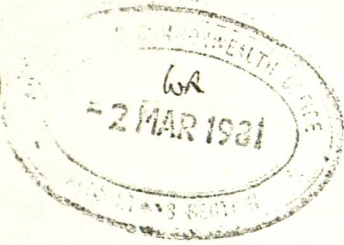
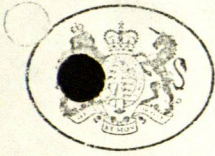


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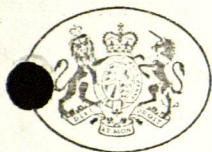
VALEDICTORY DESPATCH

SUMMARY

1. "The Germans are a tragic people". Our image of the Federal Republic of Germany may be out of date (paras 1-3)
2. Basic political stability still exists, but it is starting to fray at the edges. Problems in the SPD, within the Coalition and on the streets (paras 4-8)
3. Economic strength remains formidable but shows vulnerability to domestic and external pressures. The DM weak on balance of payments and "Polish fears". (paras 9-11)
4. In foreign affairs, dependent on a tolerable relationship between the superpowers. The FRG fears the Reagan Administration's emphasis on military strength and the possibility of a Russian intervention in Poland (paras 12-14)
5. Time for a change. A CDU Government probably in our interests (paras 15-19)
6. Britain has yet to establish its European credentials here. Main assets: British Forces Germany and the British Council (paras 20-21)
7. Valette (paras 22-24)

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BRITISH EMBASSY,
BONN.

27 February 1981

The Right Honourable The Lord Carrington KCMG MC
Secretary of State for Foreign and Commonwealth Affairs
London SW1

My Lord,

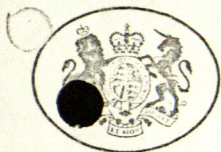
"Die Deutschen sind ein tragisches Volk"

1. "The Germans are a tragic people" said Josef Ertl, that cheerful and portly Bavarian, in private conversation on 28 January. We were sitting together at President Carstens' traditional Green Week dinner at Schloss Bellevue in Berlin; and the President, that lean and serious-minded Hanseat from Bremen, sitting on the other side of me, agreed. We had been discussing events in Poland and had already come to the conclusion that the Poles were a tragic people. Now, as so often here, introspection took over. I tried to imagine a similar conversation transposed to a Gala banquet at Buckingham Palace, with the British Minister of Agriculture leaning across an Ambassador to the Court of St James's and saying to the Queen: "The British are a tragic people".

2. You may well laugh. Even so, if the definition of tragedy in dramatic literature is the disastrous consequences

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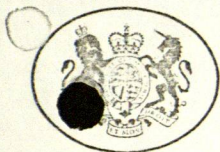
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of the hero's actions due to a fatal flaw in his own character (eg Macbeth) then, by extension, the German nation, in its present division into two states, one democratic, the other communist, separated from each other by wall and wire and watchtowers and minefields and guard dogs, illustrates the tragic consequences of its own enthusiastic espousal of Nazism nearly 50 years ago. There are differences of experience and perspective. Germans can never forget them; nor should we.

3. Psychoanalysis apart, life has to go on. And life goes on in the Federal Republic of Germany. Since all life is change, things are changing here. The success story of the post-war world is still successful. Shiny Mercedes rush aggressively up and down the autobahns. Shiny fur coats ostentatiously grace public occasions. The embourgeoisement of West German society is complete: only in the Turkish ghettos does proletarian life continue, and carry within itself the seeds of future trouble. Equally widespread is a disbelief that this success can last, though a bottle or two of Berncastler Doctor Auslese may be needed to bring it to the surface. A recent essay in the Sunday magazine supplement of "Die Welt am Sonntag" was entitled: "Die Angst der Deutschen vor dem Glück", which, roughly translated means "the Germans' anxiety at the prospect of happiness". The basic political stability is still there, but it is starting to erode at the edges. The economic strength remains formidable, but it is beginning to show vulnerability to both domestic and external pressures. The social cohesion endures, but streetfighting with the police

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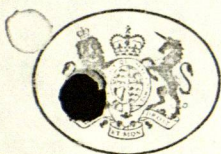
is becoming more frequent. There is always a time-lag between reality and image. The FRG is too important to us in Britain for our view of this ally and partner to be based on the received image: for the image may be flawed and out of date.

