

CONFIDENTIAL

FM BMG BERLIN

TO DESKBY 111030Z FCO

TELNO 20

OF 111015Z FEBRUARY 1990

INFO DESKBY 111030Z BONN

INFO DESKBY 111500Z OTTAWA

INFO PRIORITY MOSCOW, WASHINGTON, PARIS,

FOLLOWING TELEGRAM FROM EAST BERLIN

OTTAWA 'FOR SECRETARY OF STATES PARTY

BMG TELNO 27 TO BONN AND MY TELNO 114: GDR: WEST BERLIN FEARS OF
IMMINENT BREAKDOWN

SUMMARY

1. WE DO NOT SEE EVIDENCE OF IMMINENT BREAKDOWN REQUIRING THE
POLITICAL PRESENCE OF THE SENAT IN EAST BERLIN BEFORE THE ELECTIONS
ON 18 MARCH. DESIRABLE TO ENSURE THAT GERMANS IN EAST BERLIN
EXERCISE THEIR RIGHT TO SELF-DETERMINATION. ANY MOVES TO ASSERT THE
POWERS OF THE SENAT IN THE SOVIET SECTOR WOULD SURELY HAVE TO BE
AGREED WITH THE SOVIET UNION.

DETAIL

2. IN THE LIGHT OF BMG'S TUR, MEMBERS OF CHANCERY TODAY TOURED EAST
BERLIN. A MEMBER OF CHANCERY LUNCHED WITH A DEPUTY EDITOR IN CHIEF
(OSCHMANN) OF NEUES DEUTSCHLAND (ND) AND WE COMPARED NOTES WITH THE
US AMBASSADOR AND FRENCH DHM. BARKLEY HAD RECEIVED A REPORT FROM THE
US MISSION WHICH CORRESPONDS CLOSELY WITH BMG TUR AND AN ACCOUNT OF
SCHROEDER'S MEETING WITH MAXIMYCHEV (PARA 9 OF TUR).

3. ACCORDING TO BARKLEY, MAXIMYCHEV TOLD SCHROEDER THAT HE DID NOT
QUITE SHARE THE LATTER'S PESSIMISM ABOUT THE IMMEDIATE PROSPECTS FOR
EAST BERLIN, BUT HE EXPRESSED IRRITATION AT WHAT HE DESCRIBED AS A
CONTINUING RELUCTANCE OR INABILITY IN MOSCOW TO UNDERSTAND THE
GRAVITY OF THE SITUATION HERE.

4. ON THE SURFACE LIFE CONTINUES, MUCH AS IT HAS SINCE FREEDOM OF
MOVEMENT WAS ESTABLISHED THROUGHOUT THE CITY ON 22 DECEMBER 1989.
PUBLIC TRANSPORT IS RUNNING (THAT REVENUE COVERS ONLY 8 PER CENT OF
COSTS IS NOT A NEW DEVELOPMENT: PRICES HAVE NOT INCREASED FOR FORTY
YEARS:) AND FOOD STORES ARE WELL STOCKED BY EAST BERLIN STANDARDS.
THERE IS HOWEVER A NOTICEABLE INCREASE IN THE NUMBER OF SMALL SHOPS

AND PRIVATE BUSINESSES WHICH HAVE CLOSED BECAUSE OF THE LACK OF STAFF AND MATERIALS. MOREOVER OSCHMANN (WHOSE SON WORKS AT A LARGE DEPARTMENT STORE) TOLD DEANE THAT CONSUMER DURABLES (PARA 10 OF TUR) HAD BEEN SOLD OUT IN RECENT DAYS. THERE SEEMED NO IMMEDIATE PROSPECT OF FRESH SUPPLIES FROM GDR SOURCES. BUT KAUFHOF (ONE OF THE BIGGEST WEST GERMAN CHAINS) WAS MAKING ARRANGEMENTS TO TAKE OVER PART OF A DEPARTMENT STORE NEAR THE MAIN STATION IN EAST BERLIN. IT WOULD BE STOCKED WITH WEST GERMAN GOODS WHICH WOULD BE SOLD INITIALLY AT LEAST ON THE BASIS OF A M3 : DM 1 RATIO.

