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Internal Situation in East Germany  
Policy towards German Reunification

GERMANY

PT1: October 1979

PT3: March 1990.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PART 3 ends:-

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CST to ~~H-sec~~ 29. 3. 90

PART 4 begins:-

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Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon Douglas Hurd CBE MP  
Secretary of State for Foreign Affairs  
Foreign & Commonwealth Office  
King Charles Street  
London  
SW1A 2AH

CD 2917

29<sup>th</sup> March 1990

*Douglas Hurd*

**GDR AND THE KNOW-HOW FUND**

Thank you for your minute of 23 March.

2. I am frankly sceptical about the case for extending the Know-How Fund for Eastern European countries to the GDR. In the other cases which we have considered so far, the case can be considered not only on the basis of recipients' commitment to political and economic reform, but on grounds of need for support - met primarily from the aid budget.

3. While the GDR may now meet the criteria for commitment to reform, it is not self-evidently in need of help. Its economic prospects are good. UK firms are already examining the commercial opportunities there and do not appear to need help or encouragement in this. The ECGD, as you know, remains on full cover for export credit for the GDR. The GDR is, as you say, moving rapidly towards German unification and is, in that process, receiving very substantial help from the FRG to which we should look to take care of most of its needs.

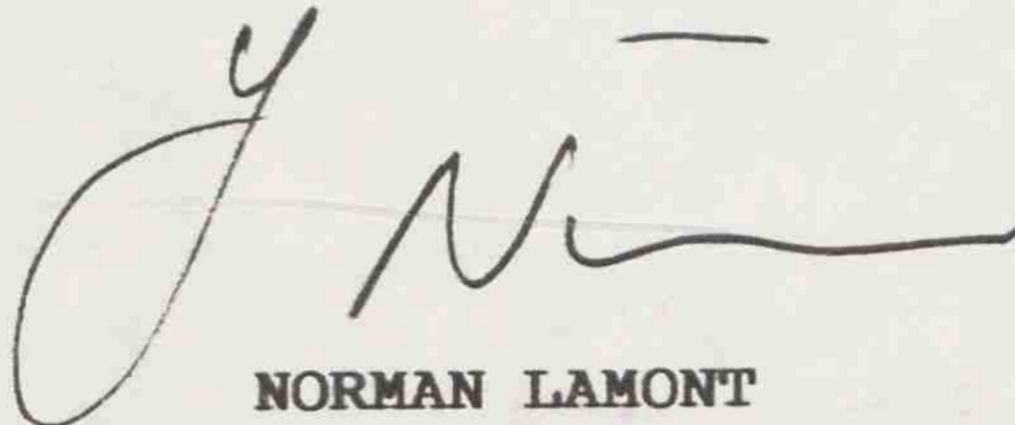
4. Your proposal, however, appears to rest on a case for extending UK influence in the GDR in the run-up to unification. This is essentially a judgement for you. In the circumstances, I agree with some reluctance to your announcing this extension in the application of the Fund. I would however, make the following points:

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- the case seems, in my view, to point to at most only very modest resources from the Fund being used for this purpose;
- it would not be appropriate to continue assisting GDR from the Fund once German unification was achieved;
- I should hope you would derive maximum capital from this initiative in resisting any pressure for UK participation in multilateral, especially EC, initiatives for the GDR. Trade liberalisation, not further financial support, is the most important form of assistance which the EC can provide in any future cooperation agreement.

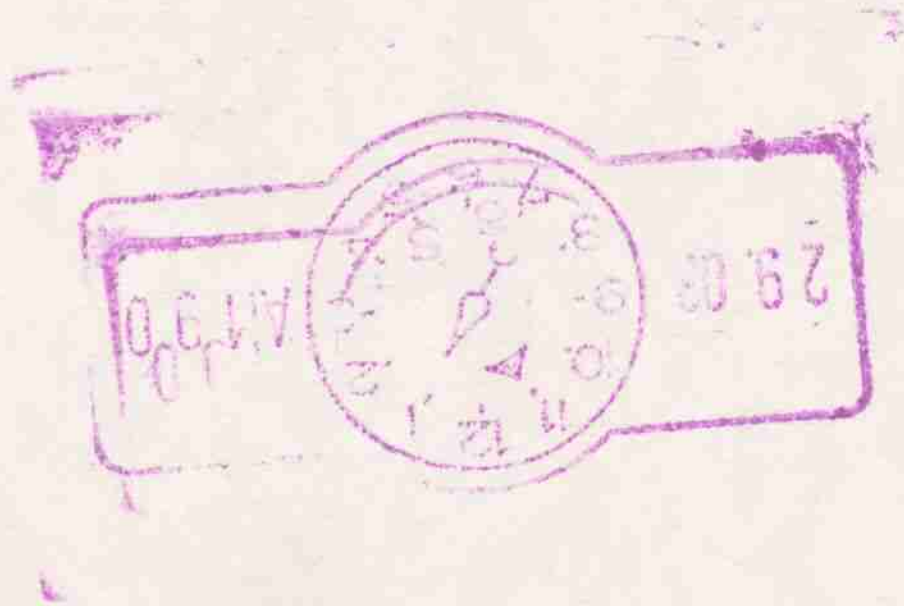
5. I welcome your undertaking to contain any support from the Fund to the GDR within the £15 million provision for Eastern Europe already agreed for 1990-91.

6. I am copying this letter to the Prime Minister, Nicholas Ridley, John MacGregor, and Sir Robin Butler.

A handwritten signature in black ink, appearing to be 'N. Lamont', written in a cursive style.

**NORMAN LAMONT**

GERMANY: Unification pt 3



Article 23 of the Basic Law

Given to me by  
Dr. Hartmann of the  
Federal Chancellery on  
20 March. CBR 2/4.  
H. J. U.

Article 23 of the Basic Law, the constitution of the Federal Republic of Germany, opens up a simple and expedient avenue to German political unity. Economic and monetary union is thus developed further into political union. Upon the accession of the GDR or of the Laender formed on its territory, the programme for reunification would be completed.

Accession can only be achieved by a voluntary declaration on the part of the GDR's democratically legitimated organs. Accession is an expression of the right to self-determination of the acceding part of Germany. The Basic Law does not, however, make any provision for that part of the nation formed by the Federal Republic of Germany to be able to decide on whether or not to accept accession. Thus any confusion with an "anschluss" is really ruled out.

Upon accession, the Basic Law does not automatically apply in the acceding part of Germany; it requires specific enactment, which need not coincide with accession. To take account of the major disparities in development thus far, the Basic Law will initially apply only on a restricted and modified basis in the acceding part of Germany. Lasting deviations would even be conceivable in subjects that do not form the core of the Basic Law.

The following also needs to be pointed out:

Article 23 of the Basic Law does not automatically confront the part of Germany seeking accession with the choice of either adopting the existing Basic Law in unchanged form or not acceding at all.

Although Article 23 of the Basic Law does assume that the other part of Germany will adopt the Basic Law in existence at the time of accession, this does not prevent that part from making - during preliminary negotiations - its accession contingent on substantive amendments to the Basic Law. The Federal Republic of Germany would have to deal with this fairly and open-mindedly and strive for consensus for the sake of reunification. The

legislatures would then have to adopt the relevant amendments to the Basic Law concurrently with the declaration of (unconditional) accession.

Accession under Article 23 places the GDR in even a better position than the option of Article 146 of the Basic Law, which would entail GDR representation in a constituent national assembly merely proportionate to its population size (with correspondingly less influence).

Accession under Article 23 of the Basic Law has the advantage for all parties and neighbours of Germany and for the coming negotiations that the basic political structures of a united Germany can be reliably gauged in advance.

Our constitutional order is based on the assumption that the exercise and dissolution of the reserved rights of the Four Powers can be kept in harmony with the application of either legal approach to reunification. In the event of accession under Article 23 of the Basic Law, time can be provided for agreement with the Four Powers or discussion on the final peace settlement either by the GDR postponing its declaration of accession (after bilateral negotiations) or, once accession has occurred, by deferring the completion of the process of political reunification (through enactment of the Basic Law in the part of Germany that has acceded).

## Art. 23 GG

Art. 23 Satz 2 GG eröffnet einen einfachen und sachgerechten Weg zur Herstellung der staatlichen Einheit Deutschlands. Die Wirtschafts- und Währungsunion wird hierdurch in die staatliche Zusammenfassung weiterentwickelt. Mit einem Beitritt der DDR oder der auf ihrem Staatsgebiet gebildeten Länder wäre das Programm der Wiedervereinigung erfüllt.

Der Beitritt kann nur durch freiwillige Erklärung der demokratisch legitimierten Organe der DDR erfolgen. Der Beitritt ist Ausdruck des Selbstbestimmungsrechts des hinzutretenden Teils. Nach dem Grundgesetz hat dagegen der in der Bundesrepublik Deutschland ansässige Teil des Staatsvolks keine Entscheidungsmöglichkeit über die Annahme des Beitritts. Auf dieser Grundlage ist eine begriffliche Verwechslung mit einem "Anschluß" eigentlich ausgeschlossen.

Das Grundgesetz gilt mit dem Beitritt nicht automatisch im hinzutretenden Teil; es bedarf besonderer Inkraftsetzung, die zeitlich nicht mit dem Beitritt zusammenfallen muß. Die gravierenden Unterschiede in der bisherigen Entwicklung werden dabei in der Weise berücksichtigt werden, daß die Verfassung der Bundesrepublik Deutschland im beitretenden Teil zunächst nur beschränkt und modifiziert in Geltung gesetzt wird. Auch dauerhafte Abweichungen in nicht zum zentralen Kernbereich gehörenden Materien wären möglich.



Darüber hinaus ist festzuhalten:

Artikel 23 Satz 2 GG stellt den beitrittswilligen Teil Deutschlands nicht von vornherein vor die Alternative, das Grundgesetz in der bisherigen Fassung entweder unverändert zu übernehmen oder aber auf einen Beitritt zu verzichten.

Artikel 23 Satz 2 GG geht zwar davon aus, daß der andere Teil Deutschlands das Grundgesetz so übernimmt, wie es im Zeitpunkt dees Beitritts besteht.

Dadurch ist aber nicht ausgeschlossen, daß der beitrittswillige Teil seinen Beitritt in Vorverhandlungen von Änderungen des Grundgesetzes abhängig macht, die über bloße Anpassungsänderungen hinausgehen. Die Bundesrepublik Deutschland müßte sich solchen Wünschen fair und offen stellen und - im Interesse der Wiedervereinigung - um einen für beide Seiten annehmbaren Konsens bemüht sein. Die gesetzgebenden Körperschaften müßten dann die entsprechenden Grundgesetzänderungen aus Anlaß des gleichzeitig zu erklärenden (unbedingten) Beitritts beschließen.

Die DDR befindet sich hierbei sogar in einer besseren Position als auf dem Weg über Art. 146 GG, der nur eine dem Bevölkerungsverhältnis entsprechende Repräsentanz in einer verfassungsgebenden Nationalversammlung (mit entsprechend geringeren Einflußmöglichkeiten) notwendig machen würde.

Der Weg über Art. 23 GG bietet für alle Parteien und Nachbarn Deutschlands sowie für die künftigen Verhandlungen den Vorteil, daß die künftigen Staatsstrukturen eines vereinigten Deutschlands verlässlich im Kern von vornherein eingeschätzt werden können.

Unsere grundgesetzliche Ordnung geht davon aus, daß Ausübung und Ablösung der Vorbehaltsrecht der Vier Mächte mit der Anwendung beider Normen für die Wiedervereinigung kompatibel gehalten werden können. Auch im Falle eines Beitritts (Art. 23 Satz 2 GG) kann Raum für die Abmachungen mit den Vier Mächte oder den Erörterungen über die endgültige Friedensordnung entweder dadurch geschaffen werden, daß die DDR (nach dem Ergebnis bilateraler Verhandlungen) ihre Beitrittserklärung zeitentsprechend zurückstellt oder daß nach dem Beitritt der Abschluß des innerstaatlichen Wiedervereinigungsprozesses (durch Inkraftsetzen des Grundgesetzes) auf diesen Zeitbedarf Rücksicht nimmt.

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OF 271850Z MARCH 90  
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MY TELEGRAM NO. 662:  
2 + 4 TALKS : THE SECURITY ISSUES

## SUMMARY

1. AMERICANS AGREE ABOUT THE NEED TO DEEPEN COORDINATION AMONG THE WESTERN FOUR ON SECURITY ISSUES. NO RESPONSES TO OUR QUESTIONS ON SPECIFIC ASPECTS AS YET. CONCERNS ABOUT THE FRENCH ATTITUDE HEIGHTENED BY REPORT OF MITTERRAND'S 25 MARCH TELEVISION INTERVIEW. FURTHER EVIDENCE OF POSSIBLE EARLY SHIFT ON SNF IN ORDER TO PRE-EMPT PRESSURES FOR DENUCLEARISATION. OUR POINTS GENERALLY WELL TAKEN. A FURTHER ROUND WITH ZOELICK DUE ON 2 APRIL.

## DETAIL

2. WOOD SAW ZOELICK ON 27 MARCH, PRIMARILY TO UNDERLINE THE NEED TO COME TO AN EARLY UNDERSTANDING AMONG THE WESTERN FOUR ON THE HANDLING OF THE SECURITY ASPECTS OF UNIFICATION - TACTICALLY AND AS FAR AS POSSIBLE, SUBSTANTIVELY - AGAINST THE RISK OF SOVIET PRESSURE AND GERMAN VULNERABILITY TO IT. HE WENT THROUGH THE POINTS IN WESTON'S LETTER OF 16 MARCH, MAKING IT CLEAR THAT WE WERE NOT SEEKING TO PROVIDE PRESCRIPTIONS ON THESE FUNDAMENTAL QUESTIONS BUT TO PROVIDE PRELIMINARY VIEWS ON THE GROUND THAT HAD TO BE COVERED AND ON WHICH WE SHOULD AIM TO ARRIVE AT COMMON POSITIONS AS SOON AS POSSIBLE.

3. ZOELICK SAID THAT HE HEARTILY ENDORSED THE NEED TO GET THE WESTERN ACT TOGETHER, AND SOONER RATHER THAN LATER. THIS HAD BEEN BROUGHT HOME TO HIM FORCEFULLY BY THE REMARKS REPORTED TO HAVE BEEN MADE BY MITTERRAND IN HIS TELEVISION INTERVIEW ON 25 MARCH IN WHICH THE FRENCH PRESIDENT SEEMED TO BE CONTEMPLATING A NEW-LOOK NATO AFTER GERMAN UNIFICATION IN WHICH THE RUSSIANS WOULD PULL THEIR TROOPS OUT OF EAST GERMANY IN RETURN FOR THE WITHDRAWAL OF NATO FORCES FROM WEST GERMAN SOIL. THIS WAS HARDLY HELPFUL. FRENCH POLICY SEEMED AT PRESENT TO VEER AROUND THREE CONFLICTING ELEMENTS: EC INTEGRATION: A EUROPEAN BALANCE OF POWER INCLUDING A FRANCO-RUSSIAN AXIS: AND CONTINUING AMERICAN INVOLVEMENT IN EUROPE WITHOUT DEFINING HOW THIS WAS SUPPOSED TO BE ACHIEVED.

PERHAPS THE BRITISH COULD WORK ON THEM.

4. WOOD SAID THAT WE HAD NO FIXED IDEAS ON HOW CONSULTATION AMONG THE WESTERN FOUR MIGHT BE ARRANGED, BUT THE PROCESS OUGHT TO HAVE STARTED IN EARNEST BEFORE THE NEXT 2 + 4 MEETING. BILATERAL DISCUSSIONS BETWEEN US AND, SEPARATELY, WITH THE GERMANS WERE OBVIOUSLY IMPORTANT. IN THAT CONTEXT WE HOPED THAT IT MIGHT BE POSSIBLE TO GET TOGETHER WITH ZOELICK AND BLACKWILL ON THE EVENING OF 9 APRIL IN WASHINGTON IN THE AMBASSADOR'S RESIDENCE. ZOELICK AGREED: SEITZ SHOULD BE INVOLVED TOO. IT WAS POSSIBLE, BUT NO MORE, THAT HE AND SEITZ WOULD BE IN EUROPE ON OR AROUND 9 APRIL, IN WHICH CASE IT WOULD MAKE MORE SENSE TO TRANSFER THE MEETINGS TO BRUSSELS FROM WASHINGTON. WOOD SAID IT MIGHT ALSO BE DESIRABLE TO SET UP A 1 + 3 SUB-GROUP AT A LATER STAGE TO CONSIDER CERTAIN TECHNICAL ASPECTS.

5. ZOELICK SAID THAT IT WOULD BE IMPORTANT TO PRESERVE FLEXIBILITY AND ENSURE THAT THE GERMANS WERE FULLY INVOLVED AT EVERY STAGE. IT WAS ALSO VITAL THAT ACTIVE CONSULTATIONS TOOK PLACE IN THE ALLIANCE AT EVERY STAGE - AND THAT THE ARRANGEMENTS WERE NOT OVERLY FORMALISTIC IN WAYS WHICH COULD UPSET THE FRENCH (AS WORNER SEEMED IN DANGER OF DOING).

6. ZOELICK ADDED THAT HE WAS WORKING ON LESS ORTHODOX WAYS OF PROMOTING SENSIBLE VIEWS IN GERMANY AS WELL. HE WANTED AMERICAN EMBASSIES IN EUROPE TO WORK WITH LOCAL SOCIALIST PARTIES IN ORDER TO COUNTER LEFT-WING SPD INFLUENCE AND EDUCATE THEM ABOUT THE VALUE OF NATO AND OF A CONTINUING US ROLE IN EUROPE. SIMILARLY IT WOULD BE IMPORTANT TO EDUCATE THE NEW GDR GOVERNMENT, AS A FUTURE PARTICIPANT IN 2 + 4, ON THE VIRTUES OF NATO MEMBERSHIP AS AGAINST NEUTRALITY. HE HOPED WE WOULD CONSIDER SIMILAR ACTION.

7. AS REGARDS SUBSTANCE, ZOELICK MADE TWO PRELIMINARY POINTS:

(A) APPLICABILITY OF ARTICLES 5 AND 6: HE SAID THAT IT WOULD BE MOST IMPORTANT FOR THE NATO TREATY AREA AND SECURITY GUARANTEE TO COVER ALL THE TERRITORY OF A UNITED GERMANY FROM THE OUTSET. OTHERWISE IT COULD LEAD ONLY TO TROUBLE AND INSTABILITY IN THE LONGER RUN. HE HOPED THAT IT WOULD BE POSSIBLE TO TAKE A FIRM STAND ON THE ISSUE.

(B) DENUCLEARISATION: HE CONFIRMED THAT AN ACTIVE PROCESS OF CONSIDERATION WAS CURRENTLY UNDER WAY WITHIN THE ADMINISTRATION ON WHETHER AND HOW BEST TO MODIFY NATO'S CURRENT SNF POSTURE AND STANCE ON SNF NEGOTIATIONS, IN ORDER TO PREVENT DENUCLEARISATION AND PRESERVE KEY CAPABILITIES, NOTABLY TASM. THE HANDLING OF CONGRESS OVER FOTL ALSO CAME

INTO THE PICTURE. HE WAS WELL AWARE OF OUR REQUEST FOR SEPARATE BILATERAL CONSULTATIONS ON THESE ASPECTS AND THOUGHT THAT THE ADMINISTRATION WOULD WISH TO CLARIFY ITS OWN THINKING A LITTLE FURTHER BEFORE DISCUSSING THE MATTER WITH US. BUT THE TIMESCALE WAS NEVERTHELESS PRETTY SHORT: HE ENVISAGED AN EXCHANGE OF VIEWS BY THE TIME OF THE PRESIDENT'S MEETING WITH THE PRIME MINISTER IN BERMUDA AND THOUGHT THAT A NEW SNF POLICY WOULD NEED TO BE AGREED BY THE KEY PLAYERS BEFORE THE NPG MEETING IN EARLY MAY. HE DID NOT EXPECT A US POSITION TO BE PUT TO SHEVARDNADZE DURING THE 4 - 6 APRIL TALKS.

8. THE DISCUSSION WAS CUT OFF AFTER 45 MINUTES WHEN ZOELICK WAS SUMMONED BY BAKER. HE SUGGESTED THAT WE CONTINUE EARLY NEXT WEEK, A MEETING SINCE ARRANGED FOR 2 APRIL.

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## GERMAN UNIFICATION: SECURITY ASPECTS

## SUMMARY

1. EVIDENCE THAT KOHL, UNLIKE GENSCHER, BELIEVES SOME GERMAN ARMED FORCES WILL BE REQUIRED IN THE FORMER GDR AFTER UNIFICATION. FMOD SEE THE EAST GERMAN ARMED FORCES AS THE BASIS. TO BE DISCUSSED AT CABINET-LEVEL MEETING ON 29 MARCH, JUST BEFORE THE ANGLO-GERMAN SUMMIT.

## DETAIL

2. A RELIABLE CONTACT IN FMOD HAS TOLD US THAT FMOD NOW BELIEVE IT NECESSARY TO ENSURE THAT THE EAST GERMAN ARMED FORCES (NVA) REMAIN IN BEING TO FORM THE BASIS OF A GERMAN DEFENCE FORCE FOR THE FORMER GDR IN A UNITED GERMANY. SUCH A FORCE WOULD HAVE A MINIMUM OF HEAVY ARMAMENTS (TANKS AND ARTILLERY) AND WOULD BE MORE LIKE THE FRG'S TERRITORIAL FORCES THAN ITS FIELD ARMY. FMOD BELIEVE THAT KEEPING THE NVA IN EXISTENCE WOULD HAVE THE ADVANTAGE OF MAKING IT IMPOSSIBLE TO ARGUE LATER THAT SINCE THE WEST HAD SURVIVED THE REALLY DANGEROUS PERIOD WHILE SOVIET FORCES WERE WITHDRAWING FROM THE GDR AND DEMOCRACY WAS STILL VULNERABLE WITHOUT ARMED FORCES THERE, IT WOULD BE WRONG TO INCREASE TENSION BY 'RE-MILITARISING' THE AREA AFTER THE SOVIET DEPARTURE.

3. FMOD ENVISAGE THAT THE BUNDESWEHR WOULD PROVIDE ADVISERS AS A NEW COMMAND/LEADERSHIP FOR THE NVA, SINCE THE EXISTING LEADERSHIP ARE POLITICALLY DISCREDITED. BUT FMOD SEE THE PRIORITY AT PRESENT AS SECURING AGREEMENT WITHIN THE FEDERAL GOVERNMENT TO THE CONTINUED EXISTENCE OF THE NVA.

4. THE SAME CONTACT SAID THAT PRESIDENT VON WEIZSAECKER HAS INDICATED PRIVATELY THAT HE WOULD NOT BE PREPARED TO MOVE TO BERLIN WHILE SOVIET FORCES WERE STILL PRESENT IN THE FORMER GDR, UNLESS THERE WAS AN ALLIED PRESENCE IN BERLIN (BASED ON A NEW AGREEMENT WITH GERMANY) AND ALSO GERMAN FORCES THERE. FMOD'S VIEW IS THAT

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MDADAN 1823

WHATEVER GERMAN FORCES ARE PRESENT IN THE FORMER GDR SHOULD ALSO BE STATIONED IN BERLIN.

5. OUR CONTACT SAID HE HAD HEARD KOHL SPEAK IN SUPPORT OF THE FMOD VIEW THAT SOME SORT OF GERMAN FORCES WOULD BE REQUIRED IN THE FORMER GDR AFTER UNIFICATION. HE SAID THE WHOLE SUBJECT WOULD BE DISCUSSED AT A MEETING ON 29 MARCH, TO BE ATTENDED BY KOHL, GENSCHER AND STOLTENBERG AMONG OTHERS.

6. FEDERAL CHANCELLERY MINISTER OF STATE STAVENHAGEN REMARKED TO MR MAUDE AND ME TODAY THAT THE NVA COULD BE TRANSFORMED INTO TERRITORIAL FORCES (NON-BUNDESWEHR, TO BE COMPATIBLE WITH THE GENSCHER/STOLTENBERG POSITION).

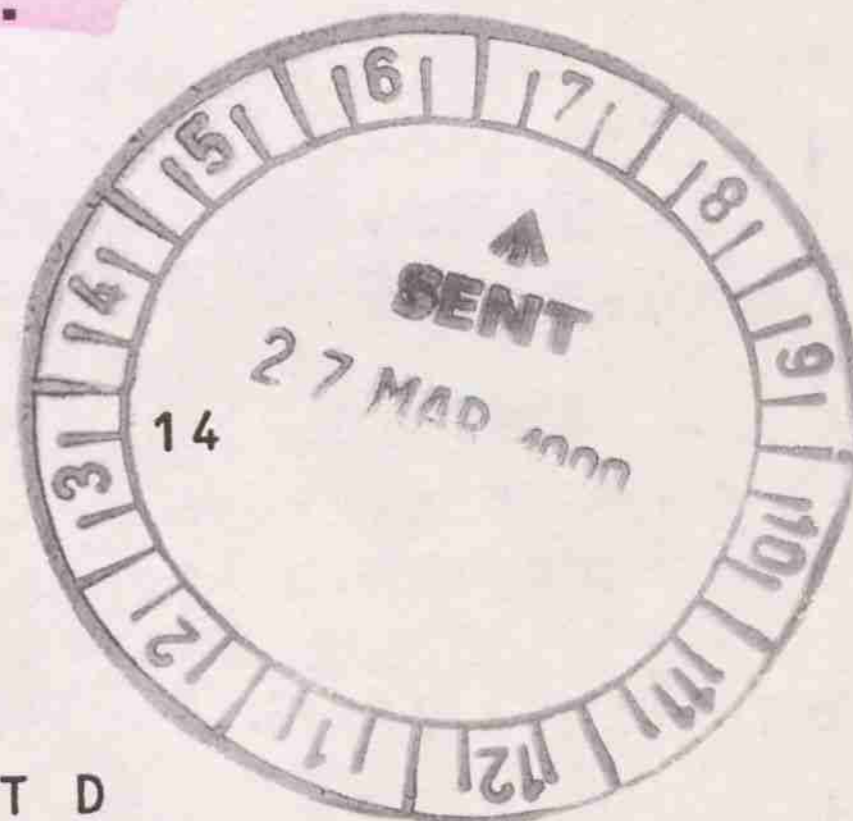
COMMENT

7. FMOD ARE CONCERNED ABOUT GENSCHER'S ATTITUDE TO THE DEFENCE OF THE FORMER GDR AFTER UNIFICATION. THEY BELIEVE THAT GENSCHER'S AIM IS TO HAVE THE NVA DISBANDED AND NO GERMAN ARMED FORCES, AS DISTINCT FROM POLICE FORCES, STATIONED THERE. THE FEDERAL GOVERNMENT MAY TAKE DECISIONS IN THIS AREA, AT THE MEETING ON 29 MARCH, WHICH IMMEDIATELY PRECEDES THE ANGLO-GERMAN SUMMIT.

MALLABY

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FRAME GENERAL

CALL ON BANGEMANN TO DISCUSS GERMAN UNIFICATION: 26 MARCH 1990

## SUMMARY

1. BANGEMANN CONFIRMS THE COMMISSION'S THREE-STAGE APPROACH TO GERMAN UNIFICATION, CLARIFIES HIS THINKING ON THE KEY PROBLEMS OF STRUCTURAL FUNDS AND SAFEGUARDS TO PREVENT UNFAIR COMPETITION, AND AGREES THAT THE APRIL EUROPEAN COUNCIL SHOULD SEEK TO AGREE THE TIMETABLE AND METHOD OF FUTURE WORK WITHOUT BEING TOO PRESCRIPTIVE AT THIS STAGE. I ALSO RAISED BRIEFLY UK CONCERNS ON BARRIERS TO TAKEOVERS AND THE FRENCH DRAFT LAW ON THE LEGAL PROFESSION.

## DETAIL

## GERMAN UNIFICATION

2. I CALLED ON VICE PRESIDENT BANGEMANN TODAY PRIMARILY TO DISCUSS GERMAN UNIFICATION. HE WAS CLEAR AND OPEN IN HIS ANALYSIS, OUTLINING THE 3-STAGE TIMESCALE FOR GERMAN UNIFICATION WHICH THE COMMISSION AND GERMAN GOVERNMENT ARE NOW WORKING ON (SEE MY TELNOS 928 AND 930 OF 23 MARCH). THE FIRST PHASE IS THE PREPARATION FOR MONETARY UNION AND ACCOMPANYING ECONOMIC MEASURES WHICH THEY EXPECT TO END BY 1 JULY WITH THE INTRODUCTION OF THE DEUTSCHMARK IN THE GDR. THE SECOND PHASE WILL INVOLVE GDR'S ADAPTATION OF FEDERAL AND COMMUNITY LAWS. IN BANGEMANN'S VIEW, THIS WOULD LAST AT LEAST 2 YEARS, WHICH WOULD BE NECESSARY TO DEVELOP A POLITICAL CULTURE IN GDR, RESOLVE LEGAL PROBLEMS, PROPERTY OWNERSHIP ISSUES ETC, AND TO PREPARE FOR UNIFIED GERMAN ELECTIONS. THE THIRD PHASE WHICH BANGEMANN HOPED COULD SYMBOLICALLY BEGIN ON 1 JANUARY 1993 TO COINCIDE WITH THE SINGLE MARKET WOULD CONSIST OF FULL POLITICAL UNIFICATION WITH SOME TRANSITIONAL ARRANGEMENTS DURING WHICH FULL EC RULES WOULD BE PHASED IN IN SUCH AREAS AS AGRICULTURE.

3. BANGEMANN SAID THAT, AT HIS MEETING WITH THE COMMISSION ON 23 MARCH, CHANCELLOR KOHL HAD ACCEPTED THE NEED FOR CLOSE INFORMATION



AND CONSULTATION AND IF NECESSARY CO-DECISION WITH THE COMMUNITY IN ALL THREE PHASES. TO DATE THE COMMISSION HAD HAD NO REASON TO COMPLAIN ABOUT THE GERMAN GOVERNMENT'S COOPERATION - VISTS BY SCHLECHT (ECONOMICS MINISTRY), KOHLER (FINANCE) AND TIETMEYER (THE BUNDESBANK) HAD ALREADY TAKEN PLACE, AND WOULD BE FOLLOWED THIS WEEK BY TOPFER (ENVIRONMENT) AND NEXT WEEK BY BLUM (SOCIAL AFFAIRS).

4. I SAID THAT WE RECOGNISED THE COMMISSION'S MAJOR ROLE IN MAKING THE PROCESS OF FACING UP TO THE EC IMPLICATION OF GERMAN UNIFICATION MORE SYSTEMATIC AND ORGANISED. IT WAS IMPORTANT TO ENSURE THAT THE OTHER MEMBER STATES WERE FULLY INVOLVED IN THIS PROCESS.

#### STRUCTURAL FUNDS

5. BANGEMANN HIGHLIGHTED THIS, AND THE BORDER PROBLEM (SEE BELOW) AS TWO KEY QUESTIONS TO BE RESOLVED. HE SAID THAT ACCORDING TO MILLAN'S FIGURES, IF THE GDR BECAME PART OF THE COMMUNITY NOW IT WOULD BE ELIGIBLE FOR OBJECTIVE 1 SUPPORT. BUT THAT WOULD CLEARLY BE VERY COSTLY, AND KOHL HAD AGREED THAT THE GDR COULD NOT BE A BURDEN FOR SUCH STATES AS GREECE, PORTUGAL AND SPAIN. BANGEMANN'S SOLUTION THEREFORE WAS TO TRY AND FIND A MIDDLE WAY IN THE SECOND PHASE WHEREBY THE GDR STILL OUTSIDE THE EC WOULD BE TREATED 'AS IF' THE RELEVANT EC LEGAL FRAMEWORK APPLIED SO AS TO AVOID ANY DISTORTIONS OF COMPETITION FROM THE NECESSARY HELP IT WOULD RECEIVE BUT THE COST OF SUPPORT WOULD BE MET BY THE FRG. THIS WOULD HAVE THE ATTRACTION OF NOT DIVERTING EC FUNDS WHILE ENSURING THAT SUPPORT WAS GIVEN ACCORDING TO THE SAME EC RULES.

6. I AGREED THAT DESIGNATING THE GDR AS OBJECTIVE 1 WOULD CREATE MAJOR DIFFICULTIES, AND THAT IT WAS IMPORTANT FOR THE FRG TO BEAR THE LION'S SHARE OF THE RECONSTRUCTION PROCESS. I EXPRESSED INTEREST IN THE SUGGESTION THAT THE GDR BE TREATED 'AS IF' IT WAS IN THE EC FOR STATE AIDS PURPOSES SINCE THIS WOULD HELP IN LIMITING THE DISTORTION OF COMPETITION. BANGEMANN CONTINUED THAT HE DID NOT THINK IT POLITICALLY WISE TO EXCLUDE COMMUNITY FUNDING TOTALLY. THEREFORE HE WAS CONSIDERING THE POSSIBILITY OF DEFINING A SPECIFIC FUND (EG FOR THE ENVIRONMENT) TO WHICH ALL MEMBER STATES COULD CONTRIBUTE. THIS WOULD HAVE THE ADVANTAGE THAT THE MONEY INVOLVED WAS LIMITED WHILE AT THE SAME TIME AVOIDING POLITICAL DIFFICULTIES IN GERMANY SINCE GDR WOULD VERY SOON BE ADDING TO EC INCOME. I COUNSELLED CAUTION ABOUT SINGLING OUT THE ENVIRONMENT FOR SPECIAL TREATMENT. IT WAS THE SINGLE MOST EXPENSIVE PROBLEM, AND ALSO COULD SET A DANGEROUS PRECEDENT FOR OTHER STATES SUCH AS GREECE AND ITALY SEEKING EC SUPPORT TO DEAL WITH THEIR POLLUTION PROBLEMS,

CONTRAVENING THE POLLUTER PAYS PRINCIPLE. RATHER I SUGGESTED THAT THERE COULD BE MORE ATTRACTIONS IN USING EXISTING INSTRUMENTS, SUCH AS THE EIB, TO PROVIDE INVESTMENT. BANGEMANN ACCEPTED THE RISKS OF A DANGEROUS PRECEDENT IN FUNDING ENVIRONMENTAL SPENDING WHILE NOTING THAT THE GDR WAS A 'SPECIAL CASE'.

#### DISTORTION OF COMPETITION

7. BANGEMANN DESCRIBED THE QUESTION OF THE BORDER AS THE SECOND KEY PROBLEM. HE SAID THAT THERE WOULD NEED TO BE AN ADMINISTRATIVE BORDER TO CONTROL GOODS (BUT NOT PEOPLE) RIGHT UP UNTIL POLITICAL UNIFICATION AT LEAST. AT PRESENT THE COMMISSION WERE CONSIDERING WHETHER THE INNER GERMAN TRADE PROTOCOL, AND THE CONTROLS UNDER IT COULD CONTINUE TO BE USED TO DEAL WITH TRADE PROBLEMS. IT HAD PROVED PRETTY EFFECTIVE TO DATE.

8. I AGREED THAT IT COULD MADE SENSE TO TRY TO HANDLE DISTORTION THROUGH BASING CONTROLS ON PRESENT LINES, BUT INDUSTRY WOULD NATURALLY BE CONCERNED AT THE EFFECTIVENESS OF SUCH CONTROLS. GIVEN THE POTENTIAL INCREASE IN TRADE, THERE WAS A CLEAR RISK THAT THE IGT ARRANGEMENTS WOULD BE LEAKIER. ALL MEMBER STATES HAD A REAL FEAR OF DISTORTION OF COMPETITION FROM CHEAP, NON-COST RELATED PRODUCTION IN THE GDR. ONE POSSIBLE IDEA WHICH COULD SUPPLEMENT PHYSICAL CONTROLS AT THE IGB, WOULD BE SOME KIND OF DISPUTES PROCEDURE OPEN TO CONCERNED FIRMS. BANGEMANN COMMENTED THAT THIS SOUNDED A 'GOOD IDEA'. I ALSO SAID THAT WE WELCOMED THE COMMISSION'S EFFORTS TO BE INVOLVED AT AN EARLY STAGE POSSIBLY THROUGH INFORMAL NOTIFICATIONS OF STATE AIDS.

9. BANGEMANN AGREED, AND SAID THAT THE FRG WAS PREPARED TO DO THIS. HE WAS ALSO CONSIDERING A SPECIAL TASK FORCE TO CONSIDER ALL THESE PROBLEMS. THE DIFFICULTY WAS FINDING THE CORRECT LEGAL BASE IN ADVANCE OF UNIFICATION. HE CITED THE EXAMPLE OF ALLIANZ TAKING A 49 PER CENT STAKE IN THE STATE-OWNED GDR INSURANCE COMPANY AND THUS ACQUIRING A VIRTUAL MONOPOLY OF THE GDR INSURANCE MARKET. AT PRESENT THE BUNDESKARTELLAMT WAS POWERLESS TO INTERVENE. HE LATER CITED A SIMILAR EXAMPLE WHEREBY THE STATE-OWNED OIL/PETROL COMPANY WAS SELLING OUT TO TWO WEST GERMAN FIRMS, SINCE THEY WERE ANXIOUS TO MAINTAIN THE MONOPOLISTIC STRUCTURE. IT WOULD CLEARLY BE NECESSARY TO HAVE AGREEMENT WITH THE GDR TO APPLY FRG COMPETITION LAWS IN THE SECOND PHASE. I SAID THAT WE SHARED THE WISH FOR A FIRM COMPETITION POLICY. EQUALLY THERE WAS A NEED FOR THE NEW LEGAL FRAMEWORK IN THE GDR TO BE IN LINE NOT ONLY WITH THE FRG BUT ALSO WITH COMMUNITY RULES. I CITED THE EXAMPLE OF BANKING AND OTHER FINANCIAL SERVICES WHERE THERE WAS GREAT SCOPE FOR THE NEW REGIME TO REFLECT EC RULES

FROM THE BEGINNING.

10. ON OTHER PROBLEMS, BANGEMANN BRIEFLY MENTIONED AGRICULTURE WHERE HE BELIEVED THE GDR WOULD BE EFFICIENT RATHER SOON. HE ALSO NOTED THAT THERE WAS CONSIDERABLE POTENTIAL FOR RAPID INDUSTRIAL RECOVERY IN THE GDR. IMPROVED MANAGEMENT AND DISTRIBUTION SYSTEMS COULD BRING QUICK RESULTS: ALREADY THERE WERE SIGNIFICANT LINKS BEING ESTABLISHED BETWEEN FRG AND GDR FIRMS. HE EXPRESSED CONCERN THAT FIRMS FROM OTHER MEMBER STATES INCLUDING THE UK WERE NOT SIMILARLY BECOMING INVOLVED IN THE GDR.

#### COMMISSION PAPER

11. I SUGGESTED THAT AT THIS STAGE IT WAS IMPORTANT THAT THE EUROPEAN COUNCIL SHOULD AGREE ON AN ORGANISED AND SYSTEMATIC APPROACH. IT COULD NOT EXPECT TO TAKE FIRM DECISIONS IN THE ABSENCE OF FULLER INFORMATION. IT WAS IMPORTANT THAT THE COMMISSION'S APRIL PAPER SHOULD NOT BE TOO PRESCRIPTIVE. THE 28 APRIL INFORMAL EUROPEAN COUNCIL SHOULD SEEK TO AGREE ON THE PROCESS AND SYSTEM. BANGEMANN AGREED, AND SAID THAT THE COMMISSION PAPER NEXT MONTH WOULD TRY TO SET OUT THE TIMETABLE, THE FUTURE METHOD OF WORK, AND TO DEFINE IMMEDIATE PRIORITIES.

#### OTHER ISSUES

12. BANGEMANN BRIEFLY MENTIONED SITES OF COMMUNITY INSTITUTIONS. HE SAID THAT DELORS HAD AGREED TO TAKE UP HIS SUGGESTION OF A PACKAGE APPROACH INVOLVING THE MAIN SITES, INCLUDING THE TRAINING FOUNDATION, CTMO, THE EBRD ETC.

13. I IN TURN RAISED BARRIERS TO TAKEOVERS. I SAID THAT UK MINISTERS WERE ANXIOUS TO KEEP UP THE MOMENTUM FOLLOWING THE COMMISSION'S ACTION PLAN AND WE HOPED IT WOULD BE POSSIBLE TO SEE A DEBATE AT THE MAY IMC. BANGEMANN DID NOT SEEM WELL BRIEFED ON THE DETAIL, BUT AGREED THAT SHOULD BE POSSIBLE.

14. I ALSO RAISED OUR CONCERNS ON THE POTENTIALLY DISCRIMINATORY NATURE OF THE DRAFT FRENCH LAW ON THE LEGAL PROFESSION WHICH WOULD REMOVE RIGHTS CURRENTLY ENJOYED BY UK LAWYERS IN PARIS, AND SAID THAT IT WOULD BE HELPFUL IF THE COMMISSION COULD EXERT SOME OFFICIAL PRESSURE AT THE POLITICAL LEVEL ON THE FRENCH GOVERNMENT. AGAIN BANGEMANN WAS NOT BRIEFED, BUT AGREED TO CONSIDER THE POINT (WE WILL FOLLOW UP IN DETAIL WITH HIS CABINET).

HANNAY

(2)



10 DOWNING STREET

Prime Minister Mr

I am afraid  
 that Connelly both  
 has taken offence at  
 your attributing certain  
 remarks about the  
 Polish border to him  
 in your Spiegel  
 interview. He has  
 put out the  
 attached statement.  
 We are not  
 reaching further. CAB 26/3.

Federal Chancellor Dr. Helmut Kohl makes the following statement concerning the remarks made by Prime Minister Margaret Thatcher in an interview:

1. In the Warsaw Treaty signed by the Federal Republic of Germany and the then Polish People's Republic on 7 December 1970 the two sides declare:

- that the existing border on the Oder and Neisse forms the state border of the Polish People's Republic and
- that they reaffirm the inviolability of the existing borders now and in the future and that they will respect their territorial integrity without qualification.

This Treaty, as Federal Chancellor Helmut Kohl has reaffirmed in each of his government declarations, in numerous public speeches and consistently in talks with our friends, allies and partners, applies unconditionally and will be observed in letter and spirit.

2. Under the Warsaw Treaty - not least at the express wish of the three Western Powers - the rights and responsibilities of France, Great Britain, the USA and the Soviet Union are not affected. The Federal Government at that time also drew attention to the fact that it can only act in the name

- 2 -

of the Federal Republic of Germany. All this was reaffirmed before signing the Warsaw Treaty by exchange of diplomatic notes with the three Western Powers (Text of the note to the Government of the United Kingdom is attached).

3. Hence it follows that corresponding treaty obligations for a united Germany can only be signed by a freely elected all-German government and ratified by an all-German parliament. On this point full agreement exists with the Polish government.
4. Federal Chancellor Helmut Kohl explained this legal position once more to the heads of state and government of the European Community during the informal, confidential talk quoted in "Der Spiegel". The quotation attributed to him is not correct either literally or in a general sense.
5. The Federal Constitutional Court took the legal position outlined above as a basis in its decision on the Warsaw Treaty. It did not thereby reverse any treaty obligations of the Federal Republic of Germany or other guarantees. Present criticism of the decision then taken by the highest court of a democratic state is therefore <sup>unfounded</sup> unjustified and unusual.
6. With a view to the future, it is now a question of creating an equally firm treaty basis between a united Germany and the Polish Republic as that which exists today between the Federal Republic of Germany and the Polish Republic.

The Federal Government - and Federal Chancellor Helmut Kohl personally - as well as the German Bundestag are, in accordance with the resolution of 8 March 1990, unreservedly prepared to do this.



10 DOWNING STREET

Prime Minister

You ought to be  
aware of this. <sup>Born Tel 388</sup> It is  
covered quite extensively  
in the press.

I am sure you are  
right on subornu: I  
remember you telling  
me at the time  
what he had said.  
Equally I think we

should just but  
it away now. Its  
old history, e  
what matters is  
the present situation  
which is much  
improved - as reflected  
in your message to  
Kohl.

C DP  
27/3



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DD 261800Z FCOLN

OO WARSA PARIS WASHI BREEC

FM BONNN TO FCOLN

261703Z MAR

GRS 620

CONFIDENTIAL

DEDIP

FM BONN

TO DESKBY 261800Z FCO

TELNO 388

OF 261703Z MARCH 90

INFO IMMEDIATE WARSAW, PARIS, WASHINGTON, UKREP BRUSSELS

POLAND'S WESTERN BORDER

SUMMARY

1. TELTSCHIK EXPRESSES OFFICIALLY KOHL'S SHOCK AND ASTONISHMENT AT PRIME MINISTER'S REPLY TO 'DER SPIEGEL' ON ODER NEISSE FRONTIER. FEDERAL SPOKESMAN DESCRIBES QUOTATION ATTRIBUTED TO KOHL BY THE PRIME MINISTER AS INACCURATE. RECOMMENDATION ON BEST WAY OF DRAWING A LINE UNDER THIS EPISODE.

DETAIL

2. TELTSCHIK ASKED ME TO CALL TODAY, TO RECEIVE COMMENTS ON TWO SUBJECTS. THE FIRST WAS THE PRIME MINISTER'S REPLY TO DER SPIEGEL ABOUT THE ODER NEISSE FRONTIER. THE SECOND (REPORTED SEPARATELY) WAS THE PREPARATIONS FOR THE JOINT PRESS CONFERENCE ON THE PRIME MINISTER AND THE CHANCELLOR ON 30 MARCH. HARTMANN (WHO CALLS ON POWELL ON 27 MARCH) WAS PRESENT.

3. ON ODER NEISSE, TELTSCHIK SAID HE WISHED TO SAY OFFICIALLY THAT THE FEDERAL CHANCELLOR WAS SHOCKED AND ASTONISHED AT THE PRIME MINISTER'S REPLIES TO DER SPIEGEL. TELTSCHIK MADE 3 POINTS IN EXPLANATION OF KOHL'S REACTION:

(A) THE FEDERAL CHANCELLOR HAD NEVER REFUSED TO RECOGNISE THE ODER NEISSE FRONTIER. THE ONLY QUESTION HAD BEEN WHEN THAT FRONTIER SHOULD BE FORMALLY AND DEFINITELY RECOGNISED. THE CHANCELLOR HAD SAID IN THE CONVERSATION AT STRASBOURG THAT THE FRONTIER COULD BE FORMALLY RECOGNISED ONLY BY A UNITED GERMANY.

(B) INFORMAL DISCUSSIONS AT EUROPEAN COUNCILS WERE CONFIDENTIAL. KOHL WAS SURPRISED THAT THE PRIME MINISTER HAD QUOTED A REMARK ALLEGEDLY MADE AT ONE.

(C) KOHL WAS SURPRISED AT THE PRIME MINISTER'S INTERPRETATION OF THE POSITION OF THE GERMAN COURTS. THE FEDERAL CONSTITUTIONAL COURT IN 1975 HAD UPHELD THE WARSAW TREATY AND HAD SAID, IN LINE WITH THE POSITION OF THE UK AND THE OTHER ALLIES, THAT THE FINAL LEGAL FIXING OF THE FRONTIER SHOULD OCCUR IN A PEACE SETTLEMENT FOR GERMANY.

4. TELTSCHIK CONTINUED THAT THIS EPISODE HAD AFFECTED THE CLIMATE BETWEEN LONDON AND BONN. IT WAS A MOST UNHAPPY DEVELOPMENT. THE QUESTIONING OF THE CHANCELLOR'S POSITION WOULD UNDERMINE HIS SO FAR SUCCESSFUL ATTEMPTS TO COMBAT THE REPUBLIKANER, WHOSE ENTRY INTO THE BUNDESTAG NEXT DECEMBER WOULD HARDLY PLEASE THE ALLIES.

5. I SAID THAT I WOULD REPORT TELTSCHIK'S REMARKS. THE ODER NEISSE FRONTIER WAS A MATTER OF WIDESPREAD INTEREST, ON WHICH OTHERS AS WELL AS BRITAIN HAD CLEAR VIEWS. TELTSCHIK ACKNOWLEDGED THAT FRANCE WAS ONE OF THOSE OTHERS. I SAID THAT, AS THE PRIME MINISTER'S RECENT MESSAGE TO KOHL HAD SHOWN, HMG WERE GLAD THAT IT HAD NOW BEEN AGREED THAT THERE SHOULD BE A TREATY TO FIX THE ODER NEISSE FRONTIER FINALLY.

6. THE FEDERAL SPOKESMAN, KLEIN, THIS AFTERNOON TOLD A PRESS CONFERENCE THAT THE CHANCELLOR CONSIDERED HIMSELF TO HAVE BEEN QUOTED INACCURATELY BY THE PRIME MINISTER. HE HAD BEEN REPORTED AS SAYING AFTER DINNER AT STRASBOURG DURING THE LAST EUROPEAN COUNCIL THAT 'I WILL NOT GUARANTEE, I WILL NOT ACCEPT THE PRESENT BORDERS'. THIS REFLECTED NEITHER THE LETTER NOR THE SPIRIT OF WHAT HE HAD ACTUALLY SAID. THE CHANCELLOR ALSO MOREOVER REGARDED AS 'UNFOUNDED AND UNUSUAL' WHAT THE PRIME MINISTER HAD SAID ABOUT THE ROLE OF THE GERMAN COURTS.

7. KLEIN THEN GAVE THE PRESS (SEE MIFT) THE FEDERAL CHANCELLOR'S OWN VERSION OF WHAT KOHL HAD SAID AT STRASBOURG, AND COMMENTED ALSO ON THE ATTITUDE OF THE FEDERAL CONSTITUTIONAL COURT.

COMMENT

8. I RECOMMEND THAT WE SHOULD NOW SEEK TO DRAW A LINE UNDER THIS EXCHANGE. SINCE IT RELATES TO AN EPISODE SOME MONTHS BACK, THE BEST WAY OF DOING SO MIGHT BE TO TELL THE MEDIA SIMPLY THAT THE PRIME MINISTER'S VIEW OF THE SITUATION NOW REACHED IN RELATION TO POLAND'S WESTERN BORDER IS SUMMED UP IN HER MESSAGE TO KOHL OF 7 MARCH (YOUR TELNO 167).

MALLABY

YYYY

NNNN



*cc Backer*



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CHAIRMAN'S BRIEF: OD, 27 MARCH 1990

**GERMAN UNIFICATION**

- Papers for discussion:
- (i) Derogations and safeguards
    - OD(90)6 (trade)
    - OD(90)7 (agriculture)
    - OD(90)8 (other sectors)
  - (ii) Budgetary implications
    - OD(90)10
  - (iii) Tactics
    - Foreign Secretary's minute of 23 March

PURPOSE

1. You may wish to begin by establishing our objectives on derogations/safeguards; then note the Chancellor's updated projection of the possible budgetary costs; and finally discuss the tactical issues in the Foreign Secretary's minute and the other papers.

DEROGATIONS AND SAFEGUARDS

2. Here there are four key issues on which you may want to focus:

- (i) what are the trade risks in the period before unification, and what do we need to do about them?

Mr Ridley is concerned that the longer unification is delayed, the greater the risk of unfair competition from modernised East

Heath Jolly

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German production. Colleagues may agree that:

- the FRG must continue to police inner-German trade vigorously to ensure that the requirements of the EC Treaty are fully observed;
- if significant problems of leakage occur, we should press the Commission to take appropriate action with the German authorities;
- in the last resort, we should be ready to take national safeguard action, as the Treaty allows.

(ii) after unification, what trade safeguards will we need while there are derogations from full application of EC rules?

Mr Ridley argues that border controls are irrelevant to tackling unfair pricing, which will arise at the point of sale. You will want to confirm that colleagues agree with his conclusions that:

- realistically, some derogations are inevitable; but we should keep them as short and limited as possible, and ensure that they are subject to close monitoring by the Commission;
- if continuing controls at the Inner German Border are required for other reasons (eg agriculture) there may be scope for using them for safeguard purposes as well, but we should not rely solely on this route;
- the most effective safeguard is likely to be a dispute settlement procedure allowing aggrieved parties to complain

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to the Commission about unfair pricing, and the Commission to impose remedies on the offending FRG firm;

- in any event, EC state aid and competition rules should be applied from the outset.

(iii) after unification, what safeguards may be needed for agriculture until CAP rules apply fully?

Mr Gummer's paper starts from the fact that the CAP will apply automatically in East Germany as soon as unification takes place, subject to whatever transitional arrangements are negotiated.

There seem to be three broad possibilities:

- if East German producer prices start higher than in the rest of the EC, bringing them into line over a transitional period would involve extra cost to the EC budget; we and other member states would clearly need to resist such an approach;
- if producer prices start lower than in the rest of the EC, and the Germans wish to bring them into line over a transitional period, there could be net savings to the EC budget; but a short transition period and an effective control régime at the inner German border would then be essential (the West Germans would want the latter too, to protect their market from being undercut by cheap East German produce). In addition, there seems no reason why Mr Ridley's idea of a dispute settlement procedure should not extend to agricultural trade: you may wish to confirm this;
- in theory, East German producer prices could be brought into line with CAP prices immediately, in which case border

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controls would not be needed; Mr Gummer's paper implies that this is not very likely, while the Foreign Secretary's minute (para 5) implies the reverse. You may wish to explore this further.

In addition, OD may wish to:

- note that permanent adjustments to CAP régimes (eg milk and sugar quotas) will need to be watched closely to keep FEOGA costs to a minimum;
- agree that, where the GDR has long-term commitments to agricultural exports (eg to the USSR) Germany should pay any subsidies in excess of normal EC export refunds;
- note that derogations permitting East German products which do not meet EC standards to circulate within East Germany, or perhaps a united Germany, should be acceptable; but we should resist derogations aimed at the free circulation of such goods in the rest of the Community;
- agree that, on plant/animal/fish health, we should strongly resist any request for derogations which would weaken existing controls against the movement of disease.

(iv) which other fields are likely to be of special concern to the United Kingdom?

The paper by the Secretaries suggests that in other areas the United Kingdom's prime interest in derogations/safeguards is likely to be over energy and the environment (where other member states are likely to share our concerns); and that there may be

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some bilateral leverage with the FRG over road haulage liberalisation.

You may wish to suggest that officials should look in more detail at the environment (including nuclear) issues.

BUDGETARY IMPLICATIONS

3. OD may wish to note the Chancellor's paper, which simply updates the assessment in the Foreign Secretary's paper for the last meeting, and does not call for any action at this stage. The main change is a substantial downward revision of the likely cost when East Germany eventually becomes eligible for assistance from the structural funds.

TACTICAL ISSUES

4. Finally, you may wish to focus on the tactical issues arising from the three main papers. The key points seem to be:

- we must ensure that the Germans remain the demandeurs: this is our strongest negotiating card;
- other member states will share most of our concerns: we should not allow them to sit back and leave us to make all the running;
- the Foreign Secretary suggests that our aim at the 28 April Summit should be agreement on the right Community framework and procedures to suit our interests;

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- the Foreign Secretary also recommends that:
  - your line with Chancellor Kohl should be that once the Article 23 decision is taken, the objective should be to integrate the ex-GDR in the Community as fully and quickly as possible;
  - we should not press, at this stage, for continued controls at the inner-German border after unification, though the need for these will have to be kept under review; but we should underline the importance of securing the Eastern border of the ex-GDR;
  - the safeguards issue should be pursued with the Commission on the lines recommended by Mr Ridley;
  - we should also compare notes with other member states (particularly the French, Italians, Dutch and Spanish) with a view to forming alliances.

Finally, you may wish to conclude that OD may need to return to this subject once German intentions are clearer.

Cabinet Office

26 March 1990



cepc.  
(5(a-d))

MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2111/3

MO 13/1/42J

Prime Minister 26 March 1990

Dear Charles,

Some MOD comments,  
but nothing very new  
COP 20th day

STRATEGIC IMPLICATIONS OF CURRENT TRENDS IN THE ALLIANCE AND EAST-WEST RELATIONS

1. The Defence Secretary saw your letter of 5 March to Stephen Wall. MOD officials were closely involved in the preparation of the Foreign Office papers of 2nd March and they provide in his view an excellent basis for a discussion. Since this has been delayed it might, however, be helpful if the Defence Secretary comments now.

2. The FCO paper on "Strategic Implications" points to the need for a revised military strategy within the framework of flexible response and forward defence. We shall need to guard against pressure from allies for a new strategy in order to discard those elements of flexible response with which they are uncomfortable, while at the same time ourselves pursuing the case for significant change in the way in which strategy is implemented. Work is in hand here on:

- future threats/risks of war;
- future military concepts;
- and force structures.

3. A fourth major study of the military implications of extending NATO to cover a united Germany will be completed shortly. Some of the provisional conclusions, within the framework set out in the FCO paper, are likely to be:

a. for theatre nuclear forces, with CFE and developments in Eastern Europe, the emphasis will be increasingly on systems of longer range. While there is a case for a spread of systems, it is clear that the US Administration - including the Department of Defence - are close to giving up on FOTL. We should then increasingly have to rely on a single delivery system - dual-capable aircraft - and bombs and tactical air-to-surface missiles (TASM). At the recent meeting of senior Nuclear Planning Group officials there was broad support for TASM, (including from the Germans). The problem will be to sustain this over a deployment period still years



ahead. It may be worth offering a pre-emptive reduction in warhead numbers to secure continued acceptance of basing delivery systems in Germany.

b. Forward defence in the Central Region is increasingly likely to mean a capability to deploy forward, rather than the presence of large forces on the NATO border. There remains a need for a credible level of readily-available forces in Germany; and it is important that these forces reflect the collective commitment of the Alliance, and thus comprise units from several countries.

c. In planning for the deployment forward of Allied ground forces in Germany, there are arguments for deploying far forward only those forces that are strictly necessary to demonstrate commitment (on the model of the present ACE Mobile Force (Land)) and those which can provide a covering force or screen (which will depend upon what German forces are deployed in former GDR territory). Main defensive forces should be deployed forward only as far as is militarily desirable and feasible in terms of affordable logistics and warning time. There would be many advantages in seeking to establish main defences further to the east than the present defensive line; but the further east the main defensive position goes, the greater become the problems of deployment, air cover, intelligence support, logistics and an exposed Baltic flank. There could be awkward trade-offs here for the Germans - and the Alliance more generally - between the pressure for limits on peacetime deployments in the GDR, and the need for a coherent defence in the event of war.

d. It would be important to evolve a sensible concept for integrating the air defence of East German territory with that of the West; and to be able to exercise, if only on a limited scale, plans both for reinforcement and forward deployment, even if this tests German (and initially Soviet) tolerance.

e. Present logistic systems would have to be restructured to make combat formations more self-sufficient; extra fuel, repair and spares requirements would be inherent in longer deployment distances; and longer lines of communication require investment to deal with the additional vulnerability created.

4. The political and diplomatic difficulties inherent in some of these military conclusions point up the central dilemma facing us. If NATO is to be able to defend the former GDR territory (without basing forces there), many practical military problems will have to be addressed and solved. Otherwise we shall commit the classic mistake of offering security guarantees while failing to deploy the



military capability to back it up (for fear of offending the potential adversary). This may be seen as a practical compromise at the time the guarantee is given, but might encourage aggression later from potential adversaries (because deterrence is flawed) and pose substantial military difficulties in recovering the territory if an attack occurs. Thus, if we are to accept the extension of Articles V and VI of the NATO Treaty to the former GDR territory, we must ensure that adequate security structures are agreed.

5. The MOD is also looking in depth at the case for increasing multinationality in force structures. Mixed nationality forces are already much in evidence in the structure of NATO air forces; and in ground forces at Army Group level and above. There is not therefore an issue of principle involved here: rather we need to address practical issues of military cost-effectiveness. The extension of the multinational approach to lower levels of command in the case of ground forces has clear politico-military attractions. But we need to bear in mind that:

- there is a trade-off between military efficiency and multinationality. There are levels of command where language, logistic and equipment complications render the exercise ineffective. For different types of formation and role, this level could vary: one universal solution is unlikely to be the answer.
- Multinationalism could be expensive, and requires a good degree of interoperability. The lower the level, the more required; in Brigades for example, it would not work without much commonality.
- Part of the thrust to more "Multinational" forces is to remove the "occupation" association of stationed forces. It remains to be seen whether the Americans will be willing to change their own formations. In any case, changes in command structures may not be sufficient: we need also to look at other changes involving, for example, the stationing of German forces in other Allied countries, and changes to symbols (badges, flags, garrison and air base names) to have an impact on public opinion.

6. In addressing both increasing the "multinational" approach to NATO forces and future Alliance defence more widely, we need to consider both the desired end-point and the transition period, when CFE reductions will still be in train and Soviet forces may remain in East Germany.



7. The Defence Secretary sees a continuing difficulty over tactical handling. With Allies, it is important to discourage a pre-emptive run-down of forces that might leave European security excessively weakened if the Soviet leadership changed. But in taking that wider stance we should not allow ourselves to lose opportunities to get a fair share of any reductions that can safely be made.

8. A particularly difficult issue will be the position of our facilities in Berlin including the garrison. We assess that the UK garrison could be withdrawn in good order in a period of about 12 months, if this were judged necessary. While it can be argued that Allied forces should remain in Berlin for a period after unification, the value of the garrison in military defence is questionable, and there could be considerable cost to the defence budget if (as seems probable) German subsidies were withdrawn. Account will also need to be taken of decisions on the future of our intelligence facilities in Berlin. The Defence Secretary believes that the future of our forces in Berlin should be addressed in the work underway on "options for change" and announced in that wider context.

9. I am copying this letter to Stephen Wall (FCO), John Gieve (HM Treasury) and Sonia Phippard (Cabinet Office).

*Yours sincerely,  
Swn Webb.*

(S WEBB)  
Private Secretary



Foreign and Commonwealth Office

London SW1A 2AH

26 March 1990

Dear Charles,

German Unification: Treaties

Thank you for your letter of 20 February about the German-Polish borders and the question of a general Peace Treaty.

Chancellor Kohl's agreement on 6 March, subsequently endorsed by the Bundestag, that there should be a Treaty on borders between Poland and a united Germany gives the Poles most of what they say they want - a bilateral treaty, to be ratified after unification. The first round of the Two plus Four negotiations will have helped to ensure that the Germans stick to this. We played a large part in securing agreement that the Poles should be involved in any discussion of their borders.

Mr Mazowiecki's letter to the Prime Minister of 21 February also suggests that the FRG has in the past stated that the borders could only be settled by a "treaty of peace". He says that Poland would be prepared to take part in work on such a treaty. But he does not insist upon a Peace Treaty, and indeed refers in the same paragraph to a "peace settlement", as if he makes no distinction between the two.

The Foreign Secretary believes that there is in fact an important distinction. There are three main difficulties with a Peace Treaty, if by that we mean a single, legally binding instrument settling all matters outstanding after the war. First, it might need to include all the States involved in the war (in which there were 57 belligerents). This would greatly complicate negotiations, drawing out the uncertainty surrounding unification and increasing the risk of precipitate action by the Germans. Second - and more important in terms of getting what we want - the process of drawing up a Peace Treaty with so many states would reduce the influence and significance of the Four Powers, making it more difficult for us to use the leverage that our remaining Four Power rights and responsibilities give us. Third, the US and FRG strongly oppose a Peace Treaty.

Fortunately, a peace settlement does not need to take the form of a general Peace Treaty. It need not be a single instrument. It could instead consist of a series of agreements which would allow each of a wide range of topics to be dealt with by those directly involved, using legally binding instruments where necessary but avoiding them where not.



Further work is being done on this, with the help of Legal Advisers, within the FCO as part of the Two plus Four process. In addition to the legal guarantees of this settlement, the CSCE framework could provide political endorsement. We see no reason to doubt that this would satisfy the Poles, provided their bilateral treaty with the Germans were in the bag. This bilateral treaty could in turn be "under-written" by the Four Powers when they relinquish their status; we are giving more thought to just how this could best be done.

I am copying this letter and your own to Juliet Wheldon in the Legal Secretariat to the Law Officers.

*Jan.*

*Stephen Wall*

(J S Wall)  
Private Secretary

C D Powell Esq  
10 Downing Street

*SUBJECT ce MASTER*

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for Questions*

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

25 March 1990

*Dear Stephen,*

SEMINAR ON GERMANY

The Prime Minister held a seminar on Germany at Chequers on Saturday, 24 March. Those present, in addition to the Prime Minister and the Foreign Secretary, were:

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

I enclose my summary record of the discussion. I also enclose a copy of the list of questions circulated to participants before the meeting.

It would be very embarrassing and gravely damaging to our interests if the contents of so frank a discussion of one of our closest allies were to become known. I should be grateful if the record could be given only a very limited circulation to Ministers and to senior officials with a need to know.

I am copying this letter and enclosure to John Gieve (HM Treasury), Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry), Sonia Phippard (Cabinet Office) and Sir Christopher Mallaby (HM Ambassador, Bonn).

*Yours sincerely,  
Charles Powell*

C.D. POWELL

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SEMINAR ON GERMANY: SUMMARY RECORD

Introduction

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

Who are the Germans?

We started by talking about the Germans themselves and their characteristics. Like other nations, they had certain characteristics, which you could identify from the past and expect to find in the future. It was easier - and more pertinent to the present discussion - to think of the less happy ones: their insensitivity to the feelings of others (most noticeable in their behaviour over the Polish border), their obsession with themselves, a strong inclination to self-pity, and a longing to be liked. Some even less flattering attributes were also mentioned as an abiding part of the German character: in alphabetical order, angst, aggressiveness, assertiveness, bullying, egotism, inferiority complex, sentimentality.

Two further aspects of the German character were cited as reasons for concern about the future. First, a capacity for excess, to overdo things, to kick over the traces. Second, a tendency to over-estimate their own strengths and capabilities. An example of that, which had influenced much of Germany's subsequent history, was the conviction that their victory over

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France in 1870 stemmed from deep moral and cultural superiority rather than - as in fact - a modest advance in military technology.

Have the Germans changed?

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

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

misgivings about the present leaders or political elite of Germany. But what about ten, fifteen or twenty years from now? Could some of the unhappy characteristics of the past re-emerge with just as destructive consequences?

What will be the consequences of reunification?

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

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

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

That tendency could be strengthened by the effect of unification on Germany's party system. The vote for the conservative alliance in East Germany could be seen as a vote for

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

Will a united Germany aspire to dominate Eastern Europe?

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

But the facts were more reassuring. The German minorities in Eastern Europe were much reduced in number, and the ambition of most of them was to move within the borders of Germany rather than have the borders of Germany come to them. The Germans' own interest lay in keeping the minorities where they were rather than in encouraging their return. They thus had an incentive to give substantial aid to Eastern Europe. There was no evidence that Germany was likely to make territorial claims, at least for the foreseeable future. To the extent that border problems might arise, it would be as a result of comparatively wealthy Germans buying land and property in poorer Poland and Czechoslovakia (bearing in mind that the Polish border would be only 40 minutes drive from the assumed capital of a united Germany).

More widely, it was likely that Germany would indeed dominate Eastern and Central Europe economically. But that did not necessarily equate to subjugation. Nor did it mean that a united Germany would achieve by economic means what Hitler had

failed to achieve militarily. There were undoubtedly still some who believed that Germany had a 'civilizing mission' to the East. But the fact was, the pressure for a German economic presence came as much from the East Europeans themselves as from the Germans. They wanted and needed German help and German investment: indeed it was probably the only way to restore and revive Eastern Europe ("There is only one thing worse than being exploited, and that is not being exploited"). It might indeed be ironic that after 1945 Eastern Europe had set out to avoid ever again being dependent on Germany, but after 45 years of Communism was more dependent than ever. But it was nonetheless a fact. The East Europeans might prefer a British or French presence. But neither was prepared to commit adequate resources.

What sort of framework should we build for the future?

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

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

To an extent Soviet and East European interests paralleled those of Western Europe. We wanted Germany to be constrained within a security framework which had the best chance of avoiding a resurgence of German militarism. We wanted a continuing American military presence in Europe as a balance to Germany's power. We would want to see limits, preferably self-imposed through a further CFE agreement, on the size of Germany's armed

forces. We would want a renewed self-denying ordinance on acquisition by Germany of nuclear and chemical weapons. We would want to involve the Soviet Union institutionally in discussions of Europe's future security through the CSCE, not least because in the long term (and assuming continued development in the direction of democracy) the Soviet Union would be the only European power capable of balancing Germany.

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

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

Another and possibly more likely danger was that the Soviet Union would exploit discussion in the Four plus Two group of a united Germany's membership of NATO and the presence of nuclear weapons in Germany, so that they became issues in the West German election campaign. German public opinion was seen as vulnerable on both points, but particularly on the nuclear issue. The worst fear was that NATO could unravel on the election hustings of Germany. The more positive view argued that this danger only underlined the importance of settling the question of a united Germany's membership of NATO as rapidly and decisively as possible.

Looking longer-term, the aim of building up the CSCE seemed sensible to everyone, not least as a way of managing and

conciliating disputes between national minorities in Eastern and Central Europe.

The European Community was surprisingly not much mentioned. German behaviour in the EC - 'we pay so we must have our way' - was seen by some as the harbinger of Germany's economic dominance over Western Europe. There were differing views over how genuine the Germans were in saying they wanted a more integrated Europe in parallel with unification. Was it just a tactic to reassure others? Or a genuine desire to subsume the latent nationalist drive of a united Germany into something broader? The latter was not wholly convincing, given that the structure of the EC tended to favour German dominance, particularly in the monetary area. Against this, it was pointed out that the more assertive Germany became, the easier it ought to become to construct alliances against Germany on specific issues in the Community.

#### Conclusions

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

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

C.D.P.  
C.D. POWELL

25 March 1990

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PRIME MINISTER

EC IMPLICATIONS OF GERMAN REUNIFICATION

OD on Tuesday is to have a further discussion of the EC implications of German unification. You saw the main papers over the weekend.

The main conclusions from these can be summarised as:

- on the trade side we need to distinguish between the pre-unification and post-unification phases.
- before unification, there is a risk - particularly if unification is delayed - that increasingly efficient GDR companies under West German management will exploit the Inner-German Trade (IGT) arrangements to pour cheap goods into the EC market to our disadvantage. The only way to counter this is to insist that the FRG continues to police the operation of the IGT strictly. At worst we can fall back on national safeguard action at our own border (if we can distinguish between East and West German goods).
- after unification, the Trade and Industry Secretary's advice is that we should keep derogations and transitional arrangements to a minimum, so that GDR does not benefit from 'holidays' from EC regulations to build up a strong market position.
- the main problem is likely to be unfair pricing of GDR products. But the Trade and Industry Secretary does not recommend trying to keep controls at the inner-German border. Instead, he proposes a dispute settlement procedure, which would enable the Commission to pursue evidence of unfair pricing at point of sale and penalise offending GDR firms.

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- we shall also need to ensure that there are effective controls at the eastern border of the GDR, which will be the new EC frontier, against cheap goods from Eastern Europe.
- on the agricultural side, it is difficult to reach a firm judgement about derogations and transitional arrangements until we know what the DM/Ostmark conversion rate will be: and know more, too, about East German prices and how they are calculated. But assuming GDR prices are judged to be lower than EC prices, we shall want only a short transitional period to raise them to EC levels, because it would be hard to have much confidence that exports of East German food to the rest of the EC could be policed effectively.
- the balance of the judgement both on trade and agriculture is therefore that there is little to be gained from pressing for maintenance of inner-German border controls.
- we shall want to resist derogations from EC standards which would allow East German agricultural products which do not conform to EC standards to circulate freely.
- but on environmental issues, we should accept longer derogations because we want the Germans rather than the EC to pay the costs, and we cannot realistically expect them to pay them all at once.
- on the tactics, our aim at the Dublin meeting on 28 April should be to get agreement on procedures, not to settle issues of substance. And we should make sure that the Germans are left to ask for any concessions. The assumption should be that the full rigours of EC rules and standards should apply unless specifically stated to the contrary. We should not ourselves take the lead in suggesting where derogations or transitional arrangements might be needed.
- since we shall pay far less of the costs of bringing the GDR into the Community than for example France and Italy, we

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should leave it to others to make the running. We should not get ourselves out front and turn the issue into an Anglo-German dispute.

These all seem sensible and well-documented conclusions. The only one likely to be controversial is whether or not we should go for maintenance of inner-German border controls. Certainly we should do so pre-unification: but the consensus of your colleagues is that post-unification they would not be acceptable to the FRG and anyway unlikely to be effective. We should therefore focus instead on dispute settlement procedures and safeguard action. This will be the main issue to be resolved at the meeting. Perhaps our position should be that zonal controls must be maintained on the former inner-German border unless the Commission and the FRG can demonstrate that something more effective can be devised.

C.D.P.

C. D. POWELL

25 March 1990

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PM/90/015

PRIME MINISTER

EC Implications of German Unification: UK Tactics

1. I have seen the three new papers for our resumed OD discussion on 27 March. I also note that the unexpectedly good result for the CDU in the GDR elections on 18 March now makes it virtually certain that the Germans will choose the Article 23, not the Article 146, route to unification: this is good news, because it makes the process more predictable, more likely to proceed at a measured pace, and hence easier to keep within the right framework. This minute suggests five conclusions for our tactics at your meeting with Kohl on 30 March, and in the run-up to the 28 April Summit in Dublin.

2. First, our aim on 28 April should be agreement on the right Community framework and procedures to suit our interests. The key points to secure are transparency and full Council involvement: transitional arrangements must not be cooked up in cosy Bonn/Commission deals. If a target date for the completion of negotiations is set it should be after the FRG elections on 2 December: the Rome European Council is the earliest sensible target.

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3. Secondly, I agree with Nick Ridley and John Gummer that the Germans must remain demandeurs. On substance this means that we should not suggest to Kohl at the Anglo-German Summit, or in Dublin on 28 April, areas where derogations for the ex-GDR may be needed. It should be left to the Germans to seek negotiation of any point of difficulty they anticipate, on the understanding that:

- (a) in principle existing EC law will apply to the ex-GDR ab initio,
- (b) any derogations will apply only to the ex-GDR (i.e. not to existing FRG territory); and
- (c) all derogations will be kept as short as possible.

This tactic should have three advantages: it will encourage the Germans to minimise their demands; it will avoid the Eleven or the Commission offering up unsolicited concessions; and it should make it easier for us to achieve safeguards against any trade-distorting derogations.

4. The presentation of such a policy naturally needs care, but should be manageable. Our line, with Kohl and in Dublin, should be that once the Article 23 decision is taken, the objective should be to integrate the ex-GDR

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into the Community as fully and as quickly as possible. We also of course want to ensure that the transition is largely FRG-financed: this may mean accepting at the end of the day that certain derogations need not be very short. As the Secretariat paper brings out, one area where it would plainly be counter-productive to press for the shortest possible derogations is aspects of ex-GDR environmental pollution which do not affect competition. We shall want the German polluter to pay; but to insist he pays fast could produce pressures for Community/member state help.

5. Fourth, on the borders issues, I agree with Nick Ridley that controls on the Inner German Border (IGB) would not be the best way to combat trade distortions: the alternative forms of safeguards he suggests seem to me more logical and reliable, and well worth exploring quickly with the Commission. In general, I do not believe we could have any confidence in post-unification controls on the Inner German Border unless the authorities in Bonn saw a German interest in their effectiveness. I accept John Gummer's point that they might well have such an interest, at least in respect of farm products, if ex-GDR prices during the post-unification adjustment period differed from those in the rest of the Community; but this looks on balance unlikely. I conclude that we should not, at least at this stage, press for the continuation of IGB controls post-unification; and that with Kohl our key point for the present should be the importance of securing the Eastern border of the ex-GDR.

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6. In nearly all areas of the negotiation a majority will share our views. In many cases others will stand to lose more than us from concessions to the Germans. The French and Italians have no Fontainebleau abatement to limit extra costs to them. Your talk with Lubbers on 21 March showed the Dutch fully alive to the need to prevent trade distortions. Southern member states will oppose reallocation of existing structural funds to the ex-GDR. When negotiations start in earnest we shall achieve a better deal overall if we get others to take the lead on some of the issues. If it polarises into an Anglo-German debate, others will sit back, and we shall do less well. So we need to form alliances on 28 April, and to ensure that potential allies don't conclude, from reports of Kohl's talks here, that they can rely on us to do their work for them.

7. Operationally, I suggest that:

- (a) we should continue to press the Commission to produce their paper for 28 April in good time;
- (b) but we should argue, with them and the Irish, that the aim for 28 April should be to identify procedures for the subsequent negotiations, without addressing substance or itemising the negotiating agenda in ways which might appear to offer derogations: the Germans must remain demandeurs;

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- (c) with Kohl we should next week make clear that we believe the full assimilation of the ex-GDR into the Community should be as rapid as possible, and should not press for the maintenance of the Inner German Border post-unification;
- (d) the safeguards issue should be pursued with the Commission as Nick Ridley suggests; and
- (e) we should compare notes with the French, Italians, Dutch and Spanish, with a view to forming alliances.

8. Copies of this minute go to OD colleagues, the Home Secretary, the Minister of Agriculture, the Secretaries of State for the Environment, Energy, Transport, Employment, and Northern Ireland, the Solicitor General, and Sir Robin Butler.

DH.

(DOUGLAS HURD)

Foreign and Commonwealth Office

23 March 1990

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GERMAN-POLISH FRONTIER

SUMMARY

1. TELTSCHIK TALKS IN STRICT CONFIDENCE ABOUT KOHL'S FURTHER ROOM FOR MANOEUVRE ON THE ODER-NEISSE QUESTION.

DETAIL

2. TELTSCHIK SAID TO ME PRIVATELY TODAY THAT THE FEDERAL CHANCELLOR WAS NOT WILLING TO AGREE TO THE POLISH SUGGESTION THAT THE PROPOSED TREATY FIXING THE ODER-NEISSE FRONTIER SHOULD BE NEGOTIATED AND INITIALLED BY POLAND AND THE TWO GERMAN STATES BEFORE UNIFICATION. THERE WAS NO PRECEDENT FOR SUCH PROCEDURE IN INTERNATIONAL LAW. KOHL HAD MADE A NUMBER OF CONCESSIONS ON THIS SUBJECT AND COULD NOT RETREAT ANOTHER MAJOR STEP WITHOUT MAJOR TROUBLE IN HIS OWN PARTY. BUT HE WAS WILLING TO MOVE A BIT FURTHER THAN HE HAD SO FAR. THE IDENTICAL RESOLUTIONS TO BE PASSED BY THE BUNDESTAG AND THE NEW VOLKSKAMMER COULD SPECIFY THAT THE ODER-NEISSE LINE WAS THE FRONTIER OF POLAND AND WOULD NOT BE CHANGED, AS WELL AS SAYING THAT A TREATY WOULD FOLLOW UNIFICATION. BOTH GERMAN GOVERNMENTS COULD ENDORSE THIS. ONCE THERE WAS A GOVERNMENT OF UNITED GERMANY, IT COULD NEGOTIATE A TREATY WITH POLAND WHICH WOULD BE RATIFIED BY THE PARLIAMENT OF UNITED GERMANY.

