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PREM 19/1035

CONFIDENTIAL FILING

VISIT BY DR KOHL CHAIRMAN
OF C.D.U and leader of the
Opposition

238

GERMANY

AUGUST 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
25.8.81							
14.9.81							
6.1.82							
25.1.82							
27.1.82							
PREM 19/1035							



Germany

Private Secretary,
to the
Prime Minister

NOTE OF A MEETING HELD AT 11 DOWNING STREET ON WEDNESDAY 27 JANUARY 1982
AT 10.00 A.M.

Mr. Seligson to see

This is much the same as Dr.
Kohl's talk with the P.M.
A.S.C. 2/1

Present:

Chancellor of the Exchequer
Sir Kenneth Couzens
Mr. Garside

Dr. Helmut Kohl, Chairman
Christian Democratic Union
Herr Ruehe, CDU MdB
Dr. Hermann - CDU International
Department
Dr. Lochner - Interpreter

Mr. Unwin, British Embassy,
Bonn

MEETING WITH DR. HELMUT KOHL, CHAIRMAN OF THE CHRISTIAN DEMOCRATIC
UNION

Dr. Kohl thanked the Chancellor for agreeing to see him and said that he would be delighted to entertain the Chancellor when he was next in Bonn. He had already seen the Prime Minister and had dined with the Conservative Party and both had agreed that it was vital that the ties between the two parties were intensified. Interests were inter-linked in many fora: Community, security and defence and one could not ignore the consequences of having a Socialist President in France. The Chancellor said he would very much like an opportunity to meet next time he was in Bonn. He had met Herr Kiep (the CDU's economic spokesman) when he was in England at the end of last year. He agreed that both sides should make the most of the fact that the long-term prosperity of the two countries depended on preservation of the liberal economic system. It was under threat, and not always the easiest of systems to defend. He had noted that Herr Matthofer (the German Finance Minister) used the United Kingdom as an example of what not to do. Dr. Kohl agreed that the UK Government tended to be cited as the witness for the prosecution. But there was a crucial difference between the position Matthofer found himself in when he took over office and the position the current Government found in this country. Matthofer had inherited flowing



coffers, not near bankruptcy. The Chancellor pointed out that the German government had the advantage of having the CDU as the opposition. His critics were to the left not to the right. That made his task much more difficult. That was why he found it so useful to cite Matthofer and Schmidt as defence witnesses. If a Social Democratic government needed to cut its deficit, then certainly a government of a more right-wing persuasion needed to do it. Dr. Kohl suggested that perhaps the British Government could challenge their opposition with the responsible example of the opposition in Germany: in the autumn the opposition had proposed an additional DM 15 billion of cuts, involving changes in the present system of unemployment benefit, reducing extravagance in students support schemes and making pensioners once again liable for social security contributions.

2. The Chancellor asked about any prospect of a change in government in Germany before 1984. Dr. Kohl thought that this was possible. The coalition knew now that they only had a theoretical chance of retaining their mandate in 1984, because of the change in the system. For 20 years Germany had effectively a three party system which had worked well because each party was capable of coalescing with each other. But in recent years the FDP had become wedded to the SPD, such that it now formed a block. That had been bad for the CDU: in 1976 the CDU had won 48.6 per cent of the vote but had nonetheless been relegated to opposition. But the position had changed since the emergence of the Green party. Although the Greens had some reasonable ideas many of their ideas were completely idiotic. But what was important was their possible effect on the division of votes at the next election. While the FDP were working on a scenario which involved the Green party gaining representation in the Bundestag, he believed that they would only get some 3 to 4 per cent, failing to surmount the 5 per cent barrier to representation in parliament. Adding the small percentages gained by Communists and neo-Nazis it was realistic to imagine that 4 per cent of votes would fall on parties with no representation in parliament. That meant that all the seats would be divided between the parties gaining the other 96 per cent,



which would mean a party would only have to get 48 per cent of the vote to gain a majority. He thought the CDU could easily achieve that.

3. Dr. Kohl went on to explain that it was possible to envisage an earlier crumbling of the coalition: possibly over personnel questions. For example Graf Lambsdorff was currently the victim of a campaign of libel and slander over the illegality of some tax deductions of contributions to party funds. There is no doubt in his mind that the campaign had been launched by the Socialists. Graf Lambsdorff was subject to trial by press. Whatever happens this would hurt the FDP badly. The second question mark was over Schmidt. It seemed clear that the "Schmidt era" was over. If the coalition lasted until 1984 Schmidt would not be the Chancellor candidate. The most plausible candidate at the moment looked to be Matthofer. Schmidt's problem was that he no longer commanded a majority in his party, the boss was Brandt who had a different policy. This had been startlingly demonstrated at a regional party conference in Schmidt's own town of Hamburg at the weekend when both Schmidt and the Defence Minister Apel had attended, but nonetheless the conference adopted a resolution calling for a demilitarized zone in Central Europe. Aside from these personnel questions there were four State elections due this year, which offered the possibility of giving the CDU/CSU the extra 3 votes it needed to obtain a blocking two-thirds majority in the Upper House (Bundesrat). A victory in the election in Hessen would give the CDU/CSU just those votes. That could effectively prevent the government from making any laws.

4. Dr. Kohl said it was not clear what the FDP would do in a new situation. He himself was friendly with Genscher but nailing Genscher down was likely trying to "nail down an eel". Genscher was faced with the twin problems of the rise of the Ecologists and the move to the left in the FDP. FDP policies were very incoherent: designed to appeal to minorities to pick up votes. The Chancellor commented that he always found it very difficult to think of Graf Lambsdorff in coalition with the Socialists. Dr. Kohl



explained that Graf Lambsdorff enjoyed his privileged role as the shop steward of industry in German government. In a coalition with the CDU that privileged role would be lost.

5. The Chancellor commented that he had been distressed to see press reports about President Reagan's state of the union message in which the President declared unprepared to raise taxes to reduce the budget deficit. That caused him great concern as it presaged higher US interest rates than he would like to see. Dr. Kohl agreed that President Reagan's suggestion of transferring some expenditure from Federal to State level would do nothing to solve the problem. He agreed with the Chancellor that the problem also had political dimensions. But Europe was not totally blameless. Discussion of neutralisation at the moment was very damaging. Defence expenditure could not be reduced, so savings had to be made elsewhere and in defence overheads. The Chancellor warned Dr. Kohl against entering office promising expenditure cuts which proved very difficult in practice. Dr. Kohl pointed out that he had made promises and believed that he could rally the German people behind him by telling the truth. The Germans had not been persuaded by Schmidt's promise of a 35-hour working week, a reduction in their working lives and longer paid level.

6. The meeting finished at 10.50 a.m. and the Chancellor thanked Dr. Kohl for coming.

JKR

JILL RUTTER

27 January 1982

Circulation:

Chief Secretary	Mrs. Hedley-Miller	
Financial Secretary	Mr. Bottrill	
Economic Secretary	Mr. Garside	
Minister of State (C)	Mr. Ridley	Mr. P.W. Unwin - British
Minister of State (L)	Mr. Cropper	Embassy, Bonn
Sir Douglas Wass	Mr. Harris	
Sir Kenneth Couzens	PS/No.10	
Mr. Littler	PS/Foreign	
Mr. Lavelle	Secretary	



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10 DOWNING STREET

From the Private Secretary

25 January 1982

Visit of Dr. Kohl

I enclose a record of the conversation between the Prime Minister and the leader of the CDU which took place here earlier today. I should be grateful if you could give this record a very restricted distribution.

I am sending a copy of this letter and enclosure to David Omand (Ministry of Defence).

Francis Richards, Esq.,
Foreign and Commonwealth Office.

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND DR. HELMUT KOHL AT 10 DOWNING STREET AT 1200 HOURS ON MONDAY 25 JANUARY 1982

Present:

Prime Minister
Rt. Hon. Douglas Hurd, MP
Mr. Peter Unwin
Mr. A.J. Coles

Dr. Helmut Kohl
Herr Ruehe

The Prime Minister said that she looked forward to hearing Dr. Kohl's views on the Western Alliance and on developments within the Federal Republic of Germany. President Reagan's State of the Union message on 26 January would be of great importance. Vital decisions on Poland were pending. We needed to determine how we would show our displeasure about the Soviet involvement in Poland. We had noted Dr. Kohl's recent speech strongly favouring the Western Alliance.

Dr. Kohl said that he was increasingly convinced of the importance of the connection between Bonn and London. For much had changed in Europe. He could agree with many of the things which President Mitterrand was doing in the defence field but the remainder of the French political picture was much less satisfactory. General political developments in the United States were satisfactory - America had emerged from the psychological trauma of Viet Nam and Watergate. As far as the Federal Republic was concerned, foreign policy and external questions were the things which mattered. His greatest concern was how the West would meet the current moral and spiritual challenges. He believed that all current economic and financial problems could, with effort, be solved. But there must be adequate Western resolution. Everything de Tocqueville had written about democracy in America in 1840 was true of Germany today. Germany was indulging in a process of self-emasculatation. The majority of people were prepared to live a comfortable material life and sweep awkward problems under the carpet. This was the dismal result of 11 years of Social Democrat policy. The younger

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generation must be told that they had an obligation to carry out national service and join the armed forces. The Social Democrats did not talk in these terms and sometimes appeared to suggest that civil disobedience was respectable. At the last General Election Herr Schmidt had foolishly promised that there would be a 35-hour week. Japan was breathing down German necks. Germany would never remain competitive in world markets if costs rose inexorably. The Prime Minister commented that this was a familiar argument with which she agreed. She asked about the current situation of the SPD. Schmidt sometimes seemed to be more to the political right than were the majority of his party.

Dr. Kohl said that the mood in Germany was changing, especially among the ordinary people. The working class was more ready than the more prosperous groups to discuss sacrifices. There was a German proverb: "When the fish goes rotten, it starts with the head". For the last six months opinion polls had suggested that the CDU would obtain between 49 and 51% of votes in a General Election. In 1980 they had polled 45%. For the generation under the age of 25 the CDU was now the most popular party. Following them, for this generation, came the environmentalists and then the SPD. The Social Democrats were now registering between 35 and 45% in the opinion polls, their worst figures for many years. The Liberals were now getting between 9 and 11%. But the important development was the growth of the environmentalists or the "greens". This fourth party was detrimental to the SPD. As the Prime Minister knew, to be represented in the Bundestag a party had to acquire 5% of the votes. If the "greens" surpassed this figure, they would take seats away from the SPD. No-one could form a coalition with such an independent group. However, he did not expect this group to obtain 5% of the votes. His estimate was that they would obtain 3.5%, that the Communists would get 0.4% and the neo-Nazis 0.3%. He believed that the CDU could produce a stalemate if it obtained 47%. His conclusion was that the Schmidt era was about to become history.

The SPD was moving to the left, not as dramatically as the Labour Party in Britain, but inevitably and continuously. Schmidt was no longer typical of the party and his influence was waning

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daily. He and his Defence Minister had addressed a regional meeting of the party in Hamburg at the weekend. Despite their appeals, a resolution had been passed declaring that it should be an aim of SPD defence policy to create a non-nuclear zone in Europe. The Parliamentary Party in Bonn was well to the right of the party in the country as a whole. If the ruling coalition survived until next year, it would (he believed) then exchange Schmidt for a new leader. He was absolutely convinced that Herr Schmidt would not run in the next election.

