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(FRAME AGRICULTURE)
FM THE HAGUE 231415Z MAY 85

TO IMMEDIATE DESKBY (231600Z) FCO
TELEGRAM NUMBER 163 OF 23 MAY
PRIORITY INFO ROME, UKREP BRUSSELS.

INFORMAL MEETING OF AGRICULTURE MINISTERS AT SIENA : DUTCH APPROACH.

1. THE DUTCH MINISTER OF AGRICULTURE WILL HAVE WITH HIM A BRIEF ENTITLED 'PROSPECTS FOR EC AGRICULTURE POLICY' WHICH MAKES THE FOLLOWING POINTS :

- A) IN CONTRAST TO EARLIER TIMES OF UNLIMITED FINANCIAL RESOURCES AND A NEED TO IMPORT A PROPORTION OF MOST PRODUCTS, IMPROVED TECHNOLOGY AND PRODUCTIVITY HAVE CHANGED THE COMMUNITY INTO A MAJOR EXPORTER OF CERTAIN COMMODITIES, AND PRESSURE ON THE COMMUNITY BUDGET HAS EFFECTIVELY HALVED THE AVERAGE RATE OF GROWTH OF EXPENDITURE ON AGRICULTURE. DECISION- MAKING IS NO LONGER A QUESTION OF TOTTING UP THE REQUIREMENTS OF MEMBER STATES, AND HAS BECOME MORE A QUESTION OF SHARING THE PAIN. THIS DEMANDS A GENUINELY COMMUNAUTAIRE (UNDERLINED) APPROACH.
- B) THESE CHANGED CIRCUMSTANCES BRING PRESSURE ON A MARKET AND PRICE POLICY WHICH CONTAINED A CONSIDERABLE SOCIAL ELEMENT. FUTURE PRICE POLICY MUST TAKE INCREASING ACCOUNT OF THE NEED TO EXPORT ONTO THE WORLD MARKET.
- C) BY NECESSITY SOCIAL CIRCUMSTANCES MUST BECOME LESS DOMINANT IN THE SETTING OF PRICES, AND AGRICULTURE CAN NO LONGER BE PROTECTED FROM MARKET REALITY. A DIFFERENT METHOD MUST BE CHOSEN TO ACHIEVE SPECIFIC SOCIAL AIMS SEMI COLON MORE ATTENTION MIGHT BE PAID TO SUPPLEMENTS WITHIN THE FRAMEWORK OF THE GUIDELINE FOR MOUNTAIN AND PROBLEM AREAS, THE COMMUNITY'S REGIONAL AND SOCIAL POLICY (INCLUDING IMPS), AND NATIONAL SOCIAL POLICY.
- D) A MORE MARKET-ORIENTED PRICE POLICY MEANS THAT THE PRINCIPLE OF SPECIALISATION WILL PLAY A GREATER ROLE IN EUROPEAN AGRICULTURE . MEMBER STATES DIFFER OVER THIS DEPENDING ON THEIR STRUCTURE AND COMPETITIVE POSITION. FOR EXAMPLE, KIECHLE REMARKED THAT HE WOULD NOT COOPERATE IN THE CROWDING OUT OF GERMAN GRAIN PRODUCTION BY MORE EFFICIENT GRAIN-GROWING MEMBER STATES. IN FACT A PRICE REDUCTION FOR CEREALS OF BETWEEN 5 AND 10% WOULD BE QUITE POSSIBLE FOR THE MOST IMPORTANT GRAIN-PRODUCING STATES, FRANCE AND THE UNITED KINGDOM. KIECHLE OBVIOUSLY WISHES TO PLACE AGRICULTURE IN A SORT OF ECONOMIC NATURE RESERVE IN WHICH NORMAL PRINCIPLES DO NOT APPLY (CONTRAST GERMAN CAR PRODUCTION WHICH HAS CONTINUALLY EXPANDED ITS MARKET SHARE).

