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INFO PRIORITY UKDEL NATO, EC POSTS, WASHINGTON

MIPT: KOHL'S POLITICAL DOLDRUMS.

SUMMARY.

1. FOLLOWING HIS CABINET RESHUFFLE KOHL WILL MAKE A POLICY STATEMENT IN THE BUNDESTAG ON 27 APRIL DESIGNED TO GIVE HIS GOVERNMENT A NEW LOOK. THE INTENTION IS TO JETTISON A NUMBER OF UNPOPULAR POLICIES AND BE SEEN TO BE GRIPPING OTHER SUBJECTS WHICH CAUSE PUBLIC CONCERN.

DETAIL.

2. THE CABINET CHANGES (MY TELNOS 390-391) WERE THE FIRST PART OF THE GOVERNMENT'S BID FOR A NEW BEGINNING. THE SECOND PART COMES ON 27 APRIL WITH A POLICY STATEMENT. THE EMPHASIS SO FAR HAS BEEN ON SO-CALLED 'CORRECTION' OF EXISTING POLICIES RATHER THAN CREATION OF NEW ONES. THE FOLLOWING POLICY AREAS ARE LIKELY TO BE COVERED.

NATIONAL SERVICE.

3. MY TELNO 406 FORESHADOWED WHAT IS LIKELY TO BE SEEN AS THE MOST GLARING EXAMPLE OF POPULISM IN THIS EXERCISE - THE DECISION TO POSTPONE, PROBABLY FOR 3 YEARS, THE INCREASE FROM 15 TO 18 MONTHS OF NATIONAL SERVICE WHICH WAS CONFIRMED ONLY IN JANUARY.

SNF.

4. THE COALITION PARTNERS AGREED ON 18 APRIL THAT THERE SHOULD BE NO DECISION BEFORE 1991/92 ON PRODUCTION OR DEPLOYMENT OF NEW SNF SYSTEMS. (MY TELNO 412.) KOHL WANTS TO RESOLVE QUICKLY THE REMAINING DIFFERENCES WITHIN THE COALITION (OVER DURATION OF THE 'NO THIRD ZERO' POLICY AND OVER APPROACHES TO SNF NEGOTIATIONS) AND TO PRESENT A UNITED POSITION ON 27 APRIL. THIS POSITION MAY WELL BE SUCH AS TO BE SEEN AS A VICTORY FOR THE POPULIST EAST-WEST POLICY OF GENSCHER AND AS ANOTHER RETREAT BY KOHL.

GERMANS FROM EASTERN EUROPE, ASYLUM SEEKERS AND OTHER FOREIGNERS.

5. SINCE THE BERLIN ELECTIONS IN JANUARY, IT HAS BEEN CLEAR FROM



OPINION POLLS THAT THE PROBLEMS CREATED BY IMMIGRANTS ARE CURRENTLY CAUSING MORE PUBLIC ANXIETY THAN ANY OTHERS (500,000 MORE IMMIGRANTS FROM EASTERN EUROPE AND ASYLUM SEEKERS EXPECTED THIS YEAR). THE PROMOTION OF SCHAEUBLE TO THE POST OF INTERIOR MINISTER IS A DELIBERATE ATTEMPT TO BRING MORE ACTIVE AND POLITICALLY ASTUTE MANAGEMENT.

IN THE CASE OF GERMANS FROM EASTERN EUROPE (THE BIG MAJORITY), REDUCING THE FLOW IS DIFFICULT FOR CONSTITUTIONAL REASONS AND CAN AT BEST BE A LONG TERM OPTION. HOWEVER, THE PUBLIC OBJECT TO THEM RECEIVING THE FULL RANGE OF SOCIAL BENEFITS (SOME OF WHICH ARE DENIED TO FRG-BORN GERMANS) WITHOUT HAVING CONTRIBUTED ANYTHING. FEAR OF A SHORTAGE OF HOUSING IS A MAJOR ASPECT OF THIS PROBLEM. THE GOVERNMENT IS RESTARTING ITS LOW-COST HOUSING PROGRAMME. DIFFICULT QUESTIONS INCLUDE HOW TO SHARE THE COSTS BETWEEN FEDERAL AND LOCAL AUTHORITIES AND HOW TO HOUSE IMMIGRANTS WITHOUT APPEARING TO DISCRIMINATE AGAINST LESS WELL-OFF FRG-BORN GERMANS. IN THE CASE OF ASYLUM SEEKERS, ENTRY PROCEDURES ARE LIKELY TO BE TIGHTENED UP. IN THE CASE OF OTHER FOREIGNERS, THE COALITION HAVE STARTED TO CONSIDER, AFTER YEARS OF DISAGREEMENT, WAYS OF EASING THE NATURALISATION PROCESS AND OF ACCEPTING THE POSSIBILITY OF DUAL NATIONALITY FOR SECOND GENERATION GUEST WORKERS. SCHAEUBLE HAS SINCE FEBRUARY CHAIRED THE COMMITTEE CONSIDERING THIS QUESTION.

