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TELNO 37 OF 6 JAN 82

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MY TELNOS 25 AND 26 : SCHMIDT/REAGAN MEETING : POLAND.

1. SCHMIDT SPENT THE BETTER PART OF TWO DAYS HERE. HE HAD DINNER WITH HAIG AND OTHERS AT THE GERMAN EMBASSY ON MONDAY, SAW THE PRESIDENT AND, LATER, WEINBERGER, YESTERDAY AND HAD A FURTHER MEETING WITH HAIG THIS MORNING. HE ALSO MET CONGRESSIONAL LEADERS AND A NUMBER OF LONG STANDING U S FRIENDS (MCCLOY, KIRKLAND, NITZE). THE STATE DEPARTMENT AND NSC HAVE GIVEN US THE FOLLOWING ACCOUNT OF THE CONVERSATION WITH THE PRESIDENT:

(A) SCHMIDT SAID THAT HE WAS ANNOYED AT THE WAY THE U S PRESS HAD DISTORTED HIS VIEWS ON POLAND. IN FACT HIS VIEWS INTER ALIA ON SOVIET RESPONSIBILITY HAD NEVER DIFFERED SIGNIFICANTLY FROM THOSE OF REAGAN.

(B) REAGAN HAD NOT PRESSED SCHMIDT TO TAKE THE SPECIFIC STEPS THE U S HAD ALREADY TAKEN AND HAD NOT BELABOURED HIM ABOUT THE PIPE-LINE. SCHMIDT VOLUNTEERED THAT THE FEDERAL REPUBLIC WOULD NOT TAKE ANY STEPS WHICH WOULD UNDERMINE THE U S MEASURES, THOUGH HE COMMENTED THAT THERE COULD BE CONSIDERABLE PRACTICAL DIFFICULTIES OVER THE IMPLEMENTATION OF THIS UNDERTAKING. HE EXPRESSED THE VIEW THAT THE MEASURES THE U S HAD TAKEN WERE ESSENTIALLY POLITICAL AND SYMBOLIC. HE WAS UNHAPPY ABOUT THE ABSENCE OF CONSULTATION ABOUT THOSE STEPS.

(C) SCHMIDT SPENT MUCH OF HIS TIME COMPLAINING ABOUT THE ECONOMIC SITUATION AND THE IMPENDING WORLD ECONOMIC CRISIS AS THE MAIN THREAT TO WESTERN SECURITY.

(D) SCHMIDT HAD BEEN VERY PLEASED THAT REAGAN HAD TOLD HIM THAT ARMS CONTROL NEGOTIATIONS HAD A SPECIAL PART IN EAST/WEST RELATIONS AND WERE NOT, AT THE PRESENT TIME, GOING TO BE PART OF THE U S REACTIONS TO THE POLISH CRISIS.

(E) SCHMIDT THROUGHOUT SOUGHT TO PRESENT THE GERMAN ATTITUDE AS THAT OF THE EUROPEANS GENERALLY.

2. U S OFFICIALS SAY THAT THE ATMOSPHERE IN THE MEETINGS WITH THE PRESIDENT AND THE TALKS WITH HAIG WAS GOOD. IT WAS NOT IN THE PRESIDENT'S STYLE TO BE CONFRONTATIONAL OR EXIGENT IN PERSONAL MEETINGS WITH ALLIED LEADERS. AS ALWAYS, SCHMIDT DID MOST OF THE TALKING, BUT HE HAD BEEN SOMEWHAT MORE MUTED AND LESS DOGMATIC THAN USUAL. THEY REGARDED SCHMIDT'S EXPLICIT ACKNOWLEDGMENT OF SOVIET RESPONSIBILITY AND THE UNDERTAKING NOT TO UNDERMINE THE U S MEASURES AS THE TWO IMPORTANT ELEMENTS IN THE COMMUNIQUE. ON THE FORMER POINT, THEY DID NOT TAKE SERIOUSLY SCHMIDT'S CONTENTION THAT HIS VIEWS IN THIS RESPECT HAD NOT CHANGED (WITH REFERENCE TO HIS 18 DECEMBER STATEMENT IN THE BUNDESSTAG, IN WHICH THERE HAD IN FACT BEEN NO REFERENCES TO SOVIET RESPONSIBILITY).

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3. SCHMIDT CLEARLY HAD NOT REALISED HOW NEGATIVE AN IMPRESSION OF THE GERMAN ATTITUDE MOST AMERICANS HAD GOT AND THIS CERTAINLY HAD NOW BEEN BORNE IN ON HIM. DURING HIS HOLIDAY IN FLORIDA HE HAD SPEND A WEEK READING ALL THE U S PAPERS AND PROFESSED TO HAVE BEEN APPALLED BY THE PICTURE THEY AND THE TELEVISION HERE HAD PRESENTED OF GERMAN VIEWS. THE PRESIDENT EMPHASIZED THAT U S/GERMAN RELATIONS DID NOT DEPEND ONLY ON THE RELATIONSHIP BETWEEN THE TWO EXECUTIVE BRANCHES AND EXPRESSED HIS CONCERN ABOUT THE IMPACT ON CONGRESSIONAL AND PUBLIC ATTITUDES.

