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*From the Private Secretary*

23 March 1987

*See Tony,*

**PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL**

The Prime Minister had a talk this afternoon with Chancellor Kohl at the Federal Chancellery in Bonn. Herr Teltschik was also present on the German side. The discussion was almost entirely concerned with arms control and East/West relations. I am writing separately on a European Community matter.

The Prime Minister said that she had thought it would be useful for her and the Chancellor to talk over the main arms control issues before her visit to Moscow at the end of the month. She also wanted to compare assessments of what was going on in the Soviet Union.

Chancellor Kohl said that he had been grateful for the Prime Minister's offer to consult. He would like first to give her an account of the situation in the Federal Republic. This was relevant because the FRG was clearly the main target of Soviet policy in Europe.

He had delivered a policy statement on East/West relations and arms control to the Bundestag the preceding week and the subsequent debate had gone well from the Government's point of view. A number of Land elections now lay ahead of the Government, in which it had a significant chance of winning power for the first time for decades in Hesse and in Hamburg. The fundamental issue of contemporary German politics was the leftward trend of the Social Democrats. The Brandt era was drawing to a close (news of his resignation was brought in moments later) and his successors were likely to be further to the left. This meant that the fundamental understanding between the Government and Opposition in West Germany on the basic issues was no longer there. The Government was also under attack from the Greens, who were under the influence of Communist ideologues and had wide support in the press, while the Protestant church was encouraging neutralism. The atmosphere in German politics had not been so full of hate since 1949.

The Chancellor continued that the German economy would do reasonably well in 1987 with 2-2½ per cent growth. But there were particular difficulties with coal, shipbuilding and steel, where earlier Social Democrat governments had

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failed to tackle restructuring. Economic development was uneven throughout the country. There were 40,000 job vacancies in Stuttgart and 16 per cent unemployment in Dortmund. There was likely to be a row over tax reform, because it involved the withdrawal of subsidies. There were also real problems with German farmers, which would need three or four years to overcome. German agriculture had developed in the wrong direction for over two decades and the problem could not be put right overnight. However, said Chancellor Kohl concluding this doleful story, he was pretty satisfied all in all with the way things were going. So he ought to be, said the Prime Minister.

Turning to developments in the Soviet Union, Chancellor Kohl said that he was concerned by the rather naive enthusiasm in the Federal Republic about developments there. Too many people just heard the words and failed to appreciate the need for them to be matched by action. They thought that Gorbachev was trying to introduce democracy, whereas in reality he only wanted a more efficient Communist system. So far Gorbachev's reforms were only words. But even these could be dangerous for him, and he thought Gorbachev was running quite high risks. He was in practice asking the privileged class in the Soviet Union to cut off the branch on which it was sitting. The proposal that party officials should be elected could prove explosive. There must be doubts over his ability to survive. He thought that Gorbachev had only until about 1990 to prove that his way would work. In the longer term he thought that the Soviet system would crack, although one could not say when and how this would happen. The West's position meanwhile should be to watch developments with interest and sympathy, but sceptical sympathy. When practical steps forward were taken, we should acknowledge them. But we must not fall into the trap of seeing arms control as the only significant issue, much as that might suit Mr. Gorbachev. We had to judge the Soviet Union across the whole spectrum of its behaviour both internally and in international affairs. We should demand evidence of greater humanity in Soviet society, on issues such as Jewish and German emigration. There were some 80,000 Germans in the Soviet Union who had applied for permission to emigrate. The Prime Minister said that, in judging developments in the Soviet Union, we must be wary not to set bench marks which Gorbachev could claim to meet while still leaving the basic framework of Communism intact.

Chancellor Kohl continued that one aspect of the Gorbachev phenomenon which had not received sufficient attention was the likely impact of his approach in the East European countries. There were particular risks for the regimes in Poland, East Germany and Czechoslovakia. It was significant that Gorbachev's speech to the Central Committee plenum had not been published in the GDR.

On arms control, it was vital for the Europeans to have an agreed policy. This would require the closest possible co-operation between the United Kingdom, the FRG and France. It was particularly necessary in terms of influencing the

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United States. He was concerned about US attitudes in the longer term, particularly if President Reagan were to be followed by a Democratic President who was not firmly grounded in reality. In that event, the Europeans might pay a high price.

The Prime Minister said that, in those circumstances, we would have to take the issues direct to the US people, pointing out that if Europe became neutral, even the United States could not stand out alone. She agreed with the Chancellor that there was a need for the United Kingdom, the FRG and France to stand together and make their views known strongly. On INF, we had to accept that negotiations should go ahead for a zero option in Europe. We were trapped by the dual-track decision. The point which worried her most was how to deal effectively with the enormous Soviet preponderance in SRINF and SNF without getting drawn down the road towards a denuclearised Europe. An INF agreement must provide for restraints on shorter range systems and for follow-on negotiations. Chancellor Kohl said that this was the most important point of all. Negotiations on shorter-range systems must follow immediately the conclusion of an INF agreement, so that they could take place during the period in which that agreement was before Congress for ratification. That would give Europe some leverage.

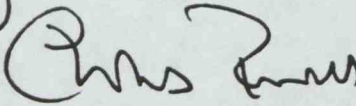
The Prime Minister said that the Soviet advantage in conventional forces in Europe made it essential to devise a position on shorter range systems which fully protected Europe's interests. There was a risk that Mr. Gorbachev would propose the elimination of all short-range systems, leaving Europe denuclearised and at the mercy of Soviet conventional forces. These issues needed to be sorted out now, while the INF negotiations were in progress, before we were trapped into a zero option on shorter range systems as well. We must get our position worked out. Chancellor Kohl said that there should be very early and confidential discussions between the close collaborators of the Prime Minister, President Mitterrand and himself. He would be seeing President Mitterrand shortly. Thereafter their three offices should be in touch to decide a mechanism for these consultations. The purpose would be to draw up desiderata for follow-on negotiations on shorter-range systems. The Prime Minister agreed.

Chancellor Kohl continued that the Prime Minister's talks with Gorbachev would be very important. Gorbachev had so far failed in his aim of causing divisions in Western Europe and no one would be better able to prevent him from succeeding in this than the Prime Minister. The Prime Minister should say to Mr. Gorbachev that she was speaking on the Federal Republic's behalf as well as for Britain. He was sure that President Mitterrand would take the same attitude. She should tell Gorbachev that arms reductions could not be limited to Europe. They must be global. That meant that the Soviet Union could not go on using proxies in conflicts in the Third World. She should make clear that we would not agree to elimination of INF while SRINF and conventional weapons were left untouched. The bench mark

for arms control agreements should be that they must not leave Europe less secure than before. She should also confront Gorbachev with the need for early withdrawal from Afghanistan and for progress on human rights. Gorbachev should hear the same story from all West European leaders.

The Prime Minister said that she came back to her main point. We must not get trapped again into a zero option, this time for shorter-range systems. We must get over to the United States the message that they should not sign an INF agreement without satisfactory restraints on SRINF and a commitment to follow-on negotiations. We must get our objectives for those negotiations clear. We must establish a clear link between them and negotiations on reductions in conventional forces. Chancellor Kohl agreed that negotiations on shorter-range systems and conventional weapons must go together.

I am copying this letter to John Howe (Ministry of Defence) and to Trevor Woolley (Cabinet Office).

*Yours sincerely,*  


(C. D. POWELL)

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Foreign and Commonwealth Office.