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TO IMMEDIATE FCO

TELEGRAM NUMBER 401 OF 03 DECEMBER

INFO ROUTINE EEC POSTS, UKDEL NATO AND WASHINGTON

VISIT OF NETHERLANDS PRIME MINISTER, 6 DECEMBER:  
NETHERLANDS POLITICAL SCENE

1. MR VAN AGT'S BRIEF VISIT TO LONDON FOR TALKS WITH THE PRIME MINISTER, PROVISIONALLY ARRANGED FOR 6 DECEMBER, COMES AT THE START OF A TESTING MONTH FOR HIM. THERE IS WIDESPREAD SPECULATION THAT HIS CENTRE-RIGHT COALITION COULD FALL OVER THE MODERNISATION OR OVER SOCIO-ECONOMIC POLICIES. THE ODDS HAVE CERTAINLY LENGTHENED AGAINST HIM.

TNF MODERNISATION

2. THE GOVERNMENT FACES A DEBATE IN PARLIAMENT ON 6 DECEMBER. THE CABINET IS EXPECTED TO DECIDE ON 7 DECEMBER WHAT LINE THE MINISTERS OF FOREIGN AFFAIRS AND DEFENCE WILL TAKE AT THE NATO

MINISTERIAL MEETING ON 12 DECEMBER. THEY WILL PROBABLY HAVE TO FACE ANOTHER DEBATE ON 18 DECEMBER. WE HAVE REPORTED IN DETAIL TO THE DEPARTMENT ON THE PROSPECTS.

3. THE GOVERNMENT'S SURVIVAL SEEMS TO DEPEND ON THE VOTES OF A HANDFUL OF MEMBERS ON THE LEFT-WING OF MR VAN AGT'S OWN CHRISTIAN DEMOCRAT PARTY. IT WILL BE DIFFICULT TO CONFINE THE REBELLION - AS SOME IN THE GOVERNMENT APPEAR TO HOPE - BY A STATEMENT AFTER 12 DECEMBER THAT THE GOVERNMENT HAD DONE ITS BEST TO CONVINCING ITS NATO ALLIES TO ACCEPT THE CDA LINE (APPROVING PRODUCTION BUT DELAYING DEPLOYMENT FOR TWO YEARS) BUT HAD BEEN OBLIGED TO GO ALONG WITH THE GREAT MAJORITY OF NATO ALLIES, EVEN IF A SUBSTANTIAL ARMS CONTROL PACKAGE HAD ALSO BEEN AGREED AND ANNOUNCED.

4. MR VAN AGT ALMOST CERTAINLY BELIEVES THAT THE NETHERLANDS NEEDS A CONCESSION ON THE NUMBERS OF NEW WEAPONS TO BE DEPLOYED, BUT HE WILL KNOW THAT HE FACES AN IMPOSSIBLE TASK IN ATTEMPTING TO CONVINCING ALL HIS MAJOR PARTNERS AT A TIME WHEN THE TENDENCY TO BREAK RANKS ON THE ISSUE IS INCREASING AND A NUMBER OF SIGNIFICANT CONCESSIONS ALREADY MADE TO THE DUTCH HAVE MERELY INCREASED THEIR APPETITE FOR MORE.

5. IN THESE CIRCUMSTANCES I DO NOT BELIEVE IT WOULD BE TO THE ALLIANCE'S ADVANTAGE THAT ANY HINT OF FURTHER CONCESSIONS SHOULD BE GIVEN TO THE DUTCH BEFORE 12 DECEMBER. AT THE MEETING ITSELF, IF, AND ONLY IF, THE DUTCH SHOW THEMSELVES READY TO SHOULDER THEIR SHARE OF THE BURDEN AND RESPONSIBILITY, THERE IS A MUCH STRONGER CASE FOR GIVING VAN AGT SOME LIMITED CONCESSION TO BRING HOME, EG A REDUCTION IN THE NETHERLANDS' NUCLEAR TASKS IN WAR-TIME, (ALTHOUGH HE FEELS THAT THESE ARE IN THE BAG ALREADY).

#### SOCIO-ECONOMIC POLICIES

6. THE GOVERNMENT FACES MORE TROUBLE IN PARLIAMENT DURING THE WEEK BEGINNING 10 DECEMBER (IE BETWEEN THE TWO CRUCIAL TMF DEBATES) ON PUBLIC EXPENDITURE ISSUES. IN ORDER TO PERSUADE THE TRADE UNIONS TO LIMIT THEIR DEMANDS FOR 1980 TO A REAL WAGE INCREASE OF BETWEEN 0.5 PERCENT AND 1 PER CENT, THE GOVERNMENT NOW SEEMS LIKELY TO OFFER A PACKAGE OF INCOME TAX CUTS. BUT THIS WILL HAVE TO BE FINANCED, AS MINISTERS HAVE MADE CLEAR, BY INCREASING TAXATION ELSEWHERE OR REDUCING INDEX-LINKED INCREASES IN SOCIAL SECURITY BENEFITS. FOR THE CHRISTIAN DEMOCRATS ANY REDUCTION IN SOCIAL SECURITY STANDARDS AND THE PURCHASING POWER OF THE LOWER PAID ARE ANATHEMA. IF THE GOVERNMENT MEETS THE REQUIREMENT OF THE CHRISTIAN DEMOCRATS THEY RISK LOSING THE SUPPORT OF THE JUNIOR

CHRISTIAN DEMOCRATS THEY RISK LOSING THE SUPPORT OF THE JUNIOR COALITION PARTNER, THE LIBERALS, FOR WHOM REDUCTION IN PUBLIC EXPENDITURE AND INCREASED PRIVATE SECTOR PROFITABILITY ARE EQUALLY ARTICLES OF FAITH.

CONCLUSION

7. ON BOTH THESE ISSUES A BREAK COULD COME EITHER IN CABINET, IF CHRISTIAN DEMOCRAT AND LIBERAL MINISTERS FAIL TO AGREE ON POLICY LINES, OR IN PARLIAMENT, IF ONE OR OTHER COALITION PARTIES FAILS TO SUPPORT THE GOVERNMENT. MR VAN AGT IS NOT WITHOUT FRIENDS: THERE ARE MANY WHO WILL WORK ACTIVELY WITH HIM TO AVOID A SITUATION IN WHICH HIS GOVERNMENT IS BROUGHT DOWN BY HIS OWN PARTY; AND NO ONE BELIEVES THAT THE LIBERALS WANT TO BRING DOWN THE GOVERNMENT ON ECONOMIC POLICY DIFFERENCES, SINCE THEY WOULD ALMOST CERTAINLY THEN EXCLUDE THEMSELVES FROM A SUCCESSOR CABINET. THERE ARE ALSO MANY IN PARLIAMENT WHO WOULD NOT LIKE TO SEE A CRISIS LEADING TO AN ELECTION FOUGHT ON THE NATO AND NUCLEAR ISSUE. DESPITE PESSIMISTIC MOODS MR VAN AGT HAS ALSO SHOWN HIMSELF ABLE TO CONJURE UP COMPROMISES AT AWKWARD MOMENTS. BUT HE HAS CAUSE TO BE WORRIED.

TAYLOR

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