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9 July 1988

*From the Private Secretary*

*Dear Lynn,*

PRIME MINISTER'S MEETING WITH THE FEDERAL GERMAN CHANCELLOR

The Prime Minister had a visitation from the Federal German Chancellor at Chequers today for talks and lunch. Chancellor Kohl was accompanied by Dr. Neuer and Herr Bitterlich. The encounter lasted some three hours, including a ten minute walk in the grounds for the benefit of the media. All in all it was a very relaxed and friendly occasion which Chancellor Kohl seemed genuinely to enjoy and appreciate. The only difficult point was South Africa.

Anglo-German Relations

The Prime Minister opened by congratulating Chancellor Kohl warmly on the success of the European Council in Hanover and of the German Presidency. Chancellor Kohl thanked the Prime Minister for her help. The thing that had pleased him most about Hanover was that everyone had left in a good mood. He had the feeling that things were on the move in the Community. That made it all the more important to use their meeting at Chequers to scotch the silly rumours about the state of Anglo-German relations and about their personal relations. He had a number of ideas to put forward. He had been to the United Kingdom twice in the past year and hoped the Prime Minister would come to Germany for their next meeting. This might be a full-scale Summit and he planned to hold it somewhere away from Bonn and make a big show of it. He had no firm proposal to make about the site but Wiesbaden was one idea. It was important to give the right message to the outside world about Anglo-German relations. Another idea was that more British and German Ministers should give speeches in each other's country. He would be prepared to play his part in this. He would also like to invite the Prime Minister to his home town at some point: they could have a meal at his house and see something of the countryside together. People must get a picture of Britain and Germany working together. How things looked was almost as important as the reality.

The Prime Minister welcomed Chancellor Kohl's proposals. She would be happy to come to Germany for their next meeting. She suggested it might be on a Friday so that she could if appropriate stay over on the Saturday to give more scope for a programme. She hoped that Chancellor Kohl would come again to

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Chequers, bring his wife and stay the night. She did not see any need to match the rather formal arrangements which characterized Franco-German relations. But she hoped that she and Chancellor Kohl could continue to keep in very close touch through their respective offices so as to identify approaching problems and deal with them in advance where possible.

### Europe

The Prime Minister continued that close Anglo-German relations were all the more important as 1992 and completion of the Single Market drew closer. We should not alarm people about 1992. M. Delors' recent speech to the European Parliament in which he had talked about national parliaments becoming irrelevant in the matter of a few years had been very counter-productive and she intended to say so. Chancellor Kohl said that a lot of people did not understand the significance of 1992. Indeed this applied not just to people generally but also to industry. His impression was that the United Kingdom had got further in explaining 1992 to its people and preparing them for it than had the Federal Republic.

### Domestic Policies

Chancellor Kohl then launched into a long account of the various domestic reforms which he was undertaking. For this, please see my letter recording the Prime Minister's meeting with the Chancellor in Toronto since it was almost word for word the same. He expected to get the reform of health insurance through the Bundestag by next January and pensions' reform completed by May 1989. Overall he was very well satisfied with the way things were going. This was all elaborated with a wealth of anecdotal detail. For instance Mrs. Kohl apparently discovered from the television news last night how much less tax the Chancellor would be paying from now on and had got very excited at the prospect. Chancellor Kohl had pointed out that three doctors living in the same street were all paid three times as much as he was, which showed what a topsy-turvey world it was.

The Prime Minister congratulated Chancellor Kohl on the success of the tax reform. We were also engaged in reforming the National Health Service in the United Kingdom. In a sense it was helpful that we all faced similar problems and were having to tackle them in much the same way. She had originally suggested that there should be an informal discussion at the Economic Summit in Toronto on the rising costs of health and welfare services but had then realised that such debate might be used against Vice President Bush in the Presidential election campaign. But she hoped it could be a theme at the next Summit.

Chancellor Kohl said that the 1990 election campaign in the Federal Republic was already taking shape. The Socialists and the Greens would focus on denuclearization, both military and civil. He would fight them hard on both points. His main problem was that people had had it too good for too long.



There had been virtually no inflation for five years and people took that for granted. But he was absolutely confident he would win.

Chancellor Kohl said that he was particularly concerned by the way in which the pendulum had swung too far away from authority and respect for institutions in modern society. For instance, in Brandt's time, the German national anthem had been virtually abolished. The ideas of Marcuse had been acted as a virus in German society. Helmut Schmidt had realised how serious the problems were but had done nothing to stop the rot. Chancellor Kohl continued that he had made it one of his main tasks to correct this very unsatisfactory trend in society. Like a high temperature, it was something which had to be sweated out. But he was confident he was getting on top of the situation. The Prime Minister agreed that it was necessary to get back to greater discipline and sense of responsibility. Behavioural problems were among the most difficult which modern governments had to tackle.

#### East/West Relations

The Prime Minister said that the recent Party Conference in the Soviet Union had been remarkable. Mr. Gorbachev had gone considerably further than she had expected. He was clearly determined to make change irreversible. The most important task in the West was to convince people of the need to maintain a strong defence.

