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FROM PRIVATE SECRETARY

SECRETARY OF STATE'S MEETING WITH HERR GENSCHER

SUMMARY

1. TWO HOURS OF DISCUSSION CONCENTRATING ON DEVELOPMENTS IN EASTERN EUROPE. GENSCHER OUTLINES HIS THINKING WHICH IS VERY CLOSE TO OUR OWN. BRIEF DISCUSSION OF EC ISSUES. NO SURPRISES IN GERMAN VIEWS. GENSCHER SEES INTERNAL EC PROGRESS AS POSITIVE SIGNAL TO EASTERN EUROPE. BELIEVES THAT EASTERN EUROPEAN COUNTRIES MAY EACH DEVELOP A SPECIAL RELATIONSHIP WITH THE EC IN TIME.

DETAIL

2. THE SECRETARY OF STATE HAD TWO HOURS OF DISCUSSION WITH GENSCHER IN BONN THIS EVENING, FOLLOWED BY DINNER. THE ATMOSPHERE WAS VERY FRIENDLY. GENSCHER GAVE A FRANK ACCOUNT OF HIS THINKING SUPPLEMENTED, OVER DINNER, BY ANECDOTES ABOUT GERMAN POLITICAL LIFE. THIS TELEGRAM DEALS WITH EASTERN EUROPE AND THE EC. OTHER ISSUES IN MIFT.

GDR

3. GENSCHER SAID CURRENT DEVELOPMENTS WERE THE RESULT OF NATO/EC POLICY ON THE ONE HAND AND GORBACHEV'S LEADERSHIP ON THE OTHER. BOTH HAD COME TOGETHER. THE NEXT STEP IN THE GDR MUST BE FREE AND SECRET ELECTIONS NEXT YEAR. THE OPPOSITION GROUPS IN THE GDR DID NOT WANT THOSE ELECTIONS TOO EARLY. THE LIBERAL PARTY AND THE CDU IN EAST GERMANY HAD TO HAVE TIME TO GAIN THE CONFIDENCE OF THE ELECTORATE. THE FDP HAD LINKS WITH THE EAST GERMAN LIBERALS WHO WERE THE FIRST PEOPLE TO HAVE OPPOSED THE COMMUNIST PARTY. THEY HAD BEEN GIVEN SOME ENCOURAGEMENT IN THAT DIRECTION BY THE RUSSIANS. HE WAS NOT SURE HOW WELL THIS WOULD BE UNDERSTOOD AMONG THE EAST GERMAN ELECTORATE. THE CDU DID NOT HAVE LINKS WITH THE CDU IN THE GDR. GENSCHER SAID HE WOULD LIKE TO CAMPAIGN IN THE GDR ELECTIONS BUT DID NOT KNOW WHETHER THIS WOULD BE ALLOWED. THE POLITICAL PARTIES IN THE FRG WERE CONSIDERING WHAT HELP THEY MIGHT BE ABLE TO GIVE OVER CAMPAIGN

← ORGANISATION AND FINANCES. HE SEEMED HOPEFUL THAT THE SHAPE OF THE PARTIES AND ELECTIONS IN THE GDR WOULD BE ESTABLISHED BY MODROW RATHER THAN BY THE PARTY. MODROW HAD LAID DOWN TWO CONDITIONS FOR BEING PRIME MINISTER: (1) THAT THE GOVERNMENT SHOULD BE ANSWERABLE TO THE GDR PARLIAMENT NOT THE PARTY OR THE POLITBURO. (2) THAT THE GOVERNMENT NOT THE PARTY, SHOULD BE IN CHARGE OF ECONOMIC POLICY.

