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Foreign and Commonwealth Office

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26 January 1990

Jean Charles,

Count Otto Lambsdorff

Count Lambsdorff is calling on the Prime Minister at 10.15 on 30 January. The Count is Chairman of the FDP (Free Democrats, Mr Genscher's party) and a former Economics Minister. He is in the UK on a COI Category I visit to visit London and Liverpool. Lambsdorff is also calling on Sir Geoffrey Howe, Mr Ridley, Mr Ryder, Mr Tebbitt, Mr Healey and Mr Steel. The Foreign Secretary is giving him dinner.

Still a member of the Bundestag but without Ministerial office, Lambsdorff remains a powerful figure both within the FDP and at Federal level. He is an influential force in the formulation of FDP economic policy, and the Ministry of the Economy has remained in FDP hands since his resignation. Lambsdorff was Federal Minister of the Economy in 1977-84, but resigned following charges of corruption. Although he was eventually found guilty in 1987 of tax evasion in connection with donations to party funds, he was cleared of the corruption charge. His position in FRG politics has since revived and his past no longer attracts FRG media attention. His election as FDP party leader in October 1988 was widely seen as reinforcing the free market philosophy of the FDP. He is likely to remain influential behind the scenes, rather than as a Minister, after this year's election. He has long-standing private links with the UK. He speaks fluent English.

Lambsdorff wants to talk about recent developments in Germany with the Prime Minister. In a recent interview (Frankfurter Allgemeine Zeitung, 25 January) he said he was visiting London to explain the German position on unification to the Prime Minister. It was not exclusively a German question, and the Germans needed to respond to the concerns of their partners to gain approval. Germany needed the support of its European partners, the USA and the USSR. The Prime Minister might like to draw Lambsdorff out on this point and discuss the question of how to reconcile the increasing pressure for unification, especially in the GDR, with the need to take account of existing structures and to maintain stability.

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Lambsdorff would also like to discuss British economic policy and EMU with the Prime Minister. On EMU the next step is for the Commission and the Monetary Committee to present papers at the informal ECOFIN on 31 March. Lambsdorff's views have been closer to Pöhl's than to Genscher's: he was against an early IGC, and in favour of full implementation of Stage One before decisions on further stages. He is on record as saying that Europe is not ready for a European Central Bank. But he may have been influenced by Pöhl's 16 January speech in Paris which, while arguing that it had been premature to convene an IGC at the end of this year, advocated a wholly independent Central Bank, enjoying the monopoly of money creation and pursuing a common monetary policy. On economic matters Lambsdorff is committed to the market economy and opposed to protectionism. He is also a strong proponent of a market orientated energy policy, industrial rationalisation and cut-backs in social security provisions.

I enclose a telegram from Bonn (N°095) on this note, just received.

I am copying this letter to Tim Sutton (Lord President's Office), Neil Thornton (DTI) and Gina Haskins (Economic Secretary's Office).

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

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