The Prime Minister enquired whether Herr Genscher's party would not pick up votes from the SPD. Or perhaps from Dr. Kohl's party. Dr. Kohl replied that he did not think so. Genscher was a genius at polling other people's votes but the natural basis of the FDP was only about 5-6% of the electorate. They depended on special interest groups such as those who favoured the legalisation of abortion or the liberalisation of homosexuality. They had also attracted quite a lot of pro-Schmidt voters in the last election. But he did not believe this scenario would be repeated. The leftist disease had reached Genscher's own party. The younger Liberals were to the left of the SDP.

The Prime Minister suggested that the term "leftist" could have two meanings. Economically it stood for greater centralisation and redistribution of income. Politically, its main current feature was the wish to abandon nuclear weapons. Was it for economic reasons or because of the nuclear factor that the CDU was obtaining greater support? Dr. Kohl said that both influences were at work. As far as economic philosophy was concerned, the CDU was the party of Ludwig Erhardt. No-one within the party doubted that they should follow a policy favouring the free play of market forces. Nor was there any difference with employers or CDU trade unionists about this. Some 30% of the SPD, including Schmidt himself, believed in a similar economic policy. But 70% were closer to the ideas of Sir Stafford Cripps - they favoured Marxism and state socialism. Moreover, some 10% of the Liberals were drifting away from the market economy.

/ The Prime Minister

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The Prime Minister said that party leaders in Germany seemed to differ from the majority of their followers. Dr. Kohl commented that Genscher's defence policy was a case in point. In this field, "leftism" meant 'neutrality'. The majority of SPD favoured neutrality but there were nuances. Egon Bahr seemed to dream of an alliance with the East - "ex oriente lux". Meanwhile, Brandt dreamt of the third way, the Yugoslav model. Yet another group in the SPD thought in terms of a national socialist state, though not of course in a Nazi sense. Genscher had the greatest difficulty in relating to these aspects of defence policy. Perhaps as many as two-thirds of his party did not follow him on defence questions. The CDU had stated very clearly that it would favour the deployment of Pershing and Cruise missiles, even if no other country did. The Liberal Party would be incapable of adopting such a resolution.

The Prime Minister suggested that this was a rather alarming picture. Was Herr Kohl suggesting that if the CDU did not win the elections with a clear majority, the future of Germany as a member of the Western Alliance was in doubt? If the question of support for the Western Alliance was put to the German people as a single issue, would the majority favouring this simply be 51%, i.e. the extent of Kohl's own party support, or would it be more, i.e. would the proposition win some support from Schmidt's party? Dr. Kohl said that he believed that in the next three years the vital decision would have to be taken on where Germany stood. The challenge was present now. Many outside influences were acting on Germany. The Soviet Union had launched a major offensive carried out by distinguished visitors. Last autumn about 60 high-ranking Soviet visitors appeared at the same time, ranging from lecturers to so-called Members of Parliament and to trade unionists. Arbatov, one of Brezhnev's two political advisors, had spent 24 days in Germany going from university to university and promoting the case of neutrality. Gromyko had told Dr. Kohl that the Germans would be the first victims of another war. Why did they not avoid it? Gromyko had warned that Germany could not rely on the United States. This sort of propaganda had its influence but he did not believe that a majority of Germans would fall for it, at least as long as Berlin was divided and 17 million hostages languished in East Germany. The attitude of former refugees from East Germany was also influential. His own wife was such a refugee and her children

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had consequently been imbued with certain attitudes towards the communist world. He had told Brezhnev during the latter's visit to Germany that he was wasting money on the Communist Party organisations in Germany. These efforts would never be successful as long as German hostages remained on the Soviet side of the fence. So the answer to the Prime Minister's question was that, if German opinion was tested on loyalty towards the United States as opposed to the Soviet Union 90% would favour the United States. Dr. Kohl had urged President Reagan last autumn to launch a propaganda offensive in Europe similar to that of the Russians. It was essential that the best available people should speak out for democracy. There were two good bulwarks in Europe - France in the defence field and the United Kingdom. The SPD were always citing the UK as an example of what could happen to an economy if it were mismanaged. While the German economy was basically sound, unemployment would soon reach 8% (the 2 million threshold could be reached in a few days or weeks). This was a situation never met before in peacetime. During 20 years of CDU government, the peak had been 3½%. Last week Herr Schmidt had again referred to the British problem in the Bundestag. Dr. Kohl had reminded him that he had succeeded to a country with a full till while the Prime Minister had taken over a country following a period of considerable economic mismanagement.

Mr. Hurd said there was one question in the defence field which could arise before the next German elections. If there were little progress in the Geneva arms negotiations, would Schmidt and Genscher feel able in 1983 to deploy missiles in accordance with NATO's decisions? Dr. Kohl said that the position of his own party was clear. The CDU would favour deployment and if necessary they would take the issue to the streets by mobilising people. Developments in Poland had been a great help in this respect. While the German/Polish relationship was complex the strength of German feeling was demonstrated by the fact that in the last four months the Catholic Church had collected DM50 million from private sources for food for Poland. Nothing had been more detrimental to Schmidt than his initial fence-sitting on Poland. If the current Bundestag voted on Mr. Hurd's question, he believed that a two-thirds majority would favour deployment of the missiles. The proposition would attract

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the "Olympic boycott majority". But it must be remembered that the present coalition might not last as long as 1983. There were four State elections this year. The CDU were bound to win at least two. If they won one of the other two they would acquire a two-thirds majority in the Bundestag which would mean the end of legislative government for Herr Schmidt.

The meeting concluded at 1300 hours.

A.J.C.

25 January 1982

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MR COLES
MR INGHAM
MR KYDD
MR RYLANDS
MR TAYLOR
DETECTIVES
FRONT DOOR

DR KOHL: PHOTOCALL

The following will be coming in for this photocall on
Monday at 1145 for 1200:

AP	- L Harris
BBC (Stills)	- Willie Smith
ITN (Stills)	- Vic Boyton or E Holloway
PA	- Chris Bacon;
COI	- name to follow
Financial Times	- " " "
ZDF TV	- Andrew Baumuelier Wolfgan Hebst Brian Johnston (outside)
ARD TV	- Dirk Dreves Francis Groot

PETER EWING

22 January, 1982

PRIME MINISTER

VISIT OF DR. KOHL

I attach briefs for the talks at 1200 noon. The main part was provided by the Foreign and Commonwealth Office; the supplementary brief by Conservative Central Office.

Dr. Kohl will be accompanied at the talks by:

Dr. Hartmann (Head of CDU International Department)

Herr Teltschik (Parliamentary Private Secretary to Dr. Kohl)

Herr Ruehe (CDU Member of the Bundestag with responsibility for British German Parliamentary Relations)

I will take a record. Would you like Ian Gow to be present? And would you like an FCO official - or do you intend to concentrate in the talks on domestic politics in Germany?

Dr. Kohl speaks no English so there will be an interpreter.

I also attach some notes on which you may wish to draw if you intend to make a short speech at lunch.

A.J.C.

22 January 1982

LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY THE PRIME MINISTER
IN HONOUR OF DR. HELMUT KOHL, CHAIRMAN OF THE CHRISTIAN DEMOCRATIC UNION
OF THE FEDERAL REPUBLIC OF GERMANY AND FRAU KOHL ON MONDAY, 25 JANUARY
AT 1.00 PM FOR 1.15 PM

The Prime Minister

Dr. Helmut Kohl
and Frau Kohl

His Excellency the German Ambassador
and Frau Ruhfus

Herr Volker Ruehe

CDU Member of Bundestag responsible
for British/German Parliamentary
relations

Dr. P. Hartmann

Head of CDU International Department

Herr T. Teltschik

Dr. Kohl's Parliamentary Private
Secretary

Dr. E. Ackermann

CDU Press Officer

Frau Weber

Dr. Kohl's Personal Assistant

HM Government

Rt. Hon. John Biffen, MP
and Mrs. Biffen

The Hon. Nicholas Ridley, MP
and Mrs. Ridley

Parliamentarians

Sir Anthony Royle, MP
and Lady Royle

The Hon. Alan Clark, MP
and Mrs. Clark

Mr. Vivian Bendall, MP
and Mrs. Bendall

Mr. Peter Rost, MP
and Mrs. Rost

Mr. Frederick Tuckman, MEP
and Mrs. Tuckman

Business, Banking, etc.

His Grace The Duke of Portland
and Her Grace The Duchess of
Portland

Vice President of the German Chamber
of Industry and Commerce. Chairman
Bayer (UK) Ltd.

Herr G.Z. Steffens
and Frau Steffens

Chairman of German Chamber of
Industry and Commerce. Dresdner Bank

Herr E. Krampe
and Frau Krampe

Head of Mercedes-Benz (UK)

Media

Sir Robin Day	television broadcaster and old Koenigswinter hand
Herr Thilo Bode and Frau Bode	London correspondent Sueddeutsche Zeitung
Herr Wolf von Lojewski	London correspondent of ARD, German television
Miss Mary Goldring	journalist/broadcaster

Others

Sir Frank Roberts and Lady Roberts	Chairman of the Anglo/German Association
The Lord Croham and Lady Croham	Chairman-to-be of Anglo/German Foundation Board of Trustees
Professor Walter Laqueur and Mrs. Laqueur	Director Wiener Library
Sir Charles Troughton and Lady Troughton	Chairman, British Council

Foreign and Commonwealth Office

Mr. Julian Bullard	
Mr. P.W. Unwin	Minister (Economic), British Embassy, Bonn

10 Downing Street

Mr. Ian Gow, MP and Mrs. Gow	
Mr. John Coles	

DRAFT SEATING PLAN FOR LUNCH ON MONDAY, 25 JANUARY 1982

TABLE A

THE PRIME MINISTER
HER HELMUT KOHL
Frau Steffens
Sir Frank Roberts
Frau Ruhfus
Sir Anthony Royle
Lady Troughton
His Grace The Duke of Portland

TABLE B

RT. HON. JOHN BIFFEN
FRAU KOHL
The Lord Croham
Lady Royle
His Excellency the German Ambassador
Lady Roberts
Dr. P. Hartmann
Her Grace The Duchess of Portland

TABLE C

MRS. BIFFEN
Herr G.Z. Steffens
Lady Croham
Mr. Julian Bullard
Frau Weber
Sir Robin Day
Mrs. Bendall
Herr E. Krampe

TABLE D

THE HON. NICHOLAS RIDLEY
Frau Krampe
The Hon. Alan Clark
Mrs. Gow
Mr. P.W. Unwin
Herr Thilo Bode
Miss Mary Goldring
Dr. E. Ackermann

TABLE E

THE HON. MRS. RIDLEY
Herr Volker Ruehe
Mr. Peter Rost
Herr Wolf von Lojewski
Mrs. Tuckman
Mr. John Coles
Mrs. Laqueur
Sir Charles Troughton

TABLE F

MR. IAN GOW
Herr H. Teltschik
Mrs. Clark
Mr. Vivian Bendall
Professor Walter Laqueur
Mrs. Rost
Mr. Frederick Tuckman
Frau Bode



Foreign and Commonwealth Office

London SW1A 2AH

22 January 1982

Dear John,

Call by Dr Kohl on the Prime Minister: 25 January

Dr Kohl, Chairman of the CDU and Leader of the Opposition in Bonn (personality note at Annex A) is due to call on the Prime Minister at 1200 on 25 January. He is visiting the UK as a guest of HMG and his programme (Copy at Annex B) includes calls on my Secretary of State and the Chancellor of the Exchequer.

