

PRIME MINISTER

1(a-b)

MEETING WITH HERR GENSCHER

You are to see Herr Genscher at 1000 am tomorrow. He will have flown overnight from Ottawa, and will be coming straight from the airport. You have up to an hour with him. The Foreign Secretary should also be back in time and hopes to be present.

You will want to maintain your lively and good-humoured style which characterised your last meeting with Herr Genscher. It might be worth saying that you are sorry some of your remarks have provoked a hostile reaction in the Federal Republic. You are not and never have been opposed to unification, but you are concerned that it should take account of the interests and apprehensions of others, and maintain the stability of Europe. For that reason, you are very pleased that agreement was reached in Ottawa to hold meetings of the Berlin Four and the two Germanies. You think that will help reassure people, in both Eastern and Western Europe, that all the consequences of German unification will be fully considered and taken into account.

You might then ask what account Herr Genscher has of yesterday's meeting in Bonn between Chancellor Kohl and Mr Modrow and whether the West German Government has, as a result, revised its views on the likely collapse of the GDR before the elections on 18 March. Your own view is that it would be preferable to get through until then with two separate German states, so that there is a clear and convincing act of self-determination.

Thereafter, you may like to work through the various aspects which will need to be considered:

Germany and NATO/.

You will want to emphasise the importance of making provision for Soviet security interests to be properly considered and for the retention (for a time at least) of Soviet forces in East Germany. You will also want to

underline the importance of retaining American nuclear weapons in Europe, including in Germany.

Germany/EC

Our preliminary assessment is that GDR membership of the Community would involve considerable extra costs and we would regard these as primarily Germany's own responsibility. We need to work out how discussions about GDR membership of the Community would be organised, and what transitional provisions would be necessary. You might also ask him what he expects to be the implications for the Deutschmark, and thus the ERM, of currency union between the two Germanies.

Helsinki process.

It seems to be envisaged that the meetings of the Berlin Four plus the two Germanies will report to a CSCE Summit in the autumn, to complete the process of unification. This would be instead of a peace Treaty. You might tell Herr Genscher of Mr Mazowiecki's great concern about the Polish/German border and his wish for a Treaty or other agreement with legally binding force to confirm it.

Four Power Rights.

We shall need to consider how the rights of the Allies in Berlin are handled.

You will want to assure Herr Genscher that we shall play a very active and constructive part in all these negotiations. Your sole concern is to ensure that Europe is not less secure or less stable as a result of German unification than it was before: and that means everyone must honour existing treaties and agreements.

C.D.P.
CHARLES POWELL

13 February 1990

P.S. Two important Telegrams immediately
behind which you ought to see.
can.

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OTTAWA FOR SECRETARY OF STATE'S PARTY

MODROW'S VISIT TO BONN: FIRST DAY

SUMMARY

1. JOINT PRESS CONFERENCE BY KOHL AND MODROW ON FIRST DAY OF VISIT REVEALS THAT NO (NO) PROGRESS APPEARS TO HAVE BEEN MADE TOWARDS ECONOMIC AND MONETARY UNION BETWEEN THE TWO GERMANIES.

DETAIL

2. KOHL AND MODROW GAVE A JOINT PRESS CONFERENCE AT 1500 HOURS ON 13 FEBRUARY, ACCOMPANIED BY THEIR RESPECTIVE MINISTERIAL TEAMS. IN HIS OPENING STATEMENT, KOHL STRESSED ONCE MORE THE NEED IN MOVING TOWARDS GERMAN UNIFICATION FOR ACCOUNT TO BE TAKEN OF THE INTERESTS OF THE FRG'S FRIENDS AND NEIGHBOURS. HE REPEATED HIS OFFER OF ECONOMIC AND MONETARY UNION WITH THE GDR AS THE ONLY WAY OF OFFERING THE PEOPLE IN THE GDR ANY HOPE OF EARLY CHANGE. HE SAID THAT EMIGRATION FROM THE GDR SINCE 1 JANUARY HAD NOW REACHED SOME 85,000 AND THAT THIS, COMBINED WITH THE KNOWN ECONOMIC SITUATION IN THE GDR, MEANT THAT LONGER TERM PHASED PLANS WERE NO LONGER POSSIBLE. HE SOUGHT TO COUNTER RECENT CRITICISM OF THE APPARENT RASHNESS OF HIS OFFER OF EARLY ECONOMIC AND MONETARY UNION BY ARGUING THAT THE SITUATION HAD REACHED SUCH A POINT THAT ONLY BOLD, RADICAL MEASURES STOOD ANY CHANCE OF BEING EFFECTIVE.

