



PM/82/81

PRIME MINISTER

Chancellor Kohl

1. You are seeing Herr Kohl privately on 19 October and again ten days later at the Anglo-German Summit. At the first meeting you will no doubt wish to stay off detail and concentrate on establishing personal trust and confidence with Kohl, at the same time fixing three or four key points in his mind.

General

2. You have met Kohl. He is a nice man. He was never impressive in opposition, but I see no reason why he should not develop into a very good Chancellor of the Committee chairman rather than the national leader type. In any case I see every reason to build him up rather than write him down.

3. Kohl is inexperienced, particularly in foreign affairs, his coalition shaky until the elections next March and his country's economy on a downward slope. You will want to make the most of his and your common belief in conservative values, including the family. I would recommend that you welcome the continuity already visible in German foreign policy. This includes the link with France, which is a point of principle for both governments and one of personal interest to Kohl.

/Transatlantic

Transatlantic relations and security

4. Kohl has none of Schmidt's hang-ups about the United States. He wants to lower the transatlantic temperature and get the Alliance functioning better. He will look to you to give a lead in this, and for advice on how to handle Reagan when he meets him shortly. You could rub in the unique contribution made by Britain to the defence of Europe, and the need for this to be acknowledged from time to time by German leaders. You might also mention our belief that it should be possible to get better value out of NATO in terms both of hardware and of political unity. On the last point, sticking to the 1979 decision on INF will be crucial.

East/West Relations

5. Kohl may change the style of Ostpolitik but not its substance. He has already spoken of the need for dialogue and 'real detente'. In the early stages he will be much under the influence of Genscher, and of France. I shall be surprised if there is not soon talk of his meeting Brezhnev, Honecker and other East European leaders. With his ties to West German industry he would not want to see East/West trade damaged. On Poland he will be more interested in showing sympathy for the people than disapproval of the regime. All this means that there will continue to be inevitable differences of perspective between ourselves and the Germans. There is no reason not to acknowledge the fact. But we are at one in seeking to build a new transatlantic consensus on East/West relations as a whole, taking Shultz's statement at La Sapiniere as the basis; as also on the urgent need for the United States to lift its sanctions against European firms.

/Community

Community Questions

6. Kohl has said that it is a mistake to think of Europe in terms of figures, and he will not have mastered them yet. He has spoken of 'new impulses', by which he means the Genscher/Colombo proposals for a new European Act/Charter/Declaration - the name is still unsettled. His Cabinet has only looked at this in a preliminary way but is reported to have taken the initial view that there is no reason for a change in the Community's financial arrangements.

7. You will want to start off with some warm words about Britain's commitment to membership and to the Community's future success and development. On Genscher/Colombo, it would be tactically unwise to criticise the proposals as such: they are innocuous in substance. But you will want to explain the difficulties: neither Parliament nor public opinion will understand our going forward with such a plan if the Community is not at the same time seen to be tackling effectively the nuts and bolts issues which confront it. Of these the budget is crucially important. You could say that within a short time of taking office you found it necessary to have mastered all the figures, and that you found them to constitute an unanswerable case for change. You could stress the common interest of Britain and Germany as the two sole net contributors both in restraining Community expenditures, particularly on the CAP, and in ensuring a fair sharing of the burden. You could perhaps express surprise that the previous government in Bonn drew so few operational conclusions from this fact. Detailed discussion will be necessary at the Summit. The problem will bulk large at the European Council in December unless there has been marked progress by then.

/World



World Economy

8. Here I suggest that you concentrate on the arguments for advancing the date of the next Economic Summit meeting. Kohl may be sympathetic: the German banks are as heavily involved in all the problems as our own, and he will be looking for international stages to appear on.

Other Questions

9. I shall be meeting Genscher while you are talking to Kohl, and the plan is for us to join you at dinner, with a few officials present.

