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No 10

FM BONN 271605Z APR 84

TO IMMEDIATE FCO

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TELEGRAM NUMBER 419 OF 27 APRIL

INFO IMMEDIATE BMG BERLIN (FOR AMBASSADOR) MODUK (FOR PS/S OF S,  
PUS, DUS P, DS12)

INFO SAVING UKREP BRUSSELS UKDEL NATO WASHINGTON PARIS

ASC  
to see

ANGLO-GERMAN SUMMIT, 2 MAY: GERMAN PREOCCUPATIONS

SUMMARY

1. KOHL WILL WANT THE SUMMIT TO BE SEEN AS A SUCCESS, AND IS THEREFORE UNLIKELY TO HARP ON THE BRITISH PRESS CRITICISM OF HIM AFTER THE BRUSSELS SUMMIT. HE WILL BE KEEN TO EXPLORE THE SCOPE FOR PROGRESS ON THE EC BUDGET. HE MAY STRESS HIS WISH TO MAKE STRIDES TOWARDS EUROPEAN UNION BUT HIS IDEAS ON WHAT THIS MEANS AND HOW TO ACHIEVE IT SEEM STILL VAGUE.

DETAIL

2. THE KOHL GOVERNMENT IS GENERALLY DOING WELL, WHILE THE SPD OPPOSITION IS CUTTING VERY LITTLE ICE. WITH INF DEPLOYMENT ON TRACK AND THE GERMAN PEACE MOVEMENT, THOUGH ALIVE, KICKING WITH DIMINSHED VIGOUR, THE GOVERNMENT IS DEVOTING MOST OF ITS DOMESTIC EFFORTS TO THE ECONOMY. ECONOMIC GROWTH HAS RESUMED ON A BROAD FRONT AND IS EXPECTED TO CONTINUE AT LEAST INTO 1985. OUTPUT, EXPORTS AND INVESTMENT ARE GROWING, INFLATION IS STEADY AT 3 PER CENT AND UNEMPLOYMENT HAS STOPPED GROWING AND SEEMS TO BE DECLINING. THE GOVERNMENT'S CHIEF POLICY PREOCCUATION IS THE SHAPE, VOLUME AND TIMING OF INCOME TAX REFORM. DECISIONS OF PRINCIPLE ARE EXPECTED NEXT MONTH THAT COULD PAVE THE WAY FOR TAX CUTS TO BOOST THE ECONOMY BY ANYTHING UP TO DM25 BILLION IN THE PERIOD 1986/88. THE IMMEDIATE PROBLEM IS THE DISPUTE BETWEEN EMPLOYERS AND EMPLOYEES OVER THE UNIONS' DEMAND FOR A 35 HOUR WEEK. ON BALANCE, A COMPROMISE INVOLVING A MUCH SMALLER, AND PERHAPS DELAYED, REDUCTION IN WORKING HOURS SEEMS LIKELY. BUT WIDESPREAD STRIKES ARE NOT EXCLUDED AFTER WORKERS ARE BALLOTTED IN EARLY MAY. IF THEY TAKE PLACE, THE STRENGTHENING RECOVERY WILL BE CHECKED.

3. CERTAIN PROBLEMS CONTINUE TO MAR THE GOVERNMENT'S PUBLIC IMAGE. IN AN UNEVEN MINISTERIAL TEAM, TWO OF THE BRIGHTER STARS HAVE UNCERTAIN FUTURES. LAMSDORFF MAY YET BE TRIED IN THE FLICK PARTY EXPENSES AFFAIR. WOERNER'S JUDGEMENT HAS BEEN CALLED SERIOUSLY INTO QUESTION BY THE KIESSLING AFFAIR AND HIS POLICY TOUCH IS ALSO LOOKING UNSURE AT PRESENT: SEE MY SEPARATE TELEGRAM TO MOD ABOUT BUNDESWEHR MANPOWER. GENSCHER HAS A DEFFERENT KIND OF WORRY: THE FDP'S RATINGS IN THE OPINION POLLS CONTINUE TO BE VERY LOW.

4. THE GERMANS REMAIN SATISFIED WITH THEIR BILATERAL RELATIONS WITH BRITAIN. KOHL WILL NOT WANT TO GIVE A PUBLIC IMPRESSION OF ESTRANGEMENT BETWEEN US, AND THEREFORE, I THINK, WILL SWALLOW HIS UNDOUBTED ANNOYANCE AT BRITISH PRESS CRITICISMS OF HIM AFTER THE BRUSSELS SUMMIT.

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5. KOHL'S FIRST PURPOSE AT CHEQUERS WILL BE TO EXPLORE SOLUTIONS TO THE COMMUNITY FINANCING PROBLEM. HE FEELS THAT THINGS HAVE REACHED A POINT WHERE FURTHER DELAY WILL DIMINISH PROSPECTS OF SUCCESS. HE HAS COME UNDER VERY HEAVY PRESSURE FOR NOT HAVING DEFENDED GERMAN INTERESTS EFFECTIVELY. ALTHOUGH SOME OFFICIALS SEEM WILLING TO MOVE ABOVE 1000 MECU AS THE BASE FIGURE FOR THE SYSTEM, THERE ARE NO INDICATIONS THAT KOHL HIMSELF IS READY TO DO SO. HE MAY TROT OUT AGAIN THE - TO US UNACCEPTABLE - ARGUMENT THAT THE FEDERAL GOVERNMENT HAS ALREADY AGREED TO PAY UP HEAVILY FOR THE MCAS ARRANGEMENT.

