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TO IMMEDIATE FCC

TELEGRAM NUMBER 751 OF 15 OCTOBER

INFO PRIORITY DMG BERLIN, EAST BERLIN, WARSAW, MOSCOW, WASHINGTON,
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MY TELNO 752: GDR CURRENCY REQUIREMENTS AND HONECKER SPEECH

1. THESE DEVELOPMENTS WERE DISCUSSED AT A TWO AND A HALF HOUR MEETING OF THE FEDERAL GERMAN CABINET THIS MORNING. THE CHANCELLOR INTERRUPTED HIS POST-ELECTION HOLIDAY TO TAKE THE CHAIR. BRAEUTIGAM (UNDER-SECRETARY IN THE KANZLERAMT RESPONSIBLE FOR INNER-GERMAN AFFAIRS), WHO WAS PRESENT, HAS GIVEN US THE FOLLOWING ACCOUNT.
2. IT WAS THE UNANIMOUS VIEW THAT THE NEW GDR MEASURES WOULD PRODUCE A SUBSTANTIAL REDUCTION IN INNER-GERMAN TRAVEL AND CONTACTS. THE FACILITATION OF THIS TRAVEL WAS A CENTRAL OBJECTIVE OF FEDERAL GERMAN DETENTE POLICY, AND IT HAD TO BE RECOGNISED THAT THIS POLICY HAD SUFFERED A SERIOUS SETBACK. IT WAS IMPOSSIBLE TO BELIEVE THAT THE GDR HAD BEEN MOTIVATED BY A DESIRE TO INCREASE REVENUE: ON THE CONTRARY, IT WAS CLEAR THAT THE REASONS FOR THEIR CHANGE OF COURSE LAY IN THE POLISH SITUATION. THE INITIATIVE MIGHT WELL HAVE COME FROM THE SOVIET UNION, AND THE DECISION WOULD CERTAINLY NOT HAVE BEEN TAKEN WITHOUT SOVIET AGREEMENT. BUT THE OVERRIDING NEED FOR THE GDR REGIME TO MAINTAIN INTERNAL STABILITY MUST HAVE PLAYED A PART TOO. IT SEEMED POSSIBLE THAT THE FRG HAD OVERESTIMATED THE INTERNAL STABILITY OF THE GDR AND UNDER-ESTIMATED THE REGIME'S FEARS ABOUT THE IMPACT OF EVENTS IN POLAND.
3. AGAINST THIS BACKGROUND GERMAN MINISTERS HAD AGREED THAT THE FEDERAL GOVERNMENT COULD NOT SIMPLY ACQUIESCE IN THE EAST GERMAN MEASURES. THE AIM MUST BE TO GET THEM RESCINDED. IN THE PRESENT POLITICAL CLIMATE - I.E. UNTIL THE POLISH SITUATION HAD QUOTE BEEN STABILISED UNQUOTE - IT WAS NOT PRACTICABLE TO ACHIEVE THIS. PINPRICKING COUNTER-MEASURES AGAINST THE GDR WOULD SERVE NO PURPOSE. THE ONLY POSSIBLE LEVERAGE LAY IN THE FORTHCOMING ECONOMIC NEGOTIATIONS - THE RENEWAL OF THE SWING CREDIT, THE ELECTRIFICATION OF THE RAILWAYS AND THE EVENTUAL NEGOTIATIONS ON ENERGY - IN WHICH THE GDR HAD A MAJOR INTEREST. BUT THIS LEVERAGE WOULD NOT BECOME AVAILABLE UNTIL THE OVERALL POLITICAL SITUATION RETURNED TO SOME DEGREE OF NORMALITY AND THE GDR FELT ABLE TO ALLOW ITS ECONOMIC INTERESTS TO REASSERT THEMSELVES. FOR THE MOMENT THEREFORE (AND PROBABLY WELL INTO NEXT YEAR) THE FEDERAL GOVERNMENT WOULD HOLD BACK FROM ENTERING INTO ANY OF THE ABOVE-MENTIONED NEGOTIATIONS. BUT WHEN THE POLITICAL CLIMATE SEEMED RIGHT, THEY WOULD AIM TO REOPEN THE DIALOGUE WITH THE GDR WITH A VIEW TO USING THE LEVERAGE WHICH THESE NEGOTIATIONS WOULD GIVE THEM IN ORDER TO INDUCE THE GDR

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A) TO RESCIND THEIR CURRENCY MEASURES: AND B) TO AGREE NEW BASIC GUIDELINES FOR THE FURTHER DEVELOPMENT OF INNER-GERMAN RELATIONS. MEANWHILE THERE WAS TO BE NO QUESTION OF THE FEDERAL GOVERNMENT ASSUMING RESPONSIBILITY FOR THE ADDITIONAL TRAVEL CHARGES (SUBVENTIONIERUNG) OR DOING A LUMP SUM DEAL OVER THEM WITH THE GDR (PAUSCHALIEREN). EXISTING TREATIES AND AGREEMENTS, BOTH WITH THE GDR AND THE SOVIET UNION, WOULD CONTINUE TO BE SCRUPULOUSLY OBSERVED AND CARE WOULD BE TAKEN BY THE FEDERAL GOVERNMENT IN ITS PUBLIC STATEMENTS TO AVOID DRAMATISING WHAT HAD HAPPENED. BUT THE FEDERAL GERMAN LINE AT MADRID WOULD INEVITABLY HAVE TO BE HARDENED. THEY WOULD STILL BE SEEKING A CONSTRUCTIVE OUTCOME TO THE MADRID MEETING, BUT THEY WOULD VIGOROUSLY CRITICISE THE GDR'S MEASURES IN THE CONTEXT OF THE DEBATE ON IMPLEMENTATION. THE OPPOSITION WOULD BE FULLY BRIEFED (BRAEUTIGAM SAID THAT THIS WAS BEING DONE THIS AFTERNOON) AND WOULD BE URGED NOT TO ALLOW THE GDR MOVES TO BE EXPLOITED FOR PURPOSES OF INTERNAL POLITICAL CONTROVERSY.

4. BRAEUTIGAM SAID THAT THE FOREGOING ACCOUNT REFLECTED BOTH THE COURSE OF DISCUSSION AND THE POINTS CONTAINED IN THE CHANCELLOR'S SUMMING UP. HE EMPHASISED THAT THE FEDERAL CABINET HAD REACHED THESE CONCLUSIONS WITHOUT OPTIMISM, AND AGAINST A BACKGROUND OF DEEP ANXIETY ABOUT THE LIKELY COURSE OF EVENTS IN POLAND. IT MIGHT BE A VERY LONG TIME BEFORE PROGRESS IN INNER-GERMAN RELATIONS COULD BE RESUMED.

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