

PREM 19/740

S
807

PART 16 ends:-

NIO to ASC + att 1.7.82

PART 17 begins:-

RTA to PM, A08873 30.6.82

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
OD (82) 39	19.5.82
OD (82) 8th Meeting, Minutes	21.5.82
CC (82) 29th Conclusions, Minute 2	25.5.82
CC (82) 31st Conclusions, Minute 3	3.6.82
OD (82) 48	7.6.82
OD (82) 47	7.6.82
OD (82) 49, with Addendum and Second Addendum	7.6.82
OD (82) 55	17.6.82
OD (82) 11th Meeting, Minutes	17.6.82

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed Wayland Date 28 August 2012

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard,

22 June 1982, columns 155-163

"Foreign Ministers' Meeting (Luxembourg)"

Signed Wayland Date 28 August 2012

PREM Records Team

Ref. A08873

PRIME MINISTER

Cabinet: Community Affairs

You may wish to report to Cabinet on the meeting of the European Council on 28-29 June, particularly the discussions of economic relations with the United States, the hostilities in the Middle East and the enlargement of the Community.

2. The Minister of Agriculture, Fisheries and Food may wish to report on the Agriculture Council on 28 June which agreed minor green currency devaluations for Denmark, Ireland and Greece. France unsuccessfully sought an immediate devaluation of the green franc for sheepmeat and pigmeat. No progress was possible on the implementation of the wine reform package left over from the price settlement.

3. The Minister of Agriculture, Fisheries and Food may also wish to report on the meeting of the Fisheries Council on 28-29 June which was unable to reach agreement on a Common Fisheries Policy mainly because it became apparent that the Danish Fisheries Minister was not in a position to settle. Revised quota proposals by the Commission will be considered by officials in preparation for another Council meeting around 20 July. The attitude of the Danish Government will be crucial.

4. The Secretary of State for the Environment may wish to report on the meeting of the Environment Council on 24 June. This useful meeting agreed a regulation on Community implementation of the Washington convention on international trade in endangered species, directives on lead in air and on the monitoring of the environmental effects of waste of the titanium dioxide industry, and a decision to reinforce efforts to limit the effect of conditions of chloroflourocarbons on the ozone layer. The Council also agreed to support Community action for the protection of seals. There was a further inconclusive discussion of the draft directive on Environmental Impact Assessment.



5. The Secretary of State for Industry may wish to report on yesterday's meeting of the Research Council, at which the Parliamentary Under Secretary of State (Mr MacGregor) represented the United Kingdom, and where the main item for discussion was the Community's future research and development strategy.

6. The Chancellor of the Exchequer may wish to report on the special meeting of the Finance Council on 30 June arranged in an attempt to agree a Community position on the export credit consensus, despite French reluctance to make what they see as concessions to the United States.

7. The only Council meeting in the next week is the informal meeting of Agriculture Ministers on 5-6 July.

RA

ROBERT ARMSTRONG

30 June 1982

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

24 June 1982

Dear John,

Northern Ireland Housing Regulation

In his letter to Mr Pym of 23 June Mr Prior asked what more could be done to make the Germans drop their objections to the Northern Ireland Housing Regulation and suggested this might be raised at the European Council. Mr Hurd mentioned this to the Prime Minister this afternoon, who said that she would be willing to have a word with Chancellor Schmidt in the margins of the European Council. Our aim is to make it possible for the Regulation to be agreed at the July European Affairs Council.

If an opportunity does arise, the Prime Minister might speak to Herr Schmidt along the following lines:

- i) We attach considerable importance to this Regulation, for political, not financial reasons. It would not only help to alleviate the serious social and economic problems of Northern Ireland but would also make a positive contribution to attitudes in Northern Ireland towards the UK and the Community as a whole. By the same token, failure to implement the Regulation, which is now keenly anticipated in the province, would be politically damaging. The amount of money involved is not large.
- ii) The Regulation was not proposed by us in the first place but by the Commission acting on a resolution of the European Parliament. It is strongly supported by the other Member States.
- iii) There are in our view no grounds for fearing that the Regulation would set a precedent for Community assistance to housing. The exceptional situation in Northern Ireland requires an exceptional response from the Community. If necessary a suitable disclaimer could be put in the Council minutes.

/I am copying

CONFIDENTIAL



CONFIDENTIAL

I am copying this letter to the Private Secretaries of the Secretary of State for Northern Ireland and members of OD(E), and to the offices of Mr Rees and Sir Robert Armstrong.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

22 55 JUN 1982

6 9 1 2 3 4 5 6 7 8 9 10 11 12





Encl. Pol. ^b

10 DOWNING STREET

From the Private Secretary

24 June, 1982.

Luxembourg Compromise

The Foreign and Commonwealth Secretary sent a minute to the Prime Minister about this subject on 22 June. As you will be aware, the Prime Minister approved the proposed answer to the Parliamentary Question by Mr. Tony Marlow, to which Mr. Pym refers in paragraph 5 of his minute. I enclose a copy of the relevant extract from Hansard.

A. J. COLES

Francis Richards, Esq.,
Foreign and Commonwealth Office.

A

Q25. Mr. Christopher Price asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q26. Mr. Arthur Davidson asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q27. Mr. Fox asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q28. Miss Wright asked the Prime Minister if she will list her public engagements for Tuesday 22 June.

Q29. Miss Joan Lester asked the Prime Minister if she will list her official engagements for 22 June.

Q30. Mr. Cunliffe asked the Prime Minister if she will list her official engagements for 22 June.

Q31. Mr. Pawsey asked the Prime Minister if she will list her official engagements for 22 June.

Q32. Mr. Geoffrey Robinson asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q33. Mr. Michael Spicer asked the Prime Minister if she will list her official engagements for 22 June.

Q35. Mr. Barry Jones asked the Prime Minister if she will list her official engagements for 22 June.

Q36. Mr. Pitt asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q38. Mr. Flannery asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q39. Mr. John Carlisle asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q40. Mr. Dover asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q41. Mr. Bob Dunn asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q42. Mr. McNally asked the Prime Minister if she will list her official engagements for 22 June.

Q43. Mr. Squire asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q44. Mr. Gwilym Roberts asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q45. Mr. Beith asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

Q46. Mr. Greville Janner asked the Prime Minister whether she will list her official engagements for Tuesday 22 June.

Q47. Mr. Trippier asked the Prime Minister if she will list her official engagements for 22 June.

Q48. Mr. Newens asked the Prime Minister if she will list her official engagements for Tuesday 22 June.

The Prime Minister: This morning I had meetings with ministerial colleagues and others. In addition to my duties in the House I shall be having further meetings later today. Later this afternoon I shall depart for New York to attend the United Nations Second Special Session on Disarmament.

Legislative Programme

Q5. Mr. Allan Roberts asked the Prime Minister if she has considered the possibility of modifying her legislative programme in the light of the Falkland Islands dispute.

The Prime Minister: Progress on the legislative programme announced in the Gracious Speech at the beginning of this Session continues to be satisfactory, and I see no reason to modify it in the light of the Falklands dispute.

European Community (Decision-making Procedures)

Q6. Mr. Marlow asked the Prime Minister whether she proposes to seek to restore the right of veto by the United Kingdom within the European Economic Community in accordance with the position described in the original White Paper dealing with accession to the Community.

The Prime Minister: My right hon. Friend the Secretary of State for Foreign and Commonwealth Affairs reported to the House today about his discussion with our Community partners on 20 June about the question of Community decision-making procedures. In this discussion he received support from a number of member States for our view that the Community should continue the practice under which, where a member State considers that its important national interests are at stake, the discussion is continued until unanimous agreement is reached. This has been the established practice of the Community since 1966, as was noted in the 1971 White Paper, although it was never formally agreed by all member States. That remains the position.

Falkland Islands

Q15. Mr. Latham asked the Prime Minister if she will make a further statement on the Falkland Islands.

Q19. Mr. Dykes asked the Prime Minister if she will make a further statement on the latest developments in the Falkland Islands dispute with Argentina.

Q34. Mr. Michael Brown asked the Prime Minister if she will make a further statement on the situation in the Falkland Islands.

The Prime Minister: The repatriation of the Argentine prisoners of war from the Falkland Islands is now almost completed. About 10,000 of them will have been returned to Argentina, most in far better condition than when captured.

We continue to press the Argentine Government to agree to a complete cessation of hostilities in the South Atlantic. Until we receive a satisfactory assurance on this, it would not be military prudent to repatriate all the prisoners. We shall be retaining a certain number of them in our hands for the time being.

Q49. Mr. Eldon Griffiths asked the Prime Minister if she will appoint a Minister to co-ordinate the activities of all Government Departments, public service agencies and private firms that are or may be involved in reconstructing the infrastructure and refurbishing the civil facilities of the Falkland Islands.

The Prime Minister: My right hon. Friend the Foreign and Commonwealth Secretary will be responsible for the necessary co-ordination.

CONFIDENTIAL

2



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

Prime Minister

To note.

A.S.C. 24/6.

Rt Hon Francis Pym MC MP
Foreign and Commonwealth Office
Downing Street
LONDON SW1

23 June 1982

Dear Secretary of State,

HOUSING AID REGULATION

I have just seen reports of the discussion in the Foreign Affairs Council in Luxembourg of the draft Northern Ireland Housing Regulation. It is a bitter disappointment that the Germans should still insist in opposing this measure, and I am writing to ask what more can be done to persuade them to change their minds, and to get this comparatively minor piece of business out of the way.

I am particularly concerned that the Germans now seem to show signs of wishing to link the regulation to negotiations on our Budget settlement. As you know, we have throughout the last 12 months responded to the Commission, and dealt with our partners in the Community, on the basis that this assistance for Northern Ireland was a totally special measure, not linked to any of the other pieces of on-going business in the Community. Part of the attraction of a measure for Northern Ireland has been that it is a demonstrable form of special Community interest in the Province and tangible Community help for the Province. A great deal of importance is attached to the Regulation in Northern Ireland, and its political importance there is far greater than the comparatively limited sums of money would suggest. As a Government we will meet criticism in Northern Ireland if we fail to do all we can to press the measure through: the Community will lose face in Northern Ireland if it appears to hesitate in its oft expressed concern for this disadvantaged area; and there is an unhealthy danger that one of our main Community partners, Germany, will come in for more unpleasant publicity of the sort which has appeared in the headlines of yesterday's Belfast press ("West Germany blocks housing aid").

For all these reasons I am anxious that we should do everything possible to push this measure through. But there are two other practical reasons as well. First, the measure represents an attempt to bring valuable additional resources to the United Kingdom and to Northern Ireland for the very real purpose of actually building additional, badly needed, houses there. It is a practical measure which will have a practical impact, and

CONFIDENTIAL

.....2/

CONFIDENTIAL

failure to implement it will genuinely curtail our housing programme. Second, the measure has so far been treated as being separate from most of our other European business: I am sure it must be in our general interests to get the Regulation agreed before it has a chance to assume the status of a major irritant in our relations with the Germans or our other Community partners.

For all these reasons I would like to suggest that, although there had not previously been any intention to raise the question of this Regulation at the European Council next week, it might now be important to take that opportunity of tackling the Germans at the highest levels. I know that Douglas Hurd has already raised the matter bilaterally with Corterier, and I am grateful also to Peter Rees for the way in which he deployed our case, at very short notice at the Foreign Affairs Council earlier this week. But the Germans have I understand previously said at official level that our failure to raise it at the Summit meeting with Schmidt in February indicated our lack of real concern about the Regulation, and it seems to me that there is therefore much to be said for ensuring that it is raised, albeit in the margins, at next week's European Council.

If you would like to talk about this, or about the way in which the issues might be handled, I am at your disposal.

I am copying this letter to the Prime Minister, to members of OD(E), and to Peter Rees and Sir Robert Armstrong.

Yours sincerely
James Prior

PP JAMES PRIOR
(signed on behalf of the
Secretary of State in his
absence)

smh

CONFIDENTIAL



23 JUN 1982
6 11 21
6 11 21
6 11 21



Ref. A08796

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary might wish to report on the informal meeting of Foreign Ministers on 20 June and the Foreign Affairs Council on 21-22 June. At the informal meeting a substantial number of Member States agreed that Community business should continue to be conducted in accordance with the Luxembourg Compromise, but no significant progress was made on the Genscher/Colombo proposals. Lack of time prevented discussion of the regulation needed to implement the agreement on United Kingdom refunds for 1982, and it was agreed that Ministers' representatives should settle the details before the July Council. The Foreign Affairs Council agreed a Community response to the United States action against imports of Community steel; and Monsieur Chandernagor made a passionate speech about the problems of running a Community of 12 after Spain and Portugal have joined.

2. You may wish to report to the Cabinet any conversation you had with President Reagan about relations between the Community and the United States.
3. The Minister of Agriculture, Fisheries and Food may wish to speak about the state of negotiations on the Common Fisheries Policy.
4. The Environment Council is meeting today. In the next week the European Council and the Fisheries Council meet on 28-29 June and the Research Council on 30 June.

ROBERT ARMSTRONG

23 June 1982



PM/82/47

PRIME MINISTER

Luxembourg Compromise

1. I understand that you are replying to a question today by Mr Tony Marlow about whether you are seeking to restore 'the right of veto' by the United Kingdom in accordance with the White Paper dealing with our accession.
2. As you know, I raised this question with my colleagues at the Foreign Affairs Council on 20 June. I made very clear our views about the Luxembourg Compromise and the Member States can now be in no doubt of the importance we attach to this. In the discussion, Denmark and Greece supported us without qualification. France and Ireland also supported the view that the Community practice under the Compromise should be maintained, though with some qualification about the circumstances.
3. The Member States are unlikely to change these positions in any further discussion in Brussels. I do not think therefore that it would be productive for you to raise this matter formally with your colleagues at the European Council, though there could be some discussion of it informally, perhaps over dinner. I also think it is important that we should not raise expectations in the House and in the country by suggesting that we can get further on this than we are likely to be able to get.
4. What I propose therefore is that in reporting to the House I will explain to them as above what happened in the discussion and conclude that the extent of the support we received from four other Member States on the question of how Community business should be carried on, provides us with a basis on which we can proceed and can safeguard our important national interests. I will also point out that the position is essentially the same as what was foreseen when we joined the Community: the practice of deferring decisions by majority vote where a Member State considers that its important interests are involved was never formally supported by all Member States and this will remain the case.



5. In your answer to Tony Marlow's question I suggest that you do not go into detail but say that I will be making a statement shortly about the results of my discussions in Luxembourg and indicate the broad lines of my response.
6. We could have a word later this morning if you wish.

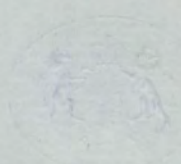
A handwritten signature in dark ink, appearing to be 'FP', with a flourish above the letters and a horizontal line below.

(FRANCIS PYM)

Foreign and Commonwealth Office

22 June, 1982

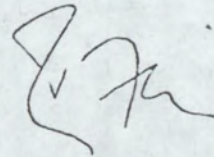
22 JULY 1951



PS/LPS

Statement on Secretary of State's
Visit to Luxembourg

/ I attach a revised version of the Secretary of State's statement in the House this afternoon, which he will want to look at again immediately after lunch and may wish to amend. I shall let you know as soon as possible if changes are needed.



(B J P Fall)
Private Secretary

22 June 1982

cc: PS
PS/Mr Hurd
Lord Bridges
Hd News Dept
Hd ECD(1)

STATEMENT ON SECRETARY OF STATE'S VISIT TO LUXEMBOURG,
20 - 21 JUNE 1982

With permission, Mr Speaker, I will make a statement on the visit which I paid to Luxembourg on 20 - 21 June, during which I attended a meeting of the Foreign Ministers of the Ten and the first part of the Foreign Affairs Council, which continues today, and on which there will be a report to the House.

At my request there was first a discussion of the Community's decision-making procedures. I left our partners in no doubt about the British Government's position that where a Member State considers that very important interests are at stake, discussion must be continued until unanimous agreement is reached and that Community business should continue to be governed by this principle in accordance with the Luxembourg Compromise. This position was supported unreservedly by two Member States and by two others with minor qualifications.

The position is therefore that five Member States support the principle that decisions must be deferred where a Member State considers that its major national interests are at stake. It was not to be expected that the five members of the Six who declined to endorse this principle in 1966 would do so now, but they made it clear that they were not seeking to reopen the Luxembourg Compromise. The Community's practice since 1966 was based on an agreement to disagree, and this remains the position.

Given what happened at the Agriculture Council on 18 May, I would obviously have preferred something more clear cut. And, although there is now a better understanding in the Community of our position and of the principles involved, we may have to return to the subject. The crucial point is what will happen in practice when our very important national interests are at stake. We shall continue to defend them on the basis we have made clear to our partners.

In addition to the discussion on majority voting, we also had a brief discussion on the Genscher/Colombo proposals. No conclusions were reached but it was agreed that work on the proposals would continue.

The Foreign Ministers agreed that the arms embargoes on Argentina imposed nationally by member states would remain in force for the time being.

They decided that the European Community's ban on Argentine imports should be lifted as from 22 June in the expectation that there would be no further acts of force in the South Atlantic.

They also agreed that, should this not be the case, a new situation would arise to which the Ten would have to react immediately.

Normal commercial relations between Argentina and the member states of the European Community depend therefore on a lasting cessation of hostilities in the South Atlantic.

Foreign Ministers also discussed the increasingly serious situation in the Lebanon. They expressed their determination to continue humanitarian aid both nationally and in the Community framework. The Community decided not to proceed at this stage with the signature of the second Financial Protocol with Israel.

On 21 June I had a bilateral meeting with the Spanish Foreign Minister. Sr Perez-Llorca informed me that the Spanish Government wished to postpone the arrangements, by which the Lisbon statement of 10 April 1980 would have been implemented on 25 June 1982 with a meeting between us in Portugal and the opening that day of the Gibraltar border.

HMG were fully prepared to go ahead and I much regret this further postponement. Nevertheless I agreed with the Spanish Foreign Minister that we were both determined to keep alive the process envisaged in the Lisbon agreement; that we would remain in touch on the matter personally and through diplomatic channels; and that the date for a new meeting would be fixed in due course. The Governor of Gibraltar will be returning to London for consultations tomorrow, and I hope to have talks with Sir Joshua Hassan and Mr Isola in the near future.

CONFIDENTIAL

file BK



Euro Pol

10 DOWNING STREET

From the Private Secretary

MR. WRIGHT
CABINET OFFICE

EC BUDGET PROBLEM: THE AUTUMN NEGOTIATION

OD was due to discuss the note by the Foreign and Commonwealth Secretary on this subject at 11 am tomorrow.

As I told you on the telephone this morning, the Prime Minister read the note over the weekend and has said that, owing to the pressure upon her programme on Tuesday (when she leaves for New York), she would prefer not to have a meeting of OD on that day. But she believes that officials from the FCO, the Treasury and other departments concerned should prepare a paper as suggested in paragraph 8 of the note by the Foreign and Commonwealth Secretary.

A. J. COLES

21 June 1982

CONFIDENTIAL

SW

RESTRICTED

RESTRICTED
FRAME GENERAL
DESKBY 210830Z
FROM LUXEMBOURG 202150Z JUN 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 210 OF 20 JUNE 1982
INFO IMMEDIATE UKREP BRUSSELS
INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
BONN ATHENS

FROM UKREP BRUSSELS

FOREIGN AFFAIRS COUNCIL 20 JUNE

MAJORITY VOTING AND THE LUXEMBOURG COMPROMISE

SUMMARY

1. IN A FIRST DISCUSSION FIVE MEMBER STATES (UK, DENMARK, GREECE: FRANCE AND IRELAND WITH QUALIFICATIONS) TOOK THE LINE THAT IF AN IMPORTANT NATIONAL INTEREST WAS AT STAKE VOTING SHOULD BE DEFERRED. THE OTHERS WITH VARYING EMPHASIS SUPPORTED THE LEGAL INTERPRETATION OF THE TREATY BUT DID NOT SEEK TO REOPEN THE LUXEMBOURG COMPROMISE. TINDEMANS REFUSED TO DRAW CONCLUSIONS. A LATER DISCUSSION AMONG MINISTERS ALONE CONFIRMED THE DIFFERENCES OF VIEW AND LED TINDEMANS TO CONCLUDE THAT EXISTING ARRANGEMENTS HAD BEEN NEITHER APPROVED NOR REJECTED. AN INTERIM REPORT ON THE GENSCHER-COLOMBO PROPOSALS WILL BE MADE TO THE EUROPEAN COUNCIL.

DETAIL

2. YOU OPENED THE DISCUSSION BY SAYING THAT YOU HAD EXPRESSED YOUR VIEW OF THE SITUATION ON 24 MAY: THE DECISION ON 18 MAY TO TAKE A VOTE WHEN THE BRITISH DELEGATION HAD MADE CLEAR THAT IMPORTANT NATIONAL INTERESTS WERE INVOLVED HAD CREATED DOUBT AND CONFUSION ABOUT THE COMMUNITY'S DECISION TAKING PROCEDURES.
3. THE KEY QUESTION TO BE ANSWERED WAS WHETHER THE PRACTICE OF CONTINUING DISCUSSION UNTIL UNANIMOUS AGREEMENT WAS REACHED WHERE A MEMBER STATE CONSIDERED ITS IMPORTANT INTERESTS TO BE AT STAKE REMAINED THE BASIS ON WHICH COMMUNITY BUSINESS WAS TRANSACTED. YOU ASKED FOR A CLEAR STATEMENT OF EACH MEMBER STATE'S POSITION ON THIS QUESTION.
4. YOU SAID THAT YOUR GOVERNMENT'S POSITION WAS QUITE CLEAR. THE UK HAD ALWAYS ACCEPTED THE USE OF MAJORITY VOTING IN ACCORDANCE WITH THE TREATIES, SUBJECT TO THE QUALIFICATION THAT, WHERE VERY IMPORTANT INTERESTS WERE AT STAKE, THE DISCUSSION MUST BE CONTINUED

RESTRICTED

/UNTIL

UNTIL UNANIMOUS AGREEMENT WAS REACHED. WHEN THE UK JOINED THE COMMUNITY WE HAD CLEARLY UNDERSTOOD THAT THE ESTABLISHED PRACTICE IN THE COMMUNITY SINCE 1966, WAS THAT WHERE A MEMBER STATE CONSIDERED ITS IMPORTANT NATIONAL INTERESTS WERE INVOLVED, NO VOTE WAS OR WOULD BE TAKEN AND THE DISCUSSION WAS CONTINUED UNTIL UNANIMOUS AGREEMENT WAS REACHED: AND THAT EACH MEMBER STATE WAS THE JUDGE OF WHAT CONSTITUTED ITS IMPORTANT NATIONAL INTERESTS. AT THE TIME OF ACCESSION THE WHITE PAPER PUBLISHED BY THE GOVERNMENT OF THE DAY TO EXPLAIN THE TERMS OF ENTRY TO THE BRITISH PEOPLE SET OUT THIS PRACTICE - THIS IMPORTANT SAFEGUARD OF A MEMBER STATE'S IMPORTANT INTERESTS. THE LUXEMBOURG COMPROMISE WAS THUS FOR US A FUNDAMENTAL PART OF THE BASIS ON WHICH WE JOINED THE COMMUNITY. IT CONTAINED AN INHERENT SAFEGUARD WHICH MANY MEMBER STATES HAD USED. YOU WANTED TO KNOW WHETHER THE PRACTICE FOLLOWED SINCE 1966 REMAINED THE BASIS ON WHICH COMMUNITY BUSINESS WAS CONDUCTED. YOU HOPED TO RE-ESTABLISH THAT THE POSITION REMAINED AS IT HAD BEEN BEFORE 18 MAY.

5. OLESEN (DENMARK) ENDORSED YOUR VIEWS. IN THE FOLKETING HE HAD BEEN ASKED AFTER THE EVENTS OF 18 MAY WHETHER THE COMPROMISE STILL EXISTED. HE HAD ANSWERED THAT IT DID, FULLY. IT MUST BE RIGHT FOR EACH MEMBER STATE TO ASSESS WHAT WAS FOR IT A VITAL NATIONAL INTEREST, THOUGH IT TOOK A RESPONSIBILITY IN DOING SO.

6. VAN AGT (NETHERLANDS) STRESSED THAT IN 1966 NO CHANGE HAD BEEN MADE TO THE TREATIES: IT HAD MERELY BEEN NOTED THAT THERE WERE DIFFERENT INTERPRETATIONS OF THEM. IT HAD BEEN AN AGREEMENT TO DISAGREE. AS FAR AS THE NETHERLANDS WERE CONCERNED THE TREATIES WERE THE BASIS OF THE COMMUNITY'S WORK. BUT THEY HAD TO BE USED IN A REASONABLE WAY. DISCUSSION SHOULD CONTINUE IN AN EFFORT TO REACH FULL AGREEMENT AS LONG AS THE ISSUE IN QUESTION ALLOWED. BUT IT WAS NOT RIGHT TO POSTPONE DECISION SO THAT PARALYSIS RESULTED. ON SOME ISSUES THE POINT COULD BE REACHED QUITE SOON WHEN THE TREATIES MUST BE APPLIED.

7. THORN SPOKE FOR THE TRADITIONAL VIEW THAT THE COMMUNITY SHOULD OPERATE ON THE TREATIES AND NOTHING BUT THE TREATIES. HE ADDED THAT THIS ISSUE HAD NEVER BEEN RAISED IN ALL THE NEGOTIATIONS FOR UK ACCESSION, WHATEVER BILATERAL DISCUSSIONS MIGHT HAVE TAKEN PLACE.

8. GENSCHER (FRG) SAID THAT VAN AGT HAD DESCRIBED THE SITUATION CORRECTLY. HE TOOK IT THAT NOONE WANTED TO CHANGE THE SITUATION WHICH HAD EXISTED 3, 6 OR 9 MONTHS AGO. VARFIS (GREECE) AGREED WITH YOU AND OLESEN. COLOMBO (ITALY) AGREED WITH VAN AGT. HE HAD PARTICIPATED IN THE FORMULATION OF THE LUXEMBOURG COMPROMISE, AND ACCEPTED HIS SHARE OF RESPONSIBILITY FOR IT. IT HAD SOLVED THE PROBLEM OF

RESTRICTED

THE EMPTY CHAIR BUT HAD NOT BEEN INTENDED TO CHANGE THE TREATIES OR INTRODUCE A RIGHT OF VETO. FRANCE HAD INSISTED THAT DISCUSSION MUST CONTINUE BUT HAD NOT DEMANDED A VETO. FURTHERMORE IT WAS IMPORTANT THAT THE SEARCH FOR UNANIMITY SHOULD BE CONFINED TO THE ITEM UNDER DISCUSSION WITHOUT REFERENCE TO OTHER UNRELATED SUBJECTS.

9. CHEYSSON (FRANCE) SAID THAT THE FRENCH POSITION WAS UNCHANGED. WE WERE ALL BOUND BY THE TREATIES: BUT IT HAD BEEN NOTED IN 1966 THAT THERE WERE OCCASIONS WHERE A VOTE SHOULD BE DEFERRED. AS INDICATED IN THE FRENCH PROPOSAL FOR INSERTION IN THE GENSCHER-COLOMBO TEXT, THE IMPORTANT INTEREST AT STAKE SHOULD RELATE DIRECTLY TO THE ITEM UNDER DISCUSSION. THE WORK OF THE COMMUNITY MUST NOT BE PARALYSED, NOR SHOULD THE EXECUTION OF AN AGREED COMMUNITY POLICY BE PREVENTED. ON 18 MAY, HAD THE VOTE BEEN DEFERRED, THE COMMUNITY WOULD HAVE FOUND ITSELF WITH NATIONAL AGRICULTURAL POLICIES OUTSIDE THE SCOPE OF THE TREATIES.

10. COLLINS (IRELAND) SAID THAT THE COMPROMISE SHOULD BE MAINTAINED BUT RESORTED TO ONLY IN EXCEPTIONAL CIRCUMSTANCES. FLESCH (LUXEMBOURG) SHARED VIEWS EXPRESSED BY VAN AGT AND COLOMBO. THE LUXEMBOURG "CONCLUSION" WAS PART OF COMMUNITY HISTORY. THERE WAS NO NEED TO DISCUSS IT. A FORM OF WORDS WOULD BE DISCUSSED IN THE CONTEXT OF THE GENSCHER COLOMBO PROPOSALS, FOR IMPROVING THE COMMUNITY'S DECISION MAKING MECHANISM. DE KEERSMAEKER (BELGIUM) ADOPTED A LEGAL VIEW. THE TREATY RULES HAD TO APPLY. THE LUXEMBOURG COMPROMISE HAD MERELY RECORDED DIFFERING INTERPRETATIONS OF THE TREATIES. HE ALSO NOTED THAT MAJORITY VOTING COULD ONLY TAKE PLACE ON A COMMISSION PROPOSAL, AND IT WAS FAIR TO ASSUME THAT IN MAKING ITS PROPOSAL THE COMMISSION HAD TAKEN ACCOUNT OF THE INTERESTS OF ALL MEMBER STATES.

