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TO IMMEDIATE FCC

TELEGRAM NUMBER 530 OF 3 JULY

INFO IMMEDIATE UKDEL NATO, WASHINGTON, PARIS, MOSCOW
INFO SAVING ANKARA, ATHENS, BRUSSELS, COPENHAGEN, THE HAGUE, LISBON,
LUXEMBOURG, OSLO, OTTAWA, REYKJAVIK, ROME, UKDEL VIENNA, BMG
BERLIN

MY TELNO 525: SCHMIDT'S VISIT TO MOSCOW.

1. IN HIS GOVERNMENT DECLARATION IN THE BUNDESTAG THIS MORNING (TEXT BY BAG TO WED), THE FEDERAL CHANCELLOR COVERED BROADLY THE SAME GROUND AS IN VON STADEN'S ACCOUNT TO ME, WITH THE IMPORTANT ADDITION OF PASSAGES ON TNF AND MBFR.
2. SCHMIDT LAID GREAT STRESS ON ALLIED SUPPORT FOR THE VISIT AND ON THE FACT THAT HE HAD SPOKEN TO POSITIONS WHICH THE ALLIES HAD ENDORSED. THERE COULD BE NO QUESTION OF THE SOVIET UNION DRIVING A WEDGE BETWEEN THE FEDERAL REPUBLIC AND HER PARTNERS. HE HAD ROBUSTLY DEFENDED THE UNITED STATES AGAINST SOVIET CRITICISM.
3. HE SINGLED OUT FRANCE FOR SPECIAL MENTION IN SEVERAL PLACES, MADE A GOOD DEAL OF PLAY WITH THE FRANCE-GERMAN DECLARATION OF 5 FEBRUARY, AND INTERRUPTED HIS ACCOUNT OF WHAT WAS SAID IN MOSCOW ABOUT MILITARY BALANCE TO PAY TRIBUTE TO GISCARD'S ANNOUNCEMENT OF 26 JUNE ABOUT A FRENCH NEUTRON BOMB:
QUOTE PRESIDENT GISCARD D'ESTAING IN HIS PRESS CONFERENCE OF 26 JUNE ANNOUNCED A DECISION WHICH IN MY VIEW SERVES AS MUCH AS THE NATO DECISION OF 12 DECEMBER TO MAINTAIN THE BALANCE. I SHARE WITH PRESIDENT GISCARD THE BELIEF THAT MILITARY BALANCE IS AN INDISPENSABLE CONDITION FOR SECURITY AND CO-OPERATION IN EUROPE
UNQUOTE.
4. THE IMPORTANCE OF ECONOMIC CO-OPERATION WITH THE SOVIET UNION WAS PLAYED DOWN AND RELEGATED TO A SHORT PASSAGE NEAR THE END OF THE DECLARATION IN WHICH HE RECORDED THE SIGNATURE AT AMBASSADOR LEVEL OF THE LONG-TERM ECONOMIC PROGRAMME AND AGREEMENT TO BEGIN PREPARATORY NEGOTIATIONS IN THE NEAR FUTURE BETWEEN THE SOVIET AUTHORITIES AND A QUOTE EUROPEAN CONSORTIUM UNQUOTE ABOUT A LARGE NATURAL GAS PROJECT. THE PROBABLE VALUE OF THE CONTRACT WAS NOT MENTIONED.

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5. ON TNF, THE CHANCELLOR SAID THE SOVIET SIDE HAD MADE IT CLEAR THAT THEY WERE NOT PREPARED TO START NEGOTIATING ON SALT III UNTIL THEY HAD A CLEARER IDEA OF THE PROBABLE FATE OF SALT II: THAT THE SOVIET UNION ADHERED TO ITS POSITION THAT BREZHNEV'S NEGOTIATING OFFER OF 6 OCTOBER 1979 WAS CONDITIONAL ON NATO SUSPENDING ITS DECEMBER DECISION ON TNF: THAT THE SOVIET UNION WAS NOT PREPARED TO ACCEPT ANY UNILATERAL LIMITATION ON ITS OWN MILITARY POTENTIAL, EVEN FOR A LIMITED PERIOD, AND HAD REJECTED HIS OWN IDEA OF A MUTUAL UNDERTAKING NOT TO DEPLOY MEDIUM RANGE NUCLEAR WEAPONS.