Chancellor Kohl very much agreed. People in Germany were already saying it was time to get rid of conscription and of the Bundeswehr. Instead he had actually increased defence spending significantly in the Federal budget for 1989.

The Prime Minister said that East European countries were watching developments in the Soviet Union with a mixture of hope and alarm. Hungary seemed the most likely to follow Mr. Gorbachev. She had been surprised to learn from Chancellor Vranitsky that there was quite a strong liberal current in Czechoslovakia. Chancellor Kohl said this was indeed the case and illustrated the point with a number of anecdotes about his own visit to Czechoslovakia and long discussion with Strougal about Christianity.

The Prime Minister said that she would be visiting Poland in October. Her impression was that Jaruzelski simply did not know which way to go. Solidarity had originally won a great victory but had then failed to get down to work. She was determined to show during her visit that she was on the side of freedom and to demonstrate support for the ordinary people, but had not yet decided how best to do this. Chancellor Kohl recalled that to describe something as "a real Polish situation" was an old German expression for a real mess. Poland had huge debts with Germany and seemed to be incapable of doing anything about them. Their agriculture was in a poor state despite the fact that it had never been collectivised.



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US Electons

Chancellor Kohl was anxious to know whether the Prime Minister had ever met Governor Dukakis. He himself knew very little about him, and what he did know was worrying. His ideas on foreign policy appeared facile. His economic advice seemed to come mainly from a number of young professors at Harvard. He thought Dukakis had a fifty per cent chance of winning. The Prime Minister said that we were assembling as much information about Dukakis and his advisers as we could. She had recently said to Speaker Wright that she would be very happy to see Dukakis if he chose to visit Europe after the Democratic Convention.

South Africa

The Prime Minister said that she wanted to be sure that Chancellor Kohl continued to think as she did about South Africa, in particular that sanctions and disinvestment would only make matters worse. The big companies were the ones who were doing most to break down apartheid and promote improvements, for instance in training and housing. She was determined to go on opposing sanctions, while pressing President Botha to release Mandela. Because Britain and Germany had stood together on these points they had been able to carry the rest in Europe.

Chancellor Kohl, who began to look uncomfortable at this point, said that his opposition on the principle of sanctions was unchanged. But the situation was much worse than two years ago. If the Presidential elections in the United States produced a Democratic Administration, then the Americans would go for comprehensive and mandatory economic sanctions. Only Britain and Germany would then be opposed to them. Meanwhile President Botha continued to pour oil on the flames. If the Sharpeville Six were executed, there would be an almighty row. This would be made even worse if the draft law banning contributions to organisations which opposed apartheid were to be passed in South Africa. This was a serious problem.

But the fact was that the churches in Germany, even the conservative-leaning ones, were very steamed up about the draft law.

The Prime Minister said that she accepted these points but they did not alter the fact that sanctions would only make matters worse. The conclusion which she drew was that she and Chancellor Kohl should bring every possible pressure to bear on President Botha. Perhaps they should each write to him saying that they had met, pointing out that they had done everything possible to keep sanctions at bay and urging him to drop the bill in question and release Mandela. Chancellor Kohl thought this an excellent idea. An alternative would be to send a joint letter or to find someone who could go and speak to Botha in the name of both of them. The Prime Minister and Chancellor Kohl agreed to think over this last point and contact each other with possible names.



Tornado

The Prime Minister said we were very disappointed at the failure of the Federal German Government to provide official credit support for the sale of Tornado to Jordan. She understood that MBB were seeking credit from the private sector. She hoped that the Government would do everything in its power to facilitate this. Chancellor Kohl would have read about the memorandum of understanding we had signed with the Saudi Government for the sale of further Tornado aircraft and other items to Saudi Arabia. The negotiations had been conducted in great secrecy which was why we had not been able to inform the German Government in advance. But no formal contracts had yet been signed although we were confident they would be. Chancellor Kohl took note of all this but did not make any significant comment.

Lunchtime Discussion

The talk over lunch ranged very widely, covering prospects for the US Presidential elections, Japan, the future composition of the EC Commission, the difficulty of persuading enough good people to come into national politics, the damage done to society by Marcuse and the Frankfurt School of Philosophers, the cantankerous nature of Helmut Schmidt, behavioural problems in modern society and a further instalment in the continued triumphs of young Walter Kohl. At the end of it, the Chancellor departed in a high good humour.

We shall need to follow up the point about an emissary or letter to President Botha. Two names which occurred to us after lunch were Leutweiler (who is of course known well both to President Botha and Chancellor Kohl) and Sir John Killick. You may have other suggestions. I think it would be best to deal directly with the Chancellor's office on this rather than through the Auswaertiges Amt.

Incidentally, you will note that the Prime Minister did not raise the Rover Group issue. This was deliberate: she did not think that Chancellor Kohl would know anything about it or that raising it would help our case with the Commission.

I am copying this letter to Brian Hawtin (Ministry of Defence), Alex Allan (HM Treasury), Neil Thornton (Department of Trade and Industry) and to Trevor Woolley (Cabinet Office). I should be grateful if it could be given only a very limited and named distribution outside private offices.

Yours sincerely,  


(C.D. POWELL)

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Foreign and Commonwealth Office.