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(FRANCIS PYM)

Foreign and Commonwealth Office
14 October 1982

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With the compliments of

WESTERN EUROPEAN
DEPARTMENT

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As requested

FOREIGN AND COMMONWEALTH OFFICE,
LONDON, SW1A 2AH

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13 OCT 1982

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FM BONN 121828Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 863 OF 12 OCTOBER

INFO ROUTINE UKREP BRUSSELS PARIS

INFO SAVING ATHENS EMBASSY BRUSSELS COPENHAGEN DUBLIN THE HAGUE
LUXEMBOURG ROME

wjlb 13/10

VISIT OF CHANCELLOR KOHL TO LONDON ON 19 OCTOBER

1. THIELE (FEDERAL CHANCELLERY) TOLD HANCOCK TODAY THAT CHANCELLOR KOHL'S MAIN AIMS WOULD BE TO LAY THE BASIS FOR AN EFFECTIVE PERSONAL DIALOGUE WITH THE PRIME MINISTER AND, AT THIS EARLY OPPORTUNITY, TO PRESENT HIMSELF AS THE NEW HEAD OF THE GERMAN GOVERNMENT. REFERRING TO KOHL'S VISIT TO PARIS, THIELE SAID THAT THE TIMING HAD BEEN DICTATED LARGELY BY THE FACT THAT MITTERRAND WAS DUE TO VISIT BLACK AFRICA AND OTHERWISE COULD NOT HAVE RECEIVED KOHL UNTIL MUCH LATER.

2. ON THEMES FOR DISCUSSION, THIELE SAID THAT EAST/WEST RELATIONS AND THE US/EUROPEAN RELATIONS WOULD NATURALLY FIGURE. HE DID NOT EXPECT THAT THERE WOULD BE ANY SIGNIFICANT DIFFERENCE OF VIEWS BETWEEN KOHL AND THE PM. BUT HE THOUGHT THAT KOHL WOULD BE APPRECIATIVE IF THE PM FELT ABLE TO GIVE HIM SOME ADVICE ON HOW TO HANDLE HIS DISCUSSIONS WITH REAGAN, WHOM HE EXPECTED TO VISIT PROBABLY IN NOVEMBER. BUT HE DID NOT THINK THAT KOHL WOULD WANT TO GO INTO DETAIL ABOUT THE FORM SOLUTIONS TO PRESENT PROBLEMS - EG THE PIPELINE - SHOULD TAKE. TO DATE, KOHL HAD BEEN ENTIRELY PRE-OCCUPIED WITH DOMESTIC PROBLEMS AND THE PREPARATION OF THE GOVERNMENT'S POLICY DECLARATION TO BE PRESENTED TOMORROW IN THE BUNDESTAG. OFFICIALS PLANNED TO INTRODUCE HIM STAGE BY STAGE TO INTERNATIONAL ISSUES IN THE HOPE THAT HE WOULD BE FULLY BRIEFED IN TIME FOR THE EUROPEAN COUNCIL AT THE BEGINNING OF DECEMBER.

3. ON THE NEW GOVERNMENT'S REFERENCE TO THE NEED TO GIVE QUOTE NEW IMPULSES UNQUOTE TO THE COMMUNITY, THIELE SAID THAT WHAT THEY HAD IN MIND WAS THE GENSCHER/COLOMBO PLAN. HE ADDED THAT AS FAR AS THE COMMUNITY'S FINANCES WENT THE CABINET AT ITS MEETING LAST WEEK HAD CONFIRMED THAT GERMAN POLICY SHOULD CONTINUE ON EXISTING LINES IE THAT THERE WAS NO CALL FOR A CHANGE IN THE COMMUNITY'S FINANCIAL ARRANGEMENTS. THIELE ALSO SAID THAT IN ADDITION TO THE NEED THE GERMANS SAW FOR THE COMMUNITY TO MAKE PROGRESS ON INSTITUTIONAL ISSUES, THERE WAS ALSO THE NEED TO TAKE ACCOUNT OF THE COMMUNITY'S PRESENT UNEMPLOYMENT PROBLEM. THE FIRST RESPONSIBILITY LAY WITH MEMBER GOVERNMENTS, BUT THE COMMUNITY COULD SUPPORT NATIONAL EFFORTS BY STREESING THE NEED FOR ECONOMIC POLICIES TO BE MUTUALLY SUPPORTIVE

THERE MIGHT ALSO BE SCOPE FOR SPECIFIC ACTION IN RELATION TO YOUTH UNEMPLOYMENT AND ON THAT HEAD HE DID NOT RULE OUT THE POSSIBILITY OF NEW FINANCING.