Although he has held his present party position since 1973 and is well-known in the Federal Republic, he has limited international experience and will be paying his first official visit to this country in his present capacity. He has been taking steps recently to raise his international profile, and his visit to Washington last October included meetings with President Reagan, Secretary Haig and Finance Secretary Regan. He undoubtedly sees this trip to London as a further step in this process. From our point of view the main purpose of the visit is to cement relations with the leader of a major party of our most important European ally. Dr Kohl is a strong contender for the Federal Chancellorship (for an assessment of the electoral prospects of the CDU/CSU and of Dr Kohl's own position, see Annex C).

On the international political front discussion will no doubt focus on Poland and the current state of East/West and West/West relations (Bonn Telno 48 at Annex D). In the Bundestag debate on 14 January Dr Kohl chose to break the consensus with the government which had emerged before Christmas and set out to demonstrate that Chancellor Schmidt had sacrificed Alliance interests to keep on terms with the Soviet Union. The Prime Minister may wish to sound out Dr Kohl on whether this decision to confront Herr Schmidt was taken for tactical domestic reasons (in anticipation of the important Land elections later this year) or because he believes that



FRG foreign policy is in danger of giving more weight to maintaining good relations with the East than with the FRG's Western Allies. It would also be useful to seek Dr Kohl's views on the state of the Alliance and of Franco-German relations. Is there a serious rift between the Europeans and the USA, in particular between Bonn and Washington? And how significant is the apparent weakening of the Paris/Bonn axis?

Economic policy is not Dr Kohl's forte - he tends to leave either Herr Stoltenberg or Herr Kiep to lead in this field - but his office have told us that the economic aspects that he would like to discuss in London are:

- the economic situation in the UK.
- the state of the world economy (including US interest rates)
- the British approach to the EC, particularly the Community budget.

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Briefs on these are enclosed at Annexes E - G. At Annexes H and I are background briefs on the current economic scene in the FRG and on CDU economic policy. The Prime Minister will no doubt wish to give Dr Kohl her assessment of prospects for the UK economy. It would be useful to take this opportunity to reaffirm the UK commitment to Europe and to explain to Dr Kohl the UK's position on the EC budget.

I am sending copies of this letter and enclosures to Private Secretaries to other ministers who will be meeting Dr Kohl in the course of his visit.

Yours ever.

Francis Richards

(F N Richards)
Private Secretary



ANNEX

- A Personality note on Dr Kohl
- B Programme for Dr Kohl's visit
- C Brief by the FCO on the CDU/CSU's election prospects and Dr Kohl's own position
- D Bonn telno 48 on Poland
- E Brief by HM Treasury on the UK economy
- F Brief by HM Treasury on the world economy (including US interest rates)
- G Brief by the FCO on the Community
- H Brief by HM Treasury on the FRG economy
- I Brief by the FCO on CDU economic policy

VISIT BY DR KOHL TO THE UK: 25-27 JANUARY 1982

OUTLINE PROGRAMME

Sunday 24 January

1210 Arrive Heathrow from Frankfurt

Monday 25 January

1200 Call on Prime Minister

1245 for 1300 Lunch given by Prime Minister at No 10

1530 Call on The Rt Hon Roy Jenkins, joint leader of the SDP

1630 Discussions at House of Commons with Conservative back-bench MPs

1800 Reception given by German Ambassador at FRG Embassy

Tuesday 26 January

am Visit Churchill's grave at Bladon, and Blenheim Palace

1230 Lunch at Oxford

1430 Visit St Anthony's College Oxford for round-table discussion with dons

2000 Dinner given by Chairman of Conservative Party

Wednesday 27 January

1000 Call on Chancellor of the Exchequer

1100 to 1200 Press Conference at FRG Embassy with German correspondents

1215 Call on Secretary of State for Foreign and Commonwealth Affairs

1245 for 1300 Lunch given by Secretary of State at Admiralty House

1515 to 1530 Interview with the BBC German Service at FRG Embassy

1530 to 1630 Press Conference at FRG Embassy for British Press

1800 Depart Heathrow for Frankfurt

VISIT BY DR KOHL TO THE UK: 25--27 JANUARY

BACKGROUND BRIEF ON THE CDU/CSU AND THE POSITION OF DR KOHL

1. The CDU/CSU enter the New Year in optimistic mood. The electoral tide seems to be flowing in their favour. Morale is good. Differences over policy and tactics undoubtedly remain both within the CDU and between the CDU and CSU. But the Union have had some success in playing these down and in presenting the electorate with a united front. Helped by the open divisions within the SPD, they have staged a remarkable recovery in popularity since their defeat in the 1980 elections. They now enjoy over 50% support in the opinion polls and their prospects for the four Land elections due this year are excellent. Although the odds can always change, the betting currently must be that the Union will form the next Federal government.
2. The main question mark hangs over when they are likely to do so. Increasingly they themselves are coming to accept the view, consistently argued by Dr Kohl himself, that it will not be before the end of the current legislative period in 1984. If the coalition's difficulties last year over economic and defence policy were not enough to bring it down, the Union see little else that is likely to do so. Certainly all the signs are that relations between the two Coalition partners have improved considerably since their nadir last autumn.
3. What hopes the Union have for an earlier change of government centre on the outcome of this year's Land elections. There are two possibilities, neither of which seems very promising. First, the FDP could do so badly in the elections as to conclude that further association with the SPD could only spell disaster for the 1984 Federal elections. The second opportunity lies in the fact that, if the Union can hold Bavaria and Lower Saxony (which should not be difficult) and win either Hessen or Hamburg (which is a real possibility), they will secure a two-thirds majority in the Bundesrat and be in a position to block all government legislation (although in practice they would probably decide not to exercise this blocking majority).
4. The Union's hopes last year that the FDP were on the verge of switching allegiance have on the whole given way to a resigned belief that the FDP cannot be expected to switch before 1984. At their Party Conference in Hamburg, the CDU made clear that their aim was to work for an absolute majority in 1984. But few people in the CDU are under any illusion that the task of securing an absolute majority in 1984 will be easy. Most hopes are therefore still pinned on the FDP.
5. As to the position of Dr Kohl, no one is in any doubt that, if the Coalition falls before 1984, he will be the next Federal Chancellor. Unless it falls soon, however he will have in 1983 to undergo the formal selection process to choose the Union's next Chancellor-candidate. He is then likely to face competition. But it is still Kohl who must be considered to stand the best chance. He is well-known in the FRG (if not outside) and the

/electorate

have got used to him. Although rating well behind the Chancellor and Genscher in the opinion polls, he is seen as solid and reliable. He has been on the course before, and done well on it: as Chancellor-candidate in the 1976 Federal Elections he only narrowly failed to obtain an absolute majority. Equally important, he has the advantage of being the current incumbent. He controls the Party machinery and, as its Chairman, dominates the CDU/CSU Parliamentary Party. He is, in short, still the most likely successor to Schidt as Federal Chancellor.

Foreign and Commonwealth Office

22 January 1982

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TO IMMEDIATE FCO

TELEGRAM NUMBER 46 OF 21 JANUARY

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DR KOHL'S VISIT TO LONDON, 25-27 JANUARY: POLAND

1. WHEN DR KOHL COMES TO LONDON, THE GERMAN RESPONSE TO POLAND WILL BE AMONG THE SUBJECTS ON HIS MIND. YOU AND THE PRIME MINISTER MAY THEREFORE LIKE ADVANCE WARNING OF THE LINE HE IS LIKELY TO TAKE, AND OF THE DOMESTIC CONSIDERATIONS BEHIND IT.
2. LED BY DR KOHL PERSONALLY, THE CDU/CSU OPPOSITION HAVE BEEN CONDUCTING A FIERCE ATTACK ON THE FEDERAL GOVERNMENT'S POLAND POLICY. MY TELS 26,31 AND 32 TO FCO REPORTED THE BUNDESTAG DEBATE WHICH WAS THE MAIN OCCASION FOR THIS ATTACK. KOHL'S LINE HAS BEEN THAT THE CHANCELLOR, BY THE MILDNESS OF HIS RESPONSE TO THE MILITARY TAKE-OVER, HAS CREATED A CRISIS OF CONFIDENCE IN THE ALLIANCE. IN CONTRAST TO THE GOVERNMENT'S EMPHASIS ON OFFERING FURTHER ECONOMIC AID TO POLAND IF SHE REVERTS TO REFORM, THE OPPOSITION HAVE DEMANDED THE DISCONTINUATION OF ECONOMIC AND FINANCIAL HELP TO POLAND, AND PROGRESSIVE MEASURES AGAINST THE SOVIET UNION, IF THE WEST'S CONDITIONS ARE NOT QUICKLY MET.
3. KOHL'S DECISION TO ATTACK THE GOVERNMENT ON THIS QUESTION HAS NOT BEEN TO THE LIKING OF ALL HIS PARTY. SEVERAL PROMINENT MEMBERS OF THE CDU, INCLUDING KIEP AND THE SECRETARY-GENERAL GEISSLER, WOULD PREFER A MORE RESTRAINED POLICY TOWARDS THE EAST. BUT THERE HAVE BEEN LOUD VOICES IN THE CSU (WHOSE SUPPORT IS IMPORTANT TO KOHL) AND ON THE RIGHT OF THE CDU CALLING E.G. FOR THE BREAKING OFF OF RELATIONS WITH THE SOVIET UNION AND CANCELLATION OF THE GAS PIPELINE DEAL. CDU CONTACTS TELL US THAT KOHL'S MOVE SHOULD BE SEEN AS A TACTICAL ONE, DESIGNED TO STEER A MIDDLE COURSE BETWEEN THE OPINIONS OF THE TWO WINGS OF THE UNION.
4. THE TACTIC HAS SO FAR MET WITH LITTLE SUCCESS. SCHMIDT HAS BEEN ABLE TO COUNTER KOHL'S ATTACK BY POINTING OUT, WITH REFERENCE TO PUBLIC STATEMENTS, THAT THE FRG'S RESPONSE TO POLAND IS FOUR SQUARE WITH THOSE OF HER ALLIES AND PARTNERS. IN PARTICULAR HE HAS

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REFERRED TO HIS TALKS WITH THE US AND FRENCH PRESIDENTS. ON THE MAIN UNRESOLVED ISSUE NOW FACING THE WEST, THAT OF SANCTIONS, KOHL HAS BEEN UNSPECIFIC , AND ACCORDING TO OUR CONTACTS THE CDU/CSU HAVE DONE NO PLANNING ON WHAT SANCTIONS THEY WOULD LIKE TO SEE IMPLEMENTED, OR HOW. THEY CAN HARDLY DO SO WHEN THEIR OWN OPINIONS ARE DIVIDED. MOREOVER THEY MUST BE AWARE THAT IF, WHEN IT COMES TO THE NITTY-GRITTY, THEY TAKE A TOUGHER LINE ON SANCTIONS THAN THE FEDERAL GOVERNMENT, THEY WILL FORFEIT THEIR SUPPORT AMONG BANKERS AND INDUSTRIALISTS, WHO, WHILE SEEING THE NEED FOR ATLANTIC SOLIDARITY, ARE STRONGLY OPPOSED TO SANCTIONS. IN PRESENT CIRCUMSTANCES AT LEAST, THE SCHMIDT/GENSCHER POLICIES ON POLAND HAVE THE SUPPORT OF THE MAJORITY OF WEST GERMANS, AND KOHL IS UNLIKELY TO GAIN DOMESTIC ADVANTAGE FROM CONTINUING TO OPPOSE THEM.

