

ENCL No. 42

C O N F I D E N T I A L

C 0074 16/1950 106C4705

FOR CWG

PRIORITY 161540Z APR 82

FROM COMMCEN FCO LONDON
TO MODUK

C O N F I D E N T I A L
SIC A3A/19F (INSERTED BY DCC)
CONFIDENTIAL
FM BONN 161540Z APR 82

TO IMMEDIATE FCO
TELEGRAM NUMBER 398 OF 16 APRIL
INFO PRIORITY DUBLIN PARIS ROME LUXEBURG COPENHAGEN THE HAGUE
UKREP BRUSSELS EMBASSY BRUSSELS ATHENS UKDEL NATO WASHINGTON
UKMIS NEW YORK MODUK

INFO SAVING MOSCOW ANKARA LISBON OSLO OTTAWA REYKJAVIK
FALKLANDS: GERMAN OPINION

1. I HAVE REPORTED OVER THE PAST FORTNIGHT A NUMBER OF COMMENTS,
BOTH PUBLIC AND PRIVATE, BY GERMAN POLITICIANS AND OFFICIALS ON
THE FALKLANDS CRISIS. BUT NOW THAT THE PREVAILING MOOD IN THE BONN

PAGE 2 RBDWC A4677 C O N F I D E N T I A L
ESTABLISHMENT HAS TO SOME EXTENT CRYSTALLISED, IT MAY BE HELPFUL
IF I ATTEMPT TO SUM IT UP.

2. THE FEDERAL GOVERNMENT'S STRONG SUPPORT FOR THE BRITISH POSITION,
IN DEEDS AS WELL AS IN WORDS, HAS ENCOUNTERED SURPRISINGLY LITTLE
OPPOSITION HERE AND HAS BEEN POSITIVELY ENDORSED ACROSS ALMOST
THE WHOLE SPECTRUM OF INFORMED OPINION. THE MOOD HAS STEADILY
FIRMED UP SINCE THE CRISIS FIRST BEGAN AND HAS BEEN HELPED BY THE
STRONG LEAD GIVEN BY SCHMIDT AND GENSCHER, WHO HAVE STRESSED THAT
THEY HAVE ACTED OUT OF INSTINCTIVE SUPPORT FOR A FRIEND, A COMMUNITY
PARTNER AND A NATO ALLY, AS WELL AS BECAUSE OF THE CLEAR BREACH
OF INTERNATIONAL LAW COMMITTED BY THE ARGENTINES AND DENOUNCED
BY THE SECURITY COUNCIL. (THE GERMANS HAVE ALSO BEEN IMPRESSED,
AND PROBABLY INFLUENCED, BY THE FIRM REACTION OF THE FRENCH).F

3. THE SPEED AND FIRMFNESS WITH WHICH THE GERMANS HAVE FORMULATED
THEIR RESPONSE TO THIS UNFORESEEN CRISIS HAS BEEN IN SHARP CONTRAST
TO THEIR PUNDEROUS DELIBERATIONS AFTER AFGHANISTAN AND POLAND, AND
HAS SURPRISED EVEN THEM. IT HAS ALSO RUN COUNTER TO:

(A) THEIR CONSIDERABLE RECENT EFFORTS TO DEVELOP A POLITICAL
RELATIONSHIP WITH ARGENTINA COMMENSURATE WITH THEIR ECONOMIC
ONE:

PAGE 3 RBDWC A4677 C O N F I D E N T I A L
(B) THEIR INSTINCTIVE AVERSION, CREATED BY THEIR OWN HISTORY
TO COLONIAL SITUATIONS, WHICH EVEN THE MOST ANGLOPHILE OF
GERMANS HAVE DIFFICULTY UNDERSTANDING. THIS MAKES THEM WOBBLY

C O N F I D E N T I A L

ON FALKLANDS SOVEREIGNTY, HAPPIER ON SELF-DETERMINATION, BUT HAPPIEST CONSIDERING OUR CASE IN TERMS OF ARGENTINE AGGRESSION AND INTERNATIONAL LAW:

(C) THEIR STRONG AVERSION TO ECONOMIC SANCTIONS.F

4. FOR THE MOMENT, THEREFORE, THE GERMANS FEEL THAT THEY (AND WE) HAVE GOOD REASON TO BE SATISFIED BOTH WITH THEIR RESPONSE AND WITH THAT OF THE COMMUNITY AS A WHOLE: AND THEY ARE CLEARLY HOPING THAT THIS DECISIVE DEMONSTRATION OF COMMUNITY SUPPORT FOR BRITAIN WILL HELP PERSUADE BRITISH OPINION OF THE VALUE OF COMMUNITY MEMBERSHIP.