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4. THIELE EXPECTED THAT KOHL WOULD SEE A CLEAR DISTINCTION BETWEEN HIS MEETING WITH THE PM NEXT WEEK THAT WOULD HAVE THE CHARACTER OF A LARGELY PERSONAL EXCHANGE REFERRED TO IN PARA 1 ABOVE AND THE MEETING AT THE ANGLO-GERMAN CONSULTATIONS WHERE THE TWO HEADS OF GOVERNMENT WOULD HAVE THE OPPORTUNITY TO GO INTO DETAIL.
FCO PLEASE PASS SAVING ADDRESSEES.

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RR WASHINGTON

Add to list for Dr Kohl

Ps, Ps/POS

RR TOKYO

Ps/Mr. Hurd,

RR ROME

Ps/Ld Belstead,

Sis. T. Bullard,

RR TRAFFIC RELAY

Mr. Goodison

Hd News Dept

GRS 1005

~~Re to Downing St (2)~~

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TO IMMEDIATE FCO

TELEGRAM NUMBER 872 OF 14 OCTOBER

INFO ROUTINE UKREP BRUSSELS UKDEL OECD PARIS WASHINGTON TOKYO

ROME BNG BERLIN

INFO SAVING THE HAGUE COPENHAGEN ATHENS DUBLIN LUXEMBOURG ALL CONSULATES-GENERAL IN THE FRG CICC(G)

MY TEL 868 AND MIPT: CHANCELLOR KOHL'S BUNDESTAG STATEMENT , 13 OCTOBER: ECONOMIC AND SOCIAL POLICIES.

SUMMARY

1. WELL OVER HALF OF KOHL'S 27-PAGE POLICY STATEMENT WAS DEVOTED TO ECONOMIC AND SOCIAL ISSUES. THE LEITMOTIV WAS QUOTE AWAY FROM THE STATE: BACK TO THE MARKET UNQUOTE. AFTER ANALYSING THE CAUSES OF THE PRESENT ECONOMIC AND FINANCIAL CRISIS , HE SAID THAT THE GOVERNMENT'S FIRST PRIORITY WAS THE CREATION OF NEW JOBS FOLLOWED BY THE PRESERVATION OF THE SOCIAL SECURITY SYSTEM. URGENT ACTION WAS NEEDED. HE OUTLINED A 10-POINT PROGRAMME TO DEAL WITH UNEMPLOYMENT AND

~~PRESERVATION OF THE SOCIAL SECURITY SYSTEM. URGENT ACTION WAS NEEDED.~~
HE OUTLINED A 10-POINT PROGRAMME TO DEAL WITH UNEMPLOYMENT AND A 6-POINT PLAN OF ACTION FOR STABILISING THE SOCIAL SECURITY SYSTEM. THE AIM OF THESE MEASURES WAS TO SHIFT PUBLIC AND PRIVATE SECTOR SPENDING FROM CONSUMPTION TO INVESTMENT, TO REDUCE PUBLIC INDEBTEDNESS AND TO INCREASE INDIVIDUALS' CONTRIBUTION TO THE FINANCING OF BENEFITS FROM THE SOCIAL SECURITY SYSTEM. HE ACKNOWLEDGED THAT THE ECONOMY'S PROBLEMS COULD NOT BE SOLVED IN THE COURSE OF THE NEXT FEW MONTHS, THAT MATTERS MIGHT WELL GET WORSE BEFORE THEY GOT BETTER AND THAT THE EARLIEST UPTURN IN THE ECONOMY COULD NOT OCCUR BEFORE THE SECOND HALF OF NEXT YEAR. LOOKING BEYOND THE ELECTIONS SCHEDULED FOR NEXT MARCH HE SAID THE GOVERNMENT INTENDED TO GIVE PRIORITY TO THE PRINCIPLE OF QUOTE SUBSIDIARITY UNQUOTE - A CENTRAL IDEA IN THE PHILOSOPHY OF GERMAN CHRISTIAN DEMOCRATIC POLITICAL THEORY. THE STATE'S ROLE WAS TO PROVIDE CONDITIONS IN WHICH INDIVIDUALS COULD FULFILL THEIR POTENTIAL. IT SHOULD NOT THEREFORE ASSUME FUNCTIONS AND RESPONSIBILITIES THAT SMALLER UNITS, LAENDER, LOCAL AUTHORITIES, CITY COUNCILS, FAMILIES AND INDIVIDUALS THEMSELVES COULD DISCHARGE.

