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GERMANY:

Anglo-German
Relations
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From the Private Secretary

2 December 1988

Dear Stephen,

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL
AT THE RODOS PALACE HOTEL IN RHODES ON 2 DECEMBER

The Prime Minister had a discussion with Chancellor Kohl over breakfast at the Rodos Palace Hotel this morning. The Chancellor was accompanied by Herr Hartmann and Dr. Neuer. It was a very friendly meeting lasting some one and a half hours with broad agreement on all the main points.

Bilateral Relations

The Chancellor confirmed that the next bilateral summit in February would be in Frankfurt. He hoped that the Prime Minister would come over the night before. They might go to a concert together or something similar. The Prime Minister said she would be very glad to come: she had never been to Frankfurt.

The Chancellor continued that he would also like to invite the Prime Minister to spend a weekend privately with him and his wife at their home near Ludwigshafen later in the Spring, when the weather was better. The Prime Minister could fly to Ramstein from where it was only 30 minutes drive. The Prime Minister said this was very kind of the Chancellor and she accepted with great pleasure.

The Chancellor said he would very much like to be able to talk to the Prime Minister more often on the telephone, even if there was no particular subject to discuss. A general talk for a quarter of an hour every fortnight or so would be very helpful. He wanted them to be seen to be in regular touch. The Prime Minister said that she would be very ready for this. But it would be important to have a secure line. The Chancellor suggested that perhaps a special line should be installed. It was agreed to look at the possibilities for this.

NATO Summit

Chancellor Kohl said that he was very much in favour of a NATO Summit in London to mark the Alliance's 40th anniversary. His preferred time was between mid April and mid May. After that there were already a large number of international meetings to fit in, as well as the European elections.

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The Prime Minister said that she thought it very important that the new American President should be seen to have an early meeting with other NATO Heads of Government. She had thought it might be more convenient for him if the meeting were close to the Economic Summit so that he did not have to make two journeys to Europe. Chancellor Kohl said that if he and the Prime Minister both asked President-Elect Bush to come earlier, he believed he would do so. The Prime Minister added that she had mentioned the idea of a NATO Summit to President Mitterrand who said he would reflect on it. He was not opposed.

Arms Control

Chancellor Kohl said that an early NATO Summit would help him push through agreement within the German Government on a comprehensive concept for arms control. There would be an internal German meeting in early January and he intended to set a target of agreement in NATO by mid March. The Prime Minister said the sooner the comprehensive concept was agreed the better. Some people seemed to want to slow down discussion for political reasons. It was necessary to take decisions on modernisation of NATO's nuclear weapons by the middle of the year, in particular on the replacement of LANCE. Chancellor Kohl agreed: he wanted both issues - the comprehensive concept and the modernisation decision - out of the way before the European elections.

European Council

Chancellor Kohl asked how the Prime Minister saw the Rhodes Council. The Prime Minister said it should be a reasonably gentle occasion. The Council should take note of the Commission's internal market report and confirm the priorities agreed at the Hanover European Council. If necessary she would have to make clear our firm opposition to harmonisation of indirect taxes. When it came to the social dimension, she could not accept some of the proposals being discussed, such as worker participation. We had done a survey of our industrialists and they were opposed to it. If there was to be a European Company Statute, it must be a minimal one. She did not expect monetary issues to feature: that was a matter for the Madrid Council. It was important that Britain and Germany should give a strong lead in ensuring that the European market remained open to the world after 1992.

Chancellor Kohl agreed with the Prime Minister's analysis. He thought there would be little appetite for discussion on the internal market. A European Company Statute should be a framework or an umbrella, under which countries could preserve their own practices on matters such as worker participation. He also agreed that monetary matters should be left over for Madrid. He would indeed speak up strongly for keeping Europe's markets open.

South Africa

Chancellor Kohl said he had seen Mr. Leutwiler who would be happy to act as a joint emissary and use the agreed speaking note. That said, he was not particularly optimistic of movement. But it was important to try. He had found President Botha frustrated, bitter and tense when they had met at Strauss' funeral. Botha had asked what the West would give him if he were to release Mandela. The Chancellor had replied that they would get nothing specific, only a considerable improvement in the psychological climate. He had warned Botha that he and the Prime Minister were the only two people prepared to stand firm against sanctions. They must therefore have something to show for their efforts.

The Prime Minister said that there were some hopeful signs in the present situation, such as the reprieve of the Sharpeville Six and the announcement that Mandela would not be returned to prison. She thought Mandela's release would lead to less international pressure for sanctions and more for negotiations. The agreement on Angola and Namibia was also an important step forward. She would be seeing Mr. Leutwiler next week. If news of his mission were to leak then, she and the Chancellor should agree a line for public use. The Prime Minister added that, if President Botha were to travel to New York for the signature of the Angola agreement, she would probably agree to see him.

Chancellor Kohl noted with satisfaction that he and the Prime Minister were absolutely at one on this issue. They should discuss the situation again when Leutwiler returned from South Africa.

Tornado for Jordan

The Prime Minister said that she would be seeing King Hussein on 5 December and must be in a position to tell him where matters stood on credit for Tornado. Chancellor Kohl said that the Prime Minister could tell him all was well: an agreement had been reached with the German banks.

The Prime Minister referred to Oman's difficulties over Tornado because of the drop in oil prices. She had promised the United Kingdom would look at ways to alleviate the burden. But it would be essential for Germany to help as well. Chancellor Kohl made no comment.

Arab/Israel

Chancellor Kohl asked whether the Prime Minister had any intelligence of an intention on the part of the Greek Presidency to seek a new statement at the European Council on Arab/Israel. The Prime Minister said that she saw absolutely no need for this. We should stick to the text already agreed by the Foreign Ministers. She had given a cautious welcome to the communique issued by the Palestine National Council,

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even though it was unsatisfactory in many respects. The key to the future was to persuade the new United States Administration to bring pressure to bear on Israel. One of our motives in abstaining on the recent United Nations resolution on granting a hearing to Arafat was our wish to preserve our influence with the United States on these matters.

Chancellor Kohl very much agreed that no further statement was needed from the European Council. There were rumours in the Greek press of an invitation to Arafat to come to Rhodes. He would be strongly opposed to this, although he did not take the possibility at all seriously. He agreed that both Britain and Germany should press the new United States Administration to give a high priority to Middle East questions. But he was pessimistic about the prospects for negotiations. Israel was growing steadily away from European traditions and it would become progressively more difficult to persuade them to negotiate.

Libya

The Prime Minister referred to reports that German firms had supplied chemicals to Libya which could be used in the manufacture of chemical weapons. When we had encountered similar problems with British companies in the past, we had introduced export licensing for certain destinations, so that we could exercise some control. The Germans ought surely to do the same. Chancellor Kohl said that the Federal Republic did intend to legislate. There were suspicions about the activities of one particular German firm. He would find it very helpful to have details of our legislation so that the Germans could copy our example. The Prime Minister undertook that we would arrange for the necessary details to be given to the Federal Chancellery.

I am copying this letter to Alex Allan (HM Treasury), Brian Hawtin (Ministry of Defence), Neil Thornton (Department of Trade and Industry) and Trevor Woolley (Cabinet Office).

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

J.S. Wall, Esq.,
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