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# Foreign and Commonwealth Office

#### London SW1A 2AH

5 January, 1984

Apocalyptic but lescivating,

Helmut Schmidt on Current Issues

The Prime Minister may be interested to see the enclosed copy of a letter from HM Ambassador in Bonn reporting a recent conversation with Helmut Schmidt.

(R B Bone) Private Secretary

A J Coles Esq 10 Downing Street



Ou. PS/PVS Mr Wryht S., C. Tickell Mr Jankins Mr Hannay

British Embassy, Bonn. 20 December 1983

Sir J Bullard KCMG FCO

Alan Jalian, They should be handled with

HELMUT SCHMIDT ON CURRENT ISSUES

M 21/12

- l saw Helmut Schmidt, Willy Brandt and Hans Jochen Vogel last week to talk about the way ahead for the SPD after their rejection of INF stationing. I am incorporating what emerged in a despatch on the SPD and INF. Meanwhile, I thought you might find useful a fuller account of my talk with Schmidt. Although now a lonely voice in the SPD, he is still the most respected politician in the FRG and his views remain important.
- 2. Schmidt was in excellent form. He looked fit and said that his heart was no longer causing problems. Though he must be deeply hurt by the way his party has rejected him, there was no trace of bitterness about his loss of office. On the contrary, he was relaxed and humourous. His new life style as elder statesman and distinguished international lecturer seems to suit him (as well it should at a reported \$20,000 per lecture). But, if the old brilliance was still there, so too was the old arrogance. He had hardly a good word for anyone.

# The SPD

3. Schmidt was scathing about the SPD. He described it as in nearly as bad a situation as Labour under Foot. It showed no signs of coming to terms with opposition and had no ideas about policy. There were also serious problems over the

/leadership

leadership. The structure might look clear from the outside but not from within. Vogel, whom he described as a good man with moral integrity, would remain the nominal leader for some time (but, by implication, not very long). Above him "in the super stratosphere" hovered the dreamer (Brandt). It was a recipe for confusion.

# Security Policy

- 4. Schmidt was contemptuous about the SPD's decision on INF but waved aside fears that the party might go on to espouse a neutralist option. On the other hand, he said that there would be a serious debate within the Party on alternative Alliance strategies. He welcomed this and argued that the emphasis should be on a shift away from nuclear to conventional defence. He agreed that this would cost more, but argued that the Germans would pay up, if it could be shown that such a strategy got away from dependence on the early first use of nuclear weapons. He doubted whether current NATO strategy, which implied the nuclear destruction of the FRG, would find public acceptance here for much longer, irrespective of who was in power.
- 5. Schmidt argued that, although the FRG would continue to rely on the Allies to counter the threat of Soviet nuclear blackmail (which he clearly takes seriously), it could provide credible conventional defence on its own. He said that the Bundeswehr could field 1.3 million well equipped and, thanks to conscription, well trained men within the first few days of a crisis. This was a larger force than Hitler had ever had. In Russian eyes, it made for pretty effective.

/deterrence,

deterrence, and more still could be done at relatively little cost. There was, therefore, no need for the Allies to maintain such large forces in Germany: a token presence would suffice. In any case, he doubted whether public opinion would indefinitely accept the continued presence of large allied forces in the FRG, not least because they were not under German control.

6. To my concern, Schmidt was highly disparaging about BAOR. Of course, he always used to be, but I thought that the Prime Minister had managed to put him straight in 1980. He now argued that BAOR was largely irrelevant and that we should concentrate on the Navy. I took issue with him and I think that he was impressed when I pointed out how rapidly BAOR would itself be built up in a crisis. But he still tried to dismiss this as "less than 10% of the Bundeswehr". This is, of course, an unfair comparison - BAOR would comprise largely front line soldiers whereas, of the 1.3 million Bundeswehr figure given by Schmidt, less than half would be in fighting units. In any case the 1.3 million figure is on the high side and includes the German Navy, Airforce and Territorial commands. Nigel Bagnall shares my concern about the possible damage which Schmidt's views could have. He and I are trying to get Schmidt to a briefing on NORTHAG and 2nd Allied Tactical Air Force in the New Year to put him straight.