DETAIL

ANALYSIS

2. AS A RESULT OF 2 YEARS' ECONOMIC STAGNATION UNEMPLOYMENT, ESPECIALLY YOUTH UNEMPLOYMENT, HAD RISEN DRAMATICALLY. THE INVESTMENT RATIO HAD SUNK FROM 24 PERCENT TO 21 PERCENT. INDUSTRY'S CAPITAL RATIO HAD ALSO SUNK FROM 26 PERCENT TO 21 PERCENT. THIS COMBINATION KILLING GROWTH AND JOBS HAD EXPOSED AND EXACERBATED THE UNDERLYING CHAOS IN THE PUBLIC FINANCES. FEDERAL DEBT BY THE END OF THE YEAR WOULD BE OVER DM 300 BILLION. TOTAL PUBLIC SECTOR DEBT WOULD BE AROUND DM 700 BILLION. BY THE END OF THE YEAR THE SERVICING OF PUBLIC DEBT WOULD AMOUNT TO DM 60 BILLION PER ANNUM. UNLESS PROMPT ACTION WAS TAKEN THE BUND WOULD NEED TO BORROW BETWEEN DM 55-60 BILLION TO FINANCE THE 1983 BUDGET. SOCIAL SECURITY FUNDS WERE EXHAUSTED AND THIS NOTWITHSTANDING THE FACT THAT DURING THE LAST 12 YEARS CONTRIBUTIONS HAD RISEN CONSIDERABLY. THE WORLDWIDE RECESSION HAD EXACERBATED GERMANY'S DIFFICULTIES BUT THE GERMANS THEMSELVES HAD ALSO MADE MISTAKES. THEY HAD ALLOWED THE GERMAN ECONOMY TO BECOME OVER-BURDENED. THE FINANCIAL CLAIMS OF THE STATE AND THE SOCIAL SECURITY SYSTEM WERE BASED ON OPTIMISTIC ASSUMPTIONS ABOUT HEALTHY AND CONTINUOUS ECONOMIC GROWTH. WHEN GROWTH FAILED THE RIGHT CONCLUSIONS HAD NOT BEEN DRAWN. AN EARLIER CORRECTION OF ECONOMIC POLICY COULD HAVE BEEN ACHIEVED WITHOUT MUCH PAIN. BUT MATTERS HAD BEEN ALLOWED TO DRIFT. AND CITIZENS WOULD NOW HAVE TO BE PREPARED TO MAKE SACRIFICES.

TO MAKE SACRIFICES.

NEW JOBS

3.1. THE GOVERNMENT WILL INCREASE FUNDS FOR REGIONAL DEVELOPMENT, AGRICULTURAL RESTRUCTURING, HOSPITAL BUILDING AND URBAN RENEWAL PROGRAMMES TO SHIFT THE BALANCE IN PUBLIC SPENDING IN FAVOUR OF INVESTMENT RATHER THAN CONSUMPTION; EASE THE TAXATION BURDEN ON SMALL AND MEDIUM SIZED FIRMS; AND RELEASE THE PROCEEDS OF THE PROPOSED VAT INCREASE TO PRIVATE SECTOR INVESTMENT.

II. USE THE DM 2.5 BILLION PROCEEDS FROM THE PROPOSED OBLIGATORY LOAN BY HIGHER RATE TAXPAYERS TO STIMULATE HOUSING CONSTRUCTION.

III. HELP TO CHECK THE RISE IN THE BANKRUPTCY RATE BY HELPING NEW BUSINESS START-UPS AND THE TAKE-OVER OF AILING COMPANIES.

IV. FURTHER THE CREATION OF MORE TRAINING PLACES FOR YOUTH BY REMOVING ADMINISTRATIVE OBSTACLES.

V. HELP COMPANIES IMPROVE PROFITABILITY AND THUS INCREASE CAPITAL FORMATION, IN THE FIRST PLACE BY REDUCING THE BURDEN OF TRADE TAX PAYABLE TO LOCAL AUTHORITIES.

