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TO IMMEDIATE FCO

TELNO 251

OF 171155Z MARCH 88

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(CULL)

FRG REACTIONS TO UK BUDGET

SUMMARY

1. CHANCELLOR'S BUDGET SPEECH RECEIVES GENERALLY FAVOURABLE COMMENT IN TODAY'S FRG PRESS. PRAISE FOR GOVERNMENT'S INCENTIVES FOR INDUSTRY. STRENGTH OF ECONOMY NOTED. SOME REPORTING ON MIXED REACTIONS IN UK.

DETAIL

2. CHANCELLOR'S BUDGET SPEECH CAME TOO LATE TO MEET MOST OF YESTERDAY'S NEWSPAPER DEADLINES, BUT THERE HAS BEEN FACTUAL COVERAGE AND COMMENT IN TODAY'S EDITIONS.

3. HANDELSBLATT (LIBERAL), PRAISES THE GOVERNMENT'S CONSIDERABLE INDUSTRIAL INCENTIVES OVER THE PAST 9 YEARS WHICH HAVE RELEASED FORCES THROUGH WHICH THE UK CAN TAKE ON THE ROLE OF ECONOMIC PIONEER. 'THE ONCE SICK MAN OF EUROPE HAS BECOME THE MOST DYNAMIC ECONOMIC NATION IN EUROPE'. DIE WELT (CONSERVATIVE) PRAISES TAX REFORMS, AND THE INCENTIVES DESIGNED TO PUSH INDUSTRY FORWARD. THE KOELNER STADT-ANZEIGER (LIBERAL) SUGGESTS THAT GERMAN INDUSTRY WILL SEE BRITISH TAX REFORMS AS A MODEL. BRITAIN IS A 'SHINING EXAMPLE', WITH STATE REVENUE HIGHER THAN EXPENDITURE. THE FRANKFURTER ALLGEMEINE (CONSERVATIVE) STATED THAT INCOME TAX REFORM SHOWS THE PRIME MINISTER'S AND CHANCELLOR'S TRUST IN THE PUBLIC WILLINGNESS TO RESPOND TO INCENTIVES.

4. THE SUEDEDEUTSCHE ZEITUNG (LIBERAL) SOUNDS A MORE CAUTIOUS NOTE. IT IS TOO EARLY TO ASSESS THE ABOVE AVERAGE ECONOMIC GROWTH OF THE PAST FEW YEARS AS IRREFUTABLE PROOF OF CONSERVATIVE POLICIES. DIE WELT ALSO REPORTS THE 'CAUTIOUS' REACTIONS OF THE CITY. IN A REPORT ENTITLED 'CHAMPAGNE FOR THE RICH, MORE MISERY FOR THE POOR' THE FRANKFURTER RUNDSHAU (LEFT OF CENTRE) FOCUSSES ON THE OPPOSITION'S RESPONSE TO THE BUDGET SPEECH.

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