3. KOHL'S INTRODUCTORY REMARKS AND HIS ANSWERS TO QUESTIONS WERE NOTICEABLY SHORT ON THE DETAILS OF HOW SUCH AN ECONOMIC AND MONETARY UNION WAS TO BE ACHIEVED. HE SAID ONLY THAT THE ECONOMIC COMMISSION CHARGED WITH TAKING IT FORWARD WOULD BEGIN ITS WORK WITHOUT DELAY AND THAT ONE OF THE FIRST REQUIREMENTS WOULD BE COMPREHENSIVE INFORMATION ABOUT THE REAL ECONOMIC STATE OF THE GDR. HE AGAIN EMPHASISED THAT MONETARY UNION COULD NOT BE SEPARATED FROM RADICAL, SIMULTANEOUS ECONOMIC REFORM IN THE GDR TO CREATE THE CONDITIONS FOR PRIVATE SECTOR INVESTMENT. HE ALSO LAID STRESS ON THE NEED TO ENSURE THE STABILITY OF THE DM AND TO PREVENT INFLATION IN THE FRG, COMMENTING THAT, THANKS TO THE CURRENT STRENGTH OF THE FRG ECONOMY,

THE FRG WAS WELL-PLACED TO HELP THE GDR QUOTE AS A MEASURE OF NATIONAL SOLIDARITY UNQUOTE.

4. MODROW'S OPENING ADDRESS WAS SIMILARLY BROAD-BRUSH IN APPROACH. HIS ATTEMPT TO SUGGEST THAT THE GDR'S ECONOMIC SITUATION WAS NOT AS BAD AS HAD WIDELY BEEN REPORTED WAS UNCONVINCING. HE SAID THAT THE PEOPLE OF THE GDR WOULD HAVE MUCH TO CONTRIBUTE TO THE NEW GERMAN STATE BUT (ILLOGICALLY) LATER EMPHASISED THAT THE GDR SAW ITSELF AS A PRESENT AND FUTURE PARTNER FOR THE SOVIET UNION. HE REJECTED THE IDEA OF QUOTE JOINING THE GDR ONTO THE FRG UNQUOTE (PRESUMABLY A REFERENCE TO UNIFICATION VIA ARTICLE 23 OF THE BASIC LAW)

5. IN ANSWERING QUESTIONS:

(A) MODROW MADE LITTLE EFFORT TO CONCEAL HIS DISAPPOINTMENT THAT THE FEDERAL GOVERNMENT HAD MADE NO ATTEMPT TO OFFER GREATER IMMEDIATE ASSISTANCE OR TO PROVIDE DETAILED PLANS FOR ECONOMIC AND MONETARY UNION (CHANCELLOR KOHL INTERJECTED AT THIS POINT THAT IT WAS COMPLETELY UNREALISTIC TO EXPECT A BLUE-PRINT TO HAVE BEEN DRAWN UP BY NOW, NOT LEAST BECAUSE THE GDR HAD NOT MADE AVAILABLE ESSENTIAL DATA).

(B) MODROW SAID THAT IN THEIR TALKS KOHL HAD GIVEN THE IMPRESSION THAT HE ACCEPTED POLAND'S PRESENT WESTERN BORDER AS FINAL. KOHL HOWEVER SAID THAT HIS QUESTION COULD ONLY BE SETTLED BY THE PARLIAMENT AND GOVERNMENT OF A UNIFIED GERMANY.

(C) KOHL REITERATED HIS POSITION THAT GERMAN NEUTRALITY WAS QUOTE OUT OF THE QUESTION UNQUOTE. AN IMPORTANT POINT WOULD BE THE WAY IN WHICH THE TWO MILITARY PACTS DEVELOPED. THIS WAS A QUESTION FOR THE FUTURE.

COMMENT

6. IT SEEMED INCREASINGLY LIKELY IN THE RUN UP TO THIS MEETING THAT NO (NO) REAL PROGRESS WOULD BE REGISTERED. THIS APPEARS TO HAVE BEEN THE CASE. THE BRIEFING WHICH FEDERAL CHANCELLERY MINISTER SEITERS WILL BE GIVING ME AND MY FRENCH AND AMERICAN COLLEAGUES AT 1500 LOCAL ON 14 FEBRUARY WILL PROVIDE A CHANCE TO PROBE FURTHER.