11. TINDEMANS NOTED THAT AS IN 1966 THERE WAS DISAGREEMENT AND SUGGESTED FURTHER DISCUSSION IN THE CONTEXT OF THE GENSCHER COLOMBO PROPOSALS. YOU ACCEPTED THAT THERE WAS DISAGREEMENT, BUT IT WAS ALSO TRUE THAT FIVE MEMBER STATES HAD SUPPORTED THE VIEW SET OUT IN THE LUXEMBOURG COMPROMISE THAT "WHERE VERY IMPORTANT INTERESTS ARE AT STAKE, THE DISCUSSION MUST BE CONTINUED UNTIL UNANIMOUS AGREEMENT IS REACHED". (YOU ACKNOWLEDGED THAT CHEYSSON AND COLLINS HAD EACH ADDED QUALIFICATIONS.) YOU THOUGHT IT IMPORTANT THAT TINDEMANS SHOULD RECORD THIS IN HIS SUMMING UP: THE POSITION WAS DIFFERENT FROM THAT IN JANUARY IN 1966. THE CRITICALLY IMPORTANT THING FOR THE UK WAS THAT BUSINESS WOULD CONTINUE TO BE CONDUCTED ON THE SAME BASIS AS DURING THE 16 YEARS AFTER 1966. TINDEMANS CONTINUED

RESTRICTED

TO RESIST, AND GENSCHER INSISTED THAT THERE SHOULD BE NO DECISION ON THE MATTER. YOU NOTED THAT GENSCHER HAD ALSO SAID THAT IN HIS VIEW NOTHING HAD CHANGED. TINDEMANS THEN TURNED TO DISCUSSION OF THE GENSCHER COLOMBO PROPOSALS.

12. WHEN DISCUSSION OF THE GENSCHER/COLOMBO TEXT REACHED THE PASSAGE ON MAJORITY VOTING A MINISTERS ONLY SESSION WAS ARRANGED. EXISTING DIVISIONS OF OPINION WERE CONFIRMED. IT BECAME CLEAR AFTER SOME DISCUSSION THAT NO AGREEMENT WOULD BE POSSIBLE. CHEYSSON SAID SO AND VAN AGT SEEMED TO START FROM THAT ASSUMPTION. GENSCHER STATED THAT HE COULD ACCEPT NO MAJOR DEPARTURE FROM HIS DRAFT. OLESON AND VARFIS SUPPORTED ME IN EXPRESSING RESERVATIONS ABOUT THE IDEA THAT THE NATIONAL INTERESTS INVOKED SHOULD BE DIRECTLY RELATED TO THE ITEM UNDER DISCUSSION, ASKING WHO WOULD BE THE JUDGE.

13. THE QUESTION WAS POSED WHETHER THE DOCUMENT AS A WHOLE MIGHT BE AGREED WITHOUT ANY PASSAGE ON VOTING. MINISTERS WOULD RETURN TO THE QUESTION.

14. GENSCHER THOUGHT THAT THERE SHOULD BE AN INTERIM REPORT TO THE EUROPEAN COUNCIL. THIS WAS AGREED.

15. GENSCHER ALSO SAID THAT WHEN THE ISSUE WAS DEBATED BY THE EUROPEAN PARLIAMENT AT ITS JULY SESSION - HE WOULD ATTEND. COLOMBO THOUGHT THE IDEA USEFUL. OLESON AND CHEYSSON OPPOSED. YOU TOO HAD RESERVATIONS. IT WAS HARD TO SEE HOW IT WOULD BE ORGANISED: MOST MEMBER STATES WOULD WANT THEIR VIEWS REPRESENTED. YOU THOUGHT IT WOULD BE BETTER TO REFLECT AFTER THE EUROPEAN COUNCIL BEFORE PURSUING THE THOUGHT.

16. IN A FINAL DISCUSSION OF WHAT ARRANGEMENTS WOULD APPLY IN THE COMMUNITY IF THE SECTION ON VOTING IN THE GENSCHER/COLOMBO TEXT WAS OMITTED, GENSCHER NOTED AGAIN THAT THERE HAD BEEN NO DECISION AND NO CONCLUSION IN THE EARLIER DISCUSSION ON THE LUXEMBOURG COMPROMISE. TINDEMANS SUMMED UP THAT THE EXISTING ARRANGEMENTS HAD BEEN NEITHER APPROVED NOR REJECTED.

FCO ADVANCE TO:-

FCO - PS, PS/MR HURD, PS/PUS BRIDGES, SPRECKLEY
CAB - HANCOCK, STAPLETON, LAMBERT

UKREP DISTRIBUTE TO:-

MARSDEN, CLARKE, DENZA HDS OF SECTION - FULL

THOMAS

[ADVANCED AS REQUESTED]

FRAME GENERAL
ECD(I)

COPIES TO:-
ADVANCE ADDRESSEES



10 DOWNING STREET

Prime Minister

I understand that the Chancellor is upset that the Foreign Secretary has circulated this paper for Tuesday's OD without consulting him. He would prefer the meeting to be postponed.

2. I think it would be acceptable to all if I could say that owing to the pressure on your programme on Tuesday (when we leave for New York) you would prefer not to have a meeting but would meanwhile like officials to prepare a paper as suggested in paragraph 8 of the Foreign Secretary's paper. In conjunction with the Treasury Agree?

Yes not

A. J. C. 15/6

CONFIDENTIAL

PRIME MINISTER

Community Affairs

You might wish the Secretary of State for Transport to report on the 10th June Transport Council. The Council succeeded in adopting a number of Directives and conclusions on aspects of surface transport of limited interest to the United Kingdom, but was unable to make worthwhile progress on vehicle weights and inter-regional air services.

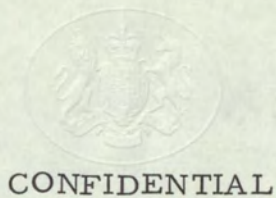
2. You might wish the Chancellor of the Exchequer to comment on the 12th June European Monetary System realignment meeting, the main results of which were a 5.75 per cent devaluation of the French franc and a 2.75 per cent devaluation of the lira against the Deutschemark and the guilder. These latter two currencies in turn were revalued by 4.25 per cent, making the effective devaluation of the French franc against the Deutschemark 10 per cent.

3. The Chancellor of the Exchequer might also report on the 14th June ECOFIN Council. The Council agreed a Community position for the next round of negotiations in the OECD on export credits, and approved the submission to the June European Council of Commission papers on the economic and social situation and on investment. No agreement could be reached on the major points at issue on the non-life insurance services Directive.

4. The 14th June Agriculture Council gave rise to no decisions that call for discussion in the Cabinet, but you will wish the Minister of Agriculture to report on the outcome of the 15th June Fisheries Council. Although the Commission's proposals on quotas and access arrived too late for discussion, the Council adopted a Regulation on control measures and provisionally agreed a six month conservation Regulation. The Council will meet again on 28th-29th June (i. e. before the Danish Presidency begins on 1st July) with the aim of reaching final agreement on a revised Common Fisheries Policy.

5. The Foreign and Commonwealth Secretary might wish to comment briefly on the 15th June Development Council, which successfully resisted a Commission attempt to bounce it into endorsing a supplementary Community

CONFIDENTIAL




CONFIDENTIAL

aid programme and reached agreement on the choice of Mali, Zambia and Kenya for a first experiment in integrating Community aid with national food strategies.

6. OD will meet after Cabinet to discuss the Luxembourg compromise and the Genscher/Colombo proposals, and again probably on 22nd June to consider the budget. A more restricted meeting may also be necessary early next week to settle the United Kingdom line for the 28th-29th June Fisheries Council. Foreign Ministers meet on 20th June, the Foreign Affairs Council on 21st-22nd June, and the Environment Council on 24th June.

Robert Armstrong

16th June 1982


CONFIDENTIAL

Tg 01348

PRIME MINISTER

The Luxembourg Compromise and the Genscher/Colombo Proposals

(OD(82)47, 48, 49)

ATTENDANCE

1. In addition to the regular membership of OD, the following Ministers have been invited to attend because of the potential significance of the Luxembourg compromise to negotiations in Brussels on a wide range of subjects:

Minister of Agriculture, Fisheries and Food
Secretary of State for Industry
Secretary of State for Transport
Secretary of State for Energy
Attorney General
Minister of State, Foreign and Commonwealth Office
(Mr Hurd)

BACKGROUND

2. When OD discussed the Luxembourg compromise and the next steps on the budget on 21 May, the Committee agreed inter alia that the Foreign and Commonwealth Secretary should make a holding statement on the compromise at the 24/25 May Foreign Affairs Council pending decisions on the Government's future attitude towards majority voting and the national veto (OD(82) 8th Meeting). At the Council Mr Pym accordingly registered the Government's dismay at the overriding of our veto on the CAP price package, and secured agreement that the issue would be discussed among Foreign Ministers on 20 June. In the meantime the Luxembourg compromise was the centre-piece of the Commons debate held on 26 May; the Genscher/Colombo proposals for a draft European Act, which include a passage on voting procedures, have also been tabled for discussion at the 20 June meeting of Foreign Ministers; and a debate on these proposals will take place in the House on 17 June.

FragA

CONFIDENTIAL

CONFIDENTIAL

3. The Foreign and Commonwealth Secretary is therefore bringing these two issues to OD on 17 June to seek agreement on the line he should take on each, both in the Foreign Ministers' meetings and in the Parliamentary debate. Because it was not possible to arrange for OD to meet earlier with the Ministers most concerned present, the draft speech prepared for Mr Hurd's use in the Commons debate leaves open the key question of whether the UK will accept any limitation on the right of a member state to decide for itself whether a vital national interest is at risk.


4. There are three papers before the Committee, all by the Foreign and Commonwealth Secretary:-

Flag B.

- OD(82)47. This is a summary paper, in which Mr Pym sets out his general views on the two issues and points, in the last paragraph, to the specific conclusions to which he invites agreement in the two more detailed papers.

Flag C

- OD(82)48. This traces the origin of the Luxembourg compromise, exposes the options now open to the United Kingdom in relation to its future, explains the constraints on our freedom of action, and makes recommendations. It has two annexes: a summary of the attitudes of the other member states, and an analysis by subject head of the implications for the UK of increased majority voting.


CONFIDENTIAL

FLAG D.

- OD(82)49. This paper highlights the six main points outstanding on the Genscher/Colombo exercise (apart from the Luxembourg compromise) and suggests the line to take for each. It is accompanied by two annexes (circulated later) respectively containing the latest text of the draft proposals and a detailed commentary on this text.

In addition, the Minister of Agriculture wrote to you on 14 June expressing concern about the French approach to the Luxembourg compromise, and the Secretary of State for Industry, who cannot attend, will circulate his comments before the meeting.

Majority Voting and the Luxembourg Compromise

5. The relevant passage in the Genscher/Colombo text is paragraph 2.2.3 (extract attached), which is to be found in Annex A to OD(82)49. It provides for majority voting wherever the Treaties so require (as opposed to the consensus convention which largely applies to all but budgetary matters at present) and offers four alternative versions of the future voting procedure as follows:-

- (i) The first version would, if agreed, codify as Community practice the position taken up by President de Gaulle in 1966 and endorsed by President Pompidou and Mr Heath in 1971.

- (ii) The second was suggested by France following 18 May. It adds a new constraint by requiring that the "compromise" can only be invoked in relation to a vital national interest "of direct relevance to the subject under discussion" and it requires

CONFIDENTIAL

confirmation to be given in writing.

(iii) The third text is highly ambiguous. It has been put forward by Germany and Italy in the hope of securing the support of Belgium and the Netherlands. It appears to mean that a vote may be put off if (a) a member state requests it in writing and (b) a decision to put off the vote is taken at the next Council meeting. But as it does not specify what voting rule would be used on that occasion, it is entirely uncertain what would happen in practice.

(iv) The last is supported by Belgium and the Netherlands and provides for majority voting whenever the Treaties so provide.

The UK has not so far expressed a view as between these four alternatives.

6. The Foreign Secretary's basic position is that the United Kingdom should be prepared to accept more majority voting in order to get agreement on a satisfactory formalization of the Luxembourg compromise; but that we should not assent to the adoption of the Genscher/Colombo proposals until we get satisfaction on the compromise. He acknowledges that it will not be possible to secure unanimous endorsement of a text acceptable to the UK but is prepared to settle for adoption of such a text by the largest possible number of member states.

7. The detailed recommendations in paragraph 12 of OD(82)48 suggest that, to achieve this objective, we should be ready to accept an obligation to state our national interest in writing and to consider some clarification of the circumstances in which the compromise can be invoked. We should oppose any attempt to put a time limit on the use of the veto, or to deny to the member state concerned the sole right to determine whether its national interests are at stake.

8. Relating these recommendations to the four alternatives in the attached extract, it appears that the Foreign Secretary considers that


CONFIDENTIAL

the UK should be prepared to accept either (i) or (ii) but not (iii) or (iv). If that is what is meant, it is likely that Ministers in charge of other Departments will prefer (i) but, with the possible exception of the Minister of Agriculture, be prepared to go along with (ii). Mr Walker wrote to you on 14 June (his letter is attached as annex B) questioning the acceptability of any "clarification" of the compromise which defines and limits the circumstances in which it can be used. His concern is that the limitation to a national interest "of direct relevance to the subject under discussion" could prevent the UK in the Agriculture Council blocking the price package (as opposed to a single regulation), insisting on the inclusion of measures omitted, or rejecting price increases on cost grounds. While he would reluctantly accept an obligation to state our national interest in writing, he does not want any clarification of the compromise which would be unhelpful to the UK in package negotiations.

9. When you saw OD(82)48 you commented that tightening up the conditions of the compromise would change the terms of our entry into the Community and weaken our powers. The Foreign Secretary subsequently explained that the interpretation of the compromise on the basis of which we joined the Community only remained effective so long as we could count on the support of enough other member states to create a blocking minority. When France, under Pompidou and Giscard, supported our view that the member state in question should be the sole judge of whether a vital national interest was at stake, we knew that we could rely on French support to prevent a qualified majority being established against us. But the new French government has shown that it is not willing to respect the agreement between Mr Heath and President Pompidou and the Government therefore needs to consider whether it would be desirable to agree to a formula which the Mitterrand government will accept. (Mr Whitmore's minute of 14 June and the Secretary of State's message are attached as annexes C and D.)

(Annex D to follow)

10. The Foreign Secretary may suggest that it would help the Minister of Agriculture's problems with package negotiations if the



CONFIDENTIAL

clarification were expressed in the plural in terms of a vital national interest of direct relevance to the "subjects" under discussion. This may well be acceptable to Mr Walker.

The Genscher/Colombo Proposals

11. There should be little objection in the Committee to the line the Foreign Secretary recommends in OD(82)49 on the six main outstanding issues. Most are self-explanatory; short notes on the rest follow together with a reference to the relevant text in Annex A of OD(82)49.

- The title (first page). The word "Document" is preferred by the UK but may appear too work-a-day for our partners.

- Council/Parliament relations (paragraphs 2.3.4 and 2.3.6). Perhaps the most important, since it reflects the wide gulf between the authors of the proposal, who want to be seen to be in favour of enlarging the European Parliament's influence, and the minimalists like the UK who see no reason to give it more powers than the Treaty provides or greater privileges than their national parliaments. Although the Parliament has the power to dismiss the Commission en bloc, it has at present no role in the appointment of the President of the Commission since under Article 11 of the Merger treaty the members of the Commission are appointed by common accord of the governments of the member states. Paragraph 2.3.4 of the revised text provides that "the opinion of the enlarged Bureau of the European Parliament" should be sought before the President is chosen by the member states. This falls short of the full consultation the maximalists wanted and the Foreign Secretary is opposed to, and appears now to be the best we can get.

- Economic and Social Committee (deleted from latest text). This Committee is of limited usefulness but cannot be abolished without amending the Treaties, nor can its costly activities be curtailed unless all member states agree to work together to this

CONFIDENTIAL



CONFIDENTIAL

end. A review of its activities, which has now been proposed by the Belgian Presidency in return for our dropping the reference to the ESC in the draft Act, will give the UK the basis on which to carry this work forward.

HANDLING

12. You will wish to invite the Foreign and Commonwealth Secretary to introduce his main paper OD(82)47.

13. You might then wish to take the two subsidiary papers in turn, focussing in each case on their conclusions and starting with OD(82)48 on majority voting and the Luxembourg compromise. Are the guidelines in paragraph 12 acceptable to the Committee? Does the Minister of Agriculture agree that a clarification in terms of the "subjects" under discussion would be acceptable? Is it agreed in particular that the UK should block the Genscher/Colombo proposals unless we can get satisfaction on the Luxembourg compromise, and accept more majority voting as the price for its consolidation? Since the next, Danish Presidency is unlikely to give the Genscher/Colombo proposals any priority, how can we best pursue our objectives if agreement cannot be reached on 20 June? Should the point be raised at the 28/29 June European Council if necessary?

14. You might then move on to paragraphs 3 and 4 of OD(82)49 dealing with the Genscher/Colombo proposals. Is the line there proposed, as amplified if necessary by the Foreign and Commonwealth Secretary, acceptable to the Committee?

CONCLUSIONS

15. You will want to reach conclusions on:

- (i) whether the guidelines in paragraph 12 of OD(82)48 are acceptable to the Committee; and in particular



CONFIDENTIAL

- (ii) whether the UK can accept the French version of the Luxembourg compromise, including the requirement to confirm the national interest in writing, but modified to make it possible to invoke the compromise in respect of a national interest "of direct relevance to the subjects (in plural) under discussion";
- (iii) whether the UK should block the Genscher/Colombo proposals if we do not get satisfaction on the compromise;
- (iv) if agreement cannot be reached at the Foreign Ministers' meeting, whether the UK should raise the issue at the European Council on 28/29 June; and
- (v) whether the line on the Genscher/Colombo proposals in paragraphs 3 and 4 of OD(82)49 is acceptable to the Committee?

for D J S HANCOCK

16 June 1982

4.2.3 Essential importance is attached to the application of the decision-making procedures laid down in the Treaties of Paris and Rome in order to improve the European Communities' capacity to act.

Within the Council every possible means of facilitating the decision-making process will be used, including, in cases where unanimity is required, the possibility of abstaining from voting.

- EITHER
- (1) The Presidency will put decisions to the vote wherever the Treaties so provide, it being accepted that voting will be postponed if one or more Member States so request in order to defend a vital national interest.
- OR
- (2) The Presidency will put decisions to the vote wherever the Treaties so provide, it being accepted that voting will be postponed if one of more Member States so request in order to defend a vital national interest of direct relevance to the subject under discussion, giving confirmation in writing.
- OR
- (3) The Presidency will put decisions to the vote wherever the Treaties so provide, it being ^{accepted that voting may exceptionally be} postponed, if one or more Member States so request in order to defend a vital national interest, giving reasons in writing. In that event, the question shall be included on the agenda of the next Council meeting which shall take a decision on it.
- OR
- (4) The Presidency will put decisions to the vote wherever the Treaties so provide.

-
- 1 Text preferred by two delegations (Denmark and Greece)
- 2 Text preferred by two delegations (France and Ireland)
- 3 Text preferred by three delegations (Germany, Italy and Luxembourg)
- 4 Text preferred by two delegations. (Belgium and the Netherlands)

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD



WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London
SW1A

14 June 1982

CABINET OFFICE	
Tg	4986
14	JUN 1982
FILING INSTRUCTIONS	
FILE No.	

THE LUXEMBOURG COMPROMISE

We shall be discussing the Foreign Secretary's paper on the Luxembourg Compromise this Thursday. Meanwhile I thought it might be helpful to explain in a little more detail one of the most serious implications of the Agriculture Council's votes of 18 May.

This relates to the new French argument that the Compromise can only be properly invoked if the national interests concerned relate directly to the subject under discussion. If this point were to be accepted and interpreted literally it would change the whole nature of the annual price-fixing negotiation, and very much to our disadvantage. It has always been implicit in that negotiation that each country is entitled to block measures which would benefit others until it has secured at least its own minimum requirements from the package. The package, in other words, has been regarded as an entity, to be accepted or rejected as a whole. On 18 May, however, this concept was implicitly abandoned and each Regulation was voted on separately.

If the French view of the Compromise were accepted, this procedure could very readily be repeated: a country might then be able to block a single Regulation which it could show had an unacceptable effect for important national interests. But it could not block the rest of the package. Still less could it insist, as we have many

/times had to do in ...

CONFIDENTIAL

times had to do in the past, on the inclusion in the package of measures which the Commission had not seen fit to propose. Nor would it be possible to block price increases on which others were agreed, since it could never in their eyes be an important national interest, in strictly agricultural terms, to reject a level of price increase whose undesirability related essentially to its budgetary cost.

I am very much afraid that whatever is now done to reinstate the Compromise, the fact that agricultural measures have been put through once by a vote against the wishes of three member countries means that the same thing can happen again. But we must make it as difficult as possible for this to take place. I would much prefer not to have to accept a requirement to explain in writing the reasons for invoking the Luxembourg Compromise. For the reasons I have given this could obviously make it much harder to achieve our aims in a package negotiation of the price-fixing type; and it would make us more vulnerable to criticism at home if we had subsequently to change our stance. But if we cannot avoid that we must at least resist any definition of the circumstances in which the Compromise can be invoked which limits them in a way damaging to our interest. I am very glad to see that the Foreign Secretary recognises this in paragraph 12 (v) of his paper OD(82)48. The purpose of this letter is simply to reinforce that very important point.

I am sending copies of this letter to the Foreign Secretary, other members of OD and to Sir Robert Armstrong.

PETER WALKER

CONFIDENTIAL



ANNEX C

CABINET OFFICE
Qz9.501
14 JUN 1982
FILE INSTRUCTIONS
FILE No.

10 DOWNING STREET

From the Principal Private Secretary

MR HANCOCK

D.H.
14/6.

THE LUXEMBOURG COMPROMISE AND THE
GENSCHER/COLOMBO PROPOSALS

The Prime Minister saw your minute of 8 June 1982 over the weekend, and as I told you on the telephone this morning, she minuted her reaction in the following terms:-

"I find the conclusions on these papers disquieting.

As I understand it, a term of our entry to the Community was that voting would have to be unanimous on any issue in which a member state declared that it had a vital national interest at stake. The member state was its own judge of what was a 'vital' interest.

What is before us now suggests a considerable erosion of that basic term of entry, and therefore a further diminution of the sovereign power of Parliament.

Let us be clear what our partners seek. They want to ensure that we cannot get a fair deal on the budget by holding up agreement on CAP prices. They argue, falsely, that how the prices are financed is not a vital interest to the country that is responsible for finding a considerable part of the money. If we agree to 'tightening up' the conditions on the compromise as suggested in paragraph 10 of OD(82)48 - we shall be changing the terms of entry and weakening our powers. I fear that would raise again the whole European question which is precisely what the events of 17/18 May had done".

We agreed that the Prime Minister's reaction meant that we would have to try to arrange a meeting tomorrow, Tuesday, to consider the line which FCO Ministers would have to take on the Luxembourg Compromise in the debate on Thursday of this week. You said that you would arrange for the draft of Mr Hurd's speech to be circulated by close of play tonight.

CONFIDENTIAL

CONFIDENTIAL

- 2 -

We also agreed that we would now have to go ahead with the meeting of OD which was due to take place after Cabinet on Thursday morning of this week.

JAW.

14 June 1982

CONFIDENTIAL



PM/82/44

PRIME MINISTER

Luxembourg Compromise and the Genscher/Colombo Proposals

1. I have seen your comments on paragraph 10 of OD(82)48, in Mr Whitmore's minute of 14 June, in which you express disquiet about my suggestion that we might go along with some tightening up of the conditions for use of the Luxembourg Compromise, if we are unable to obtain unqualified endorsement of it.

2. I agree with you that our ability to prevent decisions by majority voting where important national interests were involved was a key point in the terms of entry. This is clearly spelt out in the 1971 White Paper. The problem is that this ability did not rest on an agreed text giving us a legal right and supported by all the member states, but on the practice of the Community which had been followed since the Luxembourg Compromise in 1966. The text of / the 1966 'Compromise', which I attach, is in fact an agreement to disagree, with only the French delegation maintaining the view that decisions must be reached unanimously.

3. Our immediate need is to restore our ability to prevent decisions of major importance to us being taken by majority voting. We are most unlikely to get a unanimously agreed text; the Benelux countries who refused to subscribe to the French text in 1966 are most unlikely to do so now. What we need is to get agreement by a sufficient number of member states to constitute a blocking minority, so that acting together they can prevent decisions being taken by majority voting when one or more member states say that their important national interests are involved. The problem is that we together with the Danes and Greeks who supported us on 18 May do not constitute a blocking minority; the key aim in the discussions on Sunday must therefore be to find a text to which the French, who have made clear that they think the Luxembourg Compromise remains in force can subscribe. It is this requirement which lies behind the thinking

/in

CONFIDENTIAL



in the papers which I have circulated to OD colleagues.

A handwritten signature in dark ink, appearing to be 'F.P.', written in a cursive style.

(FRANCIS PYM)

Foreign and Commonwealth Office

16 June, 1982

b) *Majority voting*

"I. Where, in the case of decisions which may be taken by majority vote on a proposal of the Commission, very important interests of one or more partners are at stake, the Members of the Council will endeavour, within a reasonable time, to reach solutions which can be adopted by all the Members of the Council while respecting their mutual interests and those of the Community, in accordance with Article 2 of the Treaty.

"II. With regard to the foregoing paragraph, the French delegation considers that where very important interests are at stake the discussion must be continued until unanimous agreement is reached.

"III. The six delegations note that there is a divergence of views on what should be done in the event of failure to reach complete agreement.

"IV. The six delegations nevertheless consider that this divergence does not prevent the Community's work being resumed in accordance with the normal procedure".

it was pleased to



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

16 June 1982

The Rt. Hon. Francis Pym, MC MP
Secretary of State for Foreign and
Commonwealth Affairs

Dr Francis

LUXEMBOURG COMPROMISE AND THE GENSCHER/COLOMBO PROPOSALS

I am in general content with the lines of your proposals in the three papers circulated to OD Committee. But I think it important that the Government should stress in debate that in our view the action taken on 18 May by other member states was wrong. Our starting position must be that we thought, and still think, that we were entirely within our rights in invoking the Luxembourg Compromise in the circumstances. This is a point of principle, which we need to assert unequivocally.

Nevertheless I accept that there is no prospect of reconstructing the Luxembourg Compromise to link CAP price settlements with wider budgetary questions. The best we can do is to secure an agreement for the future which takes account of recent events.

The existence of four alternative texts for Genschler/Colombo shows that agreement between member states is unlikely. The least that Parliament will look for would be the right for a member state to determine for itself what was in its vital national interest. Since we would, as you say in one of your papers, normally expect to tell Parliament after a Council meeting why such an interest had been stated, I myself, while noting Peter Walker's doubts, see no objection to telling other Member States in writing. But it would surely be fair to seek reasons in writing for any rejection by other members of the right to ask for a postponement of voting. This might be one way of achieving a better balance in alternative 2 of the text, which includes the words "to defend a vital national interest of direct relevance to the subject under discussion".

I am copying this letter to the Prime Minister, other members of OD, and to Sir Robert Armstrong.

G
Howe



PRIME MINISTER

THE GENSCHER/COLOMBO PROPOSALS AND THE LUXEMBOURG COMPROMISE

As I am unable to attend the meeting of OD on Thursday I would like to raise a few points on the issues raised in Francis Pym's papers.

2 Clearly it is right to try to initiate a rational discussion of the future of the Compromise, and I agree that it is sensible to do so in the context of the current review of the Genscher/Colombo proposals.

3 I am also in general agreement with Francis Pym's proposals and recognise what he says about the possible increased use of majority voting. We need to recognise, however, that in areas where the Community has still to develop its policies, even when these policies will be based on ministerial unanimity, it is likely that the Commission, and, for that matter, the Council Secretariat, will seek to ensure that the enabling Community instruments will provide for majority voting. I think that this will be the case in the industrial policy sector, and in the further evolution of decision-taking procedures governing Community R&D, but it may equally be true for other sectors.



4 It follows therefore that we will need to weigh carefully the implications of majority voting in each new case as it arises and closely monitor the progress of the drafting of the appropriate Community instruments.

5 I am copying this to Cabinet colleagues.

PJ

P J

16 June 1982

Department of Industry



[Faint, illegible red text]



Fig. 1111
C. 1111

[Faint, mirrored red text, likely bleed-through from the reverse side]



File AH

cc J. Hancock

CO

Eno Pa

10 DOWNING STREET

From the Principal Private Secretary

15 June 1982

Dear Connor,

COMMONS DEBATE ON THE
GENSCHER/COLOMBO PROPOSALS

Thank you for your letter of 14 June 1982 enclosing the draft speech for Mr Hurd to make in the debate on the Genschler/Colombo proposals on European Union on Thursday of this week.

I have shown this to the Prime Minister, and she is content with the line which it is proposed that Mr Hurd should take.

Yours sincerely,

Alwi Shrivani

M L Connor Esq.,
Foreign and Commonwealth Office.

AH



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

Prime Minister

From the Minister

For discussion on

CONFIDENTIAL

Thursday. A.J.C. 14/6

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London
SW1A

14 June 1982

[Handwritten signature] *[Handwritten initials]*

THE LUXEMBOURG COMPROMISE

We shall be discussing the Foreign Secretary's paper on the Luxembourg Compromise this Thursday. Meanwhile I thought it might be helpful to explain in a little more detail one of the most serious implications of the Agriculture Council's votes of 18 May.

