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CICC(G).



THE MILAN SUMMIT: FRG INTERNAL

SUMMARY

1. KOHL NEEDS A SUCCESS AT MILAN TO HELP RESTORE HIS STANDING IN THE FRG. DIFFERENCES WITHIN THE COALITION ARE NOT SERIOUS ENOUGH TO THREATEN ITS SURVIVAL, BUT CONSTANT BICKERING BETWEEN THE COALITION PARTIES DOES IT NO GOOD.

DETAIL

2. CHANCELLOR KOHL HAS HAD A TOUGH THREE MONTHS SINCE THE BRUSSELS SUMMIT. AT HOME, SPECULATION ABOUT HIS FUTURE AS CHANCELLOR CONTINUES. HIS GOVERNMENT HAVE SEVERAL ECONOMIC SUCCESSES TO POINT TO (GROWTH, INFLATION, EXPORTS,) BUT PUBLIC OPINION IS INCREASINGLY EXERCISED BY HIGH UNEMPLOYMENT AND BY OTHER FAILURES. THE CDU RANK-AND-FILE ARE NERVOUS AND WANT PRESENT POLICIES MODIFIED TO BRING DOWN THE UNEMPLOYMENT FIGURES MORE QUICKLY. THEY SEE KOHL'S PERPETUAL OPTIMISM AS INAPPROPRIATE AND IRRITATING. KOHL HAS INTRODUCED SOME PALLIATIVES (MY TELNO 606). BUT THEY HAVE DONE LITTLE TO STILL DISQUIET. HIS NEXT TEST WILL COME WITH THE PRESENTATION OF THE FEDERAL BUDGET ON 2 JULY: BUT UNLESS THE GOVERNMENT HAVE SOMETHING UNEXPECTED UP THEIR SLEEVE, THIS SEEMS UNLIKELY TO CHANGE THE GENERAL OPINION THAT KOHL IS STILL FAILING TO COME TO GRIPS WITH THE FRG'S MAIN ECONOMIC PROBLEM.

3. ABROAD, THE PROBLEM OVER BITBURG HAS LEFT NO OBVIOUS SCAR ON US/FRG RELATIONS. BUT RELATIONS WITH FRANCE, BRUISED AT THE BONN SUMMIT (MY TELNO 487), REMAIN COOL SINCE THE GERMAN VETO ON CEREAL PRICES AND THE DISAGREEMENT ON VEHICLE EMISSIONS. KOHL IS ALSO TAKING SOME FLAK FROM THE EASTERN BLOC FOR HIS CONDUCT OF EAST-WEST RELATIONS. HE DID ABOUT AS WELL AS COULD HAVE BEEN EXPECTED AT THE SILESIAN RALLY LAST WEEK (MY TELNO 614). BUT HIS OPAQUENESS NEITHER SATISFIED THE CDU/CSU EXTREMISTS, MEASURED UP TO THE FDP'S STANDARDS, NOR REASSURED THE POLES.

4. SQUABBLING BETWEEN THE CSU REPEAT CSU AND FDP CONTINUES: IT IS ALMOST ENDEMIC. WITH THE RESOLUTION OF DIFFERENCES IN HOME AFFAIRS POLICY, THE FOCUS HAS NOW SWITCHED, AS PREDICTED IN MY TEL 606, TO

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FOREIGN AFFAIRS. GENSCHER, WITH THE BACKING OF HIS PARTY, HAS PUBLICLY DISTANCED HIMSELF FROM THE CDU/CSU ON FRANCO-GERMAN, EAST-WEST, SDI AND EC ISSUES. HIS REPEATED CALLS FOR "CONTINUITY" IN FOREIGN AFFAIRS ARE SEEN AS CRITICISM OF THE CHANCELLOR AND THE CDU/CSU. THEY HAVE PROVOKED BILIOUS INVECTIVE FROM STRAUSS. THIS WEEKEND, THE (CDU) CHAIRMAN OF THE CDU/CSU PARLIAMENTARY PARTY JOINED IN WITH A TETCHY PUBLIC ATTACK ON GENSCHER. POLICY DIFFERENCES HERE - OR ELSEWHERE FOR THAT MATTER - ARE NOT SERIOUS ENOUGH TO CALL INTO QUESTION THE FUTURE OF THE COALITION. BUT THE INCESSANT BICKERING DOES IT NO GOOD.

5. PRESSURE CONTINUES ON THE CHANCELLOR TO REASSERT HIS GRIP OVER HIS ACCIDENT-PRONE GOVERNMENT: THE MOST RECENT MISHAP WAS LAST WEEK'S RESIGNATION OF THE CHIEF GOVERNMENT PRESS SPOKESMAN, FACED WITH TAX EVASION CHARGES. BUT KOHL SEEMS TO LACK THE METTLE FOR THIS, AND THERE IS WIDESPREAD DISSATISFACTION WITH HIM AS A RESULT. (EVEN SOME OF HIS CLOSEST ADVISERS ARE FOR THE FIRST TIME MURMURING DISLOYALLY). FORTUNATELY FOR HIM THERE IS AT PRESENT NO CONVINCING RIVAL. STOLTENBERG, AS THE INSTIGATOR OF CURRENT ECONOMIC CONSOLIDATION POLICIES, IS HARDLY THE CDU'S IDOL. NO-ONE ELSE HAS THE NECESSARY STATURE. AS FOR THE OPPOSITION, THE SPD - FOR ALL THEIR TRUMPETING SINCE THEIR RECENT SUCCESSES IN REGIONAL ELECTIONS - ARE NOT YET SERIOUSLY THREATENING TO OVERTHROW THE COALITION IN THE 1987 ELECTION, WHILE THE GREENS ARE PREOCCUPIED WITH INTERNAL WRANGLES, AND SEE THEIR SUPPORT MELTING AWAY. WHILE THE COALITION IS IN NEED OF TREATMENT, IT IS NOT YET IN INTENSIVE CARE.

BONN WILL PASS TO BMG BERLIN AND SAVING TO CGS IN THE FRG AND CICC(G). FCO PLEASE PASS OTHER SAVINGS.

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