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From the Private Secretary

22 February 1989

Dear Stephen,

ANGLO-GERMAN SUMMIT: THE PRIME MINISTER'S SECOND MEETING
WITH CHANCELLOR KOHL

The Prime Minister and Chancellor Kohl had a further talk on the morning of the second day of the Anglo-German Summit in Frankfurt on 21 February. Again Herr Teltschik was present. Foreign Ministers and Ambassadors joined the meeting for the final twenty minutes.

Modernisation of NATO's SNF

The Prime Minister and Chancellor Kohl reviewed their discussion of the evening before and agreed a line which both would use at the press conference (text enclosed). Chancellor Kohl said that he would also make the text the basis of his position in the further Bundestag debate on modernisation which he expected soon.

Chancellor Kohl proposed that there should be discussions between his office and No. 10 to prepare for the further meeting between the Prime Minister and himself in late April/early May. He was anxious that the two Governments should have an agreed position by the time of the NATO Summit. The Prime Minister said that intensive preparation for their further meeting would clearly be necessary.

Poland

The Prime Minister recalled her visit to Poland in November. There had been interesting political developments since then. She hoped the Chancellor would take the same position as she had done on the question of further credits: there must be political change to create the right conditions for successful economic reform: and there had to be agreement with the IMF. The Polish Government had

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actually made considerable progress since her visit. Chancellor Kohl said that Prime Minister Rakowski had commented that the reform process in Poland was doomed to success. The fact was there could be no progress without Solidarity. The Prime Minister said that Solidarity spoke for the hopes of the people of Poland.

South Africa

The Prime Minister said that President Botha's stroke created a new situation in South Africa. She was determined that the West should not isolate the new generation of South African leaders. We were in the process of arranging for Pik Botha, du Plessis and De Klerk to visit Britain in the first half of this year to try to influence their thinking. It was important to take advantage of President Botha's probable withdrawal from active politics over the next few months to secure Mandela's release and the opening of negotiations between Government and black leaders. Chancellor Kohl expressed interest in the proposed visits by South African Ministers, and suggested that it might be useful for him to see some of them too. It was agreed that we would keep him informed on dates.

The Prime Minister said that she and Chancellor Kohl owed the South African Government some reply to the overtures made during Leutwiler's visit and subsequently about what action Britain and Germany might take following Mandela's release. We had prepared a form of words which might be the basis of such a reply. She handed this over. Chancellor Kohl had it interpreted and commented that it sounded very much on the right lines. He wondered how the Prime Minister envisaged its delivery. Should Leutwiler be asked to go back again? Or should he and the Prime Minister write separate but identical letters? This should be discussed further between his office and No. 10. It might be best to delay a response for a few weeks until President Botha's fate was clearer. He was open to suggestions on this. One point of which he was absolutely certain was that things would continue to get worse in South Africa while Mandela remained in prison.

The Prime Minister mentioned the work being done by the Urban Foundation, in particular on housing. This deserved Western support. She had asked the Urban Foundation to let her have some specific proposals, and we would be ready in principle to give some financial support. Chancellor Kohl endorsed the Prime Minister's high opinion of the Urban Foundation. He would be prepared to consider suggestions. His greatest concern was with South Africa's growing financial problems and what he called the de-motivation of the South African economy. He was also worried how far the new US Administration was willing to stand up to pressure for further measures against South Africa.

Middle East

Chancellor Kohl asked what view the Prime Minister took of developments in Israel. The Prime Minister gave an account of her recent meeting with Mr. Arens. It was something that the Israeli Government realised that the status quo was not sustainable and that there must be negotiations. Their present positions were unrealistic and we had to work on them to accept the concept of territory for peace. She was concerned by the spread of sophisticated weapons in the area and the risk that Israel might be tempted to undertake a pre-emptive attack on, for instance, chemical weapons facilities in certain Middle East countries. Chancellor Kohl commented that this was exactly his worry.

The Prime Minister continued that negotiations had to be carefully prepared. We should discourage the idea that they should be conducted under the auspices of the two super powers alone. That would only further polarise the situation in the Middle East. The broader framework provided by the Five Permanent Members of the United Nations Security Council was preferable. At the right point, the United States Administration would have to be ready to bring strong pressure to bear on Israel. She thought that President Bush would do so.

Chancellor Kohl agreed with much of the Prime Minister's analysis. The Middle East was the most dangerous and explosive problem in World affairs. But he thought the situation in the area was propitious for a settlement. He did not expect the Soviet Union to cause much trouble. It had other problems and other priorities. But he agreed that it would be a mistake to allow the Soviet Union to become the protector of Islam. He had told Shamir that time was not on Israel's side. He was less sanguine than the Prime Minister whether the US Administration would bring the necessary urgency to the search for a settlement. Perhaps he and the Prime Minister should make a joint approach to President Bush to urge the Americans to come forward rapidly with proposals. The Prime Minister said that it would be a mistake to push the Americans. Secretary Baker had made clear that the Americans would act but must be free to choose the right time. She was not entirely pessimistic about the prospects for a settlement. Often it was precisely the hard-liners like Shamir who were best able to reach agreements. That had been true of de Gaulle in Algeria, Begin at Camp David and of herself with Rhodesia.

Low Flying in the Federal Republic

The Prime Minister expressed concern about the degree of controversy in the Federal Republic about low flying. There was actually more low flying training done over the United Kingdom than over Germany, and RAF Germany did almost half of its low flying over the United Kingdom. But our pilots had to be able to practice where they might have to fight. Attempts by the German Government to impose

restrictions were already affecting morale in our Armed Forces. The German Government should do more to explain to its public opinion why such training was necessary.