3. THERE HAVE BEEN SIGNS THAT GENSCHER WOULD BE WILLING TO NEGOTIATE THE TREATY WITH POLAND BEFORE UNIFICATION.

4. IN SPEAKING TO ME IN THIS WAY, TELTSCHIK, I BELIEVE, WAS SEEKING TO CONVEY THE MESSAGE THAT IT WOULD BE UNCOMFORTABLE FOR KOHL IF THE PRIME MINISTER SUPPORTED THE PROPOSAL OF TREATY NEGOTIATION BEFORE UNIFICATION.

5. FCO DISTRIBUTE COPIES ONLY TO:  
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10 DOWNING STREET

Prime Minister

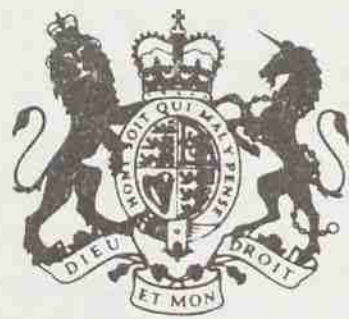
German unification.

EC Aspects

You did not have  
time to read  
this one.

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10 DOWNING STREET

Rice Minister

General Unification:

EC Aspects

This is the last

in the series of

papers which OD

will consider on

Tuesday. (The others

are in the earlier

box). CDP



FCS/90/064

CHIEF SECRETARY TO THE TREASURY

GDR and the Know How Fund

1. With your agreement, I announced on 22 January that we would extend the Know How Fund to Eastern European countries other than Poland and Hungary once they were firmly committed to political and economic reform. I emphasised this during my visit to the GDR on 22-24 January.
2. Following the GDR elections on 18 March, which were demonstrably fair and free, the CDU has a clear mandate to introduce a market economy, based on currency union, as soon as possible. I believe that the GDR now meets both our criteria and propose that we should extend the Know How Fund to it.
3. The objective would be to promote the direct interests of the UK in what will become a prosperous and important area in the centre of Europe. The prospect of unification puts the GDR in a unique situation. We have a chance to get British interests in on the ground floor, if we move quickly: in the period leading up to unification the Know How Fund can make a significant difference to our prospects.
4. The main aim would be to introduce British expertise and establish contacts in key sectors; and to reinforce these aims by taking maximum advantage of the great demand for English language training in the GDR.



5. We would expect to use the bulk of the funds for:
- a. feasibility studies to inform UK firms' investment decisions;
  - b. technical cooperation programmes (eg expanding our current management training effort in the GDR) to introduce key future personnel to UK expertise and technology; and
  - c. establishing English as the vehicle for the transfer of management and other skills, thus contributing to its development as the main second language in the GDR in place of Russian.

We would prepare a Country Strategy Plan.

6. The sooner the Fund starts the better it will serve our objectives. I propose, if you agree, that we should agree to extend the Fund to the GDR before the Anglo-German Summit on 30 March. This would enable the Prime Minister to announce at the Summit itself a significant English Language Training initiative for the GDR. As well as serving our interests in the GDR this would be very well received in the FRG. It would demonstrate our constructive involvement in the GDR.

7. As we agreed in January, I am not bidding for a specific country allocation for the GDR: funds would be made available from the £15 million for Eastern Europe

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already agreed. After German unification we would need to take a further look at the use of the Fund in the ex-GDR. Our activities in the ex-GDR would clearly need to be merged over time with our activities in the FRG and placed on the same financial footing. (In this way, for example, long-term responsibility for general ELT training would remain with the British Council.)

8. I am sending copies of this minute to the Prime Minister, the Secretaries of State for Trade and Industry and Education and the Cabinet Secretary.

DH

(DOUGLAS HURD)

Foreign and Commonwealth Office  
23 March 1990

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MIPT (ONLY TO FCO): TELTSCHIK ON GERMAN UNIFICATION AND NATO

## SUMMARY

1. TELTSCHIK BELIEVES THAT SOVIET UNION WILL AGREE TO GERMAN MEMBERSHIP OF NATO, BUT NOT EASILY. URGES US TO KEEP STRESSING PUBLICLY THAT GERMANY SHOULD REMAIN IN NATO. FORESEES VERY DIFFICULT NEGOTIATIONS WITH SOVIET UNION IN 2 PLUS 4 ABOUT OTHER SECURITY MATTERS, ESPECIALLY NUCLEAR WEAPONS IN GERMANY. LATTER POINT COULD POSE GREAT DIFFICULTIES FOR FEDERAL GOVERNMENT. TELTSCHIK THINKS BUNDESWEHR SHOULD BE STATIONED IN EAST GERMANY AFTER SOVIET FORCES GO. WANTS TO HIVE OFF QUESTIONS OF LIMITS ON BUNDESWEHR AND FURTHER REDUCTIONS IN US FORCES IN GERMANY FOR A FURTHER CFE NEGOTIATION. URGES EARLY DISCUSSION OF A MANDATE FOR THIS IN NATO.

## DETAIL

2. WHEN I SAW TELTSCHIK TODAY IN PREPARATION FOR NEXT WEEK'S BRITISH-GERMAN SUMMIT, I SAID THAT THE NATO ASPECTS WOULD BE THE MOST IMPORTANT AND DIFFICULT ELEMENT IN THE 2 PLUS 4 NEGOTIATIONS. IN OUR VIEW, THE NATO GUARANTEE SHOULD BE EXTENDED TO EAST GERMANY FROM THE TIME OF UNIFICATION. SUFFICIENT MILITARY CAPABILITY MUST BE IDENTIFIED IN ORDER TO MAKE THE GUARANTEE CREDIBLE. TRANSITIONAL ARRANGEMENTS WERE NEEDED IN THE SENSE THAT THE SOVIET WITHDRAWAL FROM EAST GERMANY WOULD REQUIRE SOME TIME. BUT IT WOULD BE DANGEROUS TO POSTPONE UNTIL AFTER THAT THE DECISIONS ON HOW TO MAINTAIN THE SECURITY OF EAST GERMANY, AS SOME PEOPLE IN BONN SEEMED TO BE SUGGESTING.

3. TELTSCHIK SAID THAT HE THOUGHT THE SOVIET UNION WOULD EVENTUALLY ACCEPT GERMAN MEMBERSHIP OF NATO. GORBACHEV SEEMED STILL TO BE THINKING ABOUT IT. BUT ACCORDING TO THE SOVIET AMBASSADOR HERE, KVITSINSKY, THE SOVIET MILITARY WERE INCREASINGLY OPPOSED TO GERMANY BEING IN NATO. TELTSCHIK SAID THAT ALLIED UNITY WAS ESSENTIAL ON THE

MATTER, AND HE HOPED THAT WE WOULD CONTINUE TO STRESS PUBLICLY THAT GERMANY MUST REMAIN IN NATO. I TOOK THE OPPORTUNITY TO SAY THAT AGREEMENT ON THE 2 PLUS 4 SUBJECTS ESPECIALLY THE SECURITY ASPECTS, WOULD BE NEEDED AMONG THE FOUR WESTERN PARTICIPANTS BEFORE WE GOT INTO SUBSTANCE WITH THE RUSSIANS. TELTSCHIK EMPHATICALLY AGREED.

4. HE CONTINUED THAT THE SOVIET UNION WOULD PROBABLY TRY IN 2 PLUS 4 TO INSIST ON LIMITS ON THE BUNDESWEHR AND ON DEEP CUTS IN AMERICAN FORCES IN GERMANY BEYOND THOSE ALREADY FORESEEN, AS WELL AS CUTS IN OTHER STATIONED FORCES. THE RUSSIANS WOULD PRESS, ABOVE ALL, FOR THE REMOVAL OF NUCLEAR WEAPONS FROM GERMANY. THINGS WOULD BECOME VERY TOUGH FOR THE FEDERAL GOVERNMENT IF THE RUSSIANS TRIED TO MAKE AGREEMENT TO THEIR POSITION ON ANY OF THESE MATTERS A CONDITION OF GERMAN UNITY. TELTSCHIK SAID THAT, IF THERE WAS AN ALL-OUT SOVIET PUSH FOR THE REMOVAL OF NUCLEAR WEAPONS FROM GERMANY, THE FEDERAL GOVERNMENT WOULD HAVE GREAT DIFFICULTY IN STANDING UP TO THE RUSSIANS, SINCE PUBLIC OPINION IN BOTH GERMAN STATES WOULD SEE ATTRACTION IN THE SOVIET POSITION. HE IMPLIED THAT THIS ISSUE COULD PREJUDICE THE OTHERWISE GOOD PROSPECTS OF THE CDU IN THE FEDERAL ELECTIONS IN DECEMBER. TELTSCHIK SAID THAT THE QUESTION OF NUCLEAR WEAPONS IN GERMANY MIGHT NEED TO BE TAKEN UP BY BUSH AT HIS SUMMIT WITH GORBACHEV IN JUNE.

5. I SAID THAT I HAD BEEN PUZZLED BY THE GENSCHER/STOLTENBERG STATEMENT THAT THE BUNDESWEHR, EVEN UNITS NOT ASSIGNED TO NATO, WOULD NOT BE STATIONED IN EAST GERMANY. WITHOUT THAT, HOW COULD A NATO GUARANTEE BE MADE CREDIBLE? TELTSCHIK AGREED THAT THE BUNDESWEHR MUST IN DUE COURSE BE STATIONED IN EAST GERMANY. BUT HE DOUBTED THAT THIS WOULD BE POSSIBLE WHILE SOVIET FORCES WERE STILL THERE. IT MUST BE CLEARLY AGREED IN 2 PLUS 4 THAT THE BUNDESWEHR WOULD LATER BE STATIONED IN EAST GERMANY, BUT IT COULD BE AGREED THAT CERTAIN TYPES OF WEAPONS WOULD BE PRESENT ONLY IN WEST GERMANY AND THAT THE BULK OF BUNDESWEHR WOULD BE IN WEST GERMANY. TELTSCHIK THOUGHT THAT THE QUESTION OF BUNDESWEHR IN EAST GERMANY WAS LESS IMPORTANT TO THE RUSSIANS THAN THE QUESTION OF NUCLEAR WEAPONS IN GERMANY.

6. TELTSCHIK SAID THAT 2 PLUS 4 MUST AGREE ON A TIMETABLE FOR SOVIET WITHDRAWAL FROM EAST GERMANY. BUT THE FEDERAL GOVERNMENT WOULD NOT BE WILLING IN THAT FORUM TO AGREE TO LIMITS ON THE BUNDESWEHR OR FURTHER REDUCTIONS IN US FORCES IN GERMANY. THESE MATTERS SHOULD BE REMITTED TO A SECOND CFE CONFERENCE. IN ORDER TO GAIN 2 PLUS 4 AGREEMENT TO THIS APPROACH, A MANDATE FOR A FUTURE CFE NEGOTIATION WOULD BE NEEDED QUICKLY. FEDERAL OFFICIALS WERE WORKING ON IDEAS.

EARLY DISCUSSION IN NATO WAS DESIRABLE.

7. TELTSCHIK SAID THAT THERE WERE MANY INDICATIONS OF MAJOR SOVIET INTEREST IN ECONOMIC COOPERATION WITH UNITED GERMANY. THE FEDERAL GOVERNMENT WAS THINKING HOW TO DERIVE LEVERAGE FROM THIS IN 2 PLUS 4.

## COMMENT

8. TELTSCHIK'S REMARKS ARE FURTHER EVIDENCE THAT GERMAN THINKING ON THE SECURITY ASPECTS OF 2 PLUS 4 IS NOT WELL ADVANCED. THERE HAVE BEEN SIGNS THAT SOME OF THE PLAYERS IN THE FEDERAL GOVERNMENT ARE TEMPTED BY A SOLUTION THAT WOULD LEAVE THE QUESTION OF MILITARY RESOURCES TO UPHOLD A NATO GUARANTEE OF EAST GERMANY FOR DECISION BETWEEN UNIFICATION AND THE COMPLETION OF SOVIET WITHDRAWAL FROM EAST GERMANY. THERE IS STILL NO REMOTELY CONVINCING ANSWER TO THE QUESTION HOW A NATO GUARANTEE OF EAST GERMANY COULD BE MADE CREDIBLE DURING THE PERIOD FROM UNIFICATION UNTIL COMPLETION OF SOVIET WITHDRAWAL.

9. TELTSCHIK DID NOT MENTION SNF NEGOTIATIONS. BUT I DO NOT (NOT) ATTACH IMPORTANCE TO THIS OMISSION. THERE ARE OTHER INDICATIONS HERE THAT THE GERMANS ARE PREPARING A PROPOSAL TO ACCELERATE THE OPENING OF SNF NEGOTIATIONS (MY TELNO 359).

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From the Private Secretary

Prime Minister

German Unification : EC Consequences

You may like to look  
at the two attached papers  
for OD on the safeguards  
we would need to take  
in trade on agriculture,  
when negotiations start for  
East German entry to the EC

C.O.P. 2272

PRIME MINISTER

MEETING AT CHEQUERS, 24 MARCH

You are holding a seminar at Chequers on Saturday to talk about Germany.

Participants

Those attending are:

Foreign Secretary  
Professor Gordon Craig  
Professor Fritz Stern  
Lord Dacre  
George Urban  
Professor Norman Stone  
Timothy Garton-Ash  
Charles Powell

Professor Craig is now, I believe, in his eighties but has flown specially from San Francisco for the meeting. Professor Fritz Stern is from Columbia University of New York (and of German origin, a point you will want to bear in mind). Lord Dacre, Norman Stone and George Urban need no introduction. Timothy Garton-Ash was foreign editor of the Spectator and is now a Fellow of Sir Antony's, Oxford. he is an expert on Germany and Central Europe.

Programme

The participants are due to arrive at 1230 for drinks and lunch. You will probably want to hold the afternoon session upstairs - I suggest round the table, so that we do not all go fast asleep! You might aim to bring the meeting to a close around 1700.

Agenda

I attach the letter which I have sent to all participants, setting out the sort of questions which we might cover. It could serve as an agenda, although by no means exclusive.

---

Background

You have the books by Craig and Stern. You will want to have in mind, as one of the purposes of the seminar, the Konigswinter Conference and your speech there (which is also in the box).

---

C. D. P

C. D. POWELL  
22 March 1990

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FROM PRIVATE SECRETARY

NAMIBIAN INDEPENDENCE: SECRETARY OF STATE'S MEETING WITH JIM BAKER

SUMMARY

1. BAKER RESCUES THE SECRETARY OF STATE FROM CHAOS AND ARAFAT. BRIEFS SECRETARY OF STATE ON HIS THREE HOUR MEETING WITH SHEVARDNADZE. LATTER VERY EXERCISED ABOUT GERMANY.

DETAIL

2. LAST NIGHT'S INDEPENDENCE CELEBRATIONS WERE PRETTY FAIR CHAOS. THE SECRETARY OF STATE WAS RESCUED FROM THE MELEE BY ONE OF BAKER'S PARTY WHO FOUND HIM A SEAT NEXT TO BAKER IN THE STADIUM. BY GOING INTO A HUDDLE, THE SECRETARY OF STATE AND BAKER WERE ABLE TO AVOID A TRIUMPHAL PROGRESS BY ARAFAT. JESSE JACKSON, WHO WAS ALSO WITH BAKER, WAS INSTRUCTED TO KEEP LOOKOUT UNTIL ARAFAT WAS SAFELY PAST, WHILE BAKER KEPT HIS FACE FIRMLY TURNED AWAY MUTTERING QUOTE IF I HAVE TO SHAKE HANDS, JESSE, IT WILL SET BACK THE PEACE PROCESS BY FOUR YEARS UNQUOTE.

3. IN THE ODD GAPS BETWEEN THE SPEECHES AND FIREWORKS, BAKER TOLD THE SECRETARY OF STATE THAT HE HAD HAD THREE HOURS WITH SHEVARDNADZE IN WINDHOEK. HE HAD FOUND SHEVARDNADZE VERY EXERCISED ABOUT GERMANY. HE DID NOT DISTRUST THE PRESENT LEADERSHIP BUT WHO WOULD BE RUNNING THE COUNTRY IN SIX YEARS TIME?

4. THE SECRETARY OF STATE TOLD BAKER THAT THE ROMANIAN FOREIGN MINISTER HAD SAID THAT AT THE RECENT WARSAW PACT SUMMIT FOUR COUNTRIES HAD SPOKEN IN FAVOUR OF GERMAN MEMBERSHIP OF NATO AND THAT SHEVARDNADZE HAD SPOKEN AGAINST, BUT WITHOUT APPARENT CONVICTION. BAKER SAID THAT HE HAD NOT GOT THE SAME IMPRESSION. SHEVARDNADZE HAD APPEARED TO MEAN EVERYTHING HE SAID AND BAKER HAD BEEN UNABLE TO MAKE MUCH IMPRESSION ON HIM.

5. THE SECRETARY OF STATE SAID THAT GERMAN MEMBERSHIP OF NATO WAS

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CRUCIAL. HE WAS WORRIED THAT THE RUSSIANS WOULD DRAG OUT THE TWO PLUS FOUR DISCUSSIONS SO THAT THEY GOT ENTANGLED IN THE FEDERAL GERMAN ELECTION CAMPAIGN. THE RUSSIANS MIGHT WELL HOPE THAT THE SPD WOULD WIN, THUS GIVING THEM A NEW HAND TO PLAY NEXT YEAR. WE MUST KEEP UP THE MOMENTUM OF THE TWO PLUS FOUR DISCUSSIONS.

6. BAKER SAID THAT HE WAS AT A LOSS TO KNOW WHY THE FRENCH WERE SO DIFFICULT ABOUT KEEPING NATO ALLIES INFORMED ABOUT THE TWO PLUS FOUR TALKS. THE SECRETARY OF STATE SAID HE HAD TACKLED DUMAS ABOUT THIS IN MUSCAT, BUT WITHOUT GETTING A SATISFACTORY ANSWER. BAKER TALKED ABOUT REPORTING BACK TO NATO AFTER HIS NEXT DISCUSSIONS WITH SHEVARDNADZE BUT DID NOT MENTION THE DATE.

7. AT THIS POINT GENSCHER APPEARED A ROW OR TWO BEHIND THE SECRETARY OF STATE AND BAKER, WAVING HIS ARMS AND CALLING OUT QUOTE THE COALITION AS BEFORE UNQUOTE. BAKER COMMENTED TO THE SECRETARY OF STATE THAT WHILE THE FDP WOULD BE IN THE GDR COALITION, THEY WOULD NOT OF COURSE HAVE A DECISIVE VOICE.

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## TIMETABLE FOR GERMAN UNIFICATION

## SUMMARY

1. FEDERAL INTERIOR MINISTER FORESEES GERMAN UNITY IN 1991 AND OUTLINES THE TIMETABLE UNTIL THEN.

## DETAIL

2. ON 21 MARCH THE FEDERAL INTERIOR MINISTER, SCHAEUBLE (CDU), OUTLINED TO ME THE TIMETABLE HE ENVISAGES FOR THE PROCESS OF UNIFICATION. BY THE END OF APRIL THERE SHOULD BE AGREEMENT WITH THE NEW GDR GOVERNMENT ON THE MAIN ASPECTS OF ECONOMIC AND MONETARY UNION. THE DETAILS WOULD THEN BE WORKED OUT IN MAY AND JUNE. ALTHOUGH MORE INFORMATION WAS NEEDED ON THE TRUE ECONOMIC SITUATION OF THE GDR, THE FEDERAL AUTHORITIES BELIEVED THAT ECONOMIC AND MONETARY UNION WOULD BE POSSIBLE BY THE SUMMER. IT MIGHT TAKE EFFECT ON 1 JULY. SCHAEUBLE SAID THIS WAS WHY HE HAD NAMED THE DATE OF 1 JULY FOR THE CLOSING OF THE RECEPTION CENTRES FOR EAST GERMAN RESETTLERS. HE HOPED THAT THIS ANNOUNCEMENT, COUPLED WITH THE CERTAINTY OF CURRENCY UNION, WOULD STEM THE FLOW OF RESETTLERS. (IN THE TWO DAYS SINCE THE EAST GERMAN ELECTION, IT HAD SLOWED DOWN BY 50 PER CENT, BUT REMAINED ABOVE 1,000 PER DAY. AND ONE COULD NOT BE CONFIDENT THAT THE RATE WOULD NOT GO UP AGAIN.)

3. SCHAEUBLE SAID THE FEDERAL GOVERNMENT HOPED THAT THE 2 PLUS 4 PROCESS WOULD BE COMPLETE IN TIME FOR THE CSCE SUMMIT (PRESUMABLY NOVEMBER) TO TAKE NOTE WITH APPROVAL OF ITS RESULTS. THEN WOULD COME THE FEDERAL ELECTIONS ON 2 DECEMBER 1990. SCHAEUBLE FORESAW A GDR DECISION ON ACCESSION TO THE FRG UNDER ARTICLE 23 IN 1991. THE FEDERAL GOVERNMENT WOULD USE ITS INFLUENCE OVER THE GDR GOVERNMENT TO URGE THIS TIMING. THERE WAS A RISK THAT THE VOLKSKAMMER MIGHT VOTE SOONER FOR ACCESSION. SCHAEUBLE ASSURED ME THAT THE FEDERAL

GOVERNMENT IN THAT CASE WOULD ENSURE THAT TIME ELAPSED BETWEEN THE VOLKSKAMMER'S DECISION AND THE BUNDESTAG'S ENACTMENT OF LEGISLATION TO GIVE EFFECT TO IT, SO THAT THERE SHOULD BE TIME FOR 2 PLUS 4 TO BE COMPLETED.

4. SCHAEUBLE SAID EAST GERMANY, ON ACCESSION, SHOULD DELEGATE 150 REPRESENTATIVES TO THE BUNDESTAG IN PROPORTION TO THE PARTIES' STRENGTHS IN THE VOLKSKAMMER FOLLOWING THE ELECTION ON 18 MARCH. BUT WITHIN A MATTER OF MONTHS AFTER UNITY, THERE WOULD NEED TO BE ELECTIONS IN EAST GERMANY TO CHOOSE MEMBERS OF THE BUNDESTAG FOR THE REMAINDER OF THE PARLIAMENT BEGINNING IN DECEMBER 1990, IE UNTIL 1994. COMMENT: THE IDEA OF WAITING UNTIL 1994 FOR ALL-GERMAN ELECTIONS IS NEW.

5. SCHAEUBLE SAID THAT THE FINAL STAGE OF CREATING UNITY WOULD BE A PERIOD OF YEARS DURING WHICH FEDERAL LEGISLATION WOULD BE INTRODUCED INTO EAST GERMANY.

6. SEE MIFT.

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FRAME GENERAL

ECONOMIC AND MONETARY UNION

SUMMARY

1. DUMAS, SUPPORTED BY MITTERRAND, SUGGESTS BRINGING FORWARD DATE OF I.G.C IN RESPONSE TO FASTER GERMAN UNIFICATION. SOME PRESS SPECULATION ABOUT A DEAL IN THE OFFING, GIVING THE GERMANS SOMETHING ON CONCLUDING THE I.G.C AND ON POLITICAL UNION IN RETURN FOR AN EARLIER I.G.C.

DETAIL

2. IN A RADIO INTERVIEW ON 20 MARCH DUMAS SUGGESTED THAT TO AVOID THE COMMUNITY GETTING BOGGED DOWN AS A RESULT OF ACCELERATED GERMAN UNIFICATION THREE AGENDAS NEEDED WORKING ON: THE PREPARATION OF THE SINGLE MARKET: EMU, ON WHICH MOVEMENT COULD BE FASTER, INCLUDING BRINGING FORWARD THE DATE OF THE I.G.C: AND POLITICAL UNION, WHERE FRANCE WAS ALSO READY FOR PROGRESS. ASKED WHETHER HE WAS ABLE TO ANNOUNCE A FRENCH INITIATIVE HE SIMPLY REPLIED THAT THERE WAS HIGH LEVEL CONSIDERATION OF THESE SUBJECTS, INCLUDING BY MITTERRAND. FRANCE WAS AT THE FOREFRONT OF THOSE TAKING INITIATIVES AND HE DUMAS, HAD BEGUN CONSULTATIONS WITH PARTNERS AMONG THE TWELVE.

3. IN A JOINT PRESS CONFERENCE WITH PRESIDENT HAVEL LATER THE SAME DAY MITTERRAND WAS ASKED ABOUT DUMAS' SUGGESTION FOR BRINGING FORWARD THE I.G.C. MITTERRAND REPLIED THAT THE CIRCUMSTANCES WERE CHANGING AND THAT HE CONTINUED TO BELIEVE THAT IT WAS DESIRABLE TO ACCELERATE THE TIMETABLE. IN THE COURSE OF THE SAME CONFERENCE MITTERRAND CONFIRMED THAT HE FAVOURED A TIGHTENING OF THE COMMUNITY AROUND STRONGER STRUCTURES.

COMMENT

4. THERE IS PRESS SPECULATION (PROBABLY BASED ON BRIEFING) THAT THE FRENCH GOVERNMENT IS PLANNING TO RESPOND TO THE PROSPECT OF FASTER GERMAN UNIFICATION - WHICH BOTH MITTERRAND AND DUMAS HAVE SALUTED - BY PUSHING FOR FASTER EUROPEAN INTEGRATION AND TRYING TO



INJECT NEW LIFE INTO THE FRANCO-GERMAN RELATIONSHIP. THIS IS ACKNOWLEDGED TO HAVE COME UNDER STRAIN. (SEE FOR EXAMPLE THE ARTICLE BY CLAIRE TREAN IN LE MONDE OF 21 MARCH).

5. THE GIST OF THE PRESS COMMENTS IS THAT FRANCE SHOULD LOOK TO IMPROVE THE STATE OF PARIS / BONN RELATIONS AND NOT THINK THAT ALTERNATIVE ALLIANCES WITH WITH E.G MOSCOW, WARSAW OR LONDON CAN SUBSTITUTE FOR THE CENTRALITY OF THE FRANCO-GERMAN RELATIONSHIP.

6. ON EMU, THE PRESS SPECULATE ABOUT A POSSIBLE DEAL INVOLVING THE GERMANS AGREEING TO BRING FORWARD THE DATE OF THE OPENING OF THE I.G.C IN RETURN FOR MOVEMENT BY THE FRENCH IN SETTING A DATE FOR WORK TO CONCLUDE AND ALSO MOVEMENT ON POLITICAL UNION. THIS MIGHT INVOLVE MEASURES TO DEMOCRATISE AND GIVE SOME FURTHER RESPONSIBILITY TO THE COMMUNITY INSTITUTIONS (INCLUDING EXAMINATION OF THE ROLE OF THE EUROPEAN PARLIAMENT AND STRENGTHENING THE EUROPEAN EXECUTIVE, ALTHOUGH NOT NECESSARILY THE COMMISSION). CLARIFICATION TO BE GIVEN SHORTLY. IN ADDITION, IT IS OBSERVED THAT THE FRENCH HOPE THAT THE PROCESS OF GERMAN UNIFICATION WILL CAUSE THE BUNDESBANK TO SEEK FURTHER COOPERATION WITH THE OTHER COMMUNITY CENTRAL BANKS AND THAT THIS IN ITSELF WILL GIVE EMU A BOOST.

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*From the Private Secretary*

21 March 1990

PRIME MINISTER'S TALK WITH THE NETHERLANDS PRIME MINISTER

Mr. Lubbers telephoned the Prime Minister this morning and they talked for some 15 minutes or so, mostly about aspects of German unification but also about the EBRD.

Mr. Lubbers asked how the Prime Minister read developments in Germany. He was a bit uncertain about the way ahead after the East German elections. Would EC Heads of Government be expected to reach decisions in Dublin on the EC aspects of unification for instance? The Prime Minister said that she was pleased with the outcome of the East German elections. She had been concerned that an SPD victory would have tilted the balance towards socialism in a united Germany. As it was, we could now be reasonably sure that a united Germany would remain in NATO. She did not think that the informal meeting of EC Heads of Government in Dublin should be the occasion for decisions. Rather, there should be a general discussion, with guidelines set for future work. The one essential principle to be agreed was that the Federal Republic should finance the costs of changes in East Germany. We could not have the Structural Funds denuded for this purpose. Mr. Lubbers agreed.

The Prime Minister asked what Mr. Lubbers thought would be the implications of German monetary union for the Deutschmark. Mr. Lubbers said that the Federal Republic was taking a risk by offering a 1:1 conversion rate between the DM and the Ostmark. It would also be a very difficult operation technically to convert some Ostmarks now, while spreading conversion of the remainder over a period of years. On the other hand, Germans were natural savers and this would reduce the risk of inflationary consequences. Before unification had become a real possibility, there had been pressure for the Deutschmark to be revalued within the ERM. The prospect of unification had taken off some of the pressure for this. In short, he did not see any insuperable difficulties for the ERM from German monetary union, provided the East Germans did not go and splash out their new DMs on consumption.

The Prime Minister said that we had done quite a bit of work on the EC aspects of unification and identified a considerable number of problems, particularly over monitoring East German observance of the EC's rules in the absence of any sort of

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border controls. Mr. Lubbers said this was a problem with which the Community was already familiar because of the inner-German trade agreement. But he very much agreed it would be necessary to find some way of preventing cheap goods being brought into the Community through East Germany, particularly in the period before unification. This could be an argument for speeding up unification under the Article 23 procedure, so as to establish the Eastern border of East Germany rapidly as the Community's outer border. But he was not keen on other grounds to see this happen too quickly. The short answer was probably to obtain some sort of guarantee from the Federal Republic to protect the EC market. He very much agreed with the Prime Minister that it would be too early to try to reach decisions in Dublin.

Mr. Lubbers asked next about the NATO aspects of the unification. The Prime Minister said that Chancellor Kohl had been commendably firm about the membership of a united Germany in NATO. Our aim should be to see Articles 5 and 6 of the Brussels Treaty extended to the GDR. A particular difficulty would be the status of the former GDR. It would probably be necessary to provide for Soviet troops to remain there for a transitional period. Apart from anything else, this would be necessary from the point of view of Mr. Gorbachev's own position. Mr. Lubbers said that he agreed with this and hoped the Federal Republic would accept it. The Prime Minister said she understood early Dutch anxiety about the Four plus Two group. Mr. Lubbers said that they were no longer worried, but had been keen at an earlier stage to put pressure on the Federal Republic to take account of their neighbours' interests.

Mr. Lubbers asked how the Prime Minister saw developments in Lithuania. The Prime Minister said we had reacted with caution. The Lithuanians had expressed their view, and this should now be resolved in discussions with Mr. Gorbachev. We had not openly supported independence, not least because we would not be able to give the Lithuanians much practical help. Mr. Lubbers said that he thought some arrangements could be worked out which would give the Lithuanians the appearance of sovereignty, while giving the Soviet Union a special position in Lithuania. We had to take every opportunity to signal our support for Mr. Gorbachev, whose position seemed to be at some risk.

Mr. Lubbers said that he wanted just to mention the European Bank for Reconstruction and Development. The Prime Minister's message of 30 January had kindly offered support for the candidacy of Mr. Ruding to be President of the Bank. We had to find a way to bring this matter, and the site of the Bank, to a head. The Prime Minister said we took the view that the President must come from an EC country. We hoped the Community would identify a single candidate at the informal ECOFIN meeting on 31 March. We would certainly support Mr. Ruding and hoped that a majority could be found for him. But if there was not such a majority, the position would be open. Mr. Lubbers said that he was not pessimistic. Monsieur Attali's candidature had the personal support of President Mitterrand, although Monsieur Rocard was uneasy about it. The fact was that Attali was not a banker and not really qualified for the job. We had to find some way of helping President Mitterrand off this hook. Anyway, the

French had far too big a share of international posts already. The Prime Minister said that we believed that London was the best site for the Bank, but did not want to have to pay the price of having Attali as President to secure that. It really ought to be someone with experience as a Finance Minister or central banker. She and Mr. Lubbers should keep in touch as the game unfolded.

The Prime Minister wondered afterwards whether Mr. Lubbers might have been trawling for an invitation to come over here for talks. It would genuinely be very difficult to fit this in to the diary at present. But if there is reason to think that he would like to come, she would of course do her best to fit something in before the meeting in Dublin on 28 April. Perhaps our Ambassador in the Hague could take some discreet soundings, without actually precipitating a request for a meeting.

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

C. D. POWELL

Richard Gozney, Esq.,  
Foreign and Commonwealth Office.

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BONN TELNO 288: SPD CANDIDATE FOR CHANCELLOR

SUMMARY

1. LAFONTAINE HAS ACCEPTED THE INVITATION OF THE SPD EXECUTIVE TO BECOME THE PARTY'S CANDIDATE FOR CHANCELLOR, WITHOUT MAKING ANY PRECONDITIONS.

DETAIL

2. ON 19 MARCH THE SPD EXECUTIVE UNANIMOUSLY NOMINATED LAFONTAINE AS THE PARTY'S CANDIDATE FOR CHANCELLOR. THIS DECISION STILL HAS TO BE ENDORSED BY THE PARTY COUNCIL NEXT WEEK AND THE FULL PARTY CONFERENCE IN SEPTEMBER, BUT THOSE ARE FORMALITIES: THERE ARE NO OTHER CANDIDATES.

3. THE PRECONDITIONS WHICH LAFONTAINE MENTIONED TO THE PRESS ON 28 FEBRUARY (TUR) HAVE GIVEN WAY TO A MORE FLEXIBLE APPROACH. IN HIS PRESS CONFERENCE AFTER THE EXECUTIVE'S DECISION, HE SAID THAT WHILE HIS VIEWS ON CERTAIN POINTS HAD NOT CHANGED, HE HAD SET NO PRECONDITIONS FOR HIS CANDIDACY. HE ARGUED THAT:

(A) CURRENCY UNION WITH THE GDR SHOULD BE INTRODUCED CAUTIOUSLY.

(B) THE BUDGETARY POLICY OF AN SPD GOVERNMENT SHOULD BE 'FINANCIALLY RESPONSIBLE'. THERE WOULD BE NO REDUCTION OF CORPORATE TAXATION, BUT THE DEFENCE BUDGET WOULD BE REDUCED, STEP BY STEP.

(C) THE AIM SHOULD CERTAINLY BE TO ESTABLISH A BASIC SOCIAL SECURITY NETWORK IN THE GDR. BUT THIS COULD NOT BE GUARANTEED, GIVEN THE COSTS THAT UNIFICATION WOULD IMPOSE ON THE FEDERAL BUDGET.

(D) SECURITY POLICY SHOULD BE AGREED WITH GERMANY'S NEIGHBOURS IN EAST AND WEST, WITH THE US, THE USSR AND CANADA. THE AIM SHOULD BE

THE REPLACEMENT OF THE CURRENT MILITARY ALLIANCES BY A EUROPEAN SECURITY SYSTEM.

## COMMENT

4. THERE IS NO EVIDENCE THAT LAFONTAINE HAS MODERATED HIS DISTASTE FOR NATO. BUT, FOR THE TIME BEING AT LEAST, HE APPARENTLY PREFERS TO CONFINE HIS STATEMENTS TO REPETITION OF ORTHODOX SPD GENERALITIES.

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WINDHOEK FOR SECRETARY OF STATE'S PARTY

GERMAN UNIFICATION: THE PROSPECTS FOLLOWING THE GDR ELECTION

SUMMARY

1. DRAMATIC SUCCESS FOR KOHL. PRESENCE OF CDU-LED COALITIONS IN BONN AND EAST BERLIN SHOULD FACILITATE INNER GERMAN NEGOTIATIONS ON TRANSFORMATION OF THE ECONOMIC SYSTEM IN THE GDR, TO BE FOLLOWED BY MONETARY UNION. KOHL IN A BETTER POSITION TO INFLUENCE TIMING OF STATE UNIFICATION UNDER ARTICLE 23 OF THE FEDERAL CONSTITUTION. HIS STATEMENTS SINCE THE GDR ELECTIONS DESIGNED TO REASSURE OTHER COUNTRIES THAT UNITY WILL COME ONLY AFTER AGREEMENT IN 2 PLUS 4. GDR ELECTION RESULT COULD BE HELPFUL REGARDING QUESTION OF GERMANY IN NATO.

DETAIL

2. THE GDR ELECTION RESULT IS SEEN IN THE FEDERAL REPUBLIC AS A CLEAR DEMOCRATIC DECISION FOR EARLY MONETARY UNION AND GERMAN UNITY.

3. THE FEDERAL GOVERNMENT DEVOUTLY HOPE THAT THE RATE OF MIGRATION FROM THE GDR (144,000 SO FAR THIS YEAR) WILL NOW DIMINISH. IT IS NOT CERTAIN. GERMAN MONETARY UNION WILL MAKE THINGS WORSE IN THE GDR BEFORE THEY GET BETTER.

4. THERE IS A WIDESPREAD VIEW THAT THE GDR ELECTION RESULT MAKES RAPID UNIFICATION EVEN MORE LIKELY. IT IS TRUE THAT NEGOTIATION BETWEEN TWO COALITIONS LED BY THE CDU SHOULD BE MUCH EASIER THAN IF THE SPD HAD BEEN THE DOMINANT PARTY IN THE GDR GOVERNMENT. THE MORE SO SINCE THE FEDERAL CDU HAS ENORMOUS INFLUENCE OVER THE EAST GERMAN

CDU. SO AGREEMENT ON THE INTRODUCTION OF THE LEGISLATIVE FRAMEWORK FOR ECONOMIC TRANSFORMATION IN THE GDR SHOULD BE FACILITATED, AND THE PROSPECT OF GERMAN MONETARY UNION WITHIN MONTHS IS STRONGER. SEITERS TOLD THE US AND FRENCH AMBASSADORS AND ME TODAY THAT, ALTHOUGH A TWO-THIRDS MAJORITY WAS REQUIRED IN THE VOLKSKAMMER FOR SOME ECONOMIC LEGISLATION, THE EAST GERMAN SPD WAS HARDLY LIKELY TO OPPOSE MEASURES THAT HAD OBVIOUSLY BEEN ENDORSED BY THE ELECTION AND WERE SUPPORTED BY THE FEDERAL SPD. THE FEDERAL GOVERNMENT, SEITERS SAID, AIMED AT GEMU THIS SUMMER, PERHAPS ON 1 JULY.

5. ON STATE UNITY, AS DISTINCT FROM ECONOMIC AND MONETARY, THE ELECTION RESULT NEED NOT MEAN ACCELERATION. KOHL IS NOW IN A POSITION GREATLY TO INFLUENCE THE TIMING OF A MOVE BY THE GDR TO JOIN THE FEDERAL REPUBLIC UNDER ARTICLE 23 OF THE BASIC LAW, WHICH IS NOW THE EXPECTED ROUTE. HE HAS BEEN AT PAINS, SINCE THE ELECTION, TO REASSURE OTHER COUNTRIES (MY TELEGRAMS 342 AND 344), STRESSING INTER ALIA THAT UNIFICATION WOULD COME ONLY AFTER COMPLETION OF WORK IN THE 2 PLUS 4 FORUM. SEITERS MADE THE SAME POINT TO THE THREE AMBASSADORS TODAY. HE SAID THAT, EVEN IF THERE WAS AN EARLY MOVE IN THE VOLKSKAMMER TO VOTE FOR ACCESSION TO THE FRG UNDER ARTICLE 23, THE PROCEDURES TO GIVE EFFECT TO THAT, IN THE BUNDESTAG AND ELSEWHERE, WOULD DELAY STATE UNITY. HE COULD NOT SEE IT BEFORE 1991. EVEN EGON BAHR, ON THE LEFT OF THE SPD, TOLD ME ON 19 MARCH THAT STATE UNITY MUST DEPEND ON AGREEMENT ON INTERNATIONAL ASPECTS.

6. SEITERS ALSO MADE THESE POINTS TO THE THREE AMBASSADORS:

(1) THE STRONG SHOWING OF THE PDS IN THE ELECTION IN EAST BERLIN SHOWED THAT LARGE NUMBERS OF GDR OFFICIALS WERE STILL PRO-COMMUNIST. THAT MIGHT GREATLY HAMPER THE EFFECTIVENESS OF THE DEMOCRATIC GOVERNMENT FOR SOME TIME.

(2) IT WOULD BE IMPORTANT FOR THE INNER GERMAN NEGOTIATIONS ON ECONOMIC FUSION TO SHOW VISIBLE PROGRESS BEFORE THE EAST GERMAN MUNICIPAL ELECTIONS ON 6 MAY. OTHERWISE THE CDU RESULT COULD BE MUCH LESS GOOD THAN THIS TIME.

(3) THE FEDERAL GOVERNMENT PLANNED TO REDUCE THE SPECIAL ADVANTAGES ENJOYED BY MIGRANTS FROM THE GDR ON 1 JULY. IT WAS THOUGHT PREMATURE TO DO THIS BEFORE MONETARY UNION, SINCE THE DMARK WOULD BE A MAJOR FACTOR IN BRINGING DOWN THE RATE OF MIGRATION.

(4) GENSCHER WAS DISAPPOINTED AT THE RESULT ACHIEVED BY THE LIBERALS IN THE GDR. THEY HAD MADE MANY MISTAKES, INCLUDING THE



FAILURE UNTIL TODAY TO ADOPT THE TITLE FDP.

7. OTHER LIKELY EFFECTS OF THE GDR ELECTION RESULTS INCLUDE:

(A) THE SPD IS VERY BADLY PLACED TO URGE CHANGES IN THE FEDERAL CONSTITUTION BEFORE IT IS APPLIED TO A UNITED GERMANY. THE PROSPECT IS NOW THAT THE CHANGES WILL BE FEW (NOTABLY THE DELETION OF ARTICLES WHICH IF RETAINED AFTER UNITY MIGHT IMPLY THAT THERE WERE OTHER PARTS OF GERMANY BEYOND THE FRG AND GDR).

(B) THE GDR GOVERNMENT WILL BE MORE SUSCEPTIBLE TO PRESSURE FROM BONN TO ACQUIESCE IN UNITED GERMANY'S MEMBERSHIP OF NATO THAN AN EAST GERMAN COALITION LED BY THE SPD WOULD HAVE BEEN. TO THIS EXTENT, THE SURPRISE ELECTION RESULT STRENGTHENS OUR HAND REGARDING THE HARDEST ASPECT OF THE 2 PLUS 4 TALKS.

(C) THE CONFIDENCE OF WEST GERMAN AND FOREIGN INVESTORS IN THE ECONOMIC FUTURE OF EAST GERMANY SHOULD BE INCREASED BY THE CDU VICTORY, AND THE PROSPECTS OF RAPID INVESTMENT SHOULD BE IMPROVED.

8. THE CDU/CSU, AS OF NOW, LOOKS WELL PLACED FOR THE FEDERAL ELECTIONS ON 2 DECEMBER AND FOR ALL-GERMAN ELECTIONS WHICH ON PRESENT FORM ARE FORESEEN IN LATE 1991. LAFONTAINE, WHO YESTERDAY AGREED (MY TELNO 347) TO BE SPD CHANCELLOR CANDIDATE IN THE FEDERAL ELECTIONS, TAKES OVER JUST AFTER A MAJOR SETBACK FOR HIS PARTY INSTEAD OF THE EXPECTED VICTORY IN THE GDR. HIS ABILITY TO ANTICIPATE AND EXPLOIT THE POPULAR MOOD IS FAMOUS. LAFONTAINE HAS SAID THAT KOHL CANNOT FULFIL THE PROMISES HE MADE IN THE EAST GERMAN ELECTION CAMPAIGN, AND WILL MAKE THE MOST OF ANY APPARENT FAILURE TO DO SO. AS EGON BAHR ADMITTED TO ME ON 19 MARCH, LAFONTAINE MUST DECIDE WHETHER TO EXPLOIT POPULAR FEARS IN WEST GERMANY ABOUT THE COSTS OF UNITY AND THUS RISK SEEMING HALF-HEARTED ABOUT UNIFICATION, WHICH ITSELF IS VERY POPULAR. TO GET THIS BALANCE RIGHT IN THE FEDERAL ELECTION CAMPAIGN WILL BE HARD ENOUGH. AND AN APPEARANCE OF HALF-HEARTEDNESS COULD DO MAJOR HARM TO THE SPD IN EAST GERMANY AND PREJUDICE THEIR CHANCES OF THE REAL PRIZE - TO BEAT THE CDU IN ALL-GERMAN ELECTIONS AND ESTABLISH A STRUCTURAL MAJORITY IN UNITED GERMANY.

MALLABY

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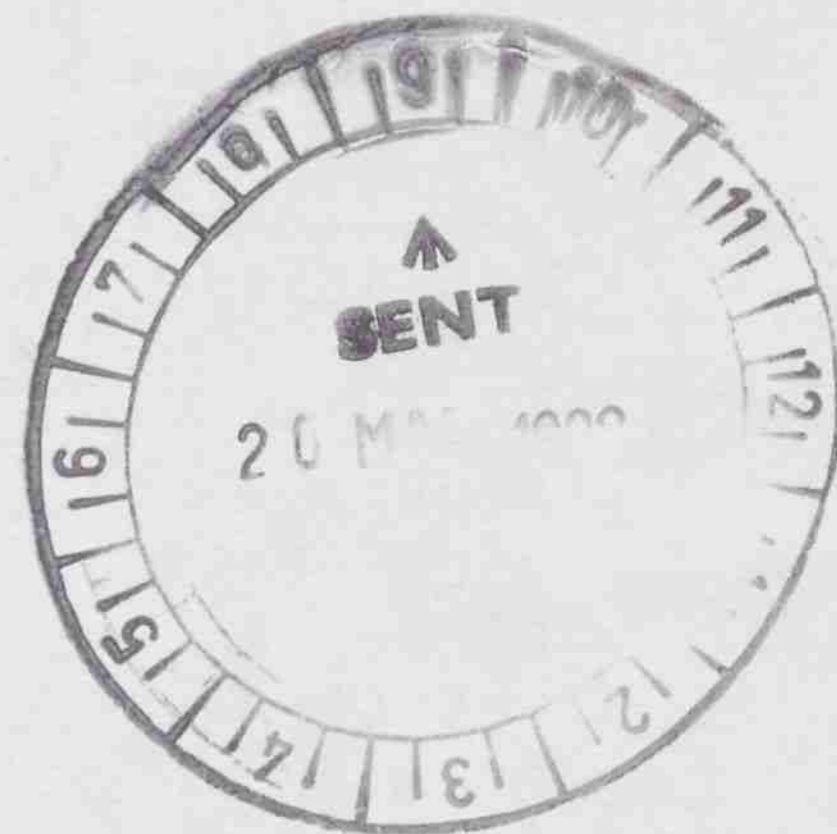
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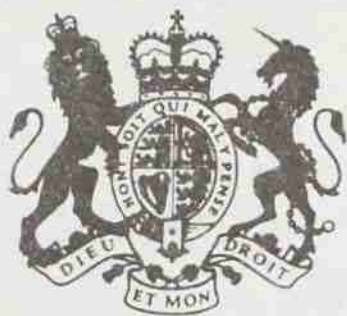
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10 DOWNING STREET

Allyce,

The Ho advised that the letters  
to Prof Craig and Prof Stein were  
sent to Washington in an envelope  
addressed to Mr. Savage. The  
department insist that they  
had spoken to a Mr. Savage, but  
it does not appear on the staff  
list.

The problem appears to be that

rebody in' Washigton bottled  
to open the envelope - it was  
simply provided to me.  
Savage in Texas.

However copies of the two  
letters are being flashed out  
to Washington today for delivery  
to Reps. Allen and Craig.

Patricia

20 March 1990.

*Duty Clerk*  
*Duty Clerk*  
*File*  
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OF 200817Z MARCH 90

PLEASE PASS IMMEDIATELY TO PRIVATE SECRETARY NO 10 DOWNING STREET

1. TWO LETTERS FROM CHARLES POWELL TO PROF GORDON CRAIG AND PROF FRITZ STERN DATED 22 FEB 1990 WERE RECEIVED THIS MORNING BY FRANK SAVAGE. THE ENVELOPE WAS ADDRESSED TO MR SAVAGE, WASHINGTON BUT WAS RETURNED MARKED 'NOT IN WASHINGTON TRY LAGOS'.

2. IN VIEW OF THE DATE OF THE PROPOSED MEETING YOU WILL NO DOUBT WISH TO CONTACT CRAIG AND STERN BY OTHER MEANS.

3. LETTERS WILL BE RETURNED BY NEXT CONFIDENTIAL BAG.

BARDER

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Follow-up

PRIME MINISTER

①

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Lubbers

①

MR. LUBBERS

1:1

Callen - limited  
and DM

Mr. Lubbers wanted to telephone you this evening, to discuss German unification, the preparation for the European Council on 28 April and the Chairmanship and site of the European Bank for Reconstruction and Development. I have put him off until 0900 tomorrow morning: but he hopes very much that you could agree to speak to him then.

COP

(CHARLES POWELL)

20 March 1990

Free member

MR

Law



✓  
↓  
@

Art 23

Chairman.

SECRET

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19 Mar 90

PS/Secretary of State

Copy to:

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FCO - Mr Weston  
No 10 - Mr Powell  
Cabinet Office - Ms Phippard

OFFICE CALL BY M VEDRINE, ELYSEE SPOKESMAN AND ADVISER

M Vedrine called on PUS on Friday 16 March. Discussion centred on the implications of German reunification for Alliance security.

2. PUS asked M Vedrine for his assessment of how a unified German state would behave towards the Allies and what steps we should be taking to influence German behaviour. M Vedrine said that he did not think we had much time in which to influence German opinion. He feared that a unified Germany might very quickly wish to see the removal of all stationed forces from its soil. The recent difficulties over low-flying training were evidence of German popular impatience with stationed forces. The outcome of the elections in the FRG would not affect this trend in German sentiment. He feared that the Germans in this mood would be susceptible to Russian pressure to agree to the removal of stationed forces and nuclear weapons. He thought it possible that the Germans might apply for some special status within the Alliance (like the French), but this was something which the Allies should resist.

3. PUS acknowledged that there was a real risk that the Germans would be inclined to accept the removal of all nuclear weapons from their territory. He hoped however that the Germans would not be driven so far and would be sufficiently prudent not to concede Soviet demands for the removal of all stationed forces or to accept a continuing Soviet presence on German soil as a quid pro quo - they should point out to the Russians the difference between a voluntary agreement between NATO Allies on the stationing of forces and the imposition of foreign troops.

1 of 3

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4. PUS commented that it was important to be clear about what was desirable and achievable. For example, it might be necessary to reduce the size of our stationed forces, but still retain substantial numbers. This would serve both national and Alliance interests. M Vedrine replied that the basis on which French forces were stationed in Germany had changed over the years from forces of occupation to forces for the defence of Western Europe. The Franco-German Brigade marked a new departure, being a force that was based on bi-lateral agreement. It might be possible to explore the expansion of this formation into a much larger force, which could include British forces as well as French and German. Such a development might help to persuade the Germans to accept the continued presence of stationed forces.

5. PUS said that the Allies should do all they could to make stationed forces more palatable to the Germans. The idea of multi-national forces was worth exploring. It might be possible to reduce German feelings of singularisation by introducing reciprocal measures on stationed forces - eg by inviting German pilots to do low flying training in France. M Vedrine accepted this proposition in principle but he said that he could see practical difficulties. For example, French memories of German occupation in the last World War would have to be taken into account.

6. Turning to nuclear matters M Vedrine raised the question of German attitudes towards the possession of nuclear weapons. PUS replied that the Germans would have to reaffirm their non-nuclear status, whether by reaffirmation of their obligations under the Brussels Treaty or the NPT. This would have to be achieved by consent, not forced on Germany. M Vedrine agreed.

7. PUS said that the continued stationing of Allied nuclear forces in Germany seemed much more likely to be problematic. At least it would be important for the Allies to seek to retain air-delivered non-strategic nuclear weapons in Germany. M Vedrine agreed.



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8. PUS said the Allies might consider whether there was any way of making the stationing of nuclear forces more acceptable to the Germans. Nuclear weapons would have to remain under national control but there might be scope for permitting German DCA to deploy to other NATO countries from time to time, in this way helping to diminish feelings of singularisation. M Vedrine agreed with PUS that any such idea would need careful research.

9. There followed a brief discussion along familiar lines about Anglo French nuclear cooperation, in particular the successor to ASMP, and differences in British and French nuclear strategy. Nothing new emerged from this. Both PUS and M Vedrine concluded by agreeing on the need to consult closely on ways in which to minimise German feelings of singularisation in order to achieve our objectives on stationed forces and nuclear weapons.

*T C McKane*

T C MCKANE

PS/PUS

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TELNO 236

OF 191435Z MARCH 90

AND TO INFO PRIORITY MOSCOW, BONN, WARSAW, BUDAPEST, VIENNA  
AND TO INFO PRIORITY EAST BERLINVISIT TO CZECHOSLOVAKIA BY WEIZSACKER AND GENSCHER

## SUMMARY

1. SUCCESSFUL VISIT BY WEIZSACKER BURIES THE HATCHET DEEPER. CZECHOSLOVAK SUPPORT FOR A UNITED GERMANY WITHIN EXISTING FRONTIERS. GENSCHER IN TALKS WITH DIENSTBIER. FRG NON-COMMITTAL ON SITING OF EBRD IN PRAGUE.

## DETAIL

2. FRG PRESIDENT WEIZSACKER PAID A SYMBOLIC ONE-DAY VISIT TO PRAGUE ON 15 MARCH, 51 YEARS TO THE DAY SINCE HITLER'S ONLY VISIT. HE WAS ACCOMPANIED BY GENSCHER, WHO HAD TALKS WITH DIENSTBIER WHILE WEIZSACKER WAS CLOSETED WITH HAVEL. THE TWO FOREIGN MINISTERS DISCUSSED THE OPENING OF CULTURAL CENTRES AND NEW BORDER-CROSSING POINTS. DIENSTBIER ASKED FOR WEST GERMAN SUPPORT FOR THE SITING OF THE EBRD IN PRAGUE, TO WHICH THE GERMANS REPLIED NON-COMMITTALLY.

3. AFTER THESE PRIVATE SESSIONS HAVEL AND WEIZSACKER MADE SPEECHES, BOTH ADDRESSING THE PROBLEMS OF POST-WAR RAPPROCHEMENT IN DEFTLY DRAFTED TERMS. HAVEL SAID THE BLAME FOR HITLER'S TAKEOVER OF CZECHOSLOVAKIA LAY NOT ONLY WITH THE SUDETEN GERMANS AND THE GOVERNMENTS OF FRANCE AND BRITAIN, BUT ALSO WITH CZECHOSLOVAKIA'S OWN LEADERSHIP, WHICH HAD NOT DARED RISK THE SACRIFICES RESISTANCE WOULD HAVE BROUGHT. NEGLECT OF MINORITY RIGHTS HAD ALIENATED CITIZENS OF GERMAN ORIGIN WHO CONSEQUENTLY COLLUDED WITH HITLER. BUT THEY WERE NOT COLLECTIVELY GUILTY, AND THE EXPULSION OF THE GERMAN POPULATION AFTER THE WAR HAD BEEN IMMORAL, THE FIRST STEP TOWARDS A NEW TOTALITARIANISM.

4. THE FRG HAD STARTED THE DESTRUCTION OF THE IRON CURTAIN, SAID HAVEL, AND EUROPE SHOULD BE GRATEFUL FOR THAT. IF A UNITED GERMANY CONFIRMED THE VALIDITY OF ALL EXISTING BORDERS AND DEALT WITH THE NEO-NAZI PROBLEM, THEN EUROPE NEED NOT BE AFRAID

OF IT. GERMANY COULD THEN BE A USEFUL MOTOR FOR PAN-EUROPEAN UNIFICATION.

5. WEIZSACKER SAID IT WAS STILL NECESSARY TO OVERCOME DEEP-SEATED CZECHOSLOVAK DISTRUST OF GERMANY. HE THANKED HAVEL FOR MAKING HIS FIRST TRIP ABROAD TO BERLIN AND MUNICH AND HOPED A BRIDGE OF UNDERSTANDING WOULD BE BUILT BETWEEN THE TWO COUNTRIES. HE THANKED CZECHOSLOVAKIA, AND HAVEL, FOR SUPPORTING GERMANY'S RIGHT TO SELF-DETERMINATION.

COMMENT

6. THIS WAS GENSCHER'S FIRST VISIT TO PRAGUE SINCE THE REVOLUTION. WE MAY BE ABLE TO PICK UP MORE ON THE REAL SUBSTANCE OF THIS VISIT AT AN EC BRIEFING ON 19 MARCH.

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INFO PRIORITY WARSAW, BUCHAREST, UKDEL NATO, ACTOR

*Refer to your  
talks with  
Havel.*

WARSAW PACT: PRAGUE MEETING OF FOREIGN MINISTERS

SUMMARY

1. CZECHOSLOVAKIA PROPOSES A EUROPEAN SECURITY COMMISSION TO GUARANTEE PEACE IN A POST-BLOC EUROPE. RANGE OF WARSAW PACT VIEWS ON NATO MEMBERSHIP OF A UNITED GERMANY - USSR STILL OPPOSED. UNIVERSAL CONCERN AT POTENTIAL SIZE OF UNIFIED GERMAN ARMY. SUPPORT FOR EXISTING POLISH BORDERS. REAFFIRMATION OF NON-INTERFERENCE IN INTERNAL AFFAIRS.

DETAIL

2. FOREIGN MINISTERS OF ALL 7 WARSAW PACT MEMBER STATES (INCLUDING THE GDR AND ROMANIA) MET IN PRAGUE ON 17 MARCH AT DIENSTBIER'S (CZECHOSLOVAKIA) INVITATION. AFTER A BRIEF MEETING WITH PRESIDENT HAVEL THE MINISTERS HAD TWO FORMAL SESSIONS TOGETHER AND A WORKING LUNCH. THE BLAND FINAL COMMUNIQUE MERELY SAID THEY DISCUSSED GERMAN UNIFICATION WITHIN EXISTING FRONTIERS, FUTURE EUROPEAN SECURITY STRUCTURES AND OTHER MILITARY AND POLITICAL ISSUES (COPY BY BAG TO EED).

3. DIENSTBIER'S SPEECH ADDRESSED THE GERMAN QUESTION AND PRESENTED CZECHOSLOVAKIA'S PROPOSALS FOR NEW EUROPEAN SECURITY INSTITUTIONS. HE SAID THAT ATTEMPTS TO PRESSURISE GERMANY MIGHT STRENGTHEN EXTREMISM AND RENEW THE 'VERSAILLES COMPLEX'. GERMAN UNIFICATION WAS A MATTER FOR THE GERMANS, SO LONG AS IT WAS BY DEMOCRATIC MEANS. CZECHOSLOVAKIA WOULD HAVE NO OBJECTION TO THE INTEGRATION OF THE GDR INTO THE EC. THE MORE GERMANY WAS INTEGRATED INTO EUROPE THE BETTER IT COULD BE CONTROLLED. ANXIETIES WOULD BE EASED IF A NEW UNITED GERMAN STATE RENOUNCED ALL WEAPONS OF MASS DETRUCTION, CONFIRMED BY TREATY ITS BORDER WITH POLAND ON THE ODER-NEISSE LINE AND RADICALLY REDUCED ITS MILITARY FORCES. CZECHOSLOVAKIA SUPPORTED THE 4 PLUS 2 TALKS AS A PRELIMINARY STEP, WITH FINAL DECISIONS TO BE TAKEN IN THE FRAMEWORK OF THE HELSINKI PROCESS. POLAND

SHOULD BE REPRESENTED AT ANY TALKS ABOUT ITS FRONTIERS.  
DIENSTBIER ALSO CALLED FOR A HELSINKI SUMMIT IN 1991.

4. TURNING TO FUTURE SECURITY STRUCTURES, DIENSTBIER SAID THAT ARGUMENTS FOR THE RETENTION OF THE TWO MILITARY-POLITICAL BLOCS WERE BASED ON AN OUTDATED CONCEPT OF THE BALANCE OF POWER. CZECHOSLOVAKIA WANTED A NEW EUROPEAN ORDER, WITHOUT BLOCS. THE CORE OF ANY COLLECTIVE AGREEMENT ON EUROPEAN SECURITY MUST BE A TREATY COMMITTING SIGNATORIES TO COME TO THE HELP OF ANY MEMBER WHICH WAS ATTACKED. SUCH AN AGREEMENT SHOULD COVER PEACEFUL SETTLEMENT OF DISPUTES 'FROM SAN FRANCISCO TO VLADIVOSTOK'. A EUROPEAN SECURITY COMMISSION WOULD BE THE EXECUTIVE BODY OF SUCH AN AGREEMENT. IT WOULD HAVE TWO CHAMBERS: A CHAMBER OF FOREIGN MINISTERS AND A SUBORDINATE MILITARY CHAMBER OF DEFENCE MINISTERS. A PERMANENT SECRETARIAT WOULD RUN THE COMMISSION ON A DAY-TO-DAY BASIS. CZECHOSLOVAKIA OFFERED PRAGUE AS THE SITE FOR THE COMMISSION.

5. FINALLY DIENSTBIER LOOKED AHEAD STILL FURTHER. IF A COLLECTIVE AGREEMENT ON EUROPEAN SECURITY WERE SUCCESSFUL, THE NEXT STEP WOULD BE THE FOUNDATION OF AN ORGANISATION OF EUROPEAN STATES, EVENTUALLY FOLLOWED BY A EUROPEAN FEDERATION.

6. SKUBISZEWSKI (POLAND) AND DIENSTBIER GAVE A JOINT PRESS CONFERENCE AFTERWARDS. THE MFA PRESS SPOKESMAN SAID THERE HAD BEEN A RANGE OF VIEWS ON A UNITED GERMANY'S NATO MEMBERSHIP BUT ONLY SHEVARDNADZE HAD CATEGORICALLY OPPOSED IT. DIENSTBIER SAID HIS PROPOSALS HAD BEEN SYMPATHETICALLY HEARD. THE WORST ALTERNATIVE WOULD BE A NEUTRAL UNITED GERMANY. THE WARSAW PACT WOULD BE NEEDED TO NEGOTIATE DISARMAMENT. HE WOULD NOT BE DRAWN ON HOW LONG HE THOUGHT NATO AND THE PACT WOULD CONTINUE TO EXIST. SKUBISZEWSKI SAID POLAND'S MAIN CONCERN WAS ITS BORDERS. NEUTRALITY WOULD ISOLATE GERMANY AND THIS WOULD NOT BE IN POLAND'S INTERESTS. THE USSR NEEDED GUARANTEES THAT IT WOULD NOT BE THREATENED BY A UNITED GERMANY. MINISTERS AT THE MEETING ALL WANTED A GREAT REDUCTION IN THE ARMED FORCES OF A UNITED GERMANY. THE WARSAW PACT STILL EXISTED AS A MILITARY ORGANISATION WITH A UNIFIED COMMAND, BUT THERE WAS NO QUESTION OF IT EVER AGAIN IMPOSING A SYSTEM OF GOVERNMENT ON ANY MEMBER STATE. ON LITHUANIA, BOTH DIENSTBIER AND SKUBISZEWSKI SAID THEY SUPPORTED SELF-DETERMINATION FOR NATIONS, BUT THIS SHOULD COME ABOUT PEACEFULLY AND IN DIALGUE WITH THE USSR.

COMMENT

7. THE FOREIGN MINISTERS' MEETING HAS SHOWN (IF PROOF WERE NEEDED) THAT THE WARSAW PACT STRUCTURES, BOTH POLITICAL AND MILITARY, ARE BECOMING IRRELEVANT. THE CZECHOSLOVAKS WILL HOWEVER BE GLAD THAT THIS IS BEING DONE WITHOUT ACRIMONY, EVEN IF ENTHUSIASM FOR THE FLESHING-OUT OF THE HAVEL-DIENSTBIER SCHEME FOR A PAN-EUROPEAN STRUCTURE IS SOMEWHAT MUTED.

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INFO ROUTINE EUROPEAN COMMUNITY POSTS, EASTERN EUROPEAN POSTS

EAST BERLIN TELNO 201 : GDR ELECTION

## SUMMARY

1. KOHL ON HISTORIC SIGNIFICANCE OF THE ELECTION, WHAT MADE IT POSSIBLE, AND THE WAY FORWARD. OUTCOME WIDELY SEEN AS SUBSTANTIAL PERSONAL SUCCESS FOR HIM. LAFONTAINE SAYS WAIT AND SEE IF KOHL CAN DELIVER.

## DETAIL

2. SPEAKING ON TELEVISION YESTERDAY EVENING, KOHL SAID THAT THIS HISTORIC EVENT HAD BEEN MADE POSSIBLE BY THE PEACEFUL REVOLUTION IN THE GDR, THE SUPPORT OF THE FRG'S WESTERN ALLIES, ESPECIALLY THE US, AND BY GORBACHEV'S PERESTROIKA. THE EAST GERMANS HAD VOTED AGAINST ANY FORM OF EXTREMISM AND IN FAVOUR OF UNITY WITH THE FRG, A LIBERAL CONSTITUTION AND A SOCIAL MARKET ECONOMY. THE BEST COURSE NOW WOULD BE FOR THEM TO STAY AT HOME AND HELP REVIVIFY THEIR HOMELAND. THE FIRST PRIORITY WAS TO MAKE A REALITY OF ECONOMIC, MONETARY AND SOCIAL UNION. IN PARALLEL WORK WOULD PROCEED ON THE EXTERNAL DIMENSION OF UNIFICATION IN THE TWO PLUS FOUR CONTEXT, FOR COMPLETION BY THE LATE AUTUMN. ONLY THEREAFTER WOULD COME UNIFICATION.

3. FOR THE SPD VOGEL (PARTY CHAIRMAN) ATTRIBUTED THE PARTY'S DEFEAT IN THE ELECTION TO THE WIDESPREAD PERCEPTION OF THE CDU AS THE PARTY BEST PLACED TO PRODUCE THE MATERIAL GOODS. LAFONTAINE (DEPUTY CHAIRMAN) SAID THAT KOHL HAD PROMISED A GREAT DEAL. IT REMAINED TO BE SEEN IF HE COULD DELIVER.

4. PRESS COMMENT STRESSES THAT THE RESULT REFLECTS A PERSONAL VICTORY FOR KOHL AND SUPPORT FOR HIS POLICIES OF SWIFT UNIFICATION VIA ARTICLE 23 AND THE INTRODUCTION OF MONETARY AND SOCIAL UNION. IN A TYPICAL COMMENT 'WELT' (CONSERVATIVE) SAID THE VOTE WAS ONE IN FAVOUR OF UNITY AND IMMEDIATE CONCRETE HELP, BUT ALSO A PERSONAL SUCCESS FOR KOHL, WHO HAD ACTIVELY INVOLVED HIMSELF IN THE ALLIANCE FOR GERMANY'S ELECTION CAMPAIGN AND HAD COME TO BE SEEN AS

THEIR STANDARD BEARER. MANY VOTED FOR HIM RATHER THAN THE ALLIANCE ITSELF. LAFONTAINE AND HIS POLICIES BORE SOME OF THE BLAME FOR THE SPD (EAST)'S POOR RESULTS.

5. THE 'FRANKFURTER RUNDSCHAU' (SPD) SAYS THE EAST GERMANS VOTED NOT FOR THE FORMER CDU BLOCK PARTY IN THE GDR BUT FOR THE CDU IN THE FRG. WHICH THEY IDENTIFIED WITH PROSPERITY AND SWIFT UNIFICATION. IT WAS NOW UP TO THE FEDERAL REPUBLIC TO SATISFY EAST GERMAN EXPECTATIONS. 'HANDELSBLATT' (FINANCIAL DAILY) TAKES A SIMILAR LINE, BUT POINTS OUT THAT HARD WORK WILL BE NEEDED TO PRODUCE THE DESIRED UPSWING IN THE GDR ECONOMY, IN ADDITION TO THE LEGISLATION NEEDED TO OPEN IT UP.

6. SEVERAL NEWSPAPERS POINT OUT THAT THE EXODUS FROM THE GDR WILL ONLY COME TO AN END ONCE ITS INHABITANTS BECOME CONVINCED THAT EFFECTIVE ACTION IS BEING TAKEN TO IMPROVE THEIR ECONOMIC SITUATION.

MALLABY

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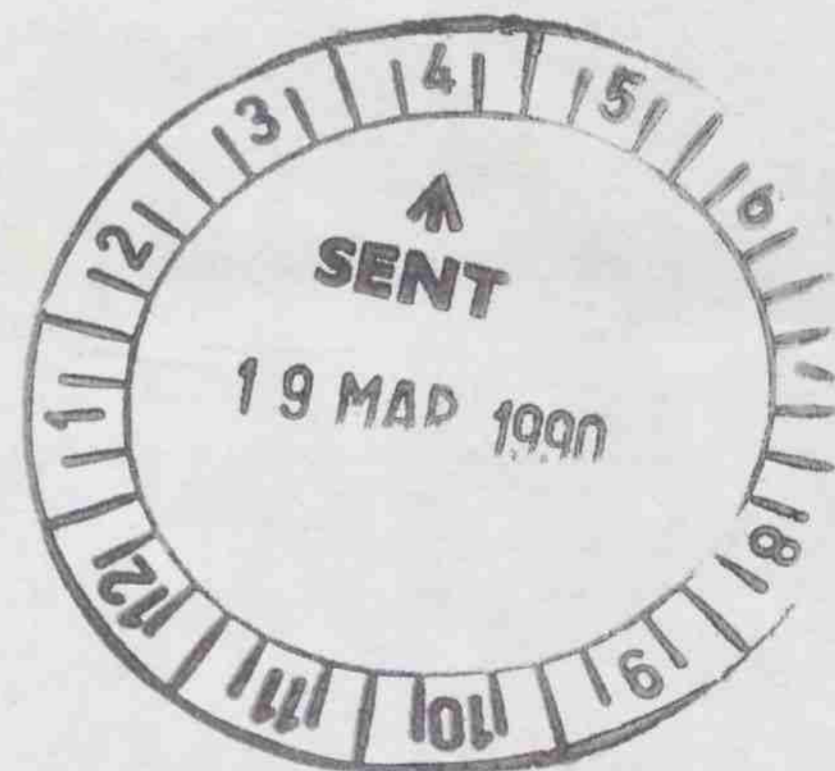
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MIPT : GDR - DE MAIZIERE'S PRESS CONFERENCE, 19 MARCH

## SUMMARY

1. ALLIANCE 'WINNERS' OF GDR ELECTION READY FOR COALITION DISCUSSIONS WITH SPD AND FREE DEMOCRATS. THEY SEE EARLY CURRENCY UNION, AND RE-ESTABLISHMENT OF LAENDER AS AMONG PRIORITY SUBJECTS FOR DISCUSSION. INITIAL REMARKS ON EUROPEAN SECURITY.

## DETAIL

2. LOTHAR DE MAIZIERE, LEADER OF THE GDR'S CDU, GAVE A PRESS CONFERENCE ON 19 MARCH ON BEHALF OF THE THREE PARTIES OF THE ALLIANCE FOR GERMANY ELECTORAL PACT, FOLLOWING THEIR GOOD GENERAL ELECTION RESULT THE PREVIOUS DAY.

3. TMAIN POINTS WERE :

A) THE ELECTIONS HAD DELIVERED A CONVINCINGLY DEMOCRATIC RESULT. THE HIGH TURNOUT WAS A SIGN OF POLITICAL MATURITY. THE TASK OF THE ELECTION ADMINISTRATORS (WHOM HE THANKED) WAS NOT MADE EASY BY EXPERIENCE OF THE PAST,

B) THE ALLIANCE PARTIES INTENDED TO FORM A JOINT VOLKSKAMMER FRAKTION,

C) THE ALLIANCE WANTED TO FORM THE LARGEST POSSIBLE COALITION FOR REASONS OF NATIONAL RESPONSIBILITY AND TO GIVE THE FURTHER ADMINISTRATION A WIDE BASIS FOR EFFECTIVE GOVERNMENT. THEY WOULD THEREFORE INVITE THE SOCIAL DEMOCRATIC PARTY AND THE LIBERALS (LEAGUE OF FREE DEMOCRATS - AN ELECTORAL PACT OF FDP, DFP AND LDP) AFTER DISCUSSION WITH THEIR RESPECTIVE LEADERSHIPS,

D) THE MOST IMPORTANT TOPICS FOR DISCUSSION WERE :

- RAPID INTRODUCTION OF CURRENCY, ECONOMIC AND SOCIAL UNION :  
NEGOTIATIONS ALREADY BEGUN WOULD BE CONTINUED,

- RAPID RE-ESTABLISHMENT OF THE LAENDER ( NECESSARY TO THE AIM OF HAVING LEGITIMATE ELECTED BODIES AT ALL LEVELS,
- GERMAN UNIFICATION MUST BE EMBEDDED IN THE EUROPEAN EFFORTS FOR UNITY, AND IN COOPERATION WITH NEIGHBOURS, WITHIN THE 2+4 AND CSCE FRAMEWORKS,
- THE HONOURING OF TREATIES/AGREEMENTS (''VERTRAGSTREUE'') WAS A FUNDAMENTAL FOR THE GOVERNMENT,
- THE WALL SHOULD BE ELIMINATED AS SOON AS POSSIBLE AS A SIGN OF GERMANY'S GROWING TOGETHER.

## 4. IN QUESTIONS AFTERWARDS, DE MAIZIERE

(A) DECLINED ALL COMMENT ABOUT POSSIBLE APPOINTMENTS TO GOVERNMENT PORTFOLIOS,

(B) DID NOT EXCLUDE COALITION CONSULTATIONS WITH OTHERS,

(C) FAVOURED EAST GERMAN ACCEPTANCE OF THE BASIC LAW. THIS WOULD ENABLE THE UNITED GERMANY TO BE A MEMBER OF THE EC AND NATO. BUT HE DI NOT (NOT) ENVISAGE NATO TROOPS ON THE TERRITORY OF THE PRESENT GDR. HE WAS OPTIMISTIC FOR LARGE-SCALE DISARMAMENT IN EUROPE - RECENT WEEKS HAD SHOWN THAT THIS WAS POSSIBLE.

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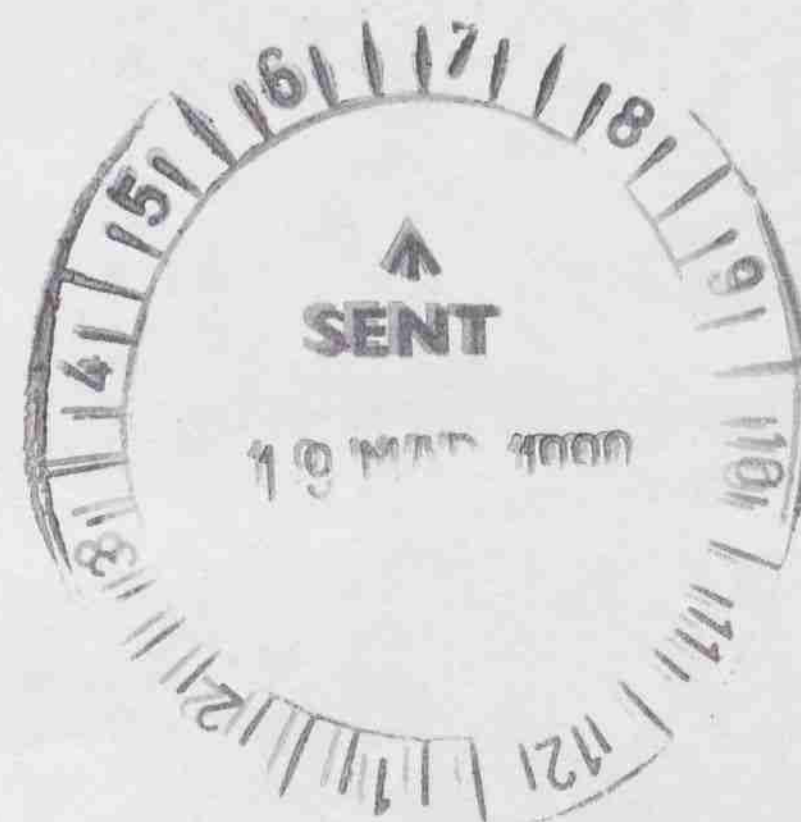
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## SUMMARY

1. CONVINCING VICTORY FOR CDU LED ALLIANCE FOR GERMANY ENGINEERED BY CHANCELLOR KOHL. BUT, SHORT OF AN ABSOLUTE MAJORITY, THEY WILL SEEK COALITION PARTNERS. THE SPD THE UNEXPECTED LOSERS. PDS (SUCCESSORS TO COMMUNIST SED) IN THIRD PLACE WILL REMAIN A SIGNIFICANT OPPOSITION FORCE. THIS RESULT SETS THE SCENE FOR CURRENCY UNION AND UNIFICATION. IT SHOULD SLOW DOWN THE EXODUS. KOHL HAS APPEALED TO PEOPLE TO STAY WHERE THEY ARE AND WORK FOR A PROSPEROUS UNITED GERMANY.

## DETAIL

2. THE PROVISIONAL RESULT BASED ON 90% OF VOTES COUNTED IS:  
CDU 40.9 PER CENT  
DSU 6.3 PERCENT  
DEMOCRATIC AWAKENING 0.9 PER CENT  
SPD 22 PERCENT  
PDS 16.5 PER CENT  
LIBERALS 5.1 PER CENT

OTHERS INCLUDING GREENS, FARMERS AND NEW FORUM 8%.

3. THE CDU GAINED AN ABSOLUTE MAJORITY IN THE SMALL TOWNS AND RURAL AREAS AND HAS DONE PARTICULARLY WELL IN THURINGIA AND SAXONY. THE BIG CITIES HAVE GONE TO THE SPD WITH THE PDS ALSO DOING WELL, ESPECIALLY IN BERLIN WHERE THEY GOT OVER 30%, A REFLECTION OF THE LARGE MEMBER OF (SED) GOVERNMENT OFFICIALS HERE. THE TURN OUT WAS OVER 90%.

