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SUBJECT cc MASTER

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From the Private Secretary

10 November 1989

Dear Stephen,

EAST GERMANY

Chancellor Kohl telephoned the Prime Minister this evening to discuss developments in East Germany.

The conversation opened with the Prime Minister remarking that it was a great day for freedom. Chancellor Kohl said he wanted to give the Prime Minister his impressions following his visit to Berlin. But he would start by making a few remarks about Poland where he was returning tomorrow. The situation there was very difficult and the Poles needed support. The new government was not very practised in the art of politics but had great idealism. He would be writing to the Prime Minister and other colleagues at the end of his visit to give fuller impressions and make some suggestions. But there was one urgent point. The Poles were in negotiation with the IMF and he had urged them to get things straight as rapidly as possible. It is no less important that the IMF itself should act rapidly. He hoped that the British representative could be instructed to encourage the IMF to get through the negotiations with Poland as soon as possible, so that they could be completed by the end of November or early December at the latest. That would give the Polish Government a clear basis on which to pursue their economic policies. The Prime Minister said that she would discuss this with the Chancellor of the Exchequer. We certainly wanted to see the negotiations with the IMF completed as soon as possible. She asked Chancellor Kohl to give the new Polish government and General Jaruzelski her warm regards.

The Prime Minister said that she had been watching the scenes in Berlin on television both last night and this morning. They were some of the most historic which she had ever seen. She was anxious to hear Chancellor Kohl's impressions. It seemed to her that the most important task now was to establish a genuine democratic government in East Germany. Chancellor Kohl said that the scene in Berlin was incredible. There were hundreds of thousands of people in the streets. He had attended a rally organised by the Senat, at which there had been a lot of left wing rowdies. Following that, the CDU had organised a rally with between 120 - 200,000 participants, at least half of whom

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were from East Berlin and elsewhere in the GDR. Enormous numbers of people had passed through the wall into West Berlin during the day, mostly just to have a drink, look around the shops and wander about. The most noticeable thing was that they were all happy. The Chancellor continued that he had visited Checkpoint Charlie and spoken to the young British soldiers there. They had never experienced anything like the scenes in their lives, with thousands of people going in both directions.

Chancellor Kohl said that one could not avoid the conclusion that the political system in East Germany had been mortally wounded. He was not sure what would happen next. A new government would probably be formed next week. But there still seemed to be two groups fighting for leadership of the Party. One group continued to believe that the GDR could do without pluralism. The other group was ready to follow the example of Poland and Hungary, but at least for the time being they were in a minority. Without real change, he did not think the situation would calm down. More and more people would leave and the economic situation would rapidly become disastrous. The next six weeks would be crucial. One thing that had struck him about the demonstrations in East Germany was the enormous discipline. He hoped that would remain the case. The West Germans would do everything possible to avoid anything provocative which could lead to conflicts or upheavals. He would like to keep in touch with the Prime Minister as the situation developed and contact her immediately if there was anything dramatic.

The Prime Minister asked whether the East Germans would take advice from anyone about the political situation. Chancellor Kohl did not think they would, for the time being at least. The Prime Minister continued that it would be a great mistake for them to do too little now. The demand for political change was so great that they must move towards genuine democracy. Chancellor Kohl said that Krenz had told him that he did not want to follow the Polish and Hungarian example. He had replied that he was very sceptical whether Krenz could succeed without doing so - and he had been proved right. The Prime Minister asked whether Chancellor Kohl was keeping in touch with President Gorbachev, who would be anxious about the turn which events had taken. Chancellor Kohl said that Gorbachev was indeed extremely concerned. He intended to speak to him within the next day or two and would say that without pluralism the situation in East Germany could not be resolved.

The Prime Minister thanked Chancellor Kohl for telephoning. It was important they should keep in touch. If he would like her to come over for half a day before the European Council in Strasbourg she would be delighted to do so. Alternatively he might like to come over here. Either way they must remain in contact. Chancellor Kohl said he thought this was a good idea and he would telephone the Prime Minister again on his return from Poland.

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The Prime Minister referred to the help our Forces in Germany were providing for refugees from East Germany. Chancellor Kohl expressed gratitude for this.

I am copying this letter to Brian Hawtin (Ministry of Defence), John Gieve (HM Treasury) and to Trevor Woolley (Cabinet Office).

Yours sincerely,

Charles Powell

CHARLES POWELL

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