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TAYLOR

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AIDE MEMOIRE ON THE UK ECONOMY

22 January 1982

PRESENT SITUATION

Most recent major outside forecasts (NIESR, P&D, CBI, LBS) assess fall in output ended in H1 1981, with some recovery thereafter (in range $\frac{1}{2}$ - $1\frac{1}{2}$ per cent for 1982). ITEM and OECD are more pessimistic; seeing further falls of output into 1982. Year-on-year inflation is forecast by most groups to fall further to a range of $9\frac{1}{2}$ - $11\frac{1}{2}$ per cent in 1982 Q4. Whilst some groups (ITEM and NIESR) see the possibility of further reductions (to 7-8 per cent), others see inflation remaining around 10 per cent in 1983. The industry Act forecast, of a 1 per cent rise in output in 1982, and 10 per cent inflation in Q4 1982 is broadly in line with this consensus. Unemployment (UK adult seasonally adjusted) forecast to reach around 3 million by end 1982.

GDP output estimate rose $\frac{1}{2}$ per cent in Q3 1981 the first rise for 7 quarters. In the 3 months to November 1981 industrial output rose $1\frac{1}{2}$ per cent while manufacturing output rose 1 per cent.

Consumers' expenditure fell by $\frac{1}{2}$ per cent in Q3 1981 returning to the level of Q3 1980. Retail sales in Q4 1981 rose about $\frac{1}{2}$ per cent. The volume of visible exports in the 3 months to November 1981 were 9 per cent above the average for January and February 1981. The volume of visible imports in the 3 months to November were 24 per cent higher than the average for January to April 1981. DI investment intentions survey conducted in October/November suggests volume of investment, by manufacturing, distributive and service industries (excluding shipping) will rise by about 2 per cent in 1982 following an estimated fall of 4 per cent in 1981. A large rise is tentatively expected in 1983. Investment by manufacturing (including leasing) is expected to rise during 1982, but for the year as a whole it is likely to be 1 per cent lower than 1981. An appreciable rise is expected in 1983. Manufacturers', wholesalers' and retail stocks dropped by £0.1 bn (at 1975 prices) in Q3 1981 compared with destocking of £1.0 bn in H1 1981 and £1.9 bn in 1980 as a whole.

Unemployment (UK, seasonally adjusted excl, school-leavers) was 2,781,600 (11.5 per cent) at December count, up 17,300 on November. Vacancies rose slightly to 107,500 in December.

Wholesale input prices (fuel and materials) were unchanged in December; the year-on-year increase fell to $15\frac{1}{2}$ per cent. Wholesale output prices rose $\frac{1}{2}$ per cent and are $11\frac{1}{4}$ per cent above a year ago. Year-on-year RPI increase was 12.0 per cent in December. Year-on-year increase in average earnings was 11.3 per cent in November. RPDI was flat in Q3 1981 following falls in the previous two quarters and a 17.5 per cent rise over the 3 years 1977 to 1980. The savings ratio rose 1 per cent to $14\frac{1}{2}$ per cent in Q3 1981.

PSBR £9.5 bn in the first half of 1981/82 and CGBR in April to December - £10.2 bn; but both distorted upwards by the civil service dispute. Underlying PSBR believed in line with Budget forecast (£10½ bn).

Sterling M3 estimated to have increased by 0.2 per cent in banking December.

Visible trade showed average monthly surplus of £135 million in the 3 months to November 1981 compared with an average monthly surplus of £525 million in the first two months of 1981. Invisibles surplus in first 11 months of 1981 estimated at £2.6 billion. Reserves at end-December \$23.3 bn. At the close on 21 January the sterling exchange rate was \$1.881 and the effective rate was 91.4.

INDUSTRY ACT FORECAST, NOVEMBER 1981

Table 1: Economic prospects for 1982

	Percentage changes		Average errors* from forecasts, relevant for 1982 per cent
	1980 to 1981	1981 to 1982	
A. Output and expenditure at constant 1975 prices			
Gross domestic product (at factor cost)	-2	1	1†
Consumers' expenditure	0	0	1†
General government expenditure on consumption and investment	-2	0	1†
Other fixed investment	-2†	2†	3
Exports of goods and services	-5††	2††	3†
Change in rate of stockbuilding as a percentage of GDP	-†	2†	1
Imports of goods and services	-4†	8††	2††
B. Balance of payments on current account			
	1981	1982	
	6†	3†	£ billion 2††
C. Retail prices index			
	Percentage changes		per cent
	4th quarter 1980 to 4th quarter 1981	4th quarter 1981 to 4th quarter 1982	
	12	10	3

*The errors relate to the average differences (on either side of the central figure) between forecast and outturn. The method of calculating these errors has been explained in earlier publications on government forecasts, notably in November 1978 (see *Economic Progress Report Supplement* or *Economic Trends* No 301, November 1978, and *Economic Progress Report*, June 1981). The calculations for the constant price variables are now derived from internal forecasts made during the period June 1965 to October 1979. For the current balance and the retail prices index, forecasts made between June 1970 and October 1979 are used. The errors relate to the figures after adjustment for the effects of major changes in fiscal policy, where excluded from the forecasts. Quarterly forecasts are grouped so as to be comparable with the changes between calendar years as shown. Thus for forecasts of constant price variables and the current account made in quarter 0 the errors relate to the forecast period (quarters 1 to 4) compared with the base year (quarters -3 to 0). For the retail prices index the margin relates to the percentage change between quarter 0 and quarter 4.

†The uncertainties caused by the absence of trade statistics for part of 1981 imply that the estimates and forecasts of trade and the current account are particularly uncertain in this forecast.

VISIT BY DR HELMUT KOHL, CHAIRMAN OF CDU:
25-27 JANUARY 1982

World Economy (Including US Interest Rates)

Points to Make.

1. GNP growth rate of OECD countries in 1982 likely to be modest, but quicken in second half of year.
2. Modest rate of recovery not wholly bad: should avoid surge in oil prices and reversion to unrealistic wage demands.
3. Most countries following firm fiscal and monetary policies, and pursuing long-term goal of reducing public expenditure's share of GNP. Recession delays attainment of goal but should persevere.
4. Risk of increased borrowing by US federal government colliding with tight monetary policy with result that interest rates revert to record levels. Damaging for Europe. Chancellor has voiced HMG's concern both publicly and privately. US has no alternative in short-term to increasing taxes.
5. Japanese macro-economic policy not helping us resist protectionism. With low inflation and low interest rates, they could tighten monetary policy and relax fiscal policy a little to increase domestic demand and let you rise.

Background

NB: Figures are for OECD area as a whole unless otherwise stated.

Output and Demand

1. Recovery of output in first half of 1982 is expected to be slow, but it should reach an annual rate of 3 per cent by the end of the year and then stay at around that rate in the first half of 1983. GNP growth of $1\frac{1}{2}$ per cent is forecast by OECD Secretariat for 1982 as a whole ie same as 1981. Japan and France are forecast to enjoy rather higher growth. The US will enter the year in recession, but should leave it growing strongly.

Prices and Earnings

2. Inflation rate of increase in consumer prices in major seven countries declined from 13 per cent in 1980 to 10 per cent in 1981. Further modest decline to 8½ per cent expected in 1982. Within the EC, Italy and France may have rates higher than the UK's.
3. While there can be no certainty that the moderation in wage behaviour seen recently will continue there are signs in some major economies, including the US and Germany, that workers in some key industries are now more concerned with job preservation than wage increases. The French government is developing a prices and incomes policy. OECD calculations show productivity as having increased by 1¼ per cent on average in the OECD area in 1981 and predict a 1½ per cent rise in 1982 - almost twice the 1980 rate.
4. Demand for most commodities, including oil and industrial and agricultural commodities has been weak, and many prices have declined in real as well as nominal terms. Some modest recovery of oil real price levels may occur later in 1982, continuing into 1983.
5. The OECD current account deficit is expected, on the assumption of unchanged exchange rates, to stabilize at an annual rate \$20-35 billion over next 18 months. Japan's surplus will probably grow rapidly: OECD Secretariat forecasts \$17bn for 1982 as a whole, and an annual rate of \$23 billion in first half of 1983. The position of the US may deteriorate rapidly and go quite deeply into deficit by mid-1983.
6. Imports by OPEC are expected to rise less rapidly in 1982, following the rapid expansion in 1981. This reflects the fall in demand for oil and the unlikelihood of major oil price rises in the near future.
7. Unemployment is expected to increase in all major OECD countries except Japan, the OECD average reaching 8 per cent of the labour force, or 28.5 million people, by the beginning of 1983. In Europe, unemployment could reach almost 10 per cent of the labour force. Unemployment among young people will continue to be particularly severe, with rates over 15 per cent in the US, France, the UK and Italy (29½ per cent).

Interest Rates

Prime lending rates have been stable in US at 15.75 per cent since

early December. In Germany they have declined from 14.50 per cent to 13.50 in two steps since mid-November. US three-month money market rates have risen from 11 per cent in late November to 13 per cent now; this rise is attributed to uncertainties over monetary policy. Over the same period long-term rates have also risen in the US, and France, but not in Germany.

Fiscal Policy

8. Most OECD countries (France being a notable exception) are pursuing the long-run objective of curbing government deficits and a number are committed to reducing the public sector's claims on GDP, but the effects of the recession, inflation and debt servicing costs have made it very difficult to achieve these objectives. To avoid being blown further off course, governments have had to take politically painful decisions, such as raising taxes, modifying wage indexation and cutting the value of social security benefits.

9. The UK has been one of the more successful in working towards these objectives, and Germany has displayed remarkable determination to the same end. The upshot is that the general government deficit for the seven OECD majors has in 1981 been held to 2½ per cent of GNP/GDP, the same as in 1980, in spite of the effect of the recession in increasing deficits.

10. President Reagan has admitted officially that he does not expect to balance the US budget by FY 1984. Priority is to be given instead to increased defence spending and reduced taxation. A 'raw' Administration forecast of this year's deficit is said to be \$109bn compared to the official target of \$43 bn. This may rise to \$152 bn in FY 1983 and \$162 in Fy 1984 unless further measures are taken. Given the President's order of priorities, the action most likely to be taken is an increase in indirect taxes. Secretary Regan said on 6 January that options for increases included excise taxes on beer and wine. The President's Annual Economic Report to Congress and his 1983 proposals are expected to be published on 8 February.

Monetary Policy

11. Most of the larger OECD countries including the US and Germany, are committed to firm control of monetary growth. In the early summer of 1981 the French, however, adopted a stance that was markedly less

restrictive than that enforced when M. Barre was Prime Minister.

Balance Between Fiscal and Monetary Policies

12. In Japan, a low inflation rate and low interest rates give the authorities some freedom of manoeuvre in fiscal and monetary policy. In their 1982 budget they have tightened their fiscal stance, at a time when monetary policy is relatively relaxed. This has the effect of keeping the yen's value on the foreign exchange markets down, thus increasing exports, restraining imports and building up a yet greater trade surplus.