This relates to the new French argument that the Compromise can only be properly invoked if the national interests concerned relate directly to the subject under discussion. If this point were to be accepted and interpreted literally it would change the whole nature of the annual price-fixing negotiation, and very much to our disadvantage. It has always been implicit in that negotiation that each country is entitled to block measures which would benefit others until it has secured at least its own minimum requirements from the package. The package, in other words, has been regarded as an entity, to be accepted or rejected as a whole. On 18 May, however, this concept was implicitly abandoned and each Regulation was voted on separately.

If the French view of the Compromise were accepted, this procedure could very readily be repeated: a country might then be able to block a single Regulation which it could show had an unacceptable effect for important national interests. But it could not block the rest of the package. Still less could it insist, as we have many

/times had to do in ...

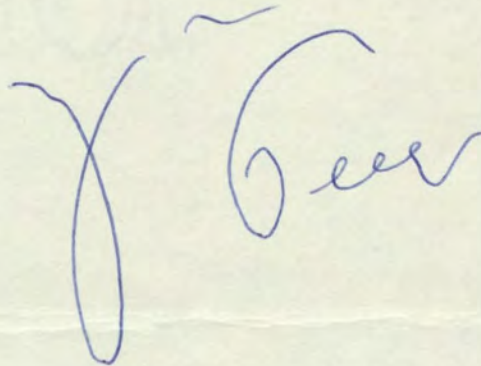
CONFIDENTIAL

CONFIDENTIAL

times had to do in the past, on the inclusion in the package of measures which the Commission had not seen fit to propose. Nor would it be possible to block price increases on which others were agreed, since it could never in their eyes be an important national interest, in strictly agricultural terms, to reject a level of price increase whose undesirability related essentially to its budgetary cost.

I am very much afraid that whatever is now done to reinstate the Compromise, the fact that agricultural measures have been put through once by a vote against the wishes of three member countries means that the same thing can happen again. But we must make it as difficult as possible for this to take place. I would much prefer not to have to accept a requirement to explain in writing the reasons for invoking the Luxembourg Compromise. For the reasons I have given this could obviously make it much harder to achieve our aims in a package negotiation of the price-fixing type; and it would make us more vulnerable to criticism at home if we had subsequently to change our stance. But if we cannot avoid that we must at least resist any definition of the circumstances in which the Compromise can be invoked which limits them in a way damaging to our interest. I am very glad to see that the Foreign Secretary recognises this in paragraph 12 (v) of his paper OD(82)48. The purpose of this letter is simply to reinforce that very important point.

I am sending copies of this letter to the Foreign Secretary, other members of OD and to Sir Robert Armstrong.



PETER WALKER

7 4 JUN 1982

11 12 1 2 3
4 5 6 7 8 9 10

11 12

5

010

1.



Foreign and Commonwealth Office

London SW1A 2AH

14 June 1982

Private Secretary
No 10 Downing Street

Dear Private Secretary,

COMMONS DEBATE ON THE GENSCHER/COLOMBO PROPOSALS

The debate which the House of Commons Scrutiny Committee has recommended on the Genscher/Colombo proposals on European Union will be taking place on 17 June at 4.00 pm. I enclose a draft speech which was submitted to Mr Hurd on 11 June. Mr Hurd is still considering the draft but the Prime Minister may wish to note the line which it is proposed that Mr Hurd should take, subject to the discussion at OD on 17 June.

Yours ever

M L Connor
Assistant Private Secretary
to Mr Hurd

Prime Minister.

The key paragraph on the Luxembourg Compromise is paragraph 16. In the absence of agreement on Mr Pym's OD paper (which will not be discussed until Thursday) this seems to me to hold the line substantively. Are you content with it? I do not suggest that you read the rest of the speech.

Yes
MLC

MLC
4vi

DRAFT SPEECH

HOUSE OF COMMONS DEBATE ON THE GENSCHER/COLOMBO PROPOSALS ON
EUROPEAN UNION 17 JUNE 1982

1. I beg to move, that this House takes note of the document containing the latest text of the German/Italian proposals on European Union.
2. I should like to start by making clear to the House what is the status of the document we are considering today. The original proposals, prepared by the German and Italian Foreign Ministers were submitted to the European Council meeting in London on 26/27 November 1981. The European Council invited the Foreign Ministers, in collaboration with the Commission, to examine and clarify the proposals and report back to a future meeting of the European Council. The original text of the proposals was deposited in the House with an explanatory memorandum on 15 January. The proposals were examined by the House of Commons Select Committee on European legislation which recommended them for debate.
3. The Belgian Presidency decided to set up an ad hoc group of senior officials to examine the proposals. This ~~ad hoc~~ group commenced its work in January of this year. In the course of negotiations it became clear that a number of Member States had reservations about certain aspects of the original proposals and others needed clarification where the precise intention or meaning was not clear. The Foreign Ministers therefore asked officials to produce a revised text which took account of Member States' points of view. This is the text which is now before the House. It has ^{the} status merely of a working document and no government is committed to it. It contains a number of passages in square brackets on which agreement has not yet been reached. This text will be

considered by the Foreign Ministers' at their meeting on 20 June. It is possible that agreement will be reached on a final text at that meeting. It is for this reason that the Government considered it necessary to hold the debate at this time so that the House would have an opportunity to express its views on the proposals as they now stand before any decisions are taken on them. If agreement is reached at the Foreign Ministers' meeting, the Presidency hopes to submit the document for approval by Heads of Government at the European Council meeting on 28/29 June. It is possible, however, that the remaining disagreements will be such as to prevent final agreement on 20 June. In that event, final adoption of the document may be delayed ~~for a considerable time~~. So much for the timetable. I should now like to say a word about the concept of European Union before turning to a detailed examination of the proposals as they now stand.

4. The title refers to "European Union". I must make clear that this is not a new concept. The objective of "European Union" derives from the preamble to the EEC Treaty, signed in Rome on 25 March 1957, which states that the Governments of the Member States of the Community are "determined to lay the foundations of an ever closer union among the peoples of Europe". The commitment to European Union was reaffirmed at the Summit conferences held in Paris in 1972 ^{and by the European Council in November 1976} and 1974. It has thus been endorsed by both Conservative and Labour Governments.

5. No precise definition of the meaning of "union" was laid down in the Treaty nor has one been attempted subsequently. I should therefore like to say a word at this stage about the Government's view of the concept. It is not, in our view, a commitment to a federal system or to the progressive erosion of national sovereignty. What it amounts to is the development of an ever-closer framework for cooperation between the sovereign states of the Community in all areas of their activity where such cooperation can be demonstrated to be advantageous. European Union will thus, in our view, be based on the work already undertaken in the framework of the Community Treaties and the

political cooperation arrangements and does not imply the creation of any new institutions or increases in the formal powers of the existing institutions.

6. The proposals which we are now considering were intended by their originators as a further reaffirmation of the Community's commitment to the objective of European Union and to facilitate the achievement of closer cooperation through a number of practical improvements in the operation of the Community institutions and the arrangements for cooperation outside the Treaty framework. Neither the original nor the revised proposals would involve Treaty amendment or changes in the powers of the institutions as laid down in the Treaties. The Government emphasised the necessity of this from the outset and it was accepted by our partners. It is for this reason that I have asked that the document be given a title other than "Act" which, as I have pointed out to my colleagues, has legislative overtones in the UK.

7. I now turn to a closer examination of each section of the document as it now stands. The latest text consists of a preamble followed by 4 sections entitled "Objectives", "Institutions", "Scope" and "Final Provisions".

8. The Preamble reaffirms the commitment to European Union set against the background of the continuing efforts to create a united Europe on the basis of the Community Treaties; the role of the European Parliament; the need to promote democracy and fundamental rights; the need for greater economic cohesion and dynamism; the importance of Community social policy including the problem of employment; and the importance of "speaking with a single voice in foreign policy".

9. The section headed "Objectives" stresses the importance, "within the framework of progress towards an ever-closer union" of the achievement of ever increasing solidarity and joint action and the need for a greater concentration by the Community on its wider

political objectives. This is to be achieved by making the decision-making procedures more efficient and by promoting greater coherence and coordination between the different branches of Community activity. The importance of strengthening and continuing the development of both the Communities and the political cooperation arrangements which together will constitute the nucleus of European Union is emphasised. The need to promote cooperation in such matters as culture, approximation of certain areas of legislation and concerted action to deal with international crime and terrorism is also emphasised. One of the most important paragraphs in this section, and one which was proposed by the British Government, is the reaffirmation of the fact that respect for and maintenance of representative democracy and human rights in each Member State are essential elements of Community membership.

10. The section on institutions begins by emphasising the importance of increased coordination between the existing structures of the Community and the political cooperation arrangements at all levels but ^{makes clear} ~~emphasises~~ that each will continue to be prepared according to the existing arrangements. There is thus no suggestion of merger or amalgamation of the two frameworks. None of the provisions of this section involve any increase in the powers of the Community institutions as laid down under the Treaties and there can thus be no grounds for suggesting that anything in this document amounts to a step in the direction of federalism or supra-nationality.

11. The existing composition of the European Council, which brings together Community Heads of State or Government, their Foreign Ministers and the President and a member of the Commission, is reaffirmed, as are its existing functions. These include giving political impetus to the construction of Europe; defining the orientations and political guidelines for the further construction of Europe; initiating cooperation, where necessary, in new areas of activity; and expressing the common position of the Community in questions of external relations. This section

also provides, as has already been agreed, that the President of the European Council will appear before the European Parliament at least once during each Presidency.

12. The following section on the Council and Ministerial meetings has ~~an~~ alternative texts providing either for "the Council" henceforth to deal with both Community business and political cooperation matters, though each would continue to be prepared in accordance with the appropriate procedures, or alternatively for the existing situation, whereby the Council deals with Community business and the Foreign Ministers deal with political cooperation, to continue. The British Government would be prepared to accept the former, since it is clear that no change of substance is intended in the way in which Community and political cooperation business is handled.

13. I turn now to a section in the document to which the Government attaches particular importance. This deals with decision-making procedures in the Council and, in particular, the question of majority voting and the Luxembourg Compromise. As the House will recall, my Rt Hon Friend the Secretary of State for Foreign and Commonwealth Affairs, has called for an urgent discussion of the Community's decision taking procedures following the events at the Agriculture Council on 18 May and this discussion will take place on 20 June. It is likely to focus on the section of the document we are now considering.

14. Let me remind Hon Members briefly of the background to this question. The Treaty lays down certain areas where decisions are to be taken by unanimity and certain others where majority voting is the rule. However since the Luxembourg Compromise in 1966 it has been the practice that decisions are not taken by majority vote where a Member State makes clear that important national interests are involved. The Government has never been opposed to the proper use of majority voting where the Treaties provide for it; indeed greater use of majority voting can help to expedite Community business in a way that can be beneficial. But we do

attach importance to the safeguard against the overruling of important national interests provided by the Luxembourg Compromise. It is this safeguard which was overruled on 18 May and which we would like to see restored.

15. I turn now to the section of the document before us. As Hon Members will see, there are at present 4 alternative texts of this section for Ministers to choose from. The first text provides that the Presidency will put decisions to the vote wherever the Community Treaties so provide, it being accepted that voting will be postponed if one or more Member States so requests in order to defend important national interests. This text would not only confirm but would reinforce the Luxembourg Compromise, if all Member States supported it. The second text qualifies this by stating that the important interests invoked should be directly related to the subject under discussion and that reasons for doing so should be given in writing. This text would thus also confirm the Compromise, subject to these qualifications. The third text provides that voting may be postponed only "exceptionally" and that in the event of such a postponement, the question shall be placed on the agenda of the next Council meeting which shall decide. The fourth alternative merely states that the Presidency will put matters to the vote whenever the Treaties so provide.

16. In considering these or any other texts, the Government will be guided by its view that Member States should have the undisputed right to have a decision deferred where they consider that their important national interests are involved. Following the results of 18 May we would like to see tht right confirmed. We shall therefore continue to work in the Genscher/Colombo exercise, for a text which makes this clear. If, as is possible, unanimous agreement cannot be reached on an acceptable text, we would wish to seek endorsement of this right by all those Member States who are prepared to give it. It was after all on the basis of a text recording a disagreement between Member States that the Luxembourg Compromise operated for 16 years.

17. The next section (2.2.4) deals with political cooperation and emphasises the importance of the Community acting jointly in foreign policy matters. The new arrangements for political cooperation contained in the London report of 13 October 1981 are reaffirmed. The possibility of strengthening the Presidency's power of initiative, coordination and representation in relations with third countries is referred to, for which purpose an appropriate strengthening of operational support is provided for.

18. Section 2.3 of the document deals with the European Parliament and its relations with the other Community institutions. The text of this section, unlike the rest of the document which has been prepared by the ad hoc group, was prepared by the Committee of Permanent Representatives in Brussels. The document provides for some improvements in the Parliament's relations with the Council and Commission in ways which will not involve any formal increases in its powers as laid down in the Treaties. We have made clear in the course of negotiations that we see no need for any such increases. The Parliament's right to deliberate on all matters relating to the Communities is reaffirmed as is its right to submit written or oral questions to the Council and the Commission as provided for under the Treaties. The text also provides for the Council to give reasons for departing from an opinion of the Parliament which is required under the Treaties. We do not consider, however, that the Council or the Foreign Ministers should be obliged to explain their reasons for not taking account of parliamentary resolutions which are not required under the treaties. The Parliament is to be given the opportunity to make its views known, but not to be consulted, on the appointment of the President of the Commission. There will be a Parliamentary debate on the programme which the Commission presents after its appointment. We do not think that this debate should be regarded as one of "investiture" or "confidence". *

19. This section also deals with the Parliament's rôle in the conclusion of the Community's international agreements. The

* I should explain here why the present text does not include section 2.5 on the consultation procedure which operates in the event of disagreement between the Council and the Parliament on legislation having important financial implications. Improvements in the procedure are being considered separately and are not yet available.

Treaties provide for the Parliament to be consulted over the conclusion of Association agreements, but not on Accession Treaties or Trade agreements concluded under Art 113. An informal practice has developed, however, under which the Parliament is informed on a confidential basis, about the progress of negotiations on Trade agreements. The text proposes to extend the practice to cover all the Community's important international agreements. We are prepared to accept this. It will not amount to a great deal in practical terms and, as I have already said, it will not give the Parliament a right of consultation, where it does not already have it under the Treaties.

20. Section 2.4, dealing with the Commission, reaffirms its existing rôle as guardian of the Community Treaties and "driving force" of the process of European integration. It also refers to the ~~possibility~~^{desirability} of making more frequent use of the possibility of delegating powers to the Commission within the framework of the Treaties. There is nothing new in this. The possibility of delegating powers to the Commission is already provided under Article 155 of the EEC Treaty and the Government have always been prepared to consider further delegation on a case-by-case basis where this can be shown to be advantageous in terms of increased efficiency. It would be open to us to object to delegation in any specific case where we considered this to be necessary.

21. Section 2.5 on the Court of Justice reaffirms its essential rôle in progress towards European Union by ensuring compliance with and development of Community law. This section also gives rise to the possibility on a case-by-case basis, of the Court being granted a rôle of interpretation in international conventions concluded between Member States.

22. Section 3 of the document, entitled "Scope", deals with activities within the framework of ^{the Communities,} Political Cooperation and other areas outside the scope of the Treaties. Section 3.1, on the European Communities, sets out the priorities for future work within the framework of the Communities. Much of this section is

based on what has already been agreed in the context of the Mandate negotiations. We consider that it is of the greatest importance that the Community develops its policies in sectors other than agriculture, as was agreed in the Mandate guidelines. It is only in this way that the problem of unacceptable budgetary ^{situations} ~~structure~~ can ultimately be resolved. We therefore welcome the emphasis on this in the text. The text reaffirms the importance of giving renewed emphasis to the development of Community policies, in particular: an overall economic strategy to combat unemployment and inflation and promote convergence; stronger measures of economic discipline and more effective coordination of national economic policies; strengthening the European monetary system as an element in progress towards economic and monetary union and the creation of a European monetary fund; the development of Community instruments and mechanisms for the transfer of resources to the least prosperous Member States; the strengthening of the Common Commercial Policy; the completion of the internal market through the removal of obstacles to the free movement of goods, capital and services; the continued development of the Common Agricultural Policy, respecting its objectives as defined in the Treaties and taking into account the need to ensure a fair standard of living for farmers and the achievement of a better equilibrium in some sectors; the establishment of Community industrial strategy; the development of the Community's regional and social policies; and the provision of the necessary resources to finance the Community's policies. On this last point, we maintain our position on the 1% VAT ceiling which acts as a break on the unlimited expansion of Community expenditure. The Government have therefore made clear that the text must not imply an automatic commitment to increase Community resources

23. Section 3.2 deals with foreign policy cooperation. The importance of strengthening the Political Cooperation procedures is emphasised, in particular, through intensified consultation on foreign policy questions with a view to permitting joint action on all major foreign policy questions; prior consultation with other Member States in advance of the final adoption of positions; and

giving due weight to the adoption and implementation of common European positions when a Member State works out its national position and takes national action. I should like to make clear that nothing in this section involves a commitment which has not already been entered into.

24. The possibility of cooperation among the Ten in the field of culture is provided under section 3.3, though it is emphasised that there is no intention here of duplicating the valuable work in this field which is already undertaken by the Council of Europe. The text states that the Heads of State or Government will "promote, encourage or facilitate" cooperation in a number of specific areas listed in the text.

25. Increased activity in the field of approximation of laws, both within and outside the framework of the Treaty is provided for under section 3.4. The text is, for the most part acceptable, but it is difficult to see what benefits could be achieved from increased approximation ~~in~~ of criminal law given the fundamental differences between our own and continental legal systems.

26. The last section of the document, entitled "Final Provisions" stresses the link between membership of the European Communities and participation in all the activities described elsewhere in the document. It makes provision for a review of the document after 5 years to take stock of the progress achieved in the move towards European unification. Some Member States would like this review to lead to a "Treaty on European Union", but the United Kingdom along with a number of other Member States has made clear that we are not prepared to accept a commitment to a future treaty. In our view, progress towards European Union should continue to take place on a pragmatic and evolutionary basis.

27. In conclusion, I should like to emphasise that the Government welcomed the initiative originally taken by the German and Italian Foreign Ministers last year in putting forward proposals which are intended to give a new political impetus, across a wide range, to

the European Communities and to European Political Cooperation. ~~will clarify the Community's decision making procedures.~~ In particular, we are in sympathy with the basic idea of bringing together the work which the Member States of the Ten do together both within and outside the framework of the Treaties, and we see merit in consolidating these proposals in a single text carrying the authority of the Heads of Government. The original proposals contained a number of ideas which caused difficulties for us or others but many of these have now been dropped or modified, and we would hope to be able to secure acceptable texts on the remaining outstanding points. As I have said we have in particular secured ~~the~~ agreement of all that nothing in this text involves Treaty amendment or will increase the powers of the Community institutions; it is a political, not a legal, text.

28. A key passage in the document is the section on decision making procedures and it will be our major aim to secure agreement on a text including a passage on this subject which will clarify the position, following the deplorable events of the Agriculture Council on 18 May. It is with these aims in mind that the Government will be approaching the forthcoming discussions with our partners.

CONFIDENTIAL



2.11 AH
Eno. Pol.
11/11/82
11/11/82

10 DOWNING STREET

From the Principal Private Secretary

MR HANCOCK

THE LUXEMBOURG COMPROMISE AND THE
GENSCHER/COLOMBO PROPOSALS

The Prime Minister saw your minute of 8 June 1982 over the weekend, and as I told you on the telephone this morning, she minuted her reaction in the following terms:-

"I find the conclusions on these papers disquieting.

As I understand it, a term of our entry to the Community was that voting would have to be unanimous on any issue in which a member state declared that it had a vital national interest at stake. The member state was its own judge of what was a 'vital' interest.

What is before us now suggests a considerable erosion of that basic term of entry, and therefore a further diminution of the sovereign power of Parliament.

Let us be clear what our partners seek. They want to ensure that we cannot get a fair deal on the budget by holding up agreement on CAP prices. They argue, falsely, that how the prices are financed is not a vital interest to the country that is responsible for finding a considerable part of the money. If we agree to 'tightening up' the conditions on the compromise as suggested in paragraph 10 of OD(82)48 - we shall be changing the terms of entry and weakening our powers. I fear that would raise again the whole European question which is precisely what the events of 17/18 May had done".

We agreed that the Prime Minister's reaction meant that we would have to try to arrange a meeting tomorrow, Tuesday, to consider the line which FCO Ministers would have to take on the Luxembourg Compromise in the debate on Thursday of this week. You said that you would arrange for the draft of Mr Hurd's speech to be circulated by close of play tonight.

CONFIDENTIAL

CONFIDENTIAL

- 2 -

We also agreed that we would now have to go ahead with the meeting of OD which was due to take place after Cabinet on Thursday morning of this week.

JWH.

14 June 1982

CONFIDENTIAL

Envi P1

Mr J L Bullard

GENSCHER/COLOMBO PROPOSALS

1. We have received further comment from the FCO to the attached tel no 282:

"Because of the House of Commons requirement for an explanatory memorandum to be laid in the House at the time the Lord President announces the debate, ie tomorrow at 3.30 pm, there is no possibility of putting down a full memorandum as a substitute. The only substitute available is the short memorandum drafted to accompany the text. Without the text itself this would not make for a sensible debate"

(the attached telegram did not arrive by the desk-by time shown and was not available for use at the POCO meeting on 9 June).

N.P. Dickerson.

9 June 1982

N P Dickerson

cc: Mr Richards
 ✓ Mr Whitmore

*Mr Richards has since received a telegram addressed personally to
 when taking this story a little bit further. Rules of distribution
 prevented me from attaching a copy
 to this minute.*

*N.P. Dickerson**9/6*

FCGB BONN 067/09

Mr Bullard
This telegram has not been
circulated to other
members of the Delegation.

LL

OO BONN DESKBY 091500Z

GRS 380

CONFIDENTIAL
DESKBY 091500Z
FM FCO 091355Z JUN 82
TO IMMEDIATE BONN
TELEGRAM NUMBER 282 OF 09 JUNE
INFO ROUTINE BRUSSELS UKREP BRUSSELS

I have given you 10: PS to the Prime M
PS to S of S
my notes refer
to the Delegation
4/6

PLEASE PASS FOLLOWING IMMEDIATELY TO BULLARD .
GENSCHER/COLOMBO PROPOSALS.

1. FOLLOWING IS LINE TO TAKE ON PROPOSED PARLIAMENTARY DEBATE:
QUOTE 1. OUR PARLIAMENTARY PROCEDURES NECESSITATE THAT THE HOUSE OF COMMONS IS GIVEN AN OPPORTUNITY TO DEBATE (BUT NOT TO DECIDE OR TO MANDATE THE GOVERNMENT ON DETAIL) THE GENSCHER/COLOMBO PROPOSALS BEFORE THEY ARE AGREED BY THE BRITISH GOVERNMENT.
2. UNDERSTAND SEVERAL PARTNERS HOPE THAT AGREEMENT CAN BE REACHED AT FOREIGN MINISTERS MEETING ON 20 JUNE. WE CERTAINLY DO NOT EXCLUDE THAT POSSIBILITY. DEBATE THEREFORE NEEDS TO TAKE PLACE IN THE WEEK BEGINNING 14 JUNE IF WE ARE NOT TO GO BACK ON OUR NORMAL PROCEDURES.
3. COUNTER-PRODUCTIVE IF PARLIAMENT WERE TO DEBATE THE ORIGINAL TEXT WHICH HAS NOW BEEN EXTENSIVELY REVISED.
4. ON BASIS OF OUR BEST JUDGEMENT AS TO HOW TO ACHIEVE A POSITIVE OUTCOME IN OUR PARLIAMENT, HAVE DECIDED TO DEPOSIT THE LATEST TEXT, BUT WILL MAKE CLEAR THAT THIS HAS STATUS OF A WORKING DOCUMENT TO WHICH NO GOVERNMENT IS COMMITTED AND WILL NOT REVEAL INDIVIDUAL POSITIONS TAKEN UP BY OTHERS UNQUOTE.

2. BELGIAN EMBASSY HAVE WARNED US (ON INSTRUCTIONS) THAT MR TINDEMANN AND DE SCOUTHEETE WILL MAKE THE FOLLOWING ARGUMENTS AGAINST GIVING PARLIAMENT THE DRAFT:
 - A. THE EUROPEAN PARLIAMENT WOULD NOT BE GIVEN THE DOCUMENT BEFORE IT WAS AGREED BY THE TEN.
 - B. IT WAS NOT USUAL FOR NATIONAL PARLIAMENTS TO RECEIVE AND DISCUSS WORKING DOCUMENTS BEFORE THEY HAD BEEN DISCUSSED BY MINISTERS OF THE TEN.
 - C. IN ITS PRESENT FORM THE DOCUMENT CONTAINED SQUARE BRACKETED PASSAGES AND ALTERNATIVE PASSAGES. IF THE DOCUMENT BECAME PUBLIC, PARLIAMENT AND THE PRESS WOULD TRY TO IDENTIFY THE SUPPORTERS OF DIFFERENT BITS OF LANGUAGE (PROBABLY WITH SOME SUCCESS).
 - D. MAKING THE DOCUMENT PUBLIC AT THIS STAGE WOULD MAKE COMPROMISE TEXTS ON THE DIFFICULT QUESTIONS HARDER TO ACHIEVE.

3. IT MAY BE WORTH ASKING DANES WHERE THEY STAND SINCE WE UNDERSTAND THE MR OLESEN HAS WRITTEN TO MR TINDEMANN ABOUT THE GENSCHER/COLOMBO PROPOSALS. THIS MIGHT AFFECT THE CHANCES OF REACHING AGREEMENT AT THE MINISTERIAL MEETING ON 20 JUNE.

PYM

NNNN

Qz 02597

MR COLESTHE LUXEMBOURG COMPROMISE AND THE GENSCHER/COLOMBO PROPOSALS

1. A meeting of OD has been arranged for noon on Thursday 17 June to discuss the Luxembourg Compromise and the Genschler/Colombo proposals for an institutional strengthening of the Community and political co-operation. This is the earliest time when all the Ministers essentially concerned can be assembled. For the reason explained below, it may be necessary to settle the line to be taken by Foreign Office Ministers in debate in the House of Commons before OD meets.

2. The issues for decision are set out in three papers circulated today by the Foreign and Commonwealth Secretary:-

- i OD(82) 47 which describes the connection between the two subjects and the general approach recommended by the Foreign and Commonwealth Secretary.
- ii OD(82) 48 which recommends the line to take on the Luxembourg Compromise; and
- iii OD(82) 49 which recommends the line to take on the Genschler/Colombo proposals.

Copies of these papers are attached.

3. Both the Luxembourg Compromise and the Genschler/Colombo proposals will be discussed at the Foreign Affairs Council on Monday 20 June. They may be pursued at the European Council on 28-29 June. If the Foreign Affairs Council reaches agreement on 20 June, then the Germans and the Italians will no doubt expect the European Council to endorse the Genschler/Colombo

proposals. If agreement is not reached this month, further consideration of the proposals may in practice be postponed until next year when the Germans take over the Presidency. The Danes are not at all enthusiastic and are unlikely to want to push matters to a conclusion during their Presidency.

4. The House of Commons Scrutiny Committee has recommended the Genscher/Colombo proposals for debate. The Foreign and Commonwealth Secretary considers it essential that this debate takes place before the proposals are discussed by Foreign Ministers on 20 June. Parliamentary interest will be high because the proposals include an attempt to codify the Luxembourg Compromise which is associated with a commitment to more majority voting.

*No longer so —
The debate will
be next
Thursday.*

5. The timing of the debate has not yet been settled but it may have to take place the day before the OD meeting (which cannot be brought forward). It will not of course be necessary for the Government spokesman to take a final position in the debate on all the issues which are the subject of the three attached OD papers. The line to be taken by the Foreign Office Ministers in debate could be clear in advance by correspondence.

6. On the other hand, if the Foreign and Commonwealth Secretary's recommendations are endorsed, it would be appropriate for Foreign Office Ministers in debate to make it clear that the United Kingdom will go along with the endorsement of the Genscher/Colombo proposals provided that:-

- i they lead to an acceptable clarification of the future status of the Luxembourg Compromise; and
- ii the other points listed in OD(82) 49 are satisfactorily dealt with.

Conclusion

7. As the meeting of OD has had to be postponed until 17 June, which may possibly be the day after the Genscher/Colombo proposals are debated by the House of Commons, it would be helpful if you could confirm that the Prime Minister sees no objection to the general lines of the Foreign and Commonwealth Secretary's proposals set out in the attached OD papers and in particular to the point raised in paragraph 6 above. Detailed consideration of the way in which the Foreign and Commonwealth Secretary intends to handle the discussion in the Foreign Affairs Council on Monday 20 June can then await discussion in OD for which a separate brief will be submitted next week.

D.H.

D J S HANCOCK

8 June 1982

Prime Minister.

We are due to discuss these papers in OD next Thursday morning. The debate is on Thursday afternoon. If OD does not like the Foreign Secretary's papers, there will be no time to decide a new line for the debate. This is why you are being asked what you think about them now. If you are not content, we shall have to try to find a time for a meeting of OD before you go to New York.

