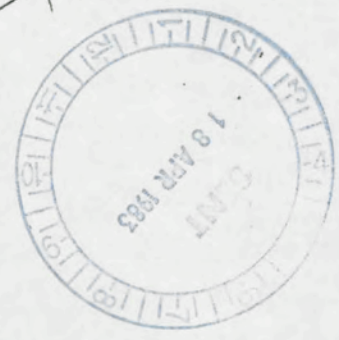


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ANGLO-GERMAN SUMMIT 21/22 APRIL: THE VIEW FROM BONN

1. KOHL COMES TO LONDON SIX WEEKS AFTER HIS TRIUMPHANT ELECTION VICTORY: A WEEK AFTER HIS TRIP TO WASHINGTON, WHICH IS BEING PRESENTED HERE AS A SIGNIFICANT SUCCESS: AND TWO WEEKS BEFORE HIS NEW GOVERNMENT'S FIRST POLICY DECLARATION ON 4 MAY.

~~THE ELECTION VICTORY HAS GIVEN KOHL A PROSPECT OF BEING THE MAJOR~~

2. THE ELECTION VICTORY HAS GIVEN KOHL A PROSPECT OF BEING THE MAJOR FIGURE IN FEDERAL GERMAN POLITICS IN THE EIGHTIES. HE HAS COOLLY OUTPLAIED STRAUSS'S BID FOR SENIOR OFFICE IN BONN AND, BY RECENT STANDARDS, HIS COALITION NEGOTIATIONS WITH THE FDP AND CSU WERE REMARKABLY TROUBLE FREE. THE BROAD LINES OF DOMESTIC AND ECONOMIC POLICY WERE MAPPED OUT IN FAMILIAR TERMS AND KOHL AVOIDED ALL COMMITMENTS ON THE FEW POINTS IN FOREIGN POLICY (EG TOWARDS SOUTHERN AFRICA) WHERE THE CSU URGED NEW ACCENTS.

3. ECONOMICALLY, TOO, THINGS SEEM TO BE LOOKING UP. THE APPEARANCE OF BETTER INDICATORS IN LATE FEBRUARY HELPED KOHL TO WIN THE ELECTION. SINCE THEN ONE OR TWO INDICATORS HAVE BEEN LESS ENCOURAGING, AND THE CURRENT MOOD OF OPTIMISM MAY BE BETTER THAN THE UNDERLYING SITUATION. BUT THE PROSPECT SEEMS TO BE FOR RESUMED GROWTH OF GDP IN 1983 OF BETWEEN 0 AND ONE PERCENT, WITH INFLATION AT AROUND 3 PERCENT AND A HEALTHY BALANCE OF PAYMENTS SURPLUS. THESE DEVELOPMENTS WILL HELP THE GOVERNMENT WITH ITS AIMS OF GETTING PUBLIC EXPENDITURE UNDER CONTROL, BUT THE VERY CONSIDERABLE DIFFICULTIES OF THIS TASK WILL STRAIN THE SOCIAL CONSENSUS AT A TIME OF HIGH AND CONTINUING UNEMPLOYMENT. HOW KOHL WILL RESPOND TO THESE PRESSURES IS NOT YET CLEAR.

4. THE PRIME MINISTER WILL FIND INF AT THE CENTRE OF KOHL'S CONCERNS. IN HIS VIEW GROMYKO'S HASTY QUOTE NYET UNQUOTE TO REAGAN'S RECENT PROPOSALS FOR AN INTERIM AGREEMENT IS NOT TO BE TAKEN SERIOUSLY. IT IS UP TO THE RUSSIANS TO TAKE THE NEXT STEP. MEANWHILE KOHL, WHO INTENDS (BARRING TOTALLY UNEXPECTED REMOVAL OF ALL SOVIET SS20S) THAT STATIONING SHOULD GO AHEAD ON TIME IN THE FRG, IS PREOCCUPIED BY THE NEED TO MAKE IT AS ACCEPTABLE AS POSSIBLE DOMESTICALLY. THE PROSPECTS FOR DEMONSTRATIONS WERE DESCRIBED IN MY TELEGRAM NO 16 SAYING. ONE THING KOHL CAN DO TO HELP DOMESTICALLY IS TO DEMONSTRATE THAT HE STANDS SHOULDER TO SHOULDER ON INF WITH OTHER WESTERN LEADERS. HE CONSIDERS THAT HE ACHIEVED THIS LAST WEEK WITH REAGAN AND WILL EXPECT TO DO THE SAME WITH THE PRIME MINISTER. THE OTHER FACTOR WHICH CAN INFLUENCE DOMESTIC REPERCUSSIONS OF STATIONING IS THE PERCEPTION IN THE FRG OF US EFFORTS IN NEGOTIATIONS. KOHL HAS MADE THE MOST OF REAGAN'S INTERIM PROPOSAL, WHILE CONTINUING TO DECLARE THAT A ZERO OUTCOME IS THE ULTIMATE AIM.

