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PREM 19/765

Part 6

Confidential Filing

German Chancellor (Dr Kohl), visits
to the U.K.

GERMANY

439

Part 1: May 1979

Part 2: October 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
12-10-82							
13-10-82							
22-10-82							
28-10-82							
11-11-82							
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PART 6 ends:-

ATC to Hatfield 11.11.82

PART 7 begins:-

FCO to ATC 29/11

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10 DOWNING STREET

From the Private Secretary

MR. HATFIELD
CABINET OFFICE

Further Talks with Chancellor Kohl

Your minute of 10 November to Michael Jay envisaged a meeting of Permanent Secretaries to commission the necessary work and discuss the procedural arrangements for a further visit to this country by Chancellor Kohl.

You should know that the Prime Minister would not find it at all easy to set aside "a day or a day and a half" for the German Chancellor in the foreseeable future. Mrs Thatcher does not wish us actively to encourage the idea of a further visit unless Chancellor Kohl himself returns to the idea.

I am copying this minute to Michael Jay, Sir Kenneth Couzens, Michael Franklin, Sir Peter Carey and Sir Brian Hayes.

A. J. COLES

11 November 1982

Handwritten initials or signature.

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10 DOWNING STREET

Prime Minutes

This seems to be going ahead a bit fast.

It won't be at all easy to set aside "a day or a day and a half" for Chancellor Koll. You have seen an awful lot of him recently.

My feeling is that we should not actively encourage this unless Koll himself returns to the idea. Agree?

A.J.C. 10/11

Yes
no



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CABINET OFFICE

F E R Butler Esq.

With the compliments of
The Private Secretary to the
Secretary of the Cabinet

70 Whitehall, London SW1A 2AS
Telephone 01-233 8319

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Mr. Coler

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. AO82/0057

10th November 1982

Further Talks with Chancellor Kohl

During their recent talks the Federal German Chancellor suggested that he should meet the Prime Minister again "with the minimum of advisers" to talk about commercial policy and protection. He has offered to come to London for a day, or a day and a half, for the purpose.

Chancellor Kohl's offer affords an opportunity to discuss not only trade practices but also wider Community subjects, such as the budget. Sir Robert Armstrong considers that a meeting of Permanent Secretaries would be useful to commission the necessary work and the procedural arrangements for a visit by Chancellor Kohl and this office will be in touch in the near future to arrange such a meeting.

Copies of this letter go to Mr Butler (No 10), and to the Private Secretaries to Sir Kenneth Couzens, Mr Michael Franklin, Sir Peter Carey and Sir Brian Hayes.

R. HATFIELD

(R P Hatfield)
Private Secretary

M H Jay Esq.

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T 200/82

Botschaft
der Bundesrepublik Deutschland
Embassy
of the Federal Republic of Germany

London, 28th October, 1982

Jürgen von Alten
Chargé d'Affaires a. i.

Dear Prime Minister,

I have the honour to transmit to you the enclosed telegramme from Federal Chancellor Herr Helmut Kohl.

A courtesy translation is attached.

I am, dear Prime Minister,

Yours sincerely

Jürgen Alten

The Rt. Hon. Margaret Thatcher, MP
Her Majesty's Prime Minister and
First Lord of the Treasury
L o n d o n

SUBJECT

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Telegramme

PRIME MINISTER'S
Courtesy translation

T 200/82

PERSONAL MESSAGE

SERIAL No.

T 200/82

from Herr Helmut Kohl, Chancellor of the Federal Republic of Germany

to

The Rt. Hon. Margaret Thatcher, MP, Prime Minister

Bonn, 27th October, 1982

Dear Prime Minister,

Thank you very much indeed for the most amicable welcome you gave me on October 19th.

In the meantime, I am happy to be in a position to be able to say that the agreement on steel exports between the EC and the US has brought a solution to a problem which was very crucial for all those involved.

You will have heard that the Federal Government has given its approval to the steel agreement with the US once the Commission of the EC had agreed to some special clauses resp. interpretations which seemed essential to us. I am very glad about this development which gives evidence of our readiness and our ability for solidarity with our partners in the EC, and is a first step towards an improvement of our trade relations with the US. Other steps will have to follow.

However, having finally come to a solution in this matter, we should certainly not forget the reasons for such an agreement on self-restraint. We will have to continue to make all possible efforts in order to stop this expensive and nonsensical race in subsidizing within the EC, and to strive for a situation which again allows a steel trade free of dirigistic measures.

I am very much looking forward to seeing you at our forthcoming consultations.

Yours sincerely,

Helmut Kohl

T 200/82

T e l e g r a m m

von Herrn Helmut Kohl, Bundeskanzler der Bundesrepublik Deutschland

an

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister

Bonn, 27. Oktober 1982

Sehr geehrte Frau Premierminister,

ich danke Ihnen für den sehr freundschaftlichen Empfang am 19. dieses Monats.

Inzwischen bin ich in der glücklichen Lage, darauf hinweisen zu können, dass mit der Einigung über das Stahlabkommen zwischen der Europäischen Gemeinschaft und den Vereinigten Staaten ein für alle Beteiligten schwieriges Problem bereinigt werden konnte.

Sie werden erfahren haben, dass die Bundesregierung dem Stahlabkommen mit den USA zugestimmt hat, nachdem die Kommission einige Zusagen bzw. Erläuterungen geben konnte, die uns wichtig erschienen. Ich bin glücklich über diese Entwicklung. Sie zeigt unsere Bereitschaft und Fähigkeit zur Solidarität mit unseren Partnern in der EG und stellt einen ersten Schritt zur Verbesserung unserer handelspolitischen Beziehungen mit den USA dar. Weitere müssen folgen.

Über der Einigung sollten wir aber auf keinen Fall die Ursachen für dieses Selbstbeschränkungsabkommen vergessen. Wir müssen weiter alle Anstrengungen unternehmen, um den teuren und volkswirtschaftlich unsinnigen Subventionswettbewerb in der EG zu beenden und einen Zustand zu erreichen, der wieder einen von Staatseingriffen freien Stahlhandel erlaubt.

Ich freue mich auf das Treffen mit Ihnen anlässlich der bevorstehenden Konsultationen.

Mit freundlichen Grüßen

Ihr

Helmut Kohl

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Steel Industry

Germany

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 196A/82

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FM FCO 202100Z OCT 82
IMMEDIATE BONN
TELEGRAM NUMBER 460 OF 20 OCTOBER
INFO IMMEDIATE UKREP BRUSSELS, WASHINGTON

EC/US STEEL

1. FOR YOUR INFORMATION, THE FOLLOWING MESSAGE HAS BEEN SENT TODAY WEDNESDAY 20 OCTOBER FROM THE PRIME MINISTER TO CHANCELLOR KOHL.
2. BEGINS DEAR CHANCELLOR, I VERY MUCH ENJOYED OUR MEETING YESTERDAY. AMONG OTHER MATTERS, WE DISCUSSED THE IMPORTANCE OF REACHING A SETTLEMENT ON STEEL WITH THE US SATISFACTORY NOT ONLY TO THE UK INDUSTRY BUT TO THE EUROPEAN STEEL INDUSTRY AS A WHOLE. HOWEVER I UNDERSTAND THAT THE DECISION OF YHOUR CABINET TO ACCEPT THE AGREEMENT WAS MADE SUBJECT TO CERTAIN CONDITIONS, ONE OF WHICH WAS THAT THE BURDEN-SHARING SHOULD BE AGREED IN EUROFER: AND THAT THE GERMAN STEEL INDUSTRY HAS NOT SO FAR NOTIFIED ITS CONSENT. I REALISE THAT YOUR INDUSTRY FACES DIFFICULTIES - INDEED SO DOES OUR OWN - IN ACCEPTING THIS SETTLEMENT. AS I WRITE, I AM NOT ENTIRELY CLEAR WHAT OBSTACLES PREVENT YOUR ACCEPTANCE OF THIS PACKAGE. I FEEL SURE THEY CANNOT BE SO SERIOUS AS TO JUSTIFY THE GRAVE CONSEQUENCES - BOTH POLITICAL AND ECONOMIC - OF FAILURE TO REACH AGREEMENT WITH THE UNITED STATES.
3 MAY I ASK YOU URGENTLY TO USE YOUR GOOD OFFICES TO CLEAR UP THE REMAINING IMPEDIMENTS SO THAT THE AGREEMENT WITH THE US CAN GO AHEAD ? I HAM STILL ADVISED THAT THE US DEADLINE IS 10 AM WASHINGTON TIME TOMORROW THURSDAY 21 OCTOBER. WITH WARMEST REGARDS. MARGARET THATCHER.
MESSAGE ENDS.

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COPIES SENT TO
No. 10 DOWNING STREET

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MESSAGE FROM THE PRIME MINISTER TO CHANCELLOR KOHL

Sec. Feo
Ind
Trade.

Dear Chancellor,

I very much enjoyed our meeting yesterday.

Among other matters, we discussed the importance of reaching a settlement on steel with the US satisfactory not only to the UK industry but to the European steel industry as a whole. However, I understand that the decision of your Cabinet to accept the agreement was made subject to certain conditions one of which was that the burden-sharing should be agreed in Eurofer; and that the German steel industry has not so far notified its consent. I realise that your industry faces difficulties - indeed so does our own - in accepting this settlement. As I write I am not entirely clear what obstacles prevent your acceptance of this package. I feel sure they cannot be so serious as to justify the grave consequences - both political and economic - of failure to reach agreement with the United States.

May I ask you urgently to use your good offices to clear up the remaining impediments so that the agreement with the US can go ahead? I am still advised that the American deadline is 10.00 a.m. Washington time tomorrow, Thursday, 21 October.

With my warmest regards.

MARGARET THATCHER

A.S.C. 20/10

DRAFT MESSAGE FROM PRIME MINISTER TO CHANCELLOR KOHL

Dear Chancellor,

I very much enjoyed our meeting yesterday.

Among other matters, we

Yesterday, I discussed with you the importance of reaching a settlement on steel with the US satisfactory not only to the UK industry but to the European steel industry as a whole. [↑] It was

with real regret that I learned earlier today of the decision of your Cabinet. I understand that your industry faces ^{real} real

difficulties - indeed so does our own - in accepting this

Settlement. As I write I am not ^{entirely} clear what obstacles prevent your acceptance of this package. I feel sure they cannot be so

serious ^{as} to justify the ^{grave} consequences - both political and economic - of failure to reach agreement ^{with the United States}

Dear Mr. Kohl, the remaining negotiations

May I ask you urgently to use your good offices to ^{allow the} ~~allow the~~ Settlement with the US to go ahead? ~~If necessary, I should be~~ happy to speak with you by telephone later this evening.

I am still advised that the American deadline is 10 a.m. Washington time tomorrow, Tuesday, 21 October.

With my warm regards. Respectfully,

Sincerely,

M. Thatcher
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to

I understand that US was sent

However, I understand that the decision of your Cabinet to accept the agreement was made subject to certain conditions, one of which was that the border-slavery should be agreed in Europe; and that the former ~~is~~ steel industry has not so far notified its consent.

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10 DOWNING STREET

From the Private Secretary

20 October 1982

✓ HMT
DUI
MOD
Cabinet Office

VISIT OF CHANCELLOR KOHL

I enclose copies of the records of conversation at:

- (a) the Prime Minister's tete-a-tete with the Federal Chancellor;
- (b) the working dinner which followed the tete-a-tete discussion.

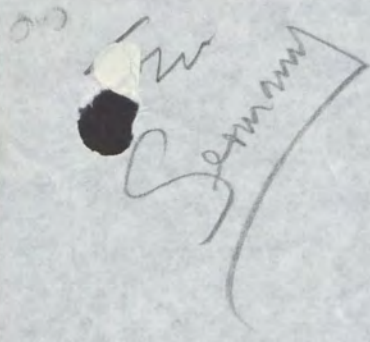
I should be grateful if these records could be carefully protected and not circulated beyond Private Offices, except where this is essential for operational reasons.

I am copying this letter and enclosures to John Kerr (HM Treasury), Robert Lawson (MAFF)-Jonathan Spencer (Department of Industry), John Rhodes (Department of Trade), Richard Mottram (MOD) and Richard Hatfield (Cabinet Office).

E. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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19 OCTOBER 1982

DEAR PRIME MINISTER

THE NORTHERN IRELAND COMMITTEE OF THE IRISH CONGRESS OF TRADE UNIONS HAS NOTED FROM PRESS REPORTS THAT YOU WILL LATER TODAY MEET MR HELMUT KOHL. WHILE MUCH OF YOUR DISCUSSIONS WILL INEVITABLY CONCENTRATE ON MATTERS OF MAJOR INTERNATIONAL CONCERN WE WOULD BE GRATEFUL IF YOU COULD RAISE WITH HIM IN THE CONTEXT OF EC MATTERS THE GERMAN GOVERNMENT'S ATTITUDE TOWARDS THE PROPOSED EC AID FOR HOUSING IN BELFAST.

T CARLIN
NI OFFICER
IRISH CONGRESS OF TRADE UNIONS

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TRANSCRIPT OF STATEMENTS MADE BY THE PRIME MINISTER,
THE RT. HON. MARGARET THATCHER MP AND DR. HELMUT
KOHL, CHANCELLOR OF THE FEDERAL REPUBLIC OF GERMANY
FOLLOWING TALKS AT 10 DOWNING STREET ON THE EVENING
OF TUESDAY, 19 OCTOBER 1982.

PRESS OFFICE
10, DOWNING STREET
TEL: 01-930 4433

PRIME MINISTER

Ladies and Gentlemen,

We welcome Chancellor Kohl this evening. We are very pleased that he has been able to come so soon after he has taken up office in the Federal Republic of Germany.

We have had very fruitful discussions. If I might put it this way, I think it was a true meeting of minds. It is not the first time that Herr Kohl has been to No. 10 Downing Street; he was with us much earlier in the year, in January, and we know full well one another's views on how to tackle the great problems that face both Germany and Great Britain. We are both affected by a world recession and we both have very similar ideas about how we should approach that recession to overcome it.

Naturally, we have also talked in the wider sphere very much about things which affect us both in the European Community. We did, of course, discuss the question of steel for which this week is so important, because as you know, certain decisions have to be made on Thursday, unless the United States is to put countervailing duties upon our steel exports. There is a very important cabinet meeting in

Germany tomorrow, to decide whether Germany will join with the rest of Europe in agreeing to limit our exports to the United States in order to prevent action from the United States against our steel exports.

We had a preliminary discussion on the Budget, but we shall take that up in more detail in Bonn when we meet next week.

We had a much wider discussion about East-West relations, in particular the situation in Poland, in the whole context of the relationship between the Soviet Bloc and the Western Alliance. We are both staunch members of the Western Alliance and whatever problems there may be between the members of that Alliance they are small compared with the interests that unite us.

This has been a very fruitful exchange. It is vital that the Federal Republic of Germany and ourselves stick together, both in the European Community and in NATO - vital for the future not only of our two countries, but the future of the free world.

I shall be going to Bonn on October 28th, for our customary bilateral consultations and we shall discuss the matters in very much more detail then.

I now have great pleasure in asking Chancellor Kohl to speak to you.

CHANCELLOR KOHL (in German - translation by Interpreter)

Prime Minister, Ladies and Gentlemen,

Together with my Colleague, Minister Hans Dietrich Genscher, I have come here today with great pleasure a very few days after my election to the office of Federal Chancellor for first talks in this new office of mine and to discuss with you problems which we have jointly together.

Of course, today's meeting has been because of the shortness of time which we have available, a preparation for meeting which will take place in Bonn between the two of us next week.

I am grateful, Madam, that you are coming not only to what has been called the Anglo-German Summit in Bonn, but that you are also going to visit Berlin together with me, to show the understanding which you feel for the situation of my divided country.

Fortunately, the bilateral problems which we have discussed and which exist are very small. We both feel ourselves responsible for the development in Europe and throughout the world and we want, as we have discussed today, to do all we can to further the Alliance, which is for both of us the very basis of our policies. It is very important that we should stand together in Europe and I consider that NATO is the European end of the Atlantic bridge and I agree, Prime Minister, when you say that any differences that may exist between Europe and the United States weigh little against the joint tasks which we have in the Alliance.

There are very many important discussions going on at this moment throughout the world and we stand, both of us, in favour of and strongly want to have and see progress made in the field of disarmament and controlled disarmament throughout the world and we want to see CSCE negotiations continued and lead to success and for that success then to be honoured.

