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MEETING RECORD
Subject: Maizière



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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

27 June 1990

PRIME MINISTER'S MEETING WITH THE PRIME MINISTER
OF THE GDR

The Prime Minister had a meeting lasting a little over an hour this morning with the GDR Prime Minister. Herr de Maizière was accompanied by Frau Sylvia Schultz, head of his office, and by another, unidentified official. It was a very friendly meeting: indeed, it moved Frau Schultz to say tearfully to the Prime Minister at the end that she had been very moved by the meeting and had never before seen de Maizière respond so well to another head of government.

The Prime Minister began by saying she would like to hear from de Maizière how people in East Germany felt about unification. She could understand that they were anxious about the unknown. They would look to de Maizière and his Government to see that their interests were fully taken into account in the process of Germany's unification. De Maizière said that the Prime Minister was absolutely right. People in the GDR wanted to feel that they, too, were making a contribution to unification. There was some feeling that the FRG was patronising and trying to tell the people in the East how to run things. The GDR did not want unification to look like the victory of West Germany over East Germany: it should be a victory for the ideals of freedom and democracy. People in East Germany had never before been able to choose their political system. Now they would want to contribute their identity to the unified German state. We should not underestimate the emotional connotations of unification.

The Prime Minister said that she sympathised with what de Maizière was saying: she herself quite often had to stand up to Chancellor Kohl and stop him trying to bulldoze his point of view through. He had done a great deal for West Germany, but subtlety was not his most obvious characteristic. She was inclined to think a longer transition period to German unification would have been better. But that was now history. The Prime Minister continued that Britain would like to be involved in East Germany. We would be happy to provide training in this country and advice on privatisation. We would also encourage our firms to invest in the GDR. De Maizière said that he would very much welcome this. He saw one of his great tasks as being to open people's minds in the GDR after 45 years of imprisonment. Exchanges and training were very important for this, and he wanted to look well beyond the FRG to provide them.

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The Prime Minister asked about the impact of GEMU. De Maizière gave an account of the practical steps involved in implementing GEMU. There had been some initial concern that people would simply go out and spend their new DMs. But a recent opinion poll had shown that only about 30 per cent of them would do this, spending particularly on travel. The rest would save. That was the mentality of people in the GDR: you never knew what might happen in the future. The Prime Minister said that she thought that it would take East Germany only seven or eight years to catch up with standards of living in the FRG. De Maizière said he thought that was about right: he would put it at something between five and eight years. At the end of that time, he expected East German industry to be actually more modern than that of West Germany. The most important task was to re-create a strong middle class. Luckily, there were people in the GDR who remembered what a market economy was like. The last remnants of privately-owned industry had been abolished only in 1972. We should not underestimate the tremendous, liberating effect of the events in East Germany. People had thought that they had lived their lives for nothing: now they had been given a new chance, and they would take it.

Turning to the external aspects of unification, de Maizière said it was important not to make unification look like a defeat for the Soviet Union. At the moment, the Russians felt that the Two plus Four group was actually Five versus One. People in the Soviet Union were saying that Stalin had won the war, and that Gorbachev had lost it. Great hopes were being pinned on the NATO Summit, and he hoped that it would indeed give positive signals to the Soviet Union. He would also like to see the CSCE built up as an umbrella organisation. Indeed, he had suggested that Berlin might become a sort of CSCE capital. The Prime Minister said that would re-awaken all sorts of misgivings in other West European countries. But she was confident that the NATO Summit would give the sort of signal which de Maizière hoped for. But it certainly would not signal the end of NATO: we had to keep our defences.

De Maizière said that he had sad misgivings about the prospects for Gorbachev. He could easily be overwhelmed by the Soviet Union's economic problems. The GDR was itself feeling the effect of these problems: they had expected to import some 20 million tonnes of oil from the Soviet Union this year but would not get more than 16 million. It would be a tragedy if Gorbachev were removed. The liberation of Eastern Europe would not have been possible without him. But he had reliable reports that old guard Party members were responsible for actions which amounted to sabotage of the Soviet economy. Hundreds of thousands of Party members were leaving the Communist Party. The trouble was that there was no other body which could integrate the country, or play the sort of role which the Catholic church had fulfilled in Poland or the Lutheran church in the GDR. It was vital to do everything possible to help Gorbachev.

The Prime Minister agreed that we wanted to preserve Gorbachev. That had been discussed at the European Council. She wondered what practical steps de Maizière had particularly in mind. De Maizière said that economic help was the first requirement. But this should not be a question of sprinkling money around indiscriminately. Help should be project-oriented. The Prime Minister said her view was that we ought to find a way of transplanting 'islands of capitalism' into the Soviet economy. She had been very struck by what she had heard about the success of McDonalds, who had installed their whole chain from production of beef through to service of milk-shakes and hamburgers. De Maizière said the most difficult task was to change the character of the Russian people. They were accustomed to accepting their fate and making the best of it. He recalled his days as a musician, when he had given a concert in the Soviet Union and the orchestra's instruments had arrived four hours late. The audience had simply waited patiently and then applauded wildly when the orchestra finally came on the stage.

The Prime Minister said she was not certain that the Russians really understood a market economy, although Ryzhkov had assured her that the Soviet Union now intended to introduce a full market economy. She found Ryzhkov quite an attractive character. De Maizière said he had to disagree on that: he and his colleagues had found Ryzhkov very hard-line and his thinking set in the mould of centralisation. But there were others, such as Sitaryan, who had a better understanding of what was really required. They tended to talk of a 'regulated' market economy. Actually, that was no more than their way of saying 'social' market economy.

The Prime Minister said she had been interested and impressed by what de Maizière had told her. She hoped he would keep in touch, and let her know how things were going. She would be writing that afternoon to Mr Gorbachev, and would mention her meeting with de Maizière. Meanwhile, she understood that the Chairman of the Conservative Party had invited him to attend the Party Conference in October. He would be very welcome. De Maizière said that he hoped to attend and would arrange his programme to permit this.

I am copying this letter to John Gieve (Treasury), Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

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