4. IT WAS IMPORTANT NOW TO HOLD THE GDR TO THE CONCEPT OF FREE AND FAIR ELECTIONS NEXT YEAR. HE NOTED IN PASSING THAT THE FRG AND THE GDR WOULD PROBABLY HAVE ELECTIONS IN A MONTH OR TWO OF EACH OTHER. CAMPAIGNERS IN THE GDR HAD BEEN VERY RESPONSIBLE. THEY WERE CONCENTRATING ON THE PRESSURE FOR REFORM, NOT TALKING ABOUT UNIFICATION. THE SAME WAS TRUE IN THE FRG. THE ONLY PEOPLE WHO WERE AT ALL STRIDENT ON REUNIFICATION WERE THE RIGHT-WING OF THE CDU. AT THE MOMENT, WHAT WAS HAPPENING WAS A SUCCESS STORY FOR THE GOVERNMENT'S POLICIES BUT IT WAS IMPOSSIBLE TO TELL HOW THINGS WOULD LOOK IN A YEAR'S TIME. THE SPD WERE WHEELING OUT WILLY BRANDT ON ALL OCCASIONS TO TRY TO TAKE THE LION'S SHARE OF THE CREDIT.

5. GENSCHER SAID THAT AT NO POINT OVER THE LAST FEW MONTHS HAD HE BELIEVED THAT THE SOVIET UNION WOULD USE FORCE IN THE GDR THOUGH HE HAD NOT BEEN SO CERTAIN THAT THE GDR AUTHORITIES WOULD KEEP THEIR NERVE. THE SECRETARY OF STATE DESCRIBED HIS CONVERSATION WITH ZAMAYATIN AT THE SOVIET NATIONAL DAY RECEPTION AND ZAMAYATIN'S EXPRESSION OF SOVIET NERVOUSNESS. GENSCHER AGREED THAT WE MUST CREATE A STABLE FRAMEWORK. THE SOVIETS MUST NOT FEEL THAT WE WERE TRYING TO EXPLOIT THE SITUATION OR BANKRUPT THEM POLITICALLY. HE HOPED THAT SUCH A MESSAGE MIGHT EMERGE FROM THE PARIS MEETING.

6. GENSCHER SAID THAT THE FEDERAL GOVERNMENT WERE BEGINNING TO THINK HOW THEY COULD HELP THE GDR PROVIDED OF COURSE THE GDR WERE COMMITTED TO COMPLYING WITH THE WISHES OF THEIR PEOPLE BY HOLDING FREE ELECTIONS. IT WAS NOW THE VIEW OF THE GERMAN GOVERNMENT THAT A COMMISSION MANDATE SHOULD BE AGREED FOR NEGOTIATIONS ON A GDR/EC TRADE AGREEMENT. THIS WAS NOW THE TIME TO GIVE A POSITIVE SIGNAL. THE GOVERNMENT OF THE FRG WERE ALSO THINKING OF FINANCIAL HELP TO VISITORS FROM THE GDR. THE OPENING OF THE WALL HAD HELPED TO REDUCE THE FLOW OF WOULD-BE SETTLERS. THE FLOW OF PEOPLE COMING IN HAD DROPPED FROM 10,000 A DAY TO 3,000 A DAY. AT THE MOMENT THE FRG WAS GIVING EACH VISITOR DM100 BUT THE VISITORS DID NOT WANT TO RECEIVE CHARITY. THE FRG WAS THEREFORE THINKING OF EXCHANGING THE VISITORS EAST GERMAN MARKS FOR DEUTSCHMARKS, UP TO A LIMIT OF DM300, AND IN A RATIO OF ABOUT 1 TO 4 (THE PRESENT UNOFFICIAL RATE BEING ABOUT 1 TO 10). THIS WOULD OF COURSE LEAVE THE FRG AWASH WITH EAST GERMAN

MARKS. IT MIGHT BE POSSIBLE TO USE THOSE TO FINANCE DEVELOPMENT WITHIN THE GDR, EG HOTEL CONSTRUCTION, CONTROL OF ENVIRONMENTAL POLLUTION ETC.

7. GENSCHER CONFIRMED THAT THE EXODUS FROM THE GDR HAD CAUSED STAFF SHORTAGES IN EAST GERMAN HOSPITALS. THIS INCLUDED DOCTORS. THIS POSED SOMETHING OF A PROBLEM IN THE FRG WHERE THERE WAS A SURPLUS OF DOCTORS, THOUGH FORTUNATELY MOST OF THOSE FROM THE GDR HAD A MARKETABLE SPECIALITY.