Of course, today we also spoke about Poland and we are aware, both of us, of the joint responsibility that we feel for European solidarity as a whole.

And then, there is the European Community. Of course, in a Community such as that, certain differences of interest do arise. Well, I can tell you that I am of a new generation. I am the first Federal Chancellor who is a child of the post-war generation, who in the years after the war fought passionately for the creation of a United Europe and I will do what is in my power to make sure that we will move forward to the unification of Europe in the course of this decade.

PRIME MINISTER

Until next week in Bonn and Berlin. Thank you very much for coming. Much appreciated and greatly enjoyed it. It has been very fruitful. Thank you. Goodbye.

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RECORD OF CONVERSATION AT A WORKING DINNER GIVEN BY THE PRIME MINISTER
FOR THE CHANCELLOR OF THE FEDERAL REPUBLIC OF GERMANY ON TUESDAY
19 OCTOBER 1982 AT 10 DOWNING STREET

Present:

Prime Minister	His Excellency Dr. Helmut Kohl
Chancellor of the Exchequer	His Excellency Herr Hans-Dietrich Genscher
Foreign Secretary	Professor Dr. Waldemar Schrenkenberger
Sir Antony Acland	H.E. the Ambassador of the Federal Republic of Germany
Sir Jock Taylor, H.M. Ambassador	Dr. Lothar Ruehl
Mr. A.J. Coles	Herr Horst Teltschik

* * * * *

Netherlands

The Prime Minister said that she was sorry that Mr. van Agt had resigned. She much admired him. Chancellor Kohl agreed. Van Agt had said to him some time ago that he did not wish to continue in politics. He could not carry the physical burden any longer. He had been supported in this by his wife. Chancellor Kohl did not, however, exclude the possibility that in the end van Agt might accept the foreign affairs portfolio.

Enlargement

The Prime Minister said that she had noted a statement by the spokesman of the Federal Republic that Germany did not envisage any breach in the 1% ceiling for the Community's own resources. Mr. Genscher said that the German Government had stated last week that the 1% ceiling should not be exceeded so long as Spain and Portugal were not in the Community. The Prime Minister pointed out that if, after enlargement, the present financing system were maintained, Germany would continue to pay an unfair contribution. There should be a limit on net contributions. Otherwise some countries would continue to subsidise richer ones.

Chancellor Kohl said that he had read with great interest, and even greater displeasure, the electoral programme of the Spanish

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/ Socialists.

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Socialists. If this became policy, it would have serious consequences for Europe. In particular, their policy on NATO and on American bases was damaging. In some respects, the Spanish Socialists would be worse than the Greeks. The Prime Minister agreed that this situation was worrying. Spanish democracy was very fragile. We had hitherto believed that it was important to admit Spain into the Community in order to protect democracy. Chancellor Kohl commented that it must be "our type of democracy".

Sir Antony Acland said that he believed much of what the Spanish Socialists said could be attributed to the rhetoric of an election campaign. But membership of the Community was not itself an issue in Spain. Chancellor Kohl said that he wished to avoid a situation where some countries incurred all the obligations and others took the benefits. Sir Antony Acland agreed that it was very important to make clear to Spain that they must shoulder the obligations as well as the benefits of membership of NATO. Mr. Genscher said that much would depend on the position of the Socialist party in Parliament, after the Spanish elections. Gonzalez was personally in favour of accession to NATO but the majority of his party were against it. Gonzalez had said that he wished to avoid the issue of NATO membership becoming the focus of a street campaign against the Government. It remained to be seen whether the eventual Parliamentary party would be more representative of the views of Gonzalez than of the left wing of his party. It also remained to be seen who would be the coalition partner of the Socialists who could not obtain an overall majority.

Sir Antony Acland pointed out that there was a danger that Spain would be polarised again as it had been in the past. Chancellor Kohl said that that danger was a predictable one. His own party had spent a great deal of time cultivating like-minded parties in Europe and elsewhere. But it had not much success in Spain. Part of the reason was that Suarez did not understand the role of a party. He (Kohl) had discussed this with him for eight hours. But Suarez thought that everything could be achieved by manipulation of the media. The Prime Minister commented that someone would have to

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provide advice and finance for moderate parties in Spain, because the Soviet Union would certainly finance the Communists.

Sir Antony Acland said that Suarez had had no clear political philosophy. Calvo-Sotelo, on the other hand, was clearly identifiable as a right of centre politician. Chancellor Kohl said that his prognosis for Spain was bad - and there was also the problem of the armed forces.

The Prime Minister asked whether it was necessary for Spain and Portugal to enter the Community together. Portugal was ready to come in - and in the interests of democracy we should facilitate this. Chancellor Kohl said that he had stated in his Bundestag speech that Germany favoured the entry of both Spain and Portugal. That position remained valid. But if new circumstances arose in Spain after the election then we should have to consider what should happen. Sir Antony Acland observed that Spain was a weightier country. We had to make allowance for Spanish pride and the question of face. If we rejected Spain, the Spanish reaction could put democracy in that country in danger. The Prime Minister commented that President Mitterrand would find great difficulty in allowing Spain to enter the Community. So there was still a question of whether Portugal should move ahead alone. Chancellor Kohl said that he was much in favour of bearing in mind the Spanish national character, but not at any price. As regards Portugal, the present Government deserved every support. The fact that changes in the Constitution had been effected smoothly was creditable.

EC budget

The Prime Minister reverted to Mr. Genscher's remark that if the Community were enlarged then the own resources ceiling could be reconsidered. But in that case it would be necessary to ensure that no country was unfairly treated. Mr. Genscher said that this could imply an amendment to the Treaty. The Prime Minister said that new situations could arise. No Treaty could endure unless it adapted to changing circumstances. She thought that a difficult

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time lay ahead in the European Community. Some countries had vested interests which they were determined to protect. The budget issue was bound to be disruptive until a solution was found. Europe needed to pull together more. The issue should be discussed at the Bonn Summit. Chancellor Kohl agreed that this matter should be fully discussed in Bonn.

Fisheries

The Prime Minister stated that there ought to have been agreement before now on a common fisheries policy. We had been dealing with the matter for seven years. Only Denmark was holding it up.

Steel

Chancellor Kohl said that the German Cabinet would tomorrow weigh very carefully the arguments which the Prime Minister had put forward in respect of steel. On the one hand, his Government had its European policy to consider. But there were also domestic problems. The trade unions could make considerable difficulties for the Government. Moreover, the decision had to be taken in the very week when he had announced difficult decisions on the social services. The Prime Minister said that she very much hoped that the German Government would agree to join the Community position. The consequences of any other course would be very far-reaching. She was very critical of the US attitude. In our case, subsidies had been directed towards rationalising the steel industry. The Chancellor of the Exchequer emphasised the numbers of jobs which had been lost in the steel industry in the UK.

/ Japan

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Japan

The Prime Minister raised the problem of trade with Japan. Italy and France managed to limit Japanese imports. France, indeed, seemed to be able to place limits on any area of trade it wished. Britain could not negotiate satisfactorily through the Community because of the Italian and French attitudes. Mr. Genscher observed that the forthcoming GATT meeting ought to be concerned with removing restrictions on trade rather than the opposite. The Prime Minister asked whether the Chancellor was concerned about the level of Japanese imports into Germany. Chancellor Kohl said that imports of Japanese cars were declining. In his view protectionist methods would not solve the problem. German industry was meeting the Japanese challenge in various sectors. The Prime Minister said that the Japanese market ought to be as open as our own markets were. The IMF was projecting a further huge Japanese surplus next year. Problems in the GATT Conference were probably unavoidable. Mr. Genscher said that German industry did not do enough to conquer the Japanese market. It was true that there were barriers of various kinds, including language. But there were more Japanese in Dusseldorf than Germans in the whole of Japan. The Chancellor said that there were examples of small and medium German companies which were successful in Japan. But it was important to send more German students to that country, not just to learn the language but to absorb the wholly different culture.

The Chancellor of the Exchequer said that we were all convinced of the virtues of free trade. But we were not so confident that our industry could respond quickly enough to the Japanese challenge. The Japanese were most resistant to imports and their exchange rate was heavily undervalued. The United States was willing to employ strong defensive tactics.

/Europe.

Europe, too, ought to be able to take strong action but tended to be divided.

Mr. Genscher suggested that the Japanese impediments to trade were not governmental in nature. The Prime Minister disagreed. The value of the yen was kept low artificially and Japan had the biggest and most effective bureaucracy in the world. In addition, there was a cultural propensity to prefer Japanese goods. The European Community seemed unable to negotiate as a unit. If that were so, its Member States might have to negotiate separately. Those of us who tried to keep our markets open found the markets of other countries closed.

Chancellor Kohl said that he could agree with nearly all that the Prime Minister had said. In Germany in the past few years there had developed a kind of fascination with Japan. Japanese commercial superiority had come to be accepted as inevitable. The result was lethargy. But there was no reason to think that the Japanese businessman was invincible. He was convinced that by 1990 at the latest Japan would be confronted with the bill for its barbaric environmental policy. German industry must be told to stop complaining and go and tackle the Japanese on their own ground. In the long run Japanese society could not escape the influence of the Japanese in Dusseldorf who conveyed a picture of what it was like to live in Europe. Mr. Genscher said that the main problem was not the Japanese market but Japanese competition in third markets.

Chancellor Kohl said that these difficulties should not convert us to protectionism. We should use the free market to tackle the problems. The Prime Minister asked whether Germany did not have a voluntary restraint arrangement with Japan for cars. Chancellor Kohl said that Japan ought to spend more on defence. The Prime Minister said she was loath to see Japan develop a major defence industry though it had to protect its own seas.

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There was then some discussion of the statements that the Prime Minister and the Chancellor would make to the press after the meeting.

The discussion concluded at 2130 hours.

A.S.C.

19 October 1982

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SUBJECT CONFIDENTIAL

ex Horst

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND THE CHANCELLOR
OF THE FEDERAL REPUBLIC OF GERMANY AT 10 DOWNING STREET ON
TUESDAY 19 OCTOBER

Present:

Prime Minister

His Excellency Dr. Helmut Kohl

Mr. F.E.R. Butler

Herr Horst Teltschik

* * * * *

Welcoming Dr. Kohl the Prime Minister said that she very much appreciated this early opportunity to discuss with Dr. Kohl both bilateral issues and those which affected the wider world. She particularly would like to hear how things were going in the unusual political situation which had come about in West Germany.

Dr. Kohl said that he would like to have visited London earlier, preferably in his first week. He had however come to Britain on the first opportunity after the statement to the Bundestag of his Government's policy and the debate in it. There had been much to do in settling those policies and in determining the portfolios of the new Government. He suggested that he and Mrs. Thatcher should spend this evening's talks on a tour d'horizon which would enable them to begin their talks in the Anglo/German Summit a week later from the point which they had reached this evening.

Turning to the domestic political situation, Dr. Kohl said that the former coalition had been bound to fall sooner or later. The SPD had been moving to the left, in much the same way as the British Labour party. Herr Schmidt had glossed over this trend for as long as possible, but now that there was a more difficult economic situation and sacrifices were required, Schmidt's party would not accept them. Schmidt was an opportunist, and now that he was out of the Government he was making speeches containing propositions of class warfare, which did not reflect his views or his background but which enabled him to run with the pack. In reply to a question from the Prime Minister, Dr. Kohl said that he did not expect there to be any contest between Schmidt and Brandt for leadership of the SPD. The position of both was secure at present, but he thought that there were nine chances in ten that Schmidt would retire and take up a roving statesman role in

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the style of Kissinger. The only motive which might move him to stay on in politics was spite towards Genscher.

Dr. Kohl said that the FDP had been faced with the choice of either leaving the coalition or of disappearing all together at the next election. Perhaps Genscher had made his decision to leave the coalition six months too late. Dr. Kohl said that he wanted the FDP to survive at the next election because a coalition was likely to have a bigger majority than his own party would have by itself, and such a majority would enable the Government to get through difficult measures, like the extension of military service from fifteen to eighteen months, without having to call every time on all their rural members. But the SPD were conducting a campaign for Genscher's annihilation of a sort to which Genscher had not been accustomed in his political life, during which it had been customary for the FDP to be wooed from both sides. The FDP were shortly to have their Congress, and there was a good prospect that Genscher would survive this with increased strength provided that the FDP could stop their internal recriminations.

Dr. Kohl said that the new Government had made a good start in its first fortnight and the polls were showing good support for them. One of his problems was the Greens, and the fact that Brandt was moving towards the Greens' position. The arguments of the Greens were attractive to many and simplistic: for example when he had visited Berlin to look at the problems of unemployment there, the Greens had argued against the establishment of any new industry in Berlin. They were opposed to nuclear power and favoured unilateral disarmament and making the Federal Republic a de-militarised zone. He thought that Brandt's aim was to reabsorb the Greens so as to increase the support for his own party. There was a chance, however, that the SPD would now lose the support of skilled labour: skilled labour in Germany was in fact Conservative, although they had been in the habit for many years of voting for the SPD.

Dr. Kohl said that his view on the elections had been that, while it would have been legally possible to wait until 1984, it would not have been politically possible. He had favoured elections

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either in the Spring or the Autumn of 1983, and preferred to get the elections over in good time before the issue of the location of cruise missiles had to be tackled. He did not want that to be an election issue, although he intended to make no secret to voters that he intended to accept the missiles. An important factor in the outcome of the elections would be what happened to the minority parties: if the small parties got less than 5% of the votes so that their share became void, his own party could have a substantially larger majority of the remaining vote, as had happened to Adenauer in the 1950s. One possibility was that the FDP would benefit, as they had before, from the fact that people, who would otherwise have voted CDU, would support them because of their opposition to Strauss. This was what had happened in 1980.

Turning to the economy, Dr. Kohl said that the coalition faced a difficult situation, but that it was widely recognised in Germany that people could not go on spending more than they were earning. He had been saying that this was a spiritual and moral problem: provided that the spiritual and moral atmosphere was right, the economic problems could be solved, not otherwise. This had achieved a substantial response, and he was receiving 300-400 letters a day in support, not from professional politicians but from ordinary people. For more than ten years it had been unfashionable to use the word "prayer" in the German Parliament, but a more spiritual approach had evoked a response from the people across all denominations. It had been possible to see the economic problems coming for some time, and his main reproach to Schmidt was that he did not recognise them two years ago. It would not be necessary for any belts to be tightened or for people to starve, but it was a case of cutting out things which could not be afforded. One measure he had taken was to stop student support where this was not conditional on repayment or on proof of passing examinations. Similarly in the schools, his Government was prepared to support the socially weaker families, but would not finance motorcycles for middle class children to use to get to school. They were trying to deal with situations in which people could get as much social support in unemployment as they could through working and in which they could too easily get sickness certificates.

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They were proposing to relate unemployment pay to the number of years for which people had contributed to unemployment insurance.

Dr. Kohl said that the Government's main efforts to get the German economy moving would be through helping small and medium businesses. They were also trying to promote research by enabling it to be offset against taxation, instead of the system of specific grants which had previously applied. They were tackling their fiscal problems by an increase in VAT, by postponing for six months the annual adjustment in pensions and by limiting the increase in Civil Service pay for the following year to 1½%. The powerful Civil Service union was so far acquiescing in this. They could not determine the outcome of pay bargaining in the private sector, but they were trying to work through the Länder to encourage a six month pay pause and were appealing to specific well-paid groups like the doctors to accept a voluntary pause for, say, one year. Their main dispute with the Socialists was on the question of a special tax on high incomes, which they were reluctant to proceed with for fear of discouraging the job creators: Dr. Kohl thought that a better alternative was to reintroduce Erhard's ideas of an obligatory three-year interest free loan of 5% from people on middle incomes. They were proposing tax relief for craftsmen who wanted to plough back a larger part of their income into their own businesses and, working through small business organisations, they were encouraging firms to help with the bulge in the birth rate by taking on double the number of apprentices over the next four years.

