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FM BONN

TO PRIORITY FCO [COLAN]

TELNO 714

OF 221535Z AUGUST 86

INFO ROUTINE DMG BERLIN

INFO SAVING CICC(G) AND CONSULATES-GENERAL IN THE FRG

MIPT: THE FRG: POLITICAL SCENE

1. THE BUNDESTAG IS STILL IN RECESS (BACK 8 SEPTEMBER) AND BONN FAIRLY QUIET. WITH FEDERAL ELECTIONS DUE ON 25 JANUARY, THIS CAN ONLY BE THE LULL BEFORE THE STORM. THE FIRST CDU CAMPAIGN POSTERS HAVE GONE UP, AND THE COALITION PARTIES ARE CONFIDENT OF RETURNING TO POWER, AS THE LATEST POLLS SUGGEST THEY WILL. THE GOVERNMENT'S STRATEGY FROM NOW ON WILL BE TO HOLD THE SHIP ON COURSE, TO CONCENTRATE ON SELLING ITS SUCCESSES AND TO TRY TO AVOID DAMAGING DISPUTES WITHIN THE COALITION.

2. ON THIS LAST POINT, STRAUSS' CSU ARE AT PRESENT THE MOST AWKWARD PARTNER. THEY ARE TAKING A TOUGH LINE ON ASYLUM-SEEKERS AND HAVE LAUNCHED FRESH ATTACKS AGAINST THE FDP AND AGAINST GENSCHER PERSONALLY, WHOM THEY WOULD LIKE TO SEE REPLACED AS FOREIGN MINISTER AFTER THE ELECTIONS. STRAUSS IS A KEY FIGURE TOO IN COALITION DISCUSSIONS OVER POLICY TOWARDS SOUTH AFRICA. HE WILL ALSO TAKE A KEEN INTEREST IN FRG PARTICIPATION IN SDI IN THE LIGHT OF THE GLENN AMENDMENT. THE CSU ARE UNLIKELY TO CALM DOWN UNTIL AFTER THE LAND ELECTIONS IN BAVARIA ON 12 OCTOBER.

3. ON THE OPPOSITION SIDE, THE SPD DOES NOT LOOK LIKE A POTENTIAL WINNER OR A CREDIBLE ALTERNATIVE GOVERNMENT. THEIR CHANCELLOR-CANDIDATE RAU CUTS AN UNCOMFORTABLE FIGURE THESE DAYS, AND NOBODY BELIEVES HIS CLAIM THAT THE SPD CAN WIN ENOUGH SEATS TO GOVERN WITHOUT GREEN SUPPORT. HE TOLD ME LAST MONTH THAT HE EXPECTED TO LOSE GROUND IN AUGUST, AND SO IT HAS PROVED. THE CAMPAIGN MANAGERS WHO SERVED HIM SO WELL IN THE LAND ELECTIONS IN NORTH RHINE WESTPHALIA LAST YEAR ARE HAVING TO REALISE THAT A FEDERAL CAMPAIGN IS A WHOLLY DIFFERENT BALL GAME, AND THAT THE IMAGE OF A FOLKSY FAMILY MAN WITH A NICE WIFE AND NICE CHILDREN IS NO SUBSTITUTE FOR CONVINCING ALTERNATIVE POLICIES. THE SPD'S PARTY CONFERENCE IN NUERNBERG NEXT WEEK WILL BE AN IMPORTANT TEST OF THE PARTY'S MOOD. THE NEUE HEIMAT SCANDAL (SALVESEN'S LETTER TO BARNETT, WED, OF 20 AUGUST) MAY YET BECOME ANOTHER MILLSTONE ROUND ITS NECK.

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4. THE ECONOMY IS WORKING FOR THE GOVERNMENT AT THE MOMENT. INFLATION IS NEGATIVE, FISCAL AND MONETARY DISCIPLINE ENVIABLE. GNP LOOKS SET TO GROW BY 2.5 PERCENT - 3 PERCENT (REAL) THIS YEAR AND PROBABLY MORE IN 1987. EVEN UNEMPLOYMENT HAS BEEN HELD IN CHECK, DESPITE UNFAVOURABLE DEMOGRAPHIC FACTORS; THE TREND OF UNEMPLOYMENT IS DOWNWARDS AND EMPLOYMENT UPWARDS. THE BALANCE OF PAYMENTS SURPLUS CONTINUES HIGH (DM ³⁴~~50~~ BILLION IN THE FIRST 6 MONTHS OF THIS YEAR) AND YOU ARE AWARE OF THE AMERICAN REACTION TO THIS. BUT THE GOVERNMENT HERE CAN SHOW THAT THE MAIN MOTOR OF ECONOMIC ACTIVITY HAS MOVED AWAY FROM EXPORTS TO DOMESTIC DEMAND, WHICH IS LIKELY TO PICK UP MORE STRONGLY STILL IN THE LAST QUARTER OF THE YEAR.

BULLARD

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BOHN WILL PASS TO SAVING ADDRESSEES

BPLMAN 1933

EUROPEAN POLITICAL.
WED.

**THIS TELEGRAM
WAS NOT
ADVANCED**

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