

BRITISH EMBASSY,  
THE HAGUE.

*M. G. S.*  
*PS* - New Union Press  
*14/4*  
8 April 1988

J O Kerr Esq CMG  
AUSS  
FCO

*MARK OFF*  
1. cc. *PS*  
*PS/Dir Chulke*  
*Sir J. Fretwell*  
*Mr Broadwhite*  
*Mr Ruffard*  
*Mr Dai*  
*Mr Lavelle: Cabinet Office*  
2. *De Wall / etc. etc.* *J. de*

Dear John,

THE DELORS SUCCESSION

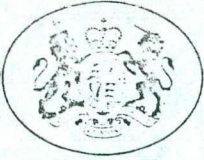
1. In his letter of 29 March, assessing the Commission Presidency stakes, David Hannay commented that there is no evidence that Lubbers wants the job. This is indeed the case, but there have been persistent rumours that he might, in certain circumstances, be interested to move to Brussels. He has himself now tried to halt these stories in comments to the Elseviers magazine (in many respects the Dutch "Economist"). In doing so he appears to have chosen his words carefully, implying that a European post might be attractive to him in the longer term. He told Elseviers:

"I am not a candidate for the chairmanship of the European Commission. My national role is not played out yet. Europe may be a beautiful challenge, and very dear to me, but I cannot and do not wish to leave the Netherlands in the near future."

I enclose a full translation of the article, which ranges widely over the succession issue. Interestingly, the speculation includes a suggestion that the Prime Minister might wish to promote Lubbers.

2. What are we to make of this? Apart from his typically delphic statement, Lubbers is, not surprisingly, keeping his own counsel. His ministerial colleagues and senior members of his party are divided on how to interpret his real objectives. We have been told with equal certainty by different sources that in certain circumstances Lubbers would be delighted to be drafted; and that he has no intention of allowing his name to be put forward at the present time. Most of his colleagues agree that he would be a good choice for the job and that it would be in the Netherlands' interest for him to succeed Delors. But despite assertions that it is time the Dutch had the Commission Presidency there is considerable doubt whether a Netherlands' candidate would have any chance

/of



of getting the job. I suspect that Lubbers sees things in much the same way. There have been some signs that he is wearying of the job of Prime Minister. In a long article in the Vrij Nederland at the end of last year he admitted that in some ways his second term in office was less agreeable than his first. He was surprisingly critical of his ministerial team, which he compared unfavourably with that in his first administration. Recent public opinion polls showed a slight drop in public support for him (one gave more support to the Ministers of Finance and Foreign Affairs than to the Prime Minister). But his term of office runs through to 1990, and were he to leave midway through he would be vulnerable to criticism of abandoning the ship. His departure this year would also leave the CDA with the unenviable task of finding a new leader acceptable to both the party and the coalition as a whole. Recent strains within the parliamentary wings of the coalition have been such that Lubbers would certainly hesitate before opening this particular Pandora's Box.

3. My conclusion is that Lubbers is currently planning on remaining Prime Minister for his full term of office but that he may then want to go on to other things and would not be averse to joining the Commission at some point, either as President or a member of the College. That said, I do not think that he would necessarily refuse outright the chance of a move to Brussels earlier if it seemed likely that the Presidency really was attainable. But he has made clear that he has no intention of undermining his own position here by making a bid for the Brussels job at the present stage. His view might change if Delors was recalled to Paris and it became apparent that he would be likely to get enough support to justify allowing him to be drafted. He undoubtedly enjoys European politics and has many of the attributes to make a success of the job. Of course, the only way of being clearer about any of this would be by a direct approach to Lubbers himself: even then I am not sure how much more one would learn until the kaleidoscope shakes again in Brussels, as no doubt it will.

eg post-Delors  
if Delors does  
an Mar 4 yrs

JH

Yours ever,  
Michael

M R H Jenkins

/cc:



cc: Sir David Hannay KCMG,  
UKREP BRUSSELS

HM Ambassadors: RRUSSELS  
BONN  
ROME  
MADRID

RESTRICTED



BF to JT 19/4  
You might  
like to  
minute X.

BRITISH EMBASSY

THE HAGUE

INF 007

30 March 1988

m.

N Towers Esq  
Information Division  
Treasury Chambers  
Parliament Street  
London SW1P 3AG

cc: PS/Chancellor (Mr. Huttons)  
Mr. Lyden (No. 10)

J.M. C.

