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SECRETARY OF STATE'S CALL ON CHANCELLOR KOHL: 15 MAY

## SUMMARY

1. KOHL IN CONFIDENT MOOD. HIS MAIN PREOCCUPATION IS THE ECONOMIC ASPECTS OF UNIFICATION. TELLS THE SECRETARY OF STATE PRIVATELY THAT THE TWO CDUS HAVE AGREED TO MERGE FROM SEPTEMBER.

## DETAIL

2. THE SECRETARY OF STATE SPENT 50 MINUTES WITH KOHL IN BONN THIS AFTERNOON HE SENT HIS KINDEST REGARDS TO THE PRIME MINISTER. IT HAD BEEN A KIND GESTURE ON HER PART TO SEND HIM A MESSAGE ABOUT LAST SUNDAY'S ELECTIONS. HE WAS NOT REALLY WORRIED BY THE RESULTS. IT WAS BAD LUCK TO HAVE LOST 19,000 VOTES IN LOWER SAXONY. IT HAD BEEN EXCEPTIONAL FOR A CHANCELLOR TO HAVE CONTROL OF THE BUNDESRAT AND HE WAS NOW FREER TO CHALLENGE THE SPD TO DO THEIR WORST. THE SPD WERE MAKING THE TALKS ON UNIFICATION DIFFICULT BY CALLING FOR MORE EXPENDITURE IN THE GDR AND COMPLAINING IN THE FRG THAT EXPENDITURE WAS TOO HIGH. KOHL THOUGHT THE 2 PLUS FOUR PROCESS COULD BE MANAGED, AND THE FASTER THE BETTER. THE RUSSIANS WOULD GIVE IN ON NATO IF THEY GOT AN AGREEMENT ON ECONOMIC ISSUES. SO MUCH HAD BEEN DECENTRALISED IN THE SOVIET UNION THAT THE CENTRE HAD TO SOME EXTENT LOST CONTROL. IT WAS SURPRISING TO DISCOVER JUST HOW MUCH INTEREST IN THE OSTMARK/DEUTSCHMARK ISSUE THE RUSSIANS HAD SHOWN. THEY WERE VERY WORRIED ABOUT FINANCIAL LOSSES BY THEIR SOLDIERS: AN OVERT ADMISSION THAT THEY HAD BEEN PLAYING THE BLACK MARKET, PARTICULARLY PETROL SALES.

3. KOHL SAID HE HOPED THAT THE MONETARY AND SOCIAL ASPECTS OF GEMU COULD BE SETTLED BY THE END OF THIS WEEK. THE ECONOMIC ISSUES WERE MORE INTRACTABLE, NOT LEAST PROPERTY RIGHTS. THERE WAS 30 TO 50 PER CENT OVER EMPLOYMENT IN GDR ENTERPRISES AND THERE WOULD HAVE TO BE CONSEQUENT UNEMPLOYMENT. ENVIRONMENTALLY, NOTHING HAD BEEN DONE IN THE GDR SINCE THE 30S. A COMPANY, SUCH AS BASF, WANTED TO START FROM SCRATCH ON A NEW SITE AND WERE TRYING TO GET THE STATE TO TAKE RESPONSIBILITY FOR THE SALE AND DISPOSAL OF THEIR OLD FACTORY AND



PLOT. OF THE FIVE NUCLEAR REACTORS IN THE GDR, TWO WERE SIMILAR TO CHERNOBYL AND WOULD HAVE TO BE CLOSED DOWN. THERE WERE SIMILAR PROBLEMS IN EG CZECHOSLOVAKIA, BUT NO ONE PAID MUCH ATTENTION. IF THE FRG TOOK AUTHORITY IN THE GDR, THEY HAD TO TAKE RESPONSIBILITY AS WELL.

