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NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND THE CHANCELLOR
OF THE FEDERAL REPUBLIC OF GERMANY AT 10 DOWNING STREET ON
TUESDAY 19 OCTOBER

Present:

Prime Minister

His Excellency Dr. Helmut Kohl

Mr. F.E.R. Butler

Herr Horst Teltschik

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Welcoming Dr. Kohl the Prime Minister said that she very much appreciated this early opportunity to discuss with Dr. Kohl both bilateral issues and those which affected the wider world. She particularly would like to hear how things were going in the unusual political situation which had come about in West Germany.

Dr. Kohl said that he would like to have visited London earlier, preferably in his first week. He had however come to Britain on the first opportunity after the statement to the Bundestag of his Government's policy and the debate in it. There had been much to do in settling those policies and in determining the portfolios of the new Government. He suggested that he and Mrs. Thatcher should spend this evening's talks on a tour d'horizon which would enable them to begin their talks in the Anglo/German Summit a week later from the point which they had reached this evening.

Turning to the domestic political situation, Dr. Kohl said that the former coalition had been bound to fall sooner or later. The SPD had been moving to the left, in much the same way as the British Labour party. Herr Schmidt had glossed over this trend for as long as possible, but now that there was a more difficult economic situation and sacrifices were required, Schmidt's party would not accept them. Schmidt was an opportunist, and now that he was out of the Government he was making speeches containing propositions of class warfare, which did not reflect his views or his background but which enabled him to run with the pack. In reply to a question from the Prime Minister, Dr. Kohl said that he did not expect there to be any contest between Schmidt and Brandt for leadership of the SPD. The position of both was secure at present, but he thought that there were nine chances in ten that Schmidt would retire and take up a roving statesman role in

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the style of Kissinger. The only motive which might move him to stay on in politics was spite towards Genscher.

Dr. Kohl said that the FDP had been faced with the choice of either leaving the coalition or of disappearing all together at the next election. Perhaps Genscher had made his decision to leave the coalition six months too late. Dr. Kohl said that he wanted the FDP to survive at the next election because a coalition was likely to have a bigger majority than his own party would have by itself, and such a majority would enable the Government to get through difficult measures, like the extension of military service from fifteen to eighteen months, without having to call every time on all their rural members. But the SPD were conducting a campaign for Genscher's annihilation of a sort to which Genscher had not been accustomed in his political life, during which it had been customary for the FDP to be wooed from both sides. The FDP were shortly to have their Congress, and there was a good prospect that Genscher would survive this with increased strength provided that the FDP could stop their internal recriminations.

Dr. Kohl said that the new Government had made a good start in its first fortnight and the polls were showing good support for them. One of his problems was the Greens, and the fact that Brandt was moving towards the Greens' position. The arguments of the Greens were attractive to many and simplistic: for example when he had visited Berlin to look at the problems of unemployment there, the Greens had argued against the establishment of any new industry in Berlin. They were opposed to nuclear power and favoured unilateral disarmament and making the Federal Republic a de-militarised zone. He thought that Brandt's aim was to reabsorb the Greens so as to increase the support for his own party. There was a chance, however, that the SPD would now lose the support of skilled labour: skilled labour in Germany was in fact Conservative, although they had been in the habit for many years of voting for the SPD.

Dr. Kohl said that his view on the elections had been that, while it would have been legally possible to wait until 1984, it would not have been politically possible. He had favoured elections

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either in the Spring or the Autumn of 1983, and preferred to get the elections over in good time before the issue of the location of cruise missiles had to be tackled. He did not want that to be an election issue, although he intended to make no secret to voters that he intended to accept the missiles. An important factor in the outcome of the elections would be what happened to the minority parties: if the small parties got less than 5% of the votes so that their share became void, his own party could have a substantially larger majority of the remaining vote, as had happened to Adenauer in the 1950s. One possibility was that the FDP would benefit, as they had before, from the fact that people, who would otherwise have voted CDU, would support them because of their opposition to Strauss. This was what had happened in 1980.

Turning to the economy, Dr. Kohl said that the coalition faced a difficult situation, but that it was widely recognised in Germany that people could not go on spending more than they were earning. He had been saying that this was a spiritual and moral problem: provided that the spiritual and moral atmosphere was right, the economic problems could be solved, not otherwise. This had achieved a substantial response, and he was receiving 300-400 letters a day in support, not from professional politicians but from ordinary people. For more than ten years it had been unfashionable to use the word "prayer" in the German Parliament, but a more spiritual approach had evoked a response from the people across all denominations. It had been possible to see the economic problems coming for some time, and his main reproach to Schmidt was that he did not recognise them two years ago. It would not be necessary for any belts to be tightened or for people to starve, but it was a case of cutting out things which could not be afforded. One measure he had taken was to stop student support where this was not conditional on repayment or on proof of passing examinations. Similarly in the schools, his Government was prepared to support the socially weaker families, but would not finance motorcycles for middle class children to use to get to school. They were trying to deal with situations in which people could get as much social support in unemployment as they could through working and in which they could too easily get sickness certificates.

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They were proposing to relate unemployment pay to the number of years for which people had contributed to unemployment insurance.

Dr. Kohl said that the Government's main efforts to get the German economy moving would be through helping small and medium businesses. They were also trying to promote research by enabling it to be offset against taxation, instead of the system of specific grants which had previously applied. They were tackling their fiscal problems by an increase in VAT, by postponing for six months the annual adjustment in pensions and by limiting the increase in Civil Service pay for the following year to 1½%. The powerful Civil Service union was so far acquiescing in this. They could not determine the outcome of pay bargaining in the private sector, but they were trying to work through the Länder to encourage a six month pay pause and were appealing to specific well-paid groups like the doctors to accept a voluntary pause for, say, one year. Their main dispute with the Socialists was on the question of a special tax on high incomes, which they were reluctant to proceed with for fear of discouraging the job creators: Dr. Kohl thought that a better alternative was to reintroduce Erhard's ideas of an obligatory three-year interest free loan of 5% from people on middle incomes. They were proposing tax relief for craftsmen who wanted to plough back a larger part of their income into their own businesses and, working through small business organisations, they were encouraging firms to help with the bulge in the birth rate by taking on double the number of apprentices over the next four years.

The Prime Minister said that much of the approach to economic problems in Britain had been very similar. The British Government had seen the problems of our economy in a moral context and had insisted on the re-establishment of sound money. We had tried to oppose those who said that the welfare state meant people having whatever they wanted at the expense of their neighbours. We were also encouraging training schemes to deal with unemployment among young people, but a difference between the British and the German situation was that overmanning had been a problem for many years and firms had been shedding labour rather than taking on additions. Dr. Kohl said that other measures which the German Government were taking to try to get the economy moving were to

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end the moratorium on nuclear power stations, although even with their best efforts from now on they would be well behind both France and East Germany. They were also encouraging the modernisation of equipment in German industry, which had been installed after the war but was now becoming obsolescent. He was optimistic about the response which these policies were evoking among the German people.

Turning to foreign affairs, Dr. Kohl said that the Russians had made strenuous efforts to woo the new Government. Ten days ago he had had to invite the American Ambassador to be photographed with him, so that he was not continually shown as being photographed with the Russians. The policy of his Government would be that West Germany would be a reliable partner, unambiguously part of the Western Alliance and of the Atlantic bridge. They would be full friends and partners of the United States and the other members of the European Community. They hoped that there would be progress in the disarmament negotiations, but were resolved that the cruise missiles would be installed if there were not: he had told the Russians that it was up to them. As regards the gas pipeline, they had not been responsible for initiating the project but took the view that contracts had to be fulfilled. He had told the Russians that what was going on in Poland would never be approved by his Government and that he would not stop talking about Afghanistan until the Russians withdrew. The way in which he had so far been portrayed in Pravda had been equivocal.

The Prime Minister recalled that during their last meeting, Dr. Kohl had estimated that 60-70% of the German population would support the siting of the cruise missiles in West Germany if necessary. She shared the view that Europe must stick together as loyal and true partners in support of the United States. Britain and West Germany must play a leading role in this: President Mitterrand was also staunch on nuclear deterrence, but the French deterrent was not fully integrated into NATO. She greatly regretted the differences with the Americans over the pipeline, but having made contracts Britain was bound to keep them. We had supported President Reagan at the Versailles Summit in his proposals for reducing credit and interest rate subsidies to the Russians:

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unfortunately other countries had not given equal support and that was largely responsible for the present difficulties. She had the clear impression that the Americans now recognised that the action which they had taken over the pipeline was a mistake and were looking for a way out: she hoped that the Europeans would be able to produce a package of measures which would enable the Americans to abandon their sanctions. Similarly, on steel she knew that the German Government had a crucial Cabinet meeting on the following day and hoped that they would agree to participate in the programme of European restraints on exports to the United States so that the imposition of the United States tariff could be avoided.

Dr. Kohl said that he would be grateful for the Prime Minister's advice on how he should approach his talks with President Reagan when he visited Washington in a fortnight's time. He felt that the Americans did not understand the difficulties for the European Governments in achieving acceptance of the cruise missiles: for example 30-40% of evangelical churchmen in Germany were in favour of unilateral disarmament. The Americans had to help European Governments more over this issue, and actions like the sanctions on the Siberian pipeline and the American sales of grain to the USSR made the position of European Governments much more difficult. The recent action of the Pope in initiating the canonisation of a Polish priest had done more to affect opinion in Poland than the whole of the Reagan policy on sanctions.

The Prime Minister said that she had found it difficult to understand the American actions over grain exports and that the Americans knew that they had made a mistake over the pipeline. The best line for the Europeans now to take was to help them escape from this mistake. She believed that Dr. Kohl should say to President Reagan what he had just said to her. She thought that he would understand it and would respond. He was a honest politician with certain strong views: he felt, as others did, that more should be done to help the Poles and saw in their actions the beginning of the end of the Communist system. If the Russians had allowed the beginnings of freedom in Poland to develop, it would have

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spread like wildfire through the Russian satellite countries and to Russia itself. This was the reason why the Russians had to intervene. President Reagan felt obliged in these circumstances to punish the Russians, but in her view the approach proposed by Chancellor Kohl was better. It was more important to ensure that the Poles continued to get an infusion of Western ideas, for example, by receiving broadcasts from the West.

Dr. Kohl commented that the suppression of Poland was damaging to the European ideal. The Poles were people of strong character which had survived and which was an integral part of Europe. It was important to go on saying that the Russians had broken their word, for example, on the Helsinki Agreement. The situation in Poland was helpful to him in the domestic debate on the cruise missiles as was the experience of young idealist Germans who had tried to take milk supplies to the Polish people and who had been hindered by the Communists. Former Chancellor Schmidt and he had co-operated in arranging a scheme for parcels to be sent with free postage to Poland: this had been withdrawn but reintroduced last Christmas. It was this sort of gesture which made a deep impression both on the Poles and on the German people. The Prime Minister agreed, but commented that the West should avoid giving the impression that a Communist regime in Poland was acceptable as long as it was not under military domination.

Dr. Kohl said that another important aspect was the effect of American actions on the opinion of leaders in Russia as the Brezhnev era came to an end. The Prime Minister agreed, but commented that it would be wrong to regard Brezhnev as a "cosy old grandpa". It had to be remembered that during his period, the Russians had marched into Afghanistan and Poland and had simply ignored the Helsinki Agreement. Dr. Kohl said that he was not a fan of Brezhnev but thought that the next generation would be no better. In this situation it was preferable to have elderly Russian leaders rather than young and vigorous ones, but the domestic difficulties of the Russians were growing. They were not likely to lead to a revolution, but the Russians could not go on tightening the screw indefinitely in trying to support an inefficient system. It was striking that 40% of Russian people were engaged in agriculture and Russia still had to buy food, whereas

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Germany had 5% of its people in agriculture and had a food surplus. Referring to the food surplus, the Prime Minister said that in her view the United States were right to oppose the European sale of subsidised food to Russia. These sales had induced President Reagan to give subsidies to his own agricultural produce, and this was upsetting the world agricultural market.

Dr. Kohl said that, when he had met Brezhnev during the latter's visit to Germany, he had found the experience spooky. Brezhnev had spoken from notes, and had then been given notes with which to carry on the conversation. There was a significant difference between the morning and evening: in the evening, after reading his speech he had seemed incapable of saying another word and had been soon conducted from the room. However, one had to take account of the formidable experience in the Russian Government: Gromyko was the longest serving Foreign Minister and no successor would have similar experience. The Russian people were changing, but their dogma and their party were static. Corruption was increasing, but the virus of freedom could not be excluded. The history of Poland was significant. After 1940, Poland had turned towards the East and Germany had been their main enemy. For a time relations with Russia had been good but now none of their young people were sympathetic with Russia. Only the bayonets remained to enforce the regime.

The Prime Minister agreed that time was on the side of the West, provided that the West played their cards shrewdly. She believed that President Reagan would share Dr. Kohl's view. Dr. Kohl agreed and said that he would be telling President Reagan that, provided the United States took a reasonable view, they had reliable partners in Europe. Britain was of the same family and Germany shared the political convictions of the United States. America had good friends in Europe, provided that it did not regard the relationship as a one-way street. The Prime Minister agreed, commenting that although it was necessary to be patient with the French, President Mitterrand was staunch on the security of Europe. Dr. Kohl agreed, commenting that on security policy, President Mitterrand was more like a Gaullist. At this point the Prime Minister suggested that Dr. Kohl and she should adjourn their discussion until dinner.

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From the Private Secretary

20 October 1982

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Cabinet Office

VISIT OF CHANCELLOR KOHL

I enclose copies of the records of conversation at:

- (a) the Prime Minister's tete-a-tete with the Federal Chancellor;
- (b) the working dinner which followed the tete-a-tete discussion.

I should be grateful if these records could be carefully protected and not circulated beyond Private Offices, except where this is essential for operational reasons.

I am copying this letter and enclosures to John Kerr (HM Treasury), Robert Lawson (MAFF)-Jonathan Spencer (Department of Industry), John Rhodes (Department of Trade), Richard Mottram (MOD) and Richard Hatfield (Cabinet Office).

E. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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