

THE WHITE HOUSE
WASHINGTON

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PER E.O. 13526

2000-0429-F
SLS 6/6/13

MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telephone Conversation with Margaret Thatcher, Prime Minister, of United Kingdom
(U)

PARTICIPANTS: The President
Margaret Thatcher, Prime Minister
Notetaker: Philip Zelikow

DATE, TIME February 24, 1990, 8:01 - 8:42am EST
AND PLACE: The Oval Office

The President: I would like to talk about my upcoming visit with Helmut, among other things. (S)

Prime Minister Thatcher: That was what I wanted to talk to you about too. I have seen Andreotti recently, and Genscher, and Stoltenberg too. I just had some long conversations with Prime Minister Mazowiecki. It seems that one or two common features are developing. (S)

Everyone accepts that there will be German unification, and that it will come very fast indeed. All are worried about the consequences, and the uncertainty. (S)

The agreement at Ottawa, to set up the Two Plus Four discussions, will help in allaying some fears and now allow us to discuss some of these problems in NATO. Others, such as Poland and the Netherlands -- and Andreotti -- have some concerns about this process. Of course, they will need to be consulted. It always seems to come back to the consequences, for NATO, of quick reunification of Germany. (S)

Andreotti and I agreed that we must start work on the official level on these consequences quickly, before unification happens. Much will depend on the results of the elections in East Germany. If there is a big vote for the Social Democrats in the GDR on March 18, there might then be a coalition government in the GDR. But they might use Article 23 of the West German constitution, that allows Laender to apply to join the Federal Republic. Then the reunification would be much quicker. (S)

We all think we should begin work in the group of Four on these issues very soon. The Poles fear that the Germans will try to wiggle out of the Oder-Neisse line. The German courts upset the agreement of Brandt on this. Mazowiecki must have a proper treaty on the borders, or we might see a return of old ambitions. I said I would support him on this. (S)

We must get a NATO position sorted out. There are not many options. Helmut has been good on NATO, and on keeping your troops in Germany. There is the problem of East Germany. If all Communist troops leave the GDR, it would be an alarming development for Gorbachev. It would seem that the border of the Alliance has moved toward him. (S)

Genscher and I discussed the Soviet troop presence. He has no problem with the Soviets remaining in East Germany for a transitory period, with no terminal date set for this period. I fear that Gorbachev will feel isolated if all the reunification process goes the West's way. He's lost the Warsaw Pact to democratic governments. He might feel isolated and I can understand that he would want some assurance on Germany. The Soviets staying there would help. (S)

We should start work at the official level even before unification. I was grateful for your suggestion that we have NATO discussions soon. This is part of our strategic political thinking. (S)

We believe too, that we now need a bigger political framework for Europe, one that will include the Soviet Union. That means the CSCE, the Helsinki accords. There are two points here. (S)

First, the Russians should not be isolated. (S)

Second, in Europe Germany is going to be dominant. It will be the Japan of Europe, but worse than Japan. Japan is an offshore power with an enormous trade surplus. Germany is in the heart of a continent of countries, most of which she has attacked and occupied. Germany has colossal wealth and trade surpluses. So we must include a bigger country, the Soviet Union, and you, in the political arena. (S)

CSCE now does well with human rights, cultural exchanges, and so forth. It now has no commitments to democratic governments and market economies. It couldn't have them; the time was not right when this was done. If we now look to extra commitments in those areas, and then give the CSCE a political structure and a secretariat, we could use that for a wider political framework. (S)

The Community is already working on the German unification problem. It will be difficult to include a new European country, with 18 million people. Certainly the Germans must finance this. We're already coping with Hungary, Poland, and Czechoslovakia. There are a lot of difficulties to work out. It will upset the Common Agricultural Policy -- more subsidies. It will upset trade -- the GDR has no costs, no prices -- another subsidized economy. There are already problems with the Deutsche Mark. It will be hard to go forward with common borders and free movement of people and goods. There is no effective border between the GDR and other Warsaw Pact countries. (S)

I am also a little worried that Germany will go for the Social Democrats, with all the new East German voters. I have talked to

Giscard, and to Andreotti, and they are worried. I spoke to Stoltenberg and Genscher. Genscher is the easiest to negotiate with about these issues. (S)

The President: This is very helpful, timely, and interesting. I'll take a look at these questions. I agree that unification is a given now. When I talk to Helmut, I will seek a clear statement from him about full membership in NATO for a united Germany. This is very, very important. That would include continued integration of German forces in the NATO command and the continued presence of U.S. troops. (S)

Prime Minister Thatcher: He's good on that. There is a problem of East Germany as being part of NATO. Stoltenberg suggested that West German forces could be in East Germany. (S)

The President: I'm concerned about the Soviets... (S)

Prime Minister Thatcher: It would be a problem for them. Germany has invaded them in living memory. We need to build new structures. We must try to help the Poles and allay Gorbachev's fears. We also need to keep up a strong defense. (S)

