrangements in Berlin, so as not to look anachronistic, is greatly strengthened in the new situation. It is better to act before being subjected to public pressure.

6. We propose that the change should be brought about without fanfare. We would simply explain that the new title "British Mission, Berlin" better reflected the existing functions of the organisation and that no change would result in those functions or the substantive roles of the Commandant and the Minister.

(B) The Title of Head of the Mission

7. It is proposed that the Minister should be the Head of Mission, while remaining Deputy Commandant.

8. This arrangement would be a correct description of the present situation as it is in reality. The Minister, as has been recognised by successive FCO Inspections, is in day-to-day charge of BMG. He supervises the work of all the sections and is responsible for ensuring that BMG's objectives are carried out. He authorises the despatch of telegrams and personally drafts the Annual Review. He is also responsible for the personnel of BMG, including disciplinary matters, and BMG's administration, budget and account.

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9. The Commandant is the senior British authority in the British Sector and the senior British representative in the Allied Kommandatura, where the Minister, who is Deputy Commandant, is his Deputy.

10. These functions and relationships would not be affected by the change in BMG's title or by the Minister being described as Head of the Mission as well as Deputy Commandant. The existing situation is anomalous, in that the Minister runs BMG but is not described as doing so; that anomaly would be removed.

11. The Minister would continue as now to consult the Commandant, and be consulted by him, on all matters of overlapping interest. The Commandant would continue to be kept informed of political developments by receiving copies of telegrams and despatches, by attendance by the Minister and his staff at the Commandant's twice-weekly "Prayers" and, most important of all, by frequent and ad hoc informal discussions. The two, with their staffs, would remain a military/diplomatic team, cooperating closely at all levels.

12. The purpose of the change therefore would be to remove cosmetic anomalies in the present situation, taking advantage of the opportunity presented by the change in BMG's title, without altering the weight of the Commandant's and Minister's jobs. Relations between the present incumbents of the two jobs are excellent but in the past have not always worked well, due to the possibilities for friction inherent in the apparent subordination of one officer to another of equal rank. The new arrangements should minimise the risk of friction in future by introducing greater clarity in the descriptions of the role of the Minister while preserving overall supremacy of the Commandant.

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13. We propose that Section II of the Commandant's Directive from the Commanders-in-Chief and the Ambassador, dealing with his Civil Responsibilities, should be amended along the lines of the attached draft. The amendments are designed to reflect the change of name of BMG and the new role of the Minister and by spelling out much more clearly than before the obligation of the Minister to consult the Commandant closely. The Minister would for the first time receive a parallel instruction from the Ambassador covering his obligations. These changes should contribute to the aim of minimising the risk of friction between future incumbents of the two jobs.

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*From the Private Secretary*

27 February 1990

EC/GERMANY

The Prime Minister has noted press reports that Herr Genscher has challenged a comment attributed to her, namely that the former GDR could not automatically become a member of the European Community following unification of Germany. I think this is a matter of semantics. The Prime Minister's point was that there would have to be detailed negotiations, covering such matters as derogations and transitional periods, and that GDR membership could not take place (as Tommy Cooper used to say) "just like that". You might like to make sure that Herr Genscher understands this.

Charles Powell

Stephen Wall Esq  
Foreign and Commonwealth Office

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A handwritten signature in red ink, possibly reading 'L' or 'JL', located in the bottom right corner of the page.

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FOR WED

KOHL IN WASHINGTON: PRESS CONFERENCE

1. CHANCELLOR KOHL AND PRESIDENT BUSH GAVE A JOINT PRESS CONFERENCE IN WASHINGTON ON 25 FEBRUARY. FOLLOWING ARE THE MAIN POINTS:

- IN HIS OPENING STATEMENT, BUSH SAID THAT HE AND KOHL SHARED QUOTE SIMILAR VIEWS ON THE MOST FUNDAMENTAL ISSUES. ...WE SHARE A COMMON BELIEF THAT A UNIFIED GERMANY SHOULD REMAIN A FULL MEMBER OF NATO, INCLUDING PARTICIPATION IN ITS MILITARY STRUCTURE. NOW WE AGREE THAT US MILITARY FORCES SHOULD REMAIN STATIONED IN A UNITED GERMANY AND ELSEWHERE IN EUROPE, AS A CONTINUING GUARANTOR OF STABILITY UNQUOTE. BUT THEY ALSO AGREED THAT IN A UNIFIED STATE, THE FORMER TERRITORY OF THE GDR QUOTE SHOULD HAVE A SPECIAL MILITARY STATUS THAT WOULD TAKE INTO ACCOUNT THE LEGITIMATE SECURITY INTERESTS OF ALL INTERESTED COUNTRIES, INCLUDING THOSE OF THE SOVIET UNION UNQUOTE.

- KOHL IN HIS OPENING STATEMENT, SAID QUOTE THE SECURITY LINK BETWEEN NORTH AMERICA AND EUROPE IS AND CONTINUES TO BE OF VITAL IMPORTANCE (FOR A UNITED GERMANY). THAT IS WHY WE NEED THE PRESENCE OF OUR AMERICAN FRIENDS IN EUROPE, IN GERMANY, AND THAT INCLUDES THE PRESENCE OF AMERICAN FORCES UNQUOTE. TRANS-ATLANTIC RELATIONS MUST ALSO BE SYSTEMATICALLY EXPANDED IN ALL FIELDS. THE SECURITY OF THE ALLIANCE REQUIRED EVER CLOSER CONTACTS BETWEEN THE EUROPEAN COMMUNITY, INCLUDING POLITICAL COOPERATION, AND THE US QUOTE AND THIS INCLUDES ALSO OUR JOINT EFFORTS TO MAKE OUR WAY TOWARDS A EUROPEAN PEACE ORDER WITHIN THE FRAMEWORK OF THE CSCE UNQUOTE. GIVEN THE MAJOR CHANGES WITHIN EUROPE, THE EC CONTINUED TO BE QUOTE AN INDISPENSABLE ANCHOR OF EUROPEAN CIVILITY. THAT IS WHY WE, THE FRG, IN PARTICULAR MYSELF, DO NOT ONLY WANT TO EXPAND EUROPEAN INTEGRATION BUT WE WANT TO ACCELERATE THIS PROCESS WHEREVER POSSIBLE. BEYOND THE BIG INTERNAL MARKET WHICH IS TO BE ACHIEVED ON 31 DECEMBER 1992, BEYOND THE ECONOMIC AND MONETARY UNION, OUR PRIMORDIAL AIM

CONTINUES TO BE POLITICAL UNION IN EUROPE UNQUOTE.

- ON BORDERS, KOHL SAID QUOTE WE DO RESPECT THE LEGITIMATE SECURITY INTERESTS OF ALL STATES AND WE RESPECT PEOPLE'S FEELINGS, ESPECIALLY THE FEELINGS OF OUR NEIGHBOURS. AND I AM SAYING THIS PARTICULARLY ADDRESSING OUR POLISH NEIGHBOURS. THE BORDER QUESTION WILL BE SETTLED DEFINITELY BY A FREELY ELECTED, ALL-GERMAN GOVERNMENT, AND A FREELY ELECTED ALL-GERMAN PARLIAMENT. ...NOBODY HAS ANY INTENTION OF LINKING THE QUESTION OF NATIONAL UNITY WITH CHANGES OF EXISTING BORDERS UNQUOTE.

- IN THE (Q) AND (A) SESSION WHICH FOLLOWED, KOHL WAS PRESSED ON BORDERS. KOHL REITERATED HIS POSITION QUOTE AND NOBODY IS PERMITTED TO DOUBT MY ATTITUDE THERE UNQUOTE. BUSH THEN PUT THE US POSITION ON THE RECORD: QUOTE THE US RESPECTS THE PROVISIONS OF THE HELSINKI FINAL ACT REGARDING THE INVIOABILITY OF CURRENT BORDERS IN EUROPE. AND THE US FORMALLY RECOGNISES THE CURRENT GERMAN-POLISH BORDER UNQUOTE. HE THOUGHT THAT HE AND THE CHANCELLOR WERE QUOTE IN ALIGNMENT UNQUOTE ON THIS ISSUE.

- ON THE TWO-PLUS-FOUR TALKS, KOHL SAID THAT HE WAS HAPPY WITH THE DECISION IN OTTAWA QUOTE IT IS ONLY NATURAL THAT THE TWO STATES IN GERMANY, IN PARTICULAR AFTER THE 18 MARCH ELECTIONS IN THE GDR, WILL BE DISCUSSING THE SUBJECT IN A PARTICULAR WAY. THIS IS A SUBJECT WHICH CONCERNS THE GERMANS IN PARTICULAR UNQUOTE.

- ON GERMAN REUNIFICATION, BUSH WAS ASKED WHETHER ASSURANCES WERE NEEDED BEFORE THE PROCESS WAS COMPLETE. BUSH SAID THAT THIS WOULD BE DISCUSSED IN VARIOUS CONSULTATIVE FORA, QUOTE BUT I PREFER TO LOOK AT GERMANY'S FORTY-FIVE YEARS OF CONTRIBUTION TO DEMOCRACY AND TO THE SECURITY OF THE WEST UNQUOTE. THE US WERE NOT AFRAID OF GERMAN REUNIFICATION, AND INDEED WELCOMED IT. IT WAS NOT FOR THE US TO SET A TIMETABLE. RATHER, THE US SHOULD SEEK TO GUARANTEE AS BEST THEY COULD, IN CONSULTATION WITH THEIR ALLIES, THAT WHATEVER EVOLVED WOULD BE STABLE AND THAT PEACE WOULD BE THE RESULT.

- KOHL SAID THAT THE QUESTION OF GERMAN UNITY INVOLVED THE RIGHT OF SELF DETERMINATION: QUOTE IT'S PART OF THE CHARGE OF THE UN, IT CORRESPONDS TO THE PRINCIPLES OF CSCE, IT CORRESPONDS TO THE MAJOR DEMOCRATIC TRADITIONS OF OUR WORLD UNQUOTE. MOREOVER, THE PEOPLE IN THE TWO PARTS OF GERMANY WANTED TO UNIFY. BUT GERMANY HAD A RESPONSIBILITY TO BE CONSCIOUS OF THE FACT THAT THEY WERE SITUATED IN THE CENTRE OF EUROPE. QUOTE WE HAVE A CERTAIN HISTORY. WE MUST UNDERSTAND THERE ARE CERTAIN FEARS ON THE PART OF OUR NEIGHBOURS, AND I AM TALKING ABOUT SERIOUS FEARS AND NOT ONLY THE PRETENDED FEARS BECAUSE THERE ARE PEOPLE WHO PRETEND THEY HAVE FEARS, BUT WHAT THEY MEAN IS THAT THEY FEAR THE

ECONOMIC POWER OF A FEDERAL REPUBLIC PLUS THE GDR UNQUOTE. THE FRG WAS FORTY YEARS OF AGE LAST YEAR. IN THE COURSE OF THOSE FORTY YEARS, IT WAS A LOYAL AND RELIABLE PARTNER IN HUMAN RIGHTS AND IN THE DEFENCE OF FREEDOM. MOREOVER, THE FEDERAL GOVERNMENT WANTED THIS UNITED GERMANY QUOTE TO BE EVEN MORE EMBEDDED IN AN INTEGRATION PROCESS WITH ITS NEIGHBOURS. SO NOBODY NEEDS TO BE AFRAID UNQUOTE.

- ON NATO, KOHL WAS ASKED HOW DURABLE WAS GERMANY'S COMMITMENT TO THE ALLIANCE. HE SAID THAT, CONFOUNDING THE SKEPTICS, THE FRG HAD EARLIER DEPLOYED US MISSILES. AS A RESULT QUOTE I REALLY DON'T THINK WE NEED TO BE TOLD WHAT RELIABILITY MEANS.

NEUTRALISM WOULD BE A VERY FALSE SOLUTION FOR US. I CAN'T SEE THAT THERE WOULD EVER BE ANY MAJORITY IN THE FEDERAL REPUBLIC OR IN A UNITED GERMANY FOR A NEUTRALISED GERMANY. I THINK WE HAVE LEARNED LESSONS AND WE DO NOT WANT TO REPEAT THE ERRORS OF HISTORY. BUT ONE MISTAKE IN THE TIMES OF THE WEIMAR REPUBLIC, OF COURSE, WAS THAT GERMANY WAS ISOLATED IN EUROPE. ONE MUST MAKE GERMANY A PART OF THE WHOLE UNQUOTE.

- WITH THE DECLINING SOVIET THREAT, BUSH WAS ASKED WHETHER ONE PURPOSE OF KEEPING NATO INTACT WAS NOW QUOTE TO KEEP THE GERMANS DOWN UNQUOTE. BUSH SAID QUOTE NO. THE ENEMY IS UNPREDICTABILITY, THE ENEMY IS INSTABILITY, AND IT IS FOR THAT REASON THAT ...THERE ARE AGREED SECURITY PROVISIONS UNQUOTE. KOHL AGREED THAT EVERYTHING POSSIBLE MUST BE DONE IN ORDER TO AVOID DESTABILISATION IN EUROPE, IN EASTERN EUROPE IN PARTICULAR.

- ON SECURITY GUARANTEES, KOHL WAS ASKED WHETHER IT WOULD BE CONCEIVABLE THAT THERE MIGHT BE SOVIET TROOPS IN A UNITED GERMANY. KOHL SAID QUOTE ONE THING IS CLEAR: A UNITED GERMANY CANNOT BELONG TO TWO DIFFERENT PACT SYSTEMS. WE WILL HAVE TRANSITION SITUATIONS, AND THAT IS THE SUBJECT ABOUT WHICH ONE HAS TO NEGOTIATE. AT PRESENT, THERE ARE 380,000 SOLDIERS OF THE SOVIET ARMY (IN EAST GERMANY). SEEING THE REDUCTIONS ONE HAS AGREED UPON, HALF OF THAT NUMBER WILL BE REMAINING THERE FOR THE TIME BEING. MANY THINGS WILL HAVE TO BE LOOKED INTO AND I CANNOT AND WILL NOT GIVE ANY FINAL POSITION HERE UNQUOTE.

- ASKED WHETHER HE COULD ENVISAGE A SITUATION WHERE US TROOPS WERE STILL DEPLOYED IN GERMANY WHILE THE SOVIET UNION HAD WITHDRAWN ALL ITS TROOPS FROM GERMAN SOIL, BUSH SAID QUOTE YES I CAN. AND THE REASON I CAN ENVISAGE SUCH A SITUATION IS THAT, IF THAT'S WHAT THE GERMANS WANT, THAT'S WHAT OUGHT TO HAPPEN UNQUOTE.

2. FULL TEXT BY FAX TO WED.

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WASHINGTON TELNO 446 TO FCO: SOVIET VIEWS ON GERMANY

1. WE HAVE REPORTED THE VIEWS OF A WIDE RANGE OF SOVIET OPINION FORMERS AND OFFICIALS OVER RECENT WEEKS. SIR P CRADOCK'S VISIT HAS BROUGHT OUR KNOWLEDGE UP TO DATE. THE PICTURE IS PRETTY CLEAR. IT BOILS DOWN TO THE FOLLOWING.

#### UNIFICATION

2. THERE IS NO DOUBT AMONG RESPONSIBLE RUSSIANS THAT GERMAN UNIFICATION IS GOING TO TAKE PLACE. SINCE THE AUTUMN, GORBACHEV HIMSELF HAS BEEN VERY CAREFUL NEVER TO RULE OUT UNIFICATION AS THE LIKELY RESULT OF HISTORICAL CHANGE. WITH MODROW'S VISIT TO MOSCOW ON 29-30 JANUARY HE PUBLICLY RECOGNISED THAT HISTORY HAD NOW TAKEN CONTROL. THOSE LOWER DOWN THE OFFICIAL HIERARCHY HAVE BEEN SLOWER TO RECOGNISE THE INEVITABLE. IN MID-DECEMBER DEPUTY MINISTER ADAMISHIN, WHO HABITUALLY EXAGGERATES FOR NEGOTIATING EFFECT, WAS STILL ARGUING THAT THE FOUR POWERS COULD IN SOME WAY SHAPE OR EVEN PREVENT UNIFICATION IF THEY STUCK TOGETHER. BUT LAST WEEK HE ADMITTED TO SIR PERCY THAT THE SOVIET UNION HAD VERY FEW LEVERS INDEED WITH WHICH TO INFLUENCE THE PROCESS AT ALL. SOME OF THE ACADEMIC INSTITUTIONS HAVE LONG FORESEEN THIS OUTCOME. AND SOVIET TELEVISION, IN ITS EXTENSIVE AND ON THE WHOLE OBJECTIVE COVERAGE OF POLITICS IN BOTH GERMANIES, SPEAKS AS IF UNIFICATION IS A FOREGONE AND NOT VERY DISTANT CONCLUSION.

3. BUT EVEN IF THEY NOW SEEM READY TO SURRENDER TO THE INEVITABLE, THE RUSSIANS STILL HOPE THAT THEY CAN SOMEHOW INFLUENCE THE MANNER IN WHICH UNIFICATION TAKES PLACE, AND THE EXTERNAL ENVIRONMENT IN WHICH A UNITED GERMANY WOULD BE PLACED. THEY HOPE THAT THE GOVERNMENT OF THE GDR WILL RETAIN ENOUGH CREDIBILITY AFTER THE 18 MARCH ELECTION TO CARRY AT LEAST SOME NEGOTIATING WEIGHT WITH THE FEDERAL GOVERNMENT. THEY HOPE THAT, ONCE THAT ELECTION IS OVER, THE PRACTICAL DIFFICULTIES OF COMBINING THE FINANCIAL, ECONOMIC, AND SOCIAL SYSTEMS OF BOTH GERMANIES WILL ACT AS A NATURAL BRAKE ON THE PROCESS. THEY

HOPE THAT THIS WILL GIVE THEM MORE TIME TO SECURE BINDING ASSURANCES FROM THE GERMANS AND THEIR WESTERN ALLIES OVER FRONTIERS AND FUTURE SECURITY ARRANGEMENTS.

4. THEY KNOW THEY CANNOT ACHIEVE THESE AIMS ON THEIR OWN. HENCE THEIR DESIRE FOR AN EARLY MEETING OF THE TWO PLUS FOUR, EVEN IF ONLY AT EXPERT LEVEL, BEFORE THE 18 MARCH ELECTION TILTS THE NEGOTIATING BALANCE EVEN MORE DECISIVELY AGAINST THE EAST GERMANS AND THEMSELVES. BUT EVEN IF THEY SECURED SUCH A MEETING, THEIR POSITION WOULD BE WEAKENED BY THEIR LACK OF A CLEAR AND CONVINCING CONCEPTION OF POST-UNIFICATION EUROPE TO SET AGAINST THE WESTERN IDEA OF A LIBERAL AND DEMOCRATIC GERMANY ANCHORED IN NATO AND THE EUROPEAN COMMUNITY.

#### FRONTIERS

5. THE RUSSIANS' MOST IMMEDIATE AND CONCRETE REQUIREMENT IS FOR A BINDING LEGAL INSTRUMENT TO SETTLE GERMANY'S POST-WAR FRONTIERS AND BEYOND DOUBT. IT IS NOT ONLY THAT THEY FEAR THAT GERMANY'S ACTUAL FRONTIERS WITH POLAND ON THE ODER-NIESSE LINE MIGHT BE BROUGHT INTO QUESTION. BEYOND THAT, AS ADMISHIN TOLD SIR PERCY, THEY FEAR A REVIVAL OF GERMAN CLAIMS TO THE FORMER GERMAN TERRITORIES THEY HOLD THEMSELVES: EAST PRUSSIA, KOENIGSBERG AND ELSEWHERE. THIS MAY SEEM FANTASTIC TO US, AND IN THEIR COOLER MOMENTS IT PROBABLY SEEMS FANTASTIC TO THEM. BUT IT IS A REAL UNDERLYING FEAR.

6. THOUGH THEY TALK AS IF THESE MATTERS COULD BE SETTLED THROUGH THE CSCE PROCESS, WHAT THE RUSSIANS WOULD REALLY LIKE IS THE FORMAL CERTAINTY OF A PEACE TREATY. THEY HAVE BARELY BEGUN TO THINK HOW A PEACE CONFERENCE WOULD BE ORGANISED, WHEN IT WOULD BE HELD, NOR WHO MIGHT PARTICIPATE (THE BRAZILIANS, WHO JOINED THE ALLIED COALITION WHEN VICTORY WAS CERTAIN? THE ALBANIANS?).

#### SECURITY ARRANGEMENTS.

7. INTELLECTUALLY, THE MORE SOPHISTICATED RUSSIANS CAN UNDERSTAND AND EVEN ACCEPT THE WESTERN ARGUMENT THAT GERMAN ADVENTURISM CAN BEST BE PREVENTED, AND THE MISTAKES OF VERSAILLES AND 1939 AVOIDED, IF UNITED GERMANY REMAINS IN NATO. BUT IN PRACTICE EVEN THE COOLEST OF THEM CANNOT-YET-SWALLOW THE PROPOSITION THAT THE SOVIET UNION SHOULD GIVE UP THE FRUITS OF VICTORY AND THE DEFENSIVE GLACIS IN EASTERN EUROPE, IN EXCHANGE FOR AN ARRANGEMENT WHEREBY SOVIET SECURITY WOULD IN EFFECT BE GUARANTEED BY GERMAN MEMBERSHIP OF A WESTERN ALLIANCE SET UP FORTY YEARS AGO TO OPPOSE THEM. HENCE THE FIRMNESS WITH WHICH AT PRESENT THEY REJECT THE IDEA.

8. HENCE ALSO THE TALK OF A 'NEW EUROPEAN SECURITY SYSTEM'

BUILDING ON THE CONVENTIONAL ARMS NEGOTIATIONS AND THE CSCE PROCESS, AND THE CONCEPT OF THE 'COMMON EUROPEAN HOUSE'. ACCORDING TO ADAMISHIN, THIS WOULD GIVE NEW CONTENT TO THE TRADITIONAL CONCEPTS OF 'NEUTRALITY' AND 'SECURITY'. I DO NOT KNOW WHAT HE MEANS. I SUSPECT THAT THE RUSSIANS HAVE NO PLAN, BUT SIMPLY HOPE THAT THE PROCESS OF MULTI-LATERAL NEGOTIATION WILL SLOW THINGS DOWN AND - IN SOME UNFORESEEABLE WAY - CAST UP OPPORTUNITIES THEY CAN EXPLOIT.

9. MEANWHILE ALL OF OUR INTERLOCUTORS CLAIM THAT THE RUSSIANS ARE NOT REALLY AFRAID OF GERMAN EXPANSIONISM OR AGGRESSION. THOUGH THIS IS HARD TO RECONCILE WITH THEIR OBVIOUS AGITATION, I BELIEVE IT TO BE TRUE. AS ONE OF GORBACHEV'S CLOSEST ADVISERS HAS TOLD US, THE RUSSIANS WILL BE ABLE TO SORT OUT THE GERMANS AS LONG AS THEY RETAIN THEIR NUCLEAR WEAPON. NO DOUBT THIS IS WHY THE RUSSIANS SEEM INCREASINGLY RECONCILED TO THE DOCTRINE OF MINIMUM DETERRENCE.

10. THE RUSSIANS' BIGGEST PRACTICAL HEADACHE IN THE SHORT TERM IS THE SUBSTANTIAL FORCE THEY STILL MAINTAIN IN EAST GERMANY. FOR THE TIME BEING THEY BELIEVE THESE TROOPS CAN REMAIN THERE ON THE BASIS OF VICTORS' RIGHTS AND THE FOUR POWER AGREEMENTS. THEY HOPE THAT THE VIENNA NEGOTIATIONS AND THE CSCE PROCESS GENERALLY WILL PROVIDE A RESPECTABLE COVER FOR THEIR REDUCTION AND EVENTUAL WITHDRAWAL. ONE CLOSE ADVISER TO GORBACHEV THINKS THE TROOPS MAY BE HOME IN TWO OR THREE YEARS. BUT THOUGH OUR INTERLOCUTORS ARE UNEASILY AWARE THAT EVEN THIS TIMETABLE COULD COLLAPSE UNDER THE HEADLONG PRESSURE OF THE GERMANS TO UNIFY, THERE IS NO SIGN THAT THEY HAVE YET GIVEN THOUGHT TO THE TERMS ON WHICH SOVIET TROOPS MIGHT REMAIN IN EAST GERMANY, AT LEAST PERHAPS FOR A TRANSITIONAL PERIOD AS IS NOW BEING SUGGESTED IN THE WEST.

#### DOMESTIC POLITICS

11. ALL OUR INTERLOCUTORS TELL US THAT THE GERMAN ISSUE STILL AROUSES GREAT POPULAR EMOTION, AND REMAINS A DOMESTIC HOT POTATO. THERE IS NO REASON TO DOUBT THEM. LIGACHEV MADE AN ATTEMPT TO EXPLOIT THIS POPULAR SENTIMENT IN THE RECENT PLENUM. GORBACHEV FOUND IT NECESSARY TO RESPOND TO IT IN HIS PRESS INTERVIEW LAST WEEK. GORBACHEV'S GERMAN POLICY WOULD DOUBTLESS FIGURE IN THE INDICTMENT AGAINST HIM IF HE FELL. POPULAR EMOTIONS PROBABLY ACT AS A BRAE ON THE EVOLUTION OF SOVIET POLICY. BUT I DO NOT HAVE THE IMPRESSION THAT THEY ARE IN ANY WAY DECISIVE. IF GORBACHEV CAN MANAGE THE DISENGAGEMENT OF SOVIET TROOPS FROM THE DDR AND EASTERN EUROPE WITHOUT INCIDENT, AND WITHOUT TOO OBVIOUS AN AFFRONT TO SOVIET PRESTIGE, THE PEOPLE WILL ACQUIESCE. THEY HAVE MORE PRESSING PROBLEMS AT HOME.

## CONCLUSIONS.

12. IT FOLLOWS FROM THE FOREGOING THAT I AGREE WITH MUCH OF THE US ASSESSMENT IN WASHINGTON TELNO 446. GORBACHEV HAS BEEN VERY CAREFUL IN PUBLIC AND IN PRIVATE NOT TO CLOSE OFF OPTIONS. EVEN ON THE MOST DIFFICULT QUESTION OF ALL - GERMAN MEMBERSHIP OF NATO - HE HAS BEEN MOST CIRCUMSPECT. UNLIKE SOME MORE JUNIOR SOVIET OFFICIALS, HE KNOWS THAT THERE IS NOT MUCH HE CAN DO ABOUT IT UNAIDED.

13. BUT THAT DOES NOT MEAN THAT HE FEELS THE NEED AT THIS STAGE OPENLY TO ACCEPT THE WESTERN LINE. GIVEN THE UNCERTAINTIES OF CURRENT GERMAN POLITICS, HE CAN REASONABLY HOPE TO SECURE USEFUL LIMITATIONS ON UNITED GERMANY'S PARTICIPATION IN WESTERN SECURITY: GENSCHER AND STOLTENBERG HAVE ALREADY SHOWN THE WAY. HE MAY CONCLUDE THAT, ON THIS ISSUE AT LEAST, TIME IS NOT NECESSARILY AGAINST HIM. I WOULD THEREFORE EXPECT SOVIET OFFICIALS TO CONTINUE FOR A WHILE TO SAY, AS ADAMISHIN DID TO SIR PERCY, THAT GERMAN MEMBERSHIP OF NATO IS UNACCEPTABLE TO THE SOVIET UNION: AND TO PLAY ON GERMAN DOUBTS AS BEST THEY CAN MEANWHILE.

14. THE RUSSIANS WOULD LIKE TO BE INVOLVED IN EARLY TALKS EITHER BILATERALLY OR MULTILATERALLY. THEY HAVE THREE OBJECTIVES: TO SECURE ACCEPTABLE AGREEMENTS IF THEY CAN: TO EXPLOIT WESTERN DISARRAY WHERE IT EXISTS: AND TO BE SEEN - BY THEIR OWN PUBLIC AT LEAST - TO BE PARTICIPATING AS EQUALS IN THE REORGANISATION OF CENTRAL EUROPE. THEY DO NOT WANT TO APPEAR TO BE ACQUIESCING IN A DIKTAT CONCOCTED AMONGST THE WESTERN ALLIES.

15. AS SEEN FROM HERE, HOWEVER, THE IMMEDIATE TASK FOR ALL FOUR WESTERN ALLIES IS TO AGREE ON THEIR OBJECTIVE (GERMANY IN NATO AND BINDING LEGAL GUARANTEES FOR GERMANY'S FRONTIERS), ON THE MEANS OF ACHIEVING IT (PROCEDURES FOR PHASING OUT FOUR POWER RIGHTS AND SPECIAL TRANSITIONAL ARRANGEMENTS FOR FORMER GDR TERRITORY AND FOR THE SOVIET TROOPS THERE): AND ON PROCEDURES (TIMETABLE AND AGENDA FOR FOUR PLUS TWO MEETINGS: POLISH PARTICIPATION: OTHER 'PEACE CONFERENCE' - LIKE MEANS OF SETTLING THE FRONTIERS) AND SO ON.

16. I BELIEVE THAT THE RUSSIANS CAN IN TIME BE BROUGHT TO ACQUIESCE IN OUR MAIN OBJECTIVE. THEY HAVE LITTLE CHOICE IF THE ALLIES PLAY THEIR HAND PROPERLY. THERE IS MUCH TO BE SAID FOR DELAYING THE FOUR PLUS TWO TALKS WHILE WE SORT OURSELVES OUT, AS THE AMERICANS SUGGEST. BUT EVEN THIS WILL NOT ELIMINATE THE RISK OF THE RUSSIANS ATTEMPTING TO PREEMPT THE OUTCOME BY STRONG PUBLIC STATEMENTS INTENDED TO AFFECT GERMAN DOMESTIC POLITICS. THEY ARE ALREADY MOVING THAT WAY (SEE

STATEMENTS OF 24 FEBRUARY REPORTED IN MY TELEGRAM NO 322). SO THE FIRST PRIORITY FOR THE WEST IS TO STOP THE GERMANS WOBBLING: THOUGH THE BBC NEWS THIS MORNING WAS NOT VERY ENCOURAGING ABOUT CAMP DAVID, THE AMERICANS ARE STILL THE BEST PLACED TO DO THIS.

17. THIS DOES NOT MEAN THAT WE SHOULD NOT BE TALKING TO THE RUSSIANS MEANWHILE. ON THE CONTRARY, WE NEED TO KEEP THEM ENAGAGED AND TO KNOW HOW THEIR THINKING IS DEVELOPING. AND THERE ARE CONCRETE ISSUES TO DISCUSS - SUCH AS SOVIET IDEAS ON FOUR POWER RIGHTS AND TRANSITIONAL ARRANGEMENTS FOR THIER FORCES, ON THE NATURE OF A CONFERENCE ON FRONTIERS, AND ON THE SHAPE OF A FUTURE EUROPEAN SECURITY SYSTEM. WE CAN PURSUE THESE WITHOUT PREJUDICE TO THE CENTRAL ISSUE OF GERMANY IN NATO. EARLY GUIDANCE TO OUR THINKING WILL BE USEFUL, OF COURSE. SO WILL INSTRUCTIONS THAT ENABLE ME TO INSIST ON APPOINTMENTS WITH SENIOR OFFICIALS, AND GORBACHEV'S PERSONAL ADVISERS, WHICH ARE NOT ALWAYS EASY TO COME BY.

18. FCO PLEASE ADVANCE IMMEDIATE TO CHARLES POWELL AND SIR P CRADOCK, NO 10 DOWNING STREET.

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SIR P CRADOCK'S CALL ON INTERNATIONAL DEPARTMENT, CPSU: GERMANY

1. IN FALIN'S ABSENCE, ATTENDING THE SUPREME SOVIET, SIR P CRADOCK WAS RECEIVED BY ONE OF HIS DEPUTIES, BRUTENTS. BRUTENTS CONFINED HIS DISCUSSION TO GERMANY.
2. IN HIS INTRODUCTORY REMARKS BRUTENTS SAID THAT EVENTS WERE PROCEEDING WITH THE SPEED OF A CAVALRY CHARGE, OBLIGING US ALL TO MAKE POLICY ON THE HOOF. IT WOULD BE STUPID AND FRUITLESS TO IMPEDE UNIFICATION. IT WAS INEVITABLE. BUT IT SHOULD NOT HAPPEN UNDER THE INFLUENCE OF THE CROWD. IT SHOULD HAVE AN ORDERLY CHARACTER AND SERVE TO STRENGTHEN, RATHER THAN WEAKEN EUROPEAN STABILITY.
3. BRUTENTS THOUGHT THAT ECONOMIC UNITY COULD DEVELOP QUICKLY: HOWEVER THE CENTRAL AND MORE DIFFICULT ISSUE WAS THAT OF SECURITY. IT WAS A HIGHLY SENSITIVE SUBJECT IN THE SOVIET UNION. IF EVEN THE SPECTRE OF GERMAN NATIONALISM AROSE, IT WOULD CREATE A STRONGLY NEGATIVE MOOD AMONG THE PUBLIC, WHICH WOULD BE USED BY OPPONENTS OF PERESTROIKA.
4. EUROPEAN STABILITY WAS PREDICATED ON THE MILITARY-STRATEGIC BALANCE. THE NEW EUROPEAN SECURITY STRUCTURE HAD STILL NOT REACHED THE STAGE OF BLUEPRINTS. WE HAD TO SYNCHRONISE THE MILITARY ASPECT OF THE GERMAN QUESTION WITH THESE ELEMENTS OF PAN-EUROPEAN SECURITY, WHICH WERE ONLY JUST FORMING. THIS MEANT THAT THE EXTERNAL ASPECTS OF THE GERMAN QUESTION SHOULD BE ADDRESSED OVER A PROLONGED PERIOD. THIS WAS WHERE THE RUSSIANS FOUND THEMSELVES IN CLOSE AGREEMENT WITH THE PRIME MINISTER. THE PROCESS SHOULD PROCEED STEP BY STEP TAKING CONTINUAL ACCOUNT OF THE SECURITY INTERESTS OF OTHER COUNTRIES.
5. BRUTENTS SAID THAT THE PROPOSAL FOR A UNIFIED GERMANY IN NATO DID NOT MATCH THE SOVIET UNION'S INTERESTS. AS GORBACHEV HAD SAID DURING ONE OF HIS DISCUSSIONS, THE SOVIET UNION FORESAW GERMANY OUTSIDE THE MILITARY GROUPINGS, AND THAT ITS TERRITORY SHOULD NOT BE USED BY EXTERNAL MILITARY FORCES. THE RUSSIANS FAVOURED NEUTRALITY FOR

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GERMANY, BUT BRUTENTS STRESSED THEY MEANT PURELY MILITARY NEUTRALITY.

6. A RANGE OF IDEAS HAD BEEN PUT FORWARD FOR LINKING GERMANY TO THE WEST. IT NEED NOT BE A BLACK AND WHITE ISSUE OF GERMANY IN NATO OR NEUTRAL. THERE WAS SCOPE FOR DIPLOMATIC WORK TO FIND AN ACCEPTABLE SOLUTION. 'ASSOCIATION' MIGHT BE THE ANSWER.

7. SIR P CRADOCK SAID WE UNDERSTOOD THE EMOTIONS THAT THE SPECTRE OF GERMAN NATIONALISM COULD AROUSE, AND RECOGNISED THE RIGHT OF SOVIET PEOPLE TO FEEL THIS WAY. HOWEVER, IT WAS NOT IN SOVIET OR BRITISH INTERESTS TO IMPEDE GERMAN UNITY, OR TO BE SEEN TO DO SO. HE HAD HEARD WHAT MR BRUTENTS HAD SAID ABOUT NATO MEMBERSHIP, BUT WHICH WAS THE BEST SOLUTION, OR LEAST BAD, FOR OUR MUTUAL SECURITY INTERESTS: A GERMANY TIED INTO STABLE INSTITUTIONS OR A NEUTRAL, LOOSE CANNON? UNIFICATION COULD NOT BE HELD UP. BUT TO HAVE GERMANY ANCHORED DID NOT MEAN THAT NATO TROOPS SHOULD BE ON THE TERRITORY OF THE FORMER GDR. HE REFERRED TO THE PRIME MINISTER'S SUGGESTION OF ARRANGEMENTS FOR STATIONING SOVIET TROOPS IN EAST GERMANY. HE MADE IT CLEAR THAT THE OPTION OF 'ASSOCIATION' WITH NATO WAS NOT ON OFFER.

