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10 DOWNING STREET

From the Private Secretary

16 August 1984

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL: TUESDAY 14 AUGUST

I enclose a record of the conversation which took place between the Prime Minister and Chancellor Kohl at Imlau on Tuesday 14 August. The record was prepared by HM Ambassador, Vienna.

Since this was a private meeting, I should be grateful if the record could be shown only to those with an operational need-to-know.

I am sending a copy of this letter to Richard Mottram (Ministry of Defence) with an extract from the record covering East/West Relations; and to David Peretz (HM Treasury) and David Williamson (Cabinet Office), with an extract covering the European Community.

(DAVID BARCLAY)

Stuart Eldon, Esq.,
Foreign and Commonwealth Office.

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND
CHANCELLOR KOHL AT IMLAU ON TUESDAY 14 AUGUST 1984 AT 1700

THE PRIME MINISTER HAD A CONVERSATION WITH CHANCELLOR
KOHL LASTING SOME 90 MINUTES YESTERDAY AFTERNOON. I WAS
PRESENT THROUGHOUT. THE PRIME MINISTER ASKED ME NOT TO TAKE
NOTES AND NOT TO MAKE A FORMAL RECORD. SUBSEQUENTLY HOWEVER
SHE AGREED THAT THERE WERE ONE OR TWO POINTS WHICH SHOULD BE
PUT DOWN ON PAPER.

THE SPAAK COMMITTEE

THE CHANCELLOR ASKED THE PRIME MINISTER TO SUPPORT THE
CANDIDATURE OF FORMER PRESIDENT CARSTENS FOR THE
CHAIRMANSHIP OF THE SPAAK COMMITTEE. THE PRIME MINISTER
SAID THAT SHE THOUGHT PRESIDENT CARSTENS WAS AN EXCELLENT
CANDIDATE AND THAT HE SHOULD HAVE THE JOB.

THE FEDERAL REPUBLIC: THE INTERNAL SITUATION

THE CHANCELLOR SAID THAT THE RECENT STRIKES HAD BEEN
DAMAGING. AND HAD HAD AN APPRECIABLE EFFECT ON THE PERFORMANCE
OF THE GERMAN ECONOMY. HOWEVER IN THE LONGER TERM THE MOST
IMPORTANT RESULT OF THE DISPUTE MIGHT TURN OUT TO BE THE
DEVOLUTION OF POWER IN THE TRADE UNION MOVEMENT DOWNWARDS TO
PLANT LEVEL. THE EXTREMISTS IN THE GERMAN TRADE UNION MOVE-
MENT TENDED TO BE FOUND AT NATIONAL LEVEL, AND THE MODERATES
LOWER IN THE HIERARCHY. FROM THE POINT OF VIEW OF THE UNIONS,
THE DILUTION OF POWER AT THE CENTRE MIGHT TURN OUT TO BE AN
HISTORIC ERROR. FROM THE POINT OF VIEW OF THE COUNTRY AS A
WHOLE IT COULD ONLY BE A GOOD THING.

THE CHANCELLOR THOUGHT THERE MIGHT WELL BE A STRIKE OF
PUBLIC SERVICE WORKERS IN THE AUTUMN. THE PROSPECT CAUSED
HIM NO QUALMS SINCE HE WOULD BE HANDLING THE SITUATION HIMSELF.
HE COMMENTED IN THIS CONNECTION THAT THE RECENT STRIKE HAD BEEN
THE FIRST OCCASION IN MANY YEARS ON WHICH THE EMPLOYERS HAD
STOOD FIRM IN A DISPUTE WITH THE UNIONS.

THE EUROPEAN COMMUNITY

THE PRIME MINISTER TOLD THE CHANCELLOR OF HER CONTINUED ANXIETY ABOUT THE FAILURE OF THE COMMUNITY TO EXERCISE FINANCIAL DISCIPLINE. IF THE PRESENT TREND CONTINUED, THE OUGURIES FOR THE REST OF THIS YEAR AND NEXT YEAR WERE BAD.

THE CHANCELLOR AGREED ABOUT THE NEED FOR FINANCIAL DISCIPLINE. HE PLACED CONSIDERABLE CONFIDENCE IN MONSIEUR DELORS, THE NEW PRESIDENT OF THE COMMISSION. DELORS WAS A FRENCH PROTESTANT WHOSE AUSTERE APPROACH TO FINANCIAL PROBLEMS WAS WELL KNOWN. HIS OUTLOOK WOULD NOT BE CHANGED BY THE MOVE TO BRUSSELS. WHETHER OR NOT DELORS RE-ENTERED FRENCH POLITICS AT A HIGHER LEVEL THAN THAT AT WHICH HE HAD LEFT IT WOULD DEPEND ON WHETHER OR NOT HE MADE A SUCCESS OF THE PRESIDENCY. THE CHANCELLOR EXPECTED MONSIEUR DELORS ARRIVAL IN BRUSSELS TO BE ACCOMPANIED BY CONSIDERABLE STRAINS WITHIN THE COMMISSION.