The Prime Minister said that much of the approach to economic problems in Britain had been very similar. The British Government had seen the problems of our economy in a moral context and had insisted on the re-establishment of sound money. We had tried to oppose those who said that the welfare state meant people having whatever they wanted at the expense of their neighbours. We were also encouraging training schemes to deal with unemployment among young people, but a difference between the British and the German situation was that overmanning had been a problem for many years and firms had been shedding labour rather than taking on additions. Dr. Kohl said that other measures which the German Government were taking to try to get the economy moving were to

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end the moratorium on nuclear power stations, although even with their best efforts from now on they would be well behind both France and East Germany. They were also encouraging the modernisation of equipment in German industry, which had been installed after the war but was now becoming obsolescent. He was optimistic about the response which these policies were evoking among the German people.

Turning to foreign affairs, Dr. Kohl said that the Russians had made strenuous efforts to woo the new Government. Ten days ago he had had to invite the American Ambassador to be photographed with him, so that he was not continually shown as being photographed with the Russians. The policy of his Government would be that West Germany would be a reliable partner, unambiguously part of the Western Alliance and of the Atlantic bridge. They would be full friends and partners of the United States and the other members of the European Community. They hoped that there would be progress in the disarmament negotiations, but were resolved that the cruise missiles would be installed if there were not: he had told the Russians that it was up to them. As regards the gas pipeline, they had not been responsible for initiating the project but took the view that contracts had to be fulfilled. He had told the Russians that what was going on in Poland would never be approved by his Government and that he would not stop talking about Afghanistan until the Russians withdrew. The way in which he had so far been portrayed in Pravda had been equivocal.

The Prime Minister recalled that during their last meeting, Dr. Kohl had estimated that 60-70% of the German population would support the siting of the cruise missiles in West Germany if necessary. She shared the view that Europe must stick together as loyal and true partners in support of the United States. Britain and West Germany must play a leading role in this: President Mitterrand was also staunch on nuclear deterrence, but the French deterrent was not fully integrated into NATO. She greatly regretted the differences with the Americans over the pipeline, but having made contracts Britain was bound to keep them. We had supported President Reagan at the Versailles Summit in his proposals for reducing credit and interest rate subsidies to the Russians:

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unfortunately other countries had not given equal support and that was largely responsible for the present difficulties. She had the clear impression that the Americans now recognised that the action which they had taken over the pipeline was a mistake and were looking for a way out: she hoped that the Europeans would be able to produce a package of measures which would enable the Americans to abandon their sanctions. Similarly, on steel she knew that the German Government had a crucial Cabinet meeting on the following day and hoped that they would agree to participate in the programme of European restraints on exports to the United States so that the imposition of the United States tariff could be avoided.

Dr. Kohl said that he would be grateful for the Prime Minister's advice on how he should approach his talks with President Reagan when he visited Washington in a fortnight's time. He felt that the Americans did not understand the difficulties for the European Governments in achieving acceptance of the cruise missiles: for example 30-40% of evangelical churchmen in Germany were in favour of unilateral disarmament. The Americans had to help European Governments more over this issue, and actions like the sanctions on the Siberian pipeline and the American sales of grain to the USSR made the position of European Governments much more difficult. The recent action of the Pope in initiating the canonisation of a Polish priest had done more to affect opinion in Poland than the whole of the Reagan policy on sanctions.

The Prime Minister said that she had found it difficult to understand the American actions over grain exports and that the Americans knew that they had made a mistake over the pipeline. The best line for the Europeans now to take was to help them escape from this mistake. She believed that Dr. Kohl should say to President Reagan what he had just said to her. She thought that he would understand it and would respond. He was a honest politician with certain strong views: he felt, as others did, that more should be done to help the Poles and saw in their actions the beginning of the end of the Communist system. If the Russians had allowed the beginnings of freedom in Poland to develop, it would have

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spread like wildfire through the Russian satellite countries and to Russia itself. This was the reason why the Russians had to intervene. President Reagan felt obliged in these circumstances to punish the Russians, but in her view the approach proposed by Chancellor Kohl was better. It was more important to ensure that the Poles continued to get an infusion of Western ideas, for example, by receiving broadcasts from the West.

Dr. Kohl commented that the suppression of Poland was damaging to the European ideal. The Poles were people of strong character which had survived and which was an integral part of Europe. It was important to go on saying that the Russians had broken their word, for example, on the Helsinki Agreement. The situation in Poland was helpful to him in the domestic debate on the cruise missiles as was the experience of young idealist Germans who had tried to take milk supplies to the Polish people and who had been hindered by the Communists. Former Chancellor Schmidt and he had co-operated in arranging a scheme for parcels to be sent with free postage to Poland: this had been withdrawn but reintroduced last Christmas. It was this sort of gesture which made a deep impression both on the Poles and on the German people. The Prime Minister agreed, but commented that the West should avoid giving the impression that a Communist regime in Poland was acceptable as long as it was not under military domination.

Dr. Kohl said that another important aspect was the effect of American actions on the opinion of leaders in Russia as the Brezhnev era came to an end. The Prime Minister agreed, but commented that it would be wrong to regard Brezhnev as a "cosy old grandpa". It had to be remembered that during his period, the Russians had marched into Afghanistan and Poland and had simply ignored the Helsinki Agreement. Dr. Kohl said that he was not a fan of Brezhnev but thought that the next generation would be no better. In this situation it was preferable to have elderly Russian leaders rather than young and vigorous ones, but the domestic difficulties of the Russians were growing. They were not likely to lead to a revolution, but the Russians could not go on tightening the screw indefinitely in trying to support an inefficient system. It was striking that 40% of Russian people were engaged in agriculture and Russia still had to buy food, whereas

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Germany had 5% of its people in agriculture and had a food surplus. Referring to the food surplus, the Prime Minister said that in her view the United States were right to oppose the European sale of subsidised food to Russia. These sales had induced President Reagan to give subsidies to his own agricultural produce, and this was upsetting the world agricultural market.

Dr. Kohl said that, when he had met Brezhnev during the latter's visit to Germany, he had found the experience spooky. Brezhnev had spoken from notes, and had then been given notes with which to carry on the conversation. There was a significant difference between the morning and evening: in the evening, after reading his speech he had seemed incapable of saying another word and had been soon conducted from the room. However, one had to take account of the formidable experience in the Russian Government: Gromyko was the longest serving Foreign Minister and no successor would have similar experience. The Russian people were changing, but their dogma and their party were static. Corruption was increasing, but the virus of freedom could not be excluded. The history of Poland was significant. After 1940, Poland had turned towards the East and Germany had been their main enemy. For a time relations with Russia had been good but now none of their young people were sympathetic with Russia. Only the bayonets remained to enforce the regime.

The Prime Minister agreed that time was on the side of the West, provided that the West played their cards shrewdly. She believed that President Reagan would share Dr. Kohl's view. Dr. Kohl agreed and said that he would be telling President Reagan that, provided the United States took a reasonable view, they had reliable partners in Europe. Britain was of the same family and Germany shared the political convictions of the United States. America had good friends in Europe, provided that it did not regard the relationship as a one-way street. The Prime Minister agreed, commenting that although it was necessary to be patient with the French, President Mitterrand was staunch on the security of Europe. Dr. Kohl agreed, commenting that on security policy, President Mitterrand was more like a Gaullist. At this point the Prime Minister suggested that Dr. Kohl and she should adjourn their discussion until dinner.

20 October 1982

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TO IMMEDIATE FCO

TELEGRAM NUMBER 890 OF 19 OCTOBER

INFO ROUTINE UKREP BRUSSELS PARIS ROME

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LUXEMBOURG UKDEL NATO WASHINGTON

Sir J. Taylor c/- Hd wed, (I)
 Mr. Evans, Mr. Spredley, ECD
 Mr. Harray, Mr. Gode ECD(E)
 Mr. Harcourt, Cabinet Office,
 Mr. Little, HM Treasury
 Mr. Edwards, HM Treasury
 Mr. Andrews, MAFF.

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Then to typists

CHANCELLOR KOHL'S VISIT TO LONDON AND FRG/UK CONSULTATIONS

1. THE DEPUTY FRG SPOKESMAN, RUEHL, GAVE A SPECIAL PRESS BRIEFING YESTERDAY IN PREPARATION FOR CHANCELLOR KOHL'S VISIT TO LONDON THIS EVENING. IT HAS NOT BEEN WIDELY REFLECTED IN TODAY'S PRESS.
2. RUEHL SAW THE VISIT AS A PREPARATION FOR NEXT WEEK'S CONSULTATIONS AND AS AN OCCASION TO REINFORCE THAT BASIS OF CONFIDENCE BETWEEN THE TWO GOVERNMENTS WHICH HAD BEEN MAINTAINED BY BOTH SIDES THROUGH ALL GOVERNMENT CHANGES.
3. RUEHL BELIEVED THAT THE STATE AND EFFECTIVENESS OF THE COMMUNITY AND ENLARGEMENT WOULD BE THE FIRST COMPLEX OF ISSUES FOR THE CONSULTATIONS. AS FAR AS THE COMMUNITY'S INTERNAL AFFAIRS WENT, THE BUDGET QUESTION PLAYED A CENTRAL ROLE. BRITAIN'S BASICALLY POSITIVE ATTITUDE TOWARDS THE COMMUNITY WOULD BE A SOUND BASIS FOR THE NEGOTIATIONS. THE FEDERAL REPUBLIC WAS THE LARGEST NET CONTRIBUTOR IN THE COMMUNITY AND INDEED, IN 1981, THE ONLY ONE. BRITAIN WAS QUOTE IN A SIMILAR SITUATION UNQUOTE. THE FOREIGN MINISTERS' AGREEMENT OF 25 MAY WOULD REMAIN THE BASIS FOR THE UK CASE (PRESUMABLY IN RELATION TO 1982 REFUNDS). THE COMMISSION SHOULD SHORTLY MAKE A PROPOSAL AS REQUIRED BY THE AGREEMENT OF 25 MAY. THERE WAS LITTLE PROSPECT OF A SOLUTION LASTING MORE THAN TWO YEARS. ACCOUNT MUST BE TAKEN OF THE READINESS OF ALL PARTIES TO COMPROMISE.
4. FRANCE WAS SETTING PRECONDITIONS FOR ENLARGEMENT. THIS GAVE RISE TO SIGNIFICANT PROBLEMS WHICH MUST BE OVERCOME. THE POLITICAL QUESTION HAD TO BE ASKED HOW FAR THE COMMUNITY PARTNERS WERE ABLE TO FULFIL THEIR UNDERTAKINGS. THE FEDERAL REPUBLIC ADVOCATED URGENT FULFILMENT. AS POTENTIAL NET CONTRIBUTORS, THE FRG AND UK WERE VITALLY INTERESTED IN ENSURING THAT THE FINANCIAL FRAMEWORK OF THE COMMUNITY SHOULD NOT BE BROKEN. THE ONE PERCENT VAT CEILING MUST

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BE RETAINED. IN THE FRG'S VIEW ENLARGEMENT DID NOT REQUIRE A BREACH OF THE ONE PERCENT CEILING.

5. THE FEDERAL GOVERNMENT WOULD BE SEEKING SUPPORT IN LONDON TO ENSURE THAT THE BUDGET DID NOT GAIN A NEW DYNAMISM.

6. BOTH COUNTRIES WERE INTERESTED IN THE ATTAINMENT OF A CFP. DENMARK HAD COMPLICATED MATTERS: HER ATTITUDE TOWARDS THE COMMUNITY'S RULES MUST CHANGE. THE GERMANS' CLAIM TO BE ALLOWED TO FISH OF WEST GREENLAND MUST BE QUOTE HONOURED POLITICALLY UNQUOTE.

7. THE FEDERAL GOVERNMENT WOULD SEEK THE ACTIVE SUPPORT OF THE UK FOR THE EUROPEAN ACT. IF EVERYBODY AGREED THAT SACRIFICES WERE NECESSARY, ALL SHOULD BE PREPARED TO MAKE THEM.

8. THE FRG AND THE UK SHOULD ALSO COOPERATE TO ENHANCE EUROPEAN POLITICAL COOPERATION. COORDINATION OF NATIONAL POLICIES HAD PROVED ITS VALUE. KOHL NOW WANTED TO MOVE ON FROM COMMON STATEMENTS TO COMMON ACTIONS. THIS DEPENDED ON THE LARGE COMMUNITY PARTNERS, VIZ, UK, FRG, FRANCE, AND ITALY, SETTING A GOOD EXAMPLE.

9. RUEHL ALSO SAW SECURITY QUESTIONS PLAYING A MAJOR ROLE IN THE CONSULTATIONS PARTICULARLY IN RELATION TO THREE MINISTERIAL MEETINGS IN NATO, THE CONTINUATION OF THE MADRID CONFERENCE AND THE ARMS CONTROL NEGOTIATIONS.

10. ANOTHER AREA FOR DISCUSSION ACCORDING TO RUEHL WOULD BE US-EUROPEAN RELATIONS. THE FEDERAL GOVERNMENT WOULD CONTINUE TO SEEK THE COORDINATION OF AMERICAN AND EUROPEAN FOREIGN, TRADE AND SECURITY POLICIES. THE DIFFERENCES OVER THE PIPELINE SHOULD BE CONTAINED AND OVERCOME. THE FRG WAS FULLY AT ONE IN THIS WITH THE UK.

11. THE FEDERAL GOVERNMENT WOULD NOW ADVOCATE THE AMERICAN/EUROPEAN FRIENDSHIP TREATY PROPOSED BY THE ITALIAN FOREIGN MINISTER COLOMBO.

12. DURING THEIR PRESIDENCY THE GERMANS WOULD BE SEEKING TO MAKE PROGRESS ON THESE THEMES.

#: FCO PLEASE PASS SAVING TO ABOVE ADDRESSEES

~~NOT~~ PASSED BY C.O.D.

UNWIN

ADVANCE COPIES TO FCO SIR J TAYLOR

EVANS ADVANCED AS REQUESTED

HANNAY

SPRECKLEY

CROWE

CABINET OFFICE

HANCOCK

TREASURY

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With the compliments of

THE PRIVATE SECRETARY

**FOREIGN AND COMMONWEALTH OFFICE
SW1A 2AH**

MIPT: INFORMAL MEETING OF NATO FOREIGN MINISTERS

FOLLOWING IS TEXT OF PAPER USED BY SHULTZ:

1. OUR GOVERNMENTS RECOGNISE THE NECESSITY OF CONDUCTING THEIR RELATIONS WITH THE USSR ON THE BASIS OF A GLOBAL AND COMPREHENSIVE POLICY DESIGNED TO SERVE OUR OWN FUNDAMENTAL SECURITY INTERESTS. THEY ARE PARTICULARLY CONSCIOUS OF THE NEED FOR A COMMON APPROACH IN THE ECONOMIC FIELD, WHERE ACTIONS MUST BE COORDINATED WITHIN THE FRAMEWORK OF THEIR GLOBAL STRATEGY. THEY ARE RESOLVED TOGETHER TO TAKE THE NECESSARY STEPS TO REMOVE DIFFERENCES AND TO ENSURE THAT FUTURE DECISIONS BY THEIR GOVERNMENTS ON THESE ISSUES ARE TAKEN ON THE BASIS OF AN ANALYSIS OF THE EAST-WEST RELATIONSHIP AS A WHOLE, WITH DUE REGARD FOR THEIR RESPECTIVE INTERESTS AND IN A SPIRIT OF MUTUAL TRUST AND CONFIDENCE.

2. THEY AGREE THAT THE FOLLOWING CRITERIA SHOULD GOVERN THE ECONOMIC DEALINGS OF THEIR COUNTRIES WITH THE SOVIET UNION AND EASTERN EUROPEAN COUNTRIES.

- THAT THEY WILL NOT UNDERTAKE TRADE ARRANGEMENTS WHICH HAVE THE EFFECT OF CONTRIBUTING TO THE MILITARY CAPACITY, ACTUAL OR POTENTIAL, OF THE USSR.
- THAT IT IS NOT IN THEIR INTEREST TO CONDUCT TRADE WITH THE USSR WHICH HAS THE EFFECT OF SUBSIDISING THE SOVIET ECONOMY.
- THAT THEY WILL TAKE NO STEPS THAT CONTRIBUTE TO THE STRATEGIC ADVANTAGE OF THE SOVIET UNION.

THEY AGREE TO EXAMINE THOROUGHLY HOW TO APPLY THESE CRITERIA, TAKING INTO ACCOUNT THE VARIOUS ECONOMIC AND POLITICAL PROBLEMS

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INVOLVED, WITH THE VIEW TO AGREEING ON A COMMON LINE OF ACTION. THEY WILL PAY DUE ATTENTION IN THE COURSE OF THIS WORK TO THE QUESTION OF HOW BEST TO TAILOR THEIR ECONOMIC RELATIONS WITH EASTERN EUROPEAN COUNTRIES TO THE SPECIFIC SITUATION OF EACH OF THEM.