#### HEALTH CARE REFORM.

6. THE GOVERNMENT'S HEALTH CARE REFORM IS UNPOPULAR. IT HAS BEEN POORLY SOLD. FOSTERED BY SPECIAL INTEREST GROUPS, THE IMPRESSION HAS GAINED GROUND THAT THIS FAR FROM RADICAL REFORM IS EXTREMELY EXPENSIVE FOR THE INDIVIDUAL AND SOCIALLY UNJUST. GOING BACK ON THE FINANCING DECISIONS THAT UNDERLAY THE REFORM WILL NOT BE EASY. THE GOVERNMENT IS LIKELY TO TRY BETTER SALESMANSHIP FIRST.

#### WITHHOLDING TAX.

7. KOHL HAS SIGNALLED HIS INTENTION TO ANNOUNCE ON 27 APRIL THE RESULTS OF THE REVIEW OF POLICY ON THE 10 PER CENT WITHHOLDING TAX ON SAVINGS, DECIDED WITHOUT CONSULTATION WITH THE BUNDESBANK AND INTRODUCED IN JANUARY 1988 DESPITE WIDESPREAD AND WELL ARGUED CRITICISM. THE CSU AND THE FDP HAVE MADE NO SECRET OF THEIR UNEASE OVER THIS UNPOPULAR TAX WHICH HAS LED TO A SIZEABLE FLIGHT OF CAPITAL (DM 115 BILLION IN 1988). WAIGEL, THE NEW FINANCE MINISTER, WOULD LIKE TO ABOLISH THE TAX. OTHERS IN THE COALITION WANT ONLY TO INTRODUCE OFFSET SCHEMES TO CANCEL THE EFFECT OF THE TAX ON SMALL SAVERS. THE FEDERAL GOVERNMENT RECKONS THAT IT IS COMMITTED TO



FRANCE ON THE PRINCIPLE OF WITHHOLDING TAX, SO ABOLITION SEEMS UNLIKELY.

NUCLEAR ENERGY.

8. THE NUCLEAR RE-PROCESSING PLANT UNDER CONSTRUCTION AT WACKERSDORF IN BAVARIA IS UNPOPULAR AND HAS BEEN THE TARGET OF DEMONSTRATIONS. THE GERMAN ENERGY COMPANY VEB A HAS COME TO AN AGREEMENT WITH THE FRENCH COMPANY COGEMA FOR GERMAN USE OF THE REPROCESSING PLANT AT LA HAGUE, WHICH WOULD LARGELY REMOVE THE COMMERCIAL REQUIREMENT FOR A SEPARATE GERMAN PLANT. BUT THE WACKERSDORF PROJECT IS PART OF AN INTEGRATED NATIONAL NUCLEAR FUEL DISPOSAL CONCEPT ADOPTED IN 1979, AND THE GOVERNMENT WANT TO PERSIST WITH IT. AT THE FRANCO-GERMAN SUMMIT, KOHL GOT FRENCH SUPPORT TO BOLSTER HIS POSITION.

LOW FLYING.

9. THE SUBJECT MAY ONLY FEATURE BRIEFLY IF AT ALL IN KOHL'S STATEMENT ON 27 APRIL. THE GOVERNMENT REMAINS KEEN TO ANNOUNCE REDUCTIONS IN FLYING BEFORE THE SUMMER. BOTH KOHL AND WIMMER (STATE SECRETARY FMOD) HAVE SPOKEN RECENTLY OF THE NEED FOR A 'DRASTIC REDUCTION' IN LOW FLYING. BUT STOLTENBERG, THE NEW DEFENCE MINISTER, IS NOT THE MAN TO DO ANYTHING RASH. I WOULD EXPECT HIM TO REASSESS THE SITUATION AND THEN CONSULT THE ALLIES BEFORE DECISIONS OR ANNOUNCEMENTS.