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- E) FOR THE FUTURE THE CHOICE LIES BETWEEN A MORE MARKET- ORIENTED PRICING POLICY COMBINED WHERE NECESSARY WITH SUPPLEMENTARY SOCIAL POLICY NOT LINKED TO AGRICULTURAL COMMODITIES, AND A SOCIAL AGRICULTURAL PRICING POLICY WHICH WOULD LEAD UNAVOIDABLY TO AN INCREASE IN THE NUMBER OF SECTORS GOVERNED BY QUOTAS (C.F. THE DAIRY SECTOR WHERE SOCIAL CONSIDERATIONS PREDOMINATED FOR TOO LONG).
- F) CEREALS POLICY REMAINS THE KEY. THIS IS RECOGNIZED BY THE COMMISSION DEDICATING ONE OF ITS SIX INTERNAL WORKING GROUPS TO CEREALS AND CHOOSING THREE OTHER WORKING GROUPS ON WHICH CEREALS POLICY WILL HAVE A STRONG INFLUENCE (INTERNATIONAL TRADING, NEW APPLICATIONS OF AGRICULTURAL PRODUCTS, ALTERNATIVE PRODUCTS). TENSION IN AGRICULTURAL TRADE IS GREATEST IN THIS SECTOR AND A REDUCTION OF TENSION CAN ONLY BE ACHIEVED BY THE COMMUNITY GIVING A CLEAR SIGNAL THAT IT IS SERIOUS ABOUT PURSUING A MARKET-ORIENTED CEREALS POLICY AND A REDUCTION OF EXPORT SUBSIDIES. FOR BOTH NEW APPLICATIONS AND ALTERNATIVE PRODUCTS THE PRICE OF CEREALS WILL BE AN IMPORTANT FACTOR.

2. IN CONVERSATION WITH FIRST SECRETARY (AGRICULTURE), PIERHAGEN SAID THAT THE DUTCH HAD NO GREAT EXPECTATIONS OF EITHER SIENA OR THE ANDRIESSEN REVIEW. EXPERTISE, WHETHER INTERNAL OR INDEPENDENT, WAS NOT LACKING, AND EXPERTS COULD QUICKLY IDENTIFY THE CHANGES WHICH WERE NEEDED IN THE CAP. THE REAL PROBLEM REMAINED POLITICS AND THE MECHANISM OF DECISION-MAKING. GERMAN BEHAVIOUR DURING THE PRICE FIXING MARATHON ALLOWED NO OPTIMISM ABOUT THE COMMUNITY'S POLITICAL WILL TO SOLVE ITS PROBLEMS. THE DUTCH WOULD AS ALWAYS WORK CONSTRUCTIVELY BUT WERE CYNICAL ABOUT THE VALUE OF THE EXERCISE. THEY HAD SEEN IT ALL BEFORE. PIERHAGEN THOUGHT THAT THE MOST THAT COULD BE EXPECTED WAS PRICE RESTRAINT PLUS A MOVE IN THE DIRECTION OF GREATER NATIONAL EXPENDITURE ON SOCIAL POLICY WITH A LITTLE MORE FROM THE COMMUNITY IN THE AREAS MENTIONED IN PARAGRAPH 1(C) ABOVE. PIERHAGEN WAS QUITE GLOOMY ABOUT BUDGET DISCIPLINE. IT WAS FULL OF ESCAPE HATCHES AND WAS AT BEST NO MORE THAN ONE EXTRA ELEMENT PUSHING IN THE DIRECTION OF REFORM. THE GERMANS NOW APPEARED TO HAVE ABANDONED IT IN DEED IF NOT IN WORD AND THE UNITED KINGDOM REMAINED VULNERABLE TO AN EVENTUAL BLACKMAIL WHEN ITS REBATE MECHANISM CAME UP FOR REVIEW

3. FCO PLEASE ADVANCE TO MRS ATTRIDGE, PACKER AND MELVILLE, MAFF.

MARGETSON
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