4. THE ALLIANCE FOR GERMANY (CDU/DSU/DEMOCRATIC AWAKENING) HAS FALLEN SHORT OF AN ABSOLUTE MAJORITY IN THE 400 SEAT

VOLKSKAMMER AND HAS ANNOUNCED THAT IT WILL SEEK THE BROADEST POSSIBLE COALITION. NEGOTIATIONS WILL BEGIN IN EARNEST ON 19 MARCH. THE SPD ARE RESERVING THEIR POSITION AFTER THEIR POOR RESULT WHILE THE LIBERALS HAVE SAID THAT THEY ARE READY FOR NEGOTIATIONS. SPD SUPPORT WILL BE NEEDED FOR CHANGES TO THE EXISTING CONSTITUTION.

. KOHL (ON TV) HAS THANKED: THE AMERICANS FOR THEIR STEADFAST SUPPORT FOR GERMAN UNITY : GORBACHEV FOR MAKING IT ALL POSSIBLE THROUGH PERESTROIKA: AND THE PEOPLE OF THE GDR FOR REJECTING REAL EXISTING SOCIALISM, AND VOTING FOR UNITY AND PROSPERITY. HE HAS APPEALED TO THEM TO STAY PUT AND WORK FOR A PROSPEROUS UNITED GERMANY.

#### ANALYSIS

6. THE OBSERVER DELEGATIONS FROM THE PARLIAMENTARY ASSEMBLY OF THE COUNCIL OF EUROPE (LED BY SIR GEOFFREY FINSBERG) AND THE EUROPEAN PARLIAMENT HAVE EXPRESSED COMPLETE SATISFACTION WITH THE CONDUCT OF THE ELECTION. THE ONLY COMPLAINTS (FROM NEW FORUM LEADER JENS REICH FOR EXAMPLE) HAVE CENTERED ON EXCESSIVE WEST GERMAN INVOLVEMENT. THE SURPRISE IS THE PERFORMANCE OF THE CDU. IN SIX WEEKS A TAME 'BLOCK' PARTY HAS COME FROM NOWHERE WITH INDIFFERENT LOCAL LEADERSHIP TO POLL ALMOST DOUBLE THE SPD'S SHARE OF THE VOTE. MANY PEOPLE HAVE PLACED THEIR TRUST IN KOHL'S ABILITY TO KEEP HIS PROMISE TO DELIVER PROSPERITY AND UNITY. POPULAR DESIRE FOR THE PROSPERITY PROMISED BY THE BONN GOVERNMENT HAS EVIDENTLY BEEN GREATER THAN RESPECT FOR THE TRADITIONS AND PRESTIGE OF THE SPD. THE SPD'S MODEST SHOWING REFLECTS THE FACT THAT THEY ARE IN OPPOSITION IN BONN. DOUBTS ABOUT LAFONTAINE ALSO PLAYED A PART.

7. THE PDS HAD BEEN EXPECTED TO ATTRACT SUPPORT AMONG OFFICIALS WHOSE LIVING DEPENDED ON THE SED, AND PEOPLE WORRIED ABOUT SOCIAL BENEFITS IN A 'CAPITALIST' GERMANY. THIS IS CONFIRMED BY THEIR BERLIN SUCCESS. THEIR RELATIVELY STRONG SHOWING CAN ALSO BE ATTRIBUTED TO THE PERSONAL POPULARITY OF MODROW, AND TO A LESSER EXTENT OF GYSI.

#### COMMENT

8. THE ALLIANCE FOR GERMANY CAMPAIGNED ON RAPID CURRENCY UNION AND UNIFICATION VIA ARTICLE 23 OF THE BASIC LAW. THEY SEEM LIKELY TO GIVE TOP PRIORITY TO THE CURRENCY UNION. THIS SHOULD BE A GOOD RESULT IN

TERMS OF STOPPING THE EXODUS ALTHOUGH THERE WILL BE UNEASE AT THE PERFORMANCE OF THE PDS. INDEED THE PDS'S PERFORMANCE IN BERLIN ILLUSTRATES THE EXTENT TO WHICH THE SED HAD DIVIDED THIS COUNTRY INTO A PRIVILEGED MINORITY IN THE SO CALLED CAPITAL AND AN UNDERCLASS IN THE RUN-DOWN, POLLUTED INDUSTRIAL SOUTH. PEOPLE WHO WERE EXPLOITED AND NEGLECTED FOR 40 YEARS HAVE USED THIS OPPORTUNITY TO ENTRUST THEIR IMMEDIATE FUTURE TO CHANCELLOR KOHL.

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Foreign and Commonwealth Office

London SW1A 2AH

19 March 1990

Dear Clerk,

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AM 19/3

Message to Lothar de Maiziere

I attach a draft message to Herr de Maiziere, as requested. He holds no Government position as yet and the process of forming a coalition may take time. An early message would, however, be worthwhile.

Yours ever,

(R H T Gozney)  
Private Secretary

C D Powell Esq  
10 Downing Street

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AND TO	8	AND TO IMMEDIATE BONN		
	9			
	10			
	11	MESSAGE FROM PRIME MINISTER TO LOTHAR DE MANIZIERE, CHAIRMAN,		
	12	CDU (EAST)		
	13	1. Please pass message as follows		
	14	BEGINS		
	15	<i>Send you my warm</i> <del>Hearty</del> congratulations on your resounding success in		
	16	yesterday's elections.		
	17	This was a great day for democracy and for Germany.		
	18	You can be sure of our understanding and sympathy as we all		
	19	work together on the important decisions which lie ahead in		
	20	1990.		
	21	ENDS		
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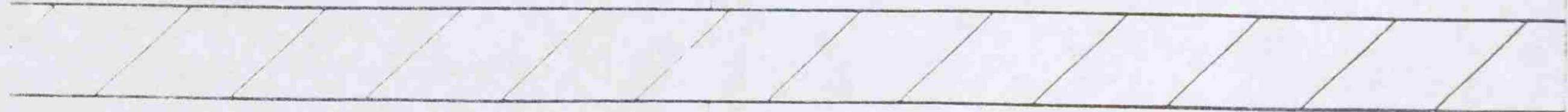
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10 DOWNING STREET  
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From the Private Secretary

19 March 1990

MEETING AT CHEQUERS ON 24 MARCH

I promised to try to let you have a rather fuller idea of the matters which the Prime Minister would like to discuss at our meeting at Chequers on 24 March.

Basically the Prime Minister's objective is to use our knowledge and experience of Germany's past to help shape our policy towards Germany and Europe for the future. She will want to tap the wisdom of each individual participant for this. I suggest, therefore, that we should devote the first half of the afternoon to Germany's past and the lessons to be learned from it: and the second half to wider questions about Germany's future role in Europe, and what changes this may require in our diplomacy.

For the first part of the discussion, the following are some of the questions which we might consider (although the list is neither comprehensive nor exclusive):

- what does history tell us about the character and behaviour of the Germany-speaking people of Europe? Are there enduring national characteristics?
- have the Germans changed in the last 40 years (or 80 or 150 years), either as a result of some mutation in their national character or because of changes in their external environment?
- what is the key to German economic success? Is it something deep in their character and psyche, a natural sense of discipline and order? Or is it 'simply' sound policy?
- what will be the tendency of a united Germany? Despite all protestations to the contrary, will it lurch inevitably and as often in history, towards geographical and territorial dominance? Or will it find satisfaction in the creation of something broader than Germany?

- how strong is the drive to unite all the German-speaking peoples, either within the existing borders of Germany or by extending those borders?
- in the light of history, how can we 'satisfy' the Germans? Is there something they want and we can give them, which will neutralise their drive to extend their sway, whether politically or territorially?
- how strongly German do the remaining Germanic minorities in Eastern Europe and the Soviet Union feel? Is an ambition to protect them likely to re-surface as a factor in German policy?
- will German national ambitions be subsumed in the internationalist appeal of a European Community as they claim? Can the sense of German nationhood be supplanted by the sense of being part of a European nation? Or is this wishful thinking on their - and our - part?
- how deep-rooted is the German mission in Central and Eastern Europe? Is it part of their instinctive and historic restlessness? Or is it merely a current calculation of economic and political advantage?
- can we deduce from history how the Germans as a nation will respond to certain sorts of treatment? Is it better psychologically to 'stand up to Germany'? Or to pursue a friendly approach, based on understanding of their needs and ambitions?
- looking back through history, are there traits in Germany's relations with Britain which have been particularly positive and on which we can try to build in future? Are there some particular aspects of the German character or of German national interests to which we can appeal, to forge a co-operative relationship?
- to what extent do we need to take account of the growing influence of people of Germanic origin in the United States, as a factor affecting American policy towards Europe?

In the second half of the discussion, the Prime Minister would like to range more widely and consider some of the broader consequences of German unification. We might look at some of the following questions:

- one might say that in the past, history was determined largely by the personalities and ambitions of the rulers of peoples. In future it may be determined more by the character of the people themselves. What will the implications be, given the resurgence of national feeling in Eastern Europe in particular?

- given worries about the dominant influence which a united Germany might exercise, what sort of framework should we build in Europe, into which a united Germany would fit comfortably (for future economic, political and defence co-operation)? Is the European Community sufficient? Or should we look for something wider?
- to what extent should such a framework provide also for the Soviet Union, as the only power in Europe capable in crude terms of balancing a united Germany?
- is there still a use for some of the concepts familiar from history such as spheres of influence, geographical alliances and balance of power? Or should we be looking at something much broader, for instance an 'alliance for democracy' which would stretch from the Atlantic to the Urals and beyond?
- how are we going to cope with the return of national feeling in Eastern Europe, now that events of recent months have shown that forty years of communist oppression failed to suffocate it?

These are just illustrative questions - and formulated by me rather than by the Prime Minister. But I hope you will find them of some help in preparing your thoughts.

I look forward to seeing you on Saturday.

Charles Powell

Timothy Garton-Ash, Esq.

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participants)

10 DOWNING STREET  
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From the Private Secretary

19 March 1990

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I look forward to seeing you on Saturday.

Charles Powell

Timothy Garton-Ash, Esq.



10 DOWNING STREET

Prime Minister

I think you ought  
to send an early  
warm message to  
Chancellor Kohl - so  
that we can tell the  
press you have done  
so. You should also, of  
course, congratulate the  
East German leader of the  
Allina: a draft follows.  
"Dear Helmut,  
warm regards, Margaret"

FILE mkm



celc

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 March 1990

Dear Richard,

EAST GERMAN ELECTION

The Prime Minister wants to send an early message of congratulations to Chancellor Kohl on the outcome of the East German election (she will also, of course, send one to Herr de la Maziere). I enclose her message and should be grateful if you would telegraph it to Bonn for immediate delivery.

Yours sincerely,  
Charles Powell

CHARLES POWELL

Richard Gozney, Esq.,  
Foreign and Commonwealth Office



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PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 57B/90.



10 DOWNING STREET  
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THE PRIME MINISTER

19 March 1990

Yesterday's free elections in East Germany were a great day for the people of Germany and for Europe - and the result is a tremendous victory for the centre-right. I know how hard you personally worked for that outcome, and it is the greatest possible credit to you. I send you my warm congratulations - and look forward to seeing you next week.

His Excellency Dr. Helmut Kohl



A:\FOREIGN\ELECTION.  
MEM

bcc PC

10 DOWNING STREET

*From the Private Secretary*

18 March 1990

ELECTIONS IN THE GDR: POSSIBLE STATEMENT  
BY THE PRIME MINISTER

I have consulted the Prime Minister about the proposed Statement on the East German elections. She agrees that it would be right to issue one, subject to the outcome being broadly in line with expectations. I attach a version which she has approved and which we would propose to use, unless you let me know to the contrary by 0930 on 19 March.

CHARLES POWELL

Richard Gozney, Esq.,  
Foreign and Commonwealth Office

The free and democratic elections which took place yesterday mark a new beginning for the people of East Germany and a further step in the spread of democracy through central and Eastern Europe. We look forward to the establishment of a democratic government in East Germany and shall want to work with it.

It is now for the people of East Germany to decide through their elected representatives when they wish to seek unification.

In anticipation of their views we are already considering the external consequences of unification within the Four plus Two talks and with our allies and partners in NATO and the European Community. I am also looking forward to discussing all these matters with Chancellor Kohl during the Anglo-German Summit in Cambridge and London in 10 days' time.

It is a great day for East Germany and for Europe, and we all send the people of East Germany our warm congratulations and good wishes for the future.

19 March 1990

PRIME MINISTER

SEMINAR ON GERMANY

We have the Seminar on Germany next Saturday. I am coming under some pressure from the participants to say what you want to talk about. Basically, it seems to me, you will want to tap the wisdom of each individual participant in his particular area of specialisation: Professor Craig on German history as a whole: Professor Stern on the lessons of the nineteenth century: Hugh Trevor-Roper on the Nazi period: Timothy Garton-Ash on Germany and Central Europe: and George Urban and Norman Stone on the modern-day politics of it.

But I have also tried to define a number of specific questions to which the Seminar might try to provide answers or at least guidance (and any resemblance to Oxford or Cambridge entrance scholarship papers is entirely coincidental!). The principal ones are:

- what does history tell us about the character and behaviour of the German-speaking people of Europe? Are there such things as enduring national characteristics?

- how strong is the drive to unite all the German-speaking peoples, either within the existing borders of Germany or by extending those borders?

- have the Germans changed in the last 40 years, either as a result of some mutation in their national character or because of changes in their external environment? Or are we really dealing with the same old Huns?

- in the light of history, how can we 'satisfy' the Germans? Is there something they want and we can give them, which will neutralise their desire to extend their sway, whether politically or territorially?

- will German national ambitions be subsumed in the

I want to use our experience  
of the past to help us shape the future. But  
not to be dominated by the past. We have to enlarge  
our minds. We have to build a new framework

for the future. for defence, for co-operation beyond  
Europe and try to see how we can keep the Danube basin

to a real western democracy with <sup>economic</sup> political freedom.  
We must consider central Europe in its

①  
and how  
our  
security  
could  
be  
improved  
for the  
continent  
West

[N.B. - we must not let the  
multiplicity of - Planning of  
anti-Communism.]

up to 150

internationalist appeal of an European Community as they claim? Can the sense of a German nation be supplanted by the sense of an European nation? Or is this wishful thinking on their - and our - part?

- how deep-rooted is the German mission in Central <sup>Western</sup> Europe? Is it part of their instinctive and historic restlessness? Or is it merely a current calculation of economic and political advantage?

- looking back through history, are there traits in Germany's relations with Britain which have been particularly positive and on which we can try to build in future? Are there some particular aspects of the German character or of German national interests to which we can appeal, to make them more cuddly and less abrasive?

- what is the key to German economic success? Is it something deep in their character and psyche a natural sense of discipline and order? Or is it 'simply' sound policy?

- what will be the tendency of a united Germany? Despite all protestations to the contrary, will it lurch inevitably and as often in history, towards geographical and territorial dominance? Or will it find satisfaction in the creation of something broader than Germany?

- can we deduce from history how the Germans as a nation will respond to certain sorts of treatment? Is it better psychologically to 'stand up to Germany'? Or do they respond better to a honeyed approach, based on understanding of their needs and an attempt to manipulate them?

- how strongly German do the remaining Germanic minorities in Eastern Europe and the Soviet Union feel? Is an ambition to protect them likely to re-surface as a factor in German policy?

- to what extent do we need to take account of the growing influence of people of Germanic origin in the United States, as a factor affecting American policy towards Europe?

It would be very helpful if you could indicate whether these are broadly the sort of questions which you want to address: and whether you have any others. I will then try to fit them into a framework which I can circulate to participants.

Content to proceed on this basis?

C. D. P.

(C. D. POWELL)  
18 March 1990  
a:\foreign\German (srw)

We must widen the discussion to include the interest in the USSR - (? of Russia) and whether we pursue spheres of influence, or alliances of democracy or geographical alliances. We cannot completely disregard history for the various crises & maritime skills have griddled the globe. We must consider some of the old balance of power. But it seems to me that what the in the past history was determined largely by the personalities & ambitions of the rulers of the people, in future it will be decided much more by the character of the people. However, the lesson of the past has been in that neither character nor pride has been ~~affected~~ supported by oppression. mb,

Cardiff

~~Devel~~ have. Their <sup>re</sup> answer → file  
We would have to move  
far to get it in this year's  
budget - but I doubt if a  
claim has been submitted.  
Could you explore.

I have spoken to the Cabinet Office <sup>CAS</sup> 28/3

about finding a pigeon-hole for our  
American guests' travel and accommodation  
expenses.

Although Charles' budget does  
include an item for travel and subsistence  
there isn't very much of it and not  
enough to cover a couple of air fares  
and hotel accommodation.

The practice is to find a travel  
and subsistence budget sufficiently  
underspent and use that. T&S is  
split between 2 budgets: one is  
Andrews (£9000), most of which is spent.

The other, £5000, belongs to the Policy Unit ~~and~~ though they haven't spent a halfpenny of it. Since we're 2 months away from the end of the financial year we should start to spend it.

You mentioned the time for 'conferences' which we do indeed have. We have £2,500 in it, again none of it spent. But the finance branch feel the money must come from a T&S budget to keep everything legitimate.

It can all therefore be doctored against Policy Units "travel and subsistence - other" budget.

Derek  
\_\_\_\_\_  
2/2.



MISS SLOCOCK

~~Doyle~~  
Dannie says we have a "conference"  
heading which might serve - How  
much do we have there?

OTS

19/2

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

CDP

17 February 1990

jd c:slo

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RL  
cpc

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

17 March 1990

*Dear Lidart,*

**POLISH-GERMAN BORDERS**

Thank you for your letter of 16 March enclosing draft instructions to our Ambassador in Warsaw to respond to the Polish Government's request for a British reaction to the question of Polish involvement in the Four plus Two talks. The draft enclosed with your letter seems entirely consistent with the line we have taken and I am sure the Prime Minister would be content for it to issue. The Prime Minister has no plans to speak to President Bush before 21 March. I have therefore struck out the last sentence of the draft. But our Ambassador might say that the Prime Minister is confident that the Americans are fully aware of the Polish Government's concerns and share our views.

*Yours sincerely,*

(C. D. POWELL)

Richard Gozney, Esq.,  
Foreign and Commonwealth Office.

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MODUK FOR DUS(P), AUS(POL), ACDS (POL/NUC)

WASHINGTON TELNO 608 AND UKDEL NATO TELNO 114 : NUCLEAR DETERRENCE  
IN EUROPE

SUMMARY

1. STOLTENBERG URGES EARLY SNF NEGOTIATIONS, TO INCLUDE ABOLITION OF  
NUCLEAR ARTILLERY. NO (NO) SUPPORT HERE FOR FOTL OR NUCLEAR  
ARTILLERY.

DETAIL

2. IN A SPEECH ON 12 MARCH, STOLTENBERG CALLED FOR NEGOTIATIONS ON  
'DRASTIC REDUCTIONS OF NUCLEAR WEAPONS IN EUROPE' TO FOLLOW SOON  
AFTER THE CONCLUSION OF CFE. PROVIDED THAT THE MASSIVE SOVIET  
SUPERIORITY WAS REMOVED, THE WEST COULD SUBSTANTIALLY REDUCE ITS  
STOCK OF SUB-STRATEGIC NUCLEAR WEAPONS IN EUROPE AND ACHIEVE A  
BALANCE WITH A VERY SMALL PORTION OF TODAY'S STOCK. AS FOR NUCLEAR  
TUBE ARTILLERY (COMMENT: AS DISTINCT FROM MLRS), STOLTENBERG SAID  
FOR THE FIRST TIME 'WE WANT TO ACHIEVE COMPLETE ABOLITION IN THE  
FRAMEWORK OF SUCH A TREATY'. (COMMENT: THIS MEANS THAT STOLTENBERG  
NOW AGREES WITH GENSCHER THAT NUCLEAR ARTILLERY SHOULD BE INCLUDED  
IN THE SNF NEGOTIATIONS.) HE SAID THAT 'THESE SYSTEMS' HAD NO  
FUTURE UNDER THE CIRCUMSTANCES OF GERMAN UNIFICATION AND THE  
OVERCOMING OF THE DIVISION OF EUROPE. COMPLETE DENUCLEARISATION OF  
EUROPE OR GERMANY, HOWEVER, WOULD NOT PROMOTE STABILITY BUT WOULD  
LET REGIONAL POLITICAL CONFLICTS BECOME MORE DANGEROUS.

3. CDU/CSU FIGURES SUCH AS DREGGER (PARLIAMENTARY LEADER) AND LAMERS  
(DISARMAMENT SPOKESMAN) HAVE SAID RECENTLY THAT IN THE LIGHT OF THE  
CHANGED POLITICAL CIRCUMSTANCES IN EUROPE FOTL AND NUCLEAR ARTILLERY  
WERE NO LONGER MEANINGFUL, BUT AIR-LAUNCHED SYSTEMS WITH THE RANGE  
TO REACH THE SOVIET UNION WERE STILL NECESSARY. LAMERS HAS SUGGESTED  
THAT THE 'STRUCTURE AND SIZE' OF SUCH SYSTEMS SHOULD BE NEGOTIATED  
WITH THE SOVIET UNION IN PARALLEL WITH THE SNF NEGOTIATIONS.

4. FDP POLICY (MY TELNO 057) IS THE ''BALANCED ELEMINATION OF SHORT-RANGE NUCLEAR MISSILES AND NUCLEAR ARTILLERY ON BOTH SIDES'' AND ''PRIOR RENUNCIATION OF MODERNISATION OF THESE WEAPONS''. THIS IS CONSISTENT WITH WHAT GENSCHER IS SAID TO HAVE AGREED WITH STOLTENBERG (UKDEL NATO TUR). I AGREE WITH THE DESCRIPTION OF THE VARIOUS SPD VIEWS IN PARA 5(B) OF WASHINGTON TUR. GENSCHER WANTS TO GET RID OF LAND BASED MISSILES AND ARTILLERY, IS RETICENT ABOUT TASM BUT DOES NOT FAVOUR DENUCLEARISATION. IT IS INTERESTING (SECOND TUR) THAT HE IS WILLING AT PRESENT TO ENTERTAIN THE IDEA OF TASM ONE DAY. IF EAST-WEST AND GERMAN DEVELOPMENTS SEEMED LATER TO JUSTIFY OPPOSITION TO TASM, GENSCHER MIGHT GO THAT WAY.

5. ASPIN'S CLAIM (PARA 5(A) OF WASHINGTON TUR) THAT THE LATEST US MILITARY NET ASSESSMENT IMPLIES THAT EUROPE CAN BE DEFENDED WITHOUT NUCLEAR WEAPONS HAS BEEN REPLAYED IN THE GERMAN PRESS. FAR FROM CARRYING THE PENTAGON REBUTTAL, HOWEVER, IT IS SUGGESTED THAT A PENTAGON OFFICIAL AGREED WITH ASPIN'S INTERPRETATION. BUT THE FRANKFURTER ALLGEMEINE (CONSERVATIVE) HAD A LEADER ON 15 MARCH WARNING THAT NUCLEAR DETERRENCE REMAINED THE BEST MEANS OF PREVENTING WAR IN EUROPE, AND WAS ONLY CREDIBLE IF THE US NUCLEAR UMBRELLA OVER EUROPE DID NOT HAVE TOO MANY HOLES. FMOD HAVE PLAY DOWN THE STUDY.

6. NAUMANN'S CASE FOR BRINGING SNF NEGOTIATIONS FORWARD DEPENDS HEAVILY ON WHETHER THE RUSSIANS ARE LIKELY TO PRESS FOR DENUCLEARISATION OF GERMANY. GERMAN PUBLIC OPINION WOULD BE STEADIER IN THE FACE OF SUCH PRESURE IF SNF NEGOTIATIONS WERE IN EARLY PROSPECT. WE KNOW THAT TELTSCHIK SHARES THE AMERICAN CONCERNS (WASHINGTON TUR), THAT IF THE RUSSIANS DID INDEED MAKE DENUCLEARISATION OF GERMANY THE PRICE OF UNIFICATION, THE FEDERAL GOVERNMENT MIGHT FIND THE PRESSURES IRRESISTIBLE. THE FACT OF THE ALLIANCE HAVING MADE AN OFFER OF EARLY SNF NEGOTIATIONS WOULD REDUCE THE ABILITY OF THE SPD TO EXPLOIT THE ISSUE TO THE COALITION'S DISADVANTAGE AND WOULD HELP KOHL IN THE FEDERAL ELECTIONS IN DECEMBER.

MALLABY

YYYY



Foreign and Commonwealth Office

London SW1A 2AH

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16 March 1990

*R. H. T. Gozney*

*Dear Charles,*

Polish-German Borders

When Mr Kenneth Baker visited Warsaw on 10 March, Mr Mazowiecki and General Jaruzelski raised the implications of German unification for Poland and sought a British reaction to the question of Polish involvement in the Two plus Four talks (Warsaw telno 207 enclosed).

I enclose draft instructions to the Ambassador in Warsaw to respond to the Polish request. They take account of the discussion between Political Directors of the Two plus Four in Bonn on 14 March (at which there was no agreement about a meeting of the Two plus Four in Warsaw). The Polish Ambassador in London was briefed in general terms on the Bonn meeting when he paid a farewell call on John Weston on 15 March.

Mr Mazowiecki also asked the Prime Minister to speak to President Bush about Polish concerns before his visit to Washington on 21 March. (He leaves for Washington on 19 March.) We would see no objection to this. But it is clear that the Americans are fully seized of the problem and share our view (Washington telno 622 enclosed). There seems therefore little to be gained from a further contact with President Bush, beyond pleasing the Poles with the gesture.

*Yours ever,*

*R. H. T. Gozney*

(R H T Gozney)  
Private Secretary

C D Powell Esq  
10 Downing Street

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INFO IMMEDIATE UKDEL NATO, UKREP BRUSSELS.

POLAND AND GERMAN UNIFICATION

## SUMMARY

1. MAZOWIECKI AND JARUZELSKI TELL MR KENNETH BAKER ABOUT THEIR DISCUSSIONS WITH MITTERRAND. FRENCH SUPPORT FOR POLISH POSITION ON THE SUBSTANCE OF THE BORDER QUESTION. ON MODALITIES, POLES SEEK BRITISH VIEWS ON POSSIBLE 2 PLUS 4 MEETING IN WARSAW TO SETTLE THE BORDER ISSUE. MAZOWIECKI ASKS PRIME MINISTER TO CONVEY POLISH CONCERNS TO BUSH. JARUZELSKI CONCERNED TO SETTLE SECURITY QUESTIONS AT AN EARLY STAGE OF UNIFICATION PROCESS.

## DETAIL

2. I ACCOMPANIED MR KENNETH BAKER ON HIS CALLS ON MAZOWIECKI AND JARUZELSKI ON 10 MARCH. THE MAIN SUBJECT DISCUSSED WAS GERMAN UNIFICATION AND ITS IMPLICATIONS FOR POLAND AND FOR EUROPEAN SECURITY. MAZOWIECKI AND JARUZELSKI, TOGETHER WITH SKUBISZEWSKI, HAD RETURNED TWELVE HOURS EARLIER FROM A DAY'S VISIT TO PARIS. MAZOWIECKI IN PARTICULAR WANTED TO ENSURE THAT THE PRIME MINISTER WAS BROUGHT UP TO DATE WITH POLISH THINKING FOLLOWING THE PARIS VISIT.

3. MAZOWIECKI SAID WE HAD ALL FOLLOWED THE STRANGE PIROUETTES OF CHANCELLOR KOHL. HE PERSONALLY HAD BEEN OFFENDED THAT KOHL HAD INTRODUCED THE ISSUE OF THE GERMAN MINORITY IN POLAND AFTER THIS HAD BEEN SETTLED DURING KOHL'S VISIT HERE LAST NOVEMBER. IN DOING SO KOHL HAD BROUGHT BACK MEMORIES OF PRE-WAR GERMAN INTERFERENCE IN THE NAME OF GERMAN MINORITIES. POLISH SOCIETY WAS UNEASY AS A RESULT AND THE PUBLIC NOW HAD TO BE TAKEN INTO ACCOUNT.

4. HE REFERRED WARMLY TO THE PRIME MINISTER'S IMMEDIATE AND EARLY REAFFIRMATION OF THE NEED FOR THE BORDER QUESTION TO BE SETTLED BY A TREATY AND OF POLAND'S RIGHT TO TAKE PART WHEN ISSUES CONCERNING HER WERE DISCUSSED. FOLLOWING HIS VISIT TO PARIS, THIS WAS NOW ALSO THE FRENCH POSITION. HE REPEATED HOW IMPORTANT IT WAS

THAT THE TREATY SHOULD BE INITIALLED BEFORE UNIFICATION. THE FOUR POWERS SHOULD BE ASSOCIATED WITH IT.

5. MAZOWIECKI SAID THAT HE WOULD BE TELLING THE SOVIET UNION THAT DELAYING TACTICS WERE WRONG AND INAPPROPRIATE. IT WAS TOO LATE FOR A PHASED APPROACH: THE GERMANS MIGHT PRODUCE A FAIT ACCOMPLI. THE PRIME MINISTER HAD BEEN RIGHT TO DRAW ATTENTION TO THE DANGER THAT UNIFICATION MIGHT TAKE PLACE ON THE BASIS OF ARTICLE 23 OF THE FEDERAL CONSTITUTION. MAZOWIECKI HAD ASKED MODROW WHETHER ELECTIONS IN THE GDR WOULD RESULT IN A GOVERNMENT STRONG ENOUGH TO TAKE PART IN TALKS ON UNIFICATION. MODROW'S ANSWER WAS THAT HE COULD NOT GUARANTEE THIS : HE COULD SEE CIRCUMSTANCES IN WHICH ARTICLE 23 WOULD BE USED. AS MAZOWIECKI PUT IT, NEGOTIATIONS SHOULD TAKE PLACE AS SOON AS POSSIBLE, AS OTHERWISE THERE WAS A RISK THAT THE STREETS AND ARTICLE 23 WOULD DETERMINE WHAT HAPPENED.

6. MAZOWIECKI SAID HE WAS AFRAID FOR GORBACHEV. ACCORDING TO POLISH INFORMATION, MATTERS WERE CURRENTLY VERY DIFFICULT FOR HIM.

7. AGAINST THIS BACKGROUND, POLISH PARTICIPATION IN TALKS HAD BECOME EVEN MORE CRITICAL. IT WAS AN OPPORTUNITY FOR THE FOUR POWERS TO SHOW THAT THEY RESPECTED POLISH RIGHTS. HE RECALLED THAT HE HAD SAID ON BRITISH TV THAT HE DID NOT WANT POLAND'S WESTERN BORDER TO BE THE GIFT OF STALIN. AS HE SAW IT, THE ONLY WAY TO FORCE KOHL TO SETTLE THE BORDER ISSUE IN THE INITIAL STAGE OF THE PROCESS OF REUNIFICATION WOULD BE FOR THE FOUR POWERS TO GIVE THIS THEIR IMMEDIATE SUPPORT. HE HAD SUGGESTED TWO OPTIONS TO MITTERRAND. EITHER POLAND COULD FORMALLY REQUEST THE SIX POWERS THAT SHE SHOULD TAKE PART IN THE FIRST PHASE OF TALKS ON THE SECURITY OF GERMANY'S NEIGHBOURS. OR POLAND SHOULD INVITE THE 4 PLUS 2 TO WARSAW TO DISCUSS THIS PART OF THE PROBLEM. THE FIRST COURSE MIGHT BE SIMPLER BUT WOULD BE MORE DIFFICULT TO SET UP. THE SECOND MIGHT BE HARDER TO REJECT BUT MAZOWIECKI DID NOT WANT TO PROPOSE IT FORMALLY BEFORE BEING SURE THAT THE FOUR POWERS WOULD AGREE TO IT. MITTERRAND HAD LIKED THE SECOND METHOD AND HAD UNDERTAKEN TO GIVE THE POLES A DEFINITE ANSWER BY 16 MARCH.

8. MAZOWIECKI THEREFORE REQUESTED A BRITISH REACTION, ALSO BY 16 MARCH. HE THEN RECALLED THAT WHEN HE HAD BEEN IN LONDON THE PRIME MINISTER HAD ASKED HIM IF HE WANTED HER TO SPEAK TO PRESIDENT BUSH ABOUT POLISH CONCERNS. HE NOW WOULD BE GRATEFUL IF THE PRIME MINISTER COULD DELIVER ON HER OFFER BEFORE HE SAW THE PRESIDENT IN WASHINGTON ON 21 MARCH.

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9. MR BAKER STRESSED DURING THE MEETING THAT THE BORDER QUESTION WAS A QUESTION OF JUSTICE FOR POLAND AND THAT LEAVING IT UNCERTAIN COULD LEAD TO INSTABILITY IN EUROPE. HE POINTED TO THE PROBLEMS, FOR EUROPE AND THE COMMUNITY, OF THE ARTICLE 23 ROUTE. THESE MAJOR ISSUES, WHICH INCLUDED THE SECURITY QUESTIONS, COULD NOT BE BRUSHED ASIDE. HE WOULD REPORT THE DISCUSSION AND THE POLISH REQUEST (PARAGRAPH 8) TO THE PRIME MINISTER ON HIS RETURN.

10. AS WE WERE LEAVING, MAZOWIECKI'S PRIVATE SECRETARY ASKED THAT I SHOULD TRANSMIT OUR REPLY BOTH TO HIM AND TO THE MFA. AT OUR DINNER FOR MR BAKER LAST NIGHT SKUBISZEWSKI SAID THAT THE ANSWER TO THE MFA SHOULD BE GIVEN TO HIM PERSONALLY.

11. SEE MIFT FOR MR BAKER'S MEETING WITH JARUZELSKI.

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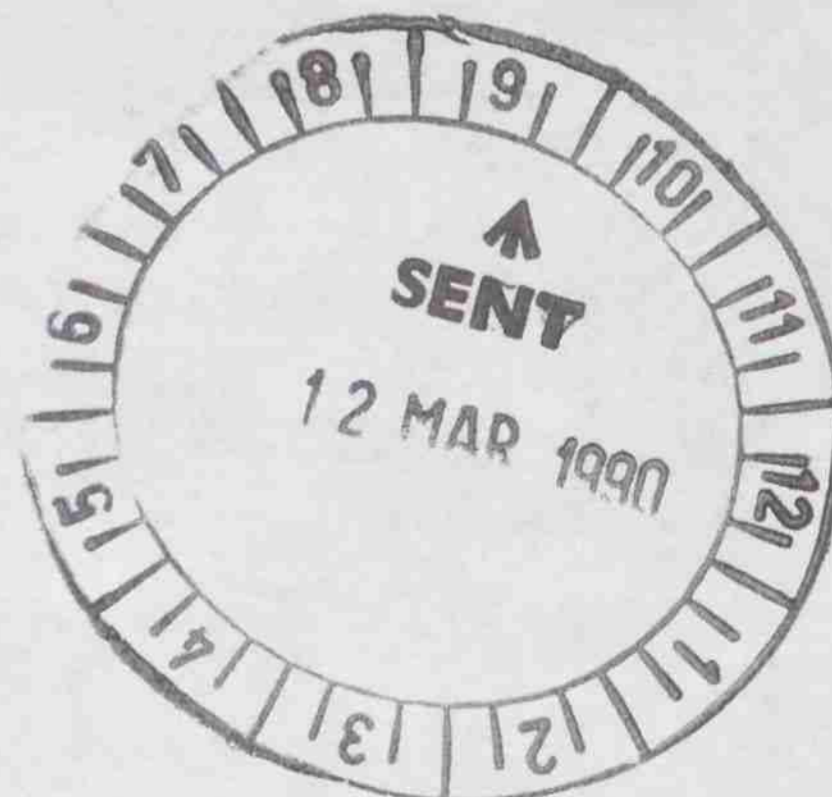
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# OUT TELEGRAM

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TO	5	TO IMMEDIATE WARSAW		
TELNO	6	TELNO		
OF	7	OF 16 Z MARCH 90		
AND TO	8	INFO IMMEDIATE BONN, PARIS, WASHINGTON, EAST EUROPEAN POSTS		
	9	INFO IMMEDIATE UKDEL NATO, UKREP BRUSSELS		
	10			
	11			
	12	YOUR TELNO 207: POLAND AND GERMAN UNIFICATION		
	13	1. Following Mazowiecki's and Jaruzelski's remarks to		
	14	Mr Kenneth Baker on 10 March, grateful if you would now convey		
	15	our views on the question of Polish involvement in discussions		
	16	in the two plus four framework on the question of Polish		
	17	borders, supplementing the Prime Minister's message already		
	18	delivered to Mazowiecki (FCO telno 134).		
	19	2. Background on procedural discussions about involvement of		
	20	the Poles is in the reporting telegrams of the meetings in		
	21	Paris and Bonn on 13 and 14 March respectively in the framework		
	22	of the two plus four. We took an active part in this		
	23	discussion, emphasising the need to involve the Poles in early		
	24	discussion of the Polish borders, preferably at the next		
	25	meeting at official level (planned to take place soon after the		
///	26	formation of a GDR government, in mid to late April). A		
//	27	Ministerial meeting in Warsaw was not agreed but there was		
/	28	complete agreement on the principle of Polish involvement in		
	29	that part of any discussion which concerned the Polish		
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Western border.

3. You should speak to the Poles on the following lines.

4. The Prime Minister was grateful to receive the views of Jaruzelski and Mazowiecki through Mr Baker. As indicated in a separate message, the Prime Minister shares the Polish view that the question of Poland's Western borders should be enshrined in a treaty. It is also our firm view that Poland should be invited to become involved in that part of the discussions of the two plus four which relates to the question of the borders between German and Poland. Our wish is that this should occur at an early stage and that Poland might, in the first instance, attend at official level in preparation for a possible subsequent meeting at Ministerial level.

5. If asked about the venue of a Ministerial meeting and the possibility that it might take place in Warsaw, you should be non-committal, saying, if necessary, that the question of the venue of meetings at Ministerial level has not yet been completely resolved. But it has been agreed in the two plus four that official-level meetings should take place on German soil. [For your own information you should be aware that we do not see much chance of a venue outside Germany.]

6. You should add that we have been in close touch with the Americans on this matter and believe that we share a very similar view (as indicated by Washington telno 622). [~~The Prime Minister intends [does not intend] to speak to Mr Bush before 21 March.~~]

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TWO PLUS FOUR: POLISH BORDERS

SUMMARY

1. AMERICANS CAREFULLY INSCRIBE INTO PUBLIC RECORD KOHL'S POSITION ON POLISH BORDERS AND THE AGREEMENT REACHED ON 14 MARCH OVER POLISH INVOLVEMENT IN TWO PLUS FOUR.

DETAIL

2. AT THE BEGINNING OF THE REGULAR DAILY BRIEFING ON MARCH 15, THE WHITEHOUSE SPOKESMAN (FITZWALTER) SAID THAT CHANCELLOR KOHL HAD CALLED PRESIDENT BUSH THAT MORNING TO DISCUSS QUOTE THE AGREEMENT YESTERDAY IN BONN THAT POLAND WOULD BE INVITED (TO THE TWO PLUS FOUR TALKS) AS SOON AS ANY QUESTIONS CAME UP OF PARTICULAR CONCERN ABOUT POLISH BORDERS. CHANCELLOR KOHL JUST WANTED TO MAKE SURE PRESIDENT BUSH WAS AWARE OF THAT AND IN SUPPORT. WE OBVIOUSLY ARE. PRESIDENT BUSH ALSO NOTED THAT HIS (KOHL'S) MARCH 6 RESOLUTION WAS A POSITIVE AND IMPORTANT STEP. THAT'S THE RESOLUTION YOU'LL RECALL THAT REAFFIRMED THE INVIOLABILITY OF THE POLISH BORDERS. UNQUOTE.

3. IN RESPONSE TO FURTHER QUESTIONING, FITZWALTER PROCEEDED TO READ OUT KOHL'S STATEMENT IN FULL. ASKED WHY HE FELT THE NEED TO DO SO, HE SAID THAT POLISH AMERICANS HAD RAISED THE ISSUE WITH BUSH IN A MEETING WITH HIM THE PREVIOUS DAY. QUOTE MANY IN POLAND ARE CONCERNED ABOUT THIS ISSUE AND SEEK REPEATED ASSURANCES. THESE WORDS ARE FAIRLY STRAIGHTFORWARD. PRESIDENT BUSH BELIEVES THAT OUR POSITION IS IN ALIGNMENT WITH THE GERMAN POSITION UNQUOTE.

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10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

16 March 1990

- see 6.3.90  
746 C/90

I enclose a copy of a message to the Prime Minister from Chancellor Kohl about the Bundestag resolution on Poland's western border. It has taken an inordinate time to get here and does not now seem to warrant a reply of any sort, given the Prime Minister has already sent the Chancellor a message on the subject.

C. D. POWELL

Richard Gozney, Esq.  
Foreign and Commonwealth Office

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TO IMMEDIATE WASHINGTON

TELNO 482

OF 161603Z MARCH 90

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MY TEL NO 190 TO BONN

TWO PLUS FOUR TALKS: A PEACE SETTLEMENT

1. DISCUSSION IN THE TWO PLUS FOUR TALKS ON 14 MARCH FAILED TO AGREE ON WHETHER THE QUESTION OF A PEACE SETTLEMENT SHOULD BE PLACED ON THE AGENDA FOR FUTURE TALKS. THE FOUR WESTERN ALLIES HAD INDEED AGREED ON 13 MARCH THAT THE QUESTION SHOULD FORM PART OF THE FIRST AGENDA ITEM: BORDERS AND A GENERAL PEACE SETTLEMENT. BUT AT THE TWO PLUS FOUR THE GERMANS WHO WERE IN THE CHAIR APPEARED TO RESILE BY DROPPING THE SECOND HALF OF THIS ITEM, AND RECEIVED AMERICAN SUPPORT. WE SHOULD BE GRATEFUL IF YOU WOULD GO OVER THE GROUND AGAIN WITH ZOELICK AND/OR SEITZ IN ORDER TO EXPLAIN WHY WE BELIEVE THAT THE SUBJECT NEEDS TO BE ADDRESSED AND ALLIED VIEWS CLARIFIED.

2. FIRST, SOME MORE BACKGROUND IN AMPLIFICATION OF OUR REPORTING TELEGRAMS. ON 14 MARCH, KASTRUP'S ONLY REFERENCE TO THIS QUESTION WAS UNDER THE FOURTH AGENDA ITEM IN TERMS OF FOUR POWER RIGHTS AND RESPONSIBILITIES AND QUOTE SUCCESSOR ARRANGEMENTS UNQUOTE. WHEN ASKED TO EXPLAIN WHAT THIS MEANT, HE SUGGESTED REPLACING THE LAST TWO WORDS BY QUOTE THEIR TERMINATION UNQUOTE AND AGREED THAT THIS MIGHT BE TAKEN TO ENCOMPASS ALL ASPECTS OF A FINAL SETTLEMENT. IN THE ENSUING DISCUSSION ADAMISHIN DREW A DISTINCTION, WHICH IN OUR VIEW WAS JUSTIFIED, BETWEEN (A) THE TERMINATION AS SUCH OF OUR FOUR POWER RIGHTS AND RESPONSIBILITIES AND (B) ARRANGEMENTS AMOUNTING TO A GENERAL PEACE SETTLEMENT WHICH WOULD DRAW A LINE UNDER ALL THE WARTIME AND POST-WAR ARRANGEMENTS ARISING FROM THE CONQUEST OF GERMANY IN 1945. KASTRUP, HOWEVER, WAS ADAMANT IN OPPOSITION TO TERMINOLOGY RELATING TO A PEACE SETTLEMENT OR EVEN A PEACEFUL SETTLEMENT (WE ASSUME THAT THE PHRASE WAS TOO CLOSE TO QUOTE PEACE TREATY UNQUOTE FOR THE GERMANS' LIKING). BUT HE SAID HE COULD CONTEMPLATE A FORMULATION SUCH AS QUOTE THE POSSIBILITY OF A FINAL SETTLEMENT UNQUOTE. THIS, AS THE FRENCH POINTED OUT, COULD IMPLY THAT NO FORM OF FINAL SETTLEMENT WAS NEEDED. THE FRENCH PREFERRED SPECIFIC REFERENCE TO A PEACE SETTLEMENT. FOR OUR PART, WE DID NOT WISH TO EXPOSE INTERNAL DIFFERENCES ON THE PART OF THE WESTERN ALLIES AND ACTED THROUGH NOTES TO THE

*Not mine!*  
CHAIRMAN. BUT KASTRUP WOULD NOT BE MOVED AND, SOMEWHAT TO OUR SURPRISE, WAS SUPPORTED THROUGHOUT BY ZOELLICK. THE MATTER WAS THEREFORE LEFT UNRESOLVED.

3. GRATEFUL IF YOU COULD TELL THE AMERICANS THAT WE THINK THAT THIS IS AN ISSUE WHICH NEEDS TO BE ADDRESSED SQUARELY AMONG THE WESTERN FOUR AND TALKED THROUGH SINCE IT WILL OTHERWISE BE A BONE OF CONTENTION, NOT ONLY BETWEEN GERMANY AND THE RUSSIANS, BUT OF WIDER SIGNIFICANCE. AS THE RUSSIANS HAVE OBLIQUELY POINTED OUT IN THE SOVIET FOREIGN MINISTRY'S STATEMENT (MOSCOW TEL NO 425), THE ISSUE FEATURES IN A TREATY BETWEEN THE FOUR WESTERN POWERS AS WELL AS BEING COVERED IN THE POTSDAM AGREEMENT. IT CANNOT THEREFORE BE EVADED. ARTICLE 7 OF THE 1954 CONVENTION ON RELATIONS BETWEEN THE THREE WESTERN ALLIES AND THE FRG STATES THAT QUOTE AN ESSENTIAL AIM OF THEIR COMMON POLICY IS A PEACE SETTLEMENT FOR THE WHOLE OF GERMANY, FREELY NEGOTIATED BETWEEN GERMANY AND HER FORMER ENEMIES, WHICH SHOULD LAY THE FOUNDATION FOR A LASTING PEACE ... THE FINAL DETERMINATION OF THE BOUNDARIES OF GERMANY MUST AWAIT SUCH SETTLEMENT UNQUOTE. THIS PHRASEOLOGY CLEARLY GOES BEYOND FOUR POWER INVOLVEMENT.

4. IN POINTING THIS OUT TO THE AMERICANS (WHOSE PAPER ON THIS SUBJECT PROMISED ON 28 FEBRUARY IS STILL AWAITED, INCIDENTALLY) YOU SHOULD STRESS THAT WE DO NOT HAVE FIXED AND RIGID VIEWS ABOUT THE ARRANGEMENTS WHICH MIGHT EVENTUALLY BE DEEMED TO AMOUNT TO A SETTLEMENT. IT CERTAINLY NEED NOT IMPLY A SINGLE OVERALL PEACE TREATY IN THE TRADITIONAL SENSE. WE WOULD SHARE MANY OF THE GERMAN RESERVATIONS ABOUT A PEACE TREATY, NOT LEAST BECAUSE IT MIGHT INVOLVE ANY OR ALL OF THE 57 BELLIGERENTS AND BECAUSE IT COULD GREATLY COMPLICATE THE HANDLING OF CLAIMS AND REPARATIONS. THIS IN TURN COULD LEAD TO A VERY LENGTHY PROCESS AND UNCERTAINTY, AND HENCE RISK INSTABILITY.

5. OUR PRELIMINARY VIEW IS THAT A SETTLEMENT COULD BE BROUGHT ABOUT THROUGH A FRAMEWORK COMPRISING SEVERAL DIFFERENT ELEMENTS AND INVOLVING A VARIETY OF PARTICIPANTS. THE KEY ELEMENTS WOULD INCLUDE BORDERS, RELATIONS BETWEEN THE THREE POWERS AND GERMANY, RELATIONS BETWEEN THE USSR AND GERMANY (TERMINATING USSR/GDR AGREEMENTS), BERLIN, AND RELATIONS BETWEEN THE FOUR POWERS AND GERMANY. OTHER ELEMENTS, PERHAPS NOT OF SUCH PRIMARY IMPORTANCE, WOULD INCLUDE AVIATION, THE QUESTION OF EXISTING TREATIES, REPARATIONS, DEBTS AND CLAIMS. (AN ILLUSTRATIVE NOTE BY LEGAL ADVISERS - NOT FOR HANDING OVER - FOLLOWS BY BAG.) ALL THIS MIGHT INVOLVE A NUMBER OF TREATY OR OTHER INSTRUMENTS BEING DRAWN UP AS PART OF A SETTLEMENT, WITH THE SETTLEMENT AS A WHOLE COMING INTO FORCE WHEN ALL STATES CONCERNED HAD RATIFIED THE

INSTRUMENTS. ON THAT DAY THE FOUR POWERS MIGHT ISSUE A DECLARATION FINALLY TERMINATING THE RIGHTS AND RESPONSIBILITIES ASSUMED IN 1945.

6. AT THIS STAGE WE WOULD REGARD THIS AS ILLUSTRATIVE ONLY. IT COULD BE SUSCEPTIBLE TO MUCH FLEXIBILITY AND VARIATION. BUT THE MAIN POINT OF SUBSTANCE, WHICH WE HOPE THAT THE AMERICANS WOULD RECOGNISE IS THAT AN OVERALL SETTLEMENT OF SOME SORT IS NEEDED). ON TERMINOLOGY, THIS CONCEPT IS DESCRIBED IN CURRENT TREATIES IN TERMS OF A PEACE SETTLEMENT. CLARITY POINTS TO CONTINUING TO USE THIS TERM. BUT THIS MAY NOT BE ESSENTIAL. WE COULD LIVE WITH THE TERM SETTLEMENT.

7. WE NEED TO DEVELOP A COMMON APPROACH TO ALL THIS AMONG THE WESTERN FOUR IF THE RUSSIANS ARE NOT TO HAVE A FIELD DAY AT OUR EXPENSE. THE GERMANS OUGHT TO BE PERSUADABLE THAT IT IS IN THEIR BROAD INTEREST TOO AND THAT THIS IS INDEED THE BEST WAY OF OUTFLANKING TALK OF A GENERAL PEACE TREATY. BUT THE AMERICANS MUST ENGAGE IN THE SUBSTANCE. SO FAR ZOELICK'S PERFORMANCE HAS BEEN DISAPPOINTING. HE SEEMS TO HAVE AN EXAGGERATED ATTACHMENT TO THE TACTICS OF THE MOMENT IN ANY GIVEN MEETING, AND TO PROTECTING WHAT HE CONCEIVES TO BE GERMAN INTEREST (QUOTING GENSCHER ALMOST MORE THAN KASTRUP DOES). BUT THERE IS NOT MUCH SIGN THAT HE HAS TAKEN ANY ADVICE WITHIN THE STATE DEPARTMENT ON THE HARD CORE OF THE SUBJECT MATTER, AND SEITZ IN HIS PRESENCE REMAINS VERY QUIET.

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DER BOTSCHAFTER  
DER BUNDESREPUBLIK DEUTSCHLAND  
Baron Hermann von Richthofen

*celk*

London, 16 March 1990

*Dear Prime Minister,*

I have the honour to transmit the enclosed letter from Herr Helmut Kohl, Chancellor of the Federal Republic of Germany.

*- see 6.3.90*

A courtesy translation is attached.

*Yours sincerely  
Hermann Richthofen*

Her Excellency  
The Rt. Hon. Margaret Thatcher, MP  
Her Majesty's Prime Minister and  
First Lord of the Treasury  
L o n d o n

PRIME MINISTER

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EUROPEAN COMMUNITY: GERMAN UNIFICATION

I had lunch with David Williamson and David Hannay today. You may be interested in one or two points from the discussion.

David Williamson said that the Commission were not too alarmed by the problems of absorbing East Germany into the Community. They thought they were in general manageable. He did not at all exclude that an inner German border could be preserved for a brief transition period, to ensure that the Community could monitor East German compliance with whatever terms were agreed in negotiations. He expected the Commission's paper to put this as one option. Nor did he see great problems over agriculture and fishing. West Germany did not use a large part of its quota of fish and there would be good grounds to insist that they accommodate the East Germans within their quota. The most difficult problems were likely to come over the structural funds. It might also be necessary to offer the East Germans some sort of transitional aid from the Community, rather as we had done for Spain and Portugal. But this should come from money ear-marked in the Community budget for East Germany as part of Eastern Europe: the same funds would simply be given a different title.

David Williamson pointed out that, because of the Fontainebleau arrangements, the French and Italians would end up paying a far higher proportion of the costs of East German membership than we would, approximately three times more. The French were already last year equal with us as second largest net contributor to the Community and would probably move above us over the next year or two. He suggested that the fact that our financial burden would be relatively much smaller meant that we need not be too much out front in the negotiations with the Germans. I pointed out that we were usually the only ones to have done the thinking.

Both David Williamson and David Hannay expected the smaller member states to want to talk about wider political and security implications of unification on 28 April. The Commission did not favour this and would try to dissuade Mr Haughey from pursuing it. But it might be unavoidable.

David Williamson was opposed to formal conclusions from the meeting on 28 April. They would only lead to difficult and tiresome negotiations. He thought it should be enough for the Presidency to sum up with five or six agreed points (which he would discuss with us beforehand).

David Williamson hopes there will be no attempt to enlarge discussion on 28 April to cover economic and monetary union. The Presidency would want to avoid this. But at the end of the day others might insist.

Finally David reported that discussions between Douglas Hogg and Leon Brittan on Rover had gone quite well. He was reasonably optimistic that we could get away with repaying the £38 million plus a bit more, but not much. He strongly advised leaving the discussions in the hands of Douglas Hogg, even after Mr Ridley returns. It was quite clear the working relationship between Douglas Hogg and Leon Brittan was much better than with Nicholas Ridley, and this could help. He also advised against involving the Attorney directly in the negotiations.

CDP

CHARLES POWELL

16 March 1990

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THE GDR ON THE EVE OF ELECTIONS (ON 18 MARCH) TO THE VOLKSKAMMER  
(PARLIAMENT)

SUMMARY

1. A FAIR CAMPAIGN, HEAVILY INFLUENCED BY WEST GERMANY, TO BE FOLLOWED BY FREE AND FAIR ELECTIONS. A CENTRE RIGHT/CENTRE LEFT GRAND COALITION THE LIKELY OUTCOME. THEREAFTER THE TEMPO OF NEGOTIATIONS ON UNIFICATION WOULD SPEED UP. IF THE PDS DO WELL ENOUGH TO HOLD UP FORMATION OF AN ANTI-COMMUNIST COALITION THE EXODUS COULD RESUME, LEADING TO CONSIDERABLE CONFUSION, EVEN CHAOS. THIS IS A POSSIBLE, BUT UNLIKELY OUTCOME. AFTER 18 MARCH THE GERMAN QUESTION CAN BE ADDRESSED.

DETAIL

2. FIFTY YEARS AFTER HITLER BROKE THE MUNICH AGREEMENT BY INVADING CZECHOSLOVAKIA, SETTING THE CONDITIONS FOR THE OUTBREAK OF WAR, GERMANS IN (EAST BERLIN AND) THE GDR GO TO THE POLLS. THE POLL WILL TAKE PLACE SIX MONTHS AFTER THE HUNGARIANS PRECIPITATED THE EAST GERMAN REVOLUTION BY OPENING THEIR BORDER WITH AUSTRIA.

3. THE LAST ELECTIONS IN THIS PART OF GERMANY IN WHICH THE VOTERS HAD A CHOICE BETWEEN ALTERNATIVE POLICIES, WERE HELD UNDER NAZI (1933) AND COMMUNIST (1946) AUSPICES. ON THE EVIDENCE OF THOSE POLLS AND OF THE 1990 CAMPAIGN, THE RESERVOIR OF SUPPORT FOR THE CENTRE RIGHT IS SOMEWHAT GREATER THAN FOR THE CENTRE LEFT. THERE HAS BEEN ONE ISSUE: THE TIMING AND MODALITIES OF UNIFICATION. THE CENTRE RIGHT CDU-BACKED ALLIANCE FOR GERMANY FAVOUR THE FASTEST POSSIBLE ROUTE: ACCESSION TO THE FRG VIA ARTICLE 23 OF BASIC LAW. THE SPD ARE ALSO IN FAVOUR OF EARLY UNIFICATION, BUT ON THE BASIS OF A NEW ALL-GERMAN CONSTITUTION. THE PDS (SUCCESSOR TO THE COMMUNIST SED) AND ASSORTED LEFT WING GROUPS WHICH HAVE BEEN WOOING THE "'ANGST ..."' VOTE QUITE SUCCESSFULLY, WANT TO SLOW THINGS DOWN. IT SEEMS LIKELY, HOWEVER THAT THE MAJORITY STILL FAVOUR EARLY UNIFICATION. KOHL

ATTRACTED MORE THAN TWICE AS MANY PEOPLE (AROUND 250,000) TO HIS FINAL ELECTION RALLY (ON 14 MARCH) IN LEIPZIG THAN WILLI BRANDT. ALLIANCE SUPPORT FOR ARTICLE 23, AND KOHL'S OFFER, AS FEDERAL CHANCELLOR, OF CURRENCY UNION, ALSO SUGGESTS A STRONG SHOWING FOR THE ALLIANCE, ALTHOUGH THE SCHNUR AFFAIR (MY TELNOS 193 AND 194) COULD TRIM THEIR SUPPORT. THE SITUATION OF GENSCHER (POSSIBLY THE MOST POPULAR AND CERTAINLY MOST TRUSTED OF ALL WEST GERMAN POLITICIANS HERE) COMPARED WITH THE WEAKNESS OF THE LIBERALS SUGGESTS THAT PEOPLE WILL VOTE FOR BIG PARTIES THAT CAN GET THINGS DONE OR SLOW THINGS DOWN.

4. THE TYPICAL PDS VOTER WOULD BE A YOUNGISH, UNDER-EMPLOYED ( IN FUTURE, UNEMPLOYABLE) FEMALE OFFICE WORKER OR SOCIOLOGIST WORRIED ABOUT FREE KINDERGARTENS. MODROW AND GYSI (THE ONLY TWO SIGNIFICANT GDR PERSONALITIES IN THE CAMPAIGN WITH THE POSSIBLE EXCEPTION OF SPD LEADER BOHME) HAVE INDICATED THAT THEY EXPECT TO BE IN OPPOSITION NEXT WEEK. BUT IF THE PDS POLLS WELL ENOUGH TO BID FOR A PLACE IN THE NEW GOVERNMENT OR HOLDS UP FORMATION OF AN ANTI COMMUNIST COALITION THERE IS LIKELY TO BE A FURTHER MASS EXODUS AND SOMETHING APPROACHING CHAOS. FORTUNATELY THE LIKELY OUTCOME IS A GRAND COALITION BETWEEN THE ALLIANCE AND THE SPD. IN THE FINAL STAGES OF THE CAMPAIGN, THE ALLIANCE, THE SPD, AND THEIR WEST GERMAN BACKERS HAVE LARGELY REFRAINED FROM ATTACKS ON EACH OTHER.

5. THE EXTERNAL ASPECTS OF UNIFICATION HAVE HARDLY FEATURED IN THE CAMPAIGN, REFLECTING A CONSCIOUS DECISION BY THE WEST GERMANS AND ALL EAST GERMAN POLITICAL FORMATIONS. ON THE CONTRARY, THE HUNGARIANS AND GORBACHEV PERSONALLY HAVE BEEN PRAISED FOR MAKING FREE AND FAIR ELECTIONS POSSIBLE. THE FRG'S PERMANENT REPRESENTATION HERE HAVE CONFIRMED THAT KOHL AND GENSCHER DID NOT WANT THE ' ' 2+4 ' ' TALKS TO DISCUSS SUBSTANCE BEFORE 18 MARCH BECAUSE THEY COULD HAVE FORCED EXTERNAL ASPECTS OF UNIFICATION ON TO THE ELECTION AGENDA.

6. THERE ARE MANY FOREIGN OBSERVERS HERE. THEY HAVE SEEN A CAMPAIGN THAT WAS FAIR IN THE CIRCUMSTANCES. THE ONLY AREA OF CONTROVERSY HAS BEEN WEST GERMAN INVOLVEMENT,

AN ISSUE FOR THE PDS WHICH HAS NO WESTERN SUPPORT. THE FIRST RESULTS ARE EXPECTED ON SUNDAY EVENING BUT THE LACK OF A DATA BASE (OF PREVIOUS RESULTS) AND THE NUMEROUS (24) PARTIES WILL MAKE IT MORE DIFFICULT THAN IN WEST GERMANY TO PREDICT THE FINAL RESULT QUICKLY.

7. ON 19 MARCH THE PACE OF EVENTS WILL PICK-UP. IF THERE ARE DIFFICULTIES OVER COALITION BUILDING, THE POPULATION WILL PUT PRESSURE ON THEIR NEWLY ELECTED PARLIAMENTARIANS BY VOTING WITH THEIR FEET AGAIN. THERE COULD BE ATTEMPTS, BY SAXONY AND THURINGIA FOR EXAMPLE, TO JOIN THE FRG VIA ARTICLE 23 AT ONCE. IF ON THE OTHER HAND, A GRAND COALITION CAN BE FORMED QUICKLY, NEGOTIATIONS ON CURRENCY UNION WILL FORGE AHEAD, ALLOWING POLITICAL UNIFICATION AND THE EXTERNAL ASPECTS TO BE DEALT WITH AT A MORE MEASURED PACE. THIS OUTCOME WOULD ALSO ALLOW FOR ORDERLY PREPARATION OF LOCAL ELECTIONS TO BE HELD ON 6 MAY.

8. THE ELECTIONS ON 18 MARCH WILL NOT ANSWER THE GERMAN QUESTION BUT THEY WILL PERMIT IT TO BE ADDRESSED.

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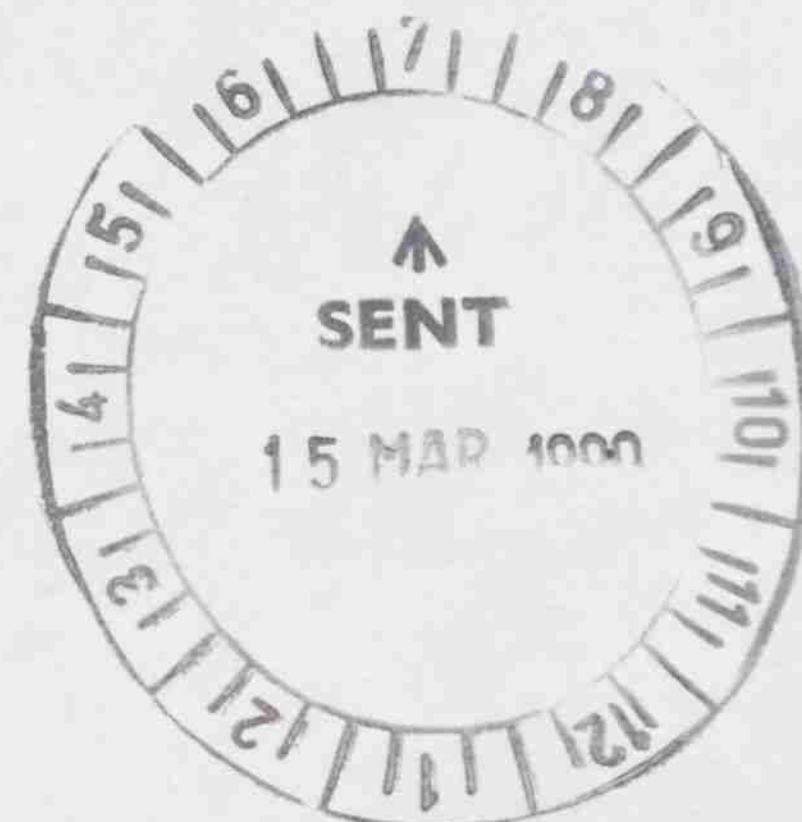
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## THE ALLIES AND GERMAN UNIFICATION

## SUMMARY

1. FRG PRESS REFLECTS WIDESPREAD FEELING IN BONN THAT FRANCO-GERMAN RELATIONS CURRENTLY VERY TENSE. CONCERN TOO ABOUT US ATTITUDE ON POLISH WESTERN BORDER. UK UNSCATHED SINCE YOUR VISIT.

## DETAIL

2. OFFICIAL SOURCES HERE HAVE FOR SOME TIME BEEN ADMITTING TO REAL DIFFICULTIES IN THE FRANCO-GERMAN RELATIONSHIP, CAUSED PRIMARILY BY KOHL'S FAILURE TO ADOPT A MORE SATISFACTORY POSITION ON THE POLISH WESTERN BORDER, AND EXACERBATED BY THE HARDENING OF IT ANNOUNCED ON 2 MARCH (MY TELNO 266). SEVERAL NEWSPAPERS HAVE THIS WEEK QUOTED AS EVIDENCE OF THIS MALAISE THE FRENCH CAMPAIGN FOR THE POLES TO BE ALLOWED TO TAKE PART IN DISCUSSION AMONG THE SIX OF THE POLISH/GERMAN BORDER. THE 'GENERAL ANZEIGER' OF 15 MARCH SPEAKS OF THE FRENCH HAVING BEEN IRRITATED ENOUGH TO PUT ON THE BRAKES, AND ARGUES THAT THERE HAS BEEN A CONSCIOUS FRENCH DECISION TO STOP REFERRING TO 'TWO PLUS FOUR', TO REMOVE THE IMPLICATION THAT GERMAN INTERESTS HAVE PRIORITY. 'DIE WELT' SIMILARLY NOTES THAT KASTRUP'S STATEMENT TO THE PRESS ON 14 MARCH DID NOT USE THE TERM 'TWO PLUS FOUR'. MITTERRAND IS REPORTED TO HAVE TELEPHONED KOHL ON 14 MARCH, TO STRESS HIS WISH TO REPAIR THE RELATIONSHIP, BUT THE OVERALL IMPRESSION REMAINS ONE OF CONTINUING TENSION. MITTERRAND'S RECEPTION THE SAME DAY OF LAFONTAINE, KOHL'S LIKELY SPD CHALLENGER IN NEXT DECEMBER'S FEDERAL ELECTION, IS ALSO REPORTED, ALONG WITH THE COMMENT THAT THEY REACHED A LARGE MEASURE OF AGREEMENT ON GERMAN UNIFICATION.

3. THE 'GENERAL ANZEIGER' OF 15 MARCH ATTRIBUTES TO US SOURCES A SUGGESTION THAT THE AMERICAN LINE ON THE WESTERN POLISH BORDER IS EXPECTED TO HARDEN CONSIDERABLY DURING NEXT WEEK'S POLISH STATE VISIT TO WASHINGTON. THIS CHIMES WITH REPORTS FROM AUSWAERTIGES AMT SOURCES THAT THE FRG EMBASSY IN WASHINGTON HAS FOR OVER A WEEK BEEN PREDICTING A TOUGHER US LINE ON THAT SUBJECT, IN RESPONSE TO MOUNTING PRESSURE IN CONGRESS.

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4. THE UK BY CONTRAST HAS THIS WEEK ESCAPED UNFAVOURABLE MENTION, IN PART WITHOUT DOUBT BECAUSE OF THE WARMTH CREATED BY YOUR RECENT VISIT (MY TELNO 315).

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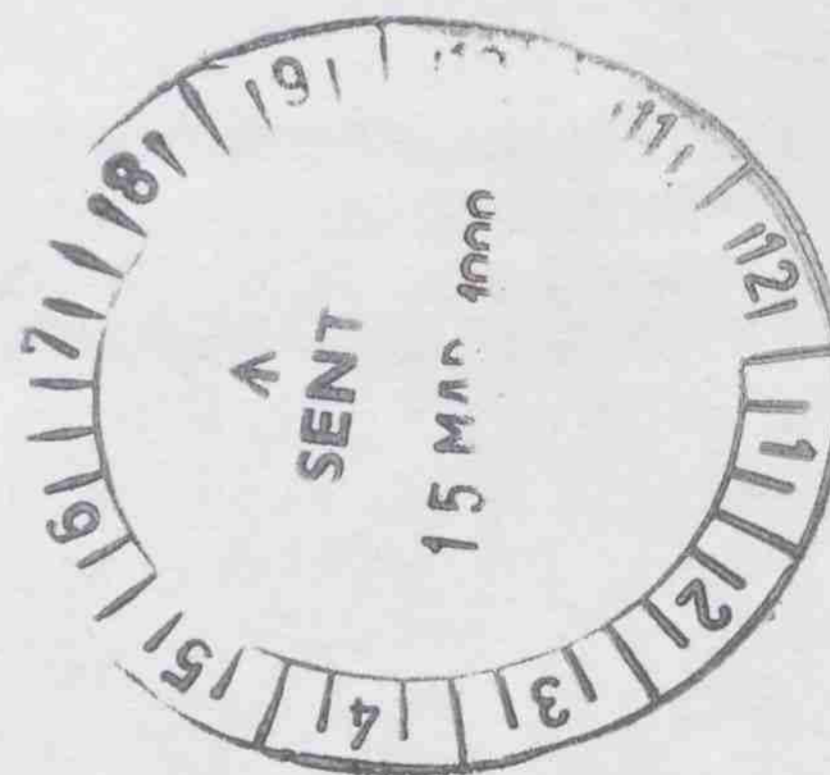
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AND TO IMMEDIATE ROME, OTTAWA, TOKYO, WARSAW, PRAGUE, BUDAPEST  
AND TO IMMEDIATE OSLO, COPENHAGEN, MADRID, LISBON, LUXEMBOURG  
AND TO IMMEDIATE BRUSSELS

MY TELNOS 190 - 192 TO BONN: FIRST MEETING OF THE TWO PLUS FOUR

1. TURS GIVE AN ACCOUNT OF THE FIRST OFFICIAL LEVEL TWO PLUS FOUR MEETING IN BONN ON 14 MARCH. PLEASE SEEK AN EARLY OPPORTUNITY TO BRIEF YOUR HOST GOVERNMENT (PREFERABLY AT POLITICAL DIRECTOR LEVEL) ON THIS MEETING. YOU SHOULD MAKE IT CLEAR THAT THIS BRIEFING IS GIVEN IN CONFIDENCE (THE TWO PLUS FOUR AGREED THAT THE DETAILS OF THE MEETING WOULD BE STRICTLY CONFIDENTIAL).

2. YOU SHOULD MAKE THE FOLLOWING POINTS:

- THE TWO PLUS FOUR PROCESS HAS GOT OFF TO A GOOD START WITH A FIRST MEETING OF POLITICAL DIRECTORS IN BONN ON 14 MARCH (WESTON: UK, ADAMISHIN: USSR, KASTRUP: FRG, ZOELICK AND SEITZ: US, DUFOURCQ: FRANCE, KRABATSCH: GDR).
- AGREEMENT HAS BEEN REACHED ON THE PROCEDURES FOR THE OFFICIAL LEVEL MEETINGS, WHICH WILL ALTERNATE BETWEEN BONN AND EAST BERLIN. THE CHAIRMANSHIP WILL ROTATE BETWEEN THE SIX. A NUMBER OF PRACTICAL DETAILS WERE AGREED.
- THE NEXT MEETING WILL TAKE PLACE IN EAST BERLIN UNDER GDR CHAIRMANSHIP AFTER THE GDR ELECTIONS AND A NEW GOVERNMENT HAS BEEN FORMED. OUR AIM IS TO HOLD THIS MEETING IN THE FIRST TWO WEEKS OF APRIL. THE PLANNING ASSUMPTION IS THAT THIS WOULD BE FOLLOWED BY A MEETING OF THE SIX MINISTERS, PROBABLY IN BONN, WITHIN 4 WEEKS OR SO OF THE GDR ELECTIONS. WE HAVE AGREED ARRANGEMENTS TO ALLOW EXTRA OFFICIAL LEVEL MEETINGS TO BE CONVENED IF NECESSARY.
- IN PRELIMINARY DISCUSSION IT WAS AGREED THAT THE AGENDA FOR THE TWO PLUS FOUR SHOULD INCLUDE BORDERS, POLMIL QUESTIONS, BERLIN AND FOUR POWER RIGHTS AND RESPONSIBILITIES. WE WILL WISH TO INCLUDE OTHER ITEMS AS WELL AND DISCUSSION ON THE AGENDA WILL CONTINUE.
- ALL SIX AGREED THAT POLAND SHOULD BE INVOLVED IN THE TWO PLUS FOUR PROCESS AS SOON AS HER BORDERS WERE DISCUSSED. IT WAS AGREED THAT POLAND COULD NOT PARTICIPATE IN FORMAL TWO PLUS FOUR MEETINGS BUT THAT SUITABLE MODALITIES SHOULD BE AGREED

FOR SEPARATE MEETINGS WITH THE POLES. THE UK PRESSED FOR AN EARLY MEETING WITH POLAND, POSSIBLY AS SOON AS THE NEXT OFFICIAL LEVEL MEETING IN EAST BERLIN.

- WE HOPE TO PROVIDE FURTHER BRIEFINGS IN GREATER DETAIL ONCE MEETINGS OF THE TWO PLUS FOUR MOVE ON TO SUBSTANCE.
- 3. FOR TOKYO: WESTON HOPES TO TALK TO OWADA ON THE TELEPHONE ON 16 MARCH.
- 4. WESTON IS ALSO BRIEFING THE POLISH, ITALIAN AND DUTCH AMBASSADORS IN LONDON TODAY.

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MEETING OF FOUR WESTERN POLITICAL DIRECTORS, PARIS, 13 MARCH

SUMMARY

1. FRANCE PRESSES FOR EARLY MEETING OF THE TWO PLUS FOUR WITH THE POLES IN WARSAW. FRG INSISTS MEETING MUST BE ON GERMAN SOIL, BUT FLEXIBLE ABOUT INVOLVING POLES. AGREEMENT THAT TWO PLUS FOUR AGENDA SHOULD INCLUDE BORDERS AND PEACE SETTLEMENT, POL-MIL ISSUES, BERLIN AND THE ENDING OF FOUR POWER RIGHTS AND RESPONSIBILITIES. UK AND US PRESS FRG FOR EARLY DISCUSSION OF POL-MIL ISSUES IN FOUR, PRIOR TO ANY FIRM DECISIONS BY THE FRG GOVERNMENT. FRENCH PREPARED TO AGREE NOT TO RAISE DIRECT ELECTIONS IN BERLIN IN THE TWO PLUS FOUR.

DETAIL

2. THE POLITICAL DIRECTORS OF THE UK, US, FRANCE AND THE FRG MET IN PARIS ON 13 MARCH TO DISCUSS THE APPROACH TO THE TWO PLUS FOUR MEETING IN BONN ON 14 MARCH. THE FRENCH WERE IN THE CHAIR. SEE MIFT FOR DISCUSSION OF PROCEDURES.

POLAND

3. DUFOURCQ (FRANCE) SAID THEY FAVOURED AN EARLY MEETING OF THE SIX IN WARSAW TO HEAR POLISH VIEWS. WESTON SAID WE HAD RECEIVED A SIMILAR DEMARCHE FROM THE POLES. WE NEEDED TO FIND A WAY OF INVOLVING THE POLES WHEN THE SUBJECT OF THEIR BORDER WAS DISCUSSED. KASTRUP (FRG) SAID THEY WERE STRONGLY OPPOSED TO A MEETING IN WARSAW. ANY MEETING SHOULD TAKE PLACE ON GERMAN SOIL. THEY ACKNOWLEDGED HOWEVER THE LEGITIMATE RIGHT OF THE POLES TO PRESENT THEIR VIEWS ON THE BORDER ISSUES. AS LONG AS THE MEETING TOOK PLACE IN GERMANY THEY WOULD BE FLEXIBLE. DUFOURCQ SAID GENSCHER AND DUMAS WOULD DISCUSS THIS QUESTION FURTHER IN PARIS ON 13 MARCH.

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4. WESTON ASKED WHETHER IT WAS POSSIBLE TO CONSIDER INVOLVING THE POLES IN DISCUSSION OF BORDERS (BUT NOT THE REST OF THE MEETING) AS EARLY AS THE SECOND MEETING OF THE OFFICIAL LEVEL TWO PLUS FOUR, ON AN AD HOC BASIS. DUFOURCQ AGREED THAT WE NEEDED TO RESPOND TO THE POLES SOON. WE SHOULD NOT HOWEVER INVOLVE THEM IN THE FORMAL MEETINGS OF THE TWO PLUS FOUR. KASTRUP SAID HE HAD NO INSTRUCTIONS ON THIS POINT BUT, SPEAKING PERSONALLY, COULD ENVISAGE SUCH A MEETING WITH THE POLES. IT WAS AGREED THAT IF THE SOVIET UNION RAISED THE ISSUE WE WOULD SAY THAT THIS QUESTION SHOULD BE DEALT WITH AS A MATTER OF PRIORITY IN THE TWO PLUS FOUR.

#### SUBSTANTIVE AGENDA OF THE TWO PLUS FOUR

5. DUFOURCQ SAID THE TWO PLUS FOUR NEEDED TO DEAL WITH FOUR TYPES OF ISSUE:

- (A) BORDERS AND PEACE SETTLEMENT.
- (B) POL-MIL ISSUES.
- (C) BERLIN.
- (D) ENDING OF FOUR POWER RIGHTS AND RESPONSIBILITIES.

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WE SHOULD FOLLOW THIS SEQUENCE IN DISCUSSION. KASTRUP SAID HE COULD ACCEPT THIS AGENDA BUT HE COULD NOT AGREE THAT BORDERS SHOULD BE SETTLED BEFORE DISCUSSION COULD EVEN BEGIN ON OTHER ISSUES. ZOELICK (US) SAID THE ISSUES WERE INTER RELATED. SOME WOULD REQUIRE DETAILED WORK. WE SHOULD APPROACH THEM ALL IN PARALLEL. WESTON AGREED THAT THE ISSUE OF BORDERS NEEDED TO BE ADDRESSED EARLY ON. BUT ONCE THE PROCEDURES WERE AGREED AMONG THE TWO PLUS FOUR AND POLAND THE PRACTICAL NEGOTIATIONS WOULD BE FOR THE TWO GERMANIES AND POLAND, WITH THE RESULT BEING ENDORSED AS APPROPRIATE AT THE END OF THE DAY. DUFOURCQ AGREED THAT WE SHOULD TAKE BORDERS AS FAR AS WE COULD, BUT THIS SHOULD NOT HOLD UP OTHER WORK.