A useful addition to  
the canon.

Dear Mr Towers,

PRESS ARTICLE

Ym.  
2:15 X  
a minute? 1/1/80, 1/2/80  
AMH  
SW  
Chick  
Support it  
M.

1. You may be interested in the enclosed article carried in the left-wing Dutch daily newspaper "Het Parool". Particularly interesting is the journalist's remark that Mrs Thatcher has shown that the ideas of the most influential supply economist Milton Friedman work, adding that "anyone supporting these right-wing, neo-classical ideas, is encouraged by Mrs Thatcher to defend his conviction with even more vigour".

2. The article is even more unusual as it is carried in a paper which, traditionally, supports Dutch socialism.

Yours sincerely,

*Joan Clements*  
Joan Clements  
Press Attache

Enc

# Engeland dwingt ook onze politici tot keuzes

door BROER AKKERBOOM

LAWSON, de minister van financiën van Engeland, draagt zijn begroting in net zo'n onooglijk koffertje als onze minister Ruling. Maar daarmee houdt elke overeenkomst ook wel op. De begroting die Lawson begin deze week presenteerde is de neerslag van een succes-verhaal in optima forma.

Want Engeland kent geen zorgenmakend begrotingstekort. Daar schrijft de overheid niet zoals in Nederland elke maand een nieuwe staatslening uit, maar lost de overheid daarentegen voortdurend schulden af. Hier gaat het werkloosheidscijfer slechts mondjesmaat omhoog. In Engeland is de werkloosheidsdaling ronder spectaculair. De economische groei in Nederland bedraagt een kleine 2 procent. In Engeland zit men omstreeks de 3 procent groei. Omgerekend naar Nederlandse verhoudingen elk jaar weer een verschil van zeker 4 miljard gulden.

Hoe zo geneuzel over belastingverlaging? In Engeland bezorgt de hoge economische groei Lawson zo veel financiële meevallers, dat de belastingdruk voor het modale gezin nu omlaag is gebracht tot 25 procent. In 1978, tijdens het Labour-bewind, was die nog 33 procent.

Het Engelse succes-verhaal maakt het optreden van Lawson van afgelopen week tot een wel zeer belangrijke politieke gebeurtenis.

Thatcher geeft de 'zieke man van Europa' zijn grondige opknapeurt, dat andere West-Europese landen minder dan ooit om haar

heen kunnen. De politieke invloed van Engeland in de Europese Gemeenschap zal door dit economische geweld duchtig toenemen. Bovendien zullen de EG-landen bij de aanleg van hun infrastructuur plotseling weer rekening met de ontwikkelingen in Engeland moeten houden. Er gaat een economische as Duitsland-Engeland ontstaan, waar Nederland mogelijk erg weinig van gaat profiteren omdat het daarvoor te ver van de nieuwe Kanaaltunnel afligt.

Ook de door Lawson nagestreefde forse verlaging van de toptarieven bij de belastingen zal zijn uitwerking niet missen.

Tot voor kort verlieten elk jaar duizenden hoog opgeleide Britten hun land, omdat de lonen laag en de hoogste belastingtarieven erg hoog waren. Onder de laatste Labour-regering was het maximale belastingtarief zelfs 83 procent, terwijl die in Nederland nooit de 72 procent heeft overschreden. Onder Lawson zal die uitstroom van talent volledig tot stilstand komen. Voortaan hoeven in Engeland de beter-betaalden over het inkomen boven circa 60.000 gulden niet meer dan 40 procent belasting te betalen. De belastingverlaging is zelfs zo spectaculair dat een toestroom van hoogopgeleiden naar Engeland daarvan heel goed het gevolg zou kunnen zijn. In ieder geval lijkt zeker dat internationale ondernemingen vaker hun

hoofdvestiging en researchlaboratoria in Engeland zullen vestigen. Maar naast de economische invloed zal de begroting van Lawson ook een grote ideologische invloed hebben.

Want met het Engelse beleid lijkt de visie van de aanbod-economen bewezen. Wat Reagan niet lukte, lukt Thatcher. Zij geeft aan dat de ideeën van de meest invloedrijke aanbod-econoom Milton Friedman werken.