PARIS SUMMIT

8. GENSCHER SAID HE DID NOT KNOW WHAT OBJECTIVES THE PRESIDENCY HAD IN MIND BUT IT HAD BEEN RIGHT TO CALL THE MEETING. HEADS OF GOVERNMENT MIGHT CONSIDER AN APPROACH TO PRESIDENT BUSH IN ADVANCE OF HIS MEETING WITH GORBACHEV. THE FRG ALSO WANTED A COMMON EC APPROACH TO THE PROBLEMS OF EASTERN EUROPE. EAST/WEST RELATIONS WERE NOT A GERMAN MONOPOLY. THE ISSUE SHOULD BE EMBEDDED WITHIN THE EUROPEAN COMMUNITY, AND IN THE FRAMEWORK OF A LARGER EC POLICY - IF SUCH A POLICY EXISTED. A COMMON APPROACH WOULD ALSO BE A GOOD THING IN DEALING WITH THE OTHER REFORM COUNTRIES INCLUDING THE SOVIET UNION. THE SECRETARY OF STATE SAID THAT WE TOO HAD WELCOMED THE PARIS MEETING. IT COULD NOT RESOLVE ALL THE ISSUES BUT THE SORT OF ELEMENTS THAT MIGHT EMERGE WERE: (1) ENTHUSIASTIC WELCOME FOR DEVELOPMENTS IN EASTERN EUROPE. (2) A DECLARATION OF THE NEED TO HOLD FAST TO THE EC AND NATO POLICIES WHICH HAD HELPED MAKE THESE DEVELOPMENTS POSSIBLE. (3) RECOGNITION OF GORBACHEV'S ANXIETIES THE NEED NOT TO MAKE HIS TASK IMPOSSIBLE.

9. GENSCHER SAID THAT HE HAD READ, BUT WAS NOT SURE HE UNDERSTOOD, THE PRIME MINISTER'S STATEMENT THAT WE NEEDED TO BE CAUTIOUS ABOUT THE DEVELOPMENT OF THE EC IN VIEW OF WHAT WAS HAPPENING IN EAST EUROPE. GENSCHER HIMSELF BELIEVED THAT THE INTEGRATION OF THE COMMUNITY WAS ONE OF ITS ATTRACTIONS TO THE COUNTRIES OF EASTERN EUROPE. IF WE GAVE UP THE COMMUNITY'S OBJECTIVES IN STRASBOURG EG ON AN IGC, IT MIGHT GIVE THE WRONG SIGNAL TO THE REST OF EUROPE. HE HIMSELF BELIEVED THAT GORBACHEV WAS EVEN MORE IMPRESSED BY THE DEVELOPMENT OF THE COMMUNITY THAN BY THE STRENGTH OF NATO. THE COMMUNITY HAD AN ALMOST MAGICAL QUALITY FOR HIM.

10. THE SECRETARY OF STATE AGREED ON THE ROLE OF THE COMMUNITY AS A MODEL FOR EASTERN EUROPE. WE MUST HOLD ON TO THAT, BUT IT WOULD BE A PITY IF THE STRASBOURG SUMMIT COULD BE PORTRAYED AS A MAJOR ROW AMONG COMMUNITY MEMBERS. THERE WAS A GREAT DEAL STILL TO BE DONE TO FULFILL THE SINGLE EUROPEAN ACT, ON WHICH THE FRENCH PRESIDENCY HAD

