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From the Private Secretary

11 February 1991

Jaw Richard.

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL

The Prime Minister spent some three hours talking to Chancellor Kohl in Bonn today. The meeting started in the Chancellor's office, continuing over lunch in an adjoining room and finished with a visit to Konrad Adenauer's office in the old Federal Chancellery building. Only Herr Hartmann was present on the German side. The Chancellor was in great good humour and went out of his way to be friendly and forthcoming. He commented at the end of the meeting that it represented a new start in Anglo-German relations. The Prime Minister was equally positive, and well satisfied with the outcome of the meeting. You will receive separately the verbatim texts of the statements which the Chancellor and the Prime Minister made at the end of the session and their answers to questions.

Introduction

Chancellor Kohl began by listing the subjects which he and the Prime Minister might cover, notable for the omission of any reference to Turkey, which he had told the Foreign Secretary he had particularly wanted to discuss. He added that he was glad that things were going well for the Prime Minister and the Government: and much relieved at the Prime Minister's deliverance from the PIRA attack.

The Prime Minister said that he was very pleased to have the opportunity for a talk. He found their regular telephone calls immensely useful. Once the weather improved in the spring, he hoped that the Chancellor and Mrs. Kohl would come across and spend a weekend in the United Kingdom. He would look for an attractive site in the country, with some good walking and a delectable pub. The Chancellor said he would very much welcome that. He hoped in turn the Prime Minister would come and stay with him at his home in Ludwigshafen.

Germany internal

Chancellor Kohl spoke at some length on the internal situation in Germany. On the economic front there were really two entirely different pictures. In the former FRG, the economy was doing excellently. Barring some disaster in the Gulf war, Germany should get 3-3.5 per cent growth in the current year, with unemployment at about 6 per cent. This would be good for the whole European Community. The situation in the former East Germany was much more difficult, although this was not unexpected. It would take 3-5 years to achieve a flourishing economy there. The low point had been reached rather sooner than he had calculated. Originally he had expected to be able to retain at least part of the former GDR's economic and trade relations with Comecom. But the countries of Eastern Europe were unable to pay and their products were not needed in the West. Goods from the former GDR were far below world market standards. Germany faced the problem of re-training some three million workers in the former GDR: and of dealing with pervasive over-staffing. The number of people employed in local government and other similar areas had to be reduced by at least half.

But, continued the Chancellor, the real problem was not the economy but the toll which 40 years of dictatorship had taken on the East German people. For the sake of comparison, one should recall that the Nazi period had lasted only nine years. The last free elections in East Germany had been in 1932. The role played by the Stasis was almost unbelievable: they had fingers everywhere, and it was difficult to disentangle now who were the victims and who were the oppressors. Their archives were a huge problem and it would be much better if they were all destroyed. All in all, 1991 would be difficult, although he expected things to perk up in the autumn. People in the western part of Germany spoke of solidarity, but did not like to show it.

The Gulf

The Chancellor said this led him on naturally to the conflict in the Gulf. The debate about this in Germany could only be understood in the context of Germany's history over the past 50 years. Criticism from abroad was counter-productive. The Prime Minister interrupted to say that he regretted such criticism. The overwhelming majority of people in the UK were pleased about German unity. To his generation it was entirely right to have a unified Germany. A line had been drawn under the past, and we had a different sort of Germany and a different sort of Europe. Britain and Germany had much more in common than there was separating them.

Chancellor Kohl, who was clearly pleased with these comments, continued that in former days Germans were criticised for never taking their jack-boots off. Now it was difficult to get them to put them on. Unlike Britain and France, there was no consensus on the basic issues of defence. The Social Democrats in Germany were anti-defence and shirked any international responsibility. The situation was similar to that which he had faced over the decision to deploy Pershing in 1983. That said, 1990 had been a disastrous year for the Left in Germany.

