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PRIME MINISTER

19 June 1990

VISIT TO BONN

I spent Monday in Bonn seeing a number of junior ministers and senior officials, including Teltschik. The attached telegrams give highlights. To me the most important points were:

GDR

There was confidence that the GDR economy could be turned round fairly quickly: 4 to 5 years was the period generally cited, though some were even more optimistic than that. But in the short term there was concern over a) the impatience of the GDR Parliament, as shown in Sunday's resolution seeking immediate unification; b) the fragility of the present GDR administration and their possible inability to handle the situation after GEMU. This could force an earlier take-over by the FRG and enormously complicate the timetable. Teltschik's view, however, was that the FRG could probably keep events in the GDR under control (he could not be absolutely certain). They were planning for unification in December and thought they could meet that timetable, but it was essential that there should be no delay beyond that date.

SOVIET ATTITUDE

It was thought that the Russians would eventually agree to a unified Germany joining NATO. Not yet; perhaps in the early autumn. Words and presentation to sweeten the pill were very important. In this connection a really forthcoming communique from the NATO Summit in July was seen as necessary.

ALLIANCE DECLARATION

Teltschik did not like the idea of an alliance to alliance declaration as proposed by Shevardnadze. He preferred a statement by individual members of NATO to which other CSCE members could

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subscribe. He spoke of the idea of a non-aggression treaty.

AID FOR THE SOVIET UNION

Teltschik said there was now a letter from Kohl, which you will have. He spoke of the need for very large sums, many billions of dollars, which would be too much of a burden for the FRG alone to sustain. Kohl would want to discuss this in Dublin and Houston. One object he admitted would be to buy Soviet acquiescence on politico-military issues, another to preserve Gorbachev and orderly reform. He spoke of the possibility of providing Western advisers who could do something to ensure that the money was properly used. I went over the obvious objections, pointing out that as yet there was no framework at all into which such money could be usefully placed. More advisers would not suffice; what was needed was something more like a total receivership of the Soviet economy. So far we lacked even the basic commitments in principle to market development. Teltschik accepted this and in the end fell back upon the argument that we must at least show ourselves forthcoming and ready to help. There is of course a great gap between a gesture of this kind and actually providing the aid he originally spoke of. You will need an agreed line on this for Dublin and later.

NATO STRATEGY

Teltschik stressed the need for some undertaking to cap the German armed forces in order to reassure the Russians. He would prefer this to be done in as positive and early a form as possible, as part of CFE rather than part of CFE 1(a). But in the end he accepted that a prospective statement about future force reductions would probably suffice.

On the nuclear element, he warned of the extreme vulnerability of German public opinion. Faced with a choice between a fully agreed unification settlement and nuclear weapons they would certainly opt for the first. The denuclearisation card had not yet been played, but the Russians could be reserving it for later on in the game. On tactics over SNF, he was very firm that the less said about it at the

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moment the better. Later on when it came to negotiation he thought it would be safer to seek an overall ceiling for short range nuclear weapons under which the two parties would have freedom to mix. This is our own preference.

MOOD IN BONN

I found my interlocutors naturally obsessed with the German question. Sudhoff for example, the PUS equivalent in the German Foreign Ministry, though briefed to cover with me a whole range of non-European issues, spoke exclusively about the GDR and the external aspects of unification. There is a mood of suppressed excitement, emotion and some optimism - the feeling that they are successfully handling the great range of questions flung at them at the beginning of the year as a result of the revolutions in Eastern Europe. Our own standing is good. I was several times warmly thanked for the support we (and other Western allies) are giving over the external aspects of unification.


PERCY CRADOCK

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SIR PERCY CRADOCK'S VISIT TO THE FRG: 18 JUNE

SUMMARY

1. OPPORTUNITY TAKEN TO SAMPLE WIDE RANGE OF FEDERAL GERMAN OPINION AT TIME WHEN EXPECTATION OF GERMAN UNITY THIS YEAR IS HARDENING. WARM GERMAN THANKS FOR BRITISH SUPPORT REGARDING UNIFICATION. NO SUGGESTION THAT UNITY WILL COME BEFORE DECEMBER, BUT STRESS ON NEED FOR SPEED AND ON UNWILLINGNESS TO WAIT UNTIL 1991. POSITIVE SIGNAL FROM NATO SUMMIT SEEN AS IMPORTANT IN GETTING RUSSIANS TO ACQUIESCE IN GERMAN MEMBERSHIP OF NATO. EMPHASIS ON DIFFICULTIES INHERENT IN DISCUSSION OF SNF MODERNISATION.

