



SUBJECT

CC MASTER

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10 DOWNING STREET

LONDON SW1A 2AA

28 October 1986

*From the Private Secretary**Dear Colin,*

**PRIME MINISTER'S MEETING WITH THE MINISTER PRESIDENT OF
BADEN-WUERTTEMBERG**

The Prime Minister had a talk this morning with the Minister-President of Baden-Wuerttemberg. Mr. Spaeth was accompanied by the German Ambassador.

The conversation was affable but does not warrant reporting in full. Much of it was concerned with Baden-Wuerttemberg's economy and the lessons to be drawn from it, on which the Prime Minister questioned Mr. Spaeth closely. The main factor identified was the key role of small and medium-sized enterprises as the motor of economic growth. (98 per cent of companies in Baden-Wuerttemberg have under 500 employees and 30 per cent of output goes to export). Mr. Spaeth volunteered that the Federal Government's economic priorities after the elections would be tax reform and the removal of subsidies to ailing heavy industries.

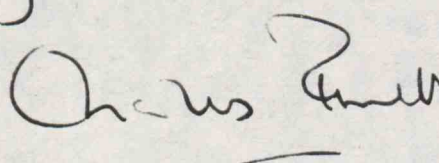
Mr. Spaeth referred to the problem of acid rain. There was evidence that this had passed its peak in Baden-Wuerttemberg, and the situation in the Black Forest was improving. The focus of attention among environmentalists had shifted to nuclear power. Mr. Spaeth estimated that the Greens would remain a significant political force. They had done well in the Bavarian local elections, and probably had 8/9 per cent support in Baden-Wuerttemberg, mostly at the expense of the Social Democrats.

The Prime Minister referred to her excellent working relationship with Chancellor Kohl. She saw this as good for Europe as a whole. Mr. Spaeth said that the Chancellor shared this view and frequently referred to the importance of his relations with the Prime Minister at meetings of the CDU Party leadership.

As Mr. Spaeth was leaving, the German Ambassador asked if the Prime Minister had been disappointed with the outcome of the discussion of Syria at the Foreign Affairs Council in Luxembourg on 27 October. The Prime Minister said that she

was angry and dismayed at the failure to agree to action. It made the various declarations issued by the Community appear meaningless. There would be another chance to reach agreement on 10 November. She hoped that the Ambassador would emphasise to his Government the strength of her feelings on the subject.

Copies of this letter go to Alex Allan (HM Treasury), John Turner (Department of Employment), Stephen Boys Smith (Home Office) and Mrs. Helen Ghosh (William Waldegrave's office).

Yours sincerely,


(C.D. POWELL)

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Foreign and Commonwealth Office