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TO PRIORITY FCO

TELEGRAM NUMBER 277 OF 8 NOVEMBER

INFO SAVING EC AND NATO POSTS

MY TELS 272-4: THE NEW NETHERLANDS GOVERNMENT

SUMMARY

1. THE NEW CENTRE/RIGHT GOVERNMENT WILL BE MORE COHERENT THAN ITS PREDECESSOR. BUT IT IS FACED BY SEVERE ECONOMIC PROBLEMS, THE SOLUTION OF WHICH WILL REQUIRE GREAT SKILL AND DETERMINATION IF THE LIFE OF THE COALITION IS NOT TO BE ENDANGERED. THE CHANGE OF GOVERNMENT SHOULD BE SEEN AS WELCOME FOR NATO, THOUGH LARGE QUESTION MARKS REMAIN OVER INF DEPLOYMENT IN THE NETHERLANDS. THE GOVERNMENT WILL PRESENT ITS PROPOSED POLICIES TO PARLIAMENT ON 22 NOVEMBER AFTER DISCUSSIONS WITH EMPLOYERS AND TRADES UNIONS.

DETAIL

2. FOR THE FIRST TIME SINCE SEPTEMBER 1981 THE DUTCH HAVE A REASONABLY SOLID AND COHESIVE GOVERNMENT. THE NEW MINISTERS SHOULD MAKE A GOOD TEAM. HOWEVER THE DIFFICULTIES OF RECESSION WILL MAKE FOR FRICTION BETWEEN THE COALITION PARTNERS, AND THE VVD, ENCOURAGED BY THEIR ELECTION SUCCESS, HAVE NO INTENTION OF IMITATING THEIR COMPARATIVE SUBMISSIVENESS IN THE FIRST VAN AGT CABINET. (THE LATEST OPINION POLLS SHOW THEIR SUPPORT HOLDING UP WELL). THERE WILL BE GROWING RIVALRY BETWEEN THE CDA AND THE VVD, WHICH INCREASINGLY FIND THEMSELVES OVERLAPPING AND THUS COMPETING FOR THE SAME SECTIONS OF THE ELECTORATE. BUT BY THE SAME TOKEN THEY SHARE A CONSIDERABLE UNDERLYING UNITY OF PURPOSE, WHICH SHOULD BE A SOURCE OF STRENGTH IN THE STORMS AHEAD. ON THE ECONOMY, FOR INSTANCE, THE CDA RIGHT WING AND THE LIBERALS THINK ALMOST AS ONE.

3. THIS SIGNIFICANT COMMUNITY OF INTERESTS WAS REFLECTED IN THE RELATIVELY SHORT PERIOD (BY DUTCH STANDARDS) OF LESS THAN TWO MONTHS REQUIRED FOR THE FORMATION OF THE NEW GOVERNMENT. OTHER RELEVANT FACTORS HERE WERE QUEEN BEATRIX'S DETERMINATION, CLEAR FROM THE START, TO GET A NEW TEAM TO WORK AS QUICKLY AS POSSIBLE, THE ALREADY FAMED INDUSTRY AND INGENUITY OF LUBBERS, THE NEW PRIME MINISTER, AND THE FLEXIBILITY SHOWN BY THE TWO PARTIES IN THEIR WILLINGNESS TO OVERTURN SOME FAMILIAR DUTCH POLITICAL CONVENTIONS. THUS THE DEFENCE AND FOREIGN MINISTRIES, ON THE ONE HAND, AND HOME AFFAIRS AND JUSTICE ON THE OTHER, HAVE EACH GONE TOGETHER TO THE CDA AND VVD RESPECTIVELY, INSTEAD OF - AS HAS USUALLY HAPPENED IN THE PAST - BEING SPLIT BETWEEN THE TWO COALITION PARTNERS. (THE EFFECT, IN BOTH AREAS, SHOULD BE TO PROMOTE CLARITY OF POLICY).

4. THE SPEED WITH WHICH AGREEMENT WAS REACHED ALSO OWED NOT A LITTLE, AS MANY COMMENTATORS HAVE POINTED OUT, TO THE READINESS OF BOTH SCHOLTEN (THE INFORMATEUR) AND LUBBERS TO PAPER OVER CRACKS RATHER THAN INSIST ON A COMPLETELY SOLID STRUCTURE.