8. BRUTENTS SAID WE SHOULD NOT ALLOW EVENTS TO OVERTAKE US. BUT HE THOUGHT THE DEVELOPMENT OF ECONOMIC LINKS BETWEEN THE TWO GERMANIES COULD PROCEED AT A DIFFERENT RATE TO THE RESOLUTION OF EXTERNAL ISSUES, INCLUDING THE INTERNATIONAL LEGAL ASPECTS. HE WAS NOT CONVINCED ABOUT THE RETENTION OF SOVIET TROOPS IN A UNITED GERMANY, SINCE THE LEGAL BASIS FOR THEIR PRESENCE WOULD BE COMPLETELY DIFFERENT FROM THAT OF NATO TROOPS. THIS WOULD BE A SERIOUS IMBALANCE.

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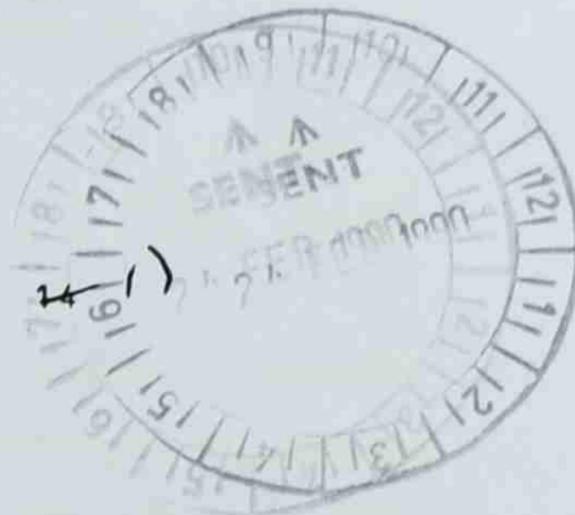
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10 DOWNING STREET  
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From the Private Secretary

24 February 1990

Dear Stephen,

PRIME MINISTER'S TALK WITH PRESIDENT BUSH

The Prime Minister had a forty-five minute telephone conversation with President Bush at lunchtime today, the call being initiated by her.

The material in this letter is very sensitive and should be given only a very limited distribution.

President Bush said he was glad the Prime Minister had telephoned. He had been anxious to talk to her before his meeting with Chancellor Kohl. The Prime Minister said she had seen a number of leading European political figures recently, including Andreotti, Genscher, Stoltenberg, Mazowiecki and Giscard d'Estaing. She had detected a number of worries which the non-German among them shared. They accepted that German unification was going to happen. But they were worried about the speed of it and at Germany's reluctance to consult about the consequences. The decision at Ottawa to establish a Four plus Two framework had allayed some of these fears. There was now an opportunity for real consultation. Some European Governments like Poland, Italy and the Netherlands feared being left out. We needed to reassure them that they would be consulted. The first point she wanted to make to the President was that we should not wait to start work in the Four plus Two framework until after the East German elections: we should be starting now at official level. She hoped that the President would put this to Chancellor Kohl. It would also be helpful if he would press Chancellor Kohl on the need for a Treaty to guarantee Poland's border. The Poles were very exercised about this and feared that the Germans would try to wriggle out of having a Treaty. She had promised Mazowiecki support.

The Prime Minister continued it was also very important to sort out the relationship of a unified Germany to NATO. Chancellor Kohl had been very good in his insistence that Germany should stay in NATO, with United States troops remaining. The problem lay with the treatment of the GDR. If all Soviet forces were forced to leave, this would be difficult for Gorbachev. It seemed best to allow some Soviet forces to stay for a transitional period at least, without any terminal date. It was important not to make Gorbachev feel isolated, otherwise that could affect his domestic position.

SECRET AND PERSONAL

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The Prime Minister continued that she was most grateful to the President for proposing that there should also be discussions about unification in NATO. This was very desirable. But, looking to the future, we should also need a broader political framework in which to discuss Europe's security, and this must include the Soviet Union as well as the United States. The best course would be to strengthen and build on the CSCE framework. Not only would this help avoid Soviet isolation, it would help balance German dominance in Europe. One had to remember that Germany was surrounded by countries, most of which it had attacked or occupied in the course of this century. Of course, Germany today was very different: but other countries would become alarmed if there was not some sort of counter-balance. In practical terms - and looking well into the future - only the Soviet Union could provide balance in the political equation. She therefore thought we should try to give more substance to the Helsinki framework, by building in a commitment to democracy and a market economy, and use it as a wider political framework for Europe.

The Prime Minister said there would also be significant problems for the European Community arising from German unification. The Community would have to absorb a country equivalent in terms of population to Belgium, Denmark and Ireland combined. The Germans would have to meet the main costs of absorbing the GDR, otherwise the Community as a whole would not have the resources necessary to help Poland, Hungary and Czechoslovakia. There would be a lot of working out to do.

The Prime Minister added that there was one final point of concern and that was the political aspect. It seemed likely that the Social Democrats would do well in the GDR elections. That could have implications for the future political balance within a unified Germany. She would be very worried by the prospect of a Socialist Germany and others shared this concern.

President Bush said the Prime Minister's remarks were very helpful, timely and interesting, against the background of his forthcoming talk with Chancellor Kohl. He agreed that we had to take unification as a fact. He would be seeking from Chancellor Kohl a clear commitment to NATO membership for a unified Germany. So far, Kohl seemed to be saying all the right things, but he would want to get it from the horse's mouth and in the clearest and most specific terms, including the continued integration of German forces into NATO and the retention of American troops in the FRG. The Prime Minister interjected that Chancellor Kohl had been admirably firm on this. The problem arose rather over future defence arrangements for East Germany. Stoltenberg had put forward some proposals but had been slapped down by Genscher. President Bush said Genscher appeared to want the demilitarisation of the GDR. He was not at all sure that was a good idea. The Prime Minister said that it would not necessarily suit Mr Gorbachev either. He would want to be able to keep some forces in the GDR: that was probably the only way of persuading him that a united Germany should be in NATO.

President Bush continued that President Havel had recently been in Washington and had started by proposing that all

stationed forces in Europe, American and Russian alike, should be withdrawn. He had explained to Havel that the position of US and Soviet forces was very different: the Russians had imposed themselves while the Americans were there because they were wanted. By the time he had left Washington, Havel seemed to accept this distinction. The Polish Prime Minister, on the other hand, seemed to want Soviet forces to remain in Poland. He doubted whether that would really be very popular with the Polish people, despite their worries about Germany. Had the Prime Minister discussed this with Mr Mazowiecki? The Prime Minister confirmed that Mr Mazowiecki had wanted to retain Soviet troops, and had pointed out that they would be needed anyway to provide logistical support for Soviet forces in the GDR. He had been very fearful of a united Germany and saw the Soviet Union as a balancing factor. President Bush said that, nonetheless, he was uneasy about this. It would be a hard position to sell in the United States.

The President said that Chancellor Kohl would be coming to Camp David without Herr Genscher or the German Ambassador, and he was looking forward to a very frank talk, particularly on the political aspects of all this. The United States had a lot at stake in the success of Chancellor Kohl in the forthcoming elections. The Prime Minister agreed that we did not want a Socialist Germany. Chancellor Kohl was a politician to his finger tips and he had no doubt thought out all these problems. The risk was that, if the Social Democrats did well in the GDR elections, and unification came rapidly, then Kohl could find himself losing the election in a unified Germany. Genscher would not be so worried, since he had been in coalition with the SPD before. President Bush said that what he heard about Herr Lafontaine made him anxious, although General Walters had assured him there was no need to worry. He seemed a flamboyant fellow who might lead Germany off in the wrong direction. The Prime Minister agreed that he seemed to be a buccaneer type. She found it hard to judge how serious a threat he posed to Chancellor Kohl. Kohl would presumably go into the election as the man who brought about unification: but that might not be enough.

President Bush said that he was wondering what subjects ought to be discussed in the Four plus Two group. He did not want to give the Russians a forum in which they could exploit Germany's domestic divisions, in order to force a looser association between Germany and NATO. He thought the focus should be on working out the details of giving up Four Power rights and responsibilities for Berlin and for Germany as a whole. But the group should also be a chance to satisfy the Soviet wish to be fully involved, and the place to settle the question of NATO membership. The Prime Minister said that the group would certainly need to range more widely than just Berlin alone. It must deal with the big issues.

President Bush said that surely everyone was agreed that the Polish borders were permanent and inviolable. This was guaranteed by the Helsinki Accord. The Prime Minister pointed out that Helsinki was not a treaty. The Poles were determined to have a legally binding instrument. The President asked whether the Prime Minister had told Mazowiecki that we all regarded

Poland's border as a settled issue. The Prime Minister confirmed that she had. The trouble was that Chancellor Kohl would not openly say this. Poland's anxiety was increased by the speed with which we were moving towards unification of Germany. She hoped the President would raise the Polish problem with Chancellor Kohl.

President Bush asked whether the Prime Minister had recently discussed these issues with President Mitterrand. What was his view? The Prime Minister said that, in private, he was just as fearful as anyone else. He had told her that, if we were not careful, Germany would win in peace what she had failed to achieve in war. She thought President Mitterrand would be adamant on the need for a treaty to regulate Poland's border. He was also talking about a broader European confederation, although he did not seem to have thought out the details. In her view, this could best be done by updating and strengthening the CSCE framework. She urged the President not to underestimate the concern in Europe at the prospect of German dominance. It was enhanced by the speed with which they were pressing for unification. It all created great uncertainty. She knew that people in the United States were worried about Japan. Just imagine if Japan were in the middle of a continent.

The Prime Minister continued that she had talked to President Mitterrand about closer Anglo-French relations, particularly in the defence sphere. He had been receptive and officials were now involved in discussions. The President said that he had some feeling that Mitterrand would be less helpful over the aspect of keeping Germany in NATO. The Prime Minister said that Mitterrand would probably argue that the military implications for NATO of unification were not a matter for him. He was more likely to focus on the political and European Community aspects. But he would be solid on retaining US forces in Europe. The Prime Minister added that we would need to begin to think about the size of our own forces in Germany. This was regulated by the Brussels Treaty of 1955.

The President said that the United States would remain firm on the presence of its forces and nuclear weapons in Europe. He would work with the Prime Minister on the CSCE idea. But, for him, NATO was fundamental, indeed more important than ever. Not everyone in the United States agreed, but he was sure of it. The Prime Minister said she was aware of the battle which the President was having to fight in the United States. It worried her that there were people who were so blinkered that they did not realise NATO's value, and she was immensely grateful for the President's firm stand which was fully echoed by the United Kingdom. President Bush said the trick question put by journalists was: who is the enemy now? His reply was that the enemy was apathy and unpredictability. The Prime Minister said her reply would be that you never knew where a threat might come from. In her years as Prime Minister there had been the Soviet invasion of Afghanistan, the Iran/Iraq war, the invasion of the Falklands. The Middle East was full of ballistic missiles and chemical weapons, and there was the awful prospect of more countries obtaining nuclear weapons. By the time you could see

who your enemy was, it would be too late to prepare. She was committed to strong defence.

President Bush interjected that he was increasingly concerned about the chemical plant at Rabta in Libya. The intelligence was very worrying and people had not been made aware of the danger because of the sensitivity of the intelligence. He intended to raise the matter with Chancellor Kohl. The Germans still seemed to have an input. The Prime Minister said she fully shared the President's concerns.

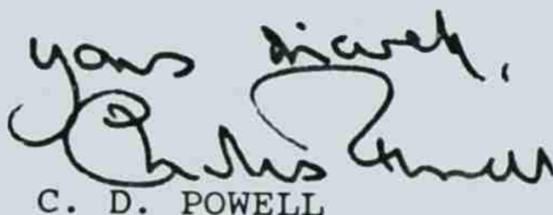
The President concluded that he and the Prime Minister were very close on the key questions. He would telephone her to fill her in after Chancellor Kohl had left. He wondered whether it might not be a good idea for him, the Prime Minister and President Mitterrand to get together for a discussion. He thought this could be presented in such a way that the Germany did not feel excluded. It could be a useful triumvirate at some point. The Prime Minister said that she would be ready to take part in such a meeting. She made a point in keeping in close touch with President Mitterrand.

The President said that he was concerned about Gorbachev's position in the Soviet Union. He had slightly changed the American position so that they no longer spoke only about support for perestroika but of their desire to see Gorbachev succeed. He certainly faced terrible problems, with the economy in even worse shape than we had all thought. The Prime Minister said that Gorbachev had shown great tactical skill. She would be seeing him in June. The President asked whether Gorbachev had sought food aid from the United Kingdom. It was clearly a very sensitive subject for him. He had not made any direct approach to the United States. But Havel had said that the Russians were desperate for food. The Prime Minister said we had received no direct request. She would make some enquiries.

The Prime Minister congratulated the President on the success of the Drugs Summit in Colombia. The President said that he would very much like to talk to the Prime Minister about these issues.

The Prime Minister said that she would be going to the Aspen Institute in early August. The President said they must get together, but he hoped to see the Prime Minister well before then. He would ring her after Kohl's visit.

I am copying this letter to Simon Webb (Ministry of Defence) and to Sir Robin Butler.

*Yours sincerely,*  
  
C. D. POWELL

Stephen Wall, Esq.  
Foreign and Commonwealth Office



*COO*  
*W/L*

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Charles Powell Esq

My dear Charles:

Here is my essay heavily abridged  
(1 year)  
to remove both wisdom & offence

Thank you so much for even  
thinking of looking at it

Yours ever

Hugh

## GERMANY

The division of Germany derived from decisions taken by Allied officials meeting in London in 1944. The four main Allies, France being squeezed into that category at the last minute, would manage the defeated country until an acceptable German government could be elected. That new German government would conclude a Treaty of Peace.

There was much talk of what that Treaty should include. Some spoke of "dismemberment". A "South German confederation" to include Austria was canvassed by Churchill. That idea was not so fanciful since all the Allied makers of decisions could remember a time when Germany had been an empire of several kingdoms. The United States Secretary for the Treasury Hans Morgenthau had a famous idea "for converting Germany into a country primarily agricultural and pastoral in character". This interested Churchill as well as Roosevelt. The latter also spoke of "treating the Germans" in such a way... that they just can't go on reproducing people who want to continue in the way they have in the past".

But there was never any Peace Treaty nor in the end any detailed discussion after 1945 about what should be in it. The Soviet Union seized Pomerania and Silesia for Poland without much consultation, and expelled or killed the Germans there. The German communists (many of them like Honneker originally from the West) were ordered by Stalin to prepare the way for the "satellite" state that East Germany became. The German socialists in the Russian zone were bullied - "offers of jobs to plain abduction", their leader told a British diplomat - to support the merger of their party with the communists on the latter's terms. Those who refused left for the West. A communist East Germany was in place by the spring of 1946. So much for the provision in the Potsdam Declaration that, "during the occupation... Germany shall be treated as a single unit".

The division so achieved is at an end. Unification, a dream six months ago, an awesome possibility at the end of last year, is now a necessity.

The only immediate doubt is how the transformation will be legally ensured (the residual status of the the Allies, frontiers, Helsinki etc) and how the new country will fit into NATO and the European Community. The most promising way of actual adhesion

may be that of allowing the restored three East German Länder to apply for membership of the German Federal republic, since that would emphasise the regional character of the new eastern part of Germany from the beginning.

The long term doubt relates to what will happen to the new Germany. But anxiety may be premature. The task of drawing in East Germany into the West will take time and will be expensive. There will also be psychological adjustments. German communism was in practice bureaucratic, cruel and, as we now see, corrupt. But the movement had its heroes, and so there is a great tragedy to be written one day about yet another collapse of an ideal which in its day had ~~an~~ indigenous support.

The consequences are not predictable. If the East Germans vote socialist now, and later in all-German elections, they will help the Social Democrats. No one knows exactly what a new Social Democratic government would do even in West Germany, much less in a united whole.

Another unpredictable element is the German birth rate which, on both sides of the dividing line, has, in the last generation, been falling. Perhaps by the year 2000, there will be seventy million Germans, not nearly eighty. It will be certainly a rather elderly population.

Still the reinforcement of the economic power of Germany is likely. But that too must be seen in perspective. Even if Austria joins the European community, there will still always be more "Latin" than German-speaking "European Community nationals". Size of population is anyway not an automatic source of economic strength, however important it was in the age when infantry determined destinies.

The fear of a new political drive from a united Germany is what lies behind anxieties in the popular mind in this country. The mood in Germany is, however, quite different from what it was in the 1930s or even in 1910. In the 1930s, many people voted for the nazis not because they supported the programme but because they were afraid of communism. They also thought the Treaty of Versailles unjust and that the Nazis might prevent a recurrence of the economic crash of the 1920s.

Nor is Germany the dissatisfied, recently united empire which it was in 1910. It is not a country changed quickly from an agricultural to an industrial economy. There is no British, nor French.



empire to envy. There are wild movements in modern Germany but they are mostly Green, liberal, or pacifist, not nationalist and romantic, hankering for lost pastoral virtues. Families are much less authoritarian than they were under the Kaiser. So is Germany as a whole.

Nor, because of the declining birthrate, is there any sense in Germany of overcrowding and desire for lebensraum. West Germany is naturally now far from feeling frustrated. What has happened is a triumph for them and their version of how to live.

All the same, a united Germany, given the circumstances of twentieth century history, will continue to seem provocative to some of Germany's neighbours, Poland above all. The achievement of that unity in freedom was a declared Western aim throughout the cold war. But this could be an alarming moment if there were no international organisations into which the new unit could automatically fit. But there are such. It is a measure of the Soviet Union's new maturity, in its old age, that her leaders have changed their minds about them.

First, of course, NATO. What a triumph it would have seemed a short time ago had it been suggested that there was a chance of a united Germany being a member of that alliance, with perhaps only a few token concessions to some Soviet feelings (NATO is, of course, already evolving but that is another matter)!

Second, the Community. The West Germans themselves, from Adenauer onwards, have always stressed European unity. Now Dr Kohl's office is promoting the idea of a real federation of Europe, in which the original six members of the Community, "plus perhaps Spain", would be a "core". The rest of us, including perhaps the countries of East Europe would revolve round this unless we want to become federalists. Whether anything comes of this, or whether the scheme is merely intended to demonstrate Germany's fundamental anti-nationalism, we must reckon with it. France has made so many verbal concessions to the idea of a "Confederation" (Mitterand), or a "European superpower" (Rocard), that they would be certain to support this plan in theory. If the prospect of a united Germany persuades us in Britain to work out what exactly we understand by the words "European union" to which we have already given our name, in the Single European Act, so much the better. Goethe's Europe, after all, is our Europe too.

Friends  
of Rome

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Stern, das)

bc: PC

*From the Private Secretary*

24 February 1990

*See H. 10/11.*

MEETING WITH ACADEMIC EXPERTS ON GERMANY

I have seen Washington telegram no. 452, reporting Professor Stern's acceptance of the Prime Minister's invitation to attend the meeting at Chequers. It would be perfectly all right for him to arrive in London late on 23 March. The Chequers meeting itself will be very informal, with about eight people present. There will be no papers. The basic purpose is as set out in my letter of invitation, which Professor Stern should by now have received. In the simplest terms, the Prime Minister feels that she does not know enough about Germany, its history and what makes Germans tick. She wants to spend half a day talking to a small group of people who do know a lot about this, and learn from them. I am afraid I have not yet worked out a framework for discussions but will let Professor Stern have a clearer idea rather nearer the time.

*Yours sincerely,  
C. D. Powell*

C. D. POWELL

Stephen Wall, Esq.  
Foreign and Commonwealth Office

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INFO IMMEDIATE BONN

OUR TELNO 433: MEETING WITH ACADEMIC EXPERTS  
ON GERMANY

1. PROFESSOR STERN CONTACTED US ON 23 FEBRUARY TO CONFIRM HIS ACCEPTANCE OF THE PRIME MINISTER'S INVITATION. HE ASKED WHETHER IT WOULD BE CONVENIENT FOR HIM TO ARRIVE IN LONDON LATE ON FRIDAY 23 MARCH, AS THIS WOULD SUIT HIS EUROPEAN SCHEDULE BEST. HE ALSO ASKED FOR A LITTLE MORE DETAIL ABOUT THE OBJECTIVES AND FORMAT OF THE CHEQUERS MEETING EG A ROUGH IDEA OF THE NUMBER OF PARTICIPANTS, WHETHER OR NOT PROCEDURES WOULD BE INFORMAL, WHETHER PAPERS NEEDED TO BE PREPARED IN ADVANCE, AND A GENERAL IDEA OF THE TOPICS TO BE DISCUSSED.
2. PROFESSOR STERN WILL BE IN WASHINGTON ON 27 FEBRUARY AND WILL VISIT THE EMBASSY TO DISCUSS THE POINTS ABOVE. GRATEFUL FOR SOME GUIDANCE DESKBY 271900Z.

ACLAND

YYYY

DISTRIBUTION

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MR TAIT  
MR RATFORD

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MR LIDINGTON  
MR FRASER  
PS/No 10

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*copy*



Foreign and Commonwealth Office

London SW1A 2AH

23 February 1990

*CDP  
26/2*

*Dear Charles,*

Germany: Four plus Two *Map*

Thank you for your letter of 22 February which enclosed the speaking note left with you by Mr Kossov about a meeting of "The Six". You asked for some comments before the weekend.

We cannot give you a firm reply for Kossov at this stage. We are firmly in favour of an early meeting, as are the French, and we suggested this to the Americans, offering London as the venue. The Americans originally said that they did not wish to press for an early meeting if the Germans were likely to oppose it, but the balance of the argument might change if the Russians were to want one. We have now told them that the Russians have said they do and the French have also spoken in Washington. So we have both pressed for a meeting. The Americans plan to raise the question with the Germans this weekend.

In the circumstances, I would suggest that you give Kossov a holding reply without revealing how our own thinking is developing, as this would show daylight between the various Western allies.

*Yours,*  
*Stephen Wall*  
(J S Wall)  
Private Secretary

C D Powell Esq  
10 Downing Street

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ms (a-h)

PRIME MINISTER

TELEPHONE CALL WITH PRESIDENT BUSH

I have spoken to Bob Gates in the White House to say that you would like to talk to the President on the telephone, if convenient, before Chancellor Kohl's visit. Gates thought the President would be enthusiastic and promised to ring back to suggest a time. While waiting for that, you might find it useful to have the following notes of points you might make.

You might start by thanking the President for his messages about the talks with Argentina and South Africa. You might also congratulate him on the drugs summit in Columbia.

On Argentina, you are very satisfied with the outcome but steadily more worried about Menem's position, which appears very precarious. On South Africa, you will want to explain that we have lifted some small voluntary sanctions, and propose to lift more when the State of Emergency is ended. You expect some other EC countries to follow suit at that stage. It is vital to give de Klerk encouragement. You are a bit disappointed in Mandela's performance so far.

You might then say that we shall be watching very closely the conduct and results of the Nicaraguan elections on Sunday. Our observer reports that, so far, the campaign has been reasonably fair. If Mrs. Chamorro wins, we shall welcome the result enthusiastically. If - as must be more likely - the Sandinistas win, we shall be a good deal more cautious, and say that we await a full report from the international observers. We shall also say that the Sandinista Government must continue to allow the opposition parties to operate freely.

You could go on to say that you know that the President will be seeing Chancellor Kohl on Saturday and Sunday and Signor Andreatti on 6 March. You have been very active in contacts with European leaders over the last week or so. You thought it might be useful to pass on some thoughts. These are:

*Germany*

*Paul*

the frenetic pace of the West German approach to unification of a few weeks ago has cooled down a bit. There is now less talk of the imminent collapse of the GDR. There seems a fair prospect that the GDR will in fact get through to the elections on 18 March: and thereafter will wish to negotiate with the FRG, rather than just be subsumed;

- the outcome of the elections is not easy to predict, but most people expect the Social Democrats to do well. This could have far-reaching implications for the future political balance within a united Germany, increasing the prospect of an eventual left-wing government. That would be a major worry. But presumably Helmut Kohl has made his own calculations about this;

*Berlin*

- your main concern over these past few weeks has been to ensure that the wider consequences of unification are fully and properly considered - whether it be for NATO, for the EC and for the rights of the Four Powers. In all your discussions with other European governments, you have found this to be the major preoccupation over German unification: that the process was going too fast and that there was no established procedure for examining the consequences for the rest of us;

*2 & 4*  
*Guid...*  
*Four Power Berlin*

*NATO*

*Colonel*  
*unusually*  
*high military capability*

- the decision in Ottawa to set up the Four plus Two framework was a great step forward, and you are most grateful for the President's efforts over this. In your view, it ought to start work at official level as soon as possible and not wait until the elections on 18 March. You know that the French and Russians share this view. You hope the President will urge Chancellor Kohl to agree;

*Polish P.M. - Germany NATO*

*EC*

- we have also agreed a special meeting of the European Council to consider the consequences for the EC. You welcome the American initiative to have a discussion in NATO. This will help allay the concerns of those like the Italians and Dutch who do not like being excluded from the Four plus Two framework, and fear that their interests will be overlooked;

*Belgium*  
*Denmark*  
*Ireland*

*France* - *by FRG* - *Poland Hungary*

- iv) Arms Reductions. You are very grateful to the President for his firm commitment to the 225,000 figure as a floor not a ceiling: you congratulate him on bringing the Russians to accept this figure. We shall now need to consider in NATO how the reductions resulting from the CFE negotiations should be distributed among member states. We don't want a mad rush to pull out forces;
- you might go on to tell the President in strict confidence that we are beginning to look at the consequences of all this for the future structure of our Armed Forces. We have not yet reached any decisions. You will keep the President closely informed. You are determined to keep up a strong defence for the United Kingdom, with our independent nuclear deterrent, but the shape and structure of our conventional forces is likely to change over time, with greater emphasis on a capacity to intervene in different parts of the world;
- you will want to wish the President well in his talk with Chancellor Kohl and ask him to give Kohl your best wishes. You look forward to seeing Kohl in London at the end of March: your meeting then will come at a crucial time, right after the East German elections. You continue to attach the highest priority to helping Chancellor Kohl's re-election.
- finally, you may like to mention to the President your intention to visit the Aspen Institute in Colorado on 3-4 August, to receive an award and make a major speech.

You will no doubt ask after Barbara Bush. You will have noticed that she had a minor operation recently to remove a small cancerous growth from a lip.

C.D.P.  
CHARLES POWELL  
23 FEBRUARY 1990

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i). Poland's border. The Polish Prime Minister is very exercised about this. He wants a Treaty to regulate it: and wants negotiation to start now, so that the Treaty can be signed as soon as Germany is unified. You think he is fully justified in seeking this and the Germans should agree;

ii) Germany and NATO. Helmut Kohl has been admirably robust in saying that Germany must remain in NATO, with the continued presence of American troops and nuclear weapons. We shall need to consider what should happen about the former GDR. We must take account of Gorbachev's security concerns, and you believe we should allow the Russians to continue to station some troops there for a transitional period, which need not have a fixed end-date. You believe that, on this basis, Gorbachev can be brought to accept German membership of NATO, provided there is also progress on building up the CSCE; Helsinki.

iii) The CSCE framework. You think we should give some substance to the CSCE and talk in terms of building a new framework for the future. You will be working up some more ideas on this. The CSCE is the European forum which brings together also the Soviet Union and the United States. We need to reinforce it with a commitment to democracy and a market economy; and perhaps establish some permanent machinery, which could become the nucleus for a par-European security organisation (but not replacing NATO). It is important not to give the Soviet Union the feeling that Europe is trying to exclude them; we shall want gradually to incorporate them more and more into Europe, as democracy takes root.

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Pace

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Berlin

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Denmark  
Ireland

France - by PRC - Poland Hungary

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C.D.P.

CHARLES POWELL  
23 FEBRUARY 1990

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C.D.P.

CHARLES POWELL  
23 FEBRUARY 1990

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Alé

PM

bcc SG

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

23 February 1990

*Dear Sir,*

ACADEMIC SEMINAR ON GERMANY

I enclose letters to Professor Craig and Professor Stern about the meeting at Chequers on 24 March to discuss Germany (I am aware that Stern has not formally accepted yet: the letter should be held until we hear from him on 26 February). I should be most grateful if the Embassy in Washington can arrange for their delivery, possibly by fax.

I have asked Sue Goodchild here to take on the admin aspects of the meeting: but we shall clearly need the help of the Embassy in providing tickets, making bookings and so on. I note that Professor Stern is likely to be in Europe anyway, in which case we might be able to settle for, say, half his air fare: or his fare to the UK from wherever else he is in Europe. Perhaps the Embassy could discuss this with him and come to a reasonable conclusion.

*Yours sincerely,*  
*C. D. Powell*

C. D. POWELL

J.S. Wall, Esq.,  
Foreign and Commonwealth Office.

*cu*

MEETING RECORD

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From the Private Secretary

23 February 1990

#### GERMAN UNIFICATION: THE WIDER CONSEQUENCES

The Prime Minister and the Foreign Secretary had a talk this afternoon about initiatives which the United Kingdom might take on the future architecture of Europe, in the wake of German unification.

The Foreign Secretary said we must not appear to be a brake on everything. Rather we should come forward with some positive ideas of our own. We had been successful in securing a proper forum for discussion of the consequences of unification. But we needed to look beyond that. He thought the most promising area would be to work up a plan for strengthening and expanding the CSCE framework. In essence, the purpose would be to add support for democracy and a market economy to the existing purposes of the Helsinki Agreement, and possibly to give it some additional machinery, for instance for monitoring arms control agreements. We might also examine to what extent the Council of Europe could be brought into a closer relationship with the CSCE framework. He would have some ideas worked up, with the aim of providing material for the speech which the Prime Minister would give at the Konigswinter Dinner at the end of March. The Prime Minister indicated she would be very ready to consider any ideas.

The Foreign Secretary continued that we needed to follow a similar approach in regard to the European Community, and try to get ahead of the curve by putting forward some ideas of our own about the Community's future. The Prime Minister recalled that we had in fact taken successful initiatives in the Community, for instance with the Single Market, and reform of the CAP and the Community's budget. We could not commit ourselves to Stages 2 and 3 of Delors: nor was it feasible to join the ERM for now. More generally she was not prepared to lead the United Kingdom into a European federation. The Foreign Secretary agreed this should in no way be the Government's aim. Nor did he see much future in meeting our initiatives in the economic and monetary field, although there was a need to give more substance to our ideas on what might follow Delors Stage 1. One area which might be worth exploring was that of giving more substance to Delors' principle of subsidiarity. It was likely that in the course of the year we would be confronted with agreement by others to hold an IGC on reform of the Community's institutions. It would be no

good putting forward ideas at this which had no chance of attracting support. Although he would not wish to see the Commission given any additional power, it was not realistic to aim to reduce those which it had already.

The Prime Minister suggested that one answer might lie in trying to shift the focus of activity from development of the Community to building a wider European association, embracing EFTA and the Eastern European countries, and in the long term the Soviet Union. There was a link here with the Foreign Secretary's proposal for strengthening the CSCE framework. She was also struck by President Mitterrand's success in proposing institutions which extended beyond the Community, for instance EUREKA and the European Development Bank. She wondered whether we could not come up with something similar in a different field. Generally speaking she would not want to see anything proposed which led to a more rigid and restrictive Europe: her interest was in seeing a Europe of opportunity and greater openness.

The Foreign Secretary said he would reflect further on the discussion and let the Prime Minister have some suggestions.

(CHARLES POWELL)

J.S. Wall, Esq.,  
Foreign and Commonwealth Office.

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mt  
C. Polish

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

23 February 1990

POLISH/GERMAN BORDER

The Prime Minister has now read the Polish Prime Minister's message of 21 February about the Polish/German border. She has commented that she thinks Mr Mazowiecki is right: a treaty should be prepared now so that it can be signed by the newly unified German state as one of its first international actions. Otherwise there will be a risk of delay.

Charles Powell

Richard Gozney Esq  
Foreign and Commonwealth Office

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10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

23 February 1990

FOUR PLUS TWO

The Prime Minister has seen Paris telegram no. 224 in which the French Political Director is shown to be taking the initiative in seeking a meeting of the six Political Directors in early March. She thinks this is absolutely right and hopes that we are giving our full support.

Charles Powell

Stephen Wall Esq  
Foreign and Commonwealth Office

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ADVANCE COPY

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YOUR TELNO 106 AND YOUR TELNO 350 TO WASHINGTON  
SUMMARY

1. FRENCH SAY WEST GERMANS WILL NOT OPPOSE A MEETING OF THE SIX POLITICAL DIRECTORS BEFORE GDR ELECTIONS. INSIST THAT ODER-NEISSE LINE MUST BE CONFIRMED BY TREATY.

DETAIL

2. I BROUGHT DUFOURCQ UP TO DATE OVER LUNCH AT THE EMBASSY ON YOUR EXCHANGES WITH SEITZ. DUFOURCQ AGREED THAT RECENT EVENTS, NOTABLY THE POLISH REQUEST FOR PROPER INVOLVEMENT IN THE UNIFICATION PRECESS AND THE OUTCOME OF THE GENSCHER/STOLTENBERG EXCHANGE ON BUNDESWEHR STATIONING IN EASTERN GERMANY, HAD FURTHER STRENGTHENED THE CASE FOR A MEETING OF THE SIX POLITICAL DIRECTORS BEFORE THE GDR ELECTIONS. IN DUBLIN ON 20 FEBRUARY GENSCHER HAD SAID THAT HE DID NOT WISH FOR SUCH A MEETING BUT THAT HE WAS NOT OPPOSED TO IT. DUFOURCQ HAD THEREFORE TELEPHONED SEITZ LATE ON 21 FEBRUARY TO URGE SUCH A MEETING: SEITZ HAD NOT GIVEN A DEFINITIVE RESPONSE BUT INDICATED THAT HE COULD ENVISAGE ATTENDING ONE ON 10 OR 11 MARCH. DUFOURCQ HAD SAID THAT HE HOPED THAT THE AMERICANS WOULD NOT BE MORE GERMAN THAN THE GERMANS.

3. DUFOURCQ, AND BLOT (DIRECTOR FOR EUROPE) WHO WAS ALSO PRESENT, ARGUED STRONGLY THAT THE SETTLEMENT OF THE ODER-NEISSE FRONTIER MUST BE EFFECTED BY A TREATY, SUBJECT PARLIAMENTARY RATIFICATION. GERMAN IDEAS FOR A DECLARATION BY THE TWO PARLIAMENTS WERE INADEQUATE: PARLIAMENTS COULD CHANGE AS COULD GOVERNMENTS. THEY NOTED THAT THE FORMER EAST PRUSSIA WAS PART OF THE QUOTE GERMANY AS A WHOLE UNQUOTE FOR WHICH THE FOUR POWERS HAD RESERVED RIGHTS AND RESPONSIBILITIES: AS COUNTERPART FOR RENUCIATION OF THESE RIGHTS THE NEW GERMAN STATE WOULD HAVE TO BIND ITSELF UNEQUIVOCALLY TO THE CURRENT FRONTIERS OF THE FRG, GDR AND BERLIN AS DEFINITION OF ITS TERRITORY, IE NO IRREDENTIST TERRITORIAL CLAIMS. THE TREATY SHOULD DEAL ONLY WITH GERMAN FRONTIERS, TO AVOID DIFFICULTIES OVER THE BALTIC STATES ETC.

4. DUFOURCQ AND BLOT THOUGHT THAT THE PROSPECT OF RAPID ANSCHLUSS, IE

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ACCESSION TO THE FRG BY PARTS OF THE GDR (NOT NECESSARILY AS LAENDER) UNDER ARTICLE 23 OF THE BASIC LAW, HAD SOMEWHAT RECEDED RECENTLY. POLITICAL OPINION IN THE GDR WOULD PREFER A PROPER CONSTITUENT PROCESS TO ENSURE SATISFACTORY SOCIAL WELFARE PROVISIONS. AND, EVEN MORE IMPORTANT IN THE FRG THE CDU WERE WORRIED ABOUT THE APPEARANCE OF A BUILT-IN SDP MAJORITY AHEAD OF THE FEDERAL ELECTIONS.

5. ON ALL ISSUES, BLOT TENDS TO PLACE EMPHASIS ON THE LEAGL ISSUES BUT THE DISCUSSION SERVED TO ILLUSTRATE HOW COMPLEX GDR LEGAL AND POLITICAL ISSUES ARISING OUT OF THE SETTLEMENT OF FRONTIERS AND ENDING OF FOUR POWER RIGHTS ARE, AND HENCE HOW DESIRABLE TO GET TO GRIPPS WITH THEM SOON AT FOUR AND THEN FOUR PLUS TWO.