THE PRIME MINISTER HOPED THIS FORECAST WOULD PROVE ACCURATE. MONSIEUR THORN HAD SIMPLY LET THINGS DRIFT. NONETHELESS, THE RESPONSIBILITY FOR PRESENT DIFFICULTIES LAY PRIMARILY WITH NATIONAL GOVERNMENTS AND MINISTERS - PARTICULARLY WITH THE AGRICULTURAL MINISTERS. THE CHANCELLOR STRESSED THE IMPORTANCE OF THE PRIME MINISTER, THE FRENCH PRESIDENT AND HIMSELF MAINTAINING A COMMON FRONT. THE PRIME MINISTER AGREED. BUT SHE WAS DISMAYED TO NOTE HOW OFTEN SHE HAD SENT SIR GEOFFREY HOWE TO MINISTERIAL MEETINGS ARMED WITH INSTRUCTIONS TO STAND FIRM BASED ON AGREEMENTS REACHED WITH HER COLLEAGUES AT HEAD OF GOVERNMENT LEVEL, ONLY TO BE TOLD THAT SIR GEOFFREY HAD FOUND HIMSELF COMPLETELY ISOLATED. IT WAS IMPORTANT THAT THIS SHOULD NOT CONTINUE TO OCCUR AND THEREFORE THAT THE THREE HEADS OF GOVERNMENT SHOULD BE IN TOUCH WITH EACH OTHER AHEAD OF THE MAIN MINISTERIAL MEETINGS. THE CHANCELLOR AGREED. HE WOULD BE IN FAVOUR OF TRILATERAL MEETINGS FROM TIME TO TIME. THE PRIME MINISTER AGREED THAT SUCH MEETINGS WOULD BE HELPFUL IF THEY COULD BE ARRANGED DISCREETLY.

EAST-WEST RELATIONS

THE CHANCELLOR SPOKE AT LENGTH ABOUT HIS PREOCCUPATION WITH EAST-WEST RELATIONS, AND IN PARTICULAR ABOUT INNER GERMAN RELATIONS. HE WAS CONFIDENT THAT THE SITUATION IN EASTERN EUROPE WAS EVOLVING IN FAVOUR OF THE WEST, AND WOULD CONTINUE TO DO SO PROVIDED WE SHOWED PATIENCE AND SUBTLETY. THE RAPID DEVELOPMENT OF INFORMATION TECHNOLOGY AND THE NUMEROUS ATTRACTIONS OF A FREE SOCIETY (MUCH MORE THAN THE PURELY ECONOMIC FACTOR) WERE VIRTUALLY IMPOSSIBLE FOR THE EAST EUROPEAN REGIMES TO COPE WITH.

THE FEAR WHICH THE WESTERN DEPLOYMENT OF INF LAST AUTUMN HAD INITIALLY STIMULATED AMONG THE PEOPLES OF EASTERN EUROPE (AND WHICH HAD BEEN A DECISIVE FACTOR IN THE CHANCELLOR'S DECISION TO EXTEND CREDITS TO THE GDR) HAD LARGELY DISAPPEARED. THERE WAS A GREATER INTEREST WITHIN THE GDR IN MOVING TO THE WEST THAN FOR MANY YEARS. 100,000 APPLICATIONS FOR EXIT PERMITS HAD BEEN LODGED, WITH ALL THE DISADVANTAGES FOR THE APPLICANTS THAT THIS ENTAILED. THE CHANCELLOR KNEW OF AN INTERNAL PARTY ANALYSIS IN THE GDR WHICH SUGGESTED THAT 800,000 MORE APPLICATIONS WOULD BE LODGED IF THE SITUATION RELAXED FURTHER. GIVEN THAT THE TOTAL POPULATION OF THE GDR WAS ABOUT 17 MILLION, THERE WAS EVIDENTLY A CATASTROPHIC DEGREE OF DISAFFECTION IN EAST GERMANY.

MOSCOW'S HAND AT PRESENT WAS NEITHER STRONG NOR STEADY. CHERNENKO'S HEALTH WAS WORSE THAN WAS GENERALLY REALISED. THE PRESENT LEADERSHIP COULD IN ANY CASE NOT LAST FOR MORE THAN THREE OR FOUR YEARS. THE INCREASING INDEPENDENCE OF THE LEADERS OF THE EAST EUROPEAN REGIMES WAS EVIDENCED BY ZHIVKOV'S DECISION TO VISIT BONN EARLY NEXT MONTH, BY KADAR'S ATTITUDE THROUGHOUT HIS TALKS WITH THE CHANCELLOR EARLIER IN THE YEAR, AND BY HONEKER'S PLANNED VISIT (THE CHANCELLOR DESCRIBED THE CHANCES OF THIS TAKING PLACE AS '9 TO 1'.)

THE PRIME MINISTER SAID THAT SHE WAS WORRIED BY THE PROSPECT OF A SUDDEN MULTIPLE BREAKDOWN IN EASTERN EUROPE WHICH WOULD POSE AN IMMEDIATE RISK OF A WORLD WAR. THE CHANCELLOR AGREED THAT THE POSSIBILITY EXISTED, THOUGH HE DID NOT REGARD IT AS AT ALL LIKELY. HE DID NOT EXPECT TO SEE RADICAL CHANGE IN EASTERN EUROPE IN HIS POLITICAL LIFETIME. NONETHELESS, THE RISK WAS ONE REASON WHY THE WEST HAD TO BE CAUTIOUS. HE DID NOT WANT A REPETITION OF 1953 IN THE GDR.

THE CHANCELLOR AND THE PRIME MINISTER AGREED THAT THE STATEMENTS COMING OUT OF WASHINGTON WERE NOT ALWAYS HELPFUL. PRESIDENT REAGAN'S RECENT SLIP OF THE TONGUE WOULD UNDOUBTEDLY BE EXPLOITED AGAINST HIM. THE CHANCELLOR NOTED THAT HE HAD TO SPEND MUCH OF HIS TIME IN HIS CONTACTS WITH EAST EUROPEAN LEADERS - NOTABLY IN HIS MEETING WITH KADAR - TRYING TO PERSUADE THEM THAT THE PRESIDENT WAS NOT A WAR MONGER.

THE MEETING ENDED AT 1830.

MICHAEL ALEXANDER (HM AMBASSADOR, VIENNA)

15 AUGUST 1984

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