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THIS IS ESPECIALLY TRUE OF THE ECONOMIC PART OF THE COALITION AGREEMENT, WHERE THE PAPER IS THIN FOR THE YEARS AFTER 1983. SOME PROJECTIONS PUT THE PSBR AT OVER 12% FOR 1983, (COMPARED TO THE OFFICIAL PROJECTION OF 11.9%) WHICH IF TRUE WILL NECESSITATE EXTRA CUTS IN EXPENDITURE OVER AND ABOVE THOSE ALREADY AGREED IN GENERAL TERMS. THE CRUCIAL RELATIONSHIP IN THE CABINET IS LIKELY TO BE THAT BETWEEN LUBBERS AND HIS FINANCE MINISTER, RUDING, AN OLD FRIEND FROM UNIVERSITY DAYS. THE LATTER HAS SO FAR INSISTED THAT THE PROPOSED 1% ANNUAL REDUCTION IN THE PSBR IS THE MINIMUM REQUIRED RATHER THAN SIMPLY A DESIRABLE TARGET. THE KEY TEST FOR LUBBERS WILL BE HIS ABILITY TO WITHSTAND THE PRESSURE FROM THE LEFT AND CENTRE OF THE CDA WHICH IS BOUND TO GROW AS THE EXPENDITURE CUTS BEGIN TO BITE AND UNEMPLOYMENT, ALREADY 13% OF THE LABOUR FORCE, CONTINUES TO RISE. HE HAS NOT YET SHOWN THAT HE HAS THE TOUGHNESS WHICH WILL BE REQUIRED. IF HE FAILS, THE VVD WILL NOT HESITATE TO BRING THE COALITION TO AN EARLY END, IN THE BELIEF THAT PUBLIC OPINION IS NOW IN FAVOUR OF STERN MEASURES.

5. OVER DEFENCE THE NEW GOVERNMENT HAS MADE A CAUTIOUS START, BUT HAS AT LEAST NOT FORECLOSED ANY OPTIONS. AS REPORTED IN MY TELNO 259, NO NUCLEAR TASKS WILL BE DROPPED BEFORE THE AUTUMN 1983 WHITE PAPER, AND THE NECESSARY PREPARATIONS FOR INF DEPLOYMENT IN THE NETHERLANDS WILL PROCEED ON SCHEDULE. LUBBERS TOLD MY US COLLEAGUE ON 27 OCTOBER (PLEASE PROTECT) THAT HE INTENDED TO PRESS TOWARDS DEPLOYMENT, BUT IN LOW KEY AND WITH GREAT CAUTION. YOUR TALKS WITH THE NEW FOREIGN MINISTER DURING THE STATE VISIT WILL PROVIDE A USEFUL OPPORTUNITY TO EXPLORE DUTCH THINKING, ON THIS AS ON OTHER ISSUES. VAN DEN BROEK HIMSELF IS A STRONG SUPPORTER BOTH OF NATO IN GENERAL AND OF INF DEPLOYMENT, BUT KNOWS WELL ENOUGH THAT THE OLD PROBLEMS REMAIN: THE ANTI-NUCLEAR TIDE HERE MAY HAVE EBBED SLIGHTLY IN THE LAST YEAR, BUT IT REMAINS STRONG. IT IS BY NO MEANS CERTAIN THAT WHEN IT COMES TO THE CRUNCH A MAJORITY OF THE SECOND CHAMBER WILL STEEL THEMSELVES SUFFICIENTLY TO VOTE FOR INF DEPLOYMENT IN THE NETHERLANDS.

6. IN PUBLIC, THE EMPLOYERS' FEDERATIONS AND THE TRADES UNIONS HAVE REACTED CAUTIOUSLY TO THE GOVERNMENT'S PROVISIONAL PROPOSAL FOR A BREATHING SPACE OF A FEW MONTHS WHEN WAGES, PRICES AND SOCIAL SECURITY BENEFITS WILL BE FROZEN. THE TRADES UNIONS FEEL THAT, ALTHOUGH THEY WILL NOT LIKE MUCH THAT THE GOVERNMENT WILL WANT TO DO, LUBBERS, WHO ONCE LED AN EMPLOYERS' FEDERATION HIMSELF, WILL BE READIER TO TALK DIRECT TO THEM THAN WAS VAN AGT. HOWEVER THERE IS ALREADY A PROSPECT OF A ONE WEEK STRIKE BY TEACHERS AGAINST SALARY CUTS. THE AIM IS NO DOUBT TO PUT PRESSURE ON THE GOVERNMENT DURING THE INTERIM PERIOD BEFORE LUBBERS PRESENTS HIS DETAILED POLICIES ON 22 NOVEMBER TO THE SECOND CHAMBER.

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