

ccB/SP.

PRIME MINISTER

MEETING WITH HERR FRANZ-JOSEF STRAUSS

You are to see Herr Franz-Josef Strauss tomorrow. Jim Spicer and John Whittingdale will also be present. While the visit is being paid on the party net, it would be useful to deal with one or two points of current business.

Tornado

As you know, the German Government has decided not to oppose the sale of Tornado to Jordan, but equally will not provide official support for the credit arrangements. MBB are having to look to the private sector. You may say to Herr Strauss that we take a pretty dim view of German refusal to participate in the credit arrangements. You may also ask him whether the Bavarian State Government can provide the necessary credit guarantees. It is vital that the sale should not collapse because of Germany's failure to help.

Airbus

Herr Strauss himself is likely to raise this and speak about the importance of providing additional funds for the programme. You will want to say that we have not yet received any firm proposals for additional support from BAe. You might also remind him that such support from any of the Airbus governments would exacerbate the problems we already face with the United States.

You will find in the folder a note by George Guise about the management structure of Airbus. One of the problems is that Herr Strauss himself chairs the Supervisory Board but, because of his other commitments, he declines to allow it to meet very often. The ideal solution would, in George's view, be for Herr Strauss to give up the Chairmanship and hand it on to someone with business expertise. However, the advice of officials at DTI is that there will be little support

elsewhere for an effort to unseat Herr Strauss and that the better solution is to encourage him to play a more active part.

Angola

Herr Strauss has written to you (stimulated by President Botha) about Angola and the threat presented by continued Cuban advances towards the Namibian border. He fears that the South Africans may pull out of the quadripartite talks unless the Cubans are restrained. You can say that we have already urged restraint on the Cubans and Angolans. While you share his concern, it would be a most unfortunate step if the South Africans were now to withdraw from the talks.

Other points you may like to cover are East/West relations and the European Community.

C.D.P?

C. D. POWELL

5 July 1988

BM2BFQ



CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

5 July 1988

CDP
6/7

Dear Charles,

Visit to the UK by Herr Strauss, 5 - 6 July

Franz-Josef Strauss, Minister-President of Bavaria and Chairman of the Christian Social Union (CSU), will call on the Prime Minister at 1130 on 6 July after breakfasting with the Foreign Secretary. His visit has been arranged by the Conservative Party.

/ Strauss, who is now 72, has been involved in German politics since the establishment of the Federal Republic. I enclose a biographical note. As well as the CSU's long-standing hold on power in Bavaria, Strauss still exerts much influence in Bonn, through the CSU participation in the Government and through his own public statements, which are often highly critical of Government policies. This relationship with Bonn in many ways reflects Bavaria's sense of separateness within the Federal Republic (and the relationship between the CSU and CDU). Like many Bavarians, Strauss can behave as if he saw himself as a Bavarian first and a German second.

Strauss has never made any secret of his view that Kohl is inadequate for the Chancellorship. After the 1983 Federal elections Strauss tried unsuccessfully to bully Kohl into giving him a major portfolio. Since then Strauss has directed his energies more at long-range sniping at Kohl (and particularly Genscher, whose party he detests). He has criticised those in the CDU, including its Secretary-General, Geissler, who would like to capture more of the centre ground, on the grounds that they are discouraging traditional right-wing voters. It is easy to understand Strauss' lack of enthusiasm for Genscher and his party. But Kohl has never forgotten - nor can we - that it is Genscher's FDP that has shown itself able to make and break governments in post-war Germany. Particularly after the recent CDU conference (which gave Kohl unenthusiastic support) the Prime Minister may be interested in seeking Strauss' views of the current state of German politics.

Strauss is likely to continue to dominate the Bavarian political stage for some years yet. He is proud of the State's record of economic success. But there are already signs that the succession may be difficult because of his reluctance to open up the CSU to a younger generation. Although it has always retained an absolute majority, the CSU's vote has dropped in every Bavarian election since Strauss became Minister-President in 1978.

