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FROM PRIVATE SECRETARY
PART ONE OF TWO PARTS
MEETING OF THE FOUR FOREIGN MINISTERS: 6 JULY
SUMMARY

1. The Foreign Ministers of the Four met for an hour this morning. The main points were:
Albania: the Germans and French wanted a statement from the Summit calling on the Albanians to let their people go. Poland: Genscher said the Polish wish to keep 4-power rights and responsibilities until the border treaty was ratified was unacceptable. Dumas suggested possible compromise. Continuing concern expressed about lack of Soviet compromise in 2+4. Recognition that Paris Summit will be crucial if they are to be shifted. Baker explained inhibitions on US aid to the Soviet Union. Dumas said political support for Gorbachev must be backed by economic aid. Baker described other Houston Summit priorities and thinking behind the US Latin America debt initiative. US in dialogue with new Israeli government.

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DETAIL

2. The Foreign Ministers of the Four met at 1 Carlton Gardens for an hour this morning.

ALBANIA

3. Before the arrival of Baker (who was delayed briefing the President), Genscher raised Albania. There were 1200 people in or around the German Embassy. Dumas said there were around 200 in the French Embassy. Genscher did not know to what extent the Albanian authorities were stirring up the problem but they were certainly allowing the influx to happen. The situation was an impossible one and increasingly dangerous. Heads of Government should issue a statement from the NATO Summit calling on the Albanian government to allow their people the freedom to leave. Genscher said he was also in touch with the UN Secretary General to ask him to do everything in his power to help resolve the situation. The three Foreign Ministers present agreed that a NATO Summit declaration would be a good idea.

POLAND

4. Genscher said we would have seen Skubiszewski's latest letter creating a link between ratification of the Poland/German border treaty and termination of 4-power rights and responsibilities. This was unacceptable. The termination of 4-power rights was between Germany and the 4 powers and could not be put in the hands of the Polish government and parliament. If the Poles did not ratify the border treaty, then 4-power rights would remain. Germany could not accept that.

5. In the course of the discussion (which Baker joined half way) Weston pointed out that the Poles now seemed to recognise that they had made a mistake in trying to introduce wider issues of Polish/German relations into the border treaty. If the treaty could be focused more narrowly on the border issue, that would ease the problem. Genscher agreed. The Poles were asking for things that would require changes in German law and that was

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not something the Germans were prepared to contemplate at Polish behest. The signature and ratification of the treaty could take months rather than weeks, during which time, if the Poles had their way, 4-power rights would remain. To satisfy the Poles, he would be happy to see the border issue mentioned in the final settlement document.

6. Dumas said the key to a solution was to establish what the Poles wanted, namely a guarantee that there would be an effective treaty on the borders which would be implemented by the signatories. Once the border treaty was ratified by the German Parliament, that would give the Poles all the guarantee they needed and 4-power rights could then be lifted, ie it should not be necessary to wait until Polish ratification procedures had gone through. Germany's problem did not lie with the treaty but over the question of sovereignty. Lifting 4-power rights and responsibilities once the Germans had ratified the border treaty would not impose delay. GEMU had shown how quickly the parliaments of the FRG and the GDR could work. It should be made clear in the final settlement document that ratification of the border treaty by Germany would be sufficient for the 4 powers to lift their rights and responsibilities. Genscher did not reject this idea. He said, however, that the treaty could only be ratified when both parties had signed and evidently feared delay in signature on the Polish side. The Secretary of State said that the issue would have to be settled in Paris but we needed to find the answer before then. We must find a way of showing the Poles that the issue was not being sidelined and that the 4 powers would maintain a continuing interest in the problem.

7. Weston pointed out that we might anyway face a problem over 4-power rights and responsibilities because of the overall Russian position. If, because of Soviet intransigence, we had to opt for the indefinite suspension of 4-power rights rather

than their immediate termination, then that could, incidentally, help to deal with the Polish question.

8. The Secretary of State concluded that Political Directors should be asked to find a formulation based on urging the Poles to reduce their demands to the immediate problem of the border and working out a timetable which would retain some kind of 4-power benevolent interest.

SOVIET UNION

9. Genscher confirmed that he and Kohl would be visiting Moscow on 15/16 July. The Secretary of State said he imagined that they would draw the Russians' attention to the outcome of the NATO Summit and to the German position on the size of the Bundeswehr and stationing of forces. Kohl and Genscher should be able to say to the Russians that we had given them satisfaction and we now looked to them to say, in Paris, that they were willing to join with the Western allies in giving up 4-power rights and responsibilities. Genscher agreed that this would be his line.

10. Baker said that he was looking at the first week of October for the Washington meeting of the 2+4. The Moscow meeting in September should not be too close to that. The Paris meeting would be very important, coming after the Soviet Party Congress.

The Soviet Union should welcome what NATO was doing but their internal situation was so bad that it was impossible to tell. He doubted whether the Russians would lift their objections in 2+4 until they were satisfied on force numbers, which of course the Germans were willing to discuss. It was worth recalling that at Copenhagen Shevardnadze had said that there should be no need to maintain 4-power rights for a transitional period once the question of force levels was settled. He hoped we could get back to that position and away from all the detailed demands which the Russians had put forward in Berlin. Weston commented that Political Directors had drawn up a list of 20 or so items

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needing resolution. On most of these, the Russians had maintained the position taken by Shevardnadze in Berlin. Baker said this seemed to show that the Russians had not come off any of the demands they had made in Berlin. The Secretary of State doubted if we would make progress step by step. It would required a big heave to which today's NATO Declaration would be an important contribution.