THIS OVERALL ANALYSIS WILL TOUCH IN PARTICULAR ON THE FOLLOWING AREAS:

- STRATEGIC GOODS AND TECHNOLOGY OF MILITARY SIGNIFICANCE (COCOM):
- HIGH TECHNOLOGY OF STRATEGIC IMPORTANCE INCLUDING OIL AND GAS EQUIPMENT:
- OTHER TRADE, INCLUDING AGRICULTURE AND FOODSTUFFS:
- CREDIT POLICY:
- ENERGY.

IN THE FIELD OF ENERGY, THE EUROPEAN GOVERNMENTS, AS THEY ARE HEAVILY DEPENDENT ON IMPORTS OF ENERGY, WILL INITIATE A STUDY OF PROJECTED EUROPEAN ENERGY REQUIREMENTS OVER THE NEXT DECADE AND BEYOND AND POSSIBLE MEANS OF MEETING THOSE REQUIREMENTS. THE UNITED STATES WILL PARTICIPATE IN THIS STUDY. IT WILL BE PREPARED UNDER THE AUSPICES OF THE OECD.

3. AS AN IMMEDIATE DECISION AND FOLLOWING DECISIONS ALREADY MADE, THEY HAVE AGREED ON THE FOLLOWING:

(A) THEY WILL WORK TOGETHER WITHIN THE FRAMEWORK OF THE COORDINATING COMMITTEE (COCOM) TO PROTECT THE CONTEMPORARY SECURITY INTERESTS OF THE ALLIANCE. THE LIST OF STRATEGIC ITEMS WOULD BE EVALUATED AND, IF NECESSARY, ADJUSTED. THIS OBJECTIVE WILL BE PURSUED AT THE COCOM REVIEW MEETING BEGINNING OCTOBER 4 IN PARIS. THEY FURTHER AGREE TO TAKE THE NECESSARY MEASURES TO STRENGTHEN THE EFFECTIVENESS AND RESPONSIVENESS OF COCOM AND TO ENHANCE THEIR NATIONAL MECHANISMS AS NECESSARY TO ENFORCE COCOM DECISIONS.

(B) IT WAS AGREED AT VERSAILLES THAT THE DEVELOPMENT OF ECONOMIC AND FINANCIAL RELATIONS WITH THE SOVIET UNION AND EASTERN EUROPE WOULD BE SUBJECT TO PERIODIC EX-POST REVIEW. THE ALLIES ARE AGREED ON THE NEED TO ESTABLISH WITHOUT DELAY THE NECESSARY MECHANISM FOR THIS PURPOSE. HAVING IN

MIND THE OBJECTIVE OF NOT SUBSIDISING THE SOVIET ECONOMY, ALLIED GOVERNMENTS WILL ALSO ESTABLISH THE MEANS TO HARMONISE NATIONAL POLICIES WITH RESPECT TO THE EXTENSION OF CREDITS, COVERING INTEREST RATES, MATURITIES, DOWN PAYMENTS, AND FEES.

(C) DURING THE COURSE OF THE STUDY ON ENERGY, ALLIED GOVERNMENTS' WILL NOT ENTER INTO ANY NEW CONTRACTS WITH THE SOVIET UNION FOR THE PURCHASE OF NATURAL GAS.

(D) ^{A/} ALLIED GOVERNMENTS AGREE TO EXAMINE IMMEDIATELY WHETHER THEIR SECURITY INTERESTS REQUIRE CONTROLS ON THE EXPORT TO THE SOVIET UNION AND EASTERN EUROPE OF STRATEGICALLY SIGNIFICANT ADVANCED TECHNOLOGY AND EQUIPMENT, TO BE JOINTLY DETERMINED, BUT INCLUDING TECHNOLOGY WITH DIRECT APPLICATION TO THE OIL AND GAS SECTOR. ACTIONS WOULD BE AGREED UPON AND IMPLEMENTED WITHIN A FRAMEWORK ASSOCIATED WITH COCOM. /8

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19 October 1982

VISIT BY CHANCELLOR KOHL

Thank you for your letter of 15 October about the interpreter for this visit. As I told you on the telephone yesterday, Mr. Lederer will be acceptable.

A J COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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FRONT DOOR
POLICE
DETECTIVES
MR TAYLOR
MR JOCE
MR COLES ✓
MR INGHAM
PRESS OFFICE

PRIME MINISTER'S TALKS AND WORKING DINNER WITH CHANCELLOR KOHL
TUESDAY 19 OCTOBER

Chancellor Kohl will arrive at No. 10 at 1800 hours. There will be the usual photocall (rota) in the Front Hall. As the Prime Minister can be expected to be seen with the Chancellor on the door step, those not included in the rota photocall can still hope for pictures in the street, provided they have the usual police clearance.

There will not be a formal joint press conference but, after the working dinner (perhaps soon after 2115 hours), the Prime Minister will bid farewell to the Chancellor at the Front Door. At that point they will be ready to respond to any press questions put to them.

COI are arranging for two microphones (one to be shared by the Chancellor and the Prime Minister - the other for the interpreter) plus amplification. Alan Wakeford and Bob Gair will set up the equipment during the late afternoon.

BBC/ITN will set up special lighting, probably using Dennis Brennan of Location Lighting.

If it is wet, the same arrangements will apply. The press will get wet. The Prime Minister and the Chancellor will remain under the large umbrella somewhat closer to the doorway than to the street.

Please could the police arrange for the press to be in a penned area in the middle of the street, i.e. similar to the press enclosure during the Falklands.

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18 October 1982

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TELEGRAM NUMBER 382 OF 18 OCTOBER
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INFO PRIORITY UKDEL NATO MADRID
INFO SAVING ATHENS EMBASSY BRUSSELS COPENHAGEN DUBLIN THE HAGUE
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MEETING WITH CHANCELLOR KOHL

1. I HAD 35 MINUTES WITH KOHL THIS MORNING. HIS MANNER WAS RELAXED AND CONFIDENT AND HE WAS CHARACTERISTICALLY MORE IMPRESSIVE IN THIS SMALL MEETING THAN HE OFTEN IS IN PUBLIC.
2. KOHL ASKED ME TO REPORT THAT HE HAD ORIGINALLY WANTED TO SUGGEST THAT TOMORROW'S INITIAL VISIT TO LONDON SHOULD HAVE TAKEN PLACE LAST WEEK. BUT THE THREE-DAY DEBATE ON HIS GOVERNMENT STATEMENT HAD PREVENTED THIS. HIS VISIT TO LONDON WOULD NEVERTHELESS BE HIS SECOND OVERSEAS TRIP AS FEDERAL CHANCELLOR, THE RECENT VISIT TO BRUSSELS HAVING BEEN UNDERTAKEN IN HIS PARTY CAPACITY. (KOHL'S OFFICE HAVE TOLD US THAT HIS VISIT TO WASHINGTON WILL BE ON 15 NOVEMBER).
3. I SUGGESTED THAT THE MAIN TOPICS DURING KOHL'S TALK WITH THE PRIME MINISTER TOMORROW WOULD BE EAST/WEST RELATIONS, TRANSATLANTIC RELATIONS, THE COMMUNITY AND INTERNATIONAL ECONOMIC QUESTIONS. THE US/EUROPEAN DISPUTE ABOUT STEEL MIGHT ALSO BE RAISED. ON THE LAST, I REFERRED TO YOUR MEETING WITH GENSCHER AT HESSELET (YOUR TELEGRAM NUMBER 453), AND STRESSED THE NECESSITY OF REACHING A SETTLEMENT THIS WEEK AND THE BRITISH HOPE THAT THE FEDERAL CABINET COULD REACH A POSITIVE DECISION AT ITS MEETING ON 20 OCTOBER, DESPITE THE DIFFICULTIES. KOHL, WHO KNEW THAT THE MATTER WAS URGENT AND IMPORTANT, TOOK NOTE AND SAID TO ONE OF HIS STAFF THAT HE MUST DISCUSS THE SUBJECT WITH LAMBSDCRFF.
4. ON THE OTHER SUBJECTS I HAD MENTIONED FOR TOMORROW'S LONDON MEETING, KOHL SAID THERE WOULD BE NO ANGLO-GERMAN DIFFERENCES ON EAST/WEST OR TRANSATLANTIC RELATIONS. THE NEW GOVERNMENT WOULD BE A RELIABLE PARTNER IN SECURITY POLICY. THE ONLY SUBJECT WHERE HE THOUGHT DIFFERENCES MIGHT ARISE BETWEEN US WAS THE COMMUNITY. THIS SHOULD BE TOUCHED ON IN TOMORROW'S TALKS IN LONDON AND DISCUSSED MORE DEEPLY AT THE SUMMIT ON 28-29 OCTOBER AND SUBSEQUENTLY.
5. KOHL SAID THAT HE WOULD STRESS TO THE PRIME MINISTER TOMORROW THE IMPORTANCE OF THE GENSCHER/COLOMBO PLAN. I SAID THAT HE WOULD FIND BRITISH MINISTERS ATTENTIVE. I ARGUED, HOWEVER, THAT EUROPE ALSO NEEDED PROGRESS IN THE ECONOMIC AREA. THE CAP WAS SWALLOWING UP TOO GREAT A PROPORTION OF THE AVAILABLE RESOURCES, AND CHANGE WOULD BE NEEDED IN THE BUDGETARY ARRANGEMENTS BEFORE LONG. KOHL AGREED THAT THE INTENTION TO DEVELOP OTHER POLICIES AS WELL AS THE CAP HAD NEVER BEEN FOLLOWED THROUGH. I STRESSED THE IMPORTANCE OF THE EUROPEAN PUBLIC SEEING THE COMMUNITY AS A POSITIVE FORCE. KOHL AGREED AND SAID THAT ACTION ON THIS WAS NEEDED QUICKLY. I THEN UNDERLINED AGAIN THE IMPORTANCE OF AN EQUITABLE BUDGET AS THE KEY TO PROGRESS IN EUROPE.
6. KOHL SAID HE WOULD ALSO LIKE TO EXCHANGE VIEWS WITH THE PRIME MINISTER TOMORROW ABOUT DOMESTIC PROBLEMS IN BRITAIN AND GERMANY. THIS WAS SOMETHING HE WOULD NOT BE ABLE TO DO WITH MITTERRAND, WHOSE ECONOMIC POLICIES DIFFERED SO MUCH FROM THOSE OF THE NEW FEDERAL GOVERNMENT. THERE WAS A GROWING, BUT NOT DOMINANT, TENDENCY IN THE FEDERAL REPUBLIC TOWARDS ISOLATIONISM OR EVEN NEUTRALISM. BRANDT WAS TRYING TO SHIFT SPD POLICIES TOWARDS THOSE OF THE GREENS. THE LATTER WERE DANGEROUS FOR THE ALLIANCE AND THEIR ATTITUDES WERE NOT COMPATIBLE WITH THOSE OF THE PRESENT OR ANY POSSIBLE BRITISH GOVERNMENT. EVEN IF BRANDT'S TACTICS MIGHT BE IN THE SPD'S PARTY INTEREST, THEY WERE NOT IN THE INTEREST OF GERMANY. THE DEGREE TO WHICH SPD POLICIES WOULD ALTER WOULD DEPEND LARGELY ON WHETHER SCHMIDT WOULD STAND AS THE PARTY'S CHANCELLOR-CANDIDATE IN THE MARCH ELECTIONS. MANY THOUGHT SCHMIDT WOULD NOT. BRANDT'S EFFORTS MIGHT WIN VOTES FOR THE SPD FROM THE GREENS BUT WOULD ALSO OPEN THE OPPORTUNITY FOR THE CDU TO WIN VOTES FROM THE SPD IN THE POLITICAL CENTRE, NOTABLY AMONG SKILLED WORKERS.

CONFIDENTIAL

/Y. KOHL

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7. KOHL ASSURED ME THAT THERE WOULD BE FEDERAL ELECTIONS ON 6 MARCH. IT WAS POLITICALLY NECESSARY TO HOLD ELECTIONS IN 1983 BEFORE INF STATIONING WAS DUE TO BEGIN. AN HE PREFERRED TO HOLD THEM EARLY IN THE YEAR SO THAT THE CAMPAIGN WOULD FOCUS ON THE ECONOMY RATHER THAN LATE IN THE YEAR WHEN INF AND SECURITY POLICY WOULD COME TO THE FORE. THE CDU WOULD IN ANY CASE STICK TO BOTH PARTS OF THE INF DECISION, WHATEVER THE SPD MIGHT DO. KOHL REMARKED THAT GENSCHER WOULD DEFEAT RONNEBURGER (THE SCHLESWIG HOLSTEIN FDP LEADER WHO IS STANDING AGAINST GENSCHER FOR THE FEDERAL PARTY LEADERSHIP AT THE FDP CONGRESS IN EARLY NOVEMBER) AND PROBABLY BY A GREATER MARGIN THAN MANY PEOPLE EXPECTED. KOHL SAID THAT IN GENERAL HE WAS CONFIDENT AND RELAXED ABOUT INTERNAL POLITICAL PROSPECTS IN GERMANY.

8. KOHL WAS EVIDENTLY WORRIED ABOUT THE ATTITUDE OF THE SPANISH SOCIALISTS TO NATO. HE SAID THAT A SECOND GREECE WAS NOT ON. BUT HE SEEMED INCLINED TO WAIT UNTIL AFTER THE SPANISH ELECTION BEFORE ANYTHING WAS SAID TO THE SOCIALISTS ABOUT THE IMPOSSIBILITY OF INCOMPLETE MEMBERSHIP OF NATO. THERE WAS NOT ONLY SOME UNCERTAINTY ABOUT THE OUTCOME OF THE ELECTIONS: THE SOCIALISTS IN OFFICE MIGHT ALSO MODERATE THEIR ATTITUDE TO NATO MEMBERSHIP.

9. KOHL CONCLUDED OUR TALK BY SAYING THAT HE WANTED ANGLO-GERMAN RELATIONS TO BE AS CLOSE AS POSSIBLE. HE FAVOURED CONTACTS BETWEEN PARTY LEADERS, A USEFUL CHANNEL WHICH SOCIALIST PARTIES WERE ALREADY EXPLOITING. BY THIS HE SEEMED TO MEAN MEETINGS BETWEEN HIMSELF AND THE PRIME MINISTER. BUT HE WENT ON TO SPEAK OF OTHER INTERPARTY CONTACTS. HE HOPED THAT MR PARKINSON'S POSTPONED VISIT WITH A GROUP OF CONSERVATIVE MPS WOULD SOON BE REINSTATED. HE WAS MAKING EFFORTS TO BRING FORWARD YOUNGER POLITICIANS IN THE CDU AND FAVOURED CONTACTS BETWEEN THEM AND THE CONSERVATIVE PARTY AS WELL. FCO PLEASE PASS SAVING ADDRESSEES.

TAYLOR

(REPEATED AS REQUESTED)

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Copies to: NO10 Downing Street. ✓

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DRAFT PRESS STATEMENT

I am delighted that the Chancellor has come to London so soon after taking Office. We greatly appreciate this gesture.

The Chancellor and I have had a most useful talk on a wide range of topics. There has been a considerable meeting of minds.

This was no surprise. I know from our previous discussions, when Dr. Kohl was in Opposition, that our views coincide on many issues.

We first compared notes on the political situation in our respective countries. We also discussed our current economic and social policies where our views are very similar.

We covered East/West relations, including Poland, and our security which is firmly founded on the North Atlantic Alliance. We are in complete agreement about our aim which is peace with freedom - words which the Chancellor used in his speech to the Bundestag the other day and which I have often used myself.

We also reviewed the international economic situation and the present situation of the European Community, the Presidency of which will be held by the Federal Republic during the first half of next year.

/Both of us

Both of us wish to see a stronger European Community with reformed budgetary arrangements.

We devoted particular attention to the problem of European steel exports to the United States. This matter is now very urgent and I understand that German Ministers will be considering it tomorrow.

Finally, we had a word about the Middle East from which, as you know, the Foreign Secretary has just returned.

I look forward to going to Bonn on 28 October for one of our regular bilateral meetings, and then the following day to paying my first visit ~~as Prime Minister~~ to Berlin.

