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Foreign and Commonwealth Office
London SW1A 2AH

27 October 1982

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Bonn Despatch: The Federal Republic Changes Government

You will have already seen Bonn Te'nos 910 and 911 which set the scene for the Anglo-German Summit.

I now enclose a copy of Sir J Taylor's important despatch of 25 October on the change of Government in Bonn, in case the Prime Minister has time to glance through it. The first part looks back over the recent crisis and change of government in Bonn: paragraphs 28 - 30 speculate on the future.

Yes

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street



THE FEDERAL REPUBLIC CHANGES GOVERNMENTS
SUMMARY

1. The change of Federal government marks the end of an era in West German politics (para 1).
2. The Schmidt Government was in trouble from the moment of its re-election in October 1980. The FDP used their increased leverage in the coalition to force through their economic policies against SPD opposition. This twice brought the coalition near the point of collapse before, on the third occasion, the collapse occurred. Strains over security policy were less, but the SPD's internal differences over INF stationing were a constant problem, and would have caused much more trouble if the coalition had survived into 1983. Declining support for the SPD in the country began this year to affect the FDP as well, and convinced Genscher that his party would have to switch alliance to the CDU before long (paras 2-11).
3. In the event, however, it was Schmidt who forced the break. Seeing little hope of reaching agreement with the FDP over the 1982 budget, he challenged the FDP to say whether they stood by existing decisions, and got an equivocal response. He decided



to call for new elections, and the FDP Ministers resigned. Kohl and Genscher resisted immediate elections, saying they would try to form a CDU/CSU/FDP government first (paras 12-16).

4. Schmidt was right to take the initiative. His party's public rating has improved in consequence, while Genscher and the FDP have lost popularity. But responsibility for the break-up must be shared by both parties (paras 17-18).

5. Negotiations over forming the new coalition were complicated by the ambitions of Strauss (whom immediate elections would have suited) and by opposition within the FDP to Genscher's switch of alliance. But once it became clear that Kohl would get sufficient FDP votes for a Bundestag majority, the constructive vote of no confidence was tabled and Kohl was elected Chancellor (paras 19-24).

6. The Bundestag debate raised questions about whether a change of government without elections was morally right. The new Coalition was able to show that it was constitutionally correct. Nevertheless, many of the electorate are suspicious of the means by which Kohl's government has come to power (paras 25-27).



7. The new government is aware of this, and intends to prove itself through elections next March. Meanwhile, it has a temporary look. The CDU/CSU may stay in power after March, though perhaps without the FDP. But there could also be a hung parliament. Changes in the political landscape - the future of the Greens, and any shift to the left in the SPD - may affect Britain's interests (paras 28-30).

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BRITISH EMBASSY,
BONN.

25 October 1982

The Right Honourable Francis Pym MC MP
Foreign and Commonwealth Office
LONDON SW1A 2AH

Sir,

THE FEDERAL REPUBLIC CHANGES GOVERNMENTS

1. The collapse of the SPD/FDP coalition on 17 September, and Herr Schmidt's replacement as Federal Chancellor by Dr Kohl on 1 October, marked the end of an era in West German politics. The Social Democrats left office after 13 years, taking with them one of Germany's finest post-war Chancellors, who is also a world statesman. In his place there arrived a Chancellor from a new generation, the first not to have reached adulthood until after 1945. I shall be examining in a separate despatch how Germany and its position in the world changed in the period of the SPD/FDP coalition. This despatch considers the reasons for that coalition's decline; the complex manoeuvres and intrigues that brought the fall; the constitutional implications; and the

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/prospects



prospects for, and likely durability, of the new government. In brief I may say that the way in which the government was changed created a degree of public disillusion about the political system and the established parties: and that this has caused sufficient uncertainty over the composition of the next government to affect the very business and general confidence which a switch in the coalition had been expected to achieve.

The Decline of the Schmidt Government

2. In the Federal election of October 1980 the SPD/FDP coalition, which had been in power for almost a decade, was returned with an increased majority thanks to a large FDP vote. Yet it was already showing signs of tiredness, and in that victory were the seeds of its destruction. The left wing of the SPD, impatient that after so many years in Government their party had not introduced more socialist policies, had become increasingly restive. The German electorate, which as Land and communal elections showed had been moving somewhat to the right, were increasingly nervous of the SPD left; but they were even more nervous of the controversial Franz Josef Strauss, the opposition's Chancellor candidate. The voters wanted Schmidt as Chancellor, not Strauss; but they also wanted Schmidt



and not his party. Many therefore voted for Schmidt's coalition partners the FDP, who increased their vote from 7.9% to 10.6% while the SPD vote increased only marginally from 42.6% to 42.9%. (The CDU/CSU vote dropped from 48.6% to 44.5%.) The FDP had reason to claim that they had been given the mandate of keeping the SPD's left wing under control.

3. Differences between and within the two coalition parties in the two central areas of German policy - the economy and East-West relations - had been apparent even before the 1980 election. In economic policy, the fundamental differences in the philosophy of the two parties, after being buried during the years of prosperity, had been brought to the surface by the economic down-turn which followed the second oil crisis. Resources were no longer plentiful, and argument about the allocation of scarce resources is often divisive, even in one-party governments. In essence, the SPD were determined, despite economic difficulties, to maintain the extensive and generous social security system which had been built up in the 1960s and 1970s. They opposed cuts in government expenditure and wanted to cover the growing budget deficit by higher taxes and more borrowing. The FDP



on the other hand opposed any further escalation in government borrowing, which had grown by over 450% in the previous 10 years and which they saw as a major constraint on economic activity. Their policy of reducing government expenditure, and of a shift from consumption to investment, was nearer that of the opposition than of their coalition partners.

4. When, after the 1980 election, the government drew up its new programme, the FDP were quick to take advantage of their electoral success to insist on including cuts in government expenditure. Schmidt was publicly criticised by the SPD left wing for having permitted this, and almost immediately press speculation began about how long the government would last. The speculation continued almost without ceasing during the next 2 years, contributing to the government's lack of confidence, narrowing its scope for taking policy initiatives and taking on the character of a self-fulfilling prophecy.

5. Six months later, in May 1981, Genscher spelt out publicly at the FDP's party conference their determination to tackle the problem of the budget deficit by major structural changes which would



involve cuts in subsidies and social security payments. In August that year he repeated this message in a letter to party workers just before negotiations with the SPD began over the draft 1982 Federal budget. These negotiations led to the first really sharp (and well publicised) clashes within the coalition. Again, it was the SPD which made most of the concessions.

6. The following spring the SPD hit back. Their party conference in Munich in April 1982 set out clearly their position on the 1983 budget. Schmidt and Brandt both called for more state intervention in the economy to reduce unemployment, and for more government expenditure. Although Schmidt tried to avoid specific proposals, the conference decided on several, all of them anathema to the FDP. FDP Economics Minister Lambsdorff said at once that his party would never accept the Munich proposals as Government policy.

7. The budget negotiations in June 1982 brought the coalition even nearer to collapse than in the previous year. Again, the SPD finally backed down. But it quickly became clear that the agreement reached had been based on optimistic forecasts for growth and revenue, and that it would have to be re-worked after



the summer break. Tactical public statements by the FDP (especially Lambsdorff) during the summer made the possibility of further agreement seem increasingly remote. With the benefit of hindsight, it is clear that, by failing to force matters to a head in June, Genscher missed a golden opportunity to bring the coalition to a clean end.

8. In the field of East-West relations, strains between the coalition parties were much less open than over the economy. There had been total unity of purpose in the coalition in the heady days when the successes of the Ostpolitik had jointly been achieved, and when detente was a fashionable word. But the scope for major new agreements with the East had been exhausted before the 1980 election and detente had been knocked sideways by Soviet actions, notably the invasion of Afghanistan. With the deterioration in the overall East-West climate there was room for occasional irritation from Genscher, a former refugee from the East and an unequivocal ally of the USA, at some of the apparently "neutralist" statements made by SPD politicians.

9. The chief strain in the coalition about security policy, however, stemmed from the increasing number of dissenting voices - in both parties, but mainly in the



SPD - over INF deployment. Schmidt, himself the original begetter of the NATO double decision, had got that decision endorsed by the SPD's conference in 1979 only against considerable opposition. Since then, opposition had grown steadily, and for all Schmidt's efforts the SPD seemed increasingly unlikely to accept INF stationing if the Geneva talks failed to produce results by late 1983. Despite some difficulties within his own party, Genscher consistently made clear that SPD failure to stand by the double decision, leading to Schmidt's resignation, would mean the end of the coalition. Had the coalition not broken up over economic issues, it would have faced a critical year in 1983 over INF.

10. The SPD's internal strife badly affected its electoral support, as shown by local elections and opinion polls throughout 1981-82. Initially the FDP did not share the growing unpopularity of their partners, whose wilder elements indeed they were seen as helping to control. But early this year - as their stomach for staying in the coalition began to be questioned, and divisions began to appear in their party too - the FDP's own support fell. They could much less afford loss of support than the SPD, since their share of the vote hovers constantly around the 5% below which a party



loses its representation in Federal and Land Parliaments. The Land election in Hamburg (where the FDP were aligned with the SPD) in June 1982 was crucial for them, and they failed to clear the 5% hurdle there. This was probably what finally convinced Genscher that continued association with the declining SPD could spell the death of his own party, and that before long he would have to switch alliance to the CDU/CSU. But he still needed a pretext for doing so which would seem valid in the eyes of an electorate unaccustomed to political change, and with nightmare memories of the effects of political instability.

11. Nevertheless, 10 days after the Hamburg result, Genscher gave a hint of his intentions by personally supporting the decision of the FDP in Hesse to abandon their 12 year alliance there with the SPD and join forces with the CDU for the Land elections there on 26 September. This decision brought the prospect of Bonn Government Ministers campaigning on opposing platforms; and pronouncements by Genscher and Lambsdorff during the campaign strengthened the impression that they were simply waiting before switching coalition partners in Bonn. Both FDP and CDU talked widely and indiscreetly about plans to engineer a change of coalition in October.



The Fall of the Coalition

12. In the event, the break came even before Hesse went to the polls. On 31 August a meeting of SPD Ministers came to the conclusion that the chances of reaching agreement with the FDP over the budget were virtually nil. On 1 September Schmidt criticised Lambsdorff in Cabinet for his attacks on Government economic policy and challenged him to put forward his own ideas. On 8 September Schmidt revealed that he had written to Genscher asking him whether he stood by the June Budget decisions. Genscher's failure to reply seems finally to have convinced Schmidt that Genscher was on the point of desertion. He took the initiative. In the State of the Nation debate on 9 September, he challenged the FDP to state their intentions, and the CDU to attempt a constructive vote of no-confidence. Kohl ducked the challenge; Genscher's reply was also equivocal, but was widely seen as his farewell to the Coalition.

13. The denouement came quickly. On 12 September Lambsdorff, in response to Schmidt's request, put forward his own radical economic proposals which were rejected out of hand by Schmidt and the SPD. At Cabinet on 15 September Schmidt again challenged



Lambsdorff to declare his intentions towards the Coalition. Lambsdorff, with Genscher's support, undertook to make his position clear in the Bundestag on the following day. In his speech, however, Lambsdorff said no more than that the FDP stood by the draft 1983 Budget as worked out with the SPD, and by the policy of the SPD/FDP Coalition.

14. During this period Schmidt was systematically consulting his senior SPD colleagues. They seem overwhelmingly to have felt that by taking the initiative rather than waiting for the FDP to act, the SPD would gain credit with the electorate. On the evening of 16 September, Schmidt therefore saw President Carstens, and later that evening Dr Kohl, to inform them that he proposed to make a declaration to the Bundestag on the following day in which he would call for a dissolution of parliament and new Federal elections. He sought Dr Kohl's cooperation in effecting a dissolution and new elections, but Dr Kohl refused.

15. Early on 17 September Genscher consulted his 3 FDP Cabinet colleagues and the Chairman of the FDP Parliamentary Party. He has since claimed to have told them that he was to see Schmidt that morning and that he proposed to hand in his resignation. The other 3 FDP Ministers agreed to resign with him, if



his talk with the Chancellor showed that there was no alternative. At their meeting, Schmidt told Genscher what he proposed to say in the Bundestag, whereupon Genscher resigned. The other 3 FDP Ministers followed suit. An immediate meeting of the FDP Parliamentary Party voted by 33 to 18 for talks with the CDU/CSU on the formation of a new government.

16. In his dramatic speech to the Bundestag later that morning, Schmidt formally announced the end of the SPD/FDP Coalition and proposed that new Federal elections be held at the end of November. To this end, he proposed that he should seek a vote of confidence in which the SPD Parliamentary Party would not participate and which, once lost, would pave the way for new elections. He called on the CDU/CSU and FDP to cooperate in this procedure. Both Kohl and Genscher declined, as Schmidt of course knew they would, declaring that they would try to form an effective government and only then hold new elections. That evening the FDP Federal Executive narrowly endorsed by 18:15 the Parliamentary Party's decision to open negotiations with the CDU/CSU.

17. Schmidt's action thus precipitated the end of the Coalition. He acted partly out of anger at Genscher's behaviour and partly because he recognised that the



divided Coalition was not only ineffective but also increasingly unpopular. He was right finally to bring matters to a head. I believe that until the beginning of September he had hoped that the Coalition could somehow be saved and had seen it as his duty to do everything possible to save it. He certainly wanted to prevent Kohl from succeeding him, less for personal reasons than because he genuinely believes that Kohl is not up to the job. But once he recognised that the end was inevitable, he acted with his old despatch, recovering at the end the political touch which had seemed much less evident since his pacemaker operation a year ago. His action may have brought his political career to an earlier end than inaction would have done. But his move was popular. He upset Genscher's careful time-table and shifted the blame for the break-up of the Coalition on the FDP. Election results in Hesse and Bavaria and Federal opinion polls have shown that support for the FDP has halved since the break-up of the Coalition and Genscher has become the least popular top politician in the country, while the SPD has done better than expected and Schmidt's rating has improved.

18. The question of where real responsibility for the collapse of the Coalition lies will long be argued.



Schmidt has justifiably blamed Genscher's endless manoeuvring and prevarication. He has argued that the uncertainty which this caused was damaging the country's business at home and abroad and that, in the national interest, he had no alternative but to end it. The SPD have mounted an emotive and effective campaign accusing the FDP of treason. The FDP have argued that they stood by the Coalition to the end and that the reason for the break-up lay in irreconcilable differences of policy and the waywardness of the SPD left wing. Responsibility must in truth be shared. The problems between the SPD and FDP had their origins largely in divisions within the SPD but were exacerbated by Genscher's - to my mind inept - manoeuvring and brought to breaking point by Schmidt. Underlying these factors was the enormous one of the downturn in the FRG economy and the external one of the downturn in detente. Had the first of these not happened, the differences in philosophy between SPD and FDP might not have become critical.

