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CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

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From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A09254

10th August, 1982

My dear Antony,

will request is required.
I have already written to you about one of the subjects which I discussed with Dr. Gerhard Konow, the new State Secretary in the Bundeskanzleramt, when I went to see him on 16th July.

I found Dr. Konow an accessible and friendly man, with good English. He has served before in the Bundeskanzleramt for something like ten years. His particular specialty has been relations between the Federal and Länder Governments, on which he is obviously an expert. He was at some pains to emphasise that he was a career civil servant (a Berufsbeamter), and not a member of the SPD. When he had been asked to accompany Herr Vogel to Berlin, he had demurred, saying that he was not a party member; but Herr Vogel had said that he wanted Dr. Konow for his particular knowledge and experience. I formed the impression that Dr. Konow was much better versed in internal matters than in international affairs.

He talked a certain amount about the state of the Government coalition in Germany. He obviously regarded its future - and with it his own future - as considerably uncertain. He was not even sure that it would last until the date when Federal elections were next due, though he was more inclined to think that it would than that it would not. He said that the trouble about governing Germany was that the parties had to face elections on national issues not just once every four years but once every six months or more, because Land elections tended to be just as much on national as on local issues. The governing coalition had not been comfortable since the last Federal election. The outstanding feature of that had been that people had been invited to vote, and had voted, for a combination of Federal Chancellor Schmidt and the FDP. The Federal Chancellor's electoral standing was much higher than that of his party. Though the FDP had done well in the last Federal election, they had tended to lose to other minority parties, and notably to the "green" party, since that time. As a result, the members of the coalition were looking at every issue primarily for what political advantage they could get out of it for their parties; and this did not make for harmonious relations. It was clear that Dr. Konow saw no possibility of the present

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coalition returning to office after the next Federal elections. There was a strong feeling in the Federal Republic of Germany that, after nearly 15 years of the present coalition, it was time for a change. It was even possible that the CDU might be able to form a majority Government on their own, although at present the leadership appeared to be weak, and it was not at all clear who would lead the CDU into the next election.

Dr. Konow asked about the British political situation and outlook. I said that it had been transformed by the Falklands factor. The Labour Party was still in continuing travail, and it was difficult to see it getting its act together in time for an election. The Alliance between the Liberal Party and the Social Democratic Party seemed to have lost momentum and with it support. The Government's, and above all the Prime Minister's, stand on the Falkland Islands had clearly been very well regarded by public opinion, and the Government were showing majorities of something like 50 per cent in current public opinion polls. But public opinion before the Falkland Islands affair had been uncertain and volatile, and there were differing opinions about the longer-term effect of the "Falklands factor". It was very difficult to predict how political patterns would shift in the year to 18 months before the next General Election.

Dr. Konow and I spent some time on the Falkland Islands affair. I did not detect in him any disposition to be critical; rather, he spoke with some admiration of the Government's determination and success in the operation. He did not seem to demur when I said that, in the light of all that had happened, British Parliamentary and public opinion simply would not understand or accept a proposal to renew negotiations about sovereignty. It was much too early as yet to say what the future might hold for the Islanders. The Islanders had had a traumatic experience, both physically and psychologically, and it would take months if not years to complete a process of rehabilitation. Until the Islanders themselves had settled down, it was difficult to say how they might see their own longer-term future. It might well be that a simple return to colonial rule as it was before the South Atlantic war was not possible. On the other hand complete independence for so small a community hardly seemed viable. The eventual solution seemed likely to be on the lines of greater self-government, with some kind of protecting power, provided either by the United Kingdom or conceivably by an international grouping of one kind or another.

Dr. Konow and I spoke briefly about the problem of German frigates. Dr. Konow stressed the importance of the Argentine orders for frigates for the German shipyards and manufacturers concerned. He hoped that it would be possible to reach some agreement with us which would enable British manufacturers to release the United Kingdom equipment now being held up, though he recognised that there could be no possibility of delivering the frigates if there was a significant danger of resumption of hostilities. I said that I thought that we should shortly be approaching the German Government, to see whether they could

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give us some kind of assurance on these lines that would enable us to release the equipment which was being held back. There was no doubt that the vessels on order from Germany by the Argentine Government would represent a significant improvement of the capacity of the Argentine Navy, which had not played a very large part in the South Atlantic war.

Turning to European Community issues, I first mentioned fisheries. Dr. Konow said that those who had briefed him had suggested that he should not say anything to me about the Federal Chancellor's position; nonetheless, he would tell me that the Federal Chancellor had decided that he would not intervene with the Danish Prime Minister at that time, but that, if the matter was still outstanding when business resumed in the autumn, he would then seriously consider getting in touch with the Danish Prime Minister on this subject. I emphasised, and Dr. Konow seemed to accept, the importance of reaching agreement before 31st December. I said that at one time it had seemed as if one of the difficulties for the Danish Government was the possibility of an election in Denmark between now and the end of the year, but I understood that that possibility seemed now to be receding.

On the British contribution to the European Community budget, I reminded Dr. Konow that discussions were due to begin again in the autumn. Finding Dr. Konow ill-acquainted with the background to the subject, I rehearsed at some length the origins of the problem, including the Community's commitment to deal with unacceptable situations and the failure of the pattern of Community expenditure to alter, during our transitional period, in such a way as to reduce the burden of our net contribution. I suggested that this was a matter on which it ought to be possible for the Federal Republic and the United Kingdom to make common cause. It could not be satisfactory to either of us that we should be the two net contributors to the Community budget, and on such a large scale. I said that I understood that the Federal Chancellor was somewhat disenchanted with certain aspects of the Community. Dr. Konow said that the Federal Chancellor was disenchanted with many aspects of the Community at present. He feared that the issue of the British budget contribution would not be settled in 1982, and that it would have to be settled during the German Presidency in the first half of 1983; he was not looking forward to it. He had been heard to say that the sensible way to deal with it would be for the British, the French and the Germans to get together and arrive at an agreement and then impose it on the smaller members of the Community. I said that there were always difficulties about the "Big Three" ganging up against the smaller members in that way, and the Italians in particular resented being left out of such gatherings. There were less difficulties about "trilateral bilaterals": arrangements whereby the British talked privately to the Germans and to the French and the French and Germans talked privately between themselves, but in waysⁱⁿ which each of the three knew what was going on. I said that I thought that the matter should be taken up in the first place in the Community institutions, and I understood that the Commission was expected to produce a new paper after the summer holiday. We ought to see how that got on.

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Nonetheless, if later down the line Dr. Konow thought that it would be useful for there to be private talks between him and me, he would find me willing to respond; by the same token, I hoped that he would feel able to respond, if there were a suggestion from our side that such a contact might be useful. Dr. Konow agreed.

Dr. Konow said that one of the Federal Chancellor's principal concerns in Community affairs was the renewal of the Association Agreement between the Community and Turkey. This was due for renewal in 1986. If it was renewed in its present form, there would from that time be freedom of movement of people between Turkey and the Community. Germany had been told by Turkey that in that event some 15 million Turks were liable to move from Turkey to the Federal Republic. The Federal Republic already had a population of $4\frac{1}{2}$ million Turks, and that was as much as they could stand. They could not conceivably expose themselves to the risk of receiving another 15 million Turkish people: they would have to leave the Community rather than let that happen. This issue bulked very large in the Federal Chancellor's mind, and he wanted to resolve it during the lifetime of the present German Government. Dr. Konow did not expressly say but I formed the impression that he was suggesting that support for the German position on this matter would affect the Federal Chancellor's view on our budget contribution.

*Yours ever
Robert*

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