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FM THE HAGUE 251325Z AUG 81

TO PRIORITY FCO

TELEGRAM NUMBER 239 OF 25 AUGUST

INFO SAVING EC POSTS

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THE HAGUE TELEGRAM NO 232 : THE NETHERLANDS : CABINET FORMATION

1. QUEEN BEATRIX'S APPOINTMENT ON 20 AUGUST OF THE ELDER STATESMAN DE GAAY FORTMAN (LEFT-WING CDA: MINISTER OF INTERNAL AFFAIRS UNDER DEN UYL 1973/1977) AS THE NEW INFORMATEUR (LAST WORD UNDERLINED) IS CONSISTENT WITH WIDESPREAD REPORTS OF HER CONVICTION OF THE NEED FOR A CENTRE-LEFT COALITION (PARAGRAPH 5 OF TUR AND MR MANSFIELD'S LETTER OF 21 AUGUST TO GLADSTONE). THE APPOINTMENT ALSO MARKS A REBUFF TO VAN AGT. DE GAAY FORTMAN HAD PUBLICLY CRITICISED VAN AGT'S HANDLING OF THE FORMATION NEGOTIATIONS AND HAD DECLARED HIMSELF A STRONG SUPPORTER OF A CDA/PVDA/D'66 COALITION ON THE LINES SUGGESTED BY THE TWO EARLIER FORMATEURS, (LAST WORD UNDERLINED) KREMERS AND VAN THIJN. VAN AGT HAD ALREADY BEEN DISCOMFITED BY THE SUPPORT OF AN IMPORTANT ELEMENT IN THE CDA GROUP IN THE SECOND CHAMBER (THE "FRACTIE"), INCLUDING LUBBERS, THE DEPUTY FRACTIE LEADER, FOR A COALITION WITH PVDA AND D'66 ON THE TERMS PROPOSED.

2. ON 24 AUGUST VAN AGT REACTED BY RESIGNING AS LEADER OF THE CDA FRACTIE ON THE GROUNDS THAT HIS AUTHORITY AS FRACTIE LEADER HAD BEEN SIGNIFICANTLY WEAKENED AND HE COULD THUS NO LONGER REPRESENT THE CDA IN THE FORMATION NEGOTIATIONS. HE MADE IT CLEAR THAT HE WAS STILL PREPARED TO BECOME PRIME MINISTER OF ANY CENTRE-LEFT COALITION. BUT THIS WOULD HAVE TO BE BASED ON GENERAL (AND CLEARLY DEFINED) AGREEMENT (WHICH VAN AGT NOTED HAD NOT YET BEEN ACHIEVED) TO GIVE PRIORITY TO ECONOMIC RECOVERY AND THROUGH IT INCREASED EMPLOYMENT AS DISTINCT FROM THE PVDA WISH TO MAKE THE LATTER THE PRIME OBJECTIVE.

3. THE CDA FRACTIE IS MEETING TODAY TO CONSIDER THE POSITION. AS FRACTIE LEADER IN PLACE OF VAN AGT THEY SEEM LIKELY TO APPOINT LUBBERS. HE IS KNOWN TO BE CONTENT WITH THE DEGREE OF AGREEMENT ON POLICY SO FAR ARRIVED AT WITH THE PVDA AND D'66. LUBBERS WOULD THUS REPRESENT THE CDA IN THE NEGOTIATIONS DE GAAY FORTMAN IS NOW UNDERTAKING.

4. IN THEORY THE APPOINTMENT OF LUBBERS INCREASES THE CHANCES OF A CDA/PVDA/D'66 COALITION GETTING OFF THE GROUND. IN PRACTICE VAN AGT WILL EXERCISE A POWERFUL INFLUENCE BEHIND THE SCENES. NEVERTHELESS HIS POLITICAL AUTHORITY HAS BEEN UNDERMINED. HE

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CANNOT NOW PARTICIPATE DIRECTLY IN THE FORMATION NEGOTIATIONS.
THE CDA FRACTIE NOW FACES A CHOICE BETWEEN GIVING LUBBERS A
MANDATE TO PROCEED ON THE BASIS OF THE PACKAGE WORKED OUT
BY KREMERS AND VAN THIJN, TO WHICH VAN AGT AND HIS SUPPORTERS
STILL OBJECT (SEMI COLON) OR DECIDING THAT THE LOSS OF VAN AGT
WOULD BE TOO HIGH A PRICE TO PAY AND GIVING THEIR NEW NEGOTIATOR
A MORE RESTRICTIVE REMIT.