# East-West Relations

7. Schmidt said that the West had no overall concept for East-West relations. The NATO Council earlier this month could have been worse. But an "off-the-cuff" declaration -



essentially a dusted off version of the old Harmel philosophy with nothing new — would hardly impress the Russians. There was, however, no concept for East-West relations in the Kremlin either. Schmidt argued that the West should see that the Russians needed time to re-appraise their strategic situation in the wake of INF deployment. The West should try to make things easier for them. But he saw little sign that we would do so, mainly because of the narrow-minded US approach to East-West relations.

# US Leadership

8. Schmidt was contemptuous of the President who was a dilettante. Weinberger was ridiculous. Neither had a clear idea of what they were trying to do. Their ill-judged remarks on East-West and security policy made the problems facing governments in Europe appreciably more difficult. On East-West, Schmidt thought that President Reagan, Weinberger and even Shultz seemed to have learned nothing over the last three years. Bush was the only one who had made any progress. On economic policy, Schmidt was in no doubt that US leaders could see that their measures were damaging for Europe, but claimed that everything now came second to the Presidential election. On the Middle East, Schmidt criticised Shultz for having completely misread the situation. The recent US-Israel understanding was highly dangerous. The US leadership seemed to think that Shamir was a man to be trusted. But he was as much a terrorist as his predecessor, and Schmidt had told US leaders as much.

EC

9. Schmidt was highly critical about Athens. He commented /contemptuously

contemptuously that heads of government should be able to see that compromise was inevitable. But he affected to see no sign that any one, other than himself, recognised this. He maintained that heads of government were too concerned with narrow national self-interest: none had an overall concept for Europe. Chancellor Kohl was dismissed as completely out of his depth. He accepted that our demand for a budget rebate was legitimate, but added that our concept of Europe should be broader. I spelt out some of our thinking about longer term developments and he seemed genuinely interested. He asked for a written note and I am sending him one.

# Economic policy

10. There were some familiar Schmidt themes here. He argued that division within the EC prevented European governments from doing anything about the absurdly high US interest rates. This problem was being aggravated by restrictive fiscal and monetary policies in Europe which had resulted in the US, through its high interest rates, importing a net \$30 billion of capital last year. In his usual way, Schmidt claimed that no-one, except perhaps the Prime Minister, could understand this - least of all Kohl. He was therefore gloomy about the outlook. He admitted in reply to my comment that the concept of the US as a safe haven for profitable investment was also in part the cause of capital movement to the US. He saw no likelihood of change in US policies before the Presidential election. So we would be cursed with a high interest rate regime at least until 1985. By then the UK would have 3-4 million unemployed, France close to 3 million, and the FRG well over 2.5 million.

/The



# The Prime Minister

anybody. But he found it hard to disguise his respect for the Prime Minister. He clearly enjoyed his recent meeting with her at No 10. He sees in her the only head of government in Western Europe who understands economic policy, and he praised her willingness to make clear to the President her concern about the damaging consequences for Europe of US policies. I mentioned Mrs Thatcher's forthcoming visit to Hungary. Schmidt welcomed it and, with his usual condescension, added that the Prime Minister at least had made good progress in her understanding of East-West issues. He was also full of praise for the choice of Lord Carrington as Secretary-General of NATO. This appointment was one of the few bright spots on an otherwise gloomy East-West horizon.

Your ever Chistopher Mallatz for Jock Taylor

copies to:- Sir J Graham BT KCMG, UKDEL NATO
Sir M Butler KCMG, UKREP Brussels
Sir O Wright GCMG, GCVO, DSC, Washington
Sir lain Sutherland KCMG, Moscow

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND HERR HELMUT
SCHMIDT AT 11.30 AM ON FRIDAY, 7 OCTOBER, 1983, AT 10 DOWNING STREET

INF

The Prime Minister, after welcoming Herr Schmidt, said that she was worried about the delay in the debate in the Bundestag on deployment and the pressure for delay in deployment to which this was giving rise. Now that the Zero Option was not going to be negotiated, Britain and Germany must deploy before the end of the year; and delay could endanger the timetable. But Britain was being told that it could cause trouble in West Germany if we did not delay our deployment until after the Bundestag debate.