Political discontents

4. The rot, if rot it is, has started at the top: in the Government and more especially in the senior party in the Government coalition. The election result increasingly looks like proving the loser's verdict correct: a pyrrhic victory, said Strauss. The SPD parliamentary party came back to the Bundestag dissatisfied with its own and its Chancellor's performance. They were dissatisfied with the electorate for preferring Schmidt-and-Genscher to Schmidt-and-the-SPD and dissatisfied with Schmidt for making it so obvious to anyone watching the election returns on television that he was delighted with a result that dissatisfied his party. Since the option, in Brecht's cynical suggestion, of electing the people out of power and getting another one, does not exist, they have seemed determined to get their own back on Schmidt by making it difficult for him to govern. There are, therefore, scarcely four months after a decisive victory, tensions within the SPD and tensions between the SPD and the junior coalition partner, the FDP.

5. Moreover the top leadership of the SPD - Brandt, Chairman of the Party and responsible for galvanising the grass roots;

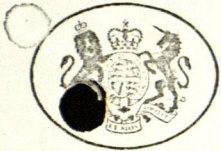
/Wehner,



Wehner, leader of the parliamentary party and responsible for discipline in the Bundestag; and Schmidt, responsible for running the government - seems to have lost touch with each other and interest in regaining it. Brandt, "with both feet planted firmly in the clouds", as one wag put it, increasingly prefers international accolades for his past services to mankind to the hard graft of party work at home: he looks more and more like a burnt-out case. Wehner, approaching 75, clearly does not know when to call it a day and now has to rely more on anger and threats than on natural authority to turn out the vote in the lobbies. He has been heard to compare the present state of the SPD with that of the Labour Party; an exaggeration, but the SPD is in government not opposition. Schmidt, for all his undoubted gifts, is physically in indifferent health, and the cumulative effect of being in government for over 11 years and running it for over 6 is beginning to tell. There are limits to the number of times he can call his party to heel by threatening them with a vote of confidence in the Bundestag. He who once knew all the answers seeks a successor to Keynes and does not find him in Friedman. There is a lot to be said for a compulsory retirement age.

6. Away from Bonn, the SPD looks none too good either. In Berlin, the local party nearly destroyed itself through jobbery and kindred corruption and had to be saved by a rescue operation from Bonn; but at the cost of weakening the SPD component of the Federal Cabinet. In Hamburg the local SPD is at odds with

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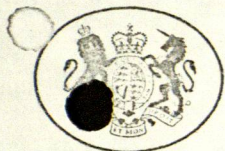


government policy over the building of a nuclear power station: Schmidt is on a hiding to nothing: either he loses Hamburg's Mayor or part of his energy policy. Either way, the smack of firm government is lacking. Bremen, another SPD stronghold, may be next.

7. The tribulation of the senior partner in the Government is having its effect on the junior partner and threatens to turn sour the sweets of victory. The FDP also has a left and a right wing. In managing his party, Genscher has to balance the wishes of the left wing, under the Minister of the Interior, Baum, who do not want to embarrass the SPD, against the insistence of the right wing, under the Minister of the Economy, Lambsdorff, that the SPD come good on the agreed government programme. Genscher had his troubles in Berlin too. The FDP there were also up to their eyes in jobbery and the egregious Brunner, ex-EC Commissioner, had to be despatched in haste to take over as Bürgermeister from the discredited Lüder. Genscher's attempt to get someone of comparable distinction to take over the Chairmanship of the local party failed: Hoppe refused to budge from Bonn. I can't say I blame him. No wonder I found Genscher pre-occupied when he gave his farewell dinner for me on 4 February. Of course, he may simply have been bored with my company.

8. Trouble in the political establishment has been paralleled by trouble in the streets. In Berlin, squatters have clashed with the police in protest against housing conditions. In Frankfurt, the demonstrations are directed against American policy

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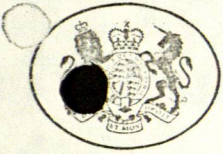
in El Salvador; in Hamburg against nuclear energy; in Bremen against oathtaking ceremonies for the Federal Armed Services. Police chiefs, mopping their brows, say it is too much. Some people claim to have seen the same faces in the stone-throwing crowds, identifying a sort of rent-a-mob charging round the country heaving bricks at policemen in different cities on different pretexts, and speculate darkly about a communist-directed conspiracy. More worrying, in view of the FRG's central position in NATO, are signs of an increasing pacifism among the young, aided and abetted by the unworldliness of the Churches. A quarter century of peace and good living is not the best context for increased defence expenditure.

Economic discontents

9. The image of the FRG in the outside world is of the country which performed the economic miracle of the 50s and 60s and overcame the structural challenges of the first oil price shock of the early 70s with the grace and power of a thoroughbred. Management is still energetic and the workforce sensible, but the second oil price shock of the late 70s has left the FRG with a colossal balance of payments deficit and a weak DM. In 1981, the economy is expected to record negative growth for only the third time in the existence of the FRG. In fact all four components of the magic quadrilateral - growth, unemployment, balance of payments and inflation - are behaving unfavourably; and no relief is in sight.

