



Foreign and Commonwealth Office

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London SW1A 2AH

27 November 1989

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[unclear]*

See Charles.

Meeting with Herr Genscher: 29 November

Herr Genscher will call on the Prime Minister at 1700 hrs on 29 November, accompanied by a Private Secretary (probably Bernd Mueztlebourg), and, possibly, the West German Ambassador. The Foreign Secretary will be present. Genscher speaks mostly in English but is likely to bring an interpreter.

The visit is at Genscher's request. He goes to Moscow on 4-6 December. He saw President Bush, Mr Baker and Mr Scowcroft in Washington on 21 November (I enclose a telegram recording the key points). We suggest concentrating on East/West issues and developments in the GDR. Arms Control, and our broad approach to Strasbourg could also be covered if there is time.

The GDR

Genscher was born in Saxony (now in the GDR). He has played a major role in recent events, for example flying to Prague to ensure the departure of the refugees in the FRG Embassy (an experience he described as the most moving of his career).

Although he has spoken of "one nation", Genscher has played down the question of reunification (more so than Kohl) and has instead put the emphasis on the need for reform, including genuine elections, in the GDR. He says that any 'coming together' of the two Germanies can only take place in the context of a free and united Europe. He has underlined the vital role of NATO and the EC as factors for stability. He has also taken the lead in getting the Bundestag to confirm that the FRG has renounced any present or future questioning of Polish borders. He is well seized of the need to reassure the East Europeans and Russians. The Foreign Secretary found common ground in this area during his talks with Genscher on 15 November (I enclose a record of the key points).

In the GDR, pressure for reform continues unabated. For virtually the first time, public protesters have included calls for German unity (in Leipzig on 20 November). The Communist Party Congress on 15-17 December is likely to produce sweeping changes in personnel and endorse major policy changes (including changes to the Constitution and the role of

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the Party). Elections are envisaged in late 1990/early 1991. This may seem a long time to wait, but it is in fact desirable, in order to give embryonic non-Communist parties time to develop. The elections may thus fall close to the Federal elections in the FRG (December 1990).

Attention is starting to focus on the GDR's economy. A senior FRG Minister, Seiders, told Krenz and Modrow in Berlin last week that there would be no blank cheques from the FRG. GDR dismay was evident. Kohl is to visit the GDR after the Party Congress, probably in early January. He will no doubt take with him a package of help in a few selected areas. But a 'new dimension' of economic help, of which he has spoken, is conditional on political and economic reform. Kohl seems to be keeping his options open till he sees the outcome of the Congress. Genscher stressed to the Foreign Affairs Council on 27 November the importance of free elections in the GDR in 1990 as a condition for any EC assistance.

Economic problems risk destabilising the GDR still further. The exodus (275,000 this year) has severely affected skilled labour supply, hitherto useless savings (some 150 bn East Marks) threaten inflation and a collapse in the currency, and smuggling into the FRG for Deutschmarks is helping to empty what remains in the shops. Tightening of customs controls is under way.

In discussions of the GDR and East/West more generally the Prime Minister may wish to:

- welcome recent developments, express support for the FRG's cautious handling so far, and underline our step by step approach;
- stress the need not to undermine Gorbachev's position;
- agree with Genscher's stress on the need to avoid triumphalism, which would help neither East European reformers nor Gorbachev;
- stress the importance of NATO and of existing security arrangements in Europe in preserving stability;
- mention the idea of a joint Western-funded international management institute in Moscow as one way of helping to provide the sort of expertise needed to make reform work.

Arms Control

In Washington on 21 November Genscher spoke of the need for a 'new dynamism' in NATO's arms control policies. The Prime Minister might reaffirm our commitment to work for a CFE agreement in the course of next year; but add that much will depend on the willingness of the East to work to the same

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timetable. It is difficult at this stage to assess how recent developments in Eastern Europe might affect the East's ability to negotiate at Vienna. Speed must not mean sloppiness in negotiation. Important European interests must not be prejudiced. Under the terms of the CFE the UK will not be prepared to see the limits on the stationing of US and Soviet forces extended to European troops. The Alliance will also need to decide on its own minimum security requirements, notably for forward defence, before committing itself to any further CFE talks.

Strasbourg European Council: Internal Issues

Genscher wants rapid progress towards Economic and Monetary Union (EMU). His emotional commitment to European integration leaves him indifferent to the concerns expressed by Pöhl and Waigel about diluting the anti-inflationary stance of the Bundesbank. Genscher wants an IGC date to be set at Strasbourg, but he also called for an IGC decision at Madrid, when Kohl overruled him. Kohl's doubts about the handling of EMU at Strasbourg surfaced publicly following the Paris meeting, but it is not clear whether his concerns relate more to the effects of the Delors prescription than to the immediate Strasbourg issue of an IGC date. Genscher also strongly supports the Social Charter, and on this Kohl will certainly agree with him in resisting dilution of the present Commission/Presidency text. We want Strasbourg to reaffirm the Madrid priorities on the Single Market, particularly financial services and transport, where more progress is needed. But Genscher is not involved in the detail of these subjects, and there is little point, given his views, in taking the initiative to discuss them with him.