DETAIL

2. SIR P. CRADOCK PAID CALLS ON FRAU WILMS (FEDERAL MINISTER FOR INNER GERMAN RELATIONS), STAVENHAGEN (MINISTER OF STATE AT THE FEDERAL CHANCELLERY), TELTSCHIK (KOHL'S FOREIGN POLICY ADVISER), SUDHOFF (PUS-EQUIVALENT, AUSWAERTIGES AMT) AND EHMKE (DEPUTY CHAIRMAN OF THE SPD PARLIAMENTARY PARTY), AND MET OTHER PROMINENT GERMANS OVER LUNCH.

3. FRAU WILMS EXPRESSED THE FEDERAL GOVERNMENT'S THANKS FOR HMG'S ATTITUDE TOWARDS UNIFICATION: THE PROCESS COULD HAVE DEVELOPED DIFFERENTLY HAD THE WESTERN ALLIES NOT BEEN SUPPORTIVE. THIS WAS ECHOED BY SUDHOFF, AND (OVER LUNCH) BY FRAU PFARR (BERLIN SENATOR FOR FEDERAL AFFAIRS), WHO PAID TRIBUTE TO THE ALLIES FOR NOT MAKING DIFFICULTIES ABOUT THE RAPID GROWING TOGETHER OF THE TWO PARTS OF BERLIN.

TIMING OF MOVEMENT TOWARDS UNIFICATION.

4. TELTSCHIK SAID THAT THE FEDERAL GOVERNMENT DOUBTED THE ABILITY OF THE GDR TO MANAGE THE PROBLEMS WHICH WOULD FOLLOW GEMU, AND THEREFORE SAW EARLY STATE UNIFICATION AS ESSENTIAL. HE SAID THAT IT

SHOULD COME, MORE OR LESS SIMULTANEOUSLY WITH ALL-GERMAN ELECTIONS IN DECEMBER. IT COULD NOT BE DELAYED, AS MANY IN THE SPD WANTED, UNTIL AUTUMN 1991. TELTSCHIK ASSERTED THAT UNITY WOULD NOT COME BEFORE DECEMBER, BUT LEFT THE IMPRESSION, AS DID OTHERS DURING THE DAY, THAT PRESSURES IN THE GDR FOR EARLIER UNITY COULD BECOME INTENSE.

5. FRAU WILMS SAID THAT THE LATEST OPINION POLLS SHOWED THE VAST MAJORITY OF WEST GERMANS TO BE IN FAVOUR OF UNITY. PEOPLE COULD SEE THAT THE FINANCIAL BURDEN WOULD BE TOLERABLE AND THAT UNITY WOULD BRING NEW OPPORTUNITIES. SHE WAS GLAD THAT THE PROCESS WAS BEING ACCOMPLISHED WITHOUT ANY APPEARANCE OF GERMAN NATIONALISM ('HURRAH PATRIOTISM'). SHE REGRETTED HOWEVER THAT A MOTION HAD BEEN INTRODUCED INTO THE VOLKSKAMMER ON 17 JUNE PROPOSING IMMEDIATE ACCESSION TO THE FRG VIA ARTICLE 23. THE TIME WAS NOT RIPE FOR SUCH A MOVE. IT REMAINED IMPORTANT THAT THE INTERNAL AND EXTERNAL TRACKS OF UNITY SHOULD RUN IN PARALLEL.

6. STAVENHAGEN SAID THAT THE AIM OF THE MOTION DEBATED BY THE VOLKSKAMMER ON 17 JUNE HAD BEEN TO SHOW THAT THERE WAS A MAJORITY FOR ARTICLE 23. WHILE IT HAD FAILED TO COMMAND A MAJORITY FOR IMMEDIATE UNITY IT HAD SHOWN THAT THREE QUARTERS OF THE VOLKSKAMMER WANTED UNITY SOON. ALL-GERMAN ELECTIONS WOULD TAKE PLACE BETWEEN 2 AND 16 DECEMBER, PROBABLY ON 9 DECEMBER.