May we say you are content?

See overpage.

fmw
Dn

" I find the conclusions on these papers discussing.

As I understand it: a term of our entry to the Community was that - who would have to be unanimous on any issue in which a member state declared that it had a vital national interest at stake. The member state was its own judge of what was a vital interest.

What is before us now suggests a considerable erosion of that basic term of entry, and therefore a further diminution of the sovereign power of Parliament.

Let us be clear what our partners seek. They want to ensure that we cannot get a fair deal on the budget ~~any other~~ by holding us agreement on CAP prices. They argue, falsely, that how the prices are ^{financed} is not a vital interest to the country that is responsible for perhaps a considerable part of the money. If we agree to 'tighten up' the conditions on the Community as suggested in para 10 of 02/82/48 - we shall be changing the terms of entry and ^{weakening} our power. I fear that would raise again the whole European question - what is nearly what the results of the 17/11/82 Day had done" me.

Ref: A08603



Euro R

CONFIDENTIAL

PRIME MINISTER

Community Affairs

Unless already covered under Foreign Affairs, you might wish to inform the Cabinet of the outcome of any discussions on Community topics (e. g. trade with Japan) at the Versailles Economic Summit.

2. The Minister of Agriculture might report on his talks on fish on 7th June with his French counterpart, M le Pensec, in which worthwhile progress was made on access.

3. The Secretary of State for Industry might report on the outcome of the 8th June Industry Council, which will have discussed the renewal of the steel anti-crisis measures, including production quotas and price controls, that are due to expire on 30th June.

4. In the week ahead, the Transport Council meets on 10th June, the Finance and Agriculture Councils on 14th June, and the Fisheries and Development Councils on 15th June.

REA

Robert Armstrong

8th June 1982

CONFIDENTIAL

GENSCHER/COLOMBO PROPOSALS ON EUROPEAN UNION

AL 1/6
h-c.Background Note

1. The Genscher/Colombo proposals for an Act on European Union were submitted to the European Council meeting in London on 26/27 November 1981. In its conclusions, the European Council invited the Foreign Ministers, in cooperation with the Commission, to examine and clarify the proposals and to report back to a future meeting of the European Council.
2. The Belgian Presidency set up an ad hoc group of officials to examine the proposals. In February, the group prepared an interim report to Foreign Ministers, who agreed that the political will to continue the exercise existed and instructed the ad hoc group to produce a revised draft of the Act. At its subsequent meetings, the ad hoc group has attempted to produce a revised text, reflecting Member States' reservations on the original proposals. It has been unable to resolve all the differences. Foreign Ministers discussed some of the main outstanding points of substance on 24 May and will consider the question again on 20 June after further work by officials.
3. In discussion by Foreign Ministers and in the ad hoc group we have shown willingness to examine the Genscher/Colombo proposals constructively, while resisting those likely to cause us difficulty and seeking clarification where necessary. We have secured acceptance of our basic requirements that there should be no provisions requiring Treaty amendment or Parliamentary ratification and no changes in the existing powers of the institutions. The final text will therefore provide for little more than improvements in the operation of the Institutions, increased coordination between Community business and Political Cooperation and the possibility of extending cooperation among the Ten into new areas.



CONFIDENTIAL

4. In the light of recent developments, we are taking the opportunity provided by this exercise, to try to get an agreed text on majority voting which makes clear a Member State's right to have a decision deferred where important interests are involved.

CONFIDENTIAL

Ref. A08572

PRIME MINISTER

Cabinet: Community Affairs

There have been no major Community developments on the United Kingdom budget problem or the Luxembourg compromise since the Cabinet discussed the outcome of the 24-25 May meeting of Foreign Ministers last Tuesday. Arrangements are being made for a meeting of OD next week to consider papers by the Foreign and Commonwealth Secretary on the Genscher/Colombo proposals in general and the future of the Luxembourg compromise in particular.

2. The Secretary of State for Employment might report on the 27 May Labour and Social Affairs Council. The Council reached agreement on a Directive on lead in the work place, a Recommendation on flexible retirement, and Resolutions on an action programme for women and on unemployment in terms that were satisfactory for the United Kingdom.

3. Next week the Economic Summit takes place from 4-6 June, the Industry Council on 8 June and the Transport Council on 10 June.

D.H.

D J S HANCOCK

2 June 1982



Egypt Pol
flu 1/6

10 DOWNING STREET

From the Private Secretary

1 June 1982

Dear Brian,

THE LUXEMBOURG COMPROMISE AND NEXT
STEPS ON THE BUDGET

The Prime Minister has noted without comment the minute of 26 May by the Foreign and Commonwealth Secretary on this subject.

I am copying this letter to the Private Secretaries to the members of OD, the Minister of Agriculture, Fisheries and Food, the Secretary of State for Industry, the Attorney General and Sir Robert Armstrong.

Yours

John Gales

Brian Fall, Esq.,
Foreign and Commonwealth Office.

AB



Prime Minister

To note

ML 26.
5

PM/82/39

PRIME MINISTER

The Luxembourg Compromise and Next Steps on the Budget

1. I have now had time to reflect on Nigel Lawson's interesting minute of 20 May.
2. I agree with him that we will need to find a new lever in order to secure a satisfactory solution to the budget problem. We shall need to discuss all this after next week's Council.
3. I also very much agree with him that, if we could devise some positive initiative of our own which was fully consistent with our national interests, that would materially help us in the uphill struggle we have over our budget contribution. It remains essential to convince our partners that we are determined to promote the Community's development actively if we are to persuade them of the need to reach a satisfactory solution to the budget problem. I therefore welcome Nigel Lawson's offer to look again at energy to see what we might consider doing in this area; and I suggest we might look at a paper on this aspect in a few weeks time.
4. I am copying this minute to members of OD, the Minister of Agriculture, Fisheries and Food, the Secretary of State for Industry, the Attorney General and Sir Robert Armstrong.

ms

77

(FRANCIS PYM)

Foreign and Commonwealth Office

26 May, 1982



Ref. A08530

PRIME MINISTER

Cabinet: Community Affairs

Unless anything new emerges from the Parliamentary debate on 26 May, there should be no need to discuss again this week the 24-25 May decisions on the budget, the Argentine trade embargo and the Luxembourg compromise on which the Foreign and Commonwealth Secretary reported to the Cabinet on Tuesday 25 May. The rest of the 24-25 May Foreign Affairs Council agenda gave rise to no major decisions and is unlikely to call for discussion in the Cabinet.

2. The 24 May Education Council, at which the United Kingdom was represented by the Secretary of State for Education and Science, likewise raised no issues of substance.

3. The Labour and Social Affairs Council takes place on 27 May. No Councils are scheduled for next week.

REA

ROBERT ARMSTRONG

26 May 1982



Foreign and Commonwealth Office

London SW1A 2AH

26 May 1982

A.F.C. 26/5

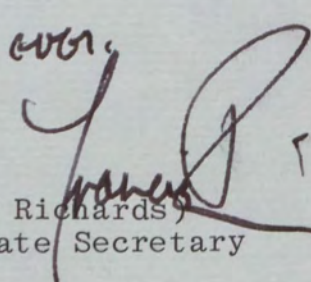
Dear John,

Europe Debate: 26 May

I attach a copy of the draft of Mr Pym's speech for this afternoon's debate, as it now stands.

I would emphasise that it is very much a working draft, and is liable to continuous change between now and the start of the debate. The peroration remains to be added. If you or other copy addressees have comments to make, if possible in the form of specific drafting language, I should be grateful to receive them by telephone as soon as possible.

I am copying this letter to John Coles (No 10), Robert Lawson (MAFF) and David Hancock (Cabinet Office).

Yours ever,

(F N Richards)
Private Secretary

J Kerr Esq
HM Treasury

HOUSE OF COMMONS DEBATE, 26 MAY: RECENT DEVELOPMENTS
IN THE EUROPEAN COMMUNITY

1. This is the first occasion on which I have had the opportunity to address this House as Foreign Secretary on the European Community. I am glad to be able to do so because I have always myself been convinced that the decision we took to enter the Community was the right one and that the best course for the British Government to pursue is to make a success of it.

2. Membership of the Community is, and in my view will remain, one of the central features of our foreign policy. Although some opponents of British membership seem to hold as a matter of faith to the proposition that it is an unmitigated disaster, it is not necessary - nor

indeed reasonable - to go to the other extreme *to justify our policy. It is a question of balance, not of absolutes;*
and the balance is one
which I calculate to be very much in favour of our playing a full and active part in the Community.

3. The motion before the House ~~provides a neat illustration~~ *of* the point that we are not dealing with unmixed blessings or unmitigated disasters. The support we have received from our Community partners in the Falklands crisis is ~~indeed~~ *extremely* welcome,

/and

and I hope that the House will take this opportunity to make this unmistakably clear. At the same time, the setting aside of the Community's customary procedures at the Agriculture Council on 18 May was very unwelcome, and the House will want to make its views clear on this point also.

4. Finally, the motion makes it clear that much work remains to be done if we are to secure our objectives both on procedures for the conduct of Community business and on our Budget contribution. The favourable balance to which I referred at the outset is something we have had to work for and that will always be so.

FALKLANDS

5. I want to speak first about the support we have received from our Community partners over the Falkland crisis. Their action immediately after the Argentine invasion was exemplary. They gave us the fullest support on the political level; and with unprecedented speed and unanimity they enforced an arms embargo and other economic measures against Argentina.

6. Nothing can detract from the importance of those decisions at the very moment that we were attacked by a foreign aggressor. And our partners are continuing to support us in pressing

/for the

for the implementation of SCR 502. Eight of these countries have just renewed economic sanctions for an indefinite period, ~~and~~ ^{the} two who ~~have~~, for domestic political reasons, ^{have} found themselves unable to do so, have undertaken to ensure that this does not undermine the general effort. The practical effect of the import embargo will now be increasingly severe for Argentina.

7. I believe that the action of our Community partners and our Commonwealth partners and of Norway and the United States ^{is} ~~are~~ without precedent in an international dispute of the sort we are engaged in now and something which we welcome and appreciate greatly.

8. We should also understand the reasons why this support was forthcoming. Certainly the issue itself ~~was~~ ^{is} one on which we should expect all democratic governments to take the same view as we do. But within the Community, there was ~~more to~~ ^{also} ~~it than that.~~ There was the instinctive solidarity which comes from a sense of common interest, and common ^{purpose} ~~objectives~~, and from the ^{habit} ~~habit~~ of working together ~~over many years~~ in the field of international relations.

9. Compared with the problems in the economic side
/of the

of the Community, this political cooperation gets little publicity. ~~No doubt~~ ^{might} it ~~would~~ get more if it did not work so well. Its value cannot be measured in tons or calculated in millions of units of account. But it is a ^{valuable} ~~precious~~ and important ~~part~~ ^{aspect} of membership ~~of the Community~~, and I take this opportunity to say how much I have been impressed with it during ^{recent} ~~the~~ weeks, ~~since I took office:~~

10. ^{The fruits of} ~~This field of~~ European political cooperation was of particular interest to my predecessor, who ~~I think~~ can take ^{much} ~~some~~ credit for what has been achieved. ^{We must see} ~~I have no doubt~~ that ^{this cooperation} it ~~will~~ continues to develop ^{because it is} ~~and to be~~ a source of strength to this country as ~~it is~~ to our partners.

LUXEMBOURG COMPROMISE

11. The solidarity ~~which our partners have~~ shown over the Falklands is an example of the Community working at its best. ^{I want} ~~I am sorry~~ ~~that we have to deal also in this debate~~ ^{now} with an example of the Community at its worst. There is no doubt ~~at all~~ that the vote at the Agriculture Council on 18 May constitutes a major departure from the way in which Community business has customarily been conducted. ~~There~~
 ~~/is equally~~

~~is equally no doubt that~~ It is a departure which will have the most serious implications for the future if we are not able to establish clear procedures *which as an essential basis for confidence between member states.* ~~all are agreed to follow.~~

12. When my rt hon Friend the Minister for Agriculture reported to the House last week he expressed the Government's deep concern at the events which took place at the meeting ~~of~~ ~~Agriculture Ministers~~ on 18 May. For the first time since the establishment by the Community of the Luxembourg Compromise 16 years ago, decisions have been taken by majority vote despite the fact that a Member State had made it clear that very important national interests were at stake.

13. The point is of fundamental importance, and I hope that the House will bear with me if I recall the essential background.

14. The Treaty lays down how Community decisions are to be taken. In many specific areas unanimity is the rule. It is the rule also if the Community is to take decisions in new areas, not provided for explicitly in the original treaty. None of this is affected by the present dispute. But the Treaty also provides that in certain other clearly defined areas of Community business decisions shall be taken

/by a

by a system of qualified majority voting, with each Member State having a prescribed number of votes.

15. In 1965 the French Government argued that qualified majority voting should not be implemented if a Member State considered that its very important national interests were involved; they proposed an amendment to the Treaty to this effect; and they backed up their demand by boycotting the Community institutions for a period of seven months. The other five Member States refused to accept an amendment to the Treaty and the text of the Compromise which was reached in January 1966 records an agreement to disagree.

16. The Luxembourg Compromise is thus not a legally binding agreement. But the French view was tacitly accepted and it has been the consistent practice of the Community, without any exception until 18 May, that if a Member State makes clear that its important national interests are involved, discussion is continued and no vote is taken. In other words it became a procedural convention. It is this convention which has now for the first time been set aside. Successive British governments have made clear the importance they attach to the Luxembourg Compromise. Its terms were explained in the White Paper dealing with our accession to the Community and the procedure was regarded as an inherent and essential safeguard.

It has now been overthrown and naturally we have protested most strongly.

17. The Government's objective now is to establish clear procedures so that nothing like it can happen again. I informed our partners at the outset of the Council on Monday that we took the gravest view of what had happened. It was quite unjustified. There cannot be confusion about the way important decisions are to be taken. The Community's practice must apply equally to all members on all very important matters. And there must be a mechanism to safeguard the vital national interest of any member state. We had a preliminary debate about this on Monday. We are returning to the subject at the next meeting of the Council in June, where I hope the matter will be finally settled.

BUDGET AND AGRICULTURE

18. We made it absolutely clear to our partners before the vote in the Agriculture Council that important British national interests were at stake in what was being decided. It may be helpful to recall what was involved on the Community budget, and on the agricultural points which still have so great an influence on that Budget that the two areas are effectively inseparable.

19. What we have been trying to do, ever since the time when we were negotiating for accession to the Community, is to arrive at a situation where the budgetary demands made on Britain are equitable and seen by the British people to be equitable. Britain is a less than averagely prosperous member country. At present it ~~contributes~~ ^{is a net contributor} on a massive scale to the Community budget, from which all but one of the Community's other members derive a net benefit. It must be apparent to anyone who considers the matter that this must in the long term be unacceptable to the British people and damaging to the Community.

20. We were assured at the time of our accession that things would turn out differently: that the structure of the Community's budget would change; that agricultural expenditure would take up a lesser proportion of it, and that the pattern of our external trade would alter; and that the problem would thereby be greatly reduced. The scepticism with which we received these assurances has turned out to be amply justified. The Community still spends a large proportion of its budget on agriculture, and the smallness of our agricultural sector means that the burden we carry as a result of the Community budget is very considerable.

21. But we were also told in the accession negotiations that "if an unacceptable situation arose the very survival of the Community would require the institutions to find a solution". This assurance remains of the utmost importance. By the agreement which this Government negotiated on 30 May 1980, our partners recognised that such a situation had indeed arisen.

/This agreement

22. This agreement produced ^{very large} reductions ~~totalling £1500 m~~ in Britain's net contribution to the Community budget in 1980 and 1981. It required the Commission to produce a report, and provided for decisions to be taken by the end of 1982 on a longer term solution to the problem. Recognising the complexity of the issues involved, it also provided that if this target was not met there should be a third year of refunds along the lines of those agreed for 1980 and 1981. The Commission's report noted that our problem arose largely from the excessive concentration of the Community's expenditure on agriculture, from which we got little benefit. They therefore recognised that the problem could not be solved merely by a greater or faster adaptation by this country to the Community, as has sometimes been suggested. The Commission proposed a series of measures designed to shift the balance of the Community's spending away from agriculture and towards other policies. But they recognised that it would take a long and unpredictable time to achieve this result and that there must be an arrangement for dealing with our budgetary problem until this structural change could take affect.

23. Working from this starting point, we made a determined effort during our Presidency to bring matters to a conclusion. In November 1981 the Heads of State and Government got close to endorsing a set of guidelines covering all three sectors - agricultural reform, the development of the Community's non-agricultural policies and the budgetary adjustment. Everybody then accepted that progress on all three must be made in parallel.

/Unfortunately,

24. Unfortunately, progress thereafter was painfully slow. From January onwards, it was non-existent, and it became increasingly difficult to focus the attention of our partners on the long-term objectives of the mandate negotiations. Valuable time was wasted in December and January debating the absurd proposition that refunds paid to us should decrease in succeeding years, whether or not the scale of our net contribution grew less. In March, the Presidents of the Commission and of the Council abandoned the guidelines approach and tried to break the deadlock with a new and simpler proposal. My predecessor agreed to discuss it constructively. But at the end of March the President of France announced that he was not prepared even to accept it as a basis for discussion. Last month, this approach too was abandoned. We were presentee with a new proposal, which provided simply for a lump sum refund for a period of three years, with no provisions for any increase in the refunds if our net contributions turned out to be higher than the Commission's conservative predictions. At an informal meeting of Foreign Ministers early in May, I was strongly pressed to accept this offer, on a take it or leave it basis. I made it clear that I could not do so, but was ready to negotiate seriously towards a reasonable settlement. This readiness was not matched by any of our partners.

25. Simultaneously, separate discussions were taking place on the annual agricultural price fixing for 1982. The proposals which the Commission put forward in January

/took only

took only ^{very partial} ~~limited~~ account of the progress made in discussion of the common agricultural policy of the European Council in November. They included proposals to help small milk producers, to which the French had attached great importance, but were less than satisfactory on the need to control prices and costs. ^{By} ~~By~~ 10/11 May, our Nine partners had reached agreement on a package which we came under strong pressure to accept. My Rt Hon Friend, the Minister of Agriculture, made it clear that we had a number of reservations on the package - both on specific agricultural points and ~~on~~ its overall ~~price level and~~ cost. It was clear to us that the package would not contribute in the medium term to the objective, ~~accepted~~ ^{accepted} by our partners, of shifting the balance of Community spending away from agriculture. It would also add immediately and significantly to our net contribution. ~~In the absence of a budget settlement this was not acceptable.~~ How could we accept this, with no end to the ^{budget} negotiations in sight? In response to an attempt by the chair to take decisions on a majority vote my Rt Hon Friend made it clear that very important national interests were involved. No vote was therefore taken, ~~on that occasion.~~

27. Mr. Tindemans and M Thorn now suggested that we should try to break the deadlock on the Budget by dealing with the refunds for 1982 alone, leaving negotiations of a longer term solution until later in the year. — In other words, that the Community should take ^{ge} ~~refunds~~ in the provisions of the 1980 agreement for a third year of refunds ~~which we had taken the precaution of securing~~ as a safety net at the

/time

This was far from being an ideal solution, but it was by now clear that a great deal of work remained to be done before we could arrive at a longer term agreement.

28. I therefore agreed, with some reluctance, to see if an acceptable formula consistent with the 30 May agreement could be found. Unfortunately, the Commission's proposal did not, in our view, meet this criterion. In making this clear to my Community colleagues on 17 May, I emphasised that I was ready to go on negotiating if a better Commission text was forthcoming. And I tabled our own view of how the relevant provisions of the 30 May agreement should be applied. It was against this background that, the next day, the Agriculture Council adopted the agriculture regulations by a majority vote, overriding the Luxembourg Compromise.

29. I reviewed the situation carefully with my Ministerial colleagues in London. We all recognised that the prevailing atmosphere was anything but favourable to an early long-term agreement on our budget problem. There was a real danger that we and our partners would become ever more deeply ensconced in irreconcilable positions and would talk ourselves into an unnecessary crisis. Confrontation in these circumstances might have done lasting damage to the cohesion of the Community and to Britain's own long-term interests within it. Monday's meeting of Foreign Ministers offered a chance which might not recur of giving ourselves time for a measured and sober approach to our budget problem, by securing an immediate agreement on our refunds for 1982. My European colleagues had evidently reached the same conclusion, for I found them

/ready for

ready for serious negotiation: and after some seventeen hours of discussion, we reached agreement in the early hours of 25 May. What we agreed is as follows.

26 The Commission's estimate for the United Kingdom's unadjusted net contribution in 1982 is 1530 million ecus. On ^{the} principles of calculation used in the 30 May agreement for 1980 and 1981, a refund of 1008 million ecus would have resulted. But the Government decided that it would be fair to take account of the exceptionally favourable outcome hitherto, and we accepted a basic refund of 850 million ecus in recognition of this fact. The United Kingdom net contribution after refunds, on the basis of the Commission estimate, will therefore be 680 million ecus.

31 If the basic estimate of 1530 million ecus is exceeded, the excess will be shared as follows. Any increase in the range 1530 million ecus to 1580 million ecus will be borne by the United Kingdom. The next 150 million ecus from 1580 million ecus to 1730 million ecus will be split 50:50. The other member states will finance 75% of any increase

/over

over 1730 million ecus and the United Kingdom will pay the rest. We are therefore protected against a sharp rise in our contribution. If the Community estimate proves too high, which I frankly think unlikely, there will be a similar risk-sharing formula applying downwards.

32. The basic refund of 850 million ecus will be paid out of the 1983 budget. This follows the precedent of the 30 May agreement. Any further adjustments resulting from the risk-sharing formula for 1982 will be made as a charge to the 1984 Community budget.

33 The arrangements for financing the refunds will give relief to the less prosperous member states and also take account of the fact that Germany now bears an exceptionally high burden in the financing of the Community.

34 The Community have undertaken to reach decisions on the solution of our budget problem for 1983 and later years before the end of November 1982.

35. *I make no secret of the fact that*
The new settlement is less good than the Government would have wished, both as to duration and amount. However, we believe that it is an

/acceptable

acceptable settlement for 1982, bearing in mind that we have fared better than we expected for the earlier years. And it was important, both for the UK and for the rest of the Community, that a settlement should be reached at this stage. It will of course require a great effort to secure a satisfactory solution for 1983 and later years but I can assure the House that the Government will pursue those negotiations vigorously. What we have achieved from 1980 to 1982 gives us a sound base from which to work.

/PERORATION/

CONFIDENTIAL*Fraser*

CONFIDENTIAL

FRAME GENERAL

DESKBY 241600Z

FM UKREP BRUSSELS 241411Z MAY 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 2062 OF 24 MAY 1982

INFO IMMEDIATE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
LUXEMBOURG ATHENS

INFO SAVING STRASBOURG

FOREIGN AFFAIRS COUNCIL: 24 MAY

MS

LUXEMBOURG COMPROMISE

SUMMARY

1. AGREEMENT, AT YOUR SUGGESTION, SUPPORTED BY DENMARK AND GREECE, THAT THE COUNCIL WOULD DISCUSS ISSUES RAISED BY EVENTS AT 18 MAY AGRICULTURE COUNCIL ON THE LUXEMBOURG COMPROMISE EITHER IN THE CONTEXT OF THE GENSCHER COLOMBO PROPOSALS OR AT A LATER STAGE.

DETAIL

2. YOU SAID THAT SINCE MINISTERS HAD LAST MET IN LUXEMBOURG ON 17 MAY AN UNPRECEDENTED AND IN YOUR VIEW POLITICALLY UNJUSTIFIABLE DECISION HAD BEEN TAKEN IN THE AGRICULTURE COUNCIL. THAT DECISION WAS TO SET ASIDE WITHOUT CONSIDERATION THE REQUEST PUT FORWARD BY THE BRITISH DELEGATION THAT THE DISCUSSION OF A NUMBER OF OUTSTANDING ISSUES BE CONTINUED AND A VOTE NOT BE TAKEN SINCE IMPORTANT MATTERS TOUCHING OUR NATIONAL INTEREST WERE AT STAKE. NEVERTHELESS A VOTE HAD BEEN TAKEN.

3. WHAT HAD BEEN SAID AND DONE AT THE COUNCIL AND WHAT HAD SUBSEQUENTLY BEEN SAID BY A NUMBER OF GOVERNMENTS HAD CREATED DOUBT AND A CERTAIN CONFUSION AND AMBIGUITY. WAS IT THE CASE THAT THE LUXEMBOURG COMPROMISE OF 1966 REMAINED THE UNDERSTANDING UNDER WHICH OUR BUSINESS WAS TRANSACTED? IT HAD BEEN CONTESTED, BUT WAS IT IN FACT STILL PART OF OUR PROCEDURES. WAS IT THE CASE THAT IT WAS FOR THE INDIVIDUAL MEMBER STATE TO DETERMINE WHETHER AN IMPORTANT NATIONAL INTEREST AT STAKE OR WAS SOME OTHER CRITERION BEING PROPOSED? THESE WERE NOT EASY QUESTIONS, BUT THEY COULD NOT BE BURKED IF WE WERE TO CONTINUE TO WORK ON A BASIS OF MUTUAL CONFIDENCE.

4. YOU EMPHASISED THAT IT WAS NOT YOUR INTENTION TO BEGIN A DISCUSSION OF THESE QUESTIONS THERE AND THEN. YOU WISHED COLLEAGUES TO BE AWARE OF THE GRAVITY OF WHAT HAD BEEN DONE. THERE MIGHT BE AN OPPORTUNITY FOR DISCUSSION UNDER THE GENSCHER-COLOMBO PROPOSALS; OR THE PRESIDENCY MIGHT THINK SOME OTHER OPPORTUNITY MIGHT BE MORE APPROPRIATE.

CONFIDENTIAL

/ 5.

CONFIDENTIAL

5. OLESEN (DENMARK) SAID THAT DENMARK TOO SET MUCH STORE BY THE LUXEMBOUR COMPROMISE AND THE RIGHT OF VETO WHICH HAD EXISTED SINCE 1966. A LIVELY DEBATE WAS IN PROGRESS IN DENMARK ON THE CONSEQUENCES OF WHAT HAD HAPPENED IN THE AGRICULTURE COUNCIL AND WHAT SHOULD HAPPEN IN THE FUTURE. HE AGREED THAT DISCUSSION WOULD BE NECESSARY TO CONFIRM THE LUXEMBOURG COMPROMISE. CHEYSSON (FRANCE) ASKED WHETHER DISCUSSION WAS TO TAKE PLACE IMMEDIATELY. HE WOULD HAVE CERTAIN REMARKS TO MAKE, BUT IN A RESTRICTED SESSION, TINDEMANS SAID THAT NEITHER YOU OR OLESEN HAD ASKED FOR AN IMMEDIATE DISCUSSION AND SUMMED UP AS IN PARAGRAPH 1. VARFIS INTERVENED BRIEFLY IN SUPPORT OF THE UK AND DENMARK. THERE WAS NO FURTHER DISCUSSION.

FCO ADVANCE TO:-

FCO - PS, PS/MR HURD, PS/PUS, SPRECKLEY

CAB - HANCOCK, ELLIOTT

MAFF - ANDREWS

NO 10- COLES

ADVANCED AS REQUESTED

FCO PASS SAVINGS STRASBOURG

BUTLER

FRAME & GENERAL
ECI (I)

[PASSED] AS REQUESTED

CONFIDENTIAL

CONFIDENTIAL

file

016
Review Pol

MR. HANCOCK
CABINET OFFICE

COMMUNITY BUDGET SETTLEMENT FOR 1982

Thank you for your minute of 21 May.
I conveyed to you in Brussels yesterday the
Prime Minister's view that the longer term
solution should cover four years after 1982
as a minimum.

A. J. COLES

25 May 1982

CONFIDENTIAL

016

✓

EC BUDGET AGREEMENT FOR 1982

1. Implications for our net contribution after refunds for 1982?

On the basis of the Commission estimate of £880 million (1530 million ecus) for our net contribution to the allocated budget before refunds, our net contribution after refunds would be some £390 million (680 million ecus).

2. Implications for net contribution estimates in public expenditure White Paper?

The outcome will inevitably depend on what our net contribution before refunds turns out to be.

/IF PRESSED/

If the Commission's forecast is correct, our net contribution after refunds in 1982-83 could still be fairly similar to the White Paper figure /which was a total net contribution of £630 million in 1982-83, to the allocated and unallocated budgets./

/IF FURTHER PRESSED/

If our net contribution before refunds turns out in line with the Treasury's estimate, our net contribution after refunds in 1982-83 would be higher than the White Paper figure.

BACKGROUND NOTE BELOW

BACKGROUND NOTE

The White Paper figures assumed that 66 per cent of our net contribution for 1982 would be refunded to us. The new agreement implies a refund percentage of around 55½ per cent - depending on the precise level of our uncorrected net contribution (see attached table).

