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RECORD OF A TELEPHONE CONVERSATION BETWEEN CHANCELLOR SCHMIDT
AND THE PRIME MINISTER - 5.30 pm ON MONDAY 25 MAY

PM Hello Helmut, how are you?

CS Hello Margaret. Are you hearing me all right?

PM Yes I can hear you well.

CS Let me report to you a few things about Washington and also about Paris. In Washington I came away with a very good feeling. I think we are on a good track. I think the American Administration will in the future more than in the past take into consideration European interests and necessities. I have a very good feeling as regards the President himself, also the Vice-President, also the Foreign Secretary.

PM Good,

CS I am concerned and I have told them that the consequences of their high interest rates will have to be talked about in Ottawa when we meet in eight weeks or so. I think that quite a number of countries would rather wish to have a little easier money right now whilst not giving up the fight against inflation. At least we are certainly not going to give it up. But our unemployment is rising and so is unemployment in France and other countries so I guess that this will become an issue in Ottawa. But apart from that I have a feeling that since you saw Ronald Reagan the process of policy defining has gone further on. There are still a few white spots in the political geography but they are moving fast. We were quite in agreement as regards the famous (dual-track decision) of NATO and talks about limitations are already under way between Haig and ^{Dobrynin} ~~Dubrenin~~. They make it no longer a secret that these talks are under way. They are very much occupied with the Lebanon crisis. They do recognise European efforts as regards ^{NCW} ~~Middle~~ East - so called - wrongly so called European initiative is

being seen as complementary to the American efforts. I have very much stressed the need of Gulf States to be heard in their own effort to bring about a collective security. ^{something} The American President is prepared to go to Mexico. He waits for an official announcement until President Lopez Portillo will come to Washington which is foreseen within a short couple of days or so.

PM Helmut, when you said the policy defining has gone further were you meaning in any particular way because there is both the Lebanon and the Middle East which is fairly critical at the moment.

CS Right. I have the feeling that as regards Latin America and especially Central America they have not yet come to the final stage of defining their policies. Same impression I did have as regards Near East as well as Middle East.

PM How near are they because they're pretty crucial decisions?

CS I think so far they are concentrating on Lebanon. And on the actual day to day crisis management regarding the Lebanon.. Also I think regarding Namibia and Angola the last stage hasn't been reached as yet and I think it is worthwhile if Peter looks into it a little and tries to influence them. I have praised Peter as the No. 1 expert in that area. ^(P.N. Yes) They are a little bit too friendly with South Africa is my feeling. It is more a feeling than a knowledge Margaret.

PM Yes. But the most urgent thing undoubtedly is the Lebanon ^(C.S. Yes) and so long as they have the message that they must keep negotiating then I think we'll be very relieved. Because any suggestion that they've stopped negotiating could make it fairly critical.

CS Yes. They have praised the helpful or assisting activities of the Saudis with Damascus.

PM I think they've been extremely good judging by all the messages that have been coming in. But the critical thing is still coming up to the Israeli Election and influence to bear on the Israelis to take it calmly.

CS Yes. My hosts in Washington were rather critical on one Government in the area. As regards Paris, I think we can all count with a rather great amount of continuity, also within the EEC. Mitterand does not want to postpone the European Summit which has been scheduled for the end of June in Luxembourg. ^(P.M.: Good) He says "I will not be able then to take decisions on Agriculture and on the Budget" and I have explained to him that we are not expecting to take decisions then. But that we are expecting Gaston Thorn to table his proposals and that we ourselves would need a couple of months until we come to conclusive decisions afterwards and I said to him I guess this would be done in the Euro Council meeting after that. He will go to Ottawa himself, he will go himself to the European Summit, he will not send *Namoy*. And he will also go to Mexico to that *Canun* meeting.

PM Did you get any feeling that he would adhere to a 1% VAT ceiling?

CS I did not get any feeling, except I got the feeling that he would be as difficult in Agriculture policies as anybody else in France.

(Cs: Yes)

PM One had already concluded that because the politics are that way. I can only say that I think its going to be extremely difficult both for Fish and Agriculture and Budget, for much longer than we've thought.

CS I think that's possible. As regards the Alliance, I trust you will not see any difference. He was very clear viz a viz the Soviet Union. Very very clear.

PM Good, Yes. And as far as the independent nuclear deterrent?

CS Yes. He also was very clear about the necessity to pursue both elements of the so-called dual track decision of NATO although France is not participating in it. He made it very clear that this was a necessary decision to take and to implement it.

PM Yes. Did you get any feel about the financial and industrial policies which are what are causing so much

CS Not really except one. He is determined to defend the franc. And he will stay within the EMS. Otherwise I didn't get a feeling and there were just in the stage to find paper and pencils in their Ministries ^{Chysson} ~~He~~ hadn't seen the ^{Quai} ~~case~~ from the inside so far. It's a little bit too early for some of the questions.

PM Yes. And will be still when we meet at Luxembourg I imagine.

CS Yes. Altogether I did not run into any ^{great} surprise. There was no surprise. There was a rather high amount of continuity in the European, Alliance and international policies. Certainly the emphasis on friendly relations with Israel will be stronger in the Mitterand Government than it was in the Giscard Government. On the other hand he is aware of the necessity to improve the relations with, his personal relations with the Arab States and people. And he mentioned that he is going to send either ^{Chysson} ~~Chysson~~ or ^{Jobert} ~~Jobert~~ - I am not sure I recollect this correctly - either one to a couple of Arab States in order to 'mend his fences' there. He is obviously aware that this also under financial considerations is necessary for France.

PM Yes. Did he give any indication about his attitude towards Palestine?

CS No, not really. I think he needs quite a bit of time for all this.

PM Well, that's not surprising. We'll be able to discuss it with him at Luxembourg.

CS Yes. There are so many people now who haven't been in Government for so many years that the period of adaptation cannot be just a few days.

PM It will take a time. Well altogether Helmut it sounds a very successful tour.

CS Yes. At least no negative impressions.

PM No. Well that's a positive in itself. And you looked very happy in the photographs and the whole reports. That's quite a good thing.

CS I haven't seen the photographs!

PM Oh the photographs are very good. I thought you looked happier with Mitterand than you did

CS I have told Mitterand about your and my talk in Chequers Margaret.

PM Oh good.

CS And have told him that you are, as much as we, Germans, looking forward to cooperating with him.

PM I hope he received that warmly because it was meant warmly.

CS Yes.

PM Well we'll have to ask him to come to Chequers too to see if he prefers that to No. 10. Well that's all very good news Helmut and you're feeling well?

CS I'm feeling rather well. I have a debate in Parliament tomorrow but we'll have our majority as necessary.

PM I'm sure you will and carry it superbly. Well Helmut thank you very much for phoning.

CS Well of course your Ambassadors will have been briefed already but I thought it was good also to give you a personal account.

PM Oh well it's not only good it's very much appreciated. Thank you very much.

CS Thank you Margaret. Goodbye.

PM Goodbye.