#### POL-MIL ISSUES

6. WESTON SAID POL-MIL ISSUES WERE OF FUNDAMENTAL IMPORTANCE AND WE SHOULD ADDRESS THESE QUICKLY IN THE TWO PLUS FOUR. WE NEEDED TO AGREE A COMMON WESTERN LINE ON THE DIFFICULT QUESTIONS SURROUNDING THE PARTICIPATION OF A UNITED GERMANY IN NATO BEFORE THE RUSSIANS ATTEMPTED TO DIVIDE US IN THE TWO PLUS FOUR. HE ASKED WHETHER THE GERMANS HAD YET REACHED ANSWERS TO THE QUESTIONS WE HAD POSED AT THE PREVIOUS MEETING. KASTRUP SAID THE CABINET COMMITTEE ON THIS SUBJECT

6

WAS MEETING IN BONN TODAY (13 MARCH). THEY HAD NOT YET REACHED ANY DECISIONS. WESTON HOPED THE FRG GOVERNMENT WOULD DISCUSS THESE QUESTIONS WITH THE ALLIES BEFORE MAKING ANY ANNOUNCEMENTS OR COMING TO ANY IRREVOCABLE CONCLUSIONS. THEY WERE MATTERS FOR JOINT DISCUSSION AND JOINT DECISION. ZOELICK AGREED THESE WERE MATTERS FOR JOINT DECISION. THEY HAD LONG TERM IMPLICATIONS FOR GERMAN AND ALLIANCE SECURITY. HE HOPED THE FRG COULD BRIEF ALLIES ON THE DISCUSSIONS IN THE CABINET SUB COMMITTEE. IF THE GERMANS DID NOT BELIEVE THAT DISCUSSION IN THE FOUR WAS THE APPROPRIATE COURSE THEY SHOULD LET US KNOW.

#### ARTICLE 23

7. DUFOURCQ SAID ADAMISHIN WAS LIKELY TO RAISE ARTICLE 23 AT THE TWO PLUS FOUR MEETING. ARTICLE 7 OF THE SOVIET/GDR TREATY OF 1964 REQUIRED UNIFICATION TO TAKE PLACE ON THE BASIS OF TWO STATES. FRANCE HAD APPROVED SAARLAND'S ACCESSION TO THE FRG UNDER ARTICLE 23. A POSSIBLE ARGUMENT MIGHT BE MADE FOR THE SOVIET UNION FOLLOWING THIS PRECEDENT AS THE GDR WAS FORMERLY THE SOVIET OCCUPATION ZONE. KASTRUP SAID THE FRG WAS PREPARED TO DISREGARD THESE LEGALISTIC ARGUMENTS. ZOELICK SAID WE SHOULD SAY THIS WAS AN INTERNAL LEGAL MATTER. KASTRUP PROMISED TO CIRCULATE A PAPER GIVING PRELIMINARY LEGAL ADVICE ON THE STATE SUCCESSION ISSUE.

#### DIRECT ELECTIONS

8. KASTRUP ASKED IF FRANCE INSISTED ON RAISING THE ISSUE OF DIRECT ELECTIONS IN BERLIN IN THE TWO PLUS FOUR. DUFOURCQ SAID THAT IF THE SOVIET UNION RAISED THE QUESTION WE COULD NOT REFUSE TO DISCUSS IT. WESTON SUGGESTED THAT IT WOULD BE BETTER TO RESPOND IN WRITING TO THE SOVIET DEMARCHE AND THEN ALLOW A FEW DAYS TO PASS. SOVIET SILENCE COULD BE INTERPRETED AS CONSENT. KASTRUP SAID THE ISSUE WAS BECOMING URGENT. DUFOURCQ AGREED TO CONSIDER THIS APPROACH.

#### PEACE SETTLEMENT

9. ZOELICK UNDERTOOK TO CIRCULATE THE PROMISED PAPER ON THE FORM OF A PEACE SETTLEMENT SHORTLY. THE SOVIET UNION WOULD PRESS FOR A PEACE TREATY. WE SHOULD CONSIDER HOW TO RESPOND. DUFOURCQ SAID FRANCE WANTED A RATIFIABLE INTERNATIONAL ACT. KASTRUP SAID THE FRG OPPOSED A PEACE TREATY.

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MIPT: MEETING OF FOUR POWER WESTERN POLITICAL DIRECTORS: PROCEDURES

SUMMARY

1. AGREEMENT IN WESTERN FOUR ON PROCEDURES FOR TWO PLUS FOUR. SEITZ (US) AND KASTRUP (FRG) TO BRIEF NAC ON THURSDAY. FRENCH VERY RESERVED ABOUT REGULAR BRIEFING FOR NATO. FRANCO/AMERICAN DISAGREEMENT ON WESTERN COORDINATION.

DETAIL

2. THE FOUR WESTERN POLITICAL DIRECTORS REACHED AGREEMENT ON THE FOLLOWING PROCEDURES FOR THE TWO PLUS FOUR:

(A) LOCATION: FIRST MEETING IN BONN AND SECOND MEETING IN EAST BERLIN. THEREAFTER ROTATION BETWEEN THE TWO GERMANIES. FRANCE HAD PRESSED FOR ROTATION BETWEEN ALL SIX CAPITALS BUT LET THIS DROP IN FACE OF GERMAN OBJECTIONS. THE RUSSIANS WILL NO DOUBT PUSH FOR THIS. THE GDR WILL APPARENTLY URGE THE SOVIET UNION TO AGREE TO MEETINGS IN GERMANY. THERE WAS AGREEMENT THAT WE SHOULD BE CAREFUL NOT TO CONCEDE THAT EAST BERLIN WAS THE CAPITAL OF THE GDR.

(B) CHAIRMANSHIP: ROTATION AMONG THE SIX IN GERMAN ALPHABETICAL ORDER (FRG, GDR, FRANCE, USSR, US AND UK). CHAIR TO ROTATE SEPARATELY FOR OFFICIAL AND MINISTERIAL MEETINGS. THE NEXT CHAIRMAN HOLDS THE CHAIR BETWEEN MEETINGS.

(C) SEATING: IN GERMAN ALPHABETICAL ORDER (COUNTER CLOCKWISE AS AT CONGRESS OF VIENNA).

(D) INTERPRETATION INTO ALL FOUR LANGUAGES.

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(E) MEETINGS TO BE CONFIDENTIAL.

(F) PRESS LINE: FIRST MEETING TO ISSUE A SHORT FACTUAL PRESS LINE CONTAINING THE FOLLOWING ELEMENTS: IN ACCORDANCE WITH MINISTERIAL STATEMENT IN OTTAWA OFFICIAL LEVEL TALKS START TODAY: PARTICIPANTS HAD A DETAILED DISCUSSION OF PROCEDURAL QUESTIONS AND AN EXCHANGE OF VIEWS ON THE GENERAL TOPICS TO BE DEALT WITH IN THESE TALKS: AGREEMENT ON CONFIDENTIALITY OF TALKS: NEXT OFFICIAL LEVEL MEETING TO TAKE PLACE AFTER GDR ELECTIONS AND FORMATION OF A GOVERNMENT: A MINISTERIAL MEETING THEREAFTER. NO PRECEDENT OR COMMITMENT TO AGREE PRESS LINES IN FUTURE.

(G) FREQUENCY: NO AGREEMENT ON DATE OF NEXT OFFICIAL LEVEL MEETING OR FIRST MINISTERIAL MEETING UNTIL NEW GDR GOVERNMENT. FRANCE PRESSED FOR A MINISTERIAL MEETING IN FIRST TWO WEEKS OF APRIL, BUT US RESISTED.

(H) CONVENING MEETINGS: AS FAR AS POSSIBLE EACH MEETING TO AGREE DATE OF NEXT MEETING. ANY PARTICIPANT FREE TO ASK CHAIRMAN FOR AN EXTRA MEETING BUT NEED CONSENSUS OF SIX TO HOLD A MEETING.

(I) SUB-GROUPS: TO BE DECIDED LATER. US NOT PREPARED TO AGREE TO SUB-GROUPS OF THE TWO PLUS FOUR UNLESS FRANCE AGREES TO SUB-GROUPS OF THE WESTERN FOUR.

(J) SECRETARIAT/COSTS: HOSTS TO PROVIDE FACILITIES. NO NEED FOR A SECRETARIAT. KASTRUP SUGGESTS COSTS WILL BE SUBSTANTIAL BUT DOES NOT PROPOSE THEY SHOULD BE SHARED.

(K) REPRESENTATION: START OF THREE PER SIDE BUT CAN BE INCREASED IN FUTURE TO FOUR TO INCLUDE REPRESENTATIVES OF EMBASSIES IN BONN OR EXPERTS. KASTRUP ANNOUNCED THAT THE SOVIET AMBASSADOR IN BONN (KVITSINSKY) WOULD NOW BE ATTENDING WITH ADAMISHIN.

(L) AGENDA: EACH MEETING TO AGREE AGENDA FOR SUBSEQUENT MEETING BUT PARTICIPANTS FREE TO SUGGEST ADDITIONAL ITEMS FOR THE AGENDA BUT THESE CAN ONLY BE ADDED BY CONSENSUS. FRG ATTACHES PARTICULAR IMPORTANCE TO THIS AND FEARS THAT GDR MAY TRY TO PUT PROPERTY RIGHTS AND OTHER INTERNAL ISSUES ON THE AGENDA.

(M) DECISIONS: BY CONSENSUS, BUT NOT ALL SUBJECTS ON AGENDA FOR DECISION, AS DISTINCT FROM DISCUSSION, BY TWO PLUS FOUR (SOME FOR DECISION BY NATO, EC, THE GERMANS ETC).

3. THE FOUR POLITICAL DIRECTORS AGREED THAT THE TWO PLUS FOUR MEETING SHOULD NOT GO INTO SUBSTANTIAL ISSUES ON 14 MARCH. ADAMISHIN WOULD PROBABLY MAKE AN INTERVENTION EARLY ON CALLING FOR UNIFICATION TO PROCEED STEP BY STEP AND REJECTING MEMBERSHIP OF NATO FOR A UNIFIED GERMANY. KASTRUP WOULD RESPOND FIRMLY, STATING THE FRG'S POSITION. OTHERS WOULD SUPPORT.

4. WESTON PROPOSED THAT WE SHOULD ASK ADAMISHIN FOR AN EXPLANATION OF SHEVARDNADZE'S OPAQUE MESSAGE ON EMERGENCY MEETINGS OF THE TWO PLUS FOUR. AGREEMENT THAT AMBASSADORS WOULD ATTEND IF SUMMONED BUT REJECTION OF ULTIMATA. IF ADAMISHIN WAS UNABLE TO CLARIFY THE MESSAGE WE SHOULD REPLY TO SHEVARDNADZE ON THE LINES OF THE AMERICAN DRAFT.

#### BRIEFING NATO

5. ZOELICK AND DUFOURCQ DISAGREED SHARPLY ON BRIEFING NATO ALLIES. DUFOURCQ SAID THERE WAS NO NEED TO COORDINATE AN ALLIANCE POSITION BEFORE EACH TWO PLUS FOUR MEETING OR TO DEBRIEF AFTER EACH MEETING. THEY WERE PREPARED TO DISCUSS THE SUBJECT AT PERMANENT REPRESENTATIVES' INFORMAL LUNCHESES. BUT BRIEFING THE NAC WOULD DRIVE A COACH AND HORSES THROUGH CONFIDENTIALITY. WOERNER HAD TALKED TO THE PRESS OF ''SYNCHRONIZATION''. THIS WAS UNACCEPTABLE. ZOELICK SAID THERE HAD BEEN A STRONG REACTION FROM ALLIES EXCLUDED FROM THE TWO PLUS FOUR MECHANISM. WE HAD TO DEBRIEF ALLIES, PARTICULARLY AFTER THE FIRST MEETING. KASTRUP AND WESTON SUPPORTED THE NEED TO BE FLEXIBLE AND GENEROUS IN BRIEFING. DUFOURCQ SAID THERE WAS NOW A PROPOSAL FOR A SPECIAL MINISTERIAL NAC TO DISCUSS UNIFICATION. THIS WAS UNACCEPTABLE. DUMAS WOULD NOT ATTEND. ZOELICK SAID THAT ANDREOTTI HAD PROPOSED THE MEETING TO ALLOW BAKER TO DEBRIEF ALLIES ON HIS DISCUSSIONS WITH SHEVARDNADZE. KASTRUP AND SEITZ SAID THEY WOULD GO TO BRUSSELS TO DEBRIEF THE NAC ON THURSDAY. WESTON SAID HE WOULD BE HAPPY TO TAKE HIS TURN AT THIS ON A FUTURE OCCASION. DUFOURCQ SAID HE WOULD REPORT TO DUMAS.

#### WESTERN COORDINATION

6. DUFOURCQ SAID FRANCE WOULD NOT AGREE TO ESTABLISHING SUB-GROUPS OF THE WESTERN FOUR. WE SHOULD NOT CREATE PERMANENT MACHINERY AT FOUR TO PREPARE FOR EVERY MEETING OF THE TWO PLUS FOUR. THEY FAVOURED CONTINUING WITH THE EXISTING PATTERN OF MEETINGS OF THE FOUR POLITICAL DIRECTORS. ZOELICK SAID THE MACHINERY WAS ALREADY IN PLACE IN THE FORM OF THE BONN GROUP. WE SHOULD AVOID GIVING THE RUSSIANS OPPORTUNITIES TO DIVIDE THE WEST. WESTON AND KASTRUP SUPPORTED ZOELICK ON THE NEED FOR WESTERN COORDINATION. DUFOURCQ SAID WE SHOULD NOT CONFRONT THE SOVIET UNION WITH A WESTERN BLOC.

ZOELLICK SAID MINISTERS SHOULD DISCUSS THIS ISSUE.

7. DUFOURCQ SAID DUMAS WOULD NOT BE GOING TO NAMIBIA AND A MEETING OF THE FOUR MINISTERS WOULD NOT THEREFORE BE POSSIBLE. NOR COULD HE AGREE TO A MINISTERIAL FOUR IN THE MARGINS OF THE APRIL NAC SINCE DUMAS WOULD NOT BE ATTENDING THAT EITHER. WESTON ASKED FOR REPLIES TO YOUR INVITATION TO A MEETING AT CHEVENING ON 6 JUNE. KASTRUP ACCEPTED FOR GENSCHER. DUFOURCQ SAID DUMAS COULD NOT ARRIVE BEFORE 1330 BECAUSE OF A COUNCIL OF MINISTERS' MEETING THAT MORNING. ZOELLICK PROMISED (AGAIN) TO GET A REPLY FROM BAKER AS SOON AS POSSIBLE.

8. THE FOUR POLITICAL DIRECTORS WILL MEET AGAIN IN WASHINGTON ON 10 APRIL.

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'The European Community and Eastern Europe'

I enclose a copy of a lecture which I gave to the Politics Planning and Society Course at the University of Sussex on 6th March 1990.

Sir Leslie Fielding

## THE EUROPEAN COMMUNITY AND EASTERN EUROPE

Lecture by Sir Leslie Fielding, Vice-Chancellor

Politics Planning and Society Course, University of Sussex  
6 March 1990

### I: INTRODUCTION: THE NEW MAP OF EUROPE

The dilemmas and perplexities of this morning's subject are well introduced by the words of the Political Correspondent of the Financial Times, Mr Joe Rogaly, when he wrote last month that

"All that we have been taught, or taught ourselves, is now under challenge by a continuous barrage of news about developments that were previously considered impossible."

The tearing down of the Berlin Wall, the early prospect of union between East and West Germany, the reaffirmation of democratic rights and processes elsewhere in Eastern Europe, the challenge to the Communist Party's monopoly of power even in the Soviet Union, the potential break-up of that Union at the hands of its constituent nationalities and ethnic and religious groups, the already evident reduction of East/West military tension and the possibility of a significant measure of disarmament, the withering of the Warsaw Pact, the redundancy of COMECON, the move away from Marxist economics towards more market-driven, consumer-oriented models - all these bewildering developments would have been thought improbable up to less than a year ago and have in fact been quite unthinkable in Europe for the past 40 years. Indeed, for much of that period, any such moves would have met with severe repression and some of them might even have risked a Third World War. Today, the momentum of the phenomenon seems as unstoppable as its appearance has been spontaneous and sudden.

In other words, the political, economic, social and strategic map of Europe is having to be re-drawn. No one yet sees clearly what new shape it will now assume. Planners have gone back to their drawing boards and futurologists to their tea leaves. But most observers agree that the new map will look quite different from the old. What is happening will affect Western Europe intimately and profoundly. But it will also directly concern all other Western democracies - especially the US, but also for example Japan. Its impact will make itself felt sooner or later on China, Korea and Vietnam, on Israel and Islam and on the Third World generally.

### II: SOME MAJOR UNCERTAINTIES

It deserves to be mentioned at the outset that this whole process is attended by very great uncertainties. It is not a uniform and monolithic movement in one predetermined direction, with linear and largely predictable consequences. The outcome will be confused and untidy. At present, analysts are still having to rely on guesswork. I will list some of the uncertainties, hazarding some tentative guesses of my own as I go along.

#### The position of Mr Gorbachev

Will Mr Gorbachev survive the upheaval to which Glasnost, Perestroika and his accelerating reform programme have given rise? Clearly he is not indispensable - there are other Communists in a similar mould who could take his place; and we should not subscribe to a personality cult in his honour, remarkable a man though he is. He has been, and is, an admirable architect of Perestroika; but it would be an error to regard him as the only possible architect of it, or his Perestroika as the only possible model. The odds in

Mr Gorbachev's favour seem to have improved in the short term; he has shown skill and tenacity in pressing ahead with his ideas and consolidating his power base. In the longer term, I would put the chances of his retaining his present personal ascendancy at no better and no worse than 50:50. If he holds out and succeeds, he will become a national hero and a major historic figure in his own right; but this is not yet certain - intellectuals in Moscow still speculate in private as to which Red Army General might overthrow him.

### Is the process irreversible?

The more interesting question is whether the process Mr Gorbachev has initiated is in itself irreversible.

There is a risk - unquantifiable but real - of a conservative lash-back aiming at restoring to the Soviet Union an authoritarian regime along traditional lines. Members of the Nomenklatura must be feeling a loss of privilege and identity. A few senior military men probably think that the defence and integrity of the USSR is being placed at risk by troop reductions, budget cuts and disengagement from central Europe. Rather more military men, party members and ethnic Russians are no doubt apprehensive at the prospect of a break-up of the Soviet Union itself into a Slavonic centre and a disaffected and dissociated periphery. The Baltic republics, Moldavia and some of the Central Asian Republics possess significant natural resources; certain of them are of exceptional strategic importance; their affirmation of regional autonomy, and a fortiori the actual secession of any one of them, would have important consequences for the Russian homeland. If such dubious and disaffected elements coalesce and find a leader, with support from the armed forces and the KGB, an atavistic return to the Brezhnev or even Stalin model might be attempted. All this has to be a source of concern to Western Europe, powerless though it is to intervene. In the Times four weeks ago, Mr Lebedev, Deputy Chief of the Soviet Communist Party's Ideology Department, wrote that "the danger of destabilising a country that has 30,000 nuclear warheads and other weapons is a global problem".

But such a putting back of the clock does not seem to be likely. It could not be carried through without massive bloodshed, and without the total forfeiture of all prospects of Western assistance to a Soviet economy already in a serious mess. It would be extremely difficult to impose, outside the Soviet borders, on countries like East Germany and Hungary. And the appetite for reform is growing throughout the USSR, where a basically literate and technically quite well educated population is now for the first time possessed of a range of political information and opinion sufficient to generate nationwide enthusiasm for change; and where dissatisfaction with the status quo is now both widespread and profound, both at grass roots and among the thinking elites.

### Will the process fully work out?

If Gorbachevian reform is probably not extinguishable, will it actually succeed in all its objectives - those declared, and those implicit in the dynamic of change? Here there must be room for honest doubt: we should not expect too much.

In the USSR, there is little or no knowledge from practical experience of how free markets and commercial competition actually operate. The economy is in a worse state now than when Mr Gorbachev began - with shortages, hidden inflation and a decline in labour productivity. The economy could look up a bit in 1991/92, as the stabilisation programme pays off and the radical economic reforms start to bite. But 1990, at least, will be a difficult year.

Literacy and technical education - one of the positive achievements of Soviet Communism - may not be enough to swing the required transformation of Soviet Society. The USSR no doubt needs genuine parliamentary democracy - for the first time in history in those parts. But that will not be achieved merely by the proliferation of parties other than the good old CP. The authoritarian bureaucratic tradition is not one on which western style liberalism can readily be grafted. Innate conservatism, narrow nationalisms - not least that of Russia itself - and anti-semitism will need to be countered, and totally new political habits acquired, if stability is to be found rather than lost. Mr Oleg Gordievski, the KGB defector to London, wrote last week that he had in any case grave doubts whether developments in the USSR would in the event continue right up to the realisation of political pluralism and a free market. He could be proved right. It seems to be so that the initial driving force of Glasnost and Perestroika was not primarily a desire to abolish the secret police, promote liberal and democratic groupings or prioritise the needs of the poverty stricken, or reach out to a Westminster parliamentary model. Rather, it was the realisation that the Soviet Union was an economic failure, falling further and further behind the rest of the world; that economic decline would lead on to military decline; and that a major shake up of Soviet Society was therefore inescapable, if Socialism was not to become extinct.

In East Europe, political pluralism and alternative economic models are a living memory, Communism having been forced upon it by the Red Army only since the Second World War. Even so, the experiments now being introduced in Poland, the GDR and Czechoslovakia are novel and are being operated by mostly inexperienced people. There is much talk of finding a "Third Way" between Communism and Capitalism; but also some doubt whether such a way is practically feasible. The choice may end up by being one between the State Socialism which many in East Europe now think cannot be satisfactorily adapted and reformed, and on the other hand Social Democratic models of the kind found, for example, in Sweden. Yet even these latter models currently have their credibility problems, even if Eastern countries prove capable of following them, which for the present must remain in doubt. So we must expect confusion and a series of expensive mistakes, which seem likely to persist longer in the USSR than in East Europe.

#### Is disarmament a real prospect?

What about disarmament? If there is no Stalinist clamp-down in Moscow, will a lasting reduction in troops, weapons and East/West military tension in Europe prove possible? Here, I am more sanguine. A reduction of tension has already taken place. Ceilings on troop numbers in Europe have been provisionally agreed between Moscow and Washington. Soviet garrisons in Hungary and Czechoslovakia will be withdrawn, and greatly thinned out in Poland and East Germany. The 35 nation Conference on Security and Cooperation in Europe (CSCE) due to take place this autumn is likely to prove a success, and open up good prospects for new and lasting pan-European security arrangements in the 1990s incorporating a degree of disengagement of both conventional and nuclear weapons systems and deployments. The restrictions on high technology exports which could be of military value to the Warsaw Pact operated by COCOM (the 17 nation Coordinating Committee for Multilateral Export Controls) are already being cut back.

To be sure, a powerful defence capacity will be retained by the USSR and NATO, both for mutual deterrence and as a reserve for dealing with potential threats from elsewhere. Keeping an effective internal security capacity will remain a Soviet necessity; most European countries, Eastern and Western, will need to be able to conduct anti-terrorist and anti-piracy operations; and the two military super powers at least will require some intervention capacity outside the European theatre. The Soviet forces, in particular,



could end up becoming "meaner and leaner", with more up to date and sophisticated equipment derived from more freely available Western technology, and of course with the continued possession of an impressive nuclear arsenal. Nevertheless, a worthwhile "peace dividend" should on balance prove realisable at the end of the negotiating process.

#### The consequences for the EC

But let me now leave such wider speculative issues to one side, and turn to the consequences of the changes in Eastern Europe for the European Community, which is the central theme of this lecture. These consequences seem likely to be very far reaching. The Community is being tested as to its capacity to react positively, not only in coming to the assistance of Eastern Europe, but also in adjusting its own internal and external policies to the new situation.

### III: THE HISTORICAL BACKGROUND TO THE EC'S RELATIONS WITH THE EAST

To put things in their historical setting, there has been a "long march" in the evolution of EC relations with the East. Originally, in the 1950s and 1960s, the Community was regarded with hostility; in the 1970s there came a period of limited contacts, but with very little to show for them; in the mid 1980s, effective relations were finally established, but with initially only modest content; in the 1990s, the relationship should be completely transformed.

#### Initial Hostility

For many years after the creation of the EEC in 1958, the Eastern European countries, and particularly the USSR, adopted a suspicious, even hostile, attitude towards it. The EEC was seen as "the economic arm of NATO" or an instrument of US hegemony. Pravda published, in 1962, "32 Theses on imperialist integration in West Europe". The East found it hard to accept that the Community was not directed against anyone.

The Community for its part nevertheless did take various initiatives to normalise relations with its Eastern neighbours. In 1972, for example, the Heads of State and Government of the Community expressed their willingness to establish trade relations with Eastern Europe as a contribution to detente; and in November 1974, the EC Commission proposed to all State-trading countries an outline of an overall trade agreement.

#### Subsequent Limited Contacts

The East European countries could not respond to this initiative: Moscow was opposed. But their initially hostile attitude was dropped in favour of a policy of limited contacts. This policy was embodied in a Soviet proposal in 1976 that an agreement be concluded between the Community and the Moscow-based Council for Mutual Economic Assistance (CMEA, or "COMECON"), and between their respective member countries. Bilateral agreements between the Community and individual countries in Eastern Europe were to be used only for "certain particular concrete questions".

The Community rightly saw these proposals as intended to play down the significance of bilateral relations between the Community and individual East European states, by laying down guidelines in a "bloc-to-bloc" agreement, and by submitting bilateral agreements with partner countries to the control of a "bloc-to-bloc" body, the EEC-COMECON Joint Committee. Furthermore, the EC was not the equivalent of the COMECON; the latter, largely an instrument of Soviet economic hegemony, had no common commercial policy towards the West; and virtually no other characteristics in common. And, the inclusion

of EC Member States in the proposed agreement suggested that the COMECON (or more truly, the Soviet Union) wished to ignore and by-pass the Community's exclusive powers over trade policy matters.

Negotiations between the Community and COMECON inevitably got nowhere; and came to a halt in 1980. But despite the USSR's policy line that direct dealings with the Community as such should where possible be avoided, most of the East European countries nevertheless found it useful to conclude agreements with the Community of a technical nature in sectors such as steel, textiles and agricultural products. And happily there eventually followed a third phase, in which "normalisation" of relations was taken more seriously by the East.

### The Opening

The first signs of a more open and flexible attitude to the EC came in 1983-84 (shortly after I became Director General for External Relations in Brussels), with approaches by Hungary and Czechoslovakia, seeking wider trade links than the sectoral agreements they had already entered into. COMECON also began to send signals that it was time to take up again the dialogue suspended in 1980.

Recognition of the true nature of the Community as an economic and political entity was given by Mr Gorbachev in May 1985 (at his meeting with Mr Craxi, then President of the EC Council of Ministers). Less than a month later, COMECON proposed the establishment of official relations with the EC, no longer by the conclusion of an unacceptable full-scale bloc-to-bloc agreement, but simply by the adoption of a Joint Declaration announcing the establishment of official working relations between the two organisations.

The EC/COMECON Joint Declaration of June 1988 conferred recognition of the Community's identity; diplomatic relations with the EC were then quickly thereafter established by the USSR and most of East Europe, and a start made with the negotiation of a series of bilateral economic agreements.

### IV: TODAY'S EC RELATIONSHIP WITH THE EAST - WHAT IS TO BE DONE?

So much for the recent history. The necessary channels of communications have come into existence. The question now is how to use them. How can the EC come to the assistance of Eastern Europe in such a way as to shore up its crumbling economies, to facilitate the process of economic liberalisation and political reform, and to establish with these countries relationships of an enduring and closely cooperative character?

#### The EC's leading role.

Two things need to be said here: the first, that the political initiative is now coming from the East; the second that, in the West, the EC has been put firmly in the driving seat, as the head of the so-called "Group of 24".

On the first count, the new authorities which have recently taken office in the German Democratic Republic, Czechoslovakia, Bulgaria and Rumania, as well as those in previously more Western-inclined Poland and Hungary, have expressed a clear wish that the European Community should play an important role in reinforcing the process of political reform and economic liberalisation which is underway, and in enabling their countries to participate more fully both in pan-European affairs and in the wider international economic system. For the countries of Eastern Europe, the Community appears to offer an attractive framework for overcoming the division of Europe, for a peaceful transition to democracy and for the successful institution of more efficient economic systems.

On the second count, the "Group of 24" comprises the following: first, the so called "G7" nations (USA, Canada, Japan, France, Germany, Italy, United Kingdom; the EC Commission are associated with this group); then, the other member states of the European Community (Belgium, Luxembourg, Netherlands, Denmark, Ireland, Greece, Spain, Portugal); next, the member states of EFTA (Austria, Switzerland, Finland, Iceland, Norway and Sweden); and finally Turkey, New Zealand and Australia. The IMF, the OECD and the so-called "Paris club" have also appointed observers to the Group. The G24 have decided that the Community should take the lead towards Eastern Europe, with the European Commission in Brussels in the role of overall coordinator.

This lead role for the Community is not in the least surprising. It stems from the prosperity and economic strength of the Community and from the magnetic attraction which the EC thereby exerts over its neighbours. It is also historically and politically rooted in the very nature of the EC. It is for example often these days overlooked that peace and reconciliation were in fact among the prime motives for creating the Community, in the decade following the Second World War. The preamble to the 1951 Paris Treaty establishing the European Coal and Steel Community laid special emphasis on the Community's role as a substitute for "age-old rivalries" among "peoples long divided by bloody conflict". This role was to be played so effectively that war between the peoples of the Community rapidly became unthinkable, as they established a network of common interests, achievements and institutions. The Community's experience has demonstrated that even the most destructive conflicts can be overcome in a matter of years, with sufficient commitment and imagination. This experience seems now to be acknowledged by Europeans in the East as seminal and relevant to them.

#### The Western aid response

However that may be, the economic strategy being adopted by the Community and its Western partners is designed to match the degree of political reform undertaken in the East, where Poland and Hungary are seen as the frontrunners worthiest of encouragement, together with the GDR (a special case which I shall come to later). This strategy is intended to serve three purposes: in the short term, to deal with economic collapse by shoring up Eastern currencies, by injecting emergency food and medical supplies, and by extending credits for vital imports; in the medium term, to assist the process of economic restructuring, through various programmes of technical assistance; and, in the long term, to lay the foundation for a stable and self-sustaining relationship through inter-alia the conclusion of trade and cooperation agreements designed to help individual Eastern Europe countries to earn their way and stand on their own feet. Naturally all this will be accompanied by steps to develop political, social and cultural links. But I have time now to spell out the only economic side of things in greater detail.

Thus bilateral trade and economic co-operation agreements have already been signed between the European Community and Hungary (September 88), Czechoslovakia (December 1988), Poland (September 1989) and the USSR (December 1989). These agreements open the way for an improved flow of trade, for commercial and industrial co-operation and for collaboration in fields of mutual economic interest. Negotiations with Bulgaria, Rumania and perhaps the German Democratic Republic are expected to be completed by mid 1990.

In addition, the Commission is currently co-ordinating G24 assistance to Poland and Hungary through "PHARE" (Poland and Hungary: Assistance for Economic Restructuring). This programme, launched in August 1989 (with the advice, among others, of Faculty from this University) will ultimately be

extended to other East European countries when political circumstances are right. Meanwhile, for Poland and Hungary, PHARE identifies five priority sectors for concerted action:

- Agriculture: supply and restructuring. A long-term assistance programme, to include the supply of production aids such as pesticides and agricultural machinery.
- Access to Markets: Removal of restrictions on Hungarian and Polish imports into the markets of the G24. The extension of the EC's Generalised System of Preferences to Polish and Hungarian goods.
- Investment: Loans of 1 billion ecu (£730 m) from the European Investment Bank, 200 million ecu (£146 m) from the European Coal and Steel Community and a medium-term adjustment loan for Hungary of 1 billion ecu (£730 m), plus contributions from other sources, notably the Stabilisation Fund for Poland. A mixture of project finance, grants, loans and credits designed to aid economic restructuring in Poland and Hungary. Creation of a European Bank for Reconstruction and Development (agreed by the EC Summit meeting in Strasburg in December 1989) to assist Eastern Europe.
- Vocational training: Nationals of East European countries to participate in various educational and training programmes (in which I hope this University will be very much involved).
- The environment: Joint studies of the quality of the environment in these countries and how the situation there can be improved. (Environmental damage has been worse under Communism than under Capitalism in Europe)

#### V: THE LIMITS OF THE POSSIBLE IN EASTERN EUROPE

It will be clear from the foregoing that relations with Eastern Europe are receiving a much higher priority in the EC than they enjoyed up to only a few years ago, which is good for the East; and that the EC has much to offer the East, which is flattering, even exciting, for us. Others also are coming to the assistance of Eastern Europe - Japan with an emergency \$2 billion package; the World Bank with maybe \$5 billion. So at this point let me sound a note of caution as to the prospects for the creaking economies of Eastern Europe, the regeneration of which may well prove more difficult than the achievement of their political reform.

#### Modest trade flows

As we shall see in a minute in regard to the USSR, the two way trade flows between the Community and Eastern European in general are very modest - certainly more modest than one would expect looking at EC trade with EFTA. Community exports to just one of the EFTA countries, Switzerland, are far larger than Community exports to all the Eastern European countries taken together, including the Soviet Union. The share of EC trade with Eastern Europe in the EC's total world trade, in recent years, has amounted to a mere 6-7%, whereas the comparable share with EFTA is four times larger, at 25%. Eastern Europe's share of US and Japanese world trade is even less: 1% and 2%, respectively. The OECD countries' trade with the European CMEA region is about 3% - a very small slice of the total trade of the Western world.

#### Limited instruments

The new bilateral trade and cooperation agreements with Eastern Europe have inherent limitations as well as great potential. They have a common characteristic: they are non-preferential. The only directly trade-creating device for the East is the (full or partial) abolition of the EC's so-called

"discriminatory quantitative restrictions". (But these QRs have in recent years covered only a small portion - about 5% - of Community imports from these countries.)

There are, of course, other positive features to these agreements, in their cooperation provisions. Industrial efficiency and diversification in the East should benefit from management training, joint ventures and other forms of business cooperation facilitated by the agreement. The Community is the main source, such as it is, of joint venture partners for eg Soviet enterprises. While this form of cooperation is still marginal, it could be enlarged considerably. Developments within the EC affecting industrial standards, testing, quality control and certification will be of particular interest to Eastern managers wishing to sell goods with higher added value in competitive international markets. Services now account for over half of value added in most Western economies; but have much room for development in Eastern Europe. Here, too, cooperation can bring considerable mutual gains.

Nevertheless, the new EC agreements with Eastern Europe are no more than a necessary, and certainly not a sufficient, condition for the future expansion of East-West trade flows, and the regeneration of the Eastern economies. They create only a framework. The systemic incompatibilities between East and West still remain to be overcome.

#### The problems faced by the East

Eastern Europe's twin problems in this context are those of often very high levels of indebtedness (in Poland, for example, foreign debt at \$36 billion accounts for half the country's exports) and of uncompetitive and declining exports (who would willingly buy an East German motorcar?). The OECD reports that growth is slowing, since "industry has not proved able to utilise new technology efficiently, resource waste continues, quality is declining and consumer supplies have worsened". Purely political reforms are proceeding apace. But economic decision making still needs to be at least in part decentralised; technology and production methods updated; modern management and marketing introduced, prices fixed by markets; currencies made convertible. It is encouraging that the view seems to be accepted in the socialist countries that such reforms are needed for the sake of economic performance in general and competitiveness in manufacturing exports in particular. Without such reform, however, the EC's trade agreements with Eastern Europe will become dead letters. The Group of 24 can and will inject all the credits and material assistance that conditions in Eastern Europe will bear. But it is still remembered in the West that, in a previous (if admittedly much more limited) period of detente in the 1970s, the massive extension of finance to Eastern Europe did not work: the structures to make good use of it did not exist and the credits were largely wasted. Aid to Eastern Europe there must be, and on very generous terms; but too indiscriminate an aid would not merely fall on stony soil, but could paradoxically even remove some of today's pressure for change, if it fell into the hands of the old bureaucratic centralists, apparatchiks and anti-market planners. Dr Sakharov was eloquent on this point in his graduation speech at the University last summer.

#### The EC/USSR paradigm ....

Against this admittedly slightly sombre background, let me now turn to EC-Soviet Trade: an instructive paradigm.

Despite the size of their respective markets, the Community sends only 3% of its exports to the Soviet Union and receives only 2% of its imports from the Soviet Union. Trade with the Community accounts for eleven per cent of the USSR's imports and thirteen per cent of the USSR's exports. In recent years the Community has exported to the Soviet Union goods to the value of

approximately ten billion ECUs and imported Soviet goods to the value of thirteen or fourteen billion ECUs. The largest items in Community exports are food, manufactured goods, machinery and transport equipment. Well over half Soviet exports to the Community consist of oil, gas and raw materials, which are particularly sensitive to variations in exchange rates and commodity prices.

The low absolute level and lopsided pattern of the trade is mitigated by a number of considerations which contain hopeful signs for the future. After East Europe and the developing countries, the Community is the most important Soviet export market. The EC imports twenty-five times more from the USSR than does the United States and six times more than Japan. The Soviet Union is the Community's fourth largest supplier and export market after EFTA, the United States and Japan. There thus exists a certain modest degree of commercial interdependence, as a foundation for the expansion of reciprocal trade.

#### ... and potential

In the 1990s, trade could be stimulated by two principal developments.

First, the restructuring process in the Soviet Union should unlock productive resources, hitherto under-utilised, and enable the country to take a full part in the world economy. Comparative advantage, long standing commercial contacts and geographic proximity suggest that trade between the USSR and West Europe could be the major beneficiary of this process. But to enable the full potential to be realised, Soviet restructuring must be carried beyond the important legal reforms which are being enacted to change also the real economic conditions under which trade is conducted, enabling businessmen to channel their managerial and technical skills into profitable new opportunities. Price reform, Rouble convertibility and the introduction of a customs tariff with real economic effect will be necessary.

The achievement in 1992 of the great European market is the second factor which will influence EC-Soviet trade. This unprecedented programme of deregulation and liberalisation was launched in 1985 with the announcement of three hundred proposals to remove remaining barriers to the free movement of goods, capital, services and persons. Over half the necessary measures have already been adopted.

The sheer scale of what the Community is undertaking deserves emphasis. With more than 320 million consumers, the single market will be by far the largest market in the world, greatly exceeding those of the United States or Japan. Products entering one Member State will be marketed throughout the Community without the need to satisfy different standards and tests in each Member State. All exchange controls will be eliminated, enabling capital to flow freely without internal or external barriers. The Community's increased purchasing power and openness to competition should make the single market increasingly attractive to investors and traders, providing a gateway of opportunity for Soviet and EC enterprises.

#### Summary so far

The EC has therefore found itself in the driving seat, its political dimension greatly enhanced, its status clearly established as the economic dynamo of the European continent. It can take some at least of the credit for events in the nearer East European countries, whose dissatisfaction with their own conditions has owed much to the proximity of an impressive alternative EC model. The Community's role in assisting the process of liberalisation and democratisation in the East is one well within its capacity: if there are question marks, they are associated with realities outside its control and with major uncertainties which it can do little to

resolve, because they go back to the Kremlin and to the autonomous potential - or lack of it - of East European societies to rise to a challenge of their own making.

#### VI: THE IMPACT OF EAST ON WEST: ISSUES ARISING FOR THE EC

So this is a good point in my lecture at which to turn away from Eastern Europe itself and take a look at the impact which events there will exercise, as it were in reverse, over the European Community itself.

There are a number of potential or actual problems. I identify them and suggest how they are likely to be solved.

#### The German question

One issue is what is to happen to the GDR - and what that will mean for the FRG. The material and moral collapse of East Germany as a separate state is happening so fast that the timetable for what amounts to a take over by West Germany is having to be shortened dramatically. Are the Western allies going to fall out among themselves over the final outcome? The West German Foreign Minister's stated aim is to create a "European Germany not a German Europe". But the Federal German Chancellor faces elections at the end of this year and endures formidable pressures to move too fast and claim too much. President Mitterand and PM Thatcher on the other hand are concerned that whatever deal is concluded should not destabilise Mr Gorbachev and what he represents. Both these Western leaders, despite having lived through the impeccably democratic and stable period which has elapsed since the restoration of sovereignty to the Federal Republic in 1951, nevertheless personally recall the Hitler years and the ravages of the Third Reich, and would not welcome an autonomous, central European, Bismarckian Germany. As for Mr Gorbachev himself, he needs no reminding that, of the 55 million who died in World War II, 22 million were his fellow citizens.

Clearly, German unity is a matter of deep concern not only to the German people but also to both their present allies and to their present or former adversaries. It may well be so, as Sir Leon Brittan, the senior British Commissioner in Brussels argued last week, that "it would be dangerous as well as futile to swim against the emotional tide of popular support in both halves of Germany". But it would be equally idle to pretend that no conceivable risks at all exist from the creation of a German mega-state of 80 million people. It was therefore agreed between NATO and the Warsaw Pact meeting in Ottawa last month that the process to handle unification should involve what is called the "Two Plus Four" formula. This requires talks to be initiated, soon after the East German elections on 18 March, between the two Germanies and the USSR, US, UK and France. The legal position of the latter "Four Powers" stems from the arrangements agreed at the 1945 Potsdam Conference, which established the Allied Control Commission (United States, Soviet Union, United Kingdom, and France) for the administration of Germany in four occupation zones.

The unified administration broke down when the Soviet Union pulled out of the Control Commission in May, 1948. This did not, however, affect the legal rights of the Four Powers with regard to Germany. These were confirmed in the 1954 protocol on the termination of the occupation regime between the Federal Republic and the three Western powers, in which the latter retained their rights with regard to "Germany as a whole, including the reunification of Germany and a peace settlement".

So the Two plus Four will meet after the elections to negotiate a solution which will probably in turn be put to the Conference on Security and Cooperation in Europe (CSCE) due to meet this autumn. The EC's Council of

Ministers will also be involved and indeed will be receiving next month a report from the Commission on the implications of German unification for the Community.

The currently agreed Western negotiating position requires the incorporation of the GDR into the FRG, and therefore into both the EC and NATO. The Warsaw Pact position is not yet clear, beyond insistence (which the West accepts) that the postwar external German borders - notably on the Oder-Neisse line between the GDR and Poland - should be reconfirmed as inviolable. But it already seems clear that the incorporation of East Germany in the EC is not in itself a problem for the Pact. As to NATO membership for a unified Germany, Moscow hesitates, fearing an "inadmissible" disturbance to the East/West military balance. The Western allies, however, have advanced the suggestion that a "special military status" should be decided for East Germany - either it could be completely demilitarised or an undertaking could be given that non German NATO forces would never be stationed there. An armed but neutral Germany is ruled out by the West and is probably not a reassuring prospect to the Kremlin either - which probably sees Germany as better anchored in the EC and NATO than left as a potential central European rogue elephant.

This is not to say however that East German incorporation in the FRG and the EC, when it comes, will be an easy matter for anyone. The GDR will have to accept democratic structures and move from a command economy to market mechanisms; it will have to give up state controlled prices, slash subsidies, abandon its worthless currency, curb inflationary wage increases and do something about the worst industrial pollution in Europe. The Federal Republic - and the EC as a whole - will feel the economic shock: the conversion of Ostmarks into Deutschmarks, while necessary to stabilise the Eastern economy and stop the flood of refugees into the West, may well fuel inflation through the release of the overhang of frustrated purchasing power in the GDR, and could send tremors through the EC's EMS. The scale of both public spending and private investment required to renovate the East German economy is bound to put upward pressure on interest rates - not only in West Germany, but in the European Community as a whole. German taxes will almost certainly have to go up, to meet the budgetary cost. The EC will not be able to escape some share in the burden. Massive EC assistance will be needed, on at least the scale already in the past extended to Greece and Portugal on and after their entry, and at greater budgetary cost to the Community. The EC's regional policies will be placed under strain.

#### More EC integration or less, faster or slower?

Another issue is whether the momentum towards 1992 - the completion of the single European market and towards closer political, economic and monetary union in the EC - should be slowed down, to allow Eastern Europe to catch up.

Powerful voices (such as those of the President of the Commission, and the French, Spanish, Italian and Benelux leaders) press for a more closely knit intra-EC partnership. They point out that a "Europe of 24", with twice the membership of the present Community, could not be an effective decision making body without a much higher concentration of political power at the centre than has hitherto proved possible among the Twelve, and without the introduction of novel forms of democratic control going far beyond the present dreams of the European Parliament. On the other hand, other voices argue that a further strengthening of the EC will make it more difficult for Eastern Europe to become more closely associated; or believe that, anyway, a looser structure in an enlarged but less concentrated EC would be more comfortable and indeed more realistic in an age in which national identities remain very powerful. Such a looser association would conform readily to the model of European cooperation between independent sovereign states advocated by Mrs Thatcher in her famous speech at Bruges in 1988. Indeed the Editor of



Encounter, an experienced observer of European affairs, has recently argued that the PM's visions of the European future has now become more plausible than it was before the recent events in Eastern Europe.

I myself accept that there will be some diversion of EC time, energy, imagination and resources to the inescapable process of negotiation and assistance which will now be directed Eastwards. The FGR will no doubt meet the principal burden arising from East German incorporation in the Community; but all EC members will be required to contribute something under the rules; and a larger tranche of VAT will have to go to the Community's "own resources". The EC and G24 initiatives elsewhere in Eastern Europe will also cost money.

But I do not forecast a significant deflection of EC attention from 1992 and EMU. The move to create a single market is now unstoppable; and high level negotiations on EMU are scheduled to begin in the Community before the end of the year. These policies have never been thought of as an alternative to detente or to the establishment of a wider but looser European grouping; they will be pursued in their own right, and in the conviction that they form part of the attraction which the EC exerts over the East. If a wider and more cooperative European concert of nations is created, an EC on presently foreseeable lines will be at the heart of it. Nor do I think the EC will lack the resources to advance both objectives - closer unity within, and closer relationships without - given that it alone accounts for a quarter of world gross domestic product.

#### The Europe in between - EFTA

A third issue is what is to be done about EFTA. A symbiotic relationship is already emerging, in which several EFTA countries are incorporating substantial parts of community legislation into their national legal systems. Are these free market and mostly neutral associates to be overlooked in the rush to receive back the prodigal sons from the East; or are they to be relegated like Martha to the kitchen, while Dominical discussion proceeds in the East/West drawing room? Some EFTA countries - beginning with Austria, whose application is already on the table - will no doubt join the EC in the course of the 1990s. The EFTA partners are compatible, in terms of economic and political structures, with the EC in ways in which Eastern Europe still isn't. One of the potential EFTA candidates for EC membership (Norway) is already a member of NATO; the neutral status of the others may look less unappetising to the EC in the 1990s than it did in the "Cold War" period. Austria's neutrality, for example, is self imposed and is purely military, and in no way political. Those EFTA countries who will probably not want to seek full membership now or in the future (certainly Switzerland, no doubt Finland and possibly also Sweden) will want nevertheless to draw closer to the EC. This process is already under way in what is called the "Oslo-Brussels Process", initiated last year; and likely to result in new agreements in the course of 1991 enshrined in a comprehensive multilateral treaty. My expectation is that this will provide for the fullest possible operation between the EC and the EFTA partners of the so called "Four Freedoms" - of people, goods, services and capital; for flanking policies of technical, scientific and other cooperation; and for a legal and institutional framework for the regulation of the resulting "European Economic Space". The East European countries may in time graduate to a comparable status, as they become qualified and capable. There is already talk of eventually replacing their trade and cooperation agreements by privileged association arrangements, EFTA-style, in the long run. But I do not consider any of the Eastern Europeans fit for full EC membership in their own right in the foreseeable future; and doubt whether many will be able to assume even an EFTA-style relationship with the EC before the decade is out.

### The future centre of gravity in the EEC

There remains the question of where the likely future centre of gravity will be found in a European Community incorporating East Germany, more closely linked with Eastern Europe, and with Austria and possibly Norway as eventual full members.

In my view, the centre of gravity will shift Eastward, to a point midway between Berlin and Brussels. Undoubtedly Germany, already the most powerful economic constituent, will gain further in influence. President Bush, for one, clearly sees Germany as the key to Europe in a way that President Reagan did not. The German language will become more widely spoken.

To put things in a historical perspective, the original EC of the six founding members was in its earliest years inevitably preoccupied with its own internal development. It was then drawn largely by France to think about former French colonies and hence to the francophone Third World. With the entry of the UK, the EC began to organise its relations with the US, the Commonwealth and English-speaking developing countries. Now we may have reached the point when the EC seems destined to develop a coherent Ostpolitik which will be much influenced by Germany's resumption of her traditional pivotal position in central Europe. The US military presence in Europe, through Nato, will remain; but, in conditions of real detente and disarmament, will become progressively less prominent. The residual rights and privileges of the victorious "Four Powers" (the US, the USSR, Britain and France) in Berlin will largely or completely disappear, as part of whatever agreement will be needed to achieve the unification of Germany.

Purely British influence within the EC - always more considerable than appears on the surface, but never (due to the qualifications which have invariably attended the UK commitment to Europe under both Labour and Conservative governments) as great as it could have been, seems likely to diminish, at the margin. Loss of 'Four Power' status in Berlin, and the reduced need for substantial British land and air forces in Germany, will move the UK, politically and militarily as well as geographically, closer to the periphery than to the centre of EC affairs. This could be counteracted by a closer relationship within the EC between the UK and France, or by a more thorough going "communautaire" policy in London; but neither seems likely.

This said, a healthy balance seems likely to remain, within the EC family, between its Nordic and Mediterranean, its Atlanticist and central-continental components. There is no reason, in particular, to fear a rogue elephant or Bismarckian Germany; the latter's trade and investment patterns and future prosperity no less than her political and military interests, require her continued Western orientation and loyal EC membership. Nor would the EC's external partners - and especially not the non-German speaking Eastern European countries - welcome closer links with a European Community which was over weighted towards a unified Germany. Balance will continue to be all.

### VII: SUMMARY

To sum up, the Community's relations with the Soviet Union and most of the other European members of the CMEA are in a process of fundamental change. After initial hostility and suspicion and a subsequent phase of limited contact, these countries have established diplomatic relations with the Community. Bilateral agreements between the Community and individual East European countries are already or will be shortly concluded. A process of cooperation in many sectors has begun.

Normalisation of relations between the Community and its neighbours in Central and Eastern Europe is an important step towards overcoming the post War division of Europe. Two factors have contributed to these far reaching changes in Europe. First, the new dynamic created by the Community's progress towards a single market without internal frontiers, paving the way to increasing economic and political unity in the West. Second, the bold initiatives in political reform and economic liberalisation underway in the Soviet Union and East Europe.

Much has therefore been done in a short time. But the achievements to date are no more than the necessary, basic pre-conditions for associating the Eastern countries more closely with the emerging West European "economic space". The latter is based on common values and principles, both political and economic. It is still uncertain whether such values and principles will take root and grow to effective maturity in the East. Soviet and East European societies will have to decide this for themselves. The sufficient conditions for a Pan-European Economic Space will be fulfilled only on the basis of Eastern Europe moving to more efficient, market-based structures, and by the creation of a political environment in which human rights and fundamental freedoms are respected, the free circulation of people and ideas is encouraged and a much more open society is thereby promoted.

#### VIII: CONCLUSION

Thus, the Community's Ostpolitik is a necessary act of faith, relying on the evidence of things as yet not clearly seen, undertaken in the hope of a better world to come. It is in our interest for Mr Gorbachev to succeed - or more truly, for what Mr Gorbachev represents to succeed (we must avoid the "cult of personality"). We cannot ourselves greatly influence the course of events; but we must respond to them positively, and constructively. We do that best on the basis of an increasingly strong and cohesive European Community. That our EC unity is our strength is as true now as it has been since the emergence of a recognisable economic entity in Western Europe thirty years ago. It is this which has made the Community the natural focus the European order now emerging.

This has been the third in my series of annual lectures about one aspect or another of the EC, to which I devoted 15 years of my career (latterly as Director General for External Relations) before coming to Sussex in 1987. My first lecture was addressed to internal affairs and 1992; my second to the Community's place in the wider world. This third lecture on relations with and reactions to the East - where the most important changes in European and perhaps world affairs since the 1950s are now taking place - opens the way to the whole question of what Europe might become.

It used to be fashionable to predict that the next century would be that of the Pacific. I still believe that the Far East will by then have acquired a very much higher profile and outreach; and that the relative decline of the US (as nevertheless the one remaining super power) will be very much in evidence by the year 2000. But if the EC maintains its self confident advance, and if there are no "traffic accidents" along the road which the USSR and the Eastern countries have chosen, then the 1990s could, in global terms, turn out to be the "Decade of Europe"; and the XXI Century be marked more profoundly than hitherto thought likely by a resumed European ascendancy, matched but no longer outstripped by the continued self-affirmation of America, and associated (and I hope not in conflict) with the rise of the Pacific world and the continuing graduation to full industrial status of a series of countries in other parts of the World.

All in all, the present is an exciting time to be a European - and a Briton in Europe. It is also a good time to be at this University, which is well qualified, by its traditional and sustained academic emphasis on comprehensive and interdisciplinary European studies, to make its own modest contribution to the ending of Europe's tragic post war division.



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

13 March 1990

I have rewritten the  
statement. Agree that we  
should use it on Monday morning.  
Dear Charles, assuming the elections proceed  
as expected?

Elections in the GDR: Possible Statement by  
the Prime Minister

The Foreign Secretary believes that a statement by  
the Prime Minister after the GDR elections, once it is  
clear that they have been conducted freely, would be useful.  
A range of observers of the elections, from the Council of  
Europe, European Parliament, the IPU and others will give  
us an idea of the fairness of the elections fairly quickly.

Sir Geoffrey Finsberg, for example, who will lead  
9 Council of Europe parliamentarians, aims to express a  
view on the fairness of the elections on 19 March.

To have maximum impact, any statement should be  
issued as early as possible on 19 March. This points to  
a press release from No.10. I enclose a draft.

Yours ever,

*R. H. T. Gozney*

(R H T Gozney)  
Private Secretary

C D Powell Esq  
10 Downing Street

Cell 1

CD 17/3

mt

As

amendments

I welcome <sup>T</sup> the free and democratic elections which took place yesterday in East Germany. They mark a new beginning for the people of East Germany and a further step in the spread of democracy through central and Eastern Europe. We look forward to the establishment of a democratic government in East Germany and shall want to work ~~closely~~ with it.

It is now for the people of East Germany to <sup>decide</sup> pronounce through their elected representatives <sup>when</sup> whether they wish <sup>for to seek</sup> for unification. We ~~shall of course respect their wishes and welcome a decision in favour of unification, if that is the~~ outcome.

In anticipation of <sup>their wishes</sup> that, we are already considering the external consequences of unification within the Four plus Two talks and with our allies and partners in NATO and the European Community. I am also looking forward to discussing all these matters with Chancellor Kohl during the Anglo-German Summit in Cambridge and London in 10 days' time.

It is a great day for <sup>Germany</sup> Germany and for Europe, and we all send the people of East Germany our warm congratulations and good wishes for the future.

17 March 1990



Foreign and Commonwealth Office  
London SW1A 2AH

*From the Secretary of State*

13 March 1990

Dear Prime Minister,

Bonn, March 12

You will have seen the telegrams on substance. Kohl was much more relaxed than at my last meeting, and grateful for your message. He twice asked me to tell you that he would never trade German membership of NATO for German unification. Germany wanted no special status; she must be part of NATO and the EC. He had a tussle on his hands on NATO with the SPD. So far from speeding up German unification, he was trying to get a grip on it to slow it down.

I tried to pin down both Kohl and Genscher on the security issues, which seem to me the most important. Kohl mentioned five years as the possible time limit for stationing Soviet troops in East Germany. He would not be drawn on Articles 5 and 6 of the Treaty or on the defence of East Germany, beyond questioning whether there was an enemy any longer to defend it against. Genscher is thinking in terms of police stationed in barracks, and possibly the triggering of Articles 5 and 6 if something untoward occurred. Otherwise Articles 5 and 6 would apply once the Soviet troops were out.

The people who still make Kohl bristle are the Poles. He was very defensive about the events of last week, and refused to contemplate a meeting of the Six in

The Prime Minister



PERSONAL AND CONFIDENTIAL

Warsaw. On the other hand, Genscher has already conceded the alternative put forward by the Poles in Paris, namely that they should attend any meeting at which their frontiers were discussed. We must build on that and move towards a Treaty as rapidly as possible, though the first step will be the declarations of the two free German Parliaments endorsing the present frontiers. Kohl, in almost elegiac mood, said at nearly 60 he was past political ambition, and willing to stand down rather than be misunderstood by his friends. The Germans believe (rightly I think) that, in stiffening their stance on German neutrality, the Russians are building up a tactical negotiating position. But all depends on the flow of German opinion. The Russians may not concede the point until after the FRG elections, in case a SPD Government eases their problems. Brandt (an antique figurehead now) was equivocal on this point. That timing would upset the Kohl-Genscher plan, which is to present the results of the Six-power process, including NATO membership, to a CSCE Summit before the FRG elections.

The strong emphasis from Kohl and Genscher now is on the need to agree these external aspects before unification occurs - "no surprises for our friends". The German editors whom I met, and the British press corps, still feel that the pressures from the East, in particular continuing high emigration, may force a faster pace. For example, if East German prices rose towards West German levels but salaries stayed at a fraction of the West German level, then emigration might reach levels which would compel instant unification.

DOUGLAS HURD

*Yours,  
Douglas*

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FROM PRIVATE SECRETARY

SECRETARY OF STATE'S VISIT TO BONN: CALL ON CHANCELLOR KOHL  
SUMMARY

1. KOHL GIVES HIS VERSION OF EVENTS ON POLISH BORDER BUT REGARDS THE ISSUE AS LESS SIGNIFICANT THAN GERMANY'S PLACE IN NATO WHICH HE SEES AS CENTRAL TO FRG ELECTION CAMPAIGN. UNLIKE GENSCHER, DOES NOT GIVE A CLEAR VIEW ON APPLICATION OF ARTICLES 5 AND 6 OF NATO TREATY. GRATEFUL FOR PRIME MINISTER'S SUPPORT ON BUNDESTAG RESOLUTION ON POLISH BORDER. PREPARED TO SEE POLISH GOVERNMENT INVOLVED IN FOUR PLUS TWO TALKS AT RELEVANT MOMENT BUT THINKS A MEETING IN WARSAW WOULD BE TOO SENSITIVE POLITICALLY FOR THE GERMANS. THINKS THE CDU HAVE CAUGHT UP IN THE EASTERN GERMAN ELECTION CAMPAIGN. SEES BEST OUTCOME AS ONE IN WHICH NO PARTY HAS ABSOLUTE MAJORITY.

DETAIL

2. THE SECRETARY OF STATE SPENT NEARLY AN HOUR WITH KOHL IN BONN THIS AFTERNOON. KOHL SAID HE HAD NO SPECIAL FEEL FOR THE OUTCOME OF THE GDR ELECTION CAMPAIGN. HE THOUGHT THAT THE CDU HAD CAUGHT UP WITH THE OTHERS. THE SED HAD MADE GROUND EARLIER ON BUT HE IMPLIED THAT THEIR EARLIER LINKS WITH THE SED AND THE WILLINGNESS TO ACCEPT UP TO 30 PER CENT OF FORMER SED MEMBERS WAS NOW TELLING AGAINST THEM. KOHL DESCRIBED THE ENORMOUS AUDIENCES HE WAS GETTING FOR HIS SPEECHES IN THE GDR. THE SUBSTANTIVE PROBLEMS THERE REMAINED. THE COMMUNIST LEADERSHIP HAD DELIBERATELY TAKEN A LONG TIME TO ESTABLISH AN ELECTORAL LAW. ECONOMIC REFORMS HAD NOT STARTED. THE SECURITY POLICE WERE STILL THREATENING PEOPLE (QUOTE WE'LL STILL BE HERE EVEN AFTER THE ELECTIONS UNQUOTE), AND THE EXODUS FROM THE GDR WAS CONTINUING UNABATED: 132,000 SINCE 1 JANUARY, IE HALF A MILLION BY THE SUMMER AT CURRENT RATES. HENCE THE IMPORTANCE ON CURRENCY/ECONOMIC UNION. KOHL'S ORIGINAL INTENTION HAD BEEN TO PROCEED AT A MUCH SLOWER PACE. IN THE BRITISH PRESS HE WAS ACCUSED OF HOTTING THINGS UP BUT THE OPPOSITE WAS TRUE. HE ENVISAGED THREE SETS OF ELECTIONS IN THE GDR THIS YEAR: THE ELECTIONS ON 18 MARCH, REGIONAL ELECTIONS IN MAY (WHICH COULD

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LEAD TO THE RE-ESTABLISHMENT OF THE OLD LAENDER) AND ELECTIONS IN THE LAENDER THEMSELVES. ELECTIONS IN THE FEDERAL REPUBLIC WOULD GO AHEAD IN DECEMBER. THERE MIGHT BE ALL-GERMAN ELECTIONS NEXT YEAR BUT HE WOULD WANT INTERNATIONAL AGREEMENTS TO BE IN PLACE BEFORE THEN. HE HOPED THE TWO PLUS FOUR PROCESS WOULD BE CONCLUDED BY THE END OF THE YEAR, IE PRIOR TO THE PROPOSED CSCE MEETING AND TO THE FRG ELECTIONS.

3. KOHL SAID THAT MEMBERSHIP OF NATO WAS CRUCIAL AND NOT TO BE BARGAINED, IE HE WOULD NOT BE TEMPTED DOWN THE PATH OF LEAVING NATO AS THE PRICE OF GERMAN UNITY, THOUGH THERE WERE FORCES AT WORK IN THE OPPOSITE DIRECTION. IT WAS IN THIS CONTEXT THAT HE WAS AGAINST UNIFICATION TAKING PLACE UNDER ARTICLE 146. ARTICLE 146 WAS BAD (1) BECAUSE IT WOULD INVOLVE A DEBATE WHICH COULD LAST UP TO 18 MONTHS WHILE A NEW CONSTITUTION WAS DISCUSSED. ONE OF THE LESSONS OF 1948 HAD BEEN NOT TO REPEAT THE MISTAKES OF THE WEIMAR CONSTITUTION: (2) UNDER ARTICLE 146 THE CONSTITUENT ASSEMBLY COULD CHANGE A NUMBER OF THINGS BY SIMPLE MAJORITY, EG DESTROYING THE SOCIAL MARKET ECONOMY: (3) THE NATO AND OTHER TREATIES COULD BE RE-NEGOTIATED. LAFONTAINE WANTED TO LEAVE NATO. ARTICLE 146 FOR HIM WOULD BE AN ELEGANT WAY OF ACHIEVING THAT. THERE WERE SOME PEOPLE WHO CLAIMED THAT ARTICLE 23 WAS AN ANSCHLUSS. IT WAS NOT. THE GDR WOULD HAVE TO SUBMIT A REQUEST UNDER ARTICLE 23 AND THERE WOULD HAVE TO BE AGREEMENT ON A TRANSITION. A NUMBER OF ISSUES WOULD HAVE TO BE RESOLVED WHICH WOULD TAKE MANY YEARS. PROPERTY RIGHTS WERE COMPLETELY DIFFERENT FOR EXAMPLE.

4. KOHL SAID HE WAS GRATEFUL TO THE PRIME MINISTER FOR HER MESSAGE ON THE POLISH BORDER ISSUE. HE LOOKED FOR CLOSE COOPERATION WITH US IN THE TWO PLUS FOUR FRAMEWORK. OF COURSE WE WOULD HAVE TO TALK TO THE SOVIET UNION ABOUT NATO BUT HE REPEATED THAT THERE WAS NOT A PRICE TO BE PAID FOR GERMAN MEMBERSHIP. THE AIM WAS THAT GERMANY SHOULD BE A COMPLETELY NORMAL COUNTRY WITHIN NATO WITH THE SOLE AND LONG-ESTABLISHED EXCEPTION OF BEING A NON-NUCLEAR STATE. OF COURSE SOVIET TROOPS WOULD NOT LEAVE THE GDR OVERNIGHT (HE MENTIONED A 5 YEAR TRANSITION) AND FOR A TRANSITIONAL PERIOD THE BUNDESWEHR WOULD HAVE NO PRESENCE IN THE GDR. THESE WERE ISSUES TO BE DISCUSSED. THE RUSSIANS WERE PLAYING THE CARDS THEY HAD IN THEIR HAND BUT HE BELIEVED THAT IN THE END THE RUSSIANS WOULD WANT GERMANY TO BE A MEMBER OF NATO - ALBEIT FOR NOT VERY FRIENDLY REASONS.

5. THE SECRETARY OF STATE SAID WE UNDERSTOOD WHAT KOHL WAS TRYING TO ACHIEVE. WHAT HE HAD SAID ABOUT NATO WAS CRUCIAL. WE IMAGINED IT WOULD BE A BIG ISSUE IN THE FEDERAL CAMPAIGN. IN A BRITISH NEWSPAPER ARTICLE THAT DAY BRANDT HAD SAID THAT THERE

SHOULD BE A SYMMETRICAL WITHDRAWAL OF SOVIET TROOPS FROM EAST GERMANY AND AMERICAN TROOPS FROM WEST GERMANY. THAT WAS A FALSE SYMMETRY.

6. KOHL AGREED. WHEN HE HAD BECOME CHANCELLOR IN 1981 PEOPLE THOUGHT HE WOULD BE A BIRD OF PASSAGE. BUT HE HAD BEATEN OFF THE OPPOSITION. HE HAD TAKEN THEM ON OVER INF STATIONING AND WON. THE SPD ALLIANCE WITH THE SED IN THE GDR WAS PULLING THE SPD DOWN THE PATH TOWARDS NEUTRALITY. BRANDT'S COMMENTS TENDED IN THE SAME DIRECTION. HE RECOGNISED THAT NATO WOULD CHANGE BUT THAT WAS QUITE DIFFERENT FROM WHAT BRANDT WAS SAYING. KOHL WAS CONFIDENT HE WOULD WIN THE BATTLE. HE WOULD ONLY BE DEFEATED IF THE SPD, FDP AND THE GREENS CAME TOGETHER. HE WAS WORKING TO KEEP THE PRESENT COALITION TOGETHER. HE THOUGHT A MAJORITY IN THE COALITION SUPPORTED THE ARTICLE 23 ROUTE. HE DID NOT THINK THE FDP WOULD BE LOOKING FOR A NEW PARTNER, BUT THEY DID WANT SOME MORE LEEWAY.

7. KOHL SAID THAT GETTING THE RESOLUTION HE HAD SECURED ON THE POLISH BORDER IN THE BUNDESTAG HAD BEEN SOMETHING OF A TRIUMPH. ONE HAD TO REMEMBER THAT THERE WERE STRONG FEELINGS ON BOTH SIDES OF THE BORDER. TERRIBLE THINGS HAD BEEN DONE BY GERMANS IN POLAND. BUT THE DISPLACEMENT TO POLAND OF PEOPLE OF GERMAN ORIGIN WAS ALSO A WOUND THAT CONTINUED TO IRRITATE. BOTH SIDES NEEDED A GESTURE. GERMANY HAD ALREADY PAID LARGE REPARATIONS TO POLAND AND HE DID NOT WANT THAT WHOLE ISSUE RE-OPENED IN A PEACE TREATY. THE POLES WERE STILL TALKING IN LARGE FIGURES. IT SHOULD BE POSSIBLE TO REACH AN AGREEMENT PROVIDED THE WHOLE ISSUE WAS NOT MAGNIFIED. HE HIMSELF WOULD BE GO IN A FEW DAYS TIME. HE WOULD RATHER STAND DOWN THAN BE MISUNDERSTOOD BY HIS FRIENDS.

8. THE SECRETARY OF STATE SAID WE WERE SATISFIED WITH THE WAY THE DECISION HAD COME OUT. THE POLES HAD GOT REASONABLE SATISFACTION ON SUBSTANCE BUT WANTED SOMETHING ON PROCEDURE TO SHOW THEY WERE NOT TO BE PRESENTED WITH A FAIT ACCOMPLI. ON THE WIDER ISSUES, OF COURSE SOVIET TROOPS WOULD REMAIN IN THE GDR FOR A TIME. BUT IF THERE WERE NOT TROOPS FROM THE BUNDESWEHR THERE WHO WOULD DEFEND THE FORMER TERRITORY OF THE GDR IF THINGS WENT WRONG? KOHL AGREED THAT THE ISSUE HAD TO BE DISCUSSED. WE NEEDED AN INTERIM SOLUTION. GORBACHEV WOULD HAVE ABOUT 200,000 TROOPS THERE (WHICH WOULD, HOWEVER, BE A REDUCTION FROM PRESENT LEVELS). WE SHOULD NOT MOVE TOO SPEEDILY. MUCH OF THE BASIS OF CONFLICT WOULD HAVE BEEN REDUCED. NATO ITSELF WAS MUCH MORE THAN A MILITARY ALLIANCE. HIS OWN LIFE-LONG SUPPORT FOR IT HAD BEEN BASED ON A CONCEPT OF BRINGING TOGETHER PEOPLE IN STATES WITH THE SAME BASIC IDEAS AND ORDER: THE WESTERN

COMMUNITY OF VALUES. IT WAS THAT THAT NEEDED PROTECTION AGAINST ATTACK. HE HAD SET OUT HIS POSITION CLEARLY IN NATO THE PREVIOUS WEEK.

9. REVERTING TO THE QUESTION OF THE TWO PLUS FOUR DISCUSSIONS, KOHL SAID HE HAD HAD A TELEPHONE CALL FROM JARUZELSKI LAST WEEK URGING THE NEED TO AVOID A NEW YALTA. KOHL ACCEPTED THAT BUT IF THE TWO PLUS FOUR TALKS WERE HELD IN WARSAW THAT WOULD CREATE A PSYCHOLOGICAL SITUATION WHICH WOULD HAVE DEVASTATING EFFECTS. THE GERMAN PUBLIC ACCEPTED THE REALITY OF A SETTLEMENT WITH THE POLES BUT THEY COULD NOT BE EXPECTED TO BE JUBILANT ABOUT IT. HE HAD ACCEPTED THAT THE POLES SHOULD BE AT THE TABLE FOR THE FOUR PLUS TWO MEETING FOR THE RELEVANT DISCUSSIONS BUT TO HAVE THAT DISCUSSION IN WARSAW WOULD BE VERY DIFFICULT FOR HIM POLITICALLY. HE WAS NOT SUGGESTING THAT THE POLES MUST COME TO BONN OR BERLIN BUT WHY COULD THEY NOT MEET IN DRESDEN OR FRANKFURT OR LEIPZIG? THOSE PSYCHOLOGICAL FACTORS APART, ONCE A MEETING WAS HELD IN WARSAW THEN THE RUSSIANS COULD DEMAND A MEETING IN MOSCOW. HE WANTED TO KEEP THESE ISSUES UNDER CONTROL SO THAT HE COULD FIGHT THE MAIN BATTLE WHICH WAS NOT ABOUT THE ODER/NEISSE LINE BUT ABOUT GERMANY'S PLACE IN NATO.

10. KOHL SAID THAT THE NEWLY UNITED GERMANY WOULD HAVE A VERY DIFFERENT POWER AXIS FROM THE GERMANY OF 1933. THE CAPITAL OF A UNITED GERMANY HAD NOT BEEN DECIDED BUT THE REAL CENTRE WOULD, AS WITH THE FRG NOW, BE IN THE SOUTH OR SOUTH-WEST. MODERN POWER LAY NOT IN COAL BUT IN THE COMPUTER. PRUSSIA WOULD NOT BE THE CENTRE OF POWER THAT IT HAD BEEN. THE SITUATION WOULD BE NO DIFFERENT FROM NOW WHEN GERMAN PROSPERITY LAY IN THE PROVINCES LIKE HESSE BADEN-WUERTEMBERG, BAVARIA AND RHEINLAND-PALATINATE. FEARS ABOUT THE DEVELOPMENTS OF A UNITED GERMANY RAN UNFOUNDED. WHOEVER BELIEVED POINCARE WAS A GOOD ADVISER WAS WRONG. POINCARE WAS DEAD.

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FROM PRIVATE SECRETARY

SECRETARY OF STATE'S VISIT TO BONN: CALL ON FOREIGN MINISTER

GENSCHER

SUMMARY

1. GENSCHER IN FORTHCOMING MOOD. ENVISAGES INTERIM PERIOD WHILE SOVIET TROOPS STILL IN FORMER GDR IN WHICH ARTICLES 5 AND 6 OF NATO TREATY WOULD NOT APPLY. BELIEVES ONLY GERMAN FORCES WOULD BE BUNDESGRENZSCHUTZ (BORDER POLICE). GENSCHER CLEAR THAT ALL MEETINGS OF THE TWO PLUS FOUR SHOULD BE IN GERMANY WITH THE FIRST MEETING AT MINISTERIAL LEVEL IN APRIL. ACCEPTS NEED FOR GOOD PREPARATION AMONG THE FOUR WESTERN ALLIES WITH A POLITICAL DIRECTORS MEETING BEFORE EACH TWO PLUS FOUR MEETING. HAPPY TO ACCEPT A MEETING OF THE TWO PLUS FOUR WITH THE POLES BUT NOT IN WARSAW.

2. LIBYA. DESCRIBED LIBYAN SUGGESTION THAT RABTA COULD BE DISMANTLED IF GERMANS PAY. SEE SEPARATE TEL NOT TO ALL.

3. BAZOFT. AGREES TO APPEAL FOR CLEMENCY TO IRAQI PRESIDENT AND FOREIGN MINISTER (SEPARATE TEL NOT TO ALL).

DETAIL

4. GENSCHER SAID OPINION IN THE GDR ELECTION CAMPAIGN WAS SHIFTING. THE FDP HAD MADE A BAD MISTAKE BY NOT HAVING THE SAME NAME IN THE GDR AS IN THE FRG. THE SPD WAS STILL IN FRONT BUT IT WOULD NOT GET MORE THAN 50 PER CENT OF THE VOTE. THE BEST OUTCOME WOULD BE A BROAD COALITION OF ALL THREE MAIN PARTIES. LATER, OVER LUNCH, GESCHER DESCRIBED THE EXTRAORDINARY AND MOVING ENTHUSIASM OF THE CROWDS HE WAS ADDRESSING IN THE GDR. BUT THEIR ENTHUSIASM WAS FOR WEST GERMAN POLITICIANS. THEY WERE COMPLETELY APATHETIC ABOUT THEIR OWN PEOPLE.

5. GENSCHER SAID HE WAS VERY GRATEFUL FOR THE PRIME MINISTER'S MESSAGE ON THE POLISH BORDER. AT THE FOUR POWER MEETING IN OTTAWA HE HAD SAID HOW IMPORTANT IT WAS FOR THE MEETINGS OF THE TWO PLUS FOUR TO TAKE PLACE IN GERMANY. WE SHOULD STICK TO THAT. THE POLISH GOVERNMENT WOULD WANT TO PARTICIPATE AT SOME POINT. (MUCH OF THE SUBSEQUENT DISCUSSION CENTRED ON HOW TO HANDLE THIS ISSUE AND THE POLISH INVITATION TO A MEETING IN

WARSAW.) GENSCHER SAID THAT THE POLISH PRIME MINISTER AND FOREIGN MINISTER HAD REACTED POSITIVELY TO THE BUNDESTAG RESOLUTION. ONLY JARUZELSKI HAD COMPLAINED THAT THERE WAS NO SPECIFIC MENTION OF THE ODER/NEISSE. THE POLES HAD SUBSEQUENTLY MADE CLEAR THAT THEY WANTED NEGOTIATIONS ON AN AGREEMENT IN ADVANCE OF UNIFICATION. THE AGREEMENT WOULD BE INITIALLED AT THIS STAGE BUT WOULD ONLY BE SIGNED AND RATIFIED BY AN ALL-GERMAN GOVERNMENT AND PARLIAMENT. DUMAS HAD TELEPHONED HIM ON SATURDAY ABOUT THE POLISH INVITATION TO A TWO PLUS FOUR MEETING IN WARSAW. HE (GENSHER) COULD NOT AGREE TO THAT. WE SHOULD STICK TO MEETINGS IN GERMANY. OTHERWISE WE WOULD LAY OURSELVES OPEN TO DEMANDS TO MEET IN MOSCOW. AS REGARDS THE FORM AN EVENTUAL AGREEMENT WITH POLAND MIGHT TAKE, NORMALLY ONE WOULD EXPECT SUCH AN AGREEMENT TO BE BILATERAL. HE ACKNOWLEDGED THAT THE RUSSIANS WERE SUGGESTING SIGNATURE BY THE FOUR OR THE 35. THE 35 CAME TOO CLOSE TO A PEACE TREATY. THE FOUR WOULD BE BETTER. BUT HIS UNDERSTANDING HAD ALWAYS BEEN THAT THE FOUR WOULD GIVE A MORE GENERAL BLESSING TO A TREATY AND THEN INDICATE THAT THEIR OWN POWERS HAD LAPSED. HE DID NOT KNOW IF THE FOUR WOULD GUARANTEE THE BORDER.

5. THE SECRETARY OF STATE SAID THE IMPORTANT THING WAS TO ESTABLISH A CLEAR WESTERN POSITION ON THE FUTURE OF SOVIET TROOPS IN THE FORMER GDR AND ON THE DEFENCE OF THE FORMER GDR. WOULD ARTICLES 5 AND 6 APPLY? WE THOUGHT THEY WOULD HAVE TO BUT THAT THERE WOULD NOT BE NATO FORCES STATIONED THERE. IF, FOLLOWING THE GENSCHER/STOLTENBERG DISCUSSIONS, THE BUNDESWEHR WERE NOT TO BE STATIONED IN THE FORMER GDR, WHAT TROOPS AND IN WHAT UNIFORM WOULD BE THERE? IT WOULD OF COURSE BE A MISTAKE TO LINK THESE QUESTIONS WITH THOSE OF THE US OR BRITISH PRESENCE IN THE WEST. BRANDT HAD SUGGESTED SYMMETRY BETWEEN THE SOVIET PRESENCE AND THE AMERICAN PRESENCE. WE DID NOT ACCEPT THAT.