The President: A lot of people here don't understand the need to keep a strong defense. Look, I know you saw the Genscher-Stoltenberg statement which calls for demilitarizing the former territory of the GDR. Did you discuss with the Germans the troubling questions this raises about NATO's defense responsibility for this portion of a united Germany? (S)

Prime Minister Thatcher: Tom King did. We don't think this will suit Gorbachev in the initial stages. NATO would be moving. He's got to have some reassurance. That is the price for Germany staying in NATO. There are also problems for the Poles in moving the Soviets out. They are worried about the Oder-Neisse line. (S)

The President: I had an interesting discussion with Havel. He came here talking about getting all Soviet and US troops out of Europe. I told him we thought the US situation was different from the Soviets. When he left, he had modified his statements on this issue. I was very pleased. (S)

Prime Minister Thatcher: I noticed his original initiative, which was quite wrong. The U.S. troops are there to provide our fundamental defense and our deterrence; we must not forget the deterrence. (S)

The President: With Mazowiecki -- I can't pronounce that name, I know he wants the Soviets to stay. But I don't think that will be popular for long with the Polish people, in spite of worries about the border. I am concerned about his position. Did he discuss this with you? (S)

Prime Minister Thatcher: Yes. He's quite prepared for the Soviets to stay. If the Soviets stay in East Germany, they will need troops in Poland to provide logistical support. They can't

have them there without it. He's fearful. All are seeking a balancing factor -- that is European history. He's a good man. (S)

The President: Yes. He's coming here. I'm not comfortable with Soviet troops staying there. (S)

I really want to seek a clear commitment from Helmut to full membership for Germany in NATO. On the status of the GDR, I know Helmut's worried about the politics of the situation. That's why I just have a small group here for these talks. Genscher is not here; nor is their Ambassador. It's just Brent and I and Jim Baker. We did this because we can have a better discussion on party problems than we could with a bigger group. It's delicate to discuss. We have a lot at stake with the success of Helmut Kohl. And of the CDU. I have some fears of the SPD taking over. (S)

We have been thinking about what the Two Plus Four should be prepared to discuss, and at what stage they should begin their work. I do not want to give Moscow a forum in Germany that it will use to exploit German domestic politics to pressure Kohl to somehow accept a loose arrangement between Germany and NATO that would spell the end of the Alliance. (S)

Prime Minister Thatcher: You and I think the same, and Germany must stay in NATO, or all our security goes. I would give Helmut two things: How does he see unification going? Will it be immediately, with the Laender applying to join the FRG? Or will it be talks with the GDR government and the Federal Republic. He might say it depends on the election results. If it will be immediate, Helmut will have to consider how this will affect him in the general election. (S)

The President: In this forum we can be very frank ... (S)

Prime Minister Thatcher: Genscher is not troubled by an SPD government. (S)

The President: This Lafontaine worries me. Dick Walters had dinner with me last night and he does not take Lafontaine as seriously as others do, as a charismatic flamboyant new leader who can lead them to something bad. (S)

Prime Minister Thatcher: They say he is rather a buccaneer type. He has been in charge of the Saar for a while. But Helmut is a politician to his fingertips. He must have thought this out. There was this euphoria because he thought he would be the Chancellor who united Germany. Others, though, don't think this will be enough to get him through. (S)

The President: There is this effort by the CDU to show the Socialists as being against unification. They'll attack the CDU for being more kindred, in East Germany, with the regime. (S)

On Poland, I want you to know we consider the current borders between the GDR and Poland to be permanent and inviolable. The

Helsinki accord speaks to that. (S)

Prime Minister Thatcher: Helsinki is an accord and not a treaty. It was more formal in Brandt's time, but the result was not recognized by the German courts, which say this must be determined in a final peace settlement. Mazowiecki wants a treaty most of all. He is already drawing up a draft. (S)

The President: Did you tell the Poles we recognize the border as inviolable and settled? (S)

Prime Minister Thatcher: Yes. There is a difference between Genscher and Kohl on this. The borders are not truly guaranteed. (S)

It is unsettling that Kohl is moving on unification as if nothing else mattered. The Two Plus Four will be important. We should have discussions in NATO as you suggest. We have started to talk about this in the EC. The financial markets are uncertain too. (S)

The President: On Two Plus Four, we think whenever it meets, the focus should be to work out the details of giving up Four Power rights and responsibilities for Berlin as a whole. There can be a discussion with the Soviets and have them come to a common position that membership in NATO will prevail. It has to. How do you think Mitterrand feels about this? (S)

Prime Minister Thatcher: We talked. Privately, he is as fearful as us. If we are not too careful, the Germans will get in peace what Hitler couldn't get in the war. He is adamant on the Oder-Neisse line. (S)

He hasn't worked out the confederation idea. That is why we think we don't need a new structure, just update the Helsinki accords. If the Soviets stay on the right track with Gorbachev, and we get commitments for democracy and free markets, that can provide a new political framework. In history, if there are difficulties in a small forum, you try to enlarge it. (S)

The French fear the domination of Germany. They fear the speed with which the FRG is pushing through to unification, and not addressing other questions first. (S)