EC BUDGET AGREEMENT FOR 1982 : PRACTICAL EXAMPLES

million ecus

<u>Outturn for unadjusted net contribution</u>	<u>Refund</u>	<u>Outturn for adjusted net contribution</u>	<u>Refund as % of unadjusted net contribution</u>
1400	810	590	57.9
1530	850	680	55.6
1580	850	730	53.8
1730	925	805	53.5
1900	1052.5	847.5	55.4
2100	1202.5	897.5	57.3



This House welcomes the decision of our Community partners to extend indefinitely economic measures against Argentina; it regrets the way in which the Community's customary procedures were set aside at the Agriculture Council on 18 May and supports the Government in its efforts to establish clear procedures for the conduct of Community business and to secure continuing equitable arrangements for the United Kingdom's budget contribution



Foreign and Commonwealth Office

London SW1A 2AH

Motion has now been tabled.
P.A.

25 May 1982

MA 29.

Dear Mike,

European Community Debate

Your letter of 24 May contained the text of the proposed Government motion for Wednesday's debate. The Foreign Secretary discussed with the Prime Minister and the Chief Whip, in the margins of Cabinet today, the changes necessary to bring the text up to date in the light of developments in Brussels yesterday.

They agreed that the following text would be appropriate:

"This House welcomes the decision of our Community partners to extend indefinitely economic measures against Argentina; regrets the way in which the Community's customary procedures were set aside at the Agriculture Council on 18 May; and supports the Government in its efforts to establish clear procedures for the conduct of Community business and to secure continuing equitable arrangements for the United Kingdom's budget contribution."

Subject to any views that the Lord President may have, Mr Pym would be grateful if a motion could now be tabled in these terms.

I am sending copies of this letter to John Kerr (HM Treasury), David Heyhoe (Lord President's Office), Robert Lawson (MAFF), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

Yours ever.

Francis Richards

(F N Richards)
Private Secretary

M Pattison Esq
10 Downing Street

CONFIDENTIAL

FRAME INSTITUTIONAL

FM UKREP BRUSSELS 241846Z MAY 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 2075 OF 24 MAY

INFO PRIORITY EC POSTS

INFO SAVING STRASBOURG

FOREIGN MINISTERS MEETING 24 MAY

VOTING/LUXEMBOURG COMPROMISE

SUMMARY

1. FOLLOWING MY STATEMENT IN THE MORNING (UKREP TELEGRAM NUMBER 2062) MINISTERS HAD A PRELIMINARY DISCUSSION ON VOTING AND THE LUXEMBOURG COMPROMISE ON THE BASIS OF THE GENSCHER/COLOMBO DRAFT "ACT". FIRM FRENCH INSISTENCE ON THE MAINTENANCE OF THE COMPROMISE QUALIFIED BY A CLAIM THAT THE ESSENTIAL NATIONAL INTEREST IN QUESTION SHOULD BE DIRECTLY RELATED TO THE SUBJECT UNDER DISCUSSION. DENMARK, GREECE AND IRELAND ALSO SUPPORTED MAINTENANCE OF THE COMPROMISE. THE BENELUX COUNTRIES SAID THEY HAD NEVER ACCEPTED ANY MORE THAN THE FIRST POINT IN THE TEXT OF THE SO CALLED COMPROMISE. YOU INSISTED THAT CLEAR ARRANGEMENTS WERE NEEDED IF THERE WERE TO BE CONFIDENCE AND EFFECTIVE DECISION-TAKING. THE COUNCIL SHOULD DISCUSS THE ISSUE ON A FUTURE OCCASION. AGREED THAT THE COUNCIL WOULD RETURN TO THE SUBJECT ON 20 JUNE.

DETAIL

2. AFTER AN INTRODUCTION TO THE GENSCHER/COLOMBO TEXT BY DE SCHOUTEETE (CHAIRMAN OF THE AD HOC GROUP), CHEYSSON (FRANCE) SAID THAT HE COULD ACCEPT THE AD HOC GROUP'S TEXT WITH THE INCLUSION OF "SERA" RATHER THAN "POURRAIT" (IE VOTING WOULD AUTOMATICALLY BE DEFERRED IF A MEMBER STATE INVOKED ESSENTIAL NATIONAL INTERESTS) AND THE ADDITION OF A REFERENCE TO THE LUXEMBOURG COMPROMISE ITSELF. FRANCE COULD ALSO AGREE THAT THE REASONS FOR INVOKING THE COMPROMISE SHOULD BE PUT IN WRITING. HOWEVER THE COMPROMISE, WHICH WAS ESSENTIAL, SHOULD BE INVOKED ONLY RARELY AND WHEN THE IMPORTANT NATIONAL INTEREST RELATED DIRECTLY TO THE SUBJECT AT ISSUE.

3. VAN DER STOEL (NETHERLANDS) SAID THAT THE NETHERLANDS HAD NEVER ACCEPTED THE LUXEMBOURG ARRANGEMENT AS AN AGREEMENT. IF FRANCE INSISTED ON A REFERENCE TO THE LUXEMBOURG TEXT IT COULD ONLY BE TO THE FIRST POINT IN THE TEXT (ON WHICH ALL SIX HAD AGREED).

4. VARFIS (GREECE) SUPPORTED THE TEXT AS OUTLINED BY CHEYSSON BUT WITHOUT A REFERENCE TO THE LUXEMBOURG COMPROMISE AS SUCH.

5. YOU SAID THAT THE UNITED KINGDOM HAD NEVER BEEN AGAINST MAJORITY VOTING BUT ONLY AGAINST THE OVERRIDING OF IMPORTANT INTERESTS OF ANY MEMBER STATE. WHAT HAD HAPPENED AT THE AGRICULTURE COUNCIL LAST WEEK HAD CREATED UNCERTAINTY. WAS IT PROPOSED THAT THERE SHOULD BE A LUXEMBOURG AGREEMENT FOR SOME MEMBERS ONLY? WAS A VERY LARGE ADDITION TO THE NET CONTRIBUTION OF ONE MEMBER STATE A QUESTION OF IMPORTANT NATIONAL INTEREST OR NOT? CLARITY WAS NEEDED. MINISTERS SHOULD REFLECT AFTER THIS FIRST DISCUSSION AND DEVOTE TIME LATER TO THE QUESTION.

6. FLESCH (LUXEMBOURG) AGREED WITH VAN DER STOEL. THE UNCERTAINTY WAS NOT NEW.

7. OLESEN (DENMARK) RESPECTED THE POSITION ADOPTED BY THE UNITED KINGDOM. THE LUXEMBOURG COMPROMISE WAS A BASIC ELEMENT IN THE COMMUNITY DENMARK HAD JOINED. IT WAS UP TO EACH STATE TO DECIDE WHAT ITS OWN VITAL NATIONAL INTERESTS WERE.

8. DE KEERSMAEKER (BELGIUM) SAID BELGIUM HAD ALWAYS OPPOSED THE SO-CALLED LUXEMBOURG COMPROMISE. THE PROVISIONS OF THE TREATY SHOULD BE APPLIED.

9. COLLINS (IRELAND) GENERALLY FAVOURED APPLICATION OF THE TREATY PROVISIONS BUT ACCEPTED THAT VOTING COULD BE DEFERRED WHERE GENUINE NATIONAL INTERESTS WERE AFFECTED. HE WAS AWARE OF THE DIFFICULTIES INHERENT IN THE HABIT OF SEEKING CONSENSUS ON ALL ISSUES. PERHAPS THERE SHOULD BE GUIDELINES (EG THE COMPROMISE COULD BE APPLIED ONLY ON ISSUES WHICH INVOLVED NEW DEPARTURES).

10. THORN (COMMISSION) SAID THE TREATIES WERE THE TREATIES.

11. CHEYSSON (FRANCE) RETURNED TO THE AD HOC GROUP TEXT. IN THE LIGHT OF YOUR COMMENT HE THOUGHT THAT AN ADDITIONAL QUALIFICATION SHOULD BE ADDED TO THE TEXT TO THE EFFECT THAT THE NATIONAL INTEREST SHOULD BE IN DIRECT RELATION TO THE SUBJECT UNDER DISCUSSION. OF COURSE HE ACCEPTED THAT THE BUDGET NEGOTIATIONS THEMSELVES WERE AN IMPORTANT NATIONAL INTEREST FOR THE UNITED KINGDOM.

12. YOU ASKED AGAIN WHETHER IT WAS ACCEPTED THAT AN ADDITIONAL AND VERY LARGE NET CONTRIBUTION ARISING FROM A COMMUNITY DECISION WAS ACCEPTED AS A MATTER OF IMPORTANT NATIONAL INTEREST. FOR THE UNITED KINGDOM, IT CLEARLY WAS AND THAT MUST BE APPRECIATED.

CONFIDENTIAL

13. TINDEMANS (PRESIDENCY) MADE A RHETORICAL SPEECH. WE WERE A COMMUNITY OF LAW, NOT A CLUB OF POLITICIANS. IT WAS ALREADY DIFFICULT TO REACH DECISIONS IN A COMMUNITY OF TEN. WITH TWELVE IT WOULD BE EVEN MORE DIFFICULT. ACCEPTANCE OF MAJORITY VOTING WAS ESSENTIAL. IT WAS THE COMMISSION'S RESPONSIBILITY TO ENSURE THAT IMPORTANT INTERESTS OF MEMBER STATES WERE NOT OVERRIDDEN. IT WAS SELF-EVIDENT THAT THEY SHOULD NOT BE.

14. GENSCHER SUPPORTED YOUR PROCEDURAL SUGGESTION. MINISTERS SHOULD REFLECT AND RETURN TO THE SUBJECT. A MEETING IN LUXEMBOURG ON SUNDAY EVENING 20 JUNE (5 P.M.) WAS PROVISIONALLY AGREED.

FCO ADVANCE TO:-

FCO - PS, PS/MR HURD, PS/PUS, SPRECKLEY

CAB - HANCOCK, ELLIOTT

MAFF - ANDREWS

NO. 10 - COLES

FCO PASS SAVING STRASBOURG

BUTLER

[ADVANCED & REPEATED AS REQUESTED]

FRAME INSTIRUTIONAL

ECD (I)

PS

PS/PUS

[COPIES SENT TO NO 10

DOWNING ST]

A. J. Coles, Esq



CABINET OFFICE

With the compliments of
The Private Secretary to the
Secretary of the Cabinet

A.J.C. ²⁵/₉

h.c.

70 Whitehall, London SW1A 2AS
Telephone 01-233 8319

Euro P/A

Ref. A08514

NOTE FOR RECORD

- cc Mr. Colès (No. 10)
- Mr. Fall (FCO)
- Mr. Kerr (Treasury)
- Mr. Burns (FCO)
- Mr. Hancock
- Mr. Elliott

The Mandate

Sir Robert Armstrong spoke to Monsieur Attali in Paris twice this afternoon.

2. On the first occasion at 3.15 pm he said that the Foreign and Commonwealth Secretary had gone to Brussels with a flexible position on both the figures and risk-sharing. In the face of this flexibility, we had been surprised by the French and German reaction and in particular by the position adopted by the French in view of the clear indication given to the Prime Minister by President Mitterrand on 17th May that the French would accept risk-sharing. The President's position had not been reflected in that adopted in Brussels by Monsieur Cheysson. Sir Robert Armstrong emphasised the great importance of achieving agreement on risk-sharing if the Community was not to find itself in a major crisis.

3. Monsieur Attali took note of this and said that he would try to arrange for President Mitterrand to speak to the Prime Minister from West Africa. He agreed with Sir Robert Armstrong that President Mitterrand would make this call at 6.00 pm London time. Sir Robert said that he thought a conversation between the two leaders would make a major contribution to unblocking things in Brussels.

4. The telephone call from President Mitterrand did not transpire. Sir Robert Armstrong therefore spoke to Monsieur Attali at 6.30 pm to convey to him the points which the Prime Minister would have made to President Mitterrand. He said that the Prime Minister would have asked President Mitterrand to authorise the French Delegation in Brussels to make some movement on:

- (a) A risk-sharing formula for 1982 on the lines of the 1981 formula.

CONFIDENTIAL

- (b) Some flexibility on the figures. Sir Robert said that there were indications that the Germans were prepared to be flexible.
- (c) An agreement that the question of over-payment could be reverted to later without prejudicing the position of either side.

Monsieur Attali undertook to inform both President Mitterrand and Monsieur Cheysson of this. He thought that it might be possible for the French to show some flexibility on the second and third points but the first was difficult. He had been in touch with the President about these matters and believed that was the way in which his mind was working. The French had no knowledge of any movement by other Community Governments. He said that President Mitterrand was anxious to find a basis for agreement. He would be in touch with Monsieur Cheysson tomorrow and also with the President; instructions would then be sent to the French Delegation in Brussels.

5. Sir Robert Armstrong questioned whether it was possible to wait until tomorrow. He thought that events were moving in such a way in Brussels that some change in the French position, if there was to be any, would need to be indicated tonight. As for the difficulty for the French of making any move on risk-sharing, Sir Robert Armstrong emphasised the considerable importance of that element to the British Government. It was an important part of the 30 May Agreement and with a debate in the House of Commons on Wednesday, the British Government would be in a very difficult position indeed if they were unable to show some agreement from their Community partners on this specific point. It would be particularly difficult for the Prime Minister.

6. Monsieur Attali said that he would see what progress could be made tonight but he thought it unlikely that instructions could be sent to Brussels before tomorrow. He undertook to call Sir Robert Armstrong at noon tomorrow.

7. Sir Robert Armstrong conveyed the sense of these two conversations to Mr. Coles in No. 10 and also to Mr. Hancock in Brussels. Mr. Hancock subsequently called back to report that the Foreign and Commonwealth Secretary did not think that Sir Robert Armstrong need try to pursue Monsieur Attali further on the French position tonight.

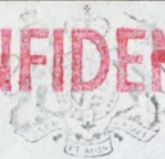
D. J. WRIGHT

D. J. WRIGHT

24th May 1982

CONFIDENTIAL

CONFIDENTIAL



30
Eunice Pat

10 DOWNING STREET

From the Private Secretary

24 May 1982

Dear Francis,

EC MANDATE

Following the telephone conversation between the Foreign and Commonwealth Secretary and the Prime Minister this morning, the Prime Minister rang the German Chancellor at 3.10 p.m. this afternoon. I enclose a record of the conversation.

I am copying this letter and enclosure to John Kerr (HM Treasury), Robert Lawson (MAFF), and David Wright (Cabinet Office).

Yours ever

John Kerr

Francis Richards, Esq.,
Foreign and Commonwealth Office.

sl

SUBJECT

RECORD OF A TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER AND THE FEDERAL GERMAN CHANCELLOR AT 3.15 P.M. ON WEDNESDAY 24 MAY 1982

The Prime Minister said that she was grateful for the decision just taken by the ten Foreign Ministers that sanctions against Argentina would be renewed on the previous basis but without time limit. This was of considerable political importance. A contrary decision would have given Argentina great hope. Chancellor Schmidt said that it had not been easy to achieve this result.

The Prime Minister said that the Foreign and Commonwealth Secretary had just reported to her from Brussels about the Mandate discussion. The views expressed there by Herr Genscher and M. Cheysson seemed to represent a step backwards from the position of a week ago when all appeared to be near agreement on a risk sharing formula. Mr. Pym now had authority to settle for a lower refund for the United Kingdom, provided a risk sharing formula similar to that for 1980 or for 1981, or a compromise between the two, was also agreed. It was important that there should be an agreement today on a one-year settlement. There was to be a debate on European issues in Parliament on Wednesday. There was already deep anxiety about the future of the Luxembourg compromise, anxiety which the Prime Minister herself shared. It would be most helpful in dealing with public opinion if we could point to progress on the budget issue.

Chancellor Schmidt said that, on behalf of the German Government and people, he wished to express sympathy with regard to the lives lost and the other casualties in the South Atlantic. He and President Mitterrand had made a joint statement of solidarity earlier and had maintained their attitude.

With regard to the Luxembourg compromise, it should be understood that France and Germany wished to maintain the existing formula. They did not consider that we had used it legitimately in the Agricultural Council. It would be perfectly proper for the United Kingdom to invoke the Luxembourg compromise in respect

of its financial problem but our action in coupling the financial issue with that of agricultural prices was not justifiable. The British press were interpreting the issue wrongly.

As regards the UK's financial contribution, either a one-year solution, incorporating a risk sharing formula and an agreement on overpayment, should be adopted now, or a longer-term arrangement should be agreed later which would take account of the overpayments to the United Kingdom in 1980 and 1981, together with the possible overpayment in 1982.

The Prime Minister said that she did not wish to enter into a detailed argument now about the Luxembourg compromise. Feelings here ran very deep. We were sure that our use of the Luxembourg formula was legitimate because the budget issue was critically affected by the expenditure resulting from the agricultural prices settlement. Furthermore, it had been agreed at Lancaster House that the three chapters of the Mandate should be settled in parallel. (Chancellor Schmidt interjected that that was not his understanding.) Later, we had agreed to meet President Mitterrand's requirements in respect of small farmers. She had received no forewarning of what would happen in the Agricultural Council - a letter signed by the Chancellor on 13 May had not reached us until 21 May. Chancellor Schmidt said that this was most regrettable - he would look into the matter.

The Prime Minister said that, with regard to the budget issue, we were not the only country which had benefited from the pattern of payments last year. France had been expecting to pay about 450 ecu's - in fact it had received about 597 ecu's. If one country's overpayment was to be included in the current settlement, overpayments to all countries should be included. There was a strong feeling in the United Kingdom that at a time when we were having difficulties in one part of the world, and were fighting for principles which were of as much interest to the rest of Europe as to us, we had been badly let down by our European partners. We now had to be very careful with

public opinion. Hence, the importance of the current budget discussions. The Foreign and Commonwealth Secretary had authority to accept less than 66 per cent but Herr Genscher and M. Cheysson appeared to be going back on the risk sharing formula which had previously been discussed. She hoped the Chancellor would ring Herr Genscher to urge that he now accept such a formula.

Chancellor Schmidt said that he did not feel that Germany was guilty of any breach of faith. His impression was that President Mitterrand and the Prime Minister had discussed the situation frankly. Mitterrand, like everyone else, had a strong interest in the maintenance of the Luxembourg compromise. With regard to the budget, Genscher had some freedom to act - he could move a little on figures. But Germany's financial capacity was not unlimited. So any risk sharing formula should cover 1980 and 1981 as well as 1982 and should cover all countries. It must be understood that he was facing very substantial budgetary difficulties in both Cabinet and Parliament.

The Prime Minister said that we understood Germany's problem. That was why long-term restructuring was necessary. In the absence of a long-term arrangement, we needed a reasonable settlement for one year today. Unless that was achieved, the debate in Parliament on Wednesday could take an unfortunate turn. Mr. Roy Jenkins had said recently that if the Luxembourg compromise had been abandoned in one case then it no longer existed. It was now necessary to resolve the problem that had been created and the current discussion of the Genscher /Colombo proposals might provide the best context in which to do this.

Chancellor Schmidt said that the difficulty over the United Kingdom's finances arose again and again in the Community, first at the time of the original negotiation over British entry, then during renegotiation, then in May 1980. This was in effect the third renegotiation. People now saw it as a problem which

/always

CONFIDENTIAL

-4-

always reappeared. Germany did not like the CAP and could not keep on paying increasing sums towards it. The Prime Minister commented that every argument the Chancellor used pointed to the desirability of long-term restructuring. In the absence of a long-term solution, Germany was the heaviest contributor. It was the countries who were large beneficiaries who obstructed restructuring. We did not expect Germany to pay disproportionate sums. We wanted an equitable solution.

Chancellor Schmidt asked how the Prime Minister viewed the proposal made by the Commission on 16 May. The Prime Minister said that this was not too far from being acceptable. We could go along with the risk sharing formula suggested by the Commission.

Chancellor Schmidt said that he would try to telephone Herr Genscher. But Germany would not stick its neck out in one direction or another. The Prime Minister said that if Genscher could accept a risk sharing formula, then we could accept a lesser figure for the UK refund. Chancellor Schmidt said that he could make no promises. To begin with, he would have to talk to his Finance Minister.

A.J.C.

24 May 1982



10 DOWNING STREET

From the Private Secretary

24 May 1982

EUROPEAN COMMUNITY DEBATE

You wrote on 24 May, suggesting the terms of a Government motion for Wednesday's debate.

The Prime Minister has now had a chance to consider this, in consultation with the Lord President of the Council and the Chief Whip. She would prefer the motion to read:

"This House deplores the way in which the Community's customary procedures were set aside at the Agriculture Council on 18 May and supports the Government in its efforts both to establish clear procedures for the conduct of Community business and to secure equitable arrangements for the United Kingdom's budget contribution."

As I told you on the telephone, the Lord President of the Council was careful not to commit the Government to tabling the motion a day earlier than usual. He and the Chief Whip believe that it is necessary to table it in good time tomorrow, but that it would be unhelpful to do so today.

The Prime Minister understands that the Foreign and Commonwealth Secretary feels it right that he should open the debate. The Prime Minister is content that Mr. Hurd should wind up. These arrangements will make it unnecessary for the Foreign and Commonwealth Secretary to make a separate statement on today's events in Brussels.

I am sending copies of this letter to John Kerr (HM Treasury), David Heyhoe (Lord President's Office), Robert Lawson (MAFF), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. A. PATTISON

Brian Fall, Esq.,
Foreign and Commonwealth Office.



cc ATC ✓

10 DOWNING STREET

Clive

Wednesday's debate.

1. I understand that Mr Pym now proposes to open. Chancellor is still in mind to wind, despite opposition's proposal for Huffer & Bunker from their side.

Perhaps 12.45 meeting could finalise Govt speakers?

2. I attach FCO proposed motion, which should go down today. This might be raised at 12.15. It could be improved, perhaps as in the note I have added. MAF 24/v.

This House deplores the ~~setting aside~~ ^{way in which}
~~of~~ the Community's customary procedures ^{were}
~~set aside~~
at the Agriculture Council on 18 May
and supports the Government in its ^{efforts}
~~to~~ ^{look to} objectives of establishing clear
~~definitions~~ procedures for the conduct of Community
^{and to secure} business ~~and securing~~ equitable
arrangements for the United Kingdom's
budget contribution.

F Pym

D Hard

Table Two in reasonable
Time.



Foreign and Commonwealth Office

London SW1A 2AH

24 May 1982

Dear Sir,

As you know, on 26 May there is to be a debate on a Government motion about the European Community.

/before we know the results of the discussion in the Council.

In response to a question from Mr Spearing about whether we intended to table the motion late on Tuesday, the Lord President undertook in the House last Thursday that we would try to table the motion 'in such a way and at such a time as to enable the House to take full account of it' (Hansard 20 May, Vol 24 no 120 Col 473-4). This means that we should table it today, / We have therefore tried to draft it in broad enough terms not to be affected by the outcome of the Council. The motion would read:

'This House shares the Government's dismay at the setting aside of the Community's customary procedures at the Agriculture Council on 18 May and supports its objectives of establishing clear procedures for the conduct of Community business and securing equitable arrangements for our budget contribution.'

Would you please let me know urgently whether you have any comments on this text.

I am sending copies of this letter to John Kerr (HM Treasury), David Heyhoe (Lord President's Office), Robert Lawson (MAFF) and to the Chief Whip.

Yours ever

PP (F N Richards)
Private Secretary

A J Coles Esq
10 Downing Street

Foreign and Commonwealth Office

London SW1A 2AE



24 MAY 1982
D 11 21
9 8 7 6 5 4 3 2 1

1111

SPEAKING NOTE

1. Very pleased at news from Brussels about Falklands.

Confident that it will convince Argentina that we are not, as they claim to believe, losing the support of our allies.

2. But the UK has a major problem about the Mandate. We agreed to look for a solution for 1982 on its own based on the 30 May Agreement so that no-one would have to agree to any new principle which would prejudice the negotiations about the longer term.

3. Francis Pym made a very forthcoming opening statement this morning listing concessions by the UK on four major points. He accepted a relatively low figure for the UK refund in 1982 provided that there was risk sharing upwards and downwards.

4. The German and French replies represented a step back from where they were a week ago when they were ready to work on the basis of a Commission proposal containing a risk sharing formula for 1982.

5. Unless Germany and France can show more flexibility, I can see no way of avoiding a crisis. There is a debate in the House on Wednesday provoked by the action of other Member States in the Agricultural Council on 18 May. It will be impossible to contain the situation if the Budget negotiations break down.

6. Could he please have a word with Herr Genscher before Foreign Ministers come back to the subject this evening?

7. We accept that the outcome for 1980-82 will need to be discussed when the longer term solution is negotiated later this year. There is a difference of view on the interpretation of the 30 May Agreement that will have to be sorted out. But we cannot settle that today and we must get a solution for 1982 today with a risk-sharing formula for 1982 leaving the rest to be sorted out later.

Mufaxed to Chequer
at 1105, 23/5

PRIME MINISTER

COMMUNITY BUDGET NEGOTIATIONS

M. Thorn was persuaded by Sir Michael Butler to make an attempt to negotiate with France and Germany a formula for applying the 30 May Agreement to 1982 within the instructions agreed by OD on Friday. But M. Thorn ran into difficulties with the French who were trying to make the risk-sharing formula a great deal worse than the formula for 1981 in the Agreement. The Germans are also sticking to their figure of 800 million ecu for the basic refund; but this is only to be expected at this stage in the negotiation. The danger for us is that, at the Council on Monday, the Commission will circulate a text which allows too much for the French position so that the Foreign Secretary will be obliged to reject it. If that happens, the other Member States may think that we are being typically inflexible and the negotiation may break down.

Sir Michael Butler has done all he can to haul the Commission back from making a proposal less favourable to the UK than what OD agreed. The Foreign Secretary will have another go first thing tomorrow morning. But he may wish you to intervene if he decides that this would be helpful.

As a precaution I have prepared the attached speaking note for you to use. It may of course need to be amended as a result of the Foreign Secretary's talk with M. Thorn tomorrow morning.

D.H.

D. J. S. Hancock

23 May 1982

POINTS TO MAKE TO M. THORN

1. I am very pleased that the Commission is taking the initiative to find a solution to the Budget problem. I am very worried about the effect on British public opinion if this negotiation goes wrong. We have dropped our demand for a multi-year settlement at this stage and agreed to the extension of the 30 May Agreement to 1982, provided of course that a deadline for the longer term solution is set and agreed.
2. I do hope that the Commission will be able to put forward a proposal to the Council that the UK can accept. It is not true that we have shown no flexibility and if we can accept the Commission proposal put forward to the Council this will expose the inflexibility of others.
3. I can accept your estimate of 1530 million ecu for the UK's unadjusted net contribution in 1982.
4. The basic refund must be 850 million ecu or more, preferably 870 or 880; and the short-fall below 66% of 1530 (i.e. 1010 million ecu) must be explained as having taken account of the results over the three years of the Agreement.
5. The risk-sharing formula needs to be at least as favourable to the UK as the 1981 formula, i.e.:-
 - first 20 million ecu excess - all to the UK
 - next 100 million ecu excess - 50/50
 - rest - 75% Community/25% UK

Obviously we should prefer the 1980 formula which is a simple 75%/25% split.

(see annex below on figures)

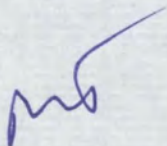
ANNEX

The attached table shows in summary form the four risk-sharing formulae under consideration so far and analyses their effect on UK refunds in 1982 and averaged over the three years 1980-82 assuming that the basic refund is 850 million ecu. It will be seen that they all give a 75% refund average over three years.

	1980 Formula	1981 Formula	Commission Formula of 17 May	Sir Michael Butler's Formula
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
UK pays 100%	-	20	50	20
UK pays 50%	-	100	150	50
UK pays 25%	All	Rest	Rest	Rest
Refund if outturn is 1900 million ecus and basic refund on 1530 million ecus is 850 million ecus	1128	1088	1053	1100
% refund in 1982	59%	57%	55%	58%
Average % refund 1980-1982	77%	76%	75%	76%

PRIME MINISTER

The Foreign Secretary has been considering how to handle the difficulties over the EC Mandate. He would like to make the first attempt to persuade M. Thorn to come up with proposals acceptable to us. If he fails he will then ask you to ring M. Thorn. It is therefore unlikely that you will be asked to ring M. Thorn tomorrow. If necessary it may be on Monday. No. 10 will send down the brief that was prepared for the telephone call.



*The shorter - the period -
the more frequent the
any number -
I think
4 years is a realistic
we started out
for 7 1/2 not*

Prime Minister

CONFIDENTIAL

*Content that Mr. Lynn should agree
for a solution covering 4 years after
1982 but settle for 3 years if
necessary?*

Qz.02586

MR COLES

A.S.C. 21/5

COMMUNITY BUDGET SETTLEMENT FOR 1982

1. OD this morning gave clear instructions to Sir Michael Butler about the authority within which we can negotiate at the Foreign Affairs Council on the application of the 30 May agreement to 1982, except for one point. It is agreed that we are to insist that the other member states and the Commission commit themselves to negotiating a longer term solution by a certain date which must be well before the end of the year. (We plan to advise the Foreign Secretary to go for 31 October.)

2. The question is how long the longer term solution should be. The Prime Minister said at one point this morning that it should be for 4 years, ie the 4 years after 1982. But in previous discussions Ministers have indicated that they would agree to settle in the last resort for 4 years including 1982.

