

"The agricultural market is an artificial construct" from Der Spiegel (16 June 1980)

Caption: On 16 June 1980, the German weekly magazine Der Spiegel describes the critical situation of the European agricultural market at the beginning of the 1980s.

Source: Der Spiegel. Das Deutsche Nachrichten-Magazin. Hrsg. AUGSTEIN, Rudolf ; Herausgeber ENGEL, Johannes K.; BÖHME, Erich. 16.06.1980, n° 25; 34. Jg. Hamburg: Spiegel Verlag Rudolf Augstein GmbH. "Der Agrarmarkt ist ein Golem", p. 17-19.

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‘The agricultural market is an artificial construct’

The German Chancellor, Helmut Schmidt, is afraid that the European agricultural market could soon become impossible to finance. Reforms are possible only if France’s President Valéry Giscard d’Estaing relents, which would be to the disadvantage of his own farmers, but the Government in Bonn cannot envisage any reorganisation before April 1981, when Mr Giscard d’Estaing has won the election with the help of the farmers’ vote.

Preliminary discussions between the Chancellor and his closest advisers about the speech that he was to make to the SPD party conference had already ended when Mr Schmidt added a longish passage about the European Community. On the following day, the Monday of last week, just before he went off to the Venice Summit to meet the Heads of State or Government of the Community of Nine, Mr Schmidt, with unaccustomed pathos, told the 433 delegates to the conference in the Gruga Hall in Essen about his fear of a major crisis in Europe.

According to Chancellor Schmidt, if the agricultural policy, which is costing billions, is not immediately changed, then the EC will have to declare itself bankrupt and close its doors, even though the Treaty of Accession with Greece has already been concluded and negotiations are proceeding with Spain and Portugal. If we do nothing, says Mr Schmidt, then the Community will not be able to finance the tasks which will lie in store for us when the EC is enlarged southwards, into the Mediterranean region.

According to Mr Schmidt, we can succeed in this great political task which we have taken on in order to strengthen democracy in Europe only if we know that, as the European Community, we are ourselves strong and secure. The French President, he said, had again referred to this connection a few days earlier. The Chancellor’s statesmanlike lecture was intended to calm the delegates, who were in any case very angry about the EC, because most of them felt that the announcement that German citizens would be forced to pay higher prices for spirits and petrol in order to make staying in the EC more palatable to Britain’s Margaret Thatcher was a provocation. In 1980, the amount that Germany has to pay into the coffers of Europe is DM 4.3 billion more than the amount that finds its way back to German farmers; next year, it will be about DM 5 billion more.

Mr Schmidt also wanted to prevent any anti-French feeling among the Social Democrats. President Giscard had already given them grounds for anger when he made his surprise demand that the accession of Spain and Portugal, which is planned for 1983, should be cancelled. The French President has to face the voters in April 1981 and does not want the accession of new Member States into the Community to threaten the fat EC subsidies for the farmers of southern France who are geared to producing surpluses.

In reality, Helmut Schmidt also has a grudge against the French President. Admittedly, the General Secretary at the Élysée Palace, Jacques Wahl, tried to appease the Federal Chancellery Chief of Staff, Manfred Schüller, as soon as President Giscard d’Estaing’s words became public, insisting that his boss had merely wished to draw attention to the risks involved in the accession of Spain and Portugal. The German Government, however, is well aware that the French President meant what he said. According to government spokesman Klaus Bölling, ‘Everyone feels that we are on the verge of disaster. The agricultural market is an artificial construct.’

Last Thursday, in one-to-one talks before the Venice Summit, Mr Schmidt emphatically warned the French President once again not to cling to the present system at any price. The disastrous subsidy mechanism forces the EC to fund every agricultural surplus produced by its farmers and at prices which work out higher when inflation rates in EC Member States are high.

Yet the Chancellor refrained, as far as possible, from putting pressure on his friend at the Venice Summit. ‘I must do everything I can,’ said Mr Schmidt recently at a meeting of the SPD Executive Committee, as he sought his party’s understanding for the indulgence that he had shown towards France’s attempts to go it alone, ‘to ensure that Giscard wins his difficult election’ — against the French Socialists, who are actually closer to the SPD.

This reticence was made all the more difficult for Mr Schmidt by the fact that the Bonn Government in particular is committed to Madrid and Lisbon. As Junior Minister Manfred Schöler says, 'After all, we have told Spain and Portugal that when they have created democratic conditions they will be ready for Europe. That is what they have done, in admirable fashion, and we cannot now cancel our agreement.'

As a precaution, Prime Minister Adolfo Suárez last week reminded Bonn of its obligations. The Spanish people, he said, had been given firm promises and would not let themselves become victims of the agricultural market.

Bonn's commitment is not without self-interest: Mr Schmidt sees Spain as an important bridgehead for Europe, 'on the way to the Arabs — and hence to the oil'.