The Formation of the New Government

19. On 20 September the CDU/CSU and FDP started talks about a new Coalition. They agreed to oust Schmidt as Chancellor and to elect Kohl, using the so-called constructive vote of no confidence. This is a



procedure whereby the Bundestag may express its lack of confidence in, and depose, a Chancellor by electing a successor with the majority of its members. At least 249 votes (ie more than half the Bundestag excluding Berlin's non-voting MPs) were needed for the motion to succeed. Since the CDU/CSU had 226 seats, Kohl needed at least 23 FDP votes out of 52 to become Chancellor.

20. The negotiators also agreed to hold new Federal elections on 6 March 1983. This decision brought the first differences between the new Coalition partners. The CSU wanted new elections before the end of the year because they claimed that the CDU/CSU could then obtain an absolute majority. The FDP feared failure in that case to reach 5% and thus stay in the Bundestag. Personal factors were also involved. Strauss, who bears a strong grudge against the FDP for keeping the SPD in power since 1969, even now seems to want the FDP out of the Bundestag, thus clearing the way for him to become Vice-Chancellor and Foreign Minister in a CDU/CSU government. Not only Genscher but also Kohl had an interest in delaying elections, the latter in order to consolidate his position as Chancellor, especially before having to face a possible return to the Federal scene by the forceful and troublesome Strauss.



21. Opposition to the change of Coalition partners now began growing in the FDP. On 25 September a rally of 700 FDP left wingers demanded Genscher's resignation as Party Chairman and called on FDP MPs not to vote against Schmidt in the Bundestag vote of no confidence. On 23 September, at the demand of the necessary 4 Land Party associations, a Special FDP Party Conference was called for 16 October to discuss and, by implication reject, the proposed switch of alliance to the CDU/CSU. The sponsoring Land associations and many FDP MPs demanded that the vote of no confidence against Schmidt be postponed until after this Special Conference.

22. On 26 September the FDP suffered a disastrous result in the Hesse election. Their vote was halved and they failed to secure representation in the Landtag. The CDU failed to improve their position, although they had been expected to vote for the SPD. Schmidt claimed that the result was a clear condemnation by the electorate of Kohl's and Genscher's plans to form a new government in Bonn without prior elections.

23. Yet early on 28 September, final agreement was reached between Kohl, Genscher and Strauss on a Coalition programme. In a critical vote in the FDP Parliamentary Party later that day, there was a majority of 34:18, with two abstentions, in favour of



the Coalition programme and of the plan for the constructive vote of no confidence. The FDP Federal Executive (the highest organ of the party) endorsed these decisions by 19:16 on the same day.

The Constructive Vote of No Confidence

24. Once the FDP Parliamentary meeting had shown that 34 FDP MPs would support Kohl, there was no doubt that the constructive vote of no confidence would succeed. Kohl therefore tabled his motion for debate on 1 October and was elected Chancellor by 256 to 235 votes with 4 abstentions.

25. But if the result was a foregone conclusion, the Bundestag debate was far from routine and raised, but without satisfactorily answering, fundamental questions about West Germany's constitutional and democratic procedures. At its heart lay the question whether it was morally right, even if constitutionally correct, for the opposition to use the constructive vote of no confidence to unseat Schmidt; or whether they should have accepted Schmidt's call for new elections. There was no doubt where public opinion lay. Polls showed that over 70% of the population wanted new elections. Schmidt, in his best and most defiant form, argued that the FDP's 1980 election promise to support him for



another 4 years had achieved one of their best ever election results; and that it was therefore wrong for the FDP, only two years later, to break faith and switch sides without the endorsement of new elections. He claimed that, while what the CDU/CSU and FDP were doing was legal, it lacked moral justification and undermined the credibility of West Germany's democratic institutions. The CDU argued that the Constitution placed the responsibility for electing the Chancellor in the Bundestag; that the electorate had the right to vote for a member of parliament but not to elect the Chancellor; that MPs had no imperative mandate but should be guided by their consciences; and that, as the constructive vote of no confidence was written into the constitution, it could by definition not be immoral or undemocratic.

26. It was not hard to discern the Party interests behind this moralising. Although Schmidt's arguments in favour of Federal elections had overwhelming popular support, they were clearly motivated largely by a desire to punish the FDP. In 1966, after the mid-term collapse of the CDU/CSU/FDP government, Schmidt had been one of the leading defenders of the formation, without elections, of the Grand Coalition, using much the same Constitutional arguments as the CDU/CSU now used. But self-interest was equally apparent in the



other side's arguments, which left unanswered the question why, if the constitution provided for a change of government without an election, an election was proposed for next March; and if per contra the new government needed to be endorsed by the electorate, why the election should not take place at once.

27. The Times's charge that the use made of the constructive vote of no confidence was "spitting in the face of democracy", is scarcely justified. Nevertheless, much of the electorate is clearly highly suspicious of what happened in the Bundestag on 1 October. At best the use of the constructive vote of no confidence is regarded as some kind of political sleight of hand. For a growing number of young voters, it will have reinforced their distrust of the political system and the established parties.

Outlook

28. The new government is fully aware of these doubts surrounding its birth and wants to prove itself as quickly as possible. It has undertaken to hold elections on 6 March 1983. It has spoken of the possibility of amending the Constitution, if necessary, to provide an easier way of dissolving the Bundestag than presently exists. So the new Coalition has a



temporary appearance and elections dominate the immediate outlook. Their outcome is hard to foresee. On present form, the CDU/CSU will probably remain the largest single party in the Bundestag. But they depend at present for their overall majority on the support of the FDP. The divisions in the party about the change of partners and Schmidt's success in blaming Genscher for the end of the old Coalition have placed the FDP's very future in doubt. In public opinion polls support for the party at Federal level has slumped from 12% in February to a mere 3%. They have suffered stinging defeats in recent Land elections in Hesse and Bavaria. Unless they can pull themselves together at their regular Conference in November they will have little chance of clearing the 5% hurdle in the March elections. The SPD have enjoyed a strong sympathy vote since the fall of the Coalition and have recovered to over 40% in the polls. Their policies are unlikely to change much between now and March. If Schmidt decides to stand as their Chancellor-Candidate, which at present is uncertain, the party may achieve a creditable result in March, perhaps not greatly behind the CDU. As for the Greens, their success in Land elections in the past 18 months has been a result of their ability to take votes from the SPD. Now that the SPD are in opposition, some of these votes will go back to them.

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Land elections, where local issues dominate, are anyhow no satisfactory guide to Federal elections. Thus, while the Greens may get into the Bundestag, this is far from being a foregone conclusion.

29. The elections could produce various types of government. The CDU/CSU would no doubt retain their Coalition with the FDP if the latter were to remain in the Bundestag. Alternatively, the CDU/CSU might possibly win an overall majority with the help of votes from former FDP supporters, and would then govern alone. Or there could possibly be a hung Parliament with the Greens holding the balance. How the political scene would develop in the last case would depend on whether the SPD could work out a modus vivendi with the Greens, as Brandt and some others in the party apparently would wish. If no such modus vivendi were achieved, there could be a CDU/CSU minority government or a Grand Coalition of CDU/CSU and SPD. In either case, new elections would be likely soon to follow.

30. As this parade of possibilities shows, the FRG is going through a period of political uncertainty and change. At present it is the party political landscape rather than the underlying structure of democratic and constitutional stability that is shifting. I think that this fundamentally optimistic judgement will



stand after next March. But there are two important risks that we must watch. The first relates to the possibility that the Greens get into the Bundestag. They are not a democratic party. If, against my expectations, the government depends on Green support for a significant period, the Federal Republic may adopt some new policies, especially in defence, which will go much against Britain's interests. Second, the SPD, if in opposition for some years, might well swing sharply leftwards, particularly on INF and nuclear weapons generally.

31. I am sending copies of this despatch to HM Representatives in Community Posts, in Washington, Moscow and East Berlin, at NATO and at the United Nations in New York and Geneva; and to the Commander-in-Chief British Forces Germany, to the GOC Berlin, and to Consuls-General in the FRG.

I am, Sir,

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'Jock Taylor', written in a cursive style.

Jock Taylor

REPORT

FROM THE FEDERAL REPUBLIC OF GERMANY

Policy Statement

by

Federal Chancellor Helmut Kohl

in the Bundestag

on October 13, 1982

(Text in full)

Policy Statement by the Federal Chancellor before the
German Bundestag

Centre Coalition: For a Policy of Renewal

The coalition of the centre made up of the Christian Democratic Union, the Christian Social Union and the Free Democratic Party is taking up its work during the gravest economic crisis in the history of the Federal Republic of Germany. This crisis has shaken the faith of many people in the Government's ability to act.

This new Government became necessary because the old one proved incapable of combating unemployment, safeguarding the welfare system and remedying the ruinous state of public finances.

After the Social Democratic Party congress in Munich it became increasingly clear that the old coalition parties were drifting apart. On urgent issues of home and foreign affairs the SPD let their leader down. Chancellor Schmidt lost his majority.

As we all know and have witnessed in the debates in this Plenary Hall, it was not an easy decision for the Free Democratic Party to make. In the interest of our country it opened up the way for the formation of a new Government, as is provided for in the Constitution. This centre coalition will lead our country out of the crisis.

What is the situation in the Federal Republic of Germany?

I. The Economic Crisis and a Crisis of Political Ideals

The Economic and Financial Crisis

We are currently experiencing an unemployment rate worse than in the years of Reconstruction. Nearly one out of every fourteen members of the workforce in the Federal Republic is

jobless. This winter nearly 2.5 million people may be without work. An even greater number of our fellow citizens are concerned that they may lose their jobs. Economic production has been dropping for months, following two years of stagnation.

Never before in the history of the Federal Republic of Germany have there been so many business failures as this year, and never before have so many independent livelihoods been destroyed. This has resulted in the loss of around 500,000 jobs in the past few years. This year will see a new record set for bankruptcies. Some 15,000 companies, perhaps even more, will have to go into receivership. This will again result in the loss of considerably more than 100,000 jobs.

What is worse, nearly 200,000 young people are out of work. Many of them are unable to find job training opportunities and, as such, are not only without work, but also without an opportunity to obtain a professional qualification.

The ability of our economy to create new jobs through investments has been considerably weakened.

Where in normal years the investment rate was 24% of the gross national product, today this figure has dropped to less than 21%.

At the same time, the tax burden has increased so much that today a skilled worker in the Federal Republic has to deposit around sixty pfennigs out of every additionally earned mark in the public coffers. But, as if this were not enough, the Government has further increased the public debt. No growth can be produced that way, and that is something everyone knows. For the second time running our GNP is smaller than in the previous year. How can we be optimistic when these problems are further reinforced by the fact that labour and management have suffered a loss of income in real terms for the second consecutive year?

Ten years ago the equity rate in the German economy was around 26%. Since then it has sunk below 21%, even further in a number of important small business sectors and it is threatening to continue to fall.

The crisis of economic growth and employment has clearly exposed the financial crisis our country is in. The first analysis of the budget situation undertaken by the Government in these few days has revealed that the countries finances are in a worse state, much worse, than we, the CDU/CSU could have supposed while we still formed the opposition. This initial balance-sheet is dismaying. At the end of this year, in a few weeks, the federal debt will rise to more than 300 billion marks. Federal, state and local indebtedness adds up to more than 600 billion marks. With the deficits of the railway and postal systems the total debt is around 700 billion marks. Interest on public sector borrowing will amount to around 60 billion marks by the end of this year.

The public sector has to borrow an additional 200 million marks daily, that is to say every day, all 365 days of the year. This additional borrowing is hardly enough to pay the annual interest.

If something is not done quickly - and that would not have been possible in the event of immediate new elections - the factual budget deficit for 1983 will rise to somewhere between 55 and 60 billion marks for the federal budget alone.

The cash boxes of the social security system are empty and the reserves nearly used up. The financial reserves of our social security system are exhausted, despite the fact that contributions paid by members of the workforce have increased considerably since 1970.

How could it come to this? First of all, and I want to stress this fact here, vast areas of the world economy are currently in a profound structural crisis.

However, this reference to the situation abroad must not obstruct our view of the problems we have created for ourselves. The present crisis of the world economy is primarily a crisis of individual national economies, as was clearly stated once again by the Council of Economic Advisers just a few days ago.

The limits of strain to which the German economy and the workforce can be subjected were tested and then greatly exceeded.

Our own problems with regard to economic growth, unemployment and budget result primarily from the fact that the German economy was simply no longer able to cope with the new challenges posed by the economic situation in the rest of the world.

Government and social security spending was based on the optimistic idea of continuous and strong economic growth. When these high growth rates failed to materialize, there was a lack of insight and strength to draw the necessary conclusions and make the necessary corrections. The corrections that were not made when it would have been possible to make them with relatively few sacrifices will now have to be made up for, a process that is more painful and will take longer. If what we must do now had been done from the outset, then the sacrifices we are forced to make today would not have been necessary.

It is essential now that we stop the continuing downward spiral of our economy. Unfortunately much would seem to indicate that the bottom of the valley still lies ahead of us. No policy would be able to eliminate this inherited burden in a short period of time. We can expect to see the first positive effects of our programme for economic growth and employment in the second half of 1983.

However, thorough-going success can only be achieved in a process extending over a period of several years, particularly since additional additional young people born in high-birth-rate years will have to be accommodated on the labour market in the coming years.

This is also the reason why we took over the reins of government. We did not want our falling economy to crash.

This is why we now need a new economic and social policy.

This is not a policy statement such as you are used to hearing at the beginning of a four-year legislative period.

The coalition parties, FDP, CSU and CDU, have agreed to be judged by the electorate on March 6, 1983. This is also the view taken by the Government.

I know that it will not be easy to realize this intention in the framework provided by the Constitution. I am assuming, Mr. Wehner, that you, as the chairman of the SPD parliamentary party and Mr. Brandt as the SPD national chairman will, together with the chairmen of the other parties and parliamentary parties, will accept my invitation to jointly discuss the possible routes provided for in the Constitution, as well as those indicated to the Bundestag by the Commission of Enquiry on Constitutional Reform. I am quite certain that we will find a way together, since outside we have all declared, some of us even with poster campaigns, that we want to vote. We will vote on March 6.

I want to emphasize again that this is not a traditional policy statement. I will explain what we intend to do immediately. More than that, however, I wish to point out the areas of emphasis and the principles on the basis of which we will introduce a policy of renewal in the years lying ahead of us.

Crisis of Political Ideals

We are not only in an economic crisis. There is a profound sense of insecurity, nourished by fear and perplexity, fear of economic decline, concern about losing one's job, fear of environmental destruction, of the arms race, the fear many young people have of the future.

Many of our young fellow citizens feel perplexed, drop out, seek refuge in nostalgia or in Utopian visions.

We see here a challenge to our obligation as citizens, as parents, a challenge to our sense of community and our powers of persuasion.