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Tornado

The key British connection with Bavaria today is aerospace collaboration - Tornado, EFA and Airbus. Although Strauss is on the board of MBB, we are not sure how far he has yet been involved in the possible sale of Tornado IDS aircraft to Jordan. We recommend that the Prime Minister raise this with him, stressing the importance of concluding this deal in order to head off the danger of Jordan's turning instead to the Russian MIG 29. The Federal Government have decided not to oppose the sale in principle but not to provide official support for the credit arrangements. We are therefore pressing MBB to say what arrangements they can organise with the private sector (mainly in Bavaria). There will then be the question of how to guarantee any such credit: the Prime Minister might explore with Strauss the option of the Bavarian State Government's providing the necessary guarantees. Our Embassy in Bonn advise that Strauss's influence in all this could be considerable.

Airbus

We have heard that, as President of Airbus Industrie (AI), Strauss is likely to appeal to the Prime Minister about what he apparently sees as signs of a weakening British Government commitment to the development of the Airbus programme. He is to call at his own request on Mr Kenneth Clarke shortly before he sees the Prime Minister. In the EC/US negotiation there has recently been a hiatus largely attributable to the French elections. Boeing is currently enjoying record sales and McDonnell Douglas remain engaged in talks on possible collaboration with AI. Nevertheless, US pressure for an agreement persists, and the risk of trade action cannot be dismissed. Meanwhile, Airbus profits are suffering from the weak dollar and there is pressure (orchestrated by Strauss) on the FRG Government for additional financial support, as is the case in the UK, although decisions are unlikely before the autumn. If he asks, Strauss could be told that no firm proposals for a specific form of support have been received from BAe; and he could be reminded that any additional Government support would be bound to exacerbate the US problem. If he presses the Prime Minister on Britain's commitment, she could add that since our consideration of the question of further support for BAe is at such an early stage it would be premature to draw any conclusions about the Government's attitude towards the future of the programme.

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East/West Relations

Since his surprise first visit to Moscow last year Strauss has become something of an enthusiast for Gorbachev's reforms. There are signs of an increasingly active relationship between the USSR and the FRG (Kohl is to visit Moscow in October and Gorbachev will go to Bonn next spring). The Russians may well view West Germany as a relatively "soft touch", in terms of both politics and trade. We recommend that the Prime Minister stress to Herr Strauss the need for calmness and a steady head in responding to change inside the Soviet Union and in East/West relations.

Last week's Party Conference saw the kind of frank and largely public debate unknown in the Soviet Union for over 50 years: criticism of the Party leadership and open divisions within it (Yeltsin); complaints about the continuing shortage of food/consumer goods; genuine disagreements on matters of policy. Full details of what was finally agreed are not yet available, but the proposals to distance the Party from economic management, to make officials more publicly accountable, and to establish a proper, independent judicial system would have radical implications if fully implemented. Real political reform is now openly on the agenda.

Gorbachev has done an immensely skilful job in pushing his ideas through, keeping up the momentum of reform and overcoming the fear to speak out. But most of the party apparatus he has to work through remain reluctant converts, particularly to glasnost as currently practised. And economic reform is still a long way from delivering the goods. It will be a long time before the Gorbachev Revolution (if such it is) can be considered irreversible. The Prime Minister will no doubt have seen Sir Bryan Cartledge's initial assessment (Moscow telno 1144). Further assessment will follow when the Conference documents have been published and some of the dust has settled.

On East/West relations more widely, the Prime Minister could emphasise that progress reflects the fact that the Russians have moved towards us (INF, Afghanistan, human rights). We should continue to seek a worthwhile and constructive dialogue, but not attempt to "help" Gorbachev at the price of sacrificing our fundamental interests or values. There is a very long way to go before the Soviet Union will be a comfortable neighbour for Western Europe (or indeed for Eastern Europe, where developments, notably the Hungary/Romania dispute, must be causing increasing concern in Moscow). The Soviet Union's massive conventional superiority and the continuing activities of the KGB are inevitably of particular concern.

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Angola/Namibia

/ Strauss has just written to the Prime Minister about the clashes between South African and Cuban and Angolan forces at Calueque near the border with Namibia on 27 June. He asks her "to explore every possibility to ensure that irresponsible military actions do not prevent a political solution to the Angolan conflict". I enclose a copy of the letter. It repeats almost textually the South African version of events (in a public statement by Pik Botha). This is that SADF forces at the Calueque dam were attacked without provocation by the Cubans. The Cuban version, for which we have some supporting evidence, is that their attack was in retaliation for South African shelling the previous day.

If Strauss raises this, we recommend that the Prime Minister say that we have already urged restraint on the Cubans, South Africans and Angolans. We hope that Strauss will use his links with the South African Government to persuade them not to withdraw from the US-led talks and not to exacerbate the fighting. (Incidentally, Strauss gets it wrong in suggesting that the US took part in the Brazzaville talks.)

EC Issues

If EC issues are raised, the Prime Minister could refer to the progress achieved during the German Presidency on future financing and CAP reform, on the Single Market, and in charting a sensible course for future Community development. Strauss may claim that Bavarian farmers have been called on to make particular sacrifices in the reform of the CAP.

The Prime Minister could draw on the following points:

- welcome agreement reached on major areas of Single Market: liberalisation of capital movements, road haulage, insurance, mutual recognition of diplomas, opening up of public contracts;
- pleased Hanover set priorities for future: financial services (including banking), public purchasing, approximation of standards and intellectual property;
- glad that on social measures the Hanover Council recognised that the key was to create non-inflationary growth and jobs; we must avoid schemes that would increase bureaucracy and cost/burdens on business;

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- (if Strauss raises the German bid to site the Community Trade Marks Office in Munich) We are convinced of the advantages of London (professional infrastructure, centre of communications) and we seek early agreement both on the site and on an appropriate and cost-effective language regime;
- (if Strauss raises monetary cooperation) The UK has a positive and practical approach:
 - abolition of exchange controls;
 - liberalisation of capital movements;
 - pragmatic steps to closer monetary co-operation, including better joint monitoring of monetary developments; greater crossholdings of Community currencies in foreign exchange reserves; and moves to encourage greater use of the private ecu.
- (if Strauss raises agriculture) CAP reform was necessary and overdue. By combining stabilisers with set aside we have ensured that the surpluses will be reduced but the burdens on farmers will remain tolerable.
- We committed ourselves at Toronto to a successful GATT Round. The Mid Term Meeting (MTM) must be more than a simple stocktaking; agriculture is a key issue. The Community must obtain credit for the Brussels CAP reforms, but be prepared to go further, in a multilateral framework.
- We appreciate the difficulty of agricultural reform domestically, but real long term reform and creation of a more market-orientated farm sector are in the Community's own interest.

Finally, Strauss may raise the likely Austrian bid in 1989 for EC accession. If so, the Prime Minister might say that any application would be considered on its merits, in accordance with the EC Treaty, but that we support the Commission view that at least until 1992 the Community should concentrate on "consolidation" rather than enlargement.

I am copying this letter to Peter Smith (DTI) and Trevor Woolley (Cabinet Office).

L. Parker

(L Parker)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

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STRAUSS, DR h c FRANZ JOSEF

Minister-President of Bavaria and Chairman of the CSU.

Born 1915 in Munich. Studied law and economics. Received the Maximilaneum Prize as one of the two most brilliant pupils of his year in Bavaria. Served throughout the war reaching the rank of Lieutenant in an anti-aircraft unit. He passed his law examinations during leave from the Army during the war. 1945 POW in American hands. Founder member of the CSU in 1945. Elected to Bundestag in 1949. Appointed Federal Minister without Portfolio in 1953, and Minister for Atomic Affairs in 1955. Minister of Defence 1956-62. Chairman of the CSU since 1961. Minister of Finance 1966-69. 1970 appointed Chairman of the Deutsche Airbus GmbH. Minister-President of Bavaria since 1978, and unsuccessful Chancellor-candidate of the CDU/CSU in the 1980 Election.

As Minister of Defence he produced from fragmentary beginnings an efficient, reasonably popular Bundeswehr. As a result of the "Spiegel" affair in 1962, in which he was instrumental in the arrest of members of "Spiegel" staff while they were in Spain and later attempted to conceal his participation in the affair before the Bundestag, he was obliged to resign. After his fall he went back to Bavaria, gradually to build up his return to the Federal scene in 1966 as Finance Minister.

After the CDU/CSU defeat in 1969, Strauss was the most aggressive spokesman for all-out opposition to the SPD/FDP Coalition. But public distrust of Strauss outside Bavaria, and his attacks on Brandt's popular Ostpolitik, were among the reasons for the CDU/CSU's failure at the 1972 election. He accepted Kohl for whom he has little regard, as Chancellor-candidate of the CDU/CSU for 1976 with bad grace and held him and other CDU moderates responsible for the narrow defeat in the elections of October that year.

His move back to Munich as Minister-President in 1978 did not diminish his influence in Federal politics, and when Kohl decided not to stand as Chancellor-candidate in 1980 the CSU pressed for Strauss to be nominated. He eventually won the nomination over Albrecht. His candidature was not a success. The SPD/FDP made play with his reputation for extremism and unpredictability, and the CDU lost support as a consequence of having thrown in their lot with him. But he continued to aspire to a Federal role, and after the 1983 elections, used his party's good showing in Bavaria to try to bully Kohl to give him a major portfolio in the Government. Kohl, well aware how uncomfortable a colleague Strauss would have been, stood firm and Strauss returned to Munich without having secured his objective. The death of his wife in a road accident in 1984 briefly curtailed his political energies, and since then he has directed them more towards long-range sniping at Kohl and Genscher, becoming more equivocal about his own Federal ambitions. He still bears Genscher a particular grudge for the FDP's role in his 1962 demise and takes any opportunity to interfere in foreign policy. He has good overseas contacts through his various directorships in the arms/aerospace sector and travels widely. He regards himself as an Africa expert and exerts some pull on coalition policy towards his right-wing views. However, his surprise first visit to the Soviet Union in December 1987, when he was received, flattered and impressed by Gorbachev, seems to have taken some of the sharper edges off his opposition to Ostpolitik. In Bavaria, the CSU has maintained an unassailable position under his aegis, to the point where it is difficult for anyone to reach a high position in public service without CSU membership and Strauss' approval. Although he is now past his peak, there is no sign that he is about to retire from politics.

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Strauss' personality, career, appearance and behaviour might well provide an additional chapter to an unabridged version of "Arabian Nights". He has been involved in the past in many scandals, political, financial, sexual and social. He has so far managed to scrape out of the various political and financial escapades; the other two categories do not necessarily do his public standing any harm. He can be loud, aggressive, rude, unkind and uncouth, but can also produce considerable charm. He is a German of a very special Bavarian variety. In the past he has been one of the most adamant "Atlanticists". He is not ill-disposed towards Britain, which he has often visited, but, like many from his part of Germany, he is inclined to view British motives, particularly concerning the EC, with reservation. On the subject of the EC, he is not, like most Union politicians, an idealist. He is anxious to see the CAP milked for all it is worth for the benefit of Bavarian farmers, an important part of his constituency, but tends to disparage the idea of political union. He also had reservations about the proposals for the amendment of the Treaty of Rome, culminating in a successful battle during 1986 to get Land interests taken into account before German ratification of the Single European Act.

He is Catholic, a widower with two sons and a daughter. He speaks fluent English and French. His hobbies are shooting and drinking.

ccB/Up

MR POWELL5 July 1988AIRBUS - VISIT OF FRANZ-JOSEF STRAUSS

I visited Airbus on Friday, and talked yesterday with Jeffrey Sterling. The basic recommendation of the 'wise men's report' is that the Airbus organisation should be structured along the lines of a public company with proper accountability for costs incurred and profits made by the four partners.

Such an organisation should have a true Chief Executive to whom all executive officers, including the chief financial officer, report. The present structure is that of a hybrid known technically as a 'Grouping of Economic Interests' (GEI). This is an uneasy partnership between interests which are primarily political, such as those of France and to some extent Germany, and shareholder profitability requirements for British Aerospace.

Neither Sterling nor I believe that a PLC structure for Airbus can be imposed under present arrangements. However a proper reporting structure based on financial accountability with the right choice of people could corral thinking along PLC lines. If a future Airbus were operating in a visibly profitable manner it could eventually adopt PLC status. The fundamental decision making activity must however operating professionally and regularly.

The supervisory board chaired by Strauss holds much of the formal power needed to cause events, but meets irregularly solely because of the many other interests and activities of Strauss. In an ideal world Strauss would delegate the businessman's role of chairmanship while continuing in some honorific role as the 'Grand Old Man' of Airbus.

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Kenneth Clarke got nowhere in suggesting Strauss's retirement to other ministers at Hanover, in May, while Strauss himself is unlikely to take guidance from Kohl or anyone else domestically. Sterling believes one of the few people to whom Strauss might listen would be our Prime Minister. Properly presented the argument could push against an open door for the following reasons:

1. He has outgrown the Chairmanship of Airbus, which should now address the detailed organisational issues for the next stage of its success. His other commitments cannot possibly allow him time to address the details of Airbus management in adequate depth.
2. He is concerned at the level of financial commitment in Airbus and would not wish to be seen walking away. However, a continued involvement as some grand arch-President with detailed business powers delegated to a Chairman known to have his support could make life easier.
3. Strauss is already rather disdainful about the fact that other board members are ministers junior to himself. The board is however soon to be slimmed down.

If possible and appropriate at tomorrow's meeting, it would be helpful for the Prime Minister to venture these ideas. She should emphasise the achievements that have been made under Strauss's leadership in forming one of Europe's great technical successes. She should underline her commitment to see it go on to achieve financial success.

GEORGE GUISE



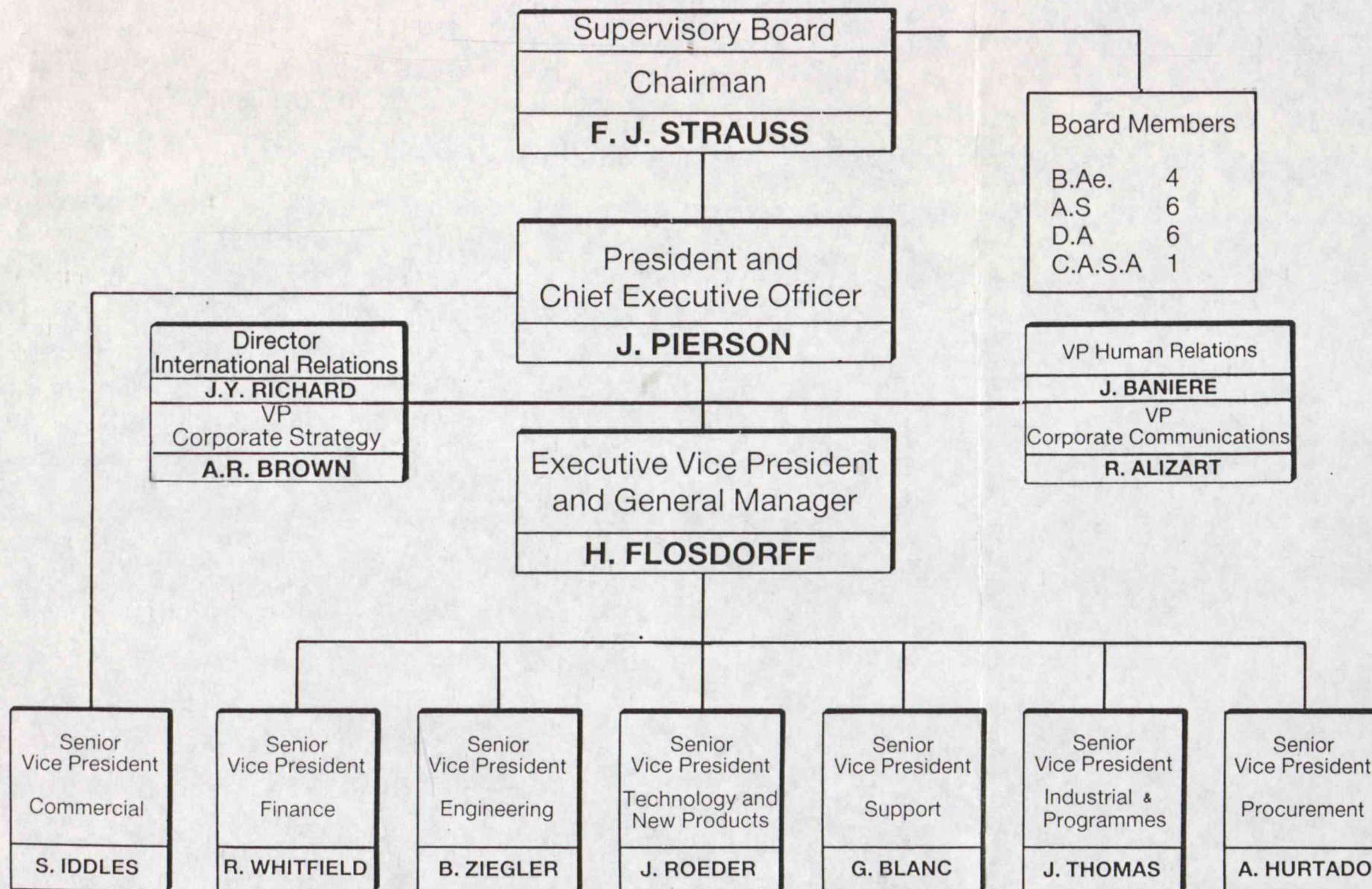
Annex 1 - Organisation Structure of Airbus

Annex 2 - Kenneth Clarke's brief for Strauss meeting:

9.15 am Wednesday

Organisation

ANNEX 1



TO: cc PS/Secretary of State
PS/Mr Atkins
PS/CHANCELLOR OF THE DUCHY OF LANCASTER PS/Sir Brian Hayes
Mr Williams
FROM: Mr Michell, Air
Mr Guise, No 10
Mr Hogger, MAED FCO

PAUL LAWRENCE
Air 2a
Room 616 Ashdown House
215 6242

5 July 1988

CHANCELLOR'S MEETING WITH DR ~~FRANZ~~ JOSEF STRAUSS

1 The Chancellor is meeting Dr Strauss to discuss Airbus between 9.15 and 9.50 tomorrow. I attach a short line to take and background note.

Mr Strauss will be accompanied by Mr Amtstretter, from his cabinet, and Mr Schmidt (German Foreign Office). Also with him will be Mr Scharnagl, who, Miss Brydon, has suggested to me may be a prominent Bavarian journalist. If this is indeed the case, and Miss Bryden is checking with the German Embassy, the Chancellor may wish to take a particularly cautious line; but the lines to take are in any case more or less entirely anodyne and repeat well established UK views.

meeting for Air Division.

I will be attending the


PAUL LAWRENCE

* Maria tells me he is
a journalist with the
Brian Gurner, a Christian
Democrat Party bulwark.

CHANCELLOR'S MEETING WITH DR STRAUSS - AIRBUS

AIMS

To assure Dr Strauss that the UK is committed to profitable, efficient Airbus programmes. To enquire about the future of the German Airbus partner, MBB.

LINES TO TAKE

- 1 UK Government is fully in favour of a profitable and efficient Airbus Industrie. Welcome agreement on improvements to AI system, including implementation of "wisemen" report. But UK will continue to press publicly for reform until improvements lead to efficient and profitable operation.
- 2 In future, the main AI Government interface will be through AI's Supervisory Board. Hope Mr Strauss will be able to play the active role normally associated with a company president in future AI/Government meetings.
- 3 Aware of possible changes in the status and ownership of MBB. Have any decisions yet been taken? Will MBB receive exchange rate guarantees or similar production supports?
- 4 HMG is in touch with BAE about exchange rate problems; but no firm proposals for any specific form of support have been received from the company.

Cont

5 Must bear in mind the implications for EC/US trade dispute of any decision about additional Government support, particularly for production phases.

BACKGROUND

MBB

Recent press reports have focussed on the German Government's moves to restructure the involvement of MBB in AI through the intervention of Daimler-Benz. It appears that the sale of shares in MBB at present owned by three German provincial governments to Daimler may be in prospect. Minister Riedl, a close associate of Mr Strauss, has recently told the British Ambassador in Bonn that, whatever restructuring of MBB occurs, the Federal Government will need to focus upon the effects of the low dollar on Airbus business. An exchange rate guarantee appears to be contemplated. Any such guarantee, of course, runs the risk of being interpreted by the USA as production support, and thus becoming the subject of a trade action.

HMG COMMITMENT TO AIRBUS

Herr Strauss has from time to time commented upon what he sees as a lesser degree of commitment to Airbus in the UK than in the other three partner countries. Most recently, his close associate Minister Riedl has suggested to our Ambassador in Bonn that it was clear that Germany, France and Spain would all hold fast to the A340 programme, and asked whether it was indeed the case that UK was critically reconsidering the project. While this view does not entirely square with Herr Wolf's comments to the Chancellor at Copenhagen that Germany also has serious doubts about continuing with the A340, Herr Strauss can be expected to seek an assurance of the UK's commitment to the existing programmes. It would appear that Herr Strauss does not favour any collaboration with MacDonall Douglas which might have the effect of scrapping agreed aircraft.

HERR STRAUSS AS PRESIDENT OF AI

Officials of the DTI, FCO and No 10 considered yesterday with Sir Jeffrey Sterling whether it would be appropriate during Herr Strauss's visit to raise with him the question of his continued presidency of AI. The Chancellor will recall that, at the Airbus Ministerial meeting in Hanover in May, he suggested to the other Airbus Ministers that perhaps the time had come for Herr Strauss to

Cont

move on. The response, from Ministers and partner companies alike, was almost uniformly hostile. The balance of advantage now may lie in suggesting to Herr Strauss that, with the new, streamlined Supervisory Board playing an active part in the relations between AI and governments, Herr Strauss may need to reconsider the degree of his involvement in AI. Up to now he has been largely a figurehead: now Airbus may need a "hands-on" president.

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ANGOLA: LETTER TO PRIME MINISTER FROM FRANZ JOSEF STRAUSS.

1. FOLLOWING IS OUR TRANSLATION OF A LETTER FROM STRAUSS TO THE PRIME MINISTER. HE WILL NO DOUBT RAISE THE MATTER WHEN HE SEES HER AND YOU IN LONDON ON 6 JULY.

BEGINS:-

THE FOREIGN MINISTER OF THE REPUBLIC OF SOUTH AFRICA, MR P. BOTHA, INFORMED ME BY TELEPHONE ON 28 JUNE THAT THERE HAD BEEN A SERIOUS MILITARY ENCOUNTER THE PREVIOUS DAY BETWEEN CUBAN AND ANGOLAN AND SOUTH AFRICAN FORCES IN SOUTHERN ANGOLA. DURING AN INITIAL ATTACK BY CUBAN AND ANGOLAN TROOPS ON THE CALUEQUE/RUACANA ELECTRICITY AND WATER SUPPLY PROJECT, ONE MEMBER OF THE SOUTH AFRICAN FORCES AND ABOUT 200 ANGOLAN AND CUBAN SOLDIERS HAD BEEN KILLED. THE ENSUING SECOND ATTACK FROM THE AIR HAD CLAIMED THE LIVES OF 11 SOUTH AFRICAN SOLDIERS.

THE CALUEQUE/RUACANA ELECTRICITY AND WATER SUPPLY PROJECT AND SOUTH AFRICAN ACTIVITIES IN THIS CONTEXT HAD BEEN DISCUSSED IN DETAIL AT HIGH-LEVEL TALKS BETWEEN ANGOLA, THE REPUBLIC OF SOUTH AFRICA AND THE UNITED STATES OF AMERICA HELD IN BRAZZAVILLE ON 13 MAY 1988. FOREIGN MINISTER BOTHA EXPLAINED THEN THAT THIS PROJECT STEMMED FROM AN AGREEMENT CONCLUDED YEARS AGO BETWEEN THE REPUBLIC OF SOUTH AFRICA AND PORTUGAL AND THAT IT WAS OF VITAL IMPORTANCE FOR OVAMBOLAND. SOUTH AFRICAN ACTIVITIES AT CALUEQUE THUS HAD AN EXCLUSIVELY HUMANITARIAN BACKGROUND. FOREIGN MINISTER BOTHA THEREFORE TOLD THE ANGOLAN GOVERNMENT UNEQUIVOCALLY IN BRAZZAVILLE THAT, REGARDLESS OF THE DIFFERENCES BETWEEN THE TWO GOVERNMENTS OVER CALUEQUE, IT SHOULD BE AGREED THAT A MILITARY ENCOUNTER IN THIS AREA WAS TO BE AVOIDED. FOREIGN MINISTER BOTHA THEN REQUESTED MINISTER FRANCA VAN DUNEM TO ENSURE PERSONALLY THAT THE CUBAN COMMANDERS WERE INFORMED ABOUT THE SPECIAL SITUATION AT CALUEQUE. MINISTER VAN DUNEM REACTED POSITIVELY TO THIS AND EXPLAINED HIS UNDERSTANDING FOR THE CIRCUMSTANCES AND THAT HE WOULD BRING THE MATTER TO THE ATTENTION OF

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HIS GOVERNMENT. SOUTH AFRICA HAD TO ASSUME FROM THIS ANGOLAN BEHAVIOUR THAT THEY UNDERSTOOD THE SPECIAL SITUATION WHICH EXISTED AT CALUEQUE AS A RESULT OF HUMANITARIAN NEEDS AND THAT AT LEAST CALUEQUE WOULD NOT BE MADE THE SCENE OF MILITARY ACTION BY CUBAN TROOPS.

THE ATTACK ON CALUEQUE ON 27 JUNE PERMITS ONLY TWO CONCLUSIONS, NAMELY EITHER THAT, CONTRARY TO THE UNDERTAKING GIVEN IN BRAZZAVILLE, THE ANGOLAN GOVERNMENT HAS NOT INFORMED THE CUBAN COMMANDERS ABOUT THE SPECIAL SITUATION AT CALUEQUE CONTRARY TO THE PROMISE IN BRAZZAVILLE OR THAT SUCH INFORMATION HAS BEEN GIVEN BUT THE CUBANS HAVE QUITE DELIBERATELY NOT COMPLIED WITH IT. THIS WOULD MEAN THAT THE CUBAN LEADERSHIP IN ANGOLA IS IGNORING THE ANGOLAN GOVERNMENT IN LUANDA AND ALSO THE POLITICAL REPRESENTATIVES WHO TOOK PART IN THE NEGOTIATIONS IN LONDON, BRAZZAVILLE AND CAIRO TO FIND A POLITICAL SOLUTION TO THE ANGOLAN CONFLICT. IT THEREFORE CAN NOT BE DENIED THAT THE AIM OF THE CUBAN SIDE IS TO USE THE MILITARY PROVOCATION AT CALUEQUE TO OBSTRUCT FURTHER PROGRESS ON THE PATH TO A POLITICAL SOLUTION TO THE ANGOLAN CONFLICT WHICH HAD MOVED CLOSER FOLLOWING THE TALKS IN CAIRO WHICH ALL PARTICIPANTS HAD ASSESSED AS POSITIVE.

A FURTHER ESCALATION OF THE MILITARY CONFLICT WOULD INDEED MOST PROBABLY THWART THE CONTINUATION OF THE TALKS IN WASHINGTON PLANNED FOR JULY. THE CHANCE TO PACIFY SOUTHERN AFRICA, WHICH I AM FIRMLY CONVINCED MUST START WITH ANGOLA, WOULD THUS BE SQUANDERED FOR A LONG TIME. AT THE REQUEST OF FOREIGN MINISTER BOTHA, I ASK YOU MOST URGENTLY, PRIME MINISTER, TO EXPLORE EVERY POSSIBILITY TO ENSURE THAT IRRESPONSIBLE MILITARY ACTIONS DO NOT PREVENT A POLITICAL SOLUTION TO THE ANGOLAN CONFLICT WHICH IS IN THE BEST INTERESTS OF THE PEOPLE OF ANGOLA AND THE WHOLE OF SOUTHERN AFRICA.

X

ENDS.

2. SIGNED ORIGINAL FOLLOWS BY BAG.

MALLABY

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