5. NONE OF US HERE HAVE INSIDE INFORMATION ON EAST BERLIN CITY (OR FOR THAT MATTER, GDR FINANCES. IT SEEMS LIKELY HOWEVER THAT HARD CURRENCY RESERVES HAVE BEEN RUN DOWN OVER THE LAST FOUR MONTHS TO PAY FOR THE CONSUMER GOODS WHICH HAVE NOW ALL GONE. WE HAVE ALSO SEEN REPORTS THAT EXPORTS ARE FAULTERING. WE TOO HAVE AND REPORTS OF MANNING PROBLEMS IN THE POWER STATIONS, AND ALSO THAT THE RUSSIANS ARE GOING SLOW ON OIL DELIVERIES. THE CHEMICAL INDUSTRY WHICH ACCOUNTS FOR ABOUT ONE-FIFTH OF INDUSTRIAL PRODUCTION, WAS IN DEEP CRISIS BEFORE THE EXPLOSION AT BUNA.

COMMENT

6. ALL THIS HOWEVER DOES NOT MAKE EAST BERLIN UNGOVERNABLE POLITICALLY. ON THE CONTRARY, THE SITUATION CONTINUES TO BE BETTER BOTH ECONOMICALLY AND POLITICALLY THAN IN THE WESTERN DISTRICTS OF THE GDR MENTIONED BY PROFESSOR SCHROEDER, AND IT SEEMS TO US THAT, THOUGH SOME FURTHER HELP MAY BE REQUIRED FROM THE SENAT OF THE SORT ALREADY BEING GIVEN, THERE IS NO (NO) JUSTIFICATION FOR THE SUGGESTION THAT THE SENAT WILL HAVE TO TAKE OVER - AND THERE ARE SERIOUS PROBLEMS IN WHAT THEY PROPOSE.

7. THE FIRST OF THESE IS THAT - SEEN FROM HERE - THE LEGAL POSITION CANNOT BE SUMMED UP QUITE AS SUCCINCTLY AS IN PARA 13 OF BMG TUR. IT IS LAW OF THE WESTERN SECTORS THAT THE BERLIN CONSTITUTION APPLIES TO THE WHOLE OF BERLIN, AND THAT IS THE THEORETICAL VIEW OF THE THREE ALLIES. ACCORDINGLY, THE SENAT WOULD NOT REQUIRE INTERNALLY ANY FURTHER LEGAL BLESSING. BUT AS LONG AS THE GDR EXISTS AS A STATE THE REALITY IS THAT THE WRIT OF THE SENAT WILL NOT RUN UNCONTESTED HERE UNLESS THE SOVIET UNION - PERHAPS IN THE AK - AGREES THAT IT SHOULD.

8. THE SECOND PROBLEM IS THAT THE ELECTIONS ON 18 MARCH WILL CONSTITUTE THE FIRST ELEMENT OF THE PROCESS OF SELF DETERMINATION TO WHICH WE AND OUR ALLIES HAVE ATTACHED SO MUCH IMPORTANCE. IT WOULD THROW A DARK SHADOW ON THAT PROCESS IF IT TOOK PLACE WITH THE EASTERN SECTOR UNDER THE CONTROL OF A SENAT WITH ENTIRELY EXTERNAL

CONFIDENTIAL

130325
MDADAN 5209

LEGITIMACY, ALL THE MORE SINCE I BELIEVE THE SENAT AND THE FEDERAL
AUTHORITIES CAN KEEP THIS PART OF BERLIN GOING WITH AID FALLING FAR
SHORT OF A TAKE OVER.

9. IT IS FOR MR BURTON AND SIR C MALLABY TO COMMENT ON THE MOTIVES
OF THE SENAT AND FEDERAL AUTHORITIES. BUT, SEEN FROM HERE, IT LOOKS
AS THOUGH THE MASSIVE EXODUS FROM THE GDR HAS FORCED ON THE SENAT AND
THE FEDERAL AUTHORITIES A PACE TOWARDS REUNIFICATION WHICH THEY FIND
FRIGHTENING BUT WHICH THEY BELIEVE THEY CAN MANAGE ONLY BY
COMMUNICATING THEIR ANXIETY TO THEIR ALLIES AND PERHAPS NOT LEAST TO
THEIR OWN PEOPLE (PARA 7 OF MY TELNO 114).

BURTON

YYYY

DISTRIBUTION

14

ADVANCE

14

.BERLIN/INNER-GERMAN RELATIONS
.(WIDE)
PS
PS/PUS
MR P J WESTON
MR RATFORD
HD/WED

HD/SOVIET
HD/NEWS
RESIDENT CLERK
MR S MCCARTHY SEC(NATO/UKP)MOD
WG CDR ANDREWS DCTS NATO MOD
PRESS SECRETARY NO 10
MRS GLOVER LEGAL ADV

NNNN

PAGE 3
CONFIDENTIAL

DESPATCHED
11.FEB 1990 11:12
ADVANCE ROOM COD