The ideologies of the doers and the do-gooders have not sharpened the sense of reality in our country, have not strengthened the sense of personal responsibility and have failed to recognize the intellectual challenges of the times. We again need the virtues of prudence, fortitude and temperance for the future of our country.

The question with regard to the future is not how much more the country can do for its citizens. The question of the future is how freedom, dynamic strength and personal responsibility can be newly developed. The centre coalition is based on this idea.

Too many have lived too long at the expense of others, i.e. the Government at the expense of its citizens, the citizens at the expense of their fellow citizens and, we should honestly admit it, all of us at the expense of the following generations. It is now a matter of social peace and social justice that we give honesty, achievement and personal responsibility a new chance.

II. The Coalition of the Centre

Once again the CDU/CSU and the FDP have formed a centre coalition to make a historical new beginning. What they succeeded in doing in 1949 with the deep psychological wounds and great material burdens is again necessary and possible today.

The combination of social, Christian and Liberal thinking was the characteristic feature of an era rightfully considered the most successful German post-war policy period.

I quote a Liberal associate of that time, Thomas Dehler, who said: "The Liberal concept of man is profoundly connected with Christian truth. Man takes his dignity from the fact that he was created in the image of God, that he has an immortal soul and that he has a

unique personality. It is a Liberal obligation to preserve this dignity in worldly life."

Our country, the Federal Republic of Germany, was founded on the basis of the free consent of its citizens. More than thirty years ago Konrad Adenauer led the Germans into the community of free Western nations and shaped the foreign policy of the Federal Republic of Germany around this fact. He succeeded in bringing about reconciliation with France and with the people and country of Israel. We became a respected partner in the Western Alliance.

Social Market Economy was an original creation. It not only signified affluence. It was the foundation of a system of social peace still considered exemplary in many countries of the world.

In those years we implemented the principle of solidarity:

- through dynamic pensions and codetermination,
- through continued pay in case of sickness,
- through the Law on the Constitution of Enterprises and through asset formation.

Twelve million expellees and refugees helped to build up the Federal Republic of Germany in those years. There was growth of trust in the constitutional state, democratic self-confidence and a new political culture. In a period filled with tension, the Federal Republic acquired interior stability and the confidence of its neighbours.

In the words of Ernst Bloch the Germans once again learned the dignity of walking upright.

We can build on this heritage and from this heritage we draw the strength to do what is necessary today.

What is it we want today? What must be done here and now?

III. Emergency Programme

Our emergency programme has four priorities:

First, we want to create new jobs.

Second, we want to safeguard the welfare system.

Third, we want to pursue a humane policy on foreigners.

Fourth, we want to renew the foundations of German foreign and security policy.

1. New Jobs

We want to create and safeguard jobs, first of all by encouraging private and public investment. In order to do this, the economy needs prospects for the future that are free of unnecessary burdens, uncertainties and bureaucratic constraints imposed by the government.

In the public budgets the emphasis will have to be shifted more strongly away from consumption and towards future-oriented uses. This applies both to spending and to revenue intake. In its 1983 budget the Federal Government intends to increase its appropriations for regional economic assistance, promotion of the peripheral areas along the GDR border, the building of universities, improvement of agricultural structures, as well as other important community projects such as the financing of hospitals and urban renewal.

We will take the first steps towards decreasing the tax burden on small businesses. Additional federal revenue deriving from the VAT increase of July 1, 1983 will, in contrast to what was intended by the previous Government, be returned to the citizens and companies in the same bill. Tax relief for the purpose of strengthening the investment and innovative power of the economy is to be further expanded and strengthened as of 1984, when the additional VAT revenue will continue for the entire year.

Second, we want to provide new impetus for the building industry. In addition to an immediate improvement of tax incentives to encourage people to build own homes by permitting a limited tax deduction on interest paid, we are also planning:

- an interim building finance programme,
- measures promoting the building of subsidized housing in heavily populated areas, and
- additional assistance for owner-occupied housing.

The funds required for this, around 2.5 billion marks, are to be raised by means of a repayable, interest-free '1983-84 investment subsidy' provided by citizens in the higher income brackets, but without restricting their investment activity.

We are making use of an instrument that Ludwig Erhard, one of the fathers of Social Market Economy, successfully employed in 1952 during the Reconstruction period. More housing construction not only results in more housing, but also in more income and demand in many sectors of the economy.

Third, we want to stop the wave of business failures by reversing the trend and encouraging the founding of new businesses.

The small and medium-sized enterprises, the professions, and the crafts are, with their creativity, their enterprising courage, and their dynamic ability to adjust, are indispensable bearers of economic and social progress.

Fourth, we want more training opportunities for young people.

The Federal Government will immediately present a legislative amendment by means of which regulations hampering training can be eliminated. In addition, the Government will review together with the responsible chambers how additional training capacities can be created or training measures can be organized for the coming difficult years.

Fifth, we want to improve business profits and strengthen equity.

Investments for the creation of new jobs require positive profit expectations and sufficient owner capital. We are confident that labour and management will be fully aware of this in their decisions. In taxation, too, this matter will have to be taken into account more strongly than has been the case in the past.

In a first step we will be reducing the burden of trade tax in 1983. At the same time, we will make sure that the local communities receive a financial compensation.

Sixth, we want to open up the way for the use and development of modern technologies, especially in the communications sector.

The Ministry of Posts and Telecommunications has a special responsibility in this connection for strengthening the competitiveness of our economy and overcoming the current weakness in growth. Effective incentives for investments and new technologies will emanate from the planned expansion of cable networks, the introduction of new services and the inclusion of satellite technology in a modern communications network.

In this connection it is important to point out that a future-oriented transport system is of the greatest importance for economic growth and the creation of new jobs. It should also be pointed out in this connection that the continued development of the German aerospace industry must be secured both for economic and defence reasons.

Seventh, we want to secure a cheap and efficient supply of energy. German hard coal remains the priority domestic energy source. If our country is to remain an attractive location for future-oriented industry and crisis-proof jobs, we cannot and must not renounce the use of nuclear energy. Thus, it will be necessary to solve the problem of safe disposal of nuclear wastes soon. I intend to assume a personal commitment in this matter in talks with the various states. We will stand by the German steel industry in a difficult adjustment in difficult times, an adjustment that must necessarily include a reduction of capacities.

Eighth, we advocate free international movement of trade, payments and capital for the purpose of strengthening the General Agreement on Tariffs and Trade (GATT). We reject any kind of protectionism.

We attribute special importance to the upcoming GATT ministerial in this time of global economic crisis.

Ninth, we will stick to a financial and monetary policy aimed at fighting inflation. We hold fast to the independence of the Bundesbank.

The German Bundesbank is the guarantor of the stability of our currency. We have a lot to be thankful to it for. Problems regarding economic growth and employment cannot be solved by means of quick-fix monetary policies. In our finance policy we will support the Bundesbank by creating conditions in which interest rates can be brought down further.

Tenth, we have adopted an emergency budget programme designed to put the disrupted federal finances in order once again. Our priority will be to bring public sector borrowing under control again by means of strict budgetary discipline.

In view of the catastrophic findings of our stock-taking, we will immediately introduce a further supplementary budget. As a result of declining tax revenues and spending obligations that cannot be changed at short notice, net borrowing for 1982 will rise to around 40 billion marks, truly a difficult inheritance.

Based on currently valid legislation, net federal borrowing would expand to well above 50 billion marks for 1983. This would be unconscionable.

For this reason we have agreed:

- to rapidly pass the accompanying bills introduced by the previous Government with a few changes and
- to reduce the federal budget by at least 5.5 billion marks by means of cutbacks, particularly subsidies and benefits, and by means of freezing civil service salaries.

According to an initial estimate, these resolutions will bring about improvements at the state and local levels of about 3 billions in 1983. As such, the Federal Government is assuming its joint responsibility for the financial situation of all public sector budgets.

We are living in a critical economic situation. It requires of us a difficult balancing act. We have to pursue a convincing policy of consolidation and, at the same time, we must not throttle demand too much.

This takes careful judgement and patience.

The Council of Economic Advisers rightly pointed out the difference between structural and cyclical deficits, something that can hardly be predicted in advance. Our consolidation policy is clearly aimed at the structural core of the problem. That is why the economic experts issued such a positive judgement of this policy in their latest special report. In the new electoral term we will continue to introduce bills aimed at reducing the structural deficit as of 1984.

Our aim is clearly to arrive at an orderly country via orderly finances.

In general terms, with this emergency programme we are setting our course for renewal:

- away from more government and towards more market;
- away from collective burdens and towards personal achievement;
- away from encrusted structures and towards more flexibility, personal initiative and increased competitiveness.

2. Securing the Social Net

This policy of renewal is the only promising way to strengthen the financial foundations of our social net. To do this we will have to demand from our fellow citizens. To do this we need their

willingness to show solidarity. This solidarity requires that there be a pause in social policy.

What is expected of pensioners, welfare recipients, civil servants and others must apply to everyone.

A pause in social policy is a signal and I believe it is also a chance to reflect anew and embark on a new beginning.

To secure the foundations of a solid policy we have decided:

First: The next pension adjustment will be postponed half a year to July 1, 1983. The planned increase of 5.6% will remain.

The adjustment date for statutory accident insurance, war victims pensions, old-age assistance to farmers and for those falling under the Equalization of Burdens Act will also be postponed by half a year.

The deferral of salary rises will have an effect on civil service pensions.

The decision to have pensioners pay health insurance premiums is also being postponed until July 1, 1983.

The dwindling reserves in the national pension fund make it necessary to increase the participation of pensioners in the cost of their health insurance by another 2% in the next two years. At the same time we will see to it that low and lowest-income pensioners are not unacceptably burdened.

If the economic situation should suddenly grow worse, the Federal Government will take precautions sufficiently ahead of time to counteract any potential problems as concerns pension liquidity.

Second: The financial problems of the Federal Institution for Labour make it necessary to define pension fund contributions in terms of the levels of wage compensation benefits. In the unemployment insurance scheme, benefits are to be determined more than in the

past on the basis of a graduated scale reflecting the length of time that contributions have been paid.

Third: In an attempt to limit rising costs in the statutory health insurance scheme, the Federal Government will extend the retention period for hospitalization to fourteen days. However, children under the age of eighteen are exempt from the deductible rule. The role of health insurance medical examiners will have to be strengthened to improve the verification of sick leave. People who take sick leave without being sick show a lack of solidarity and social conscience.

Doctors who write out sick slips even though their patients are not ill contribute to this exploitation of the insurance scheme. The Federal Government is willing to renounce the previously proposed lowering of contributions the Federal Institution for Labour pays into the statutory health insurance scheme. However, it is indispensable that physicians, dentists, the pharmaceutical industry and hospitals, together with the insured, contribute their part towards limiting rising medical costs.

Fourth: We want more flexibility in working life. Those who wish to retire at an earlier age should have the opportunity without causing an additional burden to the national pension scheme.

Fifth: In the coming legislative period the pension reform passed in 1957 will have to be adjusted to the changed demographic and economic conditions so that it will retain its validity in the future.

We consider it indispensable that pension size be based on contribution levels. We want to place the federal pension subsidy basis. The pension scheme for surviving dependents will have to be reformed in accordance with the ruling handed down by the Federal Constitutional Court.

Sixth: Our society is characterized by the involvement of broad sections of the population in the necessary process of asset

formation in the economy. Immediately after the next general elections, the Federal Government intends to introduce a bill aimed at promoting broadly based accumulation of wealth.

Letting employees participate in the ownership of productive capital provides an opportunity to improve capital formation in companies and to shift distribution of income and wealth on the basis of an employment-oriented wage policy that is not at the expense of the employed.

The aim of our social policy is to concentrate government-provided social benefits on those who really need them. Wherever there is room to strengthen the achievement principle, we will do so.

We will preserve the welfare state by strengthening its economic foundations.

3. Policy on Foreigners

The third priority of our emergency programme up to the new elections is our policy on foreigners in this country.

The living together of a great number of people of different mentality, cultural background and religion with us Germans poses great challenges for us all, Government and society, foreigners and Germans. Patience and tolerance as well as realism and charity are called for.

The Federal Government is guided in its policy on foreigners by three principles:

First, the integration of the foreigners living in this country is an important goal of our policy. Integration does not mean losing one's own identity but that foreigners and Germans live alongside one another with the least possible tension between them. Integration is only possible if the number of foreigners in this country does not continue to rise. Above all, we must prevent unlimited and uncontrolled immigration.

Second, the Federal Government will continue not to recruit labour abroad and will restrict the categories of family members who can subsequently come into the country - in the very interest of children who are entitled to a family environment. It will seek to ensure that association agreements do not result in a further wave of immigrants.

Third, the return of foreigners who wish to go back to their home countries should be facilitated. Everyone is entitled to live in his native country. Foreigners in Germany should be able to decide freely, but they must decide whether they want to return or remain here and become integrated.

In order to implement such a programme the Federal Government is setting up a commission of federal, Land and local government representatives which will submit its recommendations and suggestions by 1 March 1983.

We shall also make every effort to prevent abuse of the right of asylum.

4. Foreign and Security Policy

The fourth priority of this Government's work in the next few months is foreign and security policy. This remains a policy for freedom, a policy for peace in Europe and worldwide, a policy for the right to self-determination of the whole German nation, a policy for the unification of Europe, a policy for human rights and against hunger and want.

This country's foreign and security policy is founded on the North Atlantic Alliance and our friendship with the United States of America. It is an Alliance that threatens no one and does not aspire to superiority, but cannot, for the sake of preserving peace, accept permanent inferiority.

Permit me at this point to recall a key sentence of the Alliance's declaration of 10 June 1982:

"None of our weapons will ever be used except in response to attack."

Our friends and allies as well as our partners throughout the world should know that they can rely on our policy being steadfast and calculable. Oscillation would be highly dangerous for the Federal Republic of Germany. For us Germans the Alliance is the central element of our raison d'Etat. It embraces

- the basic values of our liberal constitution to which we are committed,

- the economic and social system under which we live, and
- the security that we need.

From these clear priorities derive for the Federal Government:

First, we shall dispel the doubts that have fallen on German-American relations by reaffirming and stabilizing our friendship. For this reason I shall go to Washington this year still in order to

- intensify our partnership through increased consultations and
- expand our mutual exchanges at all levels.

Second, the Federal Government reaffirms its commitment to the Atlantic Alliance. This is the basis of our policy for actively safeguarding peace. Standing up for one another in repelling a common threat - that is security partnership.

We support without reservation the overall Alliance strategy for our relations with the East as laid down in the Harmel Report and reaffirmed at the Bonn NATO Summit. This strategy contains the instruments for successfully safeguarding peace in Europe:

- equilibrium and defence capability,
- disarmament and arms control,
- dialogue and co-operation.

The Federal Government advocates equitable burden-sharing in the Alliance.

Third, our prime objective is to establish and stabilize the necessary military equilibrium at the lowest possible level of armaments by means of concrete, balanced and verifiable negotiated results.

To create peace without weapons: this is an understandable aspiration but a dangerous illusion.