7. FCO PLEASE ADVANCE TO NO.10.

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FROM PS/FCO FOR POWELL, NO 10

1. THE SECRETARY OF STATE WOULD BE GRATEFUL IF YOU COULD PASS THE FOLLOWING NOTE FROM HIM TO THE PRIME MINISTER.

BEGINS

I HAD A LONG TALK YESTERDAY WITH SHEVARDNADZE, WHO WAS IN A MELANCHOLY AND FATALISTIC MOOD. HE IS GLOOMY ABOUT GERMAN UNIFICATION BUT ACCEPTS THAT IT IS GOING TO HAPPEN. HE ALSO THINKS THAT A UNITED GERMANY WILL ASK FOR THE WITHDRAWAL OF SOVIET TROOPS AND CLEARLY THINKS THIS TOO WILL HAVE TO HAPPEN. IN THAT CASE HE FORESEES THE DISAPPEARANCE OF THE WARSAW PACT AND ARGUES HALF-HEARTEDLY THAT NATO TOO SHOULD BE DISSOLVED. BUT HE WENT ON TO ARGUE THAT A UNITED GERMANY COULD BECOME A THREAT TO ITS NEIGHBOURS IF KOHL AND GENSCHER, WHOM HE TRUSTED, WERE REPLACED BY SOMETHING LIKE THE REPUBLICANS. I SAID ALL THE MORE REASON TO BIND THE GERMANS IN BY HAVING THEM AS PART OF NATO, WITH AMERICAN TROOPS ON GERMAN SOIL. HE SEEMED TO HALF ACCEPT THIS.

WE ARE THIS MORNING, AFTER OUR QUAD BREAKFAST, CLOSE TO AGREEMENT ON MEETINGS OF FOUR PLUS TWO, TO BEGIN SOON AFTER 18 MARCH WITH PREPARATORY EXCHANGES BEFORE THEN. SHEVARDNADZE AGREED LAST NIGHT TO PUT THIS TO MOSCOW AND WE AWAIT THAT REPLY. THIS WOULD BE A BIG STEP FORWARD, ACHIEVED BY A FIRM FRONT AMONG THE AMERICANS, FRENCH AND OURSELVES. QUITE APART FROM ITS OWN IMPORTANCE, IT SHOULD BE AN EFFECTIVE REBUTTAL OF THE CHARGE THAT WE HAVE BEEN PUSHED TO THE MARGIN OF EVENTS.

GENSCHER WILL TALK TO YOU AT LENGTH ABOUT THE EMOTIONS OF THE GERMANS AT COMING TOGETHER AFTER SO LONG A DIVISION, ABOUT THEIR IRREVERSIBLE COMMITMENT TO DEMOCRACY AND TO EUROPE, AND THEIR REJECTION OF NEUTRALITY. HE WILL STRESS THAT THE SWIFT PACE OF EVENTS HAS BEEN DICTATED BY THE COLLAPSE OF THE GDR, WHICH IS CERTAINLY OCCURRING THOUGH NOT AS FAST AS HE SAYS. HE IS TOO CLEVER TO SHARE THE INDIGNATION SHOWN BY KOHL AND THE GERMAN PRESS ABOUT OUR RECENT PUBLIC STATEMENTS. INDEED HE CONTINUALLY THANKS ME FOR OUR UNDERSTANDING. BUT OUR INFLUENCE IN THE NEW FOUR PLUS TWO PROCESS

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WILL CERTAINLY IN PART DEPEND ON OUR WILLINGNESS TO SOUND WELCOMING
AND CONSTRUCTIVE, WHILE CONTINUING TO RESTATE IN PUBLIC AND PRIVATE
WHAT WE BELIEVE TO BE THE ESSENTIALS OF EUROPEAN SECURITY.
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OTTAWA FOR SECRETARY OF STATE'S PARTY

GENSCHER'S CALL ON THE PRIME MINISTER ON 14 FEBRUARY
GERMAN UNIFICATION

SUMMARY

1. EFFECT IN FRG OF THE KOHL/GENSCHER VISIT TO MOSCOW AND FIRST
REPORTS OUT OF OTTAWA. FRG ATTITUDE TO MODALITIES OF UNIFICATION,
AND TO DIALOGUE WITH THE FOUR POWERS. STATE OF FRG/GDR RELATIONS.

DETAIL

2. KOHL AND GENSCHEER HAVE CREATED THE CLEAR IMPRESSION HERE THAT AS
A RESULT OF THEIR VISIT TO MOSCOW THE SOVIET UNION HAS DEFINITELY
OPENED THE WAY TO GERMAN UNIFICATION. THERE IS A WIDESPREAD
EXPECTATION THAT THIS CAN HAPPEN BEFORE THE END OF 1990. THE
RELATIONSHIP OF A UNITED GERMANY WITH NATO IS REGARDED AS NOT YET
BEING IN THE BAG, BUT WITHIN SIGHT OF BEING FIXED. AS THE RESULT OF
STATEMENTS BY GOVERNMENT LEADERS THE 1990 SEQUENCE OF EVENTS NOW
IMPLANTED IN GERMAN MINDS IS:

(A) GERMAN/GERMAN NEGOTIATIONS AFTER 18 MARCH ABOUT THE MODALITIES
OF COMING TOGETHER,

(B) A CONFERENCE OF THE 'TWO PLUS FOUR' POWERS. (FUNCTION LESS
CLEAR, BUT PRESUMABLY DESIGNED IN GERMAN THINKING TO BRING TOGETHER,
AT GERMAN INITIATIVE AND TIMING, THE DOMESTIC SELF DETERMINATION
TRACK AND THE INTERNATIONAL CONTEXT OF UNIFICATION AND TO SETTLE THE
LATTER),

(C) PRESENTATION TO THE CSCE SUMMIT FOR ITS BLESSING OF THE RESULTS
OF (B).