VI. IMPROVE OPPORTUNITIES FOR THE APPLICATION AND DEVELOPMENT OF ADVANCED TECHNOLOGY, ESPECIALLY IN COMMUNICATIONS. THE FEDERAL POST AUTHORITIES WOULD HAVE A PARTICULAR ROLE TO PLAY IN THIS FIELD. A FUTURE ORIENTED TRANSPORT POLICY WAS IMPORTANT FOR GROWTH AND JOBS.

VII. RATIONALISE ENERGY SUPPLY WITH THE EMPHASIS ON DOMESTIC COAL AND NUCLEAR ENERGY. THE GOVERNMENT WILL STAND BY THE STEEL INDUSTRY IN ITS ADAPTATION PROBLEMS; CAPACITY WILL HAVE TO BE REDUCED.

VIII. STAND FOR FREEDOM OF INTERNATIONAL TRADE, PAYMENTS AND CAPITAL MOVEMENTS. THE GOVERNMENT REJECTS PROTECTIONISM OF ANY KIND AND SUPPORTS GATT.

IX. WILL MAINTAIN MONETARY AND EXCHANGE RATE POLICIES AIMED AT FIGHTING INFLATION AND SUPPORT AN INDEPENDENT BUNDESBANK.

X. EXERCISE BUDGETARY DISCIPLINE AND BRING NEW BORROWING UNDER CONTROL.

THE SOCIAL SECURITY SYSTEM

4. BENEFITS WILL BE CONCENTRATED ON THE NEEDY. THE GOVERNMENT HAD DECIDED THAT:

DECIDED THAT:

I. THE PENSIONS INCREASE (5.6 PERCENT) DUE IN 1983 BE POSTPONED FOR 6 MONTHS. PENSIONERS' CONTRIBUTION TO HEALTH INSURANCE ALSO TO BE POSTPONED FOR SIX MONTHS, BUT THEIR CONTRIBUTIONS TO BE RAISED IN EACH OF THE FOLLOWING TWO YEARS.

II. CONTRIBUTIONS BY THE FEDERAL LABOUR OFFICE TO PENSIONS INSURANCE FOR THE UNEMPLOYED WILL BE BASED ON THE LEVEL OF UNEMPLOYMENT BENEFIT PAID.

III. PATIENTS WILL HAVE TO CONTRIBUTE TO THE COST OF IN-PATIENT HOSPITAL TREATMENT FOR FIRST 14 DAYS. BUT THE FEDERAL GOVERNMENT WILL NOT IMPLEMENT THE PREVIOUS DECISION TO REDUCE CONTRIBUTIONS BY THE FEDERAL LABOUR OFFICE TO HEALTH INSURANCE.

IV. THOSE WISHING TO RETIRE EARLY SHOULD HAVE THE POSSIBILITY OF DOING SO BUT WITHOUT PLACING EXTRA BURDENS ON THE PENSION FUND.

V. A BILL SHOULD BE INTRODUCED IN THE NEXT LEGISLATIVE PERIOD TO ADJUST THE PENSION SYSTEM TO THE CHANGED DEMOGRAPHIC AND ECONOMIC CONDITIONS.

5 .ON FAMILY POLICY , THE FEDERAL CHANCELLOR LOOKING BEYOND THE NEXT ELECTION STRESSED THE AIM OF THE GOVERNMENT TO AVOID WOMEN STAYING AT HOME BEING DISADVANTAGED THROUGH THE SOCIAL SECURITY SYSTEM. CHILD ALLOWANCES WOULD NOT BE CUT ACROSS THE BOARD BUT HIGHER INCOME PARENTS WOULD HAVE TO MAKE DO WITH LESS. INCOME TAX RULES WOULD BE CHANGED TO HELP FAMILIES. ASSISTANCE FOR THE HOUSING SECTOR WOULD SERVE THE SAME PURPOSE AND CREATE FAVOURABLE CONDITIONS FOR REVERSING THE CATASTROPHIC RESULTS OF THE FALL IN THE BIRTH RATE. FCO PLEASE PASS SAVING ADDRESSEES EXCEPT CONSULATES-GENERAL IN THE FRG.

