

Prime Minister
 You might glance at
 the passages which I
 have underlined.

RECORD OF A DISCUSSION BETWEEN THE SECRETARY OF STATE AND
 CHANCELLOR KOHL IN BONN ON 3 OCTOBER

COP
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Present:

Chancellor Kohl
 Dr Immo Stabreit
 Interpreter

Secretary of State
 Mr C R Budd

1. Kohl said he was very happy to welcome the Secretary of State to Bonn. He hoped the Prime Minister was well, and looked forward to seeing her in New York. Meanwhile, he sent her his very best regards.
2. He said that he himself would be attending the Summit Seven lunch on 24 October and would also be having private talks with President Reagan, but he would leave the speech-making to Genscher. He did not think the Summit Seven lunch a very happy idea; the negative reaction from President Mitterrand had been no surprise. One could but hope all would turn out well. The Secretary of State said our impression was that the idea had not been properly thought through. What seemed to lie behind it was the wish that the democracies should put on a show of unity in advance of the US/Soviet summit. Kohl commented that in that case the matter should have been tackled differently. But the proposal had helped him in one way, since it had rescued him from the difficult debate now in progress in the Federal Republic on the extension of the standard period for military service from 15 months to 18 months! He had thought it best to grasp this nettle firmly now rather than leave the whole question in suspense, not least because the alternative SPD idea of a People's Militia would be quite catastrophic.
3. Kohl added that the business world was unhappy about the proposal for extending the draft period, but on the positive side he was glad to say that he could now feel a fundamental change in the economic mood of the country. He felt that in the last three years he had overcome the biggest obstacles to economic progress. It was now becoming clear that the sacrifices had been worthwhile, and the prospects for 1986-87 looked quite bright. Some success was at least being achieved in cutting unemployment (he interjected here that the unreliability of statistics was a constant problem. The figures showed 2 million as unemployed, but also a great many vacancies. Among the 2 million unemployed there were probably half a million or so who had no intention of trying to get work).

- 2 -

4. The Secretary of State said that a number of countries had this economic upturn in common. In the UK we had good figures for growth, though unemployment had still not clearly turned down. Both the UK and the FRG would be helped by the US decision to allow the dollar to move downwards; that had been a very positive change. Kohl interjected that it would indeed be positive, if it actually happened. It was absolutely crucial that the Americans should get their deficit under control. When he had last met President Reagan he had asked him how he could possibly live with so large a deficit. President Reagan's successor would feel the consequences all too sharply.
5. The Secretary of State commented that the problems of the US economy were not unrelated to the question of arms control, where one of the many preoccupations was the need to prevent the continuing sharp escalation in levels of defence expenditure. He thought that the latest Soviet proposals formed a skilfully designed package. Kohl noted that it would be extremely important to prevent the Americans being driven on to the defensive with Western public opinion. He was not sure that the US Government realised the full extent of the danger facing them: the situation in Europe was quite different from that in the USA, with various forces on the Left combining in their first major wave of activity since the drive against Cruise missile deployment.
6. The Secretary of State said it was precisely because the political perceptions of the two Governments were broadly speaking the same that he valued the chance to have talks with the Chancellor. One prominent example of this identity of views was SDI research, which both Governments considered both prudent and necessary. It also seemed common ground that that research programme should not be allowed to appear as a threat to arms control. That was why there was concern in the UK when some US spokesmen seemed not to take arms control seriously. It was important that the Americans should appreciate the value in the arms control process of the concept of predictability, which would offer the Soviet Union the prospect of a world in which neither side was pressing to win.
7. Kohl said that much of all this hinged on the question of terminology. "Star Wars" had been a terrible term to use, and still constituted his main problem in psychological terms when it came to managing public opinion; the Left in the Federal Republic were all too ready to take up GDR propaganda on this subject. The FRG delegation which had recently visited the USA to discuss SDI research had come to certain clear conclusions. One was that the SDI research programme should go forward, and another that the economic considerations involved were at least as important as the strategic and military considerations. In passing he noted the great irony of the fact that while the

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Americans constantly attacked Europeans for over-subsidising their industries, the whole SDI programme was in fact an arch example of such over-subsidisation. A further conclusion arrived at by the FRG delegation related to the view relayed to them by the Americans that at least five years would be needed for the completion of the research phase. The delegation was clear that research was both essential and morally justifiable, but also that decisions on the programme proper could only be taken once the research phase had come to an end.