6. GENSCHER AGREED. EITHER THE SOVIETS COULD REMAIN FOR A NUMBER OF YEARS OR THEIR PRESENCE COULD BE TOLERATED UNTIL A CERTAIN STAGE OF DEVELOPMENT WAS REACHED. GENSCHER THOUGHT THE RUSSIANS WOULD MOVE SOONER THAN ANY OF US EXPECTED ON THIS ISSUE. THEY WOULD NOT IMMEDIATELY ACCEPT A TOTAL WITHDRAWAL OF THEIR TROOPS: THEY NEEDED A FACE-SAVER. AND THEY WOULD TALK ABOUT ALL THE PROBLEMS THEY WOULD FACE OVER EG HAVING NO BARRACKS IN THE USSR. AS THE GDR ECONOMY IMPROVED (WHICH IT WOULD DO - QUICKLY), THEY WOULD ALSO NOTICE THE DISPARITY OVER STANDARDS OF LIVING. THEY WOULD WANT TO BE PAID IN SOME FORM. GENSCHER WAS CONVINCED IN THE END THE RUSSIANS WOULD ACCEPT GERMANY'S PRESENCE IN NATO. THE SECRETARY OF STATE SAID THAT

THE RUSSIANS WERE CLAIMING THAT THIS ISSUE WAS VITAL TO GORBACHEV'S SURVIVAL. HE THOUGHT THEY WERE BUILDING THEMSELVES A TOUGH NEGOTIATING HAND.

7. REVERTING TO THE QUESTION OF THE GERMAN MILITARY PRESENCE IN THE FORMER GDR, THE SECRETARY OF STATE SAID THAT ONE COULD ENVISAGE VARIOUS SCENARIOS IN WHICH TROOPS COULD BE NEEDED, EG TROUBLE PERHAPS ARISING FROM THE PRESENCE OF THE SOVIET GARRISON. GENSCHER SAID THAT THE GERMAN CONSTITUTION ABSOLUTELY RULED OUT THE USE OF MILITARY FORCE FOR DOMESTIC DISPUTES. IT WAS CONCEIVABLE TO USE THE BORDER POLICE (BUNDESGRENZSCHUTZ) BUT THEY WOULD HAVE TO BE REAL POLICE, NOT MILITARY IN DISGUISE. THE ISSUE WOULD HAVE TO BE DISCUSSED WITH THE GDR GOVERNMENT WHO WOULD THEMSELVES PROBABLY PROPOSE SOMETHING ON THESE LINES. BUT THESE FORCES WOULD NOT BE FORMER MEMBERS OF THE GDR ARMY IN POLICE UNIFORM. THEY WOULD HAVE TO BE GENUINE POLICE, THOUGH INCLUDING POLICE IN BARRACKS.

8. THE SECRETARY OF STATE ASKED WHETHER ARTICLES 5 AND 6 WOULD APPLY. GENSCHER SAID THAT THEY WOULD IN THE LAST ANALYSIS. THE REAL QUESTION WAS WHAT TO DO IN THE PERIOD WHEN THE RUSSIANS WERE STILL PRESENT. WHATEVER THE SITUATION, WE HAD TO BEAR IN MIND THAT THE CARDS WERE ALL STACKED IN FAVOUR OF THE WEST: THE RUSSIAN PRESENCE IN THE GDR WOULD BE RESTRICTED, THE GDR WOULD NOT BE PART OF THE WARSAW PACT, THE RUSSIANS WOULD BE OUT OF CZECHOSLOVAKIA. THE SECRETARY OF STATE SAID THAT IF, BY ANY MISCHANCE GORBACHEV WERE OVERTHROWN BY THE GENERALS, GERMANY WOULD NONETHELESS FACE 250,000 SOVIET TROOPS ON HER TERRITORY. GENSCHER SAID THAT, THANKS TO CFE ETC, THE NUMBERS WOULD BE A MAXIMUM OF 175,000. HE ACCEPTED THAT THERE WOULD NEED TO BE A SEPARATE STATIONING TREATY WITH REGULATIONS COVERING WHAT SHOULD HAPPEN IN THE EVENT OF VIOLATIONS. IT WAS POSSIBLE (AND GENSCHER EMPHASISED THAT HE WAS THINKING ALOUD) TO MAKE PROVISION FOR ARTICLES 5 AND 6 TO APPLY ONCE SOVIET TROOPS WERE WITHDRAWN OR IN THE EVENT OF THE REGULATIONS GOVERNING THE SOVIET TROOPS BEING VIOLATED, IE THERE COULD BE A TRIGGER. BUT THIS SHOULD BE A MATTER OF NEGOTIATION BY THE ALLIANCE, NOT A SOVIET/GERMAN ISSUE. HE DID NOT WANT TO GIVE THE RUSSIANS LEVERAGE BY PUTTING TOO MANY IDEAS ON THE TABLE. HE EXPECTED THE RUSSIANS TO SAY THAT THE BUNDESWEHR WAS ANYWAY TOO NUMEROUS. ONCE THE SOVIETS REDUCED THEIR TROOP LEVELS UNDER CFE, THERE WOULD BE A DISPARITY AND GERMANY WOULD NO DOUBT HAVE TO MAKE REDUCTIONS. THIS TOO WAS A MATTER FOR THE VIENNA NEGOTIATING TABLE. IT WAS IN THE INTERESTS OF THE ALLIANCE THAT GERMANY SHOULD NOT BE SEEN AS A SPECIAL CASE. IN PARALLEL WITH THE TWO PLUS FOUR TALKS, WE SHOULD DEVELOP OUR APPROACH TO THE VIENNA

NEGOTIATIONS. THE SECRETARY OF STATE AGREED WITH THIS APPROACH. THE WEST WAS IN A STRONG POSITION.

9. THE SECRETARY OF STATE AND GENSCHER AGREED THAT THE RUSSIANS WERE VERY WORRIED ABOUT THE USE OF ARTICLE 23 BUT GENSCHER SAID THAT THEY SHOULD BE REASSURED. EVEN ARTICLE 23 COULD ONLY COME IN AT THE END OF A PROCEDURE WHICH WOULD SETTLE THE EXTERNAL ASPECTS OF GERMAN UNITY. HE HAD MADE THIS PUBLIC IN THE BUNDESTAG DEBATE LAST WEEK AND HAD ALSO MADE CLEAR THAT ONCE UNITY WAS ACHIEVED, THE RELEVANT PARTS OF THE PREAMBLE AS WELL AS ARTICLES 23 AND 146 WOULD BE DELETED FROM THE BASIC LAW.

11. GENSCHER SAID THAT IN DISCUSSIONS WITH THE GDR GOVERNMENT HE HAD MADE CLEAR THAT ISSUES OF SUBSTANCE COULD ONLY BE DISCUSSED ONCE THE FREELY-ELECTED GOVERNMENT WAS IN POWER. IT HAD BEEN AGREED THAT ALL THE MEETINGS SHOULD BE ON GERMAN TERRITORY. HE AGREED WITH THE SECRETARY OF STATE THAT WE MUST PROPERLY PREPARE FOR THE MINISTERIAL TWO PLUS FOUR TALKS. THIS SHOULD BE DONE BY POLITICAL DIRECTORS. HE THOUGHT THE FIRST MEETING AT MINISTERIAL LEVEL WOULD TAKE PLACE SOME TIME IN APRIL.

12. IN FURTHER DISCUSSION OF THE POSSIBILITY OF A MEETING OF THE TWO PLUS FOUR IN WARSAW, GENSCHER SAID THIS WOULD BE VERY BAD FOR GERMAN PUBLIC OPINION. IF THE POLES WANTED A GUARANTEE OF THEIR BORDERS BY THE FOUR HE COULD LIVE WITH THAT. HE LATER TOLD THE SECRETARY OF STATE AGAIN THAT WARSAW WOULD BE VERY DIFFICULT. THE SECRETARY OF STATE URGED HIM TO SAY AS POSITIVELY AS HE COULD THAT THE POLES WOULD BE WELCOME AT THE TWO PLUS FOUR TALKS AT THE RELEVANT MOMENT, LEAVING UNTIL LATER THE QUESTION OF VENUE.

13. THE SECRETARY OF STATE ASKED GENSCHER HOW HE THOUGHT WE COULD DEAL WITH THE RUSSIANS' LEGAL HOLD OVER THE ARTICLE 23 PROCESS IN RESPECT OF BERLIN. GENSCHER SAID IT WAS THE FRG'S CLEAR INTENTION TO SETTLE ALL THE EXTERNAL ASPECTS BEFORE UNIFICATION WAS FINALISED. HE AGREED WITH THE SECRETARY OF STATE THAT IT WOULD BE SENSIBLE TO OFFER TO DISCUSS HOW TO WIND UP THE OCCUPATION REGIME BUT WE SHOULD NOT ALLOW THE RUSSIANS TO FILIBUSTER. THE AIM SHOULD BE TO PRESENT THE CSCE SUMMIT WITH THE RESULTS OF THE TWO PLUS FOUR DISCUSSIONS.

14. OVER LUNCH THERE WAS SOME DISCUSSION OF THE EC ASPECTS OF UNIFICATION. THE SECRETARY OF STATE SAID THAT WE ENVISAGED SHORT TRANSITION PERIODS. IT WOULD REQUIRE A MAJOR EFFORT TO BRING THE GDR UP TO COMMUNITY STANDARDS AND WE WERE ASKING A LOT OF THE FRG. WHAT WAS GENSCHER'S VIEW ON THE IMPACT OF GEMU?

15. GENSCHER SAID THAT EC QUESTIONS WERE NOT THE MOST DIFFICULT. THE MOST DIFFICULT WERE PROBLEMS LIKE PROPERTY AND PENSION RIGHTS. WITH THE PRESENT RATE OF EXODUS FROM THE GDR,



THERE WAS NO ALTERNATIVE TO GEMU. THE CREATION OF A SINGLE CURRENCY WAS THE BEST WAY OF EXERTING PRESSURE FOR MARKET CONDITIONS. THE PRIVATE BANKS IN THE FRG, WHO WERE AS CAUTIOUS AS THEY CAME, SUPPORTED THIS PROCESS. GENSCHER AGREED WITH THE SECRETARY OF STATE THAT IT WOULD BE VERY DIFFICULT TO KEEP ALL THESE ISSUES ON A STABLE FOTTING DURING THE LONG FRG ELECTORAL CAMPAIGN. HE PERSONALLY HOPED THAT DOMESTIC ISSUES WOULD DISPLACE EXTERNAL ISSUES AT THE TOP OF THE AGENDA. HE DID NOT REGARD THE BORDER QUESTION AS BEING THE REAL PROBLEM THOUGH KOHL MIGHT SEE THINGS DIFFERENTLY. IT WAS VERY IMPORTANT THAT THE GERMAN PUBLIC SHOULD NOT SEE THE TWO PLUS FOUR PROCESS AS GERMANY BEING TRAMPLED ON. HENCE THE IMPORTANCE OF THE TALKS BEING HELD IN GERMANY.

16. GENSCHER SAID HE ATTACHED A LOT OF IMPORTANCE TO INVESTMENT IN THE GDR BY OTHER EC MEMBER STATES. IT WAS POLITICALLY NECESSARY FO THE WHOLE COMMUNITY TO BE SEEN TO BE INVOLVED, AND THAT THE FRG SHOULD NOT HAVE AN UNFAIR ADVANTAGE.

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TO IMMEDIATE BONN

TELNO 181

OF 122115Z MAR 90

INFO IMMEDIATE PARIS, WASHINGTON, MOSCOW, EAST EUROPEAN POSTS

FROM PRIVATE SECRETARY

SECRETARY OF STATE'S TALKS WITH GENSCHER: LITHUANIA.

SUMMARY

1. GENSCHER THINKS GORBACHEV WILL CONCEDE ALMOST ANYTHING TO LITHUANIA IN ORDER TO PRESERVE THE FICTION THAT THEY REMAIN WITHIN THE SOVIET UNION. BELIEVES THAT GORBACHEV HAS THOUGHT THROUGH HIS POSITION MORE THAN HE LETS ON IN PUBLIC.

DETAIL

2. THE SECRETARY OF STATE DISCUSSED THE INDEPENDENCE OF LITHUANIA WITH GENSCHER IN BONN TODAY. HE SAID WE WOULD, IN PUBLIC, WELCOME THE GREATER FREEDOM NOW COMING ABOUT, AND EXPRESS THE HOPE THAT THE RUSSIANS WOULD ENTER INTO NEGOTIATIONS WHICH WOULD LEAD TO AGREEMENT ON HOW THE LITHUANIANS WOULD EXERCISE THEIR RIGHTS. WE WOULD MAKE CLEAR THAT WE WOULD NOT ACT ON OUR JUDICIAL POSITION BY SENDING EMBASSIES TO LITHUANIA.

3. GENSCHER AGREED WITH THIS APPROACH. THE LITHUANIAN PROBLEM WAS MORE COMPLICATED FOR GORBACHEV THAN THE GERMAN QUESTION. HE THOUGHT THAT GORBACHEV WOULD WANT TO GET INTO SERIOUS DISCUSSIONS WITH THE LITHUANIANS AND WOULD OFFER THEM ANYTHING SHORT OF INDEPENDENCE TO KEEP THEM WITHIN THE SOVIET UNION, EVEN IF THAT WAS LARGELY A FICTION.

4. GENSCHER THOUGHT THAT GORBACHEV WAS IN TROUBLE BUT THAT HIS OWN THINKING ABOUT WHAT STEPS WERE NEEDED HAD GONE FURTHER THAN HE ACKNOWLEDGED IN PUBLIC.

GORBACHEV WAS WELL AWARE THAT THE PARTY WAS NO LONGER THE BINDING LINK IN THE SOVIET UNION. HE HAD LEARNED THE LESSONS OF WHAT HAD HAPPENED IN YUGOSLAVIA, IE THAT IF YOU HAD POWER CONCENTRATED AT THE TOP YOU COULD THEN AFFORD TO ALLOW GREATER FREEDOM TO INDIVIDUAL STATES. HE ALSO REALISED THAT HIS POLICY OF REFORM LOOKED VERY DIFFERENT IN DIFFERENT PARTS OF THE SOVIET UNION. IT WAS A MISTAKE TO THINK THAT THE SOVIET UNION WAS HOMOGENEOUS LIKE FRANCE OR THE UK. WHAT DID THE BALTS HAVE IN COMMON WITH THE AZERIS OR THE RUSSIANS AND THE ARMENIANS? GORBACHEV WAS READY TO ALLOW A LARGER DEGREE OF FREEDOM, OF WHICH LITHUANIA COULD BE THE FIRST EXAMPLE. AS THE WARSAW PACT CRUMBLLED, THINGS WOULD BE EASIER FOR HIM IF THE CSCE PROCESS WAS

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STRENGTHENED. THE SECRETARY OF STATE AGREED. WE SHOULD NOT LET THE CSCE BECOME A VEHICLE FOR RECREATING THE NOTION OF SYMMETRY BETWEEN EAST AND WEST. WE SHOULD WORK OUT WHAT WE WANTED THE CSCE TO ACHIEVE. WE SHOULD NOT ATTEMPT TO GIVE MILITARY GUARANTEES ON FRONTIERS BUT WE COULD USE CSCE FOR CONCILIATION, HUMAN RIGHTS, FREE ELECTIONS ETC. IT COULD ALSO HAVE A MORE INTENSE ROLE TO PLAY OVER BORDER QUESTIONS. GENSCHER AGREED.

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TO DESKBY 130900Z FCO  
TELNO 756  
OF 122001Z MARCH 90  
INFO ROUTINE EUROPEAN COMMUNITY POSTS, BERNE, EAST BERLIN

FRAME ECONOMIC  
FRAME EXTERNAL

ECOFIN COUNCIL: 12 MARCH: GERMAN ECONOMIC AND MONETARY UNION (GEMU)

SUMMARY

1. FRG PROGRESS REPORT OVER LUNCH ON MONETARY UNION. NO CLEAR TIMETABLE ESTABLISHED, BUT INDICATIONS THAT FRG WAS NOT CURRENTLY PLANNING INTEREST RATE RISES TO COUNTER INFLATIONARY PRESSURES. DELORS NOTED THE PRACTICAL PROBLEMS OF UNIFICATION FOR COMMUNITY LAW AND PROMISED A PAPER ON THIS FOR THE INFORMAL ECOFIN AT THE END OF MARCH.

DETAIL

2. WAIGEL (FRG) GAVE A LENGTHY ACCOUNT OF THE SITUATION IN THE GDR AND A PROGRESS REPORT ON GEMU. IT WAS EXCITING TO ATTEND ELECTION MEETINGS IN THE EAST ATTENDED BY EIGHTY TO A HUNDRED THOUSAND PEOPLE. BUT EAST GERMANS WERE STILL DAY DREAMING ABOUT THE FUTURE AND THE FRG GOVERNMENT SAW IT AS ITS JOB TO MAKE THEM FACE REALITY. MUCH CHANGE WOULD BE REQUIRED. THERE WERE BOUND TO BE SOCIAL PROBLEMS. THE GDR'S EXTERNAL DEBT WAS INCREASING BUT IT WAS NOT AS BAD AS SOME HAD MADE OUT. DOMESTIC DEBT WAS MORE SERIOUS. THERE WAS AN URGENT NEED FOR NEW INSTITUTIONS AND A TAX SYSTEM. PRODUCTIVITY WAS VERY LOW. MONETARY UNION WOULD BRING PRICE RISES AND UNEMPLOYMENT BUT THERE WAS GREAT POTENTIAL FOR MOPPING UP SURPLUS LABOUR. THE SERVICE INDUSTRY IN THE GDR WAS ALMOST NON-EXISTENT. THERE WAS NO INSURANCE INDUSTRY.

3. WAIGEL SAID LITTLE ON THE TIMETABLE FOR MONETARY UNION. SOME IDEAS HAD BEEN PUT TO THE GDR GOVERNMENT BUT IT WAS NOT CLEAR WHEN THEY WERE GOING TO RESPOND. ON THE DEUTSCHMARK/OSTMARK CONVERSION RATE, THE FRG WAS STILL UNDECIDED. ONCE THEY HAD CLEAR INFORMATION ON THE AMOUNT OF PRIVATE SAVINGS IN THE GDR THEY WOULD BE ABLE TO SET A TIMETABLE. IN THE MEANTIME, SPECULATION ON THE EXCHANGE RATE RATIO WAS COUNTERPRODUCTIVE ('SOME PEOPLE SHOULD SHUT UP'). BUT PRUDENCE AND CAUTION WOULD CONTINUE TO BE THE WATCHWORDS FOR THE FRG. THE GROWTH RATE SHOULD NOT EXCEED THE NORMAL INCREASE IN GDP.

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THE BUNDESBANK MUST REMAIN INDEPENDENT. THE GDR GOVERNMENT HAD BEEN TOLD THAT THERE WAS NO ROOM FOR COMPROMISE ON MONETARY POLICY. THE MONEY SUPPLY MUST BE CONTROLLED. INTEREST RATES WOULD STABILISE AND COME DOWN WHEN PEOPLE REALISED THAT MONETARY UNION WOULD NOT INCREASE THE VOLUME OF MONEY IN CIRCULATION. THE FRG WOULD HAVE TO FIND GREATER SOCIAL SECURITY PROVISIONS, BUT IT WAS NOT INCUMBENT UPON THEM TO PAY FOR NEW INFRASTRUCTURE IN THE GDR. IN ALL THIS WE SHOULD BEAR IN MIND THAT THE POPULATION OF THE GDR WAS NO BIGGER THAN NORTH RHEINLAND/WESTPHALIA AND ITS ECONOMY WAS ONLY THE SIZE OF HESSEN.

4. WAIGEL STRESSED THE BENEFITS OF GEMU FOR OTHER COMMUNITY MEMBERS. THERE COULD BE INCREASED EXPORT OPPORTUNITIES. THE FRG TRADE SURPLUS WOULD BE REDUCED.

5. SARCINELLI (CHAIRMAN OF THE MONETARY COMMITTEE) WAS REASSURED THAT WAIGEL BELIEVED INTEREST RATES WOULD COME DOWN IN THE MEDIUM TERM. CHRISTOPHERSEN (COMMISSION) AGREED WITH WAIGEL'S ANALYSIS. THERE WOULD BE ADJUSTMENT PROBLEMS FOR THREE YEARS. IF INFLATIONARY PRESSURES LED TO AN INTEREST RATE RISE THAT WOULD CAUSE PROBLEMS FOR OTHERS. CARLI (ITALY) SAW BIG SHORT TERM PROBLEMS. THERE WAS A GREAT DEAL OF UNUSED PURCHASING POWER IN THE GDR. HE DOUBTED WHETHER MONETARY UNION WAS POSSIBLE WITHOUT FREEZING THIS. HE WAS PESSIMISTIC ON IMMIGRATION. IF WAGES REMAINED LOWER IN THE GDR MIGRATORY PRESSURES WOULD PERSIST. IF THERE WERE NO WAGE DIFFERENCES UNEMPLOYMENT WOULD RISE PRODUCING ITS OWN MIGRATORY PRESSURES. IF THE TRANSITION TO UNIFICATION HAPPENED QUICKLY INFLATIONARY PRESSURES WOULD BE UNAVOIDABLE. INTEREST RATES WERE BOUND TO RISE, AND THERE WOULD BE DANGERS FOR EMS STABILITY.

6. THE CHANCELLOR OF THE EXCHEQUER ASKED HOW THE FRG WOULD TACKLE INFLATION RESULTING FROM MONETARY UNION. WHAT WOULD THE COSTS OF GMU BE? IT WAS IMPORTANT THAT AFTER ITS ELECTIONS THE GDR ESTABLISHED A PRIVATE SECTOR ORIENTED ECONOMY WITH A REGULATORY FRAMEWORK BASED ON SINGLE MARKET LEGISLATION AND AVOIDED SUBSIDIES AND BARRIERS TO OUTSIDE FIRMS. BEREGOVY (FRANCE), KOK (NETHERLANDS) AND KONTOGEORGIS (GREECE) AGREED THAT THERE WOULD BE INFLATIONARY PRESSURES IN THE SHORT TERM AND EXPRESSED FEARS ABOUT INTEREST RATES. KOK SUGGESTED AN INFORMAL DISCUSSION AT THE INFORMAL ECOFIN OF THE IMPLICATIONS OF GMU. REYNOLDS (PRESIDENCY) AGREED TO THIS.

7. DELORS (COMMISSION) RAISED THE IMPLICATIONS OF UNIFICATION FOR COMMUNITY LAW. MANY DIFFICULT QUESTIONS WOULD ARISE AS WITH AN ACCESSION E.G. ON THE WEIGHTING OF VOTES, BUDGET CONTRIBUTIONS,

NUMBER OF MEMBERS OF THE EUROPEAN PARLIAMENT, STATE AIDS AND THE IMPLEMENTATION OF INTERNAL MARKET MEASURES. EC COUNTRIES WOULD NOT ACCEPT UNFAIR COMPETITION. THERE WERE GREAT SENSITIVITIES AMONG MEMBER STATES ON THE RATIO OF THEIR BUDGET CONTRIBUTIONS TO RECEIPTS. THE COMMISSION WOULD PRODUCE A DISCUSSION PAPER LISTING THE PRACTICAL QUESTIONS THAT NEEDED TO BE ANSWERED. THIS MIGHT BE AVAILABLE FOR THE INFORMAL ECOFIN AT THE END OF MARCH.

8. IN RESPONSE TO OTHERS CONCERNS, WAIGEL SAID THAT IT WAS NOT HIS IMPRESSION THAT THE BUNDESBANK WOULD RAISE INTEREST RATES: 'NO IMMEDIATE PLANS ARE AFOOT'. HE DENIED THAT THERE WERE DANGERS FOR THE EMS. HE WOULD NOT BE DRAWN FURTHER ON THE COSTS OF AND TIMETABLE FOR MONETARY UNION. THE LATTER DEPENDED ON THE GDR. THERE WOULD NOT NECESSARILY BE A GREAT BOOST TO CONSUMPTION. HE HOPED EAST GERMANS WOULD INVEST IN SECURITIES AND NEW HOMES. ON IMMIGRATION, EAST GERMANS WOULD NOT RECEIVE ANY BENEFITS AFTER 18TH MARCH.

9. REYNOLDS ASKED IF HE SHOULD ANNOUNCE TO THE PRESS WAIGEL'S REASSURING REMARKS ON INTEREST RATES. WAIGEL THOUGHT THAT THIS WOULD BE UNWISE.

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INFO IMMEDIATE BONN  
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FRAME ECONOMIC

GERMAN UNIFICATION: SPEECH BY COMMISSIONER BANGEMANN

SUMMARY

1. COMMISSION HAVE CIRCULATED EXTRACTS FROM SPEECH BY BANGEMANN IN BERLIN ON 9 MARCH. FIRM STRESS ON FRG BEARING MOST OF THE BURDEN OF GERMAN UNIFICATION.

DETAIL

2. THE FOLLOWING POINTS ARE WORTH NOTING FROM THE SPEECH:

(A) BANGEMANN ARGUES STRONGLY FOR THE ARTICLE 23 ROUTE: FRG'S INTERNATIONAL TIES WOULD NOT BE AFFECTED: BEST AND SIMPLEST ROUTE WHICH WOULD AVOID A LEGAL VACUUM WITH THE COMMUNITY: FRG CONSTITUTION HAS BROUGHT RESPECT AND RECOGNITION TO GERMANY - DON'T SUGGEST THAT AN ENLARGED GERMANY WOULD BE DIFFERENT OR REQUIRE IT TO JOIN THE COMMUNITY A SECOND TIME.

(B) THE FRG WOULD BEAR MOST OF THE BURDEN. THE COMMUNITY CAN OFFER HELP FOR ADJUSTMENT BUT BEAR IN MIND THAT A UNITED GERMANY WILL STILL HAVE AN INCOME ABOVE THE COMMUNITY AVERAGE. THE WHOLE OF THE GDR SHOULD BE AN ASSISTED AREA. BUT SEVERAL LESS DEVELOPED MEMBERS OF THE COMMUNITY ARE WORRIED THAT IT WILL DRAW AWAY INVESTMENT FROM THEM.

(C) GERMAN MONETARY UNION WILL PROVIDE USEFUL LESSONS FOR EMU, IN PARTICULAR ON THE NEED FOR AN INDEPENDENT CENTRAL BANK WITH PRICE STABILITY AS ITS OBJECTIVE. FOR GEMU THERE MUST BE A 1:1 EXCHANGE RATE FOR SAVINGS AND PENSIONS BUT THE ABILITY OF THE GDR ECONOMY TO COMPETE INTERNATIONALLY WILL BE THE REAL FACTOR. RIGIDITY OF WAGES IN THE FRG HAS HELD BACK EMPLOYMENT CREATION AND MONETARY UNION MUST BE ACCOMPANIED BY ECONOMIC REFORM IF UNEMPLOYMENT IN THE EAST AND INFLATION IN THE WEST ARE TO BE AVOIDED.

(D) THE GDR IS IN A BETTER STATE THAN THE FRG WAS 40 YEARS AGO. IN



SOME AREAS SUCH AS HEALTH IT IS IN THE MIDDLE OF THE EUROPEAN COUNTRIES.

(E) THE FEAR OF AN OVERPOWERFUL GERMANY AT THE CENTRE OF EUROPE RESTS ON THE OUTDATED CONCEPT OF RIVAL NATION STATES. IN A COMMUNITY WITH STRENGTHENED COOPERATION FRONTIERS WOULD ONLY BE POLITICAL LINES ON A MAP AND NOT OBSTACLES DIVIDING COUNTRIES.

(F) WE STILL NEED ALLIANCES AS A FACTOR OF STABILITY IN EUROPE BUT MUST EVOLVE BEYOND MILITARY BLOCKS AND NOT PERPETUATE THEM.

(G) NEUTRALITY WOULD BE BAD FOR GERMANY AND CUT IT OFF FROM THE REST OF EUROPE. IT IS NOT SUITABLE FOR A COUNTRY OF 75 MILLION PEOPLE.

(H) A CLEAR DECLARATION ON THE ODER-NEISSE LINE SHOULD BE MADE WITHOUT DELAY. A UNITED GERMANY WOULD MAKE NO TERRITORIAL DEMANDS.

(I) GERMAN UNITY IS PART OF THE PROCESS OF RECONCILIATION IN EUROPE. THE COMMUNITY HAS BEEN A FACTOR MAKING FOR GERMAN STABILITY.

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10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

11 March 1990

*Jean Pierre Minister,*

Thank you for your message of 21 February about Poland's border with Germany, which we also discussed during your visit here.

As you will have seen from my various public statements since then, I share your belief that the border should be definitively settled by a Treaty or other legally-binding instrument. We have argued strongly in support of this view in our contacts with other governments, and I am glad that it is now very widely accepted. I welcome in particular the statement made by the Federal German Government. Poland's request for a Treaty is fully justified and I am sure it will be met.

It seems to me entirely reasonable that Poland should, as you suggest, have a part in discussion of her external border and how it shall be guaranteed - and I note that you draw a distinction between this and full participation in the meetings of the Four Powers and the two German States. Procedural issues will be among the first to be addressed when we meet in this format, and I hope that a solution satisfactory to Poland will be found.

*With every good wish*

*Yours sincerely*

*Margaret Thatcher*

His Excellency Mr. Tadeusz Mazowiecki

*ca*



file

PM

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

11 March 1990

Dear Richard,

I enclose the Prime Minister's reply to Mr. Mazowiecki's letter of 21 February. It is somewhat amended from the draft which you provided but not, I think, in any important point. I have considered whether we could delay it to take account of the discussions between the Chancellor of the Duchy and President Jaruzelski and Mr. Mazowiecki, reported in Warsaw telegram nos. 207 and 208. I think it better to get it off as soon as possible and deal with the further aspects raised in those conversations as a separate matter.

C. D. POWELL

Richard Gozney, Esq.,  
Foreign and Commonwealth Office.

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TELNO 208  
OF 111100Z MARCH 90  
INFO IMMEDIATE BONN, PARIS, WASHINGTON, EAST EUROPEAN POSTS,  
INFO IMMEDIATE UKDEL NATO, UKREP BRUSSELS

MIPT: POLAND AND GERMAN REUNIFICATION: MR BAKER'S MEETING WITH  
JARUZELSKI.

1. JARUZELSKI DESCRIBED AS SHOCKING THE PACE OF PROGRESS TOWARDS  
GERMAN UNIFICATION. ACHIEVING IT BY COMBINING THE TWO STATES WAS  
PREFERABLE TO ANNEXATION - A PRESUMED REFERENCE TO ARTICLE 23 -  
WHICH HAD UNFAVOURABLE ASSOCIATIONS.

2. HE HAD TOLD MITTERRAND IN PARIS THAT A UNITED GERMANY  
WOULD SOON BE EVEN MORE POWERFUL THAN IT WAS TODAY. HE FEARED NOT  
GERMAN MILITARISM BUT ECONOMIC DOMINATION. HE FORESAW A  
POWERFUL ECONOMIC BLOC CONSISTING OF GERMANY, AUSTRIA AND PERHAPS  
CZECHOSLOVAKIA.

3. GORBACHEV FACED A DIFFICULT ECONOMIC SITUATION AND PROBLEMS  
OVER THE NATIONALITIES. BUT FOR THE SOVIET UNION THE SECURITY  
ASPECTS OF GERMAN UNIFICATION WERE PARTICULARLY SENSITIVE. SINCE  
THE WAR SOVIET SECURITY HAD BEEN ORGANICALLY TIED TO THE LINE OF  
THE ELBE. NOW THE GDR ARMY HAD ALMOST CEASED TO EXIST AND THE  
WHOLE MILITARY INFRASTRUCTURE IN THE GDR MIGHT BE LOST TO THE  
SOVIET UNION. IF HMG WAS INTERESTED IN HELPING GORBACHEV, WE  
SHOULD HELP TO PREVENT A SITUATION WHERE PEOPLE IN THE SOVIET UNION  
MIGHT THINK THAT THEIR SECURITY WAS BEING THREATENED. HE HAD SAID  
IN PARIS THAT GERMANY COULD NOT BE NEUTRAL AND THAT IT WAS  
ESSENTIAL TO WORK OUT NOW NEW SECURITY STRUCTURES. THESE COULD  
INCLUDE UPDATING THE CAF NEGOTIATIONS IN VIENNA, SETTING CEILINGS  
ON NATIONAL ARMED FORCES (EG THE BUNDESWEHR), MILITARY DOCTRINE,  
CONFIRMATION THAT A UNITED GERMANY RENOUNCED ABC WEAPONS.

4. HE HAD TOLD MITTERRAND IN PARIS THAT THIS WAS THE LAST MOMENT  
BEFORE UNIFICATION AT WHICH THE FOUR POWERS COULD FIX TERMS.  
MITTERRAND HAD REACTED WITH INTEREST BUT JARUZELSKI THOUGHT HE  
HAD SEEN SERIOUS PROBLEMS OVER GIVING EFFECT TO WHAT THE POLES  
WERE SUGGESTING. JARUZELSKI CONCLUDED BY SAYING THAT AFTER THE  
EXPLOSIVE AND RAPID CHANGES OF 1989, IT WAS NECESSARY TO ENSURE  
IN 1990 THAT THE NEW FLUIDITY SHOULD BE GUIDED INTO NEW STRUCTURES  
THAT WOULD MEET EUROPEAN SECURITY NEEDS FOR AT LEAST THE NEXT  
TWENTY YEARS.

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TELNO 207  
OF 111020Z MARCH 90  
INFO IMMEDIATE BONN, PARIS, WASHINGTON, EAST EUROPEAN POSTS,  
INFO IMMEDIATE UKDEL NATO, UKREP BRUSSELS.

POLAND AND GERMAN UNIFICATION

SUMMARY

1. MAZOWIECKI AND JARUZELSKI TELL MR KENNETH BAKER ABOUT THEIR DISCUSSIONS WITH MITTERRAND. FRENCH SUPPORT FOR POLISH POSITION ON THE SUBSTANCE OF THE BORDER QUESTION. ON MODALITIES, POLES SEEK BRITISH VIEWS ON POSSIBLE 2 PLUS 4 MEETING IN WARSAW TO SETTLE THE BORDER ISSUE. MAZOWIECKI ASKS PRIME MINISTER TO CONVEY POLISH CONCERNS TO BUSH. JARUZELSKI CONCERNED TO SETTLE SECURITY QUESTIONS AT AN EARLY STAGE OF UNIFICATION PROCESS.

DETAIL

2. I ACCOMPANIED MR KENNETH BAKER ON HIS CALLS ON MAZOWIECKI AND JARUZELSKI ON 10 MARCH. THE MAIN SUBJECT DISCUSSED WAS GERMAN UNIFICATION AND ITS IMPLICATIONS FOR POLAND AND FOR EUROPEAN SECURITY. MAZOWIECKI AND JARUZELSKI, TOGETHER WITH SKUBISZEWSKI, HAD RETURNED TWELVE HOURS EARLIER FROM A DAY'S VISIT TO PARIS. MAZOWIECKI IN PARTICULAR WANTED TO ENSURE THAT THE PRIME MINISTER WAS BROUGHT UP TO DATE WITH POLISH THINKING FOLLOWING THE PARIS VISIT.

3. MAZOWIECKI SAID WE HAD ALL FOLLOWED THE STRANGE PIRQUETTES OF CHANCELLOR KOHL. HE PERSONALLY HAD BEEN OFFENDED THAT KOHL HAD INTRODUCED THE ISSUE OF THE GERMAN MINORITY IN POLAND AFTER THIS HAD BEEN SETTLED DURING KOHL'S VISIT HERE LAST NOVEMBER. IN DOING SO KOHL HAD BROUGHT BACK MEMORIES OF PRE-WAR GERMAN INTERFERENCE IN THE NAME OF GERMAN MINORITIES. POLISH SOCIETY WAS UNEASY AS A RESULT AND THE PUBLIC NOW HAD TO BE TAKEN INTO ACCOUNT.

4. HE REFERRED WARMLY TO THE PRIME MINISTER'S IMMEDIATE AND EARLY REAFFIRMATION OF THE NEED FOR THE BORDER QUESTION TO BE SETTLED BY A TREATY AND OF POLAND'S RIGHT TO TAKE PART WHEN ISSUES CONCERNING HER WERE DISCUSSED. FOLLOWING HIS VISIT TO PARIS, THIS WAS NOW ALSO THE FRENCH POSITION. HE REPEATED HOW IMPORTANT IT WAS THAT THE TREATY SHOULD BE INITIALLED BEFORE UNIFICATION. THE FOUR POWERS SHOULD BE ASSOCIATED WITH IT.

5. MAZOWIECKI SAID THAT HE WOULD BE TELLING THE SOVIET UNION THAT DELAYING TACTICS WERE WRONG AND INAPPROPRIATE. IT WAS TOO LATE FOR A PHASED APPROACH: THE GERMANS MIGHT PRODUCE A FAIT ACCOMPLI. THE PRIME MINISTER HAD BEEN RIGHT TO DRAW ATTENTION TO THE DANGER

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with plus 2 plus  
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THAT UNIFICATION MIGHT TAKE PLACE ON THE BASIS OF ARTICLE 23 OF THE FEDERAL CONSTITUTION. MAZOWIECKI HAD ASKED MODROW WHETHER ELECTIONS IN THE GDR WOULD RESULT IN A GOVERNMENT STRONG ENOUGH TO TAKE PART IN TALKS ON UNIFICATION. MODROW'S ANSWER WAS THAT HE COULD NOT GUARANTEE THIS : HE COULD SEE CIRCUMSTANCES IN WHICH ARTICLE 23 WOULD BE USED. AS MAZOWIECKI PUT IT, NEGOTIATIONS SHOULD TAKE PLACE AS SOON AS POSSIBLE, AS OTHERWISE THERE WAS A RISK THAT THE STREETS AND ARTICLE 23 WOULD DETERMINE WHAT HAPPENED.

6. MAZOWIECKI SAID HE WAS AFRAID FOR GORBACHEV. ACCORDING TO POLISH INFORMATION, MATTERS WERE CURRENTLY VERY DIFFICULT FOR HIM. →

7. AGAINST THIS BACKGROUND, POLISH PARTICIPATION IN TALKS HAD BECOME EVEN MORE CRITICAL. IT WAS AN OPPORTUNITY FOR THE FOUR POWERS TO SHOW THAT THEY RESPECTED POLISH RIGHTS. HE RECALLED THAT HE HAD SAID ON BRITISH TV THAT HE DID NOT WANT POLAND'S WESTERN BORDER TO BE THE GIFT OF STALIN. AS HE SAW IT, THE ONLY WAY TO FORCE KOHL TO SETTLE THE BORDER ISSUE IN THE INITIAL STAGE OF THE PROCESS OF REUNIFICATION WOULD BE FOR THE FOUR POWERS TO GIVE THIS THEIR IMMEDIATE SUPPORT. HE HAD SUGGESTED TWO OPTIONS TO MITTERRAND. EITHER POLAND COULD FORMALLY REQUEST THE SIX POWERS THAT SHE SHOULD TAKE PART IN THE FIRST PHASE OF TALKS ON THE SECURITY OF GERMANY'S NEIGHBOURS. OR POLAND SHOULD INVITE THE 4 PLUS 2 TO WARSAW TO DISCUSS THIS PART OF THE PROBLEM. THE FIRST COURSE MIGHT BE SIMPLER BUT WOULD BE MORE DIFFICULT TO SET UP. THE SECOND MIGHT BE HARDER TO REJECT BUT MAZOWIECKI DID NOT WANT TO PROPOSE IT FORMALLY BEFORE BEING SURE THAT THE FOUR POWERS WOULD AGREE TO IT. MITTERRAND HAD LIKED THE SECOND METHOD AND HAD UNDERTAKEN TO GIVE THE POLES A DEFINITE ANSWER BY 16 MARCH.

8. MAZOWIECKI THEREFORE REQUESTED A BRITISH REACTION, ALSO BY 16 MARCH. HE THEN RECALLED THAT WHEN HE HAD BEEN IN LONDON THE PRIME MINISTER HAD ASKED HIM IF HE WANTED HER TO SPEAK TO PRESIDENT BUSH ABOUT POLISH CONCERNS. HE NOW WOULD BE GRATEFUL IF THE PRIME MINISTER COULD DELIVER ON HER OFFER BEFORE HE SAW THE PRESIDENT IN WASHINGTON ON 21 MARCH.

9. MR BAKER STRESSED DURING THE MEETING THAT THE BORDER QUESTION WAS A QUESTION OF JUSTICE FOR POLAND AND THAT LEAVING IT UNCERTAIN COULD LEAD TO INSTABILITY IN EUROPE. HE POINTED TO THE PROBLEMS, FOR EUROPE AND THE COMMUNITY, OF THE ARTICLE 23 ROUTE. THESE MAJOR ISSUES, WHICH INCLUDED THE SECURITY QUESTIONS, COULD NOT BE BRUSHED ASIDE. HE WOULD REPORT THE DISCUSSION AND THE POLISH REQUEST (PARAGRAPH 8) TO THE PRIME MINISTER ON HIS RETURN.

10. AS WE WERE LEAVING, MAZOWIECKI'S PRIVATE SECRETARY ASKED THAT I SHOULD TRANSMIT OUR REPLY BOTH TO HIM AND TO THE MFA. AT OUR DINNER FOR MR BAKER LAST NIGHT SKUBISZEWSKI SAID THAT THE ANSWER TO THE MFA SHOULD BE GIVEN TO HIM PERSONALLY.

11. SEE MIFT FOR MR BAKER'S MEETING WITH JARUZELSKI.

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CONFIDENTIAL

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TO DESKBY 111800Z FCO

TELNO 206

OF 111010Z MARCH 90

FOR RESIDENT CLERK

MY TWO IFTS: POLAND AND GERMAN REUNIFICATION

MR BAKER SAID HE WOULD TELEPHONE THE PRIME MINISTER TO REPORT HIS CONVERSATIONS WITH MAZOWIECKI AND JARUZELSKI AS SOON AS HE RETURNS TO LONDON LATER TODAY. GRATEFUL THEREFORE IF YOU WOULD ENSURE THAT COPIES OF BOTH TELEGRAMS ARE SENT TO NO 10 ON RECEIPT IN LONDON.

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TO DESKBY 091300Z FCO  
TELNO 301

OF 091208Z MARCH 90

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MODSH PASS TO CICC GERMANY AND MODUK

YOUR VISIT TO BONN 12 MARCH

SUMMARY

1. ENTHUSIASM IN FRG ABOUT PROSPECT OF UNIFICATION NOW SOMEWHAT CLOUDED. DIFFICULTIES ALONG THE WAY AND COSTS TO FRG BECOMING MORE WIDELY KNOWN. FEDERAL GOVERNMENT TREADS WATER IN INNER-GERMAN RELATIONS, PENDING GDR ELECTIONS. OUTCOME OF LATTER NOW THOUGHT MORE OPEN, AS PRO-CDU ALLIANCE FOR GERMANY REPORTEDLY GAINS GROUND. FEDERAL GOVERNMENT HOPES FOR EARLY PROGRESS ON ECONOMIC UNITY AFTER 18 MARCH.

2. KOHL'S HANDLING OF ODER-NEISSE ISSUE WIDELY CRITICISED. HIS RELATIONS WITH GENSCHER TENSE. TIMELY OPPORTUNITY TO DEMONSTRATE TO BOTH THAT WE HAVE REASONABLE AND CONVINCING POSITIONS ON EXTERNAL ASPECTS OF UNIFICATION. NEED IN PARTICULAR TO PROBE FEDERAL INTENTIONS ON FUTURE SECURITY ARRANGEMENTS FOR EAST GERMANY.

DETAIL

3. THE MOMENTUM TOWARDS UNIFICATION HAS SLOWED PENDING THE GDR ELECTIONS. BUT THE FEDERAL GOVERNMENT'S PLAN IS TO PUSH FOR ECONOMIC TRANSFORMATION IN THE GDR AND THEN GERMAN CURRENCY UNION IN THE MONTHS FOLLOWING THE ELECTIONS. SOME GERMAN OFFICIALS (MY TELNO 298) ARE FORECASTING THAT INNER GERMAN AGREEMENT ON ECONOMIC UNIFICATION MAY TAKE SOME TIME, BUT STAIVENHAGEN (MINISTER OF STATE IN FEDERAL CHANCELLERY) TOLD ME TODAY THAT NEW ECONOMIC LAWS MIGHT TAKE EFFECT IN THE GDR, AND THE DMARK BE INTRODUCED, IN LATE JUNE. FOR THE MOMENT, PUBLIC ENTHUSIASM HERE ABOUT UNIFICATION IS SOMEWHAT CLOUDED. THE RATE OF EMIGRATION - ABOUT 130,000 SO FAR THIS YEAR -



IS OBSTINATELY HIGH. OPINION POLLS SHOW INCREASING PUBLIC CONCERN ABOUT THE LIKELY COSTS OF TRANSFORMING THE EAST GERMAN ECONOMY: ONE POLL SHOWED ONLY A QUARTER OF WEST GERMANS BEING WILLING TO MAKE MATERIAL SACRIFICES FOR UNIFICATION. WHATEVER THE EXCHANGE RATE CHOSEN FOR GERMAN CURRENCY UNION, PEOPLE SUSPECT THAT TAXES WILL RISE BEFORE LONG.

4. BOTH SPD AND CDU HERE HAVE THE IMPRESSION THAT THE EAST GERMAN SPD WILL DO LESS WELL IN THE ELECTIONS THAN HAS BEEN EXPECTED AND THAT THE PRO-CDU ALLIANCE FOR GERMANY MAY NOT FALL FAR BEHIND THE SPD. IF THAT HAPPENED, AND THE ALLIANCE WAS WELL REPRESENTED IN THE GDR GOVERNMENT AFTER THE ELECTIONS, THE NEGOTIATIONS ON UNIFICATION BETWEEN THE COALITIONS IN BONN AND EAST BERLIN MIGHT BE EASIER. AND SUCH AN OUTCOME COULD IMPROVE THE ALREADY RATHER GOOD PROSPECTS OF THE PRESENT FEDERAL COALITION IN THE WEST GERMAN ELECTIONS STILL PLANNED FOR 2 DECEMBER.

5. THE COALITION'S AGREED POSITION ON THE ODER-NEISSE FRONTIER AND YESTERDAY'S RESOLUTION IN THE BUNDESTAG SHOULD HAVE GONE SOME OF THE WAY TO REASSURING INTERNATIONAL OPINION ON THIS MATTER. BUT THE CONTROVERSY, GIVEN THE POLISH REACTION, IS UNLIKELY TO CEASE. THE SHARPNESS OF THE BUNDESTAG DEBATE (MY TELNO 299) IS SYMPTOMATIC OF THE FEBRILE ATMOSPHERE IN BONN POLITICS AT PRESENT. THIS EPISODE LEAVES KOHL LOOKING DIMINISHED, COMPARED WITH HIS MASTERY OF THE DEBATE IN THE WAKE OF HIS TEN POINT PLAN. ON THE ODER-NEISSE, THE USA AND FRANCE ARE I THINK SEEN HERE AS HAVING BEEN MORE INSISTENT THAN THE UK. HELMUT SCHMIDT IN THIS WEEK'S DIE ZEIT SAYS THERE IS A DANGER OF THE PSYCHOLOGICAL ISOLATION OF GERMANY FROM ITS FRIENDS AND THAT FRANCO-GERMAN RELATIONS HAVE NOT BEEN SO COOL FOR YEARS. THE PRIME MINISTER'S MESSAGE TO KOHL ABOUT THE COALITION'S POSITION ON ODER-NEISSE GAVE THE CHANCELLOR MUCH PLEASURE. SO THIS IS A GOOD MOMENT FOR YOU TO CONVINCe KOHL THAT OUR POSITIONS ON THE EXTERNAL ASPECTS OF UNIFICATION ARE REASONABLE AND CONVINCING. IT IS ALSO GOOD THAT YOU ARE SEEING GENSCHER ON THE EVE OF THE START-UP OF THE 2 PLUS 4 PROCESS.

6. I SUGGEST THAT WITH KOHL AND GENSCHER YOU MIGHT FOCUS PARTICULARLY ON TWO MATTERS: FUTURE SECURITY ARRANGEMENTS AND THE ARTICLE 23 PROCEDURE FOR UNIFICATION.

THE 2 PLUS 4 FORUM AND SECURITY ASPECTS

7. MY INDICATIONS ARE THAT THE GERMANS INTEND TO TAKE 2 PLUS 4 SERIOUSLY AT OFFICIAL LEVEL. GENSCHER'S INTENTIONS REGARDING THE MINISTERIAL LEVEL ARE UNCLEAR, AND YOU COULD ASK HIM WHEN HE WANTS A

FIRST MEETING AND WHAT SUBJECTS HE EXPECTS TO HANDLE AT THAT LEVEL. I DO NOT HAVE THE IMPRESSION THAT THE GERMANS ARE FULLY SEIZED OF THE NEED TO CONCERT POSITIONS AMONG THE WESTERN FOUR, ESPECIALLY ON SECURITY MATTERS, BEFORE CONFRONTING THE RUSSIANS. TO DO SO IS IN BRITISH INTERESTS. IF WE DO NOT TIE THE GERMANS DOWN IN ADVANCE, THERE WILL BE A RISK OF THEIR NOT STANDING UP TO SOVIET PRESSURE ON SECURITY MATTERS AS MUCH AS WE WOULD LIKE. THIS IS PARTICULARLY IMPORTANT GIVEN THE INCREASING CLARITY OF SOVIET STATEMENTS THAT GERMANY SHOULD NOT BELONG TO NATO AND BECAUSE OF THE CONTRADICTIONS WITHIN EACH OF THE DIFFERENT POSITIONS OF KOHL AND GENSCHER:

(A) KOHL TOLD BUSH THAT NATO ARTICLES 5 AND 6 SHOULD APPLY TO EAST GERMANY, YET HE RALLIED QUICKLY TO GENSCHER'S SQUASHING OF STOLTENBERG OVER THE QUESTION OF BUNDESWEHR FORCES BEING STATIONED IN FUTURE IN EAST GERMANY. SO WHAT MILITARY ASSETS WOULD MAKE THE GUARANTEE CREDIBLE?

(B) EVEN KASTRUP, GENSCHER'S POLITICAL DIRECTOR AND CLOSE ADVISER, CLAIMS NOT TO KNOW WHETHER GENSCHER WANTS ARTICLES 5 AND 6 TO APPLY TO EAST GERMANY. GENSCHER'S STATEMENTS ARE COMPATIBLE WITH ITS NOT APPLYING. HE MAY BE STALLING UNTIL HE SEES THE SOVIET HAND. HE MAY WANT IN THE COMING MONTHS TO MAKE PROGRESS TOWARDS A EUROPEAN SECURITY SYSTEM WHICH COULD IN TIME SUPERSEDE ALLIANCES.

#### ARTICLE 23

8. IN FAVOURING UNIFICATION BY THIS ROUTE, THE FEDERAL COALITION IS GOING FOR THE SIMPLEST PROCEDURE AND ONE WHICH AVOIDS A CONSTITUTIONAL ASSEMBLY WHERE THE SPD COULD HAVE A MAJORITY. SINCE THE NEW EAST GERMAN GOVERNMENT WILL DECIDE WHETHER TO SEEK UNITY BY THIS MEANS, ACCUSATIONS THAT THE COALITION IS DEMANDING ANNEXATION (ANSCHLUSS) OF EAST GERMANY, A CURRENT SOVIET DIG, ARE UNJUSTIFIED. THE FEDERAL GOVERNMENT HOPE THAT THE IDEA OF USING ARTICLE 23, SINCE IT CAN OPERATE QUICKLY, CAN HELP TO REASSURE EAST GERMANS ABOUT THE FUTURE AND THUS TO STEM MIGRATION. THE OTHER SIDE OF THIS COIN IS THAT THE PROCESS OF UNIFICATION COULD STREAK AHEAD OF 4 PLUS 2 DISCUSSION OF EXTERNAL ASPECTS. YESTERDAY IN THE BUNDESTAG KOHL AND GENSCHER SOUGHT TO REASSURE OTHER COUNTRIES ON THIS POINT. FEDERAL MINISTERS AND OFFICIALS, WHEN ASKED ABOUT IT, ARGUE VARIOUSLY THAT THE EAST GERMAN GOVERNMENT CAN BE PERSUADED TO DELAY A MOVE UNDER ARTICLE 23 UNTIL PROGRESS HAS BEEN MADE ON INTERNATIONAL ASPECTS, OR THAT IMPLEMENTATION OF AN EAST GERMAN DECISION UNDER ARTICLE 23 BY MEANS OF LEGISLATION IN THE BUNDESTAG CAN BE MADE TO TAKE SOME TIME. I WONDER WHETHER THESE POINTS WOULD HOLD IF PRESSURE OF MIGRATION WAS STILL STRONG.

CALL ON BRANDT

9. BRANDT, HONORARY CHAIRMAN OF THE SPD IN EAST AS WELL AS WEST GERMANY, IS RIDING HIGH AS A - VERY ACTIVE - GRAND OLD MAN OF GERMAN POLITICS. YOUR CALL ON HIM IS AN OPPORTUNITY TO ASK ABOUT SPD THINKING, WHICH IS EVOLVING. MOST SPD POLITICIANS SEE GERMANY BEING IN NATO AFTER UNIFICATION, AS A TRANSITIONAL STAGE UNTIL A NEW EUROPEAN PEACE ORDER IS IN PLACE. LAFONTAINE (WHO HAS NOT YET FORMALLY AGREED TO BE SPD CHANCELLOR CANDIDATE IN THE DECEMBER ELECTIONS) IS TAKING THE LINE THAT A UNITED GERMANY CANNOT BELONG TO NATO. YOU COULD ALSO ASK BRANDT WHETHER LAFONTAINE, WHO APPEARS TO BE LESS OF AN ENTHUSIAST ABOUT UNIFICATION THAN BRANDT HIMSELF NOW IS, MIGHT, WHEN THE EAST GERMAN ELECTION IS OUT OF THE WAY, SEEK TO ARTICULATE THE FEARS OF ORDINARY PEOPLE IN WEST GERMANY ABOUT THE COSTS OF EAST GERMAN IMMIGRATION AND OF UNIFICATION ITSELF.

MALLABY

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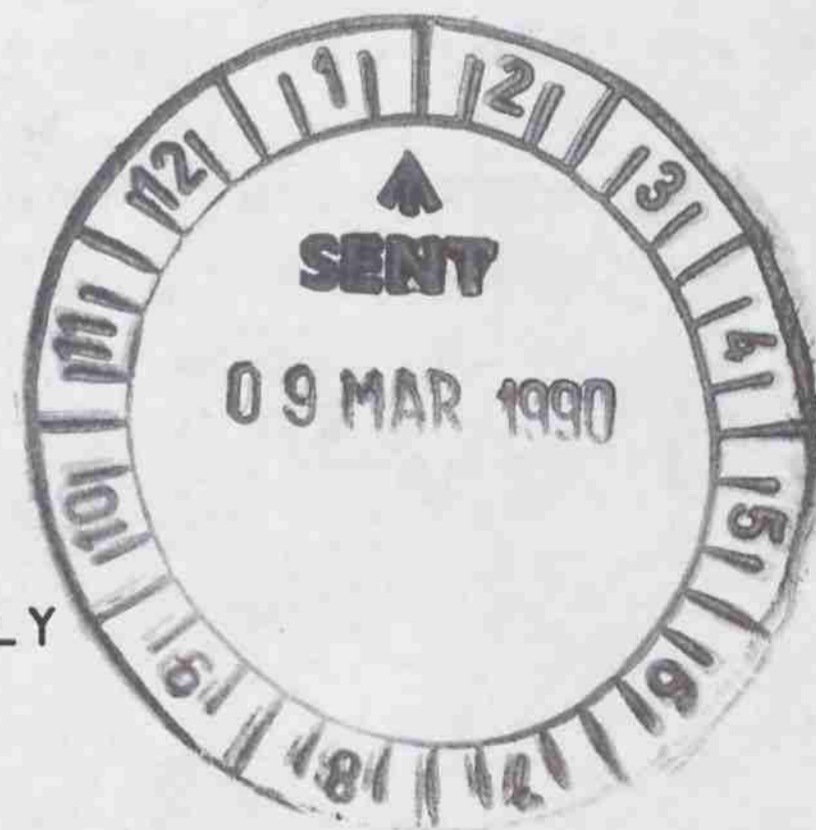
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*Eric Amis*  
 I am having lunch  
 with David Williamson  
 to discuss this on  
 Friday. *CBM*

FRAME ECONOMIC

GERMAN UNIFICATION : COMMISSION DISCUSSIONS ON 8 MARCH

SUMMARY

1. MEETING OF DELORS' STEERING GROUP MAINLY ON TIMETABLE AND PROCEDURES, FOLLOWED BY THE MEETING OF BANGEMANN GROUP ATTENDED BY MORE THAN HALF THE COMMISSION, WHICH HAD A GENERAL DISCUSSION OF THE MAIN PROBLEM AREAS. PAPERS TO BE PRODUCED BY A NUMBER OF COMMISSIONERS BY END MARCH AS A BASIS FOR DRAFT REPORT FOR 28 APRIL SUMMIT TO BE PREPARED BY THE SECRETARY GENERAL FOR APPROVAL BY THE COMMISSION IN MID-APRIL. COMMISSION ASSUMING GERMAN UNIFICATION WILL NOT TAKE PLACE FOR 12-18 MONTHS AFTER GEMU.

DETAIL

2. THE DELORS GROUP AGREED ON THE ABOVE TIMETABLE FOR THE PREPARATION OF THE COMMISSION'S PAPER. THEY ALSO AGREED THAT WORK SHOULD BE BASED ON THE ASSUMPTION THAT UNIFICATION WOULD TAKE PLACE BY THE ARTICLE 23 ROUTE AND THAT THERE WOULD BE NO TREATY CHANGE BUT THERE WOULD BE CHANGES TO SECONDARY LEGISLATION. IT WAS FURTHER AGREED TO WORK ON THE ASSUMPTIONS:

(A) THAT GEMU WOULD FOLLOW QUICKLY ON THE ELECTIONS (BANGEMANN SAID BY 1 JULY):

(B) THAT THERE WOULD THEN BE A PERIOD OF 12-18 MONTHS BEFORE UNIFICATION TOOK PLACE:

(C) THAT FOLLOWING UNIFICATION THERE WOULD BE A TRANSITIONAL PERIOD FOR THE APPLICATION OF THE COMMUNITY ACQUIS.

3. AT THE MEETING OF THE BANGEMANN GROUP IN THE AFTERNOON, THESE ASSUMPTIONS WERE EXPLAINED BY BANGEMANN AND WILLIAMSON, FOLLOWED BY A GENERAL DISCUSSION IN WHICH THE MAIN POINTS WERE AS FOLLOWS:

(A) EXTERNAL. ANDRIESSEN THOUGHT THAT THE EXTENSION OF THE EC'S CUSTOMS UNION TERRITORY WOULD AMOUNT TO A LIBERALISATION IN GATT TERMS AND THERE WOULD BE NO SERIOUS GATT PROBLEMS. BUT HE WOULD LOOK AT GATT ARTICLE XXVI.5 TO SEE WHETHER THE PROVISIONS FOR THE COMPENSATION MIGHT APPLY BY ANALOGY. HE WOULD ALSO BE LOOKING AT THE GDR'S EXTERNAL OBLIGATIONS TO SEE WHETHER THEY WERE CONSISTENT WITH EC POLICY.

(B) INNER GERMAN FRONTIER. THERE WAS AN INCONCLUSIVE DISCUSSION ABOUT WHETHER IT WAS POLITICALLY POSSIBLE TO MAINTAIN AN INNER GERMAN FRONTIER AND, IF NOT, HOW ANY DEROGATIONS EG ON STANDARDS COULD BE CONTROLLED. IT WAS ARGUED THAT THIS PROCESS MUST NOT BE ALLOWED TO INTERFERE WITH THE ABOLITION OF INTERNAL FRONTIERS BY THE END OF 1992.

(C) INTERNAL MARKET. BRITTAN SAID HE HAD WRITTEN TO TIETMEYER ABOUT BANKING SUPERVISION IN THE PERIOD BEFORE THE BANKING DIRECTIVE COMES INTO FORCE. HE ASSUMED THE GDR WOULD ADOPT THE GERMAN PATTERN.

(D) COMPETITION/STATE AIDS. BRITTAN SAID ACTIONS BY FRG FIRMS COMING UNDER ARTICLE 85 WOULD HAVE TO BE CONSIDERED DURING THE PRE-UNIFICATION PERIOD. CLOSE RELATIONS WITH THE GERMAN AUTHORITIES WERE NEEDED. ON STATE AIDS THE FRG'S DECISION TO NOTIFY SUBSIDIES TO FRG FIRMS OPERATING IN THE GDR WAS WELCOME. THE COMMISSION WOULD NEED TO GET INVOLVED EARLY IN THE QUESTIONS OF REGIONAL AIDS, INCLUDING THE FACT THAT THE BERLIN/SPECIAL BORDER REGION PROBLEM WOULD NOW MOVE EAST TO THE POLISH BORDER. THE PROCESS OF TAKING OVER THE KOMBINATE BY WESTERN COMPANIES WOULD HAVE TO BE CAREFULLY WATCHED. SCHMIDHUBER SAID THEY SHOULD BE 'DE-MONOPOLISED'. CARDOSO REFERRED TO THE EXTENSION OF SME INITIATIVES TO THE GDR.

(E) AGRICULTURE. WILLIAMSON SAID CONSUMER SUBSIDIES AMOUNTED TO 31 BILLION OSTMARKS BUT YIELDS WERE 80 PERCENT OF FRG ON AVERAGE SO THERE WOULD BE NO GREAT EXPLOSION OF PRODUCTION. HOWEVER THERE WERE STRUCTURAL PROBLEMS AND SUBSTANTIAL UNEMPLOYMENT. THERE WOULD PROBABLY BE NO NEED TO ALTER THE CAP FINANCIAL GUIDELINE. MACSHARRY HOWEVER THOUGHT THE GUIDELINE MIGHT HAVE TO BE INCREASED AND THAT THE GDR MIGHT NEED TO BE TREATED SEPARATELY IN THE APPLICATION OF STABILISERS TO AVOID OTHER MEMBER STATES SEEKING TO LOOSEN DISCIPLINES. AGRICULTURE SHOULD BE KEPT OUT OF ANY SPECIAL ARRANGEMENTS IN THE PERIOD UP TO UNIFICATION.

(F) FISHERIES. THE GDR FLEET WAS TWICE THE SIZE OF THE FRG FLEET AND

THE CATCH WAS ROUGHLY THE SAME. THERE WOULD BE SOME IMPLICATION FOR QUOTAS BUT THE GDR TENDED TO FISH FOR DIFFERENT SPECIES.

(G) STRUCTURAL POLICIES. WILLIAMSON POINTED OUT THAT IT WAS NOT CLEAR WHETHER THE GDR WOULD QUALIFY AS AN OBJECTIVE 1 REGION - POSSIBLY SOME AREAS WOULD. WHAT WAS CLEAR WAS THAT INDUSTRIAL RESTRUCTURING WAS NEEDED AS WELL AS RURAL DEVELOPMENT. THERE WOULD ALSO BE A SUBSTANTIAL CALL ON OBJECTIVE 3 AND 4 MONEY FOR TRAINING. MILLAN EMPHASISED THE LACK OF STATISTICS AND RAISED THE QUESTION WHETHER AN EARLY PEDIP TYPE PROGRAMME WAS REQUIRED. THIS WOULD AVOID DISTURBING THE BALANCE IN THE EXISTING DISTRIBUTION OF FUNDS.

(H) ENVIRONMENT. RIPA EMPHASISED THE SIZE OF THE PROBLEMS AND MENTIONED A FIGURE OF 130 BECU TO COVER IMMEDIATE MEASURES. WATER POLLUTION AND INDUSTRIAL WASTE WERE THE IMMEDIATE PRIORITIES. CARDOSO ALSO EMPHASISED THE NUCLEAR POWER STATION SAFETY PROBLEM. RIPA THOUGHT THE POSSIBILITY OF FINANCING THROUGH PHARE SHOULD BE LOOKED AT.

(I) BUDGET. SCHMIDHUBER SAID THAT THE MAIN FINANCIAL RESPONSIBILITY WAS FOR THE FRG BUT THE COMMUNITY WOULD HAVE TO CONTRIBUTE. NEW MONEY WOULD BE NEEDED FOR THE STRUCTURAL FUNDS SINCE THEY COULD NOT BE REALLOCATED. THE INCREASED COSTS TO THE BUDGET COULD NOT BE QUANTIFIED BUT BOTH REVENUE AND EXPENDITURE WERE LIKELY TO INCREASE IN PROPORTION TO THE GDR SHARE OF TOTAL POPULATION. HE SUGGESTED THAT IN THE PERIOD BEFORE UNIFICATION THE GDR MIGHT BE 'INCLUDED IN THE EC'S FINANCIAL REGIME' ON CONDITION THAT THE FRG CONTRIBUTED TO THE BUDGET AS IF THE GDR WERE ALREADY A MEMBER.

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GERMAN UNIFICATION: SOVIET VIEWS

SUMMARY

1. MAXIMYCHEV EXPLAINS SOVIET FEARS OF CRISIS AFTER 18 MARCH IF PARTS OF GDR OPT FOR ACCESSION UNDER ARTICLE 23.

DETAIL

2. WHEN I CALLED ON MAXIMYCHEV ON 8 MARCH TO INFORM HIM OF THE CHANGE OF NAME TO BRITISH MISSION, BERLIN, HE SPOKE OF SOVIET WORRIES ABOUT THE PROCESS OF UNIFICATION AFTER THE GDR ELECTIONS.

3. MAXIMYCHEV AGREED THAT PROGNOSSES OF COLLAPSE IN THE GDR HAD SO FAR PROVED EXAGGERATED. HE BELIEVED THAT THE SENAT'S WARNINGS HAD BEEN SINCERE, ALTHOUGH THE SAME MIGHT NOT HOLD TRUE FOR SOME STATEMENTS MADE IN BONN. FOR THE TIME BEING THE COUNTRY WAS RELATIVELY STABLE. BUT THERE WAS GRAVE CONCERN ABOUT THE FUTURE, PARTICULARLY IN THE SOUTH. BERGHOFER, WHOM HE HAD SEEN ON 4 MARCH, FORESAW ONE MILLION UNEMPLOYED THIS YEAR. PRODUCTION WAS FALLING AND THE EXODUS CONTINUED.

4. MAXIMYCHEV SAW A REAL DANGER OF A CRITICAL SITUATION ARISING AFTER 18 MARCH. THE PEOPLE WOULD EXPECT IMMEDIATE ECONOMIC IMPROVEMENTS. THE NEW GOVERNMENT WOULD NOT BE ABLE TO DELIVER MIRACLES. THE MASSIVE AID PROMISED BY CHANCELLOR KOHL REMAINED TIED TO PRECONDITIONS AND WAS NOT MATERIALISING. IF THE GDR ELECTED AN SPD GOVERNMENT, THE WESTERN CDU MIGHT CONTINUE TO WITHHOLD FUNDS. UNDER ARTICLE 23 ANY PART OF THE GDR, EVEN A CITY, COULD DECIDE TO JOIN THE FRG, IRRESPECTIVE OF THE VIEWS OF THE GDR GOVERNMENT. ARTICLE 23 WAS A 'LEVER TO UNDERMINE THE GDR STATE'.

5. I SAID THAT THE FEDERAL GOVERNMENT WANTED PEOPLE TO STAY IN THE GDR AND ITS POLICIES ON ECONOMIC UNION AND UNIFICATION WERE DIRECTED TO THAT END. MAXIMYCHEV ACCEPTED THIS. HE ALSO AGREED THAT THE GDR GOVERNMENT HAD THE RIGHT TO CHOOSE THE ARTICLE 23 ROUTE. HE DID NOT OBJECT TO THE IDEA OF THE WHOLE OF THE GDR JOINING THE FRG IN THIS WAY. BUT IF THE GDR GOVERNMENT ADOPTED A DIFFERENT POLICY AND SAXONY AND LEIPZIG, FOR EXAMPLE, NEVERTHELESS DECIDED FOR ARTICLE 23, THEN HE BELIEVED THE FOUR POWERS RESPONSIBLE FOR GERMANY SHOULD DECLARE THIS ROUTE TO UNITY INADMISSIBLE. MAXIMYCHEV BELIEVED THAT THIS SCENARIO OF POSSIBLE CHAOS LAY BEHIND SHEVARDNADZE'S MESSAGE (FCO TELNO 328 TO MOSCOW) ALTHOUGH HE HAD NOT BEEN CONSULTED OVER THIS.

6. I POINTED OUT THAT DEVELOPMENTS SO FAR HAD BEEN ORDERLY AND ONE WOULD HOPE THAT THIS WOULD CONTINUE AFTER 18 MARCH. IN ANY EVENT AN EXTERNAL ATTEMPT TO IMPOSE A FRAMEWORK ON THE INTERNAL ASPECTS OF UNIFICATION WOULD BE VERY BADLY RECEIVED BY THE GERMANS AND COULD BE COUNTER-PRODUCTIVE. MAXIMYCHEV SAID HE UNDERSTOOD THESE POINTS. HE THOUGHT HOWEVER THAT THE CONCERNS HE HAD DESCRIBED WOULD BE IN THE MINDS OF THE SOVIET DELEGATION AT THE MEETING OF THE SIX ON 14 MARCH. HE DID NOT KNOW WHAT THE SOVIET LINE WOULD BE AT THESE TALKS, BUT IN HIS VIEW DISCUSSION OUGHT TO GO BEYOND PROCEDURAL MATTERS. TOO MUCH TIME HAD ALREADY BEEN WASTED.

7. I ASKED HOW THE SOVIET GOVERNMENT REGARDED THE LATEST DEVELOPMENTS IN BONN OVER THE POLISH WESTERN BORDER. MAXIMYCHEV SAID THAT GORBACHEV HAD DESCRIBED KOHL'S EARLIER POSITION AS A MISTAKE WHICH HAD NOW BEEN CORRECTED. HOWEVER, A DECLARATION BY THE TWO GOVERNMENTS AND PARLIAMENTS WAS INSUFFICIENT EVEN IF FOLLOWED BY BILATERAL GERMAN/POLISH AGREEMENT. THE MATTER COULD ONLY BE SETTLED BY MULTILATERAL TREATY BY THE FOUR OR 35 OR BOTH. BORDERS AND SECURITY WOULD BE THE ESSENTIAL ELEMENTS FOR A PEACE SETTLEMENT. IN FACT SUCH A SETTLEMENT WOULD REQUIRE ONLY A SHORT TEXT DEALING WITH THESE ASPECTS ONLY.

8. ON SECURITY MAXIMYCHEV FEARED THAT WESTERN INSISTENCE ON GERMANY'S MEMBERSHIP IN NATO WOULD BE A SERIOUS STUMBLING BLOCK. THERE WAS A RISK OF A REPEAT OF THE CONFIGURATION WHICH LED TO THE DIVISION OF GERMANY - NAMELY THE THREE POWERS AND THE FRG AGAINST THE SOVIET UNION. THE FOUR POWERS SHOULD SEEK A COMMON VIEW. OTHERWISE THEY WOULD FIND THEMSELVES STILL ARGUING WHILE UNIFICATION WAS TAKING PLACE. I COMMENTED THAT THE VIEWS OF THE WESTERN COUNTRIES ON THE EXTERNAL ASPECTS OF UNIFICATION WERE WELL KNOWN, BUT THEY ALSO ACKNOWLEDGED THAT THE SOVIET UNION HAD LEGITIMATE SECURITY INTERESTS. THERE WAS NO WISH FOR CONFRONTATION.



9. MAXIMYCHEV ADDED THAT WE SHOULD NOT IGNORE THE INFLUENCE OF GERMAN UNIFICATION ON INTERNAL SOVIET POLITICS. A DISAPPEARANCE OF THE GDR IN CIRCUMSTANCES WHICH EXACERBATED FEARS OF A FOURTH REICH COULD BE THE END OF GORBACHEV.

10. MAXIMYCHEV CONCLUDED BY REGRETTING THAT IT HAD NOT PROVED POSSIBLE TO HAVE INFORMAL DISCUSSIONS BETWEEN THE FOUR MINISTERS IN BERLIN AS HE HAD PROPOSED. HE AGREED WITH MY SUGGESTION THAT THIS MADE IT ALL THE MORE IMPORTANT TO MAINTAIN CLOSE BILATERAL CONTACTS.

## COMMENT

11. AS REPORTED TO FCO BY TELEPHONE, THE US MINISTER SAW MAXIMYCHEV ON 7 MARCH ON INSTRUCTIONS TO PROBE THE BACKGROUND TO SHEVARDNADZE'S LATEST MESSAGE. MAXIMYCHEV TOLD GILMORE THAT THE RUSSIANS FEARED ARTICLE 23 MIGHT ATTRACT NOT ONLY PARTS OF THE GDR BUT ALSO OTHER FORMER GERMAN TERRITORIES (HE SPECIFICALLY MENTIONED SILESIA, AND POSSIBLY ALSO HAD IN MIND KOENIGSBERG AND ITS ENVIRONS). HE WAS APPARENTLY QUITE EMOTIONAL. AT MY MEETING WITH HIM HE SPOKE SPECIFICALLY ONLY OF THE GDR ALTHOUGH HE DID MENTION AT ONE POINT ARTICLE 116 OF THE BASIC LAW WHICH REFERS TO THE AREAS OF THE GERMAN REICH ON 31 DECEMBER 1937.

12. AS HE SHOWED ON THIS OCCASION MAXIMYCHEV HAS A COOL HEAD. HE SAID THAT HE PERSONALLY DID NOT BELIEVE IN THE DANGER OF A FOURTH REICH. BUT THIS MEETING CONFIRMED THAT, AS SIR RODRIC BRAITHWAITE HAS REPORTED IN HIS TELNO 321, SOME RUSSIANS DO HAVE THESE FEARS AND ARE LOOKING FOR REASSURANCE.

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MRS. GOODCHILD

Professor Norman Stone has accepted for  
24 March. His wife will drive him over from  
Oxford. They will let you know the car  
number nearer the time.

C. D. POWELL

9 March 1990

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10 DOWNING STREET

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*From the Private Secretary*

8 March 1990

*Dear Sir,*

CSCE

Thank you for your letter of 8 March covering a note on how we might strengthen and explain the CSCE. I will show this to the Prime Minister when possible. But I think it would be wise to get on now with turning the material in it into part of a draft speech for Konigswinter. The remainder ought to deal with German unification, our view of the way ahead on German unification and its consequences. A possibility would be to make the first part of the speech a look back over Anglo-German relations during the life-span of the Konigswinter conference, picking out some of the highlights. No doubt you will have some further ideas to add to this.

*Yours sincerely,  
C. D. Powell*

(C. D. POWELL)

Stephen Wall, Esq.,  
Foreign and Commonwealth Office.

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GERMAN UNIFICATION: BUNDESTAG DEBATE, 8 MARCH 1990

## SUMMARY

1. COALITION RESOLUTION ON POLAND'S WESTERN BORDER PASS BY THE BUNDESTAG. KOHL RESTATES HIS POSITION ON THE SECURITY ANGLE.

## DETAIL

2. AFTER A HEATED DEBATE THE BUNDESTAG TODAY PASSED THE GOVERNING COALITION'S RESOLUTION ON POLAND'S WESTERN BORDER (MY TELNO 286). PROPOSED ADDITIONS BY THE SPD (CONDEMNING KOHL'S LINKAGE OF THE BORDER QUESTION WITH REPARATIONS) AND THE GREENS (CALLING FOR A FOUNDATION TO COMPENSATE VICTIMS OF NAZI FORCED LABOUR PROGRAMMES) WAS REJECTED.

3. KOHL SAID THAT ARTILCE 23 WAS THE BEST ROUTE TO UNITY. ALTHOUGH THIS WAS A DECISION FOR THE GDR TO TAKE IT ALSO FUNDAMENTALLY AFFECTED THE FRG SO IT WAS IMPORTANT FOR THE FEDERAL REPUBLIC TO BE CLEAR AS TO WHICH ROUTE IT PREFERRED. GENSCHER EMPHASISED THAT THE PROCESS OF UNIFICATION SHOULD BE CONDUCTED BETWEEN THE TWO GERMANIES AS EQUAL PARTNERS. A DECISION AFTER 18 MARCH TO ACCEDE TO THE FRG WAS ONE FOR THE GDR ALONE. SUCH A DECISION WOULD BE ACCESSION, NOT ANSCHLUSS. FOLLOWING THE ACCESSION OF THE GDR THE PROVISIONS OF THE BASIC LAW GOVERNING THE ACCESSION OF OTHER PARTS OF GERMANY SHOULD BE DELETED.

4. ON SECURITY ASPECTS, KOHL EXPANDED ON FORMULATIONS HE HAD USED IN HIS STATEMENT TO THE BUNDESTAG ON 15 FEBRUARY:

- THE FUTURE UNITED GERMANY MUST NOT BE NEUTRALISED OR DEMILITARISED. GORBACHEV HAD TOLD HIM IN MOSCOW ON 10 FEBRUARY THAT NEUTRALITY FOR GERMANY 'WOULD CREATE A FRAMEWORK WHICH HUMILIATED

## THE GERMAN PEOPLE''.

- THE FUTURE UNITED GERMANY MUST REMAIN BOUND INTO THE WESTERN ALLIANCE, WHILE A TRANSITIONAL MILITARY ARRANGEMENT FOR TODAY'S GDR WOULD HAVE TO BE MADE. UNITS AND INSTALLATIONS OF THE WESTERN ALLIANCE WOULD NOT BE MOVED FORWARD TO THE TERRITORY OF TODAY'S GDR.
- THE TRANSATLANTIC SECURITY ALLIANCE BETWEEN EUROPE AND NORTH AMERICA REMAINED FOR THE GERMANS AS FOR EUROPE AS A WHOLE OF VITAL SIGNIFICANCE.
- A CONCEPT OF GERMAN NEUTRALITY - IN WHATEVER VARIANT - CONTRADICTED THE LOGIC OF THE PROCESS OF ALL-EUROPEAN UNIFICATION. GERMANY MUST NOT BE ISOLATED IN RESPECT OF ITS SECURITY IN EUROPE.
- THE AIM MUST RATHER BE, THROUGH CONSISTENT CONTINUATION OF THE CSCE PROCESS AND OF ARMS CONTROL AND DISARMAMENT NEGOTIATIONS, TO CREATE ALLIANCE-OVERLAPPING SECURITY STRUCTURES IN EUROPE.

