

November 6, 1989

**Conversation on GDR-FRG Economic Cooperation
between Alexander Schalck and Egon Krenz**

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Summary:

Note of conversation between East German leader Alexander Schalck and West German Minister of the Chancellery Rudolf Seiters on future economic cooperation between the two German states. The discussion makes clear that the East German economy will collapse without immediate and massive West German aid.

Original Language:

German

Contents:

Translation - English

WITH ATTACHMENT,[1]

"Notes on an Informal Conversation between Comrade Alexander Schalck and Minister of the Chancellery Rudolf Seiters and CDU Board Member Wolfgang Schäuble"[2]

Dear Comrade Krenz!

I enclose the notes on the conversations with Federal Minister Seiters and CDU Board member Schäuble.

Seiters will, in the course of this evening have an opportunity, together with Schäuble, to inform the Chancellor [about the conversation]. If this should already result in useful items, he [Seiters] will inform me on 7 November 1989, by phone.

I ask for acknowledgment and determination of further steps.

On the basis of the authority currently given to me for the informal negotiations with the government of the FRG, I ask you cordially that you agree that I should not take part in any public discussions (including television) in order to prevent any informally discussed options from being leaked to the public by potential mishaps on my part. Should these negotiations reach a conclusion, I will, of course, be further available to the media, pending your permission.

With socialist greetings
[Schalck's signature]

ATTACHMENT

Notes on an informal conversation between Comrade Alexander Schalck and Federal Minister and Chief of the Chancellery, Rudolf Seiters, and CDU Board member Wolfgang Schäuble, 6 November 1989

Continuing the informal conversation of 24 October 1989, I first repeated the GDR's basic positions on further political and economic cooperation with the government of the FRG and the West Berlin Senate. I emphasized that the GDR was prepared, in implementing the obligations accepted in the CSCE process, to renew societal development. I also emphasized that the SED was prepared to cooperate constructively with the other democratic parties in a manner that served socialism and the interests of the GDR.

Within the framework of the decision to develop laws to guarantee the rule of law, the criminal code of the GDR will be amended to expand personal freedom, freedom of expression, and other issues to meet the new requirements.

To secure tourist and visitor traffic, the GDR is prepared to implement generous regulations for travel between the capital of the GDR and West Berlin via newly opened border crossings.

The implementation of these measures will create significant financial and material costs.

It is assumed that the FRG will cover these expenses to a great extent.

It was pointed out that the GDR is prepared to develop economic cooperation, including new forms like joint ventures and capital sharing in certain branches and sectors. It is assumed that the FRG government will take over the necessary loans in the cases of smaller and mid-sized businesses.

The GDR would be prepared to take out long-term loans up to ten billion VE, backed by collateral [objektgebunden] in the next two years that would be financed by the new [economic] capacity that will be created. It is assumed that repayment of the loans will begin after full production begins, and the loans are to be paid out over a period of at least ten years.

Further, the GDR sees the necessity of discussing additional lines of credit in hard currencies beginning in 1991 and totaling DM 2-3 billion to meet the demands connected with the new level of cooperation in a number of areas.

In light of the planned visit by Federal Minister Seiters to the GDR on 30 November 1989 and his official conversations with the General Secretary of the SED Central Committee and Chairman of the State Council of the GDR, Egon Krenz, as well as with Foreign Minister Oskar Fischer, Seiters was informed that the GDR is prepared to make binding commitments in a "protocol of understanding" about the extension of trade and economic relations, further negotiations on the issue of environmental protection, negotiations over the further development of postal and long-distance phone connections, and other plans.

Seiters was asked, in reference to the discussions of 24 October 1989, to give the FRG government's position on the most pressing issue of the moment: the possibility that his government would take over part of the additional expenses the GDR would incur in connection with its planned expansion of tourist and visitor traffic within the framework of the new travel law.

Seiters thanked me for the presentation and stated that these decisions were of great importance to the government of the Federal Republic.