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PS/MR MAUDE

PS/PUS

MR WESTON

MR BROOMFIELD

MR BAYNE

MR TOMKYS

MR GOULDEN

MR TAIT

MR KERR

MR GREENSTOCK

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FROM PRIVATE SECRETARY
MIPT: MEETING OF FOUR FOREIGN MINISTERS
PART TWO OF TWO PARTS

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ECONOMIC AID TO THE SOVIET UNION

11. Genscher said that economic help to the Soviet Union would be an important part of his visit to Moscow. Baker said that the United States had real difficulty, even in allowing the Soviet Union access to the New York financial markets, because of their domestic legislation. Economic help to the USSR would require them to change their legislation and Congressional and public support for that was not sufficient. There were a number of irritants as far as the US was concerned, such as Russia's relationship with Cuba, the 18-25% of her GNP which she continued to spend on defence and the problem - unique to the US - of the strategic nuclear balance and the question of targeting. So the US was not in the business of offering concessionary finance even though they would not stand in the way of others. He knew the British felt similarly. The

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Japanese Japanese also would have problems. This would be a major issue for discussion at Houston but it might not lead to a uniform approach unless it was an agreement to study the feasibility of providing help. The United States was not prepared to put money down the tubes as they had in Poland in the 70s. They already had technical cooperation programmes with the Soviet Union but these had made no real headway. Baker alluded to a letter from Gorbachev to the President setting out the Soviet Union's economic needs. These included technical cooperation and help with management training, ie a number of areas where help was already forthcoming and more help could be provided.

12. Dumas said we must be consistent with our own logic. Here we had a man, Gorbachev, who was trying to transform his country. It could not be done overnight. We had agreed in NATO that the changes in the Soviet Union were sufficient for us to send out a clear message to the Soviet Union and the Warsaw Pact supporting political reform. Now Gorbachev was drawing our attention to his economic difficulties. His success in dealing with them would determine whether or not his political changes worked. At Houston, we must respond and it was inconceivable that we should say yes to Gorbachev in London and Dublin and no in Houston.

13. Baker did not think there was a significant disagreement. There were a number of points in Gorbachev's letter, such as technical cooperation, where we could provide help. If people wanted to go further at Houston and come up with guidelines and principles to govern Western help to the Soviet Union, the United States would join in, though some of the US concerns might be different from those of others. It might not concern the Europeans, for example, that the Soviet Union were continuing to supply MIG 29s for Cuba and that Castro was fomenting trouble in the American hemisphere. But that was a

source of real concern to the American people.

14. Genscher thought it would be possible to say at Houston that the West was supporting Gorbachev's economic reform policy and were ready to provide practical help. Some countries would make that help dependent on further steps. Others, like France and Germany, would not. The Secretary of State thought that we could give a positive response to Gorbachev. We had not given 100 per cent support in Dublin. We would not say no to him at Houston. Genscher hoped that Houston could say more than had been possible in the G24 earlier in the week. Baker attached importance to involving the expertise of the IMF and others. The Secretary of State drew attention to the World Bank and IMF concerns about rushing in to support the Soviet Union without proper assessment.

15. It was noted that Sherpas were already trying to work on language for Houston and it was agreed that their attention should be drawn to this discussion.

OTHER HOUSTON ISSUES

16. Baker said that aid to the Soviet Union, the environment and trade (notably the Uruguay Round) would be the big issues for Houston. He had talked to the Commission at the G24 meeting. It was important to make progress on agriculture. He wondered if the de Zeeuw report provided a vehicle for progress.

17. Neither Baker nor any of the other Foreign Ministers saw any difficulty with the Political Declaration. Baker thought the Summit would need to address loan policy to China. The Japanese would be willing to see some consolidated restraint maintained in the international financial institutions but they would wish to go ahead with their own bilateral loan. Recent events had shown that the Chinese could be influenced by a coordinated international approach. That was one reason why Fang Lizhi had been released. Maintaining some restraint on multilateral lending would also be important if the renewal of

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MFN status for China was not to be put at risk in the US Congress.

LATIN AMERICAN DEBT RELIEF

18. Baker described the President's recent proposal. It was limited to Latin America though it would prompt others, eg Poland and Egypt, to ask for similar treatment. The US had not felt able to go beyond Latin America in bilateral arrangements, though they might join in a multinational effort for Poland. Canada had indicated that debt relief for Poland would be very costly for them. In Latin America, the US Government would be offering to forgive between 20-80% of official US debt for countries which undertook meaningful reform. This was in part designed to match the effort which commercial banks were being asked to make in the Brady Plan. Zoellick said the plan would involve a total of US\$7 billion of US official debt. The countries concerned would be asked to make payments of principal only. Interest would be paid at a low rate in local currency and used for environmental projects.

19. Baker referred to the Toronto initiative on debt in Sub-Saharan Africa. He thought that countries like Bangladesh and Togo had a fair point in arguing that those arrangements should be extended to them.

MIDDLE EAST

20. Baker said that Shamir's response to the US had not been black and white. There was some daylight as well as a lot of dark. The Administration had responded to Shamir that they were willing to explore the potential for daylight but would not take part in an illusory process. He did not know whether it would be possible to work with this new Israeli Government.

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