'The dream is dead' from Der Spiegel (27 February 1984)

Caption: On 27 February 1984, the German weekly magazine Der Spiegel considers the fallout from the political crisis which threatens the European Economic Community (EEC) if the Ten fail to agree on the funding of the common agricultural policy (CAP).

Source: Der Spiegel. Das Deutsche Nachrichten-Magazin. Hrsg. AUGSTEIN, Rudolf ; Herausgeber BÖHME, Erich; ENGEL, Johannes K. 27.02.1984, n° 9. Hamburg: Spiegel Verlag Rudolf Augstein GmbH. "Traum tot", p. 116-118.

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The dream is dead

In March there is a distinct possibility that the European Community will finally be bankrupt. No one wants to pay any more, and Europe's farmers cost too much.

However, nobody will be able to claim that François Mitterrand did not do enough to save the European Community from going bust.

On Friday he was with Prime Minister Poul Schlüter in Copenhagen, on Monday he met Prime Minister Bettino Craxi in Milan, and on Tuesday he visited Prime Minister Garret FitzGerald in Dublin: during the past few weeks, the French President has travelled backwards and forwards across Europe as the EC crisis manager, moving at a hectic pace that is otherwise quite foreign to the Frenchman who is so conscious of his dignity.

Mitterrand, as the current President-in-Office of the EC Council, has a very difficult task in helping the ailing Club of Ten back onto its feet: diplomats in Brussels joke that he comes gliding in to meet his partners 'like a Pontifex Maximus', 'and then each one has to go to him in the confessional'. However, what he heard there surely must have been discouraging.

There was, for the first time, an indication from Mitterrand that, after the fiasco of Athens in December, the next EC Summit to be held on 19 March in Brussels might also go wrong. A failure in Brussels, as Mitterrand is claiming, to be on the safe side, would definitely not be 'his' failure; on the contrary, it could turn out to be a 'salutary lesson'.

However, another failure of the European Council, as prophesied by the President of the EC Commission, Gaston Thorn, 'would set in motion an unstoppable process of self-destruction'. The British Foreign Secretary, Geoffrey Howe, is also quite sure: 'The Community would simply rot away.'

It is true that this kind of warning sounds strangely hollow and incredible, for the downfall of Europe has often been forecast before. But this time it is serious. For the first time since 1965, when France's Charles de Gaulle boycotted the EC in order to force his partners to comply, 'all the fundamental prerequisites for a political crisis here come together, and this crisis means that the Community may well break up' (in the words of Commission President Thorn).

The worst-case scenario of the Brussels Commissioners is quite simple: if the meeting of the ten Heads of State or Government in Brussels breaks up in three weeks' time without having reformed the costly agricultural policy, the Community will slide into bankruptcy between March and June: by the early summer, the 37 000 million marks in the EC farming kitty that are earmarked for agriculture in 1984 will already have been exhausted.

There will then be no more money from Brussels to pay the farmers for their surplus milk, cereals and beef. However, because the farming community continues to enjoy an incontestable legal claim to have purchased the products which it cannot sell, the Member States would initially have to step in with funds from their own budgets.

It stands to reason that, in this situation, each of the Finance Ministers would be prepared to make a stand for their own farmers and not for those of their neighbours. For the Federal Republic, this could mean that it would have to stop shipments of farm products from Denmark, Holland and France at the border, in order to ensure that its intervention authorities were not paying out for Danish butter and French cereals as well. The 'common agricultural market' would have collapsed.

The principal loser here would be France, the largest producer of agricultural products in the Community. For that reason alone, according to the calculations of the EC experts in Brussels, Paris would react immediately with import restrictions on industrial goods, for example, on cars from Germany. After the agricultural market, the market for industrial products would also collapse. This time, the Federal Republic would be the biggest loser.

‘Dreadful, a dream would have died and our generation would have failed’, sighed Britain’s Foreign Secretary Howe last week in Brussels. However, the EC crisis is not a generation problem, at most, it is a test of courage.

The climate of trust that should normally prevail in the Community of the Ten, was broken, according to an assessment of the mood by former Luxembourg Foreign Minister Thorn. ‘No one is looking the others straight in the eye and declaring publicly: ‘This is what I have to offer, what do you have to add?’

Each one is defending his national interests stubbornly and egoistically. ‘All the options have been gone through, all the possibilities considered’, is how one EC diplomat describes the situation. ‘What is missing is someone with the courage to take a decision.’

Since its establishment in 1957, the EC has systematically concentrated on the development of its agriculture. In the early days, Europe still imported food on a large scale. Those days are over. However, in the meantime, two thirds of the total EC budget covers expenditure on agriculture — a grotesquely disproportionate amount if you consider that Europe’s farmers now account for no more than 7.7 % of the working population and manage to produce just 4.2 % of the Community’s gross national product.

While agriculture receives subsidies amounting to 37 000 million marks, the EC budget for information technology and innovation has less than 20 million marks left. There will be no chance of the EC, the largest trading bloc in the world, continuing to stand up to Japan and the United States, unless it backs the sunrise industries.