To create peace with weapons alone: this would be a fatal delusion.

To create peace with ever fewer weapons: this is the challenge of our time.

We therefore support the initiatives agreed on in the Alliance which, in their entirety, represent the most comprehensive offer on arms control made to the Soviet Union until now.

The Federal Government is wholly committed to the NATO dual-track decision of 1979 which proposes negotiations on the reduction and limitation of Soviet and American intermediate-range nuclear systems. It will stand up for the two parts of the decision and put them into effect: the part relating to negotiations and, if necessary, the part on arms modernization. And it will call to mind that the credit for demanding the decision and asserting it in the Alliance goes to a Social-Democratic Chancellor.

Only if the Soviet Union knows that it must firmly expect the American missiles to be deployed in Europe from late 1983 onwards can we expect it to be willing to contribute towards the achievement of negotiated results.

The Federal Government adheres to the Western objective of negotiating a mutual zero solution, in other words, the complete renunciation of land-based Soviet and American intermediate-range systems.

I appeal to the Soviet Union to respond to this proposal in a positive manner.

The Federal Government strongly supports the American proposal made within the scope of START negotiations of drastically reducing the number of strategic nuclear weapons on both sides.

We want to see early progress in the Vienna negotiations on Mutual and Balanced Force Reductions.

Furthermore, in the framework of CSCE we advocate the establishment of an arms control forum covering the whole of Europe from the Atlantic to the Urals.

At the CSCE follow-up meeting we will vigorously support the adoption of a balanced final document including a precise mandate for convening a Conference on Disarmament in Europe which, in an initial phase, should work out new and militarily significant confidence-building measures for all of Europe.

Within the United Nations, the Federal Government favours the continuation of the dialogue with the Third World concerning security policy. In this connection it attaches particular importance to the further development of confidence-building measures.

Within the framework of the Geneva Disarmament Committee, it is the objective of the Federal Government to achieve a complete ban on chemical weapons through an international, truly verifiable convention. This would also eliminate chemical weapons in the whole of Europe.

Against the background of our nation's history, we declare to the citizens of our country and to all the peoples of the world:

We want neither a nuclear war nor a conventional war. We want peace in freedom.

Fourth, we want to open up new paths towards the unification of Europe. The European idea has brought reconciliation across national borders, and has laid the cornerstone for a lasting order of peace in Europe. A policy for Europe has been and remains first and foremost a policy for peace in freedom. We must restore our citizens' awareness of that fact through very specific steps:

the elimination of border checks,
more intensive cultural relations,
more youth exchange activities.

Each citizen should sense that the European Community also serves his own personal interests.

Our goal continues to be the Political Union of Europe:

- We must enhance the European institutions' ability to act.
- The Council of Ministers must once again view itself as an organ of the Community and be guided by common European interests. It must take decisions by majority vote in the cases laid down in the Treaties.
- The European Parliament must be strengthened as a source of important political impulses. This means above all expanding its competences and making joint efforts towards a European constitution.
- The Federal Government advocates the accession of Portugal and Spain to the European Community.
- The Community must greatly increase its efforts to create new jobs and to reduce regional discrepancies. The Common Agricultural Policy will continue to play an important role in the development of Europe.

The German-Italian initiative for a European Act serves the political development of the Community. It is intended to provide a new political perspective on the path towards European Union.

Fifth, every Federal Government must take into account the special responsibility deriving from the division of our country and its geographical location on the border towards the East. Pursuing an active policy for peace towards the countries of Central and Eastern Europe continues to be the task of German foreign policy. The interests of the people have priority for us.

On the basis of the valid treaties and the Final Act of Helsinki, the Federal Government will continue to work towards genuine détente,

dialogue and co-operation. We want to do everything in our power to make the division of Germany and Europe more bearable for the people affected and to maintain good relations with our neighbours in Central and Eastern Europe.

The Federal Government will devote particular attention to relations with the Soviet Union and work for their continual development. However, we cannot overlook the severe obstacles and setbacks caused by the Soviet intervention in Afghanistan, the oppressive situation in Poland and above all by the arms stockpiling of the Soviet Union. We will take advantage of every opportunity to make clear in talks with the Soviet leadership where the responsibility for these problems lies and to urge that positive changes be made.

The Federal Government is following developments in Poland with sympathy and deep concern. It wants to continue on the path of understanding with the Polish people and within the scope of its ability to give substance to the Treaty of 7 December 1970.

I should also like to recall the joint resolution adopted by the German Bundestag on 18 December 1981:

We call for the lifting of martial law, the release of all detainees, the continuation of the dialogue with the church and the lifting of the ban on Solidarity. The dissolution of the independent union Solidarity is not only a breach of promises given by the Polish regime, not only a violation of the Final Act of Helsinki, but also a cold-blooded coup against the Polish people.

Only a few days ago Father Maximilian Kolbe was canonized. In Auschwitz, he sacrificed his life as a martyr to the cause of reconciliation. I would like to take this occasion to thank the Churches for preparing the way for understanding between our two peoples. The Federal Government will give its strong support to these efforts.

We call upon our fellow citizens to continue to provide their help. The Federal Government will again this Christmas season make it possible to send gift packages free of postal charges.

The Federal Government regards economic relations with the Soviet Union and the other COMECON States as an important part of its overall East-West relations. It expects the Soviet Union, too to live up to its share of responsibility for those relations.

The Federal Government will continue economic relations on the basis of the existing treaties - in line with the Harmel Report, the Bonn Declaration issued by the Alliance in June 1982 and the agreements reached at the Economic Summit Meeting in Versailles. In so doing, it will give full regard to the security interests of the Alliance.

The Final Act of Helsinki constitutes a charter for a life together among the States of Europe. It is also of great significance for the people; thus it is in our interest as well. The Federal Government intends to continue the CSCE process.

Sixth, peace in the world is threatened not only by weapons, but to an equal extent by poverty, hunger and death in many parts of the world.

Accordingly, the Federal Government will continue, in the framework of its worldwide policy for peace, to work towards co-operation as partners with the countries of the Third World. Our goal is a world order based on peaceful co-operation.

Solidarity with the poverty-stricken in the Third World concerns each and every individual in our country. The State, the Churches, industry and the private initiative of social groups must combine their efforts. For many years our country's development policy has enjoyed the support of the great majority of our people; it is now imperative that this shared conviction be maintained and strengthened. Large groups of our young people provide a good example.

Dynamic activity by the private sector should supplement public development aid. There are still substantial reserves which we can mobilize among small and medium-sized businesses and tradesmen. In the developing countries as well, private initiative should to an increased extent be used as a motor to further sound economic growth.

We respect the independence of the Third World countries and support their struggle for true non-alignment. We reject any policy of domination.

We condemn violence, intervention and interference. We advocate the respect for and realization of human rights throughout the world.

Seventh, we want peace in freedom. Without the Federal Armed Forces there would not have been peace in our country for more than thirty years. And without the Federal Armed Forces there can be no peace in the future. There is no need for those who champion peace in freedom to be afraid to show their faces. Service in the Federal Armed Forces is service to the cause of peace and thus service of honour.

A nation lacking the determination to defend itself will forfeit both freedom and peace. All of us must try harder than hitherto to convince particularly our young citizens of the purpose of defence efforts and of our Armed Forces.

Universal conscription is indispensable to our defence; Theodor Heuss once called it the legitimate child of democracy.

We will see to it that the burden of our country's defence is distributed fairly.

If we want to encourage the readiness of our young people to perform such service, everyone must be required to make his proper contribution to the community. Rights do not go without duties. There are many young people who cannot understand the fact that four out of ten in a given age group are required to perform neither military nor civilian service.

The governing parties have agreed to draw up proposals on equity in conscription, the procedure for recognizing conscientious objectors, and the organization of civilian service, as well as on providing for a sufficient number of civilian service jobs.

IV. Future Aims of Our Policy

I have just described to you the most urgent tasks we will be turning our attention to in the coming months. As such, we are initiating a policy of renewal, taking the first steps on the way out of the crisis.

However, our citizens have a right to know what aims and principles will be determining our policy in the future.

For a Society with a Human Face

This Government will engender a new sense of unity - a unity of the political centre in Germany.

A society with a human face requires domestic tranquillity. Creating this peace is the most important task of our legal system.

We do not consider law an instrument of domination over social classes, but rather as the communication of free citizens on the basis of shared values. In this sense we would like to continue to develop our liberal, social and constitutional system of government.

We want to take government back to its original and genuine functions and at the same time see to it that it is capable of fulfilling the latter reliably. This requires an efficient and loyal civil service. For this Government strengthening the civil service is an obligation. We want a society in which the efforts of the individual are again rewarded and which at the same time lead to progress for society as a whole. We want neither a capitalist 'elbow society' nor a socialist 'elbow society'.

We want a society in which people feel self-reliant and do not wait for the government to help them. We want a society that is aware of its responsibility for nature. Responsible use of energy and nature conservation help to safeguard the natural basis on which our life exists. Economic growth and environmental protection are not contradictory terms. An economy oriented

toward the future requires the preservation of its ecological foundations. Indeed, effective environmental protection is only possible with technology and not against it.

I call upon all of our citizens and those in positions of responsibility to exercise care in using the treasure represented by nature, soil, water and air. We will confront the challenge of preserving the wealth of our flora and fauna. In this we rely in particular on the cooperation of those who work in the agricultural sector.

The success we have attained thus far in environmental policy has been based on the cooperation of all the parties represented in the Bundestag. I hope we will succeed in further strengthening this cooperation.

We want a society in which science and research will be able to develop freely. They are part of our intellectual tradition and at the same time the source of new technologies and secure jobs. Our country cannot afford to do without an intellectual elite.

A free society presupposes that a diversity of opinions will be expressed in it. As such, the mass media bear a great deal of responsibility for the preservation and strengthening of a free society.

Diversity of opinion requires a diversity of organizational forms. We are ending the political blockade of the expansion of modern communications technologies.

The Federal Government will revise media regulations in cooperation with the individual states. The purpose of this is to enhance the diversity of opinion, encourage the citizen to form his own opinion and strengthen the exchange of information and opinion across international borders.

We have set out to give the citizen more freedom and less government. We do not see ourselves as the guardians of the large

labour and management organizations. As such, we respect the unrestricted right of unions and management to negotiate independently collective agreements on wages and salaries.

I would like to take this opportunity to express the Government's thanks and recognition to the trade unions. In past few days we have spoken to representatives of the German Trade Union Federation, the German Salaried Employees Union and the Civil Servants Federation, and they were all greatly pleased that we initiated a dialogue with them in our first week in office. Our understanding of democracy is that we should speak with each other and not about each other.

We all know what an important contribution the trade union movement has made to the economic and political reconstruction of our country. The fact that I initiated a dialogue with them directly after taking office was in recognition of this fact. We will be continuing our dialogue in a few weeks time.

However, I would like to express a request to every individual in our country, to every group, to unions, employers, industry, small businesses, white and blue collar workers, civil servants, members of the professions, craftsmen and farmers:

Support us in our effort to master this crisis and awaken new confidence and hope. I direct this request expressly to the Opposition as well. A parliamentary democracy needs an opposition. We can and we will argue over the right way of doing things. However, we should agree never to doubt in each other the good intention of wanting what is best for our country.

'Subsidiarity'

Our country's economic problems are serious and they demand all of our energies. However, many people today suffer less from material want. They suffer from loneliness, lack of security and lack of human fellowship. The things they lack cannot be bought and cannot be provided by the government. I would like to quote Wilhelm Röpke, one of the fathers of Social Market Economy. He said:

"Market economy is a necessary, but not a sufficient condition for a free, happy, affluent, just and ordered society."

And he added:

"The final destiny of market economy will be decided beyond supply and demand."

In my view, we must not forget the emotional wellbeing of people amidst affluence and economy-related concerns. The "wealth of nations" is based not only on economic growth rates, but also on human values, virtues and bonds.

After more than thirty years of existence, we in the Federal Republic have now arrived at a crossroads. We must now decide what direction we want to continue in:

- whether we want to continue in the direction of more government, increasingly large units in administration, schools and hospitals or
- whether we want to return to smaller and more manageable units, to a society with a human face.

If we unreflectingly continue to follow the same route we will lead our people into the new alienation of an anonymous, bureaucratic welfare state after having just freed them the alienation of capitalism by means of Social Market Economy.

In this connection it is of immense significance and it is the will of this Government that more emphasis be placed once again on government at the state and local levels. The federal structure of our country is more than just a constitutional principle. It is a significant result of our history. It is an expression of our political culture, characterized by the distribution and control of power, freedom and personal responsibility. Those tasks which the states and local communities are able deal with more efficiently than the Federation should be their responsibility.

We want the citizens of the country to engage in more self-help

and in helping each other. The political structural principle for this is that of 'subsidiarity'. It demands the right of way for the smaller unit. What it is able to do alone should not be taken away from it by the larger unit.

Families, neighbourhoods, free sponsors, initiative groups, self-help groups and social services can generate more civic spirit and civic responsibility than will ever be possible for large and anonymous institutions.

Our social policy will be effective wherever it is possible to awaken, build up and preserve volunteer social initiatives among our citizens.

We will create a competition of social initiatives and register outstanding examples of human fellowship in practice. We do not want to restrict ourselves to complaining about the bad examples. We want to establish trends by means of setting good examples.

In the future our government must continue to help those who are genuinely in need. However, the human quality of our society will only grow if there is an increase in people helping people.

The autonomy and independence of churches and religious communities, their responsibility and role in shaping public welfare are an indispensable condition in a free system of government and in a free society. A society with a human face needs the voices of the churches, their open and critical commentary, their social commitment and their active love of their neighbour. We thank the churches for this great achievement.

Youth

Nowadays it has become fashionable to complain about the younger generation. I consider most of these complaints exaggerated and largely incorrect. The vast majority of our young fellow citizens could serve as an example to us with their fresh imaginations and their willingness to serve their fellow man.

The Federal Government hails the cooperation of so many young people in the Federal Republic of Germany, in groups and associations with social, political, cultural, church and sports functions. There, young people seek and find fellowship, friendship, human contact and security. There, they avail themselves of the opportunity to engage in meaningful activities for others.

We should speak of this fact and recognize it more often. This, too, is a contribution to our dialogue with the younger generation.

The Federal Government will take the new social movements seriously and the projects they sponsor. We will deal constructively with their forms and contents. Young people have a right to be understood and they also have a right to raise objections.

The Federal Government knows that our young citizens expect us to do everything we can to eliminate the depressing rate of unemployment among young people. The fact that so many young people experience the transition to working life by entering the ranks of the unemployed produces bitterness and in many cases resignation.

We will make every effort to provide our young citizens the best possible training and, if possible, jobs. The future of our country is based on the qualification, education and training of the younger generation.

Last Friday in a talk with leading representatives of German industry, trade, the banks and the craft sector, I pointed out how urgent this problem is. I was assured of their cooperation and I am thankful for it. I am sure that these promises will be kept, as they have in the past.