18.10.82

CONFIDENTIAL

PRIME MINISTER

CHANCELLOR KOHL

Programme

- (a) Lord Belstead meets Chancellor Kohl on arrival and brings him to No. 10.
- (b) From 1800 until 1930 you and Kohl have a tête-à-tête with only interpreters and Private Secretaries present.
- (c) At 1930 you join other dinner guests for drinks in the Pillared Room.
- (d) From 1945 until about 2130 - working dinner (the guest list is in your box).
- (e) At 2130 you and Kohl go to the front door of No. 10 and each make a short statement to the Press. You have seen Bernard's draft - we shall need to put it in final form tomorrow.
- (f) Then Kohl leaves, escorted by the Foreign and Commonwealth Secretary to the Airport.

Substance

I suggest that the main aim, without ever letting it appear obvious, is to begin a process of establishing a special relationship with Germany within the EC (in order to balance (we cannot replace) the special Franco/German relationship).

With that in mind, this, the first meeting with Kohl in his new capacity, should be a friendly affair. He needs to feel that he has someone of like mind in London. We should underline the main problems which we want to see solved but, rather than pushing him too hard at this first meeting, we should simply put him clearly on notice that we want to devote special attention to these matters at the Bonn Summit. The exception to this is steel, which will not wait that long.

We know from the Germans that Kohl attaches special importance to the public presentation of the visit. I suggest that you make a good deal of the photocall before the visit and the appearance outside No. 10 afterwards, emphasising the meeting of minds.

/You will want

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- 2 -

You will want to decide which subjects to raise with Kohl tête-à-tête and which at the working dinner. Since Genscher will be at the dinner, you might raise tête-à-tête those matters where we are hoping for a new German approach (otherwise Genscher might weigh in with a stock line). You may think that the tête-à-tête could best deal with:-

- (a) A comparison of domestic political situations.
- (b) Domestic economic policy.
- (c) Relations with the United States (there is a suggestion that Kohl would like advice on how to handle Reagan).
- { (d) Steel. }
- { (e) EC Budget. }

Then at the working dinner you could deal with:-

- (a) East/West Relations.
- (b) Other Community problems.
- (c) The world recession; banking situation; next Economic Summit.
- (d) The Middle East.

I attach:-

- (A) The Foreign and Commonwealth Secretary's minute on the handling of the meeting. *and a further minute which he has just produced on his discussion in Denmark.* 14/10/82 18/10/82
- (B) A summary of Kohl's statement on economic and social policies. *Bonn Tel 872 14.10.82*
- (C) A summary of his statement on foreign and security policy. *Bonn Tel 871 14.10.82*
- (D) A brief on steel. *Bonn Tel 871 14.10.82*
- (E) A brief on Turkey.
- (F) A brief on the CSCE.
- (G) Sir Jock Taylor's thoughts on the meeting. *Bonn Tel 876 14/10*
- (H) A telegram about Genscher's present position. *Bonn Tel 879 15/10*

A.J.C.

18 October 1982

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PRIME MINISTER

PM/82/85

Informal Meeting of Foreign Ministers: 16/17 October

1. Three current Community issues were discussed by Foreign Ministers at the informal meeting in Denmark this weekend. You might find it useful to have a brief account before your meeting tomorrow with Chancellor Kohl.

The Budget Problem

2. At my prompting Thorn spoke about the budget problem. He began by appealing for a rapid solution to the problem of 1982 refunds and went on to give a rather lengthy account of the Commission's current thinking about 1983 and later. This followed the general lines that we have been expecting, ie that for the longer term there should be discussion of the Community's finances, including own resources, but that this should be backed up by measures to deal with our problem for the next two years, perhaps renewable for one more year thereafter. He did not talk about figures, and said that the Commission had not yet decided whether their proposal should include figures or should confine itself to discussion of formulae. He said that the Commission could not produce their proposals in writing before about the second week in November.

3. There was not much discussion. The Dutch spoke in favour of a two year plus one approach. I stressed the need to find a lasting solution, and I also regretted that Commission would not be producing their proposals sooner.

/EC/US Steel

EC/US Steel

4. I spoke to Genscher privately about EC steel exports to the US and the prospects for a negotiated settlement, which, as you know, the Germans are isolated in blocking. It also came up in the open session. Genscher acknowledged the importance of settling the issue and said he hoped to be able to persuade Chancellor Kohl of the need to get it out of the way before the 21 October deadline. In saying that a final German decision would probably not be taken until the Federal Cabinet met on Wednesday, 20 October, he expressed the hope that you would raise the issue when you saw Kohl tomorrow evening, 19 October. Sir Jock Taylor told Kohl, when he paid his first call this morning, that you would be raising it. Kohl was clearly aware of its importance, but was otherwise non-committal.

5. You already have a note setting out the essentials of the present position. It now looks unlikely that there will be a special meeting of the Council of Ministers before the 21 October deadline. Instead, the Commission and Presidency are aiming to use the so-called 'written procedure' which would allow the Germans until midday on 20 October to signify agreement. Your meeting with Kohl is thus ideally timed to bring home to him the importance for the UK and the Community of Germany not incurring the responsibility for the collapse of the deal, whether by refusing it or by asking the Commission to go back to the Americans to vary the terms.

/Common



Community Fisheries Policy

6. I pressed Ellemann-Jensen strongly on the need to reach early agreement on the CFP, as did Thorn and, I believe, some other Foreign Ministers. We must now hope that this concerted pressure will induce the Danes to move their position.

7. I am copying this minute to the Chancellor of the Exchequer, the Minister for Agriculture, Fisheries and Food, the Secretaries of State for Industry and Trade and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'FP' with a flourish and a few dots below it.

(FRANCIS PYM)

Foreign and Commonwealth Office
18 October 1982



Prime Minister

If you have anything to say to Dr. Kohl which is very sensitive,
 Sir Lobb Taylor could interpret.
 Content offensive that Dr. Lederer should do it?

Foreign and Commonwealth Office

London SW1A 2AH

15 October, 1982

Jew J. Khan,

A. J. C. $\frac{48}{10}$

Visit by Chancellor Kohl: 19 October: Interpreter

When we spoke earlier this week we agreed that the Prime Minister would need an interpreter for the visit next Tuesday (Dr Kohl will be accompanied by his own interpreter).

Those whom we normally use (eg for Anglo-German Summits), Mrs Bloom and Mrs Band, are both unavailable. We would therefore suggest an interpreter whom Mr Pym uses for EC Political Cooperation meetings - Rudolf Lederer - who we are sure would do the job extremely well.

Mr Lederer was born of Austrian parents in Rotterdam in 1916. He has been a resident in Belgium for many years. He has top interpreting qualifications, having worked for 22 years until 1981 for the EC Council Secretariat. He started working for the British in 1946. We understand that he was used on occasions to interpret between Chancellor Adenauer and Sir Winston Churchill; he was also used by the British C-in-C Berlin during the blockade. His EC Council Secretariat clearance is the equivalent of normal vetting and means that Mr Lederer is cleared up to confidential and to secret on a need to know basis. The Security Service are satisfied that the Council/procedures are thorough.

/vetting

We therefore hope Mr Lederer will be acceptable to the Prime Minister.

Yours sincerely
R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
 Private Secretary
 10 Downing Street

PRIME MINISTER

1 - D. Kydd - pl go ahead, with brothers
at the ready.

2 - D. Gales You may wish to take copies of the
the speech note; but we may
need to add in steel; pipeline

VISIT OF DR KOHL - MEDIA

J 18
ho

I would like to get your approval for the media arrangements for Dr Kohl's
visit on Tuesday.

First, content with the usual pool photograph in the hall on his arrival?

Second, after the dinner the German Ambassador has been looking for some
media exposure for Dr Kohl short of a press conference. We agree this would
be a good idea. Subject to your approval, both sides are happy that you and
Dr Kohl should go outside No 10 on his departure to speak through a microphone
to an agreed line (you in English and he in German) to the press, radio and
television who would be behind a barrier. Dr Kohl would leave immediately
after making his statement without taking questions.

Weather?

Content?

Yes

I attach at Annex I a draft speaking note for the after-dinner report
to the media on the talks.

mf

Burke

BERNARD INGHAM

15 October 1982

DRAFT SPEAKING NOTE

This evening the Chancellor, Dr Helmut Kohl, and I have had a most useful talk on a wide range of topics. We have confirmed that we have a very similar approach to many of the problems we discussed.

I say "confirmed" because I know from our previous discussions, when Dr Kohl was in Opposition, that our views coincide on many issues.

I am delighted that Dr Kohl has found it possible to come to London so soon after taking office. ^{I appreciate the gesture} He very much wanted to have an early talk with me and I am very pleased he has found it possible to pay a flying visit today for dinner.

We shall have an opportunity for a ^{fuller} more relaxed discussion when I visit Bonn ^{one of the regular} for the bilaterals meeting in the autumn between our two Governments at the end of this month. These talks will, I am sure, be all the more useful as a result of the introductory discussion we have had both before and during dinner this evening.

We have nonetheless, as I indicated earlier, covered a lot of ground tonight.

First, we ^{covered notes} briefed each other on the political situation in our respective countries ~~and~~. We also discussed economic and social policy where our views are very similar.

We covered East-West relations, including Poland, and our security which is firmly founded on the North Atlantic Alliance. We are in complete agreement about our aim which is peace with freedom.—

We had a most useful look at the international economic situation, which is clearly very difficult, and also at the European Community in which ^{the Federal Republic} West Germany will hold the Presidency during the first half of next year.

Both of us wish to see a stronger European Community ^{with better framed} and we are agreed on the need to resolve our immediate problems, notably the Budget and fishing policy, as quickly as possible. ^{reformed to budgetary arrangements.}

We also discussed the situation in the Middle East from which, as you know, Mr Pym has just returned.

That summarises our talks this evening and I look forward to going to Bonn on October 28 for more extensive talks with Dr Kohl and his colleagues and then the following day to paying my first visit as Prime Minister to West Berlin.

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Foreign and Commonwealth Office

London SW1A 2AH

15 October, 1982

Notes extracted.

New John,

A.J.C. 19/10.

Chancellor Kohl's Visit

Since the Foreign and Commonwealth Secretary sent his minute of 14 October to the Prime Minister about her meeting on 19 October with Chancellor Kohl, we have received the enclosed telegram number 870 from Bonn setting out the Ambassador's views. The Ambassador brings out two points which are worth underlining: the need to give Chancellor Kohl a warm reception and the importance to the Germans of the Genscher/Colombo proposals.

We can expect a further report from Bonn on Chancellor Kohl's thinking after the Ambassador has paid his first call on the Chancellor on Monday morning, 18 October.

I enclose short notes on three points:

- (i) Turkey's Association Agreement with the EC (see paragraph 11 of Sir J Taylor's telegram);
- (ii) EC/US steel;
- (iii) CSCE

You will have received copies of Bonn telegram numbers 868, 871 and 872 summarising Chancellor Kohl's Government Statement in the Bundestag on 13 October. I sent you an almost complete text of the speech yesterday evening; we hope to receive the full text from Bonn before Dr Kohl's visit.

Yours

R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

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D

EC/US STEEL

The Germans are isolated in blocking a settlement; their producers are virtually exempt from US duties. But Dutch and Luxembourgers, who are in exactly the same position, have indicated willingness to agree to export restraint.

Terms negotiated by Davignon cause some difficulty even for the UK. But out-weighed by advantages of a negotiated settlement - an important and much needed contribution to reducing tension in EC/US relations; also the only way of minimising disruption of trade with US and consequential threat to stability of internal EC steel market.

Apart from FRG everyone in Community in no doubt that the deal on offer is the only solution. Together with rest of EC we are pressing the Germans hard not to take on themselves responsibility for causing its collapse.

Decision urgently required. Final deadline imposed by US legal procedures 21 October. Presidency expected to call special meeting of Foreign Affairs Council (to be attended by Trade/Industry Ministers) on 19 October. Germans insisting decision can only be taken by Cabinet on 20 October. Kohl's visit an opportunity to reinforce pressure on FRG to come into line.

probably
now on 20
October if
at all.



EC / TURKEY

Dr Kohl may express his concern about Turkey's Association Agreement with the EC. A 1970 additional Protocol to the Agreement provides for full freedom of movement of workers between Turkey and the Community by 1986.

This is a matter of great sensitivity for the Germans, given that there are already 1.5 million Turks in the FRG (over 90% of all Turks in the Community). Dr Kohl is even more firmly committed than his predecessor to ensure that no more come. We must expect him to ask his partners to renege on the Community commitment.

Coreper told the Commission in May to produce proposals but - despite German pressure - they have still not done so. Until they do, we need not take up a firm position; we shall have to balance the arguments for helping the Germans against the effects on our relations with Turkey.

If the Federal Chancellor does raise this question, the Prime Minister may wish to take the line that we understand the German Government's difficulties with Turkish workers and sympathise. When the Commission produces its proposals, which are now overdue, we shall look at them very carefully.



F

CSCE

Western tactics for the reconvened CSCE Conference in Madrid are another subject of potential Transatlantic discord. No decision has yet been taken. The Ten want to resume negotiation of a substantial and balanced concluding document. The Germans have special interests at stake in CSCE because of Ostpolitik and relations with East Germany. But the Americans seem likely to refuse to resume negotiation at all, or to propose very tough or wrecking amendments, or to go for a short procedural document agreeing a further Review Conference in due course.

There is no need for the Prime Minister to raise this subject. If Dr Kohl does, she could say that we agree with the Germans on the desirability of a successful outcome, but that a key requirement is for the Allies to adopt a unified position before the conference reconvenes on 9 November.

H

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TO IMMEDIATE FCO

TELEGRAM NUMBER 879 OF 15 OCTOBER

INFO ROUTINE UKMIS NEW YORK UKDEL NATO PARIS MOSCOW WASHINGTON

UKREP BRUSSELS BMG BERLIN EAST BERLIN

INFO SAVING ATHENS BRUSSELS DUBLIN COPENHAGEN THE HAGUE LUXEMBOURG

ROME CICC(G) CONSULATES-GENERAL IN THE FRG.

GENSCHER AND THE FDP

1. BEFORE YOU SEE GENSCHER AT HESSELET THIS WEEKEND, AND AGAIN IN LONDON ON TUESDAY, YOU SHOULD KNOW THAT SPECULATION HERE ABOUT HIS POLITICAL FUTURE REMAINS INTENSE. IT MUST BE PUTTING HIM UNDER CONSIDERABLE STRAIN.
2. GENSCHER HAS TAKEN THE FULL FORCE OF PUBLIC CRITICISM OF THE BREAK-UP OF THE SPD/FDP COALITION ON 17 SEPTEMBER. OPINION POLLS NOW SHOW HIM TO BE THE LEAST POPULAR TOP POLITICIAN IN THE FRG. HE HAS ALSO COME UNDER INCREASING ATTACK FROM WITHIN HIS OWN PARTY. MOST FDP MEMBERS SEEM TO ACCEPT THAT A CHANGE OF COALITION PARTNER WAS INEVITABLE, BUT GENSCHER HAS BEEN STRONGLY CRITICISED FOR THE MANNER IN WHICH HE FORCED THROUGH THE SWITCH WITHOUT CONSULTING THE PARTY AS A WHOLE. THIS, AND THE COLLAPSE IN THE FDP VOTE SINCE THE SWITCH, HAVE LED TO DEMANDS FOR HIS RESIGNATION AS PARTY CHAIRMAN. ABOUT A DOZEN MEMBERS OF THE 54-STRONG FDP PARLIAMENTARY PARTY HAVE CALLED ON HIM NOT TO STAND IN THE LEADERSHIP ELECTION AT THE PARTY CONFERENCE ON 5-7 NOVEMBER. SO TOO HAVE 5 (OUT OF 11) FDP LAND PARTIES. BUT UNLESS MORE REGIONAL PARTIES COME OUT AGAINST HIM, WHICH AT PRESENT SEEMS UNLIKELY, HE SHOULD STILL BE ABLE TO COUNT ON MAJORITY SUPPORT AT THE PARTY CONFERENCE.
3. EARLIER THIS WEEK, GENSCHER SAID THAT HE WOULD DEFINITELY SEEK RE-ELECTION AT THE CONFERENCE, AND CHALLENGED HIS OPPONENTS TO FIELD A CANDIDATE AGAINST HIM. THERE HAS BEEN SPECULATION THAT THE FDP PRAESIDIUM, MEETING THIS EVENING, MAY YET TRY TO TALK HIM INTO STANDING DOWN IN FAVOUR OF SOMEONE MORE LIKELY TO BE ABLE TO HEAL THE DEEP DIVISIONS IN THE PARTY. BUT ALTHOUGH THE LEFT OF THE FDP HOPE THAT GENSCHER WILL DO SO, OUR OTHER CONTACTS IN THE PARTY, INCLUDING GENSCHER'S PRIVATE SECRETARY, ARE ALL CONVINCED THAT HE WILL NOT NOW BE MOVED FROM HIS DECISION TO STAND. CERTAINLY, NO CREDIBLE ALTERNATIVE CONDIDATE HAS EMERGED. THE FDP FLOOR LEADER, MISCHNICK, WHO IS HIS ONLY REAL POTENTIAL RIVAL, HAS SAID THAT HE WOULD SEEK ELECTION ONLY IF GENSCHER RESIGNED. HE HAS SO FAR SHOWN NO SIGN OF TRYING TO PERSUADE GENSCHER TO DO SO.

