

PREM 19/3007

PART 10

CONFIDENTIAL FILING

Chancellor Kohl's visit to the UK
April 1983, and subsequent visits
to the UK.

GERMANY

PT 1: MAY 1979

PT 10: NOVEMBER 1986

| Referred to | Date | Referred to | Date | Referred to | Date | Referred to | Date |
|---------------------|------|--------------------|------|-------------|------|-------------|------|
| 26.11.86 | | PART 10 END | | | | | |
| 26.2.87 | | | | | | | |
| 19.3.87 | | | | | | | |
| 7.7.87 | | | | | | | |
| 28.9.87 | | | | | | | |
| 16.9.87 | | | | | | | |
| 15.12.87 | | | | | | | |
| 11.12.87 | | | | | | | |
| 22/1/88 | | | | | | | |
| 25.1.88 | | | | | | | |
| 2.2.88 | | | | | | | |
| 5.2.88 | | | | | | | |
| 28.3.88 | | | | | | | |
| 20.4.88 | | | | | | | |
| 21.4.88 | | | | | | | |
| 5.7.88 | | | | | | | |
| 6.10.88 | | | | | | | |
| 17/1/89 | | | | | | | |
| 29.1.90 | | | | | | | |
| 5.3.90 | | | | | | | |
| 13.3.90 | | | | | | | |
| 23.3.90 | | | | | | | |
| 26.3.90 | | | | | | | |
| 28.3.90 | | | | | | | |
| 30.3.90 | | | | | | | |
| 4.4.90 | | | | | | | |

PREM 19/3007

PART 10 ends:-

HMT to FCW 30-3-90

PART 11 begins:-

Bonn Tel 340 2-3-90



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

30 March 1990

Richard Gozney Esq
PS/Secretary of State for
Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

Dear Richard.

ANGLO-GERMAN SUMMIT, 30 MARCH: CHANCELLOR'S BILATERAL WITH DR WAIGEL

Dr Waigel called on the Chancellor at No.11 this morning. He was accompanied by Herr Koehler, Dr Heck, Frau Aschenbrenner, Dr von den Driesch and Herr Wokalek. Mr Wicks, Mr R I G Allen and Mr O'Donnell were also present. Nearly the whole of the time available was spent on GEMU.

GEMU

After an opening exchange of courtesies Dr Waigel described recent developments on German Economic and Monetary Union (GEMU). He had been travelling extensively in order to keep colleagues abreast of developments. He would be doing so again at the Informal ECOFIN over the weekend. He assured the Chancellor that he would continue to do so and would consider any advice which was offered. He was grateful for the helpful and expert discussions he had had with fellow Finance Ministers in other countries.

Continuing, he said that with hindsight the decision to offer GEMU to the GDR had been the right one. Speed was of the essence: with each additional day the expense and difficulty increased. The GDR economy was in a state of collapse and the GDR no longer had any identity. Its leaders had no capacity to effect change and its people did not trust their own political authorities. The recent election showed a desire for democracy, freedom and a social market economy. The sooner this could be achieved the better for both the FRG and for Europe as a whole. If the GDR



remained independent for several years and only later applied to join the EC that would be far more expensive for all concerned than early GEMU and accession to the FRG under Article 23 of the Constitution.

Continuing, Dr Waigel said it was very important that Economic Union should occur simultaneously with, or preferably before, Monetary Union and the adoption of a common monetary policy. The GDR needed to move to a free market, which meant not only freeing prices but free movement for enterprises and free collective bargaining.

The GDR's external position was not easy, but nor was it a dramatic problem. When it had been borrowing it had done so with some restraint. However, the position was worse than the GDR had hitherto admitted. He estimated that there was \$18 billion of external debt. This would be a tolerable burden - there was no need to repay the principal, but the debt would have to be serviced.

Internal indebtedness was, in contrast, a big problem. After GEMU, enterprises in the GDR would have to service higher interest rates. So the choice of a conversion rate - which was still to be decided - was important. Among the major conglomerates, there were parts which were simply not competitive, even if de-centralised. He was having to reconstitute industry divisions in the Federal Finance Ministry!

The major problem with a 1:1 conversion rate - which was preferred by those concerned with social policies - was its effect on commercial debt. The Finance Ministry, Economic Ministry and Bundesbank favoured a 2:1 conversion rate (please protect).

The Chancellor said he was grateful for Dr Waigel's frankness. He agreed that the sooner GEMU could take place the better. He concurred in Dr Waigel's analysis. He was reassured by his determination to see a rapid transition to a market economy in the GDR, and the elimination of subsidy. He was following developments with interest and admiration.

Continuing, the Chancellor said that his concern was with the external implications. Reunification would give rise to higher public spending in Germany. Chancellor Kohl had indicated reluctance to put up taxes in an election year. The Bundesbank were reluctant to put up interest rates, given the views of their Community partners. But the spending pressures in the German economy might translate into higher inflation.

Dr Waigel said he thought that higher taxation was not an appropriate response. In their experience tax reduction had stimulated growth - 3½ per cent in 1989 and a projected 4 per cent for 1990. This was a helpful background to GEMU.



Continuing, he said that since 1983 the FGR had been successful in consolidating its budget. The Federal deficit was now 2 per cent of GDP. Local Government finances were even stronger, in some cases showing a surplus, and public expenditure overall showed a surplus. The Federal Government would be asking for a greater share of total revenues for 1990 and 1991, which would allow a margin for manoeuvre. This would enable a standstill in the reduction of borrowing without endangering financial stability.

There would of course have to be changes in future budgets. But it should be remembered that it currently cost DM 40 billion a year to keep Germany divided. These costs would gradually disappear, allowing some reordering of priorities, and would release funds for investment in the GDR's future.

The Chancellor asked Dr Waigel how he intended to prevent a rise in consumption in the GDR following GEMU.

Dr Waigel recognised the problem. However, the savings rate in the GDR (10,000 to 11,000 Ostmarks per capita) was far lower than in the FGR - DM 40,000 per capita. He wished to protect savers. He was considering a limit of, say, DM 2,000 on the 1:1 conversion rate above which a 2:1 conversion rate would apply, and there might need to be other restrictions (please protect). He did not think that, if savers thought their savings were secure, they would change their savings habits. However, he would not want to convert larger personal savings or company savings at this rate. However, he did not see this as the major problem. GEMU would add only one-tenth to the FGR's money stock, which could be easily accommodated. The major problem, he reiterated, was the uncompetitiveness and indebtedness of the company sector.

EMU

The Chancellor said that in his view the timetable for work on EMU should not be affected by GEMU. He was concerned that decisions on Stages 2 and 3 should not be taken before there was sufficient experience of Stage 1. How long should Stage 1 be? And what should be the conditions for movement to Stages 2 and 3?

Dr Waigel agreed that movement should be step by step: we should learn through experience. If this was successful, then the IGC in December would be able to make progress. The two key principles were stability and independence. Herr Koehler added that the conditions for moving to Stages 2 and 3 were very important. Convergence in economic performance would be a particular problem for some countries.

Insurance and Financial Services

As this stage the meeting was joined by Mr Ridley, Herr Haussmann and Mr R Mountfield (DTI).

CONFIDENTIAL



The prepared announcement on Insurance and on Directives in the financial services area was agreed without discussion, subject to confirmation of the detailed drafting by officials. The meeting broke up at this point to allow Ministers to attend the Plenary Session in No.10.

I am copying this letter to Charles Powell (No.10), Ben Slocock (DTI) and Paul Tucker (Bank of England).

Tancred Tarkowski

T TARKOWSKI

ANGLO-GERMAN SUMMIT

RECORD OF CONVERSATION BETWEEN THE SECRETARY OF STATE FOR
FOREIGN AND COMMONWEALTH AFFAIRS AND THE FOREIGN MINISTER OF
THE FRG AT THE FOREIGN AND COMMONWEALTH OFFICE: 9.10
AM-10.40 AM, 30 MARCH 1990

Present

| | |
|---------------------------------------|---|
| Rt Hon Douglas Hurd MP | Mr Genscher |
| Sir C Mallaby, HM Ambassador, Bonn | Baron von Richthofen, FRG Ambassador |
| Mr Weston | Dr Kastrup |
| Mr Kerr, AUSS | Dr Von Kyaw |
| Mr Wall, Private Secretary | Mr Chrobog |
| Mr Synnott, WED | Graf Leutrum |
| Mr Keefe, WED | Mr Mützelburg |
| | Frau Notbohm (Interpreter) |

1. The Secretary of State invited Mr Genscher to set the scene and give his view of the likely timetable of unification; prospects for immigration from the GDR; and the 2+4 talks.

German Unification

2. Mr Genscher said that the three centre-right parties and the liberals in the GDR had a majority, but he wanted to see SPD participation, which would allow the two-thirds majority that was needed for some decisions. The SPD were coming round to this view and now realized the risks of sharing opposition with the former SED. GEMU would need to reach a result soon. Chancellor Kohl had said it should begin, at the latest, before the summer holidays, which started in the GDR on 2 July. If there was any delay the number of refugees would increase. The problems of economic and social union were enormous. An immense number of legal changes would have to be put through the Volkskammer, and

there was a large difference in the level of productivity in the two parts of Germany. GEMU was the focus of public attention in the GDR because it meant higher living standards upon unification. Constitutional unification would follow. The objective remained to sort unification out by the time of the CSCE Summit. There was no longer any question over using Article 23 as the route but all those supporting this realised that it could only be applied once the external aspects of unification had been settled in the 2+4. In answer to a question from the Secretary of State, Herr Genscher expressed the view that it would be the GDR as a whole, rather than the individual Länder which made the application, even if the Länder were re-formed.

3. The process of creating GEMU would in itself introduce additional instability because of, for example, the row over treatment of former Stasi. GEMU would mean unemployment in the short term. Of the three major sectors of the economy, the bureaucracy and manufacturing industry were heavily over-manned. But services were under-manned and there would in due course be an employment explosion there. But people needed to be convinced that retraining was in their interests. There needed to be rapid investment in the modernisation of industry. Mr Genscher was hopeful. Market forces were working already. For example, the 15-20 year waiting list for Trabant cars had disappeared in the expectation of buying West German cars soon for hard currency.

Security Issues

4. The Secretary of State asked how this would affect the timetable of the 2+4 talks. It was to be hoped that official and ministerial level talks could proceed in April, as envisaged. Mr Genscher said that the timetable was realistic. There would soon be a GDR government, and it was vital not to give the Soviet Union the impression that we

were prepared to go ahead with GEMU, but not prepared to make progress on the external aspects. The Secretary of State enquired whether the Federal Government still envisaged a 5-6 year transition period for the departure of Soviet forces in Germany. Herr Genscher replied that we needed to agree a Western strategy on security. The FRG had put forward two important propositions. First, a united Germany would be in NATO. Major Warsaw Pact states supported this. Skubiszewski and Dienstbier had needed no convincing and it was clear from Genscher's conversation with Shevardnadze in Windhoek that the Russians realised privately that neutrality was not an acceptable option for Germany. But they could not say this openly because it was not yet clear what alternative solution there would be. Again Dienstbier had told Genscher that he had made Czechoslovakia's position very clear at the Prague Warsaw Pact conference and that Shevardnadze had thanked him afterwards for doing so. Dienstbier's interpretation was that Shevardnadze wanted to take a clear message back to Moscow. The second important point was that NATO should not expand its frontier into the GDR.

5. It was now time for the Soviet Union to make its response to these positions. It would be dangerous if the West were now to take further steps. It was clear that the Soviet Union was worried. Shevardnadze had said in Windhoek that even if Soviet Troops remained in the territory of the GDR under a Treaty, there was nothing to guarantee that there would not, in a year's time, be demonstrations outside the barracks demanding that they go, as had happened in Poland and Czechoslovakia. The Poles too were concerned that the continuing presence of Soviet Troops in the GDR had implications for Soviet Troops in Poland. That was a difficult pill to swallow when Czechoslovakia and Hungary had secured the withdrawal of Soviet Troops. For such

reasons, disarmament was a basic element of German and European unification.

6. Mr Genscher said that the Soviet Union would soon ask in the 2+4 talks what level of forces there would be in the territory of the present GDR. We would be well advised to avoid replying in 2+4 because this would amount to singularisation of Germany. But we should not avoid the question altogether and should have to reply elsewhere, for example in disarmament talks between the two alliances. There were two ways in which we could reply, though the substance would have to remain the same. The first was to say that we intended to conclude CFE 1 as it stood, but make it clear that we were ready to agree on further moves in CFE 2. The second way was to take what would otherwise be in CFE 2 and put it into CFE 1, which was the Soviet preference.

7. The US position, with which both the UK and FRG agreed, was that we could only have a CSCE Summit once we had a CFE agreement. The Soviets wanted a Summit. The Germans wanted agreement on unification by the time of the Summit. So everyone had an interest in settling all the outstanding issues by the Autumn. There was another argument for presenting the external aspects of German unification to the CSCE Summit. The Summit had not been decided on because of German unification. The question could not wait until the Helsinki Summit of 1992. And it would be impossible to hold another, which would be exclusively concentrated on German unification: this would come very close to a peace treaty negotiation which was unacceptable to the FRG.

8. The Western side needed to agree on what military strength it needed in future. We had agreed two basic principles.

- (a) There was no linkage between the presence of the US forces in the FRG and the presence of Soviet forces in the GDR.
- (b) Even after German unification, and after conclusion of CFE 2, there would be German and Allied troops in the territory of the FRG.

We now had to build on this and consider what strength the two sides would have. It was urgent, but must be kept out of the 2+4 forum.

9. Mr Genscher said that at Windhoek, Shevardnadze had raised with him the question of a peace treaty. Did we need one? He had replied that a peace treaty would have to involve everyone, even Namibia, which was only two days old. But he had agreed with Shevardnadze that we needed somehow to draw a line and to end allied rights and responsibilities. Shevardnadze had suggested a line by line wrapping up of the Potsdam agreement, deciding what had been resolved, what was obsolete and what was still open. The Potsdam agreement referred to the need to guarantee peace in Europe. We could say that Potsdam had come to an end once this was assured. His impression was that what the Soviets wanted was the substance of a settlement and not a peace treaty in itself. But they would need some good reasons for not having a peace treaty which could be presented to their domestic opinion.

10. The Secretary of State thanked Mr Genscher for his account. It would be very useful for his visit to Moscow, on 9 April, from where Mr Weston had just returned. He saw a number of key issues. On neutrality, the Soviet position was outwardly hardening, but inwardly there was questioning. He would press on this when he was in Moscow. They might want to remain tough as the FRG election process proceeded. This was to be avoided. Hence the 2+4 talks should progress

quickly. Herr Genscher agreed. The Secretary of State said that he would telephone Mr Genscher before he left.

11. The Secretary of State said that Mr Weston had spent a lot of time discussing the question of an overall settlement with the Russians. He had told them that a peace treaty was not on. But we needed to draw a line and agreement on how to do this. It was important to the Soviet Union. Perhaps the answer was a mix of various documents, not a single document. We needed to study this. Mr Genscher agreed. On force levels, it was urgent to reach agreement. The Prime Minister had the previous evening spoken for the first time of reductions in UK forces. The Defence Secretary was working on this. We also needed agreement on nuclear weapons. It was not clear whether all this could be sorted out in CFE 1 or whether we should first agree CFE 1 and then deal with these questions in CFE 2. He inclined to the second point of view. The Secretary of State and Mr Genscher agreed that this was essentially a question of timing, substance would be the same in either case. Finally, we needed to address the future of the NATO alliance, its organisation, its content. As the Secretary of State had told M. Rocard, we should find a way of ending the distinction between FRG and French membership. Mr Genscher said that we should be careful to avoid giving the Soviet Union an opportunity to suggest that this should be done by deintegrating the FRG from the military structure. Hence the French position should not be discussed in the 2+4.

12. Mr Weston said that the Soviet Union was aware that its position on these issues was weak. Bovin's kiteflying article in ISZVESTYA on 23 March was remarkable in suggesting that the inclusion of the GDR in NATO would not have significant security implications for the Soviet Union. They were uneasy over the idea of a peace treaty. He had

pointed out to them the problems of a negotiation involving all "57 varieties" of country. The Soviet Union was also wondering whether the 2+4 talks could discuss the military status of Germany. He had replied that the 2+4 should be a steering group which identified the questions for discussion and satisfied itself that they were being properly covered wherever most appropriate. Meanwhile, the GDR held the chairmanship of 2+4 and had no government. How could we ensure that meetings took place? Mr Genscher said that he hoped there would be a government in 2-3 weeks. The FRG were considering sending officials to strengthen the GDR's MFA.

13. The Secretary of State said that we should meanwhile organise our thoughts on the Western side, eg through the Bonn Group. Mr Weston said that these consultations should agree the basic principles of our position before the next 2+4. These should be that Germany would remain a full member of NATO; Allied stationed forces within an integrated military structure; a sensible mix of nuclear and conventional weapons; transitional arrangements for the territory of the former GDR; and that the North Atlantic Treaty should apply. There seemed to be a lingering question mark over this last point.

14. The Secretary of State recalled that Mr Genscher had told him previously that Articles 5 and 6 of the NATO Treaty should not apply to the GDR. He had said later however that they could begin to apply once the Soviet troops had gone. Mr Genscher said that he saw three options. The first that Articles 5 and 6 should apply only to the present territory of the FRG. He had ruled this out. The second option was that Articles 5 and 6 should apply immediately to the territory of the GDR. The third option was that Articles 5 and 6 should apply to the territory of the GDR in a limited sense. In other words they should only apply if the Soviet

Union violated its obligations under the Treaty governing the stationing of its troops in the GDR. He thought that the question of Articles 5 and 6 would not in fact be decisive for the Soviet Union. The key point for them would be stationing and levels of forces. For our part, we should not allow ourselves to concentrate so much on troop reductions in Central Europe that we ended up with limits on our forces in Central Europe while the Soviet Union had unlimited forces in Eastern Europe (ie in the European territory of the USSR). But the Soviet Union had difficulties about the disposal of the troops it withdrew from Central Europe. This was a financial as well as a military problem and he expected them to raise it soon.

15. The Secretary of State agreed that Articles 5 and 6 were not decisive for the Soviet Union, but the question would need careful handling within the Alliance to avoid offending eg Dutch and Italian sensitivities. Mr Genscher agreed.

Lithuania

16. The Secretary of State said that he had been struck by the gloomy signals that were coming from Moscow. Gorbachev had asked to speak to the Prime Minister before the Anglo-German Summit by telephone. (Mr Genscher expressed his surprise that it had been Mr Gorbachev's initiative.) We had assumed that he wanted to speak about German unification. Instead, there had been an hour's conversation about Lithuania. Gorbachev had refused several opportunities to say that no force would be used. He clearly thought that the Lithuanians were behaving unreasonably. We were concerned that Moscow might have given operational control to the local military. We would need to keep a very close eye on the situation. Gorbachev probably wished to create a looser structure in the Soviet

Union to keep defecting republics in: it was not just a question of Lithuania. There was also the Ukraine. There was a risk that if there was a massacre in, say Vilnius, the whole reform process could go into reverse.

17. Mr Genscher said that the West had handled the situation well so far. Gorbachev wanted to achieve two things. First, an internal procedure for republics to leave the USSR. This could only be solved internally. Second, some external organisation into which departing republics could fit. This could be solved for example through the CSCE. It was mainly a question of saving face. In the long term, Gorbachev knew that several republics would leave the Soviet Union. The problem was that although the USSR was theoretically a federal state, in fact it was monolithic.

18. Mr Genscher asked whether Mr Weston had gained the impression in Moscow that the posting of Adamishin to Rome was a normal personnel decision. Mr Weston said that Adamishin was well qualified for Rome. Of more concern was the fact that his replacement was Kvitsinsky. Those who knew him well said that, in addition to his expertise on Germany, he tended to "play hard ball". His own main impression in Moscow had been that the Russians were at sixes and sevens. Mr Kastrup said that he would be visiting Moscow the day before the Secretary of State's visit.

South Africa

19. The Secretary of State and Mr Genscher discussed their participation in the Namibian Independence celebrations in Windhoek. They agreed that Mr Mandela was the most impressive black leader in Southern Africa. He had great authority because of his time in prison. But this was a wasting asset. He was an old man and would lose credibility if reform did not happen quickly. The Secretary of State said that he had had a long talk with Mr De Klerk. He had

probed him on violence and political prisoners. His impression was that the South African government were ready to move a long way. In private they were already talking about events a long way down the line, for example, how to establish rights for minority groups so that they could not be overturned. Zimbabwe was not a good example. They were looking at other models, eg Switzerland. In the recent budget, the South African government had given 2bn Rand to the Urban Foundation for black education and housing. This was separate from what the government was doing. The UK and US were also doing something in these areas. He hoped that the EC could gear itself up to do something for blacks once apartheid was gone.

Bilateral issues

20. The Secretary of State and Mr Genscher agreed on a number of points of bilateral interest for presentation at the Press Conference later that day.

21. The meeting ended at 10.40 am.

Distribution

Private Secretary

PS/Mr Waldegrave

PS/Mr Maude

PS/PUS

Mr Weston

Mr Broomfield

Mr Greenstock

Mr Tait

Mr Kerr

Heads: WED

Sec Pol D

ECD (E)

ECD (I)

SovD

EED

SafD

NCAD

CSCE Unit

CRD

Chanceries: Bonn

East Berlin

BM Berlin

Washington

Moscow

Other EC & E. European Posts

Tokyo

Ottawa

Canberra

UKMIS GENEVA

UKDEL NATO

UKMIS NEW YORK

Distribution (cont)

PS/Prime Minister

PS/Mr King

PS/Mr Ridley

PS/Mr Major

Mr Stow, IEP, DTI

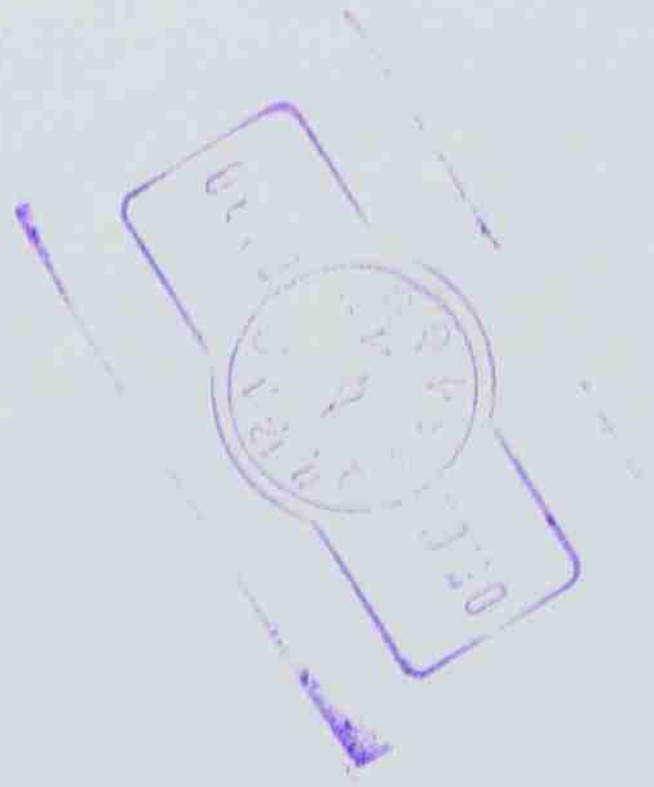
Mrs Brown, EC, HMT

Mr Hedley, Sec NATO/UK P, MOD

Mr Appleyard, Cabinet Office

Mr Macrae, Cabinet Office

Mr Parker, Cabinet Office



DRAFT PRESS RELEASE

English Language Training in the GDR

- The Prime Minister was pleased to inform the Chancellor that the United Kingdom would be organising an important English Language Training initiative in the GDR with support from the Know How Fund. (Note: Poland, Hungary and Czechoslovakia are the other countries to which the Know How Fund has already been extended).

- The programme of English Language Training support will be managed by the British Council. Its overall aim will be to help establish English as the vehicle for the transfer of management and other skills. Russian has been the principal second language in the GDR up to now: there is an enormous demand for English, in particular from the business and scientific community. It is intended to develop the programme in close collaboration with the new GDR Government. Key elements are likely to include:

- (a) training and professional upgrading of teacher-trainers;
- (b) teaching managers and industrialists;
- (c) appointment of British experts to universities and other teacher-training institutions;
- (d) advice on strategies for meeting the specific English language needs of business, commerce and the professions;
- (e) provision of teaching materials in-service training etc;



CONFIDENTIAL

FILE KK



bc PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

30 March 1990

See Steph.

ANGLO-GERMAN SUMMIT: PLENARY SESSION

I enclose a record of the plenary session of the Anglo-German Summit, which is very largely the work of Hilary Synnott of the FCO.

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

John Gieve,

A handwritten signature in cursive script, appearing to read 'C. D. Powell'.

(C. D. POWELL)

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

CONFIDENTIAL

CONFIDENTIAL

ANGLO-GERMAN SUMMIT, 30 MARCH 1990

RECORD OF THE PLENARY SESSION AT NO 10 DOWNING STREET,
10.45 AM

The Prime Minister summarised her discussions with Chancellor Kohl before asking the other four Ministers on each side to report on their own individual meetings.

The Prime Minister said that she and Chancellor Kohl had agreed on the importance of a united Germany being in NATO. Chancellor Kohl had given a detailed account of the processes and practicalities of unification, including the economic and financial aspects, the need to convert East German industry to modern technology, and the constitutional aspects.

There had not been a detailed discussion of the assimilation of the GDR into the European Community. But the EC would need to discuss such issues as agriculture, fisheries, trade, and the possible effects of different prices across the former Inner German Border. Chancellor Kohl had taken the view that the European Summit in Dublin on 28 April should not take decisions of substance but should focus on procedure. On Lithuania, there had been agreement on the need for both sides to keep calm: solutions should be brought about through dialogue and discussion. Language should be carefully chosen. For this reason we avoided reference to "negotiation", referring to "dialogue" instead. There had been a brief discussion of South Africa, given that she and Chancellor Kohl were both due to meet Mr De Klerk soon. Finally, Britain would announce a small initiative involving English Language Teaching in the GDR. The Prime Minister had also been very glad to agree to a suggestion from Chancellor Kohl that we should offer some scholarships for the GDR. This would be done through the British Council.

Chancellor Kohl agreed with the summary. He particularly welcomed the initiative over English Language Teaching and

CONFIDENTIAL

scholarships. This would be an important signal to the GDR, which was in a difficult psychological position after 40 years of Stalinism (the last democratic elections in Leipzig had occurred in November 1932). The East Germans had a deep wish to be part of Western society, with shared language, security and economies. As he had said at Erfurt, the diocese had been founded by St Boniface; Luther had been a priest there; and Goethe and Napoleon had met there.

On unification, Chancellor Kohl said that he wanted to progress hand in hand with Germany's friends. He did not want to face them with a fait accompli. It was necessary to integrate progress with the GDR over internal matters with that in other processes such as NATO, the 2+4 and the EC. He hoped that the 2+4 would finish their work before the CSCE Summit. Pan-German elections might take place in the second half of 1991. It was to be hoped that, in the second half of 1990 when the DM was the currency in East Germany, British companies would invest there, making use of the excellent workforce.

The Foreign Secretary then gave an account of his discussions with Herr Genscher, who had described the process of the formation of a government in the GDR, which might occur in about two weeks. It was agreed that the momentum of the 2+4 process should be kept up with, ideally, a meeting at official level in the first half of April and of Ministers in the second half. Discussion of German economic and monetary union had covered the timing, the difficulties and how to overcome them. Herr Genscher had said that all were agreed upon the Article 23 route towards unification. This would probably be taken by the GDR as a whole, although Lander would be created. On security issues, the importance that a united Germany should remain in NATO was agreed. In discussing the Soviet reaction, it was noted that the Russian position had hardened outwardly but inwardly there was questioning and uncertainty, leaving open possibilities for bargaining. It was hoped that the Russians would in due course accept Germany's membership of NATO if there were special arrangements for Soviet forces in the GDR and a timetable for their withdrawal. The Western Allies should agree upon security

arrangements, including numbers of stationed forces, against the probability of Soviet proposals. It was noted that the Soviet Union attached importance to the orderly termination of post-war agreements and powers. There was discussion about the difficulties of a Peace Conference with many participants. But there was nonetheless a need for an orderly agreement with legal substance.

The Foreign Secretary said that there had also been discussion of Lithuania, South Africa and Namibia. Herr Genscher had noted that the personalities of both Mr de Klerk and Mr Mandela were such that they would be able to embark upon a dialogue with a good prospect of success. The need to help black South Africans had also been noted. Finally, there had been some discussion of bilateral issues.

Herr Genscher said that, on South Africa, he had been impressed by the degree of mutual respect between Mr Mandela and Mr de Klerk. The best use should be made of the present opportunities. On the 2+4 process, Herr Genscher said that it was agreed that questions of security and disarmament in Europe should not be taken up by the 2+4 but that legitimate questions by the Soviet Union should be replied to in the disarmament conference in Vienna. Hence discussion of troop levels in the GDR should not be discussed in the 2+4 since this would risk creating a special status for Germany. He noted that the Foreign Secretary had proposed that the Alliance should harmonise a position as soon as possible for use with the Soviet Union. As Herr Kohl had said, these issues should be dealt with before the CSCE Summit, which had been proposed by the Soviet Union to discuss a future order in Europe, not to discuss unification. The Soviet Union therefore also had an interest to complete discussion by then. If it was any later, difficulties would arise. A special conference on Germany should be avoided because it would come close to the concept of a Peace Conference.

The Prime Minister commented that Britain and Germany were probably on the same lines on these issues but she wished to clarify one point. Chancellor Kohl had stated that the question

of borders other than the Oder-Neisse Line should not be discussed in the 2+4. The wider forum of the Helsinki Accord, which involved all NATO and Warsaw Pact countries, and which allowed for changes of borders only by agreement, was the only appropriate forum for such discussion. But meanwhile the 2+4 would be a good sounding-board with which to establish the views of the Soviet Union. This would provide ideas for the wider forum. Ultimately, therefore, we should work on the Helsinki Accords for the longer term. Chancellor Kohl and Herr Genscher indicated their agreement to this.

The Defence Secretary said that his discussion with Herr Stoltenberg had mirrored what had been said previously. Views of the MOD and the Federal Ministry of Defence on the general approach were close. He had strongly supported full membership by a united Germany of NATO. There could be no question of first- and second-class memberships. At the recent Warsaw Pact meeting, other Warsaw Pact members had shared none of Mr Shevardnadze's difficulties about Germany's membership of NATO. But there were difficult military questions. Full membership of NATO implied the application of Articles 5 and 6 of the North Atlantic Treaty to the former GDR. It had to be considered how they should apply when Soviet troops were present in the GDR for a transitional period. It was accepted that NATO troops should not be stationed in the GDR as a peacetime restraint; but it was necessary to ensure that NATO's undertakings maintained credibility. The Defence Secretary said that he was sensitive to the problems associated with military training in German, and was glad to note German appreciation of changes which had been made this year. But troops could not be confined to barracks. Finally, the Defence Secretary expressed warm appreciation on behalf of British forces in Germany for the help received from the German police over the terrorist threat.

Herr Stoltenberg underlined that there was excellent bilateral and Alliance-wide cooperation over large-scale exercises. The UK's contribution to this was important and helpful. The FRG's territory had the largest concentration of exercises in the Alliance because of the large Allied presence

and the need for reinforcement in time of tension. There was a growing understanding on the part of the German population of the need for exercises, even against a background of increasing reductions in forces.

The Prime Minister referred to the importance of out-of-area defence, for instance in the Middle East, which would be the source of oil supplies for some time, and in relation to Iraq, which had been seeking nuclear-related equipment. Although this had not been an issue at the current meeting, the Prime Minister expressed the hope that discussion might be pursued further in bilateral contacts. She recognised the constraints which applied under the German constitution. But with so much changing in Europe, we should be ready to examine some of these matters afresh. The Defence Secretary added that this was also relevant to counter-terrorism, over which Britain was grateful for German cooperation.

Chancellor Kohl said that he intended to raise at the Dublin European Summit the connection between drugs and the Mafia. The Prime Minister of Spain was concerned that the Mafia was increasingly active in Europe, as in the United States. The question should be tackled more forcefully since, with open borders in 1992, the Mafia's role would be greatly facilitated. The European Summit might usefully receive reports from experts.

On economic and financial affairs, the Chancellor of the Exchequer said that Herr Waigel had given a comprehensive report on the problems and opportunities represented by GEMU. He had expressed confidence that the problems could be dealt with, including the establishment of a Deutschmark/Ostmark conversion rate; the need to maintain a prudent fiscal policy; the containment of upward pressure on inflation; and the creation of social market conditions in the GDR, allowing for free competition and proper price, wage and tax structures. The Chancellor said that it was desirable that the GDR should be fully integrated into the EC as soon as possible. The forthcoming informal meeting of ECOFIN would allow further discussion on EMU. It was agreed that the IGC should be neither

accelerated nor delayed.

Herr Waigel said that, taking account of the economies of the Lander and of the dealings of insurance companies, the FRG had a surplus which would allow a wide margin of manoeuvre in relation to GEMU. There was a good possibility of financing private investment in the GDR, which was well suited for such investment and had a good workforce. There should be a more equitable division of responsibility between the Federal, Lander and local governments. Local governments also had surpluses in 1989. It was also helpful that the FRG faced the prospect of a 4% growth rate. And there would be many opportunities for savings of the DM40bn which were currently spent by the FRG on Inner-German-related matters including Berlin, taxes, borders and the previous practice of purchasing emigration. Furthermore, the GDR would need to spend less this year than in 1989. Stocks of savings represent unused potential. Thus it would not be necessary for Germany to overdraw on international capital markets. There would be close cooperation with the Bundesbank. It would be possible to maintain calm without pressure on interest rates. The timetable of GEMU did not affect that of EMU. It was better that the GDR should be exposed to Europe sooner, through unification under Article 23, than later, when the GDR's economic situation might have deteriorated further.

The Trade and Industry Secretary said that there had been a good discussion on the effects of unification on trade and investment, including how British and German firms might cooperate. As regards the application of EC rules to the GDR, Mr Ridley said that Herr Haussmann would make representations to the GDR government when it was formed on monopolies and competition policy. Herr Haussmann had also given assurances about maintaining a strong control on trade over the Inner-German border so that trade regulations were complied with. On EC matters, there had been identical positions as regards the importation of Japanese cars. There would be no action in respect of imports of Japanese cars manufactured in the United States or in respect of such cars circulating freely in EC countries if they had been made in the EC. Nor should there be

CONFIDENTIAL

- 7 -

EC restrictions on imports into those EC countries which did not want such restrictions. It would therefore be necessary to find devices for such countries as France and Italy in relation to 1992. On the Single Market, a joint understanding had been reached on the question of the future of insurance which would allow entering negotiations in total agreement. It was expected to be possible to get directives on to the statute books soon. On the Uruguay round of GATT, both Ministers would encourage respective Agriculture Ministers to be more forthcoming during this round.

Herr Haussmann said that bilateral trade relations were favourable. Imports from Britain had increased by 14% and the FRG was Britain's biggest market. This year the FRG would increase demand and hence imports. The FRG wished to increase UK/FRG investment consortia in FRG markets. There was much demand also in the GDR for consumer goods, machinery, and in the construction and financial sectors. Insurance companies and banks would have EC cartel law applied so as to allow free EC access. COMECON must be handled so that imports did not affect Western European markets. Bilateral trade policy was good, with good mutual support in Brussels. The next GATT round must be successful.

The Prime Minister agreed on the importance of bringing trade barriers down. Britain and Germany should remain in close touch. At the Press Conference there would be an attempt to provoke divisions. This should be resisted.

Chancellor Kohl expressed his gratitude for the frank discussions. As the Prime Minister had said in Cambridge, friendship must include divergences which could be brought to an amicable conclusion. FRG/UK relations were a cornerstone of German policy. BAOR demonstrated this. Germany's 40 years of freedom had only been possible as a result of British support, of which the airlift was an example. Chancellor Kohl said he knew what terrorism against British soldiers meant. They had his personal sympathy. He expressed a wish that Britain and Germany should move ahead together in the new developments in Europe.

CONFIDENTIAL

CONFIDENTIAL

- 8 -

There would be differences, but these could be solved. It was an hour of triumph for Western policy brought about through Mr Gorbachev and the stability of the West and of Western policies. Germany wished to continue in partnership with Britain.

CONFIDENTIAL

OK

C. CONFIDENTIAL

afk



Foreign and Commonwealth Office

London SW1A 2AH

30 March 1990

Dear Charles,

Anglo-German Summit: Plenary Session

I enclose Hilary Synnott's draft record of the plenary session at 10 Downing Street this morning.

Yours,

(J S Wall)

Private Secretary

C D Powell Esq
10 Downing Street

C. CONFIDENTIAL

SCANNED
PLENARY

ANGLO-GERMAN SUMMIT, 30 MARCH 1990

RECORD OF THE PLENARY SESSION AT NO 10 DOWNING STREET,
10.45 AM

The Prime Minister summarised her discussions with Chancellor Kohl before asking the other four Ministers on each side to ~~summarise~~ ^{report on} their own individual ~~discussions~~ ^{meetings} which had occurred that morning.

*Ger 80
&
Chancellor
Kohl
had
agreed*

The Prime Minister ~~thought that there had been a large~~ ^{said} ~~measure of agreement with Herr Kohl on the question of NATO~~ ^{Chancellor} and the implications of German unification. ~~The fact that a united Germany would be a member of NATO was not in doubt.~~ ~~The Prime Minister said that Herr Kohl had given a detailed account of the processes and practicalities of unification, including the economic and financial aspects, the need to convert East German industry to modern technology, and the constitutional aspects.~~

*importance of
a united
Germany
being
in
NATO*

There had not been a detailed discussion of the assimilation of the GDR into the European Community. But the EC would need to discuss such issues as agriculture, fisheries, trade, and the possible effects of different prices across the former Inner German Border. Herr Kohl had taken the view that the European Summit in Dublin on 28 April should not take decisions of substance but should focus on procedure. On Lithuania, there had been agreement on the need for both sides to keep calm: solutions should be brought about through dialogue and discussion. Language should be carefully chosen. For this reason ~~HMG~~ ^{we} avoided reference to "negotiation", referring to "dialogue" instead. There had been a brief discussion of South Africa, ~~since~~ ^{we} Herr Kohl was due to meet Mr De Klerk. ^{from} Finally, Britain would announce a small initiative involving English Language Teaching in the GDR. The Prime Minister had also been very

*Chancellor
Kohl*

see - Chancellor were both

glad to agree ^{to} upon a suggestion from Herr Kohl ^{to} offer some scholarships for the GDR. This would be done through the British Council.

Herr Kohl said ~~that he~~ entirely agreed with the summary. He particularly welcomed the initiative over English Language Teaching and scholarships. This would be an important signal to the GDR, which was in a difficult psychological position after 40 years of Stalinism (the last democratic elections in Leipzig had occurred in November 1932). The East Germans had a deep wish to be part of Western society, with shared language, security and economies. As he had said at Erfurt, the diocese had been founded by St Boniface; Luther had been a priest there; and Goethe and Napoleon had met there.

On unification, Herr Kohl said that he wanted to progress hand in hand with Germany's friends. He did not want to face them with a fait accompli. It was necessary to integrate progress with the GDR over internal matters with that in other processes such as NATO, the 2+4 and the EC. He ~~expressed the wish~~ ^{hoped} that the 2+4 ~~should~~ finish their work before the CSCE Summit. Pan-German elections might take place in the second half of 1991. ~~There would be problems but they were capable of solution.~~ It was to be hoped that, in the second half of 1990 when the DM was ^{the} currency in East Germany, British companies would invest there, making use of the excellent workforce.

The Foreign Secretary then gave an account of his discussions with Herr Genscher, who had described the process of the formation of a government in the GDR, which might occur in about two weeks. It was agreed that the momentum of the 2+4 process should be kept up with, ideally, a meeting at official level in the first half of April and of Ministers in the second half. Discussion of German economic and monetary union had covered the timing, the difficulties and how to overcome them. Herr Genscher had

said that all were agreed upon the Article 23 route towards unification. This would probably be taken by the GDR as a whole, although Länder would be created. On security issues, the importance that a united Germany should remain in NATO was agreed. In discussing the Soviet reaction, it was noted that the Russian position had hardened outwardly but inwardly there was questioning and uncertainty, leaving open possibilities for bargaining. It was hoped that the Russians would in due course accept Germany's membership of NATO if there were special arrangements for Soviet forces in the GDR and a timetable for their withdrawal. The Western Allies should agree upon security arrangements, including numbers of stationed forces, against the probability of Soviet proposals. It was noted that the Soviet Union attached importance to the orderly termination of post-war agreements and powers. There was discussion about the difficulties of a Peace Conference with many participants. But there was nonetheless a need for an orderly agreement with legal substance.

The Foreign Secretary said that there had also been discussion of Lithuania, South Africa and Namibia. Herr Genscher had noted that the personalities of both Mr de Klerk and Mr Mandela were such that they would be able to embark upon a dialogue with a good prospect of success. The need to help black South Africans had also been noted. Finally, there had been some discussion of bilateral issues.

Herr Genscher said that, on South Africa, he had been impressed by the degree of mutual respect between Mr Mandela and Mr de Klerk. The best use should be made of the present opportunities. On the 2+4 process, Herr Genscher said that it was agreed that questions of security and disarmament in Europe should not be taken up by the 2+4 but that legitimate questions by the Soviet Union should be replied to in the disarmament conference in Vienna. Hence discussion of troop levels in the GDR should not be discussed in the 2+4 since this would risk creating a special status for Germany. He

noted that the Foreign Secretary had proposed that the Alliance should harmonise a position as soon as possible for use with the Soviet Union. As Herr Kohl had said, these issues should be dealt with before the CSCE Summit, which had been proposed by the Soviet Union to discuss a future order in Europe, not to discuss unification. The Soviet Union therefore also had an interest to complete discussion by then. If it was any later, difficulties would arise. A special conference on Germany should be avoided because it would come close to the concept of a Peace Conference.

The Prime Minister commented that Britain and Germany were probably on the same lines on these issues but she wished to clarify one point. ^{Germany} Herr Kohl had stated that the question of borders other than the Oder-Neisse Line should not be discussed in the 2+4. The wider forum of the Helsinki Accord, which involved all NATO and Warsaw Pact countries, and which allowed for changes of borders only by agreement, was the only appropriate forum for such discussion. But meanwhile the 2+4 would be a good sounding-board with which to establish the views of the Soviet Union. This would provide ideas for the wider forum. Ultimately, therefore, we should work on the Helsinki Accords for the longer term. ^{Germany} Herr Kohl and Herr Genscher indicated their agreement to this.

The Defence Secretary said that his discussion with Herr Stoltenberg had mirrored what had been said previously. Views of the MOD and the Federal Ministry of Defence on the general approach were close. He had strongly supported ~~the~~ full membership by a united Germany of NATO. There could be no question of first- and second-class memberships, ~~while fears elsewhere should be avoided.~~ At the recent Warsaw Pact meeting, other Warsaw Pact members had shared none of Mr Shevardnadze's difficulties about Germany's membership of NATO. But there were difficult military questions. Full membership of NATO implied the application of Articles 5 and 6 of the North Atlantic Treaty. It had to be considered how

POFABA/4

to the former GDR

they should apply when Soviet troops were present in the GDR for a transitional period. It was accepted as ~~a possibility~~ that NATO troops should not be stationed in the GDR as a peacetime restraint; but it was necessary to ensure that NATO's undertakings maintained credibility. The Defence Secretary said that he was sensitive to the problems associated with military training in Germany, and was glad to note German appreciation of changes which had been made this year. But troops could not be confined to barracks. Finally, the Defence Secretary expressed warm appreciation on behalf of British forces in Germany for the help received from the German police over the terrorist threat.

Herr Mr Stoltenberg underlined that there was excellent bilateral and Alliance-wide cooperation over large-scale exercises. The UK's contribution to this was important and helpful. ^{the} FRG ^{Germany} soil had the largest concentration of exercises in the Alliance because of the large Allied presence and the need for reinforcement in time of tension. There was a growing understanding of the need for exercises on the part of the German population, even against a background of increasing ~~disarmament~~ ^{reductions in} ~~armaments~~ ^{force} ~~armaments~~ ^{force}.

The Prime Minister referred to the importance of ~~defence, and minimum deterrence in matters outside the NATO domain also, including Out of Area, for instance in the Middle East, which would be the source of oil supplies for some time, and in relation to Iraq, which had been seeking nuclear-related equipment.~~ ^{out-of-area} Although this had not been ^{an issue} discussed, the Prime Minister expressed the hope that discussion might be pursued, ^{perhaps through NATO} ~~perhaps through NATO~~. The Defence Secretary added that this was also relevant to counter-terrorism, over which Britain was grateful for German cooperation.

Herr Kohl said that he intended to raise at the Dublin European Summit the connection between drugs and the Mafia. The Prime Minister of Spain was concerned that the Mafia was

POFABA/5

Handwritten notes:
But it's so much longer in Europe. We should be ready to examine some of these matters afresh.
See recognised constraints which applied under the Geneva Convention.
The structure of the Mafia is different from that of the Mafia in Italy.
The Mafia is a threat to the security of Europe.

increasingly active in Europe, as in the United States. The question should be tackled more forcefully since, with open borders in 1992, the Mafia's rôle would be greatly facilitated. The European Summit might usefully receive reports from experts.

On economic and financial affairs, the Chancellor of the Exchequer said that ~~time did not allow his useful discussions with Herr Waigel to be completed. They might resume again in London or Bonn.~~ Herr Waigel had given a comprehensive report on the problems and opportunities represented by GEMU. He had expressed confidence that the problems could be dealt with, including the establishment of a Deutschmark/Ostmark conversion rate; the need to maintain a prudent fiscal policy; the containment of upward pressure on inflation; and the creation of social market conditions in the GDR, allowing for free competition and proper price, wage and tax structures. The Chancellor said that it was desirable that the GDR should be fully integrated into the EC as soon as possible. The forthcoming informal meeting of ECOFIN would allow further discussion on EMU. It was agreed that the IGC should be neither accelerated nor delayed.

Herr Waigel said that, ~~since 1982 there had been a constant consultation process on budgetary matters.~~ Taking account of the economies of the Länder and of the dealings of insurance companies, the FRG had a surplus which would allow a wide margin of manoeuvre in relation to GEMU. There was a good possibility of financing private investment in the GDR, which was well suited for such investment and had a good workforce. There should be a more equitable division of responsibility between the Federal, Länder and local governments. Local governments also had surpluses in 1989. It was also helpful that the FRG faced the prospect of a 4% growth rate. And there would be many opportunities for savings of the DM40bn which were currently spent by the FRG on Inner-German-related matters including Berlin, taxes, borders and the previous practice of purchasing emigration.

Furthermore, the GDR would need to spend less this year than in 1989. Stocks of savings represent unused potential. Thus it would not be necessary for Germany to overdraw on international capital markets. There would be close cooperation with the Bundesbank. It would be possible to maintain calm without pressure on interest rates. The timetable of GEMU did not affect that of EMU. It was better that the GDR should be exposed to Europe sooner, through unification under Article 23, than later, when the GDR's economic situation might have deteriorated further.

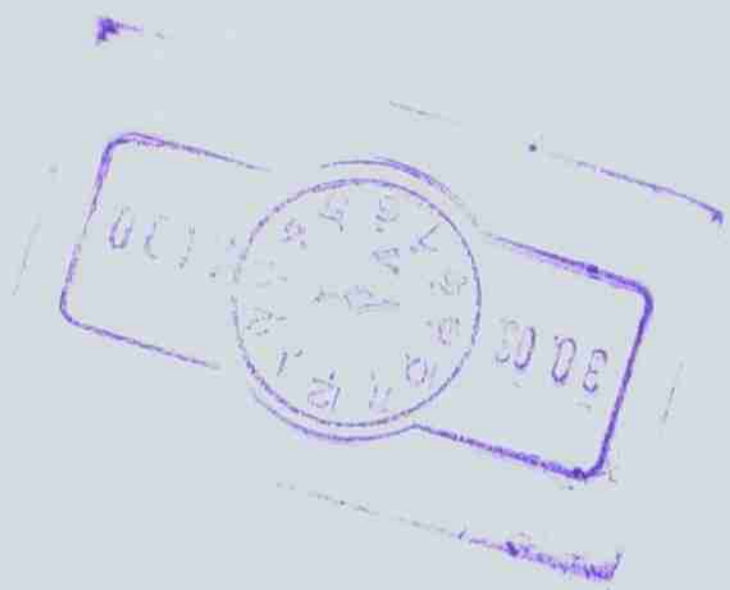
The Trade and Industry Secretary said that there had been a good discussion on the effects of unification on trade and investment, including how British and German firms might cooperate. As regards the application of EC rules to the GDR, Mr Ridley said that Herr Haussmann would make representations to the GDR government when it was formed on monopolies and competition policy. Herr Haussmann had also given assurances about maintaining a strong control on trade over the Inner-German border so that trade regulations were complied with. On EC matters, there had been identical positions as regards the importation of Japanese cars. There would be no action in respect of imports of Japanese cars manufactured in the United States or in respect of such cars circulating freely in EC countries if they had been made in the EC. Nor should there be EC restrictions on imports into those EC countries which did not want such restrictions. It would therefore be necessary to find devices for such countries as France and Italy in relation to 1992. On the Single Market, a joint understanding had been reached on the question of the future of insurance which would allow entering negotiations in total agreement. It was expected to be possible to get directives on to the statute books soon. On the Uruguay round of GATT, both Ministers would encourage respective Agriculture Ministers to be more forthcoming during this round.