FERGUSSON

YYYY

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MT

SIR P CRADDOCK'S CALL ON CHERNYAEV: GERMANY

1. SIR P CRADDOCK CALLED ON CHERNYAEV, GORBACHEV'S DIPLOMATIC ADVISER, ON THE MORNING OF 23 FEBRUARY. SIR PERCY ASKED CHERNYAEV TO CONVEY THE PRIME MINISTER'S VERY BEST WISHES TO GORBACHEV AND HER CONTINUED STRONG SUPPORT FOR HIS POLICIES. THE DISCUSSIONS THEREAFTER CONCENTRATED ON GERMANY, AND ON THE DOMESTIC POLITICAL SITUATION.

GERMANY

2. SIR PERCY OUTLINED THE BRITISH POSITION. OUR VIEWS AND INTERESTS WERE CLOSE TO THOSE OF THE SOVIET UNION. WE BOTH RECOGNISED THAT THE GERMANS HAD THE RIGHT TO UNIFICATION, AND WE ACCEPTED THAT THIS WAS LIKELY TO HAPPEN QUICKLY. BUT WE HAD TO GET THE RIGHT EXTERNAL FRAMEWORK. THE OTTAWA AGREEMENT AMONGST THE SIX HAD BEEN AN IMPORTANT STEP FORWARD. WHERE WE DIFFERED WAS ON THE BEST WAY OF ANCHORING GERMANY IN A WIDER SECURITY SYSTEM. WE BELIEVED THAT FROM THE SOVIET AS WELL AS THE WESTERN POINT OF VIEW CONTINUED GERMAN MEMBERSHIP OF NATO WAS THE BEST ANSWER, SUPPLEMENTED BY ARMS REDUCTION AND THE CSCE PROCESS. SIR PERCY DREW ATTENTION TO THE PRIME MINISTER'S RECENT SPEECH ABOUT CONTINUED STATIONING OF U.S. FORCES IN GERMANY, AND THE POSSIBILITY OF RETAINING SOVIET TROOPS FOR A PERIOD ON THE TERRITORY OF THE FORMER DDR.

3. CHERNYAEV AGREED THAT WE HAD COMMON AIMS, AND SAID THAT THE BRITISH LOGIC WAS ACCEPTABLE DESPITE OUR DIFFERENCES OVER NATO. GORBACHEV WAS IMPRESSED BY KOHL'S REALISM AND UNDERSTANDING OF SOVIET SECURITY NEEDS BUT WAS WORRIED BY THE WAY IN WHICH KOHL'S WORDS AND ACTIONS WERE DISTORTED BY ELECTORAL CONSIDERATIONS. KOHL KNEW THAT THE PROCESS OF UNIFICATION COULD NOT BE COMPLETED RAPIDLY: BUT HE WISHED TO APPEAR AS A PROPONENT OF RAPID UNIFICATION AT LEAST UNTIL THE 18 MARCH ELECTIONS IN THE DDR. THEREAFTER HE WOULD ACT MORE SLOWLY AS THE PRACTICAL DIFFICULTIES OF UNIFICATION BECAME CLEARER. INDEED EUPHORIA IN WESTERN GERMANY WAS DECLINING AS PEOPLE THERE REALISED THE DIFFICULTIES MORE CLEARLY.

4. FOR THIS REASON AFTER THEIR INITIAL CONCERN, THE SOVIET GOVERNMENT HAD CONCLUDED THAT PANIS WAS NOT NECESSARY: THEY AND

OTHER WESTERN PARTNERS WOULD HAVE TIME TO REGULATE THE PROCESS OF UNIFICATION, AND TO INFLUENCE IT FROM OUTSIDE. BUT GIVEN THE TEMPO OF EVENTS WITHIN GERMANY, IT WAS IN THE INTEREST OF THE FOUR POWERS AND OTHERS TO ACCELERATE THE EUROPEAN PROCESS AND TO START CONSULTING NOW ABOUT THE SECOND STAGE OF CONVENTIONAL DISARMAMENT IN EUROPE AND ABOUT THE SETTING UP OF A EUROPEAN SECURITY SYSTEM TO SUPERSEDE EXISTING MILITARY POLITICS.

5. ON THIS POINT, CHERNYAEV SAID THAT IT WAS NOT QUITE CORRECT TO SAY THAT THE ''IDEOLOGICAL GLUE'' NO LONGER EXISTED. BUT AS THE EAST EUROPEAN COUNTRIES BEGIN TO STABILISE, THEIR ENTHUSIASM FOR LEAVING THE WARSAW PACT WAS DECLINING: MAZOWIECKI HAD RECENTLY OVERRIDDEN WALESA'S VIEW THAT SOVIET TROOPS SHOULD LEAVE POLAND AS SOON AS POSSIBLE. NATO WOULD THEREFORE HAVE A VALID INTERLOCUTOR FOR SOME TIME. MEANWHILE THE RUSSIANS INTENDED TO GET THEIR TROOPS OUT OF HUNGARY AND CZECHOSLOVAKIA AS SOON AS PRACTICAL CONSIDERATIONS ALLOWED. NO-ONE HAD YET RAISED THE QUESTION OF SOVIET TROOPS IN THE DDR. CHERNYAEV BELIEVED THAT ALLIED TROOPS, THOUGH ON REDUCED LEVELS, SHOULD REMAIN FOR A WHILE ON BOTH SIDES OF THE ELBE AS A STABILISING FACTOR. IT WAS (AS GORBACHEV HAD TOLD KOHL), ''NOT SERIOUS'' TO BELIEVE THAT THE FORMER DDR TERRITORY IN A UNITED GERMANY COULD REMAIN DEMILITARISED. ONCE GERMANY WAS UNITED, THE GERMANS WOULD ACT AS THEY THOUGHT BEST ON THEIR OWN TERRITORY. REALITY WOULD THEREFORE TURN OUT TO BE DIFFERENT FROM WHAT GENSCHER HAD RECENTLY BEEN PROPOSING.

6. IN RESPONSE TO A QUESTION ABOUT THE FUTURE LEGAL BASIS FOR SOVIET TROOPS ON EAST GERMAN TERRITORY, CHERNYAEV SAID THAT THEIR PRESENCE WOULD BE BASED ON VICTORS' RIGHTS AND THE FOUR POWER AGREEMENTS, UNTIL A PEACE TREATY WAS SIGNED. THEREAFTER THE TROOPS WOULD LEAVE. HE DID NOT EXCLUDE THE POSSIBILITY THAT SOME SOVIET TROOPS WOULD REMAIN IN GERMANY ON A NEW CONTRACTUAL BASIS: BUT HE THOUGHT THAT A NEW EUROPEAN SECURITY SYSTEM WAS A MORE PROMISING AVENUE. HIS OWN ENTIRELY PERSONAL VIEW WAS THAT THIS MEANT THAT SOVIET TROOPS WOULD BE ABLE TO REMAIN IN EAST GERMANY FOR ANOTHER TWO YEARS. THE SOVIET GOVERNMENT DID NOT YET HAVE A WORKED OUT SCHEME: EVENTS WERE MOVING TOO FAST. BUT DESPITE THE COGENCY OF WESTERN ARGUMENTS THAT EUROPEAN SECURITY AND SOVIET INTERESTS WOULD BEST BE PRESERVED BY GERMAN MEMBERSHIP OF NATO, THIS WAS AN UNREALISTIC PROPOSITION. THE SOVIET UNION COULD NOT BE EXPECTED TO RELY FOR ITS SECURITY ON A MILITARY ORGANISATION WHICH HAD BEEN SET UP FORTY YEARS AGO TO OPPOSE IT.

7. CHERNYAEV SAID THAT A EUROPEAN SECURITY SYSTEM WOULD HAVE TO PROVIDE FOR CONTROLS AGAINST GERMAN NUCLEAR ARMAMENT. MEANWHILE OF

COURSE THE RUSSIANS HAD THEIR OWN NUCLEAR WEAPONS WITH WHICH TO OPPOSE ANY SUCH THREAT: AS LONG AS THEY DID SO THERE WAS NO RISK OF GERMAN AGGRESSION. IN A BRIEF DISCUSSION ON THE PRINCIPLES OF MINIMUM DETERRENCE, HE SAID (WITH A CHARACTERISTIC GRIN): ''GIVEN OUR PRESENT ECONOMIC AND POLITICAL TROUBLES, NO-ONE WOULD WANT TO TALK TO US IF WE GAVE UP OUR NUCLEAR WEAPONS AS WELL''.

8. AS A FINAL POINT, HE SAID THAT TALK IN THE WESTERN PRESS OF SOME KIND OF SOVIET/GERMAN DEAL BEHIND THE BACKS OF THE OTHER EUROPEAN AND WESTERN POWERS WAS ABSURD. IN AN OBVIOUS REFERENCE TO LIGACHEV'S REMARKS AT THE RECENT PLENUM, HE SAID THAT GORBACHEV WOULD NOT ABANDON HIS FOREIGN POLICY, WHICH EMBRACED THE UNIFICATION OF GERMANY. ORDINARY PEOPLE ACCEPTED THAT UNIFICATION WAS INEVITABLE, AND GORBACHEV'S DOMESTIC OPPONENTS WOULD NOT BE ABLE TO PLAY SUCCESSFULLY ON POPULAR MEMORIES OF THE WAR AND ON TRADITIONAL RUSSIAN MILITARY PATRIOTIC SENTIMENT.

#### DOMESTIC POLITICS

9. SIR PERCY ASKED ABOUT PLANS FOR AN EXECUTIVE PRESIDENCY. CHERNYAEV SAID THAT GORBACHEV HAD ORIGINALLY AND PUBLICLY OPPOSED THE IDEA OF GIVING STRONG POWERS TO THE PRESIDENCY. HE HAD CHANGED HIS MIND BECAUSE OF TWO CONSIDERATIONS. HE HAD NOT ORIGINALLY APPRECIATED THE EXTENT TO WHICH THE CREATION OF THE NEW DEMOCRATIC INSTITUTIONS - THE PEOPLE'S CONGRESS, THE SUPREME SOVIET, AND NOW A MULTI-PARTY SYSTEM - WOULD UNDERMINE THE ABILITY OF THE EXECUTIVE POWER TO ENSURE THAT REFORMING LAWS AND GOVERNMENT DECISIONS WERE IMPLEMENTED. THE LOGIC OF THE DEMOCRATIC SYSTEM THAT WAS BEING CREATED REQUIRED THAT THE EXECUTIVE POWER NOW BE STRENGTHENED TO BALANCE THE INCREASED POWERS OF THOSE DEMOCRATIC INSTITUTIONS. BUT NEW POWERS WERE ALSO REQUIRED TO DEAL WITH THE CRISIS THROUGH WHICH THE COUNTRY WAS CURRENTLY GOING. GORBACHEV HAD ALWAYS FORESEEN THAT REFORM WOULD, FOR A TRANSITIONAL PERIOD, LEAD THE POLITICAL AND ECONOMIC UPHEAVAL. WHAT HE HAD NOT FORESEEN WAS THE EXTENT TO WHICH THIS WOULD BE ACCOMPANIED BY AN INCREASE IN CRIME AND BY ETHNIC PROBLEMS, PARTICULARLY THE BLOODSHED IN THE SOUTH. IN THE PAST, THE SOVIET LEADERS HAD NOT UNDERSTOOD SOVIET SOCIETY: SOCIOLOGICAL INVESTIGATION AND OTHER METHODS OF DISCOVERING THE GENUINE FEELINGS OF ORDINARY PEOPLE HAD BEEN BANNED. THE ''UNGLUEING'' OF THE PREVIOUS UNITARY STRUCTURE OF THE SOVIET UNION HAD BEEN INEVITABLE, BUT GORBACHEV HAD NOT REALISED THAT IT WOULD LEAD TO THE EXPRESSION OF SUCH SAVAGE FEELINGS. GORBACHEV'S GREATNESS LAY IN HIS WILLINGNESS TO ALLOW ORDINARY PEOPLE TO EXPRESS THEMSELVES, INSTEAD OF IMPOSING HIS IDEAS ON THEM FROM ABOVE. BUT A STRONGER EXECUTIVE WAS NOW CLEARLY NECESSARY. (LAST SUMMER AND AUTUMN HIS POLITICAL

OPPONENTS HAD BEEN CALLING FOR AN ENLIGHTENED DICTATORSHIP. SINCE GORBACHEV HAD ADOPTED SOME OF THEIR IDEAS THEY HAD DONE A U-TURN AND WERE NOW TALKING ABOUT RISKS OF EXCESSIVE AUTHORITY: THIS WAS IN THE NATURE OF OPPOSITIONS. BUT CHERNYAEV WAS CONFIDENT THAT GORBACHEV WOULD GET HIS WAY. THE PEOPLE'S CONGRESS WOULD MEET TO PASS THE NEW MEASURES AND ELECT THE NEW PRESIDENT IN THE FIRST HALF OF MARCH. IN TWO OR THREE YEARS TIME THERE WOULD BE A POPULAR ELECTION ON THE BASIS OF A FULLY WORKED OUT CONCEPT OF THE NEW PRESIDENCY AND ITS ASSOCIATED POWERS AND PREROGATIVES.

10. SIR PERCY CRADOCK ASKED WHETHER THE POWERS WOULD BE USED IN THE FIRST INSTANCE FOR A CRASH ECONOMIC REFORM PROGRAMME. CHERNYAEV SAID THAT THE FIRST PRIORITY WAS TO RE-ESTABLISH ORDER IN THE COUNTRY AND TO ENSURE THAT EXISTING AND NEW LAWS WERE ACTUALLY OBSERVED. OF COURSE ECONOMIC ISSUES COULD NOT BE POSTPONED. BUT THE SUPREME SOVIET WOULD ADOPT THE NEW LAWS ON PROPERTY AND LAND NEXT MONTH, AND WITH HIS ADDITIONAL POWERS THE PRESIDENT WOULD BE ABLE TO ENSURE THAT REFORMING LAWS WERE EXECUTED AS THEY HAD NOT BEEN HITHERTO. THIS WOULD GIVE PEOPLE CONFIDENCE THAT THE ECONOMIC REFORM WAS AT LAST BEGINNING TO BITE. PRICE REFORM WOULD ALSO HAVE TO BE TACKLED SOON, AS GORBACHEV HAD SAID AT THE RECENT PLENUM, THOUGH FOR PRACTICAL REASONS THE REFORM WOULD BE PARTIAL TO BEGIN WITH.

11. IN CONCLUSION CHERNYAEV REMARKED THAT BRITISH VIEWS WERE PERHAPS THE CLOSEST OF THE WESTERN POWERS TO SOVIET VIEWS. HE AGREED WITH SIR PERCY ON THE IMPORTANCE OF CONTINUING OUR CLOSE EXCHANGES AT OFFICIAL AS WELL AS POLITICAL LEVEL.

12. FCO PLEASE PASS ADVANCE COPY IMMEDIATE TO CHARLES POWELL, 10 DOWNING STREET.

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POLAND'S WESTERN BORDER

SUMMARY

1. FEDERAL GOVERNMENT REJECT AN EARLY TREATY ON POLAND'S WESTERN BORDER.

DETAIL

2. ON 22 FEBRUARY VOGEL (DEPUTY GOVERNMENT SPOKESMAN) REJECTED POLISH PRIME MINISTER MAZOWIECKI'S PLAN (WARSAW TELNO 157) FOR AN EARLY TREATY RECOGNISING THE ODER-NEISSE LINE AS POLAND'S WESTERN BORDER. VOGEL SAID THAT THE WAY TO GERMAN UNIFICATION HAD BEEN LAID OUT IN OTTAWA. THIS FRAMEWORK WOULD INCLUDE 'TALKS AND CONSULTATIONS' WITH THE POLISH GOVERNMENT.

3. VOGEL ALSO DENIED A NEWSPAPER REPORT THAT RITA SUESSMUTH, THE SPEAKER OF THE BUNDESTAG, HAD BEEN PREPARING WITH GDR OFFICIALS DECLARATIONS GUARANTEEING POLAND'S BORDERS, FOR AGREEMENT BY BOTH GERMAN GOVERNMENTS SHORTLY AFTER THE GDR ELECTIONS.

4. A NUMBER OF NEWSPAPERS NOTE THE PRIME MINISTER'S SUPPORT FOR THE POLISH POSITION.

5. SCHAEUBLE (MINISTER FOR THE INTERIOR) IS REPORTED AS HAVING SAID IN WASHINGTON ON 22 FEBRUARY THAT ONCE THE TWO GERMAN STATES HAD COME TOGETHER THE PROCESS OF GERMAN UNIFICATION WOULD BE OVER AND GERMANY WOULD MAKE NO CLAIMS ON POLISH TERRITORY. 'DIE WELT' COMMENTS THAT THIS IS THE CLEAREST STATEMENT YET FROM A MEMBER OF THE FEDERAL CABINET.

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MEETING BETWEEN DELORS, LUBBERS, KOK AND VAN DEN BROEK

1. IT HAS BEEN BRIEFLY REPORTED HERE THAT LUBBERS, KOK (DEPUTY PRIME MINISTER AND FINANCE MINISTER) AND VAN DEN BROEK (FOREIGN MINISTER) VISITED BRUSSELS ON THE EVENING OF 20 FEBRUARY FOR A TALK WITH DELORS. OFFICIALS (INCLUDING DE GOOIJER, PS/VAN DEN BROEK) HAVE TOLD US THAT DELORS HAD ORIGINALLY INVITED LYBBERS ALONE FOR A 'FIRESIDE CHAT' ABOUT THE IMPLICATIONS FOR THE COMMUNITY OF GERMAN UNIFICATION, AND PARTICULARLY GERMAN MONETARY UNION. LUBBERS APPARENTLY DECIDED THAT, GIVEN THE NATURE OF THE DISCUSSION, KOK AND VAN DEN BROEK SHOULD GO ALONG TOO.
2. OFFICIALS HAVE TOLD US THAT THERE WAS A WIDE-RANGING EXCHANGE OF VIEWS FROM WHICH LITTLE OF SUBSTANCE EMERGED. ONE OFFICIAL INDEED REMARKED THAT, FROM THE DUTCH POINT OF VIEW, THE EXCHANGE WAS 'NOT VERY SATISFACTORY'.
3. WE HAVE SUGGESTED TO DE GOOIJER THAT VAN DEN BROEK MIGHT BE BRIEFED TO GIVE YOU A SHORT ACCOUNT OF THE DISCUSSION WHEN HE SEES YOU ON 5 MARCH.

JENKINS

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*pl. file*

FRAME GENERAL

GERMAN UNIFICATION: VISIT OF GERMAN STATE SECRETARIES TO THE COMMISSION

SUMMARY

1. A GROUP OF COMMISSIONERS CHAIRED BY BANGEMANN WERE BRIEFED THIS MORNING BY STATE SECRETARIES KOHLER (FINANCE) AND SCHLECHT (ECONOMICS) AND BY TIETMEYER (VICE-PRESIDENT OF THE BUNDESBANK). THE TEAM GAVE AN ACCOUNT OF DISCUSSIONS WITH THE EAST GERMANS AND URGED THE NEED FOR A POSITIVE VIEW BY OUTSIDERS EMPHASISING THE OPORTUNITIES AS WELL AS THE RISKS. THEY WERE CRITICAL OF THE LEAKED COMMISSION DOCUMENT WHICH WAS TOO NEGATIVE AND HAD HAD A BAD EFFECT ON THE DEUTSCH MARK. THEY EMPHASISED THAT THE PROCESS OF GERMAN UNIFICATION SHOULD HAVE NO ADVERSE EFFECT ON THE DEVELOPMENT OF THE COMMUNITY.

DETAIL

2. KOHLER SPOKE ABOUT THE LOSS OF AUTHORITY IN EAST GERMANY, FOR INSTANCE OVER THE COLLECTION OF CUSTOMS DUTIES AND TAXES. THE D. MARK WAS ALREADY BEGINNING TO ACT AS A PARALLEL CURRENCY AND WAS SEEN AS A SYMBOL OF A BETTER FUTURE. THE SUBSTITUTION OF THE D. MARK FOR THE E. MARK (HE DID NOT MENTION CONVERSION RATES) MUST BE ACCOMPANIED BY A PACKAGE OF REFORMS AND THIS WAS WHAT NOW BEING DISCUSSED WITH THE EAST GERMANS IN THE COMMITTEE OF EXPERTS. THE COMMITTEE HAD SET UP SUB-COMMITTEES ON ECONOMICS, FINANCE, SOCIAL SECURITY AND OTHER MATTERS. THE EAST GERMANS APPEARED TO BE ENCOURAGED BY WEST GERMAN OPENNESS AND HAD REACTED WELL TO IDEAS ABOUT THE REFORM OF THE BUDGET (INCLUDING THE INTRODUCTION OF VAT) AND THE ADOPTION OF THE BASIC PRINCIPLES OF THE WEST GERMAN SOCIAL SECURITY SYSTEM. HOWEVER FRAU LUFT'S PROPOSAL FOR JOINT VENTURES WITH A MAXIMUM OF 49 PERCENT PRIVATE PARTICIPATION, WERE HALF-HEARTED AND DID NOT GO FAR ENOUGH. THE COMMITTEE WOULD BE MEETING FREQUENTLY WITH THE AIM OF AGREEING BEFORE 18 MARCH THE CENTRAL ISSUES AND THE LEGAL STRUCTURES REQUIRED TO IMPLEMENT THE REFORM PACKAGE. IN EMPHASISING THE NEED FOR A POSITIVE VIEW OF THE

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PROSPECTS HE DREW ATTENTION TO THE ENORMOUS SCOPE FOR INCREASING PRODUCTIVITY, BY SIMPLE REMEDIES SUCH AS REMOVING EXISTING BOTTLENECKS IN THE SUPPLY OF RAW MATERIALS. IT WAS NOT HELPFUL FOR OUTSIDERS TO POUR COLD WATER ON THE PROCESS. OBVIOUSLY ALL WOULD DEPEND ON WHAT HAPPENED AT THE 18 MARCH ELECTIONS. THEREAFTER THE DATES FOR MONETARY UNION AND UNIFICATION WOULD BE FIXED.

3. SCHLECHT EMPHASISED THE NEED FOR MONETARY REFORM TO BE LINKED WITH MUCH WIDER REFORMS IN THE ECONOMY INCLUDING THE LAW ON PRIVATE OWNERSHIP, THE ENDING OF STATE MONOPOLIES AND THE INTRODUCTION OF COMPETITION AND THE PROVISION OF LONG-TERM CREDITS FOR SMALL BUSINESSMEN. HE REFERRED TO ARTICLE 23 OF THE CONSTITUTION AS ONE QUICK WAY OF ACHIEVING UNIFICATION. THIS WOULD LEAVE ONLY THE NEED FOR THE ADAPTATION OF SECONDARY LEGISLATION AND THE ESTABLISHMENT OF TRANSITIONAL PERIODS. WITH REGARD TO STATE AIDS, HE EMPHASISED THE NEED FOR SPENDING ON INFRA-STRUCTURE IN THE BORDER REGIONS AS OPPOSED TO SUPPORT FOR PRIVATE COMPANIES.

4. TIETMEYER SPOKE OF THE PAUCITY OF FIGURES. SUCH STATISTICS AS WERE AVAILABLE WERE OUT OF DATE. THE BUNDESBANK HAD NO IDEA OF THE CREDIT RELATIONSHIPS BETWEEN THE CENTRAL BANK AND THE GOVERNMENT AND OTHER INSTITUTIONS, OR OF INDEBTEDNESS TO OTHER COMECON COUNTRIES. WHEN IN DOUBT THEY WERE MAKING PESSIMISTIC ASSUMPTIONS. A SYSTEM OF BANKING SUPERVISION WOULD BE REQUIRED. IT WAS UNHELPFUL TO SPECULATE ABOUT THE EFFECTS ON THE D. MARK AND THE RISK OF INFLATION. THE MORE SUCH RISKS WERE TALKED UP, THE MORE RESTRICTIVE MONETARY POLICY WOULD HAVE TO BE. THE COMMISSION'S LEAKED PAPER HAD BEEN PARTICULARLY UNHELPFUL IN THIS RESPECT. HE ADDED THAT IT WAS WRONG TO DRAW PARALLELS BETWEEN GERMAN MONETARY UNION AND EMU. THE TWO PROCESSES WERE QUITE DIFFERENT. THE ONE WAS A ONCE-OFF OVERNIGHT OPERATION, THE OTHER A LONG AND COMPLEX PROCESS.

5. IN A BRIEF DISCUSSION, SIR LEON BRITTAN SAID MISUNDERSTANDINGS ABOUT THE COMPETITION SITUATION MUST BE AVOIDED. IT WAS ESSENTIAL THAT ANY AIDS PROVIDED WERE TRANSPARENT. CHRISTOPHERSEN SAID THIS WORK ON THIS SUBJECT IN GERMANY OUGHT TO BE KEPT IN PARALLEL WITH THAT IN THE COMMUNITY. WHAT WAS DECIDED ABOUT RELATIONS WITH EAST GERMANY WOULD HAVE CONSEQUENCES FOR GERMANY'S COMMUNITY OBLIGATIONS. WILLIAMSON SAID THE COMMISSION WOULD BE DOING DETAILED WORK ON THE APPLICATION OF EXISTING CRITERIA TO EAST GERMANY IN SUCH AREAS AS AGRICULTURE AND THE STRUCTURAL FUNDS.

6. CLOSING THE MEETING, BANGEMANN CALLED ON COMMISSIONERS TO SET IN HAND PREPARATORY WORK IN THEIR OWN AREAS OF RESPONSIBILITY ON THE

MAIN ISSUES WHICH HAD BEEN IDENTIFIED.

HANNAY

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SOVIET VIEWS ON GERMANY: GORBACHEV'S INTERVIEW WITH PRAVDA, 21  
FEBRUARY.

SUMMARY

1. GORBACHEV USES A PRAVDA INTERVIEW TO DRAW TOGETHER THE MAIN THEMES OF THE SOVIET APPROACH TO GERMANY. RESPECT FOR SELF-DETERMINATION. HISTORICAL REALITIES PLAY A PART. FOUR POWERS RETAIN RESPONSIBILITY. TWO PLUS FOUR MECHANISM RIGHT, BUT NOT EXCLUSIVE. NO FEAR OF THE NEW GERMANY, BUT THE SOVIET PEOPLE HAVE A RIGHT TO GUARANTEES. NO DIRECT COMMENT ON GERMANY AND NATO. HE ALSO GLOSSED OVER THE US-SOVIET AGREEMENT ON TROOP LEVELS.

DETAIL

2. PRAVDA OF 21 FEBRUARY PUBLISHED A FRONT PAGE INTERVIEW WITH GORBACHEV ON GERMAN UNIFICATION. THIS IS A RARE, BUT NOT UNIQUE OCCURRENCE. HE BROUGHT TOGETHER THE MAIN THEMES OF RECENT STATEMENTS.

2. HE ACKNOWLEDGED THE RIGHT OF GERMANS TO SELF-DETERMINATION. HE REHEARSED ALL THE SOVIET PROPOSALS ON UNITY IN THE 1940S AND 1950S, AS EVIDENCE OF SOVIET CONSISTENCY ON THIS SCORE. HISTORY HAD DETERMINED THE EXISTING DIVISION AND WOULD DECIDE THE FINAL FORM OF STATEHOOD FOR THE GERMAN NATION. HE REPEATED THE POINT BOTH HE AND SHEVARDNADZE (MY TELNO 282) HAVE MADE THAT HISTORY WAS MOVING UNEXPECTEDLY QUICKLY.

4. ALTHOUGH SOME QUESTIONS WERE FOR THE GERMANS TO DECIDE, UNIFICATION DID NOT CONCERN THEM ALONE. THERE MUST BE NO AMBIGUITY ON CERTAIN MATTERS. UNIFICATION SHOULD NOT THREATEN THE NATIONAL INTEREST OF OTHER STATES. ANY ENCROACHMENT ON THE BORDERS OF OTHER STATES WAS OUT OF THE QUESTION.

5. THE BORDERS WERE NOT THE ONLY CONSEQUENCE OF THE SECOND WORLD WAR WHICH HAD TO BE RESPECTED. NOBODY HAD RELIEVED THE FOUR POWERS OF THEIR OBLIGATIONS, AND ONLY THEY COULD LAY THEM DOWN. A PEACE TREATY

PAGE 1  
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PRIME MINISTER

POLISH/GERMAN BORDER

I attach a copy of the Polish Prime Minister's message to you, which was delivered by the Polish Ambassador this morning, together with the note reporting our exchange.

CD?

Not included

CHARLES POWELL

22 FEBRUARY 1990

I think the P.M. is right - the Treaty

should be prepared

c:\wpdocs\foreign\note.mrm

now so that it can

be signed by the

reality without delay as one of the first international actions. Otherwise they will delay. not

WAS THE ONLY MEANS TO FIX IN AN INTERNATIONAL JURIDICAL WAY THE FINAL STATUS OF GERMANY IN THE EUROPEAN STRUCTURE.

6. THE MILITARY STRATEGIC BALANCE OF THE TWO ALLIANCES SHOULD NOT BE UPSET, ESPECIALLY SINCE WORK WAS ONLY BEGINNING ON SKETCHING OUT A NEW EUROPEAN STRUCTURE. THE ALLIANCES WOULD RETAIN A ROLE, THOUGH THIS WOULD DECREASE AS TENSION EASED. GORBACHEV SAID THAT HIS ARGUMENTS REINFORCED THE NEED TO SYNCHRONISE UNIFICATION WITH THE WIDER EUROPEAN PROCESS.

7. GORBACHEV EXPLAINED HOW THE TWO PLUS FOUR FORMULA HAD ARISEN. IT MATCHED THE NEEDS OF REALITY AND EXISTING OBLIGATIONS. IT DID NOT RULE OUT BILATERAL CONTACTS BETWEEN ITS PARTICIPANTS AND OTHER COUNTRIES. ALSO 'WE FIRMLY RULE OUT ANY APPROACH WHEREBY THREE OR FOUR COULD AGREE AMONGST THEMSELVES FIRST AND PRESENT AGREED POSITIONS TO THE OTHER PARTICIPANTS'.

8. ONE QUESTION CONCERNED THE 'CERTAIN ALARM' FELT BY SOVIET PEOPLE, AND OTHER COUNTRIES AT THE PROSPECT OF A UNITED GERMANY AT THE CENTRE OF EUROPE. WHILE EXPRESSING UNDERSTANDING, GORBACHEV SAID THAT GERMANS HAD LEARNT LESSONS FROM THE HITLER PERIOD AND WORLD WAR II. NEW GENERATIONS HAD EMERGED IN BOTH GERMANIES, WHOSE VIEW OF THE WORLD WAS QUITE DIFFERENT FROM THAT PREVAILING IN GERMANY FOR THE PREVIOUS CENTURY - GERMAN LEADERS HAD SAID THAT WAR SHOULD NEVER RISE FROM GERMAN SOIL AGAIN, AND KOHL HAD STRENGTHENED THIS FORMULA WHEN TALKING TO GORBACHEV 'ONLY PEACE SHOULD COME FROM GERMANY'. BUT GERMANY HAD TO RESPECT THE FEELINGS OF OTHERS. THE SOVIET PEOPLE HAD AN 'INALIENABLE RIGHT TO...ASSURANCE THAT OUR COUNTRY WOULD NOT SUFFER MORALLY, POLITICALLY OR ECONOMICALLY' FROM UNIFICATION.

9. THE LAST QUESTIONS WERE ABOUT THE US-SOVIET AGREEMENT TO REDUCE FORCES IN CENTRAL EUROPE TO 195,000 MEN. GORBACHEV SAID HE WOULD HAVE LIKED TO SEE THIS A EUROPE-WIDE FIGURE, BUT PRESIDENT BUSH'S PROPOSAL SUITED THE RUSSIANS. HE ARGUED THAT NEGOTIATIONS AND THE NEW ATMOSPHERE REDUCED THE SIGNIFICANCE OF THE EXTRA 30,000 US TROOPS IN EUROPE. THEY DID NOT AFFECT SOVIET SECURITY.

COMMENT

10. THE RUSSIAN LEADERSHIP OBVIOUSLY FELT THE NEED TO DRAW ALL THEIR RECENT STATEMENTS ON GERMANY TOGETHER IN WHAT WILL FOR SOME TIME BE THE SET TEXT. AKHROMEYEV HAS ALREADY REFERRED TO IT AS SUCH DURING A CALL ON THE MORNING OF 21 FEBRUARY.

11. GORBACHEV'S APPROACH WILL PLAY WELL WITH THE GERMANS, AND OTHERS

SUCH AS THE POLES. HE HAS LEFT THE 'EXTERNAL ASPECTS' VAGUE. THIS IS PARTICULARLY OBVIOUS OVER GERMANY IN NATO, WHERE HIS CALL NOT TO UPSET THE BALANCE OF FORCES AT THIS STAGE GIVES HIM ROOM FOR MANOEUVRE.

12. HIS RESPONSE ON SOVIET POPULAR CONCERN ADDRESSES TWO AUDIENCES. HE WANTS TO SENSITISE THE GERMANS AND THE WEST TO THIS. BUT HE ALSO IS TRYING TO BRING THE POPULATION ROUND TO THE VIEW, WHICH WE HAVE HEARD FROM SENIOR OFFICIALS RECENTLY, THAT THE GERMANS HAVE CHANGED AND ARE NOT LINEAR DESCENDENTS OF BISMARCK AND HITLER.

BRAITHWAITE

YYYY

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D. NUC(POL)SY MOD  
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(Unofficial translation)

Warsaw, February 21, 1990

Dear Prime Minister,

The unification of the German nation in a single State opens up a new period in the history of Europe. We cannot possibly enter that period with the security of all the States on the continent, particularly the neighbours of Germany, in their current borders, unassured.

According to the Ottawa statement of Feb. 13, 1990, the Foreign Ministers of the Federal Republic of Germany and the German Democratic Republic will meet with the Foreign Ministers of the French Republic, the United States of America, the United Kingdom of Great Britain and Northern Ireland and the Union of Soviet Socialist Republics in order to discuss the various external aspects of the establishment of German unity, including the issues of security of the neighbouring States.

Poland welcomed the fact that the questions of the security of the neighbouring States had been referred to in the statement by the six Foreign Ministers.

The fact that the security of Germany's neighbours has been raised has two consequences: a substantive and a procedural one. Each of them is important.

Firstly, as regards the substantive aspect, the Ottawa communique means that the unification of the two German States and the attainment of constitutional unity by the German nation shall leave intact the security of the States adjacent to the unifying (and subsequently unified) German States. In other words, the unification shall in no way impair the present nor future security of the neighbours, particularly with respect to their territorial security and the permanence of their borders.

The Right Honourable  
Mrs Margaret Thatcher FRS MP  
Prime Minister

London

These are extremely important issues. It is of vital concern for Poland to see an end to any equivocation with respect to the Polish-German border along the Odra-Lusatian Nysa rivers. A future treaty of peace has repeatedly been emphasized in the Federal Republic of Germany as the exclusive instrument by which that border could be settled. However, the legal and political reality is that despite the lack of peace settlement the Odra-Lusatian Nysa border has become part of the European order. Whoever questions that border in one form or another, or puts to question its permanent character - thereby defies the security and cooperation in Europe. I declare Poland's readiness to take part in the work on the peace treaty and her readiness to sign it. However, for reasons beyond Poland's control, work on the peace treaty is not envisaged at all at present or is being postponed until an unidentified point in time after German unification, thus giving some forces the opportunity to continuously consider the Polish-German border an open question. We cannot allow such state of affairs to persist after Germany is unified.

The German Democratic Republic has recognized the Odra-Lusatian Nysa border as the Polish-German state frontier (Zgorzelec Agreement of July 6, 1950). The Federal Republic of Germany has stated that the relevant line constitutes the western state border of the Republic of Poland (The Treaty of Warsaw, of Dec. 7, 1970). Therefore, if one acts in good faith, nothing can obstruct the present Polish-German borderline from becoming reaffirmed by a treaty concluded at the very beginning of the unification process. It is an essential issue for Poland as a neighbour of the German nation.

Secondly, by pointing to the security issues of the neighbouring States, the Ottawa communique indicates that in the discussions between the Ministers of Foreign Affairs of the Federal Republic of Germany and the German Democratic Republic and the Foreign Ministers of the Four Powers, there is room for the participation by the Foreign Ministers of the countries concerned and adjacent to one or both German States.

The latter implication of the relevant clause in the Ottawa statement deserves closer elaboration.

The present international relationships in Europe are becoming increasingly democratic, with all the European States having the possibility to speak and take part in the conferences or other meetings where their interests, particularly the vital ones, are discussed. It is unthinkable today (and impracticable) for any European State, especially any of the six which adopted the Ottawa statement, to seek to exclude the voice of the neighbours of the German States from the discussion on these neighbours' security. The Polish Government did not allege and is not alleging the existence of such intentions on the part of any of the six States; it attaches great importance to having the best possible relations with each of these States.

