

cc. Master

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE FEDERAL
GERMAN CHANCELLOR IN THE FEDERAL CHANCELLERY IN BONN ON
18 JANUARY 1985 AT 9.30 AM.

Present:

Prime Minister
Mr. C.D. Powell

Chancellor Kohl
Herr Teltschik

Chancellor Kohl welcomed the Prime Minister. He wished to say how happy to he was that Sir J. Bullard was Ambassador in Bonn. He intended to maintain contact with him outside normal protocol channels and see him regularly. The Prime Minister referred to the succession of distinguished German Ambassadors in London.

The Prime Minister invited the Chancellor to visit Chequers during the period between the Bonn Economic Summit in May and the European Council in June for a full discussion of the future of the Community. Chancellor Kohl accepted the invitation. There was no great hurry, as the report of the Dooge Committee would not be available until March. He had taken careful note of the Prime Minister's remarks on the future of the Community to Die Welt.

German Domestic Scene

Chancellor Kohl suggested that he might start by saying something about developments in the Federal Republic. 1984 had been a difficult year. There had been problems in getting the budget straight, and cutting public expenditure, and trouble with the trade unions. But he had surmounted these problems and the prospects for 1985 were promising. A recent opinion poll had shown that the CDU was standing even higher than at the time of the elections two years ago. At the same time the FDP were slowly getting back on its feet. The latest polls showed their standing at about 6% and he believed that they would succeed in clearing the 5% hurdle in the

forthcoming Land elections. The SPD on the other hand were in a sorry state. Herr Brandt lived in the clouds and paid only occasional visits to earth. He had a new young wife who was very left-wing and clearly exercised considerable influence over him. The Social Democrats spent their time chasing after the Greens. They had taken over Gromyko's positions on arms control, attacked President Reagan and continued to call for a bigger state role in the economy and for higher public spending. As for the Greens, he believed that they had passed their zenith although they still benefited from the SPD's weakness. Since they had no responsibilities they could pursue purely populist policies. They preached unilateral disarmament. They were particularly strongly represented in the media. Indeed the media as a whole were far more left-wing than when he had become Chairman of the CDU 12 years ago. Der Spiegel espoused Green positions more and more frequently, as did Die Zeit.

Turning to the German economy, Chancellor Kohl said that the outlook was good. He expected 3% growth this year unless there were serious disturbances because of the dollar. Inflation was being kept down and there was a slow but steady decline in unemployment. The total number of unemployed should go down below two million reasonably soon. But much remained to be done: to cut down bureaucracy, to give more scope to enterprise, to reduce the myriad restrictions imposed on industry, to weed out the more irrational aspects of social legislation, and to reduce capacity in the building industry substantially.

All in all, his message was one of optimism. A recent poll had shown that, for the first time in 12 years, a majority of Germans regarded the new year hopefully.

UK Economy

The Prime Minister gave a brief account of economic developments in the United Kingdom. We had had 2% growth in 1984. It would have been 3% had it not been for the miners'

strike. The main problem remained unemployment. There were many factors in this. In the past there had been hidden unemployment because of restrictive practices and overmanning. Much of this had been got rid of. There were also demographic factors at work. There had been one million more school leavers entering the job market than people retiring over the last six years. This meant that we had to create more jobs just to stand still. Many people believed that jobs could be created by splashing out public money. This was not the case. Britain shared some of the problems which Chancellor Kohl had described, particularly the thicket of regulations which made it difficult for people to start up in business. We had not had the same success as Germany in cutting public expenditure.

International Economic Questions

The Prime Minister said that there was no doubt that the US dollar had gone too high. Speculators had had it too good for too long. She was very pleased with the outcome of the G5 meeting in Washington on 17 January and the agreement that there should if necessary be coordinated intervention in the exchange markets. Whether this actually happened was not so important as the fact that speculators would know that it might and that they would get their fingers burnt. There were many risks in the present high dollar, not least in that it made US industry uncompetitive which might push the US Administration into protectionism. She welcomed the cooperation which there had been between the Federal Republic and the United Kingdom in the G5.

More generally, the Prime Minister said that she shared Chancellor Kohl's confidence about the future both as regards the economy, Europe and East/West relations.

East/West Relations

The Prime Minister said that 1984 had been a critical year in East/West relations. The decision to deploy Cruise

CONFIDENTIAL

4

and Pershing had been of the utmost importance in demonstrating the Alliance's determination. She had been pleased to see that Mr. Martens and Mr. Tindemans had been reminded by President Reagan of the importance of sticking to plans for deployment. She and Chancellor Kohl should reinforce the message. It was essential that the missiles should be deployed on time. Any changes should come about only as a result of the negotiations not in advance of them. Chancellor Kohl hoped that Belgium would abide by the timetable although he did not think it would be the end of the world if the Belgians delayed a decision.