5. KOHL WILL WISH TO DISCUSS WITH THE PRIME MINISTER NOT ONLY THESE ASPECTS OF INF ITSELF BUT ALSO WAYS OF CREATING AN INTERNATIONAL CLIMATE WHICH WILL HELP HIM TO PERSUADE HIS PEOPLE THAT AMERICAN JUDGEMENTS ON EAST/WEST MATTERS CAN ACCORD WITH GERMAN AND EUROPEAN INTERESTS AND THAT DIALOGUE AND CONTACTS WITH THE EAST, WHICH ARE POPULAR IN THE FRG, CAN STILL CONTINUE USEFULLY. TO DEMONSTRATE THE LATTER IS A MAJOR PURPOSE OF KOHL'S DECISION TO VISIT MOSCOW SOON, IF POSSIBLE IN JULY. SO HE HAS A STRONG INTEREST IN A CDE, AND IN THE CONTINUATION OF THE CSCE PROCESS ON TERMS THAT CURRENTLY SEEM NEGOTIATABLE IN MADRID. HIS STAFF THINK HE PERSUADED REAGAN LAST WEEK THAT THIS WAS IN THE AMERICAN INTEREST TOO, BUT HE WILL BE WAITING ANXIOUSLY TO SEE IF IT PRODUCES A CHANGE IN AMERICAN POLICY.

6. ON US/EC ECONOMIC RELATIONS KOHL'S AIMS ARE TO IMPROVE THE CLI-

~~ON US/EC ECONOMIC RELATIONS~~ KOHL'S AIMS ARE TO IMPROVE THE CLIMATE AND PLAY DOWN THE DIFFERENCES, BUT NOT AT THE EXPENSE OF GERMAN INTERESTS. HIS SUPPORT FOR REAGAN ON INF AND STRATEGIC ISSUES GENERALLY GIVES HIM THE RIGHT TO DEMAND CONSIDERATION FOR GERMAN AND EUROPEAN INTERESTS IN THE ECONOMIC SPHERE. THE GERMANS BELIEVE THEY HAVE PERSUADED THE US NOT TO MAKE MAJOR DIFFICULTIES OVER EWER AT WILLIAMSBURG PROVIDED THAT THERE IS REAL PROGRESS TOWARDS SOLUTIONS BY THEN. THEY EMPHASISE THE NEED FOR WILLIAMSBURG TO BOOST CONFIDENCE IN THE WORLD TRADING SYSTEM, AND TO GIVE HOPE THAT THE PROBLEMS OF PROTECTIONISM, UNEMPLOYMENT, INTERNATIONAL DEBT AND ECONOMIC DEVELOPMENT IN THE THIRD WORLD CAN BE SUCCESSFULLY MANAGED. THEY BELIEVE THAT THIS PUTS EWER IN A MORE REALISTIC PERSPECTIVE AND DEMONSTRATES THE RANGE OF ISSUES ON WHICH THE WEST HAS COMMON INTERESTS AND SHOULD DEVELOP MUTUALLY SUPPORTIVE POLICIES. EAST/WEST ECONOMIC RELATIONS ARE ALSO RELEVANT IN KOHL'S MIND TO HIS MOSCOW VISIT: IF THERE IS ANOTHER TRANSATLANTIC ROW, HIS ABILITY TO CLAIM THAT HE GOES TO MOSCOW WITH THE FULL AGREEMENT OF THE WESTERN ALLIES ON ALL KEY SUBJECTS WILL BE BADLY UNDERMINED. HE WILL BE KEENLY INTERESTED TO CONCERT GENERAL TACTICS WITH THE PRIME MINISTER FOR WILLIAMSBURG, WHICH HE REGARDS AS THE MOST IMPORTANT INTERNATIONAL MEETING OF 1983.