Family

A central point of our policy is family policy. In the family people learn virtues and patterns of behaviour that give our society a human face: love and confidence, tolerance and consideration, willingness to make sacrifices and responsibility.

Our ideal is the family based on partnership, i.e. partnership between husband and wife, between parents and children. The fellowship between parents and children provides fulfilment and happiness.

Our free society does not have a specific ideal for women, neither that of the housewife nor that of the professional woman. More and more women see a profession as being just as natural a part of their life as a family.

The Federal Government will work towards creating more opportunities for women and men to combine having a family and an occupation. Part-time jobs and job-sharing are potential ways of doing this. They should be implemented as quickly as possible by revising the laws in question.

For us an occupation is not just a job away from home. We consider the work a housewife does in the home and with her children a profession as well. Consequently, the Federal Government will improve the independent social security of women and make child-rearing years eligible for pension as soon as this is financially possible. The economic strength of a family is weakened as the number of children in it increases. For this reason we attribute great importance to the equalization of family burdens. Despite the current difficult financial situation we have decided not to introduce an across-the-board cut in children's allowances. In a time of tight budgets it is a principle of social justice that parents with higher incomes should make do with a smaller children's allowance.

We demand the necessary sacrifices, not from the lower income groups, but from those from whom these sacrifices can be expected.

We want to make tax laws more beneficial to families. Effective January 1, 1984, what has thus far been a conjugal split will be a family split.

Not only the core family, but also the community of generations in the family give a society a human face. The solidarity of the generations, helping each other in times of need, in sickness and in weakness, demonstrates the power of the family as a social unit. At this level it can achieve more than any assistance provided by the public sector.

By means of promotional measures in the building industry, the Federal Government will help to make it possible again for several generations to live together under one roof and for children to take care of their parents when they are old. For this purpose we need more social services, such as the social stations operating effectively in many of the states in the Federal Republic and which are given volunteer support.

The declining birth rate in the Federal Republic of Germany and its disastrous consequences are necessarily a concern to everyone. We know that many parents want more children than they actually have. I believe that all of us, in all areas of society, will have to contribute to strengthening once again the trend towards having children.

Policy on Germany

Renewal involves a lively awareness of German history. The German national State has collapsed. The German nation has remained, and will remain.

The ending of our partition can only be envisaged in historical spans of time.

The year 1983 recalls high and low points in our history:

500 years ago Martin Luther was born.

50 years ago the German dictatorship began, leading the way to catastrophe.

30 years ago the workers in East Berlin rose up against Communist tyranny.

These events remind us of our history.

Our Republic was born in the shadow of disaster; since then it has acquired its own history. The Federal Government will work towards the establishment in the Federal capital, Bonn, of a collection on German history since 1945, dedicated to the history of our State and of the divided nation.

We cannot force national unity. We are guided by the Preamble to the Basic Law, which says:

"The entire German people are called upon to achieve in free self-determination the unity and freedom of Germany."

The wall, barbed wire and shooting order are not the final word between East and West, in Germany, in Europe, and in the world. Humanity and common sense refuse to accept that.

Thought is free, and people must be able to go from one part of Germany to another without risking their lives.

The call of the Basic Law has been incorporated in our contractual agreements with our Western friends, but also in the treaties with our Eastern neighbours.

We respect the rights and responsibilities of the Four Powers with regard to Germany as a whole and to Berlin. The three Western Powers support our policy on Germany.

A modus vivendi has been agreed upon with the East. We stand by these treaties. We shall use them as instruments of an active peace policy.

The GDR can rest assured that we shall stand by all the commitments undertaken. And we expect that they will likewise hold to the content and spirit of those treaties, namely to consolidate peace in Central Europe also by renouncing the use of force in the pursuit of political ends and by improving the situation of those people who have been separated.

Hans-Dietrich Genscher's words apply here:

"Policy on Germany is policy for peace in Europe."

The Letter on German Unity of 12 August 1970, which is part of the treaties, formulates the aim of our policy in unequivocal terms:

"To work for a state of peace in Europe in which the German nation will recover its unity in free self-determination."

Co-operation of the two German States must be improved in the interests of the Germans and of their neighbours in Europe. We shall continue the current negotiations and talks. We are interested in comprehensive, long-term arrangements to the benefit of the people on the basis of the valid agreements.

The Federal Government understands contractual fidelity to mean that the points on which both partners agreed when they concluded a treaty must not subsequently be called into question. This also includes agreement that certain points of principle have remained open in connection with the Treaty on the Basis of Relations. These still cannot be settled.

Our concept of contractual fidelity does not imply that the further development of relations should now be made conditional upon the settlement of these questions.

Intra-German trade remains an important element of co-operation. On the basis of the 1953 Berlin Agreement and its Supplementary Arrangements the Federal Republic of Germany is ready - for the benefit of Berlin, too - to expand this trade.

We insist that the increase in the minimum daily amount of currency to be exchanged by visitors to East Berlin and the GDR be repealed.

The GDR can easily demonstrate its readiness and its wish to improve relations. The Government of the GDR is aware of our desire to improve travel and visits, especially in regard to Berlin. This year the GDR has edged a little way towards meeting our wish. But we are still far away from normalization and the good neighbourly relationship expected to derive from the Treaty on the Basis of Relations.

Berlin

Berlin is the focal point reflecting the situation of Germany. The Federal Government sees Berlin as a political challenge and as a chance for all Germans.

The Federal Government advocates

- the strict observance and full application of the Quadripartite Agreement on Berlin,
- the consolidation and development of Berlin's ties with the Federation and
- the preservation of the representation abroad of Berlin by the Federation.

The Federal Government promotes the joint efforts which are necessary to compensate for Berlin's isolated situation. This applies to Berlin Aid and Berlin Promotion as well as to the transit routes to and from Berlin.

The Federal Government will work for a strengthening of the economic capacity of Berlin. Our objective is to end the long years of well-above-average loss of jobs in industry and to ensure steady and competitive employment.

Together with the Governing Mayor of Berlin I shall invite representatives of German industry to Berlin to discuss with them ways of strengthening our commitment to Berlin. Its social and economic viability enables Berlin to fulfil tasks for all Germans. Berlin remains the yardstick of East-West relations.

Berlin is a symbol of the unsettled German Question.

People all over Germany may be assured that we shall serve our German fatherland tenaciously, patiently and peacefully.

V. Principles

Our people need new hope, new confidence, new self-assurance. We know that our fellow citizens have great expectations of our policy of renewal.

The first German democracy was destroyed by the extremes of left and right. The second German democracy was built up from the political centre of the people; and it will find the strength for this renewal from this same centre - of this I am convinced. That is why we face the future with confidence.

Our confidence is based on what we can achieve, but even more on what we believe in, what we stand for:

First, we believe in human dignity, uniqueness and freedom. That unites all of us.

Second, we are convinced that free initiative and achievement are better both for the individual and for the whole than State control and patronage. We place our trust in the citizen who takes his future into his own hands.

Third, we know that achievement, that man's creativeness, makes social sense and is also a social obligation. Who, though capable of performance, refuses to perform, acts in an unsocial manner. He exploits his neighbour.

Forth, we consider it just to re-emphasize the connection between performance and reward. Whoever denies this connection impoverishes our people and endangers the foundations of social security.

Fifth, we advocate that the weak and needy have a claim to the solidarity of everyone. But we are also aware that people need more than money and State care.

Sixth, we place our trust in our people's wish to form a community. We know that partnership and solidarity extend beyond all social boundaries.

Seventh, we believe that it is the first duty of free citizens to spare no efforts in defending freedom and in preserving the hope of others to be free. There has been no change in the validity of those words with which Konrad Adenauer ended his first policy statement before the German Bundestag on 20 September 1949:

"We hope - and this is our aim - that with God's help we shall succeed in leading the German people upwards and in contributing to peace in Europe and in the world."

OCT

((GOVERNMENT STATEMENT PRESENTED BY FEDERAL CHANCELLOR HELMUT KOHL TO THE BUNDESTAG IN BONN -- LIVE)) ON 13 OCTOBER 1982

((TEXT)) MR PRESIDENT, ESTEEMED LADIES AND GENTLEMEN: THE COALITION OF THE CENTER ((LAUGHTER)) FOR WHICH THE CDU, CSU AND FDP HAVE UNITED, IS BEGINNING ITS WORK IN THE MOST SERIOUS ECONOMIC CRISIS SINCE THE FOUNDING OF THE FRG. ((APPLAUSE))

THIS CRISIS HAS SHAKEN THE CONFIDENCE OF MANY PEOPLE AND OF MANY COMPATRIOTS IN OUR STATE'S CAPABILITY TO ACT, THIS NEW GOVERNMENT BECAME NECESSARY BECAUSE THE OLD, THE FORMER GOVERNMENT PROVED TO BE UNCAPABLE OF FIGHTING UNEMPLOYMENT IN A COMMON EFFORT OF SAFEGUARDING THE NETWORK OF SOCIAL SECURITY AND OF RESTORING ORDER TO THE DISORGANIZED STATE FINANCES. ((APPLAUSE))

PARTICULARLY AFTER THE SPD CONGRESS IN MUNICH IT BECAME INCREASINGLY EVIDENT THAT THE WAYS OF THE FORMER COALITION PARTNERS WERE PARTING; THE SPD DESTERED ITS OWN GOVERNMENT CHIEF IN URGENT ISSUES OF DOMESTIC AND FOREIGN POLICY; CHANCELLOR SCHMIDT LOST HIS MAJORITY. ((APPLAUSE))

AS ALL OF US KNOW AND ALSO WITNESSED ESPECIALLY DURING THE DEBATES IN THIS CHAMBER THE FDP DID TAKE ITS DECISION LIGHTLY, THE INTERESTS OF OUR COUNTRY AND IN KEEPING WITH THE CONSTITUTION, IT MADE A NEW GOVERNMENT POSSIBLE; THIS COALITION OF THE CENTER WILL LEAD OUR COUNTRY OUT OF THE CRISIS. ((APPLAUSE))

MR PRESIDENT, ESTEEMED LADIES AND GENTLEMEN; OUR PEOPLE ARE ENTITLED TO LEARN THE TRUTH AT THIS HOUR ((COMMOTION, APPLAUSE)) THE TRUTH ABOUT WHAT HAS BEEN DONE AND THE TRUTH ABOUT WHAT NEEDS TO BE DONE.

WHAT IS THE SITUATION IN THE FRG AT THE MOMENT WE ARE EXPERIENCING AN UNEMPLOYMENT RATE WHICH IS WORSE THAN THAT DURING THE RECONSTRUCTION YEARS; NEARLY EVERY 14TH WAGE EARNER IN THE FEDERAL

REPUBLIC IS WITHOUT A JOB, THIS WINTER NEARLY 2,5 MILLION PEOPLE COULD BE WITHOUT, AND EVEN MORE OF OUR CITIZENS ARE ANXIOUS ABOUT THEIR JOBS; AFTER 2 YEARS OF STAGNATION, THE OVERALL ECONOMIC PRODUCTION HAS BEEN DECREASING FOR MONTHS;

NEVER BEFORE IN THE FRG'S HISTORY HAVE AS MANY COMPANIES 1982 COLLOSED AS THIS YEAR, AND NEVER HAVE SO MANY PRIVATE ENTERPRISES BEEN DESTROYED; THIS ALONE COST ROUGHLY 500,000 JOBS IN THE PAST FEW YEARS, THIS YEAR, LADIES AND GENTLEMEN, THIS SAD RECORD OF BANKRUPTCIES WILL BE EXCEEDED; SOME 15,000 OR MORE COMPANIES WILL HAVE TO FILE FOR BANKRUPTCY; THIS WILL CAUSE THE LOSS OF FAR MORE THAN 100,000 ADDITIONAL JOBS; WHAT EVEN WORSE 200,000 YOUNG PEOPLE ARE WITHOUT JOBS; MANY OF THEM CANNOT FIND TRAINING AND THUS NOT ONLY ARE WITHOUT JOBS BUT ALSO WITHOUT THE OPPORTUNITY TO OBTAIN VOCATIONAL QUALIFICATIONS;

OUR ECONOMY'S ABILITY TO CREATE NEW JOBS THROUGH INVESTMENTS HAS BEEN CONSIDERABLY WEAKENED; WHILE THE INVESTMENTS QUOTA IN NORMAL ECONOMIC YEARS WAS ABOUT 24 PERCENT OF THE GROSS NATIONAL PRODUCT, WE ARE ON A LEVEL OF LESS THAN 21 PERCENT TODAY, AT THE SAME TIME THE TAX BURDENS HAVE INCREASED SO RAPIDLY THAT A SKILLED WORKER IN THE FEDERAL MUST TODAY DELIVER TO PUBLIC OFFERS ROUGHLY 60 PFENNIGS OF EVERY MARK ADDITIONALLY EARNED; YET, LADIES AND GENTLEMEN, EVEN THIS WAS NOT ENOUGH, AND THE STATE STILL HAD TO INCUR INCREASING GREATER DEBTS;

ANYONE KNOWS THAT NO GROWTH CAN BE ACHIEVED THIS WAY; THIS IS THE SECOND TIME THAT OUR GROSS NATIONAL PRODUCT WILL BE SMALLER THAN THAT OF THE PRECEDING YEAR; HOW ARE WE TO BE OPTIMISTIC IF THESE PROBLEMS ARE ALSO AGGRAVATED BY A LOSS IN REAL INCOME NOW BEING EXPERIENCED BY BOTH EARNERS AND ENTREPRENEURS FOR THE SECOND CONSECUTIVE YEAR?