Herr Haussmann said that bilateral trade relations were

favourable. Imports from Britain had increased by 14% and the FRG was Britain's biggest market. This year the FRG would increase demand and hence imports. The FRG wished to increase UK/FRG investment consortia in FRG markets. There was much demand also in the GDR for consumer goods, machinery, and in the construction and financial sectors. Insurance companies and banks would have EC cartel law applied so as to allow free EC access. COMECON must be handled so that imports did not affect Western European markets. Bilateral trade policy was good, with good mutual support in Brussels. The next GATT round must be successful.

The Prime Minister agreed on the importance of bringing trade barriers down. ~~Discussions would continue over lunch.~~ Britain and Germany should remain in close touch. At the Press Conference there would be an attempt to provoke divisions. This should be resisted.

Amally
Herr Kohl expressed his gratitude for the frank discussions. As the Prime Minister had said in Cambridge, friendship must include divergences which could be brought to an amicable conclusion. FRG/UK relations were a cornerstone of German policy. BAOR demonstrated this. Germany's 40 years of freedom had only been possible as a result of British support, of which the ~~A~~irlift was an example. *Amally* Herr Kohl said he knew what terrorism against British soldiers meant. They had his personal sympathy. He expressed a wish that Britain and Germany should move ahead together in the new developments in Europe. There would be differences, but these could be solved. It was an hour of triumph for Western policy brought about through Mr Gorbachev and the stability of the West and of Western policies. Germany wished to continue in partnership with Britain.



MEETING RECORD

CONFIDENTIAL AND PERSONAL

FILE SRW
a/Foreign Kohl
bc PC

FBI SUBJECT CUMASTER



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

30 March 1990

See Stehr.

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL

The Prime Minister had an hour and a half's talk with Chancellor Kohl at the beginning of the Anglo-German summit this morning. Herr Hartmann of the Federal Chancellery was also present.

Some of the information in this letter is sensitive and I should be grateful if you could ensure that it is circulated only to those with a real need to know.

Summary

The Chancellor was in jovial mood and the Prime Minister no less friendly. None of the difficulties of recent weeks or months were mentioned. The Chancellor commented that it would be particularly important not to allow the press to stir up trouble between them. The subsequent lunch was also conducted in high good humour on all sides.

The substance was a bit more meagre. Most of the Prime Minister's talk with the Chancellor concentrated on aspects of unification, but he was determinedly elusive when the Prime Minister pressed him on transitional military arrangements for East Germany. There was no mention of the issue of nuclear weapons on German territory, nor any discussion of European Community issues, apart from the GDR aspect. Lithuania and South Africa were covered briefly. The only operational point was agreement to institute more frequent direct contacts between No.10 and the Federal Chancellery.

Germany and NATO

Chancellor Kohl said that a united Germany would be a member of NATO. There was no problem with the German people on this point: they wanted to belong to the West. The Soviet Union

CONFIDENTIAL AND PERSONAL

would in the end come round to accept it. Gorbachev had never made a big issue of it in discussion with him. In his view, the Russians were playing poker and wanted to extract more money from the FRG. The point which seemed to exercise the Russians most was to see their trade agreements with the GDR confirmed. The NATO issue was just a smoke-screen for this. It was interesting that, at a recent Warsaw pact meeting, Czechoslovakia, Poland and Hungary had all said they wanted to a united Germany to be in NATO. Soviet officials took the same line in private discussion.

The Prime Minister said that Chancellor Kohl had always been rock solid on German membership of NATO and we all appreciated that very much. She was inclined to agree that Mr. Gorbachev wanted to use the issue as a negotiating card. There would have to be some face-saving mechanism for him, including a transitional period during which Soviet troops would remain in the GDR. The importance which the Russians attached to maintaining the trade agreements with the GDR was interesting. But she understood they were falling behind with their deliveries to all East European countries. Indeed the deterioration in the Soviet economy was alarming, and something we might need to discuss at the Economic Summit.

Chancellor Kohl said that he did not absolutely rule out that the Soviets would want to pull their forces out of the GDR immediately after unification. After an initial hiatus, living standards in the GDR would rise very rapidly, and it would be uncomfortable for the Soviets to expose their troops to the Western lifestyle. Moreover he thought that the Poles were keen to see the Russians out. The Prime Minister said that Mazowiecki had given the impression that he would prefer to see Soviet troops remain for a while at least. She was more concerned to get our own Western thinking straight on the defence arrangements we envisaged for the GDR. In our view the NATO guarantee should apply in full, and presumably at least a limited number of German forces should be stationed there. There might also be a case for keeping some Allied forces in Berlin. Chancellor Kohl did not respond directly to these points (although he did say in the press conference that it would be necessary to guarantee the full protection of NATO for Germany under articles 5 and 6 of the Treaty). Reverting to the point about Soviet troops, Chancellor Kohl said that he could envisage a treaty allowing them to stay for five years if that was what they really wanted. The problem over the GDR was really a transitional matter and not very important. But the key point he wanted to register with the Prime Minister was that he would never agree to neutrality for Germany as the price of unification.

Two Plus Four Group

Chancellor Kohl said that he wanted as few security issues as possible to be discussed to the Two plus Four Group. The right place to consider them was NATO. He wanted to avoid the impression that Germany had some special status in security matters. The Russians, of course, wanted to take as much as possible into the Two plus Four Group, in the hope of dividing the Western members. The Prime Minister agreed that the main defence issues had to be settled in NATO, although there was

bound to be some overlapping between what was discussed in the Two plus Four Group and NATO.

Chancellor Kohl continued that it was important for the four Western members to consult closely among themselves in advance of Two plus Four meetings (and we would shortly be able to involve the GDR in such consultations as well, acting through him). But we must not drag into that group matters which properly belonged to NATO. The Prime Minister said that the Chancellor no doubt had in mind such questions as the presence of nuclear weapons in Germany. Chancellor Kohl said that this was precisely the sort of issue on which the Soviets wanted to use the Two plus Four Group to prejudice NATO's decisions.

German/Polish Border

Chancellor Kohl rehearsed the commitments which he had given on the Polish border. He hoped that in June the Bundestag and the East German Parliament would pass identical motions, stating clearly that the Oder-Neisse border was definitive. These could then be handed over to the Polish government in a formal note, with a statement of the wish of both German governments to embody this in a legally binding treaty immediately after unification. What he could not do was initial a treaty now, because he had no constitutional authority to do so. It would only become another contentious issue.

Chancellor Kohl continued that the Russians were pressing for discussion of Polish borders in the Two plus Four Group. He had reached the conclusion that their real concern was with Poland's eastern border. There were no problems in the parts of Poland which had formerly belonged to Germany: but there was trouble in parts of the Soviet Union which had formerly belonged to Poland. He took the view that all border questions other than the Oder-Neisse Line should be discussed in the CSCE framework and not the Two plus Four Group. The Prime Minister agreed with this.

The Prime Minister said she could understand why Chancellor Kohl did not want a formal Peace Treaty, but there would have to be some form of overall peace settlement. Chancellor Kohl simply let this pass.

Timetable for Unification

In response to a question from the Prime Minister, Chancellor Kohl gave a rather rambling account of the likely timetable for unification. The first task had been to stop the flood of emigration from the GDR, and there were signs that this was now declining. There would be local elections in May. They were important as a means of rooting Communists out of local government. The next task would be rebuild the Laender. There was genuine popular demand for this in the GDR, but it was a major task. There would then be Land elections in the autumn. The elections in the FRG would go ahead as planned in December this year, even though some people had suggested postponing them. His current thinking was that the first all-German elections would be in the second half of next year. But this was only

tentative.

German Economic and Monetary Union

Chancellor Kohl said that discussions on GEMU were going well, with the Bundesbank in the lead. It was very important that they should be responsible for conducting the negotiations, because of their duty to put stability of the currency above everything else. Once monetary union was achieved, the Bundesbank would take over responsibility for all monetary matters for Germany as a whole, and the national Bank of the GDR would be wound up. No final decisions had been taken on the rate of exchange between DM and the Ostmark. But his intention was to use a 1:1 rate up to a ceiling of DM 2000 per capita, and change the rest at 1:2. The real problem lay not with individual savings but with the huge debts accumulated by GDR industry. In parallel with monetary union, the legal framework for a market economy would be introduced following in the footsteps of Professor Erhard in the FRG after 1948. The full FRG social security system would also be introduced. Pensions were a particularly important aspect, given that 37 per cent of the population in the GDR was over the age of 60.

Chancellor Kohl continued that all this would be very expensive and there were risks. He expected a huge surge of investment and of spending in the GDR, particularly on cars and in the building industry. But he was determined not to raise taxes. Rather, there would have to be economies in other areas of the FRG's expenditure. This was the real political problem, because the Laender and the communes would be reluctant to surrender some of their resources and see them allocated to the GDR. There would also be problems with the trade unions, but they held no fears for him. It was fortunate that the FRG had enjoyed eight good years of economic growth with the prospect of more to come. If all this had happened at the end of the Schmidt era, there was no way the FRG could have afforded to finance the modernisation of East Germany.

Chancellor Kohl dwelled at some length on the appalling state of the GDR's economy and infra-structure. Although its population was 16 million, the GDR's GNP was less than that of Land Hesse. The environment was in a shocking state, and two or three nuclear power plants would have to be shut down completely. Some people asked whether absorbing East Germany would change the nature of Germany as a whole. He doubted this: Germany's centre of gravity would remain on the Rhine and in South Germany even after unification. That would be true both for Germany's mentality and in economic terms.

EC Aspects of Unification

The Prime Minister said that we did not expect the informal European Council on 28 April to be an occasion for decisions. Rather there should be a general discussion and agreement on procedures for resolving the various problems which would inevitably result from absorption of the GDR into the Community. Other member states would want various safeguards both before and after unification.

Chancellor Kohl said he entirely agreed with this analysis. The 28 April meeting should just take a sighting shot. The Federal Republic was not seeking money from the EC for the GDR, but would need transitional arrangements and derogations in specific areas, above all for the environment and some areas of industry.

Anglo-German Contacts on Unification

Chancellor Kohl said that he wanted to keep the Prime Minister personally informed of all his intentions about unification, so as to remove any possible sources of misunderstanding or apprehension. He would pass on even matters which his Cabinet would not know, subject always to the qualification there would inevitably be in unexpected developments. He would like to suggest that Charles Powell should meet with Herr Teltschik and other members of the Federal Chancellery staff once a month in total discretion, with no announcement of such meetings. The Prime Minister said she was very grateful for this offer, which she would like to take up.

Lithuania

The Prime Minister gave Chancellor Kohl an account of her talk with President Gorbachev about Lithuania. He was clearly under great pressure. The issue was a complex and sensitive one and could only be resolved by dialogue and discussion. The Lithuanians must show themselves ready for this, as well as the Soviet authorities. Chancellor Kohl said he entirely agreed but we must do nothing to complicate an already difficult situation.

South Africa

The Prime Minister said that both she and Chancellor Kohl would be seeing President de Klerk in May. The two of them had traditionally kept close to each other on South African issues and she hoped that could continue. De Klerk had changed the situation in South Africa fundamentally and we had thought it right to recognise that. Chancellor Kohl agreed emphatically, but gave no indication that the Germans would in fact join us in lifting some measures.

Bilateral Relations

The Prime Minister said that she proposed to announce at the joint press conference an initiative to extend English language teaching in the GDR. Chancellor Kohl said that he would very much welcome this. It would make even more impact if the Prime Minister could refer to an intention to make a number of scholarships - perhaps 50 - for qualified East German students. The Prime Minister said we would be ready to do something on these lines.

Follow Up Action

The Prime Minister is committed to sending a message to President Gorbachev about the Anglo-German summit. I should be

grateful if you could let me have a draft, based on this note, by the evening of Monday 2 April.

I am copying this letter to John Gieve (HM Treasury), Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry) and to Sir Robin Butler.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'C. D. Powell'.

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

30 March 1990

Dear Hans,

ANGLO-GERMAN SUMMIT: ENGLISH LANGUAGE TRAINING INITIATIVE
FOR THE GDR

BF | The Prime Minister duly raised the points in your letter of 29 March with Chancellor Kohl. He welcomed our intention but said it would have even more impact if we could say that we were setting aside a number - perhaps 50 - scholarships for qualified GDR students. The Prime Minister said that we would certainly be willing to do something of that sort. She subsequently reiterated this at her press conference. I should be grateful to know of the plans we have to give substance to this commitment.

I am copying this letter to Carys Evans (Chief Secretary's Office), Martin Stanley (Department of Trade and Industry), Stephen Crowne (Department of Education and Science) and Sonia Phippard (Cabinet Office).

*Yours sincerely
C. D. Powell*

C. D. POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

KK

dti

the department for Enterprise

CEPC

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

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 01 215 5622
Our ref PB4ALG
Your ref
Date 29 March 1990

See Charles

ANGLO-GERMAN SUMMIT: NOT THE COMMUNIQUE

Further to my letter of today, ^{with CDPZ} I gather there is to be no formal communique or press notice to which we can contribute: I am sorry for the misunderstanding at this end.

Instead, we propose to use the short text for my Secretary of State's and Dr Waigel's report to the plenary session and to make our own arrangements to put out the longer statement - corrected version attached - in parallel with the Press Conference.

I am copying this letter to Richard Gozney (FCO) and Tancred Tarkowski (Treasury).

Yours ever

Be.
BEN SLOCOCK
Private Secretary



Recycled Paper

STATEMENT BY MR RIDLEY AND DR WAIGEL ON INVESTMENT SERVICES
AND INSURANCE

Insurance

1 Both Germany and the UK have long upheld the virtues of free trade, and believe that these apply to insurance as to other sectors. It is important that the single market for insurance should be developed in accordance with free trade principles.

2 Both States recognise that the nature of insurance makes it essential to make careful provision for the protection of consumers, and believe that this can be achieved without restrictions on the proper functioning of the single market.

3 Both States also recognise that some products of the insurance industry compete increasingly with other financial services sectors, and that it is therefore important to ensure that this competition develops on a fair regulatory basis.

4 The Commission's proposals for a single insurance licence system are aimed at achieving the objectives of:

- i maintaining prudential standards and consumer protection;
- ii achieving greatest possible competition, flexibility and freedom for product innovation in the interests of consumers;
- iii granting consumers the widest possible choice between different competitively priced insurance products.

The two States share these objectives and intend to support the Commission in developing progressively the single licence system for insurance based on home state control. They consider that it is essential that there should be close co-operation between supervisory authorities if the principle of

home country control is to work satisfactorily.

5 Mutual recognition of supervisory standards, which must be based on a minimum harmonisation, is essential for a system based on "home state control". The existing Directives already provide sufficiently for harmonised rules on solvency margins and minimum guarantee funds. The accounts directive should provide a basis for satisfactory harmonisation of technical reserves at least for non-life insurance. It is important too that there should be satisfactory safeguards for holders of life and non-life policies throughout the Community, in the event of an insurance company's being wound up.

6 Both States have noted that the Commission of the European Communities is doing further work on technical reserves for life insurance and on rules governing the investment in assets representing the reserves, and agree that this work must take into account changing circumstances in financial markets and the development of the single market in insurance and financial services.

7 Both States consider it important that consumers should be fully informed about the insurance they consider buying. It would be appropriate for future Directives to make provision in this area. In so far as such provisions are not harmonised, Member States should be free to impose conduct of business rules on a non-discriminatory basis to the sale of all products within their territory.

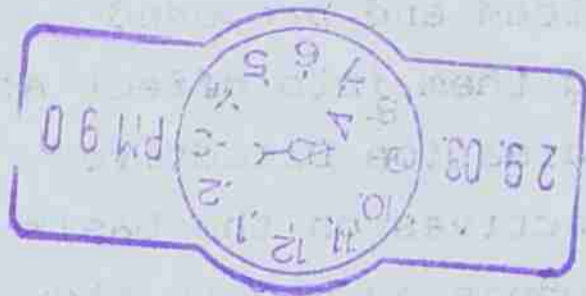
8 The two States agree that adequate consumer protection can be assured through strict prudential supervision supported as necessary by conduct of business rules and, in limited cases, by prohibition of products on public policy grounds.

Financial Services

9 UK and FRG Ministers consider that the completion of the single market in financial services is an important goal. Both countries will aim for early completion of the

negotiations on the draft Investment Services and proposed Capital Adequacy Directives so as to bring them into effect at the same time as the Second Banking Co-ordination Directive. In negotiating and implementing these directives on the basis of home country authorisation, the Governments agreed to show mutual respect for the different nature in each country of companies providing investment services and of the competent authorities who regulate them. It was agreed that capital requirements for those providing investment services should be related to the risk involved in trading financial instruments whatever the nature of the institution. The requirements should have equivalent effect on banks and non-banks.

JW3AJZ



...ation on the draft ...
... District ...
... time of the ...
... and ...
... with ...
... for the ...
... providing ...
... who ...
... for those ...
... to the ...
... the ...
... should have ...

TriStar Majors

1. The tender was issued in October 1989.
2. The tender had been drawn up in such a way that it was completely impossible for a Company like Marshall to submit a compliant bid, ie., an enormous additional spares holding would have been required in order to guarantee turn-round times and avoid the penalties. The request that the cost of component overhaul should be based on a cost per flying hour could only be ~~made~~^{met} by an airline already operating a large fleet of TriStars. Additionally, we have the only approved TriStar Pilots for the converted aircraft and the requirement for Pilots was deliberately excluded from the tender in order to enable others to tender.
3. We are regularly used by the RAF for drop-in maintenance problems and have only in the last few days had to supply Flight Crews in order to fly the aircraft from Brize Norton and back. When the current contract ends our facility for doing this will no longer be available.
4. We were specifically told that non-compliant bids would be put in the rubbish bin and the minutes of the meeting, at which this was said, recorded that bidders were advised that there was a possibility that non-compliant bids might not be considered acceptable and were recommended to submit only compliant bids.

In order to comply with the tender, it would be necessary for MBB or any other competitor to have their own fully funded stock of £20 million or more of spares and exchange components.

There is the further complication that we are the Design Authority for the aircraft and, as such, have to supervise the configuration control to ensure that a straightforward Lockheed repair is not carried out as it could totally undo all the structural integrity loads of the modified tanker/freighter aircraft.

Plus technical lead with lower UK, MBB is Deutsche Airbus, Tank balance, RAF v. exposed later.

ANGLO-GERMAN SUMMIT
LINE ON GERMAN UNIFICATION

- WE WARMLY WELCOMED THE SUCCESSFUL HOLDING OF FREE AND DEMOCRATIC ELECTIONS IN THE GDR, AND THE EXPRESSION OF THE DEMOCRATIC WILL OF THE PEOPLE OF THE GDR TO SEEK UNIFICATION WITH THE FEDERAL REPUBLIC.
- WE CONFIRMED THAT THE INTERNAL ASPECTS OF UNIFICATION ARE A MATTER FOR THE FRG AND GDR. WE BOTH WANT CONSIDERATION OF THE EXTERNAL ASPECTS TO PROCEED AS QUICKLY AS POSSIBLE BY MEANS OF MEETINGS AT FOREIGN MINISTER LEVEL, IN LINE WITH THE AGREEMENTS REACHED IN OTTAWA.
- WE SHARE THE OBJECTIVE OF COMPLETING THE TWO PLUS FOUR TALKS BY THE TIME OF THE CSCE SUMMIT, BY THE END OF THIS YEAR.

- WE AGREED THAT POLAND SHOULD BE INVITED TO THESE TALKS AS SOON AS QUESTIONS WHICH PARTICULARLY AFFECT ITS BORDERS ARE DISCUSSED.

- WE WELCOMED THE FACT THAT POLAND'S WESTERN BORDER WILL BE SETTLED BY MEANS OF A BINDING TREATY BETWEEN A UNITED GERMANY AND POLAND.

- WE REAFFIRMED THAT CLOSE CONSULTATIONS ABOUT QUESTIONS CONNECTED WITH GERMAN UNIFICATION WOULD ALSO CONTINUE WITH PARTNERS AND ALLIES IN THE EUROPEAN COMMUNITY AND THE NORTH ATLANTIC ALLIANCE, SO THAT THE CONSEQUENCES OF UNIFICATION FOR OTHER COUNTRIES CAN BE TAKEN INTO ACCOUNT.

- WE REAFFIRMED OUR JOINT VIEW THAT A UNITED GERMANY SHOULD BE A MEMBER OF NATO - WHICH WILL REMAIN ESSENTIAL FOR EUROPE'S SECURITY - AND THAT FORCES OF NATO ALLIES SHOULD CONTINUE TO BE STATIONED ON WEST

GERMAN TERRITORY. WE AGREED THAT TRANSITIONAL MILITARY ARRANGEMENTS WILL NEED TO BE NEGOTIATED FOR THE PRESENT TERRITORY OF THE GDR.

- WE BOTH SUPPORT A RAPID CONCLUSION OF THE VIENNA NEGOTIATIONS ON THE REDUCTION OF CONVENTIONAL FORCES, AND THE SIGNATURE OF AN AGREEMENT THIS YEAR.

- WE ALSO AGREED ON THE AIM OF FURTHER DEVELOPMENT OF THE CSCE PROCESS WHICH SHOULD STRENGTHEN DEMOCRACY AND HUMAN RIGHTS AND PROVIDE A FORUM WITHIN WHICH EAST AND WEST CAN DISCUSS SECURITY AND CONFIDENCE-BUILDING IN EUROPE.

- WE AGREED THAT THE EC SUMMIT ON 28 APRIL SHOULD SET IN TRAIN THE NECESSARY PREPARATIONS WITHIN THE COMMUNITY FOR TRANSITIONAL ARRANGEMENTS CONSEQUENTIAL UPON THE INCLUSION OF THE GDR IN THE EUROPEAN COMMUNITY.

- WE HOPE THAT THE EUROPEAN SUMMIT WILL REAFFIRM THE
COMMUNITY'S READINESS TO ENVISAGE CLOSER RELATIONS
WITH EASTERN EUROPEAN COUNTRIES WHICH DEMONSTRATE
THEIR COMMITMENT TO ECONOMIC AND POLITICAL REFORM.

ANGLO-GERMAN SUMMIT

LINE ON GERMAN UNIFICATION

GR
SRW
Plan type
It is
speech
copy it in.
CR

- We warmly welcomed the successful holding of free and democratic elections in the GDR, and the expression of the democratic will of the people of the GDR to seek unification with the Federal Republic.
- We confirmed that the internal aspects of unification are a matter for the FRG and GDR. We both want consideration of the external aspects to proceed as quickly as possible by means of meetings at Foreign Minister level, in line with the agreements reached in Ottawa.
- We share the objective of completing the Two plus Four talks by the time of the CSCE Summit, by the end of this year.
- We agreed that Poland should be invited to these talks as soon as questions which particularly affect its borders are discussed.
- We welcomed the fact that Poland's western border will be settled by means of a binding Treaty between a united Germany and Poland.
- We reaffirmed that close consultations about questions connected with German unification would also continue with partners and allies in the European Community and the North Atlantic Alliance, so that the consequences of unification for other countries can be taken into account.
- We reaffirmed our joint view that a united Germany should be a member of NATO - which will remain essential for Europe's security - and that forces of NATO allies should continue to be stationed on West German territory. We agreed that transitional military arrangements will need to be negotiated for the present territory of the GDR. ~~[We do not~~

~~envisage that NATO units and installations would move forward into this area.]~~

- We both support a rapid conclusion of the Vienna negotiations on the reduction of conventional forces, and the signature of an agreement this year.
- We also agreed on the aim of further development of the CSCE process which should strengthen democracy and human rights and provide a forum within which East and West can discuss security and confidence-building in Europe.
- We agreed that the EC Summit on 28 April should set in train the necessary preparations within the Community for transitional arrangements consequential upon the inclusion of the GDR in the European Community.
- We hope that the European Summit will reaffirm the Community's readiness to envisage closer relations with Eastern European countries which demonstrate their commitment to economic and political reform.

CONFIDENTIAL

ccp



Foreign and Commonwealth Office

London SW1A 2AH

29 March 1990

Den Charles.

Anglo-German Summit

memo cc?

Thank you for your letter of 27 March. The Foreign Secretary is content with the proposed line on German unification, with the exception of the words in square brackets.

He agrees that this phrase goes further than we could accept. As drafted, it would appear to rule out the deployment of NATO forces in the former GDR even in wartime. Any statement along these lines would also have the effect of foreclosing the possibility that the Genscher/Stoltenberg statement could in due course be reinterpreted so as to apply only to the transitional period. The Foreign Secretary therefore agrees that we should continue to resist incorporation of this phrase, on the grounds that the previous sentence covers the German position without prejudicing ours.

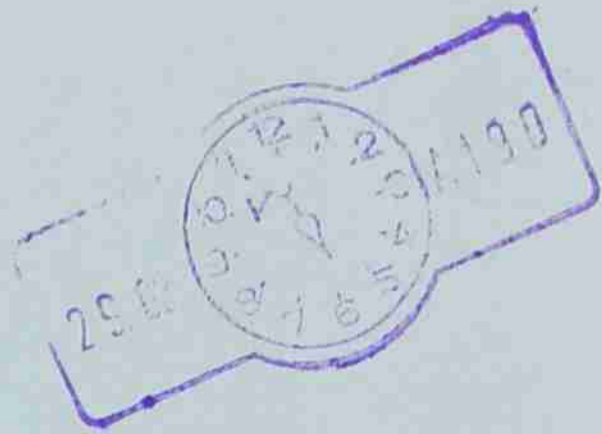
If the Germans insist on something extra, we could offer them a sentence on the following lines "We agree that transitional military arrangements will need to be negotiated for the present territory of the GDR, taking into account the security interests of all countries concerned, including the Soviet Union" (another variant would be "appropriate military arrangements" instead of "transitional"). If the Germans pressed very hard on this point, a final fall-back might be a sentence on the lines "German membership of NATO need not entail moving non-German [last ditch: NATO] forces into this area in peacetime". This would not rule out anything that has not already in practice been conceded.

The proposal for a new Dooge Committee is a French vehicle for carrying forward work on non-EMU institutional questions to be discussed probably as part of a separate IGC. The French have approached the Dutch, who are on board and, as you will have seen from our record, M. Dumas raised the issue with the Secretary of State in Paris yesterday.

John
Steph *Wall*
(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL





Foreign and Commonwealth Office

London SW1A 2AH

29 March 1990

u/ke

Dear Charles,

Anglo-German Summit: English Language Training Initiative for the GDR

- MHCOP?

We said in our briefing letter of 27 March that we would revert to the question of an English Language Teaching initiative for the GDR which the Prime Minister could launch at the Anglo-German Summit. The Chief Secretary in his letter of 29 March to the Foreign Secretary has now approved the extension of the Know How Fund to the GDR, making this initiative possible.

The Prime Minister might mention to Chancellor Kohl that we are launching this initiative in response to enormous demand in the GDR where people want to replace Russian with English as the principal second language. We will pay particular attention to the needs of technical and business people in framing the initiative.

At the Press Conference, the Prime Minister may care to say a few words about this on the following lines:

A / *pleased*
"I am ~~delighted~~ *pleased* to announce an important English Language Training initiative for the GDR funded by Britain. There is a great need for English language skills as the GDR adapts to the Western economic system. We are happy to help meet this need. This is one of many areas where ~~British~~ *British* ~~skills~~ *Britain* have much to offer in the re-building of East Germany's economy. (*B*)

I was especially pleased that I was able to tell Chancellor Kohl of ~~this~~ at my ~~meeting~~ *meeting* with him earlier today".

A draft press release is attached.

I am copying this letter to Carys Evans (HMT), Neil Thornton (DTI), Steven Crowne (DES) and Sonia Phippard (Cabinet Office).

Yours ever,
Richard Gozney
(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

dti

the department for Enterprise

Handwritten initials

Handwritten initials and number 3571

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

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 01 215 5622
Our ref JW3AJW
Your ref
Date 29 March 1990

Dear Charles

ANGLO-GERMAN SUMMIT: COMMUNIQUE

The Prime Minister may wish to be aware of the statements which have been agreed between UK and German officials on insurance and investment services and which my Secretary of State suggests should be included in the text of the summit communique. There are three paragraphs for inclusion in the communique itself, and a longer annex. Copies are enclosed. The statement on insurance, which commits the Germans to supporting the Commission's programme for completion of the internal market in this field, represents an important step forward and is very much to be welcomed.

There should be no need for any discussion of these statements with Chancellor Kohl: my Secretary of State expects to discuss and agree them briefly with Dr Waigel (the responsible German Minister) at the end of the Chancellor's bilateral when my Secretary of State and Dr Haussmann join them at around 10.20 at No 11 (as now agreed with the Treasury).

I am copying this letter to Richard Gozney (FCO) and Tancred Tarkowski (Treasury).

Yours ever

Handwritten signature

BEN SLOCOCK
Private Secretary



Recycled Paper



Der Bundeskanzler
der Bundesrepublik Deutschland

Presse- und Informationsamt der Bundesregierung

M. Pöschel
Die Karte ist
schon.

Kohl

29. März 1990

S p e r r f r i s t: 29.03.1990, 21.00 Uhr MESZ
20.00 Uhr OZ

Es gilt das gesprochene Wort!

R e d e

von Bundeskanzler Dr. Helmut Kohl

anlässlich des 40jährigen Jubiläums

der Königswinter-Konferenz

am 29. März 1990

in Cambridge

B i t t e S p e r r f r i s t b e a c h t e n !

Sir Oliver,
Frau Premierministerin,
Herr Rektor,
Eure Lordschaften,
meine sehr verehrten Damen und Herren!

Für die freundlichen Worte der Begrüßung danke ich Ihnen herzlich.

Im vergangenen Jahr haben wir das 40jährige Jubiläum der Bundesrepublik Deutschland gefeiert. Wir haben uns damals in Dankbarkeit auch an den Beitrag erinnert, den Großbritannien beim Aufbau unserer Demokratie und zur Sicherung unserer Freiheit geleistet hat.

Gemeinsam mit den Soldaten der Bundeswehr und anderer Armeen des Atlantischen Bündnisses haben die Soldaten der britischen Rhein-Armee ihren Beitrag zu unser aller Sicherheit geleistet. Wir vergessen auch nicht die hilfreiche Rolle Großbritanniens in Berlin, beginnend mit der Luftbrücke 1948/49. Auch in einer Zeit des abnehmenden Ost-West-Gegensatzes sollte immer wieder daran erinnert werden, daß Wachsamkeit der Preis der Freiheit ist.

Die deutsch-britische Freundschaft hat feste Wurzeln in jahrhundertealten politischen, wirtschaftlichen, kulturellen und menschlichen Beziehungen. Heute können Deutsche und Briten angesichts der Veränderungen in Mittel-, Ost- und Südosteuropa mit Stolz feststellen: Wir stehen jetzt vor der Verwirklichung jener Ziele, für die wir in vier Jahrzehnten gemeinsam gearbeitet haben.

In diesen vier Jahrzehnten hat die Königswinter-Konferenz, benannt nach der sympathischen Stadt bei Bonn am rechten Ufer des Rheins, eine bedeutende Rolle als Forum für den Gedankenaustausch zwischen Repräsentanten unserer beiden Länder gespielt. Die Königswinter-Konferenzen sind schon seit langem zu einem festen Begriff in den deutsch-britischen Beziehungen geworden.

Es ist das große Verdienst weitsichtiger Männer und Frauen in unseren beiden Ländern, schon bald nach dem Krieg diese auch in Zukunft wichtige Institution ins Leben gerufen zu haben.

Die Königswinter-Konferenzen haben das gegenseitige Verständnis von Deutschen und Briten wie kaum eine andere Einrichtung gefördert und immer wieder Anstöße zur Lösung gemeinsamer politischer, wirtschaftlicher und sozialer Probleme gegeben.

Daß dieser einzigartige Gesprächskreis so erfolgreich war, verdanken wir vor allem drei Persönlichkeiten: Sir Robert Birley, Sir Frank Roberts und nicht zuletzt Frau Lilo Milchsack. Von Anbeginn an waren Sie, verehrte Frau Milchsack, Kopf und Seele von "Königswinter". Sie haben diesen Kreis 40 Jahre lang zusammengebracht und zusammengehalten.

Diese Jubiläumskonferenz bildet zugleich den Auftakt zu den diesjährigen deutsch-britischen Regierungskonsultationen. Das von Ihnen schon früh gewählte Leitmotiv "Deutschland und Europa - ungeteilt" könnte zweifellos auch über unseren morgigen Gesprächen in London stehen.

II.

Wir erleben heute einen tiefen Einschnitt in der europäischen Nachkriegsgeschichte. Mit dem Abbau der Ost-West-Konfrontation und dem demokratischen Aufbruch in den Ländern Mittel-, Ost- und Südosteuropas bietet sich erstmals seit Ende des Zweiten Weltkrieges die realistische Chance, die Teilung Europas und damit auch die Teilung Deutschlands friedlich zu überwinden.

Die Teilung war stets Quelle von Instabilität und Unsicherheit. Ihre Überwindung ist deshalb ein Gewinn für ganz Europa.

Gefahr für die westlichen Demokratien ging nicht nur von einer menschenverachtenden Ideologie aus. Mehr als einmal nahm die Konfrontation - gerade in Deutschland - ein Ausmaß an, das den Frieden ernsthaft bedrohte.

Es waren vor allem die Menschen, die unter der Teilung und der aufgezwungenen Unfreiheit litten. Und sie, die Menschen in den Staaten Mittel-, Ost- und Südosteuropas, haben dann auch den entscheidenden Anstoß zum Aufbruch in Demokratie und Freiheit gegeben. Sie haben die Änderung des "status quo" erzwungen, an den sich auch manche bei uns im Westen gewöhnt hatten.

Als Deutscher bin ich stolz darauf, daß meine Landsleute in der DDR mit ihrer friedlichen Revolution ein Stück deutscher und europäischer Geschichte mitgeschrieben haben, das im Zeichen der Freiheit steht.

III.

Wir schulden allen Dank, die zu dieser geschichtlichen Wende beigetragen haben.

Unser Dank gebührt in erster Linie unseren Freunden und Verbündeten im Westen, insbesondere den Amerikanern, Briten und Franzosen. Sie haben zu uns gehalten in den gefährvollen Zeiten, als Blockade, Mauer und Stacheldraht die Teilung unseres Landes verewigen sollten.

Sie haben sich im Deutschlandvertrag verpflichtet zusammenzuwirken, um "mit friedlichen Mitteln ihr gemeinsames Ziel zu verwirklichen: Ein wiedervereinigtes Deutschland, das eine freiheitlich-demokratische Verfassung, ähnlich wie die Bundesrepublik, besitzt und das in die europäische Gemeinschaft integriert ist."

Wir danken aber auch Präsident Michail Gorbatschow, der zusammen mit der tiefgreifenden Umgestaltung seines Landes die sowjetische Außenpolitik in eine neue Richtung lenkte. Jetzt verändert neues Denken auch die sowjetische Deutschlandpolitik und erlaubt eine konstruktive und zukunftssträchtige Lösung der deutschen Frage.

Es liegt deshalb in unserem gemeinsamen Interesse, daß die Reformpolitik Präsident Gorbatschows in der Sowjetunion Erfolg hat.

Aber auch ohne das Beispiel tiefgreifender Reformen in Ungarn und Polen wären die jüngsten Entwicklungen in der DDR nicht möglich gewesen. Allein das zeigt, wie eng unser nationales Schicksal mit dem unserer Nachbarn verflochten ist.

IV.

Am 18. März 1990 fanden die ersten freien Wahlen in der DDR statt. Sie brachten den Kräften, die für Freiheit, Demokratie und Soziale Marktwirtschaft eintreten, einen überwältigenden Erfolg.

Unsere Freunde und Partner kennen unsere klare Antwort auf die Frage nach dem Standort Deutschlands in einem künftigen Europa. 40 Jahre Bundesrepublik Deutschland - das heißt 40 Jahre Demokratie und Rechtsstaatlichkeit - erlauben keinen Zweifel daran, wo wir stehen: auf der Seite der Freiheit, an der Seite unserer Freunde. Und auch die freien Wahlen in der DDR können nur als Ausdruck demokratischer Reife gesehen werden.

Die Vereinigung der beiden deutschen Staaten vollzieht sich auf der Grundlage des Selbstbestimmungsrechts. Aber sie berührt auch die Interessen unserer Nachbarn. Wir haben von Anfang an darauf geachtet, daß der Prozeß der Einigung in einen stabilen europäischen Rahmen eingebettet wird. Dabei soll es auch künftig bleiben, und wir werden niemanden vor vollendete Tatsachen stellen.

Der Ruf der Menschen in der DDR "Wir sind ein Volk!" machte schon früh deutlich, was die große Mehrheit meiner Landsleute wünscht: die Einheit in Freiheit.

Die Zahl der Übersiedler schwoll allein in den ersten zwei Monaten dieses Jahres dramatisch an. Bis heute kamen über 150.000 Menschen in die Bundesrepublik - viel mehr, als beispielsweise Cambridge Einwohner hat. Darunter waren vor allem junge Leute, Ärzte, Ingenieure und viele andere qualifizierte Kräfte, die für den wirtschaftlichen Neuaufbau in der DDR dringend gebraucht werden. Dieser Exodus beeinträchtigt aber nicht nur den Aufbau in der DDR, er stellt auch uns in der Bundesrepublik vor Probleme.

Seit den Wahlen am 18. März ist die Zahl der Übersiedler zurückgegangen. Die Aussicht auf Wiedervereinigung bewegt die Menschen in der DDR dazu, in ihrer Heimat zu bleiben. Wir müssen alles unterlassen, was ihre Hoffnung schwächen könnte.

Die Bundesregierung hat vorgeschlagen, die D-Mark zur Währung auch der DDR zu machen und dort die Soziale Marktwirtschaft einzuführen. Damit hat sie eine Antwort auf die Frage der Menschen gegeben, wie es denn weitergehe. Zugleich gilt es, das Zusammenwachsen der beiden deutschen Staaten in Einklang zu bringen mit den äußeren Aspekten dieses Prozesses.

Diese äußeren Aspekte betreffen:

- die Rechte und Verantwortlichkeiten der Vier Mächte für Berlin und Deutschland als Ganzes,
- die Grenzfragen,
- die bestehenden und künftigen Sicherheitsstrukturen und
- die Einbeziehung des Gebiets der heutigen DDR in die Europäische Gemeinschaft.

Die ersten Gespräche gemäß der in Ottawa vereinbarten Formel "Zwei plus Vier" wurden Mitte dieses Monats auf Expertenebene aufgenommen. Ich wünsche mir sehr, daß diese Gespräche zügig vorankommen. Mein Ziel ist es, daß diese Gespräche bis zum KSZE-Gipfel Ende dieses Jahres zum Abschluß kommen.

Darüber hinaus tragen wir dafür Sorge, daß unsere Partner in der NATO und in der Europäischen Gemeinschaft laufend unterrichtet und zu den wichtigen sie betreffenden Fragen konsultiert werden.

Mit besonderer Sorgfalt werden wir gemeinsam darauf zu achten haben, daß die Sicherheit Europas auch in Zukunft gewährleistet bleibt. Hier geht es um eine weit über den Tag hinaus weisende Schicksalsfrage, in der partnerschaftliches Denken in besonderer Weise gefordert ist.

Ich weiß, daß Großbritannien in dieser Frage eine nüchterne und feste Haltung einnimmt, und ich weiß diese Verlässlichkeit sehr zu schätzen.

Bei Würdigung der Sicherheitsinteressen des künftigen Deutschlands und aller seiner Nachbarn, ja Europas insgesamt, gehen wir von folgenden Vorgaben aus:

Erstens: Das künftige geeinte Deutschland darf nicht neutralisiert oder demilitarisiert werden. Ein sicherheitspolitisch integriertes Deutschland ist ein wesentliches Element europäischer Stabilität.

Zweitens: Das künftige geeinte Deutschland muß deshalb im westlichen Bündnis eingebunden bleiben. Ein Austritt aus der NATO darf nicht der Preis für die deutsche Einheit sein. Eine solche Politik ist mit mir nicht zu machen.

Drittens: Der transatlantische Sicherheitsverbund zwischen Europa und Nordamerika bleibt für uns Deutsche wie für Europa insgesamt von existentieller Bedeutung. Unser Ziel muß es daher sein, die außenpolitische Zusammenarbeit zwischen der Europäischen Gemeinschaft und den USA weiter zu vertiefen.

Viertens: Es liegt in unserem nationalen Interesse, die weitere Entwicklung zur deutschen Wiedervereinigung nicht durch Grenzfragen zu belasten. Bereits 1985 habe ich vor dem Deutschen Bundestag erklärt: "In den Gebieten jenseits der polnischen Westgrenze leben heute polnische Familien, denen diese Landschaften in zwei Generationen zur Heimat geworden sind. Wir werden dies achten und nicht in Frage stellen."

Ich setze mich nachdrücklich dafür ein, daß die beiden frei gewählten deutschen Parlamente und Regierungen möglichst bald eine gleichlautende Erklärung abgeben, die die Unverletzlichkeit der Grenzen gegenüber Polen als unverzichtbare Grundlage des friedlichen Zusammenlebens in Europa bekräftigt.

Diese Erklärung soll unmißverständlich den Willen zum Ausdruck bringen, daß die gesamtdeutsche Regierung und das gesamtdeutsche Parlament sofort nach der Vereinigung beider deutschen Staaten die Grenzfrage in diesem Sinne völkerrechtlich verbindlich in einem Vertrag mit der Republik Polen abschließend regeln.

Eine solche Regelung kann nur von einem gesamtdeutschen Souverän getroffen werden. Die gleichlautende Erklärung beider Regierungen und beider Parlamente ist die politisch stärkste Form der Festlegung, die von den Deutschen vor der Wiedervereinigung vorgenommen werden kann. Für diese Festlegung gibt es eine überwältigende Mehrheit in beiden deutschen Parlamenten, und deshalb kann es auch keinen Zweifel an der Haltung einer künftigen gesamtdeutschen Volksvertretung und einer künftigen gesamtdeutschen Regierung geben.

Eine überwältigende Mehrheit meiner Landsleute wünscht sich die endgültige Aussöhnung mit dem polnischen Volk. Ein dauerhafter Friede in ganz Europa setzt diese Aussöhnung voraus - so wie das Werk der Einigung im Westen Europas nur deshalb gelingen konnte, weil Franzosen und Deutsche nach 1945 zu Freunden wurden.

Ich selbst habe immer wieder - beispielsweise in meiner Regierungserklärung zum 1. September 1989 - an das unsagbare Leid erinnert, das von deutscher Hand dem polnischen Volk zugefügt wurde. Es täte dem Verhältnis zwischen beiden Völkern gewiß sehr gut, wenn von polnischer Seite mit ebenso klaren und noblen Worten, wie sie der tschechoslowakische Staatspräsident Vaclav Havel für sein Land gefunden hat, auch einmal das Unrecht beim Namen genannt würde, das unschuldigen Deutschen von polnischer Hand zugefügt wurde.

Auf solche Worte haben wir Deutschen keinen Anspruch, und noch weniger darf es darum gehen, in irgendeiner Form gegeneinander aufzurechnen. Aber ich bin sicher, daß eine solche Geste wegweisend wäre für eine Zukunft, in der das Verhältnis zwischen dem polnischen und dem deutschen Volk vom Geist guter Nachbarschaft in einem gemeinsamen Europa geprägt ist.

V.

Am 28. April werden die Staats- und Regierungschefs der Europäischen Gemeinschaft in Dublin zusammenkommen. Auf diesem Gipfel werden vor allem die Fragen im Vordergrund stehen, die sich aus der Einbeziehung der DDR in die Europäische Gemeinschaft ergeben.

Ich begrüße es nachdrücklich, daß die EG-Kommission, das Europäische Parlament und der EG-Ministerrat frühzeitig begonnen haben, sich auf den deutschen Einigungsprozeß und seine Auswirkungen auf die Gemeinschaft intensiv vorzubereiten. Meine Absicht ist es, daß sich die Bundesregierung mit diesen drei Organen der Gemeinschaft in allen wesentlichen Fragen laufend und eng abstimmt.

Auch ein vereintes Deutschland wird ein verlässlicher Partner in der Europäischen Gemeinschaft sein. Der größere deutsche Markt bietet im übrigen auch allen unseren europäischen Partnern zusätzliche Chancen. Ich bin sicher, daß in 5 Jahren die ruinösen Folgen des "real existierenden Sozialismus" überwunden sein werden. Thüringen, Sachsen und die anderen Länder der heutigen DDR werden zu neuer Blüte und neuem Wohlstand gelangen.

VI.

Mit der gleichen Entschiedenheit, mit der wir uns für die deutsche Einheit engagieren, setzen wir uns für eine schnelle Verwirklichung der Europäischen Union ein. Eine Stärkung der Rechte des Europäischen Parlaments und ein Ausbau der Europäischen Politischen Zusammenarbeit sind wichtige Etappen auf diesem Weg. Wer wünscht, daß das vereinte Deutschland fest in europäische Strukturen eingebunden ist, der muß sich konsequenterweise auch für weitere Fortschritte beim europäischen Einigungswerk einsetzen.

Wir wünschen zügige Fortschritte im Blick auf die Vollendung des Binnenmarktes bis Ende 1992. Wir wünschen, daß die noch in diesem Jahr zusammentretende Regierungskonferenz sachgerecht und intensiv, aber auch zügig darauf hinarbeitet, daß die Wirtschafts- und Währungsunion vollendet werden kann.

Auf dem EG-Sondergipfel Ende April in Dublin werde ich erneut - wie schon in Straßburg - vorschlagen, daß noch in diesem Jahr eine weitere Regierungskonferenz einberufen und eröffnet wird mit dem Ziel, schnellere Fortschritte auf dem Weg zur Politischen Union zu erreichen.

VII.

Wir wollen den Weg der Einigung Deutschlands und der Einigung Europas zusammen mit unseren britischen Freunden gehen. Für uns Deutsche ist das enge und vertrauensvolle Verhältnis zu Großbritannien seit Jahrzehnten ein Eckpfeiler unserer Außenpolitik.

In seiner berühmten Züricher Rede vom September 1946 wies Winston Churchill mit seiner Vision der "Vereinigten Staaten von Europa" einen Weg, auf dem wir inzwischen gemeinsam ein gutes Stück vorangekommen sind.

Wie damals steht Europa heute wieder an einem Wendepunkt seiner Geschichte. Wir haben dabei weniger denn je Grund zur Verzagtheit. Die Zeit - und das hat vor allem das vergangene Jahr bewiesen - arbeitet für, und nicht gegen die Sache der Freiheit. Diese Erkenntnis sollte uns ermutigen.

Der Fortschritt in Richtung Freiheit, so hat es Karl Popper am Ende seines großartigen Werkes über "Die offene Gesellschaft und ihre Feinde" erläutert, ist nicht das Ergebnis anonymer historischer Prozesse. Er hängt allein ab "von unserer Wachsamkeit, von unseren Anstrengungen, von der Klarheit, mit der wir unsere Ziele vorstellen, sowie auch vom Realismus unserer Wahl".

Wir wollen als Deutsche unseren Beitrag zu einer Zukunft in Freiheit leisten - als deutsche Europäer und europäische Deutsche. Die 90er Jahre müssen zum Jahrzehnt Europas werden!

Conservative and Unionist Party, GB
 Det konservative folkeparti, DK



EUROPEAN PARLIAMENT
 EUROPEAN DEMOCRATIC GROUP

Chairman

Richard

97-113, rue Belliard
 1040 Brussels
 Tel. (02) 234 21 11
 Fax. 231 11 83

0000
29/3

29th March 1990

The Rt.Hon. Margaret Thatcher FRS MP
 Prime Minister
 10 Downing Street
 London SW1

ms

Dear Prime Minister,

I understand that you are meeting Chancellor Kohl tomorrow and I thought I would drop you a line just to let you know what is happening on the issue of German unification in the European Parliament.

The Parliament has set up a special committee to monitor the Commission's work on German unification. So far, it has been addressed, on separate occasions, by Messrs Delors, Andriessen, and Bangemann. Their statements contradicted each other in a number of respects, from which I conclude that either there are serious splits within the Commission on how to handle unification; or that the Commission has not yet had a proper discussion about the matter.