We made a good agreement at Ottawa. Delors is also working on the consequences. There is great uncertainty, as people try to understand that there will be this great landlocked power that has quarreled with most people. It is not enough to anchor Germany in the EC -- that might become Germany's new empire, the future empires will be economic empires. (S)

I talked to Mitterrand about a closer Entente Cordiale. He agrees. Dumas is along. Our officials are working closely together. The new Europe was born on a German-French axis when Germany was a junior underdog and De Gaulle was dominant. That worked... (S)

The President: I have another question on France. I talk to Mitterrand and I am concerned that he may be less enthusiastic on the NATO view. Can you help? (§)

Prime Minister Thatcher: Of course I'll try. He'll say the military arrangements of NATO are not for him. He's along with the Franco-German brigade; we'll have to look at our situation. We have a totally different agreement with Germany from 1955, for 55,000 troops and a tactical fighter wing and dual-capable aircraft. (§)

I am pretty certain Mitterrand concurs on Germany and Europe and how to deal with that, and with the confederation. Military arrangements for NATO are for NATO. He will be adamant on US forces and US nuclear weapons in Europe. He is not as concerned about the nuclear forces because he considers the ICBMs to be available to NATO. (§)

The President: We're for keeping our nuclear weapons in Europe. I hope Francois will help on NATO. He should see NATO fundamentals as more important than ever. (§)

I saw the Norwegian Prime Minister yesterday. He was very helpful, with some concerns about naval forces. He pleaded for us to keep our commitment. We should not overlook these smaller countries. (§)

Prime Minister Thatcher: He's good; the Conservatives got back in office. (§)

The President: The trouble is, he's rocking along at ... (§)

Prime Minister Thatcher: I worry that some in the US don't see the US deterrent as so important. NATO has been and will stay our security. Mitterrand will not quarrel with that at all. (§)

Andreotti mentioned a need for a new philosophy on defense. I said: My fundamental philosophy is that you never know where the next threat will come from, and when it comes it will be too late to prepare for it, so you should always keep your defenses strong. It could come in Europe; two wars started there and there could be another if we don't stay strong. (§)

The President: When I am asked who our enemy is now, I tell them apathy, complacency... (§)

Prime Minister Thatcher: That is how it has been. When I first came into office the Russians invaded Afghanistan. Then Iraq attacked Iran. We eventually had to send fleets to the Gulf. If we had not already had the ships, we could not have sent them. The Middle East is filling up with missile technology, soon there may be nuclear and chemical weapons. When you see the threat, it is too late to prepare. In the Falklands, if we had not had a strong NATO we also would not have had any ships to send. There are no differences on the fundamental reasons for defense. I told this to Andreotti. (§)

The President: I'm increasingly concerned about that chemical plant in Libya. (S)

Prime Minister Thatcher: I've seen the reports. They are producing and filling. (S)

The President: No one seems to care. No one is anxious. We haven't done our job as well as we could. I'll be sure to raise this with Helmut. (S)

Prime Minister Thatcher: There is Syria too. (S)

The President: This has been very helpful. We're very close on the key questions. If you'd like, I'll fill you in when Helmut leaves. (S)

Prime Minister Thatcher: I'd be very glad. We're both together on NATO. We must discuss how to reassure Gorbachev. (S)

The President: I'm not close enough to Europe. I was thinking that you and Francois and I should get together at some point, just for half a day. With Helmut having just been here, I don't think they will feel excluded. I just think it would be useful to have a triumvirate there to review things at some point. (S)

Prime Minister Thatcher: If Mitterrand sees you, I could arrange to be in the US. I get many invitations from universities and so forth. (S)

The President: It would be useful to do. (S)

Prime Minister Thatcher: I'll see Mitterrand. The thing is that, since last December, no one thought this would go so fast. (S)

The President: Me neither. (S)

Prime Minister Thatcher: It was Gorbachev toppling Honecker. The security problems cause fears about a reunified Germany. We should incorporate the Soviet Union in our security framework. (S)

The President: We want Gorbachev and perestroika to succeed. He seems out of the woods now, rebounding, landing on his feet. (S)

The economy there is worse than I thought. (S)

Prime Minister Thatcher: In communism, people work to the minimum extent. They need the incentives of a market economy. (S)

The President: Have the Soviets asked you for food aid? (S)

Prime Minister Thatcher: No. They had a good harvest, but much of it ends up on the black market. (S)

The President: They have not asked us either. They also have

terrible distribution problems. But I heard from Havel, and some rabbi, that they are desperate for food. The Germans have been giving them some. (S)

Are you at Chequers? (U)

Prime Minister Thatcher: Yes, getting to long-term problems. I'm coming to Aspen, I believe on the 3rd and 4th of August. (S)

The President: You must come by. I'll see you before then. (S)

Prime Minister Thatcher: If you could call, that would be good. I want to hear what he thinks will happen after the March elections. There are two scenarios. One if the SPD gets a big majority and another if he does well. (S)

(After a brief discussion of the First Lady and her health, the call concluded.) (U)