Chancellor Kohl commented only that the matter was very contentious in Germany. But he was constantly telling people that such training had to go on.

Tornado

The Prime Minister said that the United Kingdom could not continue to be the only country providing credit for Tornado export sales. Some way to share the burden had to be found. The same problem would occur in due course with EFA. There should be talks between officials to find a solution. Chancellor Kohl did not demur.

Extradition Request

The Prime Minister told Chancellor Kohl that we were submitting a request for the extradition of Gerard Hanratty, currently in custody in the FRG. Chancellor Kohl appeared unaware of the case but said that he would inform himself.

Environmental Issues

The Prime Minister explained the reasons why Britain would not be attending the Conference in the Hague on 11 March to discuss Monsieur Rocard's environmental initiative. It was ill-prepared, and the draft declaration provided for a supra-national authority, for sanctions and for compensation, none of which could we accept. Four of the Five Permanent Members of the United Nations Security Council would not be attending the Hague meeting. She was surprised that Germany felt able to subscribe to the declaration.

It was clear from the subsequent conversation between Chancellor Kohl and Herr Teltschik that neither of them had the faintest idea what was in the draft declaration. Chancellor Kohl said that he would now study it.

Chancellor Kohl expressed concern about projects to be financed by the World Bank to build dams in Brazil, which would have the effect of further depleting the tropical rain forests. He thought it was madness to give financial help for projects which would have such a devastating affect on the global environment. He would ensure that we were kept informed of the German's decision. The Prime Minister said that she was not aware of the projects in question.

Delors Committee

The Prime Minister said that she was concerned by what she had heard of the trend of discussions in the Delors

Committee. They seemed unlikely to lead to the impartial and objective report which Heads of Government had commissioned. The report ought to describe what Economic and Monetary Union would involve and spell out starkly the consequences in terms of loss of national sovereignty over economic and monetary policy. Chancellor Kohl commented that, from all he had heard, the Central Bankers were rapidly coming down from the clouds. People in the Commission in Brussels might want something different but they would have to learn realism.

The Prime Minister referred to her concerns about the tendency of some European Governments to impose dirigiste policies in Europe. We would not accept the imposition of worker participation. The purpose of creating a single market was to give greater freedom not to introduce even more regulations. We had not fought off Socialism in Britain to see it re-enter through a back door in Europe. She hoped that Chancellor Kohl was alive to these dangers. Britain and Germany had a common interest in resisting this trend. Chancellor Kohl contented himself with saying that he certainly did not want a Socialist Europe. Each country should be free to pursue its own practice on worker participation.

At this point the Foreign Ministers joined the meeting.

Iran

Herr Genscher reported his discussions with the Foreign Secretary on Iran. Now that the Twelve had reached a common decision, they should seek wider support for it among other NATO and OECD countries, and perhaps also bodies like the Gulf Co-operation Council (GCC). He would be discussing this with other Foreign Ministers attending Emperor Hirohito's funeral in Tokyo. The Prime Minister said that we were extremely grateful for the support which we had received from Germany and other Members of the European Community. But she doubted the wisdom of trying to enlist the support of other Muslim countries against Iran.

Namibia

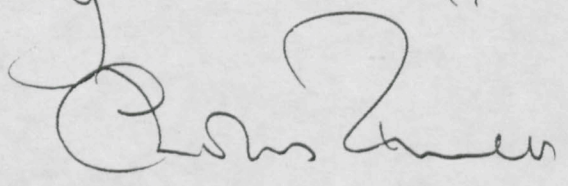
Herr Genscher said that he and the Foreign Secretary had also discussed Namibia. It was important to make a success of the Namibia Agreement. This would encourage supporters of reform in South Africa itself. The Prime Minister commented that the need to support the agreements reached on Angola and Namibia was a further argument against sanctions. We should ensure that the internal parties in Namibia received as much help as SWAPO would undoubtedly obtain. Herr Genscher said that Germany was already giving such assistance, although he would not like to be quoted to this effect.

Conventional Arms Reductions

Herr Genscher reported that he and the Foreign Secretary had discussed the continuing Turkish difficulties with NATO's opening position for the talks on Conventional Forces in Europe. He would be discussing this with Secretary Baker in Tokyo and hoped that Britain, Germany and the US could together persuade the Turks to drop their objections. NATO could not enter the talks divided. The Prime Minister said that Turkey had been given a raw deal. It was important not to make Turkey feel rejected or isolated. This applied just as much to her application to join the European Community. These matters had to be handled very sensitively. Herr Genscher said that President Evren was probably the only person with whom one could negotiate a solution. Chancellor Kohl said that the Turks must be treated as well as possible, both in NATO and in relation to their EC application.

At this point the discussions were adjourned to enable the plenary session to begin.

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

Yours sincerely,


CHARLES POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office

SNF MODERNISATION: LINE AGREED FOR PRESS CONFERENCE
BETWEEN THE PRIME MINISTER AND CHANCELLOR KOHL

This year we celebrate the 40th Anniversary of NATO. It has assured peace with freedom for the last 40 years. A strong and united NATO will remain just as vital in future.

Political solidarity and military strength provide the basis for dialogue, for East/West cooperation and for arms control. Within these common goals, we reaffirm the Declaration of the NATO Summit of 3 March 1988 in Brussels. There we joined together in confirming that our strategy of deterrence depends upon an appropriate mix of effective nuclear and conventional forces which will be kept up to date where necessary.

We welcome the forthcoming NATO Summit at the end of May in Brussels. We will do everything we can to make this a success for the Alliance and for us all. We have therefore agreed to work closely together to prepare the Summit and to meet again at the end of April for a personal talk. I have invited Mrs. Thatcher to my home for this.