7. EHMKE RECOGNISED THAT A DETERIORATION IN THE GDR'S SITUATION MIGHT FORCE THE TIMETABLE, AND THAT A GDR APPLICATION UNDER ARTICLE 23 COULD BE MADE AS EARLY AS THIS SUMMER. EVEN SOME OF HIS SPD COLLEAGUES WERE NOW SPEAKING IN FAVOUR OF A SINGLE ALL-GERMAN ELECTION. TOO MUCH SPEED MIGHT MEAN THAT THE INTERNAL TRACK GOT AHEAD OF 2 PLUS 4, MAKING IT EASIER FOR THE RUSSIANS TO ARGUE THAT QRR SHOULD CONTINUE IN A UNIFIED GERMANY. EHMKE, SURPRISINGLY, WAS WILLING IN THOSE CIRCUMSTANCES TO ENTERTAIN THE IDEA OF QRR CONTINUING FOR A TIME.

8. SUDHOFF POINTED TO THE SIGNIFICANCE OF THE RECENT DECISIONS BY THE MAJOR PARTIES IN THE FRG TO UNITE BY THE AUTUMN WITH THE EQUIVALENT PARTIES IN THE GDR. THESE MOVES MADE AN ALL-GERMAN ELECTION IN DECEMBER ALL THE MORE LIKELY.

NATO.

9. TELTSCHIK SAID IT WAS IMPORTANT FOR THE WEST TO MAINTAIN THE LINE THAT A UNITED GERMANY SHOULD BE A MEMBER OF NATO. THE RUSSIANS NEEDED TO BE PERSUADED THAT THIS WOULD BE IN THEIR INTERESTS TOO. SO

FAR THEY HAD NOT REACHED A SETTLED POSITION. SINCE SHEVARDNADZE HAD MADE IT CLEAR AT THE 2 PLUS 4 MINISTERIAL IN BONN THAT THEY WANTED A PACKAGE DEAL AT THE END OF THE 2 PLUS 4 NEGOTIATIONS WE SHOULD NOT EXPECT A FINAL SOVIET POSITION UNTIL THE EARLY AUTUMN, AT THE EARLIEST (SUDHOFF SAID HE HAD NO EXPECTATION OF TANGIBLE PROGRESS BEFORE THE SOVIET PARTY CONGRESS IN JULY).

10. TELTSCHIK SAID THAT, IN ORDER TO CONVEY A POSITIVE SIGNAL TO THE RUSSIANS, THE LONDON NATO SUMMIT NEEDED TO WORK UP A DECLARATION TO THE EFFECT THAT, IF THE CURRENT CHANGES RESULTED IN THE WITHDRAWAL OF SOVIET TROOPS FROM EASTERN EUROPE AND A CEILING ON THE SIZE OF THE SOVIET WESTERN GROUP OF FORCES, THEN NATO WOULD BE PREPARED TO MAKE CHANGES IN ITS STRUCTURE. THE FEDERAL GOVERNMENT WERE CONSIDERING SHEVARDNADZE'S PROPOSAL THAT THE TWO MILITARY PACTS SHOULD MAKE A STATEMENT THAT THEY DID NOT VIEW EACH OTHER AS ENEMIES. IN HIS SPEECH TO THE BUNDESTAG ON 21 JUNE KOHL WOULD SAY THAT THE MEMBERS OF BOTH ALLIANCES MIGHT CONSIDER, AS PART OF THE CSCE PROCESS, SIGNING A NON-AGGRESSION TREATY WHICH COULD LATER BE ADOPTED BY ALL THE CSCE SIGNATORY STATES. THIS SHOULD BE MANAGED SO AS TO AVOID BREATHING LIFE INTO THE WARSAW PACT.

11. TELTSCHIK SAID THAT DISCUSSION OF MODERNISATION OF SNF SHOULD BE DELAYED FOR AS LONG AS POSSIBLE: IF THE RUSSIANS MADE DENUCLEARISATION OF GERMANY A PRECONDITION FOR UNIFICATION THIS MIGHT FIND GREAT POPULAR SUPPORT IN THE FRG IN AN ELECTORAL YEAR. THE GERMANS WERE CONSIDERING APPROACHING THE SNF QUESTION BY SETTING EQUAL CEILINGS FOR SUB-STRATEGIC NUCLEAR SYSTEMS. BENEATH THESE CEILINGS THE TWO SIDES WOULD BE ABLE TO DETERMINE THE MIX FOR THEMSELVES.