Chancellor Kohl asked the Prime Minister to tell him about Gorbachev's visit to the United Kingdom. The Prime Minister said that Gorbachev himself clearly attached great importance to it. He had made the most of the visit and got a lot of publicity for himself out of it. He was confident, carried an air of authority and did not stick to a written brief. It was possible to speak frankly to him and she had tackled him on a number of sensitive issues such as the Soviet dissidents, Jewish emigration and the weaknesses of the Communist system. She had warned Gorbachev not to waste time trying to divide Europe from the United States but had pointed to the common interest of the Soviet Union and the Alliance in avoiding conflict and securing peace at a lower level of armaments.

The Prime Minister continued that Gorbachev had given particular attention to the Strategic Defence Initiative. His goal had been to get her to persuade President Reagan to drop research into it. She had told him that it was the Soviet Union that had taken a lead on ABM, ASAT and laser research. It was natural that the United States had to catch up. She had made clear to Gorbachev that the West wanted to reduce nuclear weapons. She had also raised chemical weapons and the threat posed by Soviet superiority in this field. She had urged increased contacts between the Soviet Union and Western Europe as a means of building confidence.

CONFIDENTIAL

The Prime Minister said that she felt that she had got a lot across to Gorbachev and that he had enjoyed the frankness of their discussions. Her overall impression, however, was that he was absolutely in the Communist mould so far as domestic matters were concerned although he had shown some interest in the modifications to Communist practice introduced in Hungary. Chancellor Kohl asked whether Gorbachev saw himself as Crown Prince. The Prime Minister said that he had been careful constantly to quote Chernenko and the Politburo as the authority for what he said. She thought that he knew that he was being billed as the heir apparent and that this could be dangerous for him. It was difficult to assess how he stood vis a vis Romanov as a candidate for the leadership.

Chancellor Kohl acknowledged that no-one knew what went on in the Kremlin despite the efforts of intelligence services. He had very recently received confirmation that Chernenko was seriously ill and that this was the reason for the postponement of his visit to Sofia. His illness might last months. Even so, he would carry on. He was like an icon which his supporters carried about. In his view the longer Chernenko remained, the greater the chances of Gorbachev succeeding him. But if he were to disappear from the scene shortly, it was more likely that one of the old guard would take his place. We tended to under-estimate the extent to which each Soviet leader had his own faction who were determined to keep him up front as the guarantee of their own continuing powers and privileges. He himself had held interesting discussions with Shcherbitsky who ranked high in the Politburo. The latter had found it hard to grasp the way in which democratic societies organised themselves and conducted their business.

Strategic Defence Initiative

The Prime Minister said that, shortly after her meeting with Gorbachev, she had visited Washington to see President Reagan. Their discussion had concentrated on the Strategic Defence Initiative and they had been able to reach a

common position. The essence of this was that the United States ought to go ahead with research on the Strategic Defence Initiative but that testing and deployment would have to be the subject of negotiation since they would breach the ABM Treaty. She and President Reagan had drawn up four points on the Strategic Defence Initiative which had subsequently been mirrored in the United States approach at the talks with the Soviet Union in Geneva. She had been confident that Chancellor Kohl would agree with her views. The Prime Minister continued that, following the Geneva talks, she had been fully briefed by Mr. Macfarlane. It was clear that the outcome of Geneva had been a plus for the United States. Gromyko had tried to get the Americans to drop research on the SDI but had failed. But there was no doubt that many problems still lay ahead and that public opinion would have to be reconciled to the likelihood that progress would be slow. She thought that the outcome had given a boost for Secretary Shultz's standing in Washington.

Chancellor Kohl said that he felt that the next two years were vital. We were lucky to have President Reagan. But in two years' time his term would be drawing to its close. He believed that President Reagan genuinely wanted to get things moving on East/West relations. The question was whether the Soviet Union was able to respond effectively. It would be tragic if they proved immobile because of their internal weakness. He believed that the East European leaders increasingly had influence over Moscow and were using it to persuade the Soviet leadership to be more flexible. This strengthened the case for developing contacts with East European countries. In the negotiations which would follow Geneva it was important that the US should demonstrate goodwill without giving away anything essential. The Americans also needed to improve the public presentation of their policies. Weinberger's recent speech on the Strategic Defence Initiative had been totally counter-productive in Europe. The readiness of the Americans to consult as evinced by the thorough briefings of their allies after the Geneva talks was a good omen. He had every confidence in Secretary

Shultz and agreed with the Prime Minister that his influence appeared to have increased.