THE VENTURE CAPITAL SHARE OF THE GERMAN ECONOMY, WHICH AMOUNTED TO ABOUT 26 PERCENT 10 YEARS AGO, HAS DROPPED TO LESS THAN 21 PERCENT IN THE MEANTIME -- AND SOME ESSENTIAL AND IMPORTANT MIDDLE-CLASS

FIELDS IT HAS DROPPED TO EVEN LESS THAN THAT; IT IS THREATENING TO DROP EVEN FURTHER;

LADIES AND GENTLEMEN; THE CRISIS OF GROWTH AND EMPLOYMENT HAS SIMULTANEOUSLY VERY CLEARLY REVEALED THE FINANCIAL CRISIS OF OUR STATE; THE INITIAL AUDIT WHICH THE NEW FEDERAL GOVERNMENT HAD TO MAKE IN A FEW DAYS REVEALED A BASICALLY MORE CRITICAL SITUATION REGARDING STATE FINANCES THAT THE CDU/CSU HAD REASON TO BELIEVE WHILE IN OPPOSITION;

LADIES AND GENTLEMEN; THE OPENING BALANCE SHEET IS ALARMING; LATE THIS YEAR ---; A FEW WEEKS FROM NOW -- THE DEBTS OF THE FEDERAL GOVERNMENT WILL TOTAL MORE THAN DM300 BILLION; THE DEBTS OF THE FEDERAL GOVERNMENT, THE LEADER AND COMMUNITIES ADDED TOGETHER WILL TOTAL MORE THAN DM600 BILLION; AND IF THE RAILROAD SYSTEM AND THE FEDERAL POST OFFICE ARE INCLUDED THEY WILL AMOUNT TO ROUGHLY DM 60 BILLION BY THE END OF THE YEAR;

DAILY-- AND I MEAN PUBLIC DEBTS INCREASE BY MORE THAN DM200 MILLION; THE NEW INDEBTEDNESS IS HARDLY ENOUGH TO PAY FOR THE ANNUAL INTEREST BURDEN; UNLESS QUICK ACTION IS TAKEN -- AND THIS WOULD NOT HAVE BEEN POSSIBLE IF NEW ELECTIONS HAD BEEN HELD-- THE FEDERAL GOVERNMENT'S ACTUAL BUDGET DEFICIT FOR 1983 ALONE WOULD HAVE INCREASED TO BETWEEN DM55 BILLION AND DM60 BILLION. ((SHOUTS))

LADIES AND GENTLEMEN, I CAN UNDERSTAND THAT YOU ARE ALARMED; BUT I FAIL TO SEE HOW YOU CAN LAUGH IN THE FACE OF SUCH A BALANCE SHEET AFTER 13 YEARS. ((APPLAUSE))

REGARDING SOCIAL INSURANCE; THE COFFERS ARE ALSO EMPTY AND THE RESERVES HAVE NEARLY BEEN CONSUMED; THE FINANCIAL RESERVES OF OUR SOCIAL SECURITY SYSTEMS ARE EXHAUSTED EVEN THOUGH THE BURDEN OF CONTRIBUTIONS ON THE INCOMES OF WORKERS AND EMPLOYEES HAS RISEN CONSIDERABLY SINCE 1970;

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LADIES AND GENTLEMEN, HOW COULD THIS HAVE HAPPENED? TO BEGIN WITH IT IS CERTAINLY TRUE -- AND I WILL ALSO STATE THIS AT THE BEGINNING OF THIS STATEMENT -- THAT THE INTERNATIONAL ECONOMY IS IN A PROFOUND STRUCTURAL CRISIS IN LARGE PARTS OF THE WORLD TODAY. ((INTERSECTION)) I HAVE JUST REPEATED A PASSAGE FROM MY SPEECH OF 2 WEEKS AGO, COLLEAGUE WEHNER. ((APPLAUSE)) HOWEVER, WITH YOUR KIND SUPPORT I WILL NOW CONTINUE: THE REFERENCE TO INTERNATIONAL PROBLEMS MUST NOT CLOUD OUR VIEW OF THE PROBLEMS WE HAVE MADE FOR OURSELVES. ((APPLAUSE)) THE PRESENT INTERNATIONAL ECONOMIC CRISIS IS ABOVE ALL ONE OF INDIVIDUAL NATIONAL ECONOMIES, AS THE COUNCIL OF EXPERTS RECENTLY POINTED OUT, THE LIMITS OF THE CAPACITY OF THE GERMAN ECONOMY AND ITS WORKERS WERE FIRST TESTED AND THEN GREATLY EXCEEDED; OUR OWN GROWTH, EMPLOYMENT AND FINANCING PROBLEMS RESULT LARGELY FROM THE FACT THAT THE GERMAN ECONOMY WAS NO LONGER ABLE TO COPE WITH THE NEW FOREIGN TRADE CHALLENGES; DEMANDS ON THE STATE AND THE SOCIAL SECURITY SYSTEMS WERE BASED ON THE OPTIMISTIC CONCEPTION OF CONSTANT AND STRONG ECONOMIC GROWTH; WHEN THE HIGH GROWTH RATES DIDN'T MATERIALIZE, THE INSIGHT AND STRENGTH WERE LACKING TO DRAW THE NECESSARY CONCLUSIONS AND MAKE THE NECESSARY CORRECTION. ((APPLAUSE))

THE CORRECTIONS WHICH WERE NOT MADE AT A TIME WHEN THEY WOULD HAVE BEEN POSSIBLE WITH RELATIVELY SMALL SACRIFICES, MUST BE MADE UP FOR TODAY WITH MORE SUFFERING AND MORE TIME SPENT; LADIES AND GENTLEMEN, IF WHAT WE MUST DO NOW HAD BEEN DONE FROM THE BEGINNING, THE SACRIFICES WE ARE FORCED TO MAKE TODAY WOULD NOT BE NECESSARY. ((APPLAUSE)) IT IS NOW IMPORTANT TO HALT THE CONTINUING DECLINE IN OUR ECONOMY; UNFORTUNATELY, THERE ARE MANY INDICATIONS THAT WE STILL HAVE NOT REACHED THE LOW POINT; NO POLICY WILL BE ABLE TO PAY OFF THE MORTGAGE OF THE PAST WITHIN A SHORT TIME; WE EXPECT THE INITIAL POSITIVE EFFECTS OF OUR PROGRAM FOR ECONOMIC GROWTH AND EMPLOYMENT TO OCCUR IN THE SECOND HALF OF 1983;

HOWEVER, BASIC SUCCESSSES CAN BE ACHIEVED ONLY OVER SEVERAL

YEARS BECAUSE IN THE COMING YEARS THE AGE GROUPS WITH LARGE NUMBER WILL HAVE TO ALSO FIND JOBS; THIS IS THE STATE OF AFFAIRS, LADIES AND GENTLEMEN; THIS ALSO IS THE REASON WHY WE HAVE NOW TAKEN OVER THE GOVERNMENT BECAUSE WE DON'T WANT TO BE RESPONSIBLE FOR THE DECLINE TURNING INTO A PLUMMET; ((APPLAUSE)) THEREFORE, WE NOW NEED A NEW ECONOMIC AND A NEW SOCIAL POLICY;

LADIES AND GENTLEMEN, THIS IS NOT ONE OF THE USUAL GOVERNMENT STATEMENTS AT THE BEGINNING OF A 4-YEAR LEGISLATIVE PERIOD; ((COMMOTION)) I NOT THAT WE AT LEAST AGREE IN ADDING UP THE YEARS, LADIES AND GENTLEMEN; THE COALITION PARTIES OF THE FDP, CSU AND CDU HAVE AGREED TO HOLD ELECTIONS ON 6 MARCH 1983. THIS IS ALSO THE FEDERAL GOVERNMENT'S OPINION; ((APPLAUSE))

I AM AWARE THAT IT IS NOT EASY UNDER THE CONSTITUTION TO IMPLEMENT THIS INTENTION; ((SHOUTS OF "HEAR, HEAR")) HOWEVER, I ASSUME COLLEAGUE WEHNER THAT YOU, AS SPD FACTION CHAIRMAN, AND COLLEAGUE BRANDT, AS SPD CHAIRMAN, TOGETHER WITH THE OTHER FACTION AND PARTY CHAIRMEN WILL ACCEPT MY INVITATION TO JOINTLY TALK ABOUT THE POSSIBILITIES PROVIDED BY THE CONSTITUTION AND ALSO DISCUSS THE WAYS OUTLINED BY THE BUNDESTAG COMMISSION OF ENQUIRY ON CONSTITUTIONAL REFORM; ((APPLAUSE))

LADIES AND GENTLEMEN, I AM QUITE SURE THAT WE WILL JOINTLY FIND A WAY BECAUSE WE ARE JOINTLY SAYING OUTSIDE THESE HALLS -- SOME EVEN IN THEIR OWN POSTER CAMPAIGNS -- THAT WE WANT TO HOLD ELECTIONS; WE WILL HOLD ELECTIONS ON 6 MARCH; ((APPLAUSE))

I WANT TO STRESS AGAIN THAT THIS IS NO TRADITIONAL GOVERNMENT STATEMENT; ((APPLAUSE)) I AM GOING TO EXPLAIN WHAT WE WILL DO IMMEDIATELY, HOWEVER, I WILL POINT ABOVE ALL TO THE MOST IMPORTANT POINTS AND PRINCIPLES ON THE BASIS OF WHICH WE WILL INITIATE A POLICY OF RENEWAL IN THE YEARS TO COME;

WE ARE NOT ONLY IN AN ECONOMIC CRISIS, LADIES AND GENTLEMEN; THERE IS DEEP INSECURITY, NOURISHED BY FEAR AND HELPLESSNESS -- FEAR OF AN ECONOMIC DECLINE, CONCERN ABOUT JOBS, FEAR OF ENVIRON-

MENTAL DESTRUCTION, FEAR OF THE ARMS RACE, THE FEAR OF MANY YOUNG
PEOPLE ABOUT THEIR FUTURE, SOME OF OUR YOUNG COMPATRIOTS
DON'T KNOW WHAT TO DO, DROP OUT AND RESORT TO NOSTALGIA OR UTOPIA.
HERE WE SEE A CHALLENGE TO OUR DUTY AS CITIZENS AND PARENTS --
A CHALLENGE TO OUR CIVIC SENSE AND TO OUR PERSUASIVE POWER;
(APPLAUSE)

THE IDEOLOGIES OF THE ACHIEVERS AND THE PURVEYORS OF SALVATION
(MÄCHER UND HEILSBRINGER) HAVE NOT ENHANCED THE SENSE OF REALITY
OR INTENSIFIED SELF-RESPONSIBILITY, AND HAVE MISUNDERSTOOD THE
SPIRITUAL CHALLENGES OF OUR TIME; (APPLAUSE) WHAT WE NEED
IS TO RETURN TO THE VIRTUES OF WISDOM, COURAGE AND MODERATION,
(APPLAUSE) THE QUESTION FOR THE FUTURE IS NOT HOW MUCH MORE
THE STATE CAN DO FOR ITS CITIZENS; THE QUESTION FOR THE FUTURE
IS HOW FREEDOM, DYNAMICS AND SELF-RESPONSIBILITY CAN DEVELOP ANEW;
THIS IS THE IDEA ON WHICH THE COALITION OF THE CENTER IS BASED;
(APPLAUSE)

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TOO MANY PEOPLE HAVE LIVED AT OTHER PEOPLE'S EXPENSE FOR TOO LONG; THE STATE AT THE CITIZENS' EXPENSE; CITIZENS AT THE COMPATRIOTS' EXPENSE AND -- WE SHOULD SAY THIS QUITE SINCERELY -- ALL OF US AT THE EXPENSE OF THE COMING GENERATIONS. SOCIAL PEACE AND SOCIAL JUSTICE NOW COMMAND THAT WE GIVE PERFORMANCE AND SELF-RESPONSIBILITY A NEW CHANCE. LADIES AND GENTLEMEN, THE CDU/CSU AND THE FDP FORM A COALITION OF THE CENTER TO MARK A HISTORIC NEW BEGINNING. WHAT WAS POSSIBLE IN 1949 UNDER CONDITIONS OF SERIOUS MENTAL WOUNDS AND MATERIAL BURDENS, IS ALSO NECESSARY AND POSSIBLE TODAY. ((APPLAUSE))

THE UNIFICATION OF SOCIAL, CHRISTIAN AND LIBERAL THOUGHT WAS THE CHARACTERISTIC FEATURE OF AN EPOCH WHICH IS RIGHTLY CONSIDERED AS THE MOST SUCCESSFUL ERA OF GERMAN POSTWAR POLITICS. ((APPLAUSE)) LADIES AND GENTLEMEN, I QUOTE A LIBERAL FELLOW FIGHTER OF THAT TIME, THOMAS DEHLER, WHO SAID: THE LIBERAL IDEA OF MAN IS DEEPLY CONNECTED WITH CHRISTIAN TRUTH. MAN HAS HIS DIGNITY AS GOD'S IMAGE, AS A HOLDER OF AN IMMORTAL SOUL AND AS A UNIQUE AND UNMISTAKABLE PERSONALITY. PRESERVING THIS DIGNITY IS A LIBERAL OBLIGATION. ((APPLAUSE))

OUT STATE, THE FRG, WAS FOUNDED ON THE FREE CONSENT OF ITS CITIZENS. THIRTY YEARS AGO KONRAD ADENAUER LED THE GERMANS INTO THE COMMUNITY OF THE FREE PEOPLES OF THE WEST AND BUILT THE FRG'S FOREIGN POLICY ON THIS. RECONCILIATION WITH FRANCE AND WITH THE PEOPLE AND STATE OF ISRAEL WAS ACHIEVED. WE BECAME A RESPECTED PARTNER IN THE WESTERN ALLIANCE. THE SOCIAL MARKET ECONOMY WAS A CREATIVE WORK -- IT NOT ONLY SIGNIFIES PROSPERITY, IT IS ALSO THE FOUNDATION OF A SOCIAL PEACE ORDER WHICH IS CONSIDERED A MODEL IN MANY COUNTRIES OF THE WORLD EVEN TODAY.

OVER THE YEARS WE IMPLEMENTED THE PRINCIPLE OF SOLIDARITY THROUGH EFFECTIVE PENSIONS AND CODETERMINATION, THROUGH THE CONTINUATION OF WAGE PAYMENTS IN THE EVENT OF SICKNESS, AND THROUGH THE FACTORY MANAGEMENT LAW AND THE FORMATION OF WEALTH. DURING THOSE YEARS SOME 12 MILLION EXPELLEES AND REFUGEES HELPED

BUILD THE FRO, CONFIDENCE IN THE STATE BASED ON JUSTICE AS WELL AS DEMOCRATIC SELF-CONFIDENCE AND A NEW POLITICAL CULTURE GREW, IN A TENSE EPOCH THE FEDERAL REPUBLIC GAINED INTERNAL STABILITY AND THE CONFIDENCE OF ITS NEIGHBORS. TO QUOTE ERNST BLOCK, THE GERMANS LEARNED THE DIGNITY OF WALKING UPRIGHT AGAIN. ((APPLAUSE))

LADIES AND GENTLEMEN, IT IS THIS HERITAGE ON WHICH WE CAN BUILD OUR POLICY AND IT IS THIS HERITAGE FROM WHICH WE DRAW THE STRENGTH TO DO WHAT IS NECESSARY TODAY. WHAT DO WE WANT TO DO TODAY? WHAT MUST BE DONE NOW AND TODAY? OUR PROGRAM OF PRIORITIES IS FOCUSED ON FOUR MAIN POINTS: FIRST, WE WANT TO CREATE NEW JOBS, SECOND, WE WANT TO SAFEGUARD THE SOCIAL NET, THIRD, WE WANT TO IMPLEMENT A HUMANE POLICY FOR FOREIGNERS HERE, FOURTH, WE WANT TO RENEW THE FOUNDATIONS OF GERMAN FOREIGN AND SECURITY POLICY. ((APPLAUSE))

COLLEAGUE WENNER, I CAN UNDERSTAND THAT FOLLOWING THESE STORMY DAYS IT IS HARD TO PRACTICE THE ROLE OF OPPOSITION, FOR 13 YEARS WE FOUND IT HARD OFTEN ENOUGH, TOO. HOWEVER, WE HAD TO LEARN IT AND YOU WILL ALSO HAVE TO DO SO, AND THE SOONER YOU LEARN IT IN GOOD STYLE AND DIGNITY, THE BETTER IT WILL BE FOR THE BUNDESTAG. ((APPLAUSE))

ABOVE ALL WE WANT TO CREATE AND PRESERVE JOBS BY, FIRST, PROMOTING PRIVATE AND PUBLIC INVESTMENTS. FOR THIS THE ECONOMY NEEDS A VIEW OF THE FUTURE WHICH IS FREE FROM UNNECESSARY BURDENS, UNCERTAINTIES AND BUREAUCRATIC REGULATIONS BY THE STATE. IN THE PUBLIC SECTORS, THE EMPHASIS MUST BE SHIFTED AWAY FROM THE CONSUMPTION SIDE TO UTILIZATION ORIENTED TOWARD THE FUTURE. THIS APPLIES TO EXPENDITURES AS WELL AS REVENUES.