UK/FRG Bilateral

The Prime Minister may wish to underline our full commitment to Berlin and to a close relationship with the FRG. This is demonstrated by our help over the accommodation of refugees from the GDR (tents, blankets, barracks, "greenfield" sites etc).

Kohl and the Prime Minister are to attend the opening dinner for the 40th Königswinter Conference, in Cambridge next March. The Anglo-German Summit follows the next day (30 March).

FRG Internal

There will be four Land elections in the FRG next year, leading up to Federal elections on 2 December. Notwithstanding the poor reception given to Kohl in Berlin (a SPD stronghold) the Coalition's poll ratings have now stabilised at about 48%, after a bad patch in the spring. But the result of the Federal elections is still wide open.

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Housing, problems resulting from the influx from the GDR and Eastern Europe and the German Question may complicate the electoral picture.

Genscher

Genscher remains the most popular politician in the FRG, widely seen by the German public as one of the architects of recent improvements in East/West relations. His importance to Kohl as a block to SPD aspirations is likely to grow in the next twelve months. He seems to have recovered well from a heart attack in August. I enclose a personality note.

I am copying this letter to Trevor Woolley (Cabinet Office), Brian Hawtin (MOD) and John Gieve (HMT).

*Yours,
Stephen Wall*

(J S Wall)
Private Secretary

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GENSCHER'S VISIT TO WASHINGTON

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SUMMARY

1. WELL JUDGED PERFORMANCE BY GENSCHEER. PRESENTS PRESIDENT WITH PIECE OF BERLIN WALL. PROVIDES REASSURANCE ABOUT FRG ATTITUDES. BUT ARGUES FOR ACCELERATED E C MOMENTUM, NEW DYNAMISM IN ARMS CONTROL AND NEW ROLES FOR NATO TO PROVIDE BROAD EAST-WEST RECONCILIATION WITHIN WHICH GERMAN UNITY CAN ALSO BE ACHIEVED.

DETAIL

2. GENSCHEER PAID ONE OF HIS CHARACTERISTIC ONE-DAY VISITS TO WASHINGTON ON 21 NOVEMBER. HIS MAIN CALLS WERE ON BAKER (WITH WHOM HE LUNCHEDED), SCOWCROFT AND THE PRESIDENT. THE POLITICAL SIGNIFICANCE OF THE VISIT, GIVEN DEVELOPMENTS IN EAST EUROPE AND COMING JUST BEFORE MALTA, WAS WELL SIGNALLED BY THE PRESS IN ADVANCE, WHO BILLED IT AS AN EXERCISE IN REASSURANCE ABOUT BONN'S INTENTIONS AND AN EFFORT TO INFLUENCE THE ADMINISTRATION ON THE LINE TO TAKE WITH GORBACHEV. BY ALL ACCOUNTS GENSCHEER SCORED THE SUCCESS HE WAS SEEKING, EXEMPLIFIED IN PRESS PHOTOGRAPHS OF HIM PRESENTING THE PRESIDENT WITH A FOOT-LONG CHUNK OF THE BERLIN WALL - THE LATEST IN THE SERIES OF THANK YOUS FROM THE GERMANS FOR AMERICAN SUPPORT.

3. THE ATMOSPHERE APPEARS TO HAVE BEEN VERY GOOD THROUGHOUT, CLOUDED ONLY FAINTLY BY A REBUKE FROM BUSH ABOUT STATEMENTS MADE BY GENSCHEER'S SHERPAS ON SNF MODERNISATION (TEBBIT'S TELELETTER TO LEVER OF 22 NOVEMBER, NOT TO ALL). GENSCHEER HIMSELF, HOWEVER, GAVE A BALANCED AND RESPONSIBLE PERFORMANCE ON SNF, AS WELL AS ON THE GERMAN QUESTION AND EAST/WEST RELATIONS GENERALLY. IN HIS MEETINGS, AS WELL AS IN PUBLIC, HE STRESSED FIVE POINTS:

(A) GERMAN UNITY COULD COME ABOUT ONLY AFTER DEMOCRACY AND FREE ELECTIONS WERE ESTABLISHED IN THE GDR, AND THAT MEANWHILE THERE WAS QUOTE ONE NATION WAITING TO COME TOGETHER

UNQUOTE THROUGH SELF-DETERMINATION.

