

Netherlands

Pl. copy no : Sir D. Wass
Sir K. Cuzens
Mr Ritter
Mrs Healy Miller
Mr Kemp
Mr Edwards
Mr Fitchew
Mr Monaghan

and to : Mr Hancock : cabinet office.
Mr Cotes : No 10.



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

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Francis Richards Esq
Foreign and Commonwealth Office

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We spoke about the speech which the Chancellor of the Exchequer is giving this afternoon to the Netherland-British Chamber of Commerce.

I attach the full text. The passage which we are releasing to the press, and which has been cleared with ECD(I), runs from Page 6 to Page 10. It occurred to us that News Department might find it of interest to their clients.

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A full text is being sent by telex to the Embassy at the Hague.

Yours ever,

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Britain and the Netherlands are now among each other's most important trading partners. Each is the other's fourth largest customer. And that custom had grown dramatically in the last few years. I am impressed to note that this Chamber, our hosts today, has now been furthering two-way trade for over 90 years. But, of course, our links go back much further than that. They show that trade and competition need not mean division and conflict, but can mean friendship and co-operation.

In a speech which I gave just on a year ago in the Hague, I discussed the longstanding friendship between our two countries. Of course there have been some differences. We both depended on maritime trade. We both needed to go out and find markets and materials. This very similarity from time to time divided us. So we have not always been on the same side. The story of the Dutch Admiral de Ruyter sweeping up the Medway is as familiar to British School children as the story of your great jurist Grotius being smuggled out of imprisonment in a box is to Dutch school children.

/But history

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But history shows that our differences were far less important than our similarity, our co-operation and our friendship.

History has shown too some interesting similarities on the economic front, some of which we are seeing repeated today. Both our countries founded and developed, economically and politically, great maritime empires. We both adapted to living with these and, in due course, to the inevitable move of the constituent parts to independence. In more recent years, both our economies have faced very similar problems from the discovery of oil and gas. This natural endowment has brought problems as well as benefits. For both of us the white man's burden has been replaced by the damnosa hereditas of mineral wealth. In both countries, Governments have benefited from North Sea revenues. Neither country has escaped the effect of this wealth upon exchange rates, or the way in which it has forced structural change upon our economies.

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Perhaps the most serious disbenefit of North Sea wealth was the way in both our countries it stoked up expectations for more and better things. In particular, it led to a burgeoning of the public sector and of public expenditure. It fuelled expectation, particularly in the field of social security, of continuing improvements which it may be beyond the capacity of either economy to sustain.

We can see how the growth went. In the Netherlands general Government expenditure accounted for 33 per cent of GDP in 1960, and a massive 60 per cent in 1981. In Britain it was also 33 per cent in 1960 and 45 per cent in 1981. [The growth in Britain has not been on quite the same scale as in Holland. But it was still] Too large for the good of either economy.

It might perhaps be said, without disrespect, that North Sea wealth had led the Netherlands economy, and was leading us, to be over-weight, in the sense that social and other programmes had

/run ahead

run ahead of the capacity to sustain them. Both of us have faced the need for the same cures: curbing of inflation, restraint of public borrowing and spending, reduction in the size of the public sector; and exposure of the citizen to the realities of the 1980s, to the need to encourage change, and above all to vitalise and promote enterprise.

External factors, such as the effects of oil price shocks and the downturn in world trade, as well as our own ingrained attitudes, stand in the way of necessary change. The process is painful. It arouses powerful emotions. And it carries major political risks. This country needs no reminder from me that taking the necessary steps has broken up some coalition Governments and strained others near to breaking point. It has caused dissension within political parties as well. Yet I detect a growing recognition among both our peoples that realities must be faced. History shows that the British and the Dutch are always ready to follow those who lead a rational and resolute attack on fundamental /problems.

problems. I believe that the leaders of our democracies - for their part - are finding the will and the way to fulfil their responsibilities.

The need for change, the need to adapt practices and institutions accustomed to the 1950s and the 1960s to the harsher realities of the 1980s is recognised, I believe, not just by the United Kingdom and the Netherlands, but by most Western economies. And as with individual countries, it has to apply to groups of countries too. I refer, of course, to the European Community.

A minute ago I mentioned the lawyer in the box, Grotius. I hesitate to distil his beliefs into a few words, especially in the presence of so many people who probably know them better than I do. But as I see it, what he did was to recognise that the emergence of the nation states of Europe did not mean that the Continent would be plunged into anarchy in the absence of some superior power. He recognised that if international co-operation through law was to work, the individual

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laws and customs of nations had to be preserved. He had a strong belief in man's reason and sense of community. He strove for harmony but recognised the need for individuality.