FCO PLEASE PASS TO SAVING ADDRESSEES.

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FM THE HAGUE 200905Z AUG 81

TO PRIORITY FCO

TELEGRAM NUMBER 232 OF 20 AUGUST

INFO SAVING MODUK (DS 17), EC POSTS, UKDEL NATO, WASHINGTON AND MOSCOW.

MY TEL NO 224

THE NETHERLANDS : CABINET FORMATION

1. THE TWO FORMATEURS APPOINTED BY QUEEN BEATRIX ON 4 AUGUST WITH THE AIM OF PUTTING THE FINISHING TOUCHES TO THE PROPOSED CHRISTIAN DEMOCRAT (CDA)/SOCIALIST (PVDA)/DEMOCRATS '66 COALITION REPORTED BACK TO HER ON 19 AUGUST ADMITTING FAILURE.

2. THEIR DECISION TO DO THIS, AFTER TWO WEEKS OF INTENSE NEGOTIATION, FLOWED DIRECTLY FROM THAT TAKEN BY THE CDA PARLIAMENTARY PARTY WHEN IT MET ON 19 AUGUST TO CONSIDER THE UNRESOLVED POINTS STILL ON THE TABLE (THE PVDA AND D'66 HAVING ALREADY ACCEPTED THE PROPOSALS PUT FORWARD BY THE INFORMATEURS ON 3 AUGUST, THE CDA HAD BEEN THE DEMANDEURS IN THIS LATEST PHASE OF THE TALKS).

3. THE CDA'S DECISION WAS MADE AGAINST THE BACKGROUND OF A DETAILED LETTER WHICH VAN AGT SENT TO THE FORMATEURS ON 18 AUGUST, SETTING OUT HIS REMAINING DEMANDS. FORTY SEVEN OUT OF THE FORTY EIGHT MEMBERS OF THE PARLIAMENTARY PARTY WERE PRESENT. TWELVE VOTED IN FAVOUR OF ACCEPTING THE PACKAGE ON THE TABLE (I.E. WITHOUT PRESSING FOR THE FURTHER CHANGES DESIRED BY VAN AGT). THE OTHER THIRTY FIVE SUPPORTED VAN AGT (THOUGH SIXTEEN OF THEM DID SO ONLY BECAUSE OF HIS THREAT TO RESIGN IF NOT SUPPORTED BY THE PARTY). FACED WITH THIS OUTCOME THE FORMATEURS CONCLUDED THAT THEY COULD NOT FORM A CDA/PVDA/D'66 CABINET.

4. VAN AGT'S LETTER OF 18 AUGUST (COPY BY BAG) DEALT MAINLY WITH SOCIO-ECONOMIC MATTERS, EMPHASISING IN PARTICULAR THE CDA VIEW THAT CUTS IN GOVERNMENT EXPENDITURE TOTALLING FOUR AND A HALF BILLION GUILDERS NEEDED TO BE MADE IN THE NEXT FINANCIAL YEAR (A POINT NOT ACCEPTED BY THE PVDA OR D'66). IT ALSO, HOWEVER, INCLUDED A FIRMLY WORDED PASSAGE ON DEFENCE, EMPHASISING THAT THE CDA INSISTED THAT THE FINAL TEXT PROPOSED BY THE INFORMATEURS (MY TEL NO 225), RATHER THAN THE GLOSS SUBSEQUENTLY PUT ON IT BY THE PVDA (BUDD'S MINUTE OF 6 AUGUST, NOT TO ALL), SHOULD DETERMINE THE DEFENCE POLICY OF THE NEW CABINET.

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5. THE WAY FORWARD IS NOT YET CLEAR, BUT IT SEEMS LIKELY THAT THE QUEEN WILL CONSIDER APPOINTING ONE OR MORE NEW FORMATEURS IN A FURTHER EFFORT TO SALVAGE THIS COALITION. SHE IS KNOWN TO BE WORRIED ABOUT THE DANGER THAT THE PVDA WOULD MOVE TO THE LEFT IF ITS FOUR YEAR SPELL IN OPPOSITION WERE NOW TO BE RENEWED.