~~NEW~~ [PASSED BY C. O. D.]

TAYLOR

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RR UKMIS NEW YORK

RR UKDEL NATO

RR PARIS

RR MOSCOW

RR WASHINGTON

RR UKREP BRUSSELS

RR EAST BERLIN

RR TRAFFIC RELAY

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FM BONN 141418Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 871 OF 14 OCTOBER

INFO ROUTINE UKMIS NEW YORK UKDEL NATO PARIS MOSCOW WASHINGTON

UKREP BRUSSELS BMG BERLIN EAST BERLIN

INFO SAVING ATHENS BRUSSELS DUBLIN COPENHAGEN THE HAGUE LUXEMBOURG

ROME CICC(G) CONSULATES-GENERAL IN THE FRG

MY TELNO 868: CHANCELLOR KOHL'S BUNDESTAG STATEMENT, 13 OCTOBER:
FOREIGN AND SECURITY POLICY.

1. THE SECTION OF THE CHANCELLOR'S STATEMENT COVERING FOREIGN AND SECURITY POLICY WAS FULLY IN LINE WITH HIS EARLIER PRONOUNCEMENTS (MY TELNO 827) AND WITH THE COALITION AGREEMENT OF 28 SEPTEMBER (MY TELNO 809).

2. KOHL SAID THAT THE FRG'S FRIENDS AND ALLIES SHOULD KNOW THAT THEY HAD A RELIABLE PARTNER IN THE FRG. ~~THE BASIS OF THE NEW GOVERNMENT'S~~

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Hd EESD, Hd POSS (2)

Ps, Ps/POS

Ps/Mr. Hurd,

Ps/Ld Belstead

Sir. J. Bullard,

Mr. Goodison

Hd News Dept.

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~~HAD A RELIABLE PARTNER IN THE FRG.~~ THE BASIS OF THE NEW GOVERNMENT'S FOREIGN AND SECURITY POLICY WOULD BE THE ATLANTIC ALLIANCE AND FRIENDSHIP WITH THE US. HE SPELT OUT HIS GOVERNMENT'S PRIORITIES UNDER 7 HEADINGS:

I) THE NEW GOVERNMENT WOULD QUOTE FREE US/FRG RELATIONS FROM THE SHADOWS UNQUOTE AND CONSOLIDATE US-FRG FRIENDSHIP. TO THIS END, KOHL WOULD VISIT WASHINGTON THIS YEAR.

II) THE GOVERNMENT STOOD SQUARELY BY THE ATLANTIC ALLIANCE. IT WAS THE BASIS FOR THE FRG'S ACTIVE PEACE POLICY. THE GOVERNMENT ACCEPTED WITHOUT RESERVATION THE ALLIANCE'S POLICY ON RELATIONS WITH THE EAST AS SET OUT IN THE HARMEL REPORT AND CONFIRMED AT THE NATO SUMMIT IN BONN. THE GOVERNMENT SOUGHT A FAIR DIVISION OF BURDENS WITHIN THE ALLIANCE.

III) THE GOVERNMENT'S URGENT AIM WAS, BY NEGOTIATION, TO ACHIEVE AND MAINTAIN A MILITARY BALANCE AT THE LOWEST POSSIBLE LEVEL. IT SUPPORTED THE ALLIANCE'S APPROACH ON ARMS CONTROL. IT STOOD FULLY BY THE NATO DOUBLE DECISION IN BOTH ITS PARTS. ONLY IF THE SOVIET UNION SAW THAT IT WOULD HAVE TO RECKON WITH US DEPLOYMENT AT THE END OF 1983 WOULD IT BE READY TO NEGOTIATE SERIOUSLY. THE GOVERNMENT SUPPORTED THAT WESTERN OBJECTIVE OF A ZERO SOLUTION AND CALLED UPON THE SOVIET UNION TO REACT POSITIVELY TO IT. THE GOVERNMENT SUPPORTED ALLIANCE POSITIONS ON START AND MBFR. IT WANTED AN ARMS CONTROL FORUM FOR ALL EUROPE WITHIN THE FRAMEWORK OF THE CSCE. IT ALSO WANTED A CDE DESIGNED TO ADOPT CBMS FOR ALL EUROPE, AND A BAN ON ALL CHEMICAL WEAPONS:

