



Germany

Private Secretary,
to the
Prime Minister

NOTE OF A MEETING HELD AT 11 DOWNING STREET ON WEDNESDAY 27 JANUARY 1982
AT 10.00 A.M.

Mr. Seligson to see

This is much the same as Dr.
Kohl's talk with the P.M.
A.S.C. 2/1

Present:

Chancellor of the Exchequer
Sir Kenneth Couzens
Mr. Garside

Dr. Helmut Kohl, Chairman
Christian Democratic Union
Herr Ruehe, CDU MdB
Dr. Hermann - CDU International
Department
Dr. Lochner - Interpreter

Mr. Unwin, British Embassy,
Bonn

MEETING WITH DR. HELMUT KOHL, CHAIRMAN OF THE CHRISTIAN DEMOCRATIC
UNION

Dr. Kohl thanked the Chancellor for agreeing to see him and said that he would be delighted to entertain the Chancellor when he was next in Bonn. He had already seen the Prime Minister and had dined with the Conservative Party and both had agreed that it was vital that the ties between the two parties were intensified. Interests were inter-linked in many fora: Community, security and defence and one could not ignore the consequences of having a Socialist President in France. The Chancellor said he would very much like an opportunity to meet next time he was in Bonn. He had met Herr Kiep (the CDU's economic spokesman) when he was in England at the end of last year. He agreed that both sides should make the most of the fact that the long-term prosperity of the two countries depended on preservation of the liberal economic system. It was under threat, and not always the easiest of systems to defend. He had noted that Herr Matthofer (the German Finance Minister) used the United Kingdom as an example of what not to do. Dr. Kohl agreed that the UK Government tended to be cited as the witness for the prosecution. But there was a crucial difference between the position Matthofer found himself in when he took over office and the position the current Government found in this country. Matthofer had inherited flowing



coffers, not near bankruptcy. The Chancellor pointed out that the German government had the advantage of having the CDU as the opposition. His critics were to the left not to the right. That made his task much more difficult. That was why he found it so useful to cite Matthofer and Schmidt as defence witnesses. If a Social Democratic government needed to cut its deficit, then certainly a government of a more right-wing persuasion needed to do it. Dr. Kohl suggested that perhaps the British Government could challenge their opposition with the responsible example of the opposition in Germany: in the autumn the opposition had proposed an additional DM 15 billion of cuts, involving changes in the present system of unemployment benefit, reducing extravagance in students support schemes and making pensioners once again liable for social security contributions.

2. The Chancellor asked about any prospect of a change in government in Germany before 1984. Dr. Kohl thought that this was possible. The coalition knew now that they only had a theoretical chance of retaining their mandate in 1984, because of the change in the system. For 20 years Germany had effectively a three party system which had worked well because each party was capable of coalescing with each other. But in recent years the FDP had become wedded to the SPD, such that it now formed a block. That had been bad for the CDU: in 1976 the CDU had won 48.6 per cent of the vote but had nonetheless been relegated to opposition. But the position had changed since the emergence of the Green party. Although the Greens had some reasonable ideas many of their ideas were completely idiotic. But what was important was their possible effect on the division of votes at the next election. While the FDP were working on a scenario which involved the Green party gaining representation in the Bundestag, he believed that they would only get some 3 to 4 per cent, failing to surmount the 5 per cent barrier to representation in parliament. Adding the small percentages gained by Communists and neo-Nazis it was realistic to imagine that 4 per cent of votes would fall on parties with no representation in parliament. That meant that all the seats would be divided between the parties gaining the other 96 per cent,



which would mean a party would only have to get 48 per cent of the vote to gain a majority. He thought the CDU could easily achieve that.

3. Dr. Kohl went on to explain that it was possible to envisage an earlier crumbling of the coalition: possibly over personnel questions. For example Graf Lambsdorff was currently the victim of a campaign of libel and slander over the illegality of some tax deductions of contributions to party funds. There is no doubt in his mind that the campaign had been launched by the Socialists. Graf Lambsdorff was subject to trial by press. Whatever happens this would hurt the FDP badly. The second question mark was over Schmidt. It seemed clear that the "Schmidt era" was over. If the coalition lasted until 1984 Schmidt would not be the Chancellor candidate. The most plausible candidate at the moment looked to be Matthofer. Schmidt's problem was that he no longer commanded a majority in his party, the boss was Brandt who had a different policy. This had been startlingly demonstrated at a regional party conference in Schmidt's own town of Hamburg at the weekend when both Schmidt and the Defence Minister Apel had attended, but nonetheless the conference adopted a resolution calling for a demilitarized zone in Central Europe. Aside from these personnel questions there were four State elections due this year, which offered the possibility of giving the CDU/CSU the extra 3 votes it needed to obtain a blocking two-thirds majority in the Upper House (Bundesrat). A victory in the election in Hessen would give the CDU/CSU just those votes. That could effectively prevent the government from making any laws.

4. Dr. Kohl said it was not clear what the FDP would do in a new situation. He himself was friendly with Genscher but nailing Genscher down was likely trying to "nail down an eel". Genscher was faced with the twin problems of the rise of the Ecologists and the move to the left in the FDP. FDP policies were very incoherent: designed to appeal to minorities to pick up votes. The Chancellor commented that he always found it very difficult to think of Graf Lambsdorff in coalition with the Socialists. Dr. Kohl



explained that Graf Lambsdorff enjoyed his privileged role as the shop steward of industry in German government. In a coalition with the CDU that privileged role would be lost.

5. The Chancellor commented that he had been distressed to see press reports about President Reagan's state of the union message in which the President declared unprepared to raise taxes to reduce the budget deficit. That caused him great concern as it presaged higher US interest rates than he would like to see. Dr. Kohl agreed that President Reagan's suggestion of transferring some expenditure from Federal to State level would do nothing to solve the problem. He agreed with the Chancellor that the problem also had political dimensions. But Europe was not totally blameless. Discussion of neutralisation at the moment was very damaging. Defence expenditure could not be reduced, so savings had to be made elsewhere and in defence overheads. The Chancellor warned Dr. Kohl against entering office promising expenditure cuts which proved very difficult in practice. Dr. Kohl pointed out that he had made promises and believed that he could rally the German people behind him by telling the truth. The Germans had not been persuaded by Schmidt's promise of a 35-hour working week, a reduction in their working lives and longer paid level.

6. The meeting finished at 10.50 a.m. and the Chancellor thanked Dr. Kohl for coming.

JKR

JILL RUTTER

27 January 1982

Circulation:

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