(B) THIS COULD TAKE PLACE ONLY WITHIN THE FRAMEWORK OF A BROADER DRAWING TOGETHER OF EASTERN AND WESTERN EUROPE - HENCE THE IMPORTANCE OF ACCELERATED EUROPEAN UNITY.

(C) IT MUST ALSO BE ON THE BASIS OF WESTERN VALUES, UNDERLINING THE CONTINUING VITAL ROLE OF NATO AND THE COMMUNITY.

(D) THERE WAS NO QUESTION OF ALTERING THE POST-WAR INTERNATIONAL BOUNDARIES OF THE TWO GERMANIES.

(E) CONTINUING US PRESENCE IN EUROPE WOULD BE ESSENTIAL, IRRESPECTIVE OF WARSAW PACT DEVELOPMENTS.

4. WE HAVE BEEN GIVEN A MORE DETAILED ACCOUNT OF THE THIRTY-MINUTE CALL ON THE PRESIDENT BY BLACKWILL (NSC). GENSCHER HAD SAID THAT THERE WAS NO NEED FOR A BLUEPRINT TO MANAGE DEVELOPMENTS. THE WEST WAS WINNING, THOUGH IT SHOULD NOT CROW. THE NEXT STAGE WAS FOR DEMOCRACY AND ELECTIONS TO TAKE PLACE IN THE GDR SO THAT THE GERMANS COULD EXPRESS THEMSELVES IN SELF-DETERMINATION. THE FRG'S TIES TO THE WEST THROUGH NATO AND THE COMMUNITY WERE MORE IMPORTANT THAN EVER AND WERE PREREQUISITES FOR CLOSER TIES BETWEEN THE TWO GERMANIES. THERE WAS NO NEED FOR CONCERN ABOUT EVENTS IN EAST EUROPE: IT WAS THRILLING THAT WE WERE AT LAST SEEING WHAT WE HAD BEEN AIMING AT FOR 40 YEARS.

5. THE PRESIDENT HAD RAISED SNF. HE SAID HE UNDERSTOOD THAT GENSCHER HAD JUST TOLD THE PRESS THAT THERE WAS NATO AGREEMENT THAT THIS WOULD BE CONSIDERED IN 1992 AND THAT IT WAS PREMATURE TO SPECULATE. HE HAD BEEN GLAD TO HEAR THAT, BECAUSE PRESS STORIES ABOUT STATEMENTS MADE BY GERMAN MINISTRY OFFICIALS HAD CAUSED QUOTE HEARTBURN HERE UNQUOTE. GENSCHER HAD NOT RESPONDED.

6. THE GERMAN DESK IN STATE DEPARTMENT HAS TOLD US THAT PREPARATIONS FOR MALTA HAD BEEN THE CENTRE-PIECE OF BAKER'S OWN DISCUSSION WITH GENSCHER. ASKED WHAT MESSAGE THE AMERICANS MIGHT USEFULLY CONVEY TO GORBACHEV, GENSCHER HAD SAID THAT FROM A GERMAN PERSPECTIVE IT SHOULD BE TO REASSURE THE RUSSIANS THAT WHILE QUOTE GERMAN UNITY/SELF DETERMINATION UNQUOTE WOULD REMAIN AN FRG GOAL IT WOULD BE PURSUED SOBERLY AND RESPONSIBLY. NO THREAT TO RUSSIAN SECURITY WAS INTENDED OR WOULD EMERGE. NEITHER WOULD THE WEST SEEK TO TAKE ADVANTAGE OF THE CURRENT SITUATION.

7. IN ADDITION TO REPEATING THE CALL FOR ACCELERATED EUROPEAN UNITY AND THE NEED FOR CONTINUING US INVOLVEMENT IN EUROPE, GENSCHER RAISED ARMS CONTROL. HE SAID THAT THERE WAS A NEED FOR A NEW DYNAMISM IN THIS AREA AS AN ESSENTIAL CONCOMITANT TO ECONOMIC ASSISTANCE TO EASTERN EUROPE. WESTERN FLEXIBILITY ON CFE WOULD

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ENABLE THE RUSSIANS TO MAKE CONVENTIONAL CUTS AND PLOUGH RESOURCES SAVED INTO PERESTROIKA.

8. STATE DEPARTMENT ALSO SAY THAT GENSCHER APPEARED TO BE PRESSING FOR A CHANGE IN NATO'S FOCUS. WHEN BAKER HAD POINTED OUT CONTINUING STRONG US PARTICIPATION IN NATO AS EVIDENCE OF LONG-TERM COMMITMENT, GENSCHER ARGUED THAT THE ALLIANCE SHOULD HAVE AN INCREASINGLY IMPORTANT POLITICAL AND ECONOMIC ROLE. BAKER HAD QUERIED THE LATTER POINT, REFERRING TO OTHER ORGANISATIONS AS BEING MORE APPROPRIATE FOR COORDINATION OF ECONOMIC POLICIES. GENSCHER HAD NOT PRESSED FURTHER BUT HAD REITERATED THE FORMULA THAT NATO'S MISSION SHOULD BE MODIFIED TO REFLECT CHANGING REALITIES IN EUROPE.