4. KOHL SAID THAT THE GDR AUTHORITIES HAD PROMISED TO PRODUCE FIGURES FOR THE BUDGET DEFICIT BY THE END OF THE WEEK. PEOPLE IN THE FRG WERE UNWILLING TO MAKE SACRIFICES FOR UNIFICATION. IT WAS HARDER TO GOVERN A WEALTHY THAN A POOR COUNTRY. HE WOULD NOT INCREASE TAXES BUT WOULD DISCUSS WITH THE MINISTERS OF THE LAENDER A FUND FOR NATIONAL UNITY TO BE FINANCED BY THE STATE, THE LAENDER AND THE COMMUNITIES. TAX INCOME WAS ON THE UP AND UP IN THE FRG AND IN 1987 HAD BEEN HIGHER THAN IN THE WHOLE OF THE BRANDT/SCHMIDT ERA. HE WOULD CALL THAT 1987 FIGURE 100 PER CENT AND A PERCENTAGE OF ANY TAX INCOME IN EXCESS OF THAT FIGURE WOULD GO TO THE FUND. TAX INCOME IN 1990 WOULD BE HIGHER THAN EVER BEFORE. THERE WAS NO QUESTION OF SACRIFICES, RATHER ONE OF SETTING PRIORITIES. FOR EXAMPLE, DM6.5 BILLION HAD BEEN SET ASIDE FOR MOTORWAY CONSTRUCTION IN THE FRG. ONE BILLION OF THAT WOULD NOW BE INVESTED IN MOTORWAY CONSTRUCTION IN THE GDR. THAT MEANT THAT ONE OR OTHER ROAD PROJECT IN THE FRG WOULD BE POSTPONED BUT THE GERMAN ECONOMY WOULD BENEFIT OVERALL. STILL THERE WERE COMPLAINTS, PARTICULARLY FROM MAYORS OF WEALTHY TOWNS LIKE LUDWIGSHAFEN. THEY HAD THREE INDOOR OLYMPIC SWIMMING POOLS ALREADY. WOULD IT REALLY BE A DISASTER IF A FOURTH ONE HAD TO WAIT UNTIL 1996? SIMILARLY, WITH INFLATION AT 2 PER CENT, THE CAR AND STEEL INDUSTRIES HAD JUST AWARDED THEIR WORKERS A 6 PER CENT PAY RISE. THE MINISTERS OF THE LAENDER WOULD CRY BUCKETS BUT HE DID NOT GIVE A DAMN. IF THE BUNDESRAT WANTED TO CALL FOR A TAX INCREASE, OR REJECT CURRENCY UNION, THAT WAS UP TO THEM. HE WOULD STICK TO HIS COURSE.

5. THE SECRETARY OF STATE ASKED ABOUT A DATE FOR UNIFICATION. KOHL SAID THAT THINGS HAD CHANGED SINCE THE SECRETARY OF STATE AND HE HAD LAST MET. THE GDR WOULD COST THE FRG DM30-40 BILLION THIS YEAR. IF HE HAD TO TELL PEOPLE IN THE FRG THAT UNIFICATION WOULD COST THEM DM 60 BILLION NEXT YEAR, UNIFICATION WOULD LOSE POPULARITY. SO THE TENDENCY WAS TO ACCELERATE THE PROCESS AND TO HOLD PAN-GERMAN ELECTIONS WITH THE FEDERAL ELECTION. THE SPD WOULD OPPOSE THAT BECAUSE THEY KNEW IT WOULD WORK TO THEIR DISADVANTAGE. THE SECRETARY OF STATE SAID THAT THAT WOULD PRESUMABLY ACCELERATE THE TIMETABLE FOR THE GDR APPLICATION UNDER ARTICLE 23. KOHL SAID THE ARTICLE 23 ROUTE WAS NOW UNDISPUTED BUT THE EXACT DATE FOR AN APPLICATION WAS YET TO BE AGREED. THERE WAS GREAT ENTHUSIASM,



PARTICULARLY AMONG YOUNG PEOPLE, AND HE COULD TELL THE SECRETARY OF STATE PRIVATELY THAT THE TWO CDUS HAD AGREED TO MERGE FROM SEPTEMBER. KOHL SPOKE HIGHLY OF DE MAIZIERE AS A MAN OF GREAT CULTURE AND INTEGRITY. HE HAD NOT WANTED TO BE PRIME MINISTER AND DID NOT WANT TO STAY. HE WAS ANXIOUS TO AVOID MISTAKES. FOR HIS PART, KOHL WANTED TO SEE ELECTIONS SOON. HE HAD TO AGREE A DATE WITH DE MAIZIERE - AND AGREE DETAILS OF THE MERGER WITH HIM. THE CDU IN THE GDR HAD EXCELLENT PEOPLE. LIKE GENSCHER EARLIER IN THE DAY, KOHL SAID HIS MAIN WORRY WAS THE RESURGENCE OF SOME OF THE OLD COMMUNISTS WHICH WAS FRIGHTENING A LOT OF PEOPLE.

