

ANNUAL REVIEW FOR THE FEDERAL REPUBLIC OF GERMANY (FRG) FOR 1987

Summary

1. A mixed year for the FRG: broadly satisfactory on East-West relations, problematic on the world economy, and some domestic political difficulties. (Para 1)
2. Kohl's coalition won a comfortable majority but were slow to translate this into new policies. The SPD turned the corner under Vogel, but look a long way from power. FDP tactical skill rewarded at Federal and Land level. (Paras 2-5)
3. By German standards a poor year economically (1.6 growth, rising unemployment). (Paras 6-7)
4. Genscher's dominant voice in Bonn on East-West relations: triumph of INF treaty. Gradual thawing in FRG-Soviet relations. Honecker's visit a milestone. (Paras 8-11)
5. Political importance of Franco-German relationship at a time when German faces substantive difficulties in the EC. (Paras 12-13)
6. In Anglo-German relations a successful Royal Visit and "the quiet Alliance". But problems too on specific issues (space). (Paras 14-16)
7. The German EC Presidency at the top of Kohl's priorities, but he will want to avoid a "sell-out". (Paras 17-18)

British Embassy
BONN

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Sir,

ANNUAL REVIEW FOR THE FEDERAL REPUBLIC OF GERMANY (FRG) FOR 1987

1. It was a mixed year for the FRG. Their all-important relationships with the East made satisfactory progress, the visit of Honecker being a milestone. But the INF agreement opened up, in the perceptions of some Germans at least, a gap between German interests and those of the Alliance as a whole; events on the world economic scene seemed to spell the end of the international conditions in which German banks and industry have done so well in the past; and the Barschel affair cast doubt on the health of the political structure of the FRG itself. The government in Bonn at times looked out of its depth, and Kohl did not show the qualities of leadership which the situation at home and abroad cried out for.

Internal: Political

2. Much as predicted, the CDU-CSU-FDP coalition lost about 2% of its votes in the general election in January, but still had a comfortable win and a comfortable majority in the Bundestag, with the FDP contributing more than last time, the CDU/CSU less. Anyone who expected decisive action to follow had reckoned without the personality of the Chancellor and the built-in delays and resistances of the German political system. It was March before we saw the Government Declaration (equivalent to the Speech from the Throne, but covering four years); September before the Finance Minister could unveil concrete plans for the tax reform which had been the flagship of the Union's election campaign; December before the Cabinet could agree on how to reform the Health Services. With no strategy visible, tactics were dominant. F-J Strauss kept up his cannonade of criticism, to the point where a CDU/CSU Commission had to be set up to try to reconcile the differences, or at least to hide them. Partly by reason of this family tiff, the CDU lost ground in one Land election after another. The only bright spot was their capture, with the FDP, of the traditionally SPD-governed Land of Hesse in April.

3. On the opposition side, Willy Brandt misjudged his strength once too often and had to resign after 23 years as Chairman of the SPD. His party seemed to turn a corner at that point. His successor H-J Vogel has done much to improve morale. The damaging question whether or not to form coalitions with the Greens no longer plagues them as it did a year ago. But in Bonn the SPD still looks a long way from power. The Greens meanwhile fell out of office in Hesse, the only Land where they have yet had a share in government, and split very nearly to pieces at the level of the national leadership. But they remain a movement to be reckoned with at the grass roots, even if other parties absorbed some of their members, as they had earlier some of their ideas.

4. Once again, therefore, it was the FDP who showed the most skill in exploiting the opportunities open under the German system to a small party with a few clear policies and the faces to match them. The FDP vote never dropped below 7% during the year, and for the most part was closer to 10%. Twelve months ago they had a share of power in only 2 of the 11 Länder governments: now they are in 5, and rising.

5. This country is never free of scandals for long, and one or two of them in 1987 had uncomfortable environmental implications. In a class of its own, however, was the Barschel affair in Schleswig-Holstein. From the initial revelations in Spiegel magazine early in September, it grew to claim the life of the Minister-President, to endanger the CDU's hold on a Land where it has ruled for 37 years, and to provoke portentous leading articles questioning the stability of the very foundations of the Federal Republic itself. It also distracted Stoltenberg, who is Chairman of the CDU in Schleswig-Holstein, at a time when mounting economic problems were crying out for his attention as Minister of Finance.

Internal: Economic

6. By German standards, 1987 was a poor year. The unemployment figure (adjusted) moved from 2.19 million in January to over 2.26 million in December. Growth as a whole slowed down, even before Black Monday, and will have amounted to no more than 1.6% for the year. The index on the Frankfurt stock exchange fell by 37% from its highest point in August. In two traditional sectors, coal and especially steel, a mood of crisis developed during the autumn as firms announced closures and redundancies, the trade unions invoked consultative procedures and politicians shunted the blame to and fro between Düsseldorf and Bonn. At one point protesting steel workers blocked bridges over the Rhine and even broke into the old Krupp headquarters in Essen, the Villa Hügel, creating Galsworthy scenes under the family portraits on the oak staircase. The year ended with the analysts hard at work revising downwards their earlier forecasts for 1988, businessmen calling

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for the reduction of taxation and other non-wage costs, and the OECD belabouring the Federal Republic for allowing the economy to function so far below potential.