It is true that the Ten spend twice as much on research as Japan. However, since each country in the EC makes its own investment separately, instead of planning for the Community as a whole, the money trickles away unproductively: the European microprocessor industry, according to the French Foreign Minister, Claude Cheysson, has only 10 % of the market, and no more than 40 % of the EC internal market.

The EC will be able to create some financial room for manoeuvre for meaningful subsidies for research only if it cuts back expenditure on agriculture. As instructed, the EC Commission submitted a paper on economy measures as long ago as July 1983. All in all, implementation of the proposals would have resulted in a gradual reduction in the cost of about 6 000 million marks.

To date, none of this has been put into practice. However, the Community could quickly save several thousand million marks if it were to decide to suspend the unlimited guaranteed price for milk. The data are quite simple: in the EC, annual milk consumption amounts to 90 million tonnes, but milk production amounts to 108 million tonnes. Every surplus tonne costs the EC treasury 250 European Currency Units (ECU), or 560 German marks.

The permanent state of surplus production has resulted in the EC’s cold stores now holding record stocks of one million tonnes of butter — that is more than half of the consumption for one year.

When the EC Commission proposed that milk prices should, in future, be guaranteed only in respect of 97 million tonnes, there were loud lamentations in the meetings of Ministers. The Irish complain that this would mean the loss of one whole per cent of their gross national product. The Greeks and the Italians argue that, because they are importers of milk, they should be exempt from the restriction. And the French are only willing to go along with this if Bonn simultaneously dismantles its border compensation payments, which it considers to be favouring German agricultural exports. However, last Friday, after Helmut Kohl had paid Mitterrand a short visit in the evening, it seems that, in this matter at least, an agreement has now been brought closer.

Now there remains just the hardest nut to crack, the British problem. Since Margaret Thatcher has been in charge of government business in London, she has dominated the European summit meetings year after year with her demand that the Community should refund a considerable proportion of Britain's contribution to the EC treasury in Brussels.

At first glance, this claim, which Mrs Thatcher has, to date, successfully forced through every time, seems justified. It is true that Great Britain ranks in the lower half of the Community prosperity table, and yet London pays 4 800 million marks at present, making it the second largest net contributor after the Federal Republic.

The over-emphasis on agricultural expenditure in the EC budget favours the Member States with a strong agricultural sector. This is why the prosperous Danes and Dutch receive from Brussels more than they pay in, while the less wealthy British, along with the Federal Republic, are subsidising the rest of the Community.

It is, of course, a fact that the true benefit of the EC cannot be assessed on the basis of the amount of the contributions. For example, British agriculture, stimulated by the EC's price and protection guarantees, achieved huge increases in production immediately after entry. In 1974, Britain produced only 11 % of its butter requirements. Since then, the figure has risen to over 50 %. The consequence was a reduction of 300 000 tonnes in imports. The traditional suppliers, such as France, Denmark and the Netherlands, were driven almost completely out of the British market.

The farmers in those countries, who then could no longer sell their butter to Great Britain, had to deliver it to the intervention agencies in the EC. In so doing, they drove up the cost of the EC farming budget to a high level — and improved the net balances of their own countries. The real cause of this development, however, lay with the industrious dairy farmers in the United Kingdom.

The example shows how superficial it is to make reference to national net balances in the EC budget when attempting to weigh up the advantages and disadvantages of the Community. In fact, the two largest net contributors, Great Britain and Germany, have been among the winners in the internal agricultural trade of the Community during the last few years.

In 1982, the Federal Republic recorded a trade surplus in the EC amounting to a total of 24 650 million marks. So, when the German Finance Minister, Gerhard Stoltenberg, complains about his high net contributions, his French counterpart, Jacques Delors, counters with: 'You are simply looking after the customers.'

He is quite right. Only Mrs Thatcher will not listen to such arguments. When the EC Commission wanted to recalculate the net balances last autumn, in order to avoid distortions and to anchor the principle of cause more strongly in agriculture costs, the lady from Britain simply tore up the plans.

'She did not fire a warning shot, she went straight for the jugular', complained Gaston Thorn afterwards about this rough treatment. However, since then, the lady from London has regarded the Luxembourger as a treacherous and nasty piece of work who shamelessly aids and abets Paris in intrigues against Britain.

Margaret Thatcher therefore makes the demand, legitimised only through her own force of will, that two thirds of her contribution to Brussels be refunded. The question recently posed by Italian Foreign Minister Giulio Andreotti to his British colleague was: where does it say in any treaty that any country has a right to claim a rebate?

And the French Foreign Minister, Claude Cheysson, addressed his British colleague Geoffrey Howe thus: 'You do not seriously think that you are really going to get the ECU 1 350 million that you are asking for, do you?' Sir Geoffrey was unmoved as he replied: 'And you do not seriously think that my boss will ever give way on that point, do you?' On 5 March, Mitterrand intends to inform the British Prime Minister how much the other partners will let her have — 50 % rebate and not an ecu more.

If Mrs Thatcher remains stubborn, a clash is on the cards. She senses that she is in a strong position, because she can block any agreement and force the Community into bankruptcy.

It is apparently not enough to go just close to the edge of the abyss, as she had already put it after the failure of the Athens Summit. Some people would not come to their senses ‘until they had actually fallen in’.