FCO PLEASE PASS SAVING ADDRESSEES.

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FM THE HAGUE 050725Z AUG 81.

TO PRIORITY FCO

TELEGRAM NUMBER 224 OF 05 AUGUST

INFO MOD (DS 12 AND 17) AND UKDEL NATO

INFO SAVING TO EC POSTS WASHINGTON AND MOSCOW

MY TEL NO 223

THE NETHERLANDS: CABINET FORMATION

1. THE THREE INFORMATEURS, HAVING DECIDED THAT THEY HAD DONE ALL THAT THEY COULD, HANDED IN THEIR FINAL REPORT TO QUEEN BEATRIX ON 3 AUGUST. THEY ARGUED THAT ENOUGH PROGRESS HAD BEEN MADE IN PREPARING THE WAY FOR A CHRISTIAN DEMOCRAT (CDA)/SOCIALIST (PVDA)/DEMOCRATS '66 COALITION TO JUSTIFY THE APPOINTMENT BY THE QUEEN OF ONE OR MORE FORMATEURS TO COMPLETE THE PROCESS. THEY ALSO COMMENTED ON THE THREE CDA OBJECTIONS REPORTED IN PARAGRAPH 3 OF MY TUR:

(A) THE CDA AND PVDA HAD NOW REACHED AGREEMENT ON EDUCATION POLICY.

(B) THE INFORMATEURS HAD NOW PRODUCED A NEW TEXT (SEE MIFT) ON DEFENCE POLICY, WHICH OUGHT TO BE ACCEPTABLE TO ALL CONCERNED.

(C) THEY WERE CONTENT TO LEAVE TO THE FORMATEURS THE CDA REQUEST FOR VARIOUS ASPECTS OF SOCIO-ECONOMIC POLICY TO BE DISCUSSED FURTHER BEFORE THE ESTABLISHMENT OF THE NEW GOVERNMENT.

2. THE INFORMATEURS PRESENTED THIS REPORT TO THE QUEEN WITHOUT WAITING FOR THE PARTIES CONCERNED TO APPROVE IT FIRST. IN THE COURSE OF 4 AUGUST ALL THREE PARTIES EXPRESSED THEIR APPROVAL OF THE RECOMMENDATION THAT A MOVE SHOULD NOW BE MADE TO THE NEXT STAGE OF THE FORMATION PROCESS, BUT THE PVDA AND D'66 DID SO ONLY WITH CONSIDERABLE RELUCTANCE, IRRITATED BY THE FACT THAT THE CDA HAD IN EFFECT BEEN ALLOWED BY THE INFORMATEURS TO GET AWAY WITH MODIFYING A PACKAGE WHICH THE INFORMATEURS HAD PUT TO THE PARTIES ON A TAKE IT OR LEAVE IT BASIS.

3. LATER ON 4 AUGUST IT BECAME CLEAR THAT QUEEN BEATRIX HAD ACCEPTED THE ADVICE OF THE INFORMATEURS, SINCE SHE APPOINTED TWO FORMATEURS TO SUCCEED THEM - VAN THIJN (AGAIN) TO REPRESENT THE PVDA, AND KREMERS (COMMISSIONER OF THE QUEEN FOR LIMBURG) TO REPRESENT THE CDA.

4. DESPITE THE PROGRESS MADE SO FAR THE TWO FORMATEURS STILL HAVE A DIFFICULT, AND QUITE POSSIBLY LENGTHY, TASK AHEAD OF THEM. THE CDA HAVE GAINED SOME GROUND ON DEFENCE (SEE PARAGRAPH 5 BELOW) AND SHOW EVERY SIGN OF BEING DETERMINED TO FOLLOW THE SAME TACTICAL PATH OF PLAYING ON THE PVDA'S FEAR OF BEING LEFT OUT OF THE NEW COALITION IN PURSUIT OF SATISFACTION ON ECONOMIC POLICY

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ALSO (THEY REMAIN INTENT ON GIVING THE NEED TO INVEST MORE IN INDUSTRY PRIORITY OVER MEASURES TO PROTECT THE SPENDING POWER OF THOSE ON THE LOWEST INCOMES). THE AIR IS THICK WITH MISTRUST, AND THE FOUNDATIONS OFFERED BY THE INFORMATEURS WIDELY SEEN AS AN INSECURE BASIS FOR FURTHER CONSTRUCTION.