THEREFORE, THE FEDERAL GOVERNMENT WILL RAISE BUDGET EXPENDITURES FOR THE REGIONAL PROMOTION OF THE ECONOMY, THE PROMOTION OF THE ZONAL BORDER AREAS, UNIVERSITY CONSTRUCTION AND THE AGRICULTURAL STRUCTURE AS WELL AS FOR OTHER IMPORTANT

COMMON PROJECTS LIKE THE FINANCING OF HOSPITALS AND THE
RECONSTRUCTION OF THE CITIES.

WE WILL IN ADDITION UNDERTAKE INITIAL STEPS TOWARD TAX REDUCTION
FOR THE MIDDLE CLASS. THE ADDITIONAL REVENUES FOR THE GOVERNMENT
RESULTING FROM THE INCREASE IN THE VALUE ADDED TAX ON 1 JULY 1983
WILL BE RETURNED -- IN CONTRAST TO WHAT WAS ENVISAGED BY THE
FORMER GOVERNMENT -- TO THE CITIZENS AND ENTERPRISES IN LINE WITH
THE SAME BILL. ((APPLAUSE)) THESE TAX REDUCTIONS TO STRENGTHEN
THE ECONOMY'S INVESTMENT AND INNOVATION ABILITY WILL BE FURTHER
DEVELOPED AND INTENSIFIED BEGINNING IN 1984 WHEN THE ADDITIONAL
VALUE ADDED TAX REVENUES WILL BE AVAILABLE FOR THE ENTIRE YEAR.

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PIECE MISSING

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IN THESE DIFFICULT TIMES WE WILL ASSIST THE GERMAN
STEEL INDUSTRY IN ITS DIFFICULT PERIOD OF ADJUSTMENT WHICH MUST
ALSO INCLUDE A CUT IN CAPACITY;

EIGHTH, WE ARE FOR FREE INTERNATIONAL TRADE AND CURRENCY AND
CAPITAL EXCHANGE; WE SUPPORT THE STRENGTHENING OF GATT AND
REJECT ANY KIND OF PROTECTIONISM; ((APPLAUSE)) WE ATTRIBUTE
PARTICULAR SIGNIFICANCE TO THE FORTHCOMING GATT COUNCIL OF MINISTERS
MEETING IN THESE TIMES OF INTERNATIONAL ECONOMIC CRISES;

NINTH, WE WILL PROMOTE A MONETARY AND CURRENCY POLICY
DIRECTED AT FIGHTING INFLATION; WE SUPPORT THE INDEPENDENCE
OF THE FEDERAL BANK; ((APPLAUSE)) THE GERMAN FEDERAL
BANK IS A GUARRAANTOR OF OUR CURRENCY'S STABILITY, WE ARE
VERY MUCH INDEBTED TO THE FEDERAL BANK; EMPLOYMENT AND GROWTH
PROBLEMS CANNOT AND MUST NOT BE SOLVED WITH AN EASY MONEY POLICY;
WITH OUR FINANCE POLICY WE WILL SUPPORT THE FEDERAL BANK TO CREATE
THE PREREQUISITES FOR A FURTHER DECREASE OF INTEREST RATES;

((APPLAUSE))

TENTH, WE HAVE DECIDED ON A PRIORITY BUDGET PROGRAM INTENDED TO
GET THE DISRUPTED FEDERAL FINANCES IN ORDER; WE WANT TO GIVE
PRIORITY TO GETTING NEW INDEBTEDNESS BY PUBLIC AUTHORITIES UNDER
CONTROL THROUGH STRICT BUDGETARY DISCIPLINE; ACCORDING TO THE
CATASTOPHIC RESULTS WE NOW HAVE FROM THE AUDIT, WE WILL IMMEDIATELY
SUBMIT AN ADDITIONAL SUPPLEMENTARY 1982 BUDGET; BECAUSE OF
DECREASING REVENUES AND BECAUSE OF EXPENDITURE COMMITMENTS WHICH
CANNOT BE ALTERED ON SHORT NOTICE, THE NET AMOUNT BORROWED FOR
1982 WILL INCREASE TO ABOUT DM40 BILLION -- A TRULY GRAVE BURDEN
WE HAVE INHERITED. ((SHOUTS, APPLAUSE))

MY DEAR COLLEAGUE, I WOULD HAVE BEEN GRATEFUL IF YOU HAD MADE
THAT REMARK HERE 4 WEEKS AGO. ((SHOUTS))

BASED ON CURRENT LEGISLATION, THE NET AMOUNT BORROWED BY THE
FEDERAL GOVERNMENT IN 1983 WOULD AMOUNT TO FAR MORE THAN DM50
BILLION. THAT IS IRRESPONSIBLE. ((SHOUTS, APPLAUSE))

THEREFORE, WE HAVE AGREED TO QUICKLY PASS THE SUPPLEMENTARY BILLS

SUBMITTED BY THE OLD GOVERNMENT WITH A FEW CHANGES AND TO REDUCE THE 1983 FEDERAL BUDGET BY AT LEAST ANOTHER DM5,5 BILLION THROUGH FURTHER CUTS, PARTICULARLY IN THE AREA OF SUBSIDIES AND LEGAL BENEFITS AND THE EARLY REGULATION OF CIVIL SERVANT SALARIES. ((APPLAUSE))

ACCORDING TO FIRST ESTIMATES, THESE FAR-REACHING DECISIONS WILL CONTAIN IMPROVEMENTS FOR THE LEADER AND COMMUNITIES AMOUNTING TO ABOUT DM3 BILLION FOR 1983. IN DOING THIS, THE FEDERAL GOVERNMENT IS DEALING WITH ITS CORESPONSIBILITY FOR THE FINANCIAL SITUATION OF ALL PUBLIC BUDGETS.

LADIES AND GENTLEMEN, WE LIVE IN A CRITICAL ECONOMIC SITUATION, WHICH CALLS FOR A DIFFICULT BALANCING ACT. WE MUST PURSUE A CONVINCING CONSOLIDATION POLICY WHILE SIMULTANEOUSLY NOT CURTAILING DEMAND TOO MUCH. THIS CALLS FOR PATIENCE AND A SENSE OF PROPORTION.

THE COUNCIL OF EXPERTS CORRECTLY POINTED OUT THE DIFFERENCE BETWEEN STRUCTURAL DEFICITS AND THOSE CAUSED BY THE ECONOMIC SITUATION, SOMETHING THAT CAN HARDLY BE PREDICTED BEFOREHAND. OUR CONSOLIDATION POLICY IS CLEARLY AIMED AT THE STRUCTURAL CORE. THE EXPERTS HAVE, THEREFORE ASSESSED THIS POLICY IN A POSITIVE LIGHT. IN THE NEW ELECTION PERIOD WE WILL SUBMIT FURTHER BILLS TO DECREASE THE STRUCTURAL DEFECIT EVEN MORE BEGINNING IN 1984.

OUR AIM IS CLEARLY AND PLAINLY TO RETURN ORDER TO THE STATE THROUGH ORDERLY FINANCES. ((APPLAUSE))

WITH THE PROGRAM OF PRIORITIS AS A WHOLE, WE ARE AIMING FOR RENEWAL BY MOVING AWAY FROM STATE CONTROL AND TOWARD MORE MARKET ECONOMY, AWAY FROM COLLECTIVE BURDENS AND TOWARD PERSONAL ACHIEVEMENTS; AWAY FROM ENCRUSTED STRUCTURES AND TOWARD MORE FLEXIBILITY, PERSONAL INITIATIVE AND INTENSIFIED ABILITY TO COMPETE. ((APPLAUSE))

THIS INNOVATION POLICY IS THE ONLY WAY WHICH PROMISES SUCCESS

IN STRENGTHENING THE FINANCIAL BASES OF OUR SOCIAL NETWORK;
TO THIS WE MUST EXPECT OUR FELLOW CITIZENS TO MAKE
SACRIFICES AND TO BE PREPARED TO DEMONSTRATE SOLIDARITY.
THIS SOLIDARITY, LADIES AND GENTLEMEN, CALLS FOR A PAUSE
IN SOCIAL POLICY;

WHAT PENSIONERS, RECIPIENTS OF SOCIAL BENEFITS, CIVIL
SERVANTS AND OTHERS ARE EXPECTED TO DO MUST APPLY
TO EVERY ONE; THE PAUSE IN SOCIAL POLICY REPRESENTS A SIGNAL
AND I THINK ALSO A CHANCE FOR NEW CONSIDERATIONS AND A NEW
BEGINNING.

TO SAFEGUARD THE BASES OF A SOLID SOCIAL POLICY
WE HAVE DECIDED:

FIRST, THE NEXT ADJUSTMENT IN PENSIONS WILL BE POSTPONED
BY HALF A YEAR TO 1 JULY 1983; BUT THE INCREASE OF 5.6 PERCENT
WILL REMAIN. THE DATE FOR ADJUSTMENT OF LEGAL ACCIDENT INSURANCE,
WAR VICTIM PENSIONS, OLD AGE SUBSIDIES FOR FARMERS AND
EQUALIZATION OF BURDENS PAYMENT WILL BE POSTPONED BY HALF A
YEAR; THE POSTPONEMENT OF CIVIL SERVANT PAY INCREASES WILL
HAVE A CORRESPONDING EFFECT ON PENSIONS OF CIVIL SERVANTS.

THE PARTICIPATION OF PENSIONERS IN THEIR HEALTH
INSURANCE PAYMENTS WILL BE ALSO POSTPONED UNTIL 1 JULY 1983. THE
PENSION INSURANCE SITUATION THAT IS SHAPING UP CALLS FOR AN
INCREASE IN HEALTH INSURANCE PARTICIPATION BY PENSIONERS
BY 2 PERCENT IN EACH OF THE NEXT 2 YEARS. WE WILL ENSURE
THAT RECIPIENTS OF MINIMUM PENSIONS WILL NOT BE UNREASONABLY
BURDENED.

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((TEXT)) IN THE EVENT OF A SHORT-TERM ADVERSE CHANGE IN ECONOMIC DATA, THE FEDERAL GOVERNMENT WILL TAKE PRECAUTIONS IN GOOD TIME TO COUNTERACT POTENTIAL LIQUIDITY PROBLEMS OF THE PENSION INSURANCE.

SECOND, THE FINANCING PROBLEMS OF THE FEDERAL LABOR OFFICE MAKE IT NECESSARY TO COMPUTE THE CONTRIBUTIONS FOR PENSION INSURANCE BY THE AMOUNT OF THE ANNUITIES ((LOHNERSÄTZLEISTUNGEN)) GRANTED. UNEMPLOYMENT INSURANCE BENEFITS ARE TO BE GRADUATED MORE THAN BEFORE AND WILL DEPEND ON HOW LONG CONTRIBUTIONS HAVE BEEN MADE; ((APPLAUSE))

THIRD, TO LIMIT THE COST INCREASE IN LEGAL HEALTH INSURANCE, THE FEDERAL GOVERNMENT WILL EXTEND THE PATIENT'S SHARE OF COSTS TO 14 DAYS OF HOSPITALIZATION. AT THE SAME TIME, CHILDREN UNDER 18 WILL BE EXEMPT FROM PAYING SUCH A SHARE. THE MEDICAL REVIEW OF SICKNESS CERTIFICATES MUST BE IMPROVED THROUGH THE ENHANCEMENT OF THE COMPANY DOCTOR SERVICE.

LADIES AND GENTLEMEN, ANYONE CALLING IN SICK WITHOUT BEING SICK ACTS IN A SELFISH AND UNSOCIAL WAY; ((APPLAUSE)) ANYONE CERTIFYING THAT ANOTHER PERSON IS SICK EVEN THOUGH THE LATTER IS NOT, IS A PARTY TO THE EXPLOITATION OF THE INSURANCE SYSTEM; ((APPLAUSE))

THE FEDERAL GOVERNMENT WILL NOT PUSH FOR THE DECREASE IN THE FEDERAL LABOR OFFICE'S CONTRIBUTIONS TO LEGAL HEALTH INSURANCE THAT HAD BEEN PROPOSED PREVIOUSLY. HOWEVER IT IS INDISPENSABLE FOR PHYSICIANS, DENTISTS, THE PHARMACEUTICAL INDUSTRY AND HOSPITALS, TOGETHER WITH THE INSURED PEOPLE THEMSELVES, TO CONTRIBUTE THEIR SHARE TO LIMITING THE COST INCREASES IN THE PUBLIC HEALTH SECTOR. ((APPLAUSE))

FOURTH, WE WANT MORE FLEXIBILITY IN THE WORKING WORLD. ANYONE WISHING TO WITHDRAW FROM EARNING LIFE EARLIER ON A VOLUNTARY BASIS SHOULD HAVE AN OPPORTUNITY TO DO SO WITHOUT THIS PLACING AN ADDITIONAL BURDEN ON PENSION INSURANCE.

FIFTH, IN THE NEXT LEGISLATIVE PERIOD THE PENSION REFORM ADOPTED

IN 1957 MUST BE ADJUSTED TO THE CHANGED DEMOGRAPHIC AND ECONOMIC
CONDITIONS SO THAT IT CAN CONTINUE IN THE FUTURE AS WELL. IN THIS
RESPECT THE RELATIONSHIP OF CONTRIBUTIONS TO THE PENSION IS
UNAVOIDABLE AS FAR AS WE ARE CONCERNED. WE INTEND TO PLACE FEDERAL
GOVERNMENT SUBSIDIES ON A SOLID FOUNDATION. SURVIVOR BENEFITS MUST
BE REFORMED IN LINE WITH THE VERDICT HANDED DOWN BY THE FEDERAL
CONSTITUTIONAL COURT.