Everything which they had said had turned out to be wrong, in particular on German unification. The result had been reflected in the elections. But now they had Saddam Hussain as an excuse to be anti-American and anti-NATO: and there was no denying that their attitude did strike bitter chords in the German people. Most families had lost someone in one or other of the two world wars. In consequence, public opinion was much more hysterical in Germany than in Britain about the Gulf war. Fortunately, Saddam Hussain had helped immensely, firstly by attacking Israel, then by his treatment of POWs and finally by creating the oil slicks. All this had led to a considerable shift in opinion. The Prime Minister - rather keen to get a word in - said how grateful we were for Germany's financial contribution towards our military costs in the Gulf. He had spoken warmly of this in Parliament. Chancellor Kohl said the help would continue if the war went on. He would have to increase taxes in Germany but that would make people realise that Germans could not expect others to risk their lives in order for Germany to enjoy peace. Strangely it was easier to justify tax increases to help with the costs of the Gulf war than to meet the expense of unification. If Germany was unable to send forces to help its allies - as he would like to be in a position to do - then it must show its readiness to help in other ways.

The Prime Minister then briefed Chancellor Kohl quite extensively on the current military situation in the Gulf and the prospects. It seemed probable there would have to be a land battle and it could not be delayed indefinitely. Although there were a number of peace initiatives under discussion, none of them looked very serious. President Gorbachev's speech at the weekend was probably more of a warning shot to the United States and others that if we wanted Soviet support over the Gulf, we had to be restrained in our comments about the situation in the Baltic Republics. Chancellor Kohl asked how the Prime Minister saw the situation after the conflict. The Prime Minister said that, given Arab sensitivities, their views would be crucial. There was no question of having standing Western forces in the area. The Arab countries themselves might set up some sort of standing force, particularly the Gulf Cooperation Council. He was committed to bringing home British troops as soon as possible. Much would depend on how the conflict ended. Ideally Saddam Hussain would be clearly defeated. But an outcome was conceivable under which he withdrew from Kuwait with a substantial part of his armed forces still intact, claiming victory and increasing his prestige in the Arab world. That would make the subsequent security arrangements in the Gulf harder to deal with. Chancellor Kohl agreed that it would be prudent to plan on the less favourable scenario. If Saddam Hussain survived, the key would be to isolate him internationally, and above all to embargo further arms supplies. That would prevent him from re-building his military strength. The Prime Minister commented that it would be quite hard for Saddam Hussain to claim victory, given the damage done to Iraq's infrastructure and armed forces by allied bombing. It would take many years to restore. Chancellor Kohl said that nonetheless he was a bit sceptical about White House optimism over the outcome of the conflict.

Soviet Union

Over lunch the discussion turned to the Soviet Union. Chancellor Kohl said that he believed that Gorbachev was still fully in charge, and not a plaything in the hands of conservatives. When they had last spoken on the telephone a week or so earlier, he had made a point of asking Gorbachev how he was personally. The reply had been that "Mikhail Gorbachev tells Helmut Kohl that he has not changed. He is not a conservative or a reactionary. He is still committed to perestroika. But he cannot allow the Soviet Union to disintegrate." Chancellor Kohl said that he had considerable sympathy with this last point. He had constantly urged the Baltic leaders to take a hundred small steps rather than two big ones. That way, they would get most of what they wanted. If Gorbachev let the Baltics go now, at least four other republics would want to go as well and that would raise the question of the Ukraine. Personally he had always taken the view that the real problem was not the Oder-Neisse Line but Poland's eastern borders. Once you started fiddling with borders, you would destroy peace in Europe. He saw the West's main task now as being to use its influence to prevent the Soviet Union taking a step backwards. Whoever followed Gorbachev would be worse than him. He sympathised with the Baltics. But the only way forward for them was a slow march to independence.

