

**Foreign Minister Genscher's Notes on the Conversation of Chancellor Kohl with  
Minister President Németh and Foreign Minister Horn; Palais Gymnich  
[Economic Crisis and Soviet Troops in Hungary and Poland]  
August 25, 1989**

*Participants:* Minister President Németh, Foreign Minister Horn, Chancellor Kohl, Foreign Minister Genscher, Hungarian translator.

MP Németh explained the developments in the People's Republic of Hungary. It was the opposition parties' tactic to hold the HSWP accountable for overall developments, which was not completely unfounded. Within the Party there is an intense discussion taking place between reformers and those who are against reforms. Even among the reformers there are those who would rather unite with the anti-reformers than to continue reforms: Grósz, for example.

The Party is threatened by a split. He thinks it is possible that a communist party left of the HSWP will be formed, and that approximately 200,000 of the 700,000 [HSWP members] would join. One shouldn't be concerned about this; it could even give the HSWP a larger degree of acceptance among the people. They want to prevent their party from facing what happened to the PUWP.

The developments in Hungary and Poland were being watched closely by the other Pact members. At the Bucharest summit, Hungary presented its new concept of cooperation within the Warsaw Pact. This was rejected by everybody, including Shevardnadze. When Gorbachev arrived on the scene, he adopted [the Hungarian concept], and it was then finally accepted.

The Hungarian opposition parties were also discussing the question of neutrality. This was not the goal of his Party. If attempts were made through outside influence to prevent the development of reforms, however, this would become an issue for his party too.

In view of developments in Warsaw, Ceausescu had demanded a summit. Without doubt, he also had Hungary on his mind. Gorbachev had strictly refused a conference on this theme. Budapest naturally refused as well.

He is in close contact with Rakowski.

He could say the following about the telephone conversation between Rakowski and Gorbachev<sup>1</sup>:

1. Rakowski declared that Poland would not detach itself from the Warsaw Pact
2. Regarding the situation of the PUWP, Rakowski said that it was not in a position to force their demands on Solidarity.

Gorbachev responded to this by saying that the PUWP had all the instruments of power at its disposal by which it had to enforce its authority. He, Németh, would like to say that the developments in Poland put Gorbachev in a difficult position. He was also in a difficult

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<sup>1</sup> August 22, 1989

position in Moscow. It was the goal of the Hungarian government to do everything it can to ensure the success of Gorbachev's policies.

Németh said that Hungary was in a severe economic crisis. At the same time it had to bring about the transition to market economy, and immediate results were expected. The cogwheels of the process did not yet fit with each other. For 20 years he had dealt with economic policy. He was increasingly realizing the damage the past 40 years had inflicted on Hungary. Hungary had a 6.5 billion debt of which 3 billion were not recoverable. 2 million Hungarians live below the minimum standard of living.

Basically, exports to the east should be restricted in order to improve the supply situation. Hungary had to deal with countermeasures by the Soviet Union, above all with regards to the supply of energy. There had already been a power failure recently. Aside from that, the export capacity was too heavily oriented towards COMECON and its lower standards.

He recalled what Genscher had said in Budapest<sup>2</sup>: the West must not only deal in words but also in deeds. This could only be stated with regards to Austria and the Federal Republic; all others have only words.

He could not believe his ears when he heard the television report on U.S. Senator Cranston's press conference in Budapest, where it was stated that the U.S. should only be counted on for aid if a coalition government was established in Hungary. They needed results before the Party conference on October 6 in order to continue their course in the Party. It was above all important that the U.S. worked towards greater flexibility on the part of the IMF.

[Chancellor Kohl] stated that he would speak with President Bush on Tuesday or Wednesday. He would tell him how mistaken such declarations were - Bush also did not think like that - and ask him to support Hungary.

One should not rush reforms. He told BM [Federal Minister Norbert] Blüm, who was travelling to Poland today, to tell Wałęsa as well as the new minister president that they should keep the limits of their actions in mind in order to avoid endangering the whole thing.

