

CONFIDENTIAL

CONFIDENTIAL

FM BONN

TO PRIORITY FCO

TELNO 223

OF 111715Z MARCH 86

INFO PRIORITY EC POSTS, WASHINGTON

THE FRG AND CAP

SUMMARY

1. GENSCHER AND KOHL REJECT THE BRITISH APPROACH TO CAP REFORM. REMARKS MADE BY STOLTENBERG SUGGEST WEAKENING ON AGREEMENT ON BUDGET DISCIPLINE AS IT APPLIES TO AGRICULTURE.

DETAIL

2. I HAD A SHORT CONVERSATION ABOUT THE CAP WITH GENSCHEER TODAY. HE DESCRIBED THE SITUATION IN THE EC AS VERY SERIOUS. THE FINANCE MINISTERS WERE POINTING OUT THAT THE COMMUNITY WAS APPROACHING THE LIMITS OF ITS FINANCIAL RESOURCES. IF THIS HAD COME AS A SURPRISE TO THEM, THEY OUGHT TO BE RESIGNING AS A BODY: EVERY SCHOOL CHILD HAD KNOWN THAT THIS WAS ONLY A MATTER OF TIME. WHAT TROUBLED GENSCHEER MOST WAS THE FACT THAT THE EC WAS SUPPOSED TO BE "A COMMUNITY OF THE FUTURE", BUT HAD LITTLE MONEY TO DO ANY FUTURE-ORIENTED THINGS BECAUSE IT ALL WENT TO THE CAP.

3. I SAID THIS WAS EXACTLY OUR VIEW, AND SUMMARISED OUR POSITION ON WHAT WAS NEEDED: A SEVERE AND SUSTAINED POLICY OF PRICE RESTRICTION, INCLUDING ACTUAL REDUCTIONS WHERE NECESSARY, SO AS TO CUT NOT ONLY THE COSTS BUT THE SURPLUSES. IF THIS WAS NOT DONE, THE ONLY QUESTION WAS WHETHER THE EC WOULD REACH THE 1.4 PER CENT LIMIT IN 1988 OR IN 1987.

4. GENSCHEER AGREED WITH ME ON THIS LAST CALCULATION, BUT NOT AS REGARDS THE REMEDY. A POLICY WHICH PUT LARGE NUMBERS OF SMALL FARMERS OUT OF BUSINESS WAS POLITICALLY NOT ACCEPTABLE. IN ANY CASE IT WAS NOT THE EXISTENCE OF THESE FARMERS BUT THE DISPOSAL OF SURPLUSES WHICH WAS SO EXPENSIVE. A BETTER APPROACH WAS TO CONCENTRATE ON TAKING LAND PERMANENTLY OUT OF PRODUCTION BY CONVERTING IT TO WOODLAND, MARSH ETC. I SAID I RECOGNISED THE QUOTATIONS FROM THE FDP PAPER ON AGRICULTURAL POLICY, BUT IN OUR VIEW ALL THESE IDEAS COULD ONLY BE MARGINAL. RESTRICTIVE PRICE POLICY WAS THE KEY. DID GENSCHEER THINK THAT AFTER THE BUNDESTAG ELECTIONS IN JANUARY 1987 FRG AGRICULTURAL POLICY MIGHT LOOK DIFFERENT? GENSCHEER'S REPLY WAS "NOT MUCH".

5. AFTER YESTERDAY'S ECOFIN COUNCIL (UKREP BRUSSELS TELNO 835) STOLTENBERG SPOKE OF THE EC'S SERIOUS FINANCIAL DIFFICULTIES AND THE RISK THAT CAP SPENDING WOULD EXCEED THIS YEAR'S BUDGETARY FRAMEWORK. HE CONCENTRATED HIS ATTACK HOWEVER ON THE COMMISSION'S "PROGRAMMING ORGY" WITH NON-OBLIGATORY EXPENDITURE ESPECIALLY ON RESEARCH. THE

CONFIDENTIAL

|PRESS.

CONFIDENTIAL

PRESS HAS CONCLUDED THAT STOLTENBERG IS LOOKING FOR SAVINGS EVERYWHERE, EXCEPT ON THE CAP WHERE IT IS REALLY NECESSARY.

6. I SENT CHANCELLOR KOHL A COPY OF MY RECENT SPEECH ON AGRICULTURAL POLICY, WHICH I BASED ON MATERIAL AGREED WITH THE MAFF. HE HAS WRITTEN BACK REJECTING THE ARGUMENT THAT A RESTRICTIVE PRICE POLICY SHOULD FORM THE CENTREPIECE OF CAP REFORM: TRANSLATION IN MIFT.

COMMENT

7. GENSCHER EVIDENTLY SHARES OUR CONCERN AT THE IMPLICATIONS OF GROWING CAP EXPENDITURE. BUT IT SEEMS THAT NEITHER HE NOR KOHL CONSIDER A POLICY OF PRICE STRINGENCY POLITICALLY TENABLE. IN THIS THEY ARE DOUBTLESS STRENGTHENED BY THE RECENT ELECTIONS IN SCHLESWIG-HOLSTEIN AND THE APPROACH OF ELECTIONS IN LOWER SAXONY. THEY PUT THEIR FAITH IN THE REMEDIES PROPOSED BY KIECHLE, SUCH AS SET-ASIDE, WHICH PURPORT TO OFFER RELATIVELY PAINLESS SOLUTIONS FOR THE FARMER AND THUS SAFEGUARD VOTES.

BULLARD

FRAME AGRICULTURE
ECD(1)
WED

THIS TELEGRAM
WAS NOT
ADVANCED

CONFIDENTIAL