13. In the US, the reverse situation has developed: monetary policy is tight and the fiscal deficit has grown. This, coupled with expectations of a resurgence of growth in the latter part of 1982, has led some respected unofficial forecasters, most notably Dr Henry Kaufman, to predict that the recent decline in interest rates will be reversed, perhaps in its entirety, in the course of this year.

CALL BY DR KOHL ON PRIME MINISTER: 25 JANUARY

COMMUNITY ISSUES

Line to Take

30 May Mandate

1. Government fully committed to membership of the Community. Hope British Presidency will have demonstrated our wish to see it develop and prosper.
2. Important for Community's future that early and lasting solution found to problem of Community Budget. Quite apart from resolving the unacceptable situation of the UK, we would like to see, as a long term solution, distributive effects of Community budget put on a rational basis. Present haphazard system entirely unsatisfactory and likely to get worse in view of enlargement of the Community.
3. Foreign Ministers meeting today: probably last chance to agree guidelines for a solution. Of course, even if guidelines are agreed, Community will still have to negotiate detailed arrangements on all 3 chapters of the Mandate - CAP Reform, development of other policies and the budget itself.
4. As two net contributors, FRG and UK major interests in common. Clearly not right that financial burden for any solution should fall mainly on Germany. Other rich member states should be prepared to forego some of their benefits. Of course, fundamentally inequitable that the UK, as a less prosperous member state, should be a major net contributor to the budget.

/Equity

Equity would suggest the contrary.

5. Also believe it essential to future development of Community that the Community takes effective action to remedy the defects of the CAP - especially the production of costly surpluses.

European Union : German/Italian Draft Act


6. [Welcome this initiative.] Willing to examine proposals constructively and in a positive spirit; many of them consistent with UK policy on further development of Community. Agree we must give impetus to Community development, not let it stagnate.

Election of Mr Dankert as President of the European Parliament

[If raised by Dr Kohl]

7. ~~As I said in my reply to your telegram of 15 January, I am anxious to see the European Democrats and the European People's Party cooperate as closely as possible in the European Parliament. The British Government had no standing in the election, however, and my own capacity to influence its conduct was very limited.~~

See Conservative Party International Office Note.



Background

30 May Mandate

1. As the Prime Minister will know, we have kept in close touch with the German Government on the Mandate negotiations and many of our views on CAP reform and the budget are shared by them. Dr Kohl will probably not want to talk about the detail of the negotiations on the Mandate texts to which he is not privy. The Prime Minister therefore might use the occasion to let him know in broad terms our views on the need for a more rational approach to the Community budget system and the CAP.

2. The European Council in November reached provisional agreement on guidelines for most of the issues in the Mandate. But four key issues were remitted to Foreign Ministers. There were: milk, Mediterranean agriculture, growth of CAP expenditure and the budget itself. Foreign Ministers met on 14/15 December and again on 14/15 January. Although they narrowed the areas of difference, they were unable to reach agreement. They meet again on 25 January. The main outstanding points are: on milk, the nature of the commitment to control the growth and cost of surpluses, the question of the continuation of the basic coresponsibility levy and the nature of any aid for small producers; and on the budget, the duration of the corrective arrangements for the UK (four or five years), the question of a review, the inclusion of the financial mechanism and, most importantly, degressivity (whether the amounts paid should be reduced automatically or only to the extent that the size of the UK's problem is reduced by improvements in the balance of the budget as a whole). There is less controversy about

/the texts



the texts on Mediterranean agriculture and CAP expenditure, on which our views and those of the Germans closely coincide.

3. If Foreign Ministers do agree guidelines, it will then be for the specialist Councils to implement them - agriculture falling to the Agriculture Council in the context of the price-fixing negotiations and the budget to the Foreign Affairs Council.

European Union : German/Italian Draft Act

4. The German CDU/CSU Parliamentary Party is strongly in favour of progress towards European Union and broadly supports the ideas contained in the German/Italian Draft Act.

Election of Mr Dankert as President of European Parliament

5. Mr Dankert (Dutch Socialist) was elected on 19 January on the fourth ballot. Sir James Scott-Hopkins (the candidate of the European Democratic Group) was eliminated after the penultimate ballot. Dr Kohl may express regret that a number of UK Conservatives voted for Mr Dankert in the final ballot rather than Herr Klepsch, the European People's Party candidate. He sent a telegram to the Prime Minister on 15 January urging close cooperation between the European Democratic Group and the European People's Party over the election of the new President.

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THE GERMAN ECONOMY

Points to make

1. (i) Do the CDU agree with OECD and Five Institutes forecasts for German economy? These suggest German economic prospects in 1982 relatively favourable by international standards, even though growth may be less than Germans used to and unemployment may continue to increase;

- (ii) Improving economic situation due to restrictive policies ie tough budgetary policy, tight monetary policy and a wage round bringing average increases below the rate of inflation; such policies painful particularly in a recession but Germany an example to European partners.

BackgroundOutput and unemployment

2. GNP probably fell slightly in 1981. A severe downturn was avoided by a strong export performance which compensated for depressed domestic demand. The OECD and the Five Institutes expect growth of about 1 per cent in 1981 with no significant upturn until mid-year.

3. Unemployment rose rapidly in 1981 from about 1 million to $1\frac{1}{2}$ million. The authorities expect it to rise to 1.6 million this year but the Five Institutes expect it to be higher.

Prices

4. Consumer price inflation may have peaked at 6.7 per cent in the year to November 1981. Both the year on year rate and the underlying rate fell in December. A strengthening D mark and moderate wage settlements mean the prospect of a further decline is quite strong. The OECD expect a decline perhaps to about $4\frac{1}{2}$ per cent on average in 1982.

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Balance of Payments

5. The current account deficit in 1981 is expected to have improved considerably from $\$16\frac{1}{2}$ billion in 1980 to about $\$8\frac{1}{2}$ billion. The OECD expect the current account to move into a small surplus this year although the Five Institutes are more pessimistic.

Exchange-rate

6. The Five Institutes expect the exchange-rate to strengthen considerably this year. Market perception of a return towards internal and external balance in Germany has already led to an appreciation of the $\$$ rate to around $\$2.30$ (21 January) from a low of more than $\$2.50$ in August. Rising US interest rate differentials have led to some depreciation over recent weeks. In October the D mark was revalued 5 per cent in the EMS where it is currently very weak.

Policies

7. The 1981 budget deficit was larger than originally planned at around DM 34 billion because of the recession. The Government has with great difficulty agreed to reduce this to about DM 27 billion this year, through cuts in spending, tax allowances, subsidies and transfers. The wrangle over the budget demonstrated significant divisions within the SPD and the Social Democrat and Free Democrat partners. The transfer of very large profits from the Bundesbank to the Government helped paper over the cracks. This has been severely criticised by the CDU as cosmetic and hindering fundamental adjustments needed to public finances.

8. Chancellor Schmidt is expected to announce a number of measures to improve investment and employment at the end of this month. Herr Matthoefer told the Chancellor last week that indirect taxes on energy were likely to be raised to produce revenue for new spending on energy - saving investment. Spending on direct job-creation was apparently unlikely.

9. The Bundesbank has kept monetary policy very tight over the last couple of years, partly in order to support the D mark and finance the current account deficit. It was relaxed for the first time in two years at the beginning of October when falling US rates allowed the Bundesbank to cut the special Lombard rate one per cent to 11 per cent without undermining the D mark. This has since been cut twice to 10 per cent in December. The scope for further interest-rate reductions may be limited at the moment by rising US rates.

GERMANY: MAIN ECONOMIC INDICATORS

	1980	1981 ^e	1982 ^f
GNP growth (% change over previous year)	1.8	$-\frac{1}{2}$	$1\frac{1}{4}$
Industrial production (% change over previous year)	0.2	$-\frac{3}{4}$	$1\frac{3}{4}$
Unemployment (% of civilian labour force)	3.4	5	6
Consumer Price Inflation (% change over previous year)	5.5	$5\frac{3}{4}$	$4\frac{1}{4}$
Hourly earnings growth (% change over previous year)	6.2	5	$4\frac{1}{4}$
Current account Surplus/deficit \$bn	$-16\frac{1}{2}$	$-8\frac{1}{2}$	$+1\frac{3}{4}$
General government deficit (% GNP)	-3.4	-4.4	-4.0

e = estimate

f = forecast

Sources: OECD and National Sources

VISIT BY DR KOHL TO LONDON: 24-27 JANUARY 1982

CDU ECONOMIC POLICY

BACKGROUND BRIEF BY THE FOREIGN AND COMMONWEALTH OFFICE

1. The CDU/CSU Opposition have been charged with lacking any real alternative economic policy. In the protracted debate on the 1981 and 1982 Federal budgets they tended to keep a fairly low profile. Although they made a general attack on the Government for soft-peddalling on the budget deficit and public expenditure, making a particular example of social security spending, their lack of a specific strategy to restimulate growth and reduce unemployment has laid them open to the charge of being negative, anti-union and anti-worker.
2. The theme of the economic debate at the CDU Party Conference in Hamburg last November was renewal of the social-market economy, harking back to the policies of Ludwig Erhard. The commitment of the CDU to the social component of the policy was carefully reaffirmed, the role of the family and individual responsibility was emphasised. Economic growth had to be restored to create more investment and more jobs. The main policy resolution agreed at the Conference contained demands for help for small and medium sized firms, for stimulation of new technology and for a reduction in taxes and contributions. State expenditure and subsidies should be reduced by 5%. More flexibility in allocating working time was needed as well as more part-time employment and job-sharing.
3. The main current economic policy issue is whether or not an employment programme should be introduced to tackle rising unemployment (1.7 million or 7.3% in December). While different voices have been

/heard

from various quarters in the party, the general CDU line is firmer than that of the present Coalition. Any short term stimulation will either produce nothing, or only a short burst of activity which will die away quickly. Inflationary pressures would be exacerbated. Increased funding for the budget deficit would further worsen the position of the already hard-pressed corporate sector. Unemployment can only be fought in the long term by structural improvements. A proper investment climate must be created and company costs (especially wage costs) must be kept down.

4. Despite their rhetoric, it is unlikely that a CDU/CSU Government would pursue a radically different economic course from that of the SPD/FDP. There would be greater attacks on certain social security benefits, particularly unemployment and sick pay, but state spending to help small and medium sized firms could be increased. There would be no change in monetary policy, but the emphasis would be more firmly in support of the Bundesbank's efforts to restrain inflation. The emphasis would tend to move away from direct social benefits towards a more market-orientated economy.

Foreign and Commonwealth Office
21 January 1982



TR1/1283

Programme of arrangements made by the
Central Office of Information for the
Foreign and Commonwealth Office

Dr Helmut KOHL
Chairman of the Christian Democratic Union (CDU)

with

Dr HARTMANN
Head of CDU International Department

Herr TELTSCHIK
Parliamentary Private Secretary to Dr Kohl

Dr ACKERMANN
CDU Press Officer

Frau WEBER
Personal Assistant to Dr Kohl

Herr RUEHE
CDU Member of Bundestag with responsibility
for British German Parliamentary Relations

Bonn

GERMANY

24-27 January 1982

Accompanied by Dr W Steedman CBE Interpreter

Sunday 24 January

ARRIVAL

12.10

Arrive at London (Heathrow) Airport, De Havilland Suite Terminal 1, on British Airways flight BA 725 from Frankfurt.

