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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

8 December 1989

Dear Stephen,

SITUATION IN GERMANY

The Prime Minister had some discussion this morning with the Netherlands Prime Minister and Foreign Minister, at which the Foreign Secretary was also present, about developments in Germany. A good deal of common ground emerged. Subsequently the Prime Minister spoke to Signor Andreotti and the Foreign Secretary to Herr Genscher. This letter summarises those discussions. You will want to ensure that Sir John Fretwell sees it as soon as possible.

The Prime Minister and Mr. Lubbers were both concerned about the speed of developments in East Germany, the risk that the situation might rapidly get out of hand, and the signal which should issue from the European Council. They took the view that it would be useful for a meeting of the four Berlin powers plus Germany reasonably soon, to anchor all the main participants and classify their intentions. The Prime Minister recalled that she had floated the idea of a Berlin Four meeting at the time of the NATO Summit but the United States had thought it risked being divisive. However the situation had moved on since then. Mr. Lubbers thought that such a meeting would be useful but suggested it might be best to persuade the Germans to ask for it, so it did not look as though it was imposed upon them. It was agreed that the Foreign Secretary would mention this to Herr Genscher.

The Prime Minister subsequently mentioned the idea to Signor Andreotti who expressed support, provided that it was clear that the technical grounds for summoning the meeting was the responsibility of the powers concerned for Berlin (so as to avoid the appearance of a directoire) and that broader matters continued to be considered within NATO. Herr Genscher's reaction when the Foreign Secretary raised it with him was more cautious. He confirmed that the Russians were worried about developments in East Germany, particularly the risk to the families of Soviet soldiers. But he thought that summoning such a meeting could increase the sense of crisis. It was something which should be kept in reserve. The Prime Minister intends to take an early opportunity to discuss this further with President Mitterrand, possibly at lunch-time.

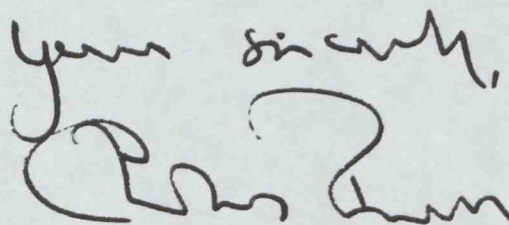
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Meanwhile Mr. Lubbers and Mr. van den Broek also expressed great concern about the sentence which the Germans had proposed on German reunification for the draft political declaration. The Dutch would be very unhappy with any such sentence, which they thought would give quite the wrong signal. They would prefer to omit it altogether or, less satisfactory, have an expanded reference which hedged any statement with qualifications and conditions. The Prime Minister said that we shared these doubts and did not want to see the declaration contain the sentence proposed by the Germans. One alternative would be to have a much more general reference simply recalling existing statements, precedents and legal obligations affecting Berlin and Germany. The Prime Minister subsequently mentioned this point to Signor Andreotti who agreed that the present sentence was unacceptable. I understand that the French Presidency have now proposed a much blander reference, but the Prime Minister and Foreign Secretary have not yet seen this.

I am copying this letter to Brian Hawtin (Ministry of Defence) and Sonia Phippard (Cabinet Office).

A handwritten signature in dark ink, appearing to read 'C.D. Powell', with a stylized flourish at the end.

(C.D. POWELL)

J.S. Wall, Esq.,
Foreign and Commonwealth Office.

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From the Private Secretary

8 December 1989

Dear Stephen,

PRIME MINISTER'S MEETING WITH THE NETHERLANDS PRIME MINISTER:
EUROPEAN COMMUNITY SUBJECTS

The Prime Minister and the Foreign Secretary had a talk this morning with Mr. Lubbers and Mr. van den Broek. I have recorded separately what they had to say on Germany. This note deals briefly with other aspects of the European Council in Strasbourg.

The Prime Minister observed that the Community was not so far forward as it ought to be on the Single Market and the French Presidency had so far been disappointing. The European Council should press for faster progress and, in particular, for a further package of measures at the Internal Market Council on 21 December. Mr. Lubbers agreed that there was stagnation in the Internal Market and that the United Kingdom and the Netherlands should urge the Commission and the Council to get to work with more vigour. (This produced some protest from Mr. van den Broek who claimed that progress was better than the two Prime Ministers were prepared to concede.) Mr. Lubbers continued that he hoped he and the Prime Minister would both make a public plea to the Community to increase the speed of achieving 1992. The Prime Minister said that the Council's conclusions should be precise on this point, making clear that this was the practical way forward towards greater integration.

Mr. Lubbers said that he thought that only a relatively minor decision was required at Strasbourg on Economic and Monetary Union. The French Presidency did not appear to envisage a discussion of substance. The Prime Minister said that it was absurd to hold an IGC before full and adequate preparation had been completed. There must be discussion of substance before people started to talk about new institutions or Treaty amendments. But she recognised that a majority probably existed for setting a date for an IGC, in which case it would be important to put conditions on it. The most important of these was that an IGC should not start until there had been full and adequate preparation by competent bodies, by which she meant ECOFIN and Central Bank Governors. Mr. Lubbers indicated that he agreed with this approach.

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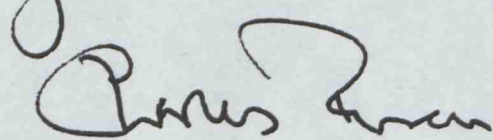
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Mr. van den Broek, however, was inclined to argue that, against the background of the present tumultuous developments in Europe, the Council would be seen as a failure if the Community did not demonstrably take an immediate step forward towards closer integration. It was vitally important that Britain should be a full participant in this. The Netherlands wanted Britain more than ever in the Community to balance the power of Germany. The Prime Minister said she would have to make clear that we thought an IGC was untimely and unnecessary, and that our Parliament would not accept Stages 2 and 3 of the Delors plan. But if an IGC were held, we would of course play a full part in the discussions and in preparation in other bodies.

The Prime Minister summed up that both Britain and the Netherlands wanted strong and precise conclusions from the European Council on taking forward the Single Market; they did not think that full and adequate preparation on Economic and Monetary Union had yet been done and that this should be the condition of an IGC; and that there must be a full discussion of co-operation between the Community and Eastern Europe, building on the conclusions of the meeting of EC Heads of Government on 18 November. With so much happening in Eastern Europe, public opinion in all our countries would surely expect the Community to be concentrating on this rather than on its internal housekeeping.

I am copying this letter to John Gieve (HM Treasury), Neil Thornton (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

Yours sincerely,


(C.D. POWELL)

J.S. Wall, Esq.,
Foreign and Commonwealth Office.

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