It seems clear that the two Germanies will choose Article 23 of the basic law as the constitutional route to a united Germany; although it has not yet been made clear whether the five reconstituted länder, if and when they are reconstituted, will apply individually or whether they will in some way authorise the Volkskammer to apply on their behalf. As far as the European Community implications for unification are concerned, Bangemann, not surprisingly, is extremely keen to avoid the application of either Article 237 (becoming a new member of the Community) or Article 236 (amendments to the Treaty between existing members) because both would require ratification of any proposals made under them by the 12 national parliaments - and, in the case of Article 237, assent by the European Parliament. Assuming that East Germany wishes to wind itself up as a nation state, and merge its territory with that of the Federal Republic, Article 237 is not relevant. However, can the Federal Republic of Germany simply "acquire" the territory of East Germany without having to comply with Article 236?

There seem to me arguments of some weight to say that it cannot. One Treaty Article which will pose particular difficulties will be Article 189 which states, inter alia, "a regulation shall have general application. It shall be binding in its entirety and

directly applicable in all Member States". Clearly, the moment that the territory of East Germany became part of the Federal Republic, as a result of the Article 23 procedure, the Federal Republic would be in breach of a very large number of Community obligations (for example, on the environment, restrictive practices, state aids, freedom of movement of goods and services) which would oblige the Commission to commence infraction proceedings immediately, unless transitional arrangements were already in place. But these transitional arrangements, since they would derogate from Article 189, would require an amendment to that Article in accordance with Article 236. Its worth adding that when the Saarland merged with the Federal Republic under Article 23, in the 1950s, the Coal and Steel Treaty had to be amended (and at that time the Saarland was already a member of the Community).

On the other hand, it might be felt that Article 236 amendments to the Treaty ought to be avoided at all costs on the grounds that they would open Pandora's box - votes in Council, numbers of Commissioners, etc. Some suggest that Article 239, on Protocols, may be a way round the legal problem although I, myself, am rather sceptical about this.

On an entirely different note, you may already know that 12 of us (over a third of the Group) campaigned in East Germany with our West German Christian Democrat colleagues in the fortnight before March 18th, some twice and some for several days: Richard Inglewood, Anthony Simpson, James Elles, John Stevens, Madron Seligman, Peter Beazley, Anne McIntosh, Christopher Jackson, Ben Patterson, Bryan Cassidy, Amedee Turner and Christopher Prout.

With best wishes.

*Yours ever,
Christopher*

CHRISTOPHER PROUT

CONFIDENTIAL
UK COMMS ONLY
FM BONN

ADVANCE COPY

TO DESKBY 281715Z FCO
TELNO 406

OF 281514Z MARCH 90
INFO PRIORITY MODUK

INFO ROUTINE MOSCOW, PARIS, WASHINGTON, BM BERLIN, EAST BERLIN
INFO ROUTINE UKDEL NATO, UKREP BRUSSELS, CICC GERMANY, ACTOR
INFO SAVING OTHER NATO AND EAST EUROPEAN POSTS

SIC
MODSH PASS TO MODUK AND CICC GERMANY SIC ECA

UK/FRG SUMMIT 30 MARCH: SCENE SETTER

SUMMARY

1. COALITION STRONGLY PLACED AT HOME. MARKING TIME BRIEFLY ON ACTUAL STEPS TOWARDS UNIFICATION, PENDING FORMATION OF GDR GOVERNMENT. UNCOMFORTABLE AWARENESS THAT PROSPECT OF A LARGER GERMANY STILL CAUSES ANXIETY ABROAD. FRANCO-GERMAN RELATIONS GOING BADLY. GERMAN ATTEMPTS TO REASSURE OTHERS.

2. ON UNIFICATION, CONSCIOUSNESS OF NEED TO SYNCHRONISE INTERNAL AND EXTERNAL TRACKS. THIS MAY IN DUE COURSE BE DIFFICULT. THIS SUMMIT WELL TIMED TO INFLUENCE GERMAN THINKING FOR 2 PLUS 4. KEY ISSUES FOR DISCUSSION ARE THE SECURITY ASPECTS OF UNIFICATION, BOTH TRANSITIONALLY AND IN THE LONGER TERM, AND GERMAN MONETARY UNION AND ITS IMPLICATIONS.

DETAIL

3. THE LATEST OPINION POLL GIVES THE COALITION PARTIES A SUBSTANTIAL LEAD OVER THE OPPOSITION. THEY ARE MORE POPULAR THAN AT ANY TIME SINCE THE BUNDESTAG ELECTIONS OF 1987. THE GREENS AND REPUBLIKANER HAVE FALLEN BACK SINCE UNIFICATION BECAME THE BIG ISSUE. THE ECONOMY CONTINUES TO BOOM AND MIGRANTS FROM EAST GERMANY ARE JUST RECENTLY DOWN (SINCE THE GDR ELECTION ABOUT HALF THE RATE OF OVER 2,000 A DAY BEFORE THEN). THE BALANCE BETWEEN THE PARTIES IS:

CDU/CSU.....45 PER CENT (37 A YEAR AGO)
FDP.....9 PER CENT (7)
SPD.....36 PER CENT (40)
GREENS.....5 PER CENT (9)

REPUBLIKANER...2 PER CENT (4).

4. THE CDU MAY NOW RETAIN THEIR PRECARIOUS HOLD ON LOWER SAXONY IN THE LAND ELECTION THERE ON 13 MAY AND THUS KEEP CONTROL OF THE BUNDESRAT (THE FRG'S UPPER HOUSE). IN THE RUN UP TO THE FEDERAL ELECTIONS IN DECEMBER KOHL WILL HOWEVER BE CHALLENGED BY LAFONTAINE TO DEMONSTRATE THAT HE CAN KEEP HIS PROMISES TO THE GDR VOTERS TO BRING PROSPERITY QUICKLY AND HIS PLEDGE TO FRG VOTERS THAT TAXES WILL NOT BE INCREASED.

5. THERE IS A LULL IN THE ACTUAL STEPS TOWARDS UNIFICATION WHILE A COALITION IS CONSTRUCTED IN THE GDR. AS THE COLLECTIVE ADRENALIN LEVEL HAS MODERATED, THE MAGNITUDE AND COMPLEXITY OF THE ISSUES THAT HAVE TO BE RESOLVED HAS BECOME MORE WIDELY KNOWN. SOME GOVERNMENT SUPPORTERS WILL STILL JUSTIFY KOHL'S HANDLING OF THE POLISH BORDER ON DOMESTIC GROUNDS. BUT MOST KNOW IT WAS A MISTAKE WHICH REVIVED MISTRUST OF GERMANY ABROAD AND AMONG OTHER THINGS UPSET RELATIONS WITH FRANCE. THIS HAS MADE THE FEDERAL GOVERNMENT AND MANY POLITICIANS MORE CAREFUL IN THEIR STATEMENTS ABOUT THE EXTERNAL ASPECTS OF UNIFICATION AND HAS LED THEM TO SAY REPEATEDLY THAT STATE UNITY WILL COME ONLY AFTER AGREEMENT IS REACHED IN 2 PLUS 4. KOHL'S VISIT TO THE EC (UKREP TELNO 930) AND GENSCHER'S TO WEU AT STRASBOURG, BOTH ON 23 MARCH, HAD THIS PURPOSE OF REASSURANCE. IN GIVING NEW EMPHASIS TO EUROPEAN POLITICAL UNION, PERHAPS VIA ANOTHER IGC, KOHL HAS SOUGHT TO PACIFY MITTERRAND BY PARADING EUROPEAN COLOURS, WHILE STILL REFUSING TO START THE IGC ON EMU BEFORE HIS DECEMBER ELECTIONS.

6. THE FEDERAL GOVERNMENT NOW HAS A REASONABLY CLEAR VIEW OF THE BROAD SEQUENCE OF EVENTS ON THE ROAD TO UNIFICATION (MY TELNO 399). THE CHOSEN CONSTITUTIONAL METHOD IS ACCESSION OF THE GDR TO THE FRG UNDER ARTICLE 23 OF THE FEDERAL CONSTITUTION. KOHL AND GENSCHER CLAIM THAT THEY CAN CONTROL THE TIMING OF THIS BY USING THEIR INFLUENCE OVER THE GDR COALITION AND DELAYING THE IMPLEMENTING LEGISLATION IN THE BUNDESTAG UNTIL AGREEMENT IS SURE IN 2 PLUS 4. BUT IF IN DUE COURSE INABILITY TO SETTLE THE SECURITY (OR OTHER) ASPECTS OF 2 PLUS 4 THREATENED TO DELAY UNIFICATION, THERE WOULD BE A REAL DANGER OF THE GERMANS WANTING TO CONCEDE TOO MUCH TO THE SOVIET UNION. IT IS NOW URGENT TO AGREE THE WESTERN POSITION ON CRUCIAL ISSUES SO THAT THE 4 PLUS 2 PROCESS CAN GET INTO SUBSTANCE ONCE THERE IS A GDR GOVERNMENT. THE BRITISH/GERMAN SUMMIT IS WELL TIMED TO INFLUENCE GERMAN THINKING. DESPITE RECENT DIFFICULTIES BETWEEN US, I THINK KOHL WILL WANT TO CONSOLIDATE AREAS OF AGREEMENT. THE PRESS CONFERENCE GIVES AN OPPORTUNITY TO HIGHLIGHT

THESE IN PUBLIC.

7. IMPORTANT ISSUES AT THE SUMMIT WILL BE:

(A) SECURITY ISSUES IN 2 PLUS 4. IT WILL BE IMPORTANT TO PRESS KOHL TO BE CLEAR ABOUT THE EXTENSION OF NATO ARTICLES 5 AND 6 TO EAST GERMANY AND THE MILITARY ASSETS TO MAKE THAT CREDIBLE WHILE THE RUSSIANS ARE WITHDRAWING. THERE IS SOME EVIDENCE (MY TELNO 396) THAT KOHL MAY RECOGNISE THAT GERMAN GROUND TROOPS OF SOME KIND MUST BE PRESENT IN EAST GERMANY EVEN DURING A TRANSITION PERIOD. BUT I DO NOT EXCLUDE THAT PEOPLE HERE COULD BE TEMPTED, IF 2 PLUS 4 WAS DIFFICULT ON THIS ASPECT, TO POSTPONE ALL QUESTIONS CONCERNING THE SECURITY OF THE GDR, EXCEPT SOVIET WITHDRAWAL, FOR A SUBSEQUENT NEGOTIATION. THAT WOULD CREATE SERIOUS UNCERTAINTY ABOUT FUTURE EUROPEAN SECURITY.

(B) EUROPEAN DEFENCE AND SECURITY IN THE LONGER TERM. THERE ARE IMPORTANT DIFFERENCES BETWEEN KOHL'S AND STOLTENBERG'S GOALS ON THE ONE HAND AND GENSCHER'S ON THE OTHER. KOHL MEANS IT WHEN HE SAYS THAT HE WANTS A UNITED GERMANY PERMANENTLY IN NATO AND THE INTEGRATED MILITARY STRUCTURE AND ACCEPTS THE CONTINUING NEED FOR NUCLEAR WEAPONS ON GERMAN SOIL. BUT THERE IS AN INCIPIENT TENDENCY IN BONN TO ARGUE THAT SOME OF THE KEY ISSUES THAT THE SOVIET UNION IS LIKELY TO RAISE IN 2 PLUS 4, NOTABLY NUCLEAR WEAPONS ON GERMAN SOIL AND THE FUTURE SIZE OF GERMAN ARMED FORCES, CAN ONLY BE SETTLED IN OTHER FORA - SNF NEGOTIATIONS OR A SECOND ROUND OF CFE - WHERE GERMANY WILL NOT BE ''SINGULARISED''. KOHL IS APPREHENSIVE ABOUT HOW HARD THE RUSSIANS WILL PRESS, ESPECIALLY ON NUCLEAR WEAPONS (MY TELNO 375). GENSCHER MAKES IT INCREASINGLY CLEAR (MY TELNO 397) THAT NATO WITH ITS PRESENT FORM AND FUNCTIONS WILL ONLY BE NEEDED FOR A TRANSITIONAL PHASE OF UNSPECIFIED DURATION UNTIL THE MILITARY PACTS CAN BE ABSORBED INTO A NEW COOPERATIVE EUROPEAN SECURITY ORDER.

(C) GERMAN ECONOMIC AND MONETARY UNION. KOHL HAS COMMITTED THE FRG TO AN EXCHANGE RATE OF 1DM TO 1 EAST MARK FOR CURRENT FLOWS AND SMALL SAVERS. DEBATE RAGES OVER THE RIGHT RATE FOR OTHER FUNDS AND THERE IS A GOOD DEAL OF CONFUSION ABOUT THE TIMING AND NATURE OF THE ECONOMIC REFORMS WHICH MUST ACCOMPANY MONETARY UNION, THE TARGET DATE FOR WHICH IS 1 JULY. I SUGGEST THAT HAUSSMANN SHOULD BE PROBED ON THE RELATIONSHIP BETWEEN MONETARY AND ECONOMIC UNION, ON MEDIUM AND LONGER TERM ECONOMIC PROSPECTS FOR THE GDR AND ON HIS DEPARTMENT'S VIEWS (WHICH DIFFER IN IMPORTANT RESPECTS FROM THOSE OF THE AUSWAERTIGES AMT) ON EAST GERMAN ABSORPTION INTO THE COMMUNITY. I SUGGEST THAT WAIGEL SHOULD BE ASKED ABOUT THE EFFECTS OF

UNIFICATION ON THE DM. HAUSSMANN AND WAIGEL COULD BE ASKED ABOUT POSSIBLE OVERHEATING OF THE FRG ECONOMY AS GDR CONSUMPTION IS PUMPED UP AND ABOUT CONSEQUENTIAL PROSPECTS FOR INFLATION AND INTEREST RATES.

(D) BERLIN. THERE IS INCREASING TALK IN BERLIN, ACROSS PARTY LINES, OF ALLIED GARRISONS STAYING THERE ON A NEW CONTRACTUAL BASIS AS LONG AS SOVIET FORCES ARE IN EAST GERMANY. PROVIDED THE GERMANS WANT THIS AND ARE PREPARED TO SAY SO PUBLICLY, THERE ARE OBVIOUS ATTRACTIONS. NEITHER KOHL NOR GENSCHER SEEMS TO HAVE FOCUSED ON THIS IDEA.

8. OTHER ISSUES FOR THIS SUMMIT ARE:

(A) FINANCIAL SERVICES. THE FEDERAL GOVERNMENT HAVE SAID THAT THEY WANT THEIR EUROPEAN PARTNERS TO PARTICIPATE IN DEVELOPING THE GDR. THEY HAVE ALSO AGREED THAT EAST GERMANY SHOULD IF POSSIBLE ADOPT EC-COMPATIBLE LEGISLATION FROM THE START. THIS HAS IMPLICATIONS FOR THE FRG IN INSTANCES WHERE IT IS OUT OF LINE WITH EC OBLIGATIONS. FEDERAL CHANCELLERY AND FINANCE MINISTRY OFFICIALS HAVE RECENTLY BEEN COOPERATIVE IN MAKING BILATERAL PROGRESS ON TWO EC DOSSIERS WHICH, IF UNBLOCKED, WOULD INCREASE BRITISH CHANCES OF PROVIDING FINANCIAL SERVICES IN A UNITED GERMANY. THESE ARE LIFE INSURANCE AND THE RULES FOR NON-BANK FINANCIAL INSTITUTIONS. THE SUMMIT PROVIDES THE OPPORTUNITY FOR MINISTERS TO ENDORSE THE EFFORTS TO BREAK THE LOG JAM IN A WAY WHICH COMMITS THE GERMANS TO FOLLOW THROUGH IN BRUSSELS (MY TELNO 395).

(B) PROMOTION OF THE ENGLISH LANGUAGE IN THE GDR. ENGLISH CAN NOW DISPLACE RUSSIAN AS THE FIRST FOREIGN LANGUAGE IN EAST GERMANY. I HOPE WE CAN ANNOUNCE AT THE SUMMIT THE START OF A BRITISH COUNCIL PROGRAMME ON THIS. IT WOULD BE MUCH WELCOMED HERE.

(C) FOR USE AT THE PRESS CONFERENCE, THE BRIEFING FOR THE SUMMIT WILL ALSO LIST SUBJECTS WHERE BILATERAL COOPERATION IS CURRENTLY SUCCESSFUL. THESE COVER SCIENTIFIC AND ACADEMIC RESEARCH, THE FIGHT AGAINST DRUG TRAFFICKING AND COOPERATION OVER MILITARY EXERCISES.

9. PLEASE ADVANCE TO PS'S TO CHANCELLOR OF THE EXCHEQUER AND SECRETARIES OF STATE AT DTI AND MOD.

MALLABY

FCO PASS SAVING OTHER NATO AND EAST EUROPEAN POSTS

YYYY

DISTRIBUTION

17

ADVANCE 17

.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 LEIGH DCTS NATO MODUK
PRESS SECRETARY NO 10
MRS GLOVER LEGAL ADVISERS
PS/CHANCELLOR OF THE EXCHEQUER
PS/SOS DTI
PS/SOS DEFENCE

NNNN

ADVANCE ROOM COD
28.MAR.1990 20:10
DESPATCHED

STATEMENT ON FINANCIAL SERVICES AND INSURANCE FOR INCLUSION IN
ANGLO-GERMAN SUMMIT COMMUNIQUE

It was agreed that full support should be given to the Commission's programme for completing the internal market in insurance.

Both countries also agreed that they would aim, as an important goal, for early completion of negotiations on the Investment Services and proposed Capital Adequacy directives so as to bring them in at the same time as the Second Banking Co-ordination Directive.

It was agreed that capital requirements for those providing financial services should be related to risk rather than to the nature of the institution. The requirements should have equivalent effect on banks and non-banks.

The basis for these agreements is the statement agreed between Mr Ridley and Dr Waigel and annexed to this communique.

JW3AKA

STATEMENT BY MR RIDLEY AND DR WAIGEL ON INVESTMENT SERVICES
AND INSURANCE

Insurance

1 Both Germany and the UK have long upheld the virtues of free trade, and believe that these apply to insurance as to other sectors. It is important that the single market for insurance should be developed in accordance with free trade principles.

2 Both States recognise that the nature of insurance makes it essential to make careful provision for the protection of consumers, and believe that this can be achieved without restrictions on the proper functioning of the single market.

3 Both States also recognise that some products of the insurance industry compete increasingly with other financial services sectors, and that it is therefore important to ensure that this competition develops on a fair regulatory basis.

4 The Commission's proposals for a single insurance licence system are aimed at achieving the objectives of:

- i maintaining prudential standards and consumer protection;
- ii achieving greatest possible competition, flexibility and freedom for product innovation in the interests of consumers;
- iii granting consumers the widest possible choice between different competitively priced insurance products.

The two States share these objectives and intend to support the Commission in developing progressively the single licence system for insurance based on home state control. They consider that it is essential that there should be close co-

operation between supervisory authorities if the principle of home country control is to work satisfactorily.

5 Mutual recognition of supervisory standards, which must be based on a minimum harmonisation, is essential for a system based on "home state control". The harmonised rules on solvency margins and minimum guarantee funds. The accounts directive should provide a basis for satisfactory harmonisation of technical reserves at least for non-life insurance. It is important too that there should be satisfactory safeguards for holders of life and non-life policies throughout the Community, in the event of an insurance company's being wound up.

6 Both States have noted that the Commission of the European Communities is doing further work on technical reserves for life insurance and on rules governing the investment in assets representing the reserves, and agree that this work must take into account changing circumstances in financial markets and the development of the single market in insurance and financial services.

7 Both States consider it important that consumers should be fully informed about the insurance they consider buying. It would be appropriate for future Directives to make provision in this area. In so far as such provisions are not harmonised, Member States should be free to impose conduct of business rules on a non-discriminatory basis to the sale of all products within their territory.

8 The two States agree that adequate consumer protection can be assured through strict prudential supervision supported as necessary by conduct of business rules and, in limited cases, by prohibition of products on public policy grounds.

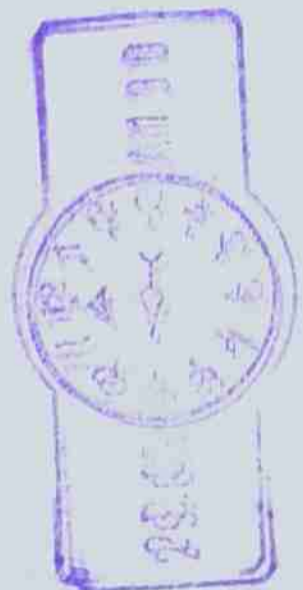
Financial Services

9 UK and FRG Ministers consider that the completion of the single market in financial services is an important goal. Both countries will aim for early completion of the

negotiations on the draft Investment Services and proposed Capital Adequacy Directives so as to bring them into effect at the same time as the Second Banking Co-ordination Directive. In negotiating and implementing these directives on the basis of home country authorisation, the Governments agreed to show mutual respect for the different nature in each country of companies providing investment services and of the competent authorities who regulate them. It was agreed that capital requirements for those providing investment services should be related to the risk involved in trading financial instruments whatever the nature of the institution. The requirements should have equivalent effect on banks and non-banks.

JW3AJZ

regulations in the first investment period and reported
Capital Advisory Director as a being then into effect at
the same time as the second period of operation. It is
in regulation and implementing these directives of the
of these countries and investment. The Government's
actual respect for the different rules in each country of
Capital Advisory Director and of the company
authorities who regulate them. It is agreed that capital
requirements for those providing investment services should be
related to the risk involved in carrying financial transactions
whatever the nature of the institution. The requirements
should have equivalent effect on banks and non-banks.



Foreign Sec.

A rough draft.

PRIME MINISTER'S COMMENTS AT A PRESS CONFERENCE

CD

FOR THE ANGLO-GERMAN SUMMIT

Just one point
on Arts 4 & 5

I'm not sure what
the Kohl line is -

for Genscher line see below

-p 3

LADIES AND GENTLEMEN,

CHANCELLOR KOHL AND I MET THIS MORNING FOR A LONG AND VERY CONSTRUCTIVE TALK, AFTER WHICH WE HAD A PLENARY MEETING, AT WHICH OTHER MINISTERS REPORTED ON THEIR SEPARATE DISCUSSIONS. I AM GRATEFUL TO CHANCELLOR KOHL AND HIS COLLEAGUES FOR COMING OVER TO LONDON.

I MIGHT SAY JUST A FEW WORDS ABOUT THE SUBJECTS WHICH WE DISCUSSED - AND I WOULD REMIND YOU THAT OUR RESPECTIVE VIEWS ON MANY OF THEM WERE SET OUT IN THE SPEECHES WHICH WE BOTH GAVE LAST NIGHT IN CAMBRIDGE.

OBVIOUSLY GERMAN UNIFICATION AND ITS CONSEQUENCES FOR GERMANY'S NEIGHBOURS AND PARTNERS WAS ONE OF THE MAIN ISSUES WHICH WE COVERED. ON THAT:

- I OF COURSE WELCOMED THE SUCCESSFUL HOLDING OF FREE AND DEMOCRATIC ELECTIONS IN THE GDR.

- WE ARE AGREED IN WANTING CONSIDERATION OF THE EXTERNAL ASPECTS OF UNIFICATION TO PROCEED AS QUICKLY AS POSSIBLE, SO THAT THIS CAN BE SETTLED BY THE TIME UNIFICATION TAKES PLACE.

- WE AGREED THAT POLAND SHOULD BE INVITED TO THE TWO PLUS FOUR TALKS AS SOON AS QUESTIONS WHICH PARTICULARLY AFFECT ITS BORDERS ARE DISCUSSED: AND I WELCOMED CHANCELLOR KOHL'S RENEWED COMMITMENT THAT POLAND'S BORDER WILL BE SETTLED BY MEANS OF A BINDING TREATY BETWEEN A UNITED GERMANY AND POLAND.

- WE ARE ALSO AGREED, AS WILL HAVE BEEN CLEAR FROM OUR SPEECHES LAST NIGHT, THAT A UNITED GERMANY SHOULD BE A MEMBER OF NATO, WITH THE NATO GUARANTEE EXTENDED TO ITS TERRITORY: and

~~- WE ARE ALSO AGREED THAT TRANSITIONAL MILITARY ARRANGEMENTS WILL BE NEEDED FOR THE TERRITORY OF THE~~

have
Germany (not yet normal - the only one)
[Genscher line continues to be that Art 506 should not extend to E-Germany unless Soviet troops there may be here]

PRESENT GDR, UNDER WHICH SOVIET TROOPS WOULD REMAIN THERE FOR A TIME.

- WE AGREED THAT THE EC SUMMIT ON 28 APRIL SHOULD SET IN TRAIN THE DETAILED DISCUSSIONS WHICH WILL BE NEEDED ON THE ARRANGEMENTS FOR THE INCLUSION OF THE GDR IN THE EUROPEAN COMMUNITY.

MORE WIDELY WE BOTH SUPPORT A RAPID CONCLUSION OF THE VIENNA NEGOTIATIONS ON THE REDUCTION OF CONVENTIONAL FORCES, AND THE SIGNATURE OF AN AGREEMENT THIS YEAR. AND WE ARE AGREED ON THE AIM OF BUILDING ON THE CSCE PROCESS TO STRENGTHEN DEMOCRACY AND HUMAN RIGHTS, AND PROVIDE A FORUM WITHIN WHICH EAST AND WEST CAN DISCUSS SECURITY AND OTHER ISSUES IN EUROPE.

WE ALSO DISCUSSED DEVELOPMENTS IN THE SOVIET UNION AND EASTERN EUROPE, AND IN PARTICULAR WHAT IS HAPPENING IN LITHUANIA, WHERE WE ^{ARE AT ONE} ~~BOTH~~ AGREE ON THE NEED FOR DIALOGUE

AND DISCUSSION TO REACH A PEACEFUL SOLUTION. I INFORMED CHANCELLOR KOHL OF MY RECENT DISCUSSION WITH PRESIDENT GORBACHEV ON THIS ISSUE.

ON EUROPEAN COMMUNITY MATTERS, WE ARE BOTH AGREED ON THE IMPORTANCE OF COMPLETING THE SINGLE MARKET BY 1992: AND OUR TRADE AND INDUSTRY MINISTERS HAD DETAILED - AND I BELIEVE SUCCESSFUL - DISCUSSIONS ON FINANCIAL SERVICES AND INSURANCE, TO BOTH OF WHICH WE ATTACH GREAT IMPORTANCE.

I EXPLAINED TO CHANCELLOR KOHL OUR POSITION ON MEMBERSHIP OF THE ERM, NAMELY THAT BRITAIN WILL JOIN ONCE THE CONDITIONS WHICH I SET OUT IN MADRID ARE MET - AND WE HOPE THAT WILL BE REASONABLY SOON.

ON WIDER QUESTIONS OF ECONOMIC MONETARY UNION, WE AGREED ON THE NEED FOR THOROUGH PREPARATION OF AN INTERGOVERNMENTAL CONFERENCE. THERE IS NO DOUBT THAT

DISCUSSIONS WILL BE DIFFICULT BECAUSE WE CANNOT ACCEPT STAGES 2 AND 3 OF THE DELORS PLAN AS THEY STAND - AND THAT IS THE VIEW NOT JUST OF THE GOVERNMENT BUT OF A VERY LARGE MAJORITY IN OUR PARLIAMENT.

ON THE POLITICAL ASPECTS OF EUROPE, WE BOTH WANT TO SEE RELATIONS BETWEEN THE COMMUNITY AND EASTERN EUROPE STRENGTHENED. CHANCELLOR KOHL HAS SOME IDEAS FOR GIVING FURTHER POWERS TO THE EUROPEAN PARLIAMENT AND FOR STRENGTHENING EUROPEAN POLITICAL CO-OPERATION - THE LATTER IS OF COURSE AN AREA IN WHICH BRITAIN HAS ALWAYS TAKEN A LEAD.

WE COVERED A NUMBER OF REGIONAL ISSUES SUCH AS SOUTH AFRICA, ALTHOUGH THESE WERE DEALT WITH IN MORE DETAIL BY OUR FOREIGN MINISTERS.

WE CONFIRMED THAT THE BILATERAL RELATIONS BETWEEN BRITAIN AND GERMANY ARE VERY GOOD.

FINALLY, I AM PLEASED TO ANNOUNCE AN IMPORTANT ENGLISH LANGUAGE TRAINING INITIATIVE FOR THE GDR FUNDED BY BRITAIN. THERE IS A GREAT NEED FOR ENGLISH LANGUAGE SKILLS AS THE GDR ADAPTS TO THE WESTERN ECONOMIC SYSTEM. WE ARE HAPPY TO HELP MEET THIS NEED. THIS IS ONE OF MANY AREAS WHERE BRITAIN AND BRITISH FIRMS HAVE MUCH TO OFFER IN THE RE-BUILDING OF EAST GERMANY'S ECONOMY

[+ SCHOLARSHIPS]

NOW I WILL ASK CHANCELLOR KOHL TO GIVE YOU HIS VIEWS AND THEN WE WILL TAKE QUESTIONS.

I'LL ON TINE



Mr Tebbit:
He believes
Michael
Heseltine
would be
a disastrous
Premier

TURN IN LIBEL CASE



Lord Linley after yesterday's hearing

Maggie delivers nuclear shock to Kohl

By JOHN DICKIE
Diplomatic Correspondent

MRS Thatcher stunned Dr Kohl last night by insisting nuclear weapons must stay in Germany following reunification.

After warning against rash troop cuts 'in some wild scramble', she was emphatic that Nato keeps up its nuclear guard for the foreseeable future.

All hopes that she and the German Chancellor would bury the hatchet at today's Downing Street summit were shattered by her stern and public declaration at a dinner to celebrate 40 years of Anglo-German co-operation.

And, rubbing salt in the wound, she gave him a short history lesson on how Britain helped rebuild Germany after the war. She said this had built the basis for unity — and entitled her to express her views on its implications.

Clashes

Dr Kohl's entire strategy for his December elections is aimed at being the architect of unity and the man who rid Germany of nuclear arms.

And he expected today's talks to pave the way for an agreement not to modernise the Lance short-range nuclear weapons and then phase them out completely.

Her declaration at Cambridge University could now herald a series of head-on clashes.

She made no public recognition of his trump card — that any German Government, if it wished, could refuse to have nuclear arms on its sovereign territory.

And bewildered diplomats were left wondering where weapons with a range of no more than 300 miles would be targeted now that Poland, East Germany and the Czechs have rejected Communist rule.

But she insisted her three essentials for continued European security were that a united Germany should remain part of Nato; that U.S. and other forces should remain there 'although we hope in reduced

Turn to Page 2, Col. 2

Line possible for
Pms Conference

EUROPEAN POLITICAL UNION

- We all agreed a Solemn Declaration at Stuttgart in June 1983 on what we meant by the goal of creating a European union; a credit to the then German presidency of Chancellor Kohl;
- We gave this yet more solemn status by incorporating it in the Single European Act, ratified by all 12 national parliaments.
- The process is a continuing one; our joint European goals are being realised, day by day, as we co-operate in an increasing number of areas;
- Look at today's enormous and challenging agenda; for this year alone we face six key challenges - getting the right response to all six is essential for the future of the Community;
- Three challenges arise from the wider world;
 - To respond to developments in Eastern Europe with dynamic new forms of Association agreement to encourage and sustain political and economic reform.
 - Deepening the EC/EFTA relationship to create a common "European economic space" - increasing the benefits of a Single Market within, and extending them beyond, the Community frontier.

-A successful outcome to the Uruguay Round - the challenge to sustain the whole multilateral free trade system

- Three challenges on the internal agenda;

-Given the welcome prospect of German unification we need to devise the right arrangements to speed the integration of ex-GDR Germans into the Community;

-The Intergovernmental conference on monetary issues starts in December; we have to get the substance right, and that means proper advance preparation;

-The challenge of the Single Market; with 1992 looming, 1990 is a key year for completing the legislative programme

- Getting the right Community response to these six key challenges will greatly strengthen the Community. Getting the wrong ones would weaken it. But we need to get the right responses anyway.

- So let's continue, as we have since 1983, to make a reality of the Stuttgart Declaration in our actions. Words matter, but actions matter still more.

—the introduction of legal instruments which can strengthen co-operation among the judicial authorities of the Member States, notably in civil and commercial matters, and which can thereby make the administration of justice more efficient and less cumbersome;

- (*) co-operation in the area of the suppression of infringements of Community law;
- (*) identification of areas of criminal and procedural law in which co-operation between Member States might be desirable.

4. FINAL PROVISIONS

4.1 The Heads of State or Government stress the link between membership of the European Communities and participation in the activities described above.

4.2 European Union is being achieved by deepening and broadening the scope of European activities so that they coherently cover, albeit on a variety of legal bases, a growing proportion of Member States' mutual relations and of their external relations.

4.3 (*) The Heads of State or Government will subject this Declaration to a general review as soon as the progress achieved towards European unification justifies such action, but not later than five years from signature of the Declaration.

In the light of the results of this review they will decide whether the progress achieved should be incorporated in a Treaty on European Union.

The Opinion of the European Parliament will be sought on this subject.

(*) Danish reservations on paragraphs 1.4.2, 2.3.5, 2.3.6, 3.1.1, 3.4.3 and 4.3
cf. Greek declarations in the minutes with reference to paragraphs 2.2.2 and 2.2.3.

PRESS CONFERENCE

Possible line
for press conference

NUCLEAR WEAPONS IN GERMANY

- NATO's position (Comprehensive Concept) is that for the foreseeable future there is no alternative to the strategy of deterrence: and this needs to be based on an appropriate mix of adequate and effective nuclear and conventional forces.
- No question of NATO nuclear weapons being based only in Germany. Britain too has always played her part in this respect, and will go on doing so.
- Precise numbers and types of nuclear weapons can of course change. NATO has already made substantial reductions in recent years. And the United States has made plain its willingness to enter into negotiations for partial reductions of shorter range ground-based missiles once the CFE Treaty is being implemented.

CONFIDENTIAL

LEUTWILER MEMORANDUM

- We believe that Mandela's release is in South Africa's own interests.
- In our assessment it would create a new and improved climate of benefit to South Africa internally and in her relations with the outside world.
- It would also reinforce our joint stand against sanctions and other restrictive measures.
- And it would make it easier for us to play a helpful role over the problems facing South Africa in its dealings with the banks over bearer bonds.
- Looked at realistically it would not on its own lead to the dismantling of any sanctions.
- But if the South African Government were to build on Mandela's release to launch a dialogue between all political groups in South Africa, we would then see what could be done to meet South Africa's concerns on sanctions (although we could not give advance assurances affecting others).

E17AAY

CONFIDENTIAL

KOHL, DR HELMUT

Federal Chancellor and Chairman of the CDU.

Born 1930 in Ludwigshafen. Studied law and history at Frankfurt and Heidelberg. Joined the CDU at 17 and became a member of its Land Executive in Rhineland Palatinate at 25. Member of the Land Parliament 1959, and Chairman of the CDU Parliamentary Group there from 1963. Member of the CDU Federal Executive since 1966. Chairman of the CDU in Rhineland-Palatinate, 1966-73. Minister President of Rhineland Palatinate 1969-76. Chairman of the CDU since 1973. Was Chancellor candidate of the CDU/CSU in the 1976 Federal election. Thereafter, elected Chairman of the CDU/CSU Parliamentary Party in the Bundestag, a post which he held until October 1982 when he was elected Federal Chancellor.

Politics are Kohl's whole life. He first achieved national prominence as Minister President of Rhineland Palatinate, where he was active in modernising the Land Administration, expanding higher education and promoting industrialisation. He played a large part in the early 1970s in planning a new policy for the Federal CDU, but failed to stand up for certain aspects of this at the 1971 Party Conference. This contributed to his defeat by Barzel in the elections that year for the party chairmanship. But after careful ground work in the party, cultivating the younger generation in the centre, Kohl was the only candidate for the chairmanship at the special Party Conference in June 1973, after Barzel's resignation. Since then, he has never been challenged for the job.

He was nominated as Chancellor candidate of the CDU/CSU for the 1976 Federal elections. But the grudging support from Strauss and the CSU undermined his authority. Nonetheless, he ran a skilful and energetic campaign, and came within

200,000 votes of unseating Schmidt and the SPD/FDP Coalition. For the 1980 Federal elections he lost the CDU candidacy to Albrecht, and it was Strauss who eventually secured the CDU/CSU nomination. Kohl fell in loyally behind Strauss and ran an energetic and effective campaign.

With Strauss's defeat, Kohl re-emerged as the natural leader of the CDU/CSU Parliamentary Party. Although there were many in the party with reservations about his leadership, when the SPD/FDP government collapsed, he was nevertheless elected Chancellor on 1 October 1982 with CDU/CSU and FDP support.

When it took office, Kohl's government had a clear majority in the Bundestag. But Kohl was conscious of having become Chancellor without a mandate from the electorate and announced his intention to arrange for early Federal elections in March 1983. Many thought his tactics would backfire. But Kohl's calculations were correct. The CDU/CSU polled their second best result every, and, contrary to some predictions, the FDP got back into the Bundestag, thus making Kohl's government secure.

Kohl was criticised in opposition for the tedium of his speeches, lack of imagination and for his lack of grasp of economic issues. As Chancellor, he emerges as a man with a broad sense of policy direction, expressed in a broad brush way, combined with a finely honed instinct for political survival and a genius for party management. His speeches remain unexciting. He has no charisma. He largely leaves the detail of policy to others; he deals with controversy by a process of political compromise and, if this is not possible, uses the powers of his office to impose solutions. He makes sure that rivals for Chancellorship (Späth qv) or would-be kingmakers (Geissler qv) are cut down to size. In this way, despite widespread dissatisfaction from time to time within the CDU with his leadership, no effective challenge has been mounted. His strength is his self-

confidence which he transmits to the electorate; his shortcoming is his inability to inspire. He very much wants to be the Chancellor who mapped the route to reunification. The 1990 Federal elections will be a supreme test of his electoral skills.

Kohl is proud of his simple origins. His father was a minor official. His mother held the family together. He himself worked as a stone mason to get through school. He sees himself as one of that first generation of Germans who came into politics young immediately after the war with the belief in democracy and the rule of law. He is a big, genial man, with a relaxed and reassuring manner, who showed in 1976, and again in 1983 and 1987, that he could attract voters by means of straightforward propositions stated clearly, firmly and often. He is a great optimist, a man who visibly enjoys himself, who exudes confidence. He stresses old-fashioned virtues - hard work, self-reliance, thrift, family values - in populist speeches.

Kohl initially took little interest in foreign affairs. He has a strong commitment to the Atlantic Alliance, to the Franco-German relationship, and to the European deal. But his contacts with other countries have otherwise been limited. He speaks a little French but no other foreign language. He has become increasingly aware of the importance of the UK.

His wife (Hannelore) studied in Paris and is a qualified interpreter, speaking fluent French and English. She is a determined woman who has certainly been a spur to Kohl's ambition. They have two sons, both of whom have studied in Britain.

CONFIDENTIAL

WAIGEL, DR THEODOR

CSU Party Chairman and Federal Finance Minister.

Born 1939. Son of a farmer. Studied Law at Munich and Würzburg Universities, 1959-67. Final Legal exams 1967. Council of the District Court in Munich, 1967-69. Private Secretary to the PUS and later to the Minister in the Bavarian Finance and Economics Ministry, 1969-72. Joined CSU, 1961. Active in youth politics and local affairs. Entered Bundestag, 1972. CDU/CSU spokesman on economic and financial affairs, 1980-82. Elected Chairman of the CSU Parliamentary Group in Bonn, and concurrently a Deputy Chairman of the CDU/CSU Parliamentary Party, on the change of Government in 1982. In November 1988 he became CSU Party Chairman, after the death of Strauss, and was re-elected in November 1989 for a full two year term, by a large majority. He accepted office in Kohl's Cabinet as Finance Minister in April 1989, amid misgivings within his own party that this might limit his room for manoeuvre in giving the CSU a distinct profile. He is proving a convincing Finance Minister.

Waigel is a comfortable, pipe smoking man, which conceals the considerable energy and political acumen which have made him the dominant figure in the CSU group in Bonn, and earned him the respect of the CDU. Noted in particular for his negotiating skills and ability to resolve differences, he can be openly critical of the CSU's coalition partner when he believes this justified. There is a certain rivalry between him and the other major CSU figure, Streibl, the Bavarian Minister-President. Given his enforced absence in Bonn, he works hard to maintain his popularity in Bavaria.

Married with one son and one daughter. Hobbies - hill walking and the theatre. Catholic. Poor English which he is anxious to improve. Visited UK as guest of HMG in 1986, and as Finance Minister in 1989.

KLEIN, HANS

Federal Minister and Government Spokesman (CSU) since April 1989.

Born 1931 in Mährisch-Schönberg (Sudentenland). Klein came to Bavaria at the end of the war as an orphaned refugee. He completed his school education in Heidenheim an der Brenz, before winning a scholarship in 1950 which enabled him to study economics and history at Loughborough. Subsequently trained as a journalist and in 1955 became chief editor of an Anglo-German weekly with the title "Shake Hands". In 1956 he moved to Bonn, first as an agency reporter, and after 1958 as Bonn correspondent of the "Hamburger Abendblatt". In 1959 he entered the Diplomatic Service, serving as press attache at the FRG embassies in Amman, Damascus, Baghdad and Jakarta. In 1965 Chancellor Erhard brought him back to Bonn to be his speech writer. In 1972 he achieved national prominence as press spokesman at the Olympic Games in Munich, when the Israeli team was the subject of a terrorist attack. Klein still looks back on the incident with horror.

In 1972 Klein also contested the Munich Central constituency for the CSU for the first time. He failed, as he did in 1976, 1980 and 1983, though he entered the Bundestag via the Land list in 1976. He eventually won the constituency in the 1987 elections, giving the CSU a clean sweep of all 45 Bavarian constituencies. In the Bundestag he concentrated on foreign affairs, espousing the CSU line with skill and vigour. From 1982-87 he was the CSU foreign affairs spokesman and 1987-89 Federal Minister for Economic Cooperation. Appointed to his current post in April 1989 in hopes of improving the marketing of the Government's policies. In December 1988 he announced his intention to run against Georg Kronawitter in the 1990 election for

↳ check + Munich white
this was 18 March
election

CONFIDENTIAL

Oberbürgermeister of Munich. His chances of success are not rated high. His performance at the Economic Cooperation Meeting was workmanlike if unspectacular. by contrast, his right-wing views have occasionally surfaced in comments as Government Spokesman which have led to controversy and even calls for his resignation.

Eloquent and popular socially. With his trim goatee bear and bow tie, Klein (known as Johnny) stands out from the crowd on the Bonn political scene. Catholic, married with three children. Speaks excellent English and well disposed to the UK.

CONFIDENTIAL

GENSCHER, HANS DIETRICH, HON GCMG GBE

Federal Foreign Minister and Vice-Chancellor since May 1974.

Born in 1927 Reideburg, Saxony (now GDR). Son of a farm cooperative official. War service with the Luftwaffe. POW. Later studied law in Halle and Leipzig. Left the GDR for Federal Republic in 1952 and joined the FDP. Became Business Manager of the FDP Parliamentary Party in 1959 and then in addition, 1962-64, Federal Business Manager of the FDP. Elected to Bundestag in 1965. Became Vice-Chairman of the Party in 1968, Minister of the Interior 1969-74. When Scheel became Federal President in 1974, Genscher succeeded him as Chairman of the FDP, Vice-Chancellor to Schmidt, and Foreign Minister.

Genscher led his party out of coalition with the SPD in 1982, to form the present coalition with Kohl. Genscher realigned the FDP well to the right, but was eventually forced to stand down as Party Chairman in 1985.

Although Genscher's problems with his own Party inevitably affected his authority as Foreign Minister for a while, he has made a remarkable comeback. The FDP's good showing in the 1987 Federal elections was largely due to his shrewd exploitation of the attacks made on him in the campaign by Strauss. The current brand of ostpolitik is mostly his doing.

Married. He is an easy-going man, informal yet with a certain reserve. He reads voraciously anything that lies to hand and his tastes in music are equally wide-ranging from classical to pop.

In the 1950s he suffered a near fatal bout of tuberculosis which kept him three years in a clinic. In November 1977 he was admitted to hospital with pneumonia, and secondary blood

CONFIDENTIAL

circulation instability. He did not return to work until mid-January 1978. In March 1989 a prostate operation kept him from his desk for nearly a month. In the summer he suffered a heart attack, and although he seems to have recovered well, the enormous strain of his working habits has taken its toll and he looks less than healthy.

CONFIDENTIAL

STOLTENBERG, DR GERHARD HON GCMG

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

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

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

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

CONFIDENTIAL

stature grew accordingly. However, after an unhappy time between 1987 and 1989, he was moved to the Defence Ministry in Kohl's cabinet reshuffle of April 1989, where he has earned respect for his thoughtful measured approach.

Protestant. Married. One daughter and son. He speaks good English.

CONFIDENTIAL

HAUSSMANN, DR HELMUT

Federal Economics Minister (FDP).

Born 1943. Studied economics and social sciences at the universities of Tübingen, Hamburg and Erlangen. 1968-71 business manager for a private company. 1971-75 research assistant at the University of Erlangen. 1975 Doctorate on a subject related to the management of medium sized firms. Several publications on social science and economics.

Joined the FDP in 1969 and worked his way quickly up through the Baden-Württemberg party hierarchy. Joined the Bundestag in 1976. Appointed FDP Economics spokesman in 1980, but made a smaller mark in that job than Lambsdorff had some three years earlier. He was at odds with Genscher over the switch of partners in Bonn in 1982 and seemed to have been pushed into the sidelines. But he was surprisingly nominated by Genscher as Secretary General in 1984 after the party had made clear that it would not support Genscher's original nomination. Haussmann brought vigour and enthusiasm to the job and was responsible for rewriting the FDP's manifesto in 1985, committing the party to a strongly market orientated, right of centre approach. Renominated by the new FDP Chairman (Bangemann), he was re-elected by the Party Conference in February 1985 with a large majority. Now a major authority in the party. In December 1988, he took over from Bangemann at the Economics Ministry on the latter's appointment as European Commissioner. Did not make a great impact in his first year in the job.

Charming, unaffected and well-disposed to the UK. Regular Königswinter hand. Visited the UK in 1977 as a member of the Budget Economics Committee; and as a guest of HMG in 1978 and 1987.

Married. Protestant. Fair English. Fond of fishing and fast cars.

ANGLO-GERMAN SUMMIT, 29-30 MARCH
DRAFT PROGRAMME (with proposed amendment)

29 March

1830* Chancellor Kohl arrives at Cambridge Airport
Met by Prime Minister
c1845* Kohl and Prime Minister arrive at
St Catharine's College, Master's Lodge
c1935 Attend Reception given by the Master and
Fellows of St Catharine's College for
Königswinter Participants
2000 Dinner in Hall in Kohl's honour
2230 Leave St Catharine's College for London

30 March

0800 Federal German Ministers arrive at Northolt
Talks begin
0900 - Prime Minister/Kohl at No 10
0915 - Other Ministers separately
1030 Other Ministers join for Plenary at No 10
1130 Break
1145 Press Conference at QEII Centre, followed by
interviews with the Press
1300 for† Lunch at No 10
1315
1445† Kohl takes leave of Prime Minister at Downing
Street
1500 Kohl attends Round Table at Financial Times
1700 Kohl leaves Financial Times
pm Kohl departs from RAF Northolt. Seen off by
Special Representative

* original plans: ETA 1850, arrive St Catharine's 1905

† original plans: Lunch 1230 for 1245, Kohl leaves 1415

BILATERAL POINTS FOR THE SUMMIT

A SCIENTIFIC RESEARCH

Text

- The Chancellor and the Prime Minister were pleased to announce the establishment of an Anglo-German Round Table on scientific research policy. The first meeting will take place on 6-7 June in Bonn.

Background

Senior officials and scientists from the two countries will be meeting in Bonn in June to discuss possibilities for intensified scientific cooperation. This round-table review, to be led on our side by Sir J Fairclough, is attracting much interest and enthusiasm from the FRG side and it would be useful to touch on it in the press conference.

B ACADEMIC RESEARCH COLLABORATION

Text

- The Chancellor and the Prime Minister welcomed the success of the Joint Academic Research Collaboration programme and looked forward to its extension to laboratories outside the university world.

Note

The British German Academic Research Programme (ARC) was announced in February 1989 following the Frankfurt Summit. It exists to promote collaboration between academic research groups. It has been a great success. Over sixty exploratory visits have taken place and there are a hundred more in the pipe-line. Fourteen projects have already been approved, covering (amongst others) the biological and physical sciences, especially engineering, and medicine. So

far, on the German side, only universities have participated. ARC is now being extended to include non-university research establishments. A reference to ARC at the Summit would help underline the importance we attach to bilateral research links.

C DRUGS

Text

- The Chancellor and the Prime Minister welcomed the posting of Drugs Liaison Officers between the UK and FRG to help in the fight against drug trafficking. They welcomed the Memorandum of Understanding on the confiscation of the proceeds of Drug Trafficking which should be concluded shortly.