Met by Brigadier R G Lewthwaite CVO OBE MC, representing the Secretary of State for Foreign and Commonwealth Affairs, Dr Steedman, Interpreter, and Mr Nicolas Mott, Programme Organiser, Central Office of Information.

Continue in car to the Hyde Park Hotel, 66 Knightsbridge, SW1 (Tel: 01-235 2000), where accommodation has been reserved.

Afternoon

Free for sightseeing.

Monday 25 January

PROGRAMME DISCUSSION
THE PRIME MINISTER
SOCIAL DEMOCRATIC PARTY
CONSERVATIVE MEMBERS OF PARLIAMENT
GERMAN AMBASSADOR

11.30

Joined at the hotel by Miss Glenys Hembry ISO, Director, Overseas Visitors and Information Studies Division, Central Office of Information.

Mr Mott will discuss the programme.

Mr Peter Scanlon will represent the Foreign and Commonwealth Office.

11.40

Leave hotel in cars.

12.00

Arrive at 10 Downing Street, SW1.

Received by the Prime Minister, The Rt Hon Margaret Thatcher, MP.

12.45 for 13.00

Lunch as guests of the Prime Minister.

Later

Leave 10 Downing Street in cars.

15.30

Arrive at the Headquarters of the Social Democratic Party, 4 Cowley Street, SW1.

Received by The Rt Hon Roy Jenkins.

16.20

Leave Cowley Street in cars.

16.30

Arrive at the Houses of Parliament, Westminster, SW1 (St Stephen's Entrance).

Tea with Conservative Members of Parliament, (Details will be given later).

Later

Leave Westminster in cars.

Monday 25 January Cont'd

18.00 Arrive at 23 Belgrave Square, SW1 to attend a reception given by the German Ambassador, His Excellency Dr Jürgen Ruhfus, KBE.

Later Return to hotel in cars.

Tuesday 26 January

LONDON - OXFORD - LONDON
SIGHTSEEING
ST ANTONY'S COLLEGE
HOUSE OF LORDS
CONSERVATIVE PARTY DINNER

08.30 Leave hotel in cars.

10.30 (approx) Visit Sir Winston Churchill's grave at Bladon.

11.00 Visit Blenheim Palace.

12.30 Lunch at the Randolph Hotel, Oxford.

14.30 Arrive at the West European Studies Centre, St Antony's College, 70 Woodstock Road, Oxford.

Welcomed by Mr A J Nicholls MA BPhil, Lecturer in European History.

Later Leave Woodstock Road in cars.

Sightseeing in Oxford.

Later Return to London in cars.

19.30 Leave hotel in cars.

19.45 for 20.00 Dinner as guests of The Rt Hon Cecil Parkinson MP, Chairman of the Conservative Party.

Venue to be arranged.

Wednesday 27 January

THE CHANCELLOR OF THE EXCHEQUER
BRIEFING FOR THE GERMAN PRESS
THE FOREIGN SECRETARY
OFFICIAL LUNCHEON
BRIEFING FOR THE BRITISH PRESS
DEPARTURE

09.45 Leave hotel in cars.

10.00 Arrive at HM Treasury, Parliament Street, SW1.

Received by The Rt Hon Sir Geoffrey Howe, QC MP, Chancellor of the Exchequer.

10.45 Leave Parliament Street in cars.

Wednesday 27 January Cont'd

- 11.00 Arrive at the German Embassy, 23 Belgrave Square, SW1.
Briefing for the German Press.
- 12.00 Leave Belgrave Square in cars.
- 12.15 Arrive at the Foreign and Commonwealth Office, Downing Street, SW1 (Ambassadors' Entrance).
Received by The Rt Hon The Lord Carrington, KCMG, MC, Secretary of State for Foreign and Commonwealth Affairs.
- 12.45 for 13.00 Arrive at Admiralty House, Whitehall, SW1.
Lunch as guests of the Foreign and Commonwealth Office.
Host: Lord Carrington.
- 15.00 Leave Whitehall in cars.
- 15.15 Arrive at the German Embassy, 23 Belgrave Square, SW1.
Briefing for the British Press.
- 16.30 Leave Belgrave Square in cars.
Arrive at London (Heathrow) Airport, Kingsford Smith Suite, Terminal 2.
- 18.00 Depart on Lufthansa flight 037 for Frankfurt.

Programme Organiser: Nicolas Mott
Overseas Visitors and Information Studies Division
Central Office of Information
Hercules Road, London SE1 7DU
Tel: 01-928 2345, Ext 279

18 January 1982

Conservative Party International Office

Conservative Research Department

Box

32 SMITH SQUARE · LONDON SW1P 3HH Telephone: 01-222 9000 Telex: 8814563 Compar

Chairman of International Office: Sir Anthony Royle KCMG MP

Director of Research Department: Alan Howarth

Head of International Office: Scott Hamilton

NOTE ON THE ELECTIONS TO THE PRESIDENCY OF THE EUROPEAN PARLIAMENT, TUESDAY

19TH JANUARY 1982

1. The results of the election to the Presidency in each of the 4 ballots were as follows:

	<u>1ST BALLOT</u>	<u>2ND BALLOT</u>	<u>3RD BALLOT</u>	<u>4TH BALLOT</u>
Pieter Dankert (Socialist)	106	114	162	191
Egon Klepsch (Christian Democrat)	140	130	157	175
Jim Scott-Hopkins (Conservative)	63	67	67	-
Communist & Radical	59	61	-	-

2. In the period before the election of Madame Simone Veil as the first President of the directly elected Parliament, in the summer of 1979, Conservative MEPs believed that there had been a personal undertaking by Herr Klepsch, the leader of the Christian Democrat group, to support a Conservative candidate in 1982, in return for Conservative support for Madame Veil in 1979. Following rumours last July that Herr Klepsch was about to announce his own candidacy for the Presidency, Sir James Scott-Hopkins sought to pre-empt this by announcing his candidacy, with the backing of the Conservative Group. Despite a number of attempts to enter into negotiations with the Christian Democrats, the Conservatives met with no response. The International Office also attempted to raise the matter within the European Democrat Union (EDU), but representatives of the CDU felt that this was a matter best left to members of the European Parliament themselves.

3. In the meantime, Herr Klepsch was narrowly nominated by his own Christian Democrat Group for the Presidency of the Parliament, over Mr. Leo Tindemans. Apart from the fact that he did not have unified support from his own group, Herr Klepsch did not impress Conservatives with what seemed a total lack of integrity in his dealings with both the Parliament as a whole, and the Conservatives

in particular. As a result of the breakdown in communications, the elections for the Presidency opened without any agreement on a single non-socialist candidate. The Christian Democrats had secured the support of the Liberals, because the leader of the Liberal Group (a German) had given an earlier undertaking to the Christian Democrats to support their nominee.

4. During the course of the balloting last Tuesday, it became clear that unless there was some agreement between the non-socialists, neither Herr Klepsch nor Sir James would be elected. It was consistently made clear by Conservative Members to Christian Democrats that Herr Klepsch was the least acceptable candidate of their group. In addition, the International Office maintained close contact with the CDU International Office throughout the day informing them of the position, (as it had consistently done in the period before the elections). Following the second ballot, the Conservatives in the European Parliament (with the support of the Liberals) sought discussions with the Christian Democrats with a view to resolving the problem. The Conservatives were, at this stage, prepared to accept whichever candidate emerged from a consensus of the non-socialist groups - apart from Herr Klepsch; and Jim Scott-Hopkins himself was prepared to withdraw from the elections if such a joint candidate could be agreed. No satisfactory compromise was reached, and in an atmosphere of some confusion, the third ballot took place. It would seem that this was entirely the responsibility of Herr Klepsch's campaign managers.

5. At the end of the third ballot, representatives of the Christian Democrat group began to suggest a Conservative Presidency in 1984, and made some promises concerning committee chairmanships. By this late stage in the proceedings, however, most Conservatives were not prepared to consider what they regarded as highly unreliable inducements for their support. The fourth ballot thus took place between the two leading candidates. Since the ballot is secret it is impossible to determine exactly how many Conservatives actually voted for Pieter Dankert, or how many abstained. But in our view, the likely breakdown was as follows:

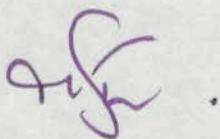
Pieter Dankert	25
Herr Klepsch	13
Abstentions	24

(this includes the 2 Danish Conservatives)

This is not absolutely clear from the switch between the 3rd and 4th Ballots, since between 5-10 Conservatives had failed to support Sir James in earlier ballots.

6. In this situation, the abstentions are probably the most easy to explain. It is likely however, that a number of Conservatives voted for Pieter Dankert on the grounds that like the Speaker of the House of Commons, it was important to elect a man of integrity and proven ability, and this had been demonstrated to many of them while he was Rapporteur for the 1980 Budget and a Vice-President of the Parliament. Herr Klepsch, on the other hand, had clearly failed to impress most Conservative MEPs.

7. The lesson which must be drawn from this sorry state of affairs is the need to have more effective consultations on such matters within the EDU, since it is imperative that we avoid such a break in the non-socialist ranks recurring in the future.



CONSERVATIVE PARTY INTERNATIONAL OFFICE
22ND JANUARY 1982

Note on the European Parliament and the European Democrat Union

European Parliament

Dr. Kohl may raise the matter of last week's election for the Presidency of the European Parliament, and the failure of the non-socialist groups to rally round a joint candidate. It is the view of Members of the European Democratic Group that this was entirely due to the Christian Democrats' unwillingness (particularly on the part of their candidate, Mr. Egon Klepsch) to fully consult the Conservatives. It may be appropriate to suggest to Dr. Kohl that this is an area where the EDU should play a stronger role, and that the lesson to be drawn from this unhappy turn of events is that we need to develop our already close inter-party co-operation further still.

European Democrat Union and its international links

The subject of the EDU's links with the two American parties might come up. Sir Anthony Royle will be holding separate talks on this and other EDU matters during the course of Dr. Kohl's visit. Dr. Kohl is rather sceptical about direct relations with the American parties and might seek confirmation directly that the Conservative Party favours these new international links; and it would be valuable to emphasise that these new links would, in our view, strengthen the present forms of inter-party co-operation. Dr. Alois Mock, Chairman of the EDU, has written to Dr. Kohl urging him to take a more positive approach to international co-operation, and would greatly appreciate the Conservative Party giving him full support on this. A preliminary and informal meeting will take place in Munich next month between representatives of the EDU, the American parties and associated parties in the Far East to consider ways of developing inter-party co-operation at an international level, to counter the growing influence of the Socialist International.

Conservative Party International Office

RS/JM

22nd January 1982



Foreign and Commonwealth Office

London SW1A 2AH

19 January 1982

No action. Mr. Fox is considering.

Dear John,

A.F.C. 20/1.

As requested, I enclose a draft reply from the Prime Minister to Dr Kohl's telegram of 15 January concerning the election of the new President of the European Parliament.

It is necessarily somewhat negative (as the draft makes clear): it is more for the Conservative International Office to advise on whether anything more forthcoming should be added.

Yours ever,

[Signature]
(F N Richards)
Private Secretary

A J Coles Esq
10 Downing St

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret

Dr Helmut Kohl

Secret

Confidential

Restricted

Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Thank you for your telegram of 15 January about the election of the new President of the European Parliament. I take all your points and am anxious to see the European Democrats and the European Peoples Party cooperate as closely as possible in the European Parliament. But I am sure you will understand that the British Government has no standing in this election, and that my own capacity to influence its conduct is really very limited.