EUROPEAN COMMUNITY.

10. THE SUCCESS OF THE LAST GERMAN PRESIDENCY IS ONE OF THE GOVERNMENT'S ACHIEVEMENTS. THE SIGNS ARE THAT THE FEDERAL GOVERNMENT IS BY AND LARGE PLEASED WITH THE DELORS REPORT. TO BALANCE GORBACHEV'S FORTHCOMING VISIT TO BONN AND TO UNDERLINE THE FRG'S LEADING ROLE IN EUROPE, THERE WILL BE A TEMPTATION FOR KOHL TO SEEK A POLITICAL SPLASH AT HOME THROUGH SUPPORT FOR ANOTHER BIG STEP FORWARD IN BUILDING EUROPE.

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## KOHL'S POLITICAL DOLDRUMS

## SUMMARY

1. KOHL AND THE CDU/CSU ARE IN SERIOUS DIFFICULTY. OPINION POLLS DEPRESSING. A LONG WAY TO FIGHT BACK BEFORE ELECTION IN DECEMBER 1990, BUT IT IS NOT IMPOSSIBLE. RECENT GOVERNMENT RESHUFFLE CAN HELP. KOHL'S POLICY STATEMENT ON 27 APRIL WILL BE IMPORTANT. SO WILL RESULTS OF EUROPEAN ELECTIONS.

## DETAIL

2. THE SETBACKS SUFFERED BY CDU/CSU AND FDP IN THE BERLIN AND HESSE ELECTIONS HAVE CHANGED THE POLITICAL LANDSCAPE AND POLITICAL EXPECTATIONS HERE. THERE IS A SEVERE LOSS OF NERVE IN THE GOVERNMENT AND SIGNS OF PANIC IN CDU HEADQUARTERS. THE MOST RECENT OPINION POLLS SHOW THE SPD LEADING WITH 43 PER CENT VERSUS THE CDU/CSU AT 35 PER CENT. OF THE SMALL PARTIES, THE GREENS ARE AT 9 PER CENT AND THE FDP LEVEL WITH THE REPUBLICANS AT 6 PER CENT. THIS MEANS THAT KOHL AND THE CDU/CSU HAVE A LONG WAY TO CLIMB BACK AND THAT THE GOVERNMENT HAVE TO GET A REAL GRIP ON THINGS IF THEY ARE TO HOPE TO WIN THE FEDERAL ELECTIONS IN DECEMBER 1990. MANY PEOPLE ARE PREDICTING THAT THESE ELECTIONS WILL BRING A COALITION OF THE SPD WITH THE FDP OR THE GREENS. BUT NINETEEN MONTHS ARE A LONG TIME IN POLITICS. PRESENT PANIC AND LOSS OF NERVE NOTWITHSTANDING, I THINK KOHL GENUINELY BELIEVES - AND I WOULD AGREE - THAT THERE IS PLENTY TO PLAY FOR BETWEEN NOW AND THEN PROVIDED THE ECONOMY CONTINUES TO THRIVE AND HE GETS BACK ON TOP.

4. HIS FIRST MOVE HAS BEEN TO RESHUFFLE THE CABINET (MY TELNOS 390-391). BY GERMAN STANDARDS THE RESHUFFLE WAS A BIG ONE. WAIGEL AS FINANCE MINISTER WILL STRENGTHEN THE COALITION ON THE RIGHT. THE NEW SPOKESMAN, KLEIN, AS AN EXPERIENCED POLITICIAN AND JOURNALIST. HE IS POPULAR AND ARTICULATE AND AS A CABINET MINISTER WILL CARRY WEIGHT. HIS TASK WILL BE TO SELL THE GOVERNMENT'S ACHIEVEMENTS, AND HE SHOULD DO BETTER THAN THE ABYSMAL EFFORTS ON THAT FRONT SO FAR. SCHAEUBLE, WHO IS ACUTE, DECISIVE AND UP AND COMING, SHOULD BE A



