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FM BONN 281245Z FEB 60

TO PRIORITY FCO

TELEGRAM NUMBER 200 OF 28 FEBRUARY

INFO UKREP BRUSSELS ROME

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Read in full

YOUR TEL NO 129.

CHANCELLOR SCHMIDT'S VISIT : REFORM OF THE CAP

1. I AM SURE THAT YOU AND THE PRIME MINISTER REALISE THAT CHANCELLOR SCHMIDT IS HANDING YOU THE POISONED CHALICE. IT IS NOT, OF COURSE, THAT SCHMIDT DOES NOT SINCERELY WISH FOR A REFORM OF THE COMMON AGRICULTURE POLICY. LIKE ALL SENSIBLE PEOPLE, HE THINKS IT IS A DISASTER AREA OF THE COMMUNITY. IT WASTES A LOT OF MONEY, PRODUCES A LOT OF UNNECESSARY NOURISHMENT, UPSETS THIRD COUNTRIES AND IS LIKELY, THROUGH ITS FINANCIAL EXCESSES, TO BRING ABOUT THE COLLAPSE OF THE COMMUNITY. BUT HE IS THINKING OF MUCH MORE GRADUAL REFORM THAN WE ARE, GIVING GREATER WEIGHT TO MAINTAINING FARMERS' INCOMES. HIS MAIN IMMEDIATE INTEREST IS IN ENFORCING THE 1 PER CENT VAT CEILING ON COMMUNITY EXPENDITURE.
2. WHY DOES HE HIMSELF NOT TAKE THE LEAD FOR RAPID AND RADICAL REFORM? I SUGGEST THERE ARE AT LEAST THREE REASONS OF MAJOR IMPORTANCE. FIRST TO DO SO WOULD BRING ABOUT A MAJOR ROW WITHIN HIS OWN COALITION. HIS AGRICULTURAL MINISTER, ERTL, WHILE PREACHING MODERATION IN AGRICULTURAL PRICE RISES, IS CERTAINLY NOT A MAN TO GO ALONG WITH MAJOR REFORM. HE HAS BEEN MINISTER OF AGRICULTURE FOR OVER 10 YEARS AND HAS PRESIDED OVER A VERY CONSIDERABLE INCREASE IN THE PROSPERITY OF THE GERMAN FARMER TO HIS OWN VERY CONSIDERABLE POLITICAL PRESTIGE. WHETHER OR NOT HE RETAINS HIS OFFICE AFTER THE ELECTIONS ON OCTOBER 5 TH -AND THERE HAVE BEEN SIGNS THAT HE WISHES TO RETURN TO PRIVATE LIFE -- HE IS NOT THE SORT OF MAN TO STAND FOR HIS WHOLE RECORD AS AGRICULTURE MINISTER BEING UNDERMINED. REFORM OF THE COMMON AGRICULTURE POLICY, AS SEEN FROM BONN, CAN ONLY MEAN A REFORM BASED ON PRESERVATION OF THOSE ELEMENTS WHICH HAVE BEEN OF PARTICULAR BENEFIT TO GERMAN FARMERS. I CANNOT SEE THE PRESENT GERMAN GOVERNMENT PUTTING MUCH STEAM BEHIND RADICAL REFORM NOR ANY LIKELY SUCCESSOR, EXCEPT INsofar AS REFORM MAY BE FORCED UPON THE CAP BY FINANCIAL CONSTRAINTS (SEE THE RECENT GERMAN INITIATIVE IN ECOFIN).
3. SECONDLY THE COMMON AGRICULTURE POLICY FORMS PART OF THE ESSENTIAL DEAL WITH FRANCE WHICH LAY AT THE HEART OF THE FOUNDATION OF THE EUROPEAN COMMUNITY. IN POLITICAL TERMS, THE COMMUNITY SYMBOLISES THE POST-WAR RECONCILIATION BETWEEN GERMANY AND FRANCE. IN ECONOMIC TERMS, IT WAS A PACKAGE DEAL BETWEEN GERMAN INDUSTRY AND FRENCH AGRICULTURE. IN THE EVENT, BOTH FRENCH INDUSTRY AND GERMAN AGRICULTURE HAVE TAKEN ADVANTAGE OF THE DEAL. BUT UNLESS THE FRENCH ATTITUDE TO THE COMMON AGRICULTURE POLICY HAS

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CHANGED, AND ON THIS I AM NOT COMPETENT TO JUDGE, THE FACT OF THOSE FUNDAMENTAL DEALS MEANS THAT THERE IS NOT A SNOWBALL'S CHANCE IN HELL OF ANY GERMAN GOVERNMENT PUTTING SUFFICIENT PRESSURE ON ANY FRENCH GOVERNMENT TO PROMOTE RADICAL REFORM.

OF COURSE, IF THE FRENCH POSITION IS CHANGING, THEN THIS ARGUMENT FALLS AWAY. BUT YOU CAN BET YOUR BOTTOM DOLLAR THAT THE GERMANS WOULD ONLY GO AS FAST AND CERTAINLY NO FASTER THAN THE FRENCH ARE PREPARED TO GO ON REFORM.

4. THIRDLY, I BELIEVE IT TO BE THE CONSIDERED VIEW IN LONDON THAT, AS FAR AS THE COMMON AGRICULTURE POLICY IS CONCERNED, QUOTE WHAT IS DESIRABLE IS NOT NEGOTIABLE, AND WHAT IS NEGOTIABLE IS NOT DESIRABLE UNQUOTE. IF THAT IS SO, IT OCCURS TO ME THAT THE THOROUGH GERMANS MAY ALSO HAVE REACHED THIS CONCLUSION FOR THEMSELVES FROM THEIR OWN READING OF THE BRITISH INTEREST. SCHMIDT'S PROPOSAL, ON THIS READING, IS A SAUCY ATTEMPT TO CALL OUR BLUFF.

5. NONE OF THIS IS TO SUGGEST THAT THE REFORM OF THE COMMON AGRICULTURE POLICY IS NOT A THOROUGHLY DESIRABLE OBJECTIVE AND THAT THE WEIGHT OF HER MAJESTY'S GOVERNMENT SHOULD NOT BE BEHIND IT. I ALSO BELIEVE THAT SCHMIDT IS SINCERE IN HIS DESIRE TO GET THIS COW OFF THE ICE. THIS IS MERELY A RECOMMENDATION THAT WE SHOULD EXAMINE VERY CAREFULLY THE TEETH OF THIS GIFT HORSE BEFORE WE ACCEPT DELIVERY OF IT. THE COMMISSION, FOR ALL THEIR DEFECTS, I SUGGEST IS THE PROPER PLACE FOR IDEAS OF THIS SORT, CERTAINLY UNTIL WE HAVE GOT WHAT WE WANT ON OUR OWN BUDGET PROBLEM AND CERTAINLY UNTIL AFTER THE GERMAN ELECTIONS IN OCTOBER 1980 AND THE FRENCH PRESIDENTIAL ELECTIONS IN THE SPRING OF 1981.

6. I SHALL OF COURSE REPORT FURTHER WHEN I HAVE CARRIED OUT YOUR INSTRUCTIONS. THIS TELEGRAM DESCRIBES THE ESSENTIAL BACKGROUND AGAINST WHICH THEY ARE CARRIED OUT.

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