I much look forward to seeing you here at the end of the month.

Enclosures—flag(s).....

file

BIG

Dr. KOHL
20/1

15 January 1982

Dr. Helmut Kohl

I enclose a copy of a telegram which the Prime Minister has received from the above through Conservative Party channels.

You will see that Dr. Kohl refers to the Elections for the Presidency of the European Parliament and asks the Prime Minister to interest herself in this question before his visit on Monday 25 January.


I think the Prime Minister will want to reply fairly quickly and I should be grateful if you could supply an appropriate draft for her signature.

B/F
/

25/2

A J COLES

Francis Richards, Esq.,
Foreign and Commonwealth Office



Conservative and Unionist Central Office

32 Smith Square Westminster SW1P 3HH Telephone 01-222 9000

WITH COMPLIMENTS

Mr Coley,
Press Dept

8814563CONPAR G
886804 BCDU D

FS. NR. 2497 VOM 15.1.1982 12,30 H

CONSERVATIVE PARTY

THE RT. HON
MRS. MARGARET THATCHER, P.C. MP
PRIME MINISTER

DEAR PRIME MINISTER,

IT IS WITH GREAT INTEREST THAT I AM LOOKING FORWARD TO MY VISIT TO LONDON AT THE END OF THIS MONTH AND IN PARTICULAR TO THE PLANNED MEETING WITH YOURSELF. PLEASE ALLOW ME TO RAISE HERBY A QUESTION WHICH I SHOULD HAVE PREFERRED TO DISCUSS ORALLY BUT WHICH, GIVEN THE COURSE OF EVENTS, CANNOT BE DELAYED. I REFER TO THE CANDIDATURES OF MR. SCOTT HOPKINS, FRACTION LEADER OF THE EUROPEAN DEMOCRATS, AND DR. EGON KLEPSCH, FRACTION LEADER OF THE EUROPEAN PEOPLES PARTY FOR THE PRESIDENCY IN THE EUROPEAN PARLIAMENT. I AM QUITE AWARE OF THE PROBLEMS WHICH HAVE ARISEN IN THE RUN-UP OF THIS ELECTION WHEN THESE CANDIDATURES HAVE BEEN DISCUSSED. NEVERTHELESS I AM OF THE VIEW THAT WE SHOULD TRY EVERYTHING POSSIBLE TO PREVENT THAT IN CASE OF A FINAL BALLOT WHICH MOST PROBABLY WILL BECOME NECESSARY, THE SOCIALIST CANDIDATE OBTAINS THE MAJORITY OF THE VOTES. THE OUTCOME OF A FINAL BALLOT WILL POSSIBLY DEPEND IN THE END ON WHETHER OR NOT BOTH, THE EUROPEAN DEMOCRATS AN THE EUROPEAN PEOPLES PARTY, WILL VOTE FOR THE NON-SOCIALIST CANDIDATE REGARDLESS WHICH ONE OF OUR TWO CANDIDATES AT THIS STAGE HAS THE BETTER CHANCES. GIVEN THE GREAT POLITICAL IMPORTANCE OF THE ELECTION I SHOULD BE GRATEFUL IF YOU PERSONALLY COULD HAVE AN EYE ON THIS DEVELOPMENT. I FOR MY PART CAN ASSURE YOU THAT THE CDU WILL DO EVERYTHING POSSIBLE TO FACILITATE A FURTHER CLOSE CO-OPERATION BETWEEN THE EUROPEAN DEMOCRATS AND THE EUROPEAN PEOPLES PARTY WITHIN THE EUROPEAN PARLIAMENT.

SINCERELY YOURS

HELMUT KOHL

g/c - Sue Goodchild
HALLÉ CONCERTS SOCIETY
Bot

Glanville
HALLÉ
ORCHESTRA
PRINCIPAL CONDUCTOR
JAMES LOUGHRAN

SECRETARY AND GENERAL MANAGER
CLIVE F. SMART, F.C.A.

Registered Office
30 CROSS STREET
MANCHESTER M2 7BA
Telephone 061-834 8363
Telegrams "Hallé Manchester"
Telex 666140

CF has lre
Lunch for Dr. Kohl
25 January

13 JANUARY 1982
R 18/1 mt

Dear Prime Minister,

I thank you for
inviting me to lunch on January 25th.
Unfortunately, I am committed all that
day and regret very much that I
am unable to accept.

Yours sincerely,
James Loughran.



10 DOWNING STREET

THE PRIME MINISTER

11 January 1981

Dear Dr. Kohl,

Many thanks for the Christmas and New Year greetings in your recent letter. 1981 has not been free of worries for us in the United Kingdom either. But I, like you, look forward with confidence to the year ahead. We shall no doubt have plenty of opportunity to discuss the challenges when you and your wife come to London later this month. I do look forward to seeing you.

Yours sincerely,

MT

Dr. Helmut Kohl



Foreign and Commonwealth Office

London SW1A 2AH

11 January 1982

Dear John,

Type letter pl.
M 11/1

As requested in your letter of 6 January I now enclose a draft reply to Dr Kohl's letter to the Prime Minister.

As for the reference to a visit at the end of 1982, we are sure that this was a slip of Dr Kohl's pen. Probably the word January was omitted. Dr Kohl will be in London from 25-27 January and he will be having lunch and talks with the Prime Minister on the 25th.

As Dr Kohl's letter was received via commercial channels, it may be appropriate for the Prime Minister's reply to be sent in the same way, especially as Dr Kohl's letter had a distinctly party-political flavour.

Yours ever.

(F N Richards)
Private Secretary

A J Coles Esq
10 Downing St

11 JAN 1982

11 JAN 1982

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Dr Helmut Kohl
Chairman of the CDU
Konrad-Adenauer-Haus
Konrad-Adenauer-Allee
53 BONN 1

Your Reference

Top Secret

Secret

Confidential

Restricted

Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Many thanks for the Christmas and New Year greetings in your recent letter. 1981 has not been free of worries for us in the United Kingdom either. But I, like you, look forward with confidence to the year ahead. We shall no doubt have plenty of opportunity to discuss ^{the challenge} ~~our hopes and fears~~ when you and your wife come to London at the end of January. ^{later this month. I do look forward to seeing you.}

A.J.C. 11.1

Enclosures—flag(s).....



File
Penny
B/F

10 DOWNING STREET

From the Private Secretary

6 January 1982

Dr. Helmut Kohl

I enclose a letter which the Prime Minister has received from the above, together with a translation kindly provided by your Department.

I should be grateful for a draft reply for signature by the Prime Minister. But there is one particular point which needs looking into quickly. At the end of his letter, Dr. Kohl says he is very much looking forward to his visit to London at the end of 1982. As you know, we are expecting him for talks and lunch at No. 10 on 25 January. I do not think there can really be any misunderstanding about this but I should be grateful if you could make the necessary checks and confirm that Dr. Kohl has accepted the engagement on 25 January.

JC

Francis Richards, Esq.,
Foreign and Commonwealth Office.

K

TRANSLATION

FROM DR HELMUT KOHL, CHAIRMAN OF THE CDU, TO THE PRIME MINISTER

Bonn, December 1981

Dear Prime Minister, Dear Mrs Thatcher

I send you and your party friends my best wishes for Christmas and the New Year.

The Christmas period always provides an occasion for looking back and looking forward. The year which is drawing to a close was, for the citizens of my country, not free of worries. We live in a time of far-reaching change and great uncertainties. 1982 will not be any easier for the Federal Republic of Germany. It is not only the economic and political crisis which causes us concern. Growing pessimism, particularly in the younger generation, lack of self-confidence and fear of the future are great challenges which have to be met. The CDU devoted its Hamburg Party Conference in November to the dialogue with young people, with great success. We shall continue and intensify this work in 1982.

We leave the past year in better form than we started it. In Berlin, the old bastion of German Social Democrats, a great victory in the elections meant that we now provide the Governing Mayor for the first time since the War. Local elections in Hessen and Lower Saxony made it clear that an increasing majority of the citizens of my country set their trust in the CDU. My party looks forward with confidence to the important provincial elections in 1982.

In the interest of the lasting maintenance of peace and freedom of Europe, the CDU sets undiminished trust in the unity of Europe and in partnership with the United States of America. In this, however, we do not fail to appreciate the dangers with which the

/European

European Community is threatened as a result of its own lack of mobility. We must not postpone the solution of vital questions. The cooperation of the CDU with like-minded European parties is particularly important in this context.

Therefore I am very much looking forward to my visit to London at the end of ^{January} 1982 which will certainly provide an opportunity to discuss the intensification of the cooperation between our two parties. I am quite confident that together we will succeed in meeting the challenges which the coming year has in store for us.

With very best wishes

H Kohl

CDU

53 Bonn, Konrad-Adenauer-Haus, Telefon (0 22 21) 5 44-1, Fernschreiber 8 86 804

DER VORSITZENDE

Frau
Margaret Thatcher, P.D., N. P.
Premierminister
10, Downing Street
GB - London SW1P

*Returned (with full translation)
to D. Howe, No 10, who agreed to
draft a reply.*

W. J. 26 5/1

Bonn, im Dezember 1981

Sehr verehrte Frau Premierminister, liebe Frau Thatcher,

zum Weihnachtsfest und zum neuen Jahr sende ich Ihnen und Ihren Parteifreunden meine guten Wünsche.

Die Weihnachtstage sind stets Anlaß zu Rückblick und Vorschau. Das zu Ende gehende Jahr war für die Bürger meines Landes nicht frei von Sorgen. Wir leben in einer Zeit tiefgreifenden Wandels und großer Unsicherheiten. Auch 1982 wird die Lage für die Bundesrepublik Deutschland nicht einfacher werden. Es ist nicht die wirtschaftliche und politische Krise allein, die uns Sorgen bereitet. Der vor allem in der jungen Generation um sich greifende Pessimismus, der Mangel an Selbstvertrauen und die Angst vor der Zukunft sind große Herausforderungen, die es zu bewältigen gilt. Die Christlich Demokratische Union hat ihren Hamburger Parteitag vom November mit großem Erfolg dem Dialog mit der Jugend gewidmet. Wir werden diese Arbeit 1982 fortführen und intensivieren.

Wir sind aus dem vergangenen Jahr gestärkt hervorgegangen. In Berlin, der alten Hochburg der deutschen Sozialdemokraten, stellen wir nach einem großen Wahlsieg erstmals nach dem Krieg den Regierenden Bürger-

meister. Die Kommunalwahlen in Hessen und Niedersachsen haben deutlich gemacht, daß eine zunehmende Mehrheit der Bürger meines Landes heute ihr Vertrauen in die CDU setzt. Meine Partei sieht den 1982 anstehenden wichtigen Landtagswahlen mit Zuversicht entgegen.

Im Interesse der dauerhaften Sicherung des Friedens und der Freiheit in Europa setzt die CDU auch in Zukunft unvermindert auf die Einigung Europas und die Partnerschaft mit den Vereinigten Staaten von Amerika. Dabei verkennen wir allerdings nicht die Gefahren, die der Europäischen Gemeinschaft durch ihren eigenen Immobilismus drohen. Wir dürfen die Lösung lebenswichtiger Fragen nicht weiter vor uns herschieben. Der Zusammenarbeit der CDU mit gleichgesinnten europäischen Parteien kommt hierbei herausragende Bedeutung zu.

Ich sehe daher mit besonderer Freude meinem Besuch in London Ende 1982 entgegen, bei dem sich sicherlich die Gelegenheit ergeben wird, über die Vertiefung der Zusammenarbeit zwischen unseren beiden Parteien zu sprechen.

Ich bin zuversichtlich, daß es uns gemeinsam gelingt, den Herausforderungen zu begegnen, die das kommende Jahr für uns bereithält.

Mit freundlichen Grüßen

Helmut
Lübke

EDELPOST
MAYSPIES

Cor

TRANSLATION SECTION
REPORT ON INCOMING MAIL

Addressed to: The Prime Minister

No: 261

Language: German

Name and address of sender: CDU
53 Bonn
Konrad-Adenauer Haus

Date or postmark: December '81



Précis

Best wishes for Christmas & the New Year from Christian Democratic Union.

Letter explains the Union's aims for the coming year. Hopes to relieve some of the problems concerning the youth of Germany.

Initials: CB

Date: 24/12/81

STS 4

11/81 500

MFJ

Gennings
cc Mr Coles

21 December 1981

Thank you for your letter of 18 December. I confirm that the Prime Minister's diary is free at 12 noon on Monday 25 January for talks followed by lunch for Dr. Khol. I have taken the appointment on Tuesday 26 January out of the Prime Minister's diary.

CS

Ms. Marsha Fenwick,
Foreign and Commonwealth Office.

RF



Foreign and Commonwealth Office

London SW1A 2AH

18 December 1981

Dear Carolyn,

We discussed the question of Dr Khol's call on the Prime Minister during his visit to London from 25 - 27 January and agreed that it would make more sense for this to be before lunch on the 25th rather than at 9.45 on the 26th. I understand that the Prime Minister's diary is free at 12.00.

Yours sincerely,

Marsha

(Marsha Fenwick)
Assistant Private
Secretary

Mrs C Ryder
10 Downing Street

1 JEC 1981

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MR. COLES

10/21/12

Lunch for Dr. Kohl on 25 January

Boyd McCleary (Western European Department)

has 'phoned with the following information:

Dr. Kohl will be bringing his wife and the following
(probably)
MP responsible for Parliamentary relations with UK

Head of the CDU Relations Office

2 Private Secretaries

1 Press Secretary

This would seem to point to a larger lunch of a
maximum of 32 at the long table in the Large Dining Room
or 5/6 circular tables each taking 8 i.e. 40 or 48.

Sue

(Lord Carrington
is also giving
a lunch on 27 Jan)

18 December 1981

MR. COLES

Here is the Kohl file. International Office at Conservative Central Office would prefer it if the lunch was for twelve only and as Dr. Kohl doesn't speak any English, Sir Anthony Royle, who is Head of the International Office, would like to be included on the guest list.

As things stand at present, we are offering Dr. Kohl lunch on 25 January and a further meeting of talks on Tuesday, 26 January at 9.45. I do not understand why the Prime Minister has to see him twice.



17 December, 1981

I have to ring the
Int office back.

Caroline

It would be best if he came in to say, 45 minutes
tall before lunch. Can do? A.S.C. - $\frac{47}{12}$



10 DOWNING STREET

I spoke to Marcia
Fenwick & she is
going back to the
Dept. to suggest
talks a week or
25 = Jan &
nothing on the
26 =

Cf.

9/12

PAPERS TO MISS STEPHENS

Noted in diary. Cf.
30/10.

J.W.P.

Germany

cc S Goodchild

30 October 1981

VISIT BY DR. KOHL TO THE U.K.

The Prime Minister has seen your letter to me of 28 October about Dr. Kohl's visit and has agreed to offer him lunch on 25 January.

M. O'D. B. ALEXANDER

F.N. Richards, Esq.,
Foreign and Commonwealth Office.

5/12

Sue Goodchild*Prime Minister*

Foreign and Commonwealth Office

London SW1A 2AH

*You could offer lunch
on Jan 25. Agree to do so?*

28 October 1981

*Dear Michael,**Paul Yes not*Visit by Dr Kohl to the UK: 25-27 January 1982

As you know, Dr Kohl's sponsored visit to the UK has now been postponed from the end of November until 25-27 January next year.

When the visit was first planned, the Prime Minister favoured the idea of giving a meal to Dr Kohl, but was unable to do so on the November timing. She accordingly asked whether Lord Carrington could do so, given Dr Kohl's importance on the political scene (Willie Rickett's letter of 25 August to me).

The 25-27 January dates are not ideal for the Foreign and Commonwealth Secretary, since he will be attending the EC Foreign Affairs Council in Brussels on the first two days. He would be free to give Dr Kohl lunch on the 27th, but believes that there is also a strong case for him to be entertained by the Prime Minister as well (you will recall that she gave a working lunch for Herr Strauss in April 1980). Would it be possible for her to offer Dr Kohl lunch on the 25th? I understand that Conservative Party Central Office are planning to give a dinner, as will, presumably, the German Ambassador.

Yours ever,

Francis Richards
(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing St

28
1
9 0 1 1 1
8 7 6 5 4
7 6 5 4

1) BF 27. 10. 81 *to check with MODBA re: briefing*
14 September 1981

2) BF 23. 11. 81

Visit by Dr. Kohl

Thank you for your letter of 11 September about Dr. Kohl's visit. The Prime Minister would be prepared to see Dr. Kohl for 30 minutes at 1615 on 25 November.

MODBA

Brian Fall, Esq.,
Foreign and Commonwealth Office.





Foreign and Commonwealth Office

London SW1A 2AH

11 September 1981

Dear Michael

Miss Stephens?

*1615 10:30 OK - let's offer lunch
10:30 10:30 10:30 10:30 10:30 10:30 10:30 10:30 10:30 10:30*

Visit by Dr Kohl to the UK

In his letter of 25 August to Francis Richards, Willie Rickett said that the Prime Minister had agreed in principle to see Dr Kohl but, as she was herself unable to offer Dr Kohl dinner, had asked whether Lord Carrington could do so.

The dates we had originally discussed for Dr Kohl's visit were 23-25 November. However, Dr Kohl has now proposed that these should be changed to 26-28 November, which would be inconvenient because they clash with the dates of the European Council. However, given Dr Kohl's importance, rather than postpone his visit we should prefer to suggest that he come one day earlier, ie 25-27 November. Lord Carrington has agreed to offer him dinner on 25 November; would the Prime Minister be free to see him that morning?

Johns ever
E

(B J P Fall)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

11 SEP 1981



CONFIDENTIAL

25 August 1981

Proposed Visit by Dr. Kohl to the
UK

Thank you for your letter of 19 August to Caroline Stephens. The Prime Minister has agreed to see Dr. Kohl, and I believe Caroline has already given you some provisional dates. As you may know, the Prime Minister cannot offer Dr. Kohl a meal; and she has asked whether Lord Carrington can do so, given Dr. Kohl's importance on the political scene.

WR

F.N. Richards, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

CONFIDENTIAL



Prime Minister
agree to see
Dr Kohl
cannot manage
a meal.

Foreign and Commonwealth Office

London SW1A 2AH

- Can F.S. manage a

19 August 1981 *meal Kohl*

is very
important in the
political scene
at present

CF: Have already
offered (i.e. proposed dates) 20/8.

Dear Caroline,

Proposed visit by Dr Kohl to the UK

We spoke about Dr Kohl's visit to the UK and the proposal that he should see the Prime Minister.

As background I enclose a copy of the entry on Dr Kohl in the latest Leading Personality Report. You will see from this that he is Chairman of the CDU and leader of the Opposition. As such, he is a strong contender for the Chancellorship, given the present shaky state of the governing coalition. You should be aware that, when the Secretary of State saw Dr Kohl at the EDU meeting in Klessheim on 3 July, they agreed that Dr Kohl would visit London in the autumn, and Dr Kohl clearly expected to see both the Secretary of State and the Prime Minister.

At this stage we need make no firm plans, but Bonn have asked for a couple of alternative dates which could be put to Dr Kohl when the Ambassador lunches with him on 27 August. The visit, which will be under Category I auspices, will last for 3-4 days, and we have already established that November is the best month. The Secretary of State would be free on 5, 6 or 19 November. Would the Prime Minister be available on any of these dates or on dates on either side of them? The Prime Minister may wish to give Dr Kohl a meal, given his position as head of a conservative party in a major neighbouring state.

We have had a word with Conservative Party Central Office about the visit. You will no doubt wish to discuss it further with them.

Yours sincerely,
Francis Bell
(F N Richards)
Private Secretary

Miss Caroline Stephens
No 10 Downing St

CONFIDENTIAL

KOHL, DR HELMUT

Chairman of the CDU and leader of the joint CDU/CSU Parliamentary Party. Chancellor-candidate of the CDU/CSU in 1976.

Born 1930 in Ludwigshafen, son of a minor official. Studied law and history at Frankfurt and Heidelberg. Joined the CDU at age 17, and became a member of its Land Executive at 25. Member of the Land Parliament 1959, and Chairman of CDU Parliamentary group there from 1963. Member of the CDU Federal Executive since 1966. Chairman of the CDU in Rheinland-Pfalz 1966-73. Minister-President of Rheinland-Pfalz 1969-76. Chairman of the CDU since 1973 and of the CDU/CSU Parliamentary Party since 1976.

As Minister-President was active in modernising the Land Administration, expanding higher education and promoting industrialisation. (In 1971 Landtag elections the CDU put up its best performance ever, gaining an absolute majority of seats.) He played a large part in the early 70's in planning a new policy for the CDU, but noticeably failed to stand up for certain aspects of this when they came under fire at the 1971 CDU Federal Party Conference. This contributed to his defeat by Dr Barzel in the elections that year for the CDU Party Chairmanship. But after careful groundwork in the party, cultivating the younger generation and the centre, he was the only candidate for the Chairmanship at the Special Party Conference in June 1973, after Dr Barzel's resignation. He was re-elected Party Chairman of the CDU's Party Conference in June 1975, by an unprecedentedly large majority. After a period of intense political manoeuvring, he finally achieved his goal of nomination as Chancellor-candidate of the CDU/CSU for the 1976 elections in June 1975. But the grudging terms in which Strauss and the CSU gave him their support undermined his authority as opposition leader. Nonetheless he ran a skilful and energetic election campaign in 1976, and came close to unseating Schmidt and the SPD/FDP coalition. Subsequently he decided to move to Bonn to lead the CDU/CSU Parliamentary Party. In the course of 1979 it became clear that Kohl did not have sufficient support to lead the Union into the 1980 Federal Election. He stood down, leaving Albrecht and Strauss as the two contenders for the job of Chancellor-candidate. Following the choice of Strauss, Kohl fell in loyally behind the CSU leader and ran an energetic and effective campaign. He let it be known however that he was not interested in Cabinet office in the event of a CDU/CSU victory. Following Strauss' defeat Kohl has re-emerged with enhanced prestige as the strongest figure in the Union camp, having as he does a foot in both the party machine and the parliamentary party. On present form he must be favourite to run for Chancellor-candidate in 1984. He is still only 50.

A big man physically, energetic and ambitious, who has risen through hard work rather than natural ability. His speeches are rather tedious; his style has however considerably improved in the past year or two. Visited the UK in 1976.

Catholic, married to a Protestant: 2 sons. Speaks some French but no English. His wife, who studied in Paris, speaks both French and English.

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