The position of his government in Hungary was not too bad. Gallup had conducted a poll and found out the following: 87% recognized the media, 77% the Church, 67% the government and only 30-35% the parties, including the HSWP and the opposition. The Unions ranked last.

One had to ask oneself: to whom can we turn for help? To Gorbachev? No. To the COMECON? No. One can only turn to the West.

"I ask you, Herr Bundeskanzler, can we count on your support? I don't mean only the Federal Republic, but also the entire West. Will you support the reform course, or is the motto 'wait and see?' We need your decision before our party conference on October 6."

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<sup>2</sup> June 9, 1989

[Chancellor Kohl] sees three levels of action:

- 1) What can the Federal Republic of Germany do? We can give an answer to this in the first half of September.
- 2) What can the EC do?
- 3) What can the U.S. do? He will speak with Bush about this.

Német: The U.S. should help with the IMF. Their problem is that the Grosz regime created the "Worldpass" (*Weltpass*) for Hungary effective on January 1, 1988. Accordingly, every three years, each Hungarian could exchange up to 350 U.S. dollars. Not only travelers would do this, but also those who remain in the country. Grósz didn't foresee the consequences. If he, Németh, reversed the policy, he would be overthrown.

As a result of this development, Hungary had a negative balance of payments, even though the trade balance of \$600-700 million is positive. The operation of liabilities resulted in a yearly deficit of \$1-1.2 billion.

Hungary had a debt of 400-500 million with altogether 4 to 5 large German banks. One possibility they had considered as a solution to this problem was the purchase of existing enterprises in Hungary, in whole or in part by German enterprises. But instead of transferring the price to Hungary it would be used to service the debt.

[Chancellor Kohl] stated that this was out of the jurisdiction of the Federal Government. He would ask Herr Herrhausen of the Deutsche Bank to go to Hungary to discuss this question. He would also speak to the president of the [German] Bank Association, Herr Roeller of Dresdner Bank.

Genscher asked for a listing of the enterprises in question that would be for sale, and otherwise suggested that three papers be completed in the course of the next week:

- 1) What does Hungary expect from the Federal Republic of Germany?
- 2) From the EC?
- 3) From the U.S.?

As far as the EC is concerned, he would speak with Dumas.

It was agreed to provide the papers. They should be transmitted to Genscher personally via Ambassador Horváth. Horváth had been briefed on everything.

Németh then spoke about disarmament. Hungary had asked Gorbachev to speed up the Soviet troop withdrawal and, if possible, to remove the last Soviet troops from Hungary by 1992.

Horn said that the U.S. and the S[oviet] U[nion] were obviously in agreement that a fundamental political agreement on conventional disarmament had to be reached by the early 1990s. The technical details of carrying out the agreement could then be discussed.

One needed to ask oneself, whether the removal of Soviet troops from Hungary could not be made easier if the Americans removed a considerable number of troops from Europe.

One could imagine, for example, that all Soviet troops would be removed from Hungary, Czechoslovakia and Poland, and with units remaining only in the GDR.

To this Genscher responded that certainly American units would also be affected by the removal, but that an unchanged presence of Soviet troops in the GDR represented a first-rate threat factor. The Western proposal that there should be a certain proportion between one's own troops and foreign troops was made with the GDR in mind.

[Chancellor Kohl] stated that this could be checked, but keeping in mind these considerations.

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**Conversation of Chancellor Kohl and Prime Minister Genscher with Minister  
President Németh and Foreign Minister Horn during Lunch, Palais Gymnich  
[Overview of the Situation in Eastern Europe]  
August 25, 1989**

Re: Working visit of Hungarian Minister President Németh on August 25, 1989 at  
Gymnich Castle.  
Conversation during Lunch.

**Chancellor Kohl** inquired about developments in Poland. **Minister President Németh** stated that he had recently had a longer conversation with General Secretary Rakowski. Rakowski exhibited optimism but at the same time admitted that mistakes had been made in the past. One mistake was that the leadership depended too heavily on the situation reports of the apparatus. Another mistake was that the Farmers' Party had been seen as a type of "Messenger Boy". He, Németh, was under the impression from the start that Kiszczak could not be successful. Incidentally, the Farmers' Party is apparently fed up with its present role.