Iedereen die deze rechtse, neo-klassieke visie aanhangt, krijgt van Thatcher de argumenten om het eigen gelijk met des te meer kracht te verdedigen. Het be-teugelen van de vakbonden, het verlagen

van de uitkeringen, het mensen hard straffen als ze niet voldoende naar werk zoeken, het vergroten van de inkomensverschillen, het verkleinen van de afstand tussen bruto en netto inkomen ('wig'), het verminderen van de ontslagbescherming, al dit soort harde maatregelen lijken inderdaad de economische groei en werkgelegenheid te hebben bevorderd.

DE EUROPESE POLITICI komen door dit soort ontwikkelingen weer voor een ideologische keus te staan. Or verwacht blijkt dat de samenleving toch nêf maakbaar is dan in brede kring werd gedacht.

Het respectabele weekblad The Economist gaf dat laatst nog eens heel duidelijk aan. Dit blad had een groot aantal landen op

een rijtje gezet naar de mate waarin het land had gekozen voor een zo vrij mogelijke markt, of voor veel mogelijk overleg tussen overheid, werkgevers- en werknemersorganisaties. Opvallende uitkomst was dat de landen die een extreme keus hadden gemaakt het op economisch gebied (inflatie, werkloosheid, economische groei) het best deden. De landen met 'van alles wat' bleken in feite landen met 'van alles niets'. Een middenkoers blijkt niet te lonen. Het is kiezen tussen het kapitalisme van Engeland of de (eveneens harde) super-overlegeconomie van het sociaal-democratische Zweden.

Nederland heeft nog niet gekozen. Het harde financiële beleid dat de overheid voert dient er voornamelijk toe om uitgavenoverschrijdingen te compenseren. Bovendien zijn de aangekondigde belastingverlagingen eigenlijk ook nog maar bescheiden, want zij kunnen bij doorvoering van herzieningen in de ziektekosten en de belastingen niet eens de koopkracht op peil houden. Zelfs de opvallende verlaging van de toptarieven in de belastingen stelt internationaal weinig voor.

Kiezen door Nederland is kiezen door het CDA. Kiezen door het CDA is kiezen door de partijleider. Van Lubbers mag men mogelijk nog een 'sociaal-democratische' keus verwachten. Zijn ideeën gingen vroeger erg ver in die richting. Maar wat als de plannen slagen om Lubbers in 1990 benoemd te krijgen tot voorzitter van de Europese Commissie? Met een (relatieve) lichtgewicht als opvolger van Lubbers kan het balletje dan wel eens erg vreemd gaan rollen.

## S GRAVENHAGE DEZER DAGEN

"Het Parool" 19.3.88

Translation of article in "Het Parool" of 19 March 1988.

## BRITAIN ALSO FORCES OUR POLITICIANS TO MAKE A CHOICE

By Broer Akkerboom

The British Minister of Finance, Nigel Lawson, carries his budget in an equally ugly briefcase as does our Minister of Finance, Onno Ruding. But that is as far as the similarity goes. The budget presented by Mr. Lawson early this week is the result of a success story in the true sense of the word.

Britain does not have an alarming budget deficit. There the government does not issue a new public loan every month as in the Netherlands; on the contrary, it has continuously paid off debts. Here the unemployment figure has dropped only very slowly. In Britain the fall in unemployment is truly spectacular. Economic growth in the Netherlands is a little under 2 percent, in Britain it is roughly 3 percent, which means an annual difference of at least 4 billion guilders (about £1.15 billion).

The substantial economic growth in Britain has provided Mr. Lawson with so many financial windfalls, that the burden of taxation for the average income has been reduced to 25 percent. In 1978, under the Labour Government, it was 33 percent.

The British success story has turned last week's performance of Mr. Lawson into a major political event.

Mrs. Thatcher has given the "sick man of Europe" a thorough treatment, so that other West-European countries cannot ignore her, even less so than they did ever before. The political influence of Britain in the European Community will substantially increase as a result of this economic feat of strength. In addition, EC countries will now have to reckon again with developments in Britain in establishing their infrastructure. An economic Anglo-German axis is being set up, from which the Netherlands is likely to benefit little, as it is situated too far away from the new Channel tunnel.

