

GRS 750

CONFIDENTIAL

CONFIDENTIAL

FM EAST BERLIN 131600Z OCT 80

TO PRIORITY FCO

TELEGRAM NUMBER 168 OF 13 OCTOBER

INFO PRIORITY BONN AND BMG BERLIN

INFO SAVING WASHINGTON MADRID(FOR CSCE UNIT) UK DEL NATO

MOSCOW WARSAW PRAGUE BUDAPEST BUCHAREST SOFIA

Read in full

mb

EAST BERLIN TELEGRAMS NOS 164 AND 165:

GDR: INCREASE IN VISITORS' COMPULSORY EXCHANGE

1. AT A MEETING OF THE NINE THIS MORNING MY GERMAN COLLEAGUE GAVE US A SUMMARY OF THINKING IN BONN, WHERE HE WAS AT THE END OF LAST WEEK.
2. HE SAID THAT HE HAD SELDOM SEEN SUCH UNANIMITY OF VIEW AS DURING HIS RECENT CONSULTATIONS. THE EAST GERMAN MEASURES WERE SEEN AS THE MOST SERIOUS SETBACK IN INNER-GERMAN RELATIONS SINCE THE ESTABLISHMENT OF DIPLOMATIC REPRESENTATION. HE HAD ON INSTRUCTIONS MADE A QUOTE MASSIVE INTERVENTION UNQUOTE WITH THE MFA(THE DIVISION DIRECTOR IN THE ABSENCE OF KOHL) WHICH HAD BEEN FIRMLY REJECTED, THE WEST GERMANS WOULD ALSO BE MAKING REPRESENTATIONS IN MOSCOW AND HOLDING FURTHER DISCUSSIONS WITH THEIR ALLIES, AS WELL AS RAISING THE MATTER IN MADRID.
3. BONN'S PROVISIONAL ANALYSIS WAS THAT ACTION OF THIS KIND MUST HAVE BEEN APPROVED BY THE SOVIET GOVERNMENT AND MIGHT INDEED BE PART OF A BLOC POLICY RELATED TO THE SITUATION IN POLAND, THE IMMEDIATE TRIGGER BEING PERHAPS LAST WEEK'S TOKEN STRIKE. (THE FEDERAL ELECTIONS WOULD ALSO HAVE BEEN RELEVANT TO THE TIMING). BUT THE FEDERAL GOVERNMENT HAD NOT YET CONCLUDED THAT IT WAS EVIDENCE OF A FUNDAMENTAL CHANGE OF EAST BLOC POLICY: THIS REMAINED A QUESTION.
4. IN DISCUSSION THE FOLLOWING FURTHER IDEAS WERE FLOATED:
 - (A) GAUS SAID THAT IN THE COURSE OF HIS DEMARCHE AT THE MFA SEIDEL HAD HINTED AT SUPPLY DIFFICULTIES IN THE GDR, MEANING IN PARTICULAR FOODSTUFFS. THIS MIGHT IMPLY THAT THE GDR WOULD BE REQUIRED TO MAKE SUBSTANTIAL DELIVERIES TO HELP POLAND THROUGH THE WINTER, WHERE THE SITUATION WAS APPARENTLY EXACERBATED BY A POOR HARVEST. THIS COULD PROVIDE AN ADDITIONAL REASON FOR THE GDR GOVERNMENT WANTING TO REDUCE THE FLOW OF VISITORS, WHO MIGHT AGGRAVATE THE GDR SUPPLY PROBLEM, AS WELL AS STIMULATING LOCAL UNREST.
 - (B) THE FEDERAL GOVERNMENT WERE INCLINED TO DISCOUNT AS A MAJOR GDR MOTIVE THE ACQUISITION OF FOREIGN CURRENCY BECAUSE EXTRA REVENUE FROM INCREASED CHARGES WOULD BE OFFSET TO A LARGE EXTENT BY A SUBSTANTIAL FALL IN THE NUMBER OF VISITORS. THE EXTENT OF THIS FALL WAS, HOWEVER, GUESSWORK AND THE GDR GOVERNMENT MIGHT SUCCEED IN TAKING MORE MONEY FROM A REDUCED FLOW.

CONFIDENTIAL

/(C) ASKED

CONFIDENTIAL

(C) ASKED WHETHER THE NEW MEASURES MIGHT BE INTENDED TO PUT PRESSURE ON THE FEDERAL GOVERNMENT IN FUTURE NEGOTIATIONS, IE TO SERVE AS A BARGAINING COUNTER IN LATER HORSE TRADING, GAUS REPLIED THAT IF SO THE STRATEGY WAS MISCONCEIVED: GIVEN THE PRESENT MOOD IN BONN IT WAS MORE LIKELY TO HAVE THE OPPOSITE EFFECT. AT MOST THE FEDERAL GOVERNMENT MIGHT AGREE FOR PURELY COMMERCIAL REASONS TO RENEW THE SWING ARRANGEMENTS.

(D) THERE HAVE BEEN INDICATIONS, BASED ADMITTEDLY ON SO FAR LIMITED EXPERIENCE, THAT VISITORS STAYING WITH DIPLOMATS IN EAST BERLIN WILL NO LONGER BE EXEMPT AS HITHERTO FROM COMPULSORY EXCHANGE. GAUS INVITED HIS COLLEAGUE TO EXPLORE THIS FURTHER. GIVEN THE MUCH MORE SERIOUS HUMANITARIAN IMPACT OF THE MEASURES ON EG PENSIONERS, HE DID NOT FEEL IN A POSITION TO TAKE UP THIS ASPECT HIMSELF.

5. MY CHIEF PERSONAL IMPRESSION HAVING JUST RETURNED FROM A SHORT ABSENCE FROM BERLIN, IS THAT THE PICTURE IN REGARD TO GDR (OR SOVIET) MOTIVATION IS STILL UNCLEAR. THE FEDERAL GOVERNMENT MAY BE RIGHT IN BELIEVING THAT THE MAIN AIM IS TO REDUCE THE FLOW OF VISITORS WITH A PARTICULAR EYE ON POLAND, WHETHER FOR POLITICAL OR ECONOMIC REASONS OR A MIXTURE OF BOTH. BUT, ALTHOUGH GAUS SCOUTED SUCH SUGGESTIONS, I WONDER WHETHER THE GDR AND SOVIET GOVERNMENTS HAVE ENTIRELY MISCALCULATED THE LONGER-TERM IMPACT ON THE FEDERAL GOVERNMENT, IE WHETHER THE LATTER WILL NOT IN THE END FEEL OBLIGED TO NEGOTIATE A REDUCTION OF THE CHARGES BY OFFERING CONCESSIONS IN OTHER FIELDS, AS I UNDERSTAND HAPPENED IN 1974. NOR MAY THE GDR AUTHORITIES HAVE NECESSARILY GOT THEIR SUMS WRONG (B ABOVE).

FOSTER

STANDARD
WED

EESD
CSCE UNIT
CONS D
NAD
SED

ECD (E)
ECON D
ERD

OLA
CABINET OFFICE

[COPIES SENT TO NO 10 DOWNING ST]

COPIES TO:

PS/S OF S)
MR DICK)
MR POWNALL) DOT

PS/CHANCELLOR)
SIR K COUZENS) TREASURY
MISS BAKER)

MR P J BULL. BANK OF ENGLAND

MR COTTERILL ECGD
MR WOOLGAR. OAS D/EMPLOYMENT
CAXTON HOUSE. TOTHILL ST

- 2 -
CONFIDENTIAL