NOT MADE AS MUCH PROGRESS AS WE HAD HOPED. WE HAD ALL AGREED ON STAGE I OF THE DELORS REPORT INCLUDING ERM MEMBERSHIP. GENSCHER ASKED WHETHER WE WOULD IN FACT JOIN THE ERM. THE SECRETARY OF STATE SAID WE WOULD. HE COULD NOT SAY EXACTLY WHEN BUT THE CONDITIONS HAD BEEN CLEARLY SET OUT. WE BELIEVED OUR OWN IDEAS AS PUT FORWARD IN ECOFIN WERE A MORE LIBERAL APPROACH TO EMU. WE WANTED THOSE AND THE HIGH LEVEL GROUP QUESTIONNAIRE TO BE FULLY DISCUSSED BEFORE AN IGC WAS CALLED. GENUINE DISCUSSION NEEDED TO BE HELD. GENSCHER SAID THAT THE COMMUNITY'S DYNAMIC MUST BE MAINTAINED, BUT HE DID NOT WANT A TWO SPEED EUROPE.

11. THE SECRETARY OF STATE ASKED WHAT SORT OF RELATIONSHIP GENSCHER THOUGHT THE COUNTRIES OF EASTERN EUROPE WOULD HAVE WITH EUROPE IN FIVE YEAR'S TIME. GENSCHER SAID MANY ARTIFICIAL BLUE-PRINTS WERE BEING LOOKED AT. THE TWELVE SHOULD HAVE A COMMON APPROACH. HE COULD NOT IMAGINE ANY MEMBER OF THE WARSAW PACT AS A MEMBER OF THE EC. WE SHOULD BE CAREFUL OF THESE QUESTIONS. WE DID NOT WANT TO RING RUSSIAN ALARM BELLS. HE DID NOT THINK THE COUNTRIES OF EASTERN EUROPE WOULD BE INTERESTED IN JOINING EFTA OR NECESSARILY HAVING AN EFTA-TYPE LINK WITH THE COMMUNITY. THE EC HAD DEVELOPED MANY DIFFERENT MODELS OF COOPERATION WITH DIFFERENT COUNTRIES. EACH OF THE EASTERN EUROPEAN COUNTRIES WOULD WANT A SOMEWHAT DIFFERENT FORM OF COOPERATION. THE SOVIET UNION TOO WOULD WANT SOME KIND OF AGREEMENT. THE COMMISSION HAD HAD AN IN-HOUSE DISCUSSION OF THESE ISSUES LAST WEEKEND. THEY MIGHT PRESENT THEIR VIEWS AT PARIS. THE SECRETARY OF STATE SAID THAT SIR LEON BRITTAN HAD SPOKEN OF FULL GDR MEMBERSHIP OF THE COMMUNITY. HE DID NOT THINK THAT WAS FEASIBLE. GENSCHER DOUBTED WHETHER THE GDR WOULD EVEN WANT IT.

POLAND

12. THE SECRETARY OF STATE ASKED GENSCHER FOR HIS IMPRESSIONS. GENSCHER SAID THE POLISH ECONOMIC SITUATION WAS CATASTROPHIC. THEY URGENTLY NEEDED IMF SUPPORT AND THE MONEY WHICH THE UNITED STATES HAD PROMISED. GERMANY HAD UNDERTAKEN TO PARTICIPATE. POLAND NEEDED CURRENCY REFORM AND WESTERN INVESTMENT. IN THE RURAL AREAS THERE WAS A NEED FOR THE MOST BASIC NECESSITIES SUCH AS GROCERS AND BAKERS. THE POLISH PRIME MINISTER HAD THE SUPPORT OF THE PEOPLE BUT SOMETHING HAD TO BE DONE TO GET POLAND THROUGH THE WINTER WITHOUT STARVATION. IT WAS A VICIOUS CIRCLE BECAUSE OF THE UNREALISTIC ECONOMIC POLICIES OF THE PAST. THERE WAS NO DISTRIBUTION SYSTEM. MONEY WAS WORTHLESS AND FARMERS WERE HORDING THEIR PRODUCE PENDING CURRENCY REFORM. THERE WERE NO SIGNS YET THAT SOLIDARITY WAS BECOMING UNPOPULAR. THE HONEYMOON WAS STILL ON. BUT CONDITIONS IN POLAND WERE WORSE THAN IN HUNGARY AND FAR WORSE THAN THE GDR AND