9. THE GERMAN AMBASSADOR'S BRIEFING FOR EC COLLEAGUES THIS AFTERNOON ADDED THREE GLOSSES TO THE ABOVE:

(A) IN SPEAKING OF THE DEVELOPMENT OF NATO, GENSCHER REFERRED TO THE NEED FOR ARMS CONTROL AND DISARMAMENT TO CONTRIBUTE TO EUROPEAN STABILITY. POLITICAL CHANGE IN EASTERN EUROPE HAD GOT AHEAD OF THE DISARMAMENT PROCESS WHICH THEREFORE NEEDED TO CATCH UP.

(B) GENSCHER STRESSED THE ROLE OF THE COMMUNITY IN ENCOURAGING THE PROCESS OF CHANGE IN EASTERN EUROPE, A PROCESS WHICH WAS DEPENDENT ON MAINTAINING MOMENTUM WITHIN THE COMMUNITY, INCLUDING AT THE STRASBOURG MEETING. THE GDR, LIKE THE STATES OF EASTERN EUROPE WANTED TO BE A PARTNER OF THE COMMUNITY, NOT MERELY AN OBSERVER. THE EAST GERMANS RECOGNISED THEIR FUTURE LAY IN GETTING CLOSER TO EUROPE AS A WHOLE, NOT THE FRG ALONE. GENSCHER THOUGHT THE COMMUNITY MEETING ON SATURDAY, 18 NOVEMBER IN PARIS HAD BEEN VERY USEFUL. HELPING EAST GERMANY WOULD NOT BE AT THE EXPENSE OF HUNGARY AND POLAND. THE QUESTION OF A EUROPEAN BANK WAS GERMANE. HE THOUGHT IT MIGHT BE BETTER TO CALL IT A COOPERATIVE BANK THAN A DEVELOPMENT BANK. IT MIGHT BE POSSIBLE TO INCLUDE NON-COMMUNITY EUROPEAN COUNTRIES. (HE APPEARED TO TAKE IT FOR GRANTED THE BANK WOULD GO AHEAD IN SOME FORM OR OTHER).

(C) THE AMERICANS SAID THAT IF GORBACHEV PUT FORWARD PROPOSALS ON ARMS CONTROL OR DISARMAMENT AT MALTA, THEY WOULD TAKE NOTE AND REFER TO THEIR WISH TO CONSULT CLOSELY WITH THEIR ALLIANCE PARTNERS.

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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

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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.

MALLABY

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GENSCHER, HANS DIETRICH, HON GCMG GBE

Federal Foreign Minister and Vice-Chancellor since May 1974.

Born in 1927 Reideburg, Saxony (now GDR). Son of a farm cooperative official. War service with the Luftwaffe. POW. Later studied law in Halle and Leipzig. Left the GDR for Federal Republic in 1952 and joined the FDP. Became Business Manager of the FDP Parliamentary Party in 1959 and then in addition, 1962-64, Federal Business Manager of the FDP. Elected to Bundestag in 1965. Became Vice-Chairman of the Party in 1968, Minister of the Interior 1969-74. When Scheel became Federal President in 1974, Genscher succeeded him as Chairman of the FDP, Vice-Chancellor to Schmidt, and Foreign Minister.

Genscher led his party out of coalition with the SPD in 1982, to form the present coalition with Kohl. Genscher realigned the FDP well to the right, but was eventually forced to stand down as Party Chairman in 1985.

Although Genscher's problems with his own Party inevitably affected his authority as Foreign Minister for a while, he has made a remarkable comeback. The FDP's good showing in the 1987 Federal elections was largely due to his shrewd exploitation of the attacks made on him in the campaign by Strauss. The current brand of ostpolitik is mostly his doing.

Married. He is an easy-going man, informal yet with a certain reserve. He reads voraciously anything that lies to hand and his tastes in music are equally wide-ranging from classical to pop.

In 1950s he suffered a near fatal bout of tuberculosis which kept him three years in a clinic. In November 1977 he was admitted to hospital with pneumonia, and secondary blood circulation instability. He did not return to work until mid-January 1978. In March 1989 a prostate operation kept him from his desk for nearly a month. In the summer he suffered a heart attack, and although he seems to have recovered well, the enormous strain of his working habits has taken its toll and he looks less than healthy.