Seiters presented the following thoughts on my proposal that GDR citizens traveling abroad be given the possibility to exchange DM 300 once a year at an exchange rate of DM 1 = East Mark 4.4:

—With the precondition that the minimum exchange requirement be lifted, a travel fund could be established with foreign currency by the FRG (with 12.5 million travelers, the account would be worth approximately DM 3.8 billion). The FRG's previous annual payment of DM 100 "greeting money" per person would be eliminated. The DM 400 million that the GDR has received in the minimum exchange would also be paid off through the travel fund.

—The amount exchanged by GDR citizens for travel currency (with 12.5 million travelers, approximately DM 16.7 billion yearly) will be earmarked for a fund that the FRG and GDR will control jointly. The FRG thinks these funds should be used for the construction of border crossings, environmental protection measures, or for other projects that are of interest to both sides, such as transportation or postal and long-distance services.

The FRG also assumes that the necessary number of border crossings between the capital of the GDR and West Berlin will be constructed and opened. Provisional measures will be part of the construction, which can then be expanded in stages.

These measures are to guarantee an orderly border-crossing procedure for the increased tourist, visitor and transit traffic.

The FRG's position is that the contributions from the exchanged funds for travel will finance the construction.

The questions associated with the cost of train travel (between the FRG and the GDR/Berlin) can be addressed later.

Seiters stated openly that the domestic political passage and justification of the proposed positions by the GDR would necessarily have certain political consequences.

In this context, he mentioned the possibility for all [East German] citizens who had left the country legally or illegally to return to the GDR, so that all GDR citizens, with the exception of individual cases to be documented, could return to the GDR for visits.

He did not make a secret of the fact that a number of responsible politicians in the governing coalition had reservations after the "Saturday Meeting" in Berlin.

Seiters also made it clear that under no circumstances could he give a final answer immediately, and his comments were to be understood only as his own expression of the first contours of ideas.

Schäuble, clearly acting under careful instructions from the Chancellor, made it clear that a great deal depends on the speech by the General Secretary at the tenth meeting of the SED Central Committee. This speech had to make it clear that the turn toward renewal was credible, that the announced reforms were clear, and that trustworthy people not tainted by their positions in the previous administration would be responsible for their implementation.

Article 1 of the GDR Constitution, which establishes the leading role of the Marxist-Leninist Party, poses a fundamental problem in this context.

Schäuble strongly recommended that the SED, to allow a peaceful transition to a societal development born by all political, societal and religious organizations, make it clear that it is prepared to change the GDR Constitution to correspond to the current state of societal development and the obligations it accepted under the CSCE treaty. This amendment of the Constitution should transform the leading role of the SED into a constructive, consensus-building cooperation among all democratic forces in the interests of socialism and the GDR.

Schäuble recommended that we give representatives of the Church an important role in the GDR.

In reference to the state border to West Berlin, constructed on 13 August 1961 to protect the GDR, Schäuble also proposed making this border more passable, in accordance with the CSCE process, through the construction of new border crossings.

Schäuble made it clear again that all economic and financial decisions by the FRG government assumed that the GDR would lower its subsidies decisively.

Schäuble also said that many politicians in the FRG did not understand the reticent stance on providing information about the events on 7-8 October 1989. In his opinion, the GDR would be well advised, and it would be in their interests, to name the

security officer directly responsible and announce the measures taken.

[He mentioned that] there are occasionally attacks in the FRG that are being investigated.

If the GDR does not take action, the topic will be played up again by certain forces.

Further consideration by the FRG government was necessary for the other issues involved in developing [further] cooperation, particularly in the economic sector and on the question of [extending further] credits. The FRG was not yet in the position to make concrete suggestions for future binding agreements.

The reserved attitude of the FRG government was clear, and it wants to wait until the results of the tenth meeting [of the SED Central Committee] to resume negotiations.

In conclusion, Schäuble again strongly recommended that General Secretary Egon Krenz deal with the aforementioned issues in his speech. If that were not the case, Chancellor Kohl would not be in a position to justify financial assistance from FRG taxes [for the GDR] to the parliament.

[1] Krenz's handwritten note on the address: "Kr. 7 November, 1989."

[2] The note bears a handwritten comment from Krenz on the first page: "Comrade Schalck. 1) Thank you! 2) Please send me relevant material for talks with Seiters. 12 November/Kr."