CZECHOSLOVAKIA. WHAT WAS NOW THE GDR HAD ONCE BEEN ONE OF THE MOST PROSPEROUS AREAS OF GERMANY PRE-WORLD WAR II. THE SECRETARY OF STATE COMMENTED THAT THE PROSPECT OF A MASSIVE INCREASE IN GERMAN TRADE WAS BEGINNING TO CAUSE SOME CONCERN TO OUR BUSINESSMEN. DID GENSCHER THINK THERE WOULD BE A SIGNIFICANT TRADE INCREASE? GENSCHER SAID THIS DEPENDED ON THE GDR. THE FRG WAS INTERESTED IN MORE TRADE BUT THE GDR HAD TO CREATE THE RIGHT CONDITIONS.

SOVIET UNION

13. THE SECRETARY OF STATE WONDERED WHETHER GORBACHEV OR THE SOVIET MILITARY, LOOKING AT WHAT HAD HAPPENED IN EAST GERMANY, WOULD START TO THINK THAT ENOUGH WAS ENOUGH. GENSCHER SAID THE STABILITY OF THE GDR WAS VERY IMPORTANT FOR THE SOVIET UNION FOR GEOGRAPHICAL AND STRATEGIC REASONS. IT WAS WISE OF THE REFORM GROUPS IN THE GDR TO HAVE CONCENTRATED ON INTERNAL REFORM AND NOT ON RELATIONS WITH THE FRG. HE DID NOT THINK THEY WOULD PUSH THEIR LUCK BY CALLING FOR WITHDRAWAL FROM THE WARSAW PACT. IT WAS ONLY IN HUNGARY THAT THESE ISSUES WERE BEING DISCUSSED BUT HUNGARY WAS NOT A FRONT LINE STATE. THE COUNTRIES WHICH THE SOVIET UNION WAS NERVOUS ABOUT WERE THE GDR, CZECHOSLOVAKIA AND BULGARIA WHICH ALL HAD COMMON BORDERS WITH NATO COUNTRIES. GENSCHER AGREED WITH THE SECRETARY OF STATE THAT WE SHOULD NOT EXACERBATE SOVIET DIFFICULTIES BY PUSHING FOR THE INDEPENDENCE OF THE BALTIC STATES. HOWEVER IF SOME INDEPENDENT DEVELOPMENT WITHIN THE BALTIC STATES WAS ALLOWED, THEY COULD PROVE A MODEL OF PERESTROIKA. GROBACHEV'S PROBLEMS IN THE SOUTH OF THE SOVIET UNION WERE MUCH MORE SERIOUS.

ARMS CONTROL

14. THE SECRETARY OF STATE SAID THAT THE VIENNA TALKS WERE ON COURSE FOR AN AGREEMENT NEXT YEAR. HE WONDERED IF GROBACHEV MIGHT BE TEMPTED TO GAMBLE ON SOME NEW PROPOSALS. GENSCHER SAID THAT HE COULD NOT IMAGINE GORBACHEV GOING TO A MEETING WITH BUSH WITHOUT A PRECISE PROPOSAL. AT THE LAST NATO SUMMIT, THE ALLIANCE HAD REGAINED THE INITIATIVE. GORBACHEV WOULD WANT TO WIN IT BACK AND TO REDUCE HIS DEFENCE BURDEN. IF THE SOVIET UNION NOW PERCEIVED THAT THE WEST WAS NOT A SERIOUS THREAT, WHY SHOULD THEY MAINTAIN SUCH A LARGE MILITARY INFRASTRUCTURE? THE SECRETARY OF STATE SAID THAT THE SOVIET MILITARY MACHINE UNDERPINNED THE STATE. HE WONDERED HOW FAR THE LEADERSHIP COULD IMPOSE ITS WILL ON THE SYSTEM. THE SOVIET ARMS EFFORT HAD NEVER BEEN JUSTIFIED IN TERMS OF A REAL THREAT FROM THE WEST.

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