3. As the Prime Minister knows, France and Germany toughened up their attitude considerably in the closing stages of the discussions on the multi-year solution and one of the manifestations of this was that they were only offering a 3 year agreement, including 1982, ie 1982, 1983 and 1984. I am not confident that they will now agree that the longer term solution should cover the 4 years after 1982. The realistic options for the agreement in my view (and Sir Michael Butler agrees) are between:-

- (i) Using the time honoured Community phrase "a pluri-annual solution" without specifying the number of years; and
- (ii) accepting that the longer term solution will cover the 3 years after 1982, ie 1983, 1984 and 1985.

/4.

CONFIDENTIAL

4. The Prime Minister may feel that using (ii) above may be safer than (i), given the risk that France and Germany will stick to their line that they are only going to commit themselves up to 1984, ie 2 years after 1982.

Recommendation

5. I recommend that the Foreign Secretary be advised to argue in the first instance that the longer term solution should cover 4 years after 1982; but that he should have authority to settle for 3 if absolutely necessary.

D.H.

D J S HANCOCK

21 May 1982

Prime Minister

The Chancellor's private secretary rang to say that the Chancellor agrees with this recommendation but does not think there is much point in arguing hard for 4 years after 1982 because we shall not obtain it.

A. J. Wals 3/5.

FCO
PS

PS/MR HURD
PS/PS
MR BULLARD
MR HANNAY
LORD BRIDGES

IMMEDIATE

RESIDENT CLERK

PLUS FOO

HD/ECD I (3)
HD/NEWS
HD/ERD
HD/..WED..
HD/.....

CABINET OFFICE

MR D HANCOCK
MR D M ELLIOTT
MR RHODES

D.O.T.

PLUS OGDS

~~No 10 DS (2)~~

H M TREASURY

SIR K COUZENS
MISS J E COURT
MR J G LITTLER
MR EDWARDS

M.A.F.F.

SIR B HAYES
MR G STAPLETON

MR P KENT
H M CUSTOMS &
EXCISE

GRS 170 R

CONFIDENTIAL

FM BONN 201854Z MAY 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 466 OF 20 MAY

INFO IMMEDIATE UKREP BRUSSELS ATHENS EMBASSY BRUSSELS COPENHAGEN
DUBLIN THE HAGUE LUXEMBOURG PARIS ROME

EC MANDATE : GERMAN VIEWS

1. AFTER DISCUSSING OTHER BUSINESS WITH GENSCHER TODAY HE TURNED TO THE MANDATE. THE DECISION ON CAP PRICES DID NOT MEAN THAT THE MANDATE PROBLEM SHOULD BE PLACED ON THE BACK BURNER. INDEED THE FEDERAL GOVERNMENT WISHED TO GIVE THE HIGHEST PRIORITY TO THE MANDATE. GENSCHER SAID THAT HE HAD TELEPHONED TINDEMANS AFTER SPEAKING TO YOU TO SUGGEST THAT THE MANDATE BE DISCUSSED ON 24 MAY.

2. THE FEDERAL GOVERNMENT WAS PREPARED TO CONSIDER THE LATEST BRITISH PROPOSALS AND ANY NEW COMMISSION PROPOSALS. BUT IN HIS OPINION THE ONE YEAR SOLUTION WITH 800 MECUS WAS A VERY FAIR OFFER AND ONE WE WOULD BE WELL ADVISED TO ACCEPT.



A
G. R. d.

CONFIDENTIAL

PRIME MINISTER

THE LUXEMBOURG COMPROMISE AND NEXT STEPS ON THE BUDGET

I am afraid that I shall be unable to attend tomorrow's meeting of OD.

I agree with the broad approach of Francis Pym's Memorandum, OD(82)39. But the plain fact is that we are unlikely to get much satisfaction from the Community so long as it continues to be dominated by the Franco-German axis. Meanwhile, we have to make the best of a bad job.

To the extent that the Luxembourg Compromise was undermined at the Agriculture Council on 18 May, France (and hence the axis) and a number of other Member States will be anxious to reaffirm it as quickly as possible. It is too important to them to leave uncertain. It is equally important to us, and I agree that we should seek to have it codified and entrenched as Francis suggests.

I agree, too, that our immediate aim must be to secure a satisfactory solution of the Budget problem for 1982, along the lines of the 30 May agreement. This might well be easier in the immediate aftermath of the events of 18 May; a number of Member States (and some of the Commission) will be reluctant to press us too far at present, particularly if they can be made to appreciate the likely effect on public opinion here in relation to the crisis in the South Atlantic. Some Members may even show a hint of contrition if we for our part behave with restraint.

But there remains the Budgetary problem for subsequent years and this is the main issue to which, I believe, we must now address ourselves. We must also recognise that Budget restructuring, however desirable and helpful in the long run, cannot solve the financial problem in the medium term. For that there must be a financial solution, along the lines we have been seeking hitherto.

Our only lever to date has just crumbled in our hands. Although the Luxembourg Compromise will no doubt survive, its form will be changed and it will not be usable in future farm price settlements. We must therefore look for a fresh

/lever



CONFIDENTIAL

lever of which there is, I believe, only one available - the withholding of UK contributions. We should now work out how best to use this lever at the most appropriate time, perhaps in the New Year, in order to secure a satisfactory medium-term solution to the Budget problem.

I would hope that, in parallel, we will also try to devise some positive 'Communautaire' initiative of our own. I would be happy to look again at energy to see what might be offered in this area, which remains one of considerable interest to our Community partners.

I am copying this minute to Members of OD, the Minister of Agriculture, Fisheries and Food, the Secretary of State for Industry, the Attorney General and Sir Robert Armstrong.

S. D. →

Approved by the Secretary of State for Energy
and signed in his absence.

20 May 1982



CONFIDENTIAL

Qz.02584

PRIME MINISTER

The Luxembourg Compromise and Next Steps on the Budget
(OD(82)39)

1. The purpose of tomorrow's OD meeting is to review the situation created in the Community by the majority vote taken in the 18 May Agriculture Council and to settle British objectives and tactics on the Luxembourg compromise and the budget for the 24/25 May Foreign Affairs Council and associated meetings and in next week's debate.
2. There is only one substantive paper before the Committee: the Note by the Foreign and Commonwealth Secretary (OD(82)39), to which is attached a note by officials on the Budget issue. The Secretary of State for Energy - who has been invited but is unable to be present - intends to circulate his comments. A separate minute from the Foreign and Commonwealth Secretary to OD and other colleagues seeking clearance for the detailed line he proposes to take on the draft European Act is in part relevant to the discussion of the future of the Luxembourg compromise in the main paper, but is unlikely to be available before OD meets.
3. In his paper the Foreign and Commonwealth Secretary advocates:-
 - (i) a cool and measured United Kingdom reaction to the crisis caused by the loss of our veto on the CAP price package, at least until the results of next week's meetings in Brussels are known;
 - (ii) OD should confine initial decisions to the requirements of the next few days and leave more fundamental choices to be considered later in the light of what happens next week on the compromise and the budget

/and

CONFIDENTIAL

and suggests that

- (iii) on the Luxembourg compromise, he should make it clear to the Council that there must now be a fundamental reappraisal of the ground-rules of Community decision taking, the aim being to retrieve as much of the national veto as is practicable.
- (iv) on the budget, the United Kingdom should make a major effort at next week's Council to reach a settlement on a third year of refunds.

Luxembourg compromise

4. The Foreign and Commonwealth Secretary counsels against United Kingdom acquiescence in the demise of the Luxembourg compromise, partly on the grounds that it is regarded in this country as an essential safeguard of our national interest. Since it was never agreed by all member states, and is at variance with the Treaties, the Committee may feel that it is unrealistic to expect our partners to reinstate it soon in its present form. In particular, although it may be possible for the agricultural Ministers to agree on new rules for settling the annual price package by consensus, it is clear that things in the Agriculture Council will never be quite the same again. The effect of the compromise should ~~anyway~~ not be exaggerated. Our national veto is fully protected in the substantial areas of Community business for which the Treaty requires that decisions be taken by unanimity; and in many fields where majority voting is prescribed we shall probably continue to find sufficient allies to enable us jointly to block unacceptable decisions. (The note in the Annex explains this point in more detail.)

5. It is nevertheless clearly impossible in present circumstances for the UK either to leave matters where they stand, or to accept the increased use of majority voting proposed in the Genscher/Colombo proposals. The Foreign Secretary's opening statement and his reaction to the

/relevant

relevant passages of the Genscher/Colombo proposals will no doubt make this clear. In the light of the reactions of the other member states, Ministers may want thereafter to consider a paper analysing the scope and significance to British interests of a move to more majority voting, the options open to us in defence of our interests and the ways in which the Luxembourg compromise might be redefined so as to end the uncertainty created by what happened on 18 May.

The Budget

6. The present negotiating position on the budget is set out in the Note by Officials annexed to OD(82)39. Paragraph 5 of the Note sets out the two main options: either

- (i) going for agreement on the application of the 30 May solution to 1982, or
- (ii) breaking off the present negotiations and seeking a 4 or 5 year settlement, possibly associated with a threat to withhold our contribution to the
Community budget.

The first option is favoured by the Foreign Secretary, the Chancellor of the Exchequer and the Minister of Agriculture (see the Chancellor's minute of 19 May).

7. If the first option were chosen by the Committee, officials recommend that some negotiating flexibility on risk sharing and on figures would be required to bring a settlement within reach. The recommendations of officials on the budget, which the Foreign and Commonwealth Secretary endorses in his paper, are summarised in paragraph 12 of the Note by Officials. Since they were written, Sir Michael Butler has advised that the gesture on the over-payment of 145 million ecus (paragraph 11) is too likely to provoke an argument about how much should be paid back and that we might have to accept a basic refund figure of 850 million ecus instead of the 900 million ecus mentioned in paragraph 10.

CONFIDENTIAL

HANDLING

8. After the Foreign and Commonwealth Secretary has introduced his paper, you might wish to seek agreement first to the two stage approach he recommends and then focus discussion on the Lu Luxembourg compromise and the budget in turn.

9. On the Luxembourg compromise, you might invite the Minister of Agriculture to comment at the outset, bringing in other members and Sir M Butler as appropriate. The Committee may want to be as clear as possible about the likely content of the Foreign Secretary's opening statement (paragraph 5 of his paper) and his intentions with regard to the separate discussion of majority voting and the compromise in the context of the Genscher/Colombo proposals (paragraph 7 of his paper). In particular, is it confirmed that he will withhold UK agreement to the draft European Act as a whole unless we can get satisfaction on the reinstatement of the Luxembourg compromise?

10. You might note at this point the possible need for a fuller paper for later consideration by the Committee on the implications for the UK of extended majority voting and a weaker Luxembourg compromise.

11. On the budget, you might direct the attention of the Committee to the recommendations summarised in paragraph 12 of the Note by Officials annexed to OD(82)39, taking them through each of the sub-paragraphs one by one. It might be helpful at this stage if you invited Sir M Butler to bring the Committee up to date on the present state of his informal discussions with the Commission and other member states. This will give him the opportunity to explain why he thinks it might be necessary to accept a figure of 850 million ecus instead of the 900 million ecus proposed in paragraph 10. You could then invite the Chancellor of the Exchequer and/or the Foreign and Commonwealth Secretary to give their views.

/CONCLUSIONS

CONFIDENTIAL

CONCLUSIONS

12. Depending on the discussion you may be able to conclude that:-

- (i) So far as next week's meetings in Brussels are concerned, the Foreign and Commonwealth Secretary's recommendations are agreed, including the negotiating proposals on the budget set out in paragraph 12 of the Note by Officials, amended so as to enable us to accept a basic refund of 850 million ecus if necessary.
- (ii) When the outcome of the forthcoming discussions on the Luxembourg compromise is known, the Foreign and Commonwealth Secretary should arrange for a further paper to be circulated setting out the implications and exploring the options for the future.
- (iii) A further meeting of the Committee will be convened as necessary in the light of the results of next week's meetings.
- (iv) Meanwhile the Government should not over-react to the crisis in the Community. Briefing for next week's ~~Parliamentary~~ Parliamentary debate should be drafted accordingly.

D.H.

D J S HANCOCK

20 May 1982

THE LUXEMBOURG COMPROMISE

Under the Luxembourg compromise a member state which feels that its very important interests are at stake may object to a vote being taken and ask for discussion to continue until agreement is reached. It is only relevant to those decisions where the Treaty provides for voting either by a qualified majority or by a simple majority. The most important areas are CAP prices, the Common Fisheries Policy, the Common External Tariff, state aids and the annual Community Budget. The Luxembourg compromise is irrelevant to major new advances in the Community such as the creation of the Regional Fund which are made under Article 235 and require unanimity.

A complete list of the Treaty decision-making rules is set out below:-

- (i) Unanimity is required for eg the adoption of social security measures for migrant workers (Art. 51), the adoption of common rules for sea and air transport (Art. 84), approving state aids in exceptional circumstances (Art. 93(2)), fiscal harmonization (Art. 99), the approximation of laws (Art. 100), giving new tasks to the Social Fund (Art. 126), laying down provisions for direct elections (Art. 138), amending a proposal from the Commission (Art. 149), fixing the size of the Commission (Art. 157) and the European Court (Arts. 165 and 166), appointments to the Economic and Social Committee (Art. 194) and the Court of Auditors (Art. 206), making Financial Regulations (Art. 209), action under Art. 235 to create powers for which the Treaty makes no other provision, the admission of new member states (Art. 237), and the conclusion of association agreements (Art. 238).

- (ii) Qualified majority voting is prescribed for eg altering or suspending the common customs tariff (Art. 28), fixing CAP common prices and market regimes including those for fisheries (Art. 43), issuing directives on freedom of establishment (Arts. 54, 55 and 57), freedom of services (Art. 63) and freedom of movement of capital (Art. 69), adopting common rules on road, rail and

/inland

inland waterways transport (Art. 75), applying the competition rules of the treaty (Art. 87), applying the state aids rules of the treaty (Art. 94), determining the conditions of mutual assistance in balance of payments difficulties (Art. 108), common commercial policy measures (Arts. 113 and 114), implementing the Social Fund (Art. 127), establishing the draft budget, modifying amendments adopted by the Parliament, and accepting or rejecting modifications proposed by the Parliament (Art. 203), and laying down the Staff Regulations (Art. 24 of the Merger Treaty).

- (iii) Simple majority voting is prescribed where the Treaty makes no express provision one way or the other (Art. 148) eg the conclusion of agreements with third countries (Art. 228).



Ref. A08461

PRIME MINISTER

Cabinet; Community Affairs

As a meeting of OD has been arranged for 10.30 am on Friday 21 May to discuss our immediate aims on the budget and the Luxembourg compromise in the light of the vote taken on the Common Agricultural Policy (CAP) price package at the 18 May Agriculture Council, you may wish to keep discussion of the crisis in tomorrow's Cabinet to a reasonable minimum.

2. You might nevertheless wish to give the Cabinet a brief account of your talks with President Mitterrand on 17 May about the Mandate.

3. The Cabinet will also expect to have a report from the Foreign and Commonwealth Secretary and the Minister of Agriculture on the current state of play on the United Kingdom budget problem and the CAP prices package respectively. On the former the Foreign Secretary's aim, subject to the OD discussion, will be to achieve a satisfactory settlement on a third year of refunds under the 30 May 1980 Agreement at the 24-25 May Foreign Affairs Council. On the latter, the new common agricultural prices will now come into legal force and the United Kingdom will have little choice, domestically or in terms of Community law, but to implement them, whilst seeking to revive and consolidate the Luxembourg compromise in the context of the discussion of the Genscher/Colombo proposals at next week's Foreign Affairs Council.

4. Next week, apart from the 24-25 May Foreign Affairs Council, the Education Council meets on 24 May and the Social Affairs Council on 27 May.

ROBERT ARMSTRONG

19 May 1982



W

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

PRIME MINISTER

COMMUNITY BUDGET AND LUXEMBOURG COMPROMISE

As you and the Foreign Secretary were otherwise engaged this morning, I chaired an informal meeting of Ministers to discuss the line that Ministers should take in public between now and the OD meeting on Friday to decide the Government's response to the over-riding of our veto in the Agriculture Council yesterday. Peter Walker and Douglas Hurd were present. Peter Walker explained the structure of his statement to the House this afternoon and we agreed that, in response to questions about the future of the Luxembourg compromise, he should say that a very serious situation had arisen in the Community and that the Government would be considering its attitude. On the budget he could report to the House the facts about the state of the present negotiations, namely that the Commission made an informal proposal to apply the 30 May agreement to 1982 and that the UK had responded with revised proposals which were now being considered by the Commission.

2. At OD on Friday you will wish to consider whether we should continue, and aim to complete, the negotiations on the application of the 30 May agreement to 1982 or whether to break off that negotiation and switch back to a search for a longer-term solution. My meeting agreed that, if the first option - which we favour - was to stand any chance of success, the ground would need to be very carefully prepared in advance with the Commission, who in turn would need to prepare the ground with the Germans and the French. Sir Michael Butler proposes that as the first step in

CONFIDENTIAL



this process he should arrange a meeting with Monsieur Thorn, Monsieur Davignon and Mr. Tugendhat on Friday evening. As tomorrow is a public holiday in Belgium (Ascension Day) he will need to make the arrangements this afternoon.

3. In order to keep our options open, my meeting agreed that Sir Michael Butler be asked to go ahead, without prejudice to the line that he would take at his talks on Friday evening. Instructions to this effect will be sent to him this afternoon if you agree.

4. I am sending copies of this minute to the Foreign and Commonwealth Secretary, the Minister of Agriculture, the Minister of State, Foreign Office, and Sir Robert Armstrong.

gh

G.H.

19 May 1982

CONFIDENTIAL

GRS 54φ
UNCLASSIFIED
FRAME GENERAL
DESKBY 191815Z FCO
FM PARIS 191725Z MAY 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 52φ OF 19 MAY 1982
INFO IMMEDIATE UKREP BRUSSELS AND ALGIERS
INFO ROUTINE OTHER EC POSTS

3φ MAY MANDATE/AGRICULTURAL PRICE FIXING

1. THE ELYSEE THIS AFTERNOON ISSUED A COMMUNIQUE INCORPORATING A STATEMENT MADE TODAY IN ALGIERS BY PRESIDENT MITTERRAND. THE FOLLOWING IS THE EMBASSY'S TRANSLATION OF THE FULL TEXT OF THE STATEMENT.

"IN LONDON ON MONDAY I LEFT MRS THATCHER IN NO DOUBT ABOUT FRANCE'S DETERMINATION ON THE CONDUCT OF THE COMMON AGRICULTURAL POLICY. THE PROBLEM WHICH IS POSED TODAY, FOLLOWING THE DECISIONS TAKEN IN BRUSSELS, IS NOT THE QUESTION OF MAJORITY VOTING OR UNANIMITY IN THE COUNCIL OF MINISTERS, BUT THE QUESTION OF WHAT ROLE GREAT BRITAIN INTENDS TO PLAY. AND FINALLY, DEPENDING ON THE RESPONSE WHICH IS MADE TO THIS QUESTION, THE ISSUE OF THE PRESENCE, OR THE NATURE OF THAT PRESENCE, OF BRITAIN IN THE COMMUNITY. AS FAR AS FRANCE IS CONCERNED SHE RENOUNCES NEITHER THE UNANIMITY RULE WHEN IT IS REALLY A QUESTION OF A VITAL INTEREST NOR THE TREATY OF ROME, BECAUSE IT WAS THE TREATY OF ROME, THAT IS TO SAY THE EXISTENCE OF THE COMMUNITY, WHICH WAS AT STAKE IN BRUSSELS".

2. THIS AFTERNOON'S EDITION OF LE MONDE CARRIES A FRONT PAGE ARTICLE, ANTICIPATING PRESIDENT MITTERRAND'S STATEMENT AND SAYING THAT HE WOULD TAKE ADVANTAGE OF HIS STOP-OVER IN ALGIERS TO ISSUE A VERY SERIOUS WARNING TO MRS THATCHER. THIS DEMARCHE WOULD BE INTENDED IN PARTICULAR TO INFLUENCE THE BRITISH GOVERNMENT, WHICH HAD NOT YET OFFICIALLY REACTED TO THE ABANDONMENT OF THE UNANIMITY RULE BY HER PARTNERS. ELYSEE OFFICIALS WERE SAID TO HAVE INSISTED ON THE FACT THAT MRS THATCHER HAD FOUND PRESIDENT MITTERRAND "AS INFLEXIBLE AS SHE" AND THAT A MAJOR TEST OF STRENGTH HAD NOW BEEN EMBARKED UPON. PARIS WOULD NOT MAKE ANY CONCESSIONS SINCE IT WAS UNACCEPTABLE THAT COMMUNITY RULES DEFINED IN THE LUXEMBOURG COMPROMISE SHOULD BE DISTORTED BY THE BEHAVIOUR AND PRETENSIONS OF BRITAIN. PARIS CONSIDERED THAT PRESIDENT MITTERRAND WAS PARTICULARLY WELL-PLACED TO TAKE THIS LINE SINCE HE HAD NOT HELD BACK ON HIS SUPPORT FOR BRITISH VITAL INTERESTS OVER THE FALKLANDS. BUT AN INDEFINITE EXTENSION OF THE IDEA OF VITAL INTERESTS COULD NOT BE ACCEPTED. PRESIDENT MITTERRAND WOULD BE ALL THE MORE INCLINED TO SPEAK FRANKLY SINCE HE HAD BEEN CAREFUL TO WARN MRS THATCHER SEVERAL TIMES AGAINST MAKING A LINK BETWEEN PRICE

FIXING

FIXING AND THE BUDGET. HE HAD ALSO TOLD THE PRIME MINISTER THAT HE DISAPPROVED OF THE 30 MAY AGREEMENT BECAUSE IT WAS TOO COSTLY FOR FRANCE AND BAD FOR THE COMMUNITY. THE ARTICLE CONCLUDES BY SAYING THAT MRS THATCHER HAD HER BACK TO THE WALL. EITHER SHE WOULD PLUNGE DEEPER INTO A CRISIS OR SHE WOULD HAVE TO BE CONTENT WITH THE LATEST PROPOSAL OF 800 MECU MADE BY THE NINE.

3. BY CONTRAST, THE FRENCH PRESS THIS MORNING REPORTED THE OUTCOME OF THE AGRICULTURAL COUNCIL YESTERDAY IN SOMBRE TERMS, CONCENTRATING ON THE THEME THAT MEMBER STATES HAD CIRCUMVENTED THE BRITISH VETO. WHILE FRENCH NEWSPAPERS CHARACTERISTICALLY ATTRIBUTED MOST OF THE BLAME FOR THE CRISIS TO BRITAIN, A NUMBER OF ARTICLES SOUNDED A NOTE OF CAUTION AND CONCERN ABOUT THE IMPLICATIONS FOR FRANCE OF THE ABANDONMENT OF THE LUXEMBOURG COMPROMISE. LE MATIN ARGUED IN AN EDITORIAL THAT THE VOTING AT THE COUNCIL REPRESENTED A VICTORY FOR THOSE WHO BELIEVED IN A STRUCTURED, FEDERAL EUROPE. IT DESCRIBED BRITAIN'S POSITION AS BRUTALLY CLEAR WHILE THAT OF HER PARTNERS STRANGELY AMBIGUOUS. IT QUESTIONED WHETHER THE FRENCH DECISION TO VOTE HAD BEEN PROPERLY THOUGHT THROUGH. THIS CRITICISM OF MITTERRAND'S DEPARTURE FROM A GAULLIST DOCTRINE HAS BEEN EMPHASISED BY GAULLIST SPOKESMEN IN PARIS TODAY.

FRETWELL

FRAME GENERAL
ECD (I)

Prime Minister



CONFIDENTIAL

Content with recommendations in paragraph 10, subject to views of other Ministers concerned?

Qz.02578

To be discussed at

A.C. 19/5

MR COLES

ad on 20/5 AM 20/5 h.a.

I think we need a

cc: Private Secretaries to:-

- The Foreign and Commonwealth Secretary
- The Chancellor of the Exchequer
- The Minister of Agriculture, Fisheries and Food
- Sir Robert Armstrong

more robust response than this.

COMMUNITY BUDGET PROBLEM

enough now

One been on the budget is not no

Officials have been giving urgent consideration to the way the Government might respond to the crisis created by the decision to override our veto on farm prices today. In the immediate future we feel that the best course is to try to get a satisfactory agreement for 1982 at next week's Foreign Affairs Council; but that everything else should be played long and the Community kept guessing about our ultimate intentions. In particular, we need to know more of other member states' intentions before we can assess the potential future value of the Luxembourg compromise and what our attitude to it should now be.

2. Despite the uncertainty over the future value of the Luxembourg compromise, a budget agreement for 1982 next week would at least allow the Government to say that it had achieved a budget settlement in parallel with the price fixing although not on the same day. Averaged over the 3 years 1980-1982, the figures are not at all bad, provided that we avoid liability to future demands for re-paying the "over-payments". Even if we only got 800 million ecus for 1982, the refunds work out at 75% over 3 years (using the Commission's estimate of 1530 million ecus for 1982). 75% is a lot better than what we thought we had got in 1980.

NO - one year only.

3. However, it is possible that, having broken the link, the others will say there is no hurry about a decision for 1982 and dig in. We have no hold over them now unless we withhold and that would be to escalate the crisis prematurely for very

CONFIDENTIAL

little money. Withholding is best kept in reserve until after the Falklands crisis is over and we are negotiating a longer-term agreement.

4. Our present negotiating authority is set out in Annex A. It seems doubtful whether, in the new circumstances, we shall get a deal next week on this basis.

5. Clearly we must attach prime importance to getting rid of the two most objectionable features of the Commission's draft (Annex B):-

- (i) The description of 730 million ecus as the minimum net contribution in 1982 and its replacement by downward risk-sharing;
- (ii) The prejudicial words at the end of the text "in particular of the result of the application of this arrangement with respect to forecasts that were made initially" because they sound too clearly like a further claim on the over-payments.

6. Flexibility on the following matters might help to secure these goals.

Risk-sharing

7. Ministers have already agreed that we should, if necessary, accept the 1981 formula which is less satisfactory than the simple 1980 formula but only to a maximum effect of 40 million ecus. The new formula is less satisfactory still to a maximum extent of 75 million ecus. But at least it preserves the 75% of the marginal rate of compensation and is a great deal better than no risk-sharing at all. 75% will be a valuable precedent for the negotiations on a longer-term solution.

Figures

8. Herr Schmidt and President Mitterrand have apparently agreed that a 1000 million ecus (ie 66% of 1530) is too much. After this morning's events they have no incentive to change their minds.

CONFIDENTIAL

But the French have indicated that they could accept 900 million ecus and Ministers may consider that we should, if necessary, be ready to settle for that in order to clinch a 1982 settlement quickly.

9. Alternatively, if the over-payment is the sore point, we might make the gesture that Ministers approved in the context of the multi-year settlement. This would mean waiving our right to 140 million ecus due in respect of 1981 but not yet approved by the ad hoc committee.

Recommendations

10. Ministers are asked to agree that:-

- (i) We should now concentrate on trying to secure agreement on our third year of refunds under the 30 May settlement at next week's Foreign Affairs Council.
- (ii) Decisions on how to respond to the infringement of the Luxembourg compromise should be deferred until we have a better appreciation of where others now stand on this issue.
- (iii) We have authority to settle for the Commission's new risk-sharing formula (in Annex B) as a last resort.
- (iv) On figures either we have discretion, if necessary, to agree to 900 million ecus as the basic refund for 1982 in place of the 800 million ecus in Annex B; or we stick to our figure of just over 1000 million ecus but offer the gesture on over-payments agreed by Ministers on 6 May.

D.H.

D J S HANCOCK

18 May 1982

UK OBJECTIVES FOR APPLICATION OF THE 30 MAY AGREEMENT TO 1982

- (i) The refund for 1982 should be calculated on the basis of the Commission estimate for our unadjusted net contribution for that year. This is now said to be 1530 million ecus. The 30 May formula gives a refund of 1008 million ecus for that figure.
- (ii) A risk-sharing formula in the form applied for the year 1980; but we should accept that it should extend downwards as well as upwards.
- (iii) In the last resort if (ii) above were unobtainable, we should be prepared to accept the 1981 formula, again extended downwards as well as upwards.
- (iv) We should insist on a formal endorsement by all member states of the deadline suggested in the two Presidents' letter for securing a longer-term agreement - namely before the end of 1982.
- (v) We should accept no condition that would in any way prejudice UK views on the nature of the longer-term solution. We should not accept any new constraint on our freedom of action in future farm price negotiations.
- (vi) Our aim should be to fight off the over-payment issue and to get the other member states to agree to a one-year solution on the conditions listed above without any reference to it. We may not succeed in this aim. Ministers may therefore have to reconsider this point if it seemed critical to securing an otherwise acceptable deal.

CONFIDENTIAL

GRS 200

CONFIDENTIAL

DESKBY 170700Z

FM LUXEMBOURG 162130Z MAY 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 124 OF 17 MAY

INFO UKREP BRUSSELS AND OTHER EC POSTS, STRASBOURG.

FROM UKREP BRUSSELS.

PROPOSAL FOR 1982.

1. THE COMPENSATION TO THE UNITED KINGDOM FOR 1982 IS FIXED AT 800 MILLION ECU, ON THE BASIS OF A NET CONTRIBUTION ESTIMATED AT 1.530 MILLION ECU. THE NET CONTRIBUTION OF THE UK CANNOT, AFTER COMPENSATION, BE LESS THAN 730 MILLION ECU.