The substantial reductions in top-salary tax rates pursued by Mr. Lawson are expected to be effective. Until recently thousands of highly trained Britons left their country every year, because salaries were low and the highest tax rates were very high. Under the latest Labour Government the maximum tax rate was even 83 percent, while in the Netherlands it never exceeded 72 percent. Under Mr. Lawson this exodus of talent will come to a full stop. In future higher-income earners of over roughly 60,000 guilders (about £17,150) will not have to pay more than 40 percent tax. The tax reduction has even been so spectacular that this could well lead to an influx of highly trained people into Britain. In any case, what seems certain is that international companies will increasingly be setting up their principal establishments and research laboratories in Britain. Apart from the economic influence, however, the budget of Mr. Lawson will also have a substantial ideological influence.

British policy seems to have borne out the view of the supply economists. What President Reagan did not manage to accomplish, Mrs. Thatcher has. She has shown that the ideas of the most influential supply economist Milton Friedman

work. Anyone supporting these rightwing, neoclassical ideas, is encouraged by Mrs. Thatcher to defend his conviction with even more vigour. Curbing trade unions, reducing benefits, severely punishing people who do not try hard enough to find jobs, increasing income differences, reducing the gap between gross and net incomes, reducing employment protection, all these tough measures seem to have boosted economic growth and employment.

These developments have forced European politicians to make ideological choices. It has unexpectedly turned out that society is more malleable than was generally thought.

The respectable weekly "The Economist" clearly demonstrated this recently. It had listed a large number of countries according to the extent to which the country had opted for an open market or for collective bargaining between government, employers' organisations and trade unions. A striking result was that those countries that had opted for an extreme choice have had the best economic results (inflation, unemployment, economic growth). The results also showed that a middle course does not pay off. The choice is between either the capitalism of Britain or the super-collective-bargaining economy of Social-Democratic Sweden.

The Netherlands has not made a choice yet. The tough financial policy pursued by the Government is mainly aimed at compensating overrunnings in expenditure. Besides, the tax reductions that have been announced, are actually rather modest, because they will not be able to maintain the purchasing power if revisions in medical expenses and taxation are carried through. Even the remarkable top-salary tax-rate reductions don't mean much internationally.

X | A choice by the Netherlands is a choice by the CDA (Christian Democrats). A choice by the CDA is a choice by the party leader, Ruud Lubbers. Mr. Lubbers may still possibly be expected to make a 'Social-Democratic' choice. His ideas used to extend far in that direction. But what if plans succeed to appoint Mr. Lubbers chairman of the European Commission in 1990? With a (relative) lightweight as a successor to Mr. Lubbers one could expect anything to happen.

British Embassy  
The Hague  
25 March 1988

*Translation of article in 'Elsevier' of 2 April 1988.*

EUROPE IS NOT WAITING FOR LUBBERS

NOR WILL ANDRIESSEN BECOME CHAIRMAN OF THE COMMISSION

By Hugo Camps

Prime Minister Ruud Lubbers chose not even to await the results of the Parliamentary debate on his latest economy measures. On the eve of the big duel with CDA (Christian-Democratic) party leader Bert de Vries he told 'Elsevier': "I am not a candidate for the chairmanship of the European Commission. My national role is not played out yet. Europe may be a beautiful challenge, and very dear to me, but I cannot and do not wish to leave the Netherlands in the near future."

Rumours in and around The Hague have thus proved empty. It was rumoured that Lubbers, while keeping everything at the devious level of informal consultations, was positioning himself to succeed Jacques Delors. But the ways of Europe are often even more mysterious than those of the CDA, and in the corridors of the European Commission in Brussels a possible Lubbers candidacy has always been shrugged off. The Dutch Prime Minister's chances were never rated high and Lubbers himself must have known this. Maybe this is why he now says: "The position of the Netherlands in Europe is very satisfactory. Frans Andriessen has managed to build up an excellent reputation among my fellow government leaders."

This much is certain: the list with names of candidates for the chairmanship of the Commission, as it has been circulating between Europe's capital cities for some time, does not include Lubbers' name. "And", adds a top EC official, "during the Hannover summit in June it will become clear that Andriessen is not worth speculating on either. It's between Germany and France."

Speculations in The Hague concerning a forthcoming Euro-career for Ruud Lubbers are only Dutch megalomania, say insiders. With his combination of technocratic cunning and political feeling the Dutch Prime Minister might seem tailor-made for chairmanship of the Commission, but appearances are seldom decisive when it comes to appointments at this level. In the Euro-myth surrounding Lubbers a few Community interests were overlooked from the outset. The Dutch Prime Minister would at best have made a third choice.