## COMMENT

5. THE DEBATE WAS NOTABLE FOR MUCH BICKERING BETWEEN THE PARTIES. BOTH THE CDU/CSU AND THE SPD TRIED TO PROVE THIS LEGITIMACY OF THEIR CLAIMS TO BE THE LEADERS IN DEUTSCHLANDPOLITIK. GENSCHER'S SPEECH WAS CAUTIOUS, REPEATING TESTED FORMULATIONS, AND WAS APPLAUDED FROM BOTH SIDES OF THE HOUSE.

MALLABY

YYYY

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## GERMAN UNIFICATION: EC ASPECTS

## SUMMARY

1. A GERMAN OFFICIAL WELCOMES MR HURD'S SPEECH IN BRUSSELS ON 4 MARCH. HE COMMENTS THAT PLANNING IN THE FRG FOR THE INCORPORATION OF THE GDR INTO THE EC IS AT A VERY EARLY STAGE. HE DOUBTS WHETHER DEVELOPMENTS IN THE GDR WILL HAVE GONE FAR ENOUGH BY 28 APRIL TO ALLOW THE SUMMIT TO MAKE MUCH PROGRESS.

## DETAIL

2. VON KYAW (AUS EQUIVALENT, AUSWAERTIGES AMT, IN CHARGE OF EC AFFAIRS) TOLD COUNSELLOR ECONOMIC ON 7 MARCH THAT THE FOREIGN SECRETARY'S SPEECH IN BRUSSELS ON 4 MARCH HAD BEEN WELCOMED IN THE AUSWAERTIGES AMT FOR ITS POSITIVE REMARKS ABOUT UNIFICATION AND ABOUT INCORPORATING THE GDR IN THE EC. HE SAID THAT AN UNDERSTANDING APPEARED TO BE EMERGING THAT THE GDR COULD ENTER THE COMMUNITY WITHOUT AMENDMENT TO THE TREATY. IT WAS ESSENTIAL TO AVOID TREATY AMENDMENT, WHICH WOULD RAISE DIFFICULT ISSUES.

3. ASKED ABOUT THE COMMISSION'S CALCULATION OF BUDGET COSTS REPORTED IN UKREP TELNO 673, VON KYAW SAID THAT THE GERMANS HAD DONE NO SUMS OF THEIR OWN. THEY HAD NO IDEA FOR EXAMPLE WHETHER THE GDR WOULD MERIT TREATMENT AS AN OBJECTIVE ONE REGION AND THOUGHT IT TOO SOON TO ADDRESS THIS. HE FELT THAT ANALYSTS IN OTHER CAPITALS AND IN BRUSSELS WERE GETTING AHEAD OF THE GAME. NOTHING COULD HAPPEN BEFORE 18 MARCH. AFTER THAT, IT WAS ANYONE'S GUESS HOW LONG THE GDR WOULD TAKE TO FORM A GOVERNMENT, DECIDE ON A NEGOTIATING POSITION AND BEGIN TALKS WITH THE FRG. HE THOUGHT IT UNLIKELY THAT THE SUMMIT ON 28 APRIL WOULD BE ABLE TO INITIATE NEGOTIATIONS INCORPORATING THE GDR INTO THE EC BECAUSE THE GDR WOULD NOT BY THEN HAVE DECIDED ITS POSITION ON ESSENTIAL QUESTIONS LIKE GEMU AND WHETHER TO JOIN THE FRG THROUGH ARTICLE 23 OR 146 OF THE FRG BASIC LAW. NOR WAS IT CERTAIN HOW FAR THE EXTERNAL SECURITY ASPECTS WOULD HAVE GOT. NEGOTIATIONS WITH THE EC WOULD THEREFORE BE PREMATURE. THE FRG HAD

DELIBERATELY NOT COMMITTED ITSELF TO A POSITION ON WHETHER THE DUBLIN SUMMIT SHOULD BE FORMAL OR INFORMAL SINCE WHATEVER WAS SAID WAS LIKELY TO BE MISUNDERSTOOD, BUT IF THE SUMMIT WAS FORMAL, IT MIGHT FIND ITSELF SHORT OF FORMAL THINGS TO DO.

4. COUNSELLOR ECONOMIC SAID THAT THE EXODUS FROM THE GDR CREATED PRESSURE TO DO THINGS QUICKLY. INTEGRATION INTO THE EC NEEDED TO BE LOOKED AT IN PARALLEL WITH THE NEGOTIATIONS OF INNER-GERMAN ECONOMIC ARRANGEMENTS. THE FRG'S PARTNERS WOULD WANT TO KNOW IN ADVANCE WHAT ABSORBING THE GDR INTO THE EC WAS GOING TO COST AND WOULD NOT WANT IMPORTANT DECISIONS TO BE PRE-EMPTED BY INNER-GERMAN ARRANGEMENTS.

5. VON KYAW AGREED THAT THERE WOULD BE PRESSURE TO AGREE ON GEMU BY THE SUMMER BUT SAID THAT GEMU NEED NOT PRE-EMPT DECISIONS WITHIN THE EC. THE GDR'S RELATIONS WITH THE OTHER 11 MEMBER STATES WOULD BE GOVERNED BY THE EC/GDR AGREEMENT, ONCE IT WAS SIGNED, UNTIL SOMETHING BETTER WAS PUT IN ITS PLACE. INNER-GERMAN TRADE WOULD CONTINUE TO BE GOVERNED BY THE PROTOCOL. THE INNER-GERMAN BORDER FOR GOODS WOULD PROBABLY HAVE TO REMAIN IN OPERATION FOR SOME TIME AFTER GEMU WAS INITIATED. THE FEDERAL REPUBLIC'S PARTNERS COULD EXPECT BENEFITS AS WELL AS COSTS FROM INCORPORATING THE GDR, FOR EXAMPLE THE GERMAN NET BUDGET CONTRIBUTIONS WOULD PROBABLY INCREASE OVER TIME, THOUGH THERE WOULD BE COSTS IN THE SHORT TERM. THE TRADE AND INVESTMENT OPPORTUNITIES WOULD BE AVAILABLE IMMEDIATELY AND NEED NOT AWAIT RESOLUTION OF THE EC ISSUES. IN ANSWER TO A QUESTION, HE CONCEDED THAT OPPORTUNITIES IN FINANCIAL SERVICES IN THE GDR WOULD BE GREATER IF AGREEMENT COULD BE REACHED SOON ON OUTSTANDING ELEMENTS IN THE RELEVANT SINGLE MARKET PACKAGE AND EXTENDED TO EAST GERMANY.

6. MORE GENERALLY VON KYAW SAID THAT PEOPLE WERE ONLY NOW WAKING UP TO HOW AWFUL THE SITUATION WAS IN THE GDR. CLAIMS THAT IT WAS THE 11TH MOST PROSPEROUS ECONOMY IN THE WORLD WERE WELL WIDE OF THE MARK. WHILE THE SITUATION IN THE AGRARIAN NORTH WAS NOT TOO BAD, THE SOUTHERN INDUSTRIAL REGION WAS AN ECONOMIC AND ENVIRONMENTAL DISASTER. NEW INVESTMENTS WOULD HAVE TO START FROM SCRATCH BECAUSE THE EXISTING STRUCTURES WERE INADEQUATE, HIGHLY POLLUTED OR EVEN DANGEROUS. ANOTHER DIFFICULTY WAS THE POLITICAL SITUATION IN AN ELECTION YEAR IN THE FRG. HE THOUGHT THESE FACTORS WOULD MAKE FOR A SLOWER TIMETABLE FOR UNIFICATION THAN SOME WERE ENVISAGING AND THEREFORE URGED US TO TAKE A MORE RELAXED VIEW OF TIMING OF GDR INTEGRATION INTO THE EC.

7. WE HAVE RECEIVED A SLIGHTLY DIFFERENT PICTURE FROM THE ECONOMICS

MINISTRY. THE UNDER SECRETARY RESPONSIBLE FOR SINGLE MARKET QUESTIONS, RAMBOW, TOLD COUNSELLOR ECONOMIC THAT HE PERSONALLY WAS IN FAVOUR OF LAUNCHING THE EC NEGOTIATIONS SOON. IT MADE NO SENSE FOR THE GDR TO REFORM ITS LEGISLATION WITHOUT TAKING ACCOUNT OF EC RULES. THE INNER-GERMAN AND THE EC NEGOTIATIONS THEREFORE NEEDED TO PROCEED AS FAR AS POSSIBLE IN PARALLEL. BUT LIKE VON KYAW, HE CAUTIONED THAT NO-ONE YET KNEW HOW QUICKLY THINGS WOULD DEVELOP IN THE GDR AFTER 18 MARCH. MOREOVER, FRG OFFICIALS HAD NOWHERE NEAR COMPLETED THEIR INTERNAL WORK ON THE EC IMPLICATIONS. THEY HAD DONE NO CALCULATIONS OF THE EFFECTS ON THE COMMUNITY BUDGET AND HE WOULD THEREFORE NOT COMMENT ON THE COMMISSION'S ESTIMATE. HOWEVER HE WONDERED WHETHER THIS WAS A NET FIGURE, SINCE THERE WOULD BE REVENUE TO THE COMMUNITY BUDGET FROM GDR-RELATED OWN RESOURCES. GERMANY AS A WHOLE WOULD REMAIN A SUBSTANTIAL NET CONTRIBUTOR TO THE COMMUNITY BUDGET EVEN IF SOME PARTS OF THE GDR QUALIFIED FOR OBJECTIVE 1 STATUS UNDER THE REGIONAL FUND. A DECISION ON THE LATTER POINT WOULD DEPEND ON OBJECTIVE FACTORS WHICH COULD NOT YET BE ASSESSED.

## COMMENT

8. IT APPEARS THAT THE GERMANS HAVE NOT COMPLETED THEIR THINKING ABOUT THE EC ASPECTS OF GERMAN UNIFICATION BUT HAVE ALREADY CONCLUDED THAT THEIR INTERESTS WILL BE BEST SERVED BY TAKING THINGS IN A MEASURED FASHION ONCE ALL THE FACTS ARE KNOWN. IT WILL BE DESIRABLE, AS SEEN FROM HERE, TO ENSURE THAT THE EC ASPECTS ARE DEALT WITH IN PARALLEL WITH THE INNER-GERMAN ONES. WE WANT TO ENSURE A LEVEL PLAYING FIELD IN THE GDR FROM THE OUTSET AND TO PREVENT THE GDR ASSIMILATING FRG LAW IN THOSE AREAS WHERE THE FRG ITSELF IS OUT OF LINE WITH FREE MARKET PRINCIPLES.

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Foreign and Commonwealth Office

London SW1A 2AH

8 March 1990

*Tim Minchin*

*Dear Charles,*

CSCE

*These are the ideas which the Foreign Sec. mentioned in building up the CSCE. Agree to embody in Jan Königswinter speech?*

In your letter of 23 February you recorded the Foreign Secretary's conversation with the Prime Minister about strengthening and expanding the CSCE. I enclose a short paper outlining the Foreign Secretary's ideas. These could be worked up in the Prime Minister's Königswinter speech if she so wishes.

The basic idea is that the CSCE process should now be mobilised to help:

- to make human rights, democracy and the rule of law secure and permanent throughout Europe; and
- to underpin this with a framework of stability; encouraging prosperity via the free market system and reinforcing security by containing old rivalries and feuds safely below flashpoint.

One idea which is not taken up in the paper is that of a 'Security Council' for Europe. It is unlikely that we would ever get agreement on the membership, much less who should be permanent members with a veto. For the establishment of the UN Security Council the special circumstances of 1945 made agreement possible, but any attempt to designate particular European countries as having a special status would not succeed today. The best we could hope for would be that an informal Security Council might grow out of Four plus Two.

*CBP 2/3  
Yes  
no*

*Yours,  
Stephen Wall*

(J S Wall)  
Private Secretary

C D Powell Esq  
10 Downing Street

## CSCE

1. NATO will remain the cornerstone of our military security but the political stability of Europe as a whole needs a different framework. The CSCE is to hand, and can be built up for this purpose. It has the right membership (the Soviet Union, US, Canada and the European countries); and it has the right subjects on its agenda (frontiers, national minorities, military security, human rights). Whether or not the CSCE process is able to help with these problems it is worth building up as a way of reassuring the Soviet Union that their military withdrawal does not mean their exclusion from European affairs. It can play a role in preventing the Balkanisation of Eastern Europe and in providing a framework of political standards and commitments. Finally, it could provide the reassurance to the many minorities within the Eastern European countries that their rights have an external guarantee which is needed to prevent the reversion to pre-war 'droit de regard' concepts such as that being floated by some in the FRG in relation to German minorities.

2. So far the CSCE has been a rather loose organisation and commitments made under it have been imperfectly observed. We need to strengthen the CSCE machinery, expand its scope and adapt its role from confrontation to cooperation. Our aim in this is to make human rights, democracy, the rule of law and the market system secure and permanent throughout Europe.

3. We could propose the following new roles for the CSCE:

a) Democracy: A new Helsinki principle should be added on free elections. This would include the essential elements of periodicity, competition between a number of parties and elections as the basis of authority of government. There would be provision for observers at elections in any of the 35 countries. The UK and US tabled a proposal on this at the Paris CDH meeting, but it should be reflected in the CSCE Summit.

b) Rule of Law: We tabled a proposal on the rule of law at the Paris meeting setting out the essential elements of a free legal system including:

- Governments should exercise their authority in accordance with the law;
- everything which is not prohibited expressly by law should be permitted;
- everyone should be equal before the law and should have access to independent lawyers;
- lawfulness of arrest and detention should be open to challenge in courts of law;
- anyone charged shall be presumed innocent;
- the judiciary shall be independent and impartial and shall be protected from pressure or interference from the state.

We should ensure these elements are reflected in the CSCE Summit declaration.

c) Human Rights: Our aim should be to accelerate the admission of the Eastern European countries to the Council of Europe, the European Convention on Human Rights and the jurisdiction of the European Court of Human Rights. We should not, however, lower our standards, and it will take some time for Poland and the Soviet Union to meet the Council of Europe's stringent criteria. We could therefore propose the creation of series of stepping stones between the CSCE commitments and the tighter Council of Europe obligations. A first step might be a declaration of intent at the CSCE Summit by the Eastern European states, indicating their willingness to accede to the Convention. This may create some technical difficulties (would the Americans be

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willing to join? Would we want the Russians in the Council of Europe without the Americans?), but these should be soluble.

d) Political Consultation: We need to encourage the countries of Eastern Europe to talk and think collectively; and we need a forum in which the Soviet Union can get a hearing for its concerns. We could propose that CSCE Foreign Ministers meet twice per year (in practice, given the press of business, this would often be at junior ministerial level) and that senior officials meet more often. These meetings would be able to discuss all CSCE issues from military security to national minorities.

e) Crisis Management We should make provision for an emergency meeting of the 35 in a crisis; but we would need to guard against abuse by any one country.

f) Conciliation: Now the Cold War pack ice is melting there is a danger that old rivalries and nationalisms in Eastern Europe will reassert themselves. The CSCE could help defuse tension and avert the threat of conflict, particularly in Eastern Europe. The Foreign Secretary has told the House of Commons that we are working on a proposal for CSCE conciliation machinery to provide confidential advice and assistance in resolving disputes. This machinery could consist of a panel of conciliators from the various CSCE countries from whom individuals would be chosen when a particular dispute was referred to the CSCE. Use of the machinery would be voluntary and the conciliators could not impose a settlement. But any party rejecting this solution would run the risk of facing the disapproval of the remaining 33 CSCE members. Both frontier disputes and problems relating to national minorities could be handled by this machinery. In parallel we would want to encourage the use of conciliation in purely national disputes. We would therefore offer to host a conference in London to spread expertise on conciliation and to encourage East Europeans to think about the substance of sensitive and contentious

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issues. The objective would be to provide a multilateral forum for the settlement of disputes and to head off attempts by industrialised countries (eg Germany, Hungary) to seek guarantees on a bilateral basis on behalf of 'their' minorities in other countries. The dangers which will derive from the latter approach of nationalist-based conflict are all too obvious.

g) Arms Control: We need to decide in what format conventional arms control negotiations should continue after a CFE Treaty. This will require a new mandate for talks after the CSCE Summit; Foreign Ministers could meet immediately after the Summit to set the course for the new negotiations. These discussions could cover proposals such as those for a risk reduction centre and joint verification machinery.

h) Market Economy: We should seek to set out the principles of a market economy (as we are hoping to do in the context of the Houston Summit), including the right to private property, and free competition in the Summit declaration.

i) Frontiers: There is a danger that unresolved border disputes in Eastern Europe could lead to instability. But a treaty signed by the 35 confirming existing frontiers would mean recognising the incorporation of the Baltic Republics into the Soviet Union just as they are on the verge of regaining their independence. Instead we should establish the German/Polish frontier in a treaty and the next Summit should reaffirm the ten Helsinki principles (which state that "the participating states regard as inviolable all one another's frontiers as well as the frontiers of all states in Europe" and that "they consider that their frontiers can be changed, in accordance with international law, by peaceful means and by agreement").

j) Permanent Machinery: The CSCE should settle down in one city (eg Prague) for its regular meetings, although summits might take place elsewhere. We could agree to the creation of a

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small secretariat (no bigger than currently existing for follow up meetings) to service the CSCE meetings described above.

4. The Prime Minister could launch these ideas in her Königswinter speech. We would then put forward fully worked out proposals in the 12 and 16. A number of other less satisfactory ideas have been put forward by other other Western leaders (see Annex).

5. Our aim at the CSCE Summit should be agreement by the 35 to a "Charter for Europe" setting out the various headlines included in paragraph 3. There will not be time to reach full agreement on all the detail. That should be left to a series of follow up meetings of officials and occasional meetings of Foreign Ministers. They would produce a fully fleshed out document for adoption at Helsinki in 1992. The meetings would serve the additional purpose of setting in motion the consultative framework described in para 3(d). It is certain to be necessary in the turbulent two years ahead.

Policy Planning Staff  
March 1990

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## ANNEX: OTHER PROPOSALS FOR NEW ROLES FOR THE CSCE

PROPOSAL	COMMENT
[Genscher 1-10]	
1. Institution for East/West economic cooperation	Duplication of G24 etc
2. Pan European institution for protection of human rights linked to European Convention on human rights.	Acceptable and probably similar to our own idea of stepping stones, but no details.
3. European legal space	Unclear. Legal harmonisation undesirable, but provisions on the rule of law a good idea.
4. European Environment agency	Duplication
5. Extension of Eureka to whole of Europe	Probably fine, but not CSCE
6. Collaboration between ESA and Eastern institutions	Probably fine, but not CSCE
7. European Telecommunications Centre	Expensive and unnecessary
8. Centre to develop European transport infrastructure and policy	Expensive and unnecessary
9. European verification centre	We prefer national verification, or collaboration in NATO. But willing to consider.
10. European conflict management centre	Unclear. If similar to our proposal for conciliation worth considering. Otherwise may be unnecessary.

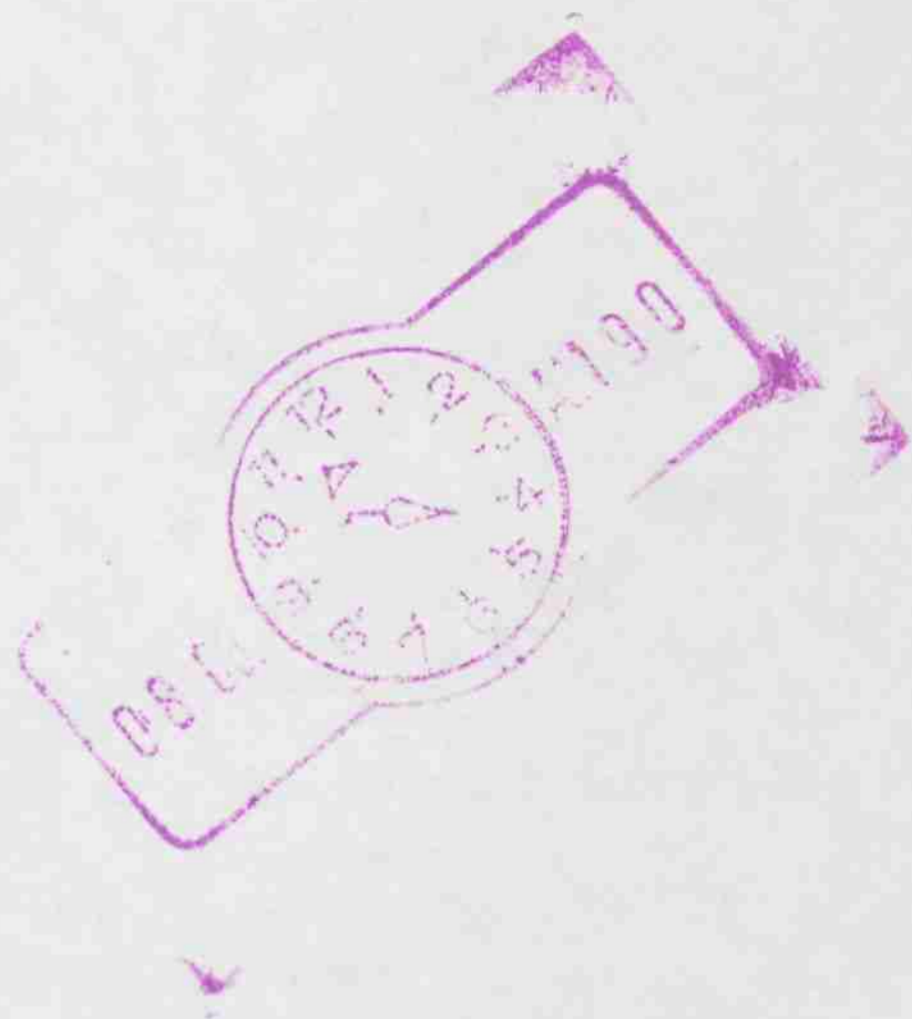
PROPOSAL	COMMENT
<p>[Baker: 11-12]</p> <p>11. Economic cooperation</p>	<p>Helpful if this involves setting out market principles. But CSCE not well adapted to becoming a body for economic cooperation. Better left to G24, EC etc.</p>
<p>12. Multiparty elections and observers.</p>	<p>A UK/US initiative.</p>
<p>[Shevardnadze: 13-16]</p> <p>13. Permanent structures and working bodies of CSCE experts. The latter could be consultative and supranational. More frequent CSCE meetings; Committee of Foreign Ministers. Annual summits.</p>	<p>Permanent structures and meeting of Foreign Ministers acceptable. But Annual Summits too much. Committees of CSCE experts with supranational powers against our interests.</p>
<p>14. Centre for reducing the risk of war and preventing surprise attack.</p>	<p>Unnecessary and probably ineffective</p>
<p>15. Centre for ecological assistance.</p>	<p>Duplication</p>
<p>16. European Human Rights Institute</p>	<p>Council of Europe the best forum if it can be extended.</p>



Germany: East

Germany

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cc [signature]



Foreign and Commonwealth Office

London SW1A 2AH

8 March 1990

*Jan Charles,*

Poland

*As per PRZ*

/ Thank you for your letter of 22 February. I enclose a draft reply to the Polish Prime Minister's message to the Prime Minister about the Polish/German border. This takes account of your letter of 23 February on the same subject.

Chancellor Kohl seems to have been brought round to the approach which we have taken and which we share with the French, Americans and Russians: the Oder-Neisse Line border between Poland and Germany should be settled by means of a legally-binding instrument between those two countries. We shall seek to hold the FRG firmly to this view in the meetings of the Six. The Foreign Secretary agrees that it is right to make our view plain in the Prime Minister's reply to Mr Mazowiecki, as he has done publicly.

Mr Mazowiecki's message suggests that Poland should be involved fairly closely in discussion of the question between the Six. The French and Americans are opposed to admitting the Poles to full and formal participation in the discussions of the Six: there would be a risk of opening up discussions to many former combatants. The final page of Mr Mazowiecki's message suggests he is not asking for full participation. It is entirely reasonable that Poland should "have a part in the discussion" and this will be discussed further by the four Western Allies.

*Jan,*  
*Stephen Wall*

(J S Wall)  
Private Secretary

C D Powell Esq  
10 Downing Street

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SRW

DRAFT MESSAGE FROM THE PRIME MINISTER

Poland's border with Germany, which we also discussed during your visit here.

Thank you for your message of 21 February about the Polish-German border. ~~We also discussed this during your visit.~~

I entirely agree with you about the importance of a clear resolution of the question of the Polish-German border. There is no doubt what the border between Germany and Poland should be, and we welcomed the provisions in the 1970 Treaty between Poland and the Federal Republic of Germany which related to Poland's Western Frontier.

belief

~~Your suggestion of a Treaty between Poland and Germany to be initialled by the two German states, and signed by a unified Germany, is an interesting one. I agree that a legally-binding instrument between Germany and Poland which settles the matter is essential and I shall continue to advocate this. I am grateful to you for letting me know your thinking on this important subject, which follows on from our valuable discussions in London last month. I shall bear your interests and concerns in mind in forthcoming contacts with our Allies and with the Soviet Union.~~

Needless to say, we have done what we can to encourage the statement which the coalition partners agreed in the Federal Republic of Germany this week.

~~forward this view~~  
We have strongly argued strongly in support of this view in our contacts with other governments, and I am glad

His Excellency Mr Tadeusz Mazowiecki  
Chairman of the Council of Ministers  
The Republic of Poland

which is now very widely accepted. I believe in particular the statement made by the German Government. Poland's request for a Treaty is fully justified and I am sure it will be met.



4 It seems to me fully  
 reasonable that Poland should,  
 as you suggest, have a part  
 in discussion of her ~~state~~  
 external border & how it shall  
 be guaranteed - ~~we shall be~~  
~~discussing this~~ ~~this will be~~  
~~discussed~~ and I  
 note that you draw a  
 distinction between this & full  
 participation in the meetings  
 of the Four Powers & the two  
 other ~~states~~ states. Procedural  
 issues will be among the first  
 to be addressed when we meet  
 in this format, & I hope that  
 a solution ~~with respect to~~ ~~to~~ Poland  
 will be found.

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MIPT: MODROW'S VISIT

STATEMENT BY GORBACHEV ON GERMAN REUNIFICATION

## SUMMARY

1. IN A DEFINITIVE STATEMENT ON GERMANY, GORBACHEV 'ABSOLUTELY EXCLUDES' PARTICIPATION OF A UNITED GERMANY IN NATO. GRUDGING WELCOME FOR 'CORRECTIVES' IN KOHL'S POSITION ON FRONTIERS. CRITICISM OF WEST GERMAN INTERFERENCE IN GDR ELECTIONS.

## DETAIL

2. AT THE CLOSE OF HIS TALKS WITH MDOROW, GORBACHEV USED A SHORT TELEVISION INTERVIEW TO UPDATE HIS POSITION ON GERMAN REUNIFICATION.

## A) NATO MEMBERSHIP AND PROCESS OF REUNIFICATION

3. GORBACHEV WAS ASKED ABOUT THE SOVIET ATTITUDE 'TO ANY FORM OF PARTICIPATION OF A UNITED GERMANY IN NATO'. HE REPLIED: 'WE CANNOT GIVE OUR AGREEMENT TO THIS. THIS IS ABSOLUTELY EXCLUDED'.

4. GORBACHEV WENT ON TO SAY THAT HISTORY WAS NOW MOVING AT SPEED. IT WAS ESSENTIAL TO TAKE ACCOUNT OF THE INTERESTS NOT ONLY OF THE GERMANS BUT OF ALL WHO WERE INVOLVED IN THIS PROCESS, INCLUDING THE NATURAL INTERESTS OF THE NEIGHBOURS OF THE TWO GERMAN STATES AND OF ALL EUROPEANS. THE PROBLEM COULD NOT BE OVER-SIMPLIFIED. IN SUCH A WEIGHTY QUESTION, IT WAS INADMISSABLE TO ACT IN A HIGH-HANDED MANNER. A STEP-BY-STEP APPROIACH WAS NECESSARY. THIS WAS IN THE INTERESTS OF THE PEOPLE OF THE GDR, WHO WISHED TO KNOW WHERE THEIR FUTURE DESTINY LAY. IT WAS ALSO IN THE INTERESTS OF THE GERMANS IN THE FRG, WHO NEEDED TO KNOW WHAT UNIFICATION REQUIRED FROM THEM. SYNCHRONISATION OF THE PROCESSES OF EUROPEAN CONVERGENCE AND GERMAN REUNIFICATION WOULD HELP TO ALLAY VARIOUS ANXIETIES.

5. GORBACHEV FURTHER ENVISAGED THE TRANSFORMATION OF NATO AND THE WARSAW PACT FROM MILITARY/POLITICAL INTO POLITICAL ORGANISATIONS AS A CONSEQUENCE OF THE EUROPEAN AND VIENNA PROCESSES AND OF HELSINKI II.

THIS WOULD RESOLVE THE QUESTION OF THE PLACE OF A UNITED GERMANY. HE HAD RECENTLY BEEN ASKED BY A WESTERN REPRESENTATIVE WHY HE WAS CONCERNED ABOUT THIS MATTER. HE HAD ACKNOWLEDGED THAT BOTH EASTERN AND WESTERN GERMANS WANTED PEACE. BUT HE HAD ASKED WHY, IF THE MATTER HAD NO FURTHER SIGNIFICANCE, THEY SHOULD NOT JOIN THE WARSAW PACT.

6. GORBACHEV REITERATED THE NEED FOR A HIGHLY RESPONSIBLE APPROACH TO REUNIFICATION, DRAWING ON THE LESSONS OF THE PAST - NOT ONLY THE POSITIVE BUT ALSO THE NEAGATIVE. THE SOVIET UNION WOULD PARTICIPATE ACTIVELY AND CONSTRUCTIVELY IN THE PROCESSES UNDER WAY, BUT COULD NOT ALLOW THE GROWING POSITIVE TENDENCIES IN EUROPE TO BE DISRUPTED.

B) FRONTIERS/CHANCELLOR KOHL

7. GORBACHEV SAID THAT THE CHANCELLOR HAD APPLIED CERTAIN CORRECTIVES TO HIS POSITION ON THE FRONTIER QUESTION IN RECENT DAYS. HE WELCOMED THIS, AS 'MANOEUVRES' OR A LACK OF CLARITY IN SUCH FUNDAMENTAL MATTERS DID NOT CONSTITUTE SERIOUS POLICY.

C) GDR ELECTIONS

8. ASKED ABOUT THE GDR ELECTIONS, GORBACHEV UNDERScoreD THE IMPORTANCE OF NON-INTERFERENCE IN THE INTERNAL AFFAIRS OF OTHERS, AND SAID THAT HE WAS AT PAINS TO OBSERVE THIS PRINCIPLE. BUT SINCE HE HAD BEEN ASKED THE QUESTION, HE NOTED THAT ATTEMPTS WERE BEING MADE TO INFLUENCE THE GERMANS OF THE GDR. HE HAD SEEN HOW MANY VISITORS HAD GONE FROM THE FRG TO THE GDR 'AND HOW THEY ARE INTERFERING IN ITS AFFAIRS, AS IF THE GDR HAD ALREADY LOST ITS SOVEREIGNTY, AS IF THE GDR WAS ALREADY NOT AN INDEPENDENT STATE, RECOGNISED BY THE INTERNATIONAL COMMUNITY'. THE EAST GERMAN PEOPLE COULD AND SHOULD MAKE UP THEIR OWN MINDS. IT WAS PARTICULARLY IMPORTANT AT THIS STAGE THAT IN THE PARLIAMENT AND GOVERNMENT THERE SHOULD BE PEOPLE CAPABLE OF ACTING RESPONSIBLY AND OF COOPERATING WITH ALL THE INTERESTED GOVERNMENTS AND PEOPLES.

D) FUTURE SOVIET/GERMAN RELATIONS

9. THE PROSPECTS FOR FUTURE RELATIONS WOULD DEPEND ON PRESENT COOPERATION. UNDER ONE APPROACH, COOPERATION COULD BE BROADENED AND STRENGTHENED. BUT UNDER A DIFFERENT APPROACH, SUSPICIONS AND NEGATIVE ELEMENTS COULD INTRUDE. THE SOVIET UNION HAD VERY WIDE CONTACTS WITH THE FRG AS WELL AS WITH THE GDR, AND DID NOT WANT THESE INTERESTS TO SUFFER WHEN THE PROCESS OF UNIFICATION TOOK PLACE. LESSONS HAD TO BE DRAWN FROM THE LONG HISTORY OF RELATIONS BETWEEN GERMANY AND RUSSIA: 'WE CANNOT FORGET WHAT HAPPENED WHEN FASCISM CAME TO POWER IN GERMANY, AND WHAT CONSEQUENCES THIS HAD FOR OUR

PEOPLES.' ' THE ACHIEVEMENTS OF THE PEACE HAD TO BE CONSOLIDATED.

## COMMENT

10. IN ADVANCE OF THE DISCUSSIONS BY THE TWO PLUS FOUR AND OF THE GDR ELECTIONS, GORBACHEV HAS NOW PLACED HIS PERSONAL IMPRINT ON THE HARDENING SOVIET POSITION TOWARDS GERMAN PARTICIPATION IN NATO. THIS IS HIS MOST CATEGORICAL STATEMENT TO DATE. AT THE VERY LEAST IT REPRESENTS A TOUGH OPENING STANCE FOR FUTURE NEGOTIATIONS.

11. HIS TALKS WITH MODROW CONCLUDE GORBACHEV'S ROUND OF PRE-ELECTION CONSULTATIONS WITH LEADING GDR POLITICIANS. THE FRG EMBASSY BELIEVE THAT THE TALKS CENTRED AROUND DETAILED DISCUSSIONS OF MODROW'S THOUGHTS ON UNIFICATION, IN THE EXPECTATIONS THAT MODROW WILL HAVE AN IMPORTANT MINORITY ROLE TO PLAY IN THE FUTURE. IN THEIR TALKS WITH THE EAST GERMANS, AS IN THEIR RECENT CONTACTS WITH OTHER GOVERNMENTS OF THE FOUR, THE RUSSIANS WILL HAVE BEEN AT PAINS TO AVERT THE RISK OF FACING A FAIT ACCOMPLI AFTER 18 MARCH.

LYNE

YYYY

DISTRIBUTION

14

ADVANCE~~12~~ 12

.BERLIN/INNER-GERMAN RELATIONS  
.(WIDE)

PS

PS/PUS

MR P J WESTON

MR GREENSTOCK

HD/WED

HD/SOVIET D

HD/NEWS

~~RESIDENT CLERK~~

MR S MCCARTHY SEC(NATO/UKP)MOD

WG CDR ANDREWS DCTS NATO MODUK

PRESS SECRETARY NO 10

MRS GLOVER LEGAL ADVISERS

NNNN

## Points for Conclusions.

- ① We must assert and get recognized early on the principle that Germany pays the cost of East German membership.
- ② We should take any opportunities to secure further reform of the CEE.
- ③ We should support the concept of preserving the Inner-German frontier as a means of monitoring trade from East Germany & compliance with Community regulations.



④ We should be ~~set~~  
seeking alliances with other  
EC countries now, so that  
we present a united front  
at the meeting on 20 April.

⑤ Departments should do  
further detailed work on  
solutions to these problems, so  
that we are well-equipped  
for debate in the Community  
when it starts.

C.D.]

• We shall have to  
wrap up the border issue.

We should not refer to  
it as a border as such.

We should have East  
Germany designated as a  
zone within the Community, to  
which special arrangements for  
customs & fiscal surveillance apply  
during a transitional period, along  
the line of the former inner-German  
border.

PRIME MINISTER

*mt*

OD: EC IMPLICATIONS OF GERMAN UNIFICATION

There is to be a meeting of OD tomorrow to discuss the EC implications of German unification. You saw an earlier version of the paper for this meeting, and the present draft is very little changed. I have underlined the main points of importance. We have enlarged OD for the occasion to cover virtually all Departments, since most will in practice be affected.

There are quite a number of detailed aspects, and you will probably want to allow each Minister to raise his Department's concerns. But the broad issues on which OD ought to take a view are the following:

- economic and monetary union between the two Germanies. This process seems likely to start very shortly after 18 March. The Community relatively will have very little say, even though it has major implications (particularly for countries in the ERM). There is bound to be some effect on the wider debate on economic and monetary union within the European Community as a whole. There will be those who will press for the process to be speeded up, and an Intergovernmental Conference to be brought forward. But common sense suggests that in practice GMU will slow down EMU. That would certainly suit our interests, and we should consider how things can be pushed in that direction.
- the Budgetary costs of absorbing East Germany. The question of who pays? is probably the most important of all. And the answer must be that Germany pays to the greatest extent possible. We shall need to consider whether we can get this established as a general principle: or whether it has to be negotiated for each area of the Community's policies. The paper, incidentally, takes quite a rosy view of the costs, suggesting that no increase in the

own resources ceiling will be needed. I suspect this is a bit sanguine.

- policy on transitional derogations.  
We need to decide whether we want derogations to be short or long. On the whole, the judgement of the paper is that they should be short, so that East Germany is brought to comply with Community standards and regulations as rapidly as possible. But there will need to be very effective arrangements for surveillance of East German performance and trade.
  
- how we build alliances to secure our interest  
As always in the Community, we shall want to try to get as many member states as possible on our side. The Foreign Secretary might be invited to circulate a paper on the tactical handling of this.
  
- the management of the informal European Council on 28 April.  
We shall want to avoid any attempt at bounces at this. We shall need to work very closely with the Irish Presidency, and persuade them to accept our concept of an annotated agenda for the meeting rather than have a plethora of papers.

Provided the discussion is generally satisfactory, you will want to agree the conclusions in paragraph 43 of the paper, and ask the Foreign Secretary to supervise further more detailed work in OD(E).

CDP

7 March 1990

lpo c:OD

DRAFT MESSAGE FROM THE PRIME MINISTER TO CHANCELLOR KOHL

PRIME MINISTER'S  
PERSONAL MESSAGE

SUBJECT cc Mante

SERIAL No. 748190

OPS

Dear Helmut

It was very good of you to let me know so quickly about your government's decision on the border between Germany and Poland. I have been following the matter closely and very much agree that the border should be entirely secure and guaranteed by treaty. I therefore welcome your intention that the two German governments and parliaments should issue formal declarations about this as soon as possible after the elections in the GDR, and this should be followed by a Treaty soon after unification.

These are most statesmanlike steps. They will help dispel the previous uncertainty and will be greatly beneficial.

Warm regards,

Margaret.

CONFIDENTIAL



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

7 March 1990

cap  
2

Ri Hunter

cap

7/3.

Dee Steph.

ms

SOVIET UNION

The Soviet Ambassador came in to see me this morning prior to his return to Moscow for the renewed Central Committee plenum. He read me some rather turgid notes about current Soviet views on German unification, arising from Herr Modrow's visit to Moscow. Mr. Gorbachev had made clear the Soviet Union did not object to unification, but it should be implemented steadily and step by step. There should be no anschluss or attempt to incorporate one territory into another. The Soviet Union was opposed to assimilation. Mr. Gorbachev had also made crystal clear that the Soviet Union would not accept the idea that a united Germany should be a member of NATO. Rather, unification should proceed apace with progress in the Vienna negotiations and the CSCE summit, the aim of which should be to transform NATO and the Warsaw Pact from military into political organisations. The Soviet Union would be agreeable to seeing these negotiations speeded up. Mr. Gorbachev had also laid stress on the importance of recognising existing borders. Frontiers should be settled in the interests of all those concerned.

I gave the Ambassador a copy of the Prime Minister's recent message to Mr. Gorbachev. I suggested that there was not much we could do about the pace of unification. It was increasingly likely that it would come about through resort to Article 23 of the Federal German Constitution, which envisaged a rapid process. Our main concern was to ensure that the consequences were discussed and resolved in parallel. We very much welcomed the agreement to hold an early meeting of the Four plus Two group. We were also well satisfied with the Federal German Government's statement yesterday on the German/Polish frontier: this was an important step forward. As regards NATO, the Prime Minister's message made clear that we believe that a united Germany should be a member of NATO, although there should be special security arrangements for the former GDR which take account of Soviet interests. We were anxious to remain in very close touch with the Soviet Union on all these issues. We had been taken a bit by surprise by the speed with which the Soviet position had evolved at the time of Chancellor Kohl's visit to Moscow. The Ambassador merely noted that many of these issues would need to be discussed in the Four plus Two group. I said there would of course be parallel discussions within the EC and NATO on matters affecting them.

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- 2 -

I referred to Mr. Shevardnadze's message to the Foreign Secretary and observed that it had been a bit opaque. The Ambassador said that Soviet authorities feared uncontrolled reactions in East Germany after the elections. These might include demands for Soviet forces to withdraw immediately, attacks on Soviet forces and property, attempts to change the status of East Berlin unilaterally, efforts by West Germany citizens to re-possess property in East Germany which they regarded as rightly their's. There was a whole range of possibilities which could give rise to disorder and it was necessary to have arrangements in hand to deal with them. The Soviet side would wish to discuss this in the Four plus Two group.

The Ambassador said that he would be seeing Mr. Gorbachev at the weekend and would let me know the outcome of their discussion.

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

*mt*

*Yours sincerely,*  


(C. D. POWELL)

Stephen Wall, Esq.,  
Foreign and Commonwealth Office.

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FILE

KKI

bc PC  
BI

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

7 March 1990

**MESSAGE TO CHANCELLOR KOHL**

I enclose the Prime Minister's reply to Chancellor Kohl's message about the German/Polish border. It is somewhat changed from the version you sent. I should be grateful if it could be delivered as soon as possible.

(C. D. POWELL)

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



DRAFT MESSAGE FROM THE PRIME MINISTER TO CHANCELLOR KOHL


Dear Helmut

It was very good of you to let me know so quickly about your government's decision on the border between Germany and Poland. I have been following the matter closely and very much agree that the border should be entirely secure and <sup>guaranteed</sup> fixed by treaty. I therefore welcome your intention that the two German governments and parliaments should issue formal declarations about this as soon as possible after the elections in the GDR, and this should be followed by a Treaty soon after unification.

These are most statesmanlike steps. They will help dispel the previous uncertainty and will be greatly beneficial.

Warm regards,

Margaret.





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MR POWELL

cc: Sir R Butler  
Mr Hadley  
Mr Appleyard

OD 8 MARCH: EC IMPLICATIONS OF GERMAN UNIFICATION

I attach a Chairman's brief for the Prime Minister's use at tomorrow's meeting of OD.

LYN PARKER

7 March 1990

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OD, 8 MARCH 1990: CHAIRMAN'S BRIEF

EC IMPLICATIONS OF GERMAN UNIFICATION

Paper for discussion: OD(90)3

Introduction

1. The Foreign Secretary's paper, based on interdepartmental discussion by officials, identifies the main EC implications of German unification and suggests preliminary conclusions for UK policy.

Key Issues

2. The key issues are:

- 1.R.*
- the likely economic impact of German unification, and how far this can be influenced by the EC;
  - how to maximise UK influence over what will inevitably be an untidy negotiation; and in particular how to ensure that our key concerns are properly addressed;
  - what our policy on transitional derogations should be; and
  - how to ensure that the EC's budgetary exposure is kept to an absolute minimum.

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Economic Impact

3. The assessment in paras 4-7 of the Foreign Secretary's paper was drafted in consultation with the Treasury. You will wish to confirm that the Chancellor and other colleagues are content with the broad picture that emerges, ie that there will be heavy short term costs, mainly for the FRG, but probable longer term benefits for both Germany and the EC.

Likely negotiating process

4. The starting-point is that, on unification, EC rights and obligations will in principle automatically apply in the ex-GDR: it will be for the German Government to request such temporary derogations from EC obligations as it thinks necessary, and for member states to decide what to concede and on what terms.

5. The key issues you may wish to explore are:

- handling and timing: a tidy EC negotiation seems unlikely, for the reasons set out in paras 8-10 of the paper. The Commission have already begun work and will produce a paper for discussion at the special Dublin Summit on 28 April. We will want to ensure that the Council is fully engaged from an early stage;
- amendments to EC law: much EC secondary legislation will need to be adapted, or provision made for derogations and transitional periods (para 12). The Germans claim that Treaty amendment will be unnecessary, and it is true that technical adaptation of EC legislation, and some temporary derogations, could be made by Council decision. But any temporary derogations from the Treaty rules themselves (eg on the free movement of goods) would require formal Treaty

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provisions (and consequent national ratification procedures, which would introduce further delay). You may wish to ask the Attorney-General to comment on these issues: and then to check that colleagues agree with the suggestion in para 11 that it would in any case be preferable to wrap all the changes up in a single Treaty instrument (the tidiest solution; though a mini-IGC would be necessary, this would be quite separate from discussions on EMU, and should be a mere formality);

- implementation in the ex-GDR: colleagues may also wish to underline the importance of proper mechanisms to ensure this.

Single Market (paras 15-18) and Transport (para 30)

6. Here the key issues are:

- how to keep any transitional derogations to a minimum;
- how to maintain adequate safeguards to prevent distortion of trade while transitional arrangements continue.

Much will depend on what concessions the FRG/GDR themselves seek. There are some significant practical problems over maintaining safeguards: these will be explored interdepartmentally by officials shortly, on the basis of a detailed paper by DTI. It may be helpful that distortions of competition are likely to be of particular concern to the FRG itself, which will be the first to suffer from unfair competition from the ex-GDR. The Foreign Secretary's paper hints (para 17, last sentence) that controls at the FRG's border with the rest of the Community may be easier to achieve than controls at the inner German border, which may be

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resisted on both symbolic and practical grounds. The Secretary of State for Trade and Industry and the Foreign Secretary might be invited to comment on these issues.

Agriculture and Fisheries (paras 19-24)

7. The key issues you may wish to explore are:

- the need to ensure that technical adaptations to CAP systems (milk quotas, guaranteed quantities for cereals etc) are not used by the Germans or others as a pretext for weakening stabilisers;
- how far the likelihood of practical problems in introducing Community health and quality standards could strengthen our wider case for continuing to police trade with the ex-GDR until relevant derogations have expired;
- the implications for the EC budget (the Chancellor of the Exchequer in particular may wish to comment);
- whether all this is likely to have any significant impact on German attitudes to CAP reform.

Environment

8. This is likely to prove one of the most difficult and expensive areas for the FRG. The paper argues for short transitional periods (none at all for new plant introduced from the FRG) and that promoting UK exports in the pollution control field should if necessary take second place to our prime objective of resisting EC expenditure. You will wish to check that colleagues are content with this approach.

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Energy (para 26)

9. The Secretary of State for Energy may wish to comment. As any aid for mine closures would be financed by a levy on the EC coal industry, rather than the EC budget, we should be in a strong position to round up allies to resist any such proposal.

Social Policy (para 27)

10. The Secretary of State for Employment may wish to comment. The problems appear to be largely for the FRG to resolve.

Immigration/Frontiers (para 28)

11. Ensuring that the Community's new external frontier is adequately policed will be an important objective for the UK. In the process, some difficult security problems will need to be addressed. The Parliamentary Under-Secretary of State, Home Office (Mr Lloyd) may wish to comment briefly: the issues will need to be pursued separately at a later stage.

Customs Union, External Trade (paras 31-32)

12. The paper suggests that the Germans may seek a transitional period before a full customs union, to smooth the reorientation of the GDR's existing trading pattern away from COMECON and towards Western Europe. You may wish to note that any delay in introducing full customs union will again raise the question of controls at the inner-German border or the German border with the rest of the EC: all this will require further study.

State Aids and Competition Policy (paras 33-34)

13. The paper argues that we should resist transitional arrangements in this area, and press for German state aids and other arrangements restricting competition to be dealt with under the normal Treaty rules. We shall also be arguing against the

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provision of financial help by the EC. You may wish to probe how far we can expect to achieve both these objectives.

Structural Funds (paras 35-37)

14. This is likely to prove a major area of difficulty in the negotiations, given the significant potential budgetary implications. The Secretaries of State for Trade and Industry, Employment and Environment all have an interest, as does the Chancellor of the Exchequer. You will wish to invite their comments on the analysis and recommendations in the paper.

Budget (paras 38-41)

15. The paper gives some indicative figures for the range of contributions and receipts which might be attributable to the ex-GDR. The net increase in the UK's annual contribution after Fontainebleau abatement would be much smaller than those for France and Italy. Even after taking account of net receipts for the GDR, the Germans would remain much the largest contributors overall. These changes in the pattern of contributions could add fuel to pressures to reduce the UK's Fontainebleau benefits when the arrangements come up for review in 1992. You may wish to invite the Chancellor of the Exchequer to comment on the Foreign Secretary's analysis, and on the prediction (para 41, last sentence) that GDR integration could almost certainly be accommodated within the existing own resources ceiling until 1992, and possibly for some years thereafter.

Institutional Consequences (para 42)

16. The paper suggests that the Germans' prime interest is likely to be in securing greater representation in the European Parliament, though not straight away. You may wish to check that colleagues agree with this analysis.



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Conclusions

17. The conclusions suggested in para 43 are closely based on the analysis earlier in the paper. You may wish to establish that colleagues are content to proceed on this basis. The Foreign Secretary may suggest that the next step should be to seek privately to influence the Presidency and Commission as they prepare for the Dublin meeting which you will be attending on 28 April.

Cabinet Office

7 March 1990



Foreign and Commonwealth Office

London SW1A 2AH

7 March 1990

*Dear Charles,*

Polish-German Border *flap*

As requested in your letter of 6 March, I  
/ enclose a draft reply to Chancellor Kohl's  
message about the Polish-German border.

The draft resolution is very welcome and  
should help dispel the concern which has existed  
for far too long. Chancellor Kohl has backed  
down and is reported as saying that mistakes  
were made, including by him.

Initial reactions from Poland are reported  
to be favourable, but we have no information  
so far of Mr Mazowiecki's own views.

*Jans.*  
*Stephe Wall*

(J S Wall)

Private Secretary

C D Powell Esq  
10 Downing Street

DRAFT MESSAGE FROM THE PRIME MINISTER TO CHANCELLOR KOHL

Dear Helmut

It was very good of you to let me know so quickly about your government's decision on the important question of the borders between Germany and Poland. As you know, I have been following the matter closely and share the view that these borders should be entirely secure and fixed by treaty. I therefore welcome your intention, as indicated in the draft resolution to be considered by the Bundestag tomorrow, both to bring about such a treaty soon after unification and that the two German governments and parliaments should issue declarations about this as soon as possible after the elections in the GDR, & this should be followed by a

very much agreed that

Treaty soon after unification. has taken place  
~~These are now irrevocable~~

I am sure that the steps which you envisage will help dispel the previous uncertainty and will be greatly beneficial.

Warm regards,  
Margaret Thatcher.

These are most irrevocable like steps. They will help



cc/c

DER BOTSCHAFTER  
DER BUNDESREPUBLIK DEUTSCHLAND  
Baron Hermann von Richthofen

London, 7 March 1990

CDD.  
7/3

Dear Prime Minister,

Following the transmission by telefax yesterday evening I have the honour to transmit the enclosed message from Herr Helmut Kohl, Chancellor of the Federal Republic of Germany, in the usual way.

A courtesy translation is attached.

Yours sincerely  
Hermann Richthofen

Her Excellency  
The Rt. Hon. Margaret Thatcher, MP  
Her Majesty's Prime Minister and  
First Lord of the Treasury  
L o n d o n

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. ....147/90.....

6. März 1990

Telegramm

von

SUBJECT CC MASTER + OPS  
Herrn Helmut Kohl

Bundeskanzler der Bundesrepublik Deutschland

an

Ihre Exzellenz

The Rt. Hon. Margaret Thatcher

Premierminister des Vereinigten Königreichs

Großbritannien und Nordirland

Sehr geehrte Frau Premierminister,  
Liebe Margaret,

anliegend übersende ich Ihnen den Text einer EntschlieÙung zur Frage der polnischen Westgrenze, auf den sich die Koalition heute geeinigt hat und den sie an diesem Donnerstag im Deutschen Bundestag einbringen wird.

Ich wäre Ihnen verbunden, wenn sie die darin zum Ausdruck kommende Haltung unterstützen würden.

Ich darf hinzufügen, daß diesem EntschlieÙungsantrag eingehende Gespräche im Rahmen der Koalition vorausgegangen sind und daß ich mich persönlich für das Zustandekommen dieses Textes eingesetzt habe.

Mit freundlichen Grüßen  
gez. Helmut Kohl

Courtesy Translation

06 March 1990

Telegram  
from  
Herr Helmut Kohl, Chancellor of the  
Federal Republic of Germany  
to  
Her Excellency The Rt. Hon. Margaret Thatcher, MP  
Prime Minister of the United Kingdom of Great Britain  
and Northern Ireland

Dear Prime Minister, dear Margaret,

Please find enclosed a draft resolution on Poland's Western border, on which the Government coalition reached agreement today and which it will table in the German Bundestag on Thursday.

I should be grateful if you could support the position reflected in the resolution.

I would like to add that this draft resolution was preceded by extensive talks within the coalition and that I personally strove to bring it about.

Yours sincerely,  
Helmut Kohl

Anlage zum Telegramm vom 06.03.1990 von  
Herrn Helmut Kohl  
Bundeskanzler der Bundesrepublik Deutschland  
an  
Ihre Exzellenz  
The Rt. Hon. Margaret Thatcher  
Premierminister des Vereinigten Königreichs  
Großbritannien und Nordirland

Entwurf eines Entschließungsantrages der Fraktionen der  
CDU/CSU und der FDP

Der Deutsche Bundestag wolle beschließen:

Der Deutsche Bundestag schlägt unter Bezugnahme auf seine Erklärung vom 08. November 1989 vor, daß die beiden frei gewählten deutschen Parlamente und Regierungen möglichst bald nach den Wahlen in der DDR eine gleichlautende Erklärung abgeben, die in ihrem Kern folgendes beinhaltet:

"Das polnische Volk soll wissen, daß sein Recht, in sicheren Grenzen zu leben, von uns Deutschen weder jetzt noch in Zukunft durch Gebietsansprüche in Frage gestellt wird."

Ziel dieser Erklärung ist es, entsprechend den Prinzipien der KSZE-Schlußakte mit Blick auf die deutsche Einheit die Unverletzlichkeit der Grenzen gegenüber Polen als unverzichtbare Grundlage des friedlichen Zusammenlebens in Europa zu bekräftigen.

In diesem Sinne soll die Grenzfrage in einem Vertrag zwischen einer gesamtdeutschen Regierung und der polnischen Regierung geregelt werden, der die Aussöhnung zwischen beiden Völkern besiegelt.

Der Verzicht Polens auf Reparationen gegenüber Deutschland vom 23. August 1953 und die gemeinsame Erklärung von Ministerpräsident Mazowiecki und Bundeskanzler Helmut Kohl vom 14. November 1989 bleiben auch für das vereinte Deutschland gültig.

Enclosure to the Telegram dated

06 March 1990

from

Herr Helmut Kohl, Chancellor of the  
Federal Republic of Germany

to

Her Excellency The Rt. Hon. Margaret Thatcher, MP  
Prime Minister of the United Kingdom of Great Britain  
and Northern Ireland

**Translation**

Draft resolution of the CDU/CSU and FDP parliamentary

It is moved that the Bundestag adopt the following resolution:

With reference to its declaration of 8 November 1989 the German Bundestag proposes that, as soon as possible after the elections in the GDR, the two freely elected German parliaments and governments issue an identical declaration essentially stating the following:

"The Polish people are assured that their right to live in secure borders will not be questioned by us Germans through territorial claims either now or in future."

The purpose of this declaration is, in accordance with the principles of the CSCE final act, to reaffirm in the light of German unity the inviolability of the borders with Poland as the indispensable basis of peaceful relations in Europe.



In this spirit the border question should be settled in a treaty between an all-German government and the Polish government that seals the reconciliation of the two nations.

Poland's waiver of reparations from Germany dated 23 August 1953 and the joint declaration made by Prime Minister Tadeusz Mazowiecki and Chancellor Helmut Kohl on 14 November 1989 remain valid for a united Germany.

BUNDESREPUBLIK DEUTSCHLAND  
DER BUNDESKANZLER

Bonn, den 6. März 1990

Ihrer Exzellenz  
Frau Margaret Thatcher, MP  
Premierminister des  
Vereinigten Königreichs  
Großbritannien und Nordirland

London

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T46C/90  
SUBJECT cc MASTER  
cc OPS

Sehr geehrte Frau Premierminister,  
Liebe Margaret,

anliegend übersende ich Ihnen den Text einer Entschliebung zur Frage der polnischen Westgrenze, auf den sich die Koalition heute geeinigt hat und den sie an diesem Donnerstag im Deutschen Bundestag einbringen wird.

Ich wäre Ihnen verbunden, wenn Sie die darin zum Ausdruck kommende Haltung unterstützen würden.

Ich darf hinzufügen, daß diesem Entschliebungsantrag eingehende Gespräche im Rahmen der Koalition vorausgegangen sind und daß ich mich persönlich für das Zustandekommen dieses Textes eingesetzt habe.

Mit freundlichen Grüßen

Li Jon

Entwurf eines Entschließungsantrages der Fraktionen  
der CDU/CSU und der FDP

Der Deutsche Bundestag wolle beschließen:

Der Deutsche Bundestag schlägt unter Bezugnahme auf seine Erklärung vom 8. November 1989 vor, daß die beiden frei gewählten deutschen Parlamente und Regierungen möglichst bald nach den Wahlen in der DDR eine gleichlautende Erklärung abgeben, die in ihrem Kern folgendes beinhaltet:

"Das polnische Volk soll wissen, daß sein Recht, in sicheren Grenzen zu leben, von uns Deutschen weder jetzt noch in Zukunft durch Gebietsansprüche in Frage gestellt wird."

Ziel dieser Erklärung ist es, entsprechend den Prinzipien der KSZE-Schlußakte mit Blick auf die deutsche Einheit die Unverletzlichkeit der Grenzen gegenüber Polen als unverzichtbare Grundlage des friedlichen Zusammenlebens in Europa zu bekräftigen.

In diesem Sinne soll die Grenzfrage in einem Vertrag zwischen einer gesamtdeutschen Regierung und der polnischen Regierung geregelt werden, der die Aussöhnung zwischen beiden Völkern besiegelt.

Der Verzicht Polens auf Reparationen gegenüber Deutschland vom 23. August 1953 und die gemeinsame Erklärung von Ministerpräsident Mazowiecki und Bundeskanzler Helmut Kohl vom 14. November 1989 bleiben auch für das vereinte Deutschland gültig.

Translation

Federal Republic of Germany  
The Federal Chancellor

Bonn, 6 March 1990

Dear Prime Minister, dear Margaret,

Please find enclosed a draft resolution on Poland's western border, on which the government coalition reached agreement today and which it will table in the German Bundestag on Thursday.

I should be grateful if you could support the position reflected in the resolution.

I would like to add that this draft resolution was preceded by extensive talks within the coalition and that I personally strove to bring it about.

Yours sincerely,

(sgd) Helmut Kohl

The Rt. Hon. Margaret Thatcher, MP  
Prime Minister of the  
United Kingdom of  
Great Britain and Northern Ireland  
London

Translation

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In this spirit the border question should be settled in a treaty between an all-German Government and the Polish Government that seals the reconciliation of the two nations.

Poland's waiver of reparations from Germany dated 23 August 1953 and the joint declaration made by Prime Minister Tadeusz Mazowiecki and Chancellor Helmut Kohl on 14 November 1989 remain valid for a united Germany.

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FILE  
C:\WPDOCS\FORIGN\  
BORDER (MEM)  
CCPC

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

6 March 1990

POLISH-GERMAN BORDER

I enclose a message to the Prime Minister from Chancellor Kohl, covering the German government's resolution of today on the Polish/German border.

I think the Prime Minister should send a prompt, warm and welcoming reply. I should be grateful for a draft by 1400 tomorrow, 7 March.

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

helmut kohl  
bundeskanzler der bundesrepublik deutschland  
translation

dear prime minister, dear margaret,  
please find enclosed a draft resolution on poland's  
western border, on which the government coalition reached  
agreement today and which it will table in the german  
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i should be grateful if you could support the position  
reflected in the resolution.

i would like to add that this draft resolution was  
preceeded by ekstensive talks within the coalition and that  
i personally strove to bring it about.

yours sincerely,  
helmut kohl

LEX  
TE

--entwurf eines entschliessungsantrages der fraktionen der cdu'csu und der fdp--

der deutsche bundestag wolle beschliessen:

der deutsche bundestag schlaegt unter bezugnahme auf seine erklaerung vom 8. november 1989 vor, dass die beiden frei gewaehlten deutschen parlamente und regierungen moeglichst

bald nach den waehlen in der ddr eine gleichlautende erklaerung abgeben, die in ihrem kern folgendes beinhaltet:

'das polnische volk soll wissen, dass sein recht, in sicheren grenzen zu leben, von uns deutschen weder jetzt noch in zukunft durch gebietsansprueche in frage gestellt wird.'

ziel dieser erklaerung ist es, entsprechend den prinzipien der ksze-schlussakte mit blick auf die deutsche einheit die unverletzlichkeit der grenzen gegenueber polen als unverzichtbare grundlage des friedlichen zusammenlebens in europa zu bekraeftigen.

in diesem sinne soll die grenzfrage in einem vertrag zwischen einer gesamtdeutschen regierung und der polnischen regierung geregelt werden, der die aussoehnung zwischen beiden voelkern besiegelt.

der verzicht polens auf reparationen gegenueber deutschland vom 23. august 1953 und die gemeinsame erklaerung von ministerpraesident mazowiecki und bundeskanzler helmut kohl vom 14. november 1989 bleiben auch fuer das vereinte deutschland gueltig.

translation

--draft resolution of the cdu'csu and fdp parliamentary--  
it is moved that the bundestag adopt the following resolution:

with reference to its declaration of 8 november 1989 the german bundestag proposes that, as soon as possible after the elections in the gdr, the two freely elected german parliaments and governments issue an identical declaration essentially stating the following:

'the polish people are assured that their right to live in secure borders will not be questioned by us germans through territorial claims either now or in future.'

the purpose of this declaration is, in accordance with the principles of the csce final act, to reaffirm in the light of german unity the inviolability of the borders with poland as the indispensable basis of peaceful relations in europe.

in this spirit the border question should be settled in a treaty between an all-german government and the polish government that seals the reconciliation of the two nations.

poland's waiver of reparationen from germany dated 23 august 1953 and the joint declaration made by prime minister tadeusz mazowiecki and chancellor helmut kohl on 14 november 1989 remain valid for a united germany.

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10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

6 March 1990

*Dear Stephen,*

Thank you for your letter of 5 March, covering then note of the conversation with Blackwill. I think it would be useful for the Foreign Secretary to mention it to the Prime Minister: and to prepare the way, I have alerted her to the problem, although not shown her the letter.

To my mind, the affair underlines the dangers of the telephone as an instrument of international diplomacy. It is not good for conveying nuance. It might be a good idea for Andrew Wood to go back to Blackwill and say:

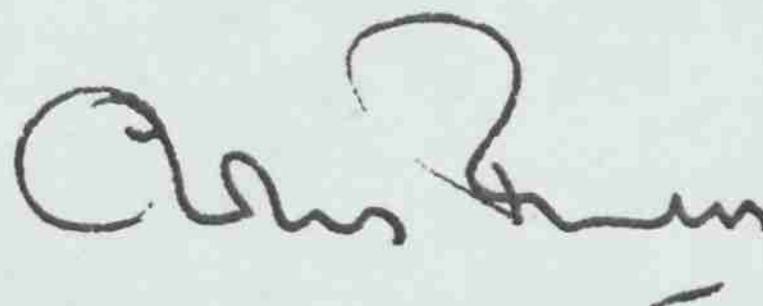
- No. 10 have been consulted and are flabbergasted at the impression Blackwill has derived from this conversation.
- as the President will know from experience (but Blackwill who has never met the Prime Minister may not) ideas and thoughts tumble out from the Prime Minister to be tested in discussion.
- in this particular case it was certainly obvious to me that the Prime Minister was making two points about the Soviet Union: first that we should not isolate the Russians from discussions about the future of Europe, but involve them through the CSCE: and second that, looking to the much longer term, the only country in Europe which would command comparable resources to a united Germany - and therefore able to balance it within a larger European framework - was the Soviet Union. References to an entente cordiale were to our attempt to draw closer to the French.
- far from commending demilitarisation of the GDR, the Prime Minister criticised Genscher's apparent support for this and opined it would not be acceptable to the West or to the Russians.
- we noted the President's emphasis on NATO rather than the CSCE as the prime framework for Europe's security and of course agree with it. It was to avoid any misunderstanding on this point that the Prime Minister stressed the NATO aspect in her second conversation with the President.

b

The point about relations with the Germans does of course have some substance to it, although it seems to me a bit hysterical in the form relayed by Blackwill. We do have a problem and need to sort it out before and at the Anglo-German Summit. I have spoken to Teltschik about this. The problem is, of course, aggravated by the way in which the Americans have been overly solicitous of German ambitions and sensitivities, leaving the rest of us to say the unpalatable things which have to be said.

If Wood cares to add that Blackwill's innuendo ("private thinking in No. 10") that No. 10 is inhabited by a combination of Dr. Strangelove and General Curtis B. Lemay, in contrast to the cool, rational thinkers of the FCO and NSC, has been greeted with some surprise in view of the Prime Minister's consistent and successful record of managing East/West relations over the last eleven years, that would be fine with me.

*Yours sincerely,*



(C. D. POWELL)

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

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9 INFO IMMEDIATE PARIS, WASHINGTON, MOSCOW

11 MARGINS OF THE FOREIGN AFFAIRS COUNCIL OF 5 MARCH: GERMAN  
12 UNIFICATION

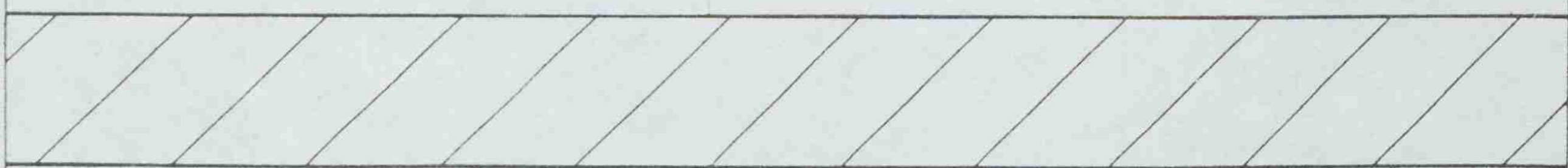
14 1. In a private discussion in the margins of the FAC,  
15 Genscher told me that he thought it had been a great  
16 mistake, even in domestic terms, for Kohl to have raised  
17 the issue of reparations to Poland. Genscher had spent  
18 one and a half hours with Kohl trying to talk the issue  
19 down. I said that now that the frameworks for discussing  
20 German unification <sup>when in place, all</sup> seemed to be pretty well on track apart  
21 from this Polish issue and Lafontaine's opposition to  
22 NATO membership. Genscher said Lafontaine would be strongly  
23 criticised in his own party. The Soviet Union would agree  
24 at the end of the day to German membership of NATO after  
25 the Germans had agreed to pay for the Russian troops to  
26 stay in the GDR and then to pay for their departure.

///

27 2. I said I was glad about the decision to hold a meeting  
28 of the two plus four next week. Genscher said it would  
29 be difficult to get far on substance but the meeting

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was important to reassure the Soviet Union.

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PRIME MINISTER

## RELATIONS WITH PRESIDENT BUSH: GERMAN UNIFICATION

We have had a slightly curious report from within the White House to the effect that President Bush is very worried about some of your views on German unification, and about the poor state of Anglo-German relations. It comes from a senior official on Scowcroft's staff. He is well placed to know the President's thoughts. Equally, he is a bit of an intriguer and plotter, so one should not put too much weight on what he says. But it is sufficient to bring to your attention, and the Foreign Secretary may mention it at his next bilateral.

The basic points are:

- 1941-45
- that when you spoke to the President on the telephone before Kohl's visit to Washington, you appeared to him to be proposing that the Soviet Union should be brought in to an entente cordiale as a counter-balance to a united Germany. The President is reported to have found this deeply worrying. Despite the changes which have taken place, he sees the Soviet Union as a deeply hostile power with massive military might directed against the United States and the West. He could not conceive how you could think of the Russians as possible allies against Germany. I think this is more a reflection of the President's own lack of understanding. My record shows that you were making two points: first, that it was important to develop the CSCE framework so that the Russians did not feel isolated in discussions of the future of Europe: and second that, looking to the much longer term, the Soviet Union was the only country which would be of equivalent size to a united Germany in Europe, and therefore politically a balance to it. The President does not seem to have grasped the sophistication of the point.
  - that you seem to envisage demilitarisation of East Germany. This must be a total misunderstanding. You explained that this was what Genscher seemed to envisage, and you did not

think it would be acceptable either to the West or to the Soviet Union.


- that relations between Britain and Germany were unprecedentedly bad, to the extent that the Americans fear that Kohl may decline to sit down with us in the Four Plus Two Forum. This must be greatly exaggerated. But there is evidence that Kohl sees slights in almost everything we do at the moment.

It is alarming that the White House should be so muddled. The problem is magnified by the absence of an effective American Embassy here to explain and interpret our thinking. But it suggests a number of lessons:

- when you speak to the President on the telephone, you should explain your points in very simple language and repeat them.
- it argues for an early meeting with him to go over all these issues and eliminate misunderstandings.
- And it shows that we have a major problem in our relations with the Germans: it is caused much more by them than by us, but we need to be thinking how we can ease back into better relations with Kohl without surrendering any of the essential aspects of our policies.

  
CDP

5 March 1990

jd c:bush 

Mr. C. D. Powell



*With the compliments of*

P. J. Weston

*Handwritten signature in blue ink*

FOREIGN AND COMMONWEALTH OFFICE

LONDON, SW1A 2AH

5/3/90

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	13	GERMANY: MEETING OF THE TWO PLUS FOUR AT POLITICAL DIRECTOR		
	14	LEVEL		
	15			
	16	1. Kastrup telephoned Weston this afternoon to invite him		
	17	formally to a meeting of the Two plus Four at Political Director		
	18	level in Bonn on Wednesday, 14 March. Kastrup said the other		
	19	participants concerned had already been invited, and were able		
	20	to attend.		
	21	2. Kastrup said a preparatory meeting of the Berlin Four (UK,		
	22	US, FRG, France) at the same level was envisaged and that it was		
	23	the turn of the French to organise this. Weston subsequently		
	24	spoke to Dufourcq, who said he planned the preparatory meeting		
	25	for Tuesday 13 March from lunch to 18.00 hours. Weston has		
	26	accepted on both counts.		
	27	3. Please ask Kastrup to begin the 14 March meeting early if		
	28	possible, since the last London bound flight out of Cologne that		
	29	evening departs at 18.35 hours.		
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MAIN		File number	Dept <b>DUSS</b>	Drafted by (Block capitals) <b>P J WESTON</b>
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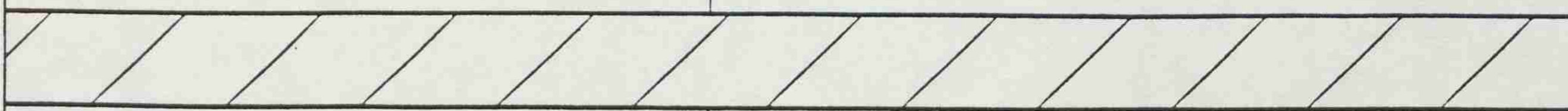
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CONFIDENTIAL



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

5 March 1990

POLAND'S WESTERN BORDER

The Prime Minister has seen Bonn telegram no. 266 reporting Chancellor Kohl's latest statement on the German/Polish border. She has commented, in relation to the second of the two points put forward by Kohl's spokesman, namely that the rights of the Germany community in Poland should be guaranteed by Treaty: "This is gross interference in [the affairs of] another state. The rights of all citizens stem from the law of the host country".

C. D. POWELL

Richard Gozney, Esq.,  
Foreign and Commonwealth Office.

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## GERMANY AND NATO: SPD VIEWS

## SUMMARY

1. THE SPD'S LIKELY CHANCELLOR-CANDIDATE, LAFONTAINE OPPOSES A UNITED GERMANY STAYING IN NATO. CRITICISM FROM CDU AND FDP. EVEN SPD HIERARCHY EXPRESS PRIVATE DOUBTS.

## DETAIL

2. ON SAARLAND RADIO ON 3 MARCH, LAFONTAINE SAID THAT KOHL WAS MISTAKEN IF HE BELIEVED THAT GERMANY COULD STAY IN NATO. A UNITED GERMANY SHOULD RATHER BE EMBEDDED IN A NEW EUROPEAN DEFENCE COMMUNITY, A COLLECTIVE SECURITY SYSTEM WHICH COMPRISED ALL STATES OF EUROPE AND 'COOPERATED WITH' THE US, CANADA AND THE SOVIET UNION. LAFONTAINE POINTED OUT THAT CONSERVATIVE POLITICIANS IN FRANCE, THE FRG AND OTHER STATES HAD EXPRESSED SIMILAR IDEAS A YEAR AGO. IN A SPEECH ON 28 FEBRUARY, LAFONTAINE RECALLED THAT TEN YEARS AGO HE HAD ARGUED FOR A EUROPEAN DEFENCE SYSTEM, IN WHICH THE FRG FOR A TRANSITIONAL PERIOD WOULD HAVE A STATUS LIKE FRANCE OR SPAIN (EG NOT IN NATO'S INTEGRATED MILITARY STRUCTURE).

3. THE SPD OPPOSITION LEADER IN LOWER SAXONY, SCHROEDER, HAS SUPPORTED LAFONTAINE. BUT THE SPD MINISTER-PRESIDENT OF NORTH RHINE WESTFALIA, RAU, TOLD ME ON 4 MARCH THAT HE AND SPD CHAIRMAN VOGEL COULD NOT UNDERSTAND WHAT LAFONTAINE WAS UP TO.

4. FMOD STATE SECRETARY WIMMER (CDU) HAS ACUSSED LAFONTAINE OF PUTTING HIS PERSONAL INTEREST IN POWER BEFORE THE INTERESTS OF GERMAN AND EUROPEAN SECURITY. FDP DEFENCE EXPERT RONNEBURGER SAID HE COULD NOT UNDERSTAND LAFONTAINE'S DEMAND, WHEN THE TWO ALLIANCES WERE ALREADY BECOMING LESS MILITARY AND MORE POLITICAL.

5. A CRITICAL LEADER IN THE FRANKFURTER ALLGEMEINE (CONSERVATIVE)

POINTS OUT THAT IN THE EUROPEAN DEFENCE COMMUNITY ENVISAGED BY LAFONTAINE, A UNITED GERMANY WOULD BE THE STRONGEST POWER. TO BALANCE IT EITHER THE SOVIET UNION WOULD HAVE TO BE INCLUDED, WHICH THE STATES OF EASTERN EUROPE WOULD NOT WELCOME, OR THE US AND CANADA, WHICH NATO ALREADY OFFERED.

## COMMENT

6. LAFONTAINE HAS NOW MADE CLEAR THAT HE REMAINS ON THE ANTI-NATO END OF THE SPD SPECTRUM. DESPITE THE HEADLINES, HOWEVER, HE STILL SEEMS PREPARED TO CONTEMPLATE GERMAN MEMBERSHIP OF THE ALLIANCE, BUT NOT OF ITS INTEGRATED MILITARY STRUCTURE, AS AN INTERIM STEP ON THE WAY TO A 'EUROPEAN DEFENCE COMMUNITY'. PERHAPS MORE SURPRISING IS HIS APPARENT ADVOCACY OF A EUROPEAN SECURITY SYSTEM EXCLUDING THE US AND SOVIET UNION. BY 'CONSERVATIVE POLITICIANS' HE PROBABLY HAD IN MIND FIGURES SUCH AS DREGGER IN THE CDU/CSU, WHO HAVE AT TIME CALLED FOR A EUROPEAN DEFENCE COMMUNITY, EXCLUDING THE US, CANADA AND THE SOVIET UNION, BUT WHO ARE PLAYING DOWN SUCH IDEAS AT PRESENT.

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FOREIGN AFFAIRS COUNCIL, 5 MARCH: LUNCH: GERMAN UNIFICATION

SUMMARY

1. USEFUL DISCUSSION OVER LUNCH OF THE PATH TO GERMAN REUNIFICATION IN WHICH GENSCHER REPLIED TO QUESTIONS FROM YOU AND OTHER MEMBERS OF THE COUNCIL. HE SAID THAT UNDER ARTICLE 23 OF THE CONSTITUTION THE GDR COULD BE TREATED AS A SINGLE UNIT. THE GERMAN CONSTITUTION WOULD NEED TO BE AMENDED AFTER UNIFICATION TO AVOID FURTHER USE OF THE ARTICLE 23 ROUTE. THE 2 DECEMBER ELECTIONS WOULD BE TO THE BUNDESTAG, NOT ON A PAN-GERMAN BASIS. ON MONETARY UNION THERE WOULD BE A DISTINCTION BETWEEN SAVINGS AND CURRENT TRANSACTIONS AND THIS WOULD BE BACKDATED. DELORS SAID THAT THE COMMISSION'S ESTIMATE OF THE NET BURDEN ON THE COMMUNITY BUDGET WAS IN THE RANGE 1.2-2 BILLION ECU (BUT WILLIAMSON SAID THE FIGURE COULD BE LESS IF THE GDR WAS NOT TREATED AS AN OBJECTIVE 1 REGION).