5. THE NEW TEXT ON DEFENCE IS FROM OUR POINT OF VIEW IN SOME RESPECTS LESS OBJECTIONABLE THAN THAT IN MY TEL NO 220: (A) ON TNF, INSTEAD OF EXPLAINING IN TERMS THAT POSTPONEMENT IS INEVITABLE AND MAKING THE TIMING OF THE DECISION DEPENDENT ON PROGRESS OVER RMA CONTROL, IT SAYS SIMPLY THAT "THE CABINET WILL DECIDE ON THE BASIS OF ITS OWN JUDGEMENT THE TIMING AND CONTENT" OF THE DECISION. THE PVDA FOOTNOTE (PARAGRAPH 2 OF MY TEL NO 220) IS OMITTED, AND REPLACED BY A MORE BALANCED REFERENCE TO THE ELECTION MANIFESTOES OF ALL THREE PARTIES.

(B) THERE IS NOW A DEFINITE COMMITMENT TO MAINTAIN THE DUTCH SHARE IN NATO'S LONG TERM DEFENCE PROGRAMME.

(C) THERE IS NO LONGER A DEADLINE (PREVIOUSLY 1985) BY WHEN PROGRESS MUST BE MADE IN REDUCING THE NUMBER DUTCH NUCLEAR TASKS. THE ONLY COMMITMENT ON THAT SUBJECT IS TO "CONSULT THE ALLIES" (THOUGHT THE DECISION HERE TOO IS TO BE JUDGED BY THE PARLIAMENTARY PARTIES IN THE LIGHT OF THEIR ELECTION MANIFESTOES, WHICH ALL CALL FOR THE PRESENT NUMBER OF TASKS TO BE REDUCED).

6. ON THE OTHER HAND IT REMAINS CLEAR ON TNF THAT ALL CONCERNED REGARD POSTPONEMENT OF THE DECISION DUE IN DECEMBER AS INEVITABLE, AND THAT IT IS ONLY THE QUESTION OF THE TERMS IN WHICH THE DECISION TO POSTPONE IS TAKEN (IE SINE DIE OR FOR A SPECIFIC PERIOD) ON WHICH THE PARTIES HAVE AGREED TO DISAGREE. MORE GENERALLY, IT IS ALREADY PLAIN THAT THE PVDA AND CDA INTERPRETATIONS OF THE NEW DEFENCE TEXT VARY SUBSTANTIALLY. VAN AGT IS BROADLY CONTENT, AND HAS DESCRIBED THE REDRAFT AS "SHORN OF ALL INIQUITIES". DEN UYL FOR HIS PART HAS COMPLAINED THAT THE TNF PASSAGE IS "VAGUE AND UNCLEAR", BUT IS CLAIMING NONETHELESS THAT THE PVDA HAVE GIVEN NOTHING AWAY, AND REMAIN UNCONDITIONALLY AND FIRMLY OPPOSED TO TNF MODERNISATION. IN SHORT, ON DEFENCE IN PARTICULAR THE PARTIES ARE AS FAR APART AS EVER, AND THE WAY FORWARD FOR THE PROJECTED COALITION STREWN WITH PITFALLS.

FCO PLEASE PASS TO SAVING ADDRESSEES.

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See comment overleaf.

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FM THE HAGUE 220840Z JUL 81

TO ROUTINE FCO

TELEGRAM NUMBER 219 OF 22 JULY

INFO SAVING EC POSTS, UKDEL NATO, WASHINGTON AND MOSCOW.

THE NETHERLANDS : CABINET FORMATION

1. IN THE LAST FEW DAYS SUBSTANTIAL PROGRESS HAS BEEN MADE TOWARDS THE FORMATION OF A NEW NETHERLANDS CABINET, INVOLVING A COALITION OF CHRISTIAN DEMOCRATS (CDA), SOCIALISTS (PVDA), AND DEMOCRATS '66, WITH VAN AGT AS PRIME MINISTER. IT IS PROBABLE, THOUGH NOT CERTAIN, THAT THE PROCESS COULD BE COMPLETED BY THE END OF THE WEEK.

