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From the Private Secretary

12 January 1989

PRIME MINISTER'S MEETING WITH THE
GOVERNING MAYOR OF BERLIN

The Prime Minister had a talk this evening with the Governing Mayor of Berlin. Herr Diepgen was accompanied by the German Ambassador. Mr. Burton, Minister at the British Military Government, was also present.

The Prime Minister complimented Herr Diepgen on Berlin's economic performance and on his success in projecting West Berlin to the wider world. She referred to the forthcoming elections, and invited Herr Diepgen to give an account of Berlin's situation and prospects.

Herr Diepgen waved away the elections as routine. There had been a considerable change for the better in Berlin's situation and outlook since his first meeting with the Prime Minister some years ago. Rather than a decaying city with an aging populace, the population was increasing. Official predictions had expected it to reach 1.7 million by 1990. In fact it was already more than 2 million. The city was absorbing a considerable number of immigrants from the Soviet Union and Eastern Europe, about 20,000 altogether in 1988. 10,000 of these were from East Germany and the remainder from the Soviet Union and Poland. He expected the population to stabilise around 2.1 million. Plenty of new jobs were being created. Berlin's links with the West had improved considerably and there was much more traffic using them. The city's problems were those of success, principally the need for new housing.

Herr Diepgen continued that there had also been improvements in West Berlin's contacts with the GDR. For instance there was better cultural cooperation, with cultural exhibitions from West Berlin permitted in various parts of the GDR. He had been allowed to open some of these in his official capacity. However, Honecker continued to face major problems and his regime was unable to work with the East German people. The difficulties were aggravated by the fact that East Germans could watch West German television which constantly reminded them of how much better life was in the West. Honecker continued to work doggedly for wider

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international acceptance of the GDR. His goal now was to be invited to visit the United Kingdom and subsequently the United States. That offered us some leverage.

Herr Diepgen said that, in a way, Berlin's problems lay more with the Soviet Union than with the GDR. This had been evident from Chancellor Kohl's visit to Moscow and the continued Soviet refusal to accept Berlin's ties to the West. His conclusion was that solutions to Berlin's problems had to be sought in the context of wider East/West issues. For instance, the Soviet Union had accepted a Berlin clause in the EC/Comecon Agreement where it had a clear interest in reaching agreement. It should be pressed to accept similar clauses in other contexts. Some way had to be found to bring the special nature of West Berlin more directly to Mr. Gorbachev's attention. Mr. Gorbachev's reforms in the Soviet Union offered wider opportunities for East/West cooperation which the West should encourage. Such cooperation offered the best hope of solving Berlin's problems.

The Prime Minister said that Mr. Gorbachev was inevitably very much preoccupied with internal problems in the Soviet Union and with reaching a new relationship with the United States. He would not want to face more problems than necessary over Berlin. Indeed he would prefer to keep that front stable. It was too early to say whether his reforms would succeed or whether the Soviet Union might not slip back into something approaching Stalinism. The Soviet leaders had no conception of how to operate a market economy. Nor did people in the Soviet Union show much inclination to accept responsibility or take initiatives. Herr Diepgen interjected that he too was quite pessimistic about the prospects for reform in the Soviet Union. Nonetheless he was keen to see the West take practical initiatives such as data exchange, mutual recognition of product standards and so on. The COCOM list was far too extensive and there were too many unnecessary restrictions on economic cooperation with the East, although he recognised the need not to transfer defence technology. The Prime Minister said quite sharply that we must not fall into either of two traps: handing over our technical expertise to the East or making our own economic progress hostage to cooperation with them. She emphatically did not agree about the COCOM list. We should be patient and work for steady if unspectacular improvement in relations, recognising that Mr. Gorbachev had got as much on his plate as he could cope with.

Herr Diepgen asked how far the Prime Minister thought countries such as Hungary would be allowed to push their economic reforms. The Prime Minister said that the Hungarians had a very acute awareness of the limits beyond which they could not safely stray. They would continue discreetly to push forward those limits, being careful never to go too far. Poland faced much more difficult problems. She had been depressed by her visit there and did not see how the economic difficulties could be overcome. The German Ambassador commented that Mr. Rakowski would be visiting Bonn later this month.

The Prime Minister commented subsequently that Herr Diepgen continued to have rather naive views about East/West cooperation.

I am copying this letter to Brian Hawtin (Ministry of Defence).

(CHARLES POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

T e l e g r a m

from

Herr Eberhard Diepgen, Governing Mayor of Berlin

to

Her Excellency

The Rt.Hon. Margaret Thatcher, MP

Prime Minister and First Lord of the Treasury

Dear Prime Minister,

Thank you very much for the opportunity to hold extensive talks on 12 January 1989. In all my talks with representatives of the British Government, and particularly with you, I gratefully experienced once more Great Britain's steadfast attitude.

Towards Berlin, I was especially gratified by your personal interest in Berlin's economic and demographic development. I should be pleased if we could continue our exchange of ideas on another occasion.

Yours faithfully

(sgd.) Eberhard Diepgen

DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND

Baron Hermann von Richthofen

London, 31 January 1989

Dear Prime Minister,

I have the honour to transmit to you the enclosed message
from Herr Eberhard Diepgen, Governing Mayor of Berlin.

I am, dear Prime Minister,

Yours sincerely

Hermann Richthofen

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

London