Holding these views he would, I think, have been troubled at the state of affairs in the Community today. And I too am troubled. In preparing for my remarks this afternoon I had occasion to re-read the speech I gave at the Hague nearly a year ago. I said then, quoting Grotius, that we must "plant trees for the benefit of those who come after us". We had to find solutions which would preserve the Community's existing achievements, not destroy them; which would bring harmony in place of discord; and which would strengthen the Community in the esteem of all our peoples. We had to find solutions that would open the way to progress.

What has in fact happened since last year? The Community's most impressive recent achievement, I believe, has been its rapid agreement on the

/Argentine trade

Argentine trade embargo. It has demonstrated the determination of the member-states of the community, even at the cost of some damage to short-term national trading interests, to support the fundamental principles of freedom and democracy. I pay particular tribute to the important role played in these discussions by the Government of the Netherlands. We greatly value your support.

In its domestic affairs, the Community has, I fear, made less progress. We have had too many quarrels over the budget and agriculture. We have not really begun to lay the foundations of a more harmonious Community.

On the budget, I suggested last year that the Community should take conscious decisions about the way in which the budget should affect each individual Member State. We should start from the principle that resources should flow from more to less prosperous Member States, - just as we do between regions in individual countries,

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and not the other way round. Sadly, our partners have shown no inclination to pursue these ideas. The discussions in Brussels have focussed instead on unsatisfactory ad hoc solutions to the British budget problem. We have patched up a temporary agreement for 1982. The problems of the later years remain as pressing, and as difficult, as ever.

On agriculture, the Community has just decided on one of the largest price increases in its history. In the absence of a budget settlement, these decisions would have added £120 million to the UK's net budget contribution in a full year at existing world prices - more, if world prices should fall from last year's high levels. Such decisions do nothing to deal with the problems of unwanted surpluses and financial control, which I discussed a year ago.

As that figure demonstrates, very important national interests were at stake for the United Kingdom in the price fixing. We made this

/abundantly clear

abundantly clear during the discussions in Brussels. Yet, for the first time since the establishment of the Luxembourg compromise 16 years ago, that compromise was overruled; decisions were taken against our vital national interest by majority vote.

I know that views differ about the merits of the Luxembourg compromise: it was from the outset found less attractive in the Netherlands than in some other Community countries. But I have to say that we in this country studied the rules of the club which, with Dutch encouragement and support, we applied to join more than a decade ago, and that we attached importance to this rule. Indeed, it was high-lighted in the White Paper which explained the terms of our accession to the British people. And we find it profoundly disturbing that such a key rule should have been set aside - without any prior notice or any discussion between heads of State, as would have been appropriate. It is for that reason that we have insisted that there must be clarity within the Community about how important

/decisions are

decisions are to be taken in the future.

I am sorry to have had to introduce a note of such gravity into an occasion of friendship and celebration. But I think it important that there should be no misunderstanding as to just how grave the situation over the Community Budget, the Common Agricultural Policy and the Community itself has become. /y

Let me now return to the business of the day. In all our economies we need an atmosphere which promotes, encourages and rewards the creation of wealth. Accordingly, I welcome the Chamber's own initiative in instituting today's award.

There is a rôle for Governments too. They must seek to establish a stable economic environment in which individuals and companies are encouraged to respond to market signals, to take the initiative and to make their own decisions. But beyond that Government measures need to be carefully weighed, to ensure that they help rather than hinder.

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We have done a lot since we came to office both to remove obstacles and to give positive help. We have abolished a whole raft of obstructive controls. And we have taken a number of steps to encourage and reward initiative.

Many of these were specifically aimed at the encouragement of small businesses. So I was particularly interested to see that your Award distinguished between large and small companies. For they are two very different beasts. The large companies may have their resources, of money and men and know-how. But this is not to say that they may not still require encouragement towards enterprise. So I hope this Award will spur on any large organisation which may need this.

The smaller businesses have different problems. They too need fiscal and other encouragement. This is important because the small business sector has a significant contribution to make in terms of output and employment. And it

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is the real home of initiative and enterprise.

Flexibility and innovation are key features of the small business. More important still is the attitude of mind which small firms represent. The spirit that we need to foster is best epitomised by people who are prepared to go out and run their businesses. People who are not prepared to take the soft option. People who have the courage to take risks. These are qualities which we need throughout business - both big and small - in both our countries and indeed throughout the Community.

It is this spirit of enterprise and initiative that we have gathered together today to celebrate and reward. And I am grateful for having been given the opportunity to associate myself with the Awards. And to be able to say to this gathering that Her Majesty's Government will continue to do all we can to help enterprise to flourish. For it is upon enterprise that the

/long-term prosperity

long-term prosperity of both our countries depends. We both need our trading partners and our mutual trade. And for 91 years the Netherlands British Chamber of Commerce has fostered just that. With this Award, the Chamber of Commerce will be continuing this vital tradition. I wish this scheme well, and also of course ik wens de Brits-Nederlanse kamer van koophandel veel succes.