Until recently the German Minister of Economic Affairs, Martin Bangemann, was expected to succeed Delors. Since Halstein's first preferment within the Commission in 1958, the Germans have not regained the chairmanship. Bangemann was certainly a candidate who met the criteria of the other member states. But Chancellor Kohl no longer wishes to surrender his minister to the Brussels' Eurocracy. Bangemann's transfer to Europe would mean that the controversial Lambsdorff would once again present himself for a Cabinet's post in Bonn, and Kohl does not intend to go through that nightmare again. Lacking a suitable replacement for Bangemann, the Federal Republic of Germany is no longer an applicant for the chairmanship of the European Commission.



### New Opportunity

With the elimination of the German claim, France now sees an opportunity to have Delors remain in post. Delors himself is interested. Mitterrand, Rocard, and Delors have in the last couple of weeks prepared a French scenario. If Mitterrand wins the French presidential elections, it would not be unlikely for Jacques Delors to be appointed Prime Minister, or rather prime martyr, as it will be an interim cabinet pending the dissolution of Parliament. Faced with this challenge Jacques Delors will not hesitate for a moment, for his honour - and his heart - are in Paris rather than in Brussels. However, Rocard too has shown himself in the past months to be a left-wing candidate with his eyes on the centre. With some prospect of stable government he would certainly be first choice for Mitterrand. Delors could then stay in Brussels.

Moreover, the chairmanship of the European Commission is, now more than ever, seen by Mitterrand as an essential instrument for honing his presidential profile. It is the resolute intention of the French President to build his second term of office around two international challenges: disarmament and Europe. He will therefore be quite willing to sacrifice a lot to keep the chairmanship of the European Commission in French hands. In view of the fraternal relationship between him and Chancellor Kohl, this should be feasible.

Should this Franco-German scenario fail for one reason or another, Mrs. Thatcher could then execute a small power play. And this is where Lubbers would come in. It has more than once surprised and baffled the household of the European Council that the British Prime Minister has cherished her Dutch colleague as an adopted son. This is because Lubbers has shown himself over the years to be an exponent par excellence of Europe-by-numbers. To the disillusionment of the Spanish Prime Minister Gonzalez, who is privately on very good terms with the businessman from Rotterdam, but who is also extremely disappointed about his bookkeeping approach to people, facts, and files. Gonzalez has rightly complained about the fact that the Dutch government during its last EC presidency ignored the issue of structural funds for the poorer member states.

### Impressed

However, Mrs. Thatcher was impressed by Lubbers' expertise with figures. And by his general performance as well. The Dutch Prime Minister has always shown perfect timing in his interventions at European summits, and has the aura of an internationalist lacking any complexes. In this he contrasts with the Belgian Prime Minister Wilfried Martens, who was also tipped as a successor to Delors, but does not have a shadow of a chance. On the European scene Martens can play the endearing country boy, clumsy and amiable. A maestro who during speeches still keeps fumbling at the lapels of his jacket. Such touching shyness is lost, of course, on sophisticated people like Mitterrand, Chirac, and Thatcher. This is another reason why Lubbers' friend from the south has never presented any competition for him.

Two of the seventeen commissioners have already openly expressed their ambition to take up the chairmanship. The Irish commissioner Peter Sutherland has already started an open electoral campaign. However, this 'young foal', as he is furtively called by the Eurocrats, stands little or no chance. The Dutch Agricultural Commissioner Andriessen is of a heavier calibre. He too has lately made a few small electoral moves. Andriessen is praised for his stubborn resistance against the farmers, but few would like to see him as the chairman of the Commission. He is said to be too emotional and not to be up to

date with the facts. He also lacks the toughness of a Delors, who has been tempered in French politics.

Should the Big Three fail to come to an agreement on the chairmanship of the Commission, the Italian candidate Pandolfi would stand the best chances. Moreover, this choice could be seen as a gesture towards the poorer member states in the south. It is still too early for a Spanish chairman of the European Commission, prominent EC strategists argue. But an Italian could act as a suitable bridge between north and south.

British Embassy  
The Hague  
6 April 1988