6. KOHL WILL PROBABLY REITERATE HIS COMMITMENT TO REANIMATE THE EUROPEAN IDEAL, BY MOVES TOWARDS POLITICAL UNION ONCE THE POST-STUTTGART NEGOTIATIONS ARE OVER. HE WILL NOT BE ABLE TO DEFINE POLITICAL UNION BEYOND PERHAPS REITERATING THAT IT MUST BE MORE THAN A FREE TRADE AREA PLUS POCO. HIS IDEAS ON STEPS TOWARDS THIS HAZY GOAL SEEM STILL TO BE UNFORMED. HE HAS EVIDENTLY TOYED WITH IDEAS FOR A TWO-SPEED EUROPE, BUT I DOUBT THAT THESE HAVE TAKEN FIRM ROOT IN HIS MIND. THE BUDGET ARGUMENT HAS INCREASED DOUBTS IN GERMANY ABOUT HOW STRONGLY THE UK IS COMMITTED TO THE DEVELOPMENT OF EUROPE. THE MORE WE CAN CONVINCE KOHL THAT WE ARE COMMITTED TO HELPING TO DEVELOP THE COMMUNITY ON A REALISTIC BASIS, THE MORE HE MAY BE WILLING TO TAKE ~~OUR VIEWS INTO ACCOUNT AS HIS OWN IDEAS DEVELOP.~~ OUR VIEWS INTO ACCOUNT AS HIS OWN IDEAS DEVELOP.

7. KOHL AND GENSCHER WILL PROBABLY BE KEEN TO EXCHANGE VIEWS ON THE ACTIVATION OF WEU, NOW THAT THE UK'S ATTITUDE HAS MOVED CLOSER TO THEIRS. ALTHOUGH KOHL IS WONT TO SPEAK OF STRENGTHENING THE EUROPEAN PILLAR IN THE ALLIANCE, HIS GOVERNMENT'S DIFFICULTIES IN MAINTAINING ITS PRESENT DEFENCE CAPACITY MUST MAKE HIM REALISE THAT THE MOST THAT MAY BE POSSIBLE IN THE NEAR TERM IS BETTER COORDINATION OF EUROPEAN POSITIONS ON DEFENCE POLICY SUBJECTS. WHILE I HAVE NO EVIDENCE THAT MUCH PROGRESS HAS BEEN MADE IN THE FRANCO-GERMAN DEFENCE POLICY CONSULTATIONS, WE HAVE AN INTEREST IN KNOWING WHAT HAS PASSED AND I SUGGEST THAT MINISTERS SHOULD ASK ABOUT THIS.

8. IN THE WIDER WORLD, THE GERMANS REGRET THAT THE RUSSIANS HAVE BOXED THEMSELVES INTO A CORNER IN EAST/WEST RELATIONS, BUT ARE NOT AT PRESENT CALLING FOR WESTERN CONCESSIONS TO HELP THEM OUT OF IT. WHILE REALISING THAT NUCLEAR ARMS CONTROL TALKS ARE UNLIKELY TO RESUME THIS YEAR, THEY ARE CONCERNED THAT THE WEST SHOULD ENSURE THAT THE DIALOGUE ON OTHER ARMS CONTROL SUBJECTS IS KEPT GOING. GENSCHER IS VISITING MOSCOW ON 20 MAY. THE GERMANS ARE CONTENT WITH THE STATE OF THEIR RELATIONS WITH THE AMERICANS: THEY ARE WELL AWARE OF THE PRESENT AND POTENTIAL AREAS OF TRANSATLANTIC DISAGREEMENT (DEFENCE EXPENDITURE, STRATEGIC DEFENCE, OUT OF AREA POLICY), BUT THEY BELIEVE THAT KOHL'S VISIT TO WASHINGTON LAST MONTH FURTHER IMPROVED THE ATMOSPHERE, AND THEY ARE ENCOURAGED THAT THE PRESIDENT HAS BEGUN TO MAKE STATEMENTS ABOUT THE RUSSIANS WHICH THEY CAN SUBSCRIBE TO. THEY ARE PLEASED AT THE HIGH LEVEL OF ACTIVITY AT PRESENT IN INNER-GERMAN RELATIONS, WITHOUT ILLUSIONS THAT THE THAW WILL LAST.

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9. THE GERMAN PRESS HAS COMMENTED FAVOURABLY ON BRITISH HANDLING OF THE CRISIS WITH LIBYA. GENSCHER WOULD PROBABLY HAVE POSTPONED HIS VISIT TO TRIPOLI EVEN WITHOUT REPRESENTATIONS, BUT HE HAS SOMETIMES SEEMED RATHER UNCRITICAL OF THE QADAFI REGIME, AND A FIRST HAND ACCOUNT OF THE CRISIS FROM US AT CHEQUERS MIGHT STIFFEN THE FEDERAL GOVERNMENT'S ATTITUDE TO LIBYA IN THE FUTURE.

10. KOHL AND HIS GOVERNMENT ARE VERY KEEN THAT THE MUNICH ENVIRONMENT CONFERENCE SHOULD BE A SUCCESS. KOHL WROTE ON 13 APRIL TO THE COMMISSION ABOUT THE NEED FOR STRICTER STANDARDS ON LEAD IN PETROL. HE CAN BE EXPECTED TO SEEK THE PM'S SUPPORT FOR HIS AIM TO REACH INTERNATIONAL AGREEMENT FOR MUCH LOWER EMISSION LEVELS FOR ATMOSPHERIC AND OTHER POLLUTANTS FROM INDUSTRIAL PLANT AND VEHICLES, OR FAILING THAT HER UNDERSTANDING FOR HIS POLITICAL NEED TO MOVE AT THE NATIONAL LEVEL, IF NECESSARY, AHEAD OF THE COMMUNITY.

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