Indeed, to exclude the voice of the neighbouring States concerned and to shut them off from the relevant stage of the discussion on the aspects of the German unification which affect the security of the neighbouring States - would be tantamount to a repetition of the Yalta formula of 1945. It would, indeed, mean discussing and deciding by some States about vital interests of others in the absence of the latter.

In view of the foregoing considerations, guided by her own interest as well as that of European cooperation, and by the desire for the best possible relations with her German neighbour - Poland states as follows:

1) We believe that the point of departure to the German unification is the final elimination of all doubt or equivocation with respect to the present course, delimitation and demarcation of the Polish-German border along the Odra-Lusatian Nysa rivers. The issue should never re-emerge; the elimination of doubt or equivocation will be equivalent to peace settlement and will have full effect in German law and that of other States. Poland proposes to conclude, at the outset of the unification, a treaty containing provisions to that effect and reaffirming the final and permanent status of the existing Polish-German

border. That border should not be changed in any way. The text of the treaty will be initialled by the two German States and Poland as a result of the discussions indicated by the Ottawa communique. The treaty will be signed by the unified German State and Poland upon the establishment of that unified German State. Poland will submit a draft of such a treaty.

2) Poland considers it indispensable to have a part in the discussion on the external aspects of the German unification in order to present her standpoint on the security issues, particularly those relating to the border and the proposed treaty. Poland makes it clear that she is not seeking a status identical with that of any of the Four Powers nor any of the two German States.

We believe that the discussion on the security issues of the neighbouring States should be held at an early stage of the conference as its separate part.

In conclusion, I wish to state as follows:

The prospect of the unification of the German nation in one State opens up a new chapter in the postwar history of Europe. Poland welcomes every form of national self-determination. The unification of Germany and its external aspects constitute an important part of the peace settlement on our continent. Every State concerned has the right to take part in that settlement. One such State is Poland. Our right stems from the imperatives of international morality, the international law, our historical experience of the last fifty years and our present legal and political situation.

I wish to inform you, Prime Minister, that identical letters are being sent to the leaders of the French Republic, the United States of America and the Union of Soviet Socialist Republics.

Please accept the assurances of my highest consideration.

/-/ Tadeusz Mazowiecki

*Me*

MRS. GOODCHILD

CHEQUERS MEETING ON GERMANY

The Prime Minister is holding a meeting at Chequers on Saturday 24 March to discuss Germany. It will start at 12.30 with lunch and continue through the afternoon, finishing some time after tea.

Those being invited at this stage are:

- The Foreign Secretary
- ✓ Professor Gordon Craig
- ✓ Professor Fritz Stern
- ✓ Lord Dacre
- ✓ Professor Norman Stone
- ✓ Mr. Timothy Garton-Ash
- ✓ Mr. George Urban

I have written to the last four, and attach a copy of my letter.

Professor Gordon Craig will be coming over from San Francisco. We have agreed to pay a return Club Class fare (obtaining the ticket ourselves) and three nights on the ground here. We shall have to offer Professor Fritz Stern the same (he is in New York), once we know he can come.

I would be most grateful if you would take on the admin of this, using the FCO as your agents for obtaining the tickets and getting them to Craig and Stern. We will need to book their hotels here - perhaps the Hyde Park - and provide transport to Chequers.

*CDP*

C. D. POWELL

22 February 1990

C:\wpdocs\foreign\sue (pmm)



*the pm*  
*bc SG*

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

22 February 1990

*Dear Mr. Garton-Ash,*

The Prime Minister has set aside half a day on 24 March, when she would like to talk to a small group of distinguished historians and commentators about Germany. She wonders whether you would be prepared to take part.

The discussion would be held at Chequers (and if you are able to attend, we will send you directions on how to get there). We would start at 12.30 with lunch and continue through the afternoon, finishing some time after tea. I am not yet sure quite how many people will take part: but it will be less than ten, including the Prime Minister and the Foreign Secretary.

What the Prime Minister is seeking, I believe, is an understanding of the lessons which can be drawn from Germany's history - not just in this century - for the handling of German unification and the united Germany with which we shall soon be dealing: and how we can best ensure that unification strengthens the stability and security of Europe. She has in mind quite a general discussion, drawing on the experience and knowledge of each of the participants. We would like to keep the fact of the meeting, and of course the content of the discussions, entirely confidential.

The Prime Minister hopes very much that you will be able to attend, and I should be grateful if you would let me know, either by writing or by telephoning on 01-222-8141. If I am not available, perhaps you would be good enough to inform Mrs. Goodchild. We shall, of course, take responsibility for any expenses incurred for travel.

*Yours sincerely,*  
*C. D. Powell*

C. D. POWELL

Timothy Garton-Ash, Esq.

*St. Antony's College*  
*Oxford*

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 February 1990

*Dear George,*

The Prime Minister has set aside half a day on 24 March, when she would like to talk to a small group of distinguished historians and commentators about Germany. She wonders whether you would be prepared to take part.

The discussion would be held at Chequers (and if you are able to attend, we will send you directions on how to get there). We would start at 12.30 with lunch and continue through the afternoon, finishing some time after tea. I am not yet sure quite how many people will take part: but it will be less than ten, including the Prime Minister and the Foreign Secretary.

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The Prime Minister hopes very much that you will be able to attend, and I should be grateful if you would let me know, either by writing or by telephoning on 01-222-8141. If I am not available, perhaps you would be good enough to inform Mrs. Goodchild. We shall, of course, take responsibility for any expenses incurred for travel.

*Yours sincerely,*

C. D. POWELL

George Urban, Esq.  
 18 Palmeria Ct.  
 14 Palmeria Sq.  
 Hove, Sussex

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*hm*



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 February 1990

Dear Lord Dacre,

The Prime Minister has set aside half a day on 24 March, when she would like to talk to a small group of distinguished historians and commentators about Germany. She wonders whether you would be prepared to take part.

The discussion would be held at Chequers (and if you are able to attend, we will send you directions on how to get there). We would start at 12.30 with lunch and continue through the afternoon, finishing some time after tea. I am not yet sure quite how many people will take part: but it will be less than ten, including the Prime Minister and the Foreign Secretary.

What the Prime Minister is seeking, I believe, is an understanding of the lessons which can be drawn from Germany's history - not just in this century - for the handling of German unification and the united Germany with which we shall soon be dealing: and how we can best ensure that unification strengthens the stability and security of Europe. She has in mind quite a general discussion, drawing on the experience and knowledge of each of the participants. We would like to keep the fact of the meeting, and of course the content of the discussions, entirely confidential.

The Prime Minister hopes very much that you will be able to attend, and I should be grateful if you would let me know, either by writing or by telephoning on 01-222-8141. If I am not available, perhaps you would be good enough to inform Mrs. Goodchild. We shall, of course, take responsibility for any expenses incurred for travel.

Yours sincerely,  
  
 C. D. POWELL

The Lord Dacre of Glanton  
 The Old Rectory  
 Didcot  
 Oxon OX11 7EB

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me for  
 bc Sue Goodchild

for



*me for  
be Sue G.*

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

22 February 1990

*Dear Norman,*

The Prime Minister has set aside half a day on 24 March, when she would like to talk to a small group of distinguished historians and commentators about Germany. She wonders whether you would be prepared to take part.

The discussion would be held at Chequers (and if you are able to attend, we will send you directions on how to get there). We would start at 12.30 with lunch and continue through the afternoon, finishing some time after tea. I am not yet sure quite how many people will take part: but it will be less than ten, including the Prime Minister and the Foreign Secretary.

What the Prime Minister is seeking, I believe, is an understanding of the lessons which can be drawn from Germany's history - not just in this century - for the handling of German unification and the united Germany with which we shall soon be dealing: and how we can best ensure that unification strengthens the stability and security of Europe. She has in mind quite a general discussion, drawing on the experience and knowledge of each of the participants. We would like to keep the fact of the meeting, and of course the content of the discussions, entirely confidential.

The Prime Minister hopes very much that you will be able to attend, and I should be grateful if you would let me know, either by writing or by telephoning on 01-222-8141. If I am not available, perhaps you would be good enough to inform Mrs. Goodchild. We shall, of course, take responsibility for any expenses incurred for travel.

*yours sincerely,*  
*Chris Powell*

C. D. POWELL

Professor Norman Stone

18 Thameffe Rd. PRIVATE AND CONFIDENTIAL

Oxford

OX2 7BB



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

22 February 1990

*Dear Professor Stern,*

The Prime Minister is very glad to hear that you are able to come to Chequers on Saturday 24 March, to take part in a discussion about Germany, and has asked me to say how grateful she is to you.

What the Prime Minister has in mind is a very informal talk about the lessons which can be learned from Germany's history for the handling of German reunification and the United Germany with which we shall soon be dealing: and how we can ensure that unification strengthens the stability and security of Europe. She has in mind a general discussion, drawing on the particular experience and knowledge of each of the participants (who are likely to number fewer than ten). I would be grateful if you would treat the fact of the meeting as well as the contents of the discussion as strictly confidential.

The meeting would begin at 12.30 with lunch, and continue through the afternoon, finishing in the early evening. Chequers is about one hour's drive from London and 45 minutes from Oxford.

If agreeable to you, we would meet the cost of return Club Class air travel from the United States and of three nights accommodation in the United Kingdom. We would provide transport from London to Chequers and back. If this is acceptable, I will ask our Embassy to make the practical arrangements direct with you.

I look forward very much to meeting you.

*Yours sincerely,*

C. D. POWELL

Professor Fritz Stern



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

22 February 1990

*Dear Professor Craig,*

The Prime Minister is very glad to hear that you are able to come to Chequers on Saturday 24 March, to take part in a discussion about Germany, and has asked me to say how grateful she is to you.

What the Prime Minister has in mind is a very informal talk about the lessons which can be learned from Germany's history for the handling of German reunification and the United Germany with which we shall soon be dealing: and how we can ensure that unification strengthens the stability and security of Europe. She has in mind a general discussion, drawing on the particular experience and knowledge of each of the participants (who are likely to number fewer than ten). I would be grateful if you would treat the fact of the meeting as well as the contents of the discussion as strictly confidential.

The meeting would begin at 12.30 with lunch, and continue through the afternoon, finishing in the early evening. Chequers is about one hour's drive from London and 45 minutes from Oxford.

If agreeable to you, we would meet the cost of return Club Class air travel from the United States and of three nights accommodation in the United Kingdom. We would provide transport from London to Chequers and back. If this is acceptable, I will ask our Embassy to make the practical arrangements direct with you.

I look forward very much to meeting you.

*yours sincerely,*  
  
C. D. POWELL

Professor Gordon Craig

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*Time short*  
*Refer to meeting tomorrow.*  
*AM*

MIPT: DE MICHELIS ADDRESSES PARLIAMENT ON EUROPEAN INTEGRATION

SUMMARY

1. DE MICHELIS ACCEPTS THAT AN IGC WILL NOT HAPPEN BEFORE DECEMBER 1990, BUT HOPES THAT IT WILL FINISH BY APRIL 1991 AND THAT POLITICAL UNION CAN BE ACHIEVED BY JUNE 1994. HE CALLS FOR A NEW EUROPEAN DEFENCE SYSTEM BASED ON THE CSCE.

*totally unrealistic.*

DETAIL

2. FOREIGN MINISTER DE MICHELIS ADDRESSED THE FOREIGN AFFAIRS AND BUDGET COMMISSIONS OF THE CHAMBER OF DEPUTIES ON 21 FEBRUARY, CONCENTRATING ON GERMANY AND EC INTEGRATION. AFTER RESTATING HIS VIEW THAT THE TWO PLUS FOUR POWERS SHOULD LIMIT THEMSELVES TO DISCUSSING BERLIN, HE WENT ON TO IDENTIFY FOUR 'DYNAMICS' IN EUROPE:

- (A) THE PROCESS OF EUROPEAN INTEGRATION
- (B) THE 'REORGANISATION OF EUROPE'S DEFENCE SYSTEM'
- (C) RELATIONS BETWEEN EAST AND WEST EUROPE
- (D) GERMAN UNIFICATION.

3. DE MICHELIS SAID THAT THERE WERE THREE WAYS OF HARMONISING THESE PROCESSES:

- (I) BY ANCHORING GERMAN UNIFICATION IN THE PROCESS OF COMMUNITY INTEGRATION
- (II) BY CONVENING A SECOND HELSINKI CONFERENCE, TO CREATE 'A SINGLE EUROPEAN DEFENCE SYSTEM'
- (III) BY DEFINING A NEW EUROPEAN ARCHITECTURE, BASED FIRST ON THE EC, THEN ON RELATIONS BETWEEN THE EC AND EFTA, AND FINALLY THROUGH A SPECIAL ASSOCIATION BETWEEN THE EC AND INDIVIDUAL COUNTRIES OF EASTERN EUROPE.

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4. DE MICHELIS OUTLINED HIS TIMETABLE FOR EUROPEAN INTEGRATION. ITALY WOULD NOT PROPOSE BRINGING FORWARD THE IGC FROM DECEMBER 1990, BUT HOPED THAT IT WOULD HAVE FINISHED ITS WORK BY SPRING 1991. HE SUGGESTED THAT A SECOND PARALLEL CONFERENCE BE SET UP TO PROPOSE AMENDMENTS TO THE TREATY OF ROME ALLOWING GREATER POLITICAL INTEGRATION, IN PARTICULAR STRENGTHENING THE POWERS OF THE EUROPEAN PARLIAMENT AND COMMISSION. ITALY'S ULTIMATE AIM WAS TO HAVE FULL POLITICAL UNION BY JUNE 1994 - IE WITHIN THE LIFETIME OF THE CURRENT EUROPEAN PARLIAMENT. DE MICHELIS WAS SURE THAT ALL EC MEMBERS WOULD AGREE WITH SUCH A TIMETABLE, 'EXCEPT I SUPPOSE, GREAT BRITAIN'.

WOOD

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VISIT TO ROME BY GENSCHER, 21 FEBRUARY

SUMMARY

1. GENSCHER SEEKS TO REASSURE ITALIANS ON GERMAN INTENTIONS REGARDING UNIFICATION AND EC INTEGRATION. DE MICHELIS RESTATES RESERVATIONS ABOUT TWO PLUS FOUR BUT ACKNOWLEDGES THAT IT IS FOR THE GERMANS TO DECIDE THE PACE OF UNIFICATION.

DETAIL

2. GENSCHER PAID A BRIEF VISIT TO ROME ON 21 FEBRUARY FOR TALKS AND DINNER WITH ANDREOTTI AND DE MICHELIS. THE VISIT WAS APPARENTLY ARRANGED AT SHORT NOTICE.

3. IN REMARKS TO THE PRESS BEFORE DINNER, DE MICHELIS DESCRIBED THE TALKS WITH GENSCHER AS VERY FRUITFUL AND SAID THAT THERE HAD BEEN NO DIVERGENCE BETWEEN GERMAN AND ITALIAN VIEWS. HE RESTATED HIS BELIEF THAT THE TWO PLUS FOUR FORMULA WAS COMPETENT ONLY TO CONSIDER THE QUESTION OF BERLIN'S STATUS AND ADDED: 'ALL THE OTHER EXTERNAL ASPECTS OF UNIFICATION SHOULD BE DEALT WITH IN THE WIDER FORA OF EC, NATO AND CSCE'. DE MICHELIS SAID THAT THE ITALIANS WERE IN PRINCIPLE IN FAVOUR OF GERMAN UNIFICATION. THIS WAS NOT ONLY INEVITABLE BUT ALSO JUSTIFIED. THE PACE WOULD BE DECIDED BY THE GERMANS THEMSELVES. TO PROLONG THE PROCESS OF UNIFICATION COULD BE A CAUSE OF INSTABILITY.

4. THERE WERE NO PUBLIC COMMENTS FROM ANDREOTTI OR GENSCHER, ALTHOUGH THE LATTER IS REPORTED TO HAVE TOLD THE ITALIANS THAT THE FRG AGREED ON THE NEED TO ACCELERATE EUROPEAN INTEGRATION, BUT COULD NOT WAIT FOR A STRONGER COMMUNITY TO EMERGE BEFORE PROCEEDING WITH UNIFICATION.

COMMENT

5. THE SURPRISE NATURE OF GENSCHER'S VISIT HAS FUELLED SPECULATION

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IN THE ITALIAN MEDIA THAT HIS MAIN MISSION WAS TO ALLAY ITALIAN FEARS ABOUT GERMAN UNIFICATION. THE FRG AMBASSADOR TOLD ME TODAY, HOWEVER, THAT GENSCHER'S VISIT WAS 'TOTALLY DEVOID OF DRAMA'. THE INTENTION IN ROME HAD BEEN SIMPLY THE WISH TO HAVE 'THE CLOSEST BILATERAL CONTACT' WITH THE ITALIANS AND TO PRESENT GERMAN UNIFICATION AS A GOAL TO BE PURSUED 'SOLELY IN THE EUROPEAN CONTEXT'.

6. SEE MIFT FOR A REPORT ON DE MICHELIS' EARLIER REMARKS TO PARLIAMENT ON GERMAN UNIFICATION AND EUROPEAN INTEGRATION.

WOOD

YYYY

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PAGE 2  
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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 February 1990

*See Stepler.*

**GERMANY: FOUR PLUS TWO**

Mr Kossov of the Soviet Embassy came to see me briefly this morning and left the enclosed speaking note. As you will see, it makes the same point that Adamishin put to Sir Percy Cradock, namely that meetings of the Four plus Two might start at expert level straight away. It suggests that we and the Soviet Union might propose this in parallel to the Americans and the French, as well as the two Germanies.

I said that I would let him have a considered reaction. My personal view was that we would be ready to begin discussions among officials straight away, but that the Germans at least were most unlikely to agree, and there was little to be gained by having a confrontation about this. It would no doubt be open to us all to have multiple bilateral contacts in the period between now and 18 March.

We did not have time for much gossip about political developments in the Soviet Union. Kossov had clearly not thought much of Medvedev, whom he described as a country headmaster. The best thing about him was that he was so ineffective that he left the field free for Yakovlev. That led him in turn to speculate that Yakovlev might be elected as Chairman of the Party if Gorbachev achieved his aim of becoming Executive President. He talked rather gloomily of the likely difficulties of the next few weeks and months before the Party Congress. He expected the next meeting of the Central Committee to be the week after next.

I mentioned to Kossov that we had not yet made up our minds on whether the Prime Minister would see Yeltsin. Not seeing him could well lead to more public interest in his visit than seeing him would do. If the Prime Minister were to see him, I thought she would leave him in no doubt of her support for Mr Gorbachev and his policies. Mr Kossov simply noted that Yeltsin's public statements had become more stridently anti-Gorbachev in the last few weeks. We might consider waiting to see how he conducted himself during next Sunday's pro-democracy demonstration before reaching a decision.

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11  
I should be grateful if you could let me have some  
comments on Kossov's speaking note which I can pass back to  
him, preferably before the weekend.

Yours sincerely,



CHARLES POWELL

J S Wall Esq  
Foreign and Commonwealth Office

CONFIDENTIAL

An attention was paid in Moscow to the assessments of the line of the FRG government in German affairs, which were expressed by Mrs. M. Thatcher in her talks with H.-D. Gensher. The considerations of the Prime-Minister in many respects coincide with ours. As well as the British side, we believe that it would be incorrect to artificially speed up the inter-German aspects of unification, while putting to a later stage the discussions of and solutions to the international aspects of the German problem, which, as it seems, is the aspiration of West Germans. We indeed cannot now take the position of temporizing and later consider the whole complex of these issues in the time-trouble.

In our view, the agreement reached in Ottawa on the creation of negotiating mechanism of the "six" provides a possibility to work in an appropriate direction, i.e. to start discussing external aspects of unification, without waiting for the Germans to take decisions on issues, relating not only to their own competence but also on those, which trespass the subjects to be discussed by the "six". If the development of events take the course, on which the West German side insists, then the four powers might find themselves in a position whereby they would be faced with faits accomplis. As well as the Prime-Minister, we consider such a situation unacceptable. Indeed, in such a situation we would have to work not within "2 + 4" formula, but "1 + 4" instead. In this respect we are interested to find out your opinion as to when and at what level the first meeting of experts of the "six" can take place.

In general we believe that we have all the grounds to insist on the priority of external aspects since the four powers bear special responsibility for the German settlement. Besides, it is called for by wider interests of European development.

Unless the Prime-Minister has any comments or additional observations to make, we would be prepared, acting in parallel with the British side, to stick to a corresponding line in our contacts with the USA, France as well as with FRG and GDR.

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*File M R H  
Foreign Poland  
see PC*

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

22 February 1990

POLAND

The Polish Ambassador called on me this morning to hand over formally the Polish Prime Minister's message to the Prime Minister about the Polish/German border. I enclose a copy.

I said that the Ambassador would know from the Prime Minister's comments to Mr. Mazowiecki, and in her subsequent speech to the Board of Deputies of British Jews, that Poland had our support in wanting to see its border with Germany regulated by treaty or other legally-binding instrument. There was no doubt about that. I would prefer not to make any comment on the procedures suggested in Mr. Mazowiecki's message, as we had not yet fully sorted out our own thoughts on this or discussed it with our Allies. The Prime Minister would reply to the message as soon as possible.

I should be grateful for a draft reply.

I am copying this letter and enclosure to Simon Webb (Ministry of Defence) and to Sonia Phippard (Cabinet Office).

CHARLES POWELL

J. S. Wall, Esq.,  
Foreign and Commonwealth Office

**CONFIDENTIAL**

(Unofficial translation)

Warsaw, February 21, 1990

Dear Prime Minister,

The unification of the German nation in a single State opens up a new period in the history of Europe. We cannot possibly enter that period with the security of all the States on the continent, particularly the neighbours of Germany, in their current borders, unassured.

According to the Ottawa statement of Feb. 13, 1990, the Foreign Ministers of the Federal Republic of Germany and the German Democratic Republic will meet with the Foreign Ministers of the French Republic, the United States of America, the United Kingdom of Great Britain and Northern Ireland and the Union of Soviet Socialist Republics in order to discuss the various external aspects of the establishment of German unity, including the issues of security of the neighbouring States.

Poland welcomed the fact that the questions of the security of the neighbouring States had been referred to in the statement by the six Foreign Ministers.

The fact that the security of Germany's neighbours has been raised has two consequences: a substantive and a procedural one. Each of them is important.

Firstly, as regards the substantive aspect, the Ottawa communique means that the unification of the two German States and the attainment of constitutional unity by the German nation shall leave intact the security of the States adjacent to the unifying (and subsequently unified) German States. In other words, the unification shall in no way impair the present nor future security of the neighbours, particularly with respect to their territorial security and the permanence of their borders.

The Right Honourable  
Mrs Margaret Thatcher FRS MP  
Prime Minister

London

These are extremely important issues. It is of vital concern for Poland to see an end to any equivocation with respect to the Polish-German border along the Odra-Lusatian Nysa rivers. A future treaty of peace has repeatedly been emphasized in the Federal Republic of Germany as the exclusive instrument by which that border could be settled. However, the legal and political reality is that despite the lack of peace settlement the Odra-Lusatian Nysa border has become part of the European order. Whoever questions that border in one form or another, or puts to question its permanent character - thereby defies the security and cooperation in Europe. I declare Poland's readiness to take part in the work on the peace treaty and her readiness to sign it. However, for reasons beyond Poland's control, work on the peace treaty is not envisaged at all at present or is being postponed until an unidentified point in time after German unification, thus giving some forces the opportunity to continuously consider the Polish-German border an open question. We cannot allow such state of affairs to persist after Germany is unified.

The German Democratic Republic has recognized the Odra-Lusatian Nysa border as the Polish-German state frontier (Zgorzelec Agreement of July 6, 1950). The Federal Republic of Germany has stated that the relevant line constitutes the western state border of the Republic of Poland (The Treaty of Warsaw, of Dec. 7, 1970). Therefore, if one acts in good faith, nothing can obstruct the present Polish-German borderline from becoming reaffirmed by a treaty concluded at the very beginning of the unification process. It is an essential issue for Poland as a neighbour of the German nation.

Secondly, by pointing to the security issues of the neighbouring States, the Ottawa communique indicates that in the discussions between the Ministers of Foreign Affairs of the Federal Republic of Germany and the German Democratic Republic and the Foreign Ministers of the Four Powers, there is room for the participation by the Foreign Ministers of the countries concerned and adjacent to one or both German States.

The latter implication of the relevant clause in the Ottawa statement deserves closer elaboration.

The present international relationships in Europe are becoming increasingly democratic, with all the European States having the possibility to speak and take part in the conferences or other meetings where their interests, particularly the vital ones, are discussed. It is unthinkable today (and impracticable) for any European State, especially any of the six which adopted the Ottawa statement, to seek to exclude the voice of the neighbours of the German States from the discussion on these neighbours' security. The Polish Government did not allege and is not alleging the existence of such intentions on the part of any of the six States; it attaches great importance to having the best possible relations with each of these States.

Indeed, to exclude the voice of the neighbouring States concerned and to shut them off from the relevant stage of the discussion on the aspects of the German unification which affect the security of the neighbouring States - would be tantamount to a repetition of the Yalta formula of 1945. It would, indeed, mean discussing and deciding by some States about vital interests of others in the absence of the latter.

In view of the foregoing considerations, guided by her own interest as well as that of European cooperation, and by the desire for the best possible relations with her German neighbour - Poland states as follows:

- 1) We believe that the point of departure to the German unification is the final elimination of all doubt or equivocation with respect to the present course, delimitation and demarcation of the Polish-German border along the Odra-Lusatian Nysa rivers. The issue should never re-emerge; the elimination of doubt or equivocation will be equivalent to peace settlement and will have full effect in German law and that of other States. Poland proposes to conclude, at the outset of the unification, a treaty containing provisions to that effect and reaffirming the final and permanent status of the existing Polish-German

border. That border should not be changed in any way. The text of the treaty will be initialled by the two German States and Poland as a result of the discussions indicated by the Ottawa communique. The treaty will be signed by the unified German State and Poland upon the establishment of that unified German State. Poland will submit a draft of such a treaty.

2) Poland considers it indispensable to have a part in the discussion on the external aspects of the German unification in order to present her standpoint on the security issues, particularly those relating to the border and the proposed treaty. Poland makes it clear that she is not seeking a status identical with that of any of the Four Powers nor any of the two German States.

We believe that the discussion on the security issues of the neighbouring States should be held at an early stage of the conference as its separate part.

In conclusion, I wish to state as follows:

The prospect of the unification of the German nation in one State opens up a new chapter in the postwar history of Europe. Poland welcomes every form of national self-determination. The unification of Germany and its external aspects constitute an important part of the peace settlement on our continent. Every State concerned has the right to take part in that settlement. One such State is Poland. Our right stems from the imperatives of international morality, the international law, our historical experience of the last fifty years and our present legal and political situation.

I wish to inform you, Prime Minister, that identical letters are being sent to the leaders of the French Republic, the United States of America and the Union of Soviet Socialist Republics.

Please accept the assurances of my highest consideration.

/-/ Tadeusz Mazowiecki

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YOUR TELNO 348: MEETING WITH ACADEMIC EXPERTS ON GERMANY

1. WE HAVE SPOKEN TO GORDON CRAIG, WHO WOULD BE HAPPY TO ATTEND THE MEETING AT CHEQUERS ON SATURDAY 24 MARCH. HE ASKED IF IT WOULD BE POSSIBLE TO ARRANGE A FLIGHT A COUPLE OF DAYS IN ADVANCE OF THE MEETING TO ALLOW HIM TO OVERCOME ANY JET-LAG (HE LIVES IN CALIFORNIA, WHICH IS 8 HOURS BEHIND GMT). HE ALSO ASKS IF YOU WOULD LEAVE THE RETURN DATE ON HIS TICKET OPEN, AS HE WOULD LIKE TO VISIT HIS OXFORD COLLEGE AFTER THE CHEQUERS MEETING. FINALLY, HE ASKED IF HE WOULD NEED QUOTE EVENING CLOTHES UNQUOTE IE BLACK TIE.

2. WE HAVE NOT BEEN ABLE TO CONTACT PROFESSOR FRITZ STERN BEFORE DEADLINE IN TUR. WE HOPE TO BE ABLE TO SPEAK TO HIM IN THE COURSE OF 22 FEBRUARY AND WILL REPORT AS SOON AS POSSIBLE.

ACLAND

YYYY

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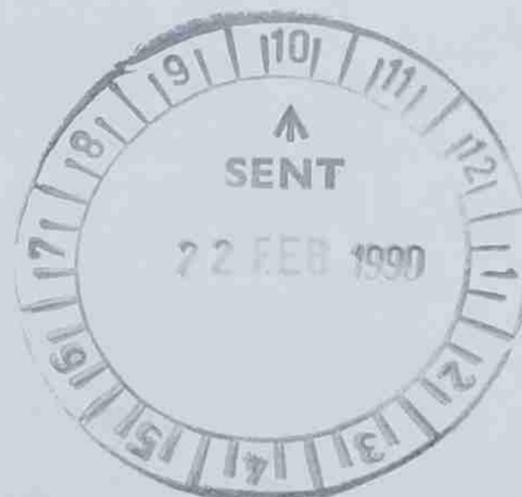
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MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2111/3

MO 14/3S

21 February 1990

*Dear Charles,*GERMAN REUNIFICATION

I undertook to let you have a note of the Defence Secretary's discussion with Dr Stoltenberg at the IEPG meeting in Gleneagles today, in advance of the Prime Minister's meeting with him tomorrow, and to supplement the brief forwarded by Stephen Wall yesterday.

At the lunch which Mr King hosted for his colleagues, Dr Stoltenberg gave a full account of the Federal Government's approach to unification, and the security of the GDR territory. He stressed that the rapidly declining economic situation in the East argued for early progress towards unification. After elections in the GDR, the FRG and GDR Governments would begin discussions; subsequently these would continue in the "two plus four" forum. He recognised that there was concern amongst European Communities and NATO partners, and in Poland and Czechoslovakia and other Eastern European nations, about the security implications of unification. The Federal Government was accordingly fully committed to extensive consultations in appropriate EC and NATO fora. They wished to proceed in full co-operation with friends and allies. The security implications were particularly complex. Chancellor Kohl had made clear last week in the Bundestag that Germany could not be neutralised and could not be demilitarised; that Germany must be incorporated within the Western Alliance; but that taking into account the legitimate security interests of the Soviet Union, there was no intention to transfer units and institutions of NATO, including the Bundeswehr, into GDR territory. The Federal Government was also ready to accept that the Soviet Union would maintain forces in the former GDR at least for a limited time; Germany would have to address with the Alliance how long this transition period might be. Equally the future of the GDR National People's Army was an issue which would need to be addressed in the "two plus four" group. A critical requirement would be to ensure that allied forces could remain in FRG territory; numbers were

Charles Powell Esq  
No 10 Downing Street

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relatively unimportant compared to the stability given by retaining stationed forces. It was particularly critical to retain a US presence.

In the subsequent discussion lasting over an hour, Stoltenberg said that a recent joint statement from himself and Herr Genscher had been designed to put a stop to public discussion, and not to provide answers to questions which would need to be addressed in both "two plus four" and wider fora. He believed that it would be very difficult for Germany to accept an unlimited (in terms of time) Soviet presence in the former GDR. Moscow's acceptance of US troops in Europe in excess of Soviet levels (225,000 v 195,000) gave some encouragement that Moscow might accept stationed forces in the FRG even after their own withdrawal from the GDR. In response to more detailed questions on how the security of the GDR would be maintained in the longer term, Stoltenberg said that even in such a private forum he only had questions and no answers. Other Ministers present, but particularly Mr ter Beek (Netherlands) stressed their concern at the exclusive nature of the "two plus four" arrangement, and in particular that Belgium, Netherlands and Canada who all maintained forces in FRG, would not be involved in the consultation. This would make it increasingly difficult for them to sustain domestic agreement to the stationing of such forces. There was a general welcome for Stoltenberg's willingness to be cross-questioned at such length, and an agreement that such consultations should continue in future. The Defence Secretary alluded to Mr Baker's approach to Dr Wörner (UK Del NATO telegrams 71 and 72), and suggested that this might form the basis for further necessary consultations within NATO.

In a subsequent private discussion with Dr Stoltenberg the Defence Secretary re-emphasised the importance of maintaining alliance cohesion at a time of great uncertainties and potential instability. In particular it was critical not to cause doubt on the continued requirement for stationed forces in the FRG. The close and continuous consultation between the NATO allies was therefore essential; Stoltenberg readily agreed.

#### Comment

Overall the Defence Secretary thought it useful to engage the Germans in this kind of discussion amongst Defence Ministers. For the Prime Minister's own information, we are preparing a military assessment of the operational and force planning aspects of German unification - based illustratively on a commitment to defend German territory to the Oder-Neisse line.

#### EFA

Dr Stoltenberg confirmed that he had the full support of Chancellor Kohl and the CDU/CSU for the continuation of the EFA

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programme, and believed that he had persuaded coalition partners in the FPD of the need to proceed with the development phase including the radar. There was no significant problem with the selection of ECR 90. He hoped to be able to report his intention to proceed with development to the Bundestag Defence Committee on 7th/8th March and to confirm German participation in the programme immediately thereafter.

A brief on EFA is enclosed.

I am copying this letter to Stephen Wall (FCO), Sonia Phippard Cabinet Office.

Yours sincerely,

*Simon Webb*

(S WEBB)  
Private Secretary

Postscript: As he was leaving, Dr Stoltenberg gave Mr King privately a clear indication that he considered the joint statement on security of the UK to be untenable.

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LINE TO TAKE

- Welcome your continuing support for EFA. How do you see political attitudes to the project in Germany?
  
- We are firmly of the view that EFA will be an essential element of our air defence forces in the mid to late 1990s and beyond.
  
- Glad to see that progress was made last month in discussions on the selection of radar. As you know, we believe that ECR 90 is the right choice.
  
- Look forward to a successful completion of the negotiations on the proposed side letter. Important that it is seen as fair if Parliament is to be persuaded that this very unusual step is justified.
  
- Can confirm that the proposed acquisition of Ferranti Defence Systems by GEC is not to be referred to the Monopolies and Mergers Commission. The takeover will assure the future financial viability of Ferranti.
  
- Hope that final agreement will be reached soon on all outstanding issues. Pleased to hear from Tom King that Stoltenberg optimistic about the future of the programme.

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BACKGROUND

1. In an effort to solve the long standing disagreement between ourselves and Germany over the choice of radar for EFA, the Defence Secretary and Dr Stoltenberg agreed to recommend ECR 90 to their colleagues provided that Ferranti's financial status was assured and subject to the provision by HMG of a side letter to the Memorandum of Understanding for the development of EFA. This would guarantee Germany against any extra costs at Messerschmitt Bolkow Blohm (MBB) (the firm responsible for integrating the radar into the aircraft) attributable to delays or defaults on the part of the consortium led by Ferranti within a ceiling of DM 200 million (non escalating). Spain and Italy support ECR 90 as the choice of radar; and have been kept in touch with our negotiations with the Germans.

2. GEC has announced its intention of taking over Ferranti Defence Systems; and the Trade and Industry Secretary has accepted the recommendation of the OFT not to refer it to the Monopolies and Mergers Commission. The takeover now seems likely to be completed early next month.

3. Negotiations are proceeding between MOD and German officials on the text of a side letter. The Treasury are being kept fully informed. Agreement has been reached on much of the substance; but a number of points have still to be resolved. It would be helpful to stress to Dr Stoltenberg that we attach great importance to achieving an agreement which is fair to both sides.

4. Discussions are also in hand with GEC about a back to back agreement under which they would accept any financial liability flowing from the side letter. This is a domestic issue for ourselves and not of interest to the Germans, though clearly GEC would be reluctant to accept liabilities from the side letter which they considered inequitable.

5. The SDP is opposed to EFA; and the FDP has recently expressed hostility to the project, though Stoltenberg's officials believe that this may be principally for electoral reasons in order to improve their chances of entering into a coalition with whichever major party wins the General Election later this year. Stoltenberg and the Defence Secretary indicated their continuing commitment to EFA following their meeting on 22 January 1990. A copy of the relevant Press statement is attached.

6. In discussions with the Defence Secretary in the margins of the IEPG Ministerial meeting in Scotland today, Dr Stoltenberg confirmed that he had the full support of Chancellor Kohl and the CDU/CSU for the continuation of the EFA programme. He also believed that he had persuaded coalition partners in the FPD of the need to proceed with the development phase including the radar. There was no significant problem with the selection of ECR 90. He hoped to be able to report his intention to proceed with development to the Bundestag Defence Committee on 7th/8th March and to confirm German participation in the programme immediately thereafter.