SIXTH, IT IS PART OF OUR SOCIAL SYSTEM FOR BROAD STRATA
TO PARTICIPATE IN THE REQUIRED ASSET ACCUMULATION IN THE ECONOMY.
THIS IS WHY THE FEDERAL GOVERNMENT INTENDS TO INTRODUCE AN
APPROPRIATE BILL ON THE PROMOTION OF BROAD ASSET ACCUMULATION AFTER
THE BUNDESTAG ELECTION. ((APPLAUSE))

ALLOWING WORKERS AND EMPLOYEES TO PARTICIPATE IN THE
PRODUCTIVE CAPITAL OF COMPANIES PROVIDES THE OPPORTUNITY TO
IMPROVE THE CAPITAL ACCUMULATION OF THE COMPANIES AND, THROUGH
AND EMPLOYMENT ORIENTED WAGE POLICY, TO PREVENT INCOME AND ASSET
DISTRIBUTION FROM SHIFTING TO THE DISADVANTAGE OF THE WORKERS AND
EMPLOYEES.

LADIES AND GENTLEMEN, IT IS THE OBJECTIVE OF OUR SOCIAL POLICY TO
CONCENTRATE THE SOCIAL BENEFITS OFFERED BY THE STATE AND BY SOCIETY
ON THE REALLY NEEDY PEOPLE. WHERE THERE IS ROOM TO STRENGTHEN
THE PRINCIPLE OF QUID PRO QUO, WE WILL EXPLOIT IT. WE WILL
PRESERVE THE SOCIAL STATE BY CONSOLIDATING ITS ECONOMIC FOUNDATIONS.
((APPLAUSE))

THE THIRD KEY POINT IN OUR PROGRAM OF PRIORITIES PENDING NEW
ELECTIONS IS THE POLICY ON FOREIGNERS. THE EXISTENCE OF A
LARGE NUMBER OF PEOPLE WITH DIFFERENT MENTALITIES, CULTURES AND
RELIGIONS TOGETHER WITH GERMANS PLACES DIFFICULT TASKS BEFORE ALL
OF US -- THE STATE AND SOCIETY, FOREIGNERS AND THE GERMANS.
THESE TASKS REQUIRE PATIENCE AND TOLERANCE, AND THEY REQUIRE REALISM
JUST AS THEY CALL FOR FELLOWSHIP OF MAN.

IN ITS POLICY CONCERNING FOREIGNERS, THE FEDERAL GOVERNMENT IS

GUIDED BY THREE PRINCIPLES: FIRST, THE INTEGRATION OF THE FOREIGNERS LIVING AMONG US IS AN IMPORTANT GOAL OF OUR POLICY ON FOREIGNERS. INTEGRATION DOES NOT MEAN LOSS OF ONE'S OWN IDENTITY BUT THE COEXISTENCE OF FOREIGNERS AND GERMANS WITH AS FEW TENSIONS AS POSSIBLE. INTEGRATION IS POSSIBLE ONLY IF THE NUMBER OF THE FOREIGNERS IN OUR COUNTRY DOES NOT INCREASE FURTHER. ABOVE ALL IT IS NECESSARY TO PREVENT UNLIMITED AND UNCONTROLLED IMMIGRATION. ((APPLAUSE))

SECOND, THE FEDERAL GOVERNMENT WILL MAINTAIN THE RECRUITING HALT AND RESTRICT FAMILY REUNIONS -- ESPECIALLY IN THE INTERESTS OF THE CHILDREN WHO ARE NEEDED TO A FAMILY OF THEIR OWN. THE FEDERAL GOVERNMENT WILL WORK TO ACHIEVE BY MEANS OF ASSOCIATION AGREEMENTS ((ASSOZIIERUNGSABKOMMEN)) THAT NO IMMIGRATION WAVE WILL SET LOOSE AGAIN. ((APPLAUSE))

THIRD, IT IS NECESSARY TO FACILITATE THE RETURN HOME OF THOSE FOREIGNERS WHO WISH TO GO BACK TO THEIR HOMELAND. EVERY PERSON HAS A RIGHT TO LIVE IN HIS HOMELAND. THE FOREIGNERS IN GERMANY SHOULD BE ABLE TO DECIDE FREELY. HOWEVER, THEY MUST DECIDE INDEED WHETHER THEY WISH TO RETURN TO THEIR HOMELAND OR WHETHER THEY WISH TO STAY WITH US AND INTEGRATE. WITH REPRESENTATIVES OF THE FEDERAL GOVERNMENT, THE LAENDER AND COMMUNITIES, THE FEDERAL GOVERNMENT WILL SET UP A WORKING COMMISSION WHICH WILL SUBMIT ITS PROPOSALS AND RECOMMENDATIONS EARLY NEXT YEAR. AS A CONCLUDING REMARK, WE WILL DO EVERYTHING TO PREVENT ANY ABUSE OF THE RIGHT TO ASYLUM. ((APPLAUSE))

THE FOURTH KEY POINT OF OUR GOVERNMENTAL WORK IN THE NEXT FEW MONTHS IS REPRESENTED BY THE FOREIGN AND SECURITY POLICY. THIS POLICY REMAINS ONE FOR FREEDOM, ((APPLAUSE)) ONE FOR PEACE IN EUROPE AND THROUGHOUT THE WORLD, ((APPLAUSE)) ONE FOR ALL GERMAN PEOPLE'S RIGHT TO SELF-DETERMINATION, ((APPLAUSE)) ONE FOR EUROPE'S UNIFICATION, ((APPLAUSE)) AND ONE FOR HUMAN RIGHTS AND AGAINST HUNGER AND MISERY. ((APPLAUSE))

((TEXT)) THE FOUNDATIONS OF GERMAN FOREIGN AND SECURITY POLICY ARE THE NORTH ATLANTIC ALLIANCE AND THE FRIENDSHIP AND PARTNERSHIP WITH THE UNITED STATES OF AMERICA. ((APPLAUSE)) IT IS AN ALLIANCE WHICH DOES NOT THREATEN ANYONE AND WHICH DOES NOT ASPIRE TO SUPERIORITY, BUT WHICH CANNOT AND WILL NOT TOLERATE LASTING INFERIORITY FOR THE SAKE OF PRESERVING PEACE. ((APPLAUSE))

AT THIS POINT, LET ME RECALL A CENTRAL PASSAGE FROM THE BONN STATEMENT OF THE ALLIANCE DATED 10 JUNE 1982. IT SAYS IN PART: NONE OF OUR WEAPONS WILL EVER BE USED EXCEPT IN REPLY TO AGGRESSION,

OUR FRIENDS AND ALLIES, BUT ALSO OUR PARTNERS ALL OVER THE WORLD, MUST KNOW THAT THEY CAN RELY ON THE STRAIGHT LINE AND THE PREDICTABILITY OF OUR POLICY. ((APPLAUSE)) A WAVERING POSITION IS FATALLY DANGEROUS FOR THE FRG. THE ALLIANCE IS THE CRUX OF GERMAN REASON OF STATE. ((APPLAUSE; INTERJECTION))

IT IS AMAZING THAT YOU ARE GETTING EXCITED ABOUT THIS, SO FAR I HAD BELIEVED THAT THIS WAS OUR COMMON OPINION. ((APPLAUSE))

WHAT IS BOUND TOGETHER HERE IS THE BASIC VALUES OF OUR LIBERAL CONSTITUTION WHICH WE SUPPORT, THE SOCIOECONOMIC ORDER IN WHICH WE LIVE AND THE SECURITY WHICH WE NEED. ((APPLAUSE)) THIS CREATES CLEAR PRIORITIES FOR THE FEDERAL GOVERNMENT:

FIRST, WE WILL REMOVE U.S.-GERMAN RELATIONS FROM THE TWILIGHT AND REAFFIRM AND STABILIZE FRIENDSHIP. ((APPLAUSE)) FOR THIS REASON I WILL BE GOING TO WASHINGTON IN A FEW DAYS TO MAKE MY CONTRIBUTION TO DEEPENING PARTNERSHIP THROUGH INTENSIFIED CONSULTATIONS AND ENHANCING MUTUAL EXCHANGES ON ALL LEVELS. ((COMMOTION))

SECOND, THE FEDERAL GOVERNMENT RENEWS ITS SUPPORT FOR THE ATLANTIC ALLIANCE. IT FORMS THE BASIS OF OUR POLICY OF ACTIVELY SAFEGUARDING PEACE. ((APPLAUSE)) ONE PROVIDES SECURITY FOR THE OTHER IN FENDING OFF A COMMON DANGER -- THIS IS SECURITY PARTNERSHIP.

((APPLAUSE))

WITHOUT RESERVATION WE STRESS THE OVERALL STRATEGY OF THE ALLIANCE FOR OUR RELATIONS WITH THE EAST AS STIPULATED IN THE HARMEL REPORT AND REAFFIRMED AT THE BONN NATO SUMMIT MEETING. IT CONTAINS THE INSTRUMENTS FOR SUCCESSFULLY SAFEGUARDING PEACE IN EUROPE -- BALANCE AND DEFENSE CAPABILITY, DISARMAMENT AND ARMS CONTROL, DIALOGUE AND COOPERATION. THE FEDERAL GOVERNMENT ADVOCATES THAT THE BURDEN BE SHARED FAIRLY IN THE ALLIANCE ESPECIALLY IN THIS CONNECTION AS WELL.

THIRD, IT IS OUR PRIMARY OBJECTIVE, THROUGH CONCRETE, BALANCED AND VERIFIABLE NEGOTIATION RESULTS, TO ESTABLISH AND STABILIZE A MILITARY BALANCE ON AS LOW A LEVEL OF ARMAMENTS AS POSSIBLE.

((APPLAUSE))

LADIES AND GENTLEMEN, CREATING PEACE WITHOUT WEAPONS IS AN UNDERSTANDABLE DESIRE, A WONDERFUL DREAM, YET IT IS ABOVE ALL A FATALLY DANGEROUS ILLUSION. ((APPLAUSE)) CREATING PEACE WITH WEAPONS ALONE WOULD BE A DEADLY DELUSION. CREATING PEACE WITH CONSTANTLY FEWER WEAPONS IS THE TASK OF OUR ERA.

((APPLAUSE))

THIS IS WHY WE SUPPORT THE INITIATIVES COORDINATED IN THE ALLIANCE WHICH TOGETHER REPRESENT THE MOST COMPREHENSIVE ARMS CONTROL OFFER EVER MADE TO THE SOVIET SIDE. WITHOUT RESERVATIONS THE FEDERAL GOVERNMENT ADHERES TO THE 1979 NATO DUAL DECISION. ((APPLAUSE)) IT IS THE VERY DECISION WHICH OFFERS NEGOTIATIONS ON THE REDUCTION AND LIMITATION OF SOVIET AND U.S. MEDIUM-RANGE NUCLEAR SYSTEMS. THE FEDERAL GOVERNMENT WILL LIVE UP TO THE DECISIONS AND PROMOTE THEM AT HOME -- THE PART INVOLVING THE NEGOTIATIONS AND, IF NECESSARY, ALSO THE PART INVOLVING COUNTERARMAMENT. THE FEDERAL GOVERNMENT REMEMBERS THAT IT IS ONE OF THE MERITS OF A SOCIAL DEMOCRATIC-LED FEDERAL GOVERNMENT AND A SOCIAL DEMOCRATIC FEDERAL CHANCELLOR TO HAVE DEMANDED THE DECISION AND TO HAVE PUSHED IT THROUGH WITHIN THE ALLIANCE. ((APPLAUSE))

ONLY IF THE SOVIET UNION IS AWARE THAT IT MUST DEFINITELY
CONSENT TO THE DEPLOYMENT OF U.S. SYSTEMS IN EUROPE BEGINNING
IN LATE 1983 CAN WE EXPECT THAT IT WILL CONTRIBUTE TO GOOD RESULTS AT
THE NEGOTIATIONS. THE FEDERAL GOVERNMENT SUPPORTS TO THE WESTERN
NEGOTIATING GOAL OF A BILATERAL ZERO SOLUTION, THAT IS, FULL
RENUNCIATION OF SOVIET AND U.S. LAND-BASED MEDIUM-RANGE SYSTEMS.
IN THE FIRST GOVERNMENT STATEMENT BY THE NEW FEDERAL GOVERNMENT, I
ALSO CALL ON THE SOVIET UNION AND ITS LEADERS TO REACT POSITIVELY
TO THESE PROPOSALS. ((APPLAUSE))

THE FEDERAL GOVERNMENT EXPRESSLY ENDORSES THE U.S. PROPOSAL
ADVANCED WITHIN THE FRAMEWORK OF THE START NEGOTIATIONS TO
DECISIVELY REDUCE THE STOCKPILE OF STRATEGIC NUCLEAR WEAPONS ON
BOTH SIDES. WE WANT EARLY PROGRESS TO BE ACHIEVED AT THE VIENNA
MBFR NEGOTIATIONS. IN ADDITION, WITHIN THE FRAMEWORK OF THE
CSCE, WE ADVOCATE THE ESTABLISHMENT OF AN ARMS CONTROL FORUM
WHICH WILL INCLUDE ALL OF EUROPE, FROM THE ATLANTIC TO THE URALS.
AT THE CSCE FOLLOW-UP MEETING, WE WILL EXPRESSLY ADVOCATE THE
ADOPTION OF A BALANCED FINAL DOCUMENT, A PRECISE MANDATE FOR
THE CONVOCAION OF A CONFERENCE ON DISARMAMENT IN EUROPE. IN ITS
INITIAL PHASE THIS CONFERENCE IS TO HAP OUT NEW AND MILITARILY
SIGNIFICANT CONFIDENCE-BUILDING MEASURES FOR ALL OF
EUROPE. ((APPLAUSE))

WITHIN THE UN FRAMEWORK WILL ADVOCATE THE CONTINUATION OF THE
DIALOGUE WITH THE THIRD WORLD ON SECURITY POLICY. IN THIS CONTEXT
WE ATTACH SPECIAL SIGNIFICANCE TO THE FURTHER DEVELOPMENT OF
CONFIDENCE-BUILDING MEASURES IN THIS SPHERE AS WELL.

LADIES AND GENTLEMEN, WITHIN THE FRAMEWORK OF THE GENEVA
DISARMAMENT COMMITTEE, THE FEDERAL GOVERNMENT PURSUES THE GOAL OF
A COMPLETE BAN OF CHEMICAL WEAPONS THROUGH A RELIABLY VERIFIABLE
INTERNATIONAL AGREEMENT. THIS WOULD ALSO DO AWAY WITH CHEMICAL
WEAPONS IN ALL OF EUROPE. ((APPLAUSE))

IN VIEW OF THE EXPERIENCES OF OUR PEOPLE IN THIS CENTURY,

ESPECIALLY IN TWO GREAT WARS WITH ALL THE DISTRESS AND MISERY THAT
VISITED OUR COUNTRY, WE TELL ALL OUR CITIZENS, AND WE EXPRESS
THIS TO ALL PEOPLES OF THE WORLD: WE GERMANS WANT NEITHER
NUCLEAR NOR CONVENTIONAL WAR. WHAT WE WANT IS PEACE IN FREEDOM.

((APPLAUSE))

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