Note

A German Drugs Liaison Officer (DLO) has been working in the UK for the past two years. A British DLO will start work in the FRG in April. The text of an MOU on the tracing, freezing and confiscation of the proceeds of drug trafficking was broadly agreed in February. The Germans have presented a revised text. We are working for an early signature.

MILITARY EXERCISES

Text

The Chancellor and the Prime Minister expressed satisfaction with this year's scaled down exercise programme for British forces in Germany, which takes account both of recent changes in Europe and of environmental concerns.

Note

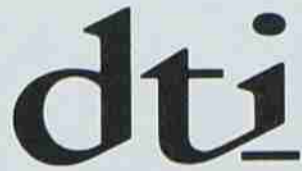
The numbers of troops participating in the two major British exercises in the FRG planned for 1990, Quarter Final and Keystone, have been cut by a third and a half respectively, and the exercise areas have been reduced. The changes are in line with a recent study produced by SACEUR on exercise formats.

**BRIEFING FOR THE PRIME MINISTER'S PRESS CONFERENCE AT THE
ANGLO-GERMAN SUMMIT ON 30 MARCH 1990**

- Pleased that British and German companies continue to find each other's country an attractive location for investment.
- Particularly pleased that the UK is the most favoured location in Europe for West German investment. The value of German direct investment has increased by over 350% since 1983.
- Similarly the UK is top of the league of foreign investors in the FRG. UK companies have invested a total of about £2.3 billion since 1979.

Defensive [If asked whether FRG investment is likely to be diverted away from the UK to the GDR]

- It is too soon to say what long term effect the changes in Central and Eastern Europe will have on FRG investment in the UK. Obviously the opening up of these markets will offer business opportunities and companies may well find investment there attractive. But Britain will remain an important market and I have no reason to suppose that manufacturing investment from the FRG will show any significant reduction in the short term.



the department for Enterprise

Defensive [If asked what the Government intends to do to reduce the UK's trade deficit with the FRG]

- We cannot expect to maintain a trade balance with all our partners. I am convinced that increased inward investment will enable British industry to meet domestic demand and to win export business. This will bring about a significant improvement in our balance of payments. We have seen not only more inward investment from the FRG but last year total foreign direct investment in Britain reached record levels.

~~drinks
before
lunch~~

①

PRIME MINISTER

CAH

DR. WAIGEL

Dr. Waigel is attending the Anglo-German Summit on Friday as Finance Minister. He has asked whether he can stay on for a few minutes after lunch to have a meeting with you as Leader of the CSU. I have been very discouraging, because I know you will want to get straight down to work on the Central Council speech. But before finally turning this down, I would be grateful to know that you agree not to see him.

CDP

I shall have to see him for a short time
nd

CHARLES POWELL

28 March 1990

CONFIDENTIAL

PRIME MINISTER

ANGLO-GERMAN SUMMIT ARRANGEMENTS

The Anglo-German Summit takes place on Friday. The drill is:

0900-1030: bilateral between you and Chancellor Kohl.

1030-1130: plenary session in the Cabinet Room, at which Ministers report.

1145-1215: joint Press Conference in the QEII Centre.

1215-1245: Chancellor Kohl gives separate interviews at QEII Centre.

1300-1430 : Lunch at No.10 for Ministers [N.B. Chancellor Kohl's son Peter will join this]

1445: Kohl departs.

Those attending the Summit are Foreign Ministers, Chancellor/Finance Minister, Defence Ministers and Trade and Industry Ministers.

General Approach

The background to this Summit is quite difficult. Kohl is riding the crest of a wave both in domestic politics, over unification and in his relations with the Americans. There is an unhealthy triumphalism and crowing in some of the unattributable comments by German officials, contrasting Germany's success with our current perceived problems. Both the Germans and the media will be looking for evidence that our position on the main issues is somehow weakened or constrained - and they won't find it! But a harmonious meeting with Kohl, with agreement on the main issues, will be the best background for your meeting with President Bush

CONFIDENTIAL

in Bermuda. Chancellor Kohl's staff say that he wants the meeting to be a visible success, and will go out of his way to be his normal beaming, confident self.

Press Conference

There will be a lot of media interest in the meeting, most of it malign and with the intention of provoking divisions and contradictions between you and Kohl. I think it is in our interest too to play down differences and underline broad agreement on the way ahead on unification, NATO etc - and indeed there is a great deal of common ground.

I attach a line which you could use at the Press Conference on German unification, which I have agreed with Kohl's office (with one sentence still in dispute). He too will be guided by it. There are bound to be some sharp questions about your dislike of German unification, your Spiegel interview and so on. I hope you will bat them away good-naturedly, coming back always to the fact that we have achieved most of what we wanted at the turn of the year, in terms of ensuring that the external consequences of unification are thoroughly sorted out.

Agenda

The agreed agenda for the bilateral is:

- German unification, and the consequences for the Alliance and the European Community.
- developments in the Soviet Union and Eastern Europe, especially Lithuania.
- European Bank for Reconstruction and Development.
- EC matters, meaning EMU and German ideas on faster integration.
- South Africa.

You may welcome a few comments on each, as a result of my talks with Hartmann from Kohl's office. But first you will want to give the Chancellor his 60th Birthday present (an Armada dish): but do not wish him happy birthday, because it is very unlucky in Germany to be congratulated ahead of the actual day.

German unification

After congratulating him again on his election success in the GDR, you might ask Kohl to sum up how he sees the way ahead on unification, and indeed the overall political and economic situation (that's usually good for 45 minutes!). You will want to get a clear view from him of the timing which he has in mind for unification, and for completing the work of the Two plus Four group. My understanding is that the Germans hope to complete the latter by the end of the year, reporting to a CSCE Summit. But that may be optimistic.

There are five particular aspects of unification on which you might focus.

- the security arrangements for the former GDR. It is common ground that Soviet forces should remain for a transitional period. There is also a growing expectation that Allied forces would remain in Berlin for as long as Soviet forces remain in the GDR. But Genscher seems to be arguing that there should be no armed forces of any sort there. Stoltenberg is obviously - and sensibly - unhappy with this. The issue is to be discussed further within the German government shortly. We want to encourage Kohl to challenge Genscher's position. There will surely have to be some German forces there - even if only former GDR armed forces - especially if Berlin is to be the capital and if the NATO guarantee is to extend to GDR territory. It would be a mistake to agree to demilitarisation, because the Russians might then try to extend it to Germany as a whole. One possibility - mentioned to you by the Norwegian Prime Minister - would be to copy the Finnmark precedent in north

Norway and have a zone of limited forces and armaments.

- the Polish-German border. I suggest that you should say explicitly that we are fully satisfied with what is now proposed on this and are not asking anything more of the Germans at this stage.
- peace settlement. We don't have any specific ideas, and recognise that the Germans do not want a Peace Treaty as such because of the large number of countries which would show up and demand a say (and reparations). But there is going to have to be a peace settlement, comprising a number of different legal instruments and agreements, all coming together in a single package.
- Germany and NATO. You welcome Kohl's robust line on keeping a united Germany in NATO and believe that the Russians have no option in the end but to accept. But we shall need to be on our guard against attempts to attach strings. The obvious one would be to argue that when Russian troops eventually leave East Germany, then all US and other stationed forces should leave West Germany. We should resist any such naive parallel. The other ploy is likely to be to try to de-nuclearise Germany. The stronger the commitment, both public and private, which you can extract from Kohl to retain nuclear weapons in Germany the better.
- EC aspects. We do not want to get out in front on this. I think you should simply say that we want the 28 April meeting of EC Heads of Government to have a general discussion of the issues and launch the detailed negotiation of transitional arrangements. We want to see full integration of the GDR into the EC as soon as possible, because this will reduce the scope for trade distortion. We recognise that rehabilitating the GDR is going to be a costly business for West Germany, but welcome Kohl's statement in Brussels that he did not want anyone else to lose out in terms of benefits and finance as a result of bringing the GDR in.

Soviet Union and Eastern Europe

Depending on what Gorbachev says to you on the telephone, the two main issues here are Lithuania and the question of possible economic assistance to the Soviet Union. Do they need it? Do they want it?

But there are two other important points which might be taken here for convenience. The first is further Conventional Force Reductions. The Germans are very keen to have an early and explicit commitment to a CFE II. We are more cautious: there may be scope for further reductions, but we do not accept that it is necessarily appropriate to continue with bloc to bloc negotiations. As you suggest in your Konigswinter speech, we might consider the way ahead on arms control in the CSCE forum (we want to avoid further reductions in American forces for as long as possible).

There is also the SNF question. The Russians are likely to press hard, particularly during the election campaign, for denuclearisation of Germany, and German opinion will be vulnerable. We have a tactical issue to decide: are we more likely to preserve the essential minimum of NATO nuclear weapons in Germany, ie the air-delivered ones, if we express readiness to negotiate on the others, ie SNF and nuclear artillery? There is a case for this: and anyway the conditions set out in NATO's Comprehensive Concept for starting SNF negotiations are likely to be fulfilled later this year. We could agree to preparatory work in NATO on SNF negotiations ahead of the German elections, concentrating on technical issues such as verification.

λ

European Bank for Reconstruction and Development

The Germans are being cagey and still hope to get the Bank to Berlin. Berlin is also a candidate for the European Environment Agency. There is scope for a deal giving them the Environment Agency and us the Bank (with Attali as Chairman, no doubt).

European Community

You will want to emphasise to Kohl that unification should not reduce momentum towards completion of the Single Market. We would be much reassured by early evidence of German willingness to move forward on the draft investment services and capital adequacy directives as well as further liberalisation of insurance.

On broader issues, you might like to tackle him about his remarks in Brussels on speeding up European integration, and on institutional reform. Talking to his office yesterday, the substance of his views seems a good deal less than the rhetoric. The only specific points he seems to have in mind are some strengthening of the European Parliament's powers by 1994: and some improvement in political co-operation (which is sorely needed). The Germans are thinking of proposing to re-create something on the lines of the Dooge Committee, which you may recall looked at these issues before the 1985 Intergovernmental Conference. This is actually relatively modest.

But you will also want to discuss some of the broader issues with him: in particular your point about not using the Community to gang up on Germany. On economic and monetary union, you will want to repeat what you have said in the House on our membership of the ERM: press him on the consequences for the DM of GMU: and stress the need for full and proper preparation of an IGC, avoiding any terminal date. You may want to indicate that we shall be putting forward some further ideas for post-Stage I economic and monetary union, which avoid the insuperable obstacles of Delors Stages 2 and 3.

South Africa

The German response to De Klerk's measures has been disappointing, as are the indications which we have received that they do not envisage lifting any measures before their own elections. You will want to stress the danger of leaving De Klerk high and dry, and point out that the French are already

CONFIDENTIAL

- 7 -

quietly beginning to relax their measures. The Germans would have much more impact if they followed our example and relaxed some of the voluntary measures, when the South Africans lift the State of Emergency. Kohl will also want to discuss with you timings for possible meetings with Mandela.

You will find in the folder a fuller brief from the Foreign and Commonwealth Office and supporting papers.

C.D.P.

C. D. POWELL

28 March 1990

C:\wpdocs\foreign\germany

CONFIDENTIAL

CONFIDENTIAL

cej



Foreign and Commonwealth Office

London SW1A 2AH

27 March 1990

Dear Charles,

em 4h

Anglo-German Summit: Line on German Unification

Thank you for your revision ^{WITH CAP!} of the German redraft of the suggested joint line on German unification.

It seems fine subject to two suggestions:

- in the sixth indent, we should prefer if possible reinstate a reference to the effect that the North Atlantic Treaty will apply to the whole of Germany. But we recognise that this may prove very difficult for the Germans. We need not, therefore, hold out for it. We entirely agree, however, on the desirability of deleting the German reference to the fact that Alliance forces should not be moved forward to the present territory of the GDR;
- in the seventh indent, "significance" should read "signature", I think.

Yours,

Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL





Foreign and Commonwealth Office

London SW1A 2AH

CONFIDENTIAL

27 March 1990

Dear Charles,

Anglo-German Summit, 30 March

The Prime Minister's tête-à-tête with Chancellor Kohl will begin at 9.00 am. The Chancellor, the Foreign Secretary and the Trade and Industry Secretary will join for the plenary talks from 10.30-11.30. The Press Conference will take place at 11.45 in the QEII Centre, with lunch at 1300 at No 10. I enclose a programme which notes the latest changes from the Germans (on which we have exchange letters); and personality notes.

Agenda

We have put the following agenda to the Germans:

- German unification.
- Consequences for the Alliance, security policy and East/West diplomacy.
- Developments in Eastern Europe and the Soviet Union (we are writing separately on developments there, including Lithuania).
- EC matters (EC aspects of German unification, EMU, Single Market).
- South Africa.

It would also be useful to raise terrorism.

The main theme of the tête-à-tête is likely to be German unification. It could also cover developments in Eastern Europe and the Soviet Union, and South Africa (on which we have points to make when Genscher is not present). EC matters might spill over in to the plenary, when Mr Major and Mr Ridley can take part. The plenary could also allow Ministers to report on their separate talks.

To get off to a good start, the Prime Minister might like to give Kohl his 60th birthday present (without saying "Happy Birthday": the superstitious Germans consider this unlucky before the event) and congratulate him again on the success of his political allies in the GDR elections of 18 March and his personal contribution to the process.

CONFIDENTIAL



CONFIDENTIAL

2

FRG Internal

Kohl's position has been strengthened by his handling of unification, and the Alliance victory in the GDR elections. His handling of the Polish borders issue has not damaged him. His main tests before the Federal elections on 2 December are elections in the Länder of Nordrhein Westphalia and Schleswig-Holstein on 15 May, and in Bavaria in November. He could yet be challenged over his support for a united Germany in NATO and over the cost of unification. He told the Foreign Secretary recently that German membership of NATO would be the central issue of the campaign. There are also risks in East Germany: for instance any discovery that further leading politicians have compromised pasts.

German Unification

The Prime Minister might pursue a line as follows:

- GDR elections were a triumph: for the GDR and the CDU.
- First round of 2+4 official talks were promising.
- Appreciate that pressure from resettlers continues; hope that GEMU and your other plans (reduction of benefits) prove effective. (The flow of GDR emigrants has fallen since 18 March.)
- How do you see timescale for unification now?
- Welcome your assurance that external aspects will be resolved beforehand. Glad that you have eased the problem over Polish western border. We intend to be positive and constructive in 2+4 to help you politically.
- Absolutely no intention on our part to seek to impose new restrictions or singularise a united Germany when Four Power arrangements are terminated. Germany should be entirely sovereign. But Russians may try this.
- Hence there is much to be done, especially between the Western Four so as to avoid wedge-driving by the Russians.
- In particular, need to recognise strength of Russian legal position over an overall settlement terminating the post-war arrangements. We should decide together how best to handle the issue. Recognise that an overall Peace Treaty is to be avoided (complications and delays involving up to 57 former belligerents). But there is much scope for pragmatism in a package approach with a range of different instruments having varying participation.

CONFIDENTIAL



CONFIDENTIAL

3

- On Berlin, arrangements must be phased out so as to allow change with dignity, commensurate with the value of the Allied historical contribution.

Alliance and Security Aspects

Germany and NATO

Kohl remains committed to a united Germany in NATO. In his speech to the CSCE Economic Conference in Bonn, he said that the concept of a neutral Germany was against the logic of European integration; and that "transitional military arrangements must be negotiated for the present territory of the GDR". He appears to believe that Articles V and VI of the North Atlantic Treaty, which define the Allies' obligations to come to each other's assistance in case of attack, should apply to GDR territory. Genscher's views are less clear. He says that a united Germany should remain in NATO but also talks of the need for pan-European security structures. Senior German politicians are not committing themselves on the nature of the security arrangements for the former GDR. It would be useful in the 2 + 4 context to know more of their thinking on this. The Prime Minister might make the following points:

- Welcome your robust support for Germany in NATO. Crucial to all our security. You can count on our understanding and full support in putting across the case.

- Important to clarify security arrangements for the former GDR. If NATO takes on obligations to defend this territory it must be able to fulfil them.

- Need to reach agreed position in Western Four on issues for discussion in Two Plus Four talks so that we can take a firm line there with the Russians. Mustn't allow them to exploit Western lack of readiness.

- We are working on the assumption that Articles V and VI will apply to the former GDR.

- One pressing subject is the future of Soviet troops in GDR. We think that permanent military presence would be incompatible with German membership of NATO and with political reality. But willing to look at a generous transition period.

- Your thinking on future of GDR armed forces? What would replace them? It would seem to create considerable difficulties for defence of the GDR if a ban on stationing Bundeswehr troops there were maintained in perpetuity: presumably they would be there after the Russians had left.

CONFIDENTIAL



CONFIDENTIAL

4

- Your thinking on future of Allied forces in Berlin and its defence? Worth preserving the right to station Bundeswehr there in peacetime (Berlin not part of GDR)?

CFE

The Prime Minister might commend NATO's recent contribution to the CFE negotiations and point to the substantial UK role in achieving this. On follow-on to CFE, a further parity-based bloc-to-bloc negotiation is unlikely to be feasible. We shall need to consider among the Allies, and then in the CSCE context, how to take the process forward after CFE.

SNF

Senior CDU/CSU figures have recently said that the changed political circumstances in Europe have removed any need for a follow-on to LANCE and nuclear artillery, but that air-launched systems with the range to reach the Soviet Union would still be necessary. On 12 March, Stoltenberg called for negotiations on "drastic reductions of nuclear weapons in Europe" to follow soon after the conclusion of CFE. This is not unexpected: the Comprehensive Concept says that negotiations aimed at partial reductions in US and Soviet short-range nuclear missiles can begin once a CFE agreement is being implemented. The conditions may therefore be fulfilled by the end of the year; and before then NATO will need to decide on its negotiating position. Our aim should be to try to restrict NATO's preparations before the German elections to a discussion of technical issues such as verification (a difficult aspect of SNF negotiations). If we allowed ourselves to be drawn into a discussion of the Alliance's negotiating position as a whole, the issue of LANCE would resurface unhelpfully, before the German elections. If Kohl raises the question of preparation for SNF talks, the Prime Minister might say:

- We stick by the Comprehensive Concept.
- Once a CFE agreement is nearly complete we will not object to some preparatory work on SNF negotiations being done in the Alliance.
- But we hope that we will be able to consult bilaterally with the US and the FRG before opening this topic in the Alliance later this year.

Bilateral Defence Relations

Bilateral defence relations are good. This year's scaling down of the British forces' exercise programme in the FRG was appreciated by German Ministers.

CONFIDENTIAL



CONFIDENTIAL

5

Like other major Allies, the German Government is looking hard at prospects for multinational forces, which they believe would improve the acceptability of the continued presence of US and other stationed forces to public opinion in the FRG. On this, the Prime Minister could say:

- We ourselves are looking at question of multinational forces.
- Will look at other ideas designed to make the NATO presence more acceptable to German public opinion.

We have reached agreement at official level with the Germans on a side letter to the memorandum of understanding on EFA. This would indemnify Germany against risks of additional costs arising from default by the GEC/Ferranti Defence Systems EFA Radar Consortium. Mr King will seek Herr Stoltenberg's agreement at the Summit. We are awaiting confirmation that the Spaniards and Italians are prepared to act as co-signatories. The back-to-back agreement with GEC is nearly ready. It will need to be concluded, with some other formalities, before the Defence Secretary writes to OD colleagues for approval to proceed with the ECR 90 Radar. She could make the general point that:

- EFA is just the sort of project we need for defence in a changing Europe. Welcome your continued support.
- Pleased to see that negotiations have resulted in an agreement for the side letter to the Moa. Hope will now be possible to complete necessary formalities to enable signature of EFU radar contrast as soon as possible.

Eastern Europe

On Eastern Europe, the Prime Minister might want to say:

- Process of democratisation going well in Hungary, Poland and Czechoslovakia, though doubts over Bulgaria, where Communists clearly expect to remain main political force, and Romania, where National Salvation Front's commitment to democracy not clear.
- Apart from humanitarian aid, will support these countries (through EC and other multilateral assistance and bilateral "Know-How Funds") only once firmly committed to political and economic reform. Do not wish to prop up old structures.

EC Matters

We support the full integration of the GDR into the EC as soon as possible after unification. This will minimise the scope for distortion of trade in any transitional phase. The

CONFIDENTIAL



CONFIDENTIAL

6

Germans now appear to accept that the Community's state aids and competition rules should apply to GDR territory from the date of unification. They also want to avoid Treaty amendment and institutional change. Environmental standards may prove to be the area in which it is most difficult to apply the Community acquis. It will be for the German Government and private sector investors to meet the lion's share of the costs of bringing the GDR economy up to Community standards in this and other sectors. It is very much in our and our partners' interests that the Germans should remain demandeurs in the negotiations ahead.

The Prime Minister could therefore make clear to Kohl that we want the integration process to be rapid and smooth: the 28 April Dublin Summit should agree on a procedure for transparent negotiations on the detailed arrangements.

The Prime Minister will also wish to underline the importance of maintaining the dynamism of the 1992 Single Market programme. She might seek Kohl's support for not allowing the opponents of liberalism and greater consumer choice to use the pretext of developments in Germany and Eastern Europe to derail the 1992 effort. The German desire to demonstrate that their priorities have not been affected in fact presents us with some negotiating leverage. We are pressing them to move towards us on the draft investment services and capital adequacy directives and Sir L Brittan's proposals on further liberalisation of insurance. Our Embassy have been in contact with the Chancellery about a possible joint statement on financial services issues for use at the Summit. The DTI will report separately on the talks their officials will hold in Bonn on 28 March.

On EMU Kohl has so far held firm against French pressure, recently renewed, to advance the date of the Inter-Governmental Conference. Kohl's recent statements, influenced by Waigel and Pöhl, have emphasised the importance of completing Stage 1. But the Germans also favour widening the IGC scope, and favour Treaty amendment to extend the powers of the European Parliament.

The Prime Minister might therefore:

- reaffirm our full support for all Stage 1 elements, including sterling's ERM entry, and agree with Kohl on the central importance of completing the 1992 programme on time;
- argue for proper pre-IGC preparation, for taking full account of Stage 1 experience, for not advancing the IGC start-date, and against a widened IGC.

Our lobbying for London as the EBRD site continues intensively. Berlin and Paris are London's principal rivals

CONFIDENTIAL



CONFIDENTIAL

7

in the EC field. Berlin is also a candidate for both the European Environment Agency (EA), against Cambridge, and the European Training Foundation (a lesser prize which the Commission has proposed should be in Berlin: there is no UK candidate). German officials have expressed tentative interest in a UK/FRG deal over the EA and the EBRD. The EBRD is clearly their priority. They want to avoid winning the Training Foundation and thereby falling out of the running for the major institutions. We have argued - with Berlin in mind - that no member state should win the site of more than one institution.

We have so far campaigned equally hard for London/EBRD and Cambridge/EA. The EBRD site seems likely to be settled first. (The informal ECOFIN meetings on 31 March - 1 April will consider EC decisions on EBRD site and Presidency but more likely they will be taken at the 28 April informal Summit). If London's bid failed, we would want to be free to press Cambridge's case for the EA.

The Prime Minister might say to Kohl that:

- We welcome the rapid progress made on setting up the EBRD. Early decisions will be required on the site and Presidency, if the Bank is to be established smoothly as we all want. Our view is that the Community should provide both. The informal ECOFIN on 31 March - or if necessary the Dublin Summit on 28 April - should select a single Community Candidate and site.
- On site, all the practical arguments seem to us to point to London. Delors has rightly stressed how important for the Bank's operations is siting in a major financial market. The Bank will borrow as well as lend; it will put together packages with Commercial Banks. London is the biggest foreign exchange market and Europe's biggest banking market. So the EBRD's success, to which UK and FRG are wholeheartedly committed, points to London.

South Africa

Kohl has given little attention to South Africa recently. He has replied in disappointing terms to the Prime Minister's letter of 10 February, reminding him of the Leutwiler commitment. We agreed to his suggestion of a joint invitation to Mandela, which was conveyed by our two Ambassadors. But the FRG did not join us in making any positive gestures to the South African Government. Kohl has indicated that he will not relax measures before the Federal elections. Pik Botha told the Foreign Secretary on 19 March that President de Klerk hoped to include Bonn on the itinerary for his May trip to Europe. Kohl has told the Prime Minister that he will see de Klerk. We are urging donors to increase aid to black South Africa.

CONFIDENTIAL



CONFIDENTIAL

8

During her discussions with Kohl and Genscher the Prime Minister might like to draw on the following:

(a) (Kohl only: Genscher is unaware of the Leutwiler initiative)

- As my letter of 10 February explained, de Klerk implicitly asked us to implement the joint undertaking given to P W Botha by Dr Leutwiler on what we might do if Mandela was released.

(b) (BOTH)

- de Klerk is genuinely committed to moving ahead with his programme of change. Made this clear to Foreign Secretary when they met on 19 March. He has taken great political risks and needs to show his supporters that this can bring tangible benefits.

- Hope that you can send him a signal of approval as encouragement. Glad you will see him when he comes to Europe in May. The EC should be ready to act, certainly by offering to do something when the State of Emergency is lifted.

- Meanwhile we should step up our programmes of positive help for blacks, especially education and technical training, to prepare for the time when they can play a full part in South Africa ("nation-building").

Terrorism

The Prime Minister might thank Kohl for continuing German cooperation over the Lockerbie investigation, and for German efforts in dealing with Irish terrorism. We cannot consider the lifting of EC measures against Libya and Syria until we are satisfied that their support for terrorism has ceased. Innocent people are still being killed by weapons supplied by Libya to Irish terrorists. Qadhafi remains unpredictable: in the past, Libyan support for terrorism has fluctuated according to how Qadhafi saw his foreign policy interests best served. On Syria, we must await the outcome of the investigations into the Lockerbie crash. The Germans have maintained a low profile on these issues. They have taken a tougher line on Libya (because of Rabta, rather than terrorism) but would probably welcome relaxation visa-à-vis Syria. The Prime Minister may wish to enquire how the Germans view Libya after Qadhafi's vitriolic attacks on them in the wake of the Rabta fire.

Bilateral Issues

/ Notes are enclosed on some bilateral points to which the Prime Minister might draw attention at the Press Conference (apart from the DTI note on bilateral trade, these were also

CONFIDENTIAL



CONFIDENTIAL

9

enclosed with my letter of 22 March). We will let No 10 Press Office have some further background. We shall also let you have some material on an English language teaching initiative in the GDR.

Press Line

You will be working out a line with Hartmann today.

I am sending copies of this letter to John Gieve (HM Treasury), Martin Stanley (DTI), Simon Webb (MOD), and Sonia Phippard (Cabinet Office).

Yours,
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

CONFIDENTIAL

FILE

KK



C/Foreign/Anglo

bc PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

27 March 1990

ANGLO-GERMAN SUMMIT

I had a talk this afternoon with Peter Hartmann about the Anglo-German Summit. We agreed the agenda set out in Richard Gozney's letter of 22 March. I do not think that our discussion turned up any real surprises or any particular points of difficulty. The only new thought, at least to me, was that the Germans are still casting around for some way to take forward work in the Community on political union/institutional reform without having a separate IGC at this stage, and have fastened on the idea of a new Dooge committee. Apparently they have had some preliminary discussions on this with the French.

We worked through the speaking note on unification for the press conference. I enclose a revised version which Hartmann has taken away to Bonn in the expectation of being able to agree. As you will see, it bears obvious marks in places of having been translated from the original German. The only contentious sentence is that in square brackets at the end of the seventh tiret. I insisted that this went further than we could accept. He said it simply had to be in, otherwise people would say that the FRG had changed its policy. It would be helpful to have views on this, and indeed on the text as a whole. If it is agreed, I would envisage that the Prime Minister would read it out at the press conference.

Hartmann touched very briefly, and right at the end of our talk, on the Spiegel interview. I told him of the line we had taken with the press.

Hartmann asked whether one of the Chancellor's sons, Peter Kohl, could be included in the lunch. I said that there was no problem with this.

(C. D. POWELL)

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

CONFIDENTIAL

ANGLO-GERMAN SUMMITLINE ON GERMAN UNIFICATION

- We warmly welcomed the successful holding of free and democratic elections in the GDR, and the expression of the democratic will of the people of the GDR to seek unification with the Federal Republic.
- We confirmed that the internal aspects of unification are a matter for the FRG and GDR. We both want consideration of the external aspects to proceed as quickly as possible by means of meetings at Foreign Minister level, in line with the agreements reached in Ottawa.
- We share the objective of completing the Two plus Four talks by the time of the CSCE Summit, by the end of this year.
- We agreed that Poland should be invited to these talks as soon as questions which particularly affect its borders are discussed.
- We welcomed the fact that Poland's western border will be settled by means of a binding Treaty between a united Germany and Poland.
- We reaffirmed that close consultations about questions connected with German unification would also continue with partners and allies in the European Community and the North Atlantic Alliance, so that the consequences of unification for other countries can be taken into account.
- We reaffirmed our joint view that a united Germany should be a member of NATO - which will remain essential for Europe's security - and that forces of NATO allies should continue to be stationed on West German territory. We agreed that transitional military arrangements will need to be negotiated for the present territory of the GDR. [We do not

envisage that NATO units and installations would move forward into this area.]

- We both support a rapid conclusion of the Vienna negotiations on the reduction of conventional forces, and the signature of an agreement this year.
- We also agreed on the aim of further development of the CSCE process which should strengthen democracy and human rights and provide a forum within which East and West can discuss security and confidence-building in Europe.
- We agreed that the EC Summit on 28 April should set in train the necessary preparations within the Community for transitional arrangements consequential upon the inclusion of the GDR in the European Community.
- We hope that the European Summit will reaffirm the Community's readiness to envisage closer relations with Eastern European countries which demonstrate their commitment to economic and political reform.



Foreign and Commonwealth Office

London SW1A 2AH

27 March 1990

Jean Charles,

Anglo-German Summit

CD 28/3

Thank you for your letter of 26 March.

The German Ministers plan to bring the following with them to the plenary:

| | | |
|------------------|---|----------------------|
| Herr Genscher | : | Dr Dieter Kastrup |
| Herr Waigel | : | Dr Gert Haller |
| Herr Stoltenberg | : | Col Rainer Schuwirth |
| Herr Hausmann | : | Herr Jurgen Kuhn |
| Herr Klein | : | Herr Jochen Wolter |

Stephen Wall would accompany the Foreign Secretary. The Chancellor, Mr Ridley and Mr King will also each bring an official.

The Konigswinter organisers have shown us their latest seating plan for the dinner on 29 March. I enclose a copy.

I understand that Herr Hartmann will have told you that Chancellor Kohl's son Peter, a student at Harvard, is accompanying his father to England. He has asked to be present at the press conference. We understand that Hartmann may even ask you if Peter Kohl could come to the lunch on 30 March.

I am copying this letter to John Gieve (HM Treasury), Martin Stanley (DTI), Simon Webb (MOD) and Sonia Phippard (Cabinet Office).

Yours ever,

Richard Tomney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street



TOP TABLE FOR KÖNIGSWINTER DINNER, 29 MARCH

Hans Klein

R Von Wechmar
A N Other†
Horst Ehmke
Sir Frank Roberts
Lothar Ruetil
R Rhodes-James MP
Mrs Vice Chancellor
The Master
A N Other†
K Biedenkopf
David Howell MP
Paddy Ashdown MP
Countess Donhoff
Sir Patrick Wright
Thomas Kielinger

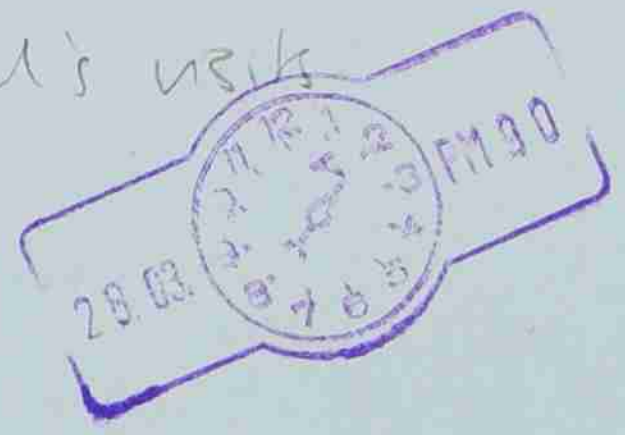
Mrs Rhodes-James
Theo Sommer
Michael Heseltine
A N Other†
Lilo Milchsack
Sir C Mallaby
Chancellor Kohl
Oliver Wright
Prime Minister
Herr Von Hase
The Vice Chancellor
HE H von Richthofen
Master's Wife
Sir R Leigh Pemberton
Herr Spethmann

Charles Powell

† 3 people have just backed out

GERMANY: KAM's visit

pk10





10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

26 March 1990

Der Herr.

ANGLO-GERMAN SUMMIT


Thank you for your letter of 26 March about the arrangements for the Anglo-German Summit.

There is no problem about bringing Herr Klein. The Prime Minister would not expect him to be present at the tête-a-tête discussion, but he would be very welcome at the Königswinter dinner, and the plenary talks and lunch on 30 March. Bernard Ingham will be away that day, so he will not be able to see him during the tête-a-tête.

In view of the kerfuffle about the Prime Minister's Spiegel interview we better go out of our way to be helpful to the Germans on the other points. That means admitting the Private Secretaries to sit in a sort of back row in the Cabinet Room during the plenary session. It would be helpful to have a full list of names as soon as possible. We can also accommodate Herr Neuer and Herr Bitterlich in a room at No.10 during the morning and include them in the plenary. But we should demonstrate exemplary self-restraint on our own side by limiting participation to one official for each Minister (it would no doubt make the point even more clearly if we had none, but I do not insist on that).

We will get the Prime Minister to Cambridge in time to meet Chancellor Kohl at 1830. There is no objection to Chancellor Kohl giving separate interviews after the Press Conference. But Bernard Ingham's advice is that the Prime Minister should not do this, so she will return direct to No.10 and await the Chancellor there.

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


Charles Powell

Richard Gozney Esq
Foreign and Commonwealth Office

CONFIDENTIAL
FM BONN
TO IMMEDIATE FCO
TELNO 392
OF 262022Z MARCH 90

ADVANCE COPY

MIPT: JOINT PRESS LINE FOR ANGLO-GERMAN SUMMIT

1. FOLLOWING IS OUR TRANSLATION OF GERMAN DRAFT OF JOINT LINE ON UNIFICATION:

BEGINS:

A. WE WELCOMED THE SUCCESSFUL HOLDING OF FREE AND DEMOCRATIC ELECTIONS IN THE GDR AND THE EXPRESSION THEN OF THE DEMOCRATIC WILL OF THE PEOPLE IN THE GDR TO WORK FOR UNIFICATION WITH THE FEDERAL REPUBLIC.

B. WE REAFFIRMED THAT THE INTERNAL ASPECTS OF UNIFICATION ARE A MATTER FOR THE FRG AND GDR AND THAT CONSIDERATION OF THE EXTERNAL ASPECTS OF UNIFICATION SHOULD BE CONTINUED AS SOON AS POSSIBLE, IN LINE WITH THE AGREEMENTS AT OTTAWA, THROUGH MEETINGS AT THE LEVEL OF FOREIGN MINISTERS.

C. POLAND SHOULD BE INVITED TO THESE TALKS, AS SOON AS QUESTIONS ARE DISCUSSED, IN THE MECHANISM AGREED IN OTTAWA, WHICH PARTICULARLY AFFECT ITS FRONTIERS (ITS WESTERN FRONTIER).

D. WE WELCOMED THE FACT THAT THE QUESTION OF POLAND'S WESTERN FRONTIER WOULD BE BINDINGLY SETTLED BY MEANS OF A TREATY BETWEEN A UNITED GERMANY AND POLAND.

E. WE REAFFIRMED THAT CLOSE CONSULTATIONS ABOUT QUESTIONS CONNECTED WITH GERMAN UNIFICATION SHOULD BE CONTINUED WITH PARTNERS AND ALLIES IN THE EUROPEAN COMMUNITY AND THE NORTH ATLANTIC ALLIANCE.

F. WE REAFFIRMED OUR POLITICAL WILL THAT A UNITED GERMANY SHOULD BE A MEMBER OF NATO AND THAT FORCES OF NATO ALLIES SHOULD CONTINUE TO BE STATIONED ON THE TERRITORY OF THE FRG. THE TRANSATLANTIC SECURITY ALLIANCE BETWEEN EUROPE AND NORTH AMERICA REMAINS ESSENTIAL FOR EUROPE AS A WHOLE. FOR THE PRESENT TERRITORY OF THE GDR A TRANSITIONAL MILITARY ARRANGEMENT WILL NEED TO BE NEGOTIATED. UNITS AND ESTABLISHMENTS OF THE WESTERN ALLIANCE SHOULD NOT BE MOVED

FORWARD TO THE PRESENT TERRITORY OF THE GDR.

G. IT REMAINS A PRIORITY TASK TO STRENGTHEN PEACE AND SECURITY IN EUROPE THROUGH DISARMAMENT AND ARMS CONTROL. BOTH PARTIES SUPPORT A RAPID CONCLUSION OF THE VIENNA NEGOTIATIONS ON THE REDUCTION OF CONVENTIONAL FORCES AND THE SIGNATURE OF A FIRST AGREEMENT THIS YEAR.

H. WE AGREED ON THE AIM OF FUTURE DEVELOPMENT OF THE CSCE PROCESS WHICH SHOULD STRENGTHEN DEMOCRACY AND HUMAN RIGHTS AND PROVIDE A FORUM WITHIN WHICH EAST AND WEST CAN DISCUSS SECURITY AND CONFIDENCE BUILDING IN EUROPE. IN THIS, INSTITUTIONALISATION OF CERTAIN AREAS OF COOPERATION SHOULD BE CONSIDERED. THE CURRENT CSCE CONFERENCE IN BONN SHOULD SIMULTANEOUSLY CONSIDER HOW ECONOMIC COOPERATION CAN BE MADE EVEN MORE CLOSE, WITH INVOLVEMENT OF THE PRIVATE SECTOR.

I. WE AGREED THAT THE EC SUMMIT ON 28 APRIL SHOULD ABOVE ALL GIVE A SIGNAL FOR THE EARLY INCLUSION OF GDR TERRITORY IN THE EC. A MESSAGE OF POLITICAL SOLIDARITY FROM THAT SUMMIT IS OF GREAT SIGNIFICANCE FOR THE PEOPLE OF THE GDR.

J. THE COMMUNITY SHOULD ALSO REAFFIRM AT THE SUMMIT ITS READINESS TO ENTER INTO CLOSER RELATIONS WITH COUNTRIES IN EAST AND CENTRAL AND SOUTH-EAST EUROPE WHICH ARE READY TO REFORM.

MALLABY

YYYY

DISTRIBUTION 13 11

ADVANCE 13 11

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

HD/SOVIET D
HD/NEWS
MR S MCCARTHY SEC(NATO/UKP)MOD
WG CDR LEIGH DCTS NATO MODUK
PRESS SECRETARY NO 10
MRS GLOVER LEGAL ADVISERS

NNNN

ADVANCE COPY

CONFIDENTIAL
FM BONN
TO IMMEDIATE FCO
TELNO 391
OF 262001Z MARCH 90

MY TELNO 375:

BRITISH-GERMAN SUMMIT 30 MARCH

SUMMARY

1. NUMEROUS GERMAN SUGGESTIONS FOR AMENDING JOINT TEXT FOR PRIME MINISTER AND FEDERAL CHANCELLOR FOR USE AT PRESS CONFERENCE. HARTMANN WILL RAISE WITH CHARLES POWELL ON 27 MARCH.

DETAIL

2. TELTSCHIK AND HARTMANN GAVE ME TODAY THE RE-DRAFT IN MIFT OF OUR SUGGESTED JOINT LINE ON GERMAN UNIFICATION. HARTMANN EXPLAINED AS FOLLOWS:

- POINT A: IT WOULD NOT BE POSSIBLE BY 30 MARCH TO SAY THAT THE NEW GDR GOVERNMENT HAD DECLARED FOR UNIFICATION, SO THE GERMANS PREFERRED THEIR ALTERNATIVE LANGUAGE.
- POINT B: THE WORD 'ESSENTIALLY' WAS REMOVED FROM OUR LANGUAGE BECAUSE EVERYONE INCLUDING THE RUSSIANS AGREED THAT INTERNAL ASPECTS OF UNIFICATION WERE A MATTER OF SELF-DETERMINATION FOR THE FRG AND GDR. THE DESCRIPTION OF THE 2 PLUS 4 PROCESS WAS MORE ACCURATE THAN OURS, SINCE THAT PROCESS HAD ALREADY STARTED AT OFFICIAL LEVEL.
- POINT C: THE GERMAN LANGUAGE ON THE POLISH FRONTIER REPRODUCED THAT USED WITH THE PRESS AFTER THE FIRST 2 PLUS 4 MEETING. AT SOVIET INSISTENCE, THE 2 PLUS 4 LANGUAGE REFERRED TO POLISH FRONTIERS IN THE PLURAL BUT THE FEDERAL GOVERNMENT CAN ACCEPT REFERENCE ONLY TO POLAND'S WESTERN FRONTIER.
- POINT D: THE GERMANS HAVE SPECIFIED THAT THE TREATY ON THE FRONTIER SHOULD BE BETWEEN UNITED GERMANY AND POLAND. THEY CLAIM THAT THE INTENDED CONTENTS OF THE TREATY ARE BETTER EXPRESSED IN THEIR LANGUAGE, SINCE A GUARANTEE IS NOT REALLY WHAT IS FORESEEN.
- POINT E: THE GERMANS ARGUE THAT OUR REFERENCE TO OTHER EUROPEAN COUNTRIES IS INACCURATE IN CONNECTION WITH NATO, SINCE THAT ALSO INCLUDES NORTH AMERICA. SO THEY PREFER TO DROP OUR PHRASE ABOUT

LEGITIMATE INTERESTS OF EUROPEAN COUNTRIES.

- POINT F: THE GERMAN LANGUAGE REPRODUCES THAT USED BY KOHL AND BUSH AT CAMP DAVID. I POINTED OUT THAT IT DID NOT SAY THAT THE NORTH ATLANTIC TREATY WOULD APPLY TO THE WHOLE OF GERMANY. THEY ARGUED THAT THIS WAS IMPLICIT IN THE REFERENCE TO NATO. I SUGGEST THAT WE PRESS THEM ON THIS. THEY SAID THAT THE GERMAN LANGUAGE ABOUT THE GDR WAS THEIR ESTABLISHED WORDING. I SAID THAT IT BEGGED THE QUESTION WHETHER UNITS OF THE ALLIANCE COULD BE STATIONED IN THE GDR AFTER A TRANSITIONAL PERIOD.

- POINT G: IS A NEW ONE ABOUT ARMS CONTROL. IT SEEMS ALL RIGHT.

- POINT H: THIS IS AN EXPANDED VERSION OF OUR CSCE LANGUAGE, AS FORESEEN IN TUR. DESPITE MY DISCOURAGEMENT THE IDEA OF INSTITUTIONALISATION OF CSCE IS PLAYED UP.

- POINT I: THIS PIECE ABOUT THE EC SUMMIT ON 28 APRIL IS DELIBERATELY DIFFERENT FROM OURS, BECAUSE IT REFERS TO THE INCLUSION OF THE GDR IN THE COMMUNITY AND THUS AVOIDS THE IDEA OF A TRANSITION. I SUGGESTED THAT THE FIRST SENTENCE OF OUR LANGUAGE ON THIS SHOULD BE USED, AMENDED TO SAY ''... SET IN TRAIN NEGOTIATIONS ON TRANSITIONAL ARRANGEMENTS FOR THE EARLY INTEGRATION ...''. THAT BRINGS OUT THE IDEA OF A TRANSITION PERIOD WHICH SHOULD NOT BE LONG. HARTMANN UNDERTOOK TO CONSIDER.

- POINT J: THIS GOES FURTHER THAN THE FINAL SENTENCE OF OUR LANGUAGE.

MALLABY

YYYY

DISTRIBUTION 25 11

ADVANCE 25 11

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

HD/SOVIET D
HD/NEWS
MR S MCCARTHY SEC(NATO/UKP)MOD
WG CDR LEIGH DCTS NATO MODUK
PRESS SECRETARY NO 10
MRS GLOVER LEGAL ADVISERS

PAGE 2
CONFIDENTIAL

MDADA 1457

HD/WED

NNNN

670

CC PE



Foreign and Commonwealth Office

London SW1A 2AH

26 March 1990

Dear Charles,

Anglo-German Summit

The Germans (who are in some disarray in Bonn with Kohl's entourage permanently on the move) have asked for some changes to the arrangements for the summit.

Chancellor Kohl now intends to bring with him Herr Hans Klein, the Federal Government Press Spokesman who has the rank of Cabinet Minister. We understand that Chancellor Kohl would not expect him to be at the tete-à-tete talks in addition to Hartmann (Teltschik is now not coming), but we wonder if you would agree that he should be asked to the Konigswinter dinner on 29 March and to the plenary talks and lunch on 30 March. Could Bernard Ingham see him during the tete-à-tete?

The Germans have also asked if Herr Genscher, Herr Waigel, Dr Stoltenberg and Herr Haussmann could be accompanied by their Private Secretaries during the plenary. We have told them that we are sure you will want to stick to normal practice and exclude them. Chancellor Kohl has also said that he would like 2 extra advisers at the plenary - Herr Neuer and Herr Bitterlich. We have so far given his office the same answer, that you would not want to expand the plenary in this way. However, we hope you could agree that Herr Neuer and Herr Bitterlich could be found room at No 10 during the morning in case the Chancellor needs to ask them to do things during the Summit.

The Germans have two requests on the programme:

- Chancellor Kohl has said that he would like to arrive at Cambridge Airport 20 minutes earlier than planned, at 1830 on 29 March, to have more time to rest before the reception. We have told the Germans that this will cause security problems at St Catharine's, and that we hope they can stick to the original plan. If they persist in the change, would the Prime Minister still be able to meet Herr Kohl at Cambridge Airport?
- Chancellor Kohl would like to have half an hour after the Press Conference for one-to-one interviews with the Press. This would mean that the lunch would then be at 1300 for 1315, ending at 1445. Would this be acceptable to the Prime Minister?



/ I attach a revised programme showing how the arrangements would look if both changes were made.

I am sending copies of this letter to John Gieve (HMT), Martin Stanley (DTI), Simon Webb (MOD) and Sonia Phippard (Cabinet Office).

Yours ever,
Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

ANGLO-GERMAN SUMMIT, 29-30 MARCH

DRAFT PROGRAMME (with proposed amendment)

29 March

1830* Chancellor Kohl arrives at Cambridge Airport
Met by Prime Minister

c1845* Kohl and Prime Minister arrive at
St Catharine's College, Master's Lodge

c1935 Attend Reception given by the Master and
Fellows of St Catharine's College for
Königswinter Participants

2000 Dinner in Hall in Kohl's honour

2230 Leave St Catharine's College for London

30 March

0800 Federal German Ministers arrive at Northolt
Talks begin

0900 - Prime Minister/Kohl at No 10

0915 - Other Ministers separately

1030 Other Ministers join for Plenary at No 10

1130 Break

1145 Press Conference at QEII Centre, followed by
interviews with the Press

1300 for† Lunch at No 10

1315

1445† Kohl takes leave of Prime Minister at Downing
Street

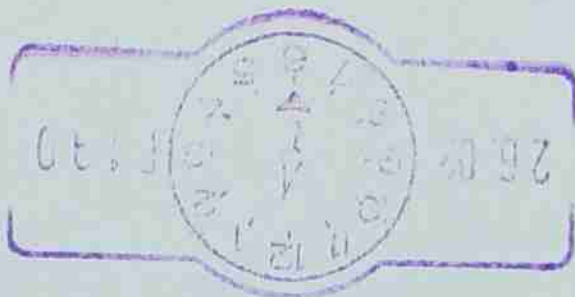
1500 Kohl attends Round Table at Financial Times

1700 Kohl leaves Financial Times

pm Kohl departs from RAF Northolt. Seen off by
Special Representative

* original plans: ETA 1850, arrive St Catharine's 1905

† original plans: Lunch 1230 for 1245, Kohl leaves 1415



MASTER ce SUBJECT

CONFIDENTIAL

Filed on Germany: Situation
in East Germany H3



File
c: Admin
bc. PC

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,

C.D. POWELL

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

CONFIDENTIAL

CONFIDENTIAL

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

CONFIDENTIAL

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 unmistakeable: 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

jd c:summary

CONFIDENTIAL
FM BONN
TO IMMEDIATE FCO
TELNO 375
OF 231515Z MARCH 90

ADVANCE COPY

mf

BRITISH-GERMAN SUMMIT 30 MARCH

SUMMARY

1. TELTSCHIK SEES MARKED IMPROVEMENT IN BRITISH-GERMAN RELATIONS, CAUSED NOTABLY BY PRIME MINISTER'S TWO RECENT MESSAGES TO KOHL. TELTSCHIK WELCOMES SUGGESTION OF A PRE-AGREED LINE ON UNIFICATION FOR THE PRIME MINISTER AND THE FEDERAL CHANCELLOR TO TAKE AT THE PRESS CONFERENCE AFTER THE SUMMIT. GERMAN COMMENTS ON OUR DRAFT EARLY NEXT WEEK. ALL KOHL'S MAIN POINTS FOR TALKS WITH THE PRIME MINISTER CONCERN UNIFICATION. SAME APPLIES TO HIS SPEECH IN CAMBRIDGE.