4. SCHMIDT INDICATED THAT THE GERMANS WERE READY TO STUDY THE DESIRABILITY OF TIGHTENING THE RULES ON HIGH TECHNOLOGY TRANSFERS IN THE HIGH LEVEL COCOM MEETING. THE STATE DEPARTMENT NOTED THAT HE HAD SAID THE SAME IN OTTAWA, BUT GERMAN OFFICIALDOM HAD SINCE BEEN UNHELPFUL AND THE GERMAN ATTITUDE REMAINED AMBIGUOUS. SCHMIDT WAS GIVEN IN CONFIDENCE SOME FURTHER INTELLIGENCE ON THE ADAPTATION BY THE RUSSIANS FOR MILITARY PURPOSES OF TECHNOLOGY TRANSFERRED FROM THE WEST.

5. HAIG RAISED WITH BOTH SCHMIDT AND GENSCHER THE QUESTION OF NATO INFRASTRUCTURE, POINTING OUT THAT THE GERMAN REFUSAL TO MAKE THE NECESSARY FUNDS AVAILABLE WAS HAVING A POLITICAL EFFECT OUT OF ALL PROPORTION TO THE REAL EXPENDITURE. GENSCHER UNDERTOOK TO LOOK INTO THIS, WITHOUT COMMITMENT,

6. THE SIBERIAN GAS PIPE-LINE WAS NOT RAISED IN ANY OF THE DISCUSSIONS. HAIG SAID AT A PRESS CONFERENCE THIS MORNING THAT THE U S VIEW REMAINED THAT THE PROJECT WAS A BAD IDEA. THE AMERICANS WILL NOT PERMIT U S EQUIPMENT OR COMPONENTS TO BE USED IN ITS CONSTRUCTION, BUT SEEM TO RECOGNISE THAT IT WILL NOT BE POSSIBLE TO DISSUADE THE GERMANS OR OTHERS FROM GOING AHEAD.

7. THE STATE DEPARTMENT COMMENTED THAT IT WAS EXTREMELY FORTUNATE THAT A MEETING AT THIS LEVEL HAD TAKEN PLACE AT THIS TIME (IT WAS OF COURSE ORIGINALLY SCHEDULED BY SCHMIDT TO DISCUSS THE WORLD ECONOMIC SITUATION). THERE HAD BEEN ENOUGH MOVEMENT IN THE GERMAN POSITION TO ENABLE THEM TO DAMP DOWN INCREASING PUBLIC PERCEPTIONS HERE OF MAJOR DIFFERENCES WITHIN THE ALLIANCE. THEY REGARD THE OUT-COME OF THE EC MEETING ON MONDAY AND THE SCHMIDT/REAGAN STATEMENT AS REPRESENTING A SIGNIFICANT EVOLUTION IN THE GERMAN ATTITUDE AND AS MEANING THAT THE PRINCIPAL ALLIES ARE NOW MORE UNITED IN THEIR ANALYSIS OF THE SITUATION, INCLUDING SOVIET RESPONSIBILITY, AND THE DEFINITION OF OBJECTIVES.

8. THERE WERE, HOWEVER, SOME VIGOROUS EXCHANGES WITH THE OFFICIALS ACCOMPANYING SCHMIDT, INTER ALIA WITH VON DER GABLENTZ, WHEN HE SOUGHT TO SUGGEST THAT U S CONCERN ABOUT POLAND WAS PRIMARILY A REFLECTION OF THE VIEWS OF THE POLISH/AMERICAN COMMUNITY HERE (WHICH HAS SO FAR BEEN ADOPTING A MODERATE ATTITUDE URGING THE CONTINUATION OF FOOD AID ETC).

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9. ON THE NEXT STEPS, HAIG HAD MADE IT CLEAR THAT THE AMERICANS WERE LOOKING WITHIN THE ALLIANCE FOR SOMETHING MORE THAN NOT MERELY UNDERMINING THE U S MEASURES; BUT NOT THE SAME MEASURES AS THE UNITED STATES HAD TAKEN. IT WAS FOR THE EUROPEANS TO CONSIDER WHAT STEPS THEY THOUGHT MOST APPROPRIATE (AND LEAST PAINFUL) TO MAKE CLEAR THAT THEY REGARDED THE PRESSURES THE SOVIET UNION WAS EXERTING ON POLAND AS UNACCEPTABLE AND THAT SOVIET RELATIONS WITH WESTERN EUROPE WOULD BE AFFECTED IF THESE WERE MAINTAINED.

*MS*  
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