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Subject: Germany,  
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Relations

cc FO

10 DOWNING STREET

THE PRIME MINISTER

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 30/82

My dear Chancellor,

Thank you for your message of 6 February, in which you explain the details of the initiative for employment, growth and stability announced by your Government last week. I am encouraged by your continuing commitment to the fight against inflation, to improving the economic environment for the private sector and to bringing about necessary structural change. Only in this way can competitive jobs be created and sustainable recovery achieved.

I share your belief in the need for lower interest rates and your emphasis on the budgetary discipline this requires. This is a path we have tried to follow in the more difficult circumstances of the United Kingdom, and the benefits of doing so are at last becoming apparent.

Within the constraints imposed by the over-riding need for budgetary discipline, we too have given priority to assisting small businesses, improving training opportunities for young people, and promoting technical innovation.

World economic conditions, particularly the continued high level of interest rates, are not working in our favour at the moment. However, the signs for recovery in the German and British economies during this year are encouraging. I am very conscious that the best way to attenuate the effect upon us of high interest rates elsewhere is to pursue a sound strategy at home.

RM

I agree strongly with you that we must keep markets open, particularly within the Community, and take account of each others interests. I welcome the importance which you attach to our close cooperation in these matters.

I look forward to the opportunity of pursuing our discussions when we meet next month.

Yours sincerely

Margaret Thatcher

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His Excellency Herr Helmut Schmidt

February, 1982