DETAIL

2. I CALLED ON TELTSCHIK TODAY, AND BEGAN BY SAYING THAT I THOUGHT THAT THERE HAD BEEN A MARKED IMPROVEMENT IN BRITISH-GERMAN UNDERSTANDING IN RECENT WEEKS AND IN THE PUBLIC PERCEPTION OF IT IN THE FRG. TELTSCHIK AGREED WARMLY. HE SAID THAT THE PRIME MINISTER'S MESSAGES TO KOHL ABOUT THE ODER/NEISSE FRONTIER AND THEN THE GDR ELECTION RESULT HAD BEEN BRILLIANTLY EFFECTIVE IN IMPROVING RELATIONS.

3. I GAVE TELTSCHIK THE DRAFT ENCLOSED WITH CHARLES POWELL'S LETTER OF 18 MARCH OF A LINE ON GERMAN UNIFICATION FOR THE PRIME MINISTER AND THE CHANCELLOR TO USE AT THEIR JOINT PRESS CONFERENCE ON 30 MARCH. I REMINDED TELTSCHIK OF THE SUCCESS OF THE JOINT PRESS CONFERENCE IN FRANKFURT IN FEBRUARY 1989, WHERE A JOINT LINE ON SNF HAD BEEN PREPARED BEFOREHAND. TELTSCHIK WELCOMED THE IDEA OF A JOINT LINE OF UNIFICATION. HIS ONLY INITIAL COMMENT WAS THAT THE FIFTH PARAGRAPH - ABOUT CSCE - WAS VERY GENERAL, AND COULD BE BUILT UP TO SAY MORE ABOUT FUTURE DEVELOPMENT OF CSCE, FOR INSTANCE THROUGH INSTITUTIONALISATION. I SAID THAT INSTITUTIONALISATION WAS AN IDEA WHICH WAS NOT ALWAYS POPULAR IN LONDON. BUT BRITISH AND GERMAN IDEAS ABOUT THE FUTURE OF CSCE COINCIDED IN IMPORTANT OTHER RESPECTS, SUCH AS THE NEED TO INTRODUCE PRINCIPLES ABOUT THE RULE OF LAW, DEMOCRATIC ELECTIONS AND THE FREE MARKET. I THOUGHT THAT STRENGTHENING OF THE CSCE LANGUAGE IN THE PROPOSED JOINT PRESS LINE SHOULD BE POSSIBLE AND COULD MENTION THESE FIELDS OF FUTURE CSCE

DEVELOPMENT. TELTSCHIK SAID THAT HE WOULD GIVE ME ON 26 MARCH A FIRST REACTION TO THE DRAFT LINE AND HARTMANN, HIS DEPUTY, WOULD BE READY TO DISCUSS IT FULLY WITH POWELL IN LONDON ON 27 MARCH. THE GERMANS WOULD PROPOSE FURTHER LANGUAGE ON CSCE.

4. I SAID THAT WE MIGHT HAVE SOME SUGGESTIONS BETWEEN NOW AND THE SUMMIT ABOUT MATTERS IN THE FIELD OF BRITISH-GERMAN RELATIONS WHICH MIGHT BE MENTIONED AT THE PRESS CONFERENCE. TELTSCHIK EXPRESSED INTEREST. I AWAIT INSTRUCTIONS.

5. I SAID THAT I THOUGHT THAT THE PRIME MINISTER WOULD WISH, IN HER TALKS WITH KOHL ON 30 MARCH, TO GO OVER THE MAJOR ASPECTS OF UNIFICATION AND TWO PLUS FOUR, NOTABLY THE CRITICAL QUESTION OF GERMANY'S ARRANGEMENTS WITHIN NATO. I THOUGHT THAT SHE MIGHT ASK WHETHER THE CHANCELLOR WAS CONFIDENT THAT HE COULD CONTROL THE SPEED OF PROGRESS TOWARDS GERMAN UNITY SO THAT IT DID NOT GET AHEAD OF PROGRESS IN TWO PLUS FOUR. TELTSCHIK AGREED THAT THE QUESTIONS CONCERNING NATO WERE THE HARDEST OF THE TWO PLUS FOUR TALKS. SEE MIFT FOR SUBSEQUENT DISCUSSION OF THIS. HE SAID THAT THE FEDERAL CHANCELLOR WAS ABSOLUTELY CONFIDENT THAT HE COULD MAINTAIN SYNCHRONISATION BETWEEN THE GERMAN-GERMAN TRACK AND THE TWO PLUS FOUR TRACK OF UNIFICATION. HE SAID THAT DE MAIZIERE, IN PRESENTING THE POLICIES OF THE NEW COALITION IN EAST GERMANY, WOULD MAKE A DECLARATION OF INTENT THAT UNITY SHOULD BE EFFECTED THROUGH ARTICLE 23 OF THE FEDERAL CONSTITUTION. BUT DE MAIZIERE HAD AGREED WITH KOHL THAT A MOVE BY THE GDR UNDER ARTICLE 23 SHOULD BE MADE ONLY AFTER AGREEMENT WAS SURE IN THE TWO PLUS FOUR PROCESS. TELTSCHIK SAID THAT KOHL, IN THE TALKS WITH THE PRIME MINISTER, WOULD WISH TO DESCRIBE HIS VIEW OF HOW THE PROCESS OF UNIFICATION WOULD NOW DEVELOP AND HIS VISION OF THE TIMETABLE. HE WOULD WANT PARTICULARLY TO DESCRIBE THE ECONOMIC REFORMS THAT THE FEDERAL GOVERNMENT WOULD NOW SEEK IN NEGOTIATIONS WITH THE NEW GOVERNMENT IN THE GDR AND HIS INTENTIONS REGARDING GERMAN MONETARY UNION. HE WOULD WISH TO REVIEW THE MAIN AGENDA SUBJECTS FOR TWO PLUS FOUR.

6. I SAID THAT I THOUGHT THAT THE MAIN THEMES OF THE PRIME MINISTER'S SPEECH ON 29 MARCH IN CAMBRIDGE WOULD BE GERMANY, ESPECIALLY THE CRUCIAL IMPORTANCE OF NATO MEMBERSHIP, AND THE FUTURE DEVELOPMENT OF CSCE. TELTSCHIK SAID THAT KOHL WOULD TALK ABOUT GERMAN UNIFICATION - THE GDR ELECTION, THE NEXT STAGES ESPECIALLY GERMAN MONETARY UNION, THE RELATIONSHIP BETWEEN THE GERMAN-GERMAN AND TWO PLUS FOUR TRACKS TOWARDS UNIFICATION, THE ODER/NEISSE FRONTIER AND HIS DETERMINATION THAT GERMANY SHOULD REMAIN EMBEDDED IN NATO AND THE EC. HIS SPEECH WOULD ALSO INCLUDE BRIEF SECTIONS ON

CONFIDENTIAL

116570
MDADAN 107

CSCE AND ON THE EC FOCUSING ON EMU AND MENTIONING HIS GOAL OF
POLITICAL UNION IN ONE GENERAL PHRASE. ANOTHER SECTION OF THE SPEECH
WOULD BRING OUT THE BRITISH CONTRIBUTION TO GERMANY'S INTERESTS OVER
THE YEARS, WITH STRESS ON BERLIN AND BRITISH FORCES GERMANY.

7. SEE MIFT.

MALLABY

YYYY

DISTRIBUTION

13

ADVANCE 13

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

HD/SOVIET D
HD/NEWS
MR S MCCARTHY SEC(NATO/UKP)MOD
WG CDR LEIGH DCTS NATO MODUK
PRESS SECRETARY NO 10
MRS GLOVER LEGAL ADVISERS

NNNN

RESTRICTED



Cole *SK*
CP

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

23 March 1990

ANGLO GERMAN SUMMIT

Thank you for your letter of 22 March, in which you set out proposals for the agenda for the Prime Minister's talks with Chancellor Kohl. I am sure she will be content with these.

C. D. POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office

CPC



Foreign and Commonwealth Office

London SW1A 2AH

22 March 1990

EM 29/3

Dear Charles,

Anglo-German Summit

I said in my letter of 16 March that we were working on some bilateral "good news" items for the Press Conference after the Anglo-German Summit.

I enclose some suggestions. You might like to cover these briefly when you see Hartmann. As with the proposed line on the German question we suggest that the Embassy should go over the ground with the Chancellery before your meeting with Hartmann on 27 March.

We expect to be writing shortly about a proposed ELT initiative in the GDR which could be announced at the Summit, and would also hope to have some material on bilateral investment in the UK and FRG.

Following the GDR elections, we can now firm up the agenda for the Prime Minister's talks with Chancellor Kohl. We would now propose:

- German unification
- Consequences of unification for the alliance, security policy and East/West diplomacy
- EC matters (EC aspects of unification, EMU, Single Market)
- Developments in Eastern Europe and the Soviet Union
- South Africa

If you are content, we will put this to the Germans. You could do any fine-tuning with Hartmann on 27 March.

I am copying this letter to Simon Webb (MOD), John Gieve (HM Treasury), Martin Stanley (DTI) and Sonia Phippard (Cabinet Office).

Yours ever,
 Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
 10 Downing Street

BILATERAL POINTS FOR THE SUMMIT

A SCIENTIFIC RESEARCH

Text

- The Chancellor and the Prime Minister were pleased to announce the establishment of an Anglo-German Round Table on scientific research policy. The first meeting will take place on 6-7 June in Bonn.

Background

Senior officials and scientists from the two countries will be meeting in Bonn in June to discuss possibilities for intensified scientific cooperation. This round-table review, to be led on our side by Sir J Fairclough, is attracting much interest and enthusiasm from the FRG side and it would be useful to touch on it in the press conference.

B ACADEMIC RESEARCH COLLABORATION

Text

- The Chancellor and the Prime Minister welcomed the success of the Joint Academic Research Collaboration programme and looked forward to its extension to laboratories outside the university world.

Note

The British German Academic Research Programme (ARC) was announced in February 1989 following the Frankfurt Summit. It exists to promote collaboration between academic research groups. It has been a great success. Over sixty exploratory visits have taken place and there are a hundred more in the pipe-line. Fourteen projects have already been approved, covering (amongst others) the biological and physical sciences, especially engineering, and medicine. So

far, on the German side, only universities have participated. ARC is now being extended to include non-university research establishments. A reference to ARC at the Summit would help underline the importance we attach to bilateral research links.

C DRUGS

Text

- The Chancellor and the Prime Minister welcomed the posting of Drugs Liaison Officers between the UK and FRG to help in the fight against drug trafficking. They welcomed the Memorandum of Understanding on the confiscation of the proceeds of Drug Trafficking which should be concluded shortly.

Note

A German Drugs Liaison Officer (DLO) has been working in the UK for the past two years. A British DLO will start work in the FRG in April. The text of an MOU on the tracing, freezing and confiscation of the proceeds of drug trafficking was broadly agreed in February. The Germans have presented a revised text. We are working for an early signature.

MILITARY EXERCISES

Text

The Chancellor and the Prime Minister expressed satisfaction with this year's scaled down exercise programme for British forces in Germany, which takes account both of recent changes in Europe and of environmental concerns.

Note

The numbers of troops participating in the two major British exercises in the FRG planned for 1990, Quarter Final and Keystone, have been cut by a third and a half respectively, and the exercise areas have been reduced. The changes are in line with a recent study produced by SACEUR on exercise formats.



the department for Enterprise

VT12TU73

Background

West German investments in the UK

The UK is the most favoured location for West German investment in Europe and second most favoured in the world after the USA. Latest available figures show that during the period 1979-1988, total German direct investment in the UK was DM 9.8 billion, figures which show an increase of over 350 per cent since 1983.

Significant investments announced in 1989 include Robert Bosch's £100 million investment in South Wales to manufacture compact alternators, which will generate more than 1,200 jobs; and Kabelwerke Reinshagen's £6 million investment in Coventry to produce wiring harnesses for cars, which will create 610 jobs.

British investments in the FRG

According to the FRG's own latest available figures, the UK was top of the league of foreign investors in the FRG for the period 1979-1988, investing a total of DM 6.4 billion (around £2.3 billion). Well over 1000 companies in the FRG are now partly or wholly owned by British firms.

UK/FRG Trade

The FRG is second only to the US as a market for British goods, but the bilateral trade deficit is widening as German exports to the UK continue to grow at a faster rate than British exports to the FRG.

Total UK exports for 1989: £11.1 billion, of which £10.1 billion were non-oil.

Total UK imports from the FRG for 1989: £20 billion.

A special campaign on the FRG market called "Focus Germany" was run by the British Overseas Trade Board for 2 years from April 1987. The UK share of FRG imports of products in the priority sectors identified at the start of the campaign increased from 5.9% to 6.5% for the year ended March 1989 compared with the same period a year earlier.

The BOTB continues to focus its efforts on assisting British exporters in a number of key product sectors in the FRG market. For example, its European Trade Committee is



the department for Enterprise

currently setting up a Building Materials and Components Task Force covering the FRG, to help British exporters of these materials derive greater benefit from the major construction projects now arising in Germany.

Total Direct Inward Investments in the UK

The figures for the last three years are as follows:

| | |
|-------|---------------|
| 1987: | £8.5 billion |
| 1988: | £9.0 billion |
| 1989: | £15.8 billion |

Internal European Policy Division
Department of Trade and Industry
22 March 1990

file

ea

MR. FOUNTAIN

For the Anglo-German Summit on 30 March, we shall need to set up booths for simultaneous translation in the Cabinet Room. I should be grateful if you could liaise with the Foreign Office on this.

CHARLES POWELL

20 March 1990



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 March 1990

ANGLO-GERMAN SUMMIT

Thank you for your letter of 19 March about arrangements for the Anglo-German Summit. I agree that the Prime Minister will not want to travel back from Cambridge in the same car as Chancellor Kohl. They could not talk anyway, as we do not have an armoured car large enough to house an interpreter as well!

I am content with the order of speeches at the Königswinter dinner set out in the list enclosed with your letter, and agree that Sir Oliver Wright should sit between Chancellor Kohl and the Prime Minister.

You will no doubt be in touch with Charles Fountain about the installation of booths for simultaneous translation in the Cabinet Room.

I agree the Prime Minister should use Mrs. Stezl as her interpreter.

Finally, I confirm that I do not plan on Neuer accompanying Teltschik at the discussion between the Prime Minister and Chancellor Kohl.

(CHARLES POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

19 March 1990

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

TEMPORARILY
RETAINED
S. Gray
20/10/2016

Dear Charles,

Anglo-German Summit

Thank you for your letters of 8 and 12 March. I
enclose the latest draft programme.

The German Embassy have told us that Chancellor Kohl
does not want to travel back to London by helicopter. We
assume that the Prime Minister would not see a need to travel
back to London in the same car as Herr Kohl, after talking
to him that evening and before the Summit the next day.

We will need to agree a seating plan and order of
speeches with the Königswinter organisers. I gather
Sir Oliver Wright has already been in touch with you about
this. I would be grateful if you could confirm the order of
speeches on the attached list, and that you are content for
Sir Oliver Wright to sit between Chancellor Kohl and the
Prime Minister.

There will need to be booths for simultaneous
translation in the Cabinet Room. We recommend that the Prime
Minister use as her interpreter Mrs Catherine Stezl, who
impressed us when we were testing candidates for a new
interpreter from Germany for the Prime Minister.

(We will be writing separately about a permanent
replacement for Dr Lederer.)

I note that you would like Herr Neuer to be at the
lunch on 30 March. We assume that you do not plan on him
accompanying Herr Teltschik to the tête-à-tête.

Yours ever,

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

ANGLO-GERMAN SUMMIT, 29-30 MARCH

DRAFT PROGRAMME

29 March

c1850 Chancellor Kohl arrives at Cambridge Airport
Met by Prime Minister

c1905 Kohl and Prime Minister arrive at
St Catharine's College

1930 Attend Reception given by the Master and
Fellows of St Catharine's College for
Königswinter Participants

2000 Dinner in Hall in Kohl's honour

2230 Leave St Catharine's College for London

30 March

0800 Federal German Ministers arrive at Heathrow

0900 Talks begin

- Prime Minister/Kohl at No 10
- Other Ministers separately

1030 Other Ministers join for Plenary at No 10

1130 Break

1145 Press Conference at QEII Centre

1230 for Lunch at No 10

1245

1415 Kohl takes leave of Prime Minister at Downing
Street

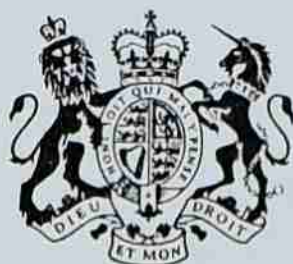
Kohl attends Round Table at Financial Times

1700 Kohl leaves Financial Times

pm Kohl departs from RAF Northolt. Seen off by
Special Representative

ORDER OF SPEAKING

| | |
|-------------------|--------------------------------------|
| Chancellor Kohl | - Toast to The Queen |
| Prime Minister | - Toast to President von Weizsaecker |
| Sir Oliver Wright | - Toast to Königswinter |
| Herr Von Hase | - introduces ... |
| Prime Minister | - Speech |
| Sir Oliver Wright | - introduces ... |
| Chancellor Kohl | |



A: FOREIGN/SUMMIT.
MEM

bcc PC

10 DOWNING STREET

From the Private Secretary

18 March 1990

ANGLO-GERMAN SUMMIT

Thank you for your letter of 16 March about the arrangements for the Anglo-German Summit. I have discussed the proposed line to take at the Press Conference on German unification with the Prime Minister, and she has agreed the slightly amended version enclosed. I agree that it would be helpful to show it in advance of the Federal Chancellery, and I should be grateful if Sir Christopher Mallaby could do this.

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

CHARLES POWELL

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

ANGLO-GERMAN SUMMITLINE ON GERMAN UNIFICATION

- We welcomed the successful holding of free and democratic elections in the GDR [and the intention of the democratically elected government to seek unification with the FRG].
- We agreed that, while the internal aspects of unification were essentially a matter for the FRG and GDR, consideration of the external aspects should proceed quickly by means of meetings at Foreign Minister level as agreed in Ottawa last month.
- This process would allow Poland to be associated with any discussion relating to Poland's western border. We welcomed the fact that the border will be guaranteed in a treaty. We reaffirmed that close consultation would also continue with partners and allies in the European Community and the North Atlantic Alliance so that account could be taken of the legitimate interest of other European countries.
- We reaffirmed that a united Germany would be in NATO, and that the North Atlantic Treaty will apply to the whole of Germany, and that forces of NATO allies will continue to be stationed in West Germany. We agreed that future security and transitional arrangements in what is now the GDR would require further consideration.
- We also agreed on the aim of further development of the CSCE process which should strengthen democracy and human rights and provide a forum within which East and West can discuss Europe's security.
- We agreed that the EC Summit on 28 April should set in train negotiations for the early integration of the territory of the GDR into the EC. We look forward to discussing with our partners this and other implications for the Community of developments in the GDR and Eastern Europe.

Prime Minister

ccpt ①



Foreign and Commonwealth Office

London SW1A 2AH

16 March 1990

I asked for a line, which you & Chancellor might use at your joint press conference, on German unification. Content with the attached Dear Charles, draft, which I will then discuss with the Germans?

Anglo-German Summit

Thank you for your letter of 13 March. I enclose the latest outline programme.

You will want to agree with Hartmann on the objectives of the Summit. We shall want to agree a joint line on unification for use in public. Atmospherics will be as important as substance: a real appearance of agreement on this will be of great help in furthering our objectives in the 2+4 negotiations. I enclose a draft on this aspect which you could discuss with Hartmann when you meet on 27 March. Its precise terms will depend upon events, particularly as regards the formation of a new government in the GDR. If you are content with these broad lines, we suggest that we should ask Sir C Mallaby to give it to Hartmann in advance so as to prepare the ground for your meeting.

We are also working on some items of bilateral "good news" which could be deployed at the Press Conference. These include the establishment of a Round Table on scientific research policy; the extension of the British Council's Academic Research Collaboration Programme; the posting to the FRG of a UK Drugs Liaison Officer; and (possibly) an initiative on English language teaching in the GDR. In addition, we have gone some way toward the Germans on military exercises in the FRG, which they will welcome. You may like to mention these items to Hartmann. We will let you have more material nearer the time.

The agenda for the Summit will be coloured by the outcome of the GDR elections and subsequent developments. We have put to the Germans the following outline (on which they had no comments); but we shall need to refine this nearer the time:

- Developments in Eastern Europe and the Soviet Union
- German unification
- Consequences for the alliance, security policy and East/West diplomacy
- EC matters (EMU, Single Market, EC/Eastern Europe, Enlargement and GATT)
- South Africa

/We plan

It is bland, but undetectable. C 887 17/3



We plan, if you agree, to send briefing for the Prime Minister on 27 March.

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

Yours ever

Richard Evans

for (J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

ANGLO-GERMAN SUMMIT

LINE ON GERMAN UNIFICATION

- *we welcomed the free & democratic elections in the GDR and the successful holding of*
- We agreed that, while the internal aspects of unification were essentially a matter for the FRG and GDR, consideration of the external aspects should proceed quickly by means of meetings at Foreign Minister level as agreed in Ottawa last month. *intention of democratically elected government to seek*
- This process would allow Poland to be associated with any discussion relating to Poland's western border. We welcomed the fact that the border will be *guaranteed* enshrined in a treaty. We reaffirmed that close consultation would also continue with partners and allies in the European Community and the North Atlantic Alliance so that account could be taken of the legitimate interest of other European countries. *verification with the FRG)*
- We reaffirmed that a united Germany would be in NATO, and that the North Atlantic Treaty will apply to the whole of Germany, and that forces of NATO allies will continue to be stationed in West Germany. We agreed that future security and transitional arrangements in what is now the GDR would require further consideration.
- *We also agreed on the aim of* ~~These security arrangements would fit alongside the further development of the CSCE process which should ensure that the groundwork is laid for future arms control negotiation in Europe. The NATO Alliance would have a major political role to play in this.~~ *strengthen democracy & human rights &*

provide a forum within which East & West could discuss Europe's security

- We agreed that the EC Summit on 28 April should set in train negotiations for the early integration of the territory of the GDR into the EC. We look forward to discussing with our partners this and other implications for the Community of developments in the GDR and Eastern Europe.

GERMANY - Reichow
P+S

ANGLO-GERMAN SUMMIT, 29-30 MARCH

DRAFT PROGRAMME

29 March

- c1850 Chancellor Kohl arrives at Cambridge Airport
Met by Prime Minister
- c1905 Kohl and Prime Minister arrive at
St Catharine's College
- 1930 Attend Reception given by the Master and
Fellows of St Catharine's College for
Königswinter Participants
- 2000 Dinner in Hall in Kohl's honour
- 2230 Leave St Catharine's College for London

30 March

- 0800 Federal German Ministers arrive at Heathrow
- 0900 Talks begin
- Prime Minister/Kohl at No 10
- Other Ministers separately
- 1030 Other Ministers join for Plenary at No 10
- 1130 Break
- 1145 Press Conference at QEII Centre
- 1230 for Lunch at No 10
- 1245
- 1415 Kohl takes leave of Prime Minister at Downing
Street
Kohl attends Round Table at Financial Times
- 1700 Kohl leaves Financial Times
- pm Kohl departs from RAF Northolt. Seen off by
Special Representative

CONFIDENTIAL



FILE
RK
~~SAC~~

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

13 March 1990

Dear Stephen.

ANGLO-GERMAN SUMMIT

I had a further word this morning with Horst Teltschik about the Anglo-German Summit. He sees no chance of being able to get away from Bonn between now and then to come over here and prepare the Summit: and I cannot fit in a visit to Bonn. We have agreed therefore that his deputy, Peter Hartmann, will come over here in his place, and I have agreed to see him at 1600 on Tuesday 27 March (Teltschik is very keen that it should be as close as possible to the date of the Summit itself). I have suggested that Hartmann might like to spend the earlier part of the day in the Foreign Office. He will be getting in touch with you about this. I understand that he will take part regularly in meetings of the Four plus Two Group. It would be very helpful to have some briefing about the Summit before he comes and, in particular, suggestions for a line which the Prime Minister and Chancellor Kohl might both agree to stick to at the joint press conference.

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.

CONFIDENTIAL

all

CONFIDENTIAL



file 1010
a sir PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 March 1990

Dear Richard,

ANGLO-GERMAN SUMMIT AND KONIGSWINTER CONFERENCE

Thank you for your letter of 8 March about the arrangements for the Konigswinter Conference and the Anglo-German Summit. Some of the points in it have been overtaken by the visit of the reconnaissance team to Cambridge earlier this week. Your letter did not, as promised, enclose the latest draft timetable.

The Prime Minister will meet Chancellor Kohl at Cambridge airport and will attend the Reception. I am not absolutely clear whether she will be able to arrive at 1915, because she will have to change. She will need 20-25 minutes for this after arriving at St. Catharine's College.

The Prime Minister will want to travel to Cambridge and back by helicopter and I understand that enquiries are being made as to whether a helicopter of The Queen's flight would be available. It has been tentatively agreed that the Prime Minister and Chancellor Kohl would share the helicopter on the way back.

I am sure the Prime Minister will be happy for Sir Oliver Wright to propose the toast and for Herr Von Hase to introduce her. I think she will consider a speech of 15-18 minutes as much as people can decently be expected to endure after dinner, especially if Chancellor Kohl is likely to speak for longer.

As regards the arrangements for 30 March, I agree there should be a restricted session to start with, followed by a plenary in the Cabinet room. Shall we need to install interpreters booths for this? I agree that attendance at the lunch should be Heads of Government, four Ministers on each side, the two Ambassadors, Herr Teltschik, Dr. Neuer and me.

Yours sincerely
C. D. Powell
(C. D. POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

JK



Foreign and Commonwealth Office

CONFIDENTIAL London SW1A 2AH

8 March 1990

Jean Charles,

Anglo-German Summit and Königswinter Conference

We have had informal confirmation from the Germans that the outline plan and agenda in my letter to you of 5 February are acceptable. The latest draft timetable is enclosed. We await further details of accompanying officials, but in the meantime it would be useful to have your views on a number of points.

Would the Prime Minister wish to meet Herr Kohl at Cambridge Airport? If not, they might greet each other at St Catharine's College, in the Master's lodge.

We think it worthwhile for the Prime Minister and Herr Kohl to attend the Reception. On present plans, Chancellor Kohl is intending to arrive in time for the start of the reception at 1915. Would this timing suit the Prime Minister?

How would the Prime Minister travel to and from Cambridge? Would she wish to travel back to London separately from Herr Kohl? I understand that you are considering whether the Prime Minister should return to London by helicopter. If she does, Chancellor Kohl might travel with her.

The Organisers envisage that toasts would be proposed by Sir Oliver Wright, Chairman of the British Königswinter Steering Committee. The Prime Minister would then be introduced by Herr Von Haase, the Chairman of the German Steering Committee and might speak for 20-25 minutes. Chancellor Kohl would then be introduced by Sir Oliver Wright.

We suggest that on 30 March the Prime Minister and Chancellor Kohl should talk first with only one adviser present (we are writing separately about interpretation). The other Ministers - four from each side - would then join for

/the plenary,

CONFIDENTIAL



CONFIDENTIAL

the plenary, with the two Ambassadors. Ministers would flank the Prime Minister and Chancellor Kohl at the Press Conference (likely to be at the QEII Centre). Attendance at lunch at No 10 would be the same as for the Plenary. We would look after the rest of the delegation.

Are these plans acceptable to you?

Yours ever,

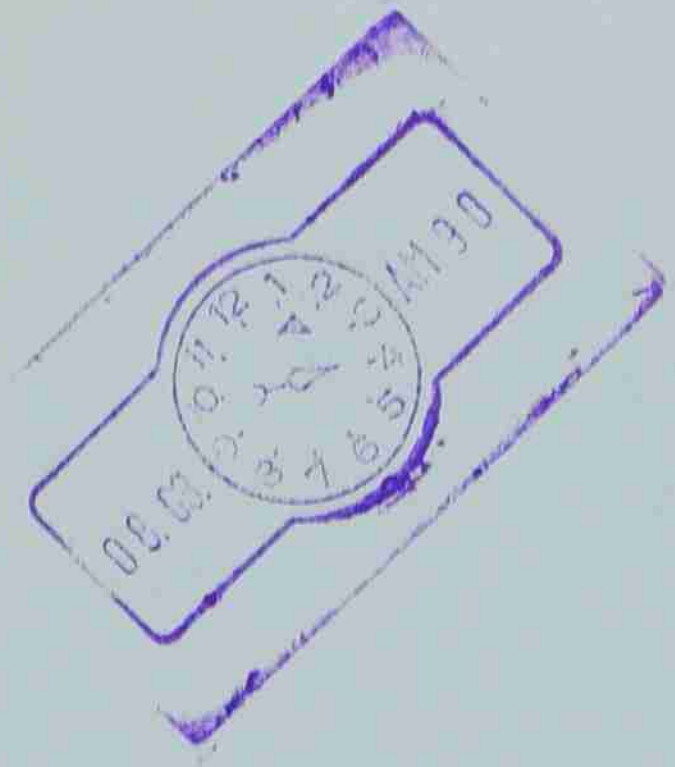
A handwritten signature in cursive script, appearing to read 'Richard H T Gozney', with a long, sweeping flourish extending to the right.

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

Germany: Relations
M 5



ANGLO-GERMAN SUMMIT, 29-30 MARCH

DRAFT PROGRAMME

29 March

- pm Chancellor Kohl arrives at Cambridge Airport
- c1915 Chancellor Kohl arrives at St Catharine's College
- 1915 Reception given by the Master and Fellows of St Catharine's College for Königswinter Participants
- 2000 Dinner in Hall hosted by the Prime Minister in honour of Dr Kohl
- 2230 Leave St Catharine's College

30 March

- 0800 Federal German Ministers arrive at Heathrow
- 0900 Talks begin
- Prime Minister/Kohl at No 10
- Other Ministers separately
- 1030 Other Ministers join for Plenary at No 10
- 1130 Break
- 1145 Press Conference at QEII Centre
- 1230 for Lunch at No 10
1245
- c1500 Kohl attends Round Table at Financial Times
- pm Kohl departs

FILE KK

SUE GOODCHILD

It looks likely that the lunch for the Anglo-German Summit will be for 16 people and will therefore need to be around the large table in the State Dining Room.

C. D. POWELL

8 March 1990

CONFIDENTIAL

CDP 573



Foreign and Commonwealth Office

London SW1A 2AH

Sir Patrick Wright GCMG
Permanent Under-Secretary of State

5 March 1990

Sir Robin Butler KCB CVO
Cabinet Office

cc - Mr. Appleyard
Mr. Hadley
Mr. Powell (No 10)



My dear Robin,

ANGLO-GERMAN SUMMIT: 29-30 MARCH

1. As you will know, the Anglo-German Summit is to be held on 29-30 March.
2. The last Summit took place in Frankfurt on 20-21 February 1989. The Prime Minister met Chancellor Kohl in Deidesheim on 30 April 1989. Since then the prospect of German unification has dominated German politics, and will be the main factor in the elections in December. Chancellor Kohl's prospects in the election hang on his handling of unification.
3. There will also be extensive negotiations through the year on the external consequences of unification. These, with developments in the Soviet Union and Eastern Europe and EC matters, will be the principal theme for the meeting between the two Heads of Government. Briefing will be coordinated by the FCO.
4. It has been arranged in separate correspondence that the Defence Secretary, the Chancellor of the Exchequer and the Trade and Industry Secretary, as well as the Prime Minister and the Foreign Secretary, should be involved with their German counterparts. The Prime Minister and Chancellor Kohl will meet in Cambridge at the Königswinter Conference on the evening of 29 March and will deliver speeches over dinner. The Summit proper will begin on the morning of 30 March with a session of talks between the Prime Minister and the Chancellor, followed by a plenary session, a press conference and lunch. The other Ministers will have separate sessions with their opposite numbers, coming together at the plenary.
5. The Press Conference would be an opportunity to publicize any Anglo-German "good news" items that other departments

/would

TC3ACB

CONFIDENTIAL



would like to put forward. We are assuming, unless others wish to propose items of business, that there are no bilateral problems which need to be raised at this level.

Yours,

Patrick

Patrick Wright

cc: Sir Peter Middleton GCB, HM Treasury
Sir Clive Whitmore GCB CVO, Home Office
Sir Michael Quinlan KCB, MOD
Sir Terence Heiser KCB, Dept of Environment
Sir Peter Gregson KCB, DTI
Sir Alan Bailey KCB, Dept of Transport
Sir Geoffrey Holland KCB, Dept of Employment
John Caines Esq CB, Dept of Education & Science
Charles Henderson Esq, OAL
Derek Andrews Esq CB CBE, MAFF
Geoffrey Chipperfield Esq CB, Dept of Energy

Sir Richard Francis KCMG, British Council

07.08.1990
11.12.1990
10.12.1990
11.12.1990
12.12.1990
13.12.1990
14.12.1990
15.12.1990

OF DR
NO. 1412
3-4-6
3-4-5
PM 90



10 DOWNING STREET

Allyles

Re your letter to FCO
16.12.89 - (leaf)

FCO advise that they will
be able to get a draft to you by
the middle of next week - a
little later than you had asked
for, but content to wait?
Only until Wednesday
7 March

2 March 1990

Katrina



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 January 1990

ANGLO-GERMAN SUMMIT

Chancellor Kohl's office telephoned this afternoon to say that he could only arrive in Cambridge in time for the dinner and could not undertake any programme before that. I asked if that meant he had other engagements earlier in the day. I was simply told that Herr Teltschik would explain the reasons to me when I see him.

Charles Powell

Richard Gozney Esq
Foreign and Commonwealth Office

6
file c:Anglo
ape

KK

CONFIDENTIAL



me fm
etc

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 December 1989

ANGLO-GERMAN SUMMIT

The Prime Minister and the Foreign Secretary had some talk this morning about arrangements for the Anglo-German Summit in March. They thought it important to organise some event in the margins of the Summit which would be of interest to Chancellor Kohl and give him pleasure. The only specific idea which they identified was to arrange a reception, either before the Königswinter Dinner in Cambridge or on the day of the Summit in London, where Chancellor Kohl might meet some younger Dons and students of German. Another possibility, which could be combined with this, would be to arrange for him to meet some environmentalists: and possibly visit the British Antarctic Survey or the Polar Research Institute in Cambridge.

There may well be better ideas, but you will get the general drift of what it is that the Prime Minister and Foreign Secretary want, and I should be grateful if the Department could offer some recommendations early in the New Year.

C. D. POWELL

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

CONFIDENTIAL



*me
hr
all*

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 December 1989

Dear Sir,

KONIGSWINTER CONFERENCE

The Prime Minister has agreed to host the Konigswinter 40th Anniversary Dinner in Cambridge on 29 March and will need to make a speech. It is not too early for some thought to be given to producing a really good draft. It should obviously touch on the main themes of the agenda of Konigswinter: but that is already a very wide remit. It should not be too long, since Chancellor Kohl will also speak (probably at length). I should be grateful if you could commission some work on a draft within the FCO, with a view to getting it to me by Friday 2 March.

Yours sincerely,

C. D. Powell

C. D. POWELL

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

hr

THE KÖNIGSWINTER CONFERENCE

British Königswinter Steering Committee:
Chairman: Sir Oliver Wright, GCMG, GCVO, DSC
Organising Secretary: Mrs. Maxine Vlieland

CONFERENCE OFFICE IN THE UNITED KINGDOM
21, The Lodge, Kensington Park Gardens
London W11 3HA
01-727 9732

as from
Buttard Hall
Horsley, Surrey
RHB 9SR
December 14 1990

Charles Powell Esq
10 Downing Street,

Dear Charles,

The Prime Minister has very kindly agreed to host the Government Dinner at the 40th Anniversary celebrations of Königswinter at Cambridge on Tuesday 29 March in ~~Cambridge~~ with her favourite European politician, Helmut Kohl, as guest of honour; so I thought you and she might like to have a preview of following attractions.

I assure therefore the agreed agenda of the Conference. The invitations have gone out and the attendance, led by the Prime Minister's presence, is likely to be a distinguished one. The focal point is likely to be the German Question, as indeed it was at a Ditchley Park Conference which I chaired a couple of weekends ago.

It will be interesting to see how the Germans handle the fundamental incompatibility of German unity and European Union. But as Harry Truman once said: "If you can't ride two horses at once, get out of the circus."

British Steering Committee: Paddy Ashdown MP, Barbara Beck, Admiral Sir James Eberle GCB, Nigel Forman MP, Peter Jenkins, Michael Kaser, Peter McGregor, Air Cdre L.G.P. Martin CBE FBIM, Dr. Roger Morgan, Sir Frank Roberts GCMG, GCVO, George Robertson MP, Dennis Stevenson CBE, Rt Hon. Shirley Williams. (Air Cdre Martin is an ex officio member as chairman of the Anglo-German Association).

At happy Christmas to Carla and yourself
and salutations to the Prime Minister.

Yours ever,

Oberly

"
KÖNIGSWINTER CONFERENCE 1990

EUROPE - A NEW BEGINNING

- GROUP I The decay of communism in Europe and the German question
- Sources of change in Eastern Europe
 - Prospects for Soviet and Eastern European reforms
 - New answers to the German question
- GROUP II The Future of European Security
- The impact of political change on security and arms control
 - The Vienna negotiations and what follows
 - NATO, WEU, the Warsaw Pact and the role of the super-powers
- GROUP III The European Community: wider or deeper?
- The completion of the Internal Market, monetary union and further political integration
 - The European Community as a nucleus for a wider Europe (EFTA, COMECON and other neighbours)
 - The special case of Germany
- GROUP IV From command to market economy
- Assessing the damage from the past: social, ecological and economic
 - The factors of political and economic change
 - How should the West help and on what conditions?

November 1989



10 DOWNING STREET

~~Amante~~

Yes.

AP 17/1

I really must
reply on this

soon. Can

you now arrange
dinner on Thursday

evening in Cambridge

& held a

Friday evening in
London? CDM.

CONFIDENTIAL



FILE KK

bc PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 July 1989

ANGLO-GERMAN SUMMIT

Thank you for your letters of 26 June and 14 July about the Anglo-German Summit. The Prime Minister has agreed to attend the Konigswinter Dinner in Cambridge, with Chancellor Kohl, on the evening of 29 March; and to hold the Anglo-German bilateral in London on the morning of Friday 30 March, ending with lunch. It has to be this way, because the Prime Minister has a major speaking engagement on 31 March.

(C. D. POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

W

CONFIDENTIAL

CDC



Foreign and Commonwealth Office

London SW1A 2AH

14 July 1989

Dear Charles,

Anglo-German Summit 1990

We spoke briefly on the telephone before you went to Paris about arrangements for enmeshing the Anglo-German Summit next year with the Konigswinter Conference.

I wrote to you on 26 June (copy of letter enclosed). You said you thought you had replied; we have no record of a letter - perhaps you are thinking of one to Sir Oliver Wright. We would be grateful, therefore, for a reaction to the options in paragraph 3 of my letter of 26 June.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL



WRG 020/13

Foreign and Commonwealth Office

London SW1A 2AH

WFEV (2)

CONFIDENTIAL

26 June 1989

Dear Charles,

Enter you

NR 26/6

Anglo-German Summit, 1990

Sir Oliver Wright has written to the Foreign Secretary about next year's Königswinter Conference and the possibility of involving the Duke of Edinburgh in his capacity as Chancellor of Cambridge University. The Conference will be the 40th, and will be held (as it always is when the UK hosts) at St Catherine's College, Cambridge. Sir Oliver Wright says that the Prime Minister and Chancellor Kohl have already agreed to attend the Königswinter Dinner on the first evening of the conference, 29 March. I should be grateful to know whether the date is pencilled into the Prime Minister's diary and that we may plan on holding the Anglo-German Summit during the day of 29 March.

The Foreign Secretary is attracted to Sir Oliver Wright's suggestion that the Duke of Edinburgh should be asked to preside over the reception which the University traditionally gives for the members of the Königswinter Conference. We will pursue this with the Palace.

There would appear to be three main options for the Summit:

- a) to hold it in London and then transfer to Cambridge for the Königswinter Dinner;
- b) to hold it in Cambridge; or
- c) some combination of the two, eg talks etc in London and the more public events in and around Cambridge.

There are practical advantages to holding the Summit in London, such as easier transport and communications. But, if it can be done, there is much to be said for holding the Summit, as well as Königswinter, in Cambridge, taking advantage of the more unusual and intimate atmosphere of a

/Cambridge

CONFIDENTIAL



CONFIDENTIAL

Cambridge College. This would be an opportunity to show the Chancellor some impressive recent achievements such as the Cambridge Science Park and the new Business Park as well as some of the more traditional Cambridge sights. Cambridge would be out of term-time.

There is no need for a decision either way at this stage. Unless you feel that one or other option is not worth pursuing we will explore the practicalities of them all and report back in due course.

I am copying this letter to Trevor Woolley (Cabinet Office).

Yours ever,

Richard Gozney
(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

PRIME MINISTER

ANGLO-GERMAN SUMMIT

You have agreed to attend the Königswinter dinner on the first evening of the 40th anniversary conference, to be held in Cambridge on Thursday 29 March next year. Chancellor Kohl has also agreed to attend.

It is now proposed that the next Anglo-German Summit should be held to coincide with this event, either in London or in Cambridge. In normal circumstances, the least disruptive day would be Friday 30 March in Cambridge, finishing after lunch. The great drawback is that you have to speak at the Central Council on 31 March, and you won't want to be completely tied up the day before.

The alternative might be to have Cabinet earlier in the week, and hold the Summit in Cambridge on Thursday 29 March, ending with the Königswinter dinner. That would not lose you too much speech time - given that you would normally be tied up on a Thursday anyway with Cabinet and Questions. Amanda would try to block off plenty of time earlier in the week for the speech, and would keep the Friday entirely free.

Agree to devote 29 March to the Anglo-German Summit and the Königswinter Conference in Cambridge?

e D P

C. D. POWELL

3 July 1989

SLHBHV

I think Parliament would be very critical of that.

Suggest Kohl or attend dinner on Thursday evening.

Block in London Friday morning ending with lunch.



10 DOWNING STREET

Charles

The journey to COP 26. 6. 89 (Hof)

Pro have advised that there

are no previous papers

as to 1990 Anglo-German

Summit.

Charles
no confirm dates
as 29/3/90 - 31/3/90
- but no
confirmation
ever yet
P.

Are you sure

there is anything

about the date of Patricia
the 1990 summit?

an

3 July 1989



Foreign and Commonwealth Office

London SW1A 2AH

CONFIDENTIAL

26 June 1989

Dear Charles,

Anglo-German Summit, 1990

Thursday Sir Oliver Wright has written to the Foreign Secretary about next year's Königswinter Conference and the possibility of involving the Duke of Edinburgh in his capacity as Chancellor of Cambridge University. The Conference will be the 40th, and will be held (as it always is when the UK hosts) at St Catherine's College, Cambridge. Sir Oliver Wright says that the Prime Minister and Chancellor Kohl have already agreed to attend the Königswinter Dinner on the first evening of the conference, 29 March. I should be grateful to know whether the date is pencilled into the Prime Minister's diary and that we may plan on holding the Anglo-German Summit during the day of 29 March.

The Foreign Secretary is attracted to Sir Oliver Wright's suggestion that the Duke of Edinburgh should be asked to preside over the reception which the University traditionally gives for the members of the Königswinter Conference. We will pursue this with the Palace.

There would appear to be three main options for the Summit:

- a) to hold it in London and then transfer to Cambridge for the Königswinter Dinner;
- b) to hold it in Cambridge; or
- c) some combination of the two, eg talks etc in London and the more public events in and around Cambridge.

There are practical advantages to holding the Summit in London, such as easier transport and communications. But, if it can be done, there is much to be said for holding the Summit, as well as Königswinter, in Cambridge, taking advantage of the more unusual and intimate atmosphere of a

/Cambridge

CONFIDENTIAL



CONFIDENTIAL

Cambridge College. This would be an opportunity to show the Chancellor some impressive recent achievements such as the Cambridge Science Park and the new Business Park as well as some of the more traditional Cambridge sights. Cambridge would be out of term-time.

There is no need for a decision either way at this stage. Unless you feel that one or other option is not worth pursuing we will explore the practicalities of them all and report back in due course.

I am copying this letter to Trevor Woolley (Cabinet Office).

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

MR. POWELL

I have marked this in the diary, and gather ^{being} that Mr. Thatcher is free that weekend. However, please can we chase the Germans for their Summit dates? At the moment I have 24 February down for a Regional Tour, and obviously this will not now suit, and I will have to move it to another day. I cannot just cancel it, and therefore need some of the Summit dates.

Tessa
Notes. Can it be in square brackets in the diary & no mention to anyone for the time

I have told the Ambassadors in strict confidence.
COP
GLK.

Told Jon for DT.
6/10

Tessa

TG

6 October, 1988.

CONFIDENTIAL



File Pm2 ABJ

bc PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 July 1988

SOUTH AFRICA

Herr Teltschik from the Federal Chancellery in Bonn telephoned me this morning to follow up Chancellor Kohl's discussion on South Africa with the Prime Minister at Chequers. He said that the Chancellor was keen to pursue the idea of an emissary who would speak to President Botha on behalf of both the Prime Minister and the Chancellor. I said that the Prime Minister had this very much in mind. One name which had occurred to her was Mr. Leutweiler but there might well be other suggestions. We would be in touch as soon as possible.

Herr Teltschik went on to say that Chancellor Kohl would be issuing a public statement on Friday (for Saturday's press) calling on the South African Government to release Nelson Mandela on the occasion of his 70th birthday and calling for negotiations between the South African Government, Mandela, Chief Buthelezi and others. It would no doubt increase the impact of this if the Prime Minister were to issue a similar statement, although that was of course entirely for her judgment. I said that I would pass on this suggestion. The Prime Minister has in fact made several public references to our belief that the South African Government ought to release Mandela and a further statement now might seem rather artificial. Moreover, she usually took the view that serious representations were best made in private. But we would reflect and I would let him know what conclusion was reached in the course of 14 July.

I should be grateful for early advice.

C. D. POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

eu

CONFIDENTIAL



Subject cc most

*fine
DA.
PC*

10 DOWNING STREET
LONDON SW1A 2AA

9 July 1988

From the Private Secretary

Dear Lynn,

PRIME MINISTER'S MEETING WITH THE FEDERAL GERMAN CHANCELLOR

The Prime Minister had a visitation from the Federal German Chancellor at Chequers today for talks and lunch. Chancellor Kohl was accompanied by Dr. Neuer and Herr Bitterlich. The encounter lasted some three hours, including a ten minute walk in the grounds for the benefit of the media. All in all it was a very relaxed and friendly occasion which Chancellor Kohl seemed genuinely to enjoy and appreciate. The only difficult point was South Africa.

Anglo-German Relations

The Prime Minister opened by congratulating Chancellor Kohl warmly on the success of the European Council in Hanover and of the German Presidency. Chancellor Kohl thanked the Prime Minister for her help. The thing that had pleased him most about Hanover was that everyone had left in a good mood. He had the feeling that things were on the move in the Community. That made it all the more important to use their meeting at Chequers to scotch the silly rumours about the state of Anglo-German relations and about their personal relations. He had a number of ideas to put forward. He had been to the United Kingdom twice in the past year and hoped the Prime Minister would come to Germany for their next meeting. This might be a full-scale Summit and he planned to hold it somewhere away from Bonn and make a big show of it. He had no firm proposal to make about the site but Wiesbaden was one idea. It was important to give the right message to the outside world about Anglo-German relations. Another idea was that more British and German Ministers should give speeches in each other's country. He would be prepared to play his part in this. He would also like to invite the Prime Minister to his home town at some point: they could have a meal at his house and see something of the countryside together. People must get a picture of Britain and Germany working together. How things looked was almost as important as the reality.

The Prime Minister welcomed Chancellor Kohl's proposals. She would be happy to come to Germany for their next meeting. She suggested it might be on a Friday so that she could if appropriate stay over on the Saturday to give more scope for a programme. She hoped that Chancellor Kohl would come again to

CONFIDENTIAL

dg

Chequers, bring his wife and stay the night. She did not see any need to match the rather formal arrangements which characterized Franco-German relations. But she hoped that she and Chancellor Kohl could continue to keep in very close touch through their respective offices so as to identify approaching problems and deal with them in advance where possible.