6. BUT HE WENT ON TO SAY THAT BREZHNEV HAD IN THIS CONNECTION PUT FORWARD QUOTE A NEW AND CONSTRUCTIVE PROPOSAL UNQUOTE. BREZHNEV HAD QUOTE DECLARED THAT THE SOVIET UNION WAS READY TO ENTER INTO BILATERAL DISCUSSIONS WITH THE UNITED STATES ABOUT LIMITING MEDIUM RANGE NUCLEAR WEAPONS, EVEN BEFORE THE RATIFICATION OF SALT II. THESE DISCUSSIONS WOULD HAVE TO COVER THE MEDIUM RANGE WEAPONS OF BOTH SIDES AND TAKE INTO ACCOUNT ALL FACTORS WHICH INFLUENCED THE STRATEGIC SITUATION IN THIS AREA. HE MADE IT CLEAR THAT THE SO-CALLED FORWARD BASED SYSTEMS WOULD ALSO HAVE TO BE INCLUDED, THAT IS TO SAY THOSE AMERICAN WEAPONS WHICH ARE ALREADY STATIONED IN EUROPE AND WHICH ARE CAPABLE OF REACHING THE SOVIET UNION. ANY AGREEMENTS WHICH MIGHT RESULT FROM SUCH DISCUSSIONS COULD IN (BREZHNEV'S) OPINION ENTER INTO FORCE ONLY AFTER THE RATIFICATION OF SALT II UNQUOTE.

7. THE CHANCELLOR COMMENTED THAT THIS CREATED A NEW SITUATION: THE SOVIET REQUIREMENT FOR NATO TO REVOKE ITS DECEMBER DECISION NO LONGER STOOD IN THE WAY OF DISCUSSIONS ABOUT A MUTUAL LIMITATION ON MEDIUM RANGE WEAPONS. WITHOUT CLAIMING THAT THIS REPRESENTED A QUOTE BREAK-THROUGH UNQUOTE, SCHMIDT CLAIMED THAT IT QUOTE OPENED UP THE CHANCE OF AVOIDING AN UNRESTRAINED ARMS RACE IN THIS AREA UNQUOTE.

8. ON MBFR, THE CHANCELLOR SAID THAT HE AND GENSCHER HAD STRESSED THE IMPORTANCE OF THE DATA QUESTION AND DRAWN ATTENTION TO NATO'S DECEMBER PROPOSAL FOR AN INTERIM AGREEMENT. HE WENT ON: QUOTE THE SOVIET SIDE GAVE US TO UNDERSTAND THAT THEY INTEND SHORTLY TO PUT FORWARD NEW PROPOSALS IN VIENNA WHICH WOULD CONCENTRATE ON THE FORCES OF THE UNITED STATES AND THE SOVIET UNION AND WOULD REPRESENT AN IMPROVEMENT ON THEIR PREVIOUS PROPOSALS UNQUOTE.

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9. ON AFGHANISTAN, IRAN, THE THIRD WORLD AND BILATERAL RELATIONS, THE CHANCELLOR'S ACCOUNT TALLIED WITH THAT GIVEN BY VON STADEN. ON AFGHANISTAN, HE SAID THAT THE DIFFERENCE OF OPINION BETWEEN THE FEDERAL REPUBLIC AND THE SOVIET LEADERSHIP HAD NOT BEEN BRIDGED. BOTH SIDES HOWEVER HAD AGREED ON THE NEED FOR A POLITICAL SOLUTION AND THE COMMUNIQUE HAD REFLECTED THE JOINT VIEW THAT SUCH A SOLUTION SHOULD NOT BE INDEFINITELY POSTPONED BUT SHOULD BE PURSUED WITH MAXIMUM SPEED (SCHNELLSTMÖGLICH). THE CHANCELLOR CLAIMED THAT THIS FORMULATION REPRESENTED QUOTE A SMALL STEP ALONG A ROAD WHICH WE ALL KNOW TO BE EXCEPTIONALLY DIFFICULT UNQUOTE.

10. THE CHANCELLOR CONCLUDED BY ASSESSING THE OUTCOME OF THE VISIT AS POSITIVE: BOTH SIDES NOW HAD A BETTER UNDERSTANDING OF EACH OTHER'S POSITION AND IN CERTAIN QUESTIONS, NOTABLY TNF, INDICATIONS HAD BEEN GIVEN WHICH COULD FORM THE STARTING POINT FOR NEW SOLUTIONS. IN HIS OWN AND GENSCHER'S OPINION, THE VISIT HAD QUOTE COMPLETELY FULFILLED ITS PURPOSE UNQUOTE.

FCO PASS SAVING OTHER NATO POSTS AND UKDEL VIENNA

WRIGHT

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