IV) THE GOVERNMENT WANTED TO MAKE PROGRESS TOWARDS THE POLITICAL UNIFICATION OF EUROPE. IN THIS CONTEXT FRANCO/GERMAN FRIENDSHIP WAS IMPORTANT. EUROPEAN INSTITUTIONS SHOULD BE MADE MORE EFFECTIVE. THE COUNCIL OF MINISTERS SHOULD ONCE AGAIN BECOME THE CENTRAL BODY OF THE COMMUNITY. QUOTE IN THE CASES FORESEEN BY THE TREATIES, IT MUST REACH ITS DECISIONS BY MAJORITY VOTING. UNQUOTE. THE EUROPEAN PARLIAMENT SHOULD BE STRENGTHENED. ITS POWERS SHOULD BE ENLARGED AND ITS WORK ON A EUROPEAN CONSTITUTION DEVELOPED. THE GOVERNMENT SUPPORTED PORTUGUESE AND SPANISH ACCESSION. THE COMMUNITY SHOULD INCREASE ITS EFFORTS TO CREATE EMPLOYMENT OPPORTUNITIES AND IRON OUT REGIONAL IMBALANCES. THE COMMON AGRICULTURAL POLICY WOULD CONTINUE TO PLAY AN IMPORTANT ROLE IN THE DEVELOPMENT OF EUROPE. SO TOO WOULD THE GERMAN/ITALIAN INITIATIVE FOR A EUROPEAN ACT:

V) ON THE BASIS OF THE EXISTING TREATIES AND THE HELSINKI FINAL ACT, THE NEW GOVERNMENT WOULD WORK FOR QUOTE REAL UNQUOTE DETENTE, DIALOGUE AND COOPERATION, AND THE CONTINUATION OF THE CSCE PROCESS. THE AIM WOULD BE TO MAKE THE DIVISION OF GERMANY QUOTE TOLERABLE UNQUOTE AND DEVELOP GOOD RELATIONS WITH CENTRAL AND EAST EUROPE. THE GOVERNMENT WOULD PAY PARTICULAR ATTENTION TO RELATIONS WITH THE

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SOVIET UNION AND WORK FOR THEIR FURTHER DEVELOPMENT. BUT THE
GOVERNMENT COULD NOT IGNORE THE PROBLEMS CAUSED BY THE SOVIET UNION'S
INVASION OF AFGHANISTAN, THE SITUATION IN POLAND AND THE SOVIET
ARMS BUILD-UP. ON POLAND, THE GOVERNMENT DEMANDED THE LIFTING OF
MARTIAL LAW: THAT ALL DETAINEES BE RELEASED: THAT DIALOGUE WITH
THE CHURCHES BE CONTINUED: AND THAT THE BAN ON SOLIDARITY BE
LIFTED. AS TO ECONOMIC RELATIONS WITH THE SOVIET UNION AND THE
EASTERN BLOC, THE SECURITY INTERESTS OF THE WEST WOULD HAVE TO BE
FULLY TAKEN INTO ACCOUNT. THE NEW GOVERNMENT WOULD BE GUIDED BY
EXISTING TREATIES, THE HARMEL REPORT AND THE DECISIONS OF THE NATO
AND VERSAILLES SUMMIT:

VI) THE NEW GOVERNMENT REGARDED THIRD WORLD POLICY AS AN IMPORTANT
PART OF ITS ACTIVE PEACE POLICY AND WOULD WORK FOR PARTNERSHIP AND
COOPERATION WITH THE THIRD WORLD. MORE PRIVATE INVESTMENT WAS NEEDED
IN THE THIRD WORLD TO HELP DEVELOPMENT. THE GOVERNMENT RESPECTED
THIRD WORLD NON-ALIGNMENT AND INDEPENDENCE:

VII) THE FRG'S ARMED FORCES HAD PLAYED AN ESSENTIAL ROLE IN GUARAN-
TEERING PEACE IN THE PAST AND WOULD CONTINUE TO DO SO. MORE HAD TO
BE DONE TO CONVINCe PEOPLE, ESPECIALLY THE YOUNGER GENERATION, OF
THE PURPOSE AND NEED FOR DEFENCE AND FOR THE ARMED FORCES. COMPULSORY
MILITARY SERVICE WAS UNAVOIDABLE, BUT THE GOVERNMENT WOULD IMPROVE
PROCEDURES FOR HANDLING CONSCIENTIOUS OBJECTORS AND WOULD FURTHER
DEVELOP ALTERNATIVE CIVIC SERVICE FOR THEM.