Europe

The Prime Minister continued that close Anglo-German relations were all the more important as 1992 and completion of the Single Market drew closer. We should not alarm people about 1992. M. Delors' recent speech to the European Parliament in which he had talked about national parliaments becoming irrelevant in the matter of a few years had been very counter-productive and she intended to say so. Chancellor Kohl said that a lot of people did not understand the significance of 1992. Indeed this applied not just to people generally but also to industry. His impression was that the United Kingdom had got further in explaining 1992 to its people and preparing them for it than had the Federal Republic.

Domestic Policies

Chancellor Kohl then launched into a long account of the various domestic reforms which he was undertaking. For this, please see my letter recording the Prime Minister's meeting with the Chancellor in Toronto since it was almost word for word the same. He expected to get the reform of health insurance through the Bundestag by next January and pensions' reform completed by May 1989. Overall he was very well satisfied with the way things were going. This was all elaborated with a wealth of anecdotal detail. For instance Mrs. Kohl apparently discovered from the television news last night how much less tax the Chancellor would be paying from now on and had got very excited at the prospect. Chancellor Kohl had pointed out that three doctors living in the same street were all paid three times as much as he was, which showed what a topsy-turvey world it was.

The Prime Minister congratulated Chancellor Kohl on the success of the tax reform. We were also engaged in reforming the National Health Service in the United Kingdom. In a sense it was helpful that we all faced similar problems and were having to tackle them in much the same way. She had originally suggested that there should be an informal discussion at the Economic Summit in Toronto on the rising costs of health and welfare services but had then realised that such debate might be used against Vice President Bush in the Presidential election campaign. But she hoped it could be a theme at the next Summit.

Chancellor Kohl said that the 1990 election campaign in the Federal Republic was already taking shape. The Socialists and the Greens would focus on denuclearization, both military and civil. He would fight them hard on both points. His main problem was that people had had it too good for too long.

There had been virtually no inflation for five years and people took that for granted. But he was absolutely confident he would win.

Chancellor Kohl said that he was particularly concerned by the way in which the pendulum had swung too far away from authority and respect for institutions in modern society. For instance, in Brandt's time, the German national anthem had been virtually abolished. The ideas of Marcuse had been acted as a virus in German society. Helmut Schmidt had realised how serious the problems were but had done nothing to stop the rot. Chancellor Kohl continued that he had made it one of his main tasks to correct this very unsatisfactory trend in society. Like a high temperature, it was something which had to be sweated out. But he was confident he was getting on top of the situation. The Prime Minister agreed that it was necessary to get back to greater discipline and sense of responsibility. Behavioural problems were among the most difficult which modern governments had to tackle.

East/West Relations

The Prime Minister said that the recent Party Conference in the Soviet Union had been remarkable. Mr. Gorbachev had gone considerably further than she had expected. He was clearly determined to make change irreversible. The most important task in the West was to convince people of the need to maintain a strong defence.

Chancellor Kohl very much agreed. People in Germany were already saying it was time to get rid of conscription and of the Bundeswehr. Instead he had actually increased defence spending significantly in the Federal budget for 1989.

The Prime Minister said that East European countries were watching developments in the Soviet Union with a mixture of hope and alarm. Hungary seemed the most likely to follow Mr. Gorbachev. She had been surprised to learn from Chancellor Vranitsky that there was quite a strong liberal current in Czechoslovakia. Chancellor Kohl said this was indeed the case and illustrated the point with a number of anecdotes about his own visit to Czechoslovakia and long discussion with Strougal about Christianity.

The Prime Minister said that she would be visiting Poland in October. Her impression was that Jaruzelski simply did not know which way to go. Solidarity had originally won a great victory but had then failed to get down to work. She was determined to show during her visit that she was on the side of freedom and to demonstrate support for the ordinary people, but had not yet decided how best to do this. Chancellor Kohl recalled that to describe something as "a real Polish situation" was an old German expression for a real mess. Poland had huge debts with Germany and seemed to be incapable of doing anything about them. Their agriculture was in a poor state despite the fact that it had never been collectivised.

TEMPORARILY RETAINED J. Gray 20/10/2016

US Electons

Chancellor Kohl was anxious to know whether the Prime Minister had ever met Governor Dukakis. He himself knew very little about him, and what he did know was worrying. His ideas on foreign policy appeared facile. His economic advice seemed to come mainly from a number of young professors at Harvard. He thought Dukakis had a fifty per cent chance of winning. The Prime Minister said that we were assembling as much information about Dukakis and his advisers as we could. She had recently said to Speaker Wright that she would be very happy to see Dukakis if he chose to visit Europe after the Democratic Convention.

South Africa

The Prime Minister said that she wanted to be sure that Chancellor Kohl continued to think as she did about South Africa, in particular that sanctions and disinvestment would only make matters worse. The big companies were the ones who were doing most to break down apartheid and promote improvements, for instance in training and housing. She was determined to go on opposing sanctions, while pressing President Botha to release Mandela. Because Britain and Germany had stood together on these points they had been able to carry the rest in Europe.

Chancellor Kohl, who began to look uncomfortable at this point, said that his opposition on the principle of sanctions was unchanged. But the situation was much worse than two years ago. If the Presidential elections in the United States produced a Democratic Administration, then the Americans would go for comprehensive and mandatory economic sanctions. Only Britain and Germany would then be opposed to them. Meanwhile President Botha continued to pour oil on the flames. If the Sharpeville Six were executed, there would be an almighty row. This would be made even worse if the draft law banning contributions to organisations which opposed apartheid were to be passed in South Africa. This was a serious problem.

But the fact was that the churches in Germany, even the conservative-leaning ones, were very steamed up about the draft law.

The Prime Minister said that she accepted these points but they did not alter the fact that sanctions would only make matters worse. The conclusion which she drew was that she and Chancellor Kohl should bring every possible pressure to bear on President Botha. Perhaps they should each write to him saying that they had met, pointing out that they had done everything possible to keep sanctions at bay and urging him to drop the bill in question and release Mandela. Chancellor Kohl thought this an excellent idea. An alternative would be to send a joint letter or to find someone who could go and speak to Botha in the name of both of them. The Prime Minister and Chancellor Kohl agreed to think over this last point and contact each other with possible names.

Tornado

The Prime Minister said we were very disappointed at the failure of the Federal German Government to provide official credit support for the sale of Tornado to Jordan. She understood that MBB were seeking credit from the private sector. She hoped that the Government would do everything in its power to facilitate this. Chancellor Kohl would have read about the memorandum of understanding we had signed with the Saudi Government for the sale of further Tornado aircraft and other items to Saudi Arabia. The negotiations had been conducted in great secrecy which was why we had not been able to inform the German Government in advance. But no formal contracts had yet been signed although we were confident they would be. Chancellor Kohl took note of all this but did not make any significant comment.

Lunchtime Discussion

The talk over lunch ranged very widely, covering prospects for the US Presidential elections, Japan, the future composition of the EC Commission, the difficulty of persuading enough good people to come into national politics, the damage done to society by Marcuse and the Frankfurt School of Philosophers, the cantankerous nature of Helmut Schmidt, behavioural problems in modern society and a further instalment in the continued triumphs of young Walter Kohl. At the end of it, the Chancellor departed in a high good humour.

We shall need to follow up the point about an emissary or letter to President Botha. Two names which occurred to us after lunch were Leutweiler (who is of course known well both to President Botha and Chancellor Kohl) and Sir John Killick. You may have other suggestions. I think it would be best to deal directly with the Chancellor's office on this rather than through the Auswaertiges Amt.

Incidentally, you will note that the Prime Minister did not raise the Rover Group issue. This was deliberate: she did not think that Chancellor Kohl would know anything about it or that raising it would help our case with the Commission.

I am copying this letter to Brian Hawtin (Ministry of Defence), Alex Allan (HM Treasury), Neil Thornton (Department of Trade and Industry) and to Trevor Woolley (Cabinet Office). I should be grateful if it could be given only a very limited and named distribution outside private offices.

Yours sincerely,


(C.D. POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

dti

the department for Enterprise

①

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Prime Minister
I doubt that
Chancellor Kohl will
be aware of the
case: or that
a mention of
it will have any
effect on the
outcome in the Commission
CDD 8/7

Direct line 215 5422
Our ref PS7AKP
Your ref
Date 8 July 1988

Dear Charles

Lord Young and Sir David Hannay both think it would be worthwhile the Prime Minister raising Rover when she meets ... Chancellor Kohl on Sunday. I am therefore attaching a short briefing note which has been agreed in broad terms by UKREP and FCO.

I am copying this letter to Alex Allen (Treasury) and Lyn Parker (FCO).

Yours

Jeremy

JEREMY GODFREY
Private Secretary

mt

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL, 10 JULY 1988

ROVER GROUP STATE AID CASE

LINE TO TAKE

- 1 Concerned at continued German criticism.
- 2 This is the last step in a substantial programme to privatise Rover. Believe German Government gives us insufficient credit for ending state involvement and returning the company to market disciplines.
- 3 Negligible effect on competition.
- 4 Not in either German or UK interest for the Commission to turn the case down. Fear effects of this on UK public perceptions of EC.
- 5 Steel; German iron and steel industry is unjustifiably complaining to the European Court about aid given to British Steel. This is an irritant to BSC privatisation plans.

VM2

8 July 1988



the department for Enterprise

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL, 10 JULY 1988
ROVER GROUP STATE AID CASE

BACKGROUND NOTE

In April, there was strong German criticism of the Commission's decision on aid to Renault, and the Commission's apparent laxity in applying the state aid rules. The German Government also intervened against the Rover Group state aid case. German official comment continues to criticise the case for its apparent generosity. However, both the German Government and VW have denied links between the Government's stance on RG and VW's apparent interest.

2 Keeping the issue live with Chancellor Kohl could help improve the climate for the Commission's imminent decision, and the public debate thereafter.

3 Steel: the German Iron & Steel Federation has made two complaints to the Commission about aid BSC received in the early 1980s. The Federation this week took one complaint to the European Court. The Commission, with our support, is taking a vigorous line to refute German allegations.

VM2
DTI
8 July 1988

ca/te

Seen by PM
COB 12/7

PRIME MINISTER

MEETING WITH CHANCELLOR KOHL

You are to see Chancellor Kohl at Chequers on Saturday. He arrives by helicopter at 11.30 and leaves again at 2.30. You will probably want to talk from 11.30 to 12.45. At 12.45 there is a photocall on the north lawn (weather permitting). Lunch might be at 1.15 and Chancellor Kohl will leave almost immediately after that.

Chancellor Kohl will be accompanied for the talk by Mr. Bitterlich from his Private Office. Another Private Secretary, Herr Neuer, will also be present at the lunch. Mrs. Kaltenbach will interpret for Chancellor Kohl: Mr. Lederer is coming to interpret for you.

You will find in the briefing folder a letter from the FCO summarising the main issues: Sir Christopher Mallaby's scene-setting telegram from Bonn; a note of your discussion with Sir Peter Walters; and the note of your meeting with Chancellor Kohl in Toronto.

Introduction

You might start by telling Kohl how absolutely splendidly he has done as President of the European Community: his has been one of the most productive Presidencies on record, and a great tribute to his leadership. This will please him no end. Since you discussed his domestic problems at length in Toronto - and they have got worse since - you might try to side-step his traditional account of his various triumphs by moving straight on to:

Anglo/German Relations

You will remember that Sir Peter Walters told you that Kohl felt that he was under-estimated by opinion in the UK (and by implication by you as well). You might therefore say that

you share his aim of giving some shine to Anglo/German contacts so that they do not appear to be the poor relation of the Franco/German axis. Your regular meetings with him are one part of this. But we should also try to make our bilateral Summit meetings more productive and newsworthy. We can do this by limiting the number of Ministers attending to those with real business to do, abolishing the formal plenary sessions, and looking for ways to achieve greater public impact - for instance by holding them outside London or Bonn. We have proposed dates for the next Summit early next year and you will let him have some suggestions on the organisation and venue of it in the autumn.

Tornado for Jordan

You should leave Chancellor Kohl in no doubt that we are very dissatisfied with the failure of the German Government to provide official credit support for the FRG's work share of the Tornado sale to Jordan. They will bear a heavy responsibility if the whole deal collapses. If they are not prepared to change their decision - and the signs are they will not (although Strauss was more optimistic) - then the least he can do is try to persuade MBB and/or the commercial sector to take more of the credit risk for a longer period. We are already committing a very substantial amount of credit support to this sale and it is simply not right for the Germans to refuse to bear their share. It will considerably diminish the attraction of collaborative projects if their export prospects in large parts of the world are ruined by German refusal to provide official credit support.

East/West Relations

Kohl is going to Moscow in October and Gorbachev is apparently committed to visiting Bonn in the spring of next year. We want to be sure that the Germans do not fall over themselves in their eagerness to please the Russians and end up making unnecessary concessions. (The greater danger of course comes from Genscher rather than Kohl.) The burden of your message to

Kohl might be that Gorbachev's speeches certainly mark a very significant advance on the sort of Soviet Communism we used to know: but the distance to be travelled before we can really consider the Soviet Union a normal country which poses no significant threat to us is still enormous. While we must support what Gorbachev is trying to do, it must not be at the price of sacrificing our fundamental interests or values. It is important that, when each of us meets Gorbachev, we should all stick to the agreed NATO positions so that he understands that the Soviet Union is continuing to deal with a resolute and united Alliance.

Particular points which you will want to make under this general heading are:

- while we share the wish to see the CSCE Conference in Vienna brought to a conclusion soon, we must not allow ourselves to be pushed into signing an unsatisfactory agreement. We should use their impatience to bring the proceedings to an end to achieve our human rights objectives;
- on no account should we agree to a human rights conference in Moscow. That would be an awful betrayal of brave people there;
- it will be important to make progress with the conventional stability talks. They are a much higher priority than further negotiations on nuclear weapons;
- we should try to push through the necessary decisions on modernising NATO's nuclear weapons in 1989, after the American elections but before the German ones. You might seek his view on the prospects for this;
- we remain convinced that it would not be in NATO's interest to start negotiations with the Russians on short-range nuclear weapons. The Germans should not make agreement to such negotiations the condition for

going ahead with modernisation of NATO's nuclear weapons

South Africa

There have been some signs recently of wobble in the German position on South Africa, not so much on economic sanctions, but non-economic measures such as putting restrictions on South African Embassies in Europe or withdrawing European Ambassadors from South Africa. You will want to bring home to Kohl that such gestures will not achieve anything, but would only increase the pressure for economic sanctions. You might say that we want to re-establish a solid Anglo/German front (plus Portugal) against the current wave of pressure for sanctions. We shall both also need to work on opinion in the United States, particularly in the event of a Dukakis victory.

Environment

Kohl may revert to this as he did at both Toronto and Hanover. Our main concerns are to avoid duplication by the EC of work in other bodies; and to avoid costly commitments which impose unnecessary burdens on our industry. You might congratulate him on what was achieved in the German Presidency on emissions from large combustion plants and vehicle exhausts. You might say that the priority in the North Sea is to implement the measures agreed at last year's Conference, rather than start devising new ones.

Agriculture

You will want to keep up the pressure on Kohl to accept that the Brussels CAP reforms, important as they are, are not enough and the Community must be prepared to go further in the GATT framework. This problem is not going to go away just because of the American drought.

Debt

The Paris Club is soon to start work on implementation of the

Toronto Economic Summit's conclusions. We shall be offering concessional interest rates as will Canada and Italy. The United States and Japan will offer to reschedule debts over longer periods. It is not quite clear what the Germans are going to do, but they may join America and Japan in rescheduling over longer periods. It is important that creditors should share the burdens equally and you will want to encourage Kohl to be as forthcoming as possible.

Franco/German Relations

Over lunch you might like to try to get a feel for Kohl's assessment of the situation following the French elections. There is no doubt that the French Government is going to be more Socialist. Does he expect this to have implications for Franco/German co-operation?

You might also say that we have never felt the need for the sort of institutional co-operation in Anglo-German relations as the French and Germans go in for. That is not our style. But you admit that this does have some disadvantages: because of the high profile given to them, the public probably believe there is more continuity and substance in Franco/German relations than Anglo/German relations, even though in reality they are of equal importance. It is particularly important that you and Kohl, as the two main conservative leaders in Europe who believe in strong defence, should keep very close. The need for this is all the greater when we are approaching a change of Administration in the United States. You do not want to get involved in setting up cumbersome groups which involve a great deal of bureaucracy. But you would like to see the contacts between your own office and Chancellor Kohl's office made more regular: that would be a good way for spotting incipient problems in our relations and trying to avert them as well as coordinating our approach to important issues. And you would like to see the regular talks between British and German officials dealing with defence and EC matters continue. You do not mind if there is less pomp and circumstance surrounding Anglo/French than Anglo/German

relations, but we are not at the moment getting the results from them which should come from the politically very similar approach which you and he both have.

C.P.

Charles Powell

7 July 1988

VSCAIH



CONFIDENTIAL
COVERING SECRET
Foreign and Commonwealth Office

London SW1A 2AH

7 July 1988

Dear Charles,

Prime Minister's Meeting with Chancellor Kohl: 9 July

The Prime Minister's meeting with Chancellor Kohl at Chequers on 9 July will provide an occasion for fairly wide-ranging discussion, following their briefer bilateral meeting at Toronto. After that summit and the Hanover European Council, there is little pressing business to conduct, except on the proposed sale of Tornado IDS aircraft to Jordan. Otherwise, this letter covers the full range of current international business. We understand that Chancellor Kohl's briefing will cover similar ground. Sir Christopher Mallaby will send a scene-setting telegram on 7 July.

Anglo-German Relations

This meeting, including the photocall, will be valuable as a demonstration of close Anglo-German consultation after the media speculation earlier this year. It comes shortly after the visit to Oxford and London of President von Weizsäcker on 22/23 June and before the first visit to London on 20 July of the new German Defence Minister, Dr Scholz. The Foreign Secretary will have a bilateral meeting with Herr Genscher at Chevening on 18/19 July.

The only element missing is a more formal bilateral summit, but since your letter of 30 June we have put to the Germans a good selection of dates in early 1989. Kohl may raise the format of summits. If so, the Prime Minister could say that:-

- we are keen to make them more intimate and businesslike, reflecting the character of Anglo-German relations,
- we should therefore prefer to limit the number of Ministers to those with real business to do,
- we should also like to get away from the rather stilted plenary sessions and concentrate on bilateral discussion between pairs of Ministers and informal discussion at the Ministerial lunch,
- it is important for summits to have a real public impact, and we are looking at possible ways to achieve that, including holding them outside capitals,

CONFIDENTIAL
COVERING SECRET



CONFIDENTIAL
COVERING SECRET

- there will of course continue to be informal high-level meetings, like the present one.

Tornado for Jordan

I enclose for reference a copy of the Prime Minister's letter of 18 May to Kohl about the proposed sale of Tornado IDS aircraft to Jordan. The FRG Federal Security Council (FSC) decided on 29 June not to raise any political objection, but not to participate in credit arrangements for the deal. We recommend that the Prime Minister express deep dissatisfaction at this poor response: as her message and her follow-up remarks to Kohl in Toronto made clear, the provision of official credit support for the FRG work-share is critical to the successful conclusion of the deal. It is not acceptable for the FRG to try to leave the UK to finance the FRG work share - given our already very large liabilities.

Sir Christopher Mallaby advises that there is no prospect of re-opening the FSC decision (Kohl himself argued against the provision of credit support) though I see that Franz-Josef Strauss suggested to the Prime Minister yesterday that he might succeed in doing so. The Prime Minister might, while acknowledging the uncertainties of Jordanian economic prospects, challenge Kohl on what alternatives he can offer for protecting Western interests in Jordan and the Near East by securing the Tornado deal rather than allowing the Russians in with MI29s. If the FSC decision is final, can he help by persuading MBB and/or the commercial sector to take more of the risk for a longer credit period? In addition, would he agree that officials should meet to consider some way of sorting our similar problems on Tornado in the future? (This might include the idea of a trade-off between cover for future Tornado sales and cover for other civil business - mainly Airbus; but there are doubts about the "fairness" of such a trade, and it should not be put to Kohl in these terms yet.) If he has no solace to offer, we shall be left with the difficult decision of whether we can offer the Jordanians any further increase in our already heavy (£380 million) allocation of cover for the Tornado deal (a large slice of the new £1 billion special arms facility: if the UK had to cover the Italian as well as German shares, this would rise to a level which Ministers may conclude is unacceptably high). This would leave a bad taste for collaborative ventures - both Tornado and future projects - particularly as the FRG refusal to provide credit support for such business gives their exporters an unfair advantage in the civil sector.

EC and International Economic Issues

We recommend that the Prime Minister congratulate Kohl on his handling of the Hanover discussions, particularly on monetary issues, where the outcome was entirely satisfactory to us. She could say that:-

CONFIDENTIAL
COVERING SECRET



CONFIDENTIAL
COVERING SECRET

- The German Presidency produced remarkable progress on single market issues: eg, capital liberalisation, road haulage, insurance, public purchasing, mutual recognition of diplomas.
- The need now is to maintain momentum, particularly on the priorities agreed at Hanover, ie public purchasing, banks and financial services, approximation of standards and intellectual property.
- It will be important to distinguish between these and "slower track" issues like company law, broadcasting, and tax (where a market forces approach would be best). The overall aim should be liberalisation not harmonisation: where regulation is necessary, it must be with a light touch.
- We welcome also the Hanover commitment to a Single Market that is open to third countries. We wish to work with the Germans to hold the Community to this.
- The Greeks and Spaniards will no doubt push for action on a social area. We must stress that the best way of tackling unemployment is through non-inflationary growth, and avoid proposals which would increase burdens on business. Between 1983 and 1986 (the last year for which figures for EC members are available) UK employment rose by 920,000 (an increase of 4%) whereas employment in the rest of the EC countries combined rose by only 708,000 (or 0.7%). Unemployment has fallen in the UK now for 22 consecutive months.

Kohl may raise environmental issues, especially air and water pollution, on which public feeling is strong in Germany; it was at German request that the subject came up at both Toronto and Hanover. The Hanover conclusions invited the Commission and the Council to "improve the means to combat and prevent air and water pollution". While this is an unexceptionable aim we are wary of duplication with other bodies such as the Oslo and Paris Commissions, which are responsible for the North Sea. If Kohl raises the subject the Prime Minister might take the following line:

- agreements reached in this month's Environment Councils on emissions from large combustion plants and vehicle exhausts are signs of our commitment to action against air pollution.
- at last year's North Sea Conference we agreed on a useful series of measures. The task now is to implement them.

CONFIDENTIAL
COVERING SECRET



CONFIDENTIAL
COVERING SECRET

- the Toronto Summit endorsed the concept of sustainable development and called on all countries to sign and ratify the Montreal Protocol on Substances that Deplete the Ozone Layer; we welcome this and with other EC countries will ratify the Protocol by the end of 1988.
- we are also active participants in the negotiations on a Protocol on emissions of nitrogen oxides and on an Agreement on transfrontier shipment of hazardous waste.

On multilateral trade issues, we recommend that the Prime Minister say that the Toronto commitment to a successful GATT Round means that the Community must negotiate constructively. The MTM should be more than a simple stocktaking: we need early agreements eg on strengthening the GATT and dispute settlement. On agricultural reform, the Community must obtain credit for the Brussels CAP reforms, but must be prepared to go further, in a multilateral framework. If Kohl demurs, quoting "the diversity of our agricultural situations" (para 18 of Toronto economic declaration) the Prime Minister might say that while she appreciates the domestic German difficulty of agricultural reform, the creation of a more market-orientated farm sector is in the Community's own interest, and is perhaps easier to explain at home if reforms are multilaterally secured. Kohl himself seems to share the view that agriculture should be more strongly market-orientated.

The Prime Minister might also congratulate Chancellor Kohl on the progress on EC/East Europe relations under the German Presidency. We may be moving into a new phase in the Community's trade relations with Eastern Europe. The Community's approach should be positive but cautious; any future agreements - eg with the Soviet Union - must be balanced and of mutual benefit.

It would be useful if the Prime Minister could ask Kohl about German intentions on debt post-Toronto. Summit leaders agreed that official creditors should ease the debt burden of some of the poorest countries through concessional interest rates, longer repayment periods, partial write off of debt service, or a combination of these. There are many technical details yet to be resolved. The Paris Club has been asked to reach agreement on detailed implementation by the end of 1988. It meets on 11-12 July. We shall offer concessional interest rates, which were an integral part of the Chancellor's initiative, as will Canada and Italy; the US and Japan will reschedule over longer periods. We understand that the Germans will write off more old aid loans; and that they may reschedule official debt over longer periods. They have said that they are also considering reducing interest rates, like us. It is important that creditors share the burden equally

CONFIDENTIAL
COVERING SECRET



CONFIDENTIAL
COVERING SECRET

while maximising the benefit to recipients. We hope the Germans will decide to cut interest rates. If not, they really should be prepared to be repaid over a longer period (eg 25 years).

East/West Relations

Relations between the FRG and the Soviet Union are becoming increasingly active. Kohl is to visit Moscow in October (taking with him a party of German businessmen), and Gorbachev is to visit Bonn next spring. This is therefore a good moment to underline again to Kohl the need for a steady head in responding to change inside the Soviet Union and in East/West relations.

Last week's Party Conference saw the kind of frank and largely public debate unknown in the Soviet Union for over 50 years: criticism of the Party leadership and open divisions within it (Yeltsin); complaints about the continuing shortage of food/consumer goods; genuine disagreements on matters of policy. Full details of what was agreed are not yet available, but the proposals to distance the Party from economic management, to make officials more publicly accountable, and to establish a proper, independent judicial system would have radical implications if fully implemented. Real political reform is now openly on the agenda.

Even so, most of the party apparatus remain reluctant converts, particularly to glasnost. There is little sign of the major personnel changes which will be required if the pace of perestroika is to be accelerated. Economic reform is still a long way from delivering the goods and thus generating real popular enthusiasm for reform. It will be a long time before the Gorbachev Revolution (if such it is) can be considered irreversible.

We in the West should continue to seek a worthwhile and constructive dialogue, but not attempt to "help" Gorbachev at the price of sacrificing our fundamental interests or values. Progress so far reflects the fact that the Russians have moved towards us (INF, Afghanistan, human rights). But there is a long way to go before the Soviet Union will be a comfortable neighbour for Western Europe (or indeed for Eastern Europe). It continues to maintain its massive conventional superiority, and to modernise and deploy new military systems; and there is no sign of the KGB pulling in its horns.

Of particular interest to the Germans is the CSCE Conference in Vienna. We still hope that a Concluding Document can be agreed in July but the East (less Romania) have only recently shown serious willingness to compromise. The West have agreed that a Neutral and Non-Aligned (NNA)

CONFIDENTIAL
COVERING SECRET



CONFIDENTIAL
COVERING SECRET

draft Document tabled in mid-May represents a suitable basis for negotiation. However, much remains to be done - on follow-up, military security and human rights (on which the NNA text is very much a bottom line) . The FRG (and France) wish to end the Vienna meeting quickly in order to start Conventional Stability Talks. If Kohl raises this, the Prime Minister could say that the East are as anxious as the West for an early start to those talks; we should not let them pressure us into an unbalanced outcome, but use their impatience to achieve our own human rights objectives.

The Soviet Union have not withdrawn their proposal for a Moscow Humanitarian Conference but no longer press it hard. The FRG have favoured going to Moscow under minimal conditions. The Prime Minister might say that despite internal progress in the Soviet Union, a Moscow Conference would be a travesty and betrayal of many brave people there; we hope the Germans will agree now to a Western veto of Moscow in order not to complicate the Vienna end-game.

Defence and Arms Control

We recommend that the Prime Minister remind Kohl of the importance of our defence relationship. We and the FRG make the two biggest contributions to NATO among the European Allies. Good cooperation, political and military, between us is a prerequisite for a healthy Alliance. Recent efforts to give better publicity to what we already do together are very welcome, but not enough. We should give a lead in furthering defence co-operation between the European Allies, which is particularly important as burden-sharing pressures begin to bite harder. A promising area for example is that of air mobile forces, which is currently being studied by AFCENT.

On nuclear issues the Prime Minister might reaffirm our support for the US approach to START, namely that it is more important to get it right than to rush it. Following agreement at the NATO Summit to keep nuclear weapons up to date, we support the agreement at the April NPG to a step-by-step approach to implementing necessary nuclear modernisation measures. Kohl has said that he is prepared to take the necessary decisions when the time comes, though Genscher is unlikely to support SNF modernisation without the prospect of an East-West SNF negotiation. 1989 - after the US elections but before the German ones - may provide a window of opportunity for taking decisions. Whether the Alliance can seize this chance will depend on the readiness of the US (on technical grounds) and the FRG (in domestic political terms).

In the conventional arms control field, the conclusion of the Hanover European Council that the conventional imbalance is "the key issue of European security" is right: our next

CONFIDENTIAL
COVERING SECRET



CONFIDENTIAL
COVERING SECRET

priority, assuming a balanced CSCE outcome, must be the conventional stability talks rather than further nuclear negotiations. In the process of preparing a Western position for the conventional stability talks, we and the Germans are trying to work out a joint proposal which would overcome French objections to equal NATO/Warsaw Pact equipment ceilings in the Atlantic to Urals area. Our co-operation in this field is good.

The CW negotiations resume in Geneva on 7 July, but progress is likely to be slow. Kohl should be discouraged from expecting early or easy agreement. It is essential that the West speak with one voice if the Russians are to be pressed effectively to show more openness and make practical contributions to resolving the outstanding problems.

The Third UN Special Session on Disarmament (UNSSD III) ended on 26 June without a consensus Final Document. Kohl may suggest that this is a setback for arms control. We do not however believe that the outcome is likely to affect work in other fora adversely. An unbalanced document would have been worse. The West must continue to press worthwhile initiatives; the UK will be pushing for action on proposals on CW use made in the Foreign Secretary's speech to UNSSD on 7 June.

South Africa

In view of recent German unsteadiness, we recommend that the Prime Minister raise the issue of sanctions. She might suggest to Chancellor Kohl that the intellectual debate on sanctions has largely been won. There is increasing understanding of the effects of punitive economic sanctions on the black population and on neighbouring states. But we are concerned at signs that the German position on non-economic measures (eg restrictions on South African Embassies in Europe) may have shifted. Of course we oppose the execution of the Sharpeville Six or restrictions on foreign funding of aid programmes. But futile political gestures will not help. What they will do is increase pressure for economic sanctions - for instance, within the EC for a ban on coal imports (which the Germans oppose and which we have no wish to see, although we have committed ourselves publicly to go along with a consensus). It is important to re-establish a solid UK/FRG front (with Portugal) against the current wave of sanctions pressure: France is thinking of a fruit and vegetable ban. Apart from the trade embargo under consideration by Congress, a Dukakis Administration would be certain to pursue policies which caused problems for both FRG and UK.

CONFIDENTIAL
COVERING SECRET



CONFIDENTIAL
COVERING SECRET

Iran/Iraq

On the Gulf conflict, we recommend that the Prime Minister stress that the tragic incident of the Iranian Airbus underlines the importance of achieving an early settlement of the conflict on the basis of SCR 598 and an end to attacks on shipping by both sides. We do not yet know the outcome of US investigations, but we fully accept the right of foreign forces in the Gulf to defend themselves in accordance with Article 51 of the UN Charter. We attach importance to maintaining the European naval presence in the Gulf as a commitment to upholding the principle of freedom of navigation. (The Germans do not have any forces there, but have deployed vessels in the Mediterranean, in theory to fill the gap created by deployment of other NATO forces to the Gulf).

At the UN we support the Secretary-General's continuing efforts to secure implementation of SCR 598. He is likely now to work on a detailed implementation plan. But neither side at present seems ready to negotiate. The Prime Minister could rehearse the argument for a follow-up arms embargo Resolution against the Iranians if they remain non-compliant. The Germans are not enthusiastic for such a resolution and there is no immediate prospect of one's being introduced in view of Soviet and Chinese opposition.

The Prime Minister could also reaffirm that our policy on UK/Iranian relations remains unchanged. We are ready to talk about improving relations, but based on mutual interests, respect and reciprocity. There are many aspects to Iranian behaviour which we find unacceptable: the violation of diplomatic immunity; contravention of consular convention; attacks on neutral shipping in the Gulf; attempts to destabilize other countries and an appalling human rights record. If Iranian behaviour were to improve, this might make it easier to have a normal relationship. But there is no reason why we should court the Iranians' favour.

If Kohl raises the hostages, the Prime Minister could tell him that our policy on that too remains unchanged; we will not negotiate for the release of our hostages. She could ask about the remaining German hostage Cordes and the trial of the Hizbollah terrorist Muhammed Ali Hamadei (which began this week in Frankfurt). No news of our hostages emerged from the privately-organised visit (co-ordinated by the Archbishop of Canterbury's staff) by four British Parliamentarians to Iran on 19-22 June. During the recent compensation talks with Iran in London, the question of hostages was not raised by either side.

CONFIDENTIAL
COVERING SECRET



CONFIDENTIAL
COVERING SECRET

I am sending a copy of this letter to Trevor Woolley
(Cabinet Office).

Howls etc,

L Parker

(L Parker)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL
COVERING SECRET

SECRET



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

18 May, 1988.

Dear Helmut,

You will be aware that we have secured a commitment from King Hussein of Jordan to purchase 8 Tornado IDS aircraft. Detailed negotiations on the contract (between the British and Jordanian Governments) have been underway for some time and are now close to conclusion except for one critical point related to the financing arrangements. These are complex with UK, German and Italian workshares being financed in various currencies and it is on this point that I urgently seek your help.

Sir Geoffrey Howe and Mr. Younger have previously written to Herr Genscher and Herr Woerner respectively on the financing arrangements for the project but this has not produced a response that would help to conclude the contract quickly. I find that disappointing. The matter is of such importance and urgency that I felt I must write to you personally.

Apart from the significant industrial benefits accruing from the sale, there are very strong political reasons for us to work together to reach agreement with the Jordanians. We take encouragement from the Jordanian preference for turning to Western suppliers for their air defence, as shown by their decision to upgrade their Mirage aircraft, and their positive attitude in their discussions with us on Tornado. But if we fail to reach agreement on this sale King Hussein could well still turn to the Soviets for his next generation of new aircraft and purchase the MiG 29; neither of us would want

SECRET

that to occur or to see Western influence in the area correspondingly undermined. In the view of my Government, the need to head off the Soviet threat clearly outweighs any possible doubt there may have been over the supply of an aircraft such as Tornado, to a neighbour of Israel; especially one with Jordan's enviable record for moderation. This was a view shared by President Reagan and the US Administration when they approved the supply of components of US origin.

I am sure you will agree that the partner countries in collaborative projects should share their respective proportions of the benefits and the burdens of export sales. To date the UK has shouldered a disproportionate burden for the sales of Tornado to Oman and Saudi Arabia. So far as Jordan is concerned, I know that the Federal Government attaches importance to further sales of Airbus; and we are giving careful and urgent attention to how we might contribute towards the appropriate financing package. Officials of the appropriate German Ministries are familiar with the details of our ideas on this. I feel that the political as well as the industrial importance of the Tornado sale provides a powerful argument for participation by the Government of the FRG. I accept that, on the face of it, a conventional assessment of Jordan's credit worthiness would make it difficult to provide official credit cover. But the credit terms being offered are generous and I have little doubt that King Hussein will ensure that a debt for a project to which he is personally committed, will be honoured. It is therefore vital that HERMES support for the FRG workshare, on the same terms offered by our ECGD, is provided in order to obtain the contract.

The tri-national programme for Tornado has, to date, been a great success but we need to continue to build on that and pull together to secure this important export sale. Without your help it could slip away from us. I would ask therefore that you give your personal attention and support to the project and early agreement to HERMES providing the necessary credit backing to MBB. United Kingdom negotiators are due to return to Jordan shortly and your agreement by 23 May is

essential if we are to conclude this business which is not only significant in its own right for our aerospace industries but which also has great political importance for our two countries in the Middle East.

I am sure you will agree that we must not let King Hussein down at this very difficult moment in Middle Eastern affairs.

*Y
Luswa*

Ragau
—

His Excellency Dr. Helmut Kohl

07.11.2008
PM28

CONFIDENTIAL

027665
MDHIAN 6279

CONFIDENTIAL

FM BONN

TO IMMEDIATE FCO

TELNO 695

OF 061644Z JULY 88

INFO ROUTINE EC POSTS, WASHINGTON, MOSCOW, BMG BERLIN, EAST BERLIN

INFO ROUTINE CICC(G)

INFO SAVING CGS IN THE FRG

SIC

KOHL'S VISIT TO CHEQUERS, 9 JULY : THE FRG SCENE

SUMMARY

1. KOHL'S RECENT INTERNATIONAL SUCCESSES, ESPECIALLY AT HANOVER, NOT MATCHED ON THE DOMESTIC FRONT. THE 1990 TAX REFORM PACKAGE HAS SCRAPED THROUGH THE BUNDESTAG. DISCUSSION OF THE DRAFT BUDGET FOR 1989 IS ALSO CAUSING STRAINS IN THE COALITION. IN THE CDU, KOHL FACES SOME DISCONTENT WITH HIS LEADERSHIP. BUT NO ACTIVE THREAT TO HIS POSITION.

DETAIL

2. KOHL'S RECENT SUCCESSES IN THE INTERNATIONAL ARENA, ESPECIALLY AT HANOVER, HAVE NOT BEEN MATCHED ON THE DOMESTIC FRONT. THOUGH THE PARLIAMENTARY RECESS HAS FORMALLY BEGUN, LEADING POLITICIANS HAVE REMAINED IN BONN ARGUING OVER MEDIUM TERM FISCAL POLICY. THE MAIN ISSUES ARE PROPOSALS FOR INCREASED CONSUMER TAXES NEXT YEAR, MEASURES TO BAIL OUT THE CREAKING UNEMPLOYMENT INSURANCE FUND AND, MOST URGENTLY, THE 1990 TAX REFORM PACKAGE, WHICH GETS ITS FINAL READING IN THE BUNDESRAT ON 8 JULY. AS REPORTED IN MY TELNO 675, PARLIAMENTARY APPROVAL FOR THE PACKAGE HAS BEEN ON A KNIFE-EDGE. BUNDESTAG AGREEMENT WAS ONLY JUST SECURED, IN THE TEETH OF OPEN DISSENT BY BACKBENCHERS ANGERED BY THE EFFORTS OF STRAUSS TO FORCE THROUGH TAX PRIVILEGES FOR PRIVATE PILOTS. ONLY HEROIC EFFORTS BY COALITION WHIPS TURNED OPPOSITION INTO ABSTENTION, AND THE PACKAGE SCRAPED THROUGH. TO THE EMBARRASSMENT OF ALL, THE MEASURE ON PRIVATE PILOTS IS NOW IN THE PROCESS OF BEING DROPPED, LEAVING STRAUSS LOOKING WEAKER AND THE COALITION INCOMPETANT AND INDECISIVE.

3. AS IF ONE BRUISING WAS NOT ENOUGH ALBRECHT, THE CDU MINISTER-PRESIDENT OF LOWER SAXONY, TIED HIS CRUCIAL SUPPORT FOR THE PACKAGE IN FRIDAY'S BUNDESRAT DEBATE TO FEDERAL FINANCIAL ASSISTANCE FOR NORTHERN LAENDER TO EASE THE SOCIAL SECURITY BURDENS IMPOSED BY

CONFIDENTIAL

027665
MDHIAN 6279

HIGH UNEMPLOYMENT. HIS BRINKMANSHIP PAID DIVIDENDS. AFTER FRANTIC COALITION NEGOTIATIONS THE GOVERNMENT AGREED TO SET UP A STRUCTURAL AID FUND OF PROBABLY AROUND DM2.5 BILLION, THOUGH DETAILS ARE STILL UNCLEAR. IN RETURN, ALBRECHT HAS PLEDGED ALLEGIANCE IN THE BUNDESRAT ON 8 JULY.

4. THE DRAFT BUDGET FOR 1989 IS ALSO DUE TO BE MADE PUBLIC ON 8 JULY. IN PREPARATION, THE COALITION HAVE BEEN MAKING LAST MINUTE ADJUSTMENTS TO CONSUMER TAX INCREASES TO STEM THE TIDE OF RISING PUBLIC BORROWING. PROPOSALS FOR LARGE TAX RISES ON PETROL, HEATING OIL, TOBACCO AND INSURANCE PREMIUMS, ACCOMPANIED BY INCREASES IN UNEMPLOYMENT INSURANCE CONTRIBUTIONS, HAVE BEEN SUPPLEMENTED BY ONE FOR A NEW TAX ON NATURAL GAS. THE CHORUS OF CRITICISM AGAINST THESE PROPOSALS HAS MADE EVERYONE FORGET THE BENEFITS OF TAX CUTS IMPLEMENTED IN JANUARY THIS YEAR AND THOSE IN PROSPECT FOR 1990. (THE NET EFFECT BY 1990 OF CURRENT PROPOSALS FOR TAX INCREASES, TAKEN TOGETHER WITH TAX CUTS, WILL STILL BE TO LEAVE MOST PEOPLE BETTER OFF.) BUT AS AN EXERCISE IN PRESENTATION THE GOVERNMENT HAVE AGAIN MADE A POOR FIST OF FISCAL POLICY. THEIR PIECEMEAL APPROACH MAY HAVE BEEN FORCED ON THEM BY EXTRA PUBLIC FINANCING PROBLEMS. THIS WILL BECOME CLEARER ON PUBLICATION OF THE DRAFT BUDGET AND ITS ACCOMPANYING FIVE-YEAR FINANCIAL PLAN ON 8 JULY. BUT THE UPSHOT, AS MATTERS STAND, HAS BEEN TO LEAVE THE COALITION LOOKING DIVIDED AND WITHOUT CLEAR OBJECTIVES.

5. KOHL'S OWN PARTY MEANWHILE HAS BEEN AFFLICTED BY INTERNAL SQUABBLES. THE ROW OVER THE FUEL TAX ON PRIVATE PILOTS HAS SERVED AS A NEW FOCUS FOR THE GRASSROOTS CRITICISM WITH WHICH KOHL WAS CONFRONTED AT THE CDU PARTY CONFERENCE IN MID-JUNE. ON THAT OCCASION HE FOUGHT IT OFF WELL, BUT UNDERLYING DISCONTENT REMAINS. ACCUSATIONS OF CLUMSY MANAGEMENT HAVE PROLIFERATED SINCE. SO HAVE GRASSROOTS RESIGNATIONS FROM THE PARTY. A RECENT OPINION POLL HAD THE CDU FALLING BEHIND THE SPD FOR THE FIRST TIME SINCE 1973. MEANWHILE THE BONN PUBLIC PROSECUTOR IS CONSIDERING THE GREENS' CHARGE THAT KOHL GAVE FALSE TESTIMONY TO THE BUNDESTAG COMMITTEE INVESTIGATING THE ILLEGAL EXPORT OF SUBMARINE BLUEPRINTS TO SOUTH AFRICA (MY TELNO 669).

6. THE DISARRAY IN KOHL'S COALITION IS THUS CONSIDERABLE. BUT THE GOVERNMENT ALWAYS EXPECTED 1988 TO BE A DIFFICULT YEAR, WITH MAJOR DECISIONS ON SOCIAL SECURITY AS WELL AS FISCAL POLICY TO BE TAKEN. KOHL REMAINS HIS JOVIAL SELF, DECLARING THAT THE COALITION CARAVAN WILL MOVE ON DESPITE THE YAPPING FROM ITS DETRACTORS. THERE IS NO SIGN THAT HE IS IN REAL DANGER. THE ODDS AGAINST A CHANGE OF POWER

CONFIDENTIAL

027665
MDHIAN 6279

AT THE NEXT FEDERAL ELECTIONS IN 1990 MAY HAVE SHORTENED: THAT IS A
LONG WAY OFF, AND THE BEST BET IS STILL THAT THE PRESENT COALITION
WOULD WIN IF AN ELECTION WERE HELD NOW.

MALLABY

YYYY

DISTRIBUTION 251

MAIN 251

EUROPEAN POLITICAL

WED (-)

NNNN

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

5 July 1988

CH

Dear Charles,

Prime Minister's Meeting with Chancellor Kohl, 9 July

Thank you for your letter of 28 June ^{May} about the Prime Minister's meeting with Chancellor Kohl on 9 July. We have booked Mr Lederer and arranged for a helicopter of the Queen's flight to bring Chancellor Kohl from Northolt to Chequers and back again. We have informed the German Embassy here of both points.

Yours ever,

L Parker

(L Parker)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

GERMANY: Views of Low. Pt 10



CONFIDENTIAL



file who
copy PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 June 1988

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL

RF || The Prime Minister will be seeing Chancellor Kohl at Chequers on Saturday 9 July. They have agreed that the Chancellor will arrive at Chequers at 1130 and leave about 1430. He will be accompanied by Herr Bitterlich and Dr. Neuer, but my understanding is that only the former will attend the talks. We intend to conduct the photocall after lunch and allow photographers to take pictures of the Prime Minister and the Chancellor taking a walk on the lawn.

There are two points on which I should be grateful if you could take action:

- BF ||
- (i) Herr Weber is apparently reluctant to interpret in both directions. I should be grateful if you could establish whether Mr. Lederer is available.
 - (ii) The Prime Minister thinks that we really must send a decent (i.e. Queen's Flight) helicopter to bring Chancellor Kohl from Northolt to Chequers and back to Northolt. I should be grateful if you could investigate the possibilities.

CHARLES POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

who

CONFIDENTIAL



file
be PC
65

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 April 1988

ANGLO-GERMAN SUMMIT

Thank you for your letter of 18 March about the Anglo-German Summit. We have gone through several phases since then. The Germans are unable to manage 21 October, 24 October or 26 October, all of which I have put to them. Chancellor Kohl's office subsequently came back to me and said that the Chancellor would anyway much prefer a private meeting with the Prime Minister at Chequers to a full-scale summit. He wondered whether he could come over and see the Prime Minister on Saturday 9 July. The Prime Minister agreed to this and I am so informing Chancellor Kohl's office today. I understand that Chancellor Kohl will be accompanied only by a member of his Federal Chancery staff. We have not yet got into discussion on arrival times and so on.

C. D. POWELL

Lyn Parker, Esq.
Foreign and Commonwealth Office

KK

CONFIDENTIAL

PRIME MINISTER

ANGLO/GERMAN SUMMIT

Following my discussions with Chancellor Kohl's office about dates for the Anglo/German Summit in the autumn, Chancellor Kohl has suggested that he might pop over to see you at Chequers on Saturday 9 July. This would not be a full scale Summit but would certainly keep the thread of regular bilateral contacts. He has said he would be accompanied by only one or two members of his personal staff.

I attach your diary for the two weeks either side of those dates. You will have seen something of the Chancellor at the Toronto Economic Summit and the Hanover European Council but neither are really a substitute for a proper bilateral.

Agree to take up his suggestion of coming to see you at Chequers on 9 July?

CSP

Yes

Charles Powell

20 April 1988

13

0930 Lord Young +PG
 1300 Lunch and Questions Briefing
 1515 QUESTIONS
 1545 CRANLEY ONSLOW
 1600 KEEP FREE FOR MPs
 1700 DEPART HOUSE OF COMMONS
 PRESENT THE SMALLPIECE AWARDS, COVENT GARDEN
 1815 RETURN TO NO.10

Wednesday 6 July

1220 DEPART NO.10
 1245 FT DESIGN AWARDS LUNCH - LONDON BUSINESS SCHOOL
 1500 Chancellor + PG
 KEEP FREE
 1700 Foreign Secretary + CDP
 1800-1930 Drinks for MPs and wives +DT
 Clear boxes
 2200? ATTEND BLUE BALL INTERCONTINENTAL HOTEL

Thursday 7 July

0830 Hair
 0900 Questions Briefing Team
 ? Cabinet
 1300 Lunch and Questions Briefing
 1515 QUESTIONS
 1545 KEEP FREE FOR MPs
 Dinner in honour of Lord Carrington

Friday 8 July

REGIONAL TOUR

Monday 11 July

0830 Hair
 1000 Week Ahead Meeting
 1030 Diary meeting
 1215 Meeting with colleagues
 1300 Followed by lunch
 1800 Keep free + TG
 1930 for 1945 DINNER WITH "92" GROUP ST. STEPHEN'S CLUB

Tuesday, 12 July

0900 Questions Briefing Team
 STATE VISIT
 1300 Lunch and Questions Briefing
 1515 QUESTIONS
 1545 KEEP FREE FOR MPs
 KEEP FREE
 STATE BANQUET BUCKINGHAM PALACE

Wednesday 13 July

1215 Talks with President of Turkey + CDP
 1300 Lunch in honour of President of Turkey No.10
 1700 Chancellor + PG

1730 Foreign Secretary + CDP
1830 AUDIENCE

Thursday 14 July

0830 Hair
0900 Questions Briefing Team
? Cabinet
1300 Lunch and Questions Briefing
1515 QUESTIONS
1545 KEEP FREE FOR MPs
KEEP FREE?
ATTEND DINNER GIVEN BY PRESIDENT OF TURKEY

Friday, 15 July

1000 Sir Robin Butler
Lunch in flat
1415 DEPART NO.10
FINCHLEY CARNIVAL
TO CHEQUERS?

Sunday 17 July

Dinner for Lord Joseph

Monday 18 July

0830 Hair
1000 Week Ahead Meeting
1030 Diary Meeting
1215 Meeting with colleagues
1300 Followed by lunch
1830-2000 Reception for MPs and wives

Tuesday 19 July

0900 Questions Briefing Team
0930 Lord Young +PG
1300 Lunch and Questions Briefing
1515 QUESTIONS
1545 CRANLEY ONSLOW
1600 KEEP FREE FOR MPs
1830 AUDIENCE

Wednesday 20 July

? Keep free +TG
1100 KEEP FREE
Lunch for Industrialists?
1630 Foreign Secretary + CDP
1700 Chancellor + PG

Thursday 21 July

0830 Hair
0900 Questions Briefing Team
? Cabinet
1300 Lunch and Questions Briefing
1515 QUESTIONS

1545 KEEP FREE FOR MPs
1800 ADDRESS 1922 COMMITTEE?

Friday 22 July

1000 Sir Robin Butler
KEEP FREE
1300 LUNCH WITH BANK OF ENGLAND +PG
Keep free +TG

Saturday 23 July

KEEP FREE + DT
KEEP FREE + DT

Monday 25 July

0830 Hair
1000 Week Ahead Meeting
1030 Diary Meeting
1215 Meeting with colleagues
1300 Followed by lunch

Tuesday 26 July

0900 Questions Briefing Team
1300 Lunch and Questions Briefing
1515 QUESTIONS
1545 KEEP FREE FOR MPs
1800 Keep free +TG ?