Commemoration of the 40th Anniversary of VE Day

The Prime Minister said that there was a natural wish in Britain to commemorate the 40th anniversary of VE Day and the Government had to take account of this. It had taken no decision as yet how to commemorate the event but wished to do so in the spirit of celebrating 40 years of peace and freedom. She understood that the Federal Government was intending to hold a service in Cologne Cathedral. She thought that a similar service in the United Kingdom might be appropriate, to which foreign Ambassadors including the Soviet Ambassador would be invited. Points which she intended to emphasise publicly were that 8 May 1945 was the day on which we were all delivered from tyranny, that Britain and Germany were allies now, that we naturally wanted to honour those who had made sacrifices in the war, but at the same time the emphasis should be on the achievements of reconstruction and reconciliation and on looking to the future. She saw the occasion as a domestic one and did not think that any international ceremony would be desirable.

Chancellor Kohl said that he was grateful to the Prime Minister for taking the initiative in raising this matter. It went deep into the German psychology. The fact was that some two-thirds of Germans now alive had not participated in the Second World War. But Hitler's crimes had been committed in the name of Germany and today's Germans could not deny their history. The Federal Government intended to mark the occasion in several ways. On 21 April he would speak at a ceremony organised by the Central Council of Jewish Organisations at the former Belsen concentration camp. The Federal President would address a meeting of the Bundestag and Bundesrat. On 8 May itself there would be an ecumenical memorial service in Cologne Cathedral to commemorate all those who had died. The most important thing was to hit the right note and here he agreed with the themes enumerated by the Prime Minister. It

was significant that the Economic Summit would be held shortly before 8 May. This would be a visible reminder of the reconciliation of former enemies.

Chancellor Kohl continued that he perfectly understood that many people in the United Kingdom would want to mark VE Day. He had no problem with this. It all depended on the tone. There was no doubt that the Soviet Union would try to exploit the anniversary to slander the Federal Republic. The subject would inevitably come up at the press conference which he and the Prime Minister would give after the Summit. He hoped that the Prime Minister would speak on the lines which she had used with him. President Mitterrand's assurance that France would do nothing which would weigh heavily on the hearts of their German friends had made a great impression in Germany.

Falklands/Argentina

The Prime Minister thanked the Chancellor for his message on this subject. We had been trying to negotiate a restoration of normal relations with Argentina. But there could be no negotiations on sovereignty: this was not on the agenda. Unfortunately our efforts so far to restore normal relations had not been successful. But we would try again if there seemed to be a real chance of success. Meanwhile, we were being helpful over the rescheduling of Argentina's debts. There was one particular point which she wished to raise with the Chancellor about arms sales. There were indications that a German company was hoping to sell advanced torpedoes to Argentina. This would be of the greatest concern to us. Chancellor Kohl expressed surprise. So far as he knew the matter was in suspense. Certainly no request for a decision had been put forward to him (this followed a hasty and untranslated exchange with Herr Teltschik in which the latter admitted rather sheepishly that there had been recent development). We would have no problems with the FRG on this score: he could give a personal assurance. Perhaps the Prime

18. 18

CONFIDENTIAL

9

Minister could write to him about it. The Prime Minister undertook to do so.

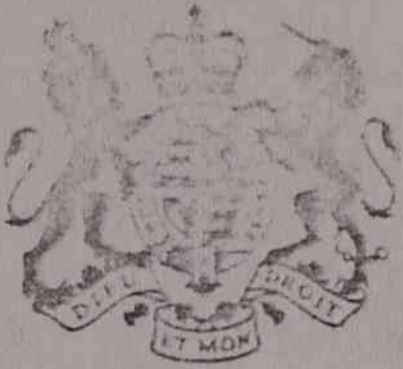
The meeting ended at 1115.

C.D.P.

C.D. POWELL

18 January 1985

CONFIDENTIAL



file ✓

cpc

10 DOWNING STREET

From the Private Secretary

18 January 1985

Dear Colin,

ANGLO-GERMAN SUMMIT, BONN: 18 JANUARY

I enclose records of:

- (a) the Prime Minister's meeting with Chancellor Kohl;
and
(b) the subsequent meeting between the Prime Minister and the Chancellor at which Foreign Ministers were also present.

The Prime Minister would wish them to be given only a very limited circulation.

There are two points which require follow-up action:

- (a) invitation to Chancellor Kohl to visit Chequers for discussions on the future of the Community. I will discuss details for this direct with Teltschik;
- (b) a letter to Chancellor Kohl on the subject of arms sales to Argentina. I should be grateful for a draft.

I am copying this letter and the complete records to Rachel Lomax (HM Treasury), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office). I am also copying the second record to Ivor Llewelyn (MAFF).

Yours sincerely,

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.