The Prime Minister said that he was planning to visit Moscow and meet President Gorbachev in early March. Chancellor Kohl interrupted to say that he and the Prime Minister should have a talk on the telephone immediately beforehand. The Prime Minister continued that he understood Mr. Gorbachev's fears about disintegration of the Soviet Union. But how did he see the problem of the Baltics being solved? Was he sincere in saying that independence could come about as a result of negotiations? We had all invested a great deal in Gorbachev the reformer, but not in Gorbachev the oppressor. We had to persuade him to give clear signals that he was still the man he declared himself to be. How could we do this? Chancellor Kohl said that he had tackled Gorbachev privately on some of these issues at their last meeting, and told him frankly that he could not keep the Baltics against their will. His impression was that Gorbachev could envisage independence for the Baltics ultimately. But when he had gone on to raise the problem of the Kuriles with Gorbachev, he had become quite irritable and said that he could not do everything. However, he was reasonably confident that the Two plus Four agreement would be ratified, although it would never have been possible to negotiate it today. There were major problems with Soviet forces in Germany and he was certain they would have to withdraw before 1994.

Chancellor Kohl continued that it was an excellent idea for the Prime Minister to see Gorbachev. He should be frank with him and say that we wanted to know whether Gorbachev the reformer still existed. The Prime Minister said that he also intended to raise the problems over implementation of the CFE agreement. He believed the EC should continue with humanitarian food aid, but should hold back other assistance until it was clear that Gorbachev was resuming the path of reform. Chancellor Kohl said

the Prime Minister should tell Gorbachev that in terms. He and the Prime Minister should keep in the closest touch. Over the medium and long term, this issue of the Soviet Union was far more important than the Gulf. A step back in the Soviet Union would create enormous problems in Eastern Europe.

Yugoslavia

Chancellor Kohl said that he wanted to raise the problem of Yugoslavia, but he found it hard to propose any solution. The Prime Minister said that he shared Chancellor Kohl's concern about the situation but equally saw very little scope for the rest of us to help. Officials might get together to compare assessments.

South Africa

The Chancellor said that Britain and Germany had always been close together on South Africa and that should continue. The two of us had been shown to be right and the rest of the EC wrong. The Prime Minister said there would be opposition from the ANC and some of the Front Line States to lifting sanctions. But there was a great deal of hypocrisy talked. South Africa needed investment and access to the IFIs. He felt this was an area where the European Community should give a lead. He proposed to press his colleagues in the Commonwealth very hard, although not to the point of stimulating a counter-reaction.

Chancellor Kohl agreed that Britain and Germany should act together. He was not overwhelmed with admiration for Mandela who was very weak on detail. In many countries, South Africa was more of a domestic rather than a foreign policy issue. It had been a bad blow for the left to lose the South African bogey man. For his part, he would try to win over President Mitterrand to lift restrictive measures: he had the problem that France was a sort of Pope for the Africans. Similarly, there was a difficult domestic problem for President Bush. The Prime Minister suggested that British and German officials should get together to discuss the way ahead. If it would be helpful we could provide a paper for such a meeting. Chancellor Kohl welcomed this.

European Community

The Prime Minister said that he wanted to take the Chancellor into his confidence on his views on European Community issues and in particular Economic and Monetary Union. There was some areas where Britain and Germany agreed. Both wanted an anti-inflationary outcome. Both thought there had to be a convergence of economic performance before EMU could be achieved. In our view that meant that Stage 2 had to be substantial, not a phantom. We faced two problems in Britain. First, there was the difficulty about eroding Parliamentary sovereignty. Second - and more important in his view - there was the question of the economic circumstances in which it was safe to move forward. If we had a single currency and a single level of interest rates in Europe, the efficient nations would be able to compete satisfactorily, but the inefficient not. They would face huge

Powell K Gogney 11/2/91

unemployment and a collapse of asset values. The poorer countries would then ask the richer nations for huge transfers of funds. These were unlikely to be available. Anyway, it would be wholly wrong to put countries like Greece, Spain and Portugal on a permanent drip feed. Third, there was a political problem. Opinion in Britain about the EC was changing. But if he went to Parliament now for ratification of a treaty with a commitment to Stage 3 of EMU he would not get it through the House of Commons. He might be able to get it through if there was an opting-in provision. But he was very anxious that there should not be speculation about this prematurely.