DETAIL

2. GENSCHER (FRG) OUTLINED PLANS FOR FUTURE DISCUSSIONS. GERMAN-GERMAN TALKS WOULD TAKE PLACE ON 9 MARCH FOLLOWED BY A MEETING OF THE TWO PLUS FOUR AT POLITICAL DIRECTOR LEVEL IN BONN ON 14 MARCH. THE LATTER WOULD BE PRECEDED BY CONSULTATION AMONG THE ALLIES. HE DID NOT HOWEVER EXPECT THESE TALKS TO GET FAR IN ADVANCE OF THE GDR ELECTIONS. HE SAID THAT THE GERMANS HAD HAD A MEETING WITH THE USSR IN GENEVA AT POLITICAL DIRECTOR LEVEL LAST WEEK BUT THAT THE SOVIET UNION HAD BEEN VERY UNDECIDED ON SECURITY ISSUES. TURNING TO THE QUESTION OF THE CONSTITUTIONAL ROUTE TOWARDS UNIFICATION HE SAID THAT THE CDU/CSU FAVOURED ARTICLE 23 AND THE FDP WERE INCLINED TO AGREE. THE SDP INCLINED TO ARTICLE 146 BUT DID NOT EXCLUDE ARTICLE 23. IN ANY CASE THE EXTERNAL ASPECTS WOULD HAVE TO BE SETTLED BEFOREHAND. HE WAS WORKING HARD TO ENSURE THAT NEITHER GERMANY'S FRIENDS NOR THE SOVIET UNION SHOULD HAVE THE IMPRESSION THAT ARTICLE 23 WAS A MEANS OF BYPASSING THEIR RIGHTS IN THE EXTERNAL FIELD.

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YOU ASKED THREE QUESTIONS:

(A) IF THE ARTICLE 23 ROUTE WERE CHOSEN WHO WITHIN THE GDR WOULD BE AUTHORISED TO TAKE THE DECISION? WOULD IT BE AN INFORMAL VOTE OF THOSE ELECTED TO THE GDR PARLIAMENT ON 18 MARCH FROM THE AREAS CONCERNED?

(B) ONCE UNIFICATION HAD TAKEN PLACE WOULD GERMANY AMEND THE CONSTITUTION TO PREVENT AREAS OF RUSSIA AND POLAND WHICH HAD BEEN PART OF PRE-WAR GERMANY FROM USING THE SAME ROUTE?

(C) WHAT SORT OF TIMESCALE DID THE GERMANS ENVISAGE? COULD UNIFICATION TAKE PLACE BEFORE THE 2 DECEMBER ELECTIONS WHICH WOULD THEN PRESUMABLY HAVE TO COVER THE WHOLE COUNTRY?

4. GENSCHER REPLIED ON (A) THAT ARTICLE 23 REFERRED NOT TO 'LAENDER' BUT TO 'PARTS OF THE COUNTRY'. THE GDR COULD THUS APPLY AS A SINGLE UNIT. BUT THREE OF THE FIVE AREAS WOULD WANT TO RESURRECT FORMER LAENDER AND THERE WOULD BE A WISH TO DEMOLISH THE DISTRICTS BASED ON THE POWER STRUCTURE OF THE GDR. THE DEMOCRATIC PARTIES IN THE GDR SHOULD BE ABLE TO WORK OUT FAIRLY QUICKLY HOW TO PROCEED. ON (B) HE CONFIRMED THAT THE CONSTITUTION WOULD HAVE TO BE AMENDED AFTER UNIFICATION TO DELETE ARTICLE 23 WHICH WOULD HAVE BECOME VOID, AND TO DELETE THE REFERENCE IN THE PREAMBLE TO THE AIM OF GERMAN UNITY WHICH WOULD HAVE BEEN ACHIEVED. ON (C) HE SAID THAT THE ELECTIONS ON 2 DECEMBER WOULD BE TO THE BUNDESTAG, NOT ON A PAN-GERMAN BASIS. THE EXTERNAL ASPECTS HAD TO BE DEALT WITH FIRST AND THE RESULTS OF THE TWO PLUS FOUR DISCUSSION SHOULD GO TO THE CSCE SUMMIT.

5. DUMAS (FRANCE) THANKED GENSCHER FOR HIS ANSWERS TO MY QUESTIONS. HE WAS SATISFIED WITH THE REPLY ON AMENDMENTS TO THE CONSTITUTION. IT WAS IMPORTANT TO AVOID BEING PRESENTED WITH A FAIT ACCOMPLI AND THE POLITICAL DIRECTORS MEETING ON 14 MARCH SHOULD MAKE AN INVENTORY OF THE EXTERNAL PROBLEMS. GENSCHER SAID THE FRG HAD NO PROBLEM IN DISCUSSING THESE MATTERS WITH THE FOUR BUT THE GDR WOULD NOT HAVE A LEGITIMATE GOVERNMENT ON MARCH 14 AND WOULD NOT BE ABLE TO BIND THE FUTURE GOVERNMENT. THE MEETING COULD DISCUSS A LIST OF QUESTIONS BUT THE ANSWERS WOULD BE FOR THE FUTURE GDR GOVERNMENT. DUMAS NODDED.

6. EYSKENS (BELGIUM) SAID THERE WAS AN UNEASINESS AMONG THE GERMAN MINORITIES. BASKET 3 SHOULD BE MADE MORE CONCRETE AND PRECISE ON THE RIGHTS OF MINORITIES. THE COMMUNITY MIGHT PROPOSE THIS TO THE

CSCE. HE ASKED ABOUT THE TIMETABLE FOR GERMAN MONETARY UNION. GENSCHER SAID THE QUESTION OF MINORITIES WAS SEPARATE FROM THAT OF GERMAN UNIFICATION. MONETARY UNION WAS THE ONLY WAY OF HALTING THE MASSIVE MIGRATION FROM EAST TO WEST SO WOULD HAVE TO HAPPEN BEFORE UNIFICATION. IT WOULD FORCE THE NEW GOVERNMENT TO CARRY OUT MAJOR REFORMS. THE DETAILS WERE STILL BEING DISCUSSED AND RUMOURS SHOULD NOT BE BELIEVED BUT THERE WOULD CERTAINLY BE A DISTINCTION BETWEEN SAVINGS AND CURRENT TRANSACTIONS. THIS DISTINCTION WOULD BE BACKDATED, IN VIEW OF THE FACT THAT SPECULATORS WERE CURRENTLY BUYING OSTMARKS. HE EMPHASISED THAT THIS INFORMATION WAS STRICTLY CONFIDENTIAL.

7. MRS ADAM-SCHWAETZER (GERMANY) DESCRIBED THE STRUCTURE OF GERMAN COMMITTEES STUDYING THE GDR'S INTEGRATION INTO THE COMMUNITY. NO TREATY AMENDMENTS WERE REQUIRED BUT SECONDARY LEGISLATION WOULD BE NEEDED IN A LARGE NUMBER OF AREAS. DISCUSSIONS WITH THE COMMISSION HAD STARTED. THE GDR'S EXTERNAL AGREEMENTS WERE BEING STUDIED. THE USSR HAD INSISTED THAT THESE SHOULD BE RESPECTED. AGRICULTURAL PRICES IN THE GDR WERE VERY HIGH. (SHE TOLD YOU PRIVATELY THAT GERMAN AGRICULTURAL POLICY WOULD BE LIKELY TO CHANGE IN VIEW OF THE LARGER FARMS IN THE EAST). GENSCHER SAID THERE WAS NO WISH TO INCREASE THE NUMBER OF COMMISSIONERS, OF VOTES IN THE COUNCIL OR OF MEP'S FOR THE TIME BEING.

8. DUMAS ASKED ABOUT THE EFFECT OF GERMAN UNIFICATION ON THE 1992 TIMETABLE. ADAM-SCHWAETZER SAID THE ADJUSTMENTS WOULD ALL BE MADE BY THE END OF 1992. THE PROCESS OF ADAPTING COMMUNITY LAW WOULD TAKE PLACE BY MEANS OF COUNCIL DECISIONS BASED ON COMMISSION PROPOSALS. RATIFICATION BY NATIONAL PARLIAMENTS WOULD NOT BE NEEDED. TO TAKE ACCOUNT OF THE PROBLEMS OF UNEMPLOYMENT, GRADUAL BUT RAPID RESTRUCTURING WOULD BE NEEDED. GENSCHER ADDED THAT THE SERVICE SECTOR WOULD GROW QUICKLY. MANUFACTURING WOULD BE MORE DIFFICULT. IT WOULD BE NECESSARY TO CLOSE SOME PLANTS, EG CHEMICAL PLANTS.

9. ANDRIESSEN (COMMISSION) ASKED WHETHER TREATY AMENDMENT WOULD BE NEEDED IF THE ARTICLE 146 ROUTE WERE CHOSEN. HOW WOULD DISCUSSION BE ORGANISED IN ADVANCE OF LEGISLATION? MRS ADAM-SCHWAETZER SAID THAT NEITHER ARTICLE 23 NOR ARTICLE 146 WOULD INVOLVE TREATY AMENDMENT. DISCUSSION WITH THE COMMISSION SHOULD TAKE PLACE CONTINUOUSLY.

10. DELORS ACCEPTED THAT SUBSTANTIAL DISCUSSIONS COULD ONLY TAKE PLACE AFTER 18 MARCH. THERE WERE SOME PROBLEMS. HOW AND OVER WHAT PERIOD WOULD THE GDR ADAPT COMMUNITY LAW? HOW WOULD THE FRG/GDR

FRONTIER BE CONTROLLED DURING THE TRANSITIONAL PERIOD? THIS WAS A DIFFERENT PROBLEM FROM CONTROLLING THE SPANISH FRONTIER WHICH EXISTED AND COULD BE POLICED. ON GEMU, IF THE RATE WAS 1:1, THE GDR WOULD NEED SUBSIDIES: HOW MUCH AND FOR HOW LONG WOULD THIS BE PERMITTED? HE HAD NO ANSWERS, BUT THERE WERE IMPORTANT QUESTIONS. REFLECTION WOULD BE NEEDED.

11. DUMAS ASKED ABOUT BUDGETARY CONSEQUENCES. DELORS SAID THAT FOR THE PRESENT WE MUST WORK WITHIN THE FINANCIAL PERSPECTIVES. FROM 1993 IT WOULD BE NECESSARY TO REVIEW THE NET BURDEN ON THE COMMUNITY, WHICH WOULD FALL IN THE RANGE 1.2-2 BILLION ECU. THE FRG WOULD SAVE THEIR PRESENT EXPENDITURE IN BERLIN AND THE BORDER AREAS WHICH WOULD ENABLE IT TO CARRY A LARGER SHARE OF THE COSTS. WE SHOULD DISCUSS TOGETHER THE INFLATIONARY IMPACT OF THE EXTRA BURDEN ON THE FRG. MRS ADAM-SCHWAETZER SAID THERE WOULD INDEED BE A REDUCTION IN EXPENDITURE IN BERLIN. THE FRG WOULD HAVE TO SPEND A LOT BUT THERE WOULD BE A RAPID IMPROVEMENT AND AN OPENING OF MARKETS TO OTHER MEMBERS OF THE COMMUNITY. GENSCHER AGREED THAT INVESTMENT WAS NOT JUST FOR THE FRG. HE ADDED THAT THE HUMANITARIAN PAYMENTS BY THE FRG WOULD ALSO STOP.

12. POOS (LUXEMBOURG) SAID THE GERMANS SHOULD BEAR MOST OF THE COST. THE COMMUNITY MUST NOT FORGET THE EAST EUROPEAN COUNTRIES OR THE THIRD WORLD. GENSCHER SAID WE MUST BE CAREFUL NOT TO TALK UP INFLATION. ELLEMANN-JENSEN (DENMARK) ASKED WHETHER IT WAS UNDERSTOOD HOW MUCH ANXIETY THE POLICH FRONTIER ISSUE CAUSED? GENSCHER SAID IT WAS INDEED WELL UNDERSTOOD AND WAS UNDER INTENSIVE DISCUSSION, AT THE MOMENT ON A PRIVATE BASIS.

#### COMMENT

13. IN REPLY TO YOUR QUESTION ABOUT THE 1.2-2 BILLION ECU FIGURE MENTIONED BY DELORS AS THE BURDEN ON THE COMMUNITY, WILLIAMSON (SECRETARY GENERAL OF THE COMMISSION) SAID A LARGE QUESTION MARK UNDERLYING THESE FIGURES WAS WHETHER THE GDR WOULD BE TREATED AS AN OBJECTIVE 1 REGION. IF SO, THE COST WOULD BE INCREASED BY 600 MECU. THIS WAS A SUBJECT OF DISAGREEMENT WITHIN THE COMMISSION'S SERVICES. IN WILLIAMSON'S VIEW THE DECISION WOULD BE AGAINST OBJECTIVE 1, IN WHICH CASE DELORS FIGURES WERE TOO HIGH.

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MODUK FOR PS/DEFENCE SECRETARY AND DUS(P)

FROM PRIVATE SECRETARY

SECRETARY OF STATE'S MEETING WITH NATO SECRETARY GENERAL, 5 MARCH

SUMMARY

1. WOERNER WORRIED ABOUT POSSIBILITY OF SPD VICTORY IN GERMANY IN DECEMBER AND ANXIOUS TO SETTLE QUESTION ABOUT A UNIFIED GERMANY IN NATO SOON. SUGGESTS THAT AFTER UNIFICATION SECURITY OF FORMER GDR TERRITORY SHOULD BE IN HANDS OF AN EAST GERMAN TERRITORIAL ARMY WHICH, IN DUE COURSE, COULD MERGE WITH THE TERRITORIAL ARMY OF THE BUNDESWEHR (WHICH IS NOT (NOT) ASSIGNED TO NATO). CONCERNED THAT A PURELY MILITARY NATO WOULD DISINTEGRATE, GIVEN REDUCTION IN MILITARY THREAT AND, THEREFORE, THAT NATO SHOULD BE PUT TO GOOD USE AS FORUM FOR HIGH LEVEL POLITICAL DISCUSSION. HENCE HIS IDEA FOR EXTRA MEETING OF NATO FOREIGN MINISTERS, IN APRIL.

DETAIL

POSITION OF SPD

2. WOERNER SAID THAT LAFONTAINE WAS SEEKING AGREEMENT TO THE IDEA OF A UNITED GERMANY LEAVING NATO AS A PRE-CONDITION TO HIS CANDIDACY FOR CHANCELLOR IN THE DECEMBER ELECTIONS. THE SPD WAS SPLIT. SOME FAVOURED A UNITED GERMANY BEING IN NATO, SOME FAVOURED A LIMITED GERMANY IN NATO FOR A SHORT PERIOD, OR EVEN GERMANY IN BOTH NATO AND THE WARSAW PACT (WHICH WAS COMPLETE NONSENSE). LAFONTAINE CLAIMED TO FAVOUR A EUROPEAN DEFENCE COMMUNITY AND CLAIMED TO OPPOSE GERMAN NEUTRALITY. BUT IF HE TOOK GERMANY OUT OF THE ALLIANCE WHEN NO EUROPEAN DEFENCE COMMUNITY YET EXISTED, AND WAS NOT LIKELY FOR A DECADE OR MORE, THEN HIS PROFESSED OPPOSITION TO GERMAN NEUTRALITY

RANG HOLLOW.

3. WOERNER ASSESSED THAT LAFONTAINE WOULD PROBABLY WIN THE ARGUMENT WITHIN HIS PARTY. THE SECRETARY OF STATE THEN ASKED ABOUT BRANDT'S POSITION. WOERNER THOUGHT BRANDT WOULD NOT STICK UP FOR GERMAN MEMBERSHIP OF NATO BUT WOULD ARGUE INSTEAD FOR AN OVERALL EUROPEAN SECURITY STRUCTURE. HE AND THE SECRETARY OF STATE AGREED THAT THE POSSIBILITY OF A LAFONTAINE VICTORY IN DECEMBER UNDERLINED THE NEED FOR THE ALLIANCE TO SETTLE THE QUESTION OF GERMANY IN NATO AS SOON AS POSSIBLE.

DEFENCE OF GDR TERRITORY

4. WOERNER HAD SPENT TWO HOURS WITH KOHL, AND SOME TIME WITH STOLTENBERG, ON 2 MARCH, KOHL WAS IN FAVOUR OF A UNITED GERMANY STAYING IN NATO AND VERY CLEAR THAT ARTICLES 5 AND 6 OF THE NORTH ATLANTIC TREATY SHOULD EXTEND TO WHAT WAS NOW GDR TERRITORY. ACCORDING TO KOHL, GENSCHER BELIEVED THIS TOO. WOERNER HAD WARNED AGAINST REFERRING TO THE QUOTE JURISDICTION UNQUOTE OR QUOTE TERRITORY UNQUOTE OF NATO NOT EXTENDING TO THE GDR. IT WAS SAFER TO SAY THAT NATO WOULD NOT EXPAND ITS MILITARY INTEGRATION INTO WHAT WAS NOW THE GDR.

5. WOERNER SAID THAT WHAT WAS NOW GDR TERRITORY COULD, IN A UNIFIED GERMANY, BE DEFENDED BY A VERSION OF THE NATIONALE VOLKSARMEE (NVA). THIS WOULD BE A TERRITORIAL FORCE, AND SOME DAY, - THOUGH THIS WAS ONLY HIS OWN THOUGHT - MERGE WITH THE TERRITORIAL FORCE IN THE BUNDESWEHR, WHICH WAS NOT (NOT) ASSIGNED TO NATO. GORBACHEV HAD PROBABLY NOT YET MADE UP HIS MIND ABOUT WHETHER SOME SUCH SOLUTION WOULD BE ACCEPTABLE, AND POSITIONS ESPOUSED BY OTHERS IN MOSCOW WERE PROBABLY LESS FIRM THAN THEY SOUNDED. WOERNER AND THE SECRETARY OF STATE AGREED THAT THE KEY QUESTION FOR MOSCOW WAS THE FUTURE OF THE SOVIET FORCES IN THE GDR, AND THAT THE NATO COUNTRIES' INTERESTS WOULD BE BEST SERVED BY ADOPTING A GENEROUS ATTITUDE. WOERNER'S PERSONAL VIEW WAS THAT MOSCOW SHOULD BE GIVEN UNTIL THE YEAR 2000 TO REMOVE ALL SOVIET TROOPS FROM THE GDR, ON THE UNDERSTANDING THAT WITHDRAWALS IN THE EARLY YEARS OF THE RUN DOWN WOULD BE LARGE.

6. WOERNER SAID THAT IF WHAT WAS NOW THE GDR WAS ATTACKED THEN OF COURSE NATO FORCES WOULD COME INTO PLAY FOR ITS DEFENCE. BUT HE WOULD NOT (NOT) ADVOCATE NATO EXERCISES IN THE TERRITORY FOR THE FORESEEABLE FUTURE. THE PROSPECT OF SUCH EXERCISES WOULD BE TOO MUCH TO ASK OF GORBACHEV. HOWEVER, NATO MIGHT INCLUDE THE IDEA OF EXERCISES, OR SOME OTHER NEGOTIATING FAT, IN ITS OPENING BID.

## EASTERN EUROPE

7. WOERNER SAID THAT THERE WAS NO REAL DOUBT ABOUT KOHL'S POSITION OVER THE GERMAN/POLISH BORDER. AS THE CHANCELLOR HAD EXPLAINED, HE WISHED TO SECURE A COMMON DECLARATION BY THE TWO PARLIAMENTS (OF THE GDR AND THE FRG) AND WOULD THEN BE HAPPY TO SEE A TREATY BETWEEN GERMANY AND POLAND. BUT THE CHANCELLOR WAS STRONGLY OPPOSED TO A GENERAL PEACE TREATY.

8. WOERNER ASKED ABOUT THE SECRETARY OF STATE'S REACTION TO LORD CARRINGTON'S RECENT SPEECH IN WHICH HE HAD RE-SURFACED KISSINGER'S IDEA OF OFFERING THE SOVIET UNION A BUFFER IN THE FORM OF NEUTRAL EASTERN EUROPEAN STATES. WOERNER HIMSELF HAD DOUBTS ABOUT THE IDEA.

9. THE SECRETARY OF STATE SAID THAT THE WEST COULD NOT DICTATE TO THE EASTERN EUROPEANS THEIR FUTURE POLITICAL ORIENTATION. IN PRACTICE, HOWEVER, THE COUNTRIES WOULD PROBABLY CHOOSE NEUTRALITY EVEN THOUGH THE HUNGARIAN FOREIGN MINISTER HAD THROWN UP THE IDEA OF HUNGARY JOINING NATO AS A DEBATING POINT. THE REAL QUESTION WAS WHO WOULD GUARANTEE EASTERN EUROPEAN CONTRIES' NEUTRALITY. WOERNER SAID THAT WHILE THERE WAS MUCH TALK OF THE CSCE CONTRIBUTING TO A FUTURE EUROPEAN SECURITY STRUCTURE, IN HIS VIEW THE CSCE COULD SERVE ONLY AS AN UMBRELLA, RATHER THAN AS AN ARCH SPANNING THE GAP BETWEEN EAST AND WEST AND CAPABLE OF TAKING REAL WEIGHT. EVEN DIENSTBIER, THE CZECHOSLOVAK FOREIGN MINISTER, HAD AGREED WITH WOERNER THAT THE CSCE COULD NOT PROVIDE SECURITY GUARANTEES. THE SECRETARY OF STATE AGREED THAT THE CSCE COULD NOT SUBSTITUTE FOR NATO AND THE WARSAW PACT. BUT IT COULD BE BUILT UP TO PROVIDE, FOR EXAMPLE, A CONCILIATION SERVICE AND AGREEMENTS PROVIDING GUARANTEES FOR DEMOCRACY.

10. WOERNER SAID HE WANTED NATO'S MEETING IN 1990, INCLUDING THE NORTH ATLANTIC COUNCIL MINISTERIAL IN JUNE IN TURNBERRY, TO EXPLAIN THE NEED FOR NATO, WHY NATO AND THE WARSAW PACT WERE NOT EQUIVALENT, AND NATO'S IDEAS FOR USE OF THE CSCE PROCESS.

## ESTRA NAC MINISTERIAL

11. THE SECRETARY OF STATE ASKED ABOUT WOERNER'S PLANS FOR AN EXTRA MINISTERIAL MEETING. WOERNER SAID HE HAD TWO REASONS FOR SUGGESTING IT:

(A) TO GET TO THE END GAME AT THE VIENNA CFE NEGOTIATIONS, FOREIGN MINISTERS WOULD, IN HIS VIEW, NEED TO GET TOGETHER TO CRACK OUTSTANDING DIFFICULTIES (ESPECIALLY THE GRECO/TURKISH DISPUTE OVER MERSIN).

(B) THE GERMAN QUESTION: WHILE HE WAS A FERVANT EUROPEAN, IN FAVOUR OF EC POLITICAL UNION AND, ONE DAY, OF A EUROPEAN DEFENCE IDENTITY, FOR THE TIME BEING NATO WAS THE ONLY WESTERN SECURITY ORGANISATION AND THE ONLY MECHANISM FOR KEEPING THE UNITED STATES ENGAGED IN EUROPE. A STRONG POLITICAL ROLE FOR THE ALLIANCE WAS ESSENTIAL BECAUSE NATO AS A PURELY MILITARY ALLIANCE WOULD DISINTEGRATE GIVEN THE REDUCTION IN THE SOVIET THREAT. THE EUROPEAN COMMUNITY HAD DECIDED TO HOLD AN EXTRA SUMMIT TO LOOK AT THE GERMAN QUESTION. THIS WOULD GO BEYOND THE TECHNICAL QUESTIONS OF CURRENCY UNION AND SO FORTH. WOERNER FOUND THE NORWEGIANS AND TURKS INCREASINGLY UNEASY, AND HAD ALSO TO ANSWER UNITED STATES' AND CANADIAN CONCERNS ABOUT THE HANDLING OF THE GERMAN QUESTION BEING LEFT TO THE EC. HIGH LEVEL CONSIDERATION IN NATO WAS THEREFORE NEEDED. FOR THE SAME REASON HE HAD ASKED KOHL TO BRIEF NATO PERSONALLY (WHICH WOULD BE DONE ON 8 MARCH).

12. FOR THE SAME REASON, WOERNER HAD BEEN ANXIOUS TO OUTMANOEUVRE GENSCHER ABOUT THE SITE OF PREPARATIONS FOR THE CSCE SUMMIT. HE HAD SUCCEEDED: CSCE PREPARATIONS WOULD TAKE PLACE AT NATO AS WELL AS AT THE EC.

13. THE SECRETARY OF STATE RE-ASSURED WOERNER ABOUT THE DUBLIN MEETING ON 28 APRIL. THE TWELVE WOULD HAVE PLENTY TO DISCUSS ON A PURELY COMMUNITY AGENDA: THE ABSORPTION OF THE GDR POSED FORMIDABLE PROBLEMS. BUT HE AGREED THAT GERMAN UNITY SHOULD BE DISCUSSED BY THE 16 ALLIES AT MINISTERIAL LEVEL, AND THAT TO LEAVE DISCUSSION UNTIL JUNE AT TURNBERRY WOULD BE TOO LATE. IF THE SECRETARY GENERAL CHOSE 9 APRIL THE SECRETARY OF STATE WOULD BE ON HIS WAY TO MOSCOW AND WOULD NEED TO SEND SOMEBODY ELSE. WOERNER SAID THE SECRETARY OF STATE SHOULD BE THERE AND IMPLIED THAT HE WOULD AVOID THIS DATE.

14. WOERNER SAID HE HAD BEEN THINKING ABOUT THE OTHER NATO MINISTERIAL MEETINGS (NPG AND DPC). HE WISHED NATO DEFENCE MINISTERS TO GIVE TWO MESSAGES TO THEIR PUBLICS: ABOUT WHY NATO WAS STILL NEEDED AND ABOUT HOW NATO WAS ADJUSTING TO CHANGE AND LOOKING FORWARD IN MILITARY TERMS SO THAT THE ALLIES DID NOT MERELY REACT TO CHANGE BUT HELPED TO SHAPE IT. AT THE MINISTERIAL MEETING HE WOULD TRY TO CONVINCING THE 16 GOVERNMENTS THAT THEIR DEFENCE CUTS, WHICH WERE IN MANY CASES INEVITABLE, SHOULD BE COORDINATED AND INTEGRATED WITH NATO'S APPROACH TO ARMS CONTROL.

15. THE SECRETARY OF STATE SAID THAT LOOKING BEYOND THE CFE NEGOTIATIONS AT VIENNA, HE THOUGHT THAT THE NEXT PHASE SHOULD NOT MERELY REPLICATE CFE I. THE WEST WOULD PROBABLY NEED A NEW FORMULA

FOR SUBSEQUENT ARMS CONTROL DISCUSSIONS, WHICH MIGHT INCLUDE DISCUSSION OF ARRANGEMENTS IN WHAT WAS NOW THE GDR. WOERNER FELT THAT SOME COUNTRIES WHICH WERE IN THE WARSAW PACT IN NAME, BUT NO LONGER IN SPIRIT (SUCH AS CZECHOSLOVAKIA), SAW THE PACT AS USEFUL ONLY IN TERMS ON CONTINUING ARMS CONTROL NEGOTIATIONS AT 23. HIS RECENT MEETING WITH GRINEVSKY INDICATED THAT THE SOVIET UNION ALSO SEEMED TO FAVOUR THE FRAMEWORK OF THE 23. IN SUGGESTING THAT A NEW MANDATE WOULD ONLY BE POSSIBLE IF THE WEST AGREED TO INTRODUCE NAVAL FORCES, GRINEVSKY SEEMED TO BE DELIBERATELY ENCOURAGING THE WEST TO STICK WITH NEGOTIATIONS AT 23. WOERNER THOUGHT THAT THE MAIN GOAL OF NEGOTIATIONS AFTER CFE I WOULD STILL BE TO LIMIT THE SOVIET UNION'S FORCES. THE WEST WOULD NEED TO DECIDE WHETHER TO ACCEPT THAT PURSUIT OF THIS AIM COULD LEAD TO LIMITS ON THEIR OWN NATIONAL FORCES. THE WEST HAD FOR SO LONG FOUGHT AGAINST ALLOWING A SOVIET DROIT DE REGARD OVER THEIR NATIONAL FORCES. WOERNER HAD THAT MORNING INITIATED IN HOUSE DISCUSSION ON THIS POINT, WHICH HE HOPED TO PURSUE WITHOUT PUBLICITY.

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MY TELNO 266: POLAND'S WESTERN BORDER

SUMMARY

1. CRITICISM OF KOHL FROM FDP, SPD AND HIS PREDECESSOR AS CHAIRMAN OF THE CDU. HE COMMENTS FURTHER. INTRA-COALITION DEBATE, TO BE CONTINUED ON 6 MARCH.

DETAIL

2. THE FDP HAVE REACTED SHARPLY TO KOHL'S ATTEMPT TO LINK ON THE ONE HAND THE BORDER QUESTION AND ON THE OTHER REPARATIONS AND THE RIGHTS OF THE GERMAN MINORITY IN POLAND. IN A TELEVISION INTERVIEW ON 4 MARCH GENSCHER SAID THAT HE HAD NO INTENTION OF EXPANDING THE DISCUSSION OF REPARATIONS. SO LONG AS THE BORDER QUESTION WAS KEPT OPEN THE DOOR TO GERMAN UNITY WOULD STAY CLOSED. ON 3 MARCH LAMBSDORFF (FDP CHAIRMAN) SAID HE WAS UNHAPPY ABOUT KOHL'S STATEMENT AND CRITICISED THE CHANCELLOR FOR RAISING THE 'HIGHLY DELICATE QUESTION OF REPARATIONS'. ON 5 MARCH, FOLLOWING A MEETING OF THE FDP PRAESIDIUM, HE SAID HE COULD NOT UNDERSTAND WHY THE CHANCELLOR HAD BROUGHT THAT SUBJECT INTO THE EQUATION. POLAND HAD ALREADY RENOUNCED CLAIMS TO REPARATIONS IN 1953 AND THERE WAS NO REASON TO DOUBT THE POLISH GOVERNMENT'S WORD.

3. ON 3 MARCH VOGEL (SPD CHAIRMAN) WARNED THAT STATEMENTS SUCH AS KOHL'S COULD TURN NOT ONLY POLAND BUT THE WHOLE OF EUROPE AND THE US AGAINST GERMAN UNIFICATION. HE CALLED ON THE FDP AND FRAU SUESSMUTH (PRESIDENT OF THE BUNDESTAG) TO BRING KOHL TO HIS SENSES, AND ADVANCED AN SPD PLAN FOR CONSULTATION BETWEEN POLAND AND THE TWO GERMANIES LEADING TO A TREATY. IN THE BUNDESTAG THE SPD ARE PRESSING FOR A DEBATE ON THIS SUBJECT ON EITHER 7 OR 8 MARCH.

4. FOR THE CDU/CSU DREGGER, LEADER OF THE PARLIAMENTARY PARTY, HAS EXPRESSED FULL SUPPORT FOR KOHL, ARGUING THAT IT IS THE CHANCELLOR'S DUTY TO REPRESENT GERMAN INTERESTS. RUETTIGERS, A PARTY WHIP, CLAIMED ON 3 MARCH THAT POLISH POLITICIANS HAD RECENTLY BEEN CASTING DOUBT ON THE VALIDITY OF THE 1953 TREATY WITH THE GDR IN WHICH THE POLES HAD RENOUNCED CLAIMS FOR REPARATIONS, CLAIMING THAT IT HAD BEEN

SIGNED UNDER SOVIET PRESSURE. POLAND THEREFORE NEEDED TO REAFFIRM THAT TREATY WITH A UNITED GERMANY. BARZEL, KOHL'S PREDECESSOR AS CHAIRMAN OF THE CDU, SAID KOHL WAS LIKE 'A BULL IN A CHINA SHOP', AND NOTED HOW GENSCHER WAS CONSTANTLY HAVING TO TIDY UP THE MESS THE CHANCELLOR LEFT BEHIND HIM.

5. FOLLOWING A MEETING OF THE CDU PRAESIDIUM ON 5 MARCH KOHL DEFENDED HIS POSITION TO THE PRESS. HE STRESSED THAT THE GERMANS HAD A LEGITIMATE WISH TO SEE THE THREE TOPICS OF POLAND'S WESTERN BORDER, REPARATIONS AND THE PROTECTION OF MINORITIES LEGALLY SETTLED IN THE CONTEXT OF GERMAN UNIFICATION, AND HE WAS DUTY BOUND AS CHANCELLOR TO MAKE SURE THAT HAPPENED. HE AND GENSCHER WERE NOT IN FACT FAR APART. A TREATY DEALING WITH THE BORDER QUESTION COULD BE NEGOTIATED AND RATIFIED ONLY BY A PAN-GERMAN GOVERNMENT AND PARLIAMENT. COMPENSATION LINKED TO THE SECOND WORLD WAR HAD FOR YEARS BEEN ONE OF POLAND'S DEMANDS VIS-A-VIS THE FRG. AS FOR MINORITY RIGHTS, IT WAS THE 'MOST NATURAL THING IN THE WORLD', GIVEN THE HALF MILLION PLUS GERMAN MINORITY IN POLAND, TO INCLUDE THIS IN AN AGREEMENT WITH POLAND. AT THE SAME TIME THERE COULD BE AGREEMENT ON THE RIGHTS OF THE POLISH COMMUNITY IN GERMANY.

6. KOHL AND GENSCHER MET ON THE AFTERNOON OF 5 MARCH TO DISCUSS THEIR DIFFERENCES, PRIOR TO A PLANEED MEETING OF COALITION LEADERS ON THIS SUBJECT ON THE MORNING OF 6 MARCH.

#### COMMENT

7. THE DISPUTE HAS RECEIVED WIDESPREAD COVERAGE IN THE FRG MEDIA, MUCH OF IT HIGHLY CRITICAL OF KOHL, WHOSE STANCE IS SEEN AS BOTH GRACELESS AND ILL-ADVISED. SEVERAL PAPERS ARGUE THAT BY BENDING OVER BACKWARDS TO ACCOMMODATE THE RIGHT WING FRINGE HE IS PUTTING AT RISK THE WHOLE PROCESS OF UNIFICATION.

8. IT IS NOT CLEAR WHY HE HAS LINKED REPARATIONS TO THE BORDER ISSUE. HE APPEARS TO BE CLASSIFYING UNDER THAT HEAD THE LONGSTANDING POLISH REQUEST FOR COMPENSATION FOR THOSE POLES WHO DID FORCED LABOUR IN GERMANY DURING THE WAR. THAT FEATURED PROMINENTLY IN THE NEGOTIATIONS LEADING UP TO THE FRG/POLISH JOINT DECLARATION OF LAST NOVEMBER, BUT WAS NEVER ACCEPTED BY THE GERMANS. HE MAY NOW BE TRYING TO BLOCK OFF FURTHER POLISH PURSUIT OF THE ISSUE.

9. GENSCHER WILL BE ANNOYED BY SEVERAL FEATURES OF KOHL'S STATEMENT. FIRST, IT WAS EVIDENTLY MADE WITHOUT CONSULTATION. SECONDLY, IT IS ON A SUBJECT WHERE HE HAS MADE THE INTERNATIONAL RUNNING WITH THE AIM OF REASSURING GERMANY'S NEIGHBOURS. KOHL'S EFFORTS HAVE DONE THE

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OPPOSITE. GENSCHER WILL NOW SEE HIMSELF AS HAVING TO REPAIR THE  
DAMAGE, WHICH MAY NOT BE EASY. HE HAS BEEN SHARPLY CRITICAL IN  
PUBLIC, PARTLY NO DOUBT TO PICK UP WHAT DOMESTIC CAPITAL MAY BE  
AVAILABLE OUT OF KOHL'S CLUMSINESS. HE MAY HOPE TO CATCH SOME  
DISAFFECTED CDU VOTERS. HIS ALIGNMENT WITH THE SPD ON THE ISSUE PUTS  
PRESSURE ON KOHL.

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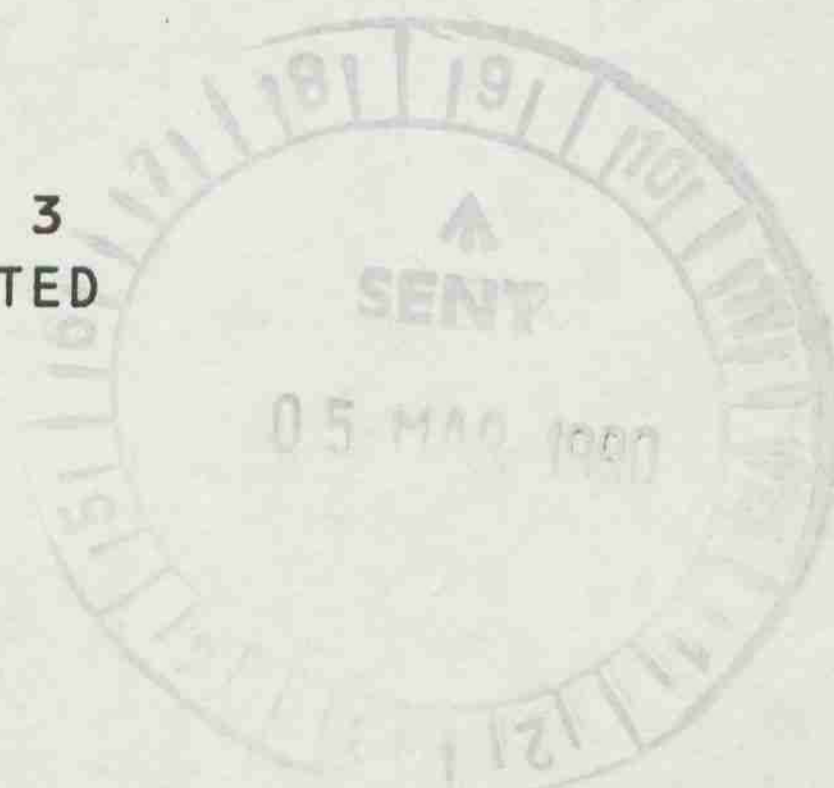
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BONN TELNO 266: POLAND'S WESTERN BORDER: POLISH REACTIONS TO KOHL STATEMENTS

SUMMARY

1. SHARP POLISH REACTION TO KOHL'S LATEST STATEMENTS.

DETAIL

2. THE POLISH REACTION TO REPORTS OF KOHL'S RECENT SERIES OF CLUMSY COMMENTS ON UNIFICATION ISSUES HAS BEEN ONE OF SURPRISE AND CONCERN.

3. THERE HAS BEEN SHARP CRITICISM OF KOHL'S APPARENT ABOUT TURN LAST WEEK ON THE MAZOWIECKI PROPOSAL FOR A TREATY GUARANTEEING POLAND'S WESTERN BORDER. AT HER PRESS CONFERENCE ON 2 MARCH GOVERNMENT SPOKESWOMAN NIEZABITOWSKA COMMENTED THAT IT WAS HARD TO KNOW WHAT WOULD BE WORSE: IF KOHL WAS BEING INSINCERE, OR HONEST. THE POLISH GOVERNMENT EXPECTED THE CHANCELLOR TO TAKE A CLEAR STAND AND FOUND IT DISQUIETING THAT KOHL WAS SAYING SOMETHING DIFFERENT FROM ONE DAY TO THE NEXT. PRESS COMMENT WAS IN THE SAME VEIN. THE SOLIDARITY DAILY 'GAZETA WYBORCZA' ACCUSED KOHL OF PLAYING 'AN INSINCERE AND EQUIVOCAL GAME.' THE PAPER WROTE ON 2 MARCH 'THIS MIGHT HAVE FATAL RESULTS FOR THE FUTURE OF NEIGHBOURLY RELATIONS.'

4. SIMILARLY CURT HAS BEEN THE REACTION TO VOGEL'S REMARKS ON 2 MARCH (AS REPORTED IN THE POLISH PRESS) THAT KOHL WANTED TO LINK THE BORDER QUESTION WITH POLAND'S RELINQUISHING OF CLAIMS TO WAR REPARATIONS AND WITH TREATY ASSURANCES COVERING THE RIGHTS OF THE GERMAN MINORITY IN POLAND. NIEZABITOWSKA APPEARED ON TELEVISION ON THE EVENING OF 2 MARCH TO EXPRESS 'SURPRISE' AT THE VOGEL STATEMENT. POLAND HAD FULLY MET HER OBLIGATIONS TO THE GERMAN MINORITY. THE POLISH GOVERNMENT DID NOT WANT TO LINK THE SIGNING OF A BORDER TREATY WITH ANY OTHER ISSUE. HOWEVER IF THE FRG WISHED TO EXPAND THE SUBJECT MATTER, POLAND WOULD PUT FORWARD THE QUESTION OF COMPENSATION FOR THE MILLION OR SO POLES WHO SUFFERED FORCED

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LABOUR UNDER THE THIRD REICH.

5. TODAY'S POLISH PRESS REPORTS ON MAZOWIECKI'S INTERVIEW FOR THE ARD AND ZDF TELEVISION STATIONS. ACCORDING TO POLISH REPORTS MAZOWIECKI EXPRESSED 'SURPRISE AND ASTONISHMENT' AT VOGEL'S STATEMENT, PARTICULARLY THE REFERENCE TO THE GERMAN MINORITY ON WHICH AGREEMENT HAD BEEN REACHED DURING KOHL'S VISIT HERE IN NOVEMBER 1989. REPARATIONS HAD ALSO BEEN DISCUSSED DURING THE VISIT. POLAND'S PRIORITY WAS TO SETTLE THE QUESTION OF HER BORDERS, BUT IF BONN WISHED TO EXPAND THE AGENDA, POLAND WOULD WELCOME IT. ASKED IF HE WANTED TO MEET KOHL AGAIN, MAZOWIECKI SAID HE WOULD NOT REFUSE TO MEET, BUT WOULD WANT SOME CLARIFICATIONS MADE BEFOREHAND.

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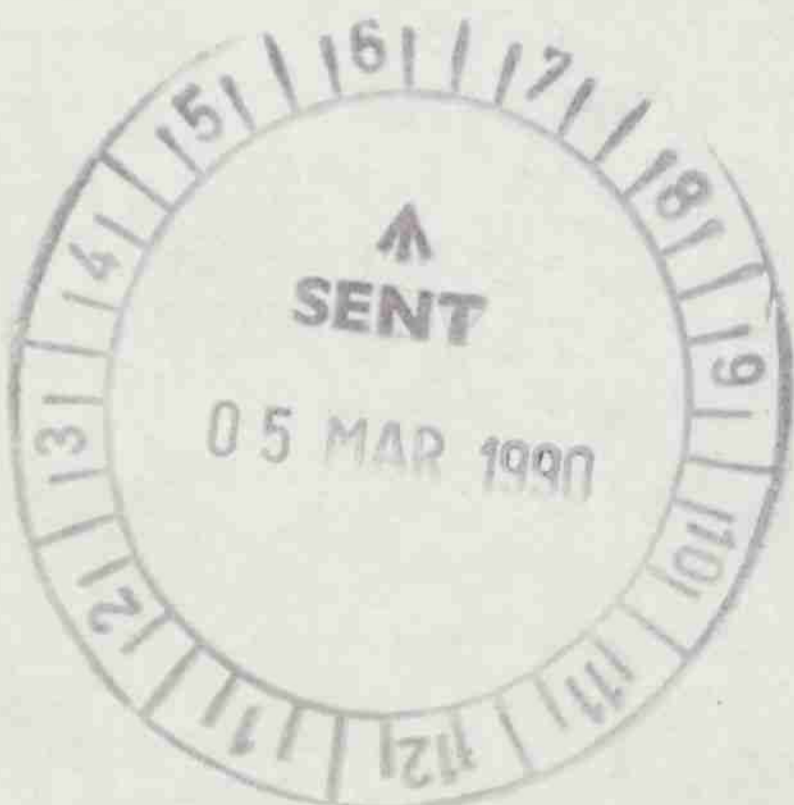
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FRAME ECONOMIC

YOUR MEETING WITH SIR LEON BRITTAN : 5 MARCH : GERMAN UNIFICATION

SUMMARY

1. A USEFUL RUN OVER THE GROUND ON THE MAIN COMMUNITY ISSUES ARISING FROM GERMAN UNIFICATION AND PROSPECTS FOR THE 28 APRIL SUMMIT.

DETAIL

2. BRITTAN SAID HE SAW THE 28 APRIL DUBLIN MEETING AS AN OCCASION TO RATIFY PROCEDURAL DECISIONS ABOUT GERMAN UNIFICATION. DISCUSSIONS WOULD TAKE PLACE IN THE TWO PLUS FOUR ON SECURITY, BETWEEN EAST AND WEST GERMANY ON GEMU AND IN THE COMMISSION THERE WOULD BE AN INTENSIVE STUDY ON THE COMMUNITY CONSEQUENCES OF UNIFICATION. THE COMMISSION WERE WELL PLUGGED IN TO THE GEMU DISCUSSIONS AND WERE GETTING ON WITH WORKING UP THEIR THOUGHTS ON COMMUNITY ASPECTS. THE SUMMIT WOULD NEED TO WORK OUT A TIMESCALE FOR BRINGING ALL THIS TOGETHER IN THE LIGHT OF THE GERMAN ELECTIONS. ONE COULD ENVISAGE AN ORDERLY PROCESS WITH UNIFICATION AND COMMUNITY MEMBERSHIP TAKING PLACE AFTER AGREEMENT HAD BEEN REACHED ON THE COMPLEX ARRANGEMENTS REQUIRED FOR TRANSITION AND DEROGATIONS: OR A LESS ORDERLY SITUATION IN WHICH THE PROBLEMS WOULD HAVE TO BE SOLVED AFTER UNIFICATION/MEMBERSHIP. YOU SAID THAT DISCUSSION OF GERMAN UNIFICATION IN NATO WAS ALSO IMPORTANT: NATO WAS LIKELY TO HOLD A SPECIAL FOREIGN MINISTERS MEETING ON THE SUBJECT IN APRIL.

3. ON THE STATE AIDS/COMPETITION ASPECTS BRITTAN SAID HE HAD TOLD STATE SECRETARY SCHLECHT, WHEN HE VISITED THE COMMISSION TEN DAYS AGO THAT THE AIDS ALREADY BEING GIVEN TO WEST GERMAN FIRMS TO SET UP IN THE EAST SHOULD BE NOTIFIED TO THE COMMISSION, SO AS TO REDUCE ANXIETY ON THE PART OF MEMBER STATES. THE COMMISSION WOULD BE SYMPATHETIC. ON THE LONGER TERM ASPECTS, HIS OWN VIEW WAS THAT THE COMMISSION SHOULD DRAW A DISTINCTION BETWEEN GENERALISED AIDS DESIGNED TO HELP EAST GERMAN INDUSTRY ACROSS THE BOARD FROM MORE

FOCUSSED AID TO A PARTICULAR INDUSTRY WHICH MIGHT HAVE A DISRUPTIVE EFFECT ON THE COMMUNITY'S EXISTING INDUSTRY. YOU WONDERED HOW EASY IT WOULD BE TO DRAW THIS DISTINCTION. BRITTAN AGREED THAT IT WOULD NOT BE AN EASY LINE TO DRAW. BUT THE COMMISSION SHOULD BE GENEROUS WITH THE FORMER (HELP ACROSS THE BOARD) BUT NOT THE LATTER (HELP TO SPECIFIC INDUSTRIES). AS REGARDS CARTEL POLICY THIS WAS UNLIKELY TO BE A MAJOR FACTOR AT AN EARLY STAGE AND HE THOUGHT THAT THE COMMUNITY'S RULES SHOULD BE APPLIED FROM THE BEGINNING.

4. ON THE LEGAL FORM OF INTEGRATION, BRITTAN THOUGHT THE ARTICLE 23 ROUTE LOOKED THE SIMPLEST. YOU AGREED THAT NOW THAT THERE WAS A FRAMEWORK IN PLACE, THE ARTICLE 23 ROUTE LOOKED EASIER.

5. ON STRUCTURAL FUND ASSISTANCE, BRITTAN SAID THERE WOULD HAVE TO BE A HAGGLE. THE AID NOW BEING GIVEN TO BORDER REGIONS AND BERLIN WOULD HAVE TO BE PHASED OUT SINCE THE JUSTIFICATION FOR SPECIAL TREATMENT OF THESE AREAS, IN TERMS OF INTERNATIONAL TENSION, WOULD HAVE DISAPPEARED. IT WAS CLEAR HOWEVER THAT THE EAST GERMAN LANDER WOULD BE ENTITLED TO SOME REGIONAL MONEY. ON THE ENVIRONMENT, WHAT WAS NEEDED WAS TO AGREE ON REALISTIC TIMESCALES.

6. ON GEMU, BRITTAN SAID THAT IN HIS VIEW A ONE FOR ONE EXCHANGE RATE, WHICH WAS BEING TALKED ABOUT WOULD BE DISASTROUS FOR GERMAN INDUSTRY. HE THOUGHT THIS RATE MIGHT BE APPLIED ONLY TO CERTAIN SMALL TRANSACTIONS, WITH A RATE OF PERHAPS ONE TO THREE APPLIED TO OTHER TRANSACTIONS AND SAVINGS. HE EXPECTED MONETARY UNION AND CURRENCY REFORM TO TAKE PLACE SOON AFTER THE ELECTIONS, WITH AN ANNOUNCEMENT OF MAJOR CHANGES IN ECONOMIC POLICY ON THE SAME DAY.

7. TURNING TO THE IGC, YOU SAID THAT AN IGC DEVOTED TO EMU ALONE WOULD BE MUCH PREFERABLE TO A BROADER ONE. WE WOULD ALSO RESIST ITS DATE BEING BROUGHT FORWARD. BRITTAN SAID THAT HE HAD ARGUED IN THE COMMISSION AND WITH THE TAIOSEACH AGAINST BRINGING THE IGC FORWARD AND HE THOUGHT THAT THIS WAS NOW A RECEDING THREAT. HOWEVER, THERE WAS MUCH ALARM IN THE COMMISSION ABOUT THE ATTITUDE OF THE EUROPEAN PARLIAMENT AND THIS WOULD LEAD SOME TO SUPPORT THE IDEA OF A WIDER IGC. HE WOULD PREFER TO SEE TWO SEPARATE IGC'S EITHER IN PARALLEL OR BETTER STILL ONE AFTER ANOTHER. BUT HE WAS NOT CONFIDENT THAT HIS VIEW WOULD WIN THE DAY.

HANNAY

YYYY

Dear Charles,  
We'll be much obliged  
if you can provide  
us with a copy of the  
message, sent to Moscow.  
N.H.

Unofficial translation

COA 573.

"Dear Secretary of State,

Further to our agreement to create "two plus four" mechanism I would like to pose the following suggestions.

One cannot exclude that unforeseen circumstances, which will call for a reaction, might arise in connection with the forthcoming elections in the GDR.

In my view, it is extremely important that none of the participants of our "six" would act in these conditions in a unilateral manner, without notifying other members of his intentions and without consulting others.

I would suggest the following procedure: the side, which is affected by these possible unforeseen circumstances, will request an urgent meeting of the "six's" Ambassadors in its capital. Unless it receives a consent for such a meeting within maximum 12 hours after requesting it, this side gets freedom of actions in reply to that situation, while informing simultaneously about its actions other members of the "six".

Obviously, the speediest means of communications between us would be used in such circumstances.

I believe that mutual understanding on that account would introduce a certain stabilising element into our future co-operation and interaction. Otherwise we might find ourselves in a complicated situation, as undesirable misunderstandings could become possible.

I am making the same suggestion to our colleagues in Washington, Paris, Bonn and Berlin.

I count on your and their support on that matter.

Yours respectfully,

E. Shevardnadse"

SECRET AND PERSONAL

*cced*  
*summary COP*



Foreign and Commonwealth Office

London SW1A 2AH

*10 (a-d)*

5 March 1990

*Dear Charles,*

/ The Foreign Secretary thought that you should see the enclosed letter to John Weston from Andrew Wood in Washington, recording a conversation with Blackwill.

You will see from Mr Hurd's red ink that he would welcome your advice on whether he should mention the President's concerns to the Prime Minister. He is inclined to think that he should.

*Yours,*  
*Stephen Wall*

(J S Wall)  
Private Secretary

C D Powell Esq  
10 Downing Street

SECRET AND PERSONAL

6



SECRET AND PERSONAL

27/2  
PS/PUS

BRITISH EMBASSY,  
WASHINGTON, D.C.

26 February, 1990

BY FAX  
(original follows by bag)

P J Weston, Esq., CMG.,  
DUSS.,  
FCO

Dear John,

Private Secretary  
There is probably an  
element of Blackwill  
in all this. But even if  
only half-time, you may  
think the S/S should be  
aware. The case for the  
early Bush/PM meeting  
is reinforced.

THE PRIME MINISTER'S CONVERSATION WITH PRESIDENT BUSH,  
24 FEBRUARY

1. You should know that Bob Blackwill told me there were two things he wanted to say on a personal and off the record basis when I saw him on 26 February. (Washington telegram no. 461). The first related to the Prime Minister's conversation with the President on the eve of Kohl's visit.
2. Blackwill said the President had been puzzled and concerned by some of the things he understood the Prime Minister to have said on 24 February. It was the President's understanding she had at one point advocated a demilitarised GDR. This confused him, given our reactions to the Genscher/Stoltenberg affair. He had been even more struck by the Prime Minister's several references to a need so to construct a European system as to cope with German unification by containing that country through a new version of the Entente Cordiale, to include the Russians. There had been curious references to Japan. She had spoken of the Soviet Union as an essential balance to German power. The theme had come across much more strongly than before. The President had been sufficiently worried as to go for a long walk thereafter and to air his concerns to Blackwill.
3. I said I had not then had the chance for more than a quick look at the record of conversation. I thought the President was over-reacting, however. So far as I knew the Prime Minister's references to the USSR as part of a European balance of power reflected speculative assessments of what might lie at the end of a very long process. Blackwill observed that what had been said seemed to go beyond that: he was very sure of his ground. He did not know what to do about it. I suggested the Prime Minister had perhaps been thinking of an eventual CSCE arrangement. Blackwill said the President remained sceptical as to whether anything on these lines could substitute for NATO, which had to continue to

/take the main

SECRET AND PERSONAL

Blackwell doesn't  
understand how the PM  
operates: no Fernand does  
the President  
or

Secretary of State

PS

I think CDP should see  
this and be told that unless  
he strongly counsels against, I  
should mention it to the PM.  
In 4/3

SECRET AND PERSONAL



take the main load. The Russians still had hundreds of thousands of troops in Eastern Europe, to say nothing of inside the Soviet Union. It was not realistic to begin, apparently, to think of the Russians as possible allies against Germany.

4. It may be that the Prime Minister's subsequent conversation with the President of 26 February has done something to erase the impression she apparently left with the President on Saturday. There are things in Charles Powell's record of the 24 February discussion which could perhaps be open to misinterpretation though, so far as I can see, there was no explicit suggestion of a new Entente Cordiale. The proposition that we are so disturbed by the possible implications of the drive towards German unification that we may be beginning seriously to dust off memories of the war-time coalition may however have been given further credence in American eyes by the second point that Blackwill said he wanted to make during our "off the record" conversation. He said the Americans had been struck once again by how very bad the Anglo-German relationship now was. It was not just a matter of the sort of things the Prime Minister had been implying during her conversation with the President but also the German attitude towards the British.

5. Blackwill gave one example, which he said could easily be duplicated. The Germans had been delighted by a warm message from the President to Kohl shortly before the latter visited Moscow recently. The day the Chancellor got back there was a message from the Prime Minister. It was about sanctions and South Africa. It contained no hint of the fact the Chancellor had just been to Moscow for such vital and, from his point of view, successful discussions. Blackwill said he had told Teltschik the explanation was simple: the South African message had been in the works and the timing of its transmission was accidental. Teltschik had said Kohl was not prepared to believe such explanations. The comment was typical. Blackwill suggested Teltschik try to persuade Kohl to call the Prime Minister on his return from Washington. By the time you get this you will know whether or not anything was done.

6. Blackwill went on to say he found it painful to see us dealing ourselves out of the game in this sort of way. I said it was important to keep things in proportion. If you looked at what the Prime Minister actually said it would not support the charges laid to her. Indeed Mrs Thatcher's views seemed to be very much in line with those of many others in Europe. It was important not to let emotion overlay the facts. Blackwill said he agreed emotion in Bonn and London was getting in the way. The trouble was the current Washington perception of an unprecedentedly bad Anglo-German relationship would feed into US fears of how British policies towards the Soviet Union might

/develop

SECRET AND PERSONAL





develop. I repeated that nothing I had been seen in policy papers suggested we were moving in the direction he feared. He said US questions focussed on private thinking in No. 10. If there was doubt on this score the position in 4 + 2 would be greatly complicated, to put it mildly. He sometimes worried, indeed, whether the Germans would be prepared to sit down with the British in that forum. He wondered again what we were going to do about this. I said the obvious thing was to encourage the President and the Prime Minister to consult closely and openly.

Comment

7. I have reported the above depressing conversation as straight as may be. There is obviously a great deal that we here have not seen, very much including some of the more speculative reporting from Bonn about the possible future of Germany following the elections. I know Blackwill has the reputation of being something of a conspirator. Some of his themes on 26 February are familiar. He certainly believes in the value of working behind the scenes and secret diplomacy. On the other hand, he also gives every appearance of sincerity when he talks of the need to ensure that we continue to operate as key players on the European scene. He has been an accurate guide to this sort of maze before. Blackwill stressed several times that one reason for the President's dismay is the very high regard he has for the Prime Minister. He, Blackwill, had never heard him say a disobliging word about her.

8. Blackwill may well be alone in his fears. But if the President is indeed beginning to speculate about our policies towards the USSR in the way Blackwill has reported (and we have no other evidence to support it) the implications for the Anglo-US relationship across the board would be troubling indeed. The Americans are still a long way off regarding the USSR as developing into a "normal" European power, and the current closeness of our relationship with Moscow could accordingly begin to arouse concern here. I am all the more glad to think we now have a further meeting between the President and the Prime Minister firmly in prospect.

*Yours ever*

A M WOOD

*FILE*  
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10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

5 March 1990

*See steps.*

GERMAN UNIFICATION: NATO AND SECURITY ASPECTS

Thank you for your letter of 2 March, enclosing two papers:

- German Unification: Security Implications; and
- The Defence of a Unified Germany.

The Prime Minister has read both and made a number of comments.

German Unification: Security Implications

The Prime Minister has commented on paragraph 5 that the Two plus Four negotiations should negotiate on wider issues, at least to reach an agreed position for subsequent wider talks. On paragraph 10 she has queried whether the legal framework for the continued presence of Soviet troops should really be a bilateral one. She has made a similar point in relation to paragraphs 32(iii) expressing doubt whether the Soviet Union would really want a bilateral Treaty. On paragraph 13, the Prime Minister has commented that it is hard to see how the relinquishment of quadripartite rights can be achieved without a Peace Treaty. On paragraph 36, she has said that we should be very careful about suggesting that we would entertain the possibility of withdrawal of all nuclear weapons from Germany. More generally, the Prime Minister remains very sceptical about the concept of multinational units.

The Defence of a United Germany

Against (i) of the issues for agreement within NATO, the Prime Minister has suggested that Articles V and VI of the North Atlantic Treaty might not apply to the former GDR during the transitional period during which Soviet troops remain in the GDR. The Prime Minister has also indicated strong support for the concept that German aircraft should police the airspace of the former GDR, with Allied aircraft able to deploy there in Transition-to-War.

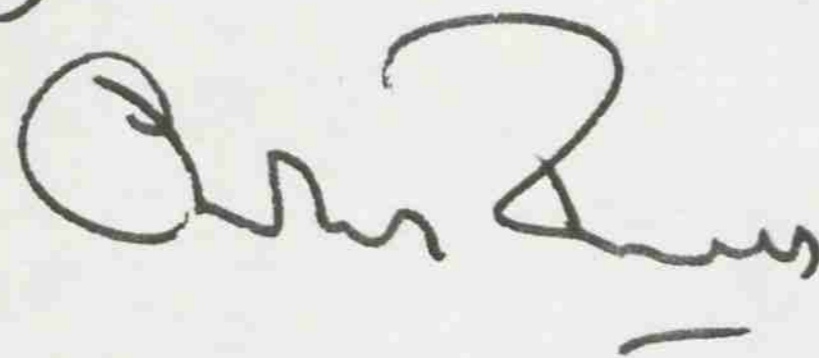
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- 2 -

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

*Yours sincerely,*  


C. D. POWELL

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

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

3 March 1990

file SAM  
C:/Foreign/  
morgan

Thank you for your letter of 1 March. I shall be at the Königswinter dinner and hope very much to see you. But I do not share your interpretation of our policy on Germany. We all support German unification, and have done for more than 40 years. But our aim has been to ensure that the consequences - and these are major - for NATO, for the European Community, for the CSCE and for Germany's neighbours, are fully and properly considered, and so far as possible settled at the same time as unification itself. That required us to speak out quite firmly, and I do not deny that it has irritated some in Germany. But we have now moved from a situation where there was a rush to unification without a thought for the consequences, to one in which we have established the Four plus Two forum to examine the implications for the Four Powers: agreed an EC Summit to look at the consequences for the Community: arranged consultations in NATO: aired the problem of Poland's border. Even with some irritation in Germany, it seems to me cheap at the price: and many others have now followed our lead - as increasingly has the Western press. People sometimes complain of short-termism in financial markets: it is even more of a vice in diplomacy. We have to take the long view and safeguard our interests well into the future.

I see no problem with your form of words, which the Prime Minister has already used many times - qualifying it with the need to straighten out the consequences and avoid the errors of the past.

I look forward to seeing you.

CHARLES POWELL

Professor Roger Morgan

Sent via

Rome Embassy,

PRIVATE AND CONFIDENTIAL

LJ

CONFIDENTIAL  
FM FCO  
TO DESKBY 030700Z MOSCOW  
TELNO 328  
OF 021940Z MARCH 90  
AND TO DESKBY 030900Z BONN  
AND TO DESKBY 030900Z BMG BERLIN  
AND TO DESKBY 030900Z EAST BERLIN  
AND TO DESKBY 030900Z PARIS  
AND TO DESKBY 022100Z WASHINGTON

*not* A rather curious message. It seems to indicate concern on the part of the Russians that West troops in East Germany may be involved in incidents immediately after

GERMANY: MESSAGE FROM SHEVARDNADZE TO SECRETARY OF STATE.

1. THE SOVIET AMBASSADOR CALLED ON WESTON LATE ON 2 MARCH TO DELIVER THE FOLLOWING MESSAGE (UNOFFICIAL SOVIET EMBASSY TRANSLATION)

QUOTE

DEAR SECRETARY OF STATE,  
FURTHER TO OUR AGREEMENT TO CREATE QUOTE TWO PLUS FOUR UNQUOTE MECHANIZM I WOULD LIKE TO POSE THE FOLLOWING SUGGESTIONS. ONE CANNOT EXCLUDE THAT UNFORESEEN CIRCUMSTANCES, WHICH WILL CALL FOR A REACTION, MIGHT ARISE IN CONNECTION WITH THE FORTHCOMING ELECTIONS IN THE GDR.

*the elections. He (Ambassador) is coming to see me later this week. Cdr.*

IN MY VIEW, IT IS EXTREMELY IMPORTANT THAT NONE OF THE PARTICIPANTS OF OUR QUOTE SIX UNQUOTE WOULD ACT IN THESE CONDITIONS IN A UNILATERAL MANNER, WITHOUT NOTIFYING OTHER MEMBERS OF HIS INTENTIONS AND WITHOUT CONSULTING OTHERS.

I WOULD SUGGEST THE FOLLOWING PROCEDURE: THE SIDE, WHICH IS AFFECTED BY THESE POSSIBLE UNFORESEEN CIRCUMSTANCES, WILL REQUEST AN URGENT MEETING OF THE QUOTE SIX'S UNQUOTE AMBASSADORS IN ITS CAPITAL. UNLESS IT RECEIVES A CONSENT FOR SUCH A MEETING WITHIN MAXIMUM 12 HOURS AFTER REQUESTING IT, THIS SIDE GETS FREEDOM OF ACTIONS IN REPLY TO THAT SITUATION, WHILE INFORMING SIMULTANEOUSLY ABOUT ITS ACTIONS OTHER MEMBERS OF THE QUOTE SIX UNQUOTE.

OBVIOUSLY, THE SPEEDIEST MEANS OF COMMUNICATIONS BETWEEN US WOULD BE USED IN SUCH CIRCUMSTANCES.

I BELIEVE THAT MUTUAL UNDERSTANDING ON THAT ACCOUNT WOULD INTRODUCE A CERTAIN STABILISING ELEMENT INTO OUR FUTURE CO-OPERATION AND INTERACTION. OTHERWISE WE MIGHT FIND OURSELVES IN A COMPLICATED SITUATION, AS UNDESIRABLE MISUNDERSTANDINGS COULD BECOME POSSIBLE.

I AM MAKING THE SAME SUGGESTION TO OUR COLLEAGUES IN WASHINGTON,

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012  
MDHOAN 4288

PARIS, BONN AND BERLIN.  
I COUNT ON YOUR AND THEIR SUPPORT ON THAT METTER.  
YOURS RESPECTFULLY,  
E. SHEVARDNADZE  
UNQUOTE

2. WESTON MADE NO SUBSTANTIVE COMMENT ON THE MESSAGE BUT ASKED  
WHAT LAY BEHIND IT. ZAMYATIN, STRESSING THAT HE WAS SPEAKING  
PERSONALLY, HINTED THAT THE MESSAGE REFLECTED CONCERN ABOUT  
SOVIET TROOPS IN THE GDR BUT HE REFUSED TO BE DRAWN FURTHER

HURD

YYYY

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MR BAYNE  
MR BROOMFIELD  
MR GREENSTOCK  
MR GOULDEN  
MISS SPENCER  
MR LING  
MR GORE-BOOTH  
MR BEAMISH  
MR KERR  
MR TAIT

ADDITIONAL

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PS/NO 10.

NNNN

PRIME MINISTER

GERMAN UNIFICATION: NATO AND SECURITY ASPECTS

The Foreign Secretary yesterday promised to let you have two FCO papers on aspects of German unification. The first looks at the issues likely to come up early on in the Four Plus Two Group, particularly on defence: the second deals with the defence of a unified Germany. Both have been written at departmental level, and have been sent to you more to show that detailed work is in hand, than because policy decisions are required. I have underlined the points which seem to me important.

Generally I think they are on the right lines, recognising the importance of keeping Germany in NATO, of keeping US forces in Germany, and of taking adequate account of Soviet security interests. One point which puzzles me is the reluctance to see these wider defence issues settled in the Four Plus Two Group. The FCO think they should be negotiated in a new framework, involving the main NATO and Warsaw Pact countries present on the Central Front. I see risks in the proliferation of negotiating frameworks.

I think the papers are right in suggesting that we should support likely Soviet insistence that the size of Germany's armed forces should be limited, and acquisition of nuclear or chemical weapons renounced. Three points of potential difficulty are rightly identified:

- the Russians will probably try to secure withdrawal of all stationed forces in West Germany in return for their own eventual total withdrawal from East Germany. We should not accept such a parallelism. But it is notable that German public statements tend to refer only to retaining American forces in the FRG, not British and French. This may foreshadow a wish to see our forces withdrawn. We shall need to think very carefully about that: it would reduce our influence and our ability to play a part in keeping a unified Germany in check. While we should certainly aim to reduce our forces in Germany, it seems to me that it would

be right to keep a certain number there.

- partly in response to this problem, the FCO papers revert to the idea of multinational units in Germany, as a means of sweetening the pill for the Germans. I continue to believe that this means putting politics ahead of defence - a very dubious route to go.
  
- we are likely to face difficulties if the Russians try to insist - as they will - on de-nuclearisation of Germany. So far, President Bush has been very robust on this, but German opinion will be much less so. The suggestion in the paper is in effect that we should concede to the Germans that there will be no LANCE modernisation, in return for which they would agree to retain dual-capable aircraft in Germany.

The second paper correctly suggests that we must pin down the Germans on exactly what defence arrangements they envisage for the former GDR within a united Germany. We cannot tolerate a situation in which NATO accepts responsibility for its defence but is deprived of the means of defending it (which is the practical consequence of the position taken by Genscher). The defence arrangements for East Germany will have a direct effect on the security of our own forces in West Germany, and we need to be involved in settling them. NATO must be able to develop operational plans for the defence of former East German territory, which would be implemented in time of crisis.

Further work is being done on all these issues. I think the main purpose of sending these papers is simply to reassure you that it is in hand. There is no need to read them in full.

CDP  
CDP

2 March 1990

jd c:german



CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

2 March 1990

Dear Charles,

German Unification: NATO and Security Aspects

The Foreign Secretary undertook to send the Prime Minister papers which have been written here as part of the follow-up to the Chequers seminar in January on the security implications of German unification.

// I enclose two papers. The first, on "German unification: Security Implications", anticipates questions which the Russians may raise in the Two plus Four talks and suggests what line the Western representatives in the talks should take in response. The second, "The Defence of a Unified Germany", sets out the issues that arise if NATO is to take on the obligation to defend the former GDR as part of a united Germany, and suggests what our objectives should be in discussions with the Germans and other Allies.

The papers will need further work. The MOD are working on their own papers on the military aspects.

I am copying this letter to Simon Webb (MOD) and Sonia Phippard (Cabinet Office).

JWS,  
Stephen Wall

(J S Wall)  
Private Secretary

C D Powell Esq  
10 Downing Street

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**GERMAN UNIFICATION: SECURITY IMPLICATIONS**

1. Soon after the GDR elections on 18 March discussions will begin among representatives of the two German states and the four powers with special responsibility for Germany on the security and external aspects of German unification.
2. There is as yet no specific agenda for the talks; nor any indication of what particular topics the Russian and/or the GDR representatives may wish to raise. The two key issues for the West are likely to be that a unified Germany must remain in NATO, albeit subject to some special status in relation to part of its territory, and that Soviet forces should leave the GDR after a [finite] or undefined transitional period. Some of the problems, both internal and external, which might arise in relation to membership of a unified Germany in NATO are addressed in a separate paper.
3. But in addition to querying the desirability/acceptability of NATO membership as such the Soviet Union may raise a number of other security-related issues. Among them are:-
  - (i) The position of Soviet forces in the GDR: would they remain there, if so, for how long, in what numbers and under what conditions?
  - (ii) Would the Soviet Union retain any residual military rights in Germany?
  - (iii) What would be the future level and composition of the armed forces of the new, unified German state?
  - (iv) What non-German forces would be stationed on the territory of a new, unified German state? Where, in what numbers and with what equipment?
  - (v) Would a new, unified German state be entitled to possess nuclear (or biological or chemical) weapons?

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(vi) Would non-German nuclear weapons be present on the territory of the new, unified German state?

(vii) In what framework and/or through what legal instrument would all these issues be addressed or regulated?

4. The purpose of this paper is to suggest a line which representatives of the three Western powers and of the FRG might take in response to these questions. The aim is to offer a means of providing the Soviet Union with adequate re-assurances in respect of its legitimate security concerns (concerns which may in some measure be shared by some of Germany's other Eastern neighbours); while at the same time not prejudicing essential Western security requirements. In most cases the response proposed can only be provisional. Some of the questions likely to be raised by the Soviet Union go to the heart of the Alliance's current strategy; and there is as yet no clear view within the Alliance - nor even do we have one nationally - on how that strategy should evolve in the light of changed circumstances; and what the consequences of such evolution might be for force structure and deployments, forward defence, flexible response and arms control.

5. It will be important to establish at the outset an agreed line among the four, so that all including the Germans take a robust position during the initial phase of the 2 + 4 negotiations - which will be tactical and interrogative rather than substantive. The US envisage playing things the same way. Our aim should be to concentrate in the 2 + 4 on the issues of four power rights, the status of the GDR and Berlin, and ~~not~~ to negotiate on the wider security issues covered in this paper (although it may be necessary to agree with the Russians in the 2 + 4 guidelines for future negotiations).

*But we must take an agreed position on this*

*Delete not.*

FUTURE OF SOVIET FORCES IN THE FORMER GDR

6. In 1988 the Soviet Union had some 380,000 forces stationed in the GDR, along with 80,000 in Czechoslovakia, 65,000 in Hungary and 40,000 in Poland. These figures are already in decline as a result of unilateral reductions undertaken by the Soviet Union and pressure

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from Czechoslovakia and Hungary. Under the terms of the prospective CFE Treaty the Soviet Union will be limited to 195,000 stationed forces in Central Europe (and that all other Soviet forces withdrawn from Eastern Europe will have to be demobilised). It seems almost certain that within the next couple of years Soviet forces will withdraw completely from Czechoslovakia and Hungary. As regards Poland the situation is less clear. Some Poles still see a Soviet military presence on their territory as a desirable insurance against possible political and military developments in Germany - or as a lever to secure a treaty on the Polish/German border.

7. It is fundamental to the Western approach to security that foreign forces should only be present on the territory of another state on the basis of an agreement freely entered into by a democratically elected government of the state concerned. It is most improbable that any German government would voluntarily want a Soviet military presence on its territory other than for a transitional period. And indeed it is hard to see how in the long run such a presence could be justified or organised. There are precedents for a Soviet military presence in Europe on the territory of countries not belonging to the Warsaw Pact, namely the base which the Russians maintained at Porkkala in Finland until 1956 and their maintenance of military forces in Austria until 1955. But in each case the circumstances of the Soviet military presence related to the terms of the settlement of the Second World War and the Russians voluntarily relinquished their rights in due course. In regard to a united Germany, which would not have any Treaty of Alliance with the Soviet Union and whose armed forces would be integrated within an alliance of which the Soviet Union itself was not a member, no viable argument for a permanent Soviet military presence (except perhaps as a liaison mission: see paras 13/14 below) could be adduced.

8. The retention of such a presence for a limited, transitional period is however another matter. There is a strong case, on three main grounds, for accepting such an arrangement. Firstly, for practical reasons: it would not be physically possible for the Soviet Union instantly to absorb such a large number of troops back on its own territory, over and above the massive reductions in its

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armed forces which will anyway accrue from a CFE Treaty. Secondly in order not to humiliate the Soviet Union: it will be important, in negotiating the security aspects of German unification, not to repeat in relation to the Soviet Union the mistakes made in relation to Germany under the Treaty of Versailles: namely to exploit political weakness in order to impose terms which give rise subsequently to resentment and grievance. It would not be in our interest for the Soviet Union's leadership, and in particular its military leadership, to regard the outcome of the 2 + 4 negotiations as a political defeat at the hands of the West.

9. The length of such a transition period will be a function of what the Soviet Union may demand and what the unified German domestic market will bear. Anything under 3 years would probably be impossible on practical grounds; anything over 10 unacceptable politically. 5 years might be a median period (possibly with a further change of status after the bulk of Soviet forces had been withdrawn in the first 2-3 years). But if the East German population started to make life difficult for Soviet forces, they might well decide to go more quickly.

10. It would also be necessary to establish a legal framework for the continued presence of Soviet forces after the relinquishment of quadripartite rights; and agreement on what sort of activities they would be allowed to undertake. This legal framework will probably have to be a bilateral one with the new German government. As regards the activities of Soviet forces, they would have to remain under Soviet national command. Most of the ground forces involved are stationed in discrete and self-contained barracks and training areas whose temporary retention exclusively for Soviet use might be feasible. For aircraft the position, as regards air traffic control, might be more complex.

11. Other issues which would arise in relation to such a transitional period could include:-

- would it be phased, ie with agreed and verified interim ceilings for Soviet force levels?

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- what constraints would apply to Soviet activities out of barracks and to Soviet military aircraft?
- 

who would be responsible for the protection of Soviet forces in the event of violent incidents as the result of hostility from the local population?

*The police aided by whom?  
Will Germany have armed police  
when possible*

- Would the armed forces of the new German state be present (and if so in what numbers) on former GDR territory, along with Soviet forces, during the transitional period? (This issue is addressed in the separate paper on Germany and NATO).

- Would Soviet forces be permitted to retain nuclear weapons?
- The implications for the CFE Treaty.

12. Suggested response:-

- Permanent Soviet military presence not compatible with political reality or with German membership of NATO. Legitimate Soviet security concerns can be satisfied by other means.
- But willing to contemplate transitional period (up to 5 years) during which an agreed level of Soviet forces will remain.
- Details and conditions to be negotiated.
- No nuclear weapons with Soviet forces in the GDR during the transitional period.

SOVIET RESIDUAL MILITARY RIGHTS

*This would really mean a Peace Treaty*

13. It is axiomatic that the unification of Germany must involve the relinquishment by the 4 former occupying powers of those quadripartite rights, in respect both of Berlin and of Germany as a whole, which derive from the Second World war. It is possible however that the Soviet Union may ask for some continuing form of

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special liaison mission in Germany, either in relation to Germany as a whole or in relation to the former territory of the GDR. It is hard to see what practical value there would be to the Russians in such a mission, given that the CFE Treaty, and the Open Skies and CSBM agreements, will provide ample opportunities for the inspection of force levels and the observation of military activities. But the Russians may see it as having some symbolic value as an indication that they will have some vestigial special interest in German affairs.

14. The Germans are unlikely to be enamoured of anything that smacks of Soviet occupation rights. But if the function of such a mission was related to the implementation of a CFE treaty (which will involve a high level of inspection activity on German territory), and provided that the granting of the right to operate the mission was the responsibility solely of the German Government, they might not in the end object. Among the issues which would arise in relation to it would be:-

- What exactly would it do?
- How would it relate to the CFE treaty inspection regime (and to the CSBM observation and evaluation provisions)?
- Would it operate throughout Germany or only in the former GDR? Would there be an equivalent organisation in Poland?
- What liaison rights, if any, would it have vis à vis non-German forces on German territory?

15. Suggested response:-

- Is this of real political importance for the Soviet Union?
- Why privilege the Soviet Union and singularise Germany in this way? *for obvious reasons*
- 
- What exactly do you have in mind?
- Willing to contemplate the idea of a military liaison mission

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accredited to the new German government, at least while Soviet forces are in the GDR. Modalities to be negotiated bilaterally.

SIZE OF GERMANY'S ARMED FORCES

16. The Soviet Union will be likely to insist that if it is to withdraw completely from the GDR it must receive assurances about the future size of the armed forces of a new unified German state. Others of Germany's neighbours are likely to have similar concerns. Even within NATO there will be misgivings about the creation of a political imbalance if the new Bundeswehr occupies too prominent a role in the integrated military organisation. Limits on German armament (freely entered into by the then government of the FRG) were a feature of the legal instrument (the Modified Brussels Treaty of 1954) through which Germany entered as a full member into Western defence arrangements. It would not be unreasonable for limits (albeit of a different kind) to be part of the deal whereby German unification is finally achieved.

17. There are both military and political aspects to the issue. In military terms it will be necessary to set the limits at levels which:-

- on the one hand correspond to NATO's collective requirement to have forces available to meet our objective assessment of the threat posed by the Soviet Union's residual, reduced but still potent military capability;
- on the other hand do not constitute a national capability which could be perceived as threatening by any of Germany's Eastern neighbours or politically de-stabilising within NATO itself.