Wednesday 27 July

1100-1200 INTERVIEW ON JIMMY YOUNG PROGRAMME, BBC
BROADCASTING HOUSE
1630 Foreign Secretary + CDP
1700 Chancellor + PG
1800 AUDIENCE
? LOOK IN AT CIOR RECEPTION, GUILDHALL

Thursday 28 July

0830 Hair
0900 Questions Briefing Team
? Cabinet
1300 Lunch and Questions Briefing
1515 QUESTIONS
ATTEND ROYAL GARDEN PARTY + DT BUCKINGHAM PALACE
1830-2000 Reception for MPs and wives

Friday 29 July

1000 Sir Robin Butler?
Keep free for briefing
1245 for 1300 LUNCH WITH BRITISH SOCIETY OF MAGAZINE EDITORS
MERIDIAN HOTEL, PICCADILLY
Keep free for packing

Saturday 30 July - Sunday 7 August

? OVERSEAS



Foreign and Commonwealth Office

London SW1A 2AH

20 April 1988

Dear Charles

*CCP
20/4*

Anglo-German Summit

Thank you for your letter of ¹⁵ April.

It is impossible at this stage to predict what issues will be on the agenda of the Foreign Affairs Council on 24 October and whether the Foreign Secretary's participation would be desirable. Mrs Chalker would however be available to deputise, and if there really are no other dates available for the Summit, the Foreign Secretary would be willing to miss the Council on that day. The Germans would naturally face the same problem.

Wednesday is indeed the normal German Cabinet day and therefore ruled out.

In general, a date in the second half of October looks appropriate since it would enable the Prime Minister to stiffen Chancellor Kohl before his planned visit to Moscow (which we now know will not be before the end of October).

Sans cur

R N Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
10 Downing Street

AGENCIAM. 7M's V. 1200 P. 17

2014
MRS

Charles: Would 5th October
be too early? for the
Germans?

MR. BEARPARK

They ^{Tense} can't do 5 October - in ^{Atlantic}
am

ANGLO-GERMAN SUMMIT

The Germans telephoned this afternoon to say that they cannot manage either 24 or 26 October since Chancellor Kohl will be travelling abroad all that week. They counter-proposed 17 October or 14 October. The latter is during the Party Conference. The former is a date we have offered the Poles. If they reject it we might be able to use it for the Germans. But it would be helpful if you could also look for possible alternative dates.

We may also need to pursue an entirely different tack of getting Chancellor Kohl over here on his own for a Saturday meeting at Chequers some time in July or September. Could you please see if there are any possible dates for that which I can put to the Prime Minister.

C.D.P.

C.D.P. — Arranged for
seen Saturday
9th July.
Congress in ^{London} ad.

22/4

Charles Powell

18 April 1988

RESTRICTED



FILE
DAIAFS
PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 April 1988

ANGLO-GERMAN SUMMIT

Dr. Neuer telephoned me this morning from Chancellor Kohl's office to say that unfortunately the Chancellor could not manage an Anglo-German Summit on 21 October. He could do 20 October, but that is a Thursday and impossible for us. After talking to the Prime Minister I have now suggested to the Germans either Monday 24 October or Wednesday 26 October. Both are difficult: the first is a Foreign Affairs Council date and the second is (I think) a German Cabinet day. But we are really very pressed for dates in the autumn, and if the Germans can manage Monday 24 October it would be worth considering whether the Foreign Secretary could be represented at the Foreign Affairs Council at least for most of the first day, to enable him to take part in the Summit.

I will be in touch further when Dr. Neuer comes back to me early next week.

(C.D. POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

Handwritten signature or initials.

MTJCEI



apc

10 DOWNING STREET
LONDON SW1A 2AA

28 March 1988

From the Private Secretary

ANGLO-GERMAN SUMMIT

We have been having great difficulty in identifying dates for an Anglo-German Summit. The Prime Minister notes that she will in any case be seeing Chancellor Kohl in Toronto in the margins of the Economic Summit and in Hanover at the European Council. She has agreed that we should propose to the Germans that the next formal summit should be held on Friday 21 October.

BF //

I should be grateful if you could put this to them and let me know whether it is convenient. The summit would, of course, be in London on this occasion.

Charles Powell

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

K

CONFIDENTIAL

PRIME MINISTER

ANGLO-GERMAN SUMMIT

You have minuted that you would prefer not to have an Anglo-German Summit in October.

I think that further deferral of a Summit could cause us quite serious problems.

There is no doubt that these Summits are rather ponderous and contrived occasions. Only a limited amount of real business gets done. You can and do see Chancellor Kohl quite frequently outside the framework of formal Summit meetings and your colleagues similarly meet their opposite numbers.

The trouble is that these Summits have very considerable symbolic importance in Europe. The French and Germans hold them six times a year. Our practice was to hold them once every six months. In practice this has slipped to about once a year. The last full-scale Anglo-German Summit was in September 1986. If we defer a further one until October the gap will be almost two years. There is a risk of giving credence to press reports that you and Chancellor Kohl are at loggerheads. You will have noticed Julian Bullard's valedictory despatch with its concluding message: Take trouble with Germany: Be punctilious over Anglo-German meetings from Summits downwards. It is a serious point.

We could decide to abandon these Summits altogether and rely only on informal meetings. There is much to be said for this, but it would need very careful handling. We would say to the French, Germans (and Italians) that we found the present structure of Summits unnecessarily cumbersome. Particularly with the frequency of meetings at Head of Government level in the European Community and the Economic Summit framework, and closer working relations at every level within Europe we no longer felt the need for the symbolism of Summits.

CONFIDENTIAL

But we could not just leave it at that. We would have to propose something to put in the place of Summits, to avoid the press saying that we were downgrading relations and leaving Europe to a Franco-German directorate. To an extent this could be a commitment to regular informal meetings and consultations at Head of Government level. But that would not be enough on its own. We need some further novelty. For instance could we set up Joint Secretariats with the French and Germans respectively to coordinate Ministerial contacts and ensure a regular flow of meetings, as well as handle some of the substance of our regular bilateral relations?

It's just an idea and perhaps not a very good one. But we shall need something if we are going to abandon Summits.

This is something which you may like me to pursue with the FCO (and may yourself wish to discuss with the Foreign Secretary). But in the meantime, I think we must try to fix a date for an Anglo-German Summit (which will be in the United Kingdom) at some point in the next six months (perhaps July or September)?

Agree to fix a date (forward diary attached)?

Yes, cut the

Agree to pursue ideas on alternatives to Summits?

regional town

on Friday

21st October and

substitute Anglo-German

Summit

C.D.P?

(C. D. POWELL)

27 March 1988

ATTEND ROYAL GARDEN PARTY + DT BUCKINGHAM PALACE
1830-2000 Reception for MPs and wives

Friday 29 July

Keep free for briefing
1245 for 1300 LUNCH WITH BRITISH SOCIETY OF MAGAZINE EDITORS
MERIDIAN HOTEL, PICCADILLY
Keep free for packing

Sunday 31 July - Sunday 7 August
? OVERSEAS

Wednesday 7 September

Keep free for speech

Thursday 8 September

ADDRESS SCOTTISH CBI, GLASGOW

Friday 9 September to Sunday 11 September
SCOTLAND

Tuesday, 13 September
evening ?KEEP FREE

Wednesday 14 September
1300 LUNCH AT SOTHEBYS

Thursday 15 September
1830 ?LOOK IN AT HENRY MOORE EXHIBITION ROYAL ACADEMY

Friday, 16 September
pm FINCHLEY

Wednesday 21 to Friday 23 September
OVERSEAS?

Monday 26 September
1430-1600 First meeting for Party Conference Speech

Tuesday, 27 September
AUDIENCE?
ATTEND ROYAL SOCIETY ANNUAL DINNER: FISHMONGERS HALL

Wednesday, 28 September
REGIONAL TOUR

Thursday 29 September
1300 PRESENT "WOMEN MEAN BUSINESS" AWARD: DORCHESTER HOTEL

Friday 30 September
? DEPART NO.10
1045 ARRIVE BRIZE NORTON
VISIT RAF BRIZE NORTON ?

13

530c TO CHEQUERS

Monday 3 October

Dinner for Covent Garden Opera

Tuesday, 4 October

AUDIENCE

Wednesday 5 October

0900-1030 Keep free for speech writing

Thursday 6 October1800-1930 LOOK IN AT RECEPTION FOR RUC DEPENDANTS
CITY LIVERY HALLSaturday 8 October/Sunday 9 October

Keep free for speech writing

Tuesday 11 - Friday 14 October

PARTY CONFERENCE

Tuesday, 18 October

AUDIENCE

Thursday 20 October

1945 for 2000 Dinner for the Kennedy Memorial Trust No.10

Friday 21 OctoberREGIONAL TOUR
TO CHEQUERS*Anglo-German Summit*Tuesday, 25 October

AUDIENCE

Thursday, 27 OctoberGUEST OF HONOUR AT A DINNER ORGANISED BY HEBREW
UNIVERSITY OF JERUSALEM - LONDONFriday, 28 October

FINCHLEY LADIES LUNCH

Monday 31 October

1500-1600 First meeting for Lord Mayor's Banquet Speech

1830-2000 General Reception

Tuesday, 1 November

AUDIENCE?

1830-2000 Reception for Wightman Cup

No.10

Thursday 3 November

2000 Dinner for CTS sponsors

SRWBIR

PRIME MINISTER

ANGLO/GERMAN SUMMIT

You will remember that we had to cancel the Anglo/German Summit planned for early February.

We need to find a date when it can be re-instated later in the year. The Germans attach great importance to these Summits. If we have a date, the position is held.

We cannot really find any suitable date before the summer break (although you may need to see Kohl briefly before the Hanover European Council). We have identified 3 October as a possibility. I attach the relevant sheets from your long-term diary. You would be back in time for the dinner for Covent Garden.

Agree that we can propose 3 October?

CD?

*October is already full up
I am reluctant
to overbook it. I shall see him in
Toronto.*

(C. D. POWELL)

24 March 1988



10 DOWNING STREET

Peru comes in diary for
Monday 24th October.

CDD has written to LP
about this

Awaiting German
reply.

18/7

Fco putting 21 Oct
to Germans as
of 12/4



10 DOWNING STREET

Charles
Yes
✓ can please
then use your
put to PM
end

Do you want me to
take dates direct with
the Foreign Office?

I was going to
suggest 5. Sept. (Monday)
or 3rd Oct (Monday)
or 24 Oct (")

14.
21/3

OR Friday 21st October.
by Parker checking - awaiting
balance approval.
21/3 11/4/88

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

18 March 1988

TG/PAB

Ed. we discuss dates
June. on.

Dear Charles,

Anglo-German Summit

The Prime Minister and the Foreign Secretary had a brief discussion of the next Anglo-German Summit at their meeting yesterday. I am writing to confirm that the Foreign Secretary recommends that we should now endeavour to fix a date for a Summit in the autumn, preferably in September or October. I should be grateful to know whether the Prime Minister agrees.

Yours ever,

(L Parker)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

RESTRICTED



SW2 ADF
etc

SKW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 February 1988

ANGLO/GERMAN SUMMIT

Thank you for your letter of 27 January about the dates for the Anglo/German Summit.

I did not in the event have an opportunity to discuss this with the Federal Chancellery and would prefer now to wait until after the European Council. The urgency of an Anglo/German Summit and German willingness to have one during the remainder of their Presidency will depend in good part on the outcome of next week's meeting. There is also the consideration that the Prime Minister's diary already has far too many foreign affairs engagements in the next few months, and there will be great reluctance to add another.

Let us consider this again towards the end of this month.

(C. D. POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

SKW

CONFIDENTIAL



VC3AVO

(SKW)

File
c/c

SUBJECT CC MASTER

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

2 February 1988

Dear Lyn,

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL

The Prime Minister had a talk this morning with Chancellor Kohl about the forthcoming European Council. Chancellor Kohl was accompanied by Herr Stavenhagen, State Secretary in the Federal Chancellery, and Herr Hartmann, also from the Federal Chancellery. The talk was generally good-natured and revealed a readiness on the part of the Germans to move towards us on a number of issues which will come up at the European Council. But it also revealed continuing substantial differences, particularly on stabilisers for cereals and oil seeds. The question of the United Kingdom's abatement was raised briefly and gingerly, without any attempt to link it to other issues. Following the meeting the Prime Minister and Chancellor Kohl gave a press conference, the transcript of which will be available to you.

European Council

Chancellor Kohl said that his meeting with the Prime Minister was very important and there were high expectations from it. The European Community had reached a watershed. There were major world problems which needed urgent attention. The Community must settle its housekeeping problems so that full attention could be given to these wider issues. The Community had to show some vision. Germany's net contribution was now some DM 8 billion. He had to be able to show that the Community was making progress on the wider issues if this was to continue. There was no point in a postponement of the Brussels Council. It would be even more difficult to reach agreement at Hanover in June. Four more months of argument about agriculture and future financing would preclude progress on the internal market. If the Community was to complete the internal market by 1992 - and he regarded that as its single most important task - the European Council must clear away subsidiary issues next week. He was prepared to do everything humanly possible to reach an agreement. But it would require a compromise in which everybody would have to move. Concessions would be painful for the German Government but he was prepared to confront public opinion with the need for them. In his view, discussions in Brussels had gone on long enough. The moment had come to reach decisions both on agriculture and the budget. And it must be done in a

CONFIDENTIAL

Community spirit. There was no question of putting the burden all on to one country. Everybody must share the difficulties. He would be meeting with his Ministerial colleagues later this evening to decide what proposals to put to the European Council.

The Prime Minister said she was ready to take decisions at Brussels. Indeed, she had been ready to do so at Copenhagen. Unfortunately others had not been similarly ready. The nub of the matter was the need to reduce agricultural surpluses. The Community had been discussing this for at least eight years but had always failed to grasp the nettle. It was not a question of compromise. It required tough decisions which would actually get the surpluses down and not add to them. It was a choice between sense and nonsense. The Community could not go on putting more and more money into agriculture. Farmers were more realistic than Ministers: they knew that the problems had to be dealt with and they wanted a firm basis on which they could plan for the future. She agreed with Chancellor Kohl that the Community was at a watershed. She was ready to take decisions. But they must be the right decisions, equal to the scale of the problem.

Chancellor Kohl thought that the Prime Minister underestimated the degree of progress which had already been made. For instance tough measures had already been taken to curb milk surpluses. German farmers had accepted price reductions of twenty-five per cent for their main crops in recent years. Farm incomes in the Federal Republic had fallen substantially. He was ready to see further drastic reductions in surpluses. But it must be done in a way which gave people time to adjust. It must be a step by step process which was politically tolerable. Germany could not simultaneously be the largest contributor to the Community and be expected to inflict disproportionate hardship on its farmers.

The Prime Minister said that she understood Chancellor Kohl's worry about the size of the German contribution. But the most effective way to reduce that contribution was to control agricultural spending. She wished to make another general point: Germany benefited greatly in Europe from the efficiency of its manufacturing sector and ought not to penalise the efficiency of other countries in agriculture.

Agricultural Stabilisers

Chancellor Kohl said he had looked at the various problems which had been on the table in Brussels. There were a number of areas where he thought some adjustment was possible in the interests of agreement on an overall package. For instance he could accept that stabilisers on other products (ie all except cereals and oil seeds) should be agreed on the basis of the Presidency proposals in Copenhagen. On cereals, Germany could accept a Maximum Guaranteed Quantity of 158m tonnes. He understood that the proposed 20-tonne exemption under the co-responsibility levy caused difficulties. He could agree to a modification whereby an

exemption applied only to small farmers. There were other points on which the German Presidency's proposals seemed to be misunderstood. For instance, on cereals the changes proposed by the Commission to the intervention arrangements would in effect amount to a price reduction in the first year. On oil seeds, no ceiling was proposed on price cuts. The co-efficient for price reductions was something that could be looked at. But equally there were points on which Germany could not move. The proposed MGQs on oil seeds and proteins and the price reduction and co-responsibility levy proposals for cereals were as far as he could go. He could accept the need for an effective brake on farm spending but it should not be used to make an emergency stop.

The Prime Minister said that she too would like to go through some of the details. On cereals, we disliked the co-responsibility levy which was a tax and not a stabiliser. Moreover, the proposed 20-tonne exemption would be highly discriminatory. Germany would pay less than half as much as the United Kingdom even though it produced the same amount of cereals. She noted that Chancellor Kohl had suggested a compromise. She was not in a position to judge the full implications of this. What she could not accept was a situation which penalised efficient producers while protecting the inefficient. There was no justification for a higher MGQ for cereals than the 155m tonnes proposed by the Commission at Copenhagen. This was above the level of the 1986 and 1987 harvest and contained ample headroom for the Community's traditional exports. You would never get surpluses down if you started by putting them up. Moreover, the proposals which had been discussed in Copenhagen had provided for in-year price cuts with no ceilings. This was essential if the surpluses were to be cut back. For oil seeds, the mechanism proposed by the Presidency was sound but the numbers were too high. The effect of the Presidency's proposals would be expenditure some 600m ecu higher than envisaged under the proposals considered in Copenhagen. There had been a vast growth in the production of oil seeds and protein products over the last ten years and the Community could not go on financing such an expansion indefinitely. She could agree that all the other stabilisers should be settled on the basis proposed in Copenhagen, even this though this caused considerable difficulties for our farmers. But major differences remained over cereals and oil seeds. She would never be able to get an increase in Community resources through Parliament unless she could demonstrate that effective action had been taken to reduce the surpluses and control agricultural spending. The Prime Minister added that we had gone out of our way to try and take account of German views over set-aside even though we had doubts about its effectiveness. Chancellor Kohl could present this as a considerable victory. But set-aside could never be a substitute for price cuts. The Prime Minister added that there was no question of our accepting the French proposal to put a time-limit of three years on stabilisers.

Herr Stavenhagen commented that an MGQ of 158m tonnes for cereals seemed a very restrictive figure to Germany. It was

well below the trend of Community production. Predictions for the 1988 harvest were that it would be at least 158m tonnes, in which case stabilisers would come into force immediately. On oil seeds, Germany was prepared to give up a ceiling on price reductions and acknowledge that such reductions would be cumulative. That would be a deterrent to switching from cereals to oil-seeds. The Prime Minister came back to the point that it made no sense to say you were dealing with surpluses and then go right ahead and decide to increase production. We were prepared to accept a mix of price reductions and co-responsibility levies. But she did not want to blur the remaining differences between British and German positions. We wanted to see more weight given to price reductions both for cereals and oil seeds: the proposed co-responsibility levy for cereals was discriminatory: we still had difficulties with some of the details of the set-aside scheme: we thought MGQs for both cereals and oil seeds were set too high: and many of the savings claimed by the Germans were calculated on the basis of projected expenditure which was quite unrealistic anyway. We had been closer to a solution with the Commission's original proposals than we were now.

Chancellor Kohl said that he did not disagree with the Prime Minister on the broad objectives. He had been saying for years that the Community must reduce production. The CAP was badly flawed. It had been encouraging farmers to go in the wrong direction for thirty years. The tide was now beginning to turn. But he could not force through a complete adjustment in just one or two years. He had to have time. He would think over the points which the Prime Minister had made to him. The discussion had revealed discrepancies between British and German figures. These should be reconciled before the European Council, so that we were working on a common data base. Experts should get together to do this.

Agriculture Guidelines

Chancellor Kohl said that in Copenhagen there appeared to a considerable measure of agreement on a guideline of 27bn ecu, exclusive of old stocks, with provision for it to increase at 60% of the rate of GNP growth. The Commission were now arguing that this was not sufficient and that the base line would need to be higher and the rate of growth 100% of the GNP rate. He wondered whether an acceptable compromise would not be an 80% growth rate. The Prime Minister said that the Commission had said explicitly in Copenhagen that 27bn ecu with 60% growth rate would be adequate to finance the CAP and they could not now shift their ground. She was not prepared to move from this.

Monetary Reserve

Chancellor Kohl said there appeared to be near agreement on this at the Foreign Ministers conclave in Brussels. The Prime Minister said that a reserve must be limited to compensating for exchange rate movements. French concerns about the trade practices of other countries would have to be

dealt with by other means.

Fourth Resources

Chancellor Kohl said that the German Presidency would agree to whatever produced a consensus. Germany ended up paying anyway. The Prime Minister said that this was not a prime concern for us. She had agreed in Copenhagen that we would not seek any additional benefit as a result of a fourth resource.

Own Resources Ceiling

Chancellor Kohl raised the size of the own resource ceiling but the Prime Minister cut him off, saying that it was premature to discuss this and anyway she had no authority from her colleagues to discuss figures until she could demonstrate that action had been taken to reduce the surpluses and impose strict financial discipline through binding regulations.

Structural Funds

Chancellor Kohl said that Germany had no problem with the United Kingdom's proposal for a 50% increase, but there was no chance of southern Member States accepting it. A compromise would have to be found somewhere between a 50 and 75% increase. The Prime Minister said that a very important point of principle was at stake. Unless any increase was contained within 1½ times the maximum rate for non-obligatory expenditure we would face constant problems with the European Parliament over the budget. This would be to the disadvantage of the southern States themselves. Provided Britain, France and Germany stuck together she thought that we could get our position accepted. It would enable the four least prosperous States to double their receipts from the Regional Fund and would also double the overall receipts of Spain and Portugal.

United Kingdom Abatement

Chancellor Kohl said that he assumed the Prime Minister wished the Fontainebleau arrangement to remain unchanged. The Prime Minister said that it had been justified in 1984 and was even more justified now. Our net contribution even after abatement had doubled since then. The abatement would have to be linked to the duration of a new own resources decision, just as it had been at Fontainebleau. Chancellor Kohl said that there might be some inclination to argue that our abatement should be degressive. The Prime Minister said that it was set as a percentage of the VAT/expenditure gap. If the gap declined so would our abatement. But you could not decrease the remedy unless you first decreased the size of the problem.

French Position

The Prime Minister asked Chancellor Kohl whether he thought the French were actually in a position to reach an agreement at Brussels given the imminence of their elections.

Chancellor Kohl said that it would be very difficult. But he thought that they would prefer a reasonable agreement now to postponement.

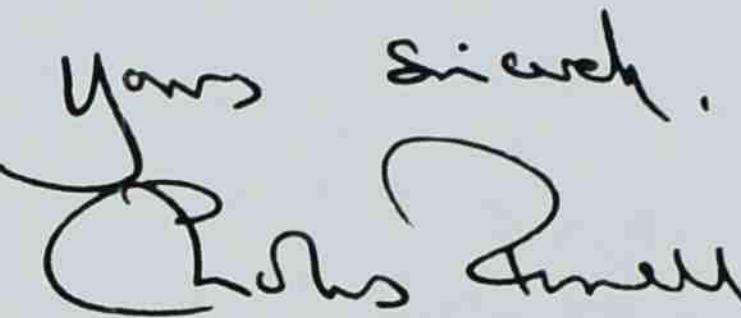
Press Handling

The Prime Minister and Chancellor Kohl agreed that they would say to the press that their meeting had been an interesting and constructive one in which they had made considerable strides towards narrowing differences. Both wanted to reach agreement in Brussels and would be prepared to work for that. Nonetheless, substantial differences remained on a number of agriculture issues.

East/West relations and Defence

The Prime Minister and Chancellor Kohl had a very brief exchange on East/West relations and defence. The Chancellor stressed that he did want to see a third zero option or a denuclearised Europe.

I am copying this letter to Alex Allan (H.M. Treasury), Shirley Stagg (Ministry of Agriculture, Fisheries and Food) and to Trevor Woolley (Cabinet Office).

Yours sincerely,


C.D. POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

mf

Prime Minister (2)

This note is by the Cabinet office.

COP 29/11

WHO GAINS AND LOSSES FROM PROVISIONAL TWELFTHS?

In the first half of this year, the UK will probably be the main loser. Our gross contributions to the budget are about £80 million a month more under provisional twelfths than they would be under a budget adopted within the 1.4 per cent VAT ceiling. The main reason for this is that the abatement due to us this year is some £600 million greater than last years. This disadvantage will of course be unwound when a 1988 budget is adopted.

The counterpart of the UK's temporary disadvantage is that other member states benefit from paying less than otherwise towards our abatement for the time being. The only obvious disadvantage for other member states in the early months is that those who are net recipients from the structural funds will receive lower net benefits for as long as the Commission makes smaller allocations from these funds. The agriculture budget is likely to function normally until such time as the money runs out.

Looking further ahead, the money available under provisional twelfths would be likely to be exhausted in the early autumn. From that point onwards, the presumption is that member states would have to assume responsibility themselves for financing Community programmes. That would benefit the net contributor countries, and disadvantage the net recipient countries, for so long as that state of affairs continued. This effect too would be unwound when the budget was finally adopted.

To sum up, in cash flow terms the UK does worse than others until the money runs out. At that point, the net recipients would begin to suffer.

PRIME MINISTER

AD
cc: Mr. Ingham

MEETING WITH CHANCELLOR KOHL: PRESS CONFERENCE

There will be a brief press conference after your meeting with Chancellor Kohl. I attach a draft statement for your to make - although much will depend on how the meeting goes.

C.D.P.

Charles Powell

1 February 1988



Foreign and Commonwealth Office

CONFIDENTIAL London SW1A 2AH

1 February 1988

Dear Charles

Meeting with Chancellor Kohl: Terrorism

Lyn Parker's letter of 29 January promised further advice on terrorism.

Last week Schaeuble, a German official, admitted in court that the decision not to extradite Hamadei's brother (held in the FRG on terrorist charges) to the United States reflected threats by the kidnappers in Beirut against the safety of the German hostages. The FCO spokesman said that we would be taking up with the Germans these remarks, to see how they squared with undertakings made by the FRG at the London European Council not to make concessions to terrorists or their sponsors under duress. The Germans have argued that the government had two course of action of equal validity open to it, to extradite or to prosecute: only a failure to do either would have been a breach of their undertakings. They have also assured us that they fully stand by their commitments and will not commute any sentence imposed on the Hizbollah members undergoing trial.

Kohl may raise this, and seek a public statement by HMG 'clearing' the Germans. If so, the Prime Minister could say that we naturally accept his assurance that no substantive concession has been made to terrorists and are prepared to say so. But even the appearance of a concession undermines the European consensus and is bound to provoke a strong reaction here where terrorism remains a real threat. She might add that measures taken over the fate of one national held hostage must affect the fate of other nations' hostages. Finally the Prime Minister might express sympathy to Herr Kohl over the kidnapping of another German (Schray) in Beirut; this was the day after Schaeuble's remarks, but the two are not necessarily linked.

Yours ever
R N Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

PRIME MINISTER

MEETING WITH CHANCELLOR KOHL

You have a two-and-a-half hour talk with Chancellor Kohl tomorrow morning, followed by a brief press conference in No.12 Downing Street. You will find in the folder:

- a note from the FCO on EC matters
- the additional material which you requested from MAFF
- a note on self-sufficiency
- a note on non-EC issues.

This is bound to be a difficult meeting. It is not just because of the problems over the European Council. It has been preceded by a steady stream of press comment that relations between you and Kohl are poor and that you don't think much of him. He has said some sharp things publicly about your views on Franco-German defence co-operation. We have therefore a public expectation of a row.

But we want it to be a difficult meeting for Kohl, not for you. The easiest outcome for him is one where he goes away saying: that woman was totally unreasonable, wouldn't accept anything except one hundred per cent of her position and doesn't care whether the meeting in Brussels succeeds or not. That will enable him to turn the whole thing into an anti-Thatcher issue rather than have to face up to the substance on which we are quite evidently right. This is likely to happen anyway, but it is probably worth an effort to avoid it. I would therefore see advantage in an approach which would run roughly as follows:

- well, Helmut , I can see that you have a very difficult problem as Chairman of this meeting. The elections in France are a tremendous complication and I know that you have your political worries too with Lander elections in March and May.

- but you are the only person in Europe who is big enough in these circumstances to pull off an agreement when no-one is expecting it. It was you who took the crucial steps towards resolving the earlier crisis in the Community's finances at the Stuttgart European Council. If you can pull off an agreement in Brussels, it will open the way to a very successful four months of German Presidency leading to an excellent Council in Hanover, which will set the Community's course on the Internal Market up to 1992. That is the real prize to keep your eye on.

- there are a few misconceptions that we need to get out of the way. The first is that Britain is isolated. Now we both know that is not the case. In a minority at the moment certainly, but with the support of the Dutch and the Commission on most important points. And most of the others could equally well live with the British/Dutch/Commission position as with the France/German position. After all, it was France and Germany who were generally perceived to be isolated at Copehagen;

- another misconception is that there is a great and unbridgeable gulf separating the two points of view. In fact an awful lot was clarified in Copenhagen and could now quite easily be agreed - for instance, stabilisers on everything ^{but this agreed - on} ~~except~~ cereals and oil seeds; and on oilseeds we are not really very far apart.

- of course there are other difficult areas outside of agriculture, such as the Structural Funds and the size of any increase in own resources. But here Britain's and Germany's real interests are actually pretty close.

- now we have to look at the remaining issues from the point of view of what people expect of the European Council. They expect us to live up to our earlier commitment to cut back excess production and expenditure.

And on a global scale they expect Europe to do what we have undertaken at successive economic summits to do: that is to deal with the problem of agricultural surpluses. We have got to find solutions which achieve that.

- the proposals tabled by the Commission in Copenhagen were not perfect but they would have done that. They were not British proposals, they were the Commission's judgement of what was necessary to bring agricultural spending and available resources into balance.
- I know that you had some real difficulties with these proposals as they stood and you wanted them to be balanced by a set-aside scheme. We have gone out of our way to help you over this. You will be able to present it as a major success for Germany.
- but we also need to be able to show that serious measures to reduce agricultural spending and tackling surpluses are being taken. This means setting a Maximum Guaranteed Quantity for cereals at a level which is reasonable in the light of past harvests, consumption and export, but not one which gives scope to increase production and create further surpluses. It also means there must be provision for a mix of price-cuts and co-responsibility levies, but price cuts which are effective. And an exemption for 50% of all production, which would leave Britain and France to pay 70% of the levies, is absurd.
- so this is the area where you as Chairman have got to stand back and take a broad view, not just of the longer-term financial health of the Community but its wider international reputation as being seriously concerned to take effective action on world agricultural over-production.
- I have seen reports that some people are suggesting a linkage between the Fontainebleau abatement and the

settlement of the agricultural problems. I give you credit for being far too wise and experienced a politician to see that as a sensible suggestion. Its the sort of thing that Eurocrats say when they get irritated with each other, not Heads of Government. The Fontainebleau abatement was justified in 1984: it is even more justified now. Our net contribution has doubled since then. If that is to be re-opened, we can write off the Brussels meeting here and now.

The chances of this line moving Kohl sufficiently to produce a solution at the Brussels meeting are very slim. There is virtually no prospect of that anyway, ahead of the French elections. But if you use it, and Bernard subsequently draws on it, it will be much harder for the Germans and French to portray failure at Brussels as all the fault of embattled, isolated Mrs. Thatcher, rather than of their own failure to face up to the real problems.

The other issues which will certainly come up at the press conference are defence co-operation and terrorism. On defence I suggest you praise Kohl's record as a staunch support of NATO and of the European/American alliance, while saying that you have explained your concern to see defence co-operation in Europe conducted so as to strengthen NATO and bring France back into the closest possible de facto co-operation with it. On terrorism, you will be under pressure to criticise the Germans over the release of their hostages in Lebanon.

A reminder of the commitments which Britain and Germany have both undertaken is probably all that you need say.

C.P.P.

Charles Powell
1 February 1988

TEMPORARILY RETAINED S. Gray 20/10/2016
THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

no
CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

1 February 1988

Dear Charles,

Call by Chancellor Kohl: 2 February: European Community

Chancellor Kohl's visit takes the place of the postponed Anglo/German Summit. He met President Mitterrand on 22 January, but is not at present proposing to visit any other European capitals before the European Council.

With Länder elections in March and May, a major German concern clearly is to avoid problems with FRG agricultural interests. So far, the Agriculture Minister, Herr Kiechle (CSU) has made most of the running. The 1-2 February special Conclave of Foreign Ministers, which will still be taking place when Kohl arrives in London, will be discussing agriculture, but Genscher (FDP) is unlikely to take responsibility for fathering a compromise. If there is to be agreement at Brussels it is therefore Chancellor Kohl and the CDU who will have answer for it at home.

Chancellor Kohl's own views are not yet clear. He told Sir J Bullard on 14 January that he was "in the position of a ship at sea which had not yet charted her course" (Bonn telno 28). And he has not replied to the post-Copenhagen advice in the Prime Minister's message of 14 December (FCO telno 603 to Bonn).

Current indications are that he might prefer to have an agreement in February than to have to soldier on and deal with a real crisis in June: it certainly seems clear that he sees domestic attractions in focussing the Hanover European Council on the internal market, and the road to 1992. There may therefore be more give in his position but, given the CDU's poor showing in recent Länder elections, which the party attributes to the desertion of the farm vote, Kohl will no doubt argue that his political situation allows him very little room for manoeuvre. We need to try to get him to see that:

- he faces continued opposition to his present proposals on agriculture, not just from ourselves but from the Dutch and the Commission. That opposition is not going to crumble;
- raising the temperature on the abatement, in the hope of exerting leverage on us on agriculture, will not work, and agricultural reform is not a particular British hobby-horse but an essential Community requirement;

CONFIDENTIAL



- there is nonetheless an opportunity to reach agreement at Brussels, provided the stabiliser package is an effective one; and selling an effective package in the FRG should be easier now that it can be complemented by a set-aside scheme helpful to the German farmer.

Although the Foreign Secretary is, as the Prime Minister knows, doubtful about the prospects of an agreement at Brussels, he thinks it important that we should avoid giving Chancellor Kohl any grounds for alleging that we do not want one.

The Chancellor, as well as President Mitterrand - and even Prime Minister Chirac - all know in their hearts that agricultural spending has got to be controlled. They have all said as much - at Tokyo and Venice, as well as at successive European Summits. But each one of the three (for electoral reasons) would be glad of an alibi - for success (which will be uncomfortable) as well as for failure. So they look to "British intransigence" as their excuse, either way.

The Foreign Secretary thinks it is most important for us to deny them that bolt-hole. Our case is Europe's case - the case for common sense. We need to try to persuade Chancellor Kohl that we can all take credit together for combining courage and common sense under his leadership. The appropriate stance is one of resolute determination to work for agreement. While also stressing the need for German moves on agriculture if a deal is to be struck, it would be good tactics to point to the areas of the negotiation where agreement already is clearly within reach.

The Foreign Secretary suggests that the Prime Minister may wish to get across the following key points:

Stabilisers

- Heads of Government committed themselves to stabilisers as a means of constraining excess production and expenditure.
- Copenhagen package based not on British but Commission proposals, representing their objective assessment of what was necessary to fulfil last June's Brussels decision to "adopt the additional regulations which will enable the Commission, in the context of the management of the market, to keep the level of expenditure within the budget framework."
- The need to establish proper control of CAP spending is not just a British point: it is widely recognised in EC capitals and among EC public. Spending 50% of the total Community budget on storage and disposal of surpluses does grave damage to its image, as well as its finances.



- It should be possible to agree:

- (i) that we should adopt a set-aside scheme on the lines now proposed, subject to certain detailed points (in particular the proportion of Community financing).
- (ii) that the non-cereals/oilseeds part of the stabilisers package should go forward unchanged for adoption at Brussels;
- (iii) that we should maintain the Commission oilseeds proposal which is close to (though tougher than) that proposed by the German Presidency.

- These areas are all capable of resolution. Key area where production far out-stripping demand is cereals. Community consumption is 140m tonnes. Production was 153 m tonnes in 1987. This is area by which seriousness of Community in tackling surpluses will be judged, both by its own taxpayers and by trading partners.

- Here, Presidency have departed unacceptably far from Copenhagen package.

The flaws in their proposal are:

- (i) lack of any 1988 price cut, or of effective price cuts. Prepared, as at Copenhagen, to see a mix of price cuts and coresponsibility levy, but weighted to price cuts, as the only sure long-term way of reducing production and costs to taxpayer and consumer. If price cuts are to be linked to increases in yield, must truly reflect those increases. The low limits on price cuts now proposed would break the link, and emasculate the stabiliser.
- (ii) maximum guaranteed quantity of 160m tonnes is much higher than recent production levels. Commission proposal of 155m tonnes took full account of consumption and trade.
- (iii) general exemption from coresponsibility levy for the first 20 tonnes of marketed produce would mean 50% of production would carry no levy at all.

- If agreement to be reached must work for changes reflecting these UK and Dutch concerns, several of which are shared by the Commission.

Agricultural guideline

- Commission have confirmed that a 1988 stock-exclusive guideline of 27.0 becu, growing at 60% of GNP, should be adequate to finance CAP. Wide support for this solution, eg from Southern member states.



- We accept the arguments for allowing provision for actual - and measurable - effects of substantial changes in the \$/ecu rate on the costs of agricultural support. Consensus seems likely on a carefully-targeted monetary reserve, operating automatically and symmetrically, being drawn down when dollar falls substantially, and collecting savings when dollar rises.
- But cannot accept French concept of an "exceptional circumstances" clause, relating to world trade.

Structural Funds

- Prepared to see a significant increase in the Structural Funds, but we must not go above a level compatible with 1½ times the maximum rate. If the 1½ maximum rate threshold is exceeded, we will be forced to negotiate new rates each year with the Parliament, and there will be no effective control on non-obligatory expenditure.
- Southerners must realise that going above 1½ times maximum rate risks leaving the Community year after year without an agreed budget, ie no increase in Structural funds provision. That cannot be in their interest.
- 1½ times maximum rate can accommodate a fair offer;
- 50% overall increase;
- doubling of commitments from Regional Fund for least prosperous four;
- doubling of overall Funds' commitments for two new members.

Fourth Resource

- Our preference is for the levy based on the difference between GNP and VAT.
- But we are willing to help you find a consensus.

Abatement

- We all spent 5 years negotiating to get an equitable settlement on the budget. It was your Presidency that set us on the road to success at Stuttgart.
- It would not be helpful now to re-examine the problems of yesterday. I want to help you to tackle today's agenda.
- Case for continuing the Fontainebleau system unchanged is overwhelming. Commission figures show that our budget burden after abatement grew from average 600 mecu in 1983/84 to 1169 mecu in 1987.

CONFIDENTIAL



- Net burden will rise still further if there is an increase in own resources, and EC spending is concentrated more on the South. Cannot accept additional increase in the form of an arbitrary dilution of the Fontainebleau system.

- Ready to play fair by others. Made clear at Copenhagen that do not seek to gain from introduction of Fourth Resource. Ready to forgo any benefit by comparison with what we could have expected from continuation of existing structure of own resources and application of Fontainebleau abatement mechanism.

/ We shall ensure that you are informed of any significant developments today in the Conclave. You may, in the meantime, wish to have the enclosed copy of a message which the Foreign Secretary sent to Genscher last week. I also attach a note on / which the Prime Minister may wish to draw at the press conference with Chancellor Kohl.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Minister of Agriculture and Sir Robin Butler.

*Yours ever,
A C Galsworthy*

(A C Galsworthy)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

CONFIDENTIAL

023651
MDHIAN 5860

CONFIDENTIAL

(CORRECTED VERSION)

FM BONN

TO DESKBY 011000Z FCO

TELNO 101

OF 010940Z FEBRUARY 88

INFO IMMEDIATE OTHER EUROPEAN COMMUNITY POSTS

CHANCELLOR KOHL'S MEETING WITH THE PRIME MINISTER ON 2 FEBRUARY:
KOHL'S OPTIONS

SUMMARY

1. THERE IS NO EASY WAY OUT FOR KOHL. OF HIS OPTIONS AT THIS STAGE, WORKING GENUINELY FOR AN HONEST DEAL INCLUDING RATHER THAN ISOLATING THE UK, SEEMS BEST FOR HIM, AS WELL AS IN CHARACTER. THE CONCLAVE LOOKS UNLIKELY TO PROVIDE HIM WITH READY MADE ANSWERS. HIS VISIT TO LONDON WELL TIMED TO INFLUENCE THE DIRECTION HE TAKES.

DETAIL

2. IN THE RUN UP TO THE BRUSSELS SUMMIT, KOHL FACES A MESSY SITUATION WITH NO OBVIOUS COST-FREE WAY OUT. HE ALMOST CERTAINLY HAS AS YET NO GAME PLAN. HE WILL COME TO LONDON CONCIOUS OF THE HUGE ADVANTAGE TO HIM OF HAVING A SUCCESS AT BRUSSELS FOR WHICH HE CAN TAKE CREDIT. (HE COULD CERTAINLY DO WITH A SUCCESS OF SOME KIND BECAUSE HE IS BEING CRITICISED EVEN WITHIN HIS OWN PARTY FOR LACK OF LEADERSHIP, NO CLEAR LINE ETC.) HIS PROBLEM IS THAT AS THINGS STAND NOW - AND THIS IS BEGINNING TO BE UNDERSTOOD HERE - SUCCESS SEEMS UNOBTAINABLE EXCEPT ON CONDITIONS WHICH WOULD INVOLVE MODIFICATIONS OF THE PACKAGE KIECHLE CLAIMS TO HAVE PUT TOGETHER IN THE LAST MONTH. IT WOULD CALL FOR A MAJOR ACT OF DOMESTIC POLITICAL LEADERSHIP ON KOHL'S PART FOR HIM TO TAKE ON AND/OR WIN OVER COALITION PARTNERS AND THE RURAL LOBBY. IT IS A BAD SIGN THAT THE GROUND FOR THIS HAS SIMPLY NOT BEEN PREPARED. SO WHAT ARE THE ALTERNATIVES?

3. ISOLATING AN UNCO-OPERATIVE AND UNREASONABLE UK IS A TEMPTING OPTION. THERE ARE, HOWEVER, DIFFICULTIES. ISOLATING THE UK WOULD REQUIRE PICKING OFF THE DUTCH AND SHIFTING THE COMMISSION, WHICH IN TURN WOULD FMIOOHK

SSLADHJUMRTICAL SKILL AND CUNNING THAN I THINK IS IN KOHL'S NATURE. JUST AS BAD, FROM HIS POINT OF VIEW, IS THE FACT THAT SEGMENTS OF THE GERMAN PRESS, INCLUDING SUCH QUALITY PAPERS AS THE FRANKFURTER ALLGEMEINE AND HANDELSBLATT, HAVE BEGUN TO SEE THE MERITS OF THE UK POSITION ON AGRICULTURE AND THE DEMERITS OF

THE GERMAN. THE IDEA, PLAUSIBLY SAID TO HAVE ORIGINATED WITH GENSCHER, THAT THE UK CAN BE BROUGHT IN LINE BY A TRADE-OFF BETWEEN CAP COSTS AND CONCESSIONS ON THE UK REBATE, HAS BEEN ASSESSED BY SOME COMMENTATORS AS A BLUFF THAT WILL NOT SUCCEED.

4. DELAY - A FAVOURITE WITH KOHL, ADOPTED AT COPENHAGEN - IS THE OTHER POSSIBILITY. BUT EVEN IF ONE OR MORE PARTNER GOT THE BLAME FOR PUTTING OFF DECISIONS, THIS WOULD MEAN A MUCH MORE DIFFICULT AND UNPLEASANT GERMAN PRESIDENCY. KOHL MUST ALSO REALISE THAT ON THIS OCCASION THE PASSAGE OF TIME CANNOT BE GUARANTEED TO MAKE THINGS ANY EASIER DOMESTICALLY. ALL THE RELEVANT ELEMENTS TO A SOLUTION, INCLUDING SET-ASIDE, ARE NOW ON THE TABLE IN BRUSSELS. THERE CAN BE LITTLE, IF ANYTHING TO ADD. AND IN THE CAMPAIGNS PRECEDING THE TWO LAND ELECTIONS OF MARCH AND MAY, THE RURAL LOBBY WILL BE VERY ACTIVE BOXING THE GOVERNMENT IN.

5. AGAINST THIS BACKGROUND, SINCE NEITHER SHIFTING THE BLAME NOR POSTPONEMENT LOOKS ESPECIALLY PROMISING, KOHL WILL, AT LEAST AT THIS STAGE OF THE GAME, BE WORKING FOR SUCCESS DESPITE ALL THE DIFFICULTIES THIS WILL INVOLVE FOR HIM. THIS IS THE HONEST APPROACH WHICH HE WOULD NATURALLY PREFER, AND IT IS REFLECTED IN THE REASONABLY STRAIGHTFORWARD WAY IN WHICH GENSCHER HAS PREPARED FOR THE CONCLAVE. KOHL KNOWS, HOWEVER EVEN IF HE HAS NOT GRASPED ALL THE DETAIL, THAT PRESENT UK AND GERMAN POSITIONS ARE INCOMPATIBLE. I WOULD EXPECT HIM, BY ACTIVITY ESPECIALLY IN PARIS, LONDON AND BRUSSELS, TO BE TRYING TO FIND HIS WAY FORWARD SOMEWHERE BETWEEN THE COPENHAGEN PACKAGE, WHICH HE DECLARED AN UNACCEPTABLE BASIS FOR NEGOTIATION, AND THE KIECHLE PACKAGE, WHICH HAS NOT WON COMMISSION ENDORSEMENT. THOUGH LATE IN THE DAY, THE EVIDENCE IS THAT KOHL HAS AT LAST BEGUN TO FOCUS ON THE ISSUES. WITH THE PRIME MINISTER I WOULD EXPECT HIM THEREFORE TO TRY TO DO RATHER MORE THAN JUST TOUCH BASE FOR THE SAKE OF PUBLIC APPEARANCES. HE MAY ARGUE TO HER AS KITTEL (KIECHLE'S DEPUTY) DID TO ME OVER THE WEEKEND, WITH FIGURES, THAT THE GAP WHICH WE SEE BETWEEN EFFECTIVE STABILISERS AND COSMETIC PALLIATIVES IS NOT REALLY SO WIDE OR SO ABSOLUTE.

6. THE DANGER FROM OUR POINT OF VIEW IS THAT KOHL WILL GIVE UP ON THE UNITED KINGDOM FIRST. AN IMPORTANT TACTICAL OBJECTIVE FOR THE PRIME MINISTER'S MEETING WILL THEREFORE BE TO KEEP THE GAME GOING WITH KOHL UNTIL THE SUMMIT ITSELF.

7. THE TIMING OF THE MEETING, AFTER THE CONCLAVE HAS BEGUN AND BEFORE IT HAS ENDED, IS NOT IDEAL. BUT WHAT TRANSPIRES BETWEEN KOHL AND THE PRIME MINISTER WILL FORM THE IMMEDIATE BACKDROP AGAINST

WHICH WE WILL HEAR GENSCHER'S REPORT OF THE CONCLAVE: WE STILL THEREFORE HAVE A GOOD OPPORTUNITY TO INFLUENCE THE WAY HE GOES ABOUT HIS TASK.

8. AT THE OPENING OF GREEN WEEK IN BERLIN ON 28-29 JANUARY I WAS STRUCK BY THE WAY IN WHICH ALL SPEAKERS, INCLUDING ANDRIESSEN BUT ESPECIALLY KIECHLE AND EVEN THE GERMAN FARMERS' LEADER HEEREMAN, HAD MODERATED THEIR TONE AND LANGUAGE COMPARED WITH PREVIOUS YEARS. IT WAS AS IF THE WORD HAD GONE OUT FROM BONN THAT NOTHING MUST BE SAID IN BERLIN TO DAMAGE THE PROSPECTS OF AGREEMENT AT BRUSSELS. THIS WOULD BE CONSISTENT WITH KOHL'S FRAME OF MIND PAINTED ABOVE.