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4. SPECULATION ABOUT GENSCHER'S POSITION IS BOUND TO CONTINUE UNTIL THE PARTY CONFERENCE. THE FDP, HOWEVER, NOW SEEM TO HAVE NO CONSTRUCTIVE ALTERNATIVE BUT TO BURY THEIR DIFFERENCES AND CLOSE RANKS BEHIND HIM AT THE PARTY CONFERENCE. IF THEY FAIL TO DO SO, IT WILL VIRTUALLY PUT PAID TO THEIR CHANCES OF CLEARING THE 5 PERCENT HURDLE IN THE FEDERAL ELECTION EXPECTED NEXT MARCH.

FCO PLEASE PASS SAVING TO ALL ADDRESSEES EXCEPT CICC(G) AND CONSULATES-GENERAL IN THE FRG.

(REPEATED AS REQUESTED)

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No. 10 DOWNING STREET

TAYLOR

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PM/82/81

PRIME MINISTER

Chancellor Kohl

1. You are seeing Herr Kohl privately on 19 October and again ten days later at the Anglo-German Summit. At the first meeting you will no doubt wish to stay off detail and concentrate on establishing personal trust and confidence with Kohl, at the same time fixing three or four key points in his mind.

General

2. You have met Kohl. He is a nice man. He was never impressive in opposition, but I see no reason why he should not develop into a very good Chancellor of the Committee chairman rather than the national leader type. In any case I see every reason to build him up rather than write him down.

3. Kohl is inexperienced, particularly in foreign affairs, his coalition shaky until the elections next March and his country's economy on a downward slope. You will want to make the most of his and your common belief in conservative values, including the family. I would recommend that you welcome the continuity already visible in German foreign policy. This includes the link with France, which is a point of principle for both governments and one of personal interest to Kohl.

/Transatlantic



Transatlantic relations and security

4. Kohl has none of Schmidt's hang-ups about the United States. He wants to lower the transatlantic temperature and get the Alliance functioning better. He will look to you to give a lead in this, and for advice on how to handle Reagan when he meets him shortly. You could rub in the unique contribution made by Britain to the defence of Europe, and the need for this to be acknowledged from time to time by German leaders. You might also mention our belief that it should be possible to get better value out of NATO in terms both of hardware and of political unity. On the last point, sticking to the 1979 decision on INF will be crucial.

East/West Relations

5. Kohl may change the style of Ostpolitik but not its substance. He has already spoken of the need for dialogue and 'real detente'. In the early stages he will be much under the influence of Genscher, and of France. I shall be surprised if there is not soon talk of his meeting Brezhnev, Honecker and other East European leaders. With his ties to West German industry he would not want to see East/West trade damaged. On Poland he will be more interested in showing sympathy for the people than disapproval of the regime. All this means that there will continue to be inevitable differences of perspective between ourselves and the Germans. There is no reason not to acknowledge the fact. But we are at one in seeking to build a new transatlantic consensus on East/West relations as a whole, taking Shultz's statement at La Sapiniere as the basis; as also on the urgent need for the United States to lift its sanctions against European firms.

/Community

Community Questions

6. Kohl has said that it is a mistake to think of Europe in terms of figures, and he will not have mastered them yet. He has spoken of 'new impulses', by which he means the Genscher/Colombo proposals for a new European Act/Charter/Declaration - the name is still unsettled. His Cabinet has only looked at this in a preliminary way but is reported to have taken the initial view that there is no reason for a change in the Community's financial arrangements.

7. You will want to start off with some warm words about Britain's commitment to membership and to the Community's future success and development. On Genscher/Colombo, it would be tactically unwise to criticise the proposals as such: they are innocuous in substance. But you will want to explain the difficulties: neither Parliament nor public opinion will understand our going forward with such a plan if the Community is not at the same time seen to be tackling effectively the nuts and bolts issues which confront it. Of these the budget is crucially important. You could say that within a short time of taking office you found it necessary to have mastered all the figures, and that you found them to constitute an unanswerable case for change. You could stress the common interest of Britain and Germany as the two sole net contributors both in restraining Community expenditures, particularly on the CAP, and in ensuring a fair sharing of the burden. You could perhaps express surprise that the previous government in Bonn drew so few operational conclusions from this fact. Detailed discussion will be necessary at the Summit. The problem will bulk large at the European Council in December unless there has been marked progress by then.

/World



World Economy

8. Here I suggest that you concentrate on the arguments for advancing the date of the next Economic Summit meeting. Kohl may be sympathetic: the German banks are as heavily involved in all the problems as our own, and he will be looking for international stages to appear on.

Other Questions

9. I shall be meeting Genscher while you are talking to Kohl, and the plan is for us to join you at dinner, with a few officials present.

Handwritten initials, possibly 'FP', in dark ink.

(FRANCIS PYM)

Foreign and Commonwealth Office
14 October 1982

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TO IMMEDIATE FCO

TELEGRAM NUMBER 872 OF 14 OCTOBER

INFO ROUTINE UKREP BRUSSELS UKDEL OECD PARIS WASHINGTON TOKYO

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INFO SAVING THE HAGUE COPENHAGEN ATHENS DUBLIN LUXEMBOURG ALL
CONSULATES-GENERAL IN THE FRG CICC(G)

MY TEL 868 AND MIPT: CHANCELLOR KOHL'S BUNDESTAG STATEMENT , 13
OCTOBER: ECONOMIC AND SOCIAL POLICIES.

SUMMARY

1. WELL OVER HALF OF KOHL'S 27-PAGE POLICY STATEMENT WAS DEVOTED TO
ECONOMIC AND SOCIAL ISSUES. THE LEITMOTIV WAS QUOTE AWAY FROM THE
STATE: BACK TO THE MARKET UNQUOTE. AFTER ANALYSING THE CAUSES OF THE
PRESENT ECONOMIC AND FINANCIAL CRISIS , HE SAID THAT THE GOVERNMENT'S
FIRST PRIORITY WAS THE CREATION OF NEW JOBS FOLLOWED BY THE
PRESERVATION OF THE SOCIAL SECURITY SYSTEM. URGENT ACTION WAS NEEDED.
HE OUTLINED A 10-POINT PROGRAMME TO DEAL WITH UNEMPLOYMENT AND

~~PRESERVATION OF THE SOCIAL SECURITY SYSTEM. URGENT ACTION WAS NEEDED.~~

HE OUTLINED A 10-POINT PROGRAMME TO DEAL WITH UNEMPLOYMENT AND A 6-POINT PLAN OF ACTION FOR STABILISING THE SOCIAL SECURITY SYSTEM. THE AIM OF THESE MEASURES WAS TO SHIFT PUBLIC AND PRIVATE SECTOR SPENDING FROM CONSUMPTION TO INVESTMENT, TO REDUCE PUBLIC INDEBTEDNESS AND TO INCREASE INDIVIDUALS' CONTRIBUTION TO THE FINANCING OF BENEFITS FROM THE SOCIAL SECURITY SYSTEM. HE ACKNOWLEDGED THAT THE ECONOMY'S PROBLEMS COULD NOT BE SOLVED IN THE COURSE OF THE NEXT FEW MONTHS, THAT MATTERS MIGHT WELL GET WORSE BEFORE THEY GOT BETTER AND THAT THE EARLIEST UPTURN IN THE ECONOMY COULD NOT OCCUR BEFORE THE SECOND HALF OF NEXT YEAR. LOOKING BEYOND THE ELECTIONS SCHEDULED FOR NEXT MARCH HE SAID THE GOVERNMENT INTENDED TO GIVE PRIORITY TO THE PRINCIPLE OF QUOTE SUBSIDIARITY UNQUOTE - A CENTRAL IDEA IN THE PHILOSOPHY OF GERMAN CHRISTIAN DEMOCRATIC POLITICAL THEORY. THE STATE'S ROLE WAS TO PROVIDE CONDITIONS IN WHICH INDIVIDUALS COULD FULFILL THEIR POTENTIAL. IT SHOULD NOT THEREFORE ASSUME FUNCTIONS AND RESPONSIBILITIES THAT SMALLER UNITS, LAENDER, LOCAL AUTHORITIES, CITY COUNCILS, FAMILIES AND INDIVIDUALS THEMSELVES COULD DISCHARGE.

DETAIL

ANALYSIS

2. AS A RESULT OF 2 YEARS' ECONOMIC STAGNATION UNEMPLOYMENT, ESPECIALLY YOUTH UNEMPLOYMENT, HAD RISEN DRAMATICALLY. THE INVESTMENT RATIO HAD SUNK FROM 24 PERCENT TO 21 PERCENT. INDUSTRY'S CAPITAL RATIO HAD ALSO SUNK FROM 26 PERCENT TO 21 PERCENT. THIS COMBINATION KILLING GROWTH AND JOBS HAD EXPOSED AND EXACERBATED THE UNDERLYING CHAOS IN THE PUBLIC FINANCES. FEDERAL DEBT BY THE END OF THE YEAR WOULD BE OVER DM 300 BILLION. TOTAL PUBLIC SECTOR DEBT WOULD BE AROUND DM 700 BILLION. BY THE END OF THE YEAR THE SERVICING OF PUBLIC DEBT WOULD AMOUNT TO DM 60 BILLION PER ANNUM. UNLESS PROMPT ACTION WAS TAKEN THE BUND WOULD NEED TO BORROW BETWEEN DM 55-60 BILLION TO FINANCE THE 1983 BUDGET. SOCIAL SECURITY FUNDS WERE EXHAUSTED AND THIS NOTWITHSTANDING THE FACT THAT DURING THE LAST 12 YEARS CONTRIBUTIONS HAD RISEN CONSIDERABLY. THE WORLDWIDE RECESSION HAD EXACERBATED GERMANY'S DIFFICULTIES BUT THE GERMANS THEMSELVES HAD ALSO MADE MISTAKES. THEY HAD ALLOWED THE GERMAN ECONOMY TO BECOME OVER-BURDENED. THE FINANCIAL CLAIMS OF THE STATE AND THE SOCIAL SECURITY SYSTEM WERE BASED ON OPTIMISTIC ASSUMPTIONS ABOUT HEALTHY AND CONTINUOUS ECONOMIC GROWTH. WHEN GROWTH FAILED THE RIGHT CONCLUSIONS HAD NOT BEEN DRAWN. AN EARLIER CORRECTION OF ECONOMIC POLICY COULD HAVE BEEN ACHIEVED WITHOUT MUCH PAIN. BUT MATTERS HAD BEEN ALLOWED TO DRIFT. AND CITIZENS WOULD NOW HAVE TO BE PREPARED TO MAKE SACRIFICES.

TO MAKE SACRIFICES.

NEW JOBS

3.1. THE GOVERNMENT WILL INCREASE FUNDS FOR REGIONAL DEVELOPMENT, AGRICULTURAL RESTRUCTURING, HOSPITAL BUILDING AND URBAN RENEWAL PROGRAMMES TO SHIFT THE BALANCE IN PUBLIC SPENDING IN FAVOUR OF INVESTMENT RATHER THAN CONSUMPTION; EASE THE TAXATION BURDEN ON SMALL AND MEDIUM SIZED FIRMS; AND RELEASE THE PROCEEDS OF THE PROPOSED VAT INCREASE TO PRIVATE SECTOR INVESTMENT.

II. USE THE DM 2.5 BILLION PROCEEDS FROM THE PROPOSED OBLIGATORY LOAN BY HIGHER RATE TAXPAYERS TO STIMULATE HOUSING CONSTRUCTION.

III. HELP TO CHECK THE RISE IN THE BANKRUPTCY RATE BY HELPING NEW BUSINESS START-UPS AND THE TAKE-OVER OF AILING COMPANIES.

IV. FURTHER THE CREATION OF MORE TRAINING PLACES FOR YOUTH BY REMOVING ADMINISTRATIVE OBSTACLES.

V. HELP COMPANIES IMPROVE PROFITABILITY AND THUS INCREASE CAPITAL FORMATION, IN THE FIRST PLACE BY REDUCING THE BURDEN OF TRADE TAX PAYABLE TO LOCAL AUTHORITIES.

VI. IMPROVE OPPORTUNITIES FOR THE APPLICATION AND DEVELOPMENT OF ADVANCED TECHNOLOGY, ESPECIALLY IN COMMUNICATIONS. THE FEDERAL POST AUTHORITIES WOULD HAVE A PARTICULAR ROLE TO PLAY IN THIS FIELD. A FUTURE ORIENTED TRANSPORT POLICY WAS IMPORTANT FOR GROWTH AND JOBS.

VII. RATIONALISE ENERGY SUPPLY WITH THE EMPHASIS ON DOMESTIC COAL AND NUCLEAR ENERGY. THE GOVERNMENT WILL STAND BY THE STEEL INDUSTRY IN ITS ADAPTATION PROBLEMS; CAPACITY WILL HAVE TO BE REDUCED.

VIII. STAND FOR FREEDOM OF INTERNATIONAL TRADE, PAYMENTS AND CAPITAL MOVEMENTS. THE GOVERNMENT REJECTS PROTECTIONISM OF ANY KIND AND SUPPORTS GATT.

IX. WILL MAINTAIN MONETARY AND EXCHANGE RATE POLICIES AIMED AT FIGHTING INFLATION AND SUPPORT AN INDEPENDENT BUNDESBANK.

X. EXERCISE BUDGETARY DISCIPLINE AND BRING NEW BORROWING UNDER CONTROL.

THE SOCIAL SECURITY SYSTEM

4. BENEFITS WILL BE CONCENTRATED ON THE NEEDY. THE GOVERNMENT HAD DECIDED THAT:

DECIDED THAT:

I. THE PENSIONS INCREASE (5.6 PERCENT) DUE IN 1983 BE POSTPONED FOR 6 MONTHS. PENSIONERS' CONTRIBUTION TO HEALTH INSURANCE ALSO TO BE POSTPONED FOR SIX MONTHS, BUT THEIR CONTRIBUTIONS TO BE RAISED IN EACH OF THE FOLLOWING TWO YEARS.

II. CONTRIBUTIONS BY THE FEDERAL LABOUR OFFICE TO PENSIONS INSURANCE FOR THE UNEMPLOYED WILL BE BASED ON THE LEVEL OF UNEMPLOYMENT BENEFIT PAID.

III. PATIENTS WILL HAVE TO CONTRIBUTE TO THE COST OF IN-PATIENT HOSPITAL TREATMENT FOR FIRST 14 DAYS. BUT THE FEDERAL GOVERNMENT WILL NOT IMPLEMENT THE PREVIOUS DECISION TO REDUCE CONTRIBUTIONS BY THE FEDERAL LABOUR OFFICE TO HEALTH INSURANCE.

IV. THOSE WISHING TO RETIRE EARLY SHOULD HAVE THE POSSIBILITY OF DOING SO BUT WITHOUT PLACING EXTRA BURDENS ON THE PENSION FUND.

V. A BILL SHOULD BE INTRODUCED IN THE NEXT LEGISLATIVE PERIOD TO ADJUST THE PENSION SYSTEM TO THE CHANGED DEMOGRAPHIC AND ECONOMIC CONDITIONS.

