

SUBJECT



10 DOWNING STREET

From the Private Secretary

28 July 1982

Anglo/German Relations

The Foreign and Commonwealth Secretary, accompanied by Sir Jock Taylor, called on the Prime Minister today (your letter of 27 July refers).

The Prime Minister said that she doubted whether the time was ripe for an approach by her to President Reagan about United States economic policy. But Sir Jock Taylor could say to Chancellor Schmidt, if it were felt useful, that she would be prepared to consider an approach at a more appropriate time and would discuss this question with him at the Anglo/German Summit on 28/29 October.

There was some discussion of the details of the Prime Minister's visit to Germany for the Summit. It was agreed that, provided the Summit ended before lunch on 29 October, it might be possible for the Prime Minister both to visit Berlin and to have supper privately with the Chancellor at his house in Hamburg, before returning to London on the evening of 29 October. I should be grateful if you could establish whether this suggestion is acceptable to the Chancellor.

The Prime Minister said that she might be prepared to telephone Chancellor Schmidt after her visit to the Far East in September, to give him an account of her impressions. She also thought it possible that he would ring her when he returned from his present visit to the United States.

As regards the Chancellor's wish that the United Kingdom should now join the EMS, the Prime Minister said that she was loath to consider this again. She would have to discuss it with the Chancellor of the Exchequer and the Governor of the Bank of England. In a sense, we were in a better position to join now that our inflation rate was closer to that of Germany.

There was also some discussion of the SPD's political prospects, Chancellor Schmidt's concern about the world economy,

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is attitude to the EC budget question and the problem which diminishing manpower resources would pose for German defence forces in the 1990s.

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