10. Official forecasts speak hopefully of an upturn in the second half of 1981. Industrial spokesmen reaffirm their

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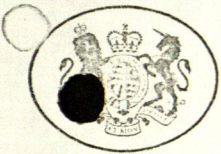
faith in the working of the market economy. All say that this qualified but purposeful optimism is based on two assumptions: no further oil price shocks and no Soviet intervention in Poland. For the DM, once the paragon of currencies, is weak and at the bottom of the EMS, not least, as the "Financial Times" has been reporting for weeks "on Polish fears": the pink 'un is dead right.

11. This economic outlook cannot, of course, fail to have its feedback into the political uncertainties. What to do about the economy is already adding to the strains within the SPD. Schmidt and his Minister of Finance, Matthöfer, by practicing financial rectitude, are having to govern against the grain of their supporters in the parliamentary party and in the country. They cannot lower interest rates to get the economy moving for fear of adding to the outflow of capital. They have had to tighten liquidity for external reasons and thus delayed the domestic upturn. Billions of deutsche Marks ready for investment in power stations and autobahns are blocked by court cases and environmentalist demonstrators. The ship of state is "in irons" and the ship's company is squabbling.

Foreign discontents

12. As if that were not enough to be going on with, there is nought for their comfort in the state of the world, as seen from Bonn. As a divided nation situated on the fault line of Europe, West Germans are more dependent than most on a tolerable relationship between the Super Powers. Yet neither what they know of the plans of the Reagan Administration for the

/management



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management of that relationship nor what they fear about a Soviet intervention in Poland provides much reassurance.

13. Schmidt's satisfaction at the defeat of Carter and his hope for a better understanding with Reagan hardly survived the 20th of January. Reagan's description of the Soviet leadership as liars and cheats does not fit Schmidt's perception of Brezhnev and company. Weinberger's remarks on the neutron bomb, however "off the cuff" and subsequently declared to be non-operational, sent a shiver of apprehension round governmental circles here. Schmidt expended a great deal of political capital in 1978 in bringing the SPD round to an acceptance of the ERW: he has little political capital left to expend if there is to be a re-run. Curiously enough, French hints of a development of their own enhanced radiation weapon hardly caused a ripple here: but then, double standards are normal where the French are concerned. Schmidt's defence philosophy is based on a double balance: a military balance between East and West, to which the FRG continues to make an outstanding contribution; and an armaments balance between weapons modernisation and arms control. The signals out of Washington so far, even from his friend Haig, add to rather than reduce uncertainties and apprehensions. The years of bad relations with the Carter Administration are also taking their toll: for the first time in my experience, there is an incipient anti-Americanism here.

14. Eastward too the land is dark. If Poland descends into anarchy, the prospects of Soviet intervention grow stronger.

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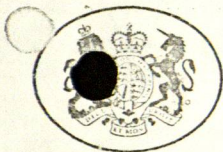


Soviet intervention on its own would be bad enough, with its repercussions on relationships with the other half of the German nation, Schmidt's "17 million hostages", and on Berlin. The real nightmare here is of a possible GDR intervention in Poland, as happened in Czechoslovakia, in support of the Red Army. The very idea of Germans invading Poland for a second time within living memory numbs the West German mind. All talk readily about the magnitude of the psychological shock: none care to translate the shock into practical consequences.

Time for a Change

15. A week is, of course, a long time in politics. Brezhnev's speech to his Party Congress and the initial American response have brought a sigh of relief here. The appointment of General Jaruzelski; Poland's third Prime Minister in four months seems to Germans to have given everybody another chance. German pessimism can in present circumstances be a source of strength: expecting as they always do the worst to happen, they plan and prepare accordingly and hence things have a way of turning out better for them in real life than their own imaginations forecast. There may from time to time be technical corrections but the overall bear market composed of political strain, economic uncertainties and foreign fears seems likely to persist.
16. In my Annual Review, posted to you less than two months ago, I wrote that the only sensible working assumption was that we should be doing business with a Schmidt-Genscher Government

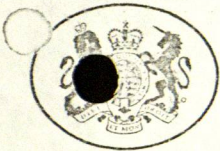
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until 1984. That assumption is no longer as valid as it was. I also sent an advance warning that we should not rule out an earlier disintegration. Disintegration has in fact spread more swiftly than I had bargained for. Of course, the imperatives of power will tend to make the Government hang together. An emergency meeting of the SPD Executive has sought to bring order into the chaos; the last such emergency meeting was in 1974 just before Brandt fell. Moreover, the Government has a majority of 45. And the constitutional processes here do not make changing the government in mid-term easy. Nonetheless it has been done once before, in 1972, and doubtless can be done again. There is already a sense of "time for a change" in the air. The famous virtues of objectivity, order and decency are looking distinctly tatty. The odds against this government lasting until 1984 have appreciably lengthened.