IF THE NET CONTRIBUTION FOR 1982 PROVES TO BE MORE THAN 1.530 MILLION ECU, THE ADDITIONAL SUM WILL BE DIVIDED IN THE

FOLLOWING WAY:

- INCREASE FROM 1.530 TO 1.580 MILLION, ENTIRELY AT THE EXPENSE OF THE UNITED KINGDOM;
 - INCREASE FROM 1.580 TO 1.730 MILLION : 50 PER CENT AT THE EXPENSE OF THE UNITED KINGDOM AND 50 PER CENT AT THE EXPENSE OF THE OTHER NINE MEMBER STATES;
 - BEYOND 1.730, 25 PER CENT AT THE EXPENSE OF THE UNITED KINGDOM AND 75 PER CENT AT THE EXPENSE OF THE OTHER MEMBER STATES.
2. THE COMMISSION UNDERTAKES TO CONTINUE ITS EFFORTS TO ARRIVE BEFORE THE END OF 1982 AT A LONGER-TERM ARRANGEMENT. THIS ARRANGEMENT WILL TAKE ACCOUNT OF THE RELEVANT ELEMENTS RESULTING FROM THE EXPERIENCE OBTAINED OVER THREE YEARS FROM THE FUNCTIONING OF THE MAY 30 1980 MECHANISM AND, IN PARTICULAR, OF THE RESULT OF THE APPLICATION OF THIS ARRANGEMENT WITH RESPECT TO FORECASTS THAT WERE MADE INITIALLY.

THOMAS

FCO ADVANCE TO:-
 FCO DE FONBLANQUE
 CAB HANCOCK
 MAFF ANDREWS
 TSY EDWARDS

[ADVANCED AS REQUESTED]

LIMITED
 ECD (I)
 ERD
 WED
 ESID
 PS/MR HURD

PS/PUS
 LORD BRIDGES
 MR HANNAY
 MR EVANS
 MR HAYES

COPIES TO
 TREASURY (MISS WRIGHT RM18/G)
 MR ELLIOTT)
 MR RHODES) CABINET OFFICE
 MR HANCOCK ->
 ECD ODA
 MR ANDREWS MAFF

CONFIDENTIAL

GR 400

CONFIDENTIAL

CONFIDENTIAL
FRAME AGRICULTURAL
FRAME ECONOMIC
FM UKREP BRUSSELS 181257Z MAY 82
TO FLASH FCO
TELEGRAM NUMBER 1982 OF 18 MAY 1982
INFO ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN
PARIS BONN ATHENS

COUNCIL OF MINISTERS (AGRICULTURE) 17/18 MAY
LUXEMBOURG COMPROMISE

1. DESPITE REPEATED INSISTENCE BY MR WALKER THAT NEGOTIATIONS IN THE AGRICULTURE COUNCIL COULD AND SHOULD BE CONTINUED UNTIL AGREEMENT WAS REACHED ON THE AGRICULTURAL PRICES PACKAGE, AND HIS NO LESS FREQUENTLY REPEATED DEMANDS THAT THE FOREIGN AFFAIRS COUNCIL SHOULD MEET TO CONSIDER THE IMPLICATIONS OF OVER-TURNING THE LUXEMBOURG COMPROMISE, THE PRESIDENCY, WITH THE SUPPORT AND INDEED ENCOURAGEMENT OF THE COMMISSION, HAVE BEGUN THE PROCESS OF VOTING THROUGH THE LARGE NUMBER OF REGULATIONS WHICH TOGETHER CONSTITUTE THE PRICE PACKAGE. DENMARK AND GREECE, WITH US, ARE REFUSING TO PARTICIPATE IN THE VOTES. ALL OTHERS ARE VOTING IN FAVOUR OF EACH REGULATION. THE IMPLEMENTATION DATE FOR THE PACKAGE IS 20 MAY.
2. THE BEHAVIOUR OF THE CHAIRMAN AND THE COMMISSION (THORN AND DAVIGNON ARE PRESENT AS WELL AS DALSAGER) HAS BEEN REPREHENSIBLE. MR WALKER'S DEMANDS FOR A TOUR DE TABLE TO SHOW UP WHICH COUNTRIES WERE PREPARED TO SEE THE LUXEMBOURG COMPROMISE OVERTURNED WAS, FOR A LONG TIME, RESISTED. FRANCE AND GERMANY EVADED THE POINT. MR WALKER MADE IT CLEAR THAT, BY PUTTING TEXTS TO A VOTE, THE COUNCIL WAS ABANDONING THE LUXEMBOURG COMPROMISE. HIS DEMAND FOR A FOREIGN AFFAIRS COUNCIL MEETING WAS BRUSHED ASIDE, AND THE DETAILED AGRICULTURAL QUESTIONS WHICH MR WALKER AND MR BUCHANAN SMITH TRIED TO PUT TO THE COMMISSION WHEN THE RELEVANT REGULATIONS ON WHICH WE HAD RESERVES CAME BEFORE THE COUNCIL WERE CURSORILY DISMISSED WITH NO ATTEMPT EVEN AT A COURTEOUS EVASION.

CONFIDENTIAL

13.

CONFIDENTIAL

3. THE COUNCIL IS EXPECTED TO END ITS RUBBER STAMPING OF THE REGULATIONS BY MID-AFTERNOON. IN BRIEFING THE PRESS AT LUNCH-TIME MR WALKER ANSWERED QUESTIONS ABOUT THE ACTION THE UK WOULD NOW TAKE BY SAYING THAT THE OVER-TURNING OF AN INTEGRAL AND VITAL FEATURE OF THE COMMUNITY'S PROCEDURES, WHICH WAS MANIFESTLY OF KEY IMPORTANCE TO THREE OUT OF FOUR OF THE NEW MEMBER STATES, CLEARLY RAISED VERY IMPORTANT QUESTIONS. MINISTERS WOULD NEED TO CONSIDER THE IMPLICATIONS URGENTLY.

FCO ADVANCE TO:

FCO - PS/SOFS; SPRECKLEY; WITNEY

CAB - ARMSTRONG

NO.10 - COLES

MAFF - PS/MIN; PS/MINOF(S); PS HAYES; HADDON; GURD; REDFERN

DAFS - CRAMOND

DANI - JACK

WOAD(I) - BEVAN

BUTLER

[ADVANCED AS REQUESTED]

FRAME ECONOMIC
FRAME AGRICULTURE
ECD(I)

[COPIES SENT TO NO 10 DOWNING ST.,]

COPIES TO:-
ADVANCE ADDRESSEES

DLBY 190730Z

(32)

ADVANCE COPIES

FRAME AGRICULTURE

~~19~~ XEROX COPIES

FCO
PS
Mr Hurd
PS/~~LORD PRIVY SEAL~~
MR BULLARD
MR HANNAY
LORD BRIDGES

RESIDENT CLERK
HD/ECD I. (3)
HD/NEWS D
HD/.....
HD/.....
HD/.....

PLUS FCO
Mr. Witney, ECD (I)

ADVANCE COPY

IMMEDIATE

CABINET OFFICE

MR D HANCOCK
~~MR. ARMSTRONG~~
MR D M ELLIOTT
MR A M GOODENOUGH
MR S WENTWORTH
MR J RHODES

~~DOT~~

Mr. (Camond), DAFS
Mr. Jack, DA 11.
Mr. Bewar
WORD (I)

PLUS OGDS

No to Downing St
(Mr. Coles)

H M TREASURY

SIR K COUZENS
MR G E FITCHEW

M A F F

SIR B HAYES
MR D H ANDREWS
MR M HADDON
MR M RING

MAFF continued

Ps/min
Ps/min of S (C)
Mr. Gwd
Mr. Redfern
Mr. Brown

ECFO 015/198

CONFIDENTIAL

FRAME AGRICULTURE

DESKBY 190730Z

FROM UKREP BRUSSELS 181654Z MAY 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1992 OF 18 MAY 1982

INFO ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS

AGRICULTURE COUNCIL : 18 MAY 1982

SUMMARY

1. COUNCIL ENDED TEA-TIME WITH ALL THE PRICE-FIXING
REGULATIONS VOTED THROUGH AND SCENES OF BITTER
RECRIMINATION. THE WHOLE DAY HAD BEEN BRUISING. UNTIL
NOON UK FACED INTENSE AND CONCERTED PRESSURE TO ACCEPT
THE INEVITABILITY OF VOTING. MR WALKER HAVING TO

RECRIMINATION. THE WHOLE DAY HAD BEEN BROTISING. UNTIL NOON UK FACED INTENSE AND CONCERTED PRESSURE TO ACCEPT THE INEVITABILITY OF VOTING. MR WALKER HAVING TO INTERVENE ABOUT EACH MINUTE TO DEFEND OUR POSITION AND TO TRY TO PENETRATE THE COLLECTIVE DEAFNESS OF SEVEN COLLEAGUES AND GET THEM TO CONSIDER THE DESPERATE CONSEQUENCES OF THEIR INTENDED COURSE OF ACTION. A TURNING POINT CAME AROUND NOON, WHEN THE CHAIR ANNOUNCED THAT OUR REQUEST FOR AN EMERGENCY MEETING OF FOREIGN MINISTERS HAD BEEN REJECTED, ALLEGEDLY UNANIMOUSLY, IN THE MARGINS OF THE NATO COUNCIL. VOTING THEN BEGAN ON EACH OF THE 62 REGULATIONS, THE UK SEEKING CHANGES IN SOME AND GAINING A LITTLE HEADWAY. AS THE CHAIRMAN THROUGH THE LUNCH HOUR GABBLED THROUGH THE REQUIRED FORMULAE ON EACH, AND GAINED THE SAME PATTERN OF VOTING ON EACH (ALL 12 IN FAVOUR, UK, GREECE AND DENMARK REFUSING TO PARTICIPATE), MORE COMMISSIONERS CROWDED IN TO SAVOUR THE DELIGHTS OF SEEING THE TREATY OPERATE. OF THEM, AND MANY OF THE 7, ONE COULD SAY WITH TOM ELIOT THAT THEY HAD THE EXPERIENCE BUT SOMEHOW MISSED THE MEANING OF THE EXPERIENCE. FRANCE WERE QUIETLY CONFIDENT THAT THEY COULD JUSTIFY THE PROCEDURE AS CONSISTENT WITH AMINTENANCE OF THE LUXEMBOURG COMPROMISE, BUT DID NOT EXPOSE THEIR RATIONALE TO THE COUNCIL UNTIL ALL WAS OVER. GERMANY BLUSTERED AND HEAPED ABUSE ON THE UK: THEY DID NOT DEIGN TO JUSTIFY THEMSELVES, AND BRUSKED ASIDE UK ATTEMPTS TO DRAW THE CONSEQUENCES FOR THE COMMUNITY'S INSTITUTIONS AS A PROCEDURAL GIMMICK. THORN, IN A FINAL SELF-JUSTIFICATION, GAVE AN EXTRAORDINARILY DISTORTED VERSION OF THE MANDATE NEGOTIATIONS.

2. AND SO COUNCIL DISPERSED, ENJOYING THE SWEET AND SOUR SAVOUR OF SELF-CONGRATULATION ON THE DAY'S WORK AND APPREHENSION AS TO THE FUTURE, BUT WITH THE SWEET PREDOMINATING.

3. IN VIEW OF THE POSSIBLE IMPORTANCE TO EC POSTS OF THE DETAIL OF POSITIONS TAKEN BY EACH MEMBER, I REPORT EXTENSIVELY IN FOLLOWING TELEGRAMS ON THE FORENOON AND AFTERNOON SESSION. I APPEND TO THE TELEGRAMS REPORTS, MORE OR LESS VERBATIM, OF MR WALKER'S TWO MAJOR STATENENTS. SOME SIGNIFICANT COMMODITY POINTS, AND BITS AND PIECES, WILL BE REPORTED TOMORROW (NOT TO ALL)

FCO ADVANCE TO:-

FCO - PS/SOFS SPRECKLEY WITNEY

FCO ADVANCE TO:-

FCO - PS/SOFS SPRECKLEY WITNEY

CAB - ARMSTRONG

NO 10 - COLES

MAFF - PS/MIN PS/MIN OF S (C) PS/HAYES HADDON GURD REFERN BROWN

DAFS - CRAMOND

DANI - JACK

WOAD (I) - BEVAN

BUTLER

NNNN

IMMEDIATE

37

XEROX COPIES

ADVANCE COPIES

FRAME AGRICULTURE
FRAME ECONOMIC

FCO
PS
MR HURD
~~PS/LORD PRIVY SEAL~~

MR BULLARD
MR HANNAY
LORD BRIDGES

RESIDENT CLERK

HD/ECD I. (3)
HD/NEWS D
HD/...*EPD*...
HD/.....
HD/.....

PLUS FCO

Mr Whitney ECD(1)

CABINET OFFICE

MR D HANCOCK
MR D M ELLIOTT
MR A M GOODENOUGH
MR S WENTWORTH
MR J RHODES
Mr Armstrong

DOT

PLUS OGDS
Mr P Kent, HM Customs & Excise

~~As to D.S. Mr Giles~~
DAFS - *Mr Gramond*
DAAH - *Mr Jack*
WOAD(1) - *Mr Swan*

H M TREASURY

SIR K COUZENS
MR G E FITCHEW
Mr E Court
Mr Little
Mr Edwards

MAFF

SIR B HAYES
MR D H ANDREWS
MR M HADDON
MR M RING
Mr Stapleton

PS/Minister
PS/Minister of State (C)
Mr Gurd
Mr Redfern
Miss Brown

CONFIDENTIAL

FRAME AGRICULTURE
FRAME ECONOMIC
DESKBY 190730Z

FM UKREP BRUSSELS 181655Z MAY 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 1993 OF 18 MAY 1982

INFO ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS

COUNCIL MINISTERS (AGRICULTURE): 17-18 MAY 1982

M I P T MORNING 18 MAY

1. AFTER A NUMBER OF BILATERALS, THE COUNCIL STARTED AT 1000 HOURS,
IN RESTRICTED SESSION.

2. MR WALKER SPOKE STRAIGHT AWAY. HE SAID WE WANTED AN OPPORTUNITY TO GIVE OUR DETAILED VIEWS ON THE DRAFT REGULATIONS IMPLEMENTING THE PRICE PACKAGE. SINCE THE CHAIRMAN SEEMED TO WANT TO VOTE, MR WALKER SPELT OUT TO HIM WHAT YOU HAD SAID IN LUXEMBOURG YESTERDAY EVENING. THAT IS TO SAY, THAT YOU WANTED A PROPOSAL ON THE BASIS OF THE ARRANGEMENTS AGREED ON 30 MAY 1980. THIS WOULD EITHER BE THE PRESENT PROPOSAL AMENDED OR A NEW PROPOSAL. THE UK WAS READY TO PLAY ITS PART, AND TO DISCUSS THIS IN THE COUNCIL AT THE EARLIEST POSSIBLE DATE. IT WOULD BE SENSIBLE TO HAVE THE USUAL PREPARATION, PROBABLY IN COREPER. THOUGH YOU WOULD NOT BE AVAILABLE ON TUESDAY, ADVISORS AND, IF NECESSARY, ANOTHER MINISTER WOULD BE AVAILABLE. THERE WAS THEREFORE NO QUESTION OF OUR HAVING TURNED DOWN THE POSSIBILITY OF AGREEMENT ON THE BUDGET. THIS WAS THE EXACT OPPOSITE OF THE TRUTH. FURTHERMORE, SINCE THE COMMISSION WOULD NOT ACT, WE HAD ANNOUNCED THAT WE WOULD PUT FORWARD OUR OWN IDEAS ON THE THIRD YEAR, AND WE WOULD BE DOING THIS IN COREPER TODAY (TUESDAY). IN VIEW OF THE THREAT WHICH HAD BEEN MADE LAST NIGHT, WITH THE ACTIVE ENCOURAGEMENT OF THE COMMISSION, WE HAD DEMANDED, MR WALKER INFORMED THE COUNCIL, A MEETING OF THE FOREIGN AFFAIRS COUNCIL. WE DID SO BECAUSE A PROCEDURE TO WHICH WE AND OTHERS ATTACHED GREAT IMPORTANCE: WHICH HAD BEEN IN BEING WHEN WE JOINED THE COMMUNITY, AND WHICH HAD BEEN AN IMPORTANT ISSUE IN OUR REFERENDUM ON MEMBERSHIP, RISKED BEING CHANGED. THIS WAS FOREIGN AFFAIRS COUNCIL BUSINESS. HOWEVER, NO MENTION OF THE POSSIBILITY OF THAT CHANGE HAD BEEN MADE YESTERDAY IN LUXEMBOURG.

3. NETHERLANDS (DE KONING) SAID MR WALKER'S STATEMENT MISREPRESENTED WHAT HAD HAPPENED IN LUXEMBOURG. THEIR INFORMATION WAS THAT NEGOTIATIONS THERE HAD RUN UP A BLIND ALLEY, AND HAD BEEN ACRIMONIOUS. THERE SEEMED NO LIKELIHOOD OF A BREAKTHROUGH ON THE BUDGET IN THE NEXT FEW HOURS, OR EVEN DAYS. NETHERLANDS HAD NEVER SUPPORTED THE LUXEMBOURG COMPROMISE, BUT DE KONING QUOTED FROM IT IN AN ATTEMPT TO SUPPORT THE GOING THEORY THAT ITS EXISTENCE WAS AT STAKE HERE. THE CHAIRMAN (DE KEERSMAEKER) AGREED WITH DE KONING'S ACCOUNT OF YESTERDAY'S MEETING. THE AGRICULTURE COUNCIL HAD TO TAKE ITS RESPONSIBILITIES. EVERYTHING POSSIBLE HAD BEEN DONE TO REACH A COMPROMISE. THE FOREIGN AFFAIRS COUNCIL WOULD MEET AGAIN NEXT WEEK, THOUGH THE MANDATE BUSINESS WAS NOT ON THE AGENDA. IT WAS NOT THIS AGRICULTURE COUNCIL'S JOB TO DISCUSS THE LUXEMBOURG COMPROMISE. THEY SHOULD GET ON WITH THE PRICES. DE KEERSMAEKER PROPOSED GOING THROUGH THE REGULATIONS ONE BY ONE.

4. GERMANY (ERTL) AGREED THAT THE TIME HAD COME TO TAKE DECISIONS,

4. GERMANY (ERTL) AGREED THAT THE TIME HAD COME TO TAKE DECISIONS, IGNORING FOREIGN AFFAIRS OR FINANCE MINISTERS BUSINESS. THOUGH THE TIMING OF THE PRESENTATION OF DOCUMENTS LEFT SOMETHING TO BE DESIRED, THAT WAS NO EXCUSE FOR DELAY.

5. DENMARK (WESTH) WAS TORN TWO WAYS. THEY WERE VERY KEEN TO HAVE THE PRICES, BUT THE LUXEMBOURG COMPROMISE WAS VERY IMPORTANT TO DENMARK TOO - IT HAD FIGURED IN THEIR ACCESSION REFERENDUM. DENMARK WAS PREPARED TO ACCEPT THE UK CLAIM THAT A VITAL INTEREST WAS AT STAKE.

6. DENMARK, FRANCE (CRESSON), ITALY (BARTOLOMEI) ALL DISPUTED MR WALKER'S ACCOUNT OF YESTERDAY'S MEETING AS DE KONING HAD DONE. MR WALKER RESTATED THE POSITION. FIRSTLY, YESTERDAY'S MEETING HAD BEEN INFORMAL: IT WAS NOT A COUNCIL. SECONDLY, THE COMMISSION'S THIRD YEAR QUOTE PROPOSAL UNQUOTE HAD NEVER BEEN CLEARED WITH THE WHOLE OF THE COMMISSION. THIRDLY, WE HAD ONLY RECEIVED IT ON SUNDAY EVENING. FOURTHLY, MR WALKER REPEATED THAT WE HAD BEEN READY TO NEGOTIATE. FOR SOME TWO YEARS THE UK HAD WORKED FOR PROGRESS TOWARDS A LONG-TERM AGREEMENT ON ALL ASPECTS OF THE MANDATE. NOW WE HAD TAKEN THE CONSIDERABLE STEP OF ACCEPTING, IN PRINCIPLE, A ONE YEAR AGREEMENT. DESPITE OUR FLEXIBILITY AND OUR READINESS TO MEET AGAIN IN THE FOREIGN AFFAIRS COUNCIL URGENTLY, NO NEGOTIATION HAD TAKEN PLACE.

7. MR WALKER DEMANDED A TOUR DE TABLE TO ELICIT PRECISELY WHICH COUNTRIES WERE READY TO VOTE AND THEREFORE TO ABANDON THE LUXEMBOURG COMPROMISE. THE FRENCH ARGUMENT THAT THE COMPROMISE DID NOT APPLY HERE WAS SPURIOUS: WE HAD SUBSTANTIAL AGRICULTURAL RESERVES. IRELAND WAS IN NO DOUBT OF THE IMPORTANCE OF THEM, AND THE COMMISSION WAS ACTIVELY ENGAGED IN WORKING OUT COMPROMISE PROPOSALS TO MEET US. THERE COULD BE NO QUESTION OF THE LUXEMBOURG COMPROMISE APPLYING SELECTIVELY. MR WALKER ALSO REITERATED HIS DEMAND FOR AN URGENT MEETING OF THE FOREIGN AFFAIRS COUNCIL.

8. DAIGNON, WHO DID ALL THE SPEAKING FOR THE COMMISSION DESPITE THE PRESENCE OF DALSAGER AND (LATER) THORN, SOUGHT TO JUSTIFY THE COMMISSION'S RECORD. THE PROPOSAL FOR A ONE YEAR SOLUTION HAD BEEN MADE NOT LAST WEEKEND BUT THE PREVIOUS WEEKEND. AGREEMENT TO CONSIDER IT CAME FROM YOU ON FRIDAY. IT COULD BE REPRESENTED AS CONCESSION BY THE UK, BUT IT WAS A WORTHLESS ONE IF IT DID NOT PROVIDE THE BASIS FOR AGREEMENT. ON THE SUNDAY THE COMMISSION HAD MADE A FORMAL PROPOSAL. AS VARIOUS DELEGATIONS HAD WANTED TO CONSIDER IT, DISCUSSION WAS HELD OVER UNTIL LAST EVENING. THE THREE

SIDER IT, DISCUSSION WAS HELD OVER UNTIL LAST EVENING. THE THREE BASIC BRITISH OBJECTIONS TO IT WERE GENERALLY CONSIDERED SO FUNDAMENTAL THAT AN EARLY SOLUTION WAS RULED OUT. ON THE AGRICULTURE COUNCIL PROCEEDINGS, HE DENIED THAT THE COMMISSION HAD TAKEN ANY INITIATIVE ON INSTITUTIONAL MATTERS. THEY HAD DONE NO MORE AT LAST WEEK'S COUNCIL AND THIS ONE THAN TO POINT OUT TO THE COUNCIL WHAT THE CHOICES WERE IN FORWARDING THE PRICE FIXING NEGOTIATION IN A NUMBER OF DIFFERENT CIRCUMSTANCES. HE REJECTED THE IDEA THAT THE COMMISSION COULD MAKE A PROPOSAL THAT WOULD DAMAGE THE VITAL INTERESTS IN ANY MEMBER STATE.

9. GERMANY SAID THEY WOULD REFUSE TO VOTE ON THE USE OF THE LUXEMBOURG COMPROMISE, WHICH WAS NOT A FIRM PROPOSAL AND HAD ONLY THE STATUS OF AN ENTRY IN THE MINUTES. THEY REPRESENTED THAT THE CONCLUSIONS OF 30 MAY, PARAGRAPHS 7 AND 9, COMMITTED THE COUNCIL TO WORK EFFECTIVELY ON DAY TO DAY DECISIONS AND AVOID THE PARALYSIS OF THE COMMUNITY. THEY REITERATED THEIR CALL FOR VOTING TO BEGIN.

10. GREECE SAID THAT THEIR FOREIGN MINISTER HAD AGREED IN LUXEMBOURG ONLY THAT THE COUNCIL SHOULD CONTINUE TO NEGOTIATE ON PRICES DESPITE THE WAY THE UNITED KINGDOM WAS HOLDING UP PROGRESS ON THE BUDGET DISCUSSIONS. THEY HAD AGREED NO PARTICULAR PROCEDURE, AND CERTAINLY NOT ON VOTING. VERY EXPLICIT INSTRUCTIONS HAD BEEN CONFIRMED THIS MORNING, TO THE EFFECT THAT THE PRINCIPLE THAT MAJOR ISSUES IN THE COMMUNITY SHOULD BE DECIDED BY UNANIMITY WAS TO BE MAINTAINED. DENMARK INTERVENED TO MAKE IT CLEAR THAT THEY WOULD AGREE TO THE EXTENSION OF THE MARKETING YEARS SO AS TO AVOID THE POSSIBILITY OF A LEGAL VACUUM.

11. MR WALKER TOOK UP DAVIGNON'S STATEMENT, WHICH HE READ AS CONFIRMING THAT THE COMMISSION AS A WHOLE HAD NEVER MET TO CONSIDER THE BUDGET PROPOSAL, THAT IT WAS DISCUSSED VERY SOON AFTER BEING TABLED AND THAT YOU HAD INDICATED EVERY READINESS TO NEGOTIATE. HE SAID IT WAS INCONCEIVABLE AND ILLOGICAL THAT THE MANDATE ISSUE HAD BEEN DELETED FROM THE FOREIGN AFFAIRS COUNCIL AGENDA AS THE CHAIR HAD CLAIMED. HE FOUND IT REMARKABLE THAT, AFTER 12 YEARS EXPERIENCE WORKING WITHIN THE LUXEMBOURG COMPROMISE CONVENTIONS SHOULD NOW PROPOSE TO ABANDON THEM, PARTICULARLY AS NO SUCH QUESTION HAD BEEN RAISED IN PAST YEARS WHEN THE PRICE FIXING HAD BEEN EVEN LONGER DELAYED. IT WAS WRONG FOR THE CHAIR TO COUNTENANCE ABANDONMENT OF THE CONVENTIONS AT AN AGRICULTURE COUNCIL WHEN OUR FORMAL REQUEST FOR A FOREIGN AFFAIRS COUNCIL MEETING HAD BEEN MADE BUT NOT ANSWERED.

12. THE CHAIR DENIED THAT THE LUXEMBOURG COMPROMISE WAS AT STAKE,

2. THE CHAIR DENIED THAT THE LUXEMBOURG COMPROMISE WAS AT STAKE, AND ARGUED THAT THE PROCEDURE HE WAS NOW INSTITUTING HAD BEEN FORESEEN AND AGREED AT LAST WEEK'S AGRICULTURE COUNCIL. MR WALKER POINTED OUT THAT THE ONLY AGREEMENT ON FUTURE PROCEDURE LAST WEEK, AFTER THE LUDICROUS A POINT PROPOSAL HAD FAILED, WAS THAT THE COMMISSION COULD PREPARE THE TEXT OF REGULATIONS IF THEY WISHED. HE POINTED OUT THAT THE THREE MEMBERS WHO ACKNOWLEDGED THE LUXEMBOURG COMPROMISE WAS AT STAKE AND INSISTED UPON THE MAINTENANCE OF IT, HAD ALL JOINED AFTER THE ORIGINAL SIX - WHO HAD AGREED THE COMPROMISE AND NOW SEEMED READY TO ABANDON IT. THAT THOSE HAD NO RIGHT TO CHANGE RULES THEY HAD INVENTED THEMSELVES AND WHICH HAD BEEN AN IMPORTANT PART OF THE CONDITIONS OF ACCESSION FOR NEW MEMBERS, AND HAD LASTED 16 YEARS.

13. IRELAND CLAIMED THAT THE LUXEMBOURG COMPROMISE HAD NOT BEEN INTENDED TO UNDERLINE TREATY OBLIGATIONS, WHICH INCLUDED AN OBLIGATION TO FIX FARM PRICES ANNUALLY. MR WALKER LATER CHALLENGED THIS VIEW THAT THERE WAS A TREATY OBLIGATION TO FIX PRICES BY PARTICULAR DATE. COUNCIL LEGAL SERVICES, AFTER AN INITIAL EVASIVE REPLY, SAID THAT THE STATEMENT COULD ONLY BE SUSTAINED ON THE BASIS THAT THE TREATY HAD TO BE READ TOGETHER WITH SUBSIDIARY LEGISLATION MADE UNDER IT.

