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TO IMMEDIATE FCO

TELEGRAM NUMBER 454 OF 11 JUNE

INFO IMMEDIATE MADRID, PARIS, ROME, UKREP BRUSSELS

INFO ROUTINE OTHER EC POSTS

3 ltr:

Read in full

EUROPEAN COUNCIL: CAP REFORM, THE BRUSSELS PACKAGE AND ENLARGEMENT

1. WE ARE INFORMED BY THE FEDERAL CHANCELLOR'S OFFICE THAT HE CONSIDERS THE COMMUNITY'S MAJOR TASK FOR 1981 TO BE THE STRUCTURAL REFORM OF THE CAP. HE WILL PRESS IN VENICE FOR A FIRM DECLARATION OF INTENT TO BE INCLUDED IN THE COMMUNIQUE, REQUIRING THE COMMISSION TO PRODUCE SUBSTANTIVE RECOMMENDATIONS WELL IN TIME FOR THEIR DEADLINE OF 1 JUNE 1981, AND INSTRUCTING THE COUNCIL OF MINISTERS TO REACH AN AGREEMENT BY THE END OF NEXT YEAR.
2. THIS WAS FORESHADOWED BY SCHMIDT'S SPEECH TO THE SPD PARTY CONFERENCE ON MONDAY IN WHICH HE STRESSED THE IMPORTANCE OF REMOVING THE CAUSES OF IMBALANCE IN RECEIPTS AND PAYMENTS AMONG EC MEMBERS: THIS WAS PARTICULARLY TRUE OF QUOTE THE IMPLEMENTATION MECHANISM OF THE PRINCIPLES OF THE CAP UNQUOTE. IN A LATER INTERVENTION IN THE GENERAL DEBATE, HOWEVER, HE SOUNDED A NOTE OF CAUTION: THERE WAS NO SENSE IN MAKING DESTRUCTIVE CRITICISMS OF THE CAP WITHOUT CONSTRUCTIVE PROPOSALS.
3. IT IS LIKELY THAT THIS THEME WILL STRIKE A CHORD WITH THE PUBLIC AT LARGE. THE UK IS THE IMMEDIATE WHIPPING BOY FOR A POPULATION FACING TAX INCREASES AS A DIRECT RESULT OF THE BRUSSELS PACKAGE. NEVERTHELESS MORE THOUGHTFUL COMMENTATORS HAVE POINTED TO THE CAP AS THE REAL CULPRIT: THE BENEFITS DRAWN BY FRANCE HAVE NOT PASSED UNNOTICED. EVEN THE FDP, LONG CONSTRAINED FROM REALISTIC CRITICISM OF THE CAP BY ERTL'S TENURE AS MINISTER OF AGRICULTURE, OPENLY OPPOSED ITS CURRENT OPERATION AT THEIR OWN PARTY CONFERENCE LAST WEEKEND. AS I SUGGESTED IN MY TELNO 447, THEREFORE, WITH THE CAP NOW DRAWING BLOOD IN THE FRG, THE POLITICAL LINES AT LAST SEEM CLEAR FOR SCHMIDT TO MAKE AN INITIATIVE WITHIN THE COMMUNITY.
4. AGAINST THIS BACKGROUND, WE DO NOT BELIEVE THAT THE GERMANS WOULD BE TOO DISAPPOINTED IF THE MOMENTUM WERE TAKEN OUT OF SPANISH ENTRY NEGOTIATIONS. THE INTERNAL DISCUSSION OF CAP REFORM WITHIN THE NINE WILL BE DIFFICULT ENOUGH WITHOUT THE NEED TO RUN A PARALLEL NEGOTIATION WITH SPAIN ON SENSITIVE AGRICULTURAL PRODUCTS. SCHMIDT TOOK CARE TO WARN THE SPD CONFERENCE THAT UNLESS THERE WERE CHANGES IN EXISTING COMMUNITY ARRANGEMENTS, IT WOULD BE IMPOSSIBLE TO FINANCE ENLARGEMENT. THIS IS VERY MUCH THE VIEW OF THE ECONOMIC SIDE OF THE ADMINISTRATION, WHERE IT IS FELT THAT THE RESTRUCTURING OF THE CAP SHOULD BE IN THE BAG BEFORE THE COMMUNITY WAS REQUIRED TO FACE SPANISH DEMANDS.
5. THAT SAID, THERE IS CONSIDERABLE IRRITATION WITH GISCARD. WHILE THE FEDERAL GOVERNMENT SYMPATHISE WITH HIS POLITICAL PROBLEMS AND HAD RECOGNISED WELL BEFORE THE BRUSSELS PACKAGE HIS NEED TO DELAY DETAILED DISCUSSION OF SPANISH ACCESSION TERMS UNTIL AFTER THE FRENCH ELECTIONS, MINISTERS HERE RESENT THE MANNER IN WHICH HE

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SPRUNG THE PROBLEM AND CONSIDER HIS LANGUAGE TO HAVE BEEN UNNECESSARILY BLUNT. IT IS CONSIDERED HERE POLITICALLY IMPOSSIBLE TO CLOSE THE DOOR ON SPAIN AND THE ASSESSMENT IS THAT GISCARD'S MOTIVES ARE PARTLY ELECTORAL AND PARTLY TO PREPARE THE FRENCH NEGOTIATING POSITION FOR NEXT SUMMER'S CONSIDERATION OF THE CAP.

6. OUR CONVERSATIONS WITH THE FEDERAL FOREIGN MINISTRY HAVE INDICATED OTHER FRG PREOCCUPATIONS FOR VENICE AS FOLLOWS:

(A) FOREIGN POLICY: THE FEDERAL CHANCELLOR WOULD WANT TO TALK ABOUT HIS IMPENDING VISIT TO MOSCOW.

(B) THE NEED TO GIVE THE SMALLER COMMUNITY MEMBERS THE FEELING OF BEING STILL QUOTE ON THE INSIDE UNQUOTE.

(C) PREPARATIONS FOR THE INTERNATIONAL ECONOMIC SUMMIT IN VENICE: ANOTHER AREA WHERE IT WAS IMPORTANT TO SOOTHE THE NON-PARTICIPANTS.

(D) NORTH/SOUTH SUMMIT: WE ARE INFORMED BY THE FEDERAL FOREIGN MINISTRY THAT SCHMIDT WILL WISH TO TALK ABOUT A COMMUNITY POSITION TOWARDS THE SUMMIT PROPOSAL IN THE BRANDT REPORT.

7. MY 2 IFTS COVER EAST/WEST RELATIONS AND THE PRESENT STATE OF DOMESTIC POLITICS FOLLOWING THE SPD AND FDP PRE-ELECTION PARTY CONFERENCES.

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