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Issued on

06/89

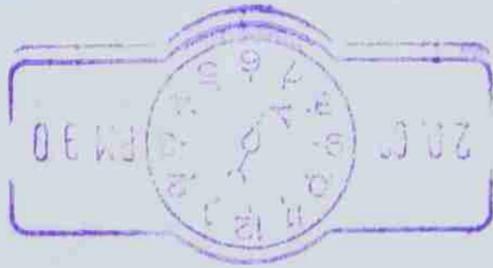
22 January 1990

## MEETING BETWEEN MR KING, THE SECRETARY OF STATE FOR DEFENCE AND DR STOLTENBERG, FEDERAL MINISTER OF DEFENCE

The two Ministers met this morning (22 January) to discuss important questions on East/West relations, developments in the arms control process and EFA. The talks took place in a constructive and friendly atmosphere.

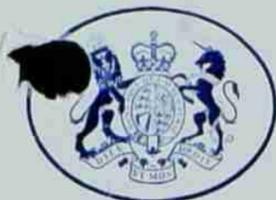
As far as EFA is concerned:

- a. The two Ministers agreed that there is a requirement for a modern fighter aircraft in the future, particularly since the Soviet Union continues to deploy modern fighter aircraft.
- b. The two Ministers stated that EFA is the best solution to meet the requirements of their Air Forces in the second half of the 1990s and beyond.
- c. More than 85 per cent of contracts for the development phase of EFA have already been let.
- d. During the talks significant progress was made in discussion of the major outstanding contract, covering the radar. Both Ministers have expressed the hope that they will reach a final decision very shortly.



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*R. G. C.*



Foreign and Commonwealth Office

London SW1A 2AH

21 February 1990

Amends

*Noted and told FCO the*

*Please note x*

*Meeting would probably begin at*

*Oh*

*1230*

*AP 22/2*

*Jean Charles,*

Meeting with Academic Experts on Germany

Thank you for your letter of 20 February to <sup>Step</sup> Stephen Wall. Gordon Craig and Fritz Stern are being invited for 24 March and we shall let you know their response as soon as possible. In the meantime I write to say that the Secretary of State could go to Chequers on Saturday 24 March, but would be very grateful if the meeting did not start until lunch-time since he has commitments on the Saturday morning.

*x/*

*Yours ever,*

*Richard Gozney*

(R H T Gozney)  
Private Secretary

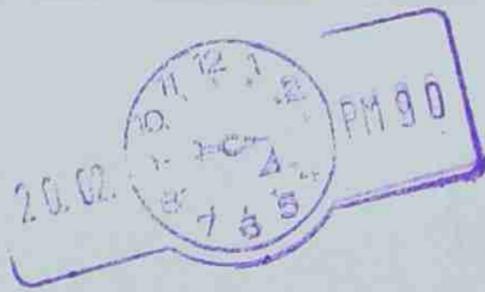
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MY TELNO 146: GERMAN REUNIFICATION: POLISH VIEWS

## SUMMARY

1. MAZOWIECKI'S LETTER TO HEADS OF GOVERNMENT OF THE FOUR POWERS ASKS THAT THE QUESTION OF POLISH BORDERS WITH A UNITED GERMANY SHOULD BE SETTLED AT THE BEGINNING OF THE UNIFICATION PROCESS, LEADING TO A TREATY ON THE QUESTION BETWEEN POLAND AND A UNIFIED GERMANY. POLES TO BE PRESENT WHEN THEIR INTERESTS ARE DISCUSSED IN THE 2 + 4 FRAMEWORK.

## DETAIL

2. SKUBISZEWSKI SUMMONED ME ON 21 FEBRUARY. HE SAID THAT MAZOWIECKI HAD NOW SENT LETTERS TO HEADS OF GOVERNMENT OF THE UK, US, FRANCE AND GERMANY. IT WAS EXPECTED THAT THESE WOULD BE HANDED OVER IN CAPITALS TOMORROW.

3. AS SKUBISZEWSKI SUMMARISED THE CONTENT OF THE MAZOWIECKI LETTERS, THE MAIN POINTS WERE:-

- (A) SATISFACTION THAT THE OTTAWA COMMUNIQUE HAD REFERRED TO THE IMPORTANCE OF THE SECURITY OF THE NEIGHBOURING STATES OF A UNIFIED GERMANY SEMICLN
- (B) FROM THIS THE POLES DREW ONE SUBSTANTIVE AND ONE PROCEDURAL CONCLUSION. THE SUBSTANTIVE ONE WAS THAT ANY DECISION ON GERMAN UNIFICATION WOULD TAKE INTO ACCOUNT AND IN NO WAY IMPAIR THE SECURITY OF GERMANY'S NEIGHBOURS, IN PARTICULAR IN REGARD TO THE INVIOLABILITY OF BORDERS.
- (C) THE PROCEDURAL CONCLUSION WAS THAT IT WAS DESIRABLE TO SETTLE THE BORDER ISSUE AS REGARDS POLAND AT THE BEGINNING OF THE UNIFICATION PROCESS. POLAND DID NOT WANT A UNIFIED GERMANY TO BEGIN ITS EXISTANCE BY DISCUSSING BORDER QUESTIONS WITH NEIGHBOURING STATES. IT WAS DESIRABLE THAT

THE ISSUE SHOULD BE REMOVED FROM THE INTERNATIONAL AGENDA AS SOON AS POSSIBLE.

- (D) POLAND CLAIMED THE RIGHT TO PARTICIPATE IN THAT PART OF THE DISCUSSIONS WHICH CONCERNED POLISH INTERESTS.
- (E) THE SPECIFIC POLISH PROPOSAL WAS THAT A TREATY ON POLAND'S BORDERS WITH A UNITED GERMANY SHOULD BE DRAFTED DURING DISCUSSIONS IN THE 2 + 4 FRAMEWORK. THIS WOULD THEN BE INITIALLED BY THE TWO GERMANIES AND POLAND, BUT SIGNED AFTER UNIFICATION BY THE SINGLE GERMANY AND POLAND.

4. SKUBISZEWSKI SAID THAT THE RELATIONSHIP OF THE FOUR POWERS TO THE POLISH/GERMAN TREATY WOULD NEED TO BE CONSIDERED FURTHER. POLAND WOULD BE OPEN TO VARIOUS SOLUTIONS. HE RECALLED THAT THE FRG HAD INFORMED THE FOUR POWERS ABOUT THE CONCLUSION OF THE 1970 POLISH/WEST GERMAN TREATY.

5. AFTER I REMINDED SKUBISZEWSKI OF THE RESPONSE WHICH THE PRIME MINISTER AND YOU HAD GIVEN TO MAZOWIECKI LAST WEEK IN LONDON, I SAID THAT I HAD NOTICED EARLIER ATTEMPTS BY SOME SECTIONS OF THE PRESS TO PRESENT POLAND AS SEEKING TO TAKE PART IN THE 2 + 4 DISCUSSIONS THROUGHOUT, THUS MAKING THESE 2 + 5. THIS HAD NOT BEEN MY UNDERSTANDING OF THE POLISH POSITION IN LONDON. SKUBISZEWSKI AGREED AND AGAIN STRESSED THAT POLAND WAS NOT SEEKING A STATUS AT THE DISCUSSIONS IDENTICAL WITH THAT OF THE FOUR POWERS OR INDEED THE TWO GERMANIES.

6. I COMMENTED TO SKUBISZEWSKI THAT THE DESCRIPTION OF THE POLISH POSITION HE HAD GIVEN ME INDICATED THAT IT DID NOT CONTAIN ANYTHING THAT COULD BE CONSTRUED AS A REQUEST FOR WIDER GUARANTEES OF THE POLISH/GERMAN BORDER. HE REPLIED THAT THIS SORT OF QUESTION WAS OPEN FOR CONSIDERATION IN THE LIGHT OF THE RESPONSE OF THE FOUR POWERS TO THE MAZOWIECKI LETTER.

7. SKUBISZEWSKI CONCLUDED BY EXPRESSING POLISH SATISFACTION OF THE UNDERSTANDING AND SUPPORT FOR THE POLISH CASE SHOWN BY THE PRIME MINISTER AND YOU IN LONDON LAST WEEK.

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GERMANY: SIR P CRADOCK'S CALL ON ADAMISHIN.

1. SIR P CRADOCK CALLED ON ADAMISHIN, DEPUTY FOREIGN MINISTER, SUPERVISING EUROPE, ON 20 FEBRUARY. ADAMISHIN GAVE A ROBUST AND SOMEWHAT HISTORIC PRESENTATION OF SOVIET VIEWS ON GERMANY. HE SUGGESTED IN PARTICULAR THAT A MEETING OF THE SIX SHOULD BE HELD BEFORE THE EAST GERMAN ELECTIONS. OTHERWISE WE WOULD FIND OURSELVES SIMPLY RUBBER-STAMPING WHATEVER DECISIONS THE TWO GERMANIES REACHED AMONGST THEMSELVES. HE INDICATED THAT IT WOULD BE CONVENIENT FOR THE SOVIET UNION IF THE BRITISH WERE TO TAKE THE LEAD IN PROPOSING SUCH A MEETING. BRITISH AND SOVIET VIEWS WERE VERY CLOSE, AS THE NEWS DEPARTMENT OF HIS MINISTRY HAD JUST ANNOUNCED (MY TELNO 293).

2. ADAMISHIN REPEATED THE NOW STANDARD SOVIET LINE THAT GERMAN REUNIFICATION WAS INEVITABLE, BUT THAT IT MUST TAKE ACCOUNT OF THE INTERESTS OF OTHER PARTIES. THE PARTNERS OF THE TWO GERMANIES HAD EVERY INTEREST IN SLOWING THE PROCESS DOWN AND ENSURING THAT IT WENT IN STAGES. BUT THE SOVIET UNION, AND GERMANY'S OTHER PARTNERS, HAD VERY FEW EFFECTIVE LEVERS. THEY THEREFORE NEEDED TO THINK IMAGINATIVELY ABOUT THE OPPORTUNITIES AVAILABLE.

3. THE OTTAWA AGREEMENT ON THE TWO-PLUS-FOUR MECHANISM WOULD BE A VALUABLE INSTRUMENT FOR THIS PURPOSE. THE SOVIETS BELIEVED THERE SHOULD NOT BE A SEPARATE MEETING OF THE FOUR POWERS ON THEIR OWN, BECAUSE IT WAS IMPORTANT NOT TO ACT BEHIND THE BACKS OF THE GERMANS. BUT THE GERMANS WERE ALREADY TALKING TO ONE ANOTHER. HE THEREFORE SUGGESTED THAT MEETINGS OF THE SIX SHOULD BE HELD IN PARALLEL WITH THE MEETINGS BETWEEN THE TWO GERMANIES, AND ABOVE ALL THAT THEY SHOULD BEGIN BEFORE THE EAST GERMAN ELECTIONS ON 18 MARCH. IF WE LEFT ANY MEETINGS OF THE SIX UNTIL BEYOND THAT DATE, THE PROCESS WOULD ALREADY BE FORGING AHEAD WITHOUT US.

4. ADAMISHIN FIRMLY REJECTED THE PROPOSITION THAT A UNITED GERMANY SHOULD BE A MEMBER OF NATO. THIS WAS COMPLETELY UNACCEPTABLE TO THE SOVIET SIDE. IT WAS A GRAVE MISTAKE ON THE PART OF THE WEST TO THINK

PAGE 1  
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THAT A UNITED GERMANY IN NATO WOULD CORRESPOND TO SOVIET INTERESTS. IT WOULD BE A MAJOR OBJECTIVE OF SOVIET POLICY TO PREVENT SUCH AN OUTCOME. LEAVING ASIDE THE FACT THAT SUCH AN OUTCOME WOULD ENTAIL THE DISMANTLING OF THE SOVIET UNION'S PRESENT SECURITY ARRANGEMENTS, IT WOULD LOOK TO THE SOVIET PEOPLE LIKE A NEW ANSCHLUSS, AND TO THE LOSS BY THE SOVIET UNION OF THE FRUITS OF VICTORY AND OF A STRATEGIC ALLY. THIS COULD LEAD TO A WAVE OF NATIONALISM IN THE SOVIET UNION WITH UNPREDICTABLE CONSEQUENCES.

5. THE RIGHT WAY FORWARD WAS TO FOLLOW THE MODROW PLAN. THERE SHOULD BE AN AGREEMENT IN PRINCIPLE ON UNIFICATION, WHICH COULD COME QUITE SOON, FOLLOWED BY A SLOW GROWING TOGETHER OF POLITICAL AND ECONOMIC INSTITUTIONS OF THE TWO GERMANIES. THIS WOULD GIVE TIME TO DEVISE NEW FORMS OF EUROPEAN SECURITY STRUCTURE, BASED ON MORE MODERN CONCEPTS OF 'NEUTRALITY' AND 'SECURITY'. IN ADDITION, THERE WOULD NEED TO BE A FORMAL JUDICIAL ACT GOVERNING THE EXISTING FRONTIERS OF GERMANY AND RATIFIED BY PARLIAMENTS. WE SHOULD NOT REPEAT THE MISTAKES OF 1939, WHEN THE GERMANS HAD SIMPLY PLAYED OFF THE RUSSIANS, FRENCH AND THE BRITISH AGAINST ONE ANOTHER. NOR SHOULD WE UNDERESTIMATE THE RISK THAT A UNITED GERMANY WOULD REVIVE ITS AMBITIONS TO REGAIN THE TERRITORIES WHICH IT HAD HELD ON THE EVE OF THE SECOND WORLD WAR.

6. SIR P CRADOCK SAID THAT IN OUR VIEW GERMANY UNIFICATION WAS INEVITABLE, AND COULD COME ABOUT VERY RAPIDLY: BUT THE EXTERNAL IMPLICATIONS WERE EXTREMELY IMPORTANT AND REQUIRED CAREFUL THOUGHT. IT WAS OUR FIRM VIEW THAT A NEUTRAL GERMANY, WITH NO FIRM ATTACHMENTS TO EAST OR WEST, COULD BE A FORCE FOR INSTABILITY. THAT IS WHY WE CONSIDERED THAT IT WAS IN THE INTERESTS OF EVERYONE IN EUROPE FOR GERMANY TO REMAIN FIRMLY ANCHORED IN NATO. EVEN IF THE RUSSIANS COULD NOT ACCEPT THIS CENTRAL PROPOSITION, THERE WERE A LARGE NUMBER OF ISSUES THAT WE SHOULD DISCUSS BILATERALLY IN THIS VERY RAPIDLY EVOLVING SITUATION: FOR EXAMPLE, THE FORM OF ANY NECESSARY GUARANTEES OF THE GERMAN FRONTIERS, PROCEDURAL ARRANGEMENTS FOR CARRYING FORWARD DISCUSSION AMONGST THE SIX AND LATER MORE WIDELY WITH GERMANY'S NEIGHBOURS, ESPECIALLY THE POLES, AND SO ON. THE BRITISH GOVERNMENT THOUGHT IT IMPORTANT TO REMAIN IN THE CLOSEST BILATERAL CONTACT WITH THE SOVIET GOVERNMENT ON THESE ISSUES. ADAMISHIN WARMLY AGREED.

## COMMENT

7. AS MR WALDEGRAVE DISCOVERED DURING HIS RECENT VISIT, ADAMISHIN HAS A TENDENCY TO OVERSTATE HIS CASE. THE POLICY HE SET OUT DOES NOT DIFFER FROM THE LINE TAKEN IN THE LAST FEW DAYS BY SHEVARDNADZE AND

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GORBACHEV (MY TELEGRAMS 282 AND 294). BUT HIS UNCOMPROMISING REJECTION OF GERMAN MEMBERSHIP OF NATO WAS MORE ABSOLUTE THAN THEIRS, AND IS NOT NECESSARILY AN ACCURATE GUIDE TO WHERE THE SOVIET GOVERNMENT WILL EVENTUALLY EMERGE. HE IS HOWEVER PROBABLY RIGHT TO EMPHASISE, YET AGAIN, THAT THIS IS DOMESTICALLY A POLITICAL HOT POTATO FOR THE RUSSIANS AND TO INDICATE THAT AN EARLY MEETING OF THE FOUR-PLUS-TWO WOULD THEREFORE BE HELPFUL. BUT HE SEEMED WELL ENOUGH AWARE THAT, AT THE END OF THE DAY, THE SOVIET UNION HAS LITTLE SCOPE FOR INFLUENCING THE PROCESS OF GERMAN REUNIFICATION DECISIVELY.

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MIPT: GERMAN UNIFICATION AND THE ALLIANCE

FOLLOWING IS TEXT OF SECRETARY BAKER'S LETTER:

BEGINS:

EVENTS IN EUROPE CONTINUE TO MOVE RAPIDLY, PARTICULARLY AS REGARDS THE PROSPECTS FOR GERMAN UNIFICATION. AT OUR RECENT MEETING IN OTTAWA, I BELIEVE WE MADE IMPORTANT PROGRESS IN ASSURING THAT THESE CHANGES GO FORWARD IN A PEACEFUL AND CONSTRUCTIVE MANNER, CONSISTENT WITH THE INTERESTS OF ALL EUROPEAN STATES.

OUR AGREEMENT IN OTTAWA TO SET UP A GROUP INCLUDING THE TWO GERMAN STATES AND THE FOUR STATES WITH RIGHTS AND RESPONSIBILITIES FOR BERLIN AND GERMANY AS A WHOLE ESTABLISHES AN IMPORTANT COMPONENT OF OVERALL PROCESS OF CONSULTATIONS. THIS IS THE FORUM IN WHICH THOSE ISSUES RELATED TO RIGHTS AND RESPONSIBILITIES WHICH THE U.S., UK, FRANCE AND THE SOVIET UNION RETAIN AS THE RESULT OF AGREEMENTS MADE DURING AND AFTER WORLD WAR II CAN BEST BE ADDRESSED.

THE ACHIEVEMENT OF GERMAN UNITY ALSO RAISES ISSUES OF FUNDAMENTAL IMPORTANCE TO NATO. I BELIEVE WE ARE ALL AGREED THAT GERMANY'S CONTINUED MEMBERSHIP IN NATO, INCLUDING PARTICIPATION IN NATO'S INTEGRATED MILITARY STRUCTURE, AND THE CONTINUED COMMITMENT OF NATO FORCES TO THE SECURITY OF GERMANY IS OF ENDURING IMPORTANCE TO STABILITY AND SECURITY THROUGHOUT EUROPE. AS THE PROCESS OF UNIFICATION MOVES FORWARD, SPECIAL ARRANGEMENTS MAY BE APPROPRIATE AS REGARDS THE TERRITORY OF EAST GERMANY. THESE AND OTHER IMPORTANT ISSUES -- INCLUDING THOSE POLITICAL ISSUES THAT GROW OUT OF THE REVIEW OF SECURITY ISSUES -- WILL NEED TO BE DISCUSSED WITHIN THE ALLIANCE. SIMILARLY, THE ECONOMIC IMPLICATIONS OF GERMAN UNITY WILL, I KNOW, BE CONSIDERED WITHIN THE EUROPEAN COMMUNITY. WE WILL BE CONSIDERING IN THE COMING WEEKS HOW BEST TO STRUCTURE THESE NATO CONSULTATIONS AND I WOULD APPRECIATE YOUR VIEWS.

PAGE 1  
SECRET

**Secret**

THE CSCE PROCESS WILL ALSO PLAY AN IMPORTANT ROLE IN INSURING THAT ALL THE CHANGES UNDERWAY IN EUROPE MOVE FORWARD IN A MANNER WHICH STRENGTHENS OUR COMMON SECURITY AND COOPERATION. I AM PLEASED THAT WE WERE ABLE TO AGREE IN OTTAWA TO ESTABLISH A SPECIAL GROUP WITHIN NATO TO BEGIN PLANNING FOR A CSCE SUMMIT. NATO IS THE PROPER FORUM -- RELYING ON DISCUSSIONS IN THE SPECIAL GROUP WHICH WOULD REPORT PERIODICALLY TO THE NORTH ATLANTIC COUNCIL -- FOR ARRIVING AT AN INTEGRATED WESTERN APPROACH TO THESE CHANGES.

I LOOK FORWARD TO WORKING CLOSELY WITH YOU ON THESE CRITICAL ISSUES THROUGHOUT WHAT I KNOW WILL BE AN EXCEPTIONALLY ACTIVE AND PRODUCTIVE YEAR.

ENDS:

ALEXANDER

YYYY

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## GERMAN UNIFICATION AND THE ALLIANCE

## SUMMARY

1. THE U S PROPOSES DETAILED NATO DISCUSSION OF THE GERMAN QUESTION. INSTRUCTIONS REQUESTED.

## DETAIL

2. AT TODAY'S PERMREPS LUNCH, KORNBLUM (U S) TOLD US THAT HE WAS ON THE POINT OF CIRCULATING THE TEXT OF A LETTER FROM SECRETARY BAKER TO THE SECRETARY GENERAL PROPOSING DISCUSSION AT 16 OF THE GERMAN QUESTION AND ITS IMPLICATIONS FOR THE ALLIANCE. TEXT IN MIFT. IT IS BEING COPIED TO ALL FOREIGN MINISTERS.

3. IN AMPLICATION OF THE LETTER KORNBLUM SAID THAT, BEYOND THE GENERAL ISSUES OF PRINCIPLE, GERMAN UNIFICATION REAISED MANY DETAILED QUESTIONS FOR THE ALLIANCE. A SYSTEMATIC AND STRUCTURED APPROACH TO THEIR RESOLUTION WAS REQUIRED. THE U S WOULD LIKE TO SEE EXCHANGES OF VIEW BEGUN AS SOON AS POSSIBLE. IN REPLY TO A QUESTION FROM ME KORNBLUM CONFIRMED THAT THIS MEANT BEFORE THE END OF FEBRUARY. (VON PLOETZ (FRG) CONFIRMED PRIVATELY THAT HE HAD NO IDEA BAKER'S LETTER WAS IN THE OFFING.)

4. THE NEXT PRIVATE MEETING OF THE COUNCIL IN THESE ISSUES IS DUE TO TAKE PLACE AT 1600 HOURS TOMORROW 21 FEBRUARY. I SHOULD BE GRATEFUL FOR A PRELIMINARY REACTION TO BAKER'S LETTER. ARE WE CONTENT THAT THIS KIND OF DEBATE SHOULD START SOON? THE GERMANS ARE UNLIKELY TO BE AT ALL HAPPY AT THE PROSPECT BUT I DOUBT WHETHER IT WILL NOW BE POSSIBLE FOR THEM TO DELAY MATTERS.

5. IN THIS CONNECTION, THE DUTCH, ON INSTRUCTIONS, ANNOUNCED IN THE COURSE OF THIS MORNING'S MEETING OF THE CSCE SUMMIT WORKING GROUP THAT THEY REGARDED THE WORKING GROUP AS A SUITABLE PLACE TO DISCUSS GERMAN UNIFICATION AND ITS IMPLICATIONS FOR ALLIANCE SECURITY. THIS

DISCUSSION SHOULD BE INITIATED BEFORE DELIBERATIONS IN THE 2 PLUS 4 FORMAT BEGAN, AND CERTAINLY BEFORE DECISIONS WERE TAKEN. (FOR REPORT PLEASE SEE MY TELS NOS 73 AND 74.) JACOBOVITS (NETHERLANDS) CONFIREMD AT LUNCH TODAY THAT THE DUTCH WERE LIKELY TO CIRCULATE A PAPER ON THE SUBJECT BEFORE THE NEXT MEETING OF THE WORKING GROUP ON 10 MARCH.

6. OTHER INTERVENTIONS AT TODAY'S LUNCH EG FROM SMITH (CANADA), THUYSBAERT (BELGIUM) AND FULCI (ITALY), CONFIREMED EARLIER INDICATIONS OF UNHAPPINESS AMONG THE ALLIES ABOUT THE PRESENT COURSE OF EVENTS. THE BASIC TEME WAS THAT IF THE GERMANS WANTED THEIR ALLIES 'TO KEEP QUIET' THEY WOULD HAVE TO PROVIDE MORE INFORMATION ABOUT WHAT WAS GOING ON AND ABOUT THEIR INTENTIONS. THE OUTCOME OF YESTERDAY'S MEETING BETWEEN KOHL, GENSCHER AND STOLTENBERG (BONN TLENO 218 REFERS) WAS MUCH IN EVERYBODY'S MIND. THE POINT LEFT UNRESOLVED BY YESTERDAY'S MEETING (BONN TEL UNDER REFERENCE PARA 3) ABOUT THE OBLIGATIONS OF THE ALLIANCE IN THE FORMER TERRITORY OF THE DDR WAS RAISED MORE THAN ONCE - AS INDEED IT HAD BEEN LAST WEEK.

7. THE GERMAN AUTHORITIES ARE, AS EVERYBODY HERE RECOGNISES, ENGAGED IN A SINGULARLY COMPLICATED OPERATION. BUT IT DOES NOT HELP THE SITUATION THAT THEY HAVE SUCCEEDED (IN THE WORDS OF OJEDA (SPAIN)) IN GIVING THE IMPRESSION THAT THEY DO NOT WISH TO TAKE ACCOUNT OF THE VIEWS OF THE REST OF THE ALLIANCE. THEY WILL HAVE TO WORK HARD TO REMOVE THIS IMPRESSION. VON PLOETZ HAD MADE IT OBVIOUS THAT HE IS UNCOMFORTABLY AWARE OF THIS. HOWEVER HE SO FAR SEEMS TO HAVE HAD LITTLE IN THE WAY OF HELPFUL GUIDANCE FROM BONN. HE IS THEREFORE REDUCED TO PLEADING THE EXTREME DELICACY OF THE SITUATION AND THE UNDESIRABILITY OF PREMATURE OR DETAILED DISCUSSION HERE.

ALEXANDER

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OUR TELNO 207: GERMAN UNIFICATION: FUTURE FORCES IN EAST GERMANY

SUMMARY

1. GENSCHER AND STOLTENBERG AGREE THAT IN A UNITED GERMANY NO BUNDESWEHR FORCES, WHETHER ASSIGNED TO NATO OR NOT, SHOULD BE STATIONED IN TERRITORY OF TODAY'S GDR. SUGGESTED QUESTIONS TO PUT TO GENSCHER IN DUBLIN.

DETAIL

2. FOLLOWING THE DISAGREEMENT BETWEEN GENSCHER AND STOLTENBERG ON FUTURE FORCES IN EAST GERMANY REPORTED IN TUR, KOHL SUMMONED BOTH MINISTERS ON 19 FEBRUARY TO THE FEDERAL CHANCELLERY. GENSCHER AND STOLTENBERG IN DISCUSSION WITH SEITERS REACHED AGREEMENT ON A JOINT STATEMENT WHICH LARGELY QUOTED FROM KOHL'S STATEMENT TO THE BUNDESTAG OF 15 FEBRUARY (BONN TELNO 192). STOLTENBERG AND GENSCHER CONFIRMED THEREIN THAT KOHL'S STATEMENT THAT NO UNITS OR INSTALLATIONS OF THE WESTERN ALLIANCE WOULD BE MOVED FORWARD TO THE TERRITORY OF TODAY'S GDR ALSO REFERRED TO ALL BUNDESWEHR FORCES - WHETHER ASSIGNED TO NATO OR NOT. THE STATEMENT ADDED THAT THE SECURITY-POLITICAL STATUS OF THE AREA OF TODAY'S GDR IN ALL ITS ASPECTS WAS TO BE CLARIFIED WITH THE FREELY-ELECTED GOVERNMENT OF THE GDR AS WELL AS WITH THE FOUR POWERS WITH RESPONSIBILITY FOR GERMANY AS A WHOLE. THE JOINT STATEMENT REPRESENTS A CLIMB-DOWN BY STOLTENBERG. ON 16 FEBRUARY HE HAD SAID IN A PRESS STATEMENT THAT THE SIZE AND STRUCTURE OF GERMAN TROOPS IN WHAT IS NOW THE GDR WOULD NEED TO BE DISCUSSED, ALTHOUGH HE RULED OUT GERMAN TROOPS THERE COMING UNDER NATO CONTROL.

3. A SECOND ELEMENT OF THE DIFFERENCE BETWEEN GENSCHER AND

STOLTENBERG, WHICH HAS RECEIVED LESS ATTENTION THAN THEIR DISPUTE OVER THE STATIONING OF THE BUNDESWEHR IN TODAY'S GDR, APPEARS HOWEVER TO HAVE BEEN LEFT UNRESOLVED. IN HIS 16 FEBRUARY STATEMENT STOLTENBERG SAID THAT ALTHOUGH RESPECT FOR THE SECURITY INTERESTS OF GERMANY'S NEIGHBOURS MEANT THAT NATO FORCES SHOULD NOT BE EXTENDED EASTWARDS, THERE WOULD NONETHELESS BE AN OBLIGATION TO PROTECT ALL GERMAN CITIZENS. THIS OBLIGATION WAS INDIVISABLE AND APPLIED TO THE WHOLE OF GERMANY. THIS MEANT THAT THE PROTECTION AFFORDED BY ARTICLES 5 AND 6 OF THE NATO TREATY SHOULD APPLY TO ALL GERMAN TERRITORY.

4. GENSCHER RESPONDED TO THIS IN A RADIO INTERVIEW ON 17 FEBRUARY BY SAYING THAT PEOPLE IN THE GDR SHOULD NOT LIVE WITH LESS SECURITY THAN OTHERS, BUT THAT THEIR SECURITY COULD BE GUARANTEED BY EAST-WEST SECURITY AGREEMENTS. IN THE SAME INTERVIEW GENSCHER REJECTED THE PRESENCE OF GERMAN TROOPS IN TODAY'S GDR AFTER UNIFICATION BY SAYING THAT IT WAS A MATTER OF CONCERN FOR THE FEDERAL GOVERNMENT THAT NEGOTIATIONS TO ACHIEVE GERMAN UNITY SHOULD PROCEED WITH AS FEW COMPLICATIONS AS POSSIBLE. NEGOTIATIONS WITH THE FOUR WOULD BE COMPLICATED ENOUGH WITHOUT INTRODUCING THE QUESTION OF EXTENDING GERMAN MILITARY PRESENCE EASTWARDS. GENSCHER REFERRED TO WESTERN AGREEMENT THAT THE NATO AREA AND NATO JURISDICTION SHOULD NOT BE EXTENDED TO THE EAST. THIS SHOULD NOT BE UNDERCUT BY THE STATIONING OF GERMAN FORCES IN THE GDR WHICH WERE NOT ASSIGNED TO NATO. GENSCHER ALSO SPOKE IN SUPPORT OF THE CONTINUING PRESENCE OF US FORCES IN WEST GERMANY.

5. STOLTENBERG'S OFFICE ARE SAYING THAT THE KEY WORD IN THE JOINT STATEMENT IS ''BUNDESWEHR'', IE THE PRESENCE OF GERMAN FORCES IN THE OLD GDR, BUT UNDER A DIFFERENT NAME, IS STILL NOT RULED OUT. BUT IT IS NOT CLEAR WHETHER GENSCHER ACCEPTS THIS SEMANTIC POINT. HIS OFFICIALS NOW SAY THEY DO NOT KNOW WHAT GENSCHER'S VIEWS ARE ON THIS QUESTION. THEY DO NOT RULE OUT THE PRESENCE OF SOME GERMAN FORCES (EG A REVAMPED EAST GERMAN PEOPLES ARMY, BUT SAY THAT THE IDEA OF STATIONING BORDER TROOPS, WHO ARE SUBORDINATE TO THE FEDERAL INTERIOR MINISTRY, HAS NOT EVEN BEEN DISCUSSED. THEIR INTERPRETATION IS THAT STOLTENBERG GOT OUT IN FRONT AND HAS BEEN REINED IN BY KOHL AND GENSCHER: THEY DO NOT WANT THESE DELICATE ISSUES DISCUSSED IN PUBLIC AT PRESENT, WHILE THE PROSPECTS FOR THE INTERNAL ASPECTS OF THE UNIFICATION PROCESS ARE STILL UNCERTAIN.

6. THE JOINT STATEMENT DOES NOT MENTION THE FUTURE APPLICABILITY OF ARTICLES 5 AND 6 OF THE NORTH ATLANTIC TREATY. STOLTENBERG HAD STATED CLEARLY THAT IT WAS IN GERMAN INTEREST THAT THEY SHOULD APPLY

TO THE WHOLE TERRITORY OF GERMANY. GENSCHER'S OFFICIALS SAY THAT GENSCHER HAS TAKEN NO (NO) POSITION ON THIS, BUT THEY FEEL THE ''TENDENCY'' IS THE SAME WAY. (WE KNOW THAT RELEVANT MFA AND FDP OFFICIALS SHARE STOLTENBERG'S VIEWS).

## COMMENT

7. OBSCURITY PERSISTS ABOUT SOME OF THE DETAIL AND THE FEDERAL MINISTRY OF DEFENCE ARE TRYING, UNSUCCESSFULLY, TO PUT A CONSTRUCTION ON WHAT HAS HAPPENED WHICH MINIMISES STOLTENBERG'S DEFEAT. HE MANOEUVRED BADLY (''SMOKING GENSCHER OUT'' IS THE STORY). THE OUTCOME IS A CRUCIAL CONCESSION TO GENSCHER: WHILE THE PRECISE WAY IN WHICH ARTICLES 5 AND 6 OF THE NATO TREATY MAY BE APPLIED TO GERMANY STILL REMAINS OPEN, THE OPTION OF HAVING THE BUNDESWEHR STATIONED IN THE EX-GDR IN PEACETIME APPEARS TO HAVE BEEN CLOSED OFF. THIS IN TURN SHIFTS THE GROUND ON WHICH THE DEBATE WITHIN GERMAN MINISTRIES ON FUTURE SECURITY ARRANGEMENTS FOR A UNITED GERMANY TAKES PLACE, IN A DIRECTION WHICH IS UNWELCOME TO US. IT IS LIKELY TO BE THE STARTING POINT OF THE FRG POSITION PUT TO THE ALLIES. IN CLOSING DOWN DEBATE, IT IS WORRYING THAT KOHL SHOULD APPARENTLY SO READILY HAVE SIDED WITH GENSCHER ON THE SUBSTANCE.

8. ACCORDING TO HIS OFFICE, STOLTENBERG INTENDS TO EXPLAIN THE POSITION DURING THE IEPG LUNCH ON 21 FEBRUARY, AND WILL BE AVAILABLE FOR DISCUSSION WITH MR KING IN THE MARGINS AT GLENEAGLES. HIS CALLS ON YOU AND THE PRIME MINISTER WILL ALSO PROVIDE OPPORTUNITIES TO QUIZ HIM.

9. IT IS BEING PUT ABOUT THAT GENSCHER DID NOT WANT THE ISSUE VENTILATED IN THIS WAY. IN DUBLIN YOU MIGHT ASK HIM

- WHETHER HE ENVISAGES THE PRESENCE OF ANY (ANY) GERMAN FORCES IN THE FORMER GDR, AND IF SO WHAT SORT?

- WHETHER HE BELIEVES THAT ARTICLES 5 AND 6 OF THE NORTH ATLANTIC TREATY SHOULD APPLY TO THE WHOLE TERRITORY OF THE UNITED GERMANY.

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ccpc*

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LONDON SW1A 2AA

*From the Private Secretary*

20 February 1990

MEETING WITH ACADEMIC EXPERTS ON GERMANY

Subject to the Foreign Secretary being content with Saturday 24 March for this event, I should be grateful if you could now arrange for invitations to be extended to Gordon Craig and Fritz Stern for that date. We can offer club class return fares and 2/3 nights accommodation here. I am rather anxious to find out whether they can come, before inviting anyone else, so would be grateful if you could telegraph the Embassy in Washington and ask for a reasonably prompt reply. We would provide the tickets and make hotel bookings for them. A formal letter of invitation would follow. The Embassy will want to make clear the meeting will be at Chequers, which is usually an additional selling point!

C. D. POWELL

J.S. Wall, Esq.,  
Foreign and Commonwealth Office.

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PM

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

20 February 1990

*See reply,*

GERMAN UNIFICATION: ROLE OF THE CSCE 35

Thank you for your letter of 19 February about borders and the Helsinki Final Act.

What the Prime Minister actually said to the Young Conservatives (not in her speech, but in answer to Questions) is:

"Now we have a different agreement about that, which also involves the United States, it's called the Helsinki Accord.

