



Foreign and Commonwealth Office

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London SW1A 2AH

27 April 1989

Dear Charles,

Meeting with Chancellor Kohl: Deidesheim, 30 April

The meeting was agreed in principle and announced at the Summit on 20-21 February. Deidesheim is near Kohl's home town of Ludwigshafen and is a Rhine valley wine-growing area. There will be a session of talks from 1145-1300, followed by lunch and a press conference. I attach a programme (still subject to Kohl's approval).

Kohl is under intense domestic political pressure. The results of the European elections might well determine his future as Party Leader even before the general elections in December 1990. His recent Cabinet reshuffle and policy statement today are intended to restore domestic confidence in him.

SNF and the NATO Summit will clearly dominate the meeting. Events are moving very fast. I am writing separately on this. On low-flying, of which the previous Defence Minister Scholz made such a meal, both the Germans and we prefer now to let Stoltenberg read himself in before pursuing the issue.

German reactions to Gorbachev contribute to our current problems. It would be very helpful to give Kohl an account of Gorbachev's visit here, pointing up Gorbachev's own appreciation of the economic and political problems ahead of him and his hard line on arms control issues.

Gorbachev is visiting Bonn on 12-15 June and the Germans are negotiating a joint declaration to be issued during the visit. The Germans may be reluctant to challenge the obvious shortcomings in Gorbachev's concept of a "Common European Home" and may prove easy meat for Gorbachev. It would be helpful to underline that with Gorbachev a warm atmosphere and frank talking are perfectly compatible.

Polish/German relations are beset by problems ranging from treatment of the German minority in Poland to economic aid. Kohl's visit has again been postponed, though von Weisäcker might visit for the 50th anniversary of World War II. There are differences in Bonn over Poland, with the Finance Ministry taking a tough line; but the Germans are likely to offer economic help. Kohl may seek our views. We

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believe that the historic step in Poland should certainly be acknowledged. But we should still continue to insist on an arrangement with the IMF and signature of bilateral debt agreements before considering further long-term Paris Club rescheduling or new credits. In the Community there is general agreement that the approach to negotiating a trade and economic cooperation agreement with Poland should take full account of Polish progress on reforms. We need to be flexible and imaginative in looking at other ways to help the Poles: eg sharing our expertise in management, financial and other economic services, and in running a functioning democracy and independent judiciary. We are working on a package.

It would be helpful to brief Kohl on our exchanges with Gorbachev over CW. We have told him frankly of our doubts over Soviet claims and are continuing to press in Moscow for the true facts. The NATO Summit communique might usefully underline the need for Soviet openness on CW. Kohl might suggest setting a target date for the conclusion of a CW Convention. Much detailed negotiation remains to resolve the complex problems outstanding in Geneva. Artificial deadlines would put the West under pressure to agree unsatisfactory provisions.

Kohl might refer to new German proposals for additional CW-related export controls. We are studying these. To be effective, export controls must be well-targeted and cause as little disruption as possible to legitimate trade. On the Rabta plant in Libya, the Prime Minister may like to stress the need to prevent Qadhafi gaining any propaganda initiative by opening the plant for inspection. As it could be converted quickly to innocent use, and back, such inspection would prove nothing.

On EC issues, we want to focus efforts on the Single Market and the priorities set last year at Hanover, in particular banking and investment services, and public procurement.

The Danes and Greeks have joined the UK, Luxembourg and the Netherlands in opposition to the Commission's proposal on Withholding Tax. The Federal Government announced the abolition of their own highly unpopular tax on 25 April. It is not yet clear how this will affect the German position (hitherto favourable) on the proposed EC tax. We see no need for the Commission's proposal. It involves large risks; it will not work, and it will damage financial markets.

The Germans have strongly supported the Commission approach on Indirect Tax, since they see tax approximation as essential for the abolition of fiscal frontiers. But there are signs they are willing to consider alternatives. The Commission's recent change of position on indirect tax and its willingness to consider alternative approaches is very

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significant. The UK approach offers immediate and practical steps which would lead to the abolition of fiscal frontiers.

It would be helpful to stress the importance of action against fraud. Progress is needed by the Madrid European Council. ECOFIN made useful progress in March, and will revert to the issue in early June.

If there is time, it may be worth raising frontiers, on which the group of 'coordinators' set up at Rhodes are drafting a report to the Madrid Council. We want to avoid wrangling on legal issues and concentrate instead on areas for practical cooperation (such as extradition, asylum policy and TREVI work on combatting terrorism and drug smuggling). We want to remove unnecessary controls, while retaining all those we need for security. Kohl told the CDU Conference on 12 April that, while frontier abolition had economic advantages, people had a right to expect that security would not be affected. This could perhaps be commended. We also agree on the need for greater police cooperation, but Chancellor Kohl's idea of a Euro-FBI goes too far too fast.

Social issues will be on the Madrid agenda. The Commission are working on proposals for a "Social Charter", which the French Presidency is likely to pursue. If Kohl raises this, our concern is not to dilute the deregulatory message of 1992. If he raises worker participation, in the draft 5th Company Law Directive or a European Company statute, the Prime Minister might warn that while we have no desire to interfere with German practice, we shall not accept interference with ours.

The Prime Minister might point out that completion of the Single Market will help to remove structural rigidities in the German economy which restrict the growth of German domestic demand and which contribute to Germany's trade surplus. Reducing world trade imbalances will be one of the major subjects at the Paris Economic Summit in July though we, like the Germans, see the control of inflation as the main priority. Kohl is apparently interested in the link between debt and the environment ("debt for nature" swaps) and sees both issues as a priority for the Paris Summits (as do most other participants). If creditor banks and debtors wish to negotiate a link between the two we see no objection, but oppose Government involvement with the consequent transfer of risk from the private to the public sector.