6. THE SECRETARY OF STATE SAID THAT KOHL'S TIMETABLE MEANT THAT GOOD PROGRESS WOULD NEED TO BE MADE ON THE EXTERNAL ASPECTS. THIS WOULD REQUIRE COOPERATION WITH, AND PRESSURE ON, THE SOVIET UNION. KOHL THOUGHT THE RUSSIANS WOULD COOPERATE FOR ECONOMIC REASONS THOUGH PRESSURE WOULD BE REQUIRED AS WELL. THE RUSSIANS REALISED THAT THEY HAD NOTHING TO GAIN FROM THE ECONOMIC COLLAPSE OF THE GDR. GORBACHEV WAS PLAYING HIS CARDS CLEVERLY BUT HE KNEW THAT THE FRG COULD NOT MAINTAIN THE GDR ECONOMY FOREVER. THE DANGER KOHL FORESAW WAS OF A DIFFERENT NATURE: WITHOUT RAPID PROGRESS, PEOPLE WOULD START TO CROSS THE BORDER FROM THE GDR AGAIN. THE SITUATION OF THE TWO MILLION GERMANS IN THE SOVIET UNION WAS INCREASINGLY UNSTABLE. ABOUT 120,000 TO 15,000 OF THE REMAINING GERMANS IN ROMANIA WOULD PROBABLY LEAVE. THE FRG HAD ABSORBED 500,000 NEW PEOPLE IN THE LAST SIX MONTHS WITHOUT ANY INCREASE IN UNEMPLOYMENT BUT SHE COULD NOT GO ON DOING THAT. EQUALLY, THERE WAS A DESPERATE SHORTAGE OF WORKERS IN THE GDR. IN THE FRG, THE BULK OF THE 1.9 MILLION UNEMPLOYED WERE PEOPLE OF LOW SKILL AND 600,000 OF THEM WERE SHIRKERS. THERE WAS WORK AVAILABLE FOR QUALIFIED PEOPLE.

7. THE SECRETARY OF STATE ASKED WHETHER THE SPD WOULD BE IN A POSITION TO OBSTRUCT KOHL'S PLANS. KOHL SAID HE WOULD HAVE TO FIGHT A BATTLE. BUT THE SPD WOULD FIND IT HARD TO OPPOSE UNIFICATION. THEY HAD BEEN LUCKY ON SUNDAY BECAUSE THE ELECTIONS HAD COME RIGHT IN THE MIDDLE OF THE NEGOTIATIONS WITH THE GDR. ONCE THE FIGURES WERE OUT ON THE TABLE THINGS WOULD BE BETTER. KOHL SAID THAT HE HAD TO ACCEPT THE SITUATION JUST AS ONE HAD TO ACCEPT THE WEATHER. BUT IT WAS NOT SIMPLY A MATTER OF BEING FATALISTIC. THE GERMAN TRAIN WAS NOW ARRIVING AT THE STATION. EITHER THE GERMANS GOT ON OR THEY LET IT GO, IN WHICH CASE THERE WOULD NOT BE ANOTHER OPPORTUNITY DURING HIS LIFETIME. FOREIGN POLICY WAS LIKE MOWING GRASS FOR HAY. YOU HAD TO GATHER IN WHAT YOU HAD CUT IN CASE OF A THUNDER STORM. WE HAD TO RECKON WITH THE POSSIBILITY THAT IN 12 MONTHS TIME WE WOULD WAKE UP AND READ THAT



THERE HAD BEEN A MAJOR TURN FOR THE WORSE IN THE KREMLIN. THE SECRETARY OF STATE AGREES. WE MUST NOT UNDERMINE GORBACHEV BUT WE COULD NOT BASE OUR POLICY ON THE ASSUMPTION THAT HE WAS ABSOLUTELY SECURE.

## LITHUANIA

8. KOHL SAID HE HAD SENT A LONG LETTER TO THE PRIME MINISTER, IN REPLY TO HERS, ABOUT HIS MEETING WITH MRS PRUNSKIENE. HE HAD FOLLOWED THE SAME LINE AS THE PRIME MINISTER AND MITTERRAND. MRS PRUNSKIENE HAD MADE AN EXCELLENT IMPRESSION. HIS ADVICE HAD BEEN THE LITHUANIANS COULD NOT GO BACK ON DECISIONS THEY HAD TAKEN BUT THEY SHOULD PUT THEM ON ICE AND GO ALL OUT FOR A DIALOGUE. HE THOUGHT THAT MRS PRUNSKIENE'S MEETING WITH THE SOVIET AMBASSADOR IN BONN HAD BEEN SUCCESSFUL. THE SECRETARY OF STATE SAID THE RUSSIANS HAD NOT TAKEN IT WELL. KOHL THOUGHT ESTABLISHING THE CONTRACT WAS NEVERTHELESS NECESSARY.

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