35 countries signed that Accord, United States, all of the countries in Europe, and the Soviet Union. It refers to Europe and the Soviet Union, and we agreed in that, among other things, that no boundaries would be changed, accept by agreement. *except*

So that if any boundaries are to be changed, then this involves massive consultation between us. And we are hoping to have a Helsinki Conference towards the end of this year.

All of this means that the changes that are taking place in Germany and the way in which they go towards unification must be done in conjunction with those other obligations to which we are all signed up...."

As you will see, the Prime Minister did not refer to "approved by the Helsinki 35" but only to "massive consultation".

Your letter does, however, lead one to wonder why we attached so much importance to securing, in the Strasbourg Communiqué, a reference to unification taking place in full respect of relevant treaties and agreements and of all the principles defined by the Helsinki Final Act. From your account, the Helsinki Final Act seems to have very little bearing on the matter. The letter also leads to the conclusion that the Poles and absolutely right to seek a proper Peace Treaty to regulate the eastern border of Germany: and raises the question whether we are right to connive in German attempts to avoid a more general Peace Treaty to terminate the Second World War and regulate its

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results more generally. The Prime Minister would like further advice on these points, and suggests that the correspondence should also be seen by the Law Officers.

*Yours sincerely,  
C. D. Powell*

C. D. POWELL

J.S. Wall, Esq.,  
Foreign and Commonwealth Office.

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Szanowna Pani Premier,

Państwowe zjednoczenie narodu niemieckiego otwiera nowy okres w dziejach Europy. W okres ten nie możemy wejść bez zapewnienia bezpieczeństwa wszystkich państw kontynentu, zwłaszcza sąsiadów Niemiec w ich aktualnych granicach.

Oświadczenie ogłoszone w dniu 13 lutego 1990 r. w Ottawie stwierdza, iż ministrowie spraw zagranicznych Republiki Federalnej Niemiec i Niemieckiej Republiki Demokratycznej spotkają się z ministrami spraw zagranicznych Republiki Francuskiej, Stanów Zjednoczonych Ameryki, Zjednoczonego Królestwa Wielkiej Brytanii i Północnej Irlandii oraz Związku Socjalistycznych Republik Radzieckich celem odbycia dyskusji odnoszących się do różnych zewnętrznych aspektów zrealizowania jedności niemieckiej, łącznie z kwestiami bezpieczeństwa państw sąsiedzkich.

Polska z zadowoleniem przyjęła do wiadomości fakt, że oświadczenie sześciu ministrów spraw zagranicznych wymienia kwestie bezpieczeństwa państw sąsiedzkich.

Podniesienie bezpieczeństwa sąsiadów Niemiec ma dwa skutki: jeden merytoryczny, drugi proceduralny. Oba są istotne.

Po pierwsze, co się tyczy strony merytorycznej, komunikat ottawski oznacza, że zjednoczenie obu państw niemieckich i uzyskanie jedności państwowej przez naród niemiecki dokona się z zachowaniem bezpieczeństwa państw sąsiadujących z łączącymi się (a następnie zjednoczonymi) państwami niemieckimi. Innymi słowy - zjednoczenie nie naruszy w niczym obecnego i przyszłego bezpieczeństwa sąsiadów, w szczególności bezpieczeństwa terytorialnego i trwałości granic.

Jej Ekscelencja  
Pani Margaret Thatcher  
Premier Rządu  
Zjednoczonego Królestwa  
Wielkiej Brytanii i Irlandii Północnej

L o n d y n

Są to sprawy nader istotne. Dla Polski żywotnym interesem jest położenie kresu wszelkiej dwuznaczności, co się tyczy granicy polsko-niemieckiej na Odrze i Nysie Łużyckiej. W Republice Federalnej Niemiec wielokrotnie podkreślano wyłączność przyszłego traktatu pokoju do uregulowania tej granicy. Rzeczywistość prawna i polityczna jest jednak taka, że mimo braku regulacji pokojowej granica na Odrze i Nysie Łużyckiej stała się częścią porządku europejskiego. Kto tę granicę w tej lub innej formie podważa lub jej trwałość kwestionuje - ten działa przeciwko bezpieczeństwu i współpracy w Europie. Oświadczam, że Polska jest gotowa uczestniczyć w pracach nad traktatem pokoju i jest gotowa go podpisać. Jednak z przyczyn od Polski niezależnych prace nad traktatem pokoju albo nie są obecnie brane pod uwagę albo są odkładane do nieokreślonego momentu po państwowym zjednoczeniu narodu niemieckiego, co pewnym siłom daje asumpt do stałego uważania granicy polsko-niemieckiej jako sprawy otwartej. Nie możemy się zgodzić na to, aby po zjednoczeniu Niemiec ten stan rzeczy nadal się utrzymywał.

Niemiecka Republika Demokratyczna uznała granicę na Odrze i Nysie Łużyckiej jako polsko-niemiecką granicę państwową (Układ Zgorzelecki z 6 lipca 1950 r.). Republika Federalna Niemiec stwierdziła, że odnośna linia stanowi zachodnią granicę państwową Rzeczypospolitej Polskiej (Układ Warszawski z 7 grudnia 1970 r.). Przy działaniu w dobrej wierze nie może więc być przeszkody, aby u progu procesu zjednoczenia w formie traktatowej potwierdzić granicę polsko-niemiecką w jej obecnym przebiegu. Jest to kwestia istotna dla Polski jako sąsiada narodu niemieckiego.

Po drugie, wskazanie w komunikacie ottawskim na kwestie bezpieczeństwa państw sąsiedzkich oznacza, że w dyskusjach pomiędzy ministrami spraw zagranicznych Niemieckiej Republiki Demokratycznej i Republiki Federalnej Niemiec z jednej strony a ministrami spraw zagranicznych czterech mocarstw z drugiej strony jest miejsce na udział ministrów spraw zagranicznych zainteresowanych państw, które sąsiadują z jednym lub dwoma państwami niemieckimi.

Ten drugi skutek odnośnego zdania w oświadczeniu ottawskim wart jest bliższego naświetlenia.

W dzisiejszych czasach stosunki międzynarodowe w Europie demokratyzują się i wszystkie państwa europejskie mają możliwość zabrania głosu i możliwość uczestnictwa w konferencjach lub innych spotkaniach, które dotyczą ich interesów, a zwłaszcza żywotnych interesów. Dziś jest nie do pomyślenia (a co dopiero do przeprowadzenia), aby jakiegokolwiek z państw europejskich, w szczególności zaś którekolwiek z sześciu państw przyjmujących oświadczenie ottawskie, mówiąc o kwestiach bezpieczeństwa sąsiadów państw niemieckich, chciało wykluczyć głos tych sąsiadów. Rząd polski takich intencji żadnemu z sześciu państw nie przypisywał i nie przypisuje, przywiązując wielkie znaczenie do jak najlepszych stosunków z każdym z tych państw.

Wykluczenie bowiem głosu zainteresowanych państw sąsiedzkich, wyłączenie ich z odpowiedniego etapu dyskusji na temat tych zewnętrznych aspektów jedności niemieckiej, które obejmują bezpieczeństwo państw sąsiedzkich - równałoby się powrotowi do formuły jałtańskiej z 1945 r. Byłoby bowiem dyskutowaniem i decydowaniem przez jedne państwa o żywotnych interesach innych państw bez udziału tych ostatnich.

Biorąc więc pod uwagę wszystkie powyższe okoliczności i kierując się interesem zarówno własnym i współpracy europejskiej jak dążeniem do jak najlepszych stosunków z naszym sąsiadem niemieckim - Polska stwierdza, co następuje:

1) Uważamy, że punktem wyjścia dla realizacji zjednoczenia niemieckiego jest ostateczne usunięcie wszelkich wątpliwości lub dwuznaczności podnoszonych wobec granicy polsko-niemieckiej na Odrze i Nysie Łużyckiej w jej obecnym przebiegu oraz obecnej delimitacji i demarkacji. Sprawa nie powinna być więcej podnoszona, usunięcie wątpliwości lub dwuznaczności będzie równoznaczne z regulacją pokojową oraz będzie miało pełne skutki w prawie niemieckim i prawie innych państw. Polska proponuje, aby na wstępie zjednoczenia zawrzeć traktat o powyższej treści potwierdzający ostateczność i trwałość istniejącej granicy polsko-niemieckiej, bez żadnych jej zmian. Tekst tego traktatu będzie parafowany przez dwa państwa niemieckie i Polskę, jako wynik dyskusji zapowiedzianych w komunikacie ottawskim. Traktat zostanie podpisany przez zjednoczone państwo niemieckie oraz Polskę w chwili powstania zjednoczonego państwa niemieckiego. Polska przedłoży projekt takiego traktatu.

2) Polska uważa za niezbędne swe uczestnictwo w dyskusji nad zewnętrznymi aspektami jedności niemieckiej celem przedstawienia swego punktu widzenia na kwestie bezpieczeństwa, w szczególności w związku z granicą i proponowanym traktatem. Polska wyjaśnia, że nie zabiega o status identyczny ani z żadnym z czterech mocarstw ani z żadnym z dwóch państw niemieckich.

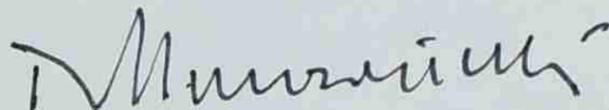
Sądzymy, że dyskusja o kwestiach bezpieczeństwa państw sąsiedzkich winna odbyć się we wczesnym stadium konferencji jako jej osobna część.

Kończąc pragnę stwierdzić, co następuje.

Szanse na państwowe zjednoczenie narodu niemieckiego otwierają nowy rozdział w historii powojennej Europy. Polska wita z zadowoleniem wszelki przejaw samostanowienia narodowego. Zjednoczenie Niemiec i jego aspekty zewnętrzne są istotną częścią pokojowej regulacji na naszym kontynencie. W regulacji tej mają prawo uczestniczyć wszystkie zainteresowane państwa. Jednym z nich jest Polska. Prawo nasze wynika z nakazów moralności międzynarodowej, z prawa międzynarodowego, z naszych doświadczeń historycznych w ostatnim półwieczu oraz z naszej aktualnej sytuacji prawnej i politycznej.

Pozwalam sobie powiadomić Panią Premier, że pismo identycznej treści kieruję do przywódców Republiki Francuskiej, Stanów Zjednoczonych Ameryki i Związku Socjalistycznych Republik Radzieckich.

Proszę przyjąć, Pani Premier, wyrazy mojego najgłębszego szacunku.



[CDP]

(Unofficial translation)  
Warsaw, February 21, 1990

Dear Prime Minister,

The unification of the German nation in a single State opens up a new period in the history of Europe. We cannot possibly enter that period with the security of all the States on the continent, particularly the neighbours of Germany, in their current borders, unassured.

According to the Ottawa statement of Feb. 13, 1990, the Foreign Ministers of the Federal Republic of Germany and the German Democratic Republic will meet with the Foreign Ministers of the French Republic, the United States of America, the United Kingdom of Great Britain and Northern Ireland and the Union of Soviet Socialist Republics in order to discuss the various external aspects of the establishment of German unity, including the issues of security of the neighbouring States.

Poland welcomed the fact that the questions of the security of the neighbouring States had been referred to in the statement by the six Foreign Ministers.

The fact that the security of Germany's neighbours has been raised has two consequences: a substantive and a procedural one. Each of them is important.

Firstly, as regards the substantive aspect, the Ottawa communique means that the unification of the two German States and the attainment of constitutional unity by the German nation shall leave intact the security of the States adjacent to the unifying (and subsequently unified) German States. In other words, the unification shall in no way impair the present nor future security of the neighbours, particularly with respect to their territorial security and the permanence of their borders.

The Right Honourable  
Mrs Margaret Thatcher FRS MP  
Prime Minister

London

These are extremely important issues. It is of vital concern for Poland to see an end to any equivocation with respect to the Polish-German border along the Odra-Lusatian Nysa rivers. A future treaty of peace has repeatedly been emphasized in the Federal Republic of Germany as the exclusive instrument by which that border could be settled. However, the legal and political reality is that despite the lack of peace settlement the Odra-Lusatian Nysa border has become part of the European order. Whoever questions that border in one form or another, or puts to question its permanent character - thereby defies the security and cooperation in Europe. I declare Poland's readiness to take part in the work on the peace treaty and her readiness to sign it. However, for reasons beyond Poland's control, work on the peace treaty is not envisaged at all at present or is being postponed until an unidentified point in time after German unification, thus giving some forces the opportunity to continuously consider the Polish-German border an open question. We cannot allow such state of affairs to persist after Germany is unified.

The German Democratic Republic has recognized the Odra-Lusatian Nysa border as the Polish-German state frontier (Zgorzelec Agreement of July 6, 1950). The Federal Republic of Germany has stated that the relevant line constitutes the western state border of the Republic of Poland (The Treaty of Warsaw, of Dec. 7, 1970). Therefore, if one acts in good faith, nothing can obstruct the present Polish-German borderline from becoming reaffirmed by a treaty concluded at the very beginning of the unification process. It is an essential issue for Poland as a neighbour of the German nation.

Secondly, by pointing to the security issues of the neighbouring States, the Ottawa communique indicates that in the discussions between the Ministers of Foreign Affairs of the Federal Republic of Germany and the German Democratic Republic and the Foreign Ministers of the Four Powers, there is room for the participation by the Foreign Ministers of the countries concerned and adjacent to one or both German States.

The latter implication of the relevant clause in the Ottawa statement deserves closer elaboration.

The present international relationships in Europe are becoming increasingly democratic, with all the European States having the possibility to speak and take part in the conferences or other meetings where their interests, particularly the vital ones, are discussed. It is unthinkable today (and impracticable) for any European State, especially any of the six which adopted the Ottawa statement, to seek to exclude the voice of the neighbours of the German States from the discussion on these neighbours' security. The Polish Government did not allege and is not alleging the existence of such intentions on the part of any of the six States; it attaches great importance to having the best possible relations with each of these States.

Indeed, to exclude the voice of the neighbouring States concerned and to shut them off from the relevant stage of the discussion on the aspects of the German unification which affect the security of the neighbouring States - would be tantamount to a repetition of the Yalta formula of 1945. It would, indeed, mean discussing and deciding by some States about vital interests of others in the absence of the latter.

In view of the foregoing considerations, guided by her own interest as well as that of European cooperation, and by the desire for the best possible relations with her German neighbour - Poland states as follows:

- 1) We believe that the point of departure to the German unification is the final elimination of all doubt or equivocation with respect to the present course, delimitation and demarcation of the Polish-German border along the Odra-Lusatian Nysa rivers. The issue should never re-emerge; the elimination of doubt or equivocation will be equivalent to peace settlement and will have full effect in German law and that of other States. Poland proposes to conclude, at the outset of the unification, a treaty containing provisions to that effect and reaffirming the final and permanent status of the existing Polish-German

border. That border should not be changed in any way. The text of the treaty will be initialled by the two German States and Poland as a result of the discussions indicated by the Ottawa communique. The treaty will be signed by the unified German State and Poland upon the establishment of that unified German State. Poland will submit a draft of such a treaty.

2) Poland considers it indispensable to have a part in the discussion on the external aspects of the German unification in order to present her standpoint on the security issues, particularly those relating to the border and the proposed treaty. Poland makes it clear that she is not seeking a status identical with that of any of the Four Powers nor any of the two German States.

We believe that the discussion on the security issues of the neighbouring States should be held at an early stage of the conference as its separate part.

In conclusion, I wish to state as follows:

The prospect of the unification of the German nation in one State opens up a new chapter in the postwar history of Europe. Poland welcomes every form of national self-determination. The unification of Germany and its external aspects constitute an important part of the peace settlement on our continent. Every State concerned has the right to take part in that settlement. One such State is Poland. Our right stems from the imperatives of international morality, the international law, our historical experience of the last fifty years and our present legal and political situation.

I wish to inform you, Prime Minister, that identical letters are being sent to the leaders of the French Republic, the United States of America and the Union of Soviet Socialist Republics.

Please accept the assurances of my highest consideration.

/-/ Tadeusz Mazowiecki

Papers removed from file

Date 20.2.90

Rome Tel n° 206 19.2  
(with COP 20.2)

GERMAN: Int Sit in  
East Germany  
Pt 2

①

PRIME MINISTER

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MEETING ON GERMANY

I have discussed with Amanda possible dates for your meeting with academic experts to discuss Germany. You commented that you would prefer if possible to hold it at Chequers. We have settled on Saturday 24 March. This is a week before the Anglo-German Summit, which makes it a good time, both from the point of view of the meeting and of the speech you will need to give at the Konigswinter Conference. May we please go ahead and invite people on that date? *Yes*

As to the list of participants, Professor Gordon Craig has said that he is willing in principle to come, and we are also sounding out Professor Fritz Stern. Assuming the two of them can come, I would propose at this stage to invite:

Hugh Trevor-Roper ✓  
[Alan Bullock]  
Norman Stone  
Timothy Garton-Ash.

With the two Americans and the Foreign Secretary, that would make a total of 8. Some of the others on the list which I gave you could be kept in reserve.

Agree to proceed on this basis?

*C.P.P.*

CHARLES POWELL

19 February 1990

*I do not think  
Alan Bullock would go  
with the other names  
not*

010

cell 2



Foreign and Commonwealth Office

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London SW1A 2AH

19 February 1990

*Rich Dennis*

*Dear Charles,*

*All the more reason to have a treaty to regulate the*

German Unification: Role of CSCE 35

In her speech to Young Conservatives in Torquay on 10 February, the Prime Minister was reported to have said that German reunification could not come about without approval from all thirty-five CSCE participants, since the Final Act stated that national boundaries could not be changed without agreement. We have done some research into the background.

*Polish / German border CSCE 19/2*

The Final Act contains, in its Principles Chapter, two main passages relating to the change of borders. These are Principle I (on Sovereign Equality) and Principle III (on Inviolability of Frontiers). A further passage with limited relevance is to be found in Principle IV (on Territorial Integrity of States). I enclose the passages in question. The key passage is that in Principle I on "peaceful change" of borders which is judged by our Legal Advisers and CSCE experts to mean that frontier changes require the consent of those directly involved, and not the consent of all thirty-five CSCE participants. Since the conclusion of the Final Act in 1975 there have in fact been one or two minor cases of European frontiers being changed by treaty: for example between Italy and Yugoslavia in late 1975 and between Czechoslovakia and Poland in 1976. Neither case was referred to the CSCE.

*But it does not say agreement between adjacent states*

*1 agree me*

The history of the negotiation of this part of the Final Act points in the same direction. The inclusion in paragraph two of Principle I of the sentence that the participating states "consider that their frontiers can be changed, in accordance with international law, by peaceful means and by agreement" was achieved at Western initiative and not without difficulty as a counterweight to Principle III, on the inviolability of frontiers. The Russians were initially resistant to any language on the peaceful change of frontiers, but they eventually conceded in the face of sustained and unanimous Western pressure. (A Commentary we prepared describing this negotiation is enclosed.) The outcome as agreed in the Final Act would never have been accepted by the West if it had meant that any participating state (e.g. Malta or the Soviet Union) could veto a peacefully agreed change of frontiers between two other states.

At the time of signature of the Final Act the British Government view of its implications for borders and for Germany was set out in the then Prime Minister's address to

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the Helsinki Conference in July 1975. In this he stated that: the "Final Act of this Conference is not a treaty; nor is it a peace settlement. It does not, and it cannot, affect the status of present frontiers. It does not, and it cannot in any way affect Four Power rights and responsibilities relating to Berlin and to Germany as a whole."

But this makes no reference to the independence of the F.R.G. put forward on the way if nothing is done about frontiers (later included).

One can thus imagine a situation in which participants in a CSCE Summit would be invited to give their political blessing to the disappearance of the Inner German border by way of German unity. But there is no legal or political requirement for this flowing from the Final Act or other CSCE documents. The Final Act is not legally binding.

Does the F.R.G. therefore say it is not morally binding

Jaws.  
Stephen Wall  
(J S Wall)  
Private Secretary

C D Powell Esq  
10 Downing Street

and ... that any frontier can be changed easily without reference to any other state?

If so we need a PEACE TREATY  
Soon. not

N.B. The R.C.O. had a letter that putting its name to communications which say their independence can only be taken place if all other agreements are respected. If the intention is so reciprocal - it can't be respected.

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## I. *Sovereign equality, respect for the rights inherent in sovereignty*

The participating States will respect each other's sovereign equality and individuality as well as all the rights inherent in and encompassed by its sovereignty, including in particular the right of every State to juridical equality, to territorial integrity and to freedom and political independence. They will also respect each other's right freely to choose and develop its political, social, economic and cultural systems as well as its right to determine its laws and regulations.

Within the framework of international law, all the participating States have equal rights and duties. They will respect each other's right to define and conduct as it wishes its relations with other States in accordance with international law and in the spirit of the present Declaration. They consider that their frontiers can be changed, in accordance with international law, by peaceful means and by agreement. They also have the right to belong or not to belong to international organizations, to be or not to be a party to bilateral or multilateral treaties including the right to be or not to be a party to treaties of alliance; they also have the right to neutrality.

## III. *Inviolability of frontiers*

The participating States regard as inviolable all one another's frontiers as well as the frontiers of all States in Europe and therefore they will refrain now and in the future from assaulting these frontiers.

Accordingly, they will also refrain from any demand for, or act of, seizure and usurpation of part or all of the territory of any participating State.

## IV. *Territorial integrity of States*

The participating States will respect the territorial integrity of each of the participating States.

Accordingly, they will refrain from any action inconsistent with the purposes and principles of the Charter of the United Nations against the territorial integrity, political independence or the unity of any participating State, and in particular from any such action constituting a threat or use of force.

The participating States will likewise refrain from making each other's territory the object of military occupation or other direct or indirect measures of force in contravention of international law, or the object of acquisition by means of such measures or the threat of them. No such occupation or acquisition will be recognized as legal.

## PRINCIPLES CHAPTER OF FINAL ACT

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EXTRACT FROMPRIME MINISTERS QUESTION TO YC'S 1990

Question submitted by David Hart, East Belfast Young Conservatives:

How does the Prime Minister see the situation in Eastern Europe developing over the next few years and what are the likely consequences for Europe in general and the United Kingdom in particular?

I am afraid that you are asking such deep questions that each of them is taking up almost a little speech on their own.

It is changing very very rapidly indeed and our first task is to see that the changes don't destabilise the peace and security which we have known in the last 40 years. That is why it is absolutely vital that we all consult together in NATO, to keep NATO together and to keep our defense sure.

I am sure that Tom will have done a superb speech and said all this. May I say it again?

It takes such a long time to design and purchase and have your weaponry. Whether it be for your Navy your Air Force or your Army, that if you make a mistake and haven't got them, that mistake could be fatal. Defense itself is a great deterrent to anyone who would attack you. From whatsoever source that attack may come.

As I pointed out there are many people who will have far more access to nuclear weapons than there are now in the Middle East. Many countries that have the missile technology you don't know where the attack will come from.

Just let me give you an example even in the years which I have been Prime Minister, the things which came suddenly, my first Christmas, on Boxing Day, received a telephone call, the Russians have gone into Afghanistan. Totally unexpected. Now they have come out. That had consequences that you know are still not resolved.

The next one was that Iraq had attacked Iran also with consequences which you know.

- 2 -

And only recently we were called upon to send the Armilla patrol to enlarge the armilla patrol up the Gulf to keep the waterways open. The larger armilla patrol and of course to send mine sweepers. If we hadn't have it we couldn't have send it.

1982 we had the Falklands and so on. You must keep your defense strong, you must do it through NATO.

Now the second thing is how is the European Community to react particularly to these countries down Eastern Europe which are changing from a communist system, showing they have had enough of Communism and socialism with it.

What we have decided to do is that as each country is different I think that perhaps Hungary will be one of the first to be having more likely hood of getting a market economy perhaps and also Czechoslovakia.

We must have an association agreement between the European Community and each one tailored to their needs. But in the meantime we are giving them help, first to stabilise their currencies then to help to train them on management and to ask them over here on to courses to see how a market economy works.

It is not going to be easy because none of those people have been able to exercise responsibility or decision making for a very very long time. And our task is to make them see that it is only a market economy that will bring prosperity. But freedom incurs responsibility. And they must not be afraid to take it. That is the second thing.

Now the third thing is of course is the enormous change that is taking place in the Soviet Union.

And the fourth thing is all the minorities, which those of you who know your history well, which in the Balkans have gone right down Central Europe.

Now we have a different agreement about that, which also involves the United States its called the Helsinki Accord.

35 countries signed that Accord, United States, all of the Countries in Europe, and the Soviet Union. It refers to Europe and the Soviet Union, and we agreed in that, among other things, that no boundaries would be changed, accept by agreement.

So that if any boundaries are to be changed, then this involves massive consultation between us. And we are hoping to have a Helsinki Conference towards the end of this year.

- 3 -

All of this means that the changes that are taking place in Germany and the way in which they go towards unification must be done in conjunction with those other obligations to which we are all signed up..... (B).

TAPE CHANGE

.....and what we saying is there are great changes - we must have time for the transition to see that those changes take place against a background of security and stability. and it is up to politicians to value that security and stability sufficiently to see that happen what may we retain it.

APPLAUSE

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PRIME MINISTER

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GERMAN UNIFICATION/EC

You may like to look at the attached paper by the Foreign Office on the EC implications of German unification. It is quite a useful survey of the problems which have to be addressed. It underlines:

- the potential costs for other member states from absorption of the GDR
- the difficulties there will be once unification has taken place, of disentangling goods and costs which originate in the GDR from those in the FRG. With no international border, there will have to be very careful monitoring.

It is very much a first effort for discussion at official level.

CDP

C. D. POWELL

19 February 1990

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GERMAN UNIFICATION: BRITISH POLICY: MEDIA COVERAGE

SUMMARY

1. PRIME MINISTER'S SPEECH TO THE BOARD OF DEPUTIES OF BRITISH JEWS IS HEADLINE FEATURE IN TODAY'S FRANKFURTER ALLGEMEINE ZEITUNG. OTHER NEWSPAPERS CONCENTRATE ON THE ARTICLES AND EDITORIALS IN YESTERDAY'S BRITISH NEWSPAPERS. OUR ACTION TO COUNTER ALLEGATIONS IN THE SUNDAY TIMES EFFECTIVE.

DETAIL

2. TODAY'S FRANKFURTER ALLGEMEINE ZEITUNG (CONSERVATIVE) LEADS WITH A REPORT FROM LONDON ON THE PRIME MINISTER'S SPEECH YESTERDAY TO THE BOARD OF DEPUTIES OF BRITISH JEWS, EMPHASISING HER STATEMENT THAT A CONDITION FOR GERMAN UNITY MUST BE A GUARANTEE BY TREATY OF POLAND'S WESTERN BORDER. IT ALSO NOTES HER COMMENDATION OF THE IDEA THAT SOME SOVIET TROOPS MIGHT REMAIN IN THE PRESENT GDR TERRITORY, AT LEAST FOR A TRANSITIONAL PERIOD. THE REPORT GOES ON TO COVER VIRTUALLY ALL OF THE SECTION OF THE SPEECH DEVOTED TO GERMAN UNIFICATION QUOTING THE PRIME MINISTER'S REMARK THAT THERE IS 'NO DOUBT' THAT IT IS GOING TO HAPPEN.

3. IN A SEPARATE COMMENTARY, OBVIOUSLY WRITTEN BEFORE YESTERDAY'S SPEECH, THE FAZ NOTES THAT THE PRIME MINISTER HAS RESERVATIONS ABOUT UNIFICATION BUT ALSO REJECTS ANY TRANSFER OF SOVEREIGNTY IN EC MONETARY POLICY AND THE FURTHER DEVELOPMENT OF POLITICAL UNION. THIS HAS PUT THE BRITISH GOVERNMENT IN A DILEMMA. IT DOES NOT WANT TO LOSE INFLUENCE OVER THE PROCESS OF GERMAN UNIFICATION, BUT IS AT THE SAME TIME LOSING THE OPPORTUNITY TO INFLUENCE IT WITHIN A EUROPEAN CONTEXT. THE COMMENTATOR CONCLUDES THAT THIS LEAVES BRITISH POLICY WITH LITTLE LATITUDE.

4. SEVERAL MAJOR DAILIES CARRY A TRANSLATED EXTRACT FROM THE SUNDAY TIMES EDITORIAL ('UNSPLENDID ISOLATION') OF 18 FEBRUARY. IN EACH CASE THE EXTRACT IS DRAWN FROM THE THIRD PARAGRAPH OF THE EDITORIAL..

5. IN REPORTING YESTERDAY'S UK PRESS COVERAGE OF THE GERMAN QUESTION MOST NEWSPAPERS HOWEVER CONCENTRATE PRIMARILY ON THE SUGGESTION IN THE SUNDAY TIMES THAT THE PRIME MINISTER IS WORKING ON AN ANTI-GERMAN EUROPEAN COALITION TO PUT THE BRAKES ON THE PROCESS OF REUNIFICATION. THE LONGEST REPORT APPEARS IN THE RIGHT-WING TABLOID BILD (CIR 4.3 M) WHICH CONTINUES ITS ANTI-BRITISH CAMPAIGN. THE KOELNER STADT-ANZEIGER (PRO-FDP) SPECIFICALLY MENTIONS A STATEMENT ISSUED BY THE EMBASSY YESTERDAY AFTERNOON TO THE EFFECT THAT THE SUNDAY TIMES' ALLEGATIONS WERE WITHOUT FOUNDATION. I ALSO SPOKE ON 18 FEBRUARY TO BOTH TELTSCHIK (FEDERAL CHANCELLERY) AND KASTRUP (POLITICAL DIRECTOR, AUSWAERTIGES AMT), IN SIMILAR VEIN. OUR STATEMENT WAS CARRIED ON THE GERMAN PRESS AGENCY (DPA) WIRES AND THEREFORE SEEN BY MORE THAN 90 PER CENT OF GERMAN NEWSPAPER EDITORS.

MALLABY

YYYY

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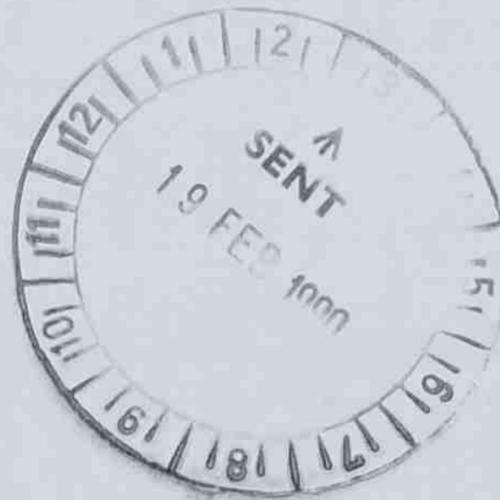
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## GERMAN UNIFICATION: FUTURE FORCE LEVELS IN EAST GERMANY

## SUMMARY

1. ROW BETWEEN STOLTENBERG AND GENSCHER ABOUT WHETHER GERMAN FORCES, NOT ASSIGNED TO NATO, SHOULD BE STATIONED IN EAST GERMANY AFTER UNIFICATION. GENSCHER, WHO HAD APPEARED TO EXPECT SUCH PRESENCE, NOW SEEMS AGAINST IT AND SAYS MATTER IS UNDECIDED.

## DETAIL

2. THE GERMAN MEDIA ON 18 FEB REPORTED THAT GENSCHER WAS ANGRY WITH DEFENCE MINISTER STOLTENBERG (WHOM YOU AND THE PRIME MINISTER AS WELL AS THE DEFENCE SECRETARY WILL BE SEEING THIS WEEK) FOR SAYING THAT SOME GERMAN FORCES, NOT ASSIGNED TO NATO, WOULD BE STATIONED IN EAST GERMANY AFTER UNIFICATION, ALTHOUGH NATO'S MILITARY STRUCTURES WOULD NOT BE EXTENDED EASTWARDS. GENSCHER ALSO COMPLAINED THAT STOLTENBERG APPEARED TO FORESEE NO NEW SECURITY STRUCTURES IN EUROPE, WHEREAS HE, GENSCHER, SAW THE TWO ALLIANCES BECOMING ELEMENTS OF ALL EUROPEAN SECURITY STRUCTURES.

3. HITHERTO GERMAN OFFICIALS HAVE EXPECTED GENSCHER TO ASSENT TO GERMAN NATIONAL FORCES BEING STATIONED IN EAST GERMANY. I ACCORDINGLY ASKED KASTRUP, POLITICAL DIRECTOR IN THE AUSWAERTIGES AMT, ON 18 FEBRUARY TO EXPLAIN GENSCHER'S POSITION. KASTRUP SAID THAT GENSCHER HAD SAID THAT UNITED GERMANY WOULD BE A MEMBER OF NATO BUT THAT THE MILITARY STRUCTURES OF THE ALLIANCE WOULD NOT BE EXTENDED EASTWARDS. GENSCHER HAD AVOIDED SAYING WHETHER GERMAN NATIONAL FORCES WOULD BE STATIONED IN THE OLD GDR, SINCE THAT COULD COMPLICATE NEGOTIATION WITH THE USSR ABOUT WITHDRAWAL OF ITS FORCES. THE FEDERAL GOVERNMENT HAD NOT REACHED A CONCLUSION ON THE MATTER, AND WOULD DISCUSS IT THIS WEEK. STOLTENBERG HAD JUMPED THE GUN IN A MOST UNHELPFUL WAY.

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4. THIS SHOWS THAT THE FEDERAL GOVERNMENT'S POSITION ON FUTURE SECURITY ARRANGEMENTS IS EVEN MORE UNCERTAIN THAN SUGGESTED IN PARA 7 OF MY LETTER OF 16 FEBRUARY TO WESTON.

MALLABY

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## GERMAN-POLISH FRONTIER

## SUMMARY

1. GERMAN-AMERICAN CONSULTATION BEFORE EAGLEBURGER VISITS WARSAW. GERMANS AGAINST POLISH INVOLVEMENT IN 2 PLUS 2 FORUM BUT AGREE THAT POLAND WILL NEED A FRONTIER GUARANTEE AND MAY EXPRESS VIEWS IN COMING PERIOD OF DISCUSSIONS.

## DETAIL

2. KASTRUP TOLD ME ON 18 FEBRUARY THAT EAGLEBURGER, ABOUT TO VISIT WARSAW, HAD CONSULTED HIM ABOUT THE HANDLING OF THE ODER-NEISSE ISSUE IN THE RUN-UP TO GERMAN UNIFICATION. IN REPLY KASTRUP HAD MADE 3 POINTS:

- POLAND COULD NOT PARTICIPATE IN THE 2 PLUS 4 FORUM
- POLAND HAD A RIGHT TO EXPECT A FRONTIER GUARANTEE FROM UNITED GERMANY
- THE FEDERAL GOVERNMENT WAS READY TO CONSIDER HOW POLAND COULD BE GIVEN AN OPPORTUNITY TO PRESENT ITS VIEWS IN THE COMING PERIOD OF DIPLOMACY CONCERNING THE EXTERNAL ASPECTS OF GERMAN UNIFICATION.

3. I SAID THAT WE SAW POLISH CONCERNS AS UNDERSTANDABLE AND BELIEVED THAT THE FRONTIER SHOULD BE GUARANTEED BY TREATY. KASTRUP SAID THAT THIS WAS ENTIRELY COMPATIBLE WITH GENSCHER'S VIEWS. I ALSO SPOKE TO TELTSCHIK ON 18 FEBRUARY, WHO LIKewise ASSENTED TO MY PROPOSITION.

4. THE PRIME MINISTER'S SPEECH TO BRITISH JEWS IS THE LEAD STORY IN TODAY'S FRANKFURTER ALLGEMEINE (CONSERVATIVE), WITH A HEADLINE BRINGING OUT HER INSISTENCE ON THE NEED FOR THE POLISH FRONTIER TO BE GUARANTEED IN THE CONTEXT OF GERMAN UNIFICATION.

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MS  
c. Academic

apc

*From the Private Secretary*

19 February 1990

MEETING WITH ACADEMIC EXPERTS ON GERMANY

This is just to let you know that we have provisionally selected Saturday 24 March at Chequers for the meeting with academic experts on Germany. I will be writing shortly to let you know who the Prime Minister will want to be present. But as a first step, can I check that it is a possible date for the Foreign Secretary? It is almost the only one which the Prime Minister can manage before the Anglo-German Summit - I think it is quite important to have the meeting before then if possible.