3. KOHL DEVOTED A SPECIAL SECTION AT THE END OF HIS SPEECH TO
INNER-GERMAN RELATIONS AND BERLIN. GERMAN REUNIFICATION WAS ONLY
CONCEIVABLE IN A QUOTE HISTORICAL PERSPECTIVE UNQUOTE BUT THE GOV-
ERNMENT WOULD RESPECT THE REQUIREMENT LAID ON THE WHOLE GERMAN NATION
BY THE CONSTITUTION (BASIC LAW) TO WORK TOWARDS IT. THE GDR COULD
COUNT ON THE NEW GOVERNMENT RESPECTING ALL EXISTING COMMITMENTS BUT
WOULD BE EXPECTED IN TURN TO SHOW RESPECT FOR THEIR CONTENT AND
SPIRIT. THE NEW GOVERNMENT WOULD CONTINUE, AND DEVELOP, CURRENT
DISCUSSIONS AND NEGOTIATIONS WITH THE GDR, AND WAS INTERESTED IN
COMPREHENSIVE, LONG-TERM AGREEMENTS ON THE BASIS OF THE (1972)
TREATY. BUT IT WAS CONTRARY TO THE FRG VIEW OF FIDELITY TO TREATIES
THAT THE RESOLUTION OF BASIC QUESTIONS LEFT OPEN BY THE TREATY
SHOULD BE MADE A PREREQUISITE FOR THE FURTHER DEVELOPMENT OF
RELATIONS (A REFERENCE TO HONECKER, 1980 GERA DEMANDS). COOPERATION
BETWEEN THE TWO GERMAN STATES SHOULD BE IMPROVED IN THE INTERESTS OF
GERMANY AND EUROPE. INNER GERMAN TRADE WAS AN IMPORTANT ELEMENT
IN THIS COOPERATION. BUT THE GOVERNMENT DEMANDED THE REMOVAL OF
THE INCREASED MINIMUM EXCHANGE REQUIREMENT IMPOSED ON VISITORS BY

~~THE INCREASED MINIMUM EXCHANGE REQUIREMENT IMPOSED ON VISITORS BY~~
THE GDR. SOME PROGRESS ON INNER GERMAN RELATIONS HAD BEEN MADE BUT
NORMALISATION AND THE GOOD NEIGHBOURLY RELATIONS ENVISAGED IN
THE BASIC TREATY WERE STILL A LONG WAY OFF.

4. ON BERLIN, KOHL WELCOMED THE SUPPORT OF THE THREE WESTERN POWERS.
HIS GOVERNMENT FULLY SUPPORTED THE STRICT OBSERVANCE AND FULL
IMPLEMENTATION OF THE FOUR-POWER AGREEMENT; THE DEVELOPMENT OF
BERLIN'S RELATIONS WITH THE FRG; AND THE RIGHT OF THE FRG TO REPRESENT
BERLIN ABROAD. THE GOVERNMENT WOULD PROMOTE THE JOINT EFFORTS
NEEDED TO COMPENSATE FOR BERLIN'S ISOLATION INCLUDING BUDGETARY
HELP, FINANCIAL INCENTIVES AND COMMUNICATIONS. THE GOVERNMENT WOULD
TRY TO IMPROVE THE BERLIN ECONOMY. TO THIS END, KOHL AND THE GOVER-
NING MAYOR WOULD SOON INVITE LEADING GERMAN INDUSTRIALISTS TO BERLIN
TO REVIEW THE POSSIBILITIES.

FCO PLEASE PASS SAVING ADDRESSEES EXCEPT CONSULATES-GENERAL IN THE
FRG.

~~FCO~~ [PASSED BY C. O. D.]

TAYLOR

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SENT AT 141817Z LCD