14. FRANCE AND GERMANY, TAKING THE LEAD FROM THE CHAIR, PRESSED WITH INCREASING PERSISTENCE FOR THE PROCEDURAL DEBATE TO BE ABANDONED AND VOTING TO BEGIN. DENMARK, IN A SERIES OF SHORT AND VERY CLEAR INTERVENTIONS, GAVE THEIR VIEW THAT IT WAS NOT FOR THE CHAIR TO DECIDE IF THE LUXEMBOURG COMPROMISE WERE AT ISSUE, BUT RATHER FOR EACH GOVERNMENT ON ITS OWN BEHALF. IF, AS WAS THE CASE HERE, ONE GOVERNMENT INVOKED THE LUXEMBOURG COMPROMISE AND CLAIMED IN SO DOING THAT A VITAL INTEREST WAS AT STAKE, THEN DENMARK WOULD SUPPORT THEM AND WOULD NOT PARTICIPATE IN ANY VOTE - NO MATTER WHAT THE CONSEQUENCES AND NO MATTER WHAT THEIR VIEW WAS OF THE REAL IMPORTANCE OF THE INTEREST. THE LUXEMBOURG COMPROMISE, WESTH SAID, WAS ALWAYS ON THE AGENDA. IT WAS AN OVERRIDING POLITICAL AGREEMENT. THE CHAIR CONTINUED TO REFUSE A TOUR DE TABLE, AND WHEN MR WALKER ATTEMPTED TO SMOKE OUT FRANCE BY ASKING THE DIRECT QUESTION QUOTE IS FRANCE DROPPING THE PRINCIPLE OF THE LUXEMBOURG COMPROMISE? UNQUOTE MME CRESSON SAID THAT SHE WOULD REPLY ONLY TO QUESTIONS POSED BY THE CHAIR. AT NO STAGE, IN FACT, WOULD SHE ANSWER THIS QUESTION OR ELABORATE IN ANY WAY UPON HER REASONS FOR INSISTING UPON VOTING. WHEN THE CHAIR EVENTUALLY AGREED TO A TABLE ROUND, THERE WAS A REPETITION OF POSITIONS BY BELGIUM, DENMARK,

ROUND, THERE WAS A REPETITION OF POSITIONS BY BELGIUM, DENMARK, GREECE AND IRELAND. ITALY, LUXEMBOURG AND THE NETHERLANDS SUPPORTED THE VIEW THAT THE LUXEMBOURG COMPROMISE SHOULD NOT INHIBIT VOTING ON THIS OCCASION. GERMANY REFUSED TO ANSWER THE QUESTION, SAYING THEY HAD INSTRUCTIONS TO CARRY THE PRICE FIXING TO A CONCLUSION. THE QUESTION WAS A TRAP AND JUST A PROCEDURAL GIMMICK WHICH GERMANY BRUSHED ASIDE. FRANCE WAS EQUALLY EVASIVE, SAYING SIMPLY THAT COUNCIL SHOULD PROCEED WITH THE PRICE FIXING AS IN DUTY BOUND.

15. AT THIS STAGE THERE WAS SOME BITTER EXCHANGES BETWEEN THE UK, THE CHAIR, AND GERMANY IN PARTICULAR. ON THE REQUEST FOR A FOREIGN AFFAIRS COUNCIL MEETING, THE CHAIR WOULD SAY NO MORE THAN THAT THE REQUEST WOULD BE PASSED. DESPITE HEAVY EMPHASIS PLACED BY MR WALKER ON THE IMPORTANCE OF A FORMAL REQUEST OF THIS SORT BY A GOVERNMENT ON THE BIGGEST ISSUE FACING THE COMMUNITY SINCE 1966, THE CHAIR MOVED TO VOTING ON THE FIRST REGULATIONS. HE CONCEDED THAT THE UK COULD COMMENT ON EACH REGULATION AS IT WENT BY, NOT HAVING HAD THE OPPORTUNITY TO MAKE THEIR VIEWS KNOWN AT THE SPECIAL COMMITTEE YESTERDAY.

16. IN THE COURSE OF THE FIRST TABLE ROUND, GREECE GAVE A LONG AND VERY CLEAR ACCOUNT OF THE POSITION ON THE LUXEMBOURG COMPROMISE. THE STATEMENT WAS FULL OF REGRETS AT THE PARALYSIS OF THE COMMUNITY AND THE DELAY IN THE PRICE FIXING CAUSED BY THE UK, BUT ALSO OF AFFIRMATION OF GREECE'S ADHERENCE TO THE PRINCIPLE OF UNIMINITY. TO VOTE WOULD CHANGE THE RULES AND THE SPIRIT OF COMMUNITY PROCEDURES. IN NO WAY, AND UNDER NO CIRCUMSTANCES, WOULD GREECE DEVIATE FROM THE PRINCIPLE OF UNIMINITY OR THE DEPENDENT PRINCIPLE THAT IT WAS FOR THE INDIVIDUAL MEMBER STATE TO DECIDE WHAT CONSTITUTED A VITAL INTEREST, AND FOR THE OTHER MEMBER STATES TO RESPECT THAT JUDGEMENT. ALL OTHER DELEGATIONS SIMPLY AGREED THE REGULATION, EXCEPT DENMARK WHO REFUSED TO PARTICIPATE. AT THE END OF THE TABLE ROUND, MR WALKER MADE THE STATEMENT IN MY IMMEDIATELY FOLLOWING TELEGRAM, WHICH HE ASKED SHOULD BE INCLUDED IN FULL IN THE COUNCIL RECCRD.

FCO ADVANCE TO:-

FCO - PS/S OF S, SPRECKLEY, WITNEY

CAB - ARMSTRONG

NO 10- COLES

MAFF - PS/MIN, PS/MIN OF S(C), PS/HAYES, HADDON, GURD, REDFERN
MISS BROWN

TSY - FITCHEW

DAFS - CRAMOND

DANI - JACK

DESK 34 190730Z

ADVANCE COPIES

FRAME AGRICULTURE

30

49 XEROX COPIES

FCO
PS
MR HURD
~~PS/LORD PRIVY SEAL~~
MR BULLARD
MR HANNAY
LORD BRIDGES

RESIDENT CLERK

PLUS FCO

HD/ECD I. (3)(2)
HD/NEWS D

MR WITNEY ECD(1)

HD/.....

HD/.....

HD/.....

CABINET OFFICE

MR D HANCOCK
MR D M ELLIOTT
MR A M GOODENOUGH
MR S WENTWORTH
MR J RHODES
SIR R ARMSTRONG

D O T

PLUS OGDS

DAFS
MR CRAMOND
DANI
MR JACK
WOAD(1)
MR BEVAN

H M TREASURY

SIR K COUZENS
MR G E FITCHEW

M A F F

SIR B HAYES
MR D H ANDREWS
MR M HADDON
MR M RING

MR GURD
MR REFFAN
MR BROWN

No 10 DST

MR COLES

PS/MIN
PS/MINCEFS (c)

GRS 600

CONFIDENTIAL

FRAME AGRICULTURE

DESKBY 190730Z

FROM UKREP BRUSSELS 181656Z MAY 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1994 OF 18 MAY 1982

INFO ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS

COUNCIL OF MINISTERS (AGRICULTURE) 17/18 MAY

ADVANCE COPY
IMMEDIATE

MIPT

MR WALKER'S STATEMENT AT NOON ON 18 MAY.

1. MR WALKER SAID THAT AS THE CHAIR HAD REFUSED TO ADJOURN THE MEETING UNTIL THE UNITED KINGDOM GOVERNMENT REQUEST FOR CONSIDERATION BY AN EMERGENCY FOREIGN AFFAIRS COUNCIL HAD BEEN ANSWERED, HE MUST POINT OUT THE CONSEQUENCES OF THE PROCEDURES THE CHAIR NOW PROPOSED TO USE WITH THE SUPPORT OF THE COMMISSION. EFFECTIVELY THE COMPROMISE PACKAGE OF AGRICULTURE PRICE PROPOSALS WOULD BE BROKEN DOWN INTO 69 COMPONENT PARTS. IN THESE CIRCUMSTANCES EACH INDIVIDUAL REGULATION OUGHT TO BE EXAMINED NOT JUST FOR CORRECTNESS AND LANGUAGE, BUT AS IF EACH OF THEM STOOD ALONE WITHOUT ANY RELATIONSHIP WITH OTHERS. HE REGRETTED THIS ABSURD WAY OF PROCEEDING, WHICH BROKE THE PATTERN WHICH THE COUNCIL HAD USED FOR THE PAST 16 YEARS.

2. HE HAD ALREADY MADE IT CLEAR THAT HE COULD NOT PARTICIPATE IN ANY VOTE, AND THAT VERY IMPORTANT NATIONAL INTERESTS WERE AT STAKE TO THE UNITED KINGDOM. THE COMMISSION THEMSELVES HAD IMPLIED ACCEPTANCE OF THE IMPORTANCE OF THE UNITED KINGDOM INTERESTS BY PROPOSING BILATERALLY COMPROMISES TO MEET SOME OF THE UNITED KINGDOM RESERVES. FOR THE CHAIR AND THE COMMISSION TO ACT IN THE WAY PROPOSED, HAVING AS THEY DID THE KNOWLEDGE THAT THE LUXEMBOURG COMPROMISE HAD BEEN INVOKED, AND THAT THE INTERESTS INVOLVED WERE INDEED VERY IMPORTANT, THEY WOULD BE GUILTY OF VIOLATING AN AGREEMENT OF THE UTMOST IMPORTANCE. NOT ONLY WOULD THE INTEREST OF THREE OF THE FOUR NEWER MEMBER STATES, AND THEIR VERY PROPER PROCEDURAL OBJECTIONS, BE BRUSHED ASIDE, BUT ALSO AN UNDERSTANDING ON PROCEDURE WHICH FORMED A VITAL PART OF THE CONDITIONS UPON WHICH THEY JOINED, AND REPRESENTED TO THEIR ELECTORATES AS IMPORTANT SAFEGUARDS, WOULD HAVE BEEN VIOLATED.

3. MR WALKER SAID THAT HE HAD REPEATEDLY MADE IT CLEAR THAT DISCUSSION SHOULD CONTINUE UNTIL AGREEMENT WAS REACHED. IT WAS STILL NOT LATE IN THE YEAR TO REACH AGREEMENT, TAKING ACCOUNT OF THE PRECEDENTS OF PREVIOUS YEARS. NO ATTEMPT HAD YET BEEN MADE BY THE COUNCIL TO MEET THE RESERVES THAT HE REPEATEDLY EXPLAINED, MOST RECENTLY IN A LETTER SENT TO THE COMMISSION AND DISTRIBUTED YESTERDAY TO THE COUNCIL. INDEED, THERE HAD NOT EVEN BEEN ANY DISCUSSION EXCEPT BILATERALLY WITH THE COMMISSION.

BILATERALLY WITH THE COMMISSION.

4. MR WALKER THEN SPOKE IN THE TERMS OF PARAS 2.3 TO 2.7 OF UKREP TELEGRAM NUMBER 1979.

5. MR WALKER ASKED THE CHAIR TO ABANDON THE PROCEDURE OF VOTING, WHICH WOULD HAVE SUCH SEVERE CONSEQUENCES FOR THE INSTITUTIONS OF THE COMMUNITY AND POLITICALLY FOR MANY MEMBER STATES. THERE WAS IN HIS VIEW, HE REPEATED, THE OPPORTUNITY TO SOLVE THE PROBLEMS ON BOTH THE BUDGET ISSUE AND THE AGRICULTURAL PRICE FIXING WITHIN A FEW DAYS WITHOUT STEPPING OUTSIDE THE EXISTING CONVENTIONS.

6. MR WALKER ASKED THAT HIS STATEMENT SHOULD BE RECORDED IN FULL IN THE MINUTES OF THE COUNCIL.

FCO ADVANCE TO:-

FCO - ~~PS/SOFS SPRECKLEY WITNEY~~

CAB - ~~ARMSTRONG~~

NO 10 - ~~COLES~~

MAFF - ~~PS/MIN PS/MINOF S (C) PS /HAYES HADDON GURD REFERN BROWN~~

DAFS - ~~CRAMOND~~

DANI - ~~JACK~~

MOAD (1) ~~BEVAN~~

BUTLER

NNNN

DESKBY 190730Z

30

ADVANCE COPIES

FRAME AGRICULTURE

~~19~~ XEROX COPIES

FCO ^{PS}
MR HURD
PS/LORD PRIVY SEAL
MR BULLARD
MR HANNAY
LORD BRIDGES

RESIDENT CLERK
HD/ECD I. (3)(2)
HD/NEWS D
HD/.....
HD/.....
HD/.....

PLUS FCO
MR WITNEY ECD(1)

CABINET OFFICE

MR D HANCOCK
MR D M ELLIOTT
MR A M GOODENOUGH
MR S WENTWORTH
MR J RHODES
SIR R ARMSTRONG

~~DOT~~
WOAD (1)
MR BEVAN.

PLUS OGDS
DAFS
MR CRAMOND
DANI
MR JACK

H M TREASURY

SIR K COUZENS
MR G E FITCHEW

M A F F MR GARD
SIR B HAYES MR REDFERN
MR D H ANDREWS MR BROWN
MR M HADDON
MR M RING

No 10 DSI
MR COLES

PS/MIN.
PS/MIN. OF S (c)

CONFIDENTIAL

FRAME AGRICULTURE

DESKBY 190730Z

FROM UKREP BRUSSELS 181657Z MAY 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1995 OF 18 MAY 1982

INFO ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS

COUNCIL OF MINISTERS (AGRICULTURE) :17/18 MAY

FINAL SESSION

IMMEDIATE

ADVANCE COPY

FINAL SESSION

1. WHEN ALL THE DECISIONS HAD BEEN VOTED ON (FRANCE) MME CRESSON MADE A FORMAL STATEMENT (MY FIRST IFT) ON BEHALF OF THE FRENCH GOVERNMENT, WHICH SHE ASKED TO HAVE RECORDED IN THE MINUTES. SHE SAID THAT THE DECISIONS THAT THE COUNCIL HAD JUST TAKEN WERE ANNUAL ONES, IMPOSED ON THE COMMUNITY BY THE TREATY. THEIR PURPOSE WAS TO ENSURE THE CORRECT MANAGEMENT OF AGRICULTURAL MARKETS. THE PURPOSE OF THE LUXEMBOURG COMPROMISE WAS TO ENSURE THAT NOTHING WAS IMPOSED ON ANY ONE MEMBER STATE IF ITS VITAL INTERESTS WERE AT STAKE. THAT HAD NEVER BEEN CONTESTED. BUT IT HAD NEVER BEEN INTENDED THAT IT SHOULD ALLOW ONE MEMBER STATE TO PARALYSE THE NORMAL FUNCTIONING OF THE COMMUNITY AND FUNDAMENTALLY CHANGE ITS RULES. ITALY MADE A SIMILAR STATEMENT BUT AT GREATER LENGTH.

2. DENMARK (WESTH) THEN SAID THAT THEY NOTED WITH SATISFACTION THAT FRANCE AND ITALY BOTH ATTACHED VALUE TO THE LUXEMBOURG COMPROMISE, BUT CONSIDERED THAT WHERE QUESTION OF NATIONAL INTEREST WERE INVOLVED, ONLY THE COUNTRY CONCERNED COULD DECIDE WHERE ITS NATIONAL INTEREST LAY.

3. MR WALKER THEN MADE A FULL STATEMENT OF THE UNITED KINGDOM'S REACTION TO THE EVENTS OF THIS COUNCIL. (FULL TEXT IN MY SECOND MIFT). MR WALKER LEFT THE COUNCIL IN NO DOUBT THAT WE WERE NOT PREPARED TO SEE THE IMPLICATIONS OF WHAT HAD BEEN DONE ON THE LUXEMBOURG COMPROMISE EVADED. THAT PROCEDURE WAS NOW GONE, FOR ALL MEMBER STATES, FOR ALL CIRCUMSTANCES. THE MINISTER REJECTED THE ARGUMENTS WHICH THE CHAIR, THE COMMISSION AND SOME OTHER MEMBER STATES HAD PUT FORWARD IN MITIGATION OF WHAT THEY HAD DONE, AND AGAIN CATEGORICALLY REFUTED THE LINE THAT WE HAD NOT NEGOTIATED IN GOOD FAITH. A FUNDAMENTAL CHANGE IN THE FABRIC OF THE COMMUNITY HAD BEEN EFFECTED. THE IMPLICATIONS WERE PROFOUND AND WOULD BE CONSIDERED URGENTLY IN LONDON.

4. THE CHAIRMAN (DE KEERSMAEKER) JUSTIFIED WHAT HE HAD DONE. ENOUGH AMBIGUITY EXISTED TO HAVE MADE THE ONLY SAFE THING FOR A CHAIRMAN TO DO TO REST ON THE TREATY. HE THOUGHT THE EUROPEAN COURT WOULD ENDORSE THE LINE HE HAD TAKEN. THE FACT WAS THAT AGREEMENT HAD BEEN REACHED ON PRICES, AND HE HAD HAD NO CHOICE BUT TO ENSURE THE PACKAGE WAS BROUGHT INTO EFFECT. NEVERTHELESS, HE HAD NOT INTENDED TO BE UNHELPFUL TO THE UK.

5. GERMANY (ERTL), IN AN EMOTIONAL AND PERSONAL INTERVENTION REJECTED MR WALKER'S BLUNT WORDS. HE CONSIDERED THE UK STATEMENT A CHALLENGE, AND CYNICAL AND OFFENSIVE. THE COMMUNITY HAD ARRIVED AT SOMETHING OF A CROSSROADS. GERMANY, FOR HER PART, HAD DONE HER UTMOST TO MEET THE UK. ITALY (BARTOLOMEI) REACTED IN THE SAME VEIN. THEY ASSERTED THAT THE "SPIRIT" OF THE LUXEMBOURG COMPROMISE WAS INTACT AND SEVERELY CRITICISED THE UK.

6. MR WALKER STOOD FIRM. THOSE WHO HAD PROMOTED OR CONNIVED AT THE DESTRUCTION OF THE LUXEMBOURG COMPROMISE BORE THE RESPONSIBILITY FOR ALTERING THE GROUND RULES WHICH HAD BEEN AN ESSENTIAL PART OF THE ACCESSION PACKAGE FOR THREE OUT OF THE FOUR NEW MEMBER STATES.

7. THE COMMISSION (THORN, FLANKED BY ORTOLI, NATALI AND DALSAGER) THANKED THE CHAIR FOR THE WAY THEY HAD HANDLED THIS NEGOTIATION. DESPITE THE DIFFICULTIES, THE NEGOTIATION HAD BEEN BROUGHT TO A PROPER CONCLUSION. THE COMMISSION WOULD ALWAYS ENCOURAGE DECISIONS TO BE TAKEN IN A WAY WHICH WAS CONSISTENT WITH THE TREATY. THEIR OBJECTIVE WAS NOT TO ACHIEVE A PARTICULAR OUTCOME IN TERMS OF UNANIMITY OR A MAJORITY DECISION; ALL THEY WANTED WAS TO GET AGRICULTURAL PRICES SETTLED. THE COMMISSION HAD NEVER ASSOCIATED ITSELF WITH PARTICULAR VERSIONS OF AGREEMENT OR DISAGREEMENT. THORN GAVE HIS VERSION OF THE HISTORY OF NEGOTIATIONS ON THE MANDATE. INNUMERABLE EFFORTS HAD BEEN MADE BY THE COMMISSION TO BRING FORTH PROPOSALS WHICH WOULD ENABLE AGREEMENT. IT WAS "A LITTLE FALSE" (LEGEREMENT FAUX) OR AN "UNTRUTH" (CONTRE-VERITE) TO SAY THAT THERE HAD BEEN NO NEGOTIATIONS. THERE HAD BEEN NOTHING ELSE NOW FOR 18 MONTHS. LAST NIGHT, AT THE ELEVENTH HOUR, THEY HAD MADE YET ANOTHER ATTEMPT IN THE FOREIGN MINISTERS MEETING. HOWEVER, THE UK HAD COME FORWARD WITH NO AMENDMENTS OR CONSTRUCTIVE SUGGESTIONS. THEY HAD JUST SAID THAT THE COMMISSIONS LATEST PROPOSAL WAS UNACCEPTABLE. THEN, THIS MORNING, WHEN THE VOTING BEGAN, THE UK HAD SPOKEN OF SOME NEW PROPOSALS, TOO LATE. DESPITE THE LACK OF SUCCESS WHICH HAD ATTENDED ALL THE COMMISSION'S BEST EFFORTS SO FAR, THORN ASSURED MR WALKER THAT THE COMMISSION WOULD TRY AND FIND THE BEST SOLUTIONS TO ALL THE PROBLEMS FACING THE COMMUNITY, INCLUDING THE BUDGETARY QUESTION.

FCO ADVANCE TO:-

FCO - PS/SOFS SPRECKLEY WITNEY

CAB - ARMSTRONG

D/BY 190730Z

IMMEDIATE

ADVANCE COPY

Economic

ADVANCE COPIES

FRAME / AGRICULTURE

(39) XEROX COPIES

FCO
PS/LORD PRIVY SEAL
MR BULLARD
MR HANNAY
LORD BRIDGES

RESIDENT CLERK
HD/ECD I. (3)
HD/NEWS D
HD/...
HD/.....
HD/.....

PLUS FCO
Mr. Wilkey, ECD (I)

CABINET OFFICE

MR D HANCOCK
MR D M ELLIOTT
MR A M GOODENOUGH
MR S WENTWORTH
MR J RHODES
MR. ARMSTRONG

~~DOT~~

Mr. Casmond, DAFFS
Mr. Jack, DANII
Mr. Bewar, WOAD (I)

PLUS OGDS

Mr. P. Kent,
HM Customs & Excise
Mr. Coles, No 10 Downing St

MR. FITCHEW
H M TREASURY
SIR K COUZENS
MR G E FITCHEW
MISS. J.E. COURT
MR. J.G. LITTLER
MR. EDWARDS

M A F F

SIR B HAYES
MR D H ANDREWS
MR M HADDON
MR M RING
MR. G. STAPLETON

MAFF continued
PS/min
PS/min & S (C)
Mr. GURD
MR. REDFERN
Miss. Brown

ECFO 020/18

OO FCO DESKBY 190730Z

CONFIDENTIAL
FRAME AGRICULTURE
FRAME ECONOMIC
DESKBY 190730Z
FM UKREP BRUSSELS 181658Z MAY 82
TO IMMEDIATE F C O
TELEGRAM NUMBER 1996 OF 18 MAY 1982
INFO ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS

COUNCIL OF MINISTERS (AGRICULTURE): 17-18 MAY

M I P T

MME CRESSON'S STATEMENT

QUOTE 1) LES DECISIONS QUE LE CONSEIL DOIT PRENDRE SONT DES DECISIONS ANNUELLES IMPOSEES PAR LES TRAITES ET DONT L'OBJET EST D'ASSURER LE FONCTIONNEMENT NORMAL DES ORGANISATIONS DE MARCHE DONT DEPEND LE NIVEAU DE VIE DES AGRICULTEURS.

2) LE COMPROMIS DE LUXEMBOURG A POUR OBJET D'ASSURER A CHAQUE ETAT-MEMBRE QU'AUUCUNE DECISION NE PEUT LUI ETRE IMPOSEE S'IL ESTIME QUE SES INTERETS ESSENTIELS SONT EN JEU. CELA N'EST PAS CONTESTE.

MAIS IL N'A JAMAIS EU ET NE PEUT AVOIR POUR OBJET DE PERMETTRE A UN ETAT-MEMBRE DE PARALYSER LE FONCTIONNEMENT NORMAL DE LA COMMUNAUTE AVEC LA CONSEQUENCE D'EN ALTERER FONDAMENTALEMENT L'ESPRIT ET LES REGLES. UNQUOTE

FCO ADVANCE TO:-

FCO - PS/S OF S, SPRECKLEY, WITNEY

CAB - ARMSTRONG

NO 10 - COLES

MAFF - PS/MIN, PS/MIN OF S(C), PS/HAYES, HADDON, GURD, REDFERN,
MISS BROWN

TSY - FITCHEW

DAFS - CRAMOND *[ADVANCED AS REQUESTED]*

DANI - JACK

WOAD(I) - BEVAN

BUTLER

NNNN

IMMEDIATE

ADVANCE COPIES

FRAME AGRICULTURE
FRAME ECONOMIC

37 XEROX COPIES

FCO
PS *Mr Hold*
PS/LORD PRIVY SEAL

MR BULLARD
MR HANNAY
LORD BRIDGES

RESIDENT CLERK

HD/ECD I. (3)
HD/NEWS D
HD/*ERD*...
HD/.....
HD/.....

PLUS FCO

Mr Whitney ECD(C)

CABINET OFFICE

MR D HANCOCK
MR D M ELLIOTT
MR A M GOODENOUGH
MR S WENTWORTH
MR J RHODES
Mr R. Mansing

D O T

PLUS OGDS

Mr P Kent HM Customs & Excise
~~*Mr Goble No/D.S.*~~
Mr Gramond JAFF
Mr Jack DAN
Mr Bevan WOAD(C)

H M TREASURY

SIR K COUZENS
MR G E FITCHEW
Miss J. E. Court
Mr J. G. Miller
Mr Edwards

M A F F

SIR B HAYES
MR D H ANDREWS
MR M HADDON
MR M RING
Mr G Stapleton

PS Minister of State
PS Minister of State (C)
Mr Gurd
Mr Redfern
Miss Brown

CONFIDENTIAL

FRAME AGRICULTURE

FRAME ECONOMIC

DESKBY 195730Z

FROM UKREP BRUSSELS 181659Z MAY 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1997 OF 18 MAY 1982

INFO ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS

COUNCIL OF MINISTERS (AGRICULTURE) 17/18 MAY

MIPT

MR WALKER'S STATEMENT

ms

MR WALKER'S STATEMENT

1. MR WALKER CRITICISED THE "CYNICAL" STATEMENT OF THE ITALIAN AND FRENCH MINISTERS. WHAT THEY HAD SAID SHOWED HOW WRONG THE CHAIR HAD BEEN TO PERMIT THIS VIOLATION OF THE LUXEMBOURG COMPROMISE. WHAT, IN EFFECT, THE FRENCH AND ITALIANS WERE SAYING WAS THAT, AFTER 16 YEARS, THEY HAD BROKEN THE LUXEMBOURG COMPROMISE AND NOW WISHED TO RECORD THEIR DESIRE FOR IT TO CONTINUE TO EXIST. THIS WAS RIDICULOUS. MR WALKER ASKED THE COUNCIL HOW MATTERS WOULD HAVE GONE HAD THE BOOT BEEN ON THE OTHER FOOT, AND HAD FRANCE, FOR EXAMPLE, BEEN IN THE POSITION OF DEFENDING A NATIONAL INTEREST, FACED WITH A SIGNIFICANT INCREASE IN THEIR BUDGETARY COST. IS IT CONCEIVABLE MR WALKER ASKED, THAT THEY WOULD NOT HAVE SOUGHT REFUGE IN UNANIMITY? ONLY RECENTLY, THE ITALIAN MINISTER HAD HELD UP THE WINE PACKAGE, PLEADING OVERRIDING NATIONAL INTEREST, AND THIS HAD BEEN ACCEPTED. NOW HE ACCUSED US OF ACTING SIMILARLY. THE EVENTS OF TODAY HAD OVERTURNED THE BASIC UNDERSTANDING OF MANY COMMUNITY MEMBERS. THE DAMAGE WHICH HAD BEEN DONE TO THE COMMUNITY WAS SO SEVERE AS TO BE UNQUANTIFIABLE. OUR COLLEAGUES HAD COLLUDED TO VIOLATE THE LUXEMBOURG COMPROMISE, WHICH WAS NOW DESTROYED. WE UNDERTOOK THE BENELUXE POSITION: THEY HAD CONSISTENTLY OPPOSED THE COMPROMISE. BUT GERMANY, IRELAND, FRANCE AND ITALY HAD NOW FORFEITED ALL RIGHT TO USE THE COMPROMISE AGAIN BECUASE OF WHAT THEY HAD DONE.

2. MR WALKER THEN READ THE FOLLOWING STATEMENT ON TO THE RECORD:

" AT THE OUTSET OF TODAY'S PROCEEDINGS, I MADE A FORMAL STATEMENT TO THIS COUNCIL DISASSOCIATING MY GOVERNMENT FROM THE PROCEDURE BY WHICH THE PRICE DECISIONS HAVE NOW BEEN PUSHED THROUGH BY MAJORITY VOTING AGAINST THE FUNDAMENTAL OBJECTIONS OF THREE MEMBER STATES. THE COUNCIL HAS VIOLATED THE ACCEPTED CONVENTIONS UNDER WHICH ALL PREVIOUS PRICE FIXINGS HAVE BEEN ADOPTED, AND HAS BEEN GIVEN POSITIVE ENCOURAGEMENT BY THE COMMISSION TO DO SO. I HAVE MADE IT CLEAR THAT THE UNITED KINGDOM GOVERNMENT CONSIDERED THAT IMPORTANT NATIONAL INTERESTS WERE INVOLVED, AND THAT, IN ACCORDANCE WITH THE ESTABLISHED PRACTICES OF THE COMMUNITY, DISCUSSION SHOULD HAVE CONTINUED IN THIS COUNCIL UNTIL THE UNANIMOUS AGREEMENT HAD BEEN REACHED. IT HAS ALWAYS BEEN ACCEPTED THAT IT IS A MATTER FOR THE INDIVIDUAL MEMBER STATES TO DECIDE WHEN ITS IMPORTANT NATIONAL INTERESTS WERE INVOLVED. TWO OTHER MEMBER STATES HAVE JOINED WITH US TODAY IN ENDORSING THIS VIEW.

IMPORTANT NATIONAL INTERESTS WERE INVOLVED. TWO OTHER MEMBER STATES HAVE JOINED WITH US TODAY IN ENDORSING THIS VIEW. MY DELEGATION HAS MAINTAINED ITS RESERVES ON THE LEVEL OF PRICE INCREASES, PARTICULARLY FOR THE SURPