



Foreign and Commonwealth Office

London SW1A 2AH

5 January, 1984

*John Selby*

*MS*

Prime Minister.

*Apocalyptic but fascinating,  
as usual.*

*A.S.C. 5/1*

Helmut Schmidt on Current Issues

/ The Prime Minister may be interested to see the enclosed copy of a letter from HM Ambassador in Bonn reporting a recent conversation with Helmut Schmidt.

*John Selby*

*R B Bone*

(R B Bone)  
Private Secretary

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BRITISH EMBASSY,  
BONN.

20 December 1983

Sir J Bullard KCMG  
FCO

cc. SS/PJS  
Mr Wright  
Sir C. Tirkell  
Mr Jenkins  
Mr Hanney

*Alan Julian*

WED. - for short draft letter of thanks please.  
They should be handled with discretion.

HELMUT SCHMIDT ON CURRENT ISSUES

M 21/12

1. I saw Helmut Schmidt, Willy Brandt and Hans Jochen Vogel last week to talk about the way ahead for the SPD after their rejection of INF stationing. I am incorporating what emerged in a despatch on the SPD and INF. Meanwhile, I thought you might find useful a fuller account of my talk with Schmidt. Although now a lonely voice in the SPD, he is still the most respected politician in the FRG and his views remain important.

2. Schmidt was in excellent form. He looked fit and said that his heart was no longer causing problems. Though he must be deeply hurt by the way his party has rejected him, there was no trace of bitterness about his loss of office. On the contrary, he was relaxed and humourous. His new life style as elder statesman and distinguished international lecturer seems to suit him (as well it should at a reported £20,000 per lecture). But, if the old brilliance was still there, so too was the old arrogance. He had hardly a good word for anyone.

The SPD

3. Schmidt was scathing about the SPD. He described it as in nearly as bad a situation as Labour under Foot. It showed no signs of coming to terms with opposition and had no ideas about policy. There were also serious problems over the

/leadership

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leadership. The structure might look clear from the outside but not from within. Vogel, whom he described as a good man with moral integrity, would remain the nominal leader for some time (but, by implication, not very long). Above him "in the super stratosphere" hovered the dreamer (Brandt). It was a recipe for confusion.

### Security Policy

4. Schmidt was contemptuous about the SPD's decision on INF but waved aside fears that the party might go on to espouse a neutralist option. On the other hand, he said that there would be a serious debate within the Party on alternative Alliance strategies. He welcomed this and argued that the emphasis should be on a shift away from nuclear to conventional defence. He agreed that this would cost more, but argued that the Germans would pay up, if it could be shown that such a strategy got away from dependence on the early first use of nuclear weapons. He doubted whether current NATO strategy, which implied the nuclear destruction of the FRG, would find public acceptance here for much longer, irrespective of who was in power.

5. Schmidt argued that, although the FRG would continue to rely on the Allies to counter the threat of Soviet nuclear blackmail (which he clearly takes seriously), it could provide credible conventional defence on its own. He said that the Bundeswehr could field 1.3 million well equipped and, thanks to conscription, well trained men within the first few days of a crisis. This was a larger force than Hitler had ever had. In Russian eyes, it made for pretty effective

/deterrence,



deterrence, and more still could be done at relatively little cost. There was, therefore, no need for the Allies to maintain such large forces in Germany: a token presence would suffice. In any case, he doubted whether public opinion would indefinitely accept the continued presence of large allied forces in the FRG, not least because they were not under German control.

6. To my concern, Schmidt was highly disparaging about BAOR. Of course, he always used to be, but I thought that the Prime Minister had managed to put him straight in 1980. He now argued that BAOR was largely irrelevant and that we should concentrate on the Navy. I took issue with him and I think that he was impressed when I pointed out how rapidly BAOR would itself be built up in a crisis. But he still tried to dismiss this as "less than 10% of the Bundeswehr". This is, of course, an unfair comparison - BAOR would comprise largely front line soldiers whereas, of the 1.3 million Bundeswehr figure given by Schmidt, less than half would be in fighting units. In any case the 1.3 million figure is on the high side and includes the German Navy, Airforce and Territorial commands. Nigel Bagnall shares my concern about the possible damage which Schmidt's views could have. He and I are trying to get Schmidt to a briefing on NORTHAG and 2nd Allied Tactical Air Force in the New Year to put him straight.

#### East-West Relations

7. Schmidt said that the West had no overall concept for East-West relations. The NATO Council earlier this month could have been worse. But an "off-the-cuff" declaration -

Essentially



essentially a dusted off version of the old Harmel philosophy with nothing new - would hardly impress the Russians. There was, however, no concept for East-West relations in the Kremlin either. Schmidt argued that the West should see that the Russians needed time to re-appraise their strategic situation in the wake of INF deployment. The West should try to make things easier for them. But he saw little sign that we would do so, mainly because of the narrow-minded US approach to East-West relations.

### US Leadership

8. Schmidt was contemptuous of the President who was a dilettante. Weinberger was ridiculous. Neither had a clear idea of what they were trying to do. Their ill-judged remarks on East-West and security policy made the problems facing governments in Europe appreciably more difficult. On East-West, Schmidt thought that President Reagan, Weinberger and even Shultz seemed to have learned nothing over the last three years. Bush was the only one who had made any progress. On economic policy, Schmidt was in no doubt that US leaders could see that their measures were damaging for Europe, but claimed that everything now came second to the Presidential election. On the Middle East, Schmidt criticised Shultz for having completely misread the situation. The recent US-Israel understanding was highly dangerous. The US leadership seemed to think that Shamir was a man to be trusted. But he was as much a terrorist as his predecessor, and Schmidt had told US leaders as much.

### EC

9. Schmidt was highly critical about Athens. He commented /contemptuously



contemptuously that heads of government should be able to see that compromise was inevitable. But he affected to see no sign that any one, other than himself, recognised this. He maintained that heads of government were too concerned with narrow national self-interest: none had an overall concept for Europe. Chancellor Kohl was dismissed as completely out of his depth. He accepted that our demand for a budget rebate was legitimate, but added that our concept of Europe should be broader. I spelt out some of our thinking about longer term developments and he seemed genuinely interested. He asked for a written note and I am sending him one.

#### Economic policy

10. There were some familiar Schmidt themes here. He argued that division within the EC prevented European governments from doing anything about the absurdly high US interest rates. This problem was being aggravated by restrictive fiscal and monetary policies in Europe which had resulted in the US, through its high interest rates, importing a net \$30 billion of capital last year. In his usual way, Schmidt claimed that no-one, except perhaps the Prime Minister, could understand this - least of all Kohl. He was therefore gloomy about the outlook. He admitted in reply to my comment that the concept of the US as a safe haven for profitable investment was also in part the cause of capital movement to the US. He saw no likelihood of change in US policies before the Presidential election. So we would be cursed with a high interest rate regime at least until 1985. By then the UK would have 3-4 million unemployed, France close to 3 million, and the FRG well over 2.5 million.

/The



The Prime Minister

11. It is difficult for Schmidt to be complimentary about anybody. But he found it hard to disguise his respect for the Prime Minister. He clearly enjoyed his recent meeting with her at No 10. He sees in her the only head of government in Western Europe who understands economic policy, and he praised her willingness to make clear to the President her concern about the damaging consequences for Europe of US policies. I mentioned Mrs Thatcher's forthcoming visit to Hungary. Schmidt welcomed it and, with his usual condescension, added that the Prime Minister at least had made good progress in her understanding of East-West issues. He was also full of praise for the choice of Lord Carrington as Secretary-General of NATO. This appointment was one of the few bright spots on an otherwise gloomy East-West horizon.

*Yours ever*

*Christopher Mallaby*  
for Jock Taylor

copies to:- Sir J Graham BT KCMG, UKDEL NATO  
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Sir O Wright GCMG, GCVO, DSC, Washington  
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