5 .ON FAMILY POLICY , THE FEDERAL CHANCELLOR LOOKING BEYOND THE NEXT ELECTION STRESSED THE AIM OF THE GOVERNMENT TO AVOID WOMEN STAYING AT HOME BEING DISADVANTAGED THROUGH THE SOCIAL SECURITY SYSTEM. CHILD ALLOWANCES WOULD NOT BE CUT ACROSS THE BOARD BUT HIGHER INCOME PARENTS WOULD HAVE TO MAKE DO WITH LESS. INCOME TAX RULES WOULD BE CHANGED TO HELP FAMILIES. ASSISTANCE FOR THE HOUSING SECTOR WOULD SERVE THE SAME PURPOSE AND CREATE FAVOURABLE CONDITIONS FOR REVERSING THE CATASTROPHIC RESULTS OF THE FALL IN THE BIRTH RATE. FCO PLEASE PASS SAVING ADDRESSEES EXCEPT CONSULATES-GENERAL IN THE FRG.

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ROME CICC(G) CONSULATES-GENERAL IN THE FRG

MY TELNO 868: CHANCELLOR KOHL'S BUNDESTAG STATEMENT, 13 OCTOBER:
FOREIGN AND SECURITY POLICY.

1. THE SECTION OF THE CHANCELLOR'S STATEMENT COVERING FOREIGN AND SECURITY POLICY WAS FULLY IN LINE WITH HIS EARLIER PRONOUNCEMENTS (MY TELNO 827) AND WITH THE COALITION AGREEMENT OF 28 SEPTEMBER (MY TELNO 809).
2. KOHL SAID THAT THE FRG'S FRIENDS AND ALLIES SHOULD KNOW THAT THEY HAD A RELIABLE PARTNER IN THE FRG. ~~THE BASIS OF THE NEW GOVERNMENT'S~~

~~HAD A RELIABLE PARTNER IN THE FRG.~~ THE BASIS OF THE NEW GOVERNMENT'S FOREIGN AND SECURITY POLICY WOULD BE THE ATLANTIC ALLIANCE AND FRIENDSHIP WITH THE US. HE SPELT OUT HIS GOVERNMENT'S PRIORITIES UNDER 7 HEADINGS:

I) THE NEW GOVERNMENT WOULD QUOTE FREE US/FRG RELATIONS FROM THE SHADOWS UNQUOTE AND CONSOLIDATE US-FRG FRIENDSHIP. TO THIS END, KOHL WOULD VISIT WASHINGTON THIS YEAR.

II) THE GOVERNMENT STOOD SQUARELY BY THE ATLANTIC ALLIANCE. IT WAS THE BASIS FOR THE FRG'S ACTIVE PEACE POLICY. THE GOVERNMENT ACCEPTED WITHOUT RESERVATION THE ALLIANCE'S POLICY ON RELATIONS WITH THE EAST AS SET OUT IN THE HARMEL REPORT AND CONFIRMED AT THE NATO SUMMIT IN BONN. THE GOVERNMENT SOUGHT A FAIR DIVISION OF BURDENS WITHIN THE ALLIANCE.

III) THE GOVERNMENT'S URGENT AIM WAS, BY NEGOTIATION, TO ACHIEVE AND MAINTAIN A MILITARY BALANCE AT THE LOWEST POSSIBLE LEVEL. IT SUPPORTED THE ALLIANCE'S APPROACH ON ARMS CONTROL. IT STOOD FULLY BY THE NATO DOUBLE DECISION IN BOTH ITS PARTS. ONLY IF THE SOVIET UNION SAW THAT IT WOULD HAVE TO RECKON WITH US DEPLOYMENT AT THE END OF 1983 WOULD IT BE READY TO NEGOTIATE SERIOUSLY. THE GOVERNMENT SUPPORTED THAT WESTERN OBJECTIVE OF A ZERO SOLUTION AND CALLED UPON THE SOVIET UNION TO REACT POSITIVELY TO IT. THE GOVERNMENT SUPPORTED ALLIANCE POSITIONS ON START AND MBFR. IT WANTED AN ARMS CONTROL FORUM FOR ALL EUROPE WITHIN THE FRAMEWORK OF THE CSCE. IT ALSO WANTED A CDE DESIGNED TO ADOPT CBMS FOR ALL EUROPE, AND A BAN ON ALL CHEMICAL WEAPONS:

IV) THE GOVERNMENT WANTED TO MAKE PROGRESS TOWARDS THE POLITICAL UNIFICATION OF EUROPE. IN THIS CONTEXT FRANCO/GERMAN FRIENDSHIP WAS IMPORTANT. EUROPEAN INSTITUTIONS SHOULD BE MADE MORE EFFECTIVE. THE COUNCIL OF MINISTERS SHOULD ONCE AGAIN BECOME THE CENTRAL BODY OF THE COMMUNITY. QUOTE IN THE CASES FORESEEN BY THE TREATIES, IT MUST REACH ITS DECISIONS BY MAJORITY VOTING. UNQUOTE. THE EUROPEAN PARLIAMENT SHOULD BE STRENGTHENED. ITS POWERS SHOULD BE ENLARGED AND ITS WORK ON A EUROPEAN CONSTITUTION DEVELOPED. THE GOVERNMENT SUPPORTED PORTUGUESE AND SPANISH ACCESSION. THE COMMUNITY SHOULD INCREASE ITS EFFORTS TO CREATE EMPLOYMENT OPPORTUNITIES AND IRON OUT REGIONAL IMBALANCES. THE COMMON AGRICULTURAL POLICY WOULD CONTINUE TO PLAY AN IMPORTANT ROLE IN THE DEVELOPMENT OF EUROPE. SO TOO WOULD THE GERMAN/ITALIAN INITIATIVE FOR A EUROPEAN ACT:

V) ON THE BASIS OF THE EXISTING TREATIES AND THE HELSINKI FINAL ACT, THE NEW GOVERNMENT WOULD WORK FOR QUOTE REAL UNQUOTE DETENTE, DIALOGUE AND COOPERATION, AND THE CONTINUATION OF THE CSCE PROCESS. THE AIM WOULD BE TO MAKE THE DIVISION OF GERMANY QUOTE TOLERABLE UNQUOTE AND DEVELOP GOOD RELATIONS WITH CENTRAL AND EAST EUROPE. THE GOVERNMENT WOULD PAY PARTICULAR ATTENTION TO RELATIONS WITH THE

~~UNQUOTE AND DEVELOP GOOD RELATIONS WITH CENTRAL AND EAST EUROPE. THE~~
~~GOVERNMENT WOULD PAY PARTICULAR ATTENTION TO RELATIONS WITH THE~~
SOVIET UNION AND WORK FOR THEIR FURTHER DEVELOPMENT. BUT THE
GOVERNMENT COULD NOT IGNORE THE PROBLEMS CAUSED BY THE SOVIET UNION'S
INVASION OF AFGHANISTAN, THE SITUATION IN POLAND AND THE SOVIET
ARMS BUILD-UP. ON POLAND, THE GOVERNMENT DEMANDED THE LIFTING OF
MARTIAL LAW: THAT ALL DETAINEES BE RELEASED: THAT DIALOGUE WITH
THE CHURCHES BE CONTINUED: AND THAT THE BAN ON SOLIDARITY BE
LIFTED. AS TO ECONOMIC RELATIONS WITH THE SOVIET UNION AND THE
EASTERN BLOC, THE SECURITY INTERESTS OF THE WEST WOULD HAVE TO BE
FULLY TAKEN INTO ACCOUNT. THE NEW GOVERNMENT WOULD BE GUIDED BY
EXISTING TREATIES, THE HARMEL REPORT AND THE DECISIONS OF THE NATO
AND VERSAILLES SUMMIT:

VI) THE NEW GOVERNMENT REGARDED THIRD WORLD POLICY AS AN IMPORTANT
PART OF ITS ACTIVE PEACE POLICY AND WOULD WORK FOR PARTNERSHIP AND
COOPERATION WITH THE THIRD WORLD. MORE PRIVATE INVESTMENT WAS NEEDED
IN THE THIRD WORLD TO HELP DEVELOPMENT. THE GOVERNMENT RESPECTED
THIRD WORLD NON-ALIGNMENT AND INDEPENDENCE:

VII) THE FRG'S ARMED FORCES HAD PLAYED AN ESSENTIAL ROLE IN GUARAN-
TEERING PEACE IN THE PAST AND WOULD CONTINUE TO DO SO. MORE HAD TO
BE DONE TO CONVINCING PEOPLE, ESPECIALLY THE YOUNGER GENERATION, OF
THE PURPOSE AND NEED FOR DEFENCE AND FOR THE ARMED FORCES. COMPULSORY
MILITARY SERVICE WAS UNAVOIDABLE, BUT THE GOVERNMENT WOULD IMPROVE
PROCEDURES FOR HANDLING CONSCIENTIOUS OBJECTORS AND WOULD FURTHER
DEVELOP ALTERNATIVE CIVIC SERVICE FOR THEM.

3. KOHL DEVOTED A SPECIAL SECTION AT THE END OF HIS SPEECH TO
INNER-GERMAN RELATIONS AND BERLIN. GERMAN REUNIFICATION WAS ONLY
CONCEIVABLE IN A QUOTE HISTORICAL PERSPECTIVE UNQUOTE BUT THE GOV-
ERNMENT WOULD RESPECT THE REQUIREMENT LAID ON THE WHOLE GERMAN NATION
BY THE CONSTITUTION (BASIC LAW) TO WORK TOWARDS IT. THE GDR COULD
COUNT ON THE NEW GOVERNMENT RESPECTING ALL EXISTING COMMITMENTS BUT
WOULD BE EXPECTED IN TURN TO SHOW RESPECT FOR THEIR CONTENT AND
SPIRIT. THE NEW GOVERNMENT WOULD CONTINUE, AND DEVELOP, CURRENT
DISCUSSIONS AND NEGOTIATIONS WITH THE GDR, AND WAS INTERESTED IN
COMPREHENSIVE, LONG-TERM AGREEMENTS ON THE BASIS OF THE (1972)
TREATY. BUT IT WAS CONTRARY TO THE FRG VIEW OF FIDELITY TO TREATIES
THAT THE RESOLUTION OF BASIC QUESTIONS LEFT OPEN BY THE TREATY
SHOULD BE MADE A PREREQUISITE FOR THE FURTHER DEVELOPMENT OF
RELATIONS (A REFERENCE TO HONECKER, 1980 GERA DEMANDS). COOPERATION
BETWEEN THE TWO GERMAN STATES SHOULD BE IMPROVED IN THE INTERESTS OF
GERMANY AND EUROPE. INNER GERMAN TRADE WAS AN IMPORTANT ELEMENT
IN THIS COOPERATION. BUT THE GOVERNMENT DEMANDED THE REMOVAL OF
THE INCREASED MINIMUM EXCHANGE REQUIREMENT IMPOSED ON VISITORS BY

~~THE INCREASED MINIMUM EXCHANGE REQUIREMENT IMPOSED ON VISITORS BY~~
THE GDR. SOME PROGRESS ON INNER GERMAN RELATIONS HAD BEEN MADE BUT
NORMALISATION AND THE GOOD NEIGHBOURLY RELATIONS ENVISAGED IN
THE BASIC TREATY WERE STILL A LONG WAY OFF.

4. ON BERLIN, KOHL WELCOMED THE SUPPORT OF THE THREE WESTERN POWERS.
HIS GOVERNMENT FULLY SUPPORTED THE STRICT OBSERVANCE AND FULL
IMPLEMENTATION OF THE FOUR-POWER AGREEMENT; THE DEVELOPMENT OF
BERLIN'S RELATIONS WITH THE FRG; AND THE RIGHT OF THE FRG TO REPRESENT
BERLIN ABROAD. THE GOVERNMENT WOULD PROMOTE THE JOINT EFFORTS
NEEDED TO COMPENSATE FOR BERLIN'S ISOLATION INCLUDING BUDGETARY
HELP, FINANCIAL INCENTIVES AND COMMUNICATIONS. THE GOVERNMENT WOULD
TRY TO IMPROVE THE BERLIN ECONOMY. TO THIS END, KOHL AND THE GOVER-
NING MAYOR WOULD SOON INVITE LEADING GERMAN INDUSTRIALISTS TO BERLIN
TO REVIEW THE POSSIBILITIES.

FCO PLEASE PASS SAVING ADDRESSEES EXCEPT CONSULATES-GENERAL IN THE
FRG.

~~INFO~~ [PASSED BY C. O. D.]

TAYLOR

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GRS 1180

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FM BONN 141220+Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 870 OF 14 OCTOBER

INFO IMMEDIATE BMG BERLIN (FOR AMBASSADOR)

INFO ROUTINE UKDEL NATO UKREP BRUSSELS WASHINGTON

PARIS COPENHAGEN

MOSCOW

INFO SAVING ANKARA ATHENS BRUSSELS DUBLIN THE HAUGUE LISBON

LUXEMBOURG ROME OSLO OTTAWA REYKJAVIK STOCHKHOLM HELSINKI VIENNA

VIENNA BERNE TOKYO

KOHL'S AND GENSCHER'S VISIT TO LONDON ON 19 OCTOBER: A POSSIBLE OPPORTUNITY FOR INFLUENCE.

1. THIS VISIT BY THE LEADERS OF THE NEW GERMAN COALITION GOVERNMENT WILL BE TAKING PLACE 2 DAYS BEFORE THEIR SUMMIT MEETING WITH THE FRENCH IN BONN AND 9 DAYS BEFORE THE ANGLO-GERMAN SUMMIT ON 28-29 OCTOBER. CHANCELLOR KOHL HAS ALREADY PAID A SIMILAR QUICK VISIT TO PRESIDENT MITTERRAND.

2. DR KOHL'S STAFF HAVE TOLD US THAT HIS MAIN AIMS IN LONDON WILL BE TO LAY THE BASIS FOR AN EFFECTIVE PERSONAL DIALOGUE WITH THE PRIME MINISTER AND, AT THIS EARLY OPPORTUNITY, TO PRESENT HIMSELF AS THE NEW HEAD OF THE FEDERAL GERMAN GOVERNMENT. I SUGGEST THAT THE PRIME MINISTER AND YOU SHOULD HAVE AS YOUR MAIN OBJECTIVES ON THIS OCCASION

- (A) TO BRING HOME TO KOHL AND GENSCHER THAT THE UK WIELDS INFLUENCE IN THE WORLD, AND THAT MANY BRITISH POLICIES ACCORD WITH GERMAN INTERESTS (SEE PARA 7 BELOW).
- (B) TO MAKE KOHL UNDERSTAND IN GENERAL TERMS THE IMPORTANCE TO US OF THE EC BUDGET, CREATING THE RIGHT ATMOSPHERE FOR TOUGHER AND MORE DETAILED DISCUSSION AT THE SUMMIT (PARAS 8 AND 9).

THE GERMANS' PREOCCUPATIONS

3. KOHL AND GENSCHER HAVE CONFIRMED THEIR INTENTION TO HOLD FEDERAL ELECTIONS ON 6 MARCH 1983 (THOUGH IT STILL CANNOT BE COMPLETELY EXCLUDED THAT CONSTITUTIONAL OR POLITICAL CONSIDERATIONS MAY FORCE A CHANGE OF MIND). ALTHOUGH THE PATTERN OF PUBLIC SUPPORT COULD CHANGE IN THE COMING MONTHS, RECENT REGIONAL ELECTIONS AND NATION-WIDE OPINION POLLS STRONGLY SUGGEST THAT GENSCHER'S S FDP WOULD FAIL, IF FEDERAL ELECTIONS WERE HELD NOW, TO SURMOUNT THE 5 PER CENT HURDLE AND THUS REMAIN IN THE BUNDESTAG. CURRENT INDICATIONS ARE THAT THE CDU/CSU WOULD BE THE LARGEST PARTY IN A NEWLY ELECTED BUNDESTAG BUT WOULD NOT HAVE AN OVERALL MAJORITY. THERE MIGHT BE A HUNG PARLIAMENT, WITH THE WAYWARD GREENS HOLDING THE BALANCE. IF SCHMIDT WERE NO LONGER AT ITS HEAD, THE SPD MIGHT EVEN TRY TO FORM A COALITION WITH THE GREENS. IF THEY SUCCEEDED, THEY MIGHT BE ABLE TO CUT SHORT THE CDU/CSU'S LONG-WAITED NEW PERIOD OF POWER, CREATING A GOVERNMENT WHICH MIGHT WELL BE AGAINST INF STATIONING AND OTHER PLANKS OF NATO POLICY.