The Treasury have written to you direct on EC monetary issues.

On terrorism the Prime Minister might express regret about the death on 17 April of a German explosives expert who was examining a device in a radio tuner seized from PFLP-GC terrorists in Frankfurt. The significance of the Frankfurt

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investigation for Lockerbie is increasingly evident, as the Germans may now have heard from their Police and intelligence authorities. But our common task of tracking down these murderers has some way to go. Proper coordination of measures to make aviation safe must remain a priority for us and our partners.

There may not be time for regional issues but if there is, a short exchange on Arab/Israel and South Africa would be useful. On Arab/Israel, as the Prime Minister said in Morocco, three things are needed for negotiations to begin: the influence and resolve of the United States with Israel; the support of the Five; and the direct involvement of Palestinian representatives from both inside and outside the Occupied Territories. The Twelve have agreed to continue discreet contacts with the parties; Shamir's visit in May is part of our contribution to this. But the main burden rests with the Americans. Shamir's plan for elections in the Occupied Territories will work only if these are seen as part of a process. The Palestinians should not dismiss the proposals out of hand; but they can reasonably demand that elections should initiate a process leading to a political settlement. We should say so to the Israelis and tell them it is our firm view that the political process initiated by elections should include an International Conference, even though this may be still some way off.

Kohl may raise Lebanon. Our main objective is to encourage the Arab-League's efforts to promote a ceasefire and settlement. We are prepared to consider a major humanitarian effort once a ceasefire is in place.

On South Africa Kohl will be keen to have directly from the Prime Minister an account of her meetings with Pik Botha (on which Sir C Mallaby has briefed Teltschik) and Barend du Plessis. She might like to give Kohl an account of her African tour and talk of the climate for positive change in South Africa. The new generation of leadership in South Africa will need to be given encouragement to take bold initiatives on reform. If we do not see early progress, there is likely to be renewed pressure for further sanctions. In particular, the Bush administration may be prepared to compromise with Congress on sanctions in their search for bipartisanship in foreign policy. We must use our programme of thickening contacts with South African leaders to encourage them in the direction of reform and we hope that the FRG will continue to work with the UK towards this goal.

You wrote to Teltschik on 22 March about the Urban Foundation's proposal to establish a housing loan guarantee for black South Africans. We have yet to receive a reply. It would be worth a reminder. We envisage contributing some 2 million Rand to a total fund of 20 million Rand. We have also commended the project to the US, Swiss and Japanese

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Governments.

Kohl may raise the Missile Technology Control Regime (MTCR), of which both the UK and FRG are members, and in particular the recent Panorama programme "the Condor Conspiracy". This featured an interview with Mr Waldegrave and covered in some detail the alleged involvement of West German companies (notably MBB) in the Condor ballistic missile being developed by Argentina, Egypt and Iraq. The German authorities' decision to investigate the companies concerned is welcome. We have no evidence of any illegal UK involvement in the Condor project.

I am copying this letter to Trevor Woolley (Cabinet Office).

Jaws.
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

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MEETING WITH CHANCELLOR KOHL, DEIDESHEIM, 30 APRIL
PROGRAMME (STILL SUBJECT TO CONFIRMATION BY KOHL)

1100 Arrive USAF Ramstein on RAF HS-125
Met by Neuer or Teltschik
Embark Helicopter for flight to
Deidesheim

1120 Arrive Deidesheim. Met by Kohl

1130 Arrive Town Hall for Golden Book Signing
Ceremony and possible sampling of local
wine

1140 Walk across village square to Deidesheimer
Hof Hotel. Greeted by Manager, Herr Hahn
Proceed to Personal Suite

1145-1300 Talks (Prime Minister, Mr Powell,
Chancellor, Herr Teltschik, Dr Neuer,
Interpreter)

1315 Lunch in private dining room
Participants as above

1445 End lunch and talks

1500-1530 Meeting with the Press in Hotel
Short statements. Time for a few
questions

1545 Sightseeing begins. Involving the
Chancellor, the Prime Minister, Herr
Teltschik, Mr Powell, Dr Neuer

1800 Farewell from Chancellor Kohl (Location
not announced). Departure for Ramstein by
helicopter

1830 Depart Ramstein for London

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Foreign and Commonwealth Office

London SW1A 2AH

28 April 1989

Dear Charles,

Cooperation with Czechoslovakia on the Detection
of Explosives

The Prime Minister may wish to be aware of recent developments on the marking of explosives as background for her meeting with Chancellor Kohl.

In bilateral official talks in Prague on 26/27 April, we reached agreement on joint work with the Czechs towards an International Convention for the marking of explosives. The aim is to require countries to ensure that all plastic explosive contains a chemical additive detectable by existing detection systems. It will take some two years to identify and test a suitable additive. Our aim is to establish a diplomatic process which would produce a draft Convention in a similar time frame; the technical specification would be annexed. We have kept our EC and Summit Seven partners informed of our discussions with the Czechs. The Germans have expressed firm support for a Convention.

We hope that the tragedy at Lockerbie can be used to give impetus to this advance in the fight against terrorism. We also see, in the Czech readiness to cooperate in this way, evidence of changing attitudes in Eastern Europe.

I am copying this letter to Trevor Woolley (Cabinet Office).

Yours,
Stephen Wall

(J S Wall)

Private Secretary

C D Powell Esq
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