GOOD INTERIOR MINISTER. HE WILL HAVE TO DEAL WITH THE HOT ISSUE OF IMMIGRATION. STOLTENBERG IS EXPERIENCED AND THOUGHTFUL: THE QUESTION IS WHETHER, BEING PAST HIS POLITICAL PRIME, HE WILL HAVE THE FIRE TO ARGUE THE DEFENCE CASE STRONGLY. THE OTHER APPOINTMENTS ARE LESS SIGNIFICANT, OVERALL, THERE IS A REASONABLE CHANCE - BUT NO CERTAINTY - THAT THE REFORMED TEAM CAN GIVE THE IMPRESSION OF A NEW BEGINNING.

5. THE SECOND STAGE OF KOHL'S BID FOR RECOVERY, HIS POLICY STATEMENT ON 27 APRIL, WILL TELL US MORE ABOUT HIS CHANCES OF SUCCESS. MIFT SETS OUT THE ISSUES KOHL MAY COVER. ON SOME, LIKE SNF AND NATIONAL SERVICE, HE WILL SEEK POPULARITY BY RETREAT. OTHERS, SUCH AS THE PROBLEM OF IMMIGRANTS, ARE NOT SUSCEPTIBLE TO SOLUTION IN THE SHORT-TERM AND MUST BE GRIPPED AND MANAGED BETTER. HE WILL ALSO WANT SOME GOOD NEWS STORIES. IN THE RUN UP TO THE EUROPEAN ELECTIONS, RHETORICAL ADVOCACY OF A STEP FORWARD IN BUILDING EUROPE - PERHAPS ON MONETARY UNION FOLLOWING THE DELORS COMMISSION'S REPORT - WILL BE A TEMPTATION.

6. THE POPULIST THREAD RUNS THROUGHOUT. THUS KOHL'S PERSONAL TURN ON SNF MODERNISATION IS DRIVEN BY WHAT THE POLLS SHOW ABOUT THE UNPOPULARITY OF NUCLEAR WEAPONS. IN THE CASE OF THE DECISION TO POSTPONE THE PROLONGATION TO 18 MONTHS OF NATIONAL SERVICE, DOMESTIC CONSIDERATIONS NOW OVERRIDE THE IMPORTANCE OF THE FEDERAL REPUBLIC'S REPUTATION IN THE ALLIANCE WHICH PREVAILED WHEN THE MATTER WAS LAST REVIEWED IN JANUARY. STOLTENBERG'S JOB AT DEFENCE WILL BE TO SETTLE OUTSTANDING PROBLEMS SUCH AS LOW FLYING AND THEN TO USE HIS PRESTIGE TO SEEK AS FAR AS POSSIBLE A QUIET LIFE FOR THE COALITION ON DEFENCE ISSUES. BUT SOME PUBLIC CONTROVERSY IS INEVITABLE - IT IS CLEAR THAT THE SPD WILL MAKE PLAY WITH SNF MODERNISATION WHATEVER THE COALITION'S DECISION.

7. THE NEXT BIG TEST FOR KOHL AND HIS COALITION WILL BE THE EUROPEAN ELECTIONS ON 18 JUNE. IF THEY DO BADLY, THE IMPRESSION THAT THIS COALITION CANNOT LAST BEYOND 1990 WILL BE CONSOLIDATED. IF THEY DO REALLY BADLY THERE MUST BE A RISK OF A PUTSCH AGAINST THE CHANCELLOR. GEISSLER, THE SECRETARY GENERAL OF THE CDU, KNOWS THAT KOHL WILL ALMOST CERTAINLY TRY TO DITCH HIM AT THE PARTY CONFERENCE IN SEPTEMBER, SO HE HAS AN INTEREST IN CONSPIRACY. KOHL HAS OTHER ENEMIES IN THE CDU, NOTABLY ALBRECHT AND BIEDENKOPF. THE ONLY ALTERNATIVE CDU CHANCELLOR IS SPAETH. HE IS INTENSELY AMBITIOUS AND IS SUCCESSFUL AS MINISTER-PRESIDENT OF BADEN WUERTTEMBERG, BUT HE IS NOT POPULAR EVERYWHERE IN THE CDU. AND KOHL IS SKILFUL AT FENDING OFF CHALLENGERS.