8. Kohl then mentioned that Lord Carrington during his recent visit to Bonn had put forward an interesting and worthwhile idea, referring to the fact that the ABM Treaty stipulated only a six month notice period. Carrington's idea had been that the USA and the Soviet Union should both agree to extend that period to five years, which would of course cover the period due to be devoted to SDI research. Once the five year period had elapsed then the two parties would be compelled to enter into negotiations. This suggestion deserved further study. The Secretary of State commented that it echoed British ideas about the need for predictability. The central point was that it had to be made possible to conduct research without jeopardising the arms control process. Kohl said that it would be very helpful for the UK and the FRG if they could support Lord Carrington's idea. This would be of great psychological importance in the Federal Republic.

9. It was not true, he went on, that the US had a monopoly of the knowledge relevant to the SDI programme; there were of course some fields where the Europeans were more advanced. In the German case, all the firms in question were completely private, and thus free agents not subject to government control. The FRG did not want to make public funds available for the SDI research programme, but they would need some assurances from the Americans - eg on patents, prices and exploitation. Participation in the programme would lose its attractiveness if it were simply to involve US theft of European inventions. The Secretary of State commented that the British approach to these questions was very similar. We too had in mind the need for a framework agreement covering the substance of the matter as well as volume, price and technological aspects.

10. The Secretary of State then raised the question of President Reagan's reaction to the UK/FRG proposals on MBFR. The British Government thought it important to respond by encouraging the President to take the UK/FRG ideas seriously. It was well

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- 4 -

worth trying to achieve progress in this area. Forward movement here would in itself be politically useful, all the more so because several European countries were directly involved in the MBFR negotiations. Kohl said he agreed absolutely with this approach. We should make it clear to the US Government that the West was now in a very promising position so far as relations with the East were concerned. President Reagan had left the shadows of Watergate and Vietnam well behind, and himself had of course no re-election worry. He thus had great freedom of manoeuvre, rather as de Gaulle had had in the period when he had solved the Algerian problem. The Russians now needed to be told that it was very much in their interests to negotiate seriously with this American President. After all, if they were to wait to do business with his successor, then they would in effect be ruling out progress before 1990. In Europe too the political constellation was more promising from the American point of view than it was likely to be again for a long time. President Mitterrand had a very firm policy towards the Soviet Union, while the British Prime Minister and the German Chancellor were of course also reliable. Even Italy's leadership was tolerably robust, while the Belgian and Netherlands Governments, given the difficulties inherent in those two societies, were also as firm in their attitude towards the Russians as the US could possibly expect. The overall situation was thus an optimal one from the American point of view, provided they acted wisely. President Reagan would have to be made to see that clearly, not least in relation to the MFBR negotiations.

11. The Secretary of State said that also illustrated the importance of working together in Europe. Kohl, reverting to East/West matters, commented that Gorbachev's underlying position was not in fact as advantageous as all that. He could certainly expect to have a long stay in office, but faced an enormous problem of inflated expectations, and serious economic difficulties. It was striking that the GDR, Hungary and Bulgaria all had higher incomes per head than the Soviet Union. The Secretary of State commented that the only parts of the world now no longer able to feed themselves were some areas of Africa and the Soviet Union. Kohl said that Gorbachev would have to do something to solve these economic problems. The choice was between reverting to Stalinist methods, which in present circumstances was hardly appropriate, and introducing a kind of Goulash Communism, rather as Krushchev had done. If he followed the latter course he would have to run his people on a rather looser rein. The Germans had recently heard from sources in Budapest that Kadar had just returned from Moscow a much relieved man, secure in the knowledge that Gorbachev was happy for the Hungarian economic experiment to

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continue. This tended to suggest that Gorbachev would favour similar policies in the Soviet Union. It was also striking that he had brought to Moscow from Novosibirsk a whole team of people who had been involved in a quite radical policy of economic reform in the Soviet Far East.

