

RESTRICTED
FM BONN
TO PRIORITY FCO
TELNO 998
OF 191645Z OCTOBER 89
INFO ROUTINE PARIS, UKREP BRUSSELS

CDU ECONOMIC COUNCIL

SUMMARY

1. KOHL IN CONFIDENT MOOD AT HIS PARTY'S ECONOMIC CONFERENCE IN BONN. INTERESTING SPEECHES. POEHL'S ARGUMENTS FOR NOT GOING TOO FAST ON MONETARY UNION HAVE GAINED GROUND IN CDU.

DETAIL

2. THE CDU HELD THEIR BIENNIAL ECONOMIC CONFERENCE IN BONN ON 17 AND 18 OCTOBER. MY TELNO 991 REPORTS THE GOOD RECEPTION OF MR RIDLEY'S SPEECH ON THE FIRST EVENING. TEXTS OF THE MAIN GERMAN SPEECHES FOLLOW BY BAG.

3. IN A LIVELY PRESENTATION, BUNDESBANK PRESIDENT POEHL SAID THAT EMU WAS A QUESTION OF WHEN AND HOW. HE RECEIVED CONSIDERABLE APPLAUSE FOR HIS STATEMENT THAT THIS GOAL COULD NOT BE ACHIEVED OVER NIGHT AND MUST BE A EVOLUTIONARY PROCESS. HE WARNED AGAINST OVER HASTY EFFORTS AT THE STRASBOURG EUROPEAN COUNCIL TO ESTABLISH A EUROPEAN CENTRAL BANK. IT WOULD FIRST BE NECESSARY TO MAKE FURTHER PROGRESS ON THE COMPLETION OF THE SINGLE MARKET, INCLUDING FULL LIBERALISATION OF CAPITAL MOVEMENTS. AND ALL MEMBERS OF THE COMMUNITY WOULD HAVE TO BECOME FULL MEMBERS OF THE EMS. ON THE ERM HE SAID THAT FRENCH DETERMINATION TO MAINTAIN EXISTING EXCHANGE RATES WAS IMPRESSIVE. HE DID NOT, AS IN OTHER RECENT STATEMENTS, SPEAK OF A NEED TO REVALUE THE MARK AGAINST THE FRANC.

4. THE FEDERAL FINANCE MINISTER, WAIGEL (CSU) WAS IN IMPRESSIVE FORM, DEVOTING LARGE PARTS OF HIS SPEECH TO CRITICISMS OF THE SPD'S FISCAL AND OTHER POLICIES. HE DREW ATTENTION TO THE COALITION'S SUCCESS IN MANAGING THE ECONOMY AND PROMISED FURTHER TAX REFORM AFTER THE ELECTION IN DECEMBER 1990, PARTICULARLY TO RELIEVE THE BURDEN ON INDUSTRY AND PROMOTE DIRECT INVESTMENT FROM OVERSEAS.

5. FEDERAL ECONOMICS MINISTER HAUSSMANN (FDP) EMPHASISED THAT THE FEDERAL REPUBLIC SHOULD BE MORE POSITIVE IN PUTTING ITSELF FORWARD AS A MODEL FOR THE WHOLE COMMUNITY IN TERMS OF THE REGULATORY FRAMEWORK FOR CREATING ECONOMIC GROWTH. HE ECHOED POEHL'S COMMENTS

ON EMU, SAYING THAT IT SHOULD BE THE LAST, NOT THE NEXT, STEP IN THE DEVELOPMENT OF EUROPEAN INTEGRATION.

6. CHANCELLOR KOHL WAS IN BUOYANT MOOD WHEN HE GAVE THE KEYNOTE ADDRESS AT THE END OF THE CONFERENCE. A NEW DAWN WAS BREAKING FOR EUROPE AND THE GERMANS, AS A RESULT OF THE TRIUMPH OF THE SOCIAL MARKET PHILOSOPHY WHICH THE CDU HAD HELPED TO LAUNCH. WHILE EMPHASISING THE NEED FOR A STRONG BUNDESWEHR AND FOR NATO, HE STRESSED THE IMPORTANCE OF RECONCILIATION WITH POLAND AND SPOKE OF THE NEW OPPORTUNITIES TO THE EAST. IN THE EUROPEAN COMMUNITY, THE SINGLE MARKET WAS A STEP ON THE ROAD TO POLITICAL UNION. INTEGRATION MUST BE PURSUED. THE EXISTING COMMUNITY OF 12 WAS A 'TORSO' AND OTHER COUNTRIES TO THE EAST WERE ALSO EUROPEAN. HE EXPECTED EC ENLARGEMENT/RELATIONS WITH EFTA/DEVELOPMENTS IN EASTERN EUROPE TO BE HIGH ON THE AGENDA FOR THE STRASBOURG EUROPEAN COUNCIL.

7. KOHL AND HIS MINISTERS WILL BE SATISFIED WITH THE UPBEAT MOOD OF THE CONFERENCE, IN CONTRAST TO THE TROUGH IN THE CDU/CSU'S FORTUNES IN THE FIRST HALF OF THIS YEAR. KOHL HAS CLEARLY MADE A FULL RECOVERY FROM HIS RECENT OPERATION AND GAVE A CONFIDENT PERFORMANCE, LAYING ASIDE MOST OF HIS OFFICIAL TEXT. THERE IS STILL MORE THAN A YEAR BEFORE THE ELECTION, BUT KOHL AND THE GOVERNMENT ARE WORKING STRONGLY AT THIS EARLY STAGE.

8. POEHL TOLD ME AFTER HIS SPEECH THAT HE FELT THAT HIS CAUTION, AND HIS OBJECTION TO SPEED, ON EMU WAS GAINING SUPPORT IN THE CDU. ONE OF KOHL'S CLOSEST POLITICAL ADVISERS HAS SINCE CONFIRMED THIS TO ME.

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