BULLARD

YYYY

DISTRIBUTION 205

MAIN 204

FRAME ECONOMIC

ECD (I) [-]

ADDITIONAL 1

FRAME

NNNN

CONFIDENTIAL

025376
MDADAN 4174

ADVANCE COPY

CONFIDENTIAL
FM UKREP BRUSSELS
TO FLASH FCO
TELNO 322
OF 011954Z FEBRUARY 88

FOLLOWING FOR PRIME MINISTER FROM SECRETARY OF STATE

1. I PROMISED TO LET YOU HAVE, BEFORE YOU SEE KOHL, MY IMPRESSIONS OF THE FIRST DAY OF THE CONCLAVE. THE PICTURE IS CONFUSED, AND IT IS STILL TOO SOON TO JUDGE WHETHER THERE IS ANY REAL CHANCE OF THE GERMANS MAKING THE EFFORT TO GET AN AGREEMENT NEXT WEEK. BUT FOUR POINTS FROM TODAY'S DEVELOPMENTS HERE ARE PARTICULARLY RELEVANT TO YOUR MEETING TOMORROW.

2. FIRST, WHAT THE GERMANS TELL US OF THEIR INTENTIONS. GENSCHER ASKED TO SEE ME BEFORE THE START, AND CLAIMED THAT BOTH HE AND KOHL WANTED A POSITIVE RESULT, AND ACCEPTED THAT THIS WOULD HAVE TO INVOLVE SOME MOVE BY THE GERMANS BEYOND WHAT THEY COULD HAVE ACCEPTED AT COPENHAGEN. GENSCHER SAID THAT THE PRESIDENCY WAS NOT INTERESTED IN TRYING TO ISOLATE THE BRITISH, DUTCH OR ANYONE ELSE. WE SHALL SEE. HE HAS POSTPONED THE DISCUSSION OF STABILISERS UNTIL TOMORROW. HE CLAIMED THAT THIS WAS TO ENSURE THAT THE ATMOSPHERE FOR YOUR MEETING WAS NOT SOURED WITH PRESS TALK OF ANGLO-GERMAN BATTLES TODAY. I AM TO SEE HIM AGAIN LATER TONIGHT.

3. SECOND, THE DUTCH ASSESSMENT OF GERMAN INTENTIONS. VAN DEN BROEK HAS BEEN MILDLY ENCOURAGED TO HEAR PRIVATELY FROM ANDRIESSEN (WHO SAW KOHL THIS WEEKEND) THAT KOHL DOES NOT EXCLUDE ACCEPTING A CEREALS MGQ AT 158, RAISING THE LIMIT ON CEREALS PRICE CUTS ABOVE 2.5 PER CENT AND SUGGESTING A COMPROMISE CO-EFFICIENT ON OILSEEDS OF 0.45 PER CENT. KOHL APPARENTLY ALSO ACCEPTED THAT THE PACKAGE OF STABILISERS ON OTHER PRODUCTS SHOULD NOT BE RE-OPENED.

4. THIRD, FRG HANDLING OF THE ABATEMENT ISSUE. THE GERMANS SEEM ANXIOUS TO DEBUNK THE PRESS SPECULATION THAT THEIR STRATEGY IS TO SQUEEZE US ON AGRICULTURE BY BLACKMAIL ABOUT THE ABATEMENT. THEY DID NOTHING TO STOKE UP THE ABATEMENT ISSUE TODAY, AND INDEED WENT SO FAR AS TO ACKNOWLEDGE THAT IT WAS HELPFUL THAT WE WERE READY TO DEDUCT THE BENEFIT OF THE FOURTH RESOURCE.

5. FOURTH, THE OVERALL FRG PERFORMANCE TODAY. GENSCHER'S CHAIRMANSHIP HAS SO FAR BEEN REASONABLY IMPARTIAL AND CONSTRUCTIVE: NO ECHOES OF KIECHLE IN THE AGRICULTURE COUNCIL. THIS

CONFIDENTIAL

025376
MDADAN 4174

MAY OF COURSE CHANGE WHEN WE TACKLE STABILISERS TOMORROW.

6. ON THE SUBSTANCE, THE ONLY REALLY BAD NEWS IS THAT THE COMMISSION (CONCEIVABLY AT FRANCO-GERMAN SUGGESTION) HAVE AGAIN FLOATED THE IDEA OF GUIDELINE GROWTH AT 100 PER CENT OF GNP GROWTH, WITH NO SEPARATE PROVISION FOR STOCK DISPOSALS. THIS IS A SERIOUS STEP BACK FROM COPENHAGEN: AND THE IRISH, GREEKS AND DANES HAVE PREDICTABLY RALLIED TO IT, WITH THE FRENCH AND GERMANS. I AM WORKING TO KEEP SUPPORT FOR OUR (STOCK-EXCLUSIVE/60 PER CENT GROWTH) OPTION FIRM AND VOLUBLE: WE SHALL REVERT TO THE ISSUE TOMORROW IN THE CONTEXT OF STABILISERS.

7. GUIDELINE APART, THE DEBATE HAS CENTRED ON:

- A) THE MONETARY RESERVE:
- B) STRUCTURAL FUNDS:
- C) FOURTH RESOURCE:
- D) ABATEMENT.

ON (A) SOME PROGRESS HAS BEEN MADE, AND THE IDEA OF KILLING OFF NON-DOLLAR/ECU EXCEPTIONAL CIRCUMSTANCES WITH AN UNDAMAGING DECLARATORY STATEMENT ELSEWHERE IN THE TEXT IS UP AND RUNNING. OUR POSITION IS SUPPORTED BY THE ITALIANS, SPANISH AND PORTUGUESE, AS WELL AS THE DUTCH. ON (B), DELORS IS STILL ALL OVER THE SHOP, AND THE SOUTH HAVE NOT YET LOWERED THEIR SIGHTS BELOW DOUBLING, BUT SOME (EG THE SPANISH) ARE USEFULLY INCREASING PRESSURE ON THE GERMANS ON AGRICULTURE BY ASKING WHY THEY SHOULD DO SO, IF SOME NORTHERNERS ARE APPARENTLY READY TO LET CAP SPENDING RIP. ON (C), THE COMMISSION ARE TRYING COMPROMISES WHICH WOULD REDUCE ITALIAN PAIN. AND ON (D), THE ITALIANS ARE STILL BEING HELPFUL TO US, AND THE FRENCH - LIKE THE GERMANS - HAVE TODAY BEEN LESS UNHELPFUL THAN BEFORE.

8. FOR WHAT IT IS WORTH, FRENCH OFFICIALS MAINTAIN THAT CHIRAC'S LONDON PERFORMANCE LAST WEEK IS EASILY EXPLICABLE. AS A PRESIDENTIAL CANDIDATE, HE IS NOT WILLING TO BE SEEN TO SEEK STABILISERS TOUGHER THAN THE GERMANS WOULD ACCEPT. BUT EQUALLY HE WOULD NOT WANT TO BLOCK WHATEVER KOHL DECIDES HE CAN BUY. THE FRENCH CLAIM TO BELIEVE THAT HE HAS NOT TAKEN DECISIONS YET.

9. WE SHALL BE BETTER PLACED AFTER TOMORROW TO JUDGE WHETHER THE GERMANS REALLY WANT A DEAL NEXT WEEK. THERE IS A GOOD DEAL OF NATURAL SCEPTICISM HERE. BUT THE FACT THAT GENSCHER IS TRYING TO APPEAR CONSTRUCTIVE STRENGTHENS THE CASE FOR YOUR TOMORROW STRESSING TO KOHL THAT THE REMAINING GAPS ARE BRIDGEABLE, BUT THE ONUS IS ON HIM.

HANNAY

ADVANCE 3

PS/NO.10
PS

WALL ECD I FCO



Foreign and Commonwealth Office

CONFIDENTIAL

London SW1A 2AH

29 January 1988

Dear Charles,

The Prime Minister's Meeting with Chancellor Kohl,
2 February

Most of the time available for the Prime Minister's meeting with Chancellor Kohl on 2 February will need to be devoted to Community issues, on which we shall be writing separately. It will be important not to let Kohl deflect discussion too much to other areas. There are however some subjects which it would be useful to discuss briefly if time permits. This letter covers them and makes suggestions for handling the short press conference at the end of the meeting.

Internal Political Situation

Although not under serious threat for the foreseeable future either from the SPD or from an emerging alternative Chancellor candidate within his own party, Kohl's position is not strong. As brought out in Sir Julian Bullard's Annual Review of 1987 (copy attached), the last year has seen a number of disappointments for the CDU in Land elections. This seems likely to continue in the two elections due to take place this spring: the CDU may well lose sole control of Baden-Württemberg and need to go into coalition with the FDP. Worse still, the re-run of the elections in Schleswig-Holstein, following the damaging Barschel affair, may enable the SPD to take over control of the Land, possibly with FDP support. One of the most striking things in the past year has been the sustained success enjoyed by the FDP, who are now represented in every Land parliament except Bavaria and have a share of power in five.

Kohl's reputation for leadership, such as it was, has taken a further battering over recent months. He continues to suffer by comparison with Genscher, who regularly tops the opinion polls. Kohl has been unable to prevent the feuding within the Coalition, which is no longer confined to the long-standing differences between the FDP and the CSU,

/but

CONFIDENTIAL

JASADB



CONFIDENTIAL

but is also apparent between the CDU itself and the CSU. His approach to the Presidency and the future financing negotiation give little grounds for optimism.

Terrorism

Briefing on this will follow separately on Monday 1 February.

Defence/Arms Control

The key point to impress on Chancellor Kohl continues to be the need for the Alliance not to commit itself to any more nuclear arms control negotiations without a thorough assessment of deterrence requirements. This should involve a firm commitment by European partners to reaffirm the European basing role and to effect and deploy suitably upgraded and modernised systems. The momentum behind Defence Ministers' endorsement of modernisation at Monterey in November 1987 should not be lost. The NATO summit in March would be a useful occasion to reaffirm Alliance resolve.

The Prime Minister might also emphasise the importance we attach to early agreement within the Alliance on the broad outline of a proposal to put forward at the forthcoming conventional stability negotiations, and that this should be based on sound military criteria.

On chemical weapons there was useful progress in the negotiations during 1987. But much detailed work remains, especially on verification, if we are to achieve a Convention which safeguards Western security. In recent statements Genscher (who plans to speak at the CW negotiations on 4 February) has argued that a Convention should be concluded this year but that some Western countries (by implication France and the US) are proving an obstacle. This has been a gift for current Soviet propaganda against the US CW modernisation programme. We recommend that the Prime Minister reassure Kohl that our objective remains a verifiable global ban on CW but argue that this objective will not be best served by setting artificial deadlines, or by criticising partners.

Not possible?

All these points are related to the need to resist Soviet wedge-driving. Two recent examples of this are Honecker's letter to Kohl on SNF and Shevardnadze's statements in Bonn on 18/19 January on nuclear modernisation, SNF, CW and Cocom. We recommend that the

/Prime

CONFIDENTIAL

JASADB



CONFIDENTIAL

Prime Minister stress the importance of a cautious approach to developments in the Soviet Union and of a united Western response. (Kohl, incidentally, will be disappointed that Shevardnadze could offer no dates during the German Presidency for Gorbachev to visit Bonn.)

On CSCE, Kohl may argue for greater flexibility over the Soviet proposal for a Moscow Humanitarian Conference. The Prime Minister could respond that it is Eastern intransigence which is causing deadlock in Vienna. A Moscow Conference would be inappropriate, unless we see substantial progress in human rights in the USSR and in the Vienna negotiations. Soviet attempts to link human rights progress to Western agreement to go to Moscow should be denounced for the cynical tactics they are.

Franco-German Defence Relationship

If this is raised, we recommend that the Prime Minister thank Kohl for his message before the Franco-German Summit in Paris on 22 January and reiterate the points in her reply. She might emphasise that we share the same objective with the Germans (wanting to draw France into cooperation with NATO forces) and give an indication of the ideas she has put to President Mitterrand.

World Economic Issues

If time also permits discussion of the world economy, the Prime Minister might emphasise the need for coordination in tackling trade imbalances. Some progress has been made in Japan, and the US is taking some steps to put its house in order. In Germany, several years of substantial domestic demand expansion are needed to cut the trade surplus. Whereas growth in other countries has turned out better than expected, in Germany it has remained disappointingly slow and is likely to remain sluggish in 1988. Chancellor Kohl will probably argue that Germany is taking sufficient action to stimulate domestic demand and reduce its trade surplus, quoting the reduction in interest rates last autumn and the package of structural reforms and fiscal measures announced in December. The Prime Minister could reply that the measures are unlikely to achieve an adequate rate of adjustment in Germany's huge trade surplus, and will not be helped by the Government's intention of raising indirect taxes in 1989 in order to claw back the 1988 budget over-run (some DM10 billion).

CONFIDENTIAL



CONFIDENTIAL

Press Conference

An objective we hope the press conference will achieve is to show that, contrary to recent press reports, personal relations between the Prime Minister and Chancellor Kohl are warm and that, far from being reluctant to meet, they welcome regular opportunities to exchange views. They met five times in 1987, including three full bilaterals, and had close contacts on all issues of major importance to our two countries. It may also be necessary to counter reports that Anglo-German Summits have slipped as a result of a lack of enthusiasm.

[They may be very warm by then!]

The substance will clearly depend on the content of the talks, but the Prime Minister might aim to make some of the following points:-

- agreement on the need to prepare the ground thoroughly for settlement of the future financing negotiation at the special European Council, so that we can concentrate on the single market - a major priority for both Britain and the FRG;
- support by both of us for the INF Treaty and a determination to resist crude Soviet attempts to divide the Western allies;
- agreement on the need for firm international action against terrorism;
- a reminder of Britain's contribution to forward defence of the FRG and welcome for efforts to improve practical French cooperation with our collective security arrangements.

However,
[Signature]
(L Parker)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

JASADB

cc/B4p

PRIME MINISTER

MEETING WITH CHANCELLOR KOHL

You have some two-and-a-half hours with Chancellor Kohl on Tuesday. The main subject will of course be the European Council, with the discussion taking place simultaneously with the meeting of Foreign Ministers in Brussels.

The brief for that part of the meeting will need to be written on Monday, when we will also have the additional material you have requested from John MacGregor.

But there may be an opportunity to cover some other points particularly on arms control and the German economy. I attach notes on these for you to read over the week-end.

CDP

CHARLES POWELL
29 January 1988

EL3CLX

MR. POWELL

we spoke -

I have had a look through the diary re a possible date for the Anglo-German Summit. Given their limitations, I think the only possible date would be Monday 6 June. Do you want to try this out or would you like me to speak to anyone about it?

Lesson

TG

28 January 1988

CONFIDENTIAL

011527
MDHOAN 7496

CONFIDENTIAL
FM FCO
TO DESKBY 271700Z BONN
TELNO 54
OF 271600Z JANUARY 88
INFO IMMEDIATE UKREP BRUSSELS
INFO PRIORITY OTHER EC POSTS

FRAME ECONOMIC

MIPT: EUROPEAN COUNCIL: MESSAGE TO GENSCHER
1. FOLLOWING IS MY MESSAGE TO GENSCHER:
BEGINS

DEAR HANS-DIETRICH

THANK YOU FOR TELEPHONING YESTERDAY. I SHARE YOUR WISH TO SETTLE AS MUCH AS POSSIBLE AT THE CONCLAVE, AND WOULD BE HAPPY TO HAVE ANOTHER WORD BEFORE THEN. IN THE MEANTIME IT MIGHT HELP YOU TO HAVE THIS NOTE OF MY VIEWS.

THE KEY TO SUCCESS AT BRUSSELS IS SECURING FIRM CONTROL OF SPENDING ON AGRICULTURE. WE MADE SOME PROGRESS IN MONDAY'S COUNCIL ON THE GUIDELINE, MONETARY RESERVE, ETC. YOU KNOW THE IMPORTANCE I ATTACH TO OFF-GUIDELINE PROVISION FOR THE DISPOSAL OF OLD STOCKS: YOU ALSO NOW KNOW THAT WE CAN AGREE TO A MONETARY RESERVE, PROVIDED IT OPERATES WHOLLY SYMMETRICALLY AS THE DOLLAR RISES OR FALLS, AND THAT THE CONCEPT OF EXCEPTIONAL CIRCUMSTANCES IS DROPPED. BUT THERE MUST BE A SURE MEANS OF ENFORCING THE GUIDELINE, AND ON THIS ISSUE WE APPEAR TO BE GOING BACKWARDS.

WE AGREED IN BRUSSELS LAST JUNE THAT THERE MUST BE EFFECTIVE STABILISERS FOR ALL COMMODITIES. THE PROPOSALS THAT WERE ON THE TABLE AT COPENHAGEN CAME CLOSE TO WHAT IS REQUIRED, BUT I UNDERSTAND THE GERMAN NEED FOR A COMPLEMENTARY SET-ASIDE SCHEME. SUCH A SCHEME IS NOW ON OFFER, AND WE ARE READY TO HELP YOU FINALISE IT. BUT WE COULD NOT AGREE THAT THE KEY STABILISERS FOR CEREALS AND OILSEEDS SHOULD BE SUBSTANTIALLY WEAKENED. THEY HAVE TO PROVIDE GENUINE RESTRAINT ON SUPPORT COSTS. FOR THE REASONS SPELLED OUT BY JOHN MACGREGOR IN THE AGRICULTURE COUNCIL, THE PRESIDENCY PROPOSALS IN THEIR CURRENT FORM DO NOT REPRESENT A CREDIBLE MEANS OF STABILISING COSTS AND COULD NOT BE THE BASIS FOR AN AGREEMENT AT BRUSSELS. WE NEED TO GET BACK TO THE CONCEPT OF EFFECTIVE STABILISATION, WITH ITS IMPACT ON THE FARMER CUSHIONED BY SET-ASIDE. THAT MUST BE OUR PRINCIPAL TASK AT THE CONCLAVE.

ON THE STRUCTURAL FUNDS, I BELIEVE THAT A SATISFACTORY

PAGE 1
CONFIDENTIAL

OUTCOME IS OBTAINABLE, PROVIDED YOU, WE, THE FRENCH AND THE DUTCH STAND TOGETHER IN FAVOUR OF A SIGNIFICANT INCREASE BUT AGAINST ONE WHICH EXCEEDS ONE AND A HALF TIMES THE MAXIMUM RATE. IT IS VITAL TO AVOID AN ANNUAL HAGGLE WITH THE EUROPEAN PARLIAMENT ABOUT SETTING A NEW MAXIMUM RATE. IF WE DEPART FROM THE AUTOMATIC CONSTRAINT PROVIDED FOR IN ARTICLE 203, THE ONLY EFFECTIVE CEILING ON NON-OBLIGATORY EXPENDITURE WOULD BE THE OWN RESOURCES CEILING ITSELF. I BELIEVE WE CAN GO A LONG WAY TOWARDS MEETING THE INTERESTS OF SOUTHERN MEMBER STATES BY THE CONCENTRATION ON POORER REGIONS WHICH IS ALREADY ENVISAGED, AND BY AN INCREASE OF UP TO 50 PER CENT IN REAL TERMS WHICH WOULD STILL - JUST - BE CONSISTENT WITH THE MAXIMUM RATE PROVISIONS. THIS WOULD PERMIT DOUBLING REGIONAL FUND COMMITMENTS FOR THE FOUR LEAST PROSPEROUS COUNTRIES, AND DOUBLING OVERALL STRUCTURAL FUND RECEIPTS FOR SPAIN AND PORTUGAL, BY 1992. I BELIEVE THAT IF WE MAINTAIN OUR AGREEMENT ON THIS POINT, THE SOUTHERN MEMBER STATES WILL IN THE END DROP THEIR DEMANDS FOR OVERALL DOUBLING OF THE FUNDS THE UK MOVE TO ACCEPTANCE OF AN 50 PER CENT INCREASE IS A SIGNIFICANT ONE, BUT WE CAN MOVE NO FURTHER.

ON THE FOURTH RESOURCE, WE CAN SETTLE FOR ANY OF THE OPTIONS NOW ON OFFER, AND ARE READY TO SEE THE NEW RESOURCE, WHATEVER ITS FORM, TAKEN FULLY INTO ACCOUNT IN THE ANNUAL CALCULATIONS UNDER THE FONTAINEBLEAU ABATEMENT MECHANISM. BUT AS I EXPLAINED ON MONDAY, WE CANNOT ACCEPT ANY WIDER CHANGE TO THE ABATEMENT. GIULIO ANDREOTTI'S CONCLUSION THAT IT IS BEST NOT TO RE-OPEN FONTAINEBLEAU IS CHARACTERISTICALLY WISE. ALL THE ARGUMENTS THAT WERE FINALLY ACCEPTED IN 1984, AFTER FIVE DEBILITATING YEARS OF NEGOTIATION, ARE AS VALID NOW AS THEY WERE THEN. WITH THE HONOURABLE EXCEPTION OF THE FEDERAL REPUBLIC, MOST MEMBER STATES - MANY MORE PROSPEROUS THAN THE UK - STILL ENJOY SUBSTANTIAL NET BENEFITS. BUT THE UK'S NET BURDEN - MEASURED AS AGREED AT FONTAINEBLEAU BY OUR VAT SHARE/EXPENDITURE SHARE GAP - HAS INCREASED BEFORE ABATEMENT FROM 1.4 BILLION TO 3.4 BILLION ECU LAST YEAR: NET OF ABATEMENT IT HAS RISEN FROM AN AVERAGE OF SOME 0.6 BILLION IN 1983/4 TO SOME 1.2 BILLION IN 1987. IT WILL RISE FURTHER IF THE BUDGET GROWS AND SPENDING IS CONCENTRATED MORE ON THE SOUTH. WE ARE NOT SEEKING THE IMPROVED ABATEMENT WHICH WOULD BE OBJECTIVELY JUSTIFIABLE, NOR ANY BENEFIT FROM THE FOURTH RESOURCE. BUT WE CANNOT ACCEPT A FURTHER ARBITRARY INCREASE IN OUR NET CONTRIBUTION THROUGH A CUT IN THE ABATEMENT. YOU WILL UNDERSTAND THAT OUR POSITION ON THIS IS VERY FIRM. I BELIEVE IT IS WIDELY UNDERSTOOD BY HEADS OF GOVERNMENT. I DO NOT BELIEVE WE SHOULD WASTE PRECIOUS TIME AT THE CONCLAVE DEBATING IT FURTHER.

ALL THESE ISSUES ARE DIFFICULT, BUT ALL ARE SOLUBLE. I

BELIEVE THAT THE EUROPEAN COUNCIL CAN REACH AGREEMENT, PROVIDED WE DO NOT TRY TO DUCK THE CENTRAL TASK OF ESTABLISHING EFFECTIVE BUDGETARY DISCIPLINE TO BRING SOARING CAP COSTS UNDER CONTROL. THE COMMUNITY'S HEALTH AND STANDING REQUIRES US TO TACKLE THIS SQUARELY. SUCCESS IN THIS SHOULD PROVIDE THE MOMENTUM TO SOLVE THE OTHER ISSUES AND THEN SETTLE THE CEILING ON OWN RESOURCES. FAILURE WOULD CONDEMN US TO FURTHER DEBATE UP TO, AND PERHAPS BEYOND HANOVER, INEVITABLY DELAYING PROGRESS ON THE MARCH TO 1992. I AM SURE THAT NONE OF US WANTS THAT.

I LOOK FORWARD TO HAVING ANOTHER WORD WITH YOU BEFORE THE CONCLAVE.

WITH BEST WISHES, GEOFFREY.

ENDS

HOWE

YYYY

DISTRIBUTION 206

MAIN 205

FRAME ECONOMIC

ECD (I)

ADDITIONAL 1

FRAME

NNNN

RESTRICTED

CPC



Foreign and Commonwealth Office

London SW1A 2AH

27 January 1988

Dear Charles,

Prime Minister's meeting with Chancellor Kohl

Thank you for your letter of 22 January. We agree that a short press conference following the Prime Minister's meeting with Chancellor Kohl would be a good idea.

It would obviously help to dispel some of the stories about coolness in Anglo-German relations if the Prime Minister and Chancellor Kohl could announce the date of the postponed summit. We could ask Sir Julian Bullard to pursue this but it might be easier for you to do so direct with the Chancellery. I attach a note, based on advice from the Embassy in Bonn, on dates which would best be avoided. The list reflects Sir Julian Bullard's advice that, given electoral preoccupations, it would be better to aim for a date after this year's two Land Elections. That points to a date after mid-May, which would anyway be about right in the context of the 27-28 June European Council.

Yours ever,

L Parker

(L Parker)
Private Secretary

C D Powell Esq
10 Downing Street

RESTRICTED

RESTRICTED

ANGLO/GERMAN SUMMIT: DATES TO AVOID

Based on the assumption that the meeting is not fixed before the Schleswig-Holstein elections (probably on 8 May); nor on the days immediately preceding the Economic Summit (19-21 June).

MAY

- 12 - Public holiday in FRG
- 16/17 - Agriculture Council
- 18/19 - OECD Ministerial, Paris
- 23 - Public holiday in FRG
- 24 - Foreign Affairs Council
- 26/27 - NATO Defence Planning Committee

JUNE

- 2 - Public holiday in FRG
- 9-10 - North Atlantic Council
- 13/14 - Foreign Affairs Council and Agriculture Council
- 19/21 - Toronto Economic Summit

RESTRICTED



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

25 January 1988

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL

Herr Neuer telephoned this afternoon to say that the Chancellor's party for his visit to London on 2 February would now comprise:

Herr Stavenhagen
Herr Hartmann
Herr Neuer
Herr Bitterlich
Herr Feyder
Herr Weber (interpreter)

Only Stavenhagen, Hartmann and Weber would be in the room with the others waiting outside.

I asked Neuer whether Weber would be prepared to interpret both ways. The answer is that he would prefer not to do so on this occasion, since it is a long meeting and rather technical subject matter. I should be grateful therefore if you could arrange for Mr. Lederer to come over from Brussels to interpret for the Prime Minister.

I am copying this letter to Trevor Woolley (Cabinet Office).

CHARLES POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

PERSONAL

PRIME MINISTER

CDP
ORIGINAL FILED ON: 25/1

EGYPT: Visits of Pres. Mubarak P12

PARTICIPATION IN TALKS

May I mention a slight delicate question of participation in two forthcoming sets of talks.

You are to see President Mubarak on Tuesday for an hour or so. He will probably have his Foreign Minister with him. Sir Geoffrey Howe is in Brussels and cannot attend. The Foreign Office are asking whether Mr Mellor should be present. While there might be some advantages, the risk is that it will turn into an occasion for lionising Mr Mellor on his past performance in Gaza. I am not sure that this will be the best use of the meeting or the right signal from it. Since you normally see foreign Heads of Government without ministerial support, it might be best to stick to such an arrangement this time.

No

When Chancellor Kohl comes on 2 February he is not bringing Teltschik but Stavenhagen who is a sort of Minister of State in his office. The Foreign Secretary and all our Community experts will be in Brussels for the conclave of European Ministers. I would suggest that rather than bringing in someone of equivalent ministerial rank to Stavenhagen, you follow your normal practice of seeing the Chancellor on your own with just me to take a note.

Content?

y
w
ml
CDP

Charles Powell

22 January 1988

MJ2BWO

RESTRICTED



File SA
CCP

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 January 1988

**PRIME MINISTER'S MEETING WITH
CHANCELLOR KOHL**

I think it would probably be helpful if at the end of their meeting on 2 February, the Prime Minister and Chancellor Kohl were to say a few words to the press. This should help dispel some of the stories about coolness in their relations. I have discussed this with Bernard Ingham. While we are reluctant, if only for timing reasons, to envisage a full-scale press conference, the weather at this time of year makes a doorstep press conference in Downing Street a pretty risky operation. We are therefore investigating the possibility of doing a 10-15 minute press conference in 12 Downing Street at 1215 that day. Does this strike you as a good idea?

C D POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office

RESTRICTED

ls

CONFIDENTIAL



*file skew
cc PC.*

10 DOWNING STREET
LONDON SW1A 2AA

20 January 1988

From the Private Secretary

MEETING WITH CHANCELLOR KOHL

Herr Teltschik telephoned this morning to say that Chancellor Kohl would like to come to London to see the Prime Minister on the morning of Tuesday 2 February to discuss the European Council. He would come only with Herr Stavenhagen, State Secretary in the Federal Chancellery, and possibly a note-taker. He would have to return at lunch-time, and therefore envisaged a meeting running from 0930-1230. This was in effect the only date which the Chancellor could manage. After consulting the Prime Minister I have told Herr Teltschik that the Chancellor would be welcome. It was not an ideal date, not least because of the coincidence with the Foreign Ministers' conclave. But if it was really the only one the Chancellor could manage we could accept it. Teltschik repeated that unfortunately there was no remaining free date. In the light of recent press comment it was very important that the Prime Minister and the Chancellor should meet.

I should be grateful if you would now make the necessary arrangements with the Germans. Given the time pressure on the Chancellor and to avoid the morning rush hour, I suggest that we should bring him into London by helicopter.

I will consult the Prime Minister in due course about participation in the talks.

I am copying this letter to Alex Allan (HM Treasury), Shirley Stagg (Ministry of Agriculture, Fisheries and Food) and Roger Lavelle (Cabinet Office).

(C. D. POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

SRWBFJ

~~PRIME MINISTER~~

*Discussed
on*

MEETING WITH CHANCELLOR KOHL

Herr Teltschik telephoned this morning to say that Chancellor Kohl would very much like to come over for a bilateral with you before the European Council. Unfortunately because of all his other commitments as President of the Council, the options were very limited. He proposed 0930-1230 on Tuesday 2 February.

From the point of view of preparation for the European Council this is quite a good date. It comes after the Anglo/French Summit and still far enough ahead of the European Council to have some influence on its outcome. It is helpful that Kohl is ready to come here rather than asking you to go to Bonn. From the diary point of view it is less good. You have a Ministerial meeting on the Health Service and a MISC 128 planned for that morning. But I suppose they could be moved. I have explained to Herr Teltschik that you could not give the Chancellor lunch that day because it is Questions. He said that the Chancellor would anyway need to get back quickly to Bonn.

Chancellor Kohl's intention is to come with the Head of the Federal Chancellery and a note-taker only, but no officials from the Foreign or Agriculture Ministries.

Agree to a meeting on 2 February?

C.D.P.

(C. D. POWELL)

20 January 1988

010

cc PC

DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND
Baron Rüdiger von Wechmar

London, 11 December 1987

cc. FCO
11/12
14/12

Dear Charles,

I refer to our telephone conversation yesterday and would like to confirm that the German-British consultations of Heads of Government which were scheduled for February 5, 1988 will be postponed because of the European Council on February 11 and 12, 1988.

Please convey to the Prime Minister the sincerest regrets of the Federal Chancellor. Chancellor Kohl deplores that the busy political timetable of the past months has prevented the resumption of the normal rhythm of bilateral talks of the Heads of Government of our two countries. The Federal Chancellor will suggest a new date after the European Council. I do hope that a date not too far away will be convenient for both sides.

Yours sincerely

Romy

Mr. Charles Powell
Private Secretary to the
Prime Minister
10 Downing Street
London SW 1



10 DOWNING STREET

8/12

Blind copy to

PS / Chancery

PS / Reps

PS / Reg. Sec

PS / DTI

R. Lavelle.



File

CEPC

8/12/87

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 December 1987

ANGLO/GERMAN SUMMIT

Dr. Neuer from Chancellor Kohl's office telephoned me this afternoon to say that the Chancellor felt that it would be better to postpone the formal Anglo/German Summit due to take place in early February until after the Brussels European Council. It simply would not be feasible to conduct full scale consultations so shortly before that Council.

I said that I was sure that the Prime Minister would quite understand this. On the other hand, it would be a pity if there were no opportunity for the Prime Minister and the Chancellor to meet between now and the February Council. Dr. Neuer saw the force of this and it was left that we would try to find a date early in the New Year when the Prime Minister and the Chancellor could meet. It was left open whether the meeting would be in London or Bonn.

(C. D. POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

SA

RESTRICTED



file DASAFH

bc: PC

PAC/TS

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 December 1987

ANGLO-GERMAN CONTACTS

The Prime Minister accepts that it was unrealistic to expect the Germans to maintain the Anglo-German Summit so shortly before the additional European Council in February. She has asked me to say to the Chancellor's office that she entirely understands the reasons for postponing the regular summit. Nonetheless, she would very much value an opportunity to talk to the Chancellor ahead of the European Council in February. He would be very welcome to come over for half a day any time between mid-January and the first week of February. If a weekend were more convenient, she would be happy to welcome him to Chequers. If absolutely necessary, the Prime Minister would be ready to fly to Bonn to see the Chancellor but I do not propose to volunteer that at this stage.

C D POWELL

(Handwritten initials)

Lyn Parker, Esq.
Foreign and Commonwealth Office

RESTRICTED

SRWBDK

①

PRIME MINISTER

MEETING WITH CHANCELLOR KOHL

Rather as expected, Chancellor Kohl's office have been in touch to say that he must with regret postpone the Anglo-German summit planned for 5 February on the grounds that it simply is not practicable to go through with it so soon before the extra European Council to be held in Brussels on 11/12 February.

This is understandable. Equally, it will be a pity if you and Chancellor Kohl are unable to meet at all before the European Council.

I suggest that we should say to his office that you entirely understand the reasons for postponing the regular Anglo-German summit. Nonetheless you would very much value an opportunity to talk to him before the February European Council. He would be very welcome to come over for half a day any time between mid-January and the first week of February. If a weekend was more convenient, you could meet at Chequers. If that proves impossible for him, you would yourself be ready to fly to Bonn for half a day. I would not offer this second alternative unless we ran into resistance to the idea of his coming here.

Agree to proceed in this way?

Yes

CDP

(C. D. POWELL)

9 December 1987

ORIGINAL ON
FRANCE: VISITS OF
PRES. MITTERRAND
PTG



File PMM
cc Sue
Goodfield

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 November 1987

BILATERAL SUMMITS WITH
THE FRENCH AND GERMANS

We had a word about the bilateral summits with the French and Germans early next year, and where they should be held. The Prime Minister would have no objection to Lancaster House. I assume that the whole shooting match would take place there, including the lunch and press conference.

C. D. Powell

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

JK

ORIGINAL ON

①

FRANCE: VISITS OF PRES

MITTERRAND P76

PRIME MINISTER

BILATERALS WITH THE FRENCH AND GERMANS

As you will have noticed, we have managed to stretch the intervals between these full-scale bilateral summits to very nearly one year. But there comes a point when we can postpone them no longer, and we are currently planning to hold them on consecutive Fridays at the very end of January/early February in London.

The Foreign Office have suggested that it might be administratively a good deal easier to hold them in Lancaster House. This would enable all the bilaterals between individual Ministers to be conducted in different corners of the same building, before all the Ministers come together for the plenary and the lunch. It might also help to get the meetings over more quickly, which I am sure you would endorse!

May we plan on the basis of using Lancaster House on this occasion please?

Yes

C.P.

CHARLES POWELL

13 November 1987



Foreign and Commonwealth Office

London SW1A 2AH

28 September 1987

(Top copy on FRANCE
visits by the President:
Pt 6)

Dear Charles,

Anglo-French and Anglo-German Summits

Following their postponement this autumn, the next formal summits with France and Germany are due to take place at the beginning of 1988. Since both are to be held in London, it is for us to propose dates, and since diaries fill up rapidly, the sooner we can do this, the better.

Fri 22 Jan
or
Mon. 25 Jan

As you know, the French Presidential elections are expected to take place in May. It will be important to hold the summit in good time before the official campaigning gets under way. This suggests an early date, ideally before the end of January, which would still be 14 months after the last full summit.

Mon 22 Feb

No similar factors affect the timing of the next Anglo-German summit: the only Land election scheduled for 1988 (Baden Wuerttemberg) will take place in March. But the last full summit took place in September 1986 and the Germans will attach simportance to an early date in 1988. (There is already some disappointment in Bonn that the pattern of two Anglo-German summits a year has slipped to annual meetings, even if supplemented by a number of bilaterals between the Prime Minister and Chancellor Kohl. Inevitably, the Germans compare this unfavourably with the regular six monthly Franco-German summits with frequent meetings in between).

Whether EC subjects appear high on the agenda of both summits will depend on the outcome of Copenhagen. But it would in any case be useful to meet the Germans early on in their Presidency in order to influence their handling of Community business.

I should be grateful if you would let me know which dates are available, so that we can instruct Paris and Bonn to put them to the French and Germans. For the sake of completeness, I should add that an Anglo-Italian summit will also need to be fitted into the first few months of 1988. But, since this will take place in Italy, it is for the Italians to propose dates.

Yours ever,
Lyn Parker
(L Parker)

C D Powell Esq
10 Downing Street

Private Secretary

RESTRICTED



PMW:AH
cc PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 September 1987

*Copied to France:
Visit by President: P.L.*

ANGLO-FRENCH AND ANGLO-GERMAN SUMMITS

Thank you for your letter of 28 September about dates for the Anglo-French and Anglo-German summits. We could offer Friday 22 January or Monday 25 January for the Anglo-French summit; and Monday 22 February for the Anglo-German summit. I should be grateful if you could propose these dates.

C. D. Powell

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

cc

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

7 July 1987

Charles Powell Esq
10 Downing Street
LONDON
SW1

cc
DD
*7/7.**Dear Charles***ANGLO/GERMAN SUMMIT**

Thank you for copying your letter of 6 July to Alex Allan.

As I think you already know, 28 September would not be possible for the Chancellor, as he will be at the IMF in Washington at that time (and so too will be Dr Stoltenberg, the German Finance Minister). In any case, in recent years it has been unusual for Finance Ministers to take part in these summits: I wonder whether the Chancellor's attendance is really necessary?

I am copying this letter to Lyn Parker (FCO), John Howe (MOD), Timothy Walker (DTI) and Philip Mawer (Home Office).

Yours ever,
Tony

A W KUCZYS
Private Secretary



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 (Direct Dialling)

01-218 9000 (Switchboard)

MO 14/3

7th July 1987

CD 7/7

Dear Charles

ANGLO/GERMAN SUMMIT

I can confirm that the Defence Secretary will be able to attend the Anglo/German Summit in London on 28th September.

Yours sincerely

(CAROLYN WHITEHOUSE)
Private Secretary

Charles Powell Esq
No 10 Downing Street



PRIME MINISTER

MEETING WITH CHANCELLOR KOHL

I have had further talks during the day with Chancellor Kohl's office. He is enthusiastic about the idea of a bilateral with you in Berlin when you attend the IDU Conference and we have settled on the afternoon of Friday 25 September. He agrees that in consequence the regular Anglo-German Summit should be postponed until early next year.

I think you will find this satisfactory.

Very

C.D.P.

ms

(C. D. POWELL)

7 July 1987



apc jkw

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

7 July 1987

ANGLO-GERMAN SUMMIT

I wrote on 6 July about the possibility of holding an Anglo-German Summit on 28 September. I should now record that the Prime Minister and Chancellor Kohl have agreed to meet in Berlin on 25 September and to postpone the regular Anglo-German Summit until early next year.

I am copying this letter to Alex Allan (HM Treasury), John Howe (Ministry of Defence), Timothy Walker (Department of Trade and Industry) and Lyn Parker (Foreign and Commonwealth Office).

(C. D. POWELL)

Philip Mawer, Esq.,
Home Office.

AW

From: THE PRIVATE SECRETARY

RESTRICTED

CCP



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

7 July 1987

Dear Charles,

ANGLO/GERMAN SUMMIT

We spoke about your letter of 6 July to Lyn Parker. As I explained, we had identified 28 September as the day on which all Home Office Ministers would be involved in an internal Departmental seminar to discuss ways of enhancing the Government's total response to crime. You mentioned that this date is now, however, looking increasingly unlikely from the Prime Minister's point of view. No doubt you will let us know as soon as any alternative emerges.

I am copying this letter to Lyn Parker only.

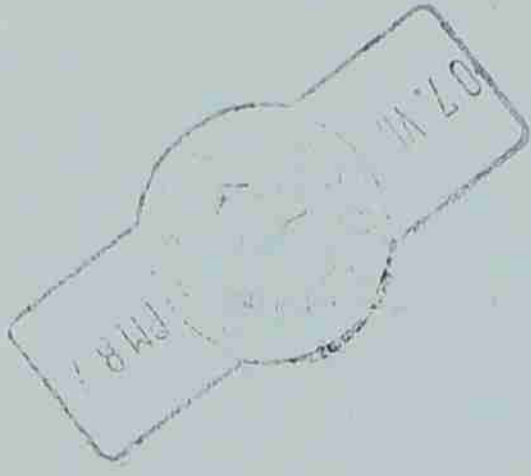
Yours sincerely,

P J C Mawer

P J C MAWER

Charles Powell, Esq

RESTRICTED



GERMANY
VISIT OF KOTHL

OTTU



PRIME MINISTER

ANGLO/GERMAN SUMMIT

We have to hold an Anglo/German Summit this autumn. It is the turn of London.

I have been in protracted negotiations with Chancellor Kohl's office and the only free date common to your diary and his is Monday 28 September.

It is not ideal because:

- (i) it is getting close to the Party Conference (but still a full week before it starts);
- (ii) you will probably have seen Kohl briefly in Berlin at the IDU Conference the preceding week. But that will not obviate the need for a full Summit, to which the Germans attach great importance.

Agree to 28 September?

Surely we can cancel this if I have seen Kohl in Berlin, not

CDP

Charles Powell

6 July 1987

RESTRICTED



file

EC

bc PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 July 1987

ANGLO/GERMAN SUMMIT

Protracted negotiations with Chancellor Kohl's office lead to the conclusion that 28 September is the only day in the diaries of the Prime Minister and Chancellor Kohl which remains free for an Anglo/German Summit in London. I should be grateful to know urgently whether you and other recipients of this letter can manage this.

I am copying this letter to Alex Allan (H.M. Treasury), John Howe (Ministry of Defence), Timothy Walker (Department of Trade and Industry) and Philip Mawer (Home Office).

(Charles Powell)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

EC

CONFIDENTIAL

cc FRANCE
meetings Lutter and
bc: PC

File



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 March 1987

SUMMITS WITH FRANCE AND GERMANY IN 1987

Thank you for your letter about bilateral Summits with France and Germany later this year.

As your letter recognises, any suggestions have to be tentative this year. But subject to that warning, we have identified Friday 25 September as a possible date for the Germans and Monday 23 November for the French. You may like to try these.

(Charles Powell)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

File

CE TRANCE
meetings
with Hutterand

282

? 9th Nov.

? 23rd Nov.



Charles have
pencilled in these
two dates - now

10 DOWNING STREET

between but
the only ones
available.

Tessa

Tessa
18/3

You might like

to look at this.

If all depends, of

course, on when
an election is held.

But can we

identify tentative
dates in November

which we could

put in. Ideally Mondays

or
~~at~~ Kridley.

or

010

ce. FRANCE
CONFIDENTIAL Meetings Mitterrand



Foreign and Commonwealth Office

London SW1A 2AH

13 March 1987

Dear Charles,

Summits with France and Germany in 1987

Since it is for the Prime Minister as host to take the initiative in proposing dates for the next Anglo-French and Anglo-German Summits, we see advantage in giving some thought to possible dates in case Mitterrand or Kohl raise the question during the Prime Minister's meetings with them on 23 March.

Leaving other considerations aside, the natural time for the next Anglo-German Summit would be September, one year after the last summit in Bonn. The Anglo-French Summit could be held after the Party Conference in late October, before the new session of Parliament in November. It might be preferable to avoid dates too close to the State Visit by President Cossiga of Italy (17-20 November). There is no need to consider the timing of the next summit with Italy at this stage.

If you can identify dates which would suit the Prime Minister, we could put them to the French and Germans in advance of the Prime Minister's meetings on 23 March. There would then be no need for the matter to be mentioned at the meetings (in view of the question whether or not Chirac would attend the summit, discussion at this stage with Mitterrand might in any case be best avoided). Otherwise, if the subject is raised by Mitterrand or Kohl, the Prime Minister could say simply that we were considering dates and would be in touch through official channels.

Yours ever, *L Parker*

(L Parker)
Private Secretary

C D Powell Esq
No 10 Downing St

CONFIDENTIAL

RESTRICTED

ECU



hli

baPC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 February 1987

CHANCELLOR KOHL

The Foreign Secretary suggested to the Prime Minister this evening that she might consider inviting Chancellor Kohl to a working lunch or dinner in the coming months. The Prime Minister was reluctant to commit herself to this at present, but I suggest that we look at the possibility again in a month or so's time.

(Charles Powell)

A.C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office.

RESTRICTED

Handwritten initials, possibly 'CP', at the bottom of the page.

CONFIDENTIAL



SPURANN

SPW

cc/c

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

26 November 1986

CHANCELLOR KOHL

I have seen a copy of Bonn telegram number 991 in which Sir Julian Bullard suggests that he might float with Chancellor Kohl on 4 December the possibility of inviting him to pay a rather longer and less formal visit to Britain next year. I have discussed this with the Prime Minister who would prefer not to be committed to such a visit at this stage, at least until we have a clearer idea of other competing demands for visits from abroad next year.

I should be grateful, therefore, if you could tell Sir Julian Bullard that the Prime Minister would not wish him to raise this matter when he sees the Federal Chancellor.

(C. D. POWELL)

GA

Colin Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

①

I would rather not appoint -
To, much or -



10 DOWNING STREET

Prime Minister

I am not quite clear whether

you:

(a) agree with me that you don't want to commit yourself to a full-scale visit by Kohl next year. (I don't think he is a great electoral asset here); or

(b) agree with Julian that we should invite him.

Prefer (a) or (b)? CDP 25/Ki

GRS 202

CONFIDENTIAL
(AMENDED DISTRIBUTION 21/11)

CONFIDENTIAL
FM BONN
TO PRIORITY FCO
TELNO 991
OF 201630Z NOVEMBER 86

*Prime Minister
I'm not sure you will
welcome this idea.
I think Julian should
not raise it, until we
have had
time to
consider
further
COP
24/11*

MIPT: CALL ON CHANCELLOR KOHL: 4 DECEMBER

FOLLOWING FOR WED

1. AS ON PREVIOUS OCCASIONS, IT WOULD HELP ME VERY MUCH IF IT COULD BE GIVEN A FEW SENTENCES TO SAY TO KOHL ON THE PRIME MINISTER'S BEHALF.
2. I WONDER IF THE TIME HAS NOT COME, BUILDING ON THE SUCCESS OF THEIR JOINT VISIT TO BFG IN SEPTEMBER, FOR THE PRIME MINISTER TO INVITE KOHL TO MAKE A RATHER LONGER AND LESS FORMAL VISIT TO BRITAIN THAN IS POSSIBLE DURING BILATERAL OR INTERNATIONAL SUMMITS? A VISIT OF TWO DAYS INCLUDING TRAVEL WOULD ALLOW TIME FOR US TO SHOW HIM ASPECTS OF BRITAIN WHICH HE IS ALMOST CERTAINLY UNAWARE OF, AND ALSO FOR AN OVERNIGHT STAY IN AGREEABLE SURROUNDINGS SUCH AS WE KNOW HE ENJOYS. A ROYAL ELEMENT WOULD BE VERY DESIRABLE, BUT NOT ESSENTIAL. THE PRIME MINISTER WOULD NO DOUBT WANT TO ACCOMPANY HIM FOR PART OF THE TIME.
3. IF THIS IDEA FOUND FAVOUR IN LONDON, IT NEED ONLY BE MENTIONED IN VERY GENERAL TERMS AT THIS STAGE. BUT IT SHOULD LIKE TO BE AUTHORISED TO FLOAT IT ON 4 DECEMBER, BOTH AS A SIGN THAT WE HAVE NO DOUBT WHATEVER ABOUT KOHL'S RE-ELECTION AND ALSO TO PIN SOMETHING ATTRACTIVE ON THE ANGLO-GERMAN WALL FOR 1987.
4. GRATEFUL FOR INSTRUCTIONS.

BULLARD
BPLNAN 2779

LIMITED

WED
ECD(I)
ECD(P)
ECD(E)
NEWS D.
INFO D.
PLANNING STAFF
DEF D.
ACDD
RES D.

PS
PS/LADY YOUNG
PS/MRS CHALKER
PS/MR EGGAR
PS/PUS
MR THOMAS
MR BRAITHWAITE
MR FALL
MR RATFORD

COPIES TO:

PS/10 DOWNING ST.
MR MALLABY } CABINET
MR WILLIAMSON } OFFICE
MR JAY

● PART 9 ends:-

CDP to fco 29/11/86

PART 10 begins:-

Bonn Tel No 991 20/11/86