E/W economic relations

7. AS FAR AS COMMUNITY AFFAIRS ARE CONCERNED, KOHL WANTS A SUCCESS AT STUTTGART: HE CONSIDERS IT NECESSARY FOR HIM, FOR THE GERMAN PRESIDENCY AND FOR THE COMMUNITY. THE GERMANS SEEM TO REGARD THE ENLARGEMENT AND FINANCIAL DOSSIERS AS BOTH THE MOST DIFFICULT AND THE ONES WHOSE RESOLUTION WOULD MAKE THE GREATEST CONTRIBUTION TO PROGRESS IN THE COMMUNITY. THE PROBLEMS OF UNEMPLOYMENT, THE INTERNAL MARKET, GENSCHER/COLOMBO, AND ENVIRONMENTAL DOSSIERS, ARE OF PARTICULAR IMPORTANCE TO THE GERMANS, PRESENTATIONALLY AS WELL AS SUBSTANTIVELY. ON THE FUTURE FINANCING OF THE COMMUNITY THE GERMANS NOW SEEM TO BE CLEAR THAT THEY NEED SOME KIND OF SAFETY NET AND FOR THE REST WILL BE HAPPY TO TRY TO BUILD A FINANCING SYSTEM AROUND THE IDEAS IN THE COMMISSION'S GREEN PAPER. ON A SOLUTION FOR 1983, THERE IS NO TENDENCY TO CALL KOHL'S COMMITMENT TO THE PRIME MINISTER INTO QUESTION. BUT THERE SEEMS TO BE SOME UNCERTAINTY ABOUT HOW BEST TO HANDLE THIS DIFFICULT SUBJECT IN DETAIL. KOHL WILL THEREFORE WANT TO DISCUSS TACTICS WITH THE PRIME MINISTER. HE WILL BE INTERESTED IN IDEAS FOR HANDLING THE FRENCH AND THE DANES, WHOM THE GERMANS SUSPECT MAY WANT TO PLAY THE PARLIAMENTARY CARD, AND ALSO IN HAVING A CLEARER IDEA ABOUT THE PRIME MINISTER'S PRECISE REQUIREMENTS IN JUNE. THE GERMANS ARE TALKING IN TERMS OF AGREEMENT ON QUOTE ORDERS OF MAGNITUDE UNQUOTE AT STUTTGART BUT HAVE NOT DEVELOPED IDEAS ABOUT HOW AGREEMENT ON THESE ORDERS OF MAGNITUDE (TROP PAYE ETC) SHOULD BE REACHED BEFORE THEN. KOHL WILL ALSO WANT TO HEAR FROM THE PRIME MINISTER HOW THE 1983 PROBLEM SHOULD BE HANDLED IN TERMS OF THE UK POLITICAL SITUATION.

8. ANGLO-GERMAN RELATIONS ARE AT A MOMENT OF OPPORTUNITY. THOUGH THE FRANCO-GERMAN RELATIONSHIP REMAINS INDISPENSIBLE TO THE GERMANS, PRESENT TENSION BETWEEN BONN AND PARIS CONSTRAIN THE RELATIONSHIP OF TRUST WITH THE FRENCH WHICH HAS EXISTED IN THE RECENT PAST. KOHL WILL BE THE MORE DETERMINED TO MAKE THE LONDON MEETING A PUBLIC DEMONSTRATION OF COMMUNITY OF VIEW BETWEEN THE

~~KNOWNSHIP OF TRUST WITH THE FRENCH WHICH HAS EXISTED IN THE RECENT PAST. KOHL WILL BE THE MORE DETERMINED TO MAKE THE LONDON MEETING A PUBLIC DEMONSTRATION OF COMMUNITY OF VIEW BETWEEN THE TWO LEADING EUROPEAN COUNTRIES WITH CONSERVATIVE GOVERNMENTS. IF WE CAN RESPOND, THIS WEEK, TO GERMAN HELPFULNESS OVER THE COMMUNITY BUDGET BY GESTURES ON MATTERS OF IMPORTANCE TO THEM (SEE PREVIOUS PARA) IT MAY PAY LARGE DIVIDENDS. FINALLY, THERE IS THE KOHL FACTOR. KOHL SEEMS DISPOSED TO HELP US. THE PARALLELISM IN OUTLOOK AND POLICY BETWEEN HIS GOVERNMENT AND HMG IS A SOURCE OF COMFORT TO HIM. THE MORE WE CAN MAKE OF THIS, THE BETTER OUR CHANCES ARE OF ACHIEVING EFFECTIVE ANGLO-GERMAN CO-OPERATION BETWEEN NOW AND STUTTGART AND AT STUTTGART.~~

FCO PLEASE PASS SAVING ADDRESSEES.

TAYLOR

CCN: PARAGRAPH 8 LINE 12 SHOULD READ QUOTE ... AND HMG IS A SOURCE OF ... ETC, ERROR REGRETTED.

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