12. Kohl went on to comment that Gorbachev was of course young; he could deal with Western journalists, and had a most elegant wife. This had led a number of stupid people in Europe to describe him as liberal. For Western European Governments the danger was that Europeans would now conclude that with the advent of Gorbachev the Soviet threat had somehow diminished. In the next 48 hours the Soviet message in Paris would almost certainly be stressing the common identity of Europeans from the Western and Eastern parts of the continent, and the need for independence from the Americans. This was bound to have some effect on public opinion. There were more and more people in Western Europe who felt that one could get freedom for nothing. This was a noticeable phenomenon in the debate in the FRG on extending the draft. In some European countries the policies of the governments in question left much to be desired. This was particularly true in Greece. In Denmark, while Schluter himself was perfectly sound, there was a majority in Parliament which was not. And in both Belgium and the Netherlands the Christian Democrats, sister parties to the CDU, were all too liable to go off the rails. The FRG would simply not accept a Europe in which one set of countries were responsible for trade and industry and another for defence. The latter had to be a burden shared by all.

13. The Secretary of State said the British Government very much shared this concern. That was why the UK felt it so important that the Luxembourg European Council should come to sensible conclusions. He recalled the grand design laid down by the Chancellor during the Stuttgart European Council. Much had been achieved since then. But there was a long way still to go, and the UK for its part remained determined to overcome the setback the Community had suffered at Milan. We would be approaching the Luxembourg Council in a pragmatic way, with no prejudices. The UK had always found treaty change difficult to contemplate, but our position on that was in no way dogmatic (Kohl interjected that he thought this was very important).

14. The Secretary of State recalled remarks Kohl had made to him during dinner at Chequers in May, expressing anxiety about the need to help the European Parliament. The UK recognised that the Parliament had to be taken seriously as one of the organs indispensable to the future of the Community, an organ to some extent marked by frustration. But great care would have to be taken to avoid changing the role or powers of the Parliament in such a way that the net outcome was to frustrate the further development of Europe as a whole. Europe must be allowed to work

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in the most effective way possible. Kohl pointed out that as Chairman of the CDU he was responsible for his party's supporters not only in the Bundestag but also in the European Parliament. There was a real danger that the two groups would become split over the question of what to do about the place of the Parliament in the Community.

15. In referring to agreement between the two countries on the need for a new treaty on PoCo and security matters, the Secretary of State reminded Kohl that the Prime Minister had given him the text of a draft treaty at Chequers back in May. He thought it best to speak frankly about that episode: it was no secret that the subsequent treatment of the proposal had not helped to set the scene for the Milan European Council. The Prime Minister had been understandably dismayed that the special confidence which she had quite deliberately reposed in the Chancellor had for some reason not quite been reciprocated. The Prime Minister had perceived a very plain need for the UK and the Federal Republic to work together - though not in any exclusive fashion, and certainly not in competition with the Franco-German relationship: what was needed was a whole network of such relationships.

16. Kohl then described a separate incident which could be seen with hindsight to have formed part of the background to the misunderstanding which had arisen. It had been agreed at Chequers that the British side would give President Mitterrand a copy of its draft text. But when some time later he had had talks with Mitterrand, and had raised the subject of the British text, the President had seemed to have had no idea of what he was talking about. The Secretary of State said that the fault for that had certainly not been ours: he himself had given a copy of the text to Dumas three days after the Chequers meeting.

17. Kohl stressed that he really was full of goodwill towards the UK. His own interest was of course for the Conservative Party in the UK to be successful. The prospect of the Labour Party coming to power was simply too gruesome to contemplate. It was striking that all the Socialist parties in Northern Europe were so unsound on security matters, while the opposite was true of Socialists from the Latin countries (Kohl recalled that only the previous Monday he had talked for four hours after dinner, until the early hours of the morning, with Gonzalez of Spain, with whom he had got on extremely well).

18. Kohl underlined his conviction that Europe and the world were now at an extremely important historical stage: matters would be coming to the boil over the next five years the consequences of which would be felt until the end of the century and beyond. At a time like this the UK and the FRG simply could not afford misunderstandings.

19. The Secretary of State said he thought it would be most important for the UK and FRG to keep very closely in touch in the run-up to the Luxembourg Council. To that end he thought it would be most useful for there to be contacts between Messrs Williamson and Teltschik. Kohl said warmly that he thought it would be an excellent idea. He was looking forward to coming to London for the bilateral summit at the end of November. The Secretary of State stressed the need to avoid surprises in the run-up to Luxembourg. Kohl agreed that would be most important.

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