The Prime Minister continued that he drew a number of conclusions from this. Basically we needed time: time to prepare opinion in the UK and time to allow the move towards EMU to be gradual. The latter consideration pointed to a lengthy second stage. He saw signs that a number of EC governments, particularly Spain and France, were beginning to pick up some of the British proposals, even though they would go further than we could on Stage 3. There was a coming together. But we wanted to avoid too swift a conclusion to the IGC, and too prescriptive a solution from it. The main prize would be a treaty signed by Twelve, and that was as important. But to achieve that, others in the EC needed to give us time and show understanding. We did not want to be boxed in.

Chancellor Kohl said that he and the Prime Minister had started to build a new relationship, and he felt it was a very personal one. He would say as much to the press. He could assure the Prime Minister that he would not do anything to box Britain into a corner. It might be better to deal with some of these issues outside official channels: Mr. Hartmann and I should work together, and he and the Prime Minister should speak to each other often. He very much wanted Britain to be together with Germany and France at the heart of the EC. It was psychologically wrong for Germany to be too prominent in Europe. That was why he continued to let France get out ahead. Mrs. Thatcher had never really understood his approach to Europe. But he and the Prime Minister were more similar and he very much wanted the two of them to work closely together. The Prime Minister said he would very much welcome this.

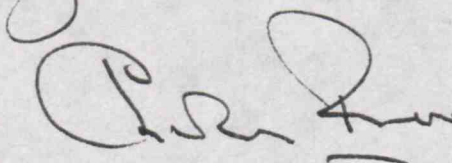
EDG/EPP

Chancellor Kohl said that, as part of this, he would like to see the EDG join the EPP in the European Parliament. He would be urging this when Christian Democrat leaders met in Brussels on 14 February. Such a coming together had to happen before the 1994 elections. He wanted to see the British Conservatives and the Danish Conservatives as part of the EPP. A place also had to be found for the French conservative parties. The Right had to go into the next European elections with a common platform. The Prime Minister said he very much shared this aim and thought it was right for the EDG to join the EPP, although it might cause difficulties in some sections of the Conservative Party. Equally he wanted a close relationship between the Conservative Party and the German CDU. Chancellor Kohl said that he might come over to London in early March to discuss this further with the Prime

Minister, involving also Mr. Patten. The Prime Minister pointed out that he would be returning to Bonn for the Anglo-German Summit on 11 March and could bring Mr. Patten with him. It was left that this would be sorted out between me and Mr. Hartmann. Chancellor Kohl added that he thought Martens was aboard, so was Santer. The Italians were coming round: it was only the Dutch who were the main problem.

Discussion had to finish at this point before the Prime Minister and Chancellor Kohl could get into issues such as the GATT and European Political Union (not to speak of Turkey).

I am copying this letter to John Gieve (HM Treasury), Martin Stanley (Department of Trade and Industry), Robert Canniff (Chancellor of the Duchy of Lancaster's Office) and to Sir Robin Butler.

Yours sincerely,


C. D. POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET
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From the Private Secretary

11 February 1991

Dear Simon.

PRIME MINISTER'S CALL ON CHANCELLOR KOHL: LOW FLYING

Thank you for your letter of 9 February inviting the Prime Minister to raise the subject of low-flying during his meeting with Chancellor Kohl. I regret to say that the Prime Minister was pressed for time and did not get an opportunity to mention the subject.

I am copying this letter to Richard Gozney (Foreign and Commonwealth Office).

Yours sincerely,

C. D. POWELL

Simon Webb, Esq.,
Ministry of Defence.

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