Charles Powell

Stephen Wall Esq  
Foreign and Commonwealth Office

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MR. POWELL

cc Mr. Turnbull  
Professor Griffiths

GERMAN MONETARY UNION

We have now got a first draft of a note by Alan Walters, as attached. I imagine the Prime Minister will find this useful, although to my mind it does not provide any major new insights. The Prime Minister has already said she wants to discuss with the Chancellor at their bilateral on Wednesday the earlier Treasury note on this subject, and I plan to put Alan's note in the folder for that meeting tomorrow night.

PAUL GRAY

19 February 1990

c:\economic\german  
(ECL)

A.Walters.  
Feb 15th 1990

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### Monetary Unification of the Germanies

#### Forms

The unification envisaged by Chancellor Kohl is that the GDR adopt the Deutschemmark in toto. Any financial assets would be converted from Ostmarks at rates yet to be decided. The conversion may be done on a designated "day" (a big bang) or alternatively the operation may be phased over weeks or even months, (a long wimper). Under the phased approach the two marks would have to coexist, and this essentially means that there be no fixed exchange rate or, indeed, a promise or even the appearance of a promise, of a particular conversion ratio. In practice I believe that a phased approach will be feasible only if some accounts, such as the saving accounts, are blocked and made, albeit temporarily, inconvertible at the going exchange rate. Even with a big bang one-day approach there will be similar problems up to the announcement of the conversion rate and conditions. Nevertheless the big bang would avoid much of the turmoil, and I would expect Pohl to urge that it all be done quickly.

An alternative unification is through a currency board arrangement. This would retain an Ostmark which would be linked to the Deutschemmark through convertibility of the Ostmark notes into Deutschemmark currency notes. Arbitrage would ensure that this convertibility spread to all other financial assets. The advantage of the currency board arrangement is that it does preserve an East German currency, and the possibility, in extremis, of adjusting it against the Deutschemmark. (With one currency there is no such possibility). In view of the enormous uncertainties of the adjustments of incomes, prices, contractual and accounting systems, property rights, etc, I should have thought that no-one knows, or indeed has the foggiest idea of how the East German economy will cope with all this dramatic change. (Note that the change is an order of magnitude greater than that which followed the FRG reforms of 1947; the FRG was basically a capitalist economy). Any choice of a conversion ratio may be desperately wrong (as happened with Churchill's fix at \$4.83 in 1925, or the Chilean fix to the dollar in 1979). Indeed there is much more chance of it being wrong than under "normal" circumstances. A currency board would provide a period of convalescence, for political as well as economic reasons; and after that period of massive adjustments, the FRG could then more easily slip into a full monetary union for a Greater Germany.

From all the reports, I adduce that the option of an interim currency board has not even been broached. Probably this is partly because it has, in the past, been associated with colonies and the implication of inferior status. (Although the French have always claimed their colonies as part of metropolitan France).

To fix ideas I shall assume that the currency board option is out and that the planned reform is in the form of a big bang.

### The Conversion Rate and Conditions

The official rate of one ostmark = one Deutschemmark is an accounting fiction, but it is also the basis for considerable subsidies in the GDR on official imports from the convertible currency countries. The free market rate has been roughly seven ostmarks for one Deutschemmark. This is a much closer approximation to the buying power of the currencies. But this is in the context of the very distorted and regulated pricing system, with all the shortages (which are reflected inter alia in queueing costs), and the various forms of rationing used in the GDR. The statistics are so chaotic and quite incapable of determining "price" in the sense used in Western market economies, so it is absurd to try and measure direct price comparisons to determine purchasing power parity. In short we have to trust the free rate as the best approximation to the equilibrium rate.

But this free rate is also skewed by expectations and the various probabilities associated with different conversion rates likely to be offered by the FRG. If, for example, the perception is that the Bundesbank will convert at 3, then it will pay to sell Deutschemmark (indeed to borrow Dmark for sale) and acquire Ostmark at 7 and make a tidy profit on the conversion when the Bundesbank obliges. Thus the increase in demand for Ostmark will reduce the free market rate (and the profitability of arbitrage), until it approaches the Bundesbank conversion rate of 3. The point is that the de facto conversion rate, when known, will determine the free market rate. And even rumours of conversion rates of circa 2.5 to one (as circulated by Sam Brittan in "The Politics of the Mark" FT Feb 15th 90) will bring the free market rate down (this does not seem to have occurred to Sam!), and may well account for the easing of the rate to 5 or so in recent days.

This market rate, however, will be far from the pre-union equilibrium rate of 7. This later rate is determined by goods arbitrage. Thus if the market rate is forced down to 4 by the Bundesbank conversion announcement, and if we imagine, for the time being, that the Deutschemmark prices in FRG remain constant, the demand for East German goods will collapse as the prices (in terms of Deutschemmark terms) are increased by the 7 to 3 ratio. I do not know how quickly the prices in the GDR will adjust downwards in response to the reduced demand, but owing to the rigidities which we know something about, I would suspect that it will take some time for tradeable goods prices to adjust.

But of course Deutschemmark prices in the FRG are bound to rise in the short run, and this increase will persist in the long run if the Bundesbank does not carry out open market operations to counter the increase in the money supply (in Dmark terms) generated by the 4 to 1 conversion. The elements contributing to the German price increase are:

(a) the fact that anyone holding Ostmarks up to (say) January 1990 will make a substantial capital gain, and no doubt part of this will be spent primarily in West Germany,

(b) the joint money supply in purchasing power terms will be increased by the conversion operation, which, unless mopped up by sales of bonds (and consequential increases of interest rates - although much of this may well have already occurred in anticipation of the inevitable), will have a once and for all effect on the price level. Strictly it will not give rise to any persistent additional increases in prices.

(Incidentally there seems to me to be many authorities in the media who claim that exactly the opposite results will occur. For example Michael Shea of Brown

Brother Harriman said "The West German inflation problem would be much greater at a ..a rate of six ... than at a rate of three (Ostmarks to Deutschemerk)" WSJ Feb 15th 1990. I confess that I am baffled.)

Clearly there is also likely to be a secondary reaction to a 3 to 1 conversion ratio. The fall in the demand for East German goods and the unemployment and dislocation so created will result in a clamour for help from the East. Politically it will be difficult to resist. It will be argued that it would be best to pay the Eastern populace subsidies to stay in the East, rather than having them descend on the FRG and claim the welfare benefits there. Best to keep them in the albeit miserable residences in the East. The budgetary cost? We can only guess, but my view would be that the minimum would be some \$2,000 per capita - which would cost over \$30 billion a year, and I suspect that \$50 bn would be nearer to the actual cost. I suppose that the FRG government would take some measures to ensure that the East Germans who remained were not pauperised by such aid. Whether this budgetary cost is financed, on the one hand, by cutting other expenditures (defence?), or on the other hand, by borrowing or by increases in taxation does obviously affect the outcome but in fairly predicatable ways.

#### Quantifying the Monetary Effects

Much comfort is being taken in the fact that the East German money supply (M3) amounts to some 200 billion Ostmarks. Reckoning at the official rate this is about 16 per cent of the M3 of the FRG. At 3 to 1, it is only about 5 percent of the FRG money supply. Thus it is said to be easily contained, and many economist have opined that the credit overhang is manageable without anything more than an additional half a percent on inflation (and I assume that is meant to be a once and for all price increase of one half of one percent). This may be so. If the purchasing power parity rate is 1 to 6 (say), and the demand for real balances in the East does not change (a heroic assumption), then the excess money supply created will be about nearly 2.7 percent of the money supply of the joint Germanies. If this were phased over five years, with no additional bond sales to offset it, the inflation rate would be an additional half a percent spread out a couple of years or so behind that monetary expansion.

From the arguments above, however, I think that the big bang effect would give rise to that 2.7 percent appearing in the year of conversion. It could be spread out by bond sales, but that would increase already high interest rates, causing great difficulties in the EMS and in relations with the Bush administration. Neither option is pleasant and no doubt Pohl will take what he considers to be the alternative which injures the reputation of the Bundesbank least - probably taking one percent on inflation and the rest on the bond market.

#### Some Bad Ideas

I am worried about the number of bad ideas that are apparently being embraced. One, reported with approval by Sam Britan *op cit*, suggests that, not only would there be a phased system (with all the disadvantages referred to above), but there would also be convertibility only of a fraction of savings deposits and presumably other financial instruments. Bonds would be issued as a (voluntary?) exit for the balance. This is a sort of copy of the currency reforms in Austria and Germany after World War II, except that the high-balance holders were completely expropriated. The argument then was that anyone who held a lot of cash was likely to be a black-marketeer and

deserved his loss. Today in East Germany the cash of the black market and the party officials is the Deutschemark not the Ostmark. The Ostmark savings are generally owned by small savers. I believe it would be morally wrong - and certainly wrong in terms of the ethic of a free society - to give the savers an inferior rate from the non-savers. And one would get all the political pressures and expectations effects spilling over and poisoning the atmosphere.

Lastly I think the conversion should not be motivated by the need to transfer resources to East Germany. The sole thrust should be to find the conversion rate that keeps East German industry and wage rates competitive under expected conditions of technology and efficiency. Any transfers needed should be carried through directly and not through the conversion rate. Then the FRG can tailor its subsidies to those who deserve and need it, rather than to those who are quick on the uptake in the currency markets.

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Comments

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first draft

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PRIME MINISTER

GERMANY

You said that you would like to have an evening seminar and supper with some eminent historians and others to discuss Germany and Central Europe. The names you mentioned were:

Hugh Trevor-Roper  
Gordon Brook-Shepherd  
George Urban  
Gordon Craig

The FCO have now come up with an alternative list including:

Timothy Garton-Ash  
Edwina Moreton, The Economist  
Alex Pravda, St Antony's (formerly Chatham House)  
Professor Gordon Smith, LSE (German politics)  
Philip Windsor, LSE, Reader of Department of International Relations  
Ian Davidson, Financial Times  
Edward Mortimer, Financial Times  
Professor John Ericson, Edinburgh University (Soviet military expert)  
Gordon Craig, author, US-based (in his 70s)  
Dominic Lieven, LSE  
Professor Norman Stone, Oxford (East Europe)  
Professor Ralph Dahrendorf (possible)  
Paul Kennedy, Yale University (British national)

They also want the Foreign Secretary, William Waldegrave and Christopher Mallaby to be present. Percy Cradock would also very much like to attend.

I have several immediate comments: there is virtually no overlap between your list and theirs except for Craig (who is in his 70s, and based in the US): they have got too many journalists: and the whole thing is becoming too big.

It seems to me that you want people of some eminence and wisdom

rather than 'experts': and you want relatively few people, so that there can be a real discussion.

One of the problems is that some of the most eminent experts are now rather elderly. Apart from Hugh Trevor-Roper and Gordon Craig, the great names are Alan Bullock, Isaiah Berlin, William Shirer (the Rise and Fall of the Third Reich). But they are well into their eighties and William Shirer lives in the United States. The great historian of medieval Germany was Geoffrey Barraclough, but he died (I think quite recently). Possibly the best history of all is by Alfred Grosser. But he is French and I don't know if he speaks English.

My own selection would therefore be rather different from that of the FCO, as well as smaller. I would suggest the following eight:

- ✓ Alec Douglas Home
- ✓ Hugh Trevor-Roper
- Alan Bullock
- ✓ Gordon Craig (if he would come from the US)
- Isaiah Berlin
- ✓ Hartley Shawcross
- ✓ Norman Stone
- ✓ Timothy Garton-Ash
- Professor Gordon Smith (I don't know him).

with you and the Foreign Secretary making ten. That would mean leaving out William Waldegrave, Percy Cradock and Christopher Mallaby. But the occasion is for your benefit (and Christopher presumably knows about Germany's history).

Would you like me to proceed on this basis?

CDP

Charles Powell

7 February 1990

c: Germany (MJ)

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*cefc*



Foreign and Commonwealth Office

London SW1A 2AH

19 February 1990

*John Charles*

*Already submitted  
to Mr.  
CDD 271*

German Unification

In the light of the Cabinet discussion on 15 February, and his talk with the Prime Minister (recorded in your letter of 15 February to me) about recent developments over German unification, the Foreign Secretary has asked me to send you the enclosed copy of the paper by FCO officials to which he referred. It will be discussed under Cabinet Office auspices on 21 February. Some refinement in the light of the views of other Departments is likely, but it provides a useful initial analysis of the issues which will have to be covered in intra-Community negotiation.

On 15 February, Sir David Hannay pressed Delors on the need to keep member states in touch with developments on German monetary union. Delors has agreed to have a private discussion with COREPER Ambassadors next week. This will provide a good opportunity to press for adequate preparations for the impending negotiations.

I am copying this letter to John Gieve (HMT), Martin Stanley (DTI), Michael Harrison (MAFF) and Sonia Phippard (Cabinet Office).

*Jan,*  
*Stephen Wall*

(J S Wall)  
Private Secretary

C D Powell Esq  
10 Downing Street

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15 February 1990

CABINET

STEERING COMMITTEE ON EUROPEAN QUESTIONS

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EC IMPLICATIONS OF GERMAN UNIFICATION  
Note by the Foreign and Commonwealth Office

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Introduction

1. This paper examines:

- (a) the probable Community procedures (paras 2-8); and
- (b) the practical Community consequences, sector by sector (paras 9-31)

if the territory of the GDR becomes part of the EC. Throughout, "unification" means the political unification of the FRG and GDR into one state, and "integration" means the incorporation of what is now the GDR in the European Community. The paper assumes that the goal of integration would be a single member state, whether achieved by creating a single new state called "Germany", or simply by incorporating the GDR-Länder into the Federal Republic, under Article 23 of the Federal Constitution. It does not deal with the alternative, but now very unlikely, possibility that the GDR would join the EC as a 13th member state and remain separate from the FRG for a substantial period.

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Overall Analysis

2. The Community as such does not have any veto over German unification, nor would it be entitled to participate in any negotiations between the two Germanies and the Allies over unification. But this does not mean that the Community has no say over the consequences of unification. On the contrary, the Community is entitled to argue - and all in Bonn agree - that those consequences should form the subject of negotiation either prior to or following unification.

3. The GDR is a small country: its population is 5% of the EC's; its GNP no more than 10% of the FRG's. Its size alone should therefore not be a problem in incorporating it into the EC. But precise assessment is complicated by three factors. First, statistics on the GDR economy are unsatisfactory, and comparisons made unreliable by an unrealistic exchange rate and a lack of market prices inside the GDR. Second, the centrally-planned economy has been run in a completely different way from Western economies. The transition to a free market economy will be difficult and disruptive. We do not know the pace or extent of the change that would have been accomplished by the date of unification. Third the political crisis in the GDR and the loss of skilled manpower through emigration is now causing considerable damage to the GDR economy: its effects are no easier to predict than are the effects of all-German monetary union (GMU), which could produce increased inflation and unemployment and therefore the very emigration it is intended to slow or stop. On the other hand, some in Bonn believe it could produce real GDR growth of as much as 10% in year one. In the short term, unification is likely to slow the rate of growth in the FRG: current GMU plans to rescue the GDR could cost the FRG the equivalent of one year's growth of GNP.

4. In practice the two processes of unification and integration of the GDR into the EC are likely to take place in parallel and have considerable implications for each

other. With some form of GMU now likely to be installed shortly after the 18 March GDR elections, the unification process, and the streamlining of the GDR economy on free market lines, will then be on train. The effects of economic restructuring in the GDR, and whether emigration continues, will dictate whether the transition is managed smoothly, or messily. A smooth transition would be preferable, but the accelerating collapse of the GDR may make a messy one more likely, with unification coming first, and Community negotiations sorting out the consequences. Two scenarios are conceivable:

- (a) political unification could happen very quickly, without much preparation. In this case Germany would find itself unable to fulfil many of its EC obligations as far as the five ex-GDR-Länder were concerned, because the economy and administrative systems of the ex-GDR-Länder were not yet physically capable of complying with EC law. (EX-)GDR firms and individuals would start to demand Treaty rights and money from the EC budget. There would need to be very urgent negotiations to get some kind of standstill agreement on the EC acquis in place. This would be followed by negotiations on transition, to be set out either in a Treaty (which would require an IGC, common accord of the member states and ratification), or by political agreement (though this would not prevent individuals or firms taking legal action);
  
- (b) regardless of the timing of political unification, de facto economic integration of the GDR and FRG could continue to take place piecemeal, with consequences for the EC. This has already happened over free movement of people (para 22) and seems likely to happen as GMU leads to diminished GDR sovereignty in wide areas of economic policy (para 31). There would need to be ad hoc negotiations to agree derogations and transitions in each

area, against the background of an economic collapse. Formal unification and integration would take place in stages, more or less coordinated.

5. Much less likely, particularly in view of GMU, is a smooth transition, under which the necessary transitional arrangements were negotiated as a package, designed to fit with the timetable of unification. This would mean that formal unification would take place late in the integration process, either by agreement to delay it until the modalities of integration had been fully worked out and enshrined in a Treaty; or by the Germans themselves postponing unification until they had ensured that the GDR fully complied with EC law and that the GDR-Länder could take on the full acquis from the moment of unification. This now looks a highly implausible scenario; and self-evidently it would be difficult for the FRG's Community partners to argue that unification must be delayed to permit a tidy negotiating timetable. Nor is there any need to make the attempt, for, in practice, the detailed content of negotiations would be much the same whatever the political path to integration.

6. Few, if any, of the consequences of integration would require amendment of the Treaty of Rome and the other Treaties, and the mood in Bonn is at present to avoid Treaty change as far as possible. The other consequences (see paras 10-31) would require either amendments to existing, subsidiary instruments of EC law, not requiring Treaty amendment; or transitional periods for the application of Treaty powers and rights (eg Articles 52-58 on freedom of establishment, 85 and 86 on competition policy, 92-4 on state aids). Amendments to existing legislation could in principle be made seriatim, with the relevant instruments amended one by one in accordance with whatever majority was required, but would more neatly be made in a single treaty instrument. Derogations from the Treaty, either permanently or for a transitional period, would need to be enshrined in

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a formal treaty instrument, which would need to be adopted by a conference of representatives of the Governments of the member states and would enter into force when ratified by all. A single hybrid instrument covering all aspects would be the most straightforward solution: it was the one adopted in all the accession Treaties.

7. The number of amendments to EC legislation needed to create the necessary derogations and transitional periods might be very large: for example, over 1200 Directives (to say nothing of Regulations and Decisions) have been adopted since the UK joined the EC in 1973. The Single Market and other programmes are adding more. There would also have to be very many changes in the legislation applying to the GDR. The task would be eased for the GDR by the existence of laws in the FRG which could be taken over, extended or adapted (especially if unification took place through incorporation in the FRG by means of Article 23). But full implementation would depend on the effectiveness of the administrative, legislative and legal systems in place. Existing systems are weak, and being further weakened by daily migration which is now running at a level (up to 3,000 per day) similar to that of the months before the building of the Berlin Wall in August 1961.

8. Though the Community negotiating process will be messy, the FRG will not be able to avoid it, as they can on GMU, since it has no effect on EC laws/regulation. Nor can they short-circuit it. It is also worth noting that the UK interest will be better served by negotiating transitional arrangements with the German government than they would have been by a classical accesssion negotiation, with the GDR applying as a separate state, the FRG arguing for generous terms and a speedy settlement, and unification post-GDR-accession resulting in the combination of the Council voting strength of the two Germanies - which would have been hard to resist if they had, however, briefly, occupied separate Council seats, but should now be

avoidable. We do however need to ensure that the Commission and member states are well-prepared for the negotiations; and in particular that we have clearly identified the UK interest, sector by sector, particularly on the length of transition periods which would best suit the UK (there is no reason to expect a standard length across the board).

### Sectoral Analysis

9. The following paragraphs therefore examine, sector by sector, the main areas of EC activity which will have to be addressed. Most arise from the Treaty of Rome, but the ECSC and EURATOM Treaties also need to be taken into account. (For the purposes of analysis, the paper assumes that the GDR economy will liberalise rapidly, moving from state to private ownership, from command to market systems and to a stable hard currency; and that this process will take place without political disruption which would prevent foreigners investing with confidence. There will in practice be a substantial economic dislocation, though the indications are that outside investors, at least from the FRG, are already moving in.)

### Single Market

10. The ex-GDR-Länder would have to allow greater competition in financial services, (banking, insurance, investment), transport (air, sea and land, public purchasing (by government, local government and utilities) intellectual property, recognition of qualifications, telecommunications, energy and research. Legislation would not take very long: the brake could be fear of the impact of competition, for some sectors (eg financial services) are very underdeveloped.

11. The ex-GDR would need to meet the requirements of standards directives. Goods exported from the GDR to the EC already have to do so, but the standards would apply within the GDR. This would mean extensive retooling of industry (which will of course be necessary anyway for successful

exports to Western Europe). The GDR would also have to apply new rules on animal, plant and fish health; on pharmaceuticals; and food labelling. All will require investment to meet the new standards.

12. The necessary economic adjustments would be large, but will in any case be required, and driven, by unification with the FRG economy. The necessary transitions could in principle be provided for by amendments to secondary EC legislation. Some form of continuing control of Inner German Trade could be appropriate, unless the ex-GDR-Länder were ready at once to accept all goods in free circulation in the EC, and did not seek time to cope with the competition.

Agriculture (Articles 38-47 EEC)

13. Agriculture is of relatively greater importance for the GDR than for most other EC countries. It accounted for 8.5% of the GDR's GDP in 1985 (FRG 1.8%, UK 1.6%, EC12 5.4%) and occupied 10.8% of the workforce (FRG 6.6%, UK 2.5% and EC12 11.1%). The main adjustments the GDR would have to make are:

- (i) applying the range of EC support mechanisms, which differ greatly from those currently in place. They involve intervention arrangements, subsidies and external tariffs to hold domestic prices up. GDR farmers would no doubt welcome this - but consumer prices would have to rise considerably: they are currently subsidised by up to 80%;
- (ii) detailed regulations on quality and health. Investment would be needed to meet the standards.

(i) would be very disruptive, and the Germans would no doubt seek longer harmonisation periods, as in earlier accessions. (ii) should be less problematic: GDR animal and plant health standards are relatively high, but not much below the FRG's.

14. Preliminary calculations of what the GDR might expect from FEOGA guarantee funds, necessarily based on several uncertain assumptions and to be treated with great caution (particularly as trade patterns would alter substantially), suggest that in 1992 the ex-GDR-Länder might expect net FEOGA Guarantee receipts of some under 500 mecu: the agricultural levy would be about 50 mecu, and the sugar levy about 100 mecu. These funds would probably start to flow quickly and automatically once the application of CAP price levels was agreed in principle: the build-up would depend on any phasing of adjustment in price levels. There might in due course be resultant pressure for revision of the FEOGA Guideline.

15. GDR production of major CAP products in 1988 was:

	GDR	EC
Cereals	9.9m tonnes	163.2m
Beef	0.73m tonnes	7.6m
Pigmeat	1.74m tonnes	12.8m
Sheepmeat	0.04m tonnes	1.1m
Milk	8.05m tonnes	95.8m

Exports to the UK are negligible, but considerable quantities of pigmeat are exported to the FRG; and barley is imported from the EC for animal feed. The GDR's main imports are animal feed and cereals; they are (like the EC) trying to curb excess production of milk, meat and eggs.

16. The difficulties and expense of integrating GDR agriculture with the FRG and the EC could strengthen FRG opposition to any further CAP retrenchment. But when the profit-motive spreads, GDR agriculture has potential for large-scale low cost production, which could have uncomfortable implications for small-scale high-cost Bavarian agriculture: it is not inconceivable that the overall German interest in high production-related support

could diminish. But the short term effect of GDR integration into the CAP would undoubtedly be higher CAP costs, and there is no realistic chance of imposing artificial transitional delay in ex-GDR receipts from the CAP (in addition to the natural delay caused by the phasing of price increases).

#### Fisheries

17. The GDR had a large fishing fleet in the 1970s, with catches of over 300,000 tonnes per annum; we do not know the current level of catches but the fleet has since declined greatly, reducing the difficulty of applying the CFP. GDR territorial waters in the Baltic will not bring significant new stocks, so the overall effect is likely to be some increased demand for existing Community fish resources.

#### Environment (Article 130 r-t EEC)

18. The GDR is part of the worst-polluted region in Europe with life expectancy in some areas falling as a result. There currently are no effective environment controls. Existing EC legislation covers inter alia drinking and bathing water quality; car exhaust emissions; power station emissions; and waste disposal. Meeting the standards (which many existing member states already find difficult) would require heavy investment and even structural changes in the GDR economy, because of its dependence on brown coal for power generation and the preponderance of heavy industry with out-of-date plant. GDR per capita SO<sub>2</sub> emissions (300kg) are almost ten times those of the FRG (31kg): one power station currently under construction will, if completed, discharge twice as much as the whole of Sweden. CO<sub>2</sub> production is nearly twice the FRG's (5.5t per capita as against 3.06). Long derogations from environmental directives will be required, and there will be bids, which we should clearly resist, for EC budget help with the costs. We shall not lack for allies in resistance: the French, for

example, share our view that it will be for the Germans to clean up their own industry; and Bonn is already allocating funds.

Social (Articles 117-122 EEC)

19. Existing legislation covers:

- (i) health and safety: investment would be needed in new equipment and training;
- (ii) equal treatment in pay and social security: the main pressure for change is likely to be demands from ex-GDR citizens for harmonising with the FRG's high standards of social provision - which in most cases are well above EC minima. Meeting EC obligations would be a lesser problem within that, though social legislation is a moving target and the Commission's Action Programme may well result in new obligations during the '90s.

In both cases, all costs would be for the Germans to pay; and our interest would lie in their being required to do so fairly quickly, to ensure that ex-GDR business is forced to compete on equal terms.

Immigration/Frontiers

20. GDR nationals' entitlement to FRG nationality is stated explicitly in the German declaration on nationality annexed to the Treaty of Rome, and is accepted by all EC member states. Indeed, there is nothing in present arrangements to prevent the FRG authorities from issuing FRG identity papers (and thereby Treaty rights) to all GDR citizens. This rules out the kind of transitional arrangements made with Greece, Portugal and Spain for free movement of people. But the end of the Inner German border for immigration purposes would mean the Community's external perimeter becoming established at the Oder-Neisse: the EC 11 would want to ensure that this border was as tightly policed (for immigration, drugs,

terrorism, etc) as the Inner German border has been in the past. This would be the counterpart for the removal of visa requirements on GDR nationals, which is automatic under the Treaty as soon as they become EC citizens. But with increasing numbers acquiring FRG passports, the visa requirement is already of diminishing utility. A unified Germany would need to apply visa and asylum arrangements very different from those now operated by the GDR: TREVI discussions could be tricky for the new Germany for a while. We might also want to address the issue of access to the Community by ethnic Germans from the Soviet Union and elsewhere in Eastern Europe.

Customs Union (Articles 110-116 EEC)

21. Trade within Germany is currently covered by the IGT arrangements. These would lapse on completion of unification, but in the short term the growing interdependence of the FRG and GDR economies during the transitional period would substantially alter trade flows: the arrangements for policing leakage would need careful attention. As part of the transition the GDR would have to abolish tariffs, quotas and measures equivalent to quantitative restrictions against the EC 11, and introduce a new set against the outside world, including its CMEA partners. The 11 would have to abolish tariffs etc against the GDR. This would not be a major problem for the 11, but since it would mean a major reorientation of the GDR's trade - 61.8% of which was with the CMEA in 1988 and only 32.6% with the EC - a transitional period will no doubt be sought. Based on existing trade patterns (see Annex A), customs duties payable to Brussels might amount to about 500 mecu a year. However, as the orientation of GDR trade switches increasingly towards the EC (the UK's trade with the EC has risen from 30% to 50% of our total trade since we joined) this figure would decline significantly.

External Trade

22. Apart from the Customs Union, the GDR would have to take on other EC external trade obligations, including preferential access for exports from Lomé and GSP countries. This would be another source of competition for its industries and agriculture. They might also have residual obligations to current partners, as well as their continuing need to import fuel and materials.

State Aids and Competition Policy (Articles 85-94 EEC)

23. The process of introducing market forces in the GDR is likely to require large-scale privatisation, restructuring and closure of plants. There would be strong pressures for state aids and for freedom to create firms able to compete in the Single Market, particularly given the freedom of GDR labour to move to the FRG in response to job losses, low pay or poor conditions. Unless there were a transitional period, EC rules on State Aids and Competition would apply in full from the moment of unification. The GDR might therefore seek to have the existing rules (derived from Articles 85 and 86 of the Treaty for competition policy and Articles 92-94 for state aids) applied less rigorously.

24. Clearly the UK interest would lie in securing the shortest possible transitional derogations. FRG firms, which would want to exploit the GDR's lower labour costs while they lasted, might otherwise seek to evade controls they would face in the rest of Germany. We would need to ensure that they did not gain any unfair advantage from non-application of the Treaty. Similar considerations would apply in the specific case of coal and steel, which are governed by the ECSC Treaty. (It would also be necessary to decide how to handle Article 92.2.c, which provides for "aid granted to the economy of certain areas of the Federal Republic of Germany affected by the division of Germany, in so far as such aid is required in order to compensate for the economic disadvantages caused by that division.")

Structural Funds (Article 130 a-e EEC)

25. Receipts from the Regional Fund are closely related to GDP per capita, for which GDR data are extremely poor. An estimate, based on purchasing power parity, of GDP per head in the GDR at 62% of that of the FRG, gives the following comparisons:

US	100
FRG	74
UK	69
Spain	48
GDR	45
Portugal/	36
Greece	

A case could therefore be made for the GDR to receive expenditure similar to the four southern member states: 170 ecu per capita = 2720 mecu p.a. The bulk of Structural Funds money available up to end 1992 has already been allocated, but a total of 3 becu remains to be allocated at the Commission's discretion. This could in theory be given to the GDR - but there would be fierce competition from the Southern recipients. And in practice, the FRG will have to cope with many of the consequences of GMU without waiting for the outcome of a negotiation in the Community which would be slow and inherently difficult, given their simultaneous need to seek large transitional derogations. In any case, we shall have good non-German company in resisting early claims on the Structural Funds: the Commission may however be more enthusiastic than most member states.

26. Decisions on the level of funding after 1992, or on increasing funding before 1992, would require unanimity in the Council under Article 130 a-e of the Treaty, and might require adjustment to the IIA. It is difficult to see the GDR being excluded from funding after 1992 - and other recipients will press for an increase in the overall size of

the Funds to ensure that spending on the ex-GDR does not mean less for them.

#### Budget

27. There would be major administrative problems to overcome in arranging for Budget contributions from the ex-GDR-Länder. Customs dues and agricultural levies would in principle be payable from the moment of unification, as would the Fourth Resource. How effectively this happened would depend on the administrative and statistical base available. As for VAT, the tax itself would take some time to introduce; and, as in earlier accessions, a negotiated contribution would be required until the full system was in place.

28. Tentative estimates of the budgetary effects of integration, necessarily making very large assumptions (including the artificial assumption that the GDR were to join as a separate state) suggest that the ex-GDR might, in 1992, be a net beneficiary to the tune of up to 2 becu, or a little over 1% of GDP, cf net receipts of circa 4% for Ireland and Greece. The main receipts would be from the Structural funds (para 25) and FEOGA Guarantee (para 14). On this assumption, the net increase in the UK contribution after abatement would be between 100 and 150 mecu. The overall German contribution, even cut by up to 2 becu, would remain much the largest.

#### Freedom of Establishment (Articles 52-58 EEC)

29. Quite apart from specific measures in the Single Market programme, GDR firms will have Treaty rights to freedom of establishment in other Member States, and outside firms will have the same rights in the GDR. Either side could seek transitional arrangements.

#### Transport (Articles 74-84 EEC)

30. The GDR would have to adjust to the Common Transport Policy, including rules opening up competition in road, sea

and air transport; technical standards; and safety legislation (eg on tyre tread depths). Much of the technical change would no doubt in practice be accomplished through cooperation with FRG companies (eg the replacement of Trabant and Wartburg cars by West German cars). There might also be pressure for the EC budget money for transport infrastructure links between the two parts of Germany.

#### Institutional Consequences

31. The Treaty of Rome and the other Treaties were signed by the "Federal Republic of Germany", so Treaty amendment to nomenclature at least would be required if unified Germany had a new name (ie if the Article 23 route were not used). On voting weights in the Council (see para 6), a maximalist German bid might be for 15 votes (on the grounds that the GDR on its own might rate 5 votes ie parity with the Netherlands), and a minimalist bid might be for 12 votes (taking account of the precedent of giving Spain two votes fewer than the other large states), but all the current indications are that there will be no bid, which suits us well. To avoid increasing partners' fears of the increased influence of a united Germany, the Bonn authorities appear to envisage no early institutional change, though in the longer term the Germans will no doubt want greater representation in the European Parliament, reflecting their increased population.

#### Conclusion

32. Covering all of these issues would mean a large and complex negotiation, comparable in many ways to a normal accession negotiation. The key as ever would be the length of derogations and transitional periods. The precedents are: UK and Denmark 5 years; Greece generally 5 but 7 years for free movement of workers; Spain and Portugal generally 7, but 10 years for agriculture. The pace now is however likely to be quicker, and the UK interest will in most cases lie in short transitional periods, for level playing-field reasons. Our general aims should be to ensure:

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- a. that the process of integration is as orderly as can be contrived, despite the collapse of the GDR economy;
- b. that all derogations and transitions are properly negotiated, with the Community as a whole, as if for an accession negotiation, and subsequently strictly monitored by the Commission;
- c. that transitional periods and derogations should be as short as possible in order to open GDR markets; and prevent GDR or FRG firms gaining unfair advantages from looser regulation and lower compliance costs;
- d. that disbursement of Structural Funds and CAP money is delayed to the extent feasible in order to limit costs to the EC Budget: in the former case, postponement of any substantial costs until at least 1992 may be possible, but eligibility for CAP funding will be harder to postpone;
- e. that as much as possible of the transitional cost of integration, eg the large environmental costs, are borne by the FRG.

33. The support of like-minded member states for these aims should be actively sought. On procedures, particularly close liaison with the Commission and the FRG will be required. On substance, we should work closely across the board with the French, the other substantial net contributor, building alliances elsewhere on particular issues - eg with Southern Europe on Structural Funds spending.

FCO

15 February 1992

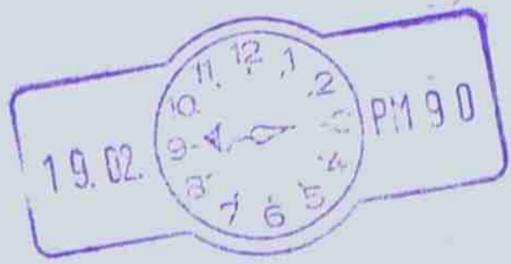
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## COMMODITY STRUCTURE OF THE GDR'S TRADE

EXPORTS	<u>1988</u> % shares
All Commodities	100.0
- Machinery and Equipment	47.6
- Fuels and Metals	15.1
- Agricultural Raw Materials and Food	7.0
(- Food, Beverages and Tobacco	3.9)
(- Agricultural Raw Materials	3.1)
- Industrial Consumer Goods	16.4
- Chemicals, Fertilizers, Rubber, and Construction Materials	13.9
(- Chemicals (SITC 5)	11.1)
IMPORTS	
All Commodities	100.0
- Machinery and Equipment	37.0
- Fuels and Metals	33.5
- Agricultural Raw	
Materials and Food	14.1
(- Food, Beverages and Tobacco	8.2)
(- Agricultural Raw Materials	5.9)
- Industrial Consumer Goods	5.7
- Chemicals, Fertilizers, Rubber, and Construction Materials	9.7
(- Chemicals (SITC 5)	6.5)



File [Signature]

PRIME MINISTER

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GERMAN UNIFICATION/EC

You may like to look at the attached paper by the Foreign Office on the EC implications of German unification. It is quite a useful survey of the problems which have to be addressed. It underlines:

- the potential costs for other member states from absorption of the GDR
- the difficulties there will be once unification has taken place, of disentangling goods and costs which originate in the GDR from those in the FRG. With no international border, there will have to be very careful monitoring.

It is very much a first effort for discussion at official level.

C. D. POWELL

19 February 1990

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(slh)

MRS. PONSONBY

Chapter 28  
We spoke.  
The date we  
agreed was  
Sat 24 March.

CONFERENCE ON GERMANY

AP  
19/2

The Prime Minister wants to hold a meeting for some academic experts on Germany including a couple from America. We had originally envisaged this as an evening event at No.10 over a working supper. However, the Prime Minister has now said that she would quite like to do it as a half day at Chequers, including either lunch or dinner. If at all possible, she wants to do it before the Anglo-German Summit at the end of March, although it might have to slip. Could you let me know urgently, please, what the possibilities are.