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4. THE PRESENT GOVERNMENT THEREFORE BADLY NEEDS SUCCESSES, TO PROVE ITSELF AND TO IMPROVE ITS ELECTORAL PROSPECTS. IT IS LIKELY TO DEVOTE ITS MAIN EFFORTS TO THE ECONOMY, IN THE HOPE OF BRINGING ABOUT AT LEAST AN APPEARANCE OF SOME RECOVERY BEFORE THE SPRING. BUT FOREIGN POLICY WILL ALSO PLAY A SIGNIFICANT PART IN ITS PREPARATIONS FOR THE ELECTION. KOHL'S VISIT TO LONDON IS PART OF A DELIBERATE ATTEMPT TO WIN INTERNATIONAL STATURE AND OVERCOME HIS INEXPERIENCE OF FOREIGN AFFAIRS. GENSCHER IS FIGHTING FOR HIS POLITICAL LIFE. VISIBLE EFFORT WILL BE DEVOTED NOT ONLY TO CONTACTS WITH WESTERN LEADERS BUT ALSO TO DIALOGUE WITH THE EAST, WHICH CAN WIN VOTES HERE. BUT THERE IS LITTLE PROSPECT OF ACHIEVING NOTABLE SUCCESSES IN THESE TWO FIELDS. THIS IS WHY IT IS LIKELY THAT THEY WILL MAKE A MAJOR EFFORT, AFTER THE GERMAN PRESIDENCY BEGINS ON 1 JANUARY, TO SECURE APPROVAL FOR THE GENSCHER/COLOMBO INITIATIVE. KOHL HAS ALSO TALKED A LOT ABOUT THE STAGNATION OF PROGRESS TOWARDS EUROPEAN INTEGRATION AND HIS WISH TO GIVE A NEW IMPETUS. BUT NO POLICIES FOR THIS, APART FROM THE GENSCHER/COLOMBO PLAN, SEEM YET TO EXIST.

HMG'S INTERESTS

5. BRITAIN'S POLICY TOWARDS THE NEW COALITION MUST BE DIRECTED PRIMARILY AT AN ATTEMPT TO MAKE COMMON CAUSE WITH BONN ON THE CRUCIAL SUBJECT OF THE EC BUDGET. THE NEW COALITION MAY BE NO LESS KEEN THAN SCHMIDT'S TO AVOID CLASHES WITH FRANCE, AND THERE CANNOT BE TOO MUCH HOPE THAT WE SHALL SECURE ACTIVE COOPERATION. YET THE ACUTE NATIONAL BUDGETARY DIFFICULTIES FACING THE NEW GOVERNMENT HERE OFFER A RAY OF HOPE. THE BEST WAY OF GETTING THE NEW GOVERNMENT'S SUPPORT OVER FUNDS FOR 1983 AND THE ENSUING YEARS IS TO CONVINCE KOHL, STOLTENBERG AND GENSCHER OF THE UK'S GENUINE INTEREST IN THE DEVELOPMENT OF EUROPE, AND OF THE ANGLO-GERMAN IDENTITY OF INTEREST IN GETTING A FAIR AND RATIONAL BUDGET STRUCTURE.

BRITISH TACTICS ON 19 OCTOBER

6. TO MAKE HEADWAY WE NEED TO MAKE COMMON CAUSE WITH THE GERMANS ON AS MANY INTERNATIONAL SUBJECTS AS POSSIBLE. KOHL'S INTERNATIONAL EXPERIENCE WILL MAKE HIM GLAD OF REASSURANCE. ON 19 OCTOBER A VERY WARM AND FLATTERING WELCOME WITH MAXIMUM PUBLICITY AND VERY POSITIVE BRIEFING OF THE PRESS COULD PAY USEFUL DIVIDENDS.

7. I HAVE SUGGESTED IN PARA. 2 ABOVE WHAT OUR OBJECTIVES AT THIS MEETING SHOULD BE. UNDER OBJECTIVE (A), I HAVE IN MIND THAT THE PRIME MINISTER HAS MORE INFLUENCE WITH PRESIDENT REAGAN THAN ANY OTHER WESTERN LEADER. I WOULD ALSO STRESS YOUR EFFORTS TO ACHIEVE TRANSATLANTIC ACCOMMODATION ABOUT EAST/WEST ISSUES. SUCCESS IN THIS IS VERY MUCH IN THE GOVERNMENT'S INTERESTS, AND BRITAIN'S LEADING ROLE CAN WIN POINTS IN BONN. SO CAN OUR CONTINUING CONTRIBUTION TO WESTERN DEFENCE: THE FACT THAT WE ARE LIKELY COMFORTABLY TO EXCEED 3 PER CENT REAL GROWTH IN DEFENCE SPENDING 1982/83, EVEN OMITTING FALKLANDS COSTS, WILL IMPRESS THE GERMANS, WHO HAVE LITTLE PROSPECT OF APPROACHING THE NATO TARGET THIS YEAR. WE COULD ALSO MENTION INF, POLAND, CSCE, NAMIBIA AND OTHER

SUBJECTS WHERE THE UK AND FRG COOPERATE AND AGREE. I THINK KOHL WOULD BE INTERESTED TO HEAR BRITISH VIEWS ABOUT THE GROWING

SUBJECTS WHERE THE UK AND FRG COOPERATE AND AGREE. I THINK KOHL WOULD BE INTERESTED TO HEAR BRITISH VIEWS ABOUT THE GROWING INTERNATIONAL FINANCIAL AND TRADE PROBLEMS, INCLUDING THE PROBLEMS OF PROTECTIONISM. I ALSO SUGGEST THAT WE SHOULD BE AS FORTHCOMING AS WE CAN ABOUT THE GENSCHER/COLOMBO PLAN. OTHERS, INCLUDING THE FRENCH (AND NOW THE DANES), ARE PLAYING ALONG WITH THIS. WE SHOULD DO SO TOO, AND WITH GOOD GRACE, FOR THE SAKE OF OUR INTEREST IN COOPERATING WITH GERMANY ON MORE IMPORTANT EUROPEAN MATTERS.

8. ON THE LATTER, I SUGGEST THAT AT THIS INITIAL MEETING MINISTERS SHOULD EXPLAIN OUR TOTAL COMMITMENT TO THE EC AND OUR POSITIVE ATTITUDE TO ITS FUTURE, AND SHOULD PUT DOWN A MARKER ON THE BUDGET PROBLEM IN CLEAR BUT NON-CONFRONTATIONAL TERMS. THE LINE COULD BE THAT THE COMMUNITY'S FINANCIAL ARRANGEMENTS MUST BE SEEN TO BE FAIR, AND THAT EUROPE CANNOT PROSPER AND DEVELOP WITH ONLY THE UK AND FRG PAYING THE BILLS.

9. THIS APPROACH SHOULD PAVE THE WAY FOR SERIOUS DISCUSSION OF THE BUDGET AT THE ANGLO-GERMAN SUMMIT. MINISTERS COULD THEN SET OUT FULLY THE INEQUITY FOR THE UK AND FRG OF THE PRESENT SITUATION AND THE NEED, FOR THE SAKE OF PROGRESS IN EUROPE (END OF PARA. 4 ABOVE), TO SETTLE THE DEBILITATING BUDGET PROBLEM ONCE AND FOR ALL. I WOULD HOPE THAT AT THAT POINT WE COULD BRING HOME TO KOHL THAT PROGRESS ON INTEGRATION REQUIRES MORE THAN THE GENSCHER/COLOMBO PROPOSALS: THAT IT REQUIRES A DISTRIBUTION OF RESOURCES WHICH PERMITS THE DEVELOPMENT OF POLICIES IN AREAS OTHER THAN THE CAP, A FAIR AND DEFENSIBLE SYSTEM OF BURDEN SHARING, PROGRESS ON TRADE PROBLEMS, INCLUDING TRADE IN SERVICES, AND SOLIDARITY IN THE APPROACH TO US/EC AND JAPAN/EC PROBLEMS.

OTHER POSSIBLE SUBJECTS

10. AS A CONSERVATIVE HEAD OF GOVERNMENT NEW IN OFFICE, KOHL MIGHT BE INTERESTED IN THE PRIME MINISTER'S VIEWS ON PROBLEMS OF GOVERNMENT IN GENERAL.

11. KOHL MAY RAISE HIS GREAT CONCERN ABOUT TURKEY'S ASSOCIATION AGREEMENT WITH THE EC. UNDER THIS, TURKS WILL HAVE FREEDOM OF MOVEMENT INTO AND WITHIN THE EC FROM 1986. THERE ARE ALREADY OVER 1.5 MILLION TURKS IN THE FRG (OVER 90 PER CENT OF ALL TURKS IN THE COMMUNITY), AND KOHL IS EVEN MORE FIRMLY COMMITTED THAN HIS PREDECESSOR TO ENSURING THAT NO MORE COME. IF HE DOES RAISE THIS, I SUGGEST THAT MINISTERS SHOULD BE SYMPATHETIC BUT NON-COMMITTAL. LATER, UK SUPPORT FOR GERMANY'S PREDICAMENT COULD BE USEFUL CURRENCY IN AN ATTEMPT TO PIN DOWN GERMAN SUPPORT ON THE BUDGET. FCO PLEASE PASS TO SAVING ADDRESSEES.

TAYLOR.

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10 DOWNING STREET

From the Private Secretary

13 October, 1982

VISIT OF FEDERAL CHANCELLOR, TUESDAY, 19 OCTOBER

As you know, I have had a number of conversations about this visit with Klaus Zeller in Bonn.

The arrangements, as they stand at present, are as follows. The Prime Minister and the Chancellor will have talks at 1800 hrs, accompanied only by Private Secretaries and interpreters (you are looking into the question of providing an interpreter on our side). These talks will continue until about 1930 hrs when there will be a working dinner. On our side, the Prime Minister hopes that the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, Sir Jock Taylor and Sir Antony Acland (plus a Private Secretary) will attend.

There is some uncertainty about who is coming on the German side. Although the German Ambassador here has given me what he said was a firm list of names, Zeller said today that no final decision has been taken. I have made it clear to him that we should be very glad to accommodate up to six people from his side at the working dinner. Interpreters will, of course, also be needed.

Zeller also said that the Chancellor hoped there would be an opportunity for him to appear before the press with the Prime Minister. I told him that there would be the usual photo-call on arrival. In addition, I thought that we could arrange for the Prime Minister and the Chancellor to appear together outside No.10 after the dinner where they could be photographed and where each could make a few comments about the talks. We agreed that a formal press conference would not be appropriate on this occasion.

I am copying this letter to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

A. J. COLES

Roger Bone, Esq.,
Foreign & Commonwealth Office,

Germany ①

PRIME MINISTER

Dr Kohl's Visit: 19 October

You agreed to have a working dinner after your tête-à-tête talks.

I suggest that we let the Germans have six places. Then four of our six places might be taken by yourself, the Foreign Secretary, Sir Jock Taylor and the Private Secretary. This leaves two places. Would you like to select any two of the following three?:

Cecil Parkinson (if you want to emphasise the Party connection)

Geoffrey Howe

Antony Acland

A. & C.

12 October 1982

ms



With the compliments of

WESTERN EUROPEAN
DEPARTMENT

*M^U
to
h-a-*

As requested

FOREIGN AND COMMONWEALTH OFFICE,
LONDON, SW1A 2AH

WRG 026/8
13 OCT 1982

GRS 445

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FM BONN 121828Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 863 OF 12 OCTOBER

INFO ROUTINE UKREP BRUSSELS PARIS

INFO SAVING ATHENS EMBASSY BRUSSELS COPENHAGEN DUBLIN THE HAGUE
LUXEMBOURG ROME

wjlb 13/10

VISIT OF CHANCELLOR KOHL TO LONDON ON 19 OCTOBER

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2. ON THEMES FOR DISCUSSION, THIELE SAID THAT EAST/WEST RELATIONS AND THE US/EUROPEAN RELATIONS WOULD NATURALLY FIGURE. HE DID NOT EXPECT THAT THERE WOULD BE ANY SIGNIFICANT DIFFERENCE OF VIEWS BETWEEN KOHL AND THE PM. BUT HE THOUGHT THAT KOHL WOULD BE APPRECIATIVE IF THE PM FELT ABLE TO GIVE HIM SOME ADVICE ON HOW TO HANDLE HIS DISCUSSIONS WITH REAGAN, WHOM HE EXPECTED TO VISIT PROBABLY IN NOVEMBER. BUT HE DID NOT THINK THAT KOHL WOULD WANT TO GO INTO DETAIL ABOUT THE FORM SOLUTIONS TO PRESENT PROBLEMS - EG THE PIPELINE - SHOULD TAKE. TO DATE, KOHL HAD BEEN ENTIRELY PRE-OCCUPIED WITH DOMESTIC PROBLEMS AND THE PREPARATION OF THE GOVERNMENT'S POLICY DECLARATION TO BE PRESENTED TOMORROW IN THE BUNDESTAG. OFFICIALS PLANNED TO INTRODUCE HIM STAGE BY STAGE TO INTERNATIONAL ISSUES IN THE HOPE THAT HE WOULD BE FULLY BRIEFED IN TIME FOR THE EUROPEAN COUNCIL AT THE BEGINNING OF DECEMBER.

3. ON THE NEW GOVERNMENT'S REFERENCE TO THE NEED TO GIVE QUOTE NEW IMPULSES UNQUOTE TO THE COMMUNITY, THIELE SAID THAT WHAT THEY HAD IN MIND WAS THE GENSCHER/COLOMBO PLAN. HE ADDED THAT AS FAR AS THE COMMUNITY'S FINANCES WENT THE CABINET AT ITS MEETING LAST WEEK HAD CONFIRMED THAT GERMAN POLICY SHOULD CONTINUE ON EXISTING LINES IE THAT THERE WAS NO CALL FOR A CHANGE IN THE COMMUNITY'S FINANCIAL ARRANGEMENTS. THIELE ALSO SAID THAT IN ADDITION TO THE NEED THE GERMANS SAW FOR THE COMMUNITY TO MAKE PROGRESS ON INSTITUTIONAL ISSUES, THERE WAS ALSO THE NEED TO TAKE ACCOUNT OF THE COMMUNITY'S PRESENT UNEMPLOYMENT PROBLEM. THE FIRST RESPONSIBILITY LAY WITH MEMBER GOVERNMENTS, BUT THE COMMUNITY COULD SUPPORT NATIONAL EFFORTS BY STREESING THE NEED FOR ECONOMIC POLICIES TO BE MUTUALLY SUPPORTIVE

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wjg 13/10

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MR LITTLER } TREASURY
MR EDWARDS }

CONFIDENTIAL



Germany
Jie

10 DOWNING STREET

From the Private Secretary

8 October 1982

JF

Visit of Dr. Kohl

As I have told you on the telephone, Klaus Zeller rang yesterday to say that the new German Chancellor would very much like to visit London on 19 October to "pay his respects" to the Prime Minister. I told Zeller today that the Prime Minister would be glad to welcome the Chancellor on that day. I shall be consulting the Prime Minister over the weekend about the arrangements. The provisional plan, of which Zeller is aware, is that the Chancellor should arrive in time for a talk with the Prime Minister, probably accompanied only by Private Secretaries, at about 1800 (he cannot reach London before the evening). There would then be a working dinner at 1930, after which the Chancellor would return to Bonn. Zeller told me that Genscher would accompany Dr. Kohl but that no decision had been taken on the remainder of the party.

I stressed that the Prime Minister has not yet been consulted about the details. I shall be in touch with you again early next week.

A. J. COLES

Roger Bone Esq
Foreign and Commonwealth Office.

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PRIME MINISTER

Visit of Dr. Kohl

As you know, Dr. Kohl's office rang me yesterday to say that the new Chancellor would very much like to visit London on 19 October to pay his respects to you. You agreed that he should come and I have replied accordingly to his office.

He cannot arrive until the early evening. I suggest the following arrangements:-

- a) A talk with the Chancellor, with just Private Secretaries and interpreters present, from 1800 until dinner (meanwhile Mr. Pym and Mr. Genscher, who is coming, could have a separate tête-à-tête).
- b) A working dinner at 1930 in the small dining room, after which Dr. Kohl will fly back to Bonn.

May we plan on these lines? *(we will arrange another time for Pauline Chan to come in)*

Yes

A. J. C.

8 October 1982