18. At the political level there is unlikely to be any fundamental German unwillingness to accept some form of limitation on the new Bundeswehr. The German perception of the threat to their national security is unlikely to be such as to make them reluctant to



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contemplate further cuts on the size of their armed forces beyond those which will come from the prospective CFE Treaty. On the contrary: the Germans are the most enthusiastic proponents of the need for further arms control, and further reductions of conventional forces in Europe; and there is a public expectation in Germany that unification will necessarily be accompanied by further such reductions.

19. The Germans will however be sensitive to anything which smacks of singularisation, ie measures which appear to impose upon Germany alone, or upon the Central Region alone, an arms control regime which would not apply elsewhere. This was a major source of German discontent during the years of the MBFR talks and has been a feature of their approach to CFE. They are therefore likely to argue that any limitations on the size of the new Bundeswehr should be part of a package which would include national limitations on the forces of other European countries as well.

20. It may well be that we would be prepared to accept, in parallel with limits on the Bundeswehr, specific limitations on Western forces stationed on German territory. But what we should avoid is the acceptance, as a price for German unification, of limitations on British forces on British territory. If we are ever to accept limitations of this kind we should do so for wider security reasons, not simply for German-related ones. The French are likely to have a similar concern.

21. The United States have already accepted, within the context of the CFE, a <sup>floor</sup> limit of 195,000 on their manpower in the Central Region. A lowering of this level as part of an agreement whereby Soviet forces withdraw eventually back to the territory of the Soviet Union itself would almost certainly be acceptable, indeed even welcome, to the United States. As regards the Russians, they would no doubt argue that their forces in Europe are subject to the application of the 30% sufficiency rule in CFE. Whether in the context of German unification they would be prepared to accept a further, lower, figure for their armed forces it is difficult to predict. They might argue that their complete withdrawal back to their national territory is by itself a sufficient gesture. We

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should not accept this.

22. As regards the level at which the limitation on German armed forces might be set, the armed forces of the FRG currently total 450,000 men, 5,200 tanks, 2,500 artillery pieces, 3,000 armoured combat vehicles and 775 combat aircraft. As a result of the re-structuring of the Bundeswehr, and of the impact on Germany of the prospective CFE Treaty, these figures are anyway likely over the next two to three years to go down to 400,000 men, 4,200 tanks, 2,200 artillery pieces, 2,500 armoured combat vehicles and 650 combat aircraft. The Russians however will be likely to demand a figure lower still than this in return for their assent to unification. From a Soviet perspective, a Germany armed with, say, 200,000 men, 2,000 tanks, 1,000 artillery pieces, 1,500 armoured combat vehicles and 350 aircraft (ie reduced by about half from its present size) might be an attractive security goal. Whether levels of around this order of magnitude would be compatible with NATO's own collective security requirements in the new situation would require further study.

23. Suggested response:-

- willing to contemplate specific limitations on the armed forces of a united Germany as part of overall agreement on future levels of all forces in the central zone including the Western military districts.

STATIONED FORCES IN A UNITED GERMANY

24. The Soviet Union will almost certainly demand that the complete withdrawal of Soviet forces from the former territory of the GDR should be accompanied by the complete withdrawal of all Western stationed forces from the territory of the former FRG. A number of Soviet representatives have already spoken in this sense. Even if they eventually soften this position, they are likely to argue for the withdrawal of all non-US stationed forces (on the grounds that the distance from which such forces might hypothetically have to come in order to re-inforce Germany is no greater than the distance which Soviet forces would have been

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withdrawn).

25. The West German reaction to such demands is difficult to predict. Hitherto some German government spokesmen have argued in favour of the need for a continued presence of US forces on German territory. They have conspicuously failed however to argue in public the case for the retention of British and French forces; and there will be many Germans who will view the presence of non-US forces on their territory as, at most, a desirable adjunct, rather than a security prerequisite. The perception of the United Kingdom as the ally least in sympathy with German unification and may mean that the Germans will be less inclined, if push came to shove, to argue the case for the retention of BAOR. The creation of a more multinational NATO force in Europe might however make stationed forces more attractive to German opinion.

26. The retention of US stationed forces on German territory at levels which are more than just cosmetic is a vital security requirement for the United Kingdom. As regards other stationed forces, it would be politically useful, as a demonstration of the common interest and cohesion of NATO, for the Dutch, Belgians and Canadians to remain. This will also be useful if we are to pursue multinational NATO forces. But in military terms the Canadian presence is tiny; the Dutch deploy few of their forces forward in peacetime (they rely on rapid re-inforcement in crisis or war); and if the Belgians decided to move most or all of their 26,000 forces back across the Belgian frontier, the impact in military terms would not be catastrophic.

27. The question of British and French forces in Germany raises a variety of political, economic and military issues, a full discussion of which would go beyond the scope of this paper. Among them are:-

- Would it be, in the long run, politically sustainable in the United States for the US alone to station forces on German territory?
- What would be the practical consequences and penalties (in

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terms eg of accommodation and training) of removing significant numbers of British forces from the FRG. What would this mean for the overall structure of our army?

- What would be the consequence for British political influence in Europe of the complete withdrawal, or reduction beyond a certain level, of BAOR and RAF Germany? Should the continued presence of British forces in Germany be linked to that of France?

28. The Soviet Union will be likely to press, at a minimum, for significant reductions in British and French (as well as American) forces on German territory as a price for the eventual complete withdrawal of Soviet forces in the GDR; and German public opinion would consider such reductions both justifiable and desirable. It is difficult to speculate on what levels of forces the Soviet Union might be prepared to accept. A figure of 100,000 for US forces seems to be gaining some currency in Washington. A proportionate level for British and French forces might in that case be 25 - 30,000. The establishment of genuinely multinational NATO forces would make these levels more acceptable to German opinion.

29. Suggested response:-

- Willing to accept limits on Western stationed forces in Germany in context of complete Soviet withdrawal from GDR.
- But such levels must reflect a continued requirement on political and military grounds for a significant American and European presence.

GERMAN POSSESSION OF NUCLEAR WEAPONS

30. For the Soviet Union the permanent German renunciation of nuclear weapons, as well as biological and chemical weapons, is an over-riding security interest. Soviet spokesmen in the past have implied that German acquisition of such weapons would be a casus belli in Europe. Both the FRG and the GDR have forsworn the possession of these weapons in a number of international instruments

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of which the most significant are the Modified Brussels Treaty of 1954 in the case of the FRG; and the Non-Proliferation Treaty in the case of both the FRG and the GDR.

31. It is envisaged that a unified Germany would remain a party to both these Treaties. Nonetheless, the Modified Brussels Treaty, to which the Soviet Union is in any case not a party, has a specific expiry date; and the Non-Proliferation Treaty has a withdrawal clause. The Soviet Union will be likely to argue that in the context of re-unification a new legal framework, with no provision for withdrawal or termination, is required and that the Soviet Union must be a party to it.

32. This would be a reasonable demand, comprehensible to German public opinion, which any German government would be likely to be disposed to accept. The issue would essentially be a choice of legal framework. If the Soviet Union could not be persuaded to accept that the affirmation by the unified Germany of its WEU and NPT obligations was sufficient, other options would be:-

- (i) the new constitution of a unified Germany;
- (ii) the legal treaty (assuming that one is required) through which the four occupying powers gave up their quadripartite rights;
- (iii) a Soviet/German treaty under which the Soviet Union would undertake to withdraw its forces from the GDR according to an agreed timescale (and, perhaps, acquire the right to a Military Liaison Mission);
- (iv) a multilateral arms control treaty (see paragraphs 37-40 below) imposing a range of military obligations in respect of force levels in and around Central Europe;
- (v) a multilateral treaty among the 35 within the CSCE framework.

33. Suggested response

- It is for a united German government to decide how the commitment of the FRG and the GDR not to acquire nuclear weapons

*I doubt whether the USSR would take kindly to such a treaty in view of past experience*

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should be reaffirmed.

NUCLEAR WEAPONS ON GERMAN TERRITORY

34. The Russians are also likely to demand that no nuclear weapons be present on German soil. Such a commitment could be part of a general call for the de-nuclearisation of Europe; or - more likely on the basis of current Soviet attitudes - the contention that, though some continuing framework of nuclear deterrence in Europe is acceptable, the presence of nuclear weapons on German territory in circumstances where there are no Soviet forces on any of the countries immediately adjacent to Germany is anomalous and unjustifiable.

35. If the Russians made clear that the de-nuclearisation of Germany is really the bottom line of their demands in respect of German unification, then the bulk of German public opinion is likely to be sympathetic. Although it is difficult to predict what will be the composition of a democratically elected leadership in the GDR, rejection of nuclear weapons is likely to feature prominently among its policies. The churches in the GDR, influential in the process of reform, have taken a strong public stand on this issue. Even those Germans who have hitherto supported the doctrine of, and accepted the practical consequences of, nuclear deterrence, will find it hard to resist the pressure of public opinion: not least since objectively there will have been such a dramatic change in the East-West conventional force balance and in the capabilities of the Soviet Union for surprise attack or offensive action. In any analysis of the Alliance's deterrence requirements in the new situation, the need for nuclear systems of shorter range geared to battlefield targetting will be much reduced.

36. Separate consideration is in hand within the FCO and MOD of how NATO might sustain deterrence in Europe even without the presence of nuclear weapons on German territory. Judgements however will inevitably reflect in the end what is politically attainable rather than what can be shown to be objectively necessary. It would clearly be desirable, if only on grounds of risk- and burden-sharing, for there to be some nuclear weapons on the

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territory of a united Germany. On the other hand, it cannot be proved that the credibility of extended deterrence would be fatally eroded without this, provided that nuclear weapons were present elsewhere in Europe, and that US forces stayed in Europe on that basis. In circumstances where German territory was no longer the front line, the problem posed by its de-nuclearisation would be not so much the loss of targetting coverage and/or survivability, but rather the example of burden-shedding by the Germans and the risk of contamination elsewhere within the Alliance. It seems unlikely that the Dutch or the Italians would be prepared to retain nuclear weapons on their territory even after they had disappeared from Germany.

37. On the assumption that the Russians press their demand for the removal of all nuclear weapons from a unified Germany, we shall need to decide whether to try to persuade our Western Allies to insist that this is an issue to be dealt with in the SNF negotiations (and run the risk of not being able in the long run to carry the Germans with us); or whether to offer some concession in the hope of establishing early on in the negotiation a position around which a consensus might emerge. In the latter case, the only realistic option would be to offer, at the time of the completion of Soviet withdrawal from the GDR, to remove LANCE missiles and nuclear artillery. This would leave air delivered systems in place; but we would no doubt face in due course difficulties, both internally and vis à vis the Soviet Union, if we try to upgrade these air delivered capabilities by introducing a tactical air-to-surface missile. Since such a missile will be all the more important for NATO in the absence of land-based systems, the option of trying to cut a deal with the Russians on nuclear matters in the Four Plus Two context seems dangerous and inadvisable.

*We need minimum deterrence.*

38. Suggested response:-

- Willing to discuss limits on types of land-based nuclear systems which would be deployed in Germany as part of SNF negotiations after a CFE treaty has begun to be implemented.

## FRAMEWORK FOR FUTURE NEGOTIATIONS

39. It is unlikely that all of the issues in (i) - (vii) of paragraph 3 above could be resolved in the course of the 2 + 4 negotiations themselves. Indeed, in some instances it will be an objective of Western policy to ensure that resolution of them is postponed until a subsequent stage. The Russians, by contrast, will no doubt press for as specific commitments as they can extract. In some areas, eg in relation to the future size of the Bundeswehr and/or the future levels of stationed forces in Germany, they are likely at a minimum to insist on a clear understanding and timetable for a negotiation at which such general undertakings as the Allies might be prepared to offer in the 2 + 4 talks would be translated into specific treaty commitments. They might decline to agree to any specific limit to the transitional period for the retention of Soviet forces in the former GDR other than in the context of this negotiation.

40. There are a number of options for participation in such a negotiation. They will need to be analysed separately. But, as seen from today's perspective, the following considerations should affect the choice:-

- A framework of 23, based on parity between the two alliances is inappropriate. Bloc to bloc equality is no longer a desirable or viable arms control instrument.
- In any case experience in the CFE talks has shown that it is difficult to encompass within a East-West security negotiation states such as Greece or Turkey whose security concerns are different from those of allies in the Central region.
- A forum of 35 (or 34), though it might have a role to play as an overall framework/umbrella, would be too large and unwieldy for the purpose of negotiating limits on force levels geared specifically to the security aspects of German unification.
- Successful arms control, post-CFE, is likely to be based on negotiating structures limited to those countries who have



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direct interest in the subject matter. In the case of the security aspects of German unification those countries are; on the Western side Germany, the United States, the United Kingdom, France, Belgium, Netherlands, Luxembourg and perhaps, Denmark and Canada; and on the Eastern side the Soviet Union, Poland, Czechoslovakia and perhaps Hungary. It is the forces of these countries in Central Europe which might potentially be subject to further limitation.

41. This suggests that a desirable outcome of the 2 + 4 talks would be agreement to establish a new negotiating forum, limited to the countries of Central Europe, and geared to the negotiation of limitations upon the forces in that area and in that area alone (the precise delineation of Soviet territory for this purpose would be for consideration: at a minimum, the three Western Military Districts would need to be included). Any negotiation on nuclear weapons in Germany would need to be conducted in a separate forum.

42. Of course, other countries, notably within the Alliance, could justifiably claim a security interest in force levels in Central Europe. It would be particularly necessary to take account of the views and susceptibilities of Allies not directly involved in the central area. It may well also be desirable to relate such a negotiation to a wider arms control context, in practise the CSCE/35 framework.

43. Suggested response:-

- Prepared to address some of the issues involved in 2 + 4 talks themselves. But not realistic to hope to resolve all of them in detail.
- One possibility for dealing with issues not settled in the 2 + 4 would be to establish a new negotiating forum limited to countries with forces in and around Germany to address question of future force levels. But we would wish to consult our allies about the acceptability of this.
- Such a forum would need to be related to wider CSCE framework:

perhaps as a sub-group (on analogy of current 23:35  
relationship) to Vienna II negotiation on CSBMs.

SECURITY POLICY DEPARTMENT  
FOREIGN AND COMMONWEALTH OFFICE

1 MARCH 1990

## THE DEFENCE OF A UNIFIED GERMANY

1. There is general agreement in NATO that a unified Germany should remain a member of NATO, and that some special security arrangements will apply in the territory of the former GDR, to reassure the Soviet Union.
2. Our preferred model has been that NATO (or Germany) would voluntarily forswear the deployment of non-German forces in peacetime on the territory of the former GDR, but that some units of the German armed forces not assigned to NATO would be based there, to provide a measure of deterrence/defence, and a framework which could be filled out by NATO forces deploying forward in time of tension or Transition-to-War. Other Allies, including the US, France and at least some members of the Federal Government, shared this approach. But the Genscher/ Stoltenberg statement of 19 February that no Bundeswehr units, whether assigned to NATO or not, would be based in the former GDR, appears to foreclose that option (although it may leave open the option of basing German forces not part of the Bundeswehr).
3. As a result, there is considerable uncertainty about how in practice the former GDR would be defended. This paper considers the questions that arise in two stages. First, there are a number of crucial issues of NATO planning that need to be resolved between the Allies (the Russians will need subsequently to be informed, but not consulted, about them). Secondly, there are issues that will need to be negotiated with the Soviet Union in the Two Plus Four Structure.
4. We have not yet reached firm judgements on the military aspects - the MOD are working urgently on a paper on the military implications of a number of models for defending the GDR. But given the pace of events we need to use the next round of Allied contacts to probe German thinking and to bring home to them (if possible with US and French support) that the choices made about security arrangements in the former GDR carry implications for the defence NATO can provide, and therefore need to be made in conjunction with Allies. The following paragraphs provide material for this.

ISSUES FOR AGREEMENT WITHIN NATO

(i) Will Articles V and VI of the North Atlantic Treaty apply to the former GDR, including Berlin?

These articles define the territorial scope of the mutual defence commitment.

- If they will apply to the former GDR, then NATO collectively has responsibility for defending this territory from aggression. In that case the constraints on military activities in the territory in peacetime should not be so severe as to rule out implementing an effective defence in war.

- If they will not apply, what does membership of NATO by a unified Germany mean in practice? The most vulnerable part of its territory, including quite possibly its capital, would be excluded from the NATO Treaty area. But in reality NATO would still have some moral obligation to come to the aid of a NATO member if attacked, without the opportunity to prepare for this in peacetime. A highly ambiguous, and therefore unstable, outcome.

*Transition period during which they do NOT apply, unless territorial violations - cross-border activities in West Germany to prevent effects on EDR.*

Preferred outcome: Clear statement by the FRG that Articles V and VI of the Treaty will apply to the former GDR (and recognition that this has consequences for other aspects of security arrangements - see below).

(ii) What German forces will be based there in peacetime?

Following the Genscher/Stoltenberg statement, the basing of Bundeswehr units, whether assigned to NATO or not, appears to be ruled out. Yet the statement also rejected demilitarisation of the former GDR. Apart from Soviet Forces, which are likely to remain there for a generous transitional period, what forces will be based there? Possibilities:

Territorialheer: Bundeswehr forces not assigned to NATO. Territorially-based, but, unlike the British TA, not part of the main Army Structure. The FMOD had been envisaging using these units as the core of defence arrangements in peacetime. But they are part of the Bundeswehr so are they ruled out?

- Bundesgrenzeschutz: (border security units). More heavily armed, subordinate to the Interior Ministry. Could they be developed into an effective security force?
- A revamped East German Volksarmee, separate from the Bundeswehr. But with what equipment? How would it be integrated with Allied forces in wartime?

Preferred outcome: German recognition that demilitarisation would be inconsistent with application of Articles V and VI of the Treaty, and that they need to spell out militarily credible arrangements they propose for a German military (or para-military) presence in the former GDR in peacetime.

(iii) Exercises

Would NATO forces (German and stationed) based in the Western part of Germany, and earmarked to deploy into the former GDR on transition to war, be permitted to exercise in the former GDR in peacetime? *Ne*

Defence of the former GDR would be more effective if forces earmarked for deployment could gain experience of the terrain, and exercise the command and central arrangements that would apply if the combined NATO forces and whatever German forces were permanently stationed there.

Preferred outcome: Realistically, NATO cannot expect to secure Soviet (? and German) acquiescence in large-scale field training exercises. But we should not give up the option of some on training areas and by prior notification

at least until military judgements about the need for exercises are clearer.

(iv) Pre-positioning of stockpiles

Stockpiling of ammunition, fuel and other supplies in the former GDR would permit a more effective defence of the whole territory of the former GDR.

Preferred outcome: Military advice is necessary on the extent of the military penalty that would be incurred if NATO forces had to deploy forward carrying with them all their logistic requirements. It might well make it impossible in certain scenarios to mount an effective defence of the whole of the former GDR. This too is therefore an option that should be kept open for the present.

(v) Aircraft

The Genscher/Stoltenberg statement does not address the deployment of Luftwaffe aircraft in the former GDR. If there is not to be a large gap at the centre of NATO's air defence system, it will be necessary for German aircraft to police the airspace of the former GDR in peacetime, with other Allied aircraft able to deploy there in Transition-to-War. It will therefore be important to have hardened airfields on a care and maintenance basis to receive them. As part of the air defence arrangements we should also seek to permit overflight by NATO AWACS aircraft in peacetime.

Preferred outcome: German Air Force to police airspace of former GDR in peacetime. Germans to maintain hardened airfields to receive German and other Allied combat aircraft in Transition-to-War. Right for AWACS to overfly former GDR.

(vi)

NATO's Operational Concept for Defending the Former GDR

How NATO sets about developing plans for defending the GDR will depend to a significant extent on the answers to the above questions. A distinctive feature of collective defence as practised so far by NATO has been that, whatever the position about the stationing of foreign forces in peacetime, by the time war breaks out there should be multinational NATO forces on the front line. It is then clear to an attacker that he is taking on the Alliance as a whole. This is the case, for example, in Northern Norway, where there are no stationed forces in peacetime, but plans to deploy NATO forces into the territory in Transition-to-War. If it helped the Germans, there may be scope for Allied Forces in the FRG to be integrated into multinational forces down to lower levels of command than the current Army Groups (work is in hand on this in the MOD).

This analysis underlines that Kohl and Genscher need to recognise that they face an important choice (Stoltenberg clearly does see this choice). If Articles V and VI of the North Atlantic Treaty are not to apply to the territory of the former GDR, NATO cannot be expected to maintain forces in the Western part of Germany earmarked for defence of the former GDR. The Germans would be consigning the citizens of this part of their country (including the capital) to second-class status in security terms. This is probably not sustainable politically and could spill over to affect security arrangements in the Western part of Germany as well.

If Articles V and VI are to apply, NATO will have to be in a position to carry out its responsibility to defend this part of Germany (including Berlin). That will require operational plans to deploy forces assigned to the Integrated Military Command into the territory. A CFE agreement, once implemented, will give NATO significantly greater warning time of Soviet preparations for an attack on the Central Front. But even allowing for that, an effective defence of the whole of German territory would require:

- plans for the deployment forward of German and Allied stationed forces assigned to the Integrated Military Structure. Precise operational concepts will need further study. But static defence at the Oder-Neisse line would not be feasible. There will be more emphasis on mobile forces, and trading space for time. Given that US and other force levels in Germany may fall further, reinforcement will be a key factor. Exercising reinforcement in the Western part of Germany will therefore remain necessary. One of the main choices the Germans face is that the more constraints they apply (particularly in the former GDR, but also in the West) on exercises, pre-positioning and other aspects of peacetime planning, the more space NATO would have to trade in war.
- Command arrangements to allow the effective integration of these forces with whatever screening force was deployed in the former GDR in peacetime. In practice, the whole of German territory would have to come under Allied Command Europe in Transition-to-War, and would form part of CINCENT's area.

Preferred outcome: German acceptance that if the former GDR is to be covered by Articles V and VI of the Treaty, NATO will need to develop operational plans to carry out that defence, and that this will not be feasible unless certain conditions are met.

(vii) Berlin

The future of the Allied garrisons is an issue to be resolved among the Allies in the first place (though it will then feed into wider consideration of Berlin aspects in the Two Plus Four Structure). There is an intelligence-related reason for keeping part of the garrison in Berlin for as long as Soviet forces remain in the former GDR. But the Allied garrisons at their present level (British garrison is about 3,000) would not alone be able to defend Berlin. If the Germans choose not to station Bundeswehr units in peacetime in the former



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GDR, the Allies have no interest of their own in retaining garrisons in Berlin in the longer term.

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## ISSUES FOR NEGOTIATION WITH THE SOVIET UNION

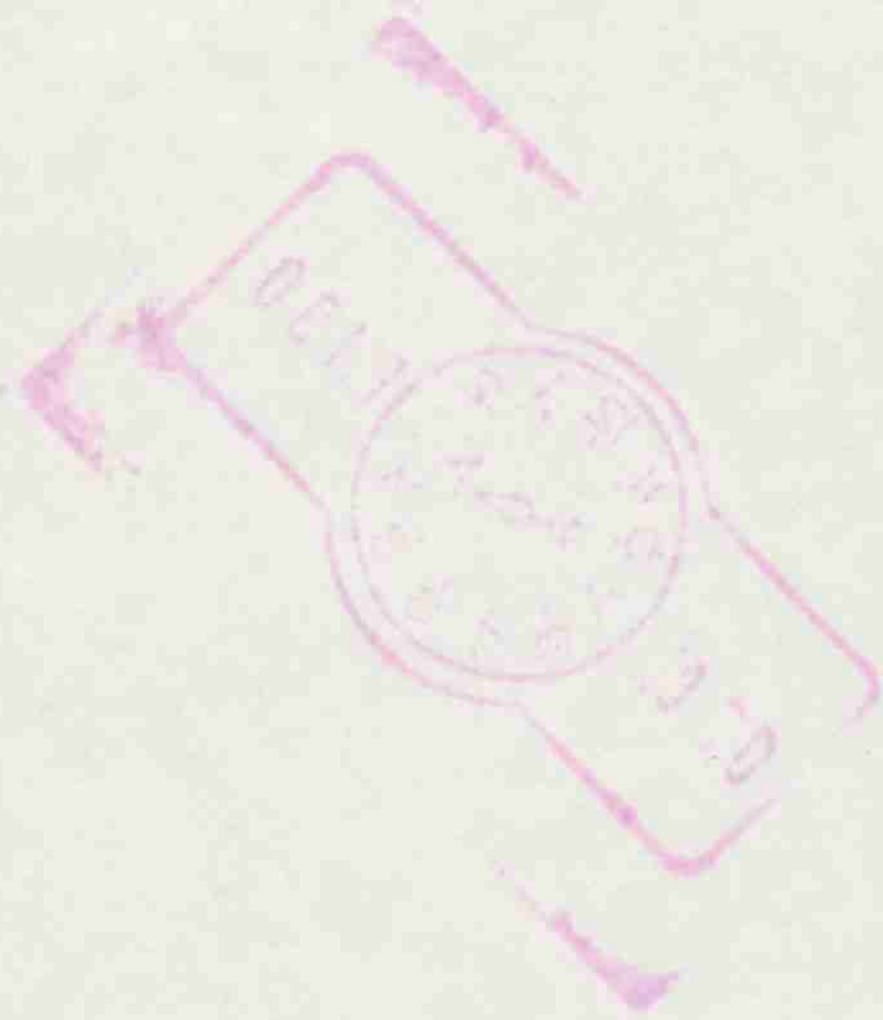
- (i) The transitional arrangements for Soviet forces in the territory of the former GDR (covered in the separate paper).
- (ii) The future of the GDR armed forces. This is an issue that is bound to arise at an early stage in the Unification talks between the two Germanies after 18 March. The strength of the Volksarmee is nominally about 173,000 active duty personnel (92,000 of whom conscripts) although over a third are already working in the civilian economy. Some of their Soviet-supplied equipment is modern (Mig 29 aircraft, T72 tanks). The question of what to do with the manpower is primarily for Germans to resolve (the FMOD are reluctant to absorb officers, though willing to take some experienced NCOs; conscripts would simply be released). However, if the Germans chose to reconstitute the Volksarmee as a screening force in the former GDR, NATO would have a direct interest, since these forces would then be the core of the defence of the territory in war. The question will arise of how to dispose of the Soviet-supplied equipment owned by the Volksarmee. Some will in any case be destroyed as part of CFE reductions. Would the more modern items (eg Mig 29s) be sold back to the Soviet Union? There will be need to be some discussion with the Russians about the re-allocation of the former GDR's entitlements under CFE for Treaty Limited Equipment. This will be the subject of a separate paper.
- (iii) Forces in Berlin. Arrangements for the reduction/withdrawal of garrisons in Berlin will need to be discussed with the Soviet Union following Allied consultations.
- (iv) Nature of NATO's Undertaking about the special arrangements applying in the former GDR. Covered in more detail in the separate paper: the Soviet aim will be to make the undertaking as solemn, binding and internationally ratified as possible. NATO will want to maintain it as far as possible as a unilateral commitment applying in peacetime only, preserving NATO's flexibility to respond to in the face of aggression.

## CONCLUSIONS

The priority for the next round of Allied Consultations should be to bring home to the Germans (if possible with support from the US and France) that there should be the fullest possible discussion with Allies before choices are made on security issues, since these choices entail consequences for NATO's commitment to defend the former GDR. Specifically, we should urge the Federal Government:

- (i) to recognise that, on the assumption that Articles V and VI of the North Atlantic Treaty apply to the territory of the former GDR, NATO will need to be in a position to make adequate arrangements to carry out its defence responsibilities. If the Germans choose to make unilateral concessions about military dispositions in the former GDR, they should recognise the consequences for the application of articles V and VI;
- (ii) to accept that, consistent with the undertaking that the territory will not be demilitarised, significant forces (however described) will be deployed there in peacetime. They should exploit the scope to interpret the Genscher/Stoltenberg statement narrowly so as to keep open the option of deploying either Territorialheer or Bundesgrenzschutz units, to serve as an initial screening force;
- (iii) to keep open the option of low-level exercises and pre-positioning of logistic supplies and ammunition in the former GDR;
- (iv) to agree that German aircraft would police the airspace of the former GDR in peacetime, with assistance of NATO AWACS aircraft, and that they should maintain hardened airfields for NATO use in war.

- (v) to begin to think through with other Allies the implications for NATO force posture and command arrangements on the Western side.



Security Policy Department  
22 February 1990

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GERMAN UNIFICATION

SUMMARY

1. THE CDU AND THEIR GDR ALLIES COME OUT IN FAVOUR OF UNIFICATION VIA ARTICLE 23. GENSCHER SAYS THE ISSUE SHOULD BE KEPT OPEN TILL AFTER THE GDR ELECTION, AND WARNS THAT THE EXTERNAL ASPECTS SHOULD NOT BE FORGOTTEN.

DETAIL

2. AT A MEETING IN BONN ON 1 MARCH OF THE EAST GERMAN 'ALLIANCE FOR GERMANY' GROUP CHANCELLOR KOHL, SPEAKING IN HIS CAPACITY AS CHAIRMAN OF THE CDU, SAID HE BELIEVED GERMAN UNITY SHOULD BE ACHIEVED VIA ARTICLE 23 OF THE BASIC LAW. THOSE WHO FAVOURED THE ARTICL 146 ROUTE SHOULD RECOGNISE THE ATTENDANT RISKS: UNLIKE CHANGES TO THE BASIC LAW A NEW CONSTITUTION WOULD NOT REQUIRE THE APPROVAL OF TWO-THIRDS OF THE BUNDESTAG.

3. THE CHAIRMAN OF THE THREE PARTIES IN THE 'ALLIANCE FOR GERMANY' (EBELING OF THE DSU, DE MAIZIERE OF THE CDU EAST AND SCHMUR OF DEMOCRATIC AWAKENING) ALSO EXPRESSED SUPPORT FOR UNIFICATION VIA ARTICLE 23, 'AS SOON AS POSSIBLE' AFTER THE 18 MARCH ELECTIONS.

4. IN A NEWSPAPER ARTICLE DUE TO BE PUBLISHED ON 3 MARCH, GENSCHER ARGUES THAT THE RIGHT COURSE IS NOT TO TAKE UP ANY POSITION ON THIS SUBJECT UNTIL AFTER 18 MARCH, WHEN IT WILL HAVE TO BE ADDRESSED 'ON AN EQUAL BASIS' BY THE TWO GERMAN PARLIAMENTS. HE ALSO WARNS THAT THE DEBATE ABOUT THE RELATIVE MERITS OF ARTICLES 23 AND 146 (MY TELNO 160 REFERS) IS THREATENING TO PUSH INTO THE BACKGROUND THE EXTERNAL ASPECTS OF UNIFICATION, AND ASSURES THE FEDERAL REPUBLIC'S EUROPEAN NEIGHBOURS THAT THEY WILL NOT FIND THEMSELVES CONTRONTED BY A FAIT ACCOMPLI.

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MY TELNO 257: POLAND'S WESTERN BORDER

SUMMARY

1. KOHL DISTANCES HIMSELF FROM GENSCHER'S POSITION ON THE MAZOWIECKI PLAN. FEDERAL GOVERNMENT SPOKESMAN LINKS MOOTED DECLARATION BY THE BUNDESTAG TO POLISH STAND ON REPARATIONS AND RIGHTS FOR THE ETHNIC GERMAN COMMUNITY IN POLAND.

DETAIL

2. DURING THE PRESS CONFERENCE IN BONN ON 1 MARCH HELD BY THE CDU AND THEIR GDR ALLIES (MY TELNO 262), KOHL SAID THAT HE WAS OPPOSED TO THE MAZOWIECKI PLAN, THOUGH HE REMAINED OPEN TO THE IDEA OF IDENTICAL DECLARATIONS BY THE TWO GERMAN PARLIAMENTS AFTER THE GDR ELECTION.

3. ON 2 MARCH VOGEL (FEDERAL SPOKESMAN) TOLD JOURNALISTS THAT IN KOHL'S VIEW THE PROPOSED DECLARATION BY THE BUNDESTAG SHOULD INTER ALIA:

(A) MAKE CLEAR THAT THE POLISH GOVERNMENT'S DECLARATION OF 23 AUGUST 1953 RELINQUISHING ITS CLAIMS TO REPARATIONS AGAINST GERMANY REMAINED VALID.

(B) CALL FOR THE RIGHTS OF THE GERMAN COMMUNITY IN POLAND, AS DEFINED IN THE JOINT POLISH/FRG DECLARATION OF 14 NOVEMBER 1989, TO BE GUARANTEED BY TREATY.

4. VOGEL ADDED THAT ON THAT BASIS KOHL WOULD BE PREPARED TO ENVISAGE A TREATY, ONCE GERMAN UNIFICATION HAD BEEN ACHIEVED TO SETTLE THE POLISH-GERMAN BORDER (KOHL HIMSELF IS ON RECORD, IN A RADIO INTERVIEW GIVEN ON 26 FEBRUARY ON HIS WAY BACK FROM CAMP DAVID, AS SAYING THAT HE HAD IN MIND A TREATY IN THIS CONNECTION).

COMMENT

*This is from wireless in another state. The rights all which stem from the last 2 the host country.*

5. THE FEDERAL SPOKESMAN MADE THESE COMMENTS IN RESPONSE TO QUESTIONS ABOUT THE STATEMENT ON THIS SUBJECT MADE BY DUMAS IN BERLIN ON 1 MARCH.

6. KOHL AND GENSCHER ARE EXPECTED TO MEET NEXT WEEK TO DISCUSS THEIR DISAGREEMENT OVER THE MAZOWIECKI PLAN. WHY KOHL SHOULD HAVE DECIDED AT THIS JUNCTURE TO GO ON TO THE ATTACK BY ATTACHING CONDITIONS TO HIS READINESS TO ACCEPT EVEN THE IDEA OF DECLARATIONS BY THE TWO GERMAN PARLIAMENTS IS FAR FROM CLEAR. HE MAY HAVE FELT A TACTICAL NEED TO PREEMPT A FURTHER SPD ATTACK ON THIS FRONT: TODAY'S PRESS QUOTES VOGEL AS PROMISING AN EARLY SPD MOTION IN THE BUNDESTAG. BUT HE MUST BE AWARE THAT THIS STANCE IS BOUND TO STOKE UP INTERNATIONAL CRITICISM OF HIS REFUSAL TO GO FURTHER.

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Prime Minister

Four Power Meeting in  
Germany.

I think you will  
want to read these  
telegrams, reporting the

Quadrilateral Meeting in

Germany last Wednesday, in  
full. You need to be  
aware of the detail.

You will note how the  
Americans tend always to  
support the Germans. CID 2/3

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MY SEVEN IPTS : GERMAN UNIFICATION : DIRECT ELECTIONS FOR BERLIN

SUMMARY

1. GERMANS ASK FOR GREEN LIGHT TO GO AHEAD WITH LEGISLATION ON DIRECT ELECTIONS FOR BERLIN. US PREPARED TO AGREE ONCE RUSSIANS HAVE BEEN INFORMED. DUMAS AND GENSCHER TO DISCUSS IN BERLIN ON 1 MARCH. UK STRESSES NEED NOT TO BOUNCE RUSSIANS. KASTRUP TO REPORT TO GENSCHER IN BERLIN.

DETAIL

2. KASTRUP SAID IT WAS UNCLEAR WHETHER THE ISSUE OF DIRECT ELECTIONS FOR BERLIN WOULD STILL BE A PROBLEM BY THE TIME OF THE FEDERAL ELECTIONS IN DECEMBER. HOWEVER THE LEGISLATIVE CALENDAR REQUIRED THE FRG TO TAKE THE NECESSARY STEPS IN MARCH. THIS WAS A POLITICALLY LIVE ISSUE IN BERLIN, WHOSE PEOPLE WANTED TO BE PART OF THE FRG. IN OTTAWA MINISTERS HAD AGREED ON THE PRINCIPLE BUT FOR TACTICAL REASONS HAD DELAYED GOING AHEAD. NOW WE HAD AGREEMENT OF THE FOUR PLUS TWO AND WERE ON THE VERGE OF STARTING THE PROCESS. THE ALLIES SHOULD GIVE THE FRG THE GREEN LIGHT TO GO AHEAD WITH LEGISLATION.

3. SEITZ SAID THAT IF THE FRG MADE A POLITICAL REQUEST FOR ALLIED APPROVAL HAVING ASSESSED THE RISKS, THEN THE US WAS PREPARED TO GO TO THE RUSSIANS. THE TIMING WAS UNFORTUNATE, RUNNING THE RISK OF POISONING THE BEGINNING OF THE FOUR PLUS TWO PROCESS. DUFOURCQ SAID HE DID NOT KNOW WHAT DUMAS'S POSITION WOULD BE. GENSCHER AND DUMAS WOULD DISCUSS THE ISSUE IN BERLIN ON 1 MARCH.

4. WESTON SAID THAT WE COULD HAVE AVOIDED THIS AWKWARD CONJUNCTION OF CIRCUMSTANCES IF THE FOUR PLUS TWO HAD MET EARLIER. WE WERE POSITIVE IN PRINCIPLE TO THE PROPOSAL BUT WE SHOULD NOT APPEAR TO IGNORE SOVIET VIEWS. IF WE DECIDED TO GO AHEAD WE WOULD HAVE TO RESPOND FIRST TO THE SOVIET DEMARCHE MAKING IT CLEAR THAT WE DID NOT ACCEPT THEIR ARGUMENTS. WE SHOULD IF POSSIBLE GIVE TIME FOR SILENCE PROCEDURE. THEN THE FRG COULD GO AHEAD WITH LEGISLATION, ASSUMING ACQUIESCENCE.

THE UK WOULD NOT OBSTRUCT CONSENSUS BUT WE NEEDED TO ADDRESS THE SOVIET ANGLE QUICKLY. KASTRUP SAID HE WOULD REPORT THE DISCUSSION TO GENSCHER IN BERLIN.

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MY SIX IPTS : GERMAN UNIFICATION : FOUR POWER STATUS

SUMMARY

1. DISCUSSION OF HOW TO WIND UP FOUR POWER RIGHTS. GERMANS PROPOSE DROPPING SYMBOLIC RIGHTS. AGREEMENT TO EXPERT MEETING IN BERLIN OF THREE ALLIES, FRG AND SENAT TO LIST ALLIED RIGHTS AND CONSIDER THE WAY FORWARD.

DETAIL

2. KASTRUP SAID WE COULD EITHER GIVE UP FOUR POWER RIGHTS GRADUALLY BEGINNING NOW OR IN ONE FELL SWOOP AT THE END OF THE UNIFICATION PROCESS. THE SENAT IN BERLIN HAD PROPOSED THAT AS A FIRST STEP WE SHOULD DO AWAY WITH OFFICES FOR ALLIED LIAISON OFFICERS IN THE RATHAUS AND THE IMMEDIATE RIGHT TO BRIEFING ON SENAT DISCUSSIONS. THESE RIGHTS WERE PURELY SYMBOLIC.

3. DUFOURCO SAID WE SHOULD BE CAUTIOUS ABOUT RUNNING DOWN FOUR POWER RIGHTS TOO QUICKLY. ZOELICK SAID THAT IF WE DROPPED ONE RIGHT THERE WOULD BE IMPLICATIONS FOR THE OTHERS. WE NEEDED TO KNOW WHAT RISKS THE FRG WAS WILLING TO RUN. KASTRUP SAID THE SENAT'S PROPOSAL CONCERNED A PURELY SYMBOLIC RIGHT. THIS WOULD NOT CHANGE THE LEGAL STATUS. HE PROPOSED ESTABLISHING A WORKING GROUP OF THE THREE ALLIES, THE FRG AND THE SENAT IN BERLIN. THIS SHOULD DRAW UP A LIST OF ALLIED REGULATIONS AND PRACTICES IN BERLIN AND CONSIDER WHAT COULD BE DONE AWAY WITH IMMEDIATELY AND WHAT SHOULD WAIT UNTIL THE END OF THE PROCESS. THIS WAS AGREED.

4. ZOELICK POINTED TO THE DANGER OF INCREASING SOVIET SENSITIVITIES. WESTON SUGGESTED LOW LEVEL CONTACTS BETWEEN THE THREE ALLIES AND THE SOVIET UNION IN BERLIN SEEKING RUSSIAN VIEWS ON THE QUESTION OF HOW FOUR POWER RIGHTS SHOULD BE WOUND UP, AND THUS IN EFFECT RESPONDING TO MAXIMYCHEV'S INITIATIVE, PROVIDED THE FRG WAS CONTENT. ZOELICK CONSIDERED THIS POTENTIALLY DANGEROUS. THE SOVIET UNION MIGHT USE SUCH CONTACTS AGAINST THE WEST.

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MY FIVE IPTS: GERMAN UNIFICATION: LEGAL ASPECTS

SUMMARY

1. DISCUSSION OF DIFFICULT LEGAL PROBLEM OF SUCCESSION OF STATES. INITIAL GERMAN AND AMERICAN VIEW THAT IF UNIFICATION TAKES PLACE UNDER ARTICLE 23, THEN ALL PREVIOUS FRG OBLIGATIONS CONTINUE TO APPLY AUTOMATICALLY. AGREEMENT TO EXCHANGE PAPERS GIVING INITIAL LEGAL VIEWS.

DETAIL

2. KASTRUP SAID THE INTERNATIONAL LEGAL STATUS OF THE NEW STATE WOULD DEPEND ON THE ROUTE TO UNIFICATION CHOSEN BY THE NEW GOVERNMENT OF THE GDR. THE FRG'S PRELIMINARY LEGAL VIEW WAS THAT IF UNIFICATION TOOK PLACE UNDER ARTICLE 23 THE FRG WOULD CONTINUE WITH ALL ITS OBLIGATIONS UNDER INTERNATIONAL LAW. FOR EXAMPLE, THE TREATY OF ROME AND THE TREATY OF WASHINGTON WOULD CONTINUE TO APPLY AND NO CONFIRMATION WOULD BE NECESSARY. THE STATE WOULD BE ENLARGED BUT WOULD CONTINUE TO HAVE THE SAME OBLIGATIONS. SEITZ SAID THIS WAS ALSO THE INITIAL US OPINION. DUFOURCQ SAID THEY SAW IT AS A MERGING OF STATES. THERE WOULD THEREFORE BE A PROBLEM OF THE SUCCESSION OF STATES.

3. ZOELICK ASKED IF ALL THE OLD OBLIGATIONS OF THE GDR WOULD BE EXTINGUISHED. KASTRUP SAID THIS WAS A DIFFICULT LEGAL PROBLEM. THE POLITICAL TREATIES, SUCH AS THE WARSAW TREATY, WOULD AUTOMATICALLY CEASE TO EXIST BECAUSE OF INCOMPATIBILITY. BUT NOT ALL LEGAL OBLIGATIONS WOULD NECESSARILY CEASE. IT WOULD DIFFER FROM ONE TREATY TO ANOTHER.

4. KASTRUP SAID THAT IF UNIFICATION TOOK PLACE UNDER ARTICLE 23, THAT ARTICLE COULD THEN BE ABOLISHED TO MAKE IT CLEAR THAT THERE WERE NO OTHER PARTS OF GERMANY ENTITLED TO ACCEDE. THIS WOULD BE AN IMPORTANT SYMBOL FOR POLAND.

5. WESTON PROPOSED AN EXCHANGE OF PAPERS AMONG THE FOUR GIVING PRELIMINARY LEGAL VIEWS. THIS WAS AGREED.

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MY FOUR IPTS: GERMAN UNIFICATION: PEACE TREATY/SETTLEMENT

SUMMARY

1. GERMANS RESISTANT TO IDEA OF GENERAL PEACE TREATY AND RELUCTANT EVEN TO ACCEPT THE TERM PEACE SETTLEMENT. UK AND FRANCE STRESS IMPORTANCE OF PEACE SETTLEMENT BUT US INITIALLY SYMPATHETIC TO GERMAN CONCERNS. US OFFERS TO CIRCULATE PAPER ON LEGAL AND POLITICAL ASPECTS.

DETAIL

2. DUFOURCQ SAID THAT THE PARIS/BONN CONVENTIONS FORESAW A PEACE SETTLEMENT FOR GERMANY. THE FRENCH ENVISAGED A SET OF AGREEMENTS ON BORDERS AND OTHER ISSUES TO BE AGREED IN THE FOUR PLUS TWO. THEY HAD IN MIND A CONTRACTUAL AGREEMENT THAT COULD BE RATIFIED. ZOELICK AGREED THAT WE NEEDED TO RESOLVE FOUR POWER STATUS, BORDERS, THE STATUS OF BERLIN AND THE QUESTION OF UNIFICATION. AN EXCHANGE OF NOTES MIGHT BE SUFFICIENT.

3. KASTRUP SAID THE FRG WISHED TO AVOID CONCLUDING A FORMAL PEACE TREATY WITH OVER FIFTY FORMER ENEMIES FROM THE END OF THE SECOND WORLD WAR. THEY DID NOT OBJECT TO THE SUBSTANCE OF WHAT WAS PROPOSED BUT WERE NOT EVEN KEEN ON DESCRIBING IT AS A PEACE SETTLEMENT. THIS CAME TOO CLOSE TO THE EXPRESSION PEACE TREATY. THE DIFFERENCE BETWEEN THE TWO WOULD NOT BE OBVIOUS TO THE GENERAL PUBLIC. ZOELICK SUGGESTED THAT IF THIS WAS A POLITICAL PROBLEM WE COULD CONSIDER CALLING THE SETTLEMENT SOMETHING ELSE. WESTON ARGUED THAT IF THE PARIS/BONN CONVENTIONS REFERRED TO A PEACE SETTLEMENT, THIS WAS WHAT WE SHOULD WORK TOWARDS. WE COULD NOT JUST LEAVE THE ISSUE HANGING. BUT THE EXPRESSION PERMITTED A WIDE RANGE OF POSSIBILITIES BOTH LEGALLY AND POLITICALLY.

4. ZOELICK THOUGHT THE SOVIET UNION MIGHT COME FORWARD WITH A PROPOSAL FOR A PEACE TREATY. THE WESTERN FOUR NEEDED TO CONDUCT PREPARATORY WORK ON THE LEGAL AND POLITICAL ISSUES SO THAT WE WERE IN A POSITION TO REACT IN THE FOUR PLUS TWO. HE VOLUNTEERED TO CIRCULATE A PAPER ON THIS QUESTION.

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MY THREE IPTS: GERMAN UNIFICATION: POLISH BORDER

## SUMMARY

1. GERMANY MAY ACCEPT POLISH PROPOSAL FOR THE TWO GERMANIES TO INITIAL TREATIES TO BE SIGNED BY A UNIFIED GERMANY. WISH TO AVOID FORMAL PARTICIPATION OF POLAND IN FOUR PLUS TWO MEETINGS BUT NEED TO FIND SOME FORM OF ASSOCIATION. US PROPOSES COORDINATED BRIEFING BY FOUR WESTERN POWERS FOR CZECHOSLOVAKIA, HUNGARY AND POLAND. DISCUSSION OF FOUR POWER GUARANTEES ON POLISH BORDER.

## DETAIL

2. KASTRUP SAID THERE WAS AGREEMENT THAT A LEGALLY BINDING DECLARATION OR INSTRUMENT ON THE POLISH BORDER WAS NECESSARY. THE GERMAN GOVERNMENT WAS OPEN TO SUGGESTIONS FOR HOW SUCH A GUARANTEE SHOULD BE GIVEN. THE POLES HAD PROPOSED THAT BOTH GERMAN STATES INITIAL A TREATY WITH POLAND PRIOR TO UNIFICATION AND THAT THE TREATY BE SIGNED BY A UNITED GERMANY. GENSCHER FOUND THIS A VERY ATTRACTIVE IDEA WHICH TOOK INTO ACCOUNT THE LEGAL SITUATION IN GERMANY AND GAVE POLAND THE NECESSARY ASSURANCES. KASTRUP BELIEVED THAT THE CONTROVERSY IN THE GERMAN GOVERNMENT COULD BE SETTLED ON THIS BASIS. IN ADDITION, FOLLOWING ELECTIONS IN THE GDR, THE TWO GERMAN PARLIAMENTS WOULD PASS A JOINT RESOLUTION (OR POSSIBLY IDENTICAL, SEPARATE RESOLUTIONS) ON THE POLISH BORDER. ZOELICK (AND OTHERS) WELCOMED THE GERMAN DECISION. HE HOPED IT COULD BE PUT FORWARD BEFORE A VISIT OF THE POLISH PRIME MINISTER TO WASHINGTON ON 21 MARCH.

3. KASTRUP SAID POLAND SHOULD NOT PARTICIPATE FORMALLY IN FOUR PLUS TWO MEETINGS. BUT WE NEEDED SOME SORT OF MECHANISM TO BRING THE POLES INTO THE GAME. DUFOURCQ ALSO RULED OUT FORMAL POLISH PARTICIPATION. BUT AT A CERTAIN POINT WE WOULD HAVE TO ASSOCIATE THE POLES WITH THE PROCESS. ZOELICK SAID THERE COULD BE NO DECISION WITHOUT POLISH INVOLVEMENT ALTHOUGH THEY COULD NOT PARTICIPATE DIRECTLY. WESTON SUGGESTED THAT ONE POSSIBLE SEQUENCE MIGHT BE AS FOLLOWS. POLAND WOULD PRESENT ITS DRAFT

TREATY TO THE TWO GERMAN STATES. THE FOUR PLUS TWO WOULD APPROVE THIS PROCEDURALLY AS THE RIGHT WAY FORWARD. THE TWO GERMANIES WOULD THEN REPORT TO THE FOUR FOLLOWING THEIR BILATERAL NEGOTIATIONS WITH POLAND. THE FOUR PLUS TWO COULD DISCUSS THE RESULT AND AGREE THAT SUBJECT TO POLISH VIEWS THE PROBLEM OF THE POLISH BORDER HAD BEEN RESOLVED. THERE COULD THEN BE A BACK TO BACK MEETING BETWEEN THE SIX AND POLAND TO HEAR THAT THEY TOO WERE CONTENT WITH THE TREATY, WHICH WOULD THEN BE INITIALED. FINALLY THE TREATY SHOULD BE SIGNED BY POLAND AND A UNITED GERMANY. ZOELICK SAID WE SHOULD AVOID SETTING A PRECEDENT FOR THE CZECHS AND OTHERS BY TOO CLOSE INVOLVEMENT OF POLAND WITH THE FOUR PLUS TWO. THE WESTERN FOUR SHOULD ORGANISE MACHINERY FOR COLLECTIVELY DEBRIEFING POLAND, CZECHOSLOVAKIA AND HUNGARY ON MEETINGS OF THE FOUR PLUS TWO.

4. WESTON ASKED WHAT WAS MEANT BY TALK OF GUARANTEES IN THE CONTEXT OF GERMAN BORDERS. DUFOURCQ SAID FRANCE WOULD NOT EXCLUDE LEGAL GUARANTEES FOR THE POLISH BORDER. BUT THE BEST SOLUTION MIGHT BE FOR POLAND TO SIGN A FOUR POWER AGREEMENT ON THE BORDERS OF GERMANY IN GENERAL. KASTRUP SAW NO NEED FOR THE FOUR POWERS TO GUARANTEE THAT A GERMAN/POLISH TREATY WOULD NOT BE VIOLATED. SEITZ THOUGHT THE SOVIET UNION MIGHT RAISE THE ISSUE OF GUARANTEES. THE WESTERN FOUR SHOULD COORDINATE THEIR POSITION IN ADVANCE SO THAT THEY COULD RESPOND IN A WAY THAT DID NOT RAISE POLISH CONCERNS. WESTON SAID THAT A FORMAL GERMAN/POLISH TREATY ON THE BORDER WAS IN ONE SENSE ITSELF A GUARANTEE OF THAT BORDER, ESPECIALLY IF THE FOUR POWERS ASSOCIATED THEMSELVES WITH IT IN SOME WAY, IN FINAL DISCHARGE OF THEIR RESIDUAL RIGHTS AND RESPONSIBILITIES.

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MY TWO IPTS: GERMAN UNIFICATION: MILITARY ASPECTS

SUMMARY

1. PENDING CABINET SUB-COMMITTEE ON 5 MARCH, GERMAN INDECISION ON THE MILITARY ASPECTS OF UNIFICATION. BUT NO GERMAN ARMED FORCES TO BE BASED IN THE GDR. AMERICANS SAY KOHL CLEAR IN WASHINGTON THAT ARTICLES 5 AND 6 OF THE WASHINGTON TREATY WOULD APPLY TO THE FORMER TERRITORY OF THE GDR. GERMANS ENVISAGE BILATERAL TREATY WITH THE RUSSIANS ON SOVIET FORCES REMAINING IN THE GDR. SIMILAR BILATERAL TREATIES COULD COVER ANY CONTINUING ALLIED GARRISONS IN BERLIN.

DETAIL

2. KASTRUP SAID ONLY TWO ELEMENTS OF GERMAN POLICY HAD BEEN AGREED SO FAR: A UNIFIED GERMANY WOULD BE A FULL MEMBER OF NATO BUT NATO BORDERS OR JURISDICTION WOULD NOT BE MOVED FURTHER EAST. THE GENSCHER/STOLTENBERG STATEMENT HAD MADE IT CLEAR THAT NO UNITS OF THE ALLIANCE, INCLUDING BOTH ASSIGNED AND NON-ASSIGNED BUNDESWEHR, WOULD BE BASED IN THE FORMER GDR: BUT THAT THIS WAS FOR DISCUSSION WITH THE NEW GDR GOVERNMENT AND THE FOUR POWERS. THE GERMAN CABINET SUB-COMMITTEE ON SECURITY AND FOREIGN POLICY WOULD MEET ON 5 MARCH AND THE POSITION OF THE FEDERAL GOVERNMENT WOULD EVOLVE. THE FRG WOULD WELCOME PARTNERS' VIEWS.

3. ZOELICK SAID THE US WAS UNCLEAR WHAT 'NATO JURISDICTION' MEANT. KOHL HAD SAID CLEARLY IN WASHINGTON THAT ARTICLES 5 AND 6 OF THE NATO TREATY WOULD BE EXTENDED TO THE FORMER TERRITORY OF THE GDR. IT WOULD BE DESTABILISING IF NATO SECURITY GUARANTEES DID NOT EXTEND TO THE WHOLE TERRITORY OF A UNIFIED GERMANY. IF IT WAS LEFT IN A HALF-WAY HOUSE A UNIFIED GERMANY IN FUTURE MIGHT TURN TO OTHER SOLUTIONS. HISTORICAL EXPERIENCE OF DEMILITARISED ZONES WAS NOT ENCOURAGING. THE US WOULD BE SENDING A SPECIAL MESSAGE TO THE GERMAN GOVERNMENT ON THIS POINT.

4. WESTON SAID DECISIONS AFFECTING SECURITY ARRANGEMENTS FOR THE FORMER TERRITORY OF THE GDR WERE OF DIRECT CONCERN TO THE FRG'S ALLIES. THERE SHOULD BE CONSULTATION ON WHETHER OR NOT TROOPS WOULD BE BASED THERE. DID THE GENSCHER/STOLTENBERG STATEMENT

EXCLUDE THE BASING OF TERRITORIALHEER OR BUNDESGRENZENSCHUTZ TROOPS IN THE FORMER GDR? WOULD THE NVA CONTINUE IN EXISTENCE THERE? KASTRUP REPLIED THAT NO TERRITORIALHEER FORCES WOULD BE BASED IN THE FORMER GDR. THIS WAS WHAT WAS MEANT BY NON-ASSIGNED BUNDESWEHR. BUNDESGRENZENSCHUTZ WERE NOT MILITARY FORCES AND THUS COULD BE BASED THERE. AS FOR THE NVA IT WAS INCONCEIVABLE THAT THERE COULD BE TWO ARMIES IN ONE STATE. THE NVA WOULD DISAPPEAR.

5. DUFOURCQ SAID THE KEY ELEMENT WAS WHETHER ANY SPECIAL STATUS FOR THE GDR WAS TRANSITIONAL OR PERMANENT. FRANCE WOULD FAVOUR A SPECIAL STATUS FOR A TRANSITIONAL PERIOD. BUT A PERMANENT SPECIAL STATUS WOULD LEAVE A LASTING PROBLEM AT THE HEART OF EUROPE. HE ASSUMED THAT ARTICLES 5 AND 6 WOULD APPLY TO THE FORMER GDR.

6. WESTON AGREED THAT IT WAS HARD TO IMAGINE ARTICLES 5 AND 6 COULD NOT APPLY TO THE FORMER GDR. THERE WERE A WHOLE SERIES OF QUESTIONS THAT WE HOPED THE GERMAN GOVERNMENT WOULD CONSIDER: BUT WHICH NEEDED TO BE DISCUSSED WITH ALLIES: WHAT WOULD HAPPEN TO THE NVA? IF THE FORMER GDR WAS INCLUDED IN NATO HOW WOULD NATO PROVIDE IN PRACTICAL TERMS FOR ITS DEFENCE? COULD THERE BE PEACETIME EXERCISES THERE? WOULD MILITARY STOCKPILES BE PRE-POSITIONED? WOULD HARDENED AIRFIELDS THERE BE MAINTAINED FOR FORWARD DEPLOYMENT IN TRANSITION TO WAR? WHO WOULD POLICE THE AIR SPACE OF THE FORMER GDR DURING PEACE TIME? HOW WOULD ALL THIS FIT INTO NATO'S OPERATIONAL CONCEPT INCLUDING PLANS FOR FORWARD DEPLOYMENT OF GERMAN AND ALLIED STATIONED FORCES, AND INTEGRATED COMMAND ARRANGEMENTS? KASTRUP SAID THESE QUESTIONS HAD OCCURRED TO THE GERMANS TOO.

#### SOVIET FORCES

7. KASTRUP SAID THAT AFTER CFE I 180,000 SOVIET FORCES WOULD REMAIN IN THE GDR. THE FRG TENDED TOWARD A LIMITED TOLERATION OF SOVIET FORCES REMAINING AFTER UNIFICATION. THE FORCES WOULD BE LIMITED IN BOTH NUMBER AND IN THE TIME THEY COULD REMAIN. THE AIM OF THE FOUR PLUS TWO MECHANISM WAS TO TERMINATE THE OCCUPATION REGIME AND SOVIET FORCES COULD THEREFORE ONLY REMAIN ON THE BASIS OF A CONTRACTUAL AGREEMENT BETWEEN THE SOVIET UNION AND A UNIFIED GERMANY. THEY WERE CONSIDERING EITHER A TIME LIMIT OF 5 TO 7 YEARS IN THE BILATERAL TREATY OR LINKING THEIR REMOVAL TO THE RESULTS OF CONTINUING CFE NEGOTIATIONS. AT THE MOMENT THEY WERE TENDING TO THE LATTER SOLUTION.

8. ZOELICK SAID THE US PREFERRED A TIME LIMIT. ONE DID NOT EVEN KNOW IF A CFE II WOULD HAPPEN. THERE WAS A DANGER OF CREATING A LINK BETWEEN SOVIET AND AMERICAN FORCES. WESTON SAID WE FAVOURED A GENEROUS TRANSITION. THE SOVIET UNION WOULD HAVE

PRACTICAL PROBLEMS IN REMOVING ALL ITS FORCES AT ONCE: WE SHOULD ENDEAVOUR TO SAVE SOVIET FACE: AND PRESSING TOO HARD RISKED CREATING FALSE COMPARISONS WITH NATO STATIONED FORCES. ON CFE, THE RIGHT WAY ROUND WAS TO DECIDE BROADLY AMONG THE SIX WHAT WAS WANTED IN RELATION TO THE SECURITY CONTEXT OF A UNIFIED GERMANY AND PLAY THAT INTO CFE, NOT VICE VERSA. ZOELICK SAID IT WAS DIFFICULT FOR THE AMERICANS TO AGREE THAT SOVIET FORCES SHOULD REMAIN IN THE FORMER GDR, BUT IF THIS WAS ACCEPTABLE TO A UNIFIED GERMANY THEY COULD GO ALONG WITH IT.

BERLIN

9. KASTRUP RAISED THE POSSIBILITY OF MAINTAINING ALLIED FORCES IN BERLIN. IF WE DID SO IT WOULD HAVE TO BE ON THE BASIS OF NEW BILATERAL AGREEMENTS. ALLIED RIGHTS WOULD COME TO AN END. WESTON ASKED WHETHER THE FOURTH COMPONENT OF FORCES IN BERLIN WOULD BE GERMAN OR SOVIET. GERMANS OUGHT TO HELP DEFEND THE CAPITAL OF A UNIFIED GERMANY IN NATO. KASTRUP SUGGESTED THIS WAS COUNTER TO THE BASIC GERMAN POSITION ABOUT MOVING FORWARD THE FRONTIERS OF NATO. ZOELICK URGED KASTRUP TO CONSIDER CAREFULLY THE POSSIBILITY OF BASING SOME GERMAN FORCES IN BERLIN. THE GENSCHER/STOLTENBERG STATEMENT REFERRED ONLY TO THE GDR AND NOT TO BERLIN. THEY WOULD NOT THEREFORE BE MOVING THE BORDERS OF NATO EASTWARD. GERMANY SHOULD NOT BE PRECLUDED IN PERPETUITY FROM BASING ITS OWN TROOPS IN ITS OWN CAPITAL. SEITZ ASKED WHAT WOULD BE THE MILITARY MISSION OF WESTERN GARRISONS IN BERLIN MAROONED IN A SEA OF SOVIET FORCES IN THE GDR. KASTRUP SAID THIS HAD NOT YET BEEN CONSIDERED.

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MIPT: GERMAN UNIFICATION: FOUR PLUS TWO

SUMMARY

1. FRG TO BEGIN CONTACTS WITH GDR AND SOVIET UNION ON FOUR PLUS TWO MECHANISM. FRANCE AND UK PRESS FOR OFFICIAL FOUR PLUS TWO MEETING PRIOR TO GDR ELECTIONS. FRG AGREES TO CONSIDER ARGUMENTS AND MAKE DECISION ON 1 MARCH. US ALSO OPEN-MINDED AND TO DECIDE IN LIGHT OF GERMAN VIEWS. INSISTENT THAT WEST MUST AGREE ON STRATEGY BEFORE GOING INTO FOUR PLUS TWO MEETINGS.
2. AGREEMENT ON NEED TO ESTABLISH SUPPORT MACHINERY FOR WESTERN FOUR, POSSIBLY INCLUDING SUB GROUPS AND ENHANCED BONN GROUP. POSSIBILITY OF A MEETING OF THE FOUR FOREIGN MINISTERS IN NAMIBIA.
3. KOHL TO BRIEF NAC ON GERMAN UNIFICATION ON 8 MARCH. AGREEMENT THAT WESTERN FOUR SHOULD DE-BRIEF NATO AFTER FOUR PLUS TWO MEETINGS. RESULTS OF FOUR PLUS TWO SHOULD BE PRESENTED TO THE CSCE FOR DISCUSSION BUT NOT FOR APPROVAL.

DETAIL

4. KASTRUP (FRG) SAID GENSCHER AND SHEVARDNADZE HAD DISCUSSED THE FOUR PLUS TWO MECHANISM ON THE TELEPHONE ON 23 FEBRUARY. AS A RESULT KASTRUP WOULD MEET ADAMISHIN IN GENEVA OF 2 MARCH. HE WOULD HOLD HIS FIRST BILATERAL MEETING WITH THE GDR ON 7 MARCH TO EXPLORE THE APPROACH OF THE EXISTING GDR GOVERNMENT TO THE FOUR PLUS TWO MECHANISM. THEY WOULD NOT GO INTO THE SUBSTANCE OF UNIFICATION BUT THEY NEEDED TO BE SEEN TO REACT TO THE MODROW PROPOSAL. THEY WOULD KEEP THE THREE WESTERN ALLIES INFORMED. SEITZ (US) OBSERVED THAT SINCE THE TWO WERE ALREADY MEETING THE FOUR PLUS TWO MECHANISM WAS ALREADY IN OPERATION.
5. WESTON ASKED IF ALL COULD AGREE TO A FOUR PLUS TWO MEETING TAKING PLACE PRIOR TO THE GDR ELECTIONS. KASTRUP SAID THE FRG WOULD STICK TO THE OTTAWA AGREEMENT. BUT THEY WERE NOT PREPARED TO DISCUSS THE SUBSTANCE OF UNIFICATION WITH THE OUTGOING GDR GOVERNMENT. THE GERMAN POSITION ON AN EARLY OFFICIAL LEVEL MEETING OF THE FOUR PLUS TWO WAS OPEN BUT IT WAS NOT CLEAR TO THEM WHAT COULD BE DISCUSSED AT SUCH A MEETING. ZOELICK (US)



SAID THEY WERE ALSO OPEN TO A MEETING BUT WOULD NOT AGREE TO PROCEED WITH THE FOUR PLUS TWO UNTIL THEY WERE CERTAIN THAT THE FOUR WESTERN POWERS HAD A COMMON STRATEGIC APPROACH.

6. DUFOURCQ (FRANCE) SAID THEY FAVOURED A MEETING OF THE FOUR PLUS TWO AT POLITICAL DIRECTOR LEVEL PRIOR TO THE ELECTIONS. WE NEEDED TO SHOW THE PUBLIC THAT THE PROCESS WAS BEGINNING. IT WOULD HAVE A STABILISING EFFECT IN POLAND AND ELSEWHERE. THE FIRST MEETING WOULD BE EXPLORATORY AND WOULD DISCUSS PROCEDURE RATHER THAN SUBSTANCE. IF WE WAITED UNTIL AFTER THE ELECTIONS THERE WAS A DANGER THAT THE FORMATION OF A NEW GOVERNMENT IN THE GDR WOULD DELAY A MEETING UNTIL THE END OF APRIL. THE SOVIET UNION HAD MADE AN URGENT DEMARCHE IN PARIS CALLING FOR AN EARLY MEETING. WESTON SUPPORTED DUFOURCQ. WE TOO FAVOURED A MEETING BEFORE THE GDR ELECTIONS. WE HAD AGREED IN OTTAWA TO PRELIMINARY DISCUSSIONS SOON AND WE WOULD LOOK FOOLISH IF THE GROUP HAD STILL NOT MET AFTER TWO MONTHS. THE FIRST MEETING COULD BE PROCEDURAL AND DISCUSS LANGUAGE, AGENDA, LOCATION OF MEETINGS ETC, BUT WOULD CONVEY THE SIGNAL THAT WE WERE IN BUSINESS. WE HAD ALSO RECEIVED A SOVIET DEMARCHE.

7. KASTRUP SAID HE DID NOT HAVE AUTHORITY TO AGREE TO AN EARLY MEETING OF THE FOUR PLUS TWO. HE WOULD REPORT FRENCH AND BRITISH ARGUMENTS TO GENSCHER AND THEY WOULD MAKE A DECISION BY 1 MARCH. ZOELLICK SAID THE US WOULD ALSO MAKE A QUICK DECISION WHEN THEY KNEW GERMAN VIEWS. KASTRUP ASKED WHETHER OPPOSITION REPRESENTATIVES COULD BE INCLUDED IN THE GDR DELEGATION TO A MEETING OF THE FOUR PLUS TWO PRIOR TO ELECTIONS. THERE WAS NO OBJECTION.

8. ZOELLICK SAID THE US WOULD NOT AGREE TO GO INTO A FOUR PLUS TWO MEETING UNTIL THERE WAS A COMMON WESTERN STRATEGY. OUR OBJECTIVE SHOULD BE TO RETURN SOVEREIGNTY TO A UNIFIED GERMANY. THE UNIFIED STATE SHOULD BE FREE TO MAKE SOVEREIGN DECISIONS ON WHETHER TO BE A MEMBER OF NATO ETC. WE SHOULD NOT GIVE THE SOVIET UNION A VETO OVER THESE DEVELOPMENTS. WESTON AGREED THAT THE WEST MUST COORDINATE ITS POSITION CLOSELY. WE SHOULD NOT GIVE THE SOVIET UNION A CHANCE TO DIVIDE US. BUT AS LONG AS THERE WERE TWO GERMAN STATES THERE WERE QUESTIONS FOR JOINT DETERMINATION BY OTHERS TOO. EXTERNAL ASPECTS OF UNIFICATION WERE RELEVANT TO THE FOUR AND IT WAS OUR DUTY TO DISCHARGE OUR RIGHTS AND OBLIGATIONS. KASTRUP EXPRESSED APPRECIATION FOR THE AMERICAN ATTITUDE.

#### PRACTICAL ARRANGEMENTS

9. ZOELLICK SUGGESTED THERE SHOULD BE A MINISTERIAL FOUR PLUS TWO MEETING WITHIN ONE MONTH OF THE GDR ELECTIONS. KASTRUP AGREED. THE SEQUENCE SHOULD BE A MEETING OF THE TWO GERMANIES,

FOLLOWED BY A MEETING OF THE WESTERN FOUR, FOLLOWED BY AN OFFICIAL LEVEL FOUR PLUS TWO MEETING AND THEN A MINISTERIAL FOUR PLUS TWO. THE FIRST MEETING SHOULD TAKE PLACE IN THE FRG. DUFOURCQ SUGGESTED THAT LATER MEETINGS MIGHT ROTATE. IT WAS AGREED THAT EACH DELEGATION AT THE OFFICIAL LEVEL FOUR PLUS TWO SHOULD HAVE THREE MEMBERS.

## WESTERN COORDINATION

10. ZOELICK PROPOSED A MEETING OF THE FOUR FOREIGN MINISTERS WHEN THEY WERE IN NAMIBIA FOR INDEPENDENCE CELEBRATIONS. IT WAS AGREED THAT THE FOUR POLITICAL DIRECTORS SHOULD MEET AGAIN IMMEDIATELY PRIOR TO THE FIRST OFFICIAL FOUR PLUS TWO MEETING. WESTON SUGGESTED THAT AT FUTURE MEETINGS OF THE FOUR, POLITICAL DIRECTORS COULD BE ACCOMPANIED BY GERMAN EXPERTS AS WELL AS NOTE-TAKERS. WE MIGHT ALSO CONSIDER ESTABLISHING SUB GROUPS. ZOELICK PROPOSED THAT AN ENHANCED BONN GROUP SHOULD BE ESTABLISHED. IT SHOULD MEET AT A HIGHER LEVEL AND SHOULD BE SUPPLEMENTED BY EXPERTS FROM CAPITALS. THERE WERE A HOST OF LEGAL AND TECHNICAL ISSUES THAT NEEDED TO BE RESOLVED. KASTRUP SAID WE SHOULD ESTABLISH THE NECESSARY SUPPORT BODIES AS WE WENT ALONG. HE WOULD UNFORTUNATELY BE UNABLE TO AGREE TO MEET WITH THE THREE ALLIED AMBASSADORS IN BONN ON A REGULAR BASIS. HE HAD TOO MUCH TO DO ALREADY.

## NATO

11. KASTRUP SAID KOHL WOULD BRIEF THE NAC ON 8 MARCH ON GERMAN UNIFICATION. ZOELICK ASKED WHETHER WE SHOULD PROPOSE CONSULTATIONS WITH NATO IN ADVANCE OF THE FIRST FOUR PLUS TWO MEETING. DUFOURCQ HAD RESERVATIONS ABOUT ESTABLISHING A PRECEDENT FOR COORDINATING A POSITION WITH ALLIES AUTOMATICALLY PRIOR TO EVERY MEETING. HE WOULD PREFER TO DE-BRIEF ALLIES AFTER MEETINGS. WESTON AGREED THAT IT WAS IMPORTANT TO CARRY THE ALLIES WITH US BUT WE SHOULD NOT ESTABLISH A MECHANISTIC LINK WITH THE NAC. WE SHOULD BE FLEXIBLE AND GENEROUS IN BRIEFING ALLIES ABOUT MEETINGS, INCLUDING BILATERALLY. KASTRUP PROPOSED THAT ONE OF THE FOUR POLITICAL DIRECTORS (IN ROTATION) SHOULD DE-BRIEF THE NAC AFTER FOUR PLUS TWO MEETINGS. THIS WAS ACCEPTED IN PRINCIPLE ALTHOUGH ON OCCASION IT WOULD BE NECESSARY FOR PERMANENT REPRESENTATIVES TO DE-BRIEF RATHER THAN POLITICAL DIRECTORS. NOR WOULD DE-BRIEFING BE POSSIBLE AFTER EVERY FOUR PLUS TWO MEETING IF THESE BECAME TOO FREQUENT.

## CSCE

12. KASTRUP SAID WE SHOULD PRESENT THE RESULT OF THE FOUR PLUS TWO MEETINGS TO THE CSCE SUMMIT BUT WE SHOULD NOT SEEK ITS APPROVAL AS SUCH. WESTON SAID THAT IT WOULD BE IMPORTANT THAT

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WHATEVER WAS REPORTED TO THE CSCE SUMMIT SHOULD BE GENERALLY AGREED BY THE FOUR PLUS TWO AS A WHOLE. WE DID NOT WANT PARTICIPANTS SPEAKING THERE DISCORDANTLY. DUFOURCQ SUGGESTED A DECLARATION OF THE 35 AT THE SUMMIT WELCOMING AND TAKING NOTE OF WHAT HAD BEEN AGREED BY THE FOUR PLUS TWO.

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GERMAN UNIFICATION: MEETING OF POLITICAL DIRECTORS

1. POLITICAL DIRECTORS OF THE UK, US, FRANCE AND THE FRG MET IN LONDON ON 28 FEBRUARY TO DISCUSS GERMANY AND BERLIN IN THE CONTEXT OF THE DECISIONS MADE AT OTTAWA. THE US WAS REPRESENTED BY ZOELICK AND SEITZ.

2. MY 7 IFTS REPORT DISCUSSION OF:

- A) THE FOUR PLUS TWO
- B) MILITARY ASPECTS
- C) POLISH BORDER
- D) PEACE TREATY/SETTLEMENT
- E) LEGAL ASPECTS
- F) FOUR POWER STATUS
- G) BERLIN ELECTIONS

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BONN TELNO. 256: KOHL/BUSH MEETING

1. WE HAVE CHECKED WITH THE STATE DEPARTMENT ON 2 POINTS MADE BY KAESTNER.

(A) THEIR UNDERSTANDING IS THAT BOTH SIDES AGREED THAT NO QUOTE NATO ASSIGNED UNQUOTE FORCES SHOULD BE STATIONED IN EAST GERMANY. THE QUESTION OF WHETHER OR NOT BUNDESWEHR UNITS NOT ASSIGNED TO NATO WOULD BE PRESENT IN THE FORMER GDR WAS NOT ADDRESSED.

(B) THE AMERICANS BELIEVE IT WAS CLEARLY AGREED THAT ARTICLES 5 AND 6 OF THE NORTH ATLANTIC TREATY WOULD APPLY TO ALL THE TERRITORY OF A UNIFIED GERMANY, NOT THAT THE QUESTION NEEDED FURTHER CONSIDERATION. THE STATE DEPARTMENT ARE SENDING INSTRUCTIONS TO THE US EMBASSY IN BONN TO INFORM GENSCHER OF THE THREE MAIN POINTS WHICH WERE, IN THEIR VIEW, AGREED AT CAMP DAVID - FULL MEMBERSHIP IN NATO OF A UNITED GERMANY, GERMANY'S INTEGRATION INTO THE MILITARY STRUCTURE OF THE ALLIANCE, AND THE FULL APPLICATION OF ARTICLES 5 AND 6 TO THE WHOLE TERRITORY OF THE COUNTRY.

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MRS GLOVER LEGAL ADV



Roger Morgan  
EUROPEAN UNIVERSITY INSTITUTE

DEPARTMENT OF POLITICAL AND SOCIAL SCIENCES

(where I am now - Professor)

1 March, 1990

Dear Charles,  
I hope that as an old Königswinter  
and you will be accompanying the Prime Minister to  
Cambridge, and I look forward to seeing you again.  
I venture to express the hope that the speech  
will include something like:

"Let there be no misunderstanding: we rejoice  
with our German friends at the prospect of  
Germany's unity, which as you know has  
been a goal of British policy throughout  
the forty years of our alliance, and still is."

Something on these lines might help to rectify  
a situation in which Bush, Mitterand, Havel, and  
now even Andreotti look like reaping the benefits of  
sounding positive about Germany, while British  
interests suffer as a result of the Prime Minister's  
rather incharacteristically - "accentuating the negative."

Ciao to Carla and yourself!  
Yours sincerely,  
Roger

Charles Powell Esq.



file 1 (A-B)  
a: FOREIGN / GERMANY 2. MEM  
cc PC

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

1 March 1990

SUBJECT CC MASTER

GERMANY

The Prime Minister and the Foreign Secretary took stock this evening of developments over Germany. Their assessment was that our views and policies are gaining ground: but a great deal of work remains to be done.

They agreed that Chancellor Kohl's visit to Camp David had gone quite well, in the sense that he had re-affirmed Germany's commitment to NATO and had been put under some pressure on the issue of the Polish border. But there appeared to have been little discussion of future security arrangements for East Germany: and generally the Americans were a bit too easily pleased with rather vague commitments by the Germans.

Looking ahead, the Prime Minister and the Foreign Secretary identified the following tasks:

- we needed to work out in greater detail our own ideas on security arrangements for East Germany. It made no sense for the FRG to take over the GDR and make no plans for its defence (which seemed to be Genscher's position). Once we had a clear view, we should put it forward in the Four plus Two group;
- we needed to give thought to the EC Heads of Government meeting on 28 April, in particular how we could avoid a bounce on an IGC or institutional questions. One way would be to insist that COREPER and the Council should draw up and agree an annotated agenda in advance. This should be pursued by the Foreign Secretary next week. The key decision which we should seek at the 28 April meeting would be to establish a clear framework for negotiations on the GDR's absorption into the EC;
- we also needed to give careful thought to the Anglo-German Summit at the end of March and particularly to the handling of the press conference. It might be worthwhile trying to agree in advance on the line which the Prime Minister and Chancellor Kohl would use on unification and its

consequences at the press conference (on the model of the agreed line on SNF at the Frankfurt Summit). It would also be helpful to have Herr Teltschik over to No. 10 to prepare the Summit (although he would probably find it difficult to leave Bonn around the time of the GDR elections);

- the Foreign Secretary would let the Prime Minister have as soon as possible some further thoughts on how the CSCE framework might be developed.

CHARLES POWELL

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



PART 2 ends:-

Bonn Tel No. 256. 28.2.90

PART 3 begins:-

CDP to FCO. 1.3.90