CDP

CDP

18 February 1990.



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

18 February 1990

I have seen Washington telegram No.402 about the Prime Minister's Conference on Germany. The Prime Minister would indeed be grateful if the Embassy could sound out Professor Fritz Stern. Meanwhile, we will start looking for a date, if possible before the Anglo-German Summit at the end of March.

C.D. POWELL

Stephen Wall, Esq.,  
Foreign and Commonwealth Office.

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do

MRS. PONSONBY

CONFERENCE ON GERMANY

The Prime Minister wants to hold a meeting for some academic experts on Germany including a couple from America. We had originally envisaged this as an evening event at No.10 over a working supper. However, the Prime Minister has now said that she would quite like to do it as a half day at Chequers, including either lunch or dinner. If at all possible, she wants to do it before the Anglo-German Summit at the end of March, although it might have to slip. Could you let me know urgently, please, what the possibilities are.

CDP

18 February 1990.

10

PRIME MINISTER

ACADEMIC SESSION ON GERMANY

The attached telegram has the good news that Professor Gordon Craig would be prepared to come over from California for a discussion over dinner about Germany. We would of course have to offer to pay his fare and a couple of nights accommodation. If you agree, I will now try to fix a date for this meeting.

The telegram also reports that William Shirer is now too old and infirm to travel. It is suggested that we might instead invite Professor Fritz Stern who is apparently regarded, with Craig, as the foremost US academic expert on Germany. Would you like to try him too? The two of them would make a powerful combination with three or four of the best British experts.

CDP

CDP

17 February 1990

jd c:academic

Yes - good news  
ms

We could have the 'session' at  
Chequers and then they could both  
stay at Chequers for a couple of nights  
ms

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PRIME MINISTER'S CONFERENCE ON GERMANY

1. WE HAVE SPOKEN TO PROFESSOR GORDON CRAIG (EMERITUS OF STANFORD UNIVERSITY), WHO HAS AGREED IN PRINCIPLE TO ATTEND THE PRIME MINISTER'S CONFERENCE. HE IS LIKELY TO BE AVAILABLE FROM THE LAST WEEK IN FEBRUARY THROUGH TO THE FIRST WEEK IN APRIL, AFTER WHICH HIS SCHEDULE FILLS UP.
2. WE HAVE NOT BEEN ABLE TO SPEAK TO WILLIAM SHIRER, BUT HIS PUBLISHERS TELL US THAT HE HAS NOT BEEN WELL FOR SOME TIME (HE IS 86) AND HAS BEEN IN AND OUT OF HOSPITAL RECENTLY. HE HAS ALSO CUT BACK ON HIS PUBLIC ACTIVITIES. IT SEEMS LIKELY, THEREFORE, THAT HE MAY NOT BE ABLE TO UNDERTAKE A TRANS-ATLANTIC ROUND TRIP.
3. A POSSIBLE ALTERNATIVE TO SHIRER IS PROFESSOR FRITZ STERN (SETH LOW PROFESSOR OF HISTORY AT COLOMBIA UNIVERSITY, NEW YORK). HE IS CURRENTLY REGARDED, WITH CRAIG, AS THE FOREMOST US ACADEMIC EXPERT ON GERMANY. WE HAVE NOT CONTACTED HIM BUT COULD DO SO QUICKLY IF HIS PRESENCE WOULD BE USEFUL.

ACLAND

YYYY

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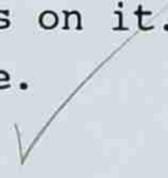
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MISS SLOCOCK

I ought to warn you that the Prime Minister is thinking of inviting one or two American experts on Germany over for a meeting. We would have to pay air fares and accommodation, which might come to a tidy sum. There is no explicit provision for this sort of thing in my budget, although it seems to me it could legitimately come from one of the sub-heads on it. Could you kindly explore this with the Cabinet Office.



CDP

17 February 1990

jd c:slo

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## GERMAN REUNIFICATION: POLISH VIEWS

1. AMBROZIAK (HEAD OF THE OFFICE OF THE COUNCIL OF MINISTERS) ASKED ME TO CALL AT SHORT NOTICE THIS AFTERNOON ON INSTRUCTIONS FROM MAZOWIECKI. HE ASKED THAT WHAT HE TOLD ME SHOULD BE CONVEYED TO THE PRIME MINISTER.

2. HE TOLD TACGAT HIS PRIME MINISTER WAS BRIEFING THE US AND FRENCH AMBASSADORS ON HIS TALKS IN LONDON. MAZOWIECKI HAD ALSO HAD A HALF HOUR TELEPHONE CONVERSATION WITH GORBACHEV TODAY AT WHICH THEY HAD DISCUSSED HIS VISIT TO BRITAIN AND GORBACHEV'S TALKS WITH KOHL.

3. AMBROZIAK SAID THAT MAZOWIECKI HAD EXPLAINED TO GORBACHEV THE REASONS WHY POLAND INSISTED THAT SHE SHOULD BE PRESENT WHEN, IN THE 2 PLUS 4 FRAMEWORK, THE SUBJECT OF GERMANY'S BORDERS WAS BEING DISCUSSED. GORBACHEV HAD RESPONDED POSITIVELY AND AMBROZIAK SAID THAT THE SOVIET UNION WAS LIKELY TO ISSUE A STATEMENT ON THE MATTER TODAY OR IN THE NEAR FUTURE. ACCORDING TO AMBROZIAK, GORBACHEV HAD FULLY RECOGNISED THE IMPORTANCE OF SATISFYING THE SECURITY REQUIREMENTS OF GERMANY'S NEIGHBOURS BEFORE REUNIFICATION TOOK PLACE. HE HAD TAKEN THIS LINE IN HIS DISCUSSION WITH KOHL. IN RESPONSE TO THE POLISH POINT THAT THESE MATTERS SHOULD BE RECOGNISED IN SOME CONTRACTUAL MANNER E.G. BY A TREATY, GORBACHEV HAD SAID THAT IT WAS NECESSARY THAT THE TWO GERMAN STATES SETTLE THE MATTER CLEARLY AND UNEQUIVOCALLY. MAZOWIECKI AND GORBACHEV HAD AGREED TO KEEP IN REGULAR TOUCH.

4. I ASKED AMBROZIAK IF HE COULD AMPLIFY FURTHER POLISH VIEWS ON THE POINT IN THE 2 PLUS 4 DISCUSSIONS AT WHICH THE POLES WISHED TO BECOME INVOLVED. HE REPLIED THAT THEY FELT THAT THERE WERE MORAL, LEGAL AND POLITICAL ARGUMENTS IN FAVOUR OF A GENERAL POLISH PRESENCE BUT THAT IT WAS AT ANY RATE ESSENTIAL THAT THE POLES SHOULD BE PRESENT WHEN QUESTIONS AFFECTING THE SECURITY OF GERMANY'S NEIGHBOURS, INCLUDING BORDER ISSUES, WERE BEING CONSIDERED. HOWEVER THEIR VIEW WAS THAT IT WAS OPEN FOR DISCUSSION WHETHER

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POLAND SHOULD BE PRESENT 'ONLY IN CERTAIN PHASES.'

5. AMBROZIAK SAID THAT MAZOWIECKI WOULD BE SENDING TO BRITISH, FRENCH AND AMERICAN HEADS OF GOVERNMENT IN THE NEXT FEW DAYS A MESSAGE CONFIRMING THE POLISH POSITION ON THESE POINTS.

BARRETT

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GERMAN REUNIFICATION: PROPOSED MEETINGS OF TWO AND FOUR: ITALIAN VIEWS

SUMMARY

1. DE MICHELIS COMPLAINS ABOUT THE EXCLUSION OF ITALY AND OTHER COUNTRIES FROM THE TWO PLUS FOUR TALKS ON GERMAN REUNIFICATION.

DETAIL

2. ACCORDING TO THE ITALIAN PRESS, ITALIAN FOREIGN MINISTER DE MICHELIS ISSUED THE FOLLOWING STATEMENT IN OTTAWA YESTERDAY ON THE QUESTION OF GERMAN UNIFICATION (OUR TRANSLATION):

QUOTE. IT IS SIGNIFICANT THAT THE TWO GERMANY'S AND THE FOUR GUARANTOR POWERS HAVE SEEN FIT TO CONSULT EACH OTHER OVER THE GERMAN QUESTION. THIS REPRESENTS AN EXPLICIT RECOGNITION OF THE DIRECT EFFECTS OF UNIFICATION ON EXTERNAL INTERESTS. IT IS CLEAR TO ITALY THAT SUCH INTERESTS OBVIOUSLY GO BEYOND THOSE OF THE FOUR GUARANTOR POWERS.

UNQUOTE.

3. TALKING INFORMALLY TO JOURNALISTS LATER, DE MICHELIS COMPLAINED THAT ITALY HAD BEEN 'CUT OUT' AND WOULD ONLY HAVE LEARNT ABOUT THE TWO PLUS FOUR AGREEMENT FROM NEWSPAPER REPORTS IF THE DUTCH FOREIGN MINISTER HAD NOT RAISED THE ISSUE. HE SAID THAT ITALY SHARED THE SENTIMENTS OF DELORS WHEN HE SAID THAT HE WAS TIRED OF ALWAYS BEING INFORMED BUT NEVER CONSULTED.

4. DE MICHELIS WAS QUOTED AS SAYING THAT ITALY RECOGNISED THE RESPONSIBILITIES OF THE FOUR POWERS FOR BERLIN, BUT DISCUSSION OF GERMAN BORDERS HAD TO INCLUDE NEIGHBOURING COUNTRIES SUCH AS POLAND. ITALY TOO HAD AN INTEREST. THE PROPER FORA FOR SUCH A DISCUSSION WERE NATO, THE EC AND ABOVE ALL THE CSCE. ITALY WOULD SUPPORT THE DELORS PROPOSAL (SIC) FOR AN EXTRAORDINARY EUROPEAN COUNCIL IMMEDIATELY AFTER THE GDR ELECTIONS.

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5. DE MICHELIS IS REPORTED TO HAVE ADDED THAT SINCE THE GDR COULD BE ALLOWED INTO THE EC 'WITHIN MONTHS', THE NEGOTIATION ON AUSTRIA'S ACCESSION SHOULD BEGIN AT ONCE. ITALY HAD A SPECIAL INTEREST IN AUSTRIA'S EARLY ACCESSION: 'IN A COMMON MARKET WHICH IS INCREASINGLY BIASED TOWARDS THE NORTH AND CENTRE OF THE CONTINENT, WE (ITALY) RUN THE RISK OF REMAINING ATTACHED TO EUROPE ONLY BY A STRIP OF BORDER WITH FRANCE, WHICH WILL NOT BRING US SUFFICIENT BENEFITS FROM THE OPENING OF FRONTIERS.'

EGERTON

YYYY

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MIPT

GERMANY - FOUR PLUS TWO

1. AS AGREED WITH DUMAS ON 15 FEBRUARY, THERE FOLLOWS A LIST OF SUBJECTS FOR CONSIDERATION BY THE FRENCH WHICH WE MIGHT BOTH USE AS A BASIS FOR DISCUSSION WITH THE GERMANS AND THE AMERICANS ON 28 FEBRUARY: AND FROM WHICH WE MIGHT SELECT ITEMS FOR SUBSEQUENT DISCUSSIONS IF AN EARLY MEETING OF THE FOUR PLUS TWO AT POLITICAL DIRECTOR LEVEL PROVES FEASIBLE.

2. GRATEFUL IF YOU WOULD SEEK EARLY VIEWS FROM DUFOURCQ.

3. SUBJECTS FOR POSSIBLE DISCUSSION:-

(A) MILITARY QUESTIONS INCLUDING GERMANY'S POSITION IN NATO: SOVIET PRESENCE IN THE FORMER GDR: CEILING ON TROOP LEVELS: STATIONED FORCES ETC.

(B) BORDERS: HOW TO SANCTIFY THE ODER/NEISSE LINE BORDER: HOW TO DEAL WITH THE POLISH INSISTENCE ON BEING INVOLVED IN ANY DISCUSSION OF THE QUESTION.

(C) BERLIN: TRANSITIONAL ARRANGEMENTS: FORCE LEVELS: HOW TO HANDLE THE ALLIED RESERVATION ON ARTICLE 23: HANDING OVER FOUR POWER RIGHTS AND RESPONSIBILITIES.

(D) CSCE: HOW TO PRESENT THE CONCLUSIONS OF THE SIX TO THE CSCE SUMMIT.

(E) FINALISATION OF UNIFICATION: NATURE OF CONCLUSIONS IN LIEU OF A PEACE TREATY.

(F) AVIATION: DEVOLUTION OF FOUR POWER RIGHTS: TRANSITIONAL PERIOD TO TAKE ACCOUNT OF ALLIED CARRIERS' INVESTMENT: ALTERNATIVE INTERNATIONAL ARRANGEMENTS.

(G) (DEFENSIVE: THE SOVIET UNION MIGHT RAISE.) THE STATUS, IN GERMAN EYES, OF ETHNIC GERMANS OUTSIDE GERMANY (EG IN POLAND AND THE SOVIET UNION).

(H) PROCEDURE IN THE FOUR PLUS TWO, INCLUDING SUB-GROUPS, FREQUENCY OF MEETINGS, DIVISION OF WORK, LOCATION, ETC.

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PERSONAL FOR AMBASSADORS..MY CALL ON CHERNYAEV: GERMANY  
SUMMARY

1. CHERNYAEV SAID THAT FREQUENT ANGLO/SOVIET EXCHANGES ON GERMANY WERE VERY DESIRABLE IN THE PRESENT FAST MOVING SITUATION. GERMAN REUNIFICATION WAS NOW INEVITABLE. BUT FOR PRACTICAL REASONS IT WAS MOST UNLIKELY TO HAPPEN THIS YEAR. HE EXPRESSED HIMSELF AGAINST A CONTINUATION OF GERMANY IN NATO, BUT DID NOT RULE OUT A MANAGED WITHDRAWAL OF SOVIET TROOPS FROM EAST GERMANY AFTER A TRANSITION PERIOD AND IN THE CONTEXT OF THE CFE AGREEMENT. HE SAID THAT KOHL HAD MADE A POSITIVE IMPRESSION ON GORBACHEV.

## DETAIL

2. I CALLED ON GORBACHEV'S DIPLOMATIC ADVISER, CHERNYAEV, ON 16 FEBRUARY. HE BEGAN BY SAYING THAT MEDVEDEV HAD REPORTED MOST POSITIVELY ON HIS VISIT TO BRITAIN. MEDVEDEV BELIEVED THAT THERE WAS SCOPE FOR EXPANDING PRACTICAL COLLABORATION BETWEEN THE TWO COUNTRIES, ESPECIALLY FOR EXAMPLE IN PARLIAMENTARY MATTERS. HIS COLLEAGUES HAD AGREED. MEDVEDEV HAD BEEN PARTICULARLY WARM ABOUT HIS DISCUSSIONS WITH THE PRIME MINISTER, ESPECIALLY ON GERMANY. THE RUSSIANS THOUGHT IT IMPORTANT TO MAINTAIN FREQUENT CONTACTS WITH US OVER GERMANY, TO REDUCE THE OBVIOUS RISK OF CONFUSION IN SUCH A QUICK MOVING SITUATION. GERMAN UNITY WAS INEVITABLE, AND THE GERMAN PEOPLE WERE ENTITLED TO IT. BUT THE MODALITIES WERE EXTREMELY IMPORTANT IF THE INTERESTS OF ALL WERE TO BE PRESERVED.

3. I SAID THAT WE WELCOMED THE BORAD PROCEDURAL AGREEMENT IN OTTAWA. THE TWO PLUS FOUR FORMULA SHOULD ENABLE US TO HANDLE THE EXTERNAL ASPECTS OF GERMAN REUNIFICATION, WHILE MAINTAINING THE PROPER RELATIONSHIP WITH THE INTERNAL PROCESSES IN GERMANY. CHERNYAEV WONDERED WHETHER THE FOUR PLUS TWO (AN ARITHMETIC WHICH HE AND GORBAHCEV PREFERRED) COULD MEET BEFORE THE EAST GERMAN ELECTIONS ON 18 MARCH. I SAID THAT MY UNDERSTANDING WAS THAT EVERYBODY IN OTTAWA HAD RECOGNISED THAT THE FIRST SUCH MEETING WOULD BE AFTER THE ELECTIONS. CHERNYAEV WAS WORRIED THAT THE MEETINGS OF THE TWO PLUS FOUR WOULD CONSIST SIMPLY OF THE PRESENTAITON TO THE RUSSIANS BY THE WESTERN ALLIES, ON A TAKE IT OR LEAVE IT BASIS, POSITIONS PREVIOUSLY AGREED BETWEEN THEM. I SAID THAT THIS WAS NOT THE INTENTION: BUT WE

WOULD OF COURSE BE CONSULTING OUR ALLIES, INCLUDING THE GERMANS, VERY CLOSELY THROUGHOUT THE PROCESS. CHERNYAEV SAID THAT HE DID NOT DOUBT THAT. THE TWO GERMANIES WOULD UNDOUBTEDLY CONTINUE THEIR BILATERAL EXCHANGES MEANWHILE. CHERNYAEV SAID THAT IN THE LATEST ROUND OF BILATERAL EXCHANGES KOHL HAD BEEN PLAYING GAMES. MODROW HAD GONE TO BONN IN THE BELIEF THAT THE FEDERAL GOVERNMENT HAD FIRM PROPOSALS FOR A MONETARY UNION, BACKED UP BY A SUBSTANTIAL LOAN. KOHL HAD DISAPPOINTED MODROW, PERHAPS HE WAS UNWILLING TO CONTRIBUTE TO THE STABILISATION OF THE EXISTING EAST GERMAN GOVERNMENT. BUT THAT GOVERNMENT AND THE SOCIAL, ADMINISTRATIVE, AND ECONOMIC ARRANGEMENTS IN EAST GERMANY, WERE HOLDING UP ADEQUATELY FOR THE TIME BEING.

4. CHERNYAEV SAID THAT THE RESULT OF THE 18 MARCH ELECTION WAS PREDICTABLE: ONLY A MINORITY OF PEOPLE IN GERMANY NOW OPPOSED UNITY, AND THE (EAST GERMAN) SOCIAL DEMOCRATS WOULD GET AT LEAST HALF THE VOTES. KOHL SEEMED INTENT ON PUSHING AHEAD VERY RAPIDLY THEREAFTER. BUT CHERNYAEV THOUGHT IT HIGHLY UNLIKELY THAT GERMANY WOULD BE REUNITED BY THE END OF 1990 FOR A WHOLE LOT OF PRACTICAL REASONS. IT HAD TAKEN THREE YEARS TO ASSIMILATE THE SAAR, AND THE PROBLEMS OF ABSORBING EAST GERMANY WOULD BE VERY MUCH GREATER. MOREOVER, THE PERSONAL INTERESTS OF MANY LEADING EAST GERMANS COULD BE DAMAGED BY EARLY REUNIFICATION: IT WAS UNLIKELY, FOR EXAMPLE, THAT THE NEW MEMBERS OF THE VOLKSKAMMER WOULD WANT TO BE MERGED RAPIDLY WITH THE BUNDESTAG. A SLOWING DOWN OF THE PROCESS WAS IN EVERYBODY'S INTERESTS, INCLUDING KOHL'S: HE SEEMED NOT TO HAVE THOUGHT THROUGH ALL THE IMPLICATIONS YET.

5. I SAID THAT TERE WOULD OF COURSE BE MANY PRACTICAL PROBLEMS TO BE RESOLVED IN THE COURSE OF GERMAN REUNIFICATION. THE EUROPEAN COMMUNITY WOULD BE MUCH CONCERNED WIHT THE LEGAL AND ECONOMIC ASPECTS. OUR NATO ALLIES WOULD NEED TO BE REGULARLY CONSULTED. I WAS THEREFORE UNWILLING TO PREDICT THE COURSE OR TEMPO OF EVENTS.

6. CHERNYAEV SAID THAT NEITHER KOHL NOR MODROW HAD RAISED THE ISSUE OF SOVIET TROOPS IN EAST GERMANY DURING THEIR RECENT VISIT. BOTH MEN UNDERSTOOD THAT RAPID WITHDRAWAL WOULD CAUSE THE SOVIET UNION POLITICAL AS WELL AS ECONOMIC DIFFICULTIES. NEVERTHELESS, THE MFE NEGOTIATIONS POINTED TO A SUBSTANTIAL REDUCTION OF TROOP LEVELS IN THE GDR. IN THE LONGER RUN, THE RUSSIANS WANTED THE REMOVAL OF ALL STATIONED TROOPS IN EUROPE, IN THE CONTEXT OF SETTING UP A EUROPEAN SECURITY SYSTEM.

7. I SAID THAT WE BELIEVED THAT IT WAS IN THE GENRAL INTEREST OF ALL EUROPEANS THAT GERMANY SHOULD REMAIN IN NATO: THIS - TOGETHER WITH GERMAN MEMBERSHIP OF THE EUROPEAN COMMUNITY - WAS THE BEST WAY OF PROVIDING A STABLE SECURITY FRAMEWORK WHICH WOULD MEET THE REQUIREMENTS OF GERMANY'S EASTERN AND WESTERN NEIGHBOURS, AS WELL AS OF GERMANY ITSELF. TO MEET UNDERSTANDABLE SOVIET NEEDS, IT MIGHT BE

POSSIBLE TO AGREE THAT THERE SHOULD BE NO STATIONED NATO TROOPS IN WHAT WAS FORMERLY THE DDR. THERE HAD ALSO BEEN TALK OF SOVIET TROOPS REMAINING IN THE DDR FOR A TRANSITION PERIOD.

8. CHERNYAEV SAID THAT THIS WAS A MAJOR POINT OF DIFFERENCE BETWEEN US. THE RUSSIANS WERE FIRMLY AGAINST THE IDEA THAT A UNITED GERMANY SHOULD REMAIN IN NATO. HE FULLY UNDERSTOOD THE ARGUMENT THAT THIS WOULD ENHANCE THE STABILITY, AND HE DID NOT NECESSARILY REJECT IT. THE SOVIET LEADERSHIP CONSIDERED THAT DEMOCRACY WAS NOW DEEPLY ROOTED IN THE FEDERAL REPUBLIC, AND THAT A UNITED GERMANY COULD NEVER POSE THE SAME THREAT AS HITLER'S GERMANY HAD DONE. THEY DID NOT IN FACT ATTACH MUCH IMPORTANCE TO THE ACTIVITIES OF THE REPUBLICAN AND NEO-NAZI GROUPS. BUT FOR THE SOVIET PEOPLE THINGS WERE DIFFERENT. THEY FEARED AND DISLIKED THE GERMANS, AND REGARDED THE ARRANGEMENTS SET UP AFTER THE WAR AS BEING THE PROPER REWARD FOR VICTORY AND A NECESSARY GUARANTEE OF SOVIET SECURITY. SO THERE WAS AT THE VERY LEAST A MAJOR POLITICAL PROBLEM FOR THE SOVIET GOVERNMENT.

9. CHERNYAEV ASKED WHY WE BELIEVED THAT NATO SHOULD REMAIN AS A DEFENSIVE ALLIANCE, EVEN THOUGH THE RELATIONSHIPS IN EUROPE WERE BEING TRANSFORMED. I SAID THAT ALL WESTERN GOVERNMENTS FIRMLY BELIEVED THAT THE SUCCESS OF PERESTROIKA WAS IN THEIR INTERESTS. BUT THIS SUCCESS WAS NOT ONE HUNDRED PERCENT CERTAIN. MOREOVER, THE GEO-STRATEGICAL FACTS REMAINED IMMUTABLE. ONE NUCLEAR SUPER-POWER - AMERICA - WAS ACROSS THE OCEAN, THE OTHER - THE SOVIET UNION - WAS PERMANENTLY PRESENT IN EUROPE. WE DID NOT EXPECT A NEW STALIN TO EMERGE. BUT THESE WERE SUFFICIENT REASONS FOR THE WESTERN EUROPEANS TO WANT TO RETAIN THEIR DEFENSIVE ARRANGEMENTS, INCLUDING THE ALLIANCE WITH THE UNITED STATES, EVEN IF THESE WERE TO EVOLVE. CHERNYAEV ACCEPTED THE GEO-STRATEGIC ARGUMENTS CHEERFULLY ENOUGH, THOUGH HE WAS CLEARLY SLIGHTLY NERVOUS AT THE IDEA THAT OUR DETERMINATION TO RETAIN NATO REFLECTED A BELIEF THAT GORBACHEV MIGHT FAIL.

10. WE THEN DISCUSSED THE ISSUE OF FRONTIERS. CHERNYAEV SAID THAT THE SOVIET POSITION ON POST-WAR BOUNDARIES REMAINED FIRM. PROPER GUARANTEES WERE NEEDED, AND THESE COULD PERHAPS BEST BE AVOIDED BY THE CONCLUSION OF A FORMAL PEACE TREATY. IN THE MEANWHILE, <sup>provided</sup> ANY STATEMENT BY THE FEDERAL GOVERNMENT RECOGNISING THE PERMANENCE OF THE FRONTIERS WOULD BE USEFUL. KOHL'S DETERMINATION NOT TO BE DRAWN - FOR PERHAPS UNDERSTANDABLE ELECTORAL REASONS - WAS A NEGATIVE FACTOR. CHERNYAEV HAD EVIDENTLY NOT THOUGHT ABOUT THE MODALITIES, EG THAT A PEACE CONFERENCE INCLUDING ALL THE MEMBERS OF THE WAR-TIME ALLIANCE WOULD NEED TO INCLUDE BRAZIL: OR THAT THE CSCE 35 MIGHT NOT BE AN IDEAL GROUPING, FOR A FORMAL NEGOTIATION PERHAPS BECAUSE THE CYPRIOTS MIGHT SEE ANALOGIES BETWEEN THEIR DIVIDED CONDITION AND THE GERMAN ONE.

11. CHERNYAEV GAVE SOME ADDITIONAL BACKGROUND COLOUR TO LAST WEEK'S TALKS BETWEEN KOHL AND GORBACHEV. THE ATMOSPHERE HAD BEEN VERY GOOD, AND THE EXCHANGES HAD BEEN OPEN AND FRANK. KOHL HAD EMPHATICALLY REPEATED THAT HE DID NOT WANT GERMAN UNITY TO AFFECT SOVIET INTERESTS ADVERSELY. GORBACHEV BELIEVED THAT KOHL WAS A SUBSTANTIAL STATESMAN, WHO CLEARLY GRASPED THE HISTORICAL SCALE OF WHAT WAS HAPPENING: AND THAT HE WAS A MAN TO TRUST. BUT KOHL WAS ALSO A HIGHLY SKILLED POLITICIAN WITH ELECTORAL AND PERSONAL AMBITIONS: HE CLEARLY THOUGHT THAT HE COULD GO DOWN IN HISTORY, AND IN AN ALL-GERMAN ELECTION, IF HE COULD BE THE STATESMAN WHO HAD REUNITED HIS COUNTRY. THIS HAD COLOURED HIS PRESENTATION TO GORBACHEV, AND HAD GIVEN RISE TO A CERTAIN 'EUPHORIA' IN HIS JUDGEMENTS.

12. CHERNYAEV SAID HE WOULD REPORT OUR CONVERSATION TO GORBACHEV. HE MUCH WELCOMED OUR EXCHANGES. HE ALSO GAVE ME SOME ADDITIONAL BACKGROUND TO CURRENT DOMESTIC SOVIET POLITICS. I SHALL REPORT SEPARATELY.

13. I WOULD BE GRATEFUL IF CHERNYAEV'S VIEWS AND INDEED THAT FACT OF MY CALL ON HIM, COULD BE PROTECTED IN ANY EXCHANGES WITH OUR ALLIES.

~~\_\_\_\_\_~~  
BRAITHWAITE

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MY TELNO 194 (NOT TO UKDEL NATO AND WASHINGTON): MITTERRAND/KOHL  
MEETING, 15 FEBRUARY

## SUMMARY

1. MITTERRAND BROADLY SATISFIED WITH KOHL'S APPROACH ON THIS  
OCCASION ON EC AND SECURITY QUESTIONS. KOHL OUT TO REASSURE, BUT  
VERY FIRM THAT THE GERMAN-POLISH FRONTIER ISSUE CAN ONLY BE RESOLVED  
AFTER REUNIFICATION.

## DETAIL

2. VEDRINE, MITTERRAND'S SPOKESMAN AND ADVISER ON EAST/WEST  
RELATIONS, TOLD ME TODAY THAT MITTERRAND HAD FOUND HIS TWO HOUR  
MEETING WITH KOHL ON 15 FEBRUARY A FAIRLY REASSURING OCCASION. THE  
TONE HAD BEEN FRIENDLY, BETTER THAN IN SOME RECENT EXCHANGES. THE  
CHANCELLOR HAD BEEN READY TO ENGAGE IN REAL DISCUSSION AND TO TAKE  
ACCOUNT OF THE PREOCCUPATIONS OF GERMANY'S NEIGHBOURS. HE HAD GIVEN  
MITTERRAND A FULL ACCOUNT OF WHERE THE FEDERAL REPUBLIC STOOD  
VIS-A-VIS THE GDR AND MOSCOW.

3. ON THE CONFIRMATION OF THE GERMAN-POLISH FRONTIER, KOHL HAD BEEN  
VERY FIRM THAT THIS WAS SOMETHING WHICH COULD ONLY BE RESOLVED BY  
THE PARLIAMENT AND GOVERNMENT OF A UNITED GERMANY. (THIS PROVOKED  
MITTERRAND AT THE JOINT PRESS CONFERENCE INTO A TART REJOINDER THAT  
THE ODER NEISSE LINE MUST BE SOLEMNLY CONFIRMED.)

4. KOHL HAD ALSO SHOWN HIMSELF DETERMINED TO AVOID A FORMAL PEACE  
CONFERENCE AND TREATY: UNITY MUST SOMEHOW BE BROUGHT ABOUT AND  
ASSOCIATED PROBLEMS SOLVED THROUGH THE FOUR PLUS TWO PROCESS.

5. KOHL HAD ENDORSED THE IDEA OF A SPECIAL INFORMAL EC SUMMIT BUT  
SAID THAT IT SHOULD NOT BE HELD TOO SOON AFTER THE GDR ELECTIONS:  
THIS POINTED TO APRIL RATHER THAN LATE MARCH. VEDRINE COMMENTED THAT  
THE QUESTION OF WHAT THIS SUMMIT WOULD ADDRESS WAS NOT ENTIRELY

SIMPLE, GIVEN THAT THE TWELVE SHOULD NOT GET INVOLVED IN THE EXTERNAL ASPECTS OF GERMAN REUNIFICATION ITSELF, WHICH WERE FOR THE FOUR PLUS TWO. THE SUMMIT WOULD PRESUMABLY ADDRESS THE EC IMPLICATIONS OF REUNIFICATION INCLUDING SUCH QUESTIONS AS VOTING RIGHTS, CONTRIBUTION TO STRUCTURAL FUNDS ETC. HE AGREED THAT BRITAIN AND FRANCE HAD MANY COMMON INTERESTS IN THE MANAGEMENT OF THE INTEGRATION OF THE FORMER GDR INTO THE COMMUNITY.

6. WHEN KOHL HAD ARGUED, AS AT STRASBOURG, AGAINST HOLDING THE IGC BEFORE THE FEDERAL GERMAN ELECTIONS, MITTERRAND'S RESPONSE HAD BEEN THAT AN IGC STARTING IN DECEMBER WOULD BE GOOD BUT AN IGC STARTING EARLIER IN THE YEAR WOULD BE EVEN BETTER.

7. SECURITY ISSUES: THERE HAD BEEN NO DIFFERENCE IN THE APPROACH OF KOHL AND MITTERRAND TO CONTINUED GERMAN MEMBERSHIP OF NATO, WITH AN ARRANGEMENT WHEREBY THE TERRITORY OF THE FORMER GDR WOULD BE FREE OF NON-GERMAN FORCES, BUT WITH AN ARRANGEMENT ALSO FOR SOVIET TROOPS TO REMAIN FOR AT ANY RATE A TRANSITIONAL PERIOD. BUT VEDRINE ADDED, AS HIS OWN VIEW, THAT IN TWO OR THREE YEARS TIME, WHATEVER THE GOVERNMENT OF GERMANY, IT WOULD BE CALLING FOR THE WITHDRAWAL OF US AND OTHER STATIONED FORCES, AND THAT WE SHOULD BE LOOKING AT WAYS TO COMPENSATE FOR THIS PERHAPS ON THE LINES OF MIXED EUROPEAN FORCES SUCH AS THE FRANCO/GERMAN BRIGADE, WHICH MIGHT BE TOLERABLE TO THE GERMANS.

8. ON GERMANY AND NUCLEAR WEAPONS (A NAGGING WORRY TO THE FRENCH AS THEY HAVE SHOWN ON A NUMBER OF OCCASIONS) KOHL HAD SIMPLY SAID THAT THERE WAS NO PROBLEM. A UNITED GERMANY WOULD BE IN THE SAME POSITION AND PURSUE THE SAME POLICIES AS THE FEDERAL REPUBLIC, (WHICH HAD RENOUNCED NUCLEAR WEAPONS).

LLEWELLYN SMITH

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FRAME GENERAL  
MITTERRAND/KOHL MEETING 15 FEBRUARY : EC ASPECTS

SUMMARY

1. KOHL RESISTS MITTERRAND PROPOSAL TO BRING FORWARD THE DATE OF THE IGC. AGREES THAT A SPECIAL EC SUMMIT ON THE GERMAN QUESTION BE HELD IN APRIL.

DETAIL

2. ACCORDING TO THE FRENCH PRESS, KOHL AND MITTERRAND AGREED AT THEIR DINNER AT THE ELYSEE ON 15 FEBRUARY THAT A SPECIAL EC SUMMIT DEVOTED TO THE GERMAN QUESTION SHOULD BE HELD IN APRIL QUOTE AS PROPOSED BY IRELAND UNQUOTE. BUT KOHL DID NOT (REPEAT NOT) AGREE TO MITTERRAND'S PROPOSAL TO BRING FORWARD THE DATE OF THE IGC FROM DECEMBER, WITH KOHL REPORTED AS REFERRING TO DIFFICULTIES IN CONNECTION WITH THE GERMAN ELECTIONS IN DECEMBER. MITTERRAND IS REPORTED AS UNDERSTANDING KOHL'S DIFFICULTIES ON THIS POINT.

3. KOHL IS ALSO REPORTED TO HAVE SUPPORTED MITTERRAND'S IDEA OF GATHERING THE EASTERN EUROPEAN COUNTRIES INTO A CONFEDERATION QUOTE EVEN UNDER ANOTHER FORM UNQUOTE.

COMMENT

4. THE GERMAN EMBASSY HERE HAVE CONFIRMED PARAGRAPH TWO. BOSCH (ECONOMIC COUNSELLOR) SAID KOHL AGREED ENTIRELY WITH THE NEED FOR A SPECIAL MEETING OF EC HEADS OF STATE THIS SPRING, BUT HAD SAID THAT IT SHOULD BE IN APRIL RATHER THAN IN MARCH IN ORDER TO DISTANCE IT FROM THE EAST GERMAN ELECTIONS. AS FOR THE IGC, KOHL HAD SAID IT WOULD BE DIFFICULT TO BRING FORWARD THE STARTING DATE BECAUSE OF THE ELECTORAL TIMETABLE IN GERMANY FOR THE REST OF THIS YEAR. MITTERRAND HAD REPLIED THAT DECEMBER WAS GOOD BUT EARLIER WOULD BE BETTER. HE HAD NOT, HOWEVER, PUT ANY GREAT PRESSURE ON KOHL OVER THE POINT. BOSCH COMMENTED THAT GIVEN THE SHEER VOLUME OF WORK ON THE GERMAN QUESTION AT THE MOMENT IT WOULD BE EXTREMELY DIFFICULT FOR THE GERMANS TO TAKE AN ACTIVE PART IN AN IGC BEFORE THE END OF

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THE YEAR.

5. WE MAY GET MORE FROM A CALL I AM MAKING ON VEDRINE AT THE ELYSEE THIS AFTERNOON.

LLEWELLYN SMITH

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10 DOWNING STREET

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*From the Private Secretary*

SIR ROBIN BUTLER

EC IMPLICATIONS OF GERMAN REUNIFICATION

Your minute of 15 February suggested that OD should discuss the implications for the European Community of German unification. The Prime Minister agrees to this. As you say, it will require a considerable number of Ministers to be present and it may not be possible to secure the attendance of the key ones on 14 March. We will discuss possible alternative dates with your office.

CHARLES POWELL

16 February 1990

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