7. The fact is that the "hands off" style of economic management which served this country so well in the long years of steady expansion looks less than adequate in the choppy seas and changeable winds of the late 1980s.

International

8. Genscher, now in his 13th year as Foreign Minister, showed no sign of flagging powers or energy. His brand of Ostpolitik, which stresses the opportunities and downplays the risks, held sway in Bonn throughout the year. So did his approach to the regional problems of the third world, which consists in preserving maximum liberty of action and never burning boats which might be needed one day for a tactical shift of position. I do not think that Genscher is a man with no principles, but unprincipled is what his activities sometimes looked in 1987, especially in and around the Gulf.

9. In East/West relations, 1987 for the FRG was an anxious year, but with a triumphant conclusion when the INF Agreement was signed in Washington. Here too Genscher's was the dominant voice in Bonn: it was Dregger, R  he and the CSU, the huffers and puffers against the zero-zero option, who were repudiated by Kohl and had to back down. The escapade of Matthias Rust was not allowed to become a point of friction with Moscow, the Federal President made a satisfactory State Visit to the Soviet Union and the year ended with Genscher preparing to receive Shevardnadze in Bonn and the prospect of a Kohl-Gorbachev meeting later in 1988. Strauss, Genscher's only serious rival in foreign affairs, stole the last headlines of the year, landing his own jet in a snow storm in Moscow and quoting, so he says, Heraclitus to Gorbachev. But it is not yet clear whose scalp has been added to whose collection: on one interpretation it is Strauss' to Genscher's.

10. Inner-German affairs are not strictly speaking Genscher's business, and it was the Chancellor's office who coordinated the expensive preparations for the historic visit of Honecker, a State Visit in all but name and a few details. Once the GDR national anthem had echoed round the courtyard of the Federal Chancellery and the GDR flag had reached the masthead, much of the interest of the visit was over. But it consolidated this most special of all the FRG's relationships at a level of human contact which really does represent a substantial advance over 1986: 5 million visits from the GDR, for example, compared with 2 million the year before, including a twenty-fold increase in visits by people below pensionable age, ie bouches utiles, since 1985.

11. Berlin has not so far benefitted much from this process, but the Government here are determined that it should.

12. Franco-German relations are special too, as we shall be reminded on the 25th anniversary of the Elysee Treaty next week. The military side was prominent, though the Franco-German Joint Brigade will not begin to form at Böblingen until next summer, and the shape and duties of the Joint Security Council have still to be announced. There is a lot of froth in this activity, but some beer too. The Franco-German Treaty did not prevent France from expelling NATO from her territory and walking out of the integrated military structure. But since the change of mood began in Paris, the special links with Germany have provided ready-made tracks along which France has been able to move closer to NATO. Otherwise we should not have seen the French "Rapid Action Force" exercising with the Bundeswehr last autumn barely 50 miles from the FRG-Czechoslovak border.

Europe

13. It seems to be into the Franco-German relationship that some German emotions have migrated which used to attach themselves to the EC. At the Königswinter conference last April, German participants were startled to be interrogated by the British side about the depth of the German commitment to "Europe". This reversal of earlier stereotypes culminated at Copenhagen in December, when it was the German Chancellor who called the Presidency's final compromise unacceptable even as a basis for discussion. There are several factors at work here: the strength of the rural and pro-rural vote in this country (it is much more than a "farming lobby"); the strains on the German budget compared with earlier years; the increased resistance of the Länder; the difficulty and complexity of the issues; and the personality of the Chancellor, whose preferred method of dealing with problems is to let them accumulate in the hope that eventually they will cancel each other out.

Anglo-German Relations

14. To begin at the top, the week-long visit of Their Royal Highnesses The Prince and Princess of Wales, in the gloomy month of November, attracted 619 journalists from 17 countries, occupied the front covers of 30 German magazines and was the talk of Bonn for months on end. It was also thought to have helped to inspire His Royal Highness' opening speech to the North Sea Conference later in the month.

15. At lower levels, there were some problems. In the defence equipment field, notably, there have been some worrying signs recently of our procedures failing to march in step, and care will be needed if EFA is to move into full development successfully in the spring. The "Focus Germany" campaign, designed to stimulate greater efforts by British firms on the German market, generated much interest, but any results have not yet shown up in the trade statistics. The election in Germany, followed a few months later by the one in Britain, interrupted the flow of

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Parliamentary and party contacts, but these are now being resumed. Following what some Germans see as unhelpful lines taken by the UK in a number of areas of science and technology, there is a tendency in some quarters here to see Britain as an unreliable partner in scientific cooperation.

16. A study of the Anglo-German defence relationship published in 1987 carried the German title "Die stille Allianz", the Alliance that does not make the headlines. This problem was identified some years ago, and the remedies too. It is a question of imagination, of priorities, of time in Ministerial diaries and of a little money. The set-piece Anglo-German Summit consultations involved a lot of work, but they served a purpose, and I am personally sorry that their frequency has slipped from twice to once a year, and in 1987 not even that.

17. I will defer any forecast until the farewell despatch which it will fall to me to send in a few weeks' time.

18. I am sending copies of this despatch to HM Representatives at NATO and EC posts, Moscow and East Berlin; the GOC Berlin, the career Consuls-General in the Federal Republic; and the Commanders-in-Chiefs' Committee (Germany).

I am, Sir,
Yours faithfully

J L Bullard

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