Jaruzelski, with whom he had also spoken, told him that in 1981 they had won militarily but lost politically.

It was Hungary's desire that the new Polish government be successful. Its most difficult challenge is to get the country to regain its belief in itself. In the last ten years Poland had turned towards nihilism. As an example, MP Németh pointed to the role foreign currency played in the Polish economy.

**FM Horn** added that in his view it was "madness" that the interior and defense ministers were responsible directly to the president. The new government could certainly not achieve any miracles if one considered that the army and the police continued to be answerable to the president. This could lead to a schizophrenic state of affairs.

**Chancellor Kohl** stated that he was also skeptical about further developments. One had to recognize that Solidarity was not a party, but was divided into factions. Up to now, Solidarity had been strong in saying "No."

Regarding German-Polish relations, we would like to come to a swift conclusion of negotiations. We had a useless discussion in this country [Germany] over his trip to Poland. He had been advised to go there right away. He rejected this. German-Polish relations were extremely complicated. This had been true not only for the present or the period since 1933, but had been evident during the Weimar Republic.

Following the conclusion of the Warsaw Treaty in 1970, they had been hopeful regarding further developments in German-Polish relations. These hopes had evaporated. They could not allow for a repetition of this [experience]. One could not allow for another disappointment in the German-Polish relationship.

We would see German-Polish relations as a contribution to stabilization in Europe. Under no circumstances do we want destabilization. This was why developments in Poland,

Hungary but also in the GDR were so important for us. Concerning the GDR, he believed that no change would occur under the current leadership.

MP Németh said that during his time as economic secretary in the Central Committee of the HSWP, he had had a long talk with Honecker and had presented the Hungarian position to him. Though Honecker had listened, he then presented him with three books which he strongly recommended. They dealt with his speeches, with information on the last SED Party conference and the SED program once in his talk.

Chancellor Kohl interjected that one had to recognize Honecker wanted to stay in office at all costs. Any reform would cost him his office. Even if he personally rejected that, one could understand this to a certain degree. On the other hand, what he did not understand was the developments in the CSSR. Štrougal told him during his visit to Prague which reforms need to be implemented. In response to his question when he would start implementing reforms, Štrougal only shrugged his shoulders. Completely incomprehensible was the Czechoslovak government's policy towards the Catholic Church.

FM Horn stated that one should not forget that following 1968 the lives of 1 million people in Czechoslovakia were radically changed. During this time, Jakeš was at the head of the purges.

To PM Genscher's question as to what role Lenárt plays, FM Horn answered that it is "of the same sort."

PM Németh stated that Štrougal was a very sensible person. One had to acknowledge that the present leadership could not come to terms with the past- 1968. On the other hand, he had the impression that the Czechs were more open to reforms than the Slovaks. He was convinced that it is only a question of time before the discussion of reforms goes further in Czechoslovakia as well. It should not come to an explosion.

Chancellor Kohl stated that exactly this danger, however, was very real.

Chancellor Kohl asked how the Hungarian side judged developments in Romania. MP Németh stated that at the meeting in Bucharest, Ceaucescu had come across as a mentally ill person. He supported this with a series of details from Ceaucescu's conduct during the conference. By the way, the situation of the Romanian people was depressing.

In response to Chancellor Kohl's question about Zhivkov and the developments in Bulgaria, Németh stated that the economy there was permanently being reorganized. There were considerable economic problems.

MP Németh mentioned that the Bulgarian Politburo had repeatedly asked for membership in the Soviet Union.

Chancellor Kohl stated that our policy oriented itself around the fact that Hungary, but also a country such as Austria, was a part of Europe. International politics had two points of reference: one is disarmament and the other is economic cooperation. There was a third element that, unfortunately, was not considered enough, and that was culture. Europe

must not only be aligned economically. In spite of the undoubted priority of economic problems, cultural identity must play an important role in German-Hungarian relations.

*Hartmann*

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