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FM RABAT 071200Z JANUARY 81

TO IMMEDIATE FCO

TEL NO 10 OF 7 JANUARY

AND TO PRIORITY BONN, PARIS AND WASHINGTON (PERSONAL FOR AMBASSADORS)

FOLLOWING FROM PRIVATE SECRETARY

SECRETARY OF STATE'S MEETING WITH CHANCELLOR SCHMIDT

1. LORD CARRINGTON HAD BREAKFAST WITH CHANCELLOR SCHMIDT IN MARRAKESH THIS MORNING, DURING THE CHANCELLOR'S 24 HOUR VISIT TO MOROCCO. SCHMIDT WAS LOOKING WELL AFTER A TEN DAY HOLIDAY IN THE CANARY ISLANDS. HOWEVER HE BROODED ALOUD ABOUT HIS OWN FUTURE. HE HAD BEEN AT IT FOR 12 YEARS NOW, AND SOMETIMES THOUGHT HE HAD HAD ENOUGH. HIS PARTY, WHO DID NOT HAVE TO FACE ELECTIONS FOR ANOTHER FOUR YEARS, WERE PROVING TROUBLESOME. LORD CARRINGTON SUGGESTED THAT IT WOULD BE A BAD THING FOR ANGLO-GERMAN AND FRANCO-GERMAN RELATIONS IF SCHMIDT WENT, SINCE THESE RELATIONS WERE VERY PERSONAL. HE ASKED WHO SCHMIDT'S SUCCESSOR WOULD BE, SHOULD HE EVENTUALLY GO. THE CHANCELLOR SAID THAT IT WOULD EITHER BE VOGEL (THE MINISTER OF JUSTICE) OR APEL. HE WAS NOT SURE, HOWEVER, WHETHER EITHER WOULD SUCCEED IN HOLDING THE COALITION TOGETHER. THIS WAS SOMETHING PERSONAL BETWEEN HIM AND GENSCHER, WHO HAD CAMPAIGNED ON THE NEED TO SUPPORT HIM.
2. HE WAS ALSO GLOOMY ABOUT THE ECONOMIC PROSPECTS FOR EUROPE, WHERE HE FORESAW 25 MILLION UNEMPLOYED BEFORE LONG. IT WAS RIDICULOUS NOT TO TALK TO OPEC, THOUGH HE COULD NOT IDENTIFY THE RIGHT FORUM. GISCARD HAD HAD A BRAVE TRY (PRESUMABLY A REFERENCE TO THE CIEC). PERHAPS SOMETHING MIGHT BE WORKED OUT IN MEXICO. LORD CARRINGTON COMMENTED THAT THIS SEEMED UNLIKELY, IF THE AUSTRIAN FORMAT FOR THE MEETING, WHICH SEEMED TO CONSIST OF CONSECUTIVE HALF-HOUR SPEECHES, PREVAILED. IN REPLY TO AN ENQUIRY FROM THE CHANCELLOR, HE CONFIRMED THAT THE PRIME MINISTER WOULD BE GOING TO THE MEXICO SUMMIT.
3. SCHMIDT HAD NOT HEARD OF DR KISSINGER'S LATEST REMARKS ON THE MIDDLE EAST, BUT WAS NOT SURPRISED. HE HIMSELF HAD NEVER THOUGHT THAT