5. AT THE SAME TIME, THE GERMANS ARE PROFOUNDLY WORRIED ABOUT THE PROSPECTS. THEIR FIRST AND MOST IMMEDIATE WORRY, AS THEY REPEATEDLY IMPRESS UPON US, IS THAT IF BATTLE IS JOINED, AND ESPECIALLY IF WE FIRE THE FIRST SHOT, A GREAT DEAL OF OUR INTERNATIONAL SUPPORT WILL FALL AWAY. THOUGH THEY DO NOT SAY SO, IT IS IMPLIED THAT SUPPORT FROM THE GERMANS, WHO HAVE HAD ENOUGH OF THE HORRORS OF WAR THIS CENTURY, WILL WEAKEN TOO. THEY ARE ALSO VERY CONCERNED

Page 4 RBDWC A4677 CONFIDENTIAL

ABOUT THE POSSIBLE WIDENING OF THE CONFLICT THROUGH SOVIET SUPPORT FOR ARGENTINA. EVEN IF THE RUSSIANS DO NOT INTERVENE THEY FEAR THAT (AS BARZEL, CHAIRMAN OF THE BUNDESTAG FOREIGN AFFAIRS COMMITTEE PUT IT TO ME YESTERDAY) HOSTILITIES WILL PRESENT THE RUSSIANS WITH THE SIGHT OF OUR ALLIANCE IN DISARRAY.

6. SECONDLY, THE ECONOMIC STAKE WHICH THE GERMANS HAVE PUT AT RISK IN AGREEING TO ECONOMIC MEASURES AGAINST ARGENTINA IS GREATER THAN THAT OF ANY OTHER COMMUNITY COUNTRY. THEY VERY MUCH HOPE THAT THE TAKING OF DECISIONS ON COMMUNITY AND OTHER ECONOMIC SANCTIONS, TOGETHER WITH OTHER PRESSURES ON THE ARGENTINES, WILL PRODUCE THE DESIRED RESULT BEFORE THE SANCTIONS HAVE MUCH PRACTICAL EFFECT. IF, CONTRARY TO THESE HOPES, THE CRISIS IS PROLONGED, THEN:

(A) THEY MAY HAVE TO START WITHDRAWING EXPORT LICENCES ISSUED FOR ARMS TO ARGENTINA ON WHICH AT PRESENT THE FIRMS CONCERNED HAVE AGREED VOLUNTARILY TO SUSPEND DELIVERY. THIS COULD RENDER THE FEDERAL GOVERNMENT LIABLE FOR COMPENSATION TO THE GERMAN FIRMS CONCERNED OF UP TO DM 3.2 BILLION:

(B) IF HERMES EXPORT CREDIT COVER ON FRUSTRATED EXPORTS TO ARGENTINA IS INVOKED THERE WOULD BE A DIRECT FINANCIAL IMPACT

Page 5 RBDWC A4677 CONFIDENTIAL

ON THE FEDERAL GOVERNMENT. THE CURRENT LEVEL OF HERMES COMMITMENT TOWARDS THE ARGENTINE IS ABOUT DM 6.6 BILLION:

(C) CONTINUED SUSPENSION OF THEIR TRADE WITH ARGENTINA (TURNOVER WAS ESTIMATED AT DM 3.5 BILLION FOR 1981) WILL HAVE A NOTICEABLE EFFECT ON SOME PARTS OF THE FEDERAL ECONOMY:

(D) THE IMPACT ON EMPLOYMENT IN THE SHIPYARDS AT HAMBURG AND ELSEWHERE WHERE THE SHIPS ARE BEING BUILT FOR THE ARGENTINES WILL START TO BE FELT, WITH DOMESTIC POLITICAL CONSEQUENCES.F

7. IN SHORT, THE GERMANS HAVE STAKED A GREAT DEAL ON A QUICK DIPLOMATIC SOLUTION TO THE CRISIS, AND IF THIS IS NOT ACHIEVED THEIR SUPPORT FOR OUR POSITION MAY START TO BE QUESTIONED. THERE HAVE ALREADY BEEN HINTS THAT GENSCHER IN PARTICULAR IS DISAPPOINTED THAT WE HAVE NOT BEEN ABLE TO TAKE GERMAN MINISTERS MORE INTO OUR CONFIDENCE ABOUT HOW WE PROPOSE TO PLAY OUR HAND. THE MORE WE CAN TELL THEM (WITHIN THE OBVIOUS CONSTRAINTS) THE MORE IT WILL ENCOURAGE THEM TO RIDE THE STORM OUT WITH US.

DO PLEASE PASS TO SAVING ADDRESSEES

TAYLOR
BT

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