17. So long as Schmidt remains Chancellor it is with him and with his government that we have to do business. It is for the West German electorate to decide whom they want to govern them. But if, as I expect, and when, which I cannot precisely predict, the electorate decides on a change, then I do not think that Her Majesty's Government need entertain any apprehension about doing business with a CDU government. It has been done before and can be done again. Moreover, the CDU is a Government-in-Reserve not an Opposition. In all matters of major concern to us - NATO, the EC, Berlin, the world economy - there will be a great deal of continuity when Kohl takes over from Schmidt.

/And



And where there is a change of emphasis, it should on the whole be beneficial to our interests.

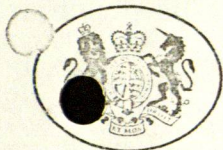
18. A CDU Government will, for example, place more rather than less emphasis on defence and, while mindful of German interests, will be closer in philosophy to the Reagan administration. It will observe the Eastern Treaties and wish us to uphold the Quadripartite Agreement in Berlin, but it will not have invested as much emotional capital in Ostpolitik and so will be less vulnerable to Soviet pressures. It will remain committed to the European Community and to the Franco-German special relationship at the core of it, but the personal Schmidt-Giscard relationship will be broken, and the Germans will no longer be so emotionally over-invested in France nor so subject to French blackmail. In economic matters, both at home and abroad, it will be even more strongly committed to the social market economy; after all, Erhard invented it. Above all, a change of government here will clear the air. And the West German air needs clearing at present, for the sake of the West Germans themselves and of their partners and allies.

19. Of course, a change of government cannot change the facts of life. Problems will remain and there are plenty of them. And a CDU government will be composed of Germans with the German psychology. But I need not go into all that again. In any case, my successor may have different views.

Anglo-German Relations

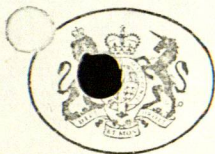
20. As I leave there are pluses and minuses in the Anglo-German relationship. For good or ill, the life and

/future



future of Britain and the life and future of the FRG are inextricably linked: - in Berlin, in NATO, in the European Community and in two-way trade and investment. On the negative side, our European credentials are by no means yet established here: our instincts are still thought to be more Atlantic than European. "What suits America suits Britain" was the judgment of Chancellor Schmidt, that former Anglophile from Hamburg, when I paid my farewell call on him.

21. On the plus side are our commitment to Berlin, to NATO and the forward defence strategy and the presence on German soil of British Forces Germany to lend superb substance to those commitments. It is difficult to exaggerate the value of the asset we possess as a nation in the British Army of the Rhine and in Royal Air Force Germany, the professional excellence of which is recognised by our German allies and has been proved by Crusader 80 and NATO "tacevals". Over 25 communities in the North German plain have given the freedom of their cities to British units stationed there. We tamper with this asset at our peril. Also on the plus side is the work of the British Council, a disproportionate victim, alas, of public expenditure cuts. I hope that as our national fortunes are restored, so will the cuts. On the plus side too - if it is not too immodest to say so - is the work of this Embassy and its Consulates-General. But we have taken our 10% cut as ordered and I have to tell you that our ability to understand the country in which we serve and to transact business with its government have thereby been impaired. I hope that, as with the British Council, as our national fortunes revive, my successors will receive the resources to do what the national interest requires.

Valete

22. I now sign this despatch, pack my bags, drive to Hamburg and take passage in HMS "Ariadne", fortuitously visiting the port, for Portsmouth and retirement. Thus ends my service to the Crown as it began nearly 40 years ago, in the bosom of the Royal Navy. What better way to go!

23. But I should not want to go without some words of thanks. To the Crown, for providing me with a profoundly satisfying working life. To you, My Lord, for reviving a belief that Britain is capable of fulfilling its responsibilities and solving its problems, no small bonus for us exiles. To my Service, for friendship and loyalty. To my wife and through her to all wives everywhere: I chose the job; she chose me and found herself married to a job I could not have done without her. To my staff at the Embassy, in BMG Berlin and the Consulates General in the FRG: they did the work; I took the credit. As I leave them I offer them, in affection and gratitude, the credit that is their due.

24. I am sending copies of this despatch to Her Majesty's Representatives in NATO posts, to Dublin, Moscow, East Berlin and Warsaw, to the United Kingdom Delegation Brussels, to the Commanders-in-Chief Committee Rheindahlen, to the General Officer Commanding Berlin and to Her Majesty's Consuls-General in the Federal Republic of Germany.

I have the honour to be
Your Lordship's obedient servant

A handwritten signature in dark ink, appearing to be 'O. ...', written over a horizontal line.