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3. SCHMIDT HAD NOT HEARD OF DR. KISSINGER'S LATEST REMARKS ON THE MIDDLE EAST, BUT WAS NOT SURPRISED. HE HIMSELF HAD NEVER THOUGHT THAT THE VENICE DECLARATION WOULD LEAD TO A SOLUTION OF ITSELF. ITS MAIN PURPOSE HAD BEEN TO MAKE THE ARABS FEEL THAT EUROPE UNDERSTOOD THEM, AND TO TIDE US ALL OVER A DIFFICULT TIME. SCHMIDT WAS ALSO DISTURBED BY THE PROSPECT OF A EURO-ARAB DIALOGUE AT MINISTERIAL LEVEL, WITH THE PLO LEADING FOR THE ARABS. (VON DER GABLENZ SUBSEQUENTLY TOLD ME THAT THE CHANCELLOR HAD BEEN VERY UPSET TO READ ABOUT THIS - FOR THE FIRST TIME AS HE CLAIMED - IN HIS BRIEFING THE PREVIOUS DAY, AND HAD ASKED WHY GENSCHER HAD GONE AHEAD WITHOUT HIS AUTHORITY.) HE THOUGHT THAT THIS MEETING WOULD BE MORE TROUBLE THAN IT WAS WORTH, ANTAGONISING SIMULTANEOUSLY THE AMERICANS, ISRAELIS, EGYPTIANS, AND EVEN THE SAUDIS, WHO MIGHT BE RELUCTANT TO SEE THE PLO ELEVATED TO THIS LEVEL. LORD CARRINGTON SAID THAT HE PERSONALLY WAS NOT TOO KEEN ON THE MEETING EITHER, OR ON BEING IN THE CHAIR, BUT THE FRENCH WERE INSISTENT THAT IT SHOULD GO AHEAD. THE MAIN AIM OF THE FRENCH SEEMED TO BE TO PROVE THEIR INDEPENDENCE FROM THE AMERICANS, AND TO PURSUE THEIR SPECIFIC NATIONAL INTERESTS IN THE AREA.

4. SCHMIDT SAID THAT HE WAS THINKING OF SELLING TANKS AND ARMoured PERSONNEL CARRIERS TO THE SAUDIS TO HELP BOLSTER THE REGIME, DESPITE SOME DIFFICULTIES WITH HIS PARTY. HE WONDERED WHAT THE REACTION OF THE BRITISH PUBLIC WOULD BE. LORD CARRINGTON SAID THAT HE SAW NO OBJECTION FROM OUR POINT OF VIEW.

5. ON THE NEW AMERICAN ADMINISTRATION, SCHMIDT THOUGHT THAT DR. KISSINGER WOULD EXERCISE A GOOD DEAL OF INFLUENCE ON THE MIDDLE EAST, IF ONLY BECAUSE NO-ONE ELSE KNEW MUCH ABOUT IT. INSTEAD OF A TEAM OF WISE, EXPERIENCED MEN, WE HAD A TEAM OF UNKNOWNNS, APART FROM HAIG, WHO WAS A GOOD POLITICIAN AS WELL AS A DIRECT, HONEST AND LIKEABLE MAN, THOUGH EVEN HE WAS RATHER UNSUBTLE.

6. WHEN LORD CARRINGTON SAID THAT THE PRIME MINISTER WOULD BE VISITING WASHINGTON IN FEBRUARY, SCHMIDT HOPED THAT WE WOULD ENCOURAGE HAIG TO DO A EUROPEAN TOUR QUICKLY TO FAMILIARISE HIMSELF WITH THE EUROPEAN VIEWPOINT. HE WAS AFRAID THAT THE NEW ADMINISTRATION MIGHT TURN OUT TO BE AS PAROCHIAL AS THE LAST SEMI-COLON SANTA MONICA REPLACING ATLANTA, GEORGIA. THE REASON SCHULTZ HAD NOT BEEN ACCEPTED WAS THAT HE WAS TOO SOPHISTICATED FOR THE OTHERS.

7. SCHMIDT HAD BEEN PARTICULARLY STRUCK BY WEINBERGER'S SPEECH ON ARMS LIMITATION. THIS HAD FILLED HIM WITH FOREBODING AND COULD CAUSE REAL DIFFICULTY IN THE SPD.

8. SCHMIDT SAID THAT HE HAD HAD A GOOD TALK WITH KING HASSAN WHO HAD BEEN SENSIBLE AND WELL INFORMED ON THE MIDDLE EAST, AND WHO HAD NOT MENTIONED THE PLO.

9. THERE WAS NO DISCUSSION BETWEEN LORD CARRINGTON AND CHANCELLOR SCHMIDT ON EITHER POLAND OR THE COMMUNITY BUDGET.

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10. THIS WAS ESSENTIALLY A PRIVATE MEETING, AND THE CHANCELLOR WAS SPEAKING VERY FREELY. IT IS CLEARLY IMPORTANT THAT HIS CONFIDENCE BE RESPECTED.

11. FCO PLEASE PASS TO NO 10, BUT CONSULT PRIVATE OFFICE ON FURTHER DISTRIBUTION.

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