2. AFTER INTENSIVE DISCUSSION THE THREE INFORMATEURS MADE PUBLIC ON 21 JULY THEIR LATEST AGREED PROPOSALS FOR THE DIVISION OF PORTFOLIOS IN AND FOR THE POLICY TO BE FOLLOWED BY THE NEW CABINET. THE PARLIAMENTARY PARTIES CONCERNED HAD A FIRST LOOK AT THE PACKAGE ON 21 JULY AND ARE CONTINUING THEIR EXAMINATION OF IT TODAY. FIRST INDICATIONS ARE THAT THE PVDA ARE CONTENT, BUT THE CDA AND D'66 ARE BOTH (FOR DIFFERENT REASONS) UNEASY.

3. THE INFORMATEURS PROPOSE THE FOLLOWING DIVISION OF PORTFOLIOS:

- A) CDA - PRIME MINISTER, FINANCE, JUSTICE, DEVELOPMENT COOPERATION, HEALTH AND AGRICULTURE.
- B) PVDA - SOCIAL AFFAIRS (TO BE TAKEN BY DEN UYL, WITH DEPUTY PREMIERSHIP AND ADDITIONAL RESPONSIBILITY FOR EMPLOYMENT), EDUCATION, INTERNAL AFFAIRS, FOREIGN AFFAIRS (VAN DER STOEL), CULTURE AND HOUSING.
- C) D'66 - ECONOMIC AFFAIRS (TO BE TAKEN BY TERLOUW, WITH SECOND DEPUTY PREMIERSHIP), DEFENCE AND TRANSPORT.

4. THAT DIVISION LEAVES THE SOCIALISTS WITH EDUCATION, ONE OF THEIR MAIN TARGETS, AND MAKES DEN UYL - THOUGH THE DETAILS STILL HAVE TO BE WORKED OUT - A SORT OF SUPER MINISTER FOR ECONOMIC AFFAIRS, WITH (THE PVDA ARE CLAIMING) SOME SORT OF SUZERAINTY OVER THE MINISTERS OF FINANCE AND ECONOMIC AFFAIRS. TERLOUW IS UNDERSTANDABLY FURIOUS BECAUSE OF THE REMOVAL OF EMPLOYMENT FROM HIS PORTFOLIO. SIMILARLY VAN DER STEE DISLIKES THE PROSPECT OF SPECIFIC SUPERVISION OF ECONOMIC POLICY BY DEN UYL.

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5. THE PROPOSALS ON POLICY OF MOST IMMEDIATE INTEREST TO US CONCERN DEFENCE AND ENERGY MATTERS. FOR THE FORMER SEE MIFT (NOT TO ALL). REPORT ON OTHER SUBJECTS FOLLOWS BY BAG.

COMMENT

6. THIS HARDLY SEEMS LIKE A RECIPE FOR A STRONG OR UNITED CABINET. RATHER, TO QUOTE THE SOCIALIST "VOLKSKRANT" OF 22 JULY, IT IS ONE CONTAINING BIG GUNS WHICH WILL TO A LARGE EXTENT BE AIMED AT EACH OTHER. THE SOCIO-ECONOMIC SECTOR IN PARTICULAR WILL BE A PERMANENT BATTLEFIELD WHICH COULD CAUSE A NEW EARLY ELECTION.

7. THE PROPOSED POLICY ON DEFENCE, WHICH WILL STILL BE FIERCELY CONTESTED BY THE RIGHT WING OF THE CDA, IS MOST UNSATISFACTORY. THE FOOTNOTE ATTACHED BY THE PVDA, IN PARTICULAR, CONSTITUTES A TIME BOMB UNDER THE WHOLE COALITION. IF THE LATTER DOES NOT FIRST COLLAPSE BECAUSE OF DISAGREEMENTS ON OTHER FRONTS IT SEEMS UNLIKELY TO STAND THE TEST OF REACHING A SATISFACTORY DECISION ON TNF MODERNISATION.

FCO PLEASE PASS TO SAVING ADDRESSEES.

MANSFIELD

(REPEATED AS REQUESTED)

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