THE TIMING OF (B) HANGS TO SOME EXTENT ON (A), WHICH IS IN TURN DEPENDENT ON THE FORMATION OF A CREDIBLE EAST GERMAN GOVERNMENT. THE SPD HAVE SUGGESTED THE SECOND HALF OF APRIL FOR A TWO PLUS FOUR CONFERENCE. THE FEDERAL GOVERNMENT HAVE SO FAR (WISELY) SAID NOTHING ON TIMING.

3. MODROW IS IN BONN TODAY. SCRATCHINESS ON THE SURFACE OF FRG/GDR REFLECTS DEEPER TENSIONS. AS SEEN IN BONN, THERE ARE TWO SEPARATE PROBLEMS, THE SOLUTIONS TO WHICH DO NOT COINCIDE. THE GDR IS THOUGHT TO BE NEAR BREAKDOWN (HOW NEAR IS BECOMING A CONTROVERSIAL ISSUE IN ITSELF). IT IS FUNDAMENTAL TO FRG POLICY HOWEVER THAT PROPERLY ORGANISED ELECTIONS TAKE PLACE IN THE GDR ON 18 MARCH. HOW SHOULD THE FEDERAL GOVERNMENT PROP UP THE SYSTEM THEREFORE WITHOUT EITHER SELLING THE FRG'S ECONOMIC PRINCIPLES DOWN THE RIVER OR APPEARING TO GET TOO CLOSE TO AN ANCIEN REGIME WHICH COULD GIVE THE SPD EAST A GRATUITOUS ELECTORAL BOOST? MODROW AND HIS COLLEAGUES ARE NOT PROVING AS INSTANTLY PLIABLE AS HAD BEEN HOPED: PEOPLE HERE HAVE READ REPORTS OF CROSS PARTY RESENTMENT IN THE GDR OF WHAT IS SEEN AS FRG INTERFERENCE AND PATRONAGE. THE FEDERAL GOVERNMENT WILL TRY HARD DURING MODROW'S VISIT TO SMOOTH OVER TENSION AND MOVE FORWARD PLANNING FOR MONETARY UNION.

4. FEDERAL GOVERNMENT LEADERS ARE NEVERTHELESS BEGINNING TO FEEL THAT THEY SEE THE WAY FORWARD IN BROAD TERMS ON UNIFICATION. THEY ARE FITTING TOGETHER THE BITS OF THE JIGSAW AS THEY SEE IT, IN WHICH GENSCHER HAS ACCORDED THE FOUR POWERS A MORE IMPORTANT AND PROMINENT ROLE THAN PUBLIC OPINION HERE HAD BEEN LED TO EXPECT. THE NETTLE OF BORDERS IS ALSO BEING GRASPED: KOHL APPEARS TO BE SAYING THAT ONCE THE TWO GERMANYS CAN SPEAK AS ONE VOICE, THEY WILL GIVE THE NECESSARY GUARANTEES. IMPORTANT ASPECTS REMAIN UNRESOLVED, EVEN IN OUTLINE: NOTABLY HOW THE TWO GERMANYS WILL COME TOGETHER, WHETHER BY THE GDR ACCEDING TO THE FRG OR BY A CONSTITUTIONAL CONFERENCE INVOLVING BOTH COUNTRIES. PROCEDURE WILL NOT BE DECIDED UNTIL AFTER 18 MARCH. IT COULD HAVE AN IMPORTANT IMPACT ON THE TIMETABLE FOR AND EXTERNAL ASPECTS OF UNIFICATION.

NEVILLE - JONES

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ce.p.c

Foreign and Commonwealth Office

London SW1A 2AH

13 February 1990

COO

Jean Charles,

Call on the Prime Minister by Herr Genscher,
14 February

We have just heard from the Germans that Herr Genscher would like to call on the Prime Minister at 1000 tomorrow, 14 February, as you offered. He will be accompanied by the Federal German Ambassador (or, just possibly, his Political Director, Herr Kastrup) and his Private Secretary, Herr Elbe. Herr Genscher will also bring an interpreter, Frau Notbohm. His Press Officer (Herr Chroborg) and a detective will remain outside in the car.

The Foreign Secretary's plane from North America is due to land at 0845. He should reach Number 10 in time for the meeting.

Yours ever,

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street