12. EHMKE ACCEPTED THAT GERMANY SHOULD BE IN NATO FOR SOME YEARS AFTER UNITY. THE NATO TREATY SHOULD APPLY POLITICALLY, BUT NOT MILITARILY, TO THE PRESENT GDR. IN DUE COURSE, SOMETHING NEW WOULD BE NEEDED. HE SPOKE OF A EUROPEAN-ATLANTIC ORGANISATION (EAO), WHICH WOULD BE AN ALLIANCE BETWEEN A EUROPEAN FEDERATION AND NORTH AMERICA. EASTERN EUROPEANS WOULD BE INCLUDED, AND THIS WOULD GUARANTEE THAT THE SOVIET UNION COULD NOT REOCCUPY EASTERN EUROPE. EAO WOULD HAVE INTEGRATED FORCES AND WOULD ALLOW FOR MAJOR US REINFORCEMENTS IN EUROPE IN AN EMERGENCY. EHMKE FORESAW A REAL FIGHT OVER TASM. THE SPD WOULD ARGUE FOR ZERO IN ANY FUTURE SNF TALKS. SO, HE THOUGHT, WOULD THE FDP. THE CDU MIGHT PREFER UPPER LIMITS, BUT PUBLIC OPINION WOULD SEE TASM AS A POLITICAL CIRCUMVENTION OF THE INF TREATY. EVEN THE CDU MIGHT COME OUT AGAINST IT IN THE END. HE ADDED THAT HE HAD JUST SEEN A US JOINT CHIEFS OF STAFF PAPER WHICH

ARGUED THAT NATO COULD NOW FOREGO FIRST USE OF NUCLEAR WEAPONS, A STEP WHICH THE SPD WANTED NATO TO TAKE AT NEXT MONTHS SUMMIT

GDR ECONOMY

13. FRAU WILMS SPOKE ABOUT THE LIKELY ECONOMIC SITUATION IN THE GDR AFTER UNITY. THERE WOULD BE A DIFFICULT PERIOD OF ABOUT TWO YEARS WHICH WOULD BE FOLLOWED BY RAPID GROWTH. (COMMENT: A MOST OPTIMISTIC VIEW.) 50 PER CENT OF GDR COMPANIES WOULD BE ABLE TO ADAPT TO A MARKET ECONOMY. WITH HELP, ANOTHER 30 PER CENT COULD DO SO. THE REMAINDER WOULD GO TO THE WALL. SHE WAS CONFIDENT THAT THE PEOPLE OF THE GDR WOULD SEE MORE FUTURE IN STAYING WHERE THEY WERE THAN IN MOVING TO THE WEST. THERE WERE ALSO SIGNS THAT A GOOD NUMBER OF WEST GERMANS WOULD SEE CHANCES FOR CAREER DEVELOPMENT BY MOVING EAST.

14. SUDHOFF STRESSED THE IMPORTANCE OF ECONOMIC RELATIONS BETWEEN THE GDR AND THE SOVIET UNION, THE FULL EXTENT OF WHICH HAD BEEN DIFFICULT TO ESTABLISH BUT SEEMED LIKELY TO EXCEED EXPECTATIONS. ONE FACTOR WAS THAT THE SOVIET UNION, AS A RESULT OF THE EXPROPRIATIONS FROM 1945-49, OWNED SOME 10 PER CENT OF ALL PROPERTY IN THE GDR.

15. FRAU PFARR SAID BERLINERS WERE WORRIED THAT UNEMPLOYMENT IN THE GDR WOULD SPILL OVER INTO BERLIN: BY THE END OF THE YEAR GREATER BERLIN (FOUR MILLION) MIGHT HAVE ONE THIRD OF A MILLION UNEMPLOYED. THIS WAS A PROSPECT WHICH HAD TO BE TAKEN SERIOUSLY, SINCE THERE WAS A RISK OF A POLITICAL BACKLASH (TO THE RIGHT IN WEST BERLIN, TO THE PDS IN THE EAST).

16. CABINET OFFICE PLEASE PASS TO SIR P. CRADOCK.

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