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PRIME MINISTER'S
PERSONAL MESSAGE
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T e l e g r a m

from Herr Helmut Schmidt, Chancellor of the Federal Republic
of Germany
to The Rt. Hon. Margaret Thatcher, MP, Prime Minister

Dear Prime Minister,

On 3rd February 1982, the Federal Government decided on a joint initiative for employment, growth and stability as a result of which additional funds for private and public investment amounting to approx. DM 12 billion are to be made available in the next few years. This initiative supplements the budgetary and fiscal decisions which came into effect at the start of this year and by means of which measures to promote employment that are already proving successful will be financed in the amount of approx. DM 27,5 billion during the years 1982 to 1985. The Federal Government's total programme for promoting the economy and employment up to and including 1985 therefore involves approx. DM 40 billion.

The initiative of 3rd February focuses on the promotion of private and public investment as the prerequisite for preserving and creating competitive jobs. Its main component is the introduction of a ten per cent investment allowance for a specific period with the aid of which additional investments totalling DM 40 billion or approx. 2,5 per cent of the gross national product can be promoted during 1982. Approx. DM 4 billion of public funds will be required for this. To avoid straining the capital market, this sum is to be met by raising value-added tax by one per cent as of 1st July 1983.

The Federal Government has also taken measures to assist small and medium-sized companies, to conserve energy, to stimulate private investment in housing construction and to improve training opportunities for young people. It has appealed to all economically and socially important groups and institutions in the Federal Republic of Germany to back these measures up through efforts of their own within the scope of their responsibility and competences.

With this package of measures the Federal Government is taking account of structural changes in the world economy. It is guided by the need to combat unemployment and inflation simultaneously and giving equal consideration to each. Its medium and long-term aim is to produce a shift in the use of the domestic product away from consumption to greater investment, to reduce public borrowing gradually and consolidate the process of energy conservation. In this context, priority is being given to lowering the German deficit on current account so as to lessen the dependence of the German financial and foreign exchange markets on interest rate developments abroad and enlarge the scope for reducing interest rates at home.

My government is convinced that in the present situation a clear and lasting reduction of interest rates would be the most effective means of promoting growth and employment. In view of the world-wide economic interdependence and division of labour, which we must preserve and promote in our joint interest, it continues to be necessary to pursue very close international co-operation, to take account of each other's interests and to keep markets open. I regard the measures decided on by the Federal Government as a further German contribution to these goals.

Yours sincerely,

Helmut Schmidt