However, the Chancellor also knows that at any cost he must avoid a major row with France, without whom any independent European policy on peace and *détente* is a utopian dream. Therefore the Bonn Government, with a patience that it has never shown to any of its other partners, has swallowed each new insult from the French.

Bonn has not forgotten, however, that in February Mr Giscard d'Estaing refused to allow his Foreign Minister, Jean François Poncet, to travel to Bonn to attend crisis talks held over a working breakfast arranged by Mr Schmidt with the then US Secretary of State, Cyrus Vance.

The Bonn Government has at best suppressed its anger over the French President's solo initiative in the Gulf Region, where he set himself up as the main agent for Arab interests in Europe — at the expense of the Germans.

Also fresh in Bonn's mind is the memory of how the French President deceived his 'dear Helmut' over the boycott of the Olympics. Mr Giscard d'Estaing had assured Mr Schmidt that his country would not be sending a team to Moscow. When the French National Olympic Committee decided otherwise, the Chancellor accepted the President's excuse, namely that the Minister for Sport had failed to deliver.

Even at the plenary session of the EC Summit in Venice, Helmut Schmidt stayed patient. He avoided any radical rant against the surpluses produced by European farmers. He was careful to go easy on France's agricultural interests and merely repeated the demand which had already been made in the Bonn Cabinet's resolution on the financing of the British EC contribution, namely that not only the financial sacrifices of the paying EC Member States but also the net receipts of the Member States on the receiving end — such as Denmark or the Netherlands, and next year France as well — should be frozen at a certain level.

Such a limit, lectured Mr Schmidt in the old Benedictine monastery on the Island of San Giorgio, would exert healthy pressure on the EC to make serious efforts to reform the agricultural market.

However, the traditional subsidy system is dear to the hearts of the French — as long as the Germans and the British pay for the milk lakes and meat mountains.

By showing consideration towards President Giscard d'Estaing, however, Mr Schmidt is placing himself under pressure. After the French Presidential elections in April, there will not be much time left for an amicable settlement. The EC budget for 1981 has to be finally adopted by June next year. If the figures in that budget do not show evidence of specific reform measures, then the Brussels Eurocrats will be bankrupt.

Apart from customs duties and agricultural levies, the European Community has a further source of income, namely 1 % of the value added tax of its Member States. However, according to Finance Minister Hans Matthöfer, the margin reserved for the EC will be almost completely used up in the 1980 budget. Since agricultural costs will continue to rise (from 1975 to 1979 the average growth rate was a good 20 %), we can be certain even now that the small sum obtained from the 1981 VAT resource will no longer be sufficient.

The farmers' claim that they should be able to offload their products at EC prices regardless of the market is directed not only against the Community but also against the individual Member States. In the Federal Republic, the *Bundesanstalt für landwirtschaftliche Marktordnung* has to buy up the expensive surplus products in every instance.

In Mr Schmidt's view there is only one way to escape from the dilemma. Surplus production must be cut, and the system of guaranteed prices, which is so lucrative for French farmers in particular, must be abolished, even if it takes years. However, no one knows what such a plan would look like in detail.

Any farmers who suffer hardship as a result of tougher competition conditions could perhaps be helped back onto their feet again by direct national income subsidies. Environmental protection advocate Erhard Eppler, speaking to the SPD Executive, described such subsidies as payment for 'the landscape conservation service provided by the farmer'. Then again, Manfred Lahnstein, Junior Minister at the Ministry of Finance, can also imagine a distant future in which farmers are paid a salary by the State. 'After all,' says Mr Lahnstein ironically, 'foresters are civil servants too.'

The Chancellor's advisers have come up with yet another idea to cut farm subsidies. Taking as their example the promotion of German coal as a national energy reserve, they would like public money to be given only to farmers who fatten their cattle or pigs on home-produced feed. According to one such adviser, this would also be a 'strategic move', because, after all, in a situation of international tension, only those farmers would be in a position to produce food for Europe.

As a first step, the powers that be in Bonn, who, to date, have been only too happy to leave everything connected with Europe to the technocrats in Bonn and Brussels, will in future have to start taking an interest in the EC themselves.

Federal Defence Minister Hans Apel, a trained economist who, many years ago, was himself employed as a European official, has succeeded in getting the Cabinet to deprive the Junior Ministers for European Affairs in the Bonn ministries of their power. Following the criticism of the way in which Foreign Office Minister of State Klaus von Dohnanyi handled the negotiations in the manoeuvrings over Britain's EC billions, top officials in Brussels will henceforth be able to make commitments only with the express authority of the Cabinet.

At the same time, Mr Apel has undertaken the task of drafting reform proposals for the SPD, which would be used after the elections as the basis for coalition negotiations with the FDP.

Whether that will still be of any use then, and whether Europe can even survive a reorganisation of the agricultural market, seems doubtful, however, even to the planners in Bonn.

Chancellor Schmidt's close associate Manfred Schüler even hopes that there will be a big row. He thinks that the system may well have to explode first, because Europe has always been made even stronger by crises.