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FM BONN 101510Z OCT 80

TO PRIORITY FCO

TELEGRAM NUMBER 739 OF 10 OCTOBER

AND TO PRIORITY EAST BERLIN, BMG BERLIN, WARSAW, UKDEL NATO,
MOSCOW, WASHINGTON AND PARIS

FRG REACTION TO GDR EXCHANGE REQUIREMENTS

1. THE FEDERAL GOVERNMENT WERE COMPLETELY SURPRISED BY THE GDR ANNOUNCEMENT OF THEIR INTENTION TO INCREASE THE DAILY MINIMUM EXCHANGE REQUIREMENTS FOR WESTERN VISITORS FROM 13 TO 25 DEUTSCHE MARKS. THE FEDERAL GOVERNMENT SPOKESMAN, BOELLING, SAID TODAY THAT THE GDR ANNOUNCEMENT WAS QUOTE A SEVERE BLOW UNQUOTE TO INNER-GERMAN RELATIONS AND QUOTE DIRECTLY CONTRAVENED NOT ONLY HELSINKI AND THE PRINCIPLE OF DETENTE BUT ALSO THE NUMEROUS GDR DECLARATIONS WHICH STATED THEIR DESIRE TO IMPROVE INNER-GERMAN RELATIONS UNQUOTE. BOELLING CONDEMNED THE GDR TAKING SUCH AN IMPORTANT DECISION AFFECTING INNER-GERMAN RELATIONS UNILATERALLY. THE FRG WAS PARTICULARLY CONCERNED AT THE MEASURES AFFECTING OLD AGE PENSIONERS AND CHILDREN.
2. BOELLING STATED THAT THE FRG'S PERMANENT REPRESENTATIVE IN EAST BERLIN, GAUS, WOULD BE LODGING A PROTEST WITH THE GDR FOREIGN MINISTRY TODAY. THE FRG WOULD ALSO RAISE THE MATTER AT MADRID WITH A VIEW TO EMBARRASSING THE GDR. BOELLING SAID THE ANNOUNCEMENT COULD AFFECT THE FRG'S WILLINGNESS TO PAY FOR COMMON PROJECTS IN FUTURE.
3. OFFICIALS WITH WHOM WE HAVE SPOKEN AT THE KANZLERAMT AND THE INNER-GERMAN MINISTRY BELIEVE THAT THE MAIN FACTOR BEHIND THE GDR ANNOUNCEMENT WAS CONCERN AT EVENTS IN POLAND AND THEIR CONSEQUENT DESIRE TO REDUCE THE NUMBER OF WESTERN VISITORS TO THE GDR. A DESIRE FOR MORE DEUTSCHMARKS IS DISCOUNTED AS THE NUMBER OF VISITORS TO THE GDR IS EXPECTED TO FALL SHARPLY AS A RESULT OF THE PRICE RISE, THUS CURTAILING THE GDR'S INCOME FROM THIS SOURCE.
4. AS TO TIMING, OFFICIALS HERE BELIEVE THAT THE DECISION WAS TAKEN SOME TIME AGO BUT DELAYED UNTIL AFTER THE FRG ELECTIONS AND THE GDR NATIONAL DAY CELEBRATIONS. THE LOSS OF FACE THE GDR MIGHT SUFFER AT MADRID WOULD NOT HAVE PLAYED A MAJOR ROLE IN INFLUENCING THE DECISION.
5. COMMENT:

ALTHOUGH THE FIRST PUBLIC REACTION HERE IS ONE OF SHARP DISMAY, IT IS TOO EARLY TO ASSESS THE IMPLICATIONS FOR INNER-GERMAN RELATIONS. IF THERE IS NO GIVE IN THE GDR POSITION, IT WOULD SEEM THAT A SCHMIDT-HONECKER SUMMIT MUST NOW BE OUT OF THE QUESTION FOR SOME TIME. COOPERATIVE PROJECTS EG ON ENERGY, ELECTRIFICATION OF RAILWAYS, ETC ARE LIKELY TO BE PUT ON THE BACK-BURNER. BUT THE FRG'S FINANCIAL ROOM FOR MANOEUVRE HAD BEEN REDUCED THIS YEAR AND OFFICIALS HERE RECKON THE GDR MAY HAVE CALCULATED THERE WAS LITTLE CHANCE OF SUCH PROJECTS GETTING OFF THE GROUND IN THE FORESEEABLE FUTURE IN ANY CASE AND THEREFORE THEY HAD LITTLE TO LOSE IN ANNOUNCING THE NEW MEASURES.

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