Herr Schmidt said that he would be speaking in favour of deployment in the Bundestag debate, breaking a silence of fourteen months. He would also be speaking in support of deployment at his party conference in the week before. His speech in the Bundestag would be critical of the West for its late start on serious negotiations. Putting himself into the place of Herr Kohl, Herr Schmidt said that he would want stationing in Britain and Germany to be simultaneous so that the photographs appeared in both countries at the same time and it did not appear that the Germans alone were being exploited by the Americans. From this point of view it was a pity that other European countries were not deploying at the same time. Mr. Lubbers had made clear to him that, as an individual, he was opposed to stationing.

The Prime Minister recounted the conversations she had had with President Reagan about the counting on of British and French missiles. Herr Schmidt recalled that two days before President Nixon initialled the SALT I agreement in 1971, the Russians had addressed a letter to him conveying their understanding that the limits in SALT I would also cover British and French missiles: the Americans had responded that the British and French missiles were not covered, but President Nixon had made sure that the actual number of missiles deployed by the Americans were always sufficiently below the SALT I limits to allow room for British and French missiles. Herr Schmidt said that he thought that some such

/outcome

outcome would eventually be necessary, at the end of the START negotiations, to cover British and French missiles, although he recognised that this might be more difficult if agreement was expressed in terms of warheads and the British and French governments by then had a more significant number of warheads.

The Prime Minister said she believed that the Russians had introduced the British and French missiles as a diversionary tactic to delay negotiations. Herr Schmidt recalled that, when he had had a meeting with the Politburo at the end of June 1980 and had urged them to negotiate, his meeting on the following day had been postponed while the Politburo considered their position: when the meeting took place and the Politburo said that they had agreed to negotiate, Mr. Gromyko had interjected some words which made it quite clear that the Russians were talking about the negotiations on American missiles and were not including British and French missiles. The British should have a note of this since Herr Schmidt had sent Herr Genscher to report it at the beginning of July 1980. Herr Schmidt also recalled that at the end of 1981, Herr Honecker had repeated, on the authority of the Soviet Government, that British and French missiles were excluded. A change appeared to have taken place in early 1982, and Herr Schmidt thought that there were two possible explanations. One was that somebody in the Politburo wanted a compromise which would give the Russians a pretext for retaining some SS20s; and the other was that somebody wanted to put an obstacle in the way of the negotiations. The motive was political, not military and he would be dealing with all this in his speech to the Parliament.

/Herr Schmidt

- 3 -

Herr Schmidt said that he had a low opinion of those in the U.S. Administration who were effectively directing the arms negotiations. He had a high opinion of Schultz and Nitze, but a low opinion of Adelman. He also thought that damage had been done by some of Weinberger's speeches, particularly references to "the window of vulnerability" which seemed to him a silly concept, and by President Reagan's references to "regionally limited nuclear war". However, Reagan had handled the KAL 007 crisis well, particularly in not allowing it to interrupt dialogue with the Russians.

The Prime Minister recalled that in her Winston Churchill speech she had said that we stood ready, if and when the circumstances were right, to talk with the Russian leadership; but this had not been picked up by the press. The Americans had a dialogue, partly because there was a more experienced and weighty Russian ambassador in Washington than in London. Herr Schmidt said that contacts at a higher level than ambassador were needed, and he thought that the Americans had been unwise to insult Gromyko over the landing of his aeroplane before the U.N. General Assembly.

#### NATO SECRETARY-GENERAL

Herr Schmidt said that Lord Carrington was far the best candidate. The Prime Minister said that she agreed and had now got the support of the United States, Germany and other major countries.

- 4 -

#### UNITED STATES

Herr Schmidt asked the Prime Minister whether she had raised with the Americans extra-territoriality, unitary taxation and their budget deficit. The Prime Minister gave Herr Schmidt an account of her talk with Secretary Regan about unitary taxation and said that she had raised the question of the US budgetary deficit with the President and Secretary Regan but it was obvious that they did not want to face up to the need for action to reduce it. Herr Schmidt said that he did not expect the United States Government to take action until mid-1985, i.e. a year after the Presidential election. But he thought that the situation was very serious, particularly because the present level of interest rates meant that investors could get a higher return on financial investments than on real investments.

#### INTERNATIONAL FINANCE

The Prime Minister said that she had found that Mr.Volcker continued to be worried about international debt and particularly about the current problem of Brazil.

### EUROPEAN COMMUNITY

Herr Schmidt said that he saw a prospect that the European Community would break into pieces, if the member Governments could not elevate themselves above the current disputes about money. He believed that the British case for a reform of CAP and of the Community's financing arrangements

- 5 -

was fair, although it could be argued that Britain had accepted the present arrangements in negotiations. But there was a fundamental requirement for leadership, particularly in view of the increasingly polarised positions of Russia and the United States and the possibility of a new United States President. Herr Schmidt said that he had recently visited both the Middle East and Eastern Europe, and had encountered widespread concern that the voice of the Western European countries was so muted. The Prime Minister remarked that the financial problems of the Community were exacerbated by the selfishness of France. She was arguing that a fair system of financing had to be found not only for the case of Britain but because a new generation in Germany would not accept the unfairness of the present arrangements in relation to Germany. On economic policy, she could count on Chancellor Kohl for support, but it was much more difficult to get a dialogue going with the leading members of the Community than it had been when M. Giscard d'Estaing had been President of France and Herr Schmidt had been Chancellor of West Germany.

Herr Schmidt said that he had just spent some time with President Mitterrand. Mitterrand was a bookish man with a good knowledge of history, but not well versed in economics or foreign policy. He had prejudices against both Britain and Germany. But he was a thoughtful man and the best way for the Prime Minister to make headway with him would be to have a long discussion only with interpreters present. He did not have a high

/opinion

- 6 -

opinion of M. Cheysson but he wondered if anything could be built on a dialogue between the British, French and German Finance Ministers.

#### MIDDLE EAST

The Prime Minister gave Herr Schmidt an account of the points which she had made to President Reagan about the Jordan factor and also about the efforts which the British Government were making to achieve the acceptance of United Nations observers in Lebanon, Herr Schmidt endorsed the Prime Minister's point about Jordan and said that it was also necessary that the United States should pay greater attention to the natural interests of Syria. Russia had been allowed to get not one foot but two feet in Damascus. The annexation of the Golan, which was not dealt with in the Camp David agreement, legitimised the deployment of Syrian forces in Lebanon. He was concerned about the decline in American prestige in the Middle East. He thought it certain that the Egyptians would exchange ambassadors with the Russians within 12 months and that other Arab countries would follow.

FER.B.

ce hess office ce mulestes FRONT DOOR MR JOCE MR TAYLOR POLICEMEN DR HELMUT SCHMIDT He calls on the Prime Minister at 11.30 Friday morning. A German television team (ZDF) is making a TV documentary about the former Chancellor. They will therefore be filming his arrival at the Front Door and a handshake outside the study. The Prime Minister has agreed to this. I will provide names of the television team as soon as possible. PRESS OFFICE 6 October 1983

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TELECON HUNTER/YOUNG (WED)

HELMUT SCHMIDT'S CALL ON THE PRIME MINISTER: 7 OCTOBER

- 1. SCHMINDT'S OFFICE TELL US THAT HE HAS NO SPECIAFING POWNTS TO RAMSE WANTH THE PRIME MINNISTER. HE HOPES TO DIRECUSS WANTH HER TING GENERAL TERMS MANF, THE WORLD ECONOMING SHITUATHON AND US ECONOMING POLINCIPES, AND ECHISSUES.
- 2. SCHMINDT HAS RECENTLY ANNOUNCED THAT HE WILL BE STANDING DOWN AS DEPUTY CHAMPMAN OF THE SPD NEXT SPRING. THUS IS PART OF HIS GRADUAL DISENGAGEMENT FROM ACTIVE POLITICS. HE HAS ADOPTED A VERY LOW PROFILE HERE IN RECENT MONTHS, AND HAS MADE NO SPEECHES IN THE BUNDESTAG AND VERY FEW INTERVENTIONS IN THE VARIOUS POLICY DEBATES WITHIN THE SPD.
- 3. ON MAF, SUCH STATEMENTS AS HE HAS MADE HAVE GOVEN RUSE TO SOME DOUBTS ABOUT WHETHER HE STALL BELIEVES DEPLOYMENT SHOULD GO AHEAD OF GENEVA FAILS TO PRODUCE A RESULT. AN OVERWHELMING MAJORITY ON THE SPD HAS NOW COME OUT AGAINST DEPLOYMENT.

  SCHMOOT AS SCHEDULED TO MAKE A MAJOR SPEECH AT THE SPD SPECIFIAL PARTY CONFERENCE ON MANF NEXT MONTH BUT STANDS NO CHANCE OF TURNING THOS TODE, EVEN OF HE WERE TO TRY.

TAYLOR

CONFIDENTIAL Foreign and Commonwealth Office London SW1A 2AH 5 October 1983

Call on the Prime Minister by Herr Helmut Schmidt

In your letter of 10 August, you told us that the Prime Minister had agreed to receive Herr Helmut Schmidt for thirty minutes at 1130 on Friday 7 October. He last called on the Prime Minister on 25 November 1982 shortly after Kohl had succeeded him as Chancellor. Herr Schmidt subsequently came to the UK on 9 June this year to receive an Honorary Degree from Cambridge University. A meeting with the Prime Minister was planned, but had to be cancelled because of the Election.

The Prime Minister will find Herr Schmidt preoccupied with INF. The SPD are to debate the issue at a Party Conference in mid-November, and will almost certainly call for deferment of missile deployment. They may well also call for British and French forces to be included in the talks. While Herr Schmidt shares his Party's concern at deployment, his current position on INF is not entirely clear.

Since he stepped down as leader of the SPD in favour of Dr Vogel before the March elections, Herr Schmidt has played a much smaller role in SPD affairs. He now spends much of his time lecturing and writing on international economic issues, and became a co-publisher of "Die Zeit" in March 1983.

I attach a background brief on the Federal German Political scene.

(P. B Bone)

Private Secretary

A J Coles Esq 10 Downing Street



- 1. Chancellor Kohl's CDU/CSU/FDP coalition came to power in October 1982 after Schmidt's SPD/FDP coalition broke up, primarily over economic policy. Kohl then displayed considerable political and constitutional skill in contriving early elections on 6 March, and led the CDU/CSU to their second best ever result. Kohl needs the liberal FDP as a coalition partner (the Greens deprived the CDU/CSU of an absolute majority) and he was able to follow his personal preference in re-appointing Genscher (FDP) as Vice Chancellor and Foreign Minister, leaving Strauss (CSU) as Minister President in Bavaria. The SPD result was their worst for twenty years, although they did recover (nearly 10% according to the polls) from a low point in the summer of 1982, when squabbling with the FDP was at its height.
- 2. The Hesse and Bremen Land (regional) elections on 25 September 1983 constituted the first electoral test of the coalition's popularity since March. The results were a boost for the locally popular SPD at the expense of the CDU. There had been serious doubt whether the FDP would clear the 5% hurdle needed for parliamentary representation in either election; in the event, the FDP failed to achieve 5% of the vote in Bremen, but succeeded in the much more important elections in Hesse.
- 3. Although Genscher's future seems assured for the time being, Strauss continues his efforts to discredit him and create difficulties for the FDP in the hope that he might yet fulfil his ambition of becoming Vice Chancellor and Foreign Minister. But his summer visits to Poland, Czechoslovakia, Romania and the GDR have been widely regarded as opportunistic and unprincipled and confused his supporters. He continues to be an irritant rather than an impediment to the working of the coalition.
- 4. The March election was decided mainly on economic issues (the CDU claimed to be the party that could manage the recovery), but the dominant issue now is INF. Opposition to deployment is more extensive than in Britain and is based on a widespread fear that the number of nuclear weapons on German territory is already excessive

and dangerous. The "peace" movement, however, has yet to mobilise its full strength; the widely predicted "hot autumn" of demonstrations is scheduled to begin in October. For the moment, Genscher is leaving no stone unturned in his efforts to show that the German Government is genuine in its desire for an arms control agreement that would avoid INF deployment. The Bundestag debate on deployment is scheduled for 21 November.

5. The SPD is close to outright opposition to INF deployment, the final decision having been left to a special party conference from 19-20 November. The leadership find it difficult, if not impossible, to reconcile their recent responsibility in Government, their doubts about the seriousness of the US negotiating effort in Geneva, concern to avoid anti-Americanism and of course the need to keep the party together.

Western European Department Foreign and Commonwealth Office

3 October 1983

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### 10 DOWNING STREET

From the Private Secretary

10 August, 1983

As I told you on the telephone, I have provisionally arranged for Mr. Helmut Schmidt to come and see the Prime Minister for half an hour at 1130 on Friday, 7 October. I should be grateful if you could arrange for suitable briefing to be at this office by Wednesday, 5 October.

# TIMOTHY FLESHER

John Holmes, Esq., Foreign and Commonwealth Office



#### 10 DOWNING STREET

From the Private Secretary

### Herr Schmidt

Thank you for your letter of 14 March. The Prime Minister would indeed like to see Herr Schmidt and 10 June would be the most convenient day. Could you suggest that he calls on the Prime Minister at 1000 hours. on that day.

A.J. COLES

John Holmes, Esq., Foreign and Commonwealth Office





## Foreign and Commonwealth Office

#### London SW1A 2AH

14 March 1983

Prime Minister

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Schmidt, pobably on 10 home

(a Friday): The A. & C. 15.

Dea John,

### Herr Helmut Schmidt

Herr Schmidt is to receive an Honorary Degree at Cambridge University on 9 June (he was awarded an Honorary Degree at Oxford in 1979). At the time of Herr Schmidt's resignation last October (your letter of 1 October refers) the Prime Minister said she would always make time to see Herr Schmidt privately when he was in London. The Prime Minister subsequently saw Herr Schmidt for an hour on 25 November (your letter of 15 November refers).

If the Prime Minister would like to see Herr Schmidt when he comes to Britain in June for his Honorary Degree, we will find out more about his plans. I should be grateful if you could let me know what time (possibly on 8 or 10 June) might be convenient for the Prime Minister.

To

Yours ever (J E Holmes) Private Secretary

A J Coles Esq 10 Downing Street

6cc: Miss Stephens.

#### 10 DOWNING STREET

From the Private Secretary

15 November, 1982

## Herr Schmidt

Thank you for your letter of 11 November. The Prime Minister would be glad to see Herr Schmidt and could do so at 1730 on 25 November. Mrs. Thatcher is looking forward to a good talk with him and we shall set aside an hour or so.

A. J. COLES

R. B. Bone, Esq., Foreign and Commonwealth Office



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Foreign and Commonwealth Office

London SW1A 2AH

Agree to see Her Schmidt at 1730 on 25 Novamber (an how or more would be available)?

A-4-C. 12

11 November 1982

Shlyhlin to Cer him - . We rund leave plenty

Possible Call by Herr Schmidt on the Prime Minister

When the Prime Minister spoke to Herr Schmidt on (your letter of 1 October), the former Federal Chancellor expressed the hope that when he was in London in future it would be possible for him to call privately on the Prime Minister. Mrs Thatcher said she would always make time for this.

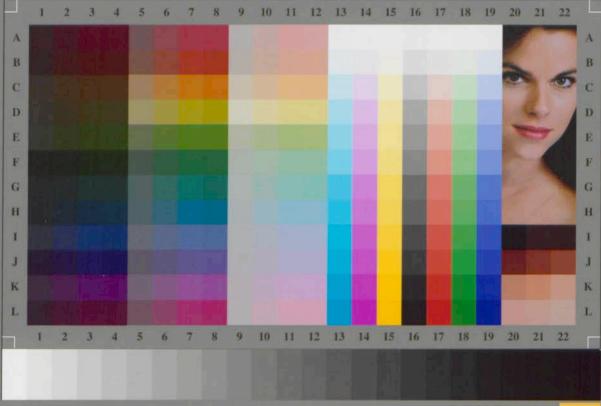
We have now heard from the German Embassy that Herr Schmidt will be in the UK at the end of this month, primarly for the opening of a Henry Moore Exhibition in Leeds on the 26th. He has asked whether it would be possible for him to call on the Prime Minister on the afternoon of the 25th. (I understand that he also plans to call on Mr Callaghan.) I should be grateful to know how we should reply.

(R B Bone) Private Secretary

A J Coles Esq 10 Downing Street 1 - NOV 1982

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