

Sir C. Mallaby (Bonn) to Mr Hurd¹

No. 134 Telegraphic [WRL 020/1]

Confidential

BONN, 5 February 1990, 9.56 a.m.

Your Visit to Bonn 6 February

Summary

1. FRG Government and public wholly preoccupied by unification. Strong sense of speed of events and of fragility of situation in GDR and public opinion here. Less euphoria and growing anxiety about problems ahead. Kohl not (not) at present in a dominant position. Government finding it difficult to manage simultaneously the foreign policy and security implications, the economic and inner-German aspects and the party political side.

Detail

2. The German question overshadows everything else. The fragility of the situation in the GDR is becoming widely recognised. There is talk of a threat of economic collapse. In the Federal Government there is much uncertainty:

—Will the authority of the GDR state survive to 18 March and will the situation after that be any more stable?

—Can economic measures be taken before and after 18 March, with a scale and speed that would stem emigration and steady the GDR? Can an even greater wave of emigration be avoided then? Is economic and monetary union of the two German states going to be necessary before state unity (my letter of 1

¹ Repeated for information Priority to Washington, Paris, BMG Berlin, East Berlin.

February to Ratford)?²

—How can German unity be reconciled with membership of NATO? How best to squash the call for neutrality from Modrow? (My telno 133 about the *Wehrkunde* conference).³

—How can the Federal coalition parties gain political advantage from the handling of this complex and fragile situation?

3. It is dawning on public opinion that the costs of bailing out the GDR will be enormous. This could become a major issue here before the Federal elections in December. That could rebound against the coalition parties, helping the *Republikaner* and the SPD.

4. Kohl is probably feeling the need to reassert his leadership. I do not exclude another major pronouncement from him on unification—possibly the economic aspects—designed *inter alia* to influence the elections in the GDR where the parties of the centre right look ill-organised and the SPD well placed. There is the strange prospect that the GDR Government after 18 March could be led by the East German SPD, which means steered by the Federal German opposition. Here, the SPD has drawn level with the CDU in the latest opinion poll and Lafontaine's convincing win in the Saarland elections means that Kohl almost certainly faces this canny populist as his opponent in the December Federal elections.

² In this letter Sir C. Mallaby suggested that there might be 'some advantages for us in decoupling of economic from state unity in Germany. First, it adds another stage into Kohl's Ten Point programme, and can thus gain some time. Second, it would accelerate economic change in the GDR and would provide the least bad prospect of giving people there the feeling that things are really happening on the economic front, whatever the accompanying discomforts. That might reduce pressure in the GDR for early state unity. Third, it would raise in much more acute form the need for massive resource transfers from the FRG to the GDR . . . All this might inject some sobriety into Federal German attitudes to unity and that in turn might militate for some steadiness of pace. The result might be that state unity would be delayed or less pressed for; and that would delay the conundrum about unity and NATO, among other difficult issues' (WRL 020/1).

³ This telegram of 5 February reported 'clear signs of SPD unsoundness on a united Germany's relationship to NATO' (WRL 020/1).

4. KOHL IS PROBABLY FEELING THE NEED TO REASSERT HIS LEADERSHIP. I DO NOT EXCLUDE ANOTHER MAJOR PRONOUNCEMENT FROM HIM ON UNIFICATION - POSSIBLY THE ECONOMIC ASPECTS - DESIGNED INTER ALIA TO INFLUENCE THE ELECTIONS IN THE GDR WHERE THE PARTIES OF THE CENTRE RIGHT LOOK ILL-ORGANISED AND THE SPD WELL PLACED. THERE IS THE STRANGE PROSPECT THAT THE GDR GOVERNMENT AFTER 18 MARCH COULD BE LED BY THE EAST GERMAN SPD, WHICH MEANS STEERED BY THE FEDERAL GERMAN OPPOSITION. HERE, THE SPD HAS DRAWN LEVEL WITH THE CDU IN THE LATEST OPINION POLL AND LAFONTAINE'S CONVINCING WIN IN THE SAARLAND ELECTIONS MEANS THAT KOHL ALMOST CERTAINLY FACES THIS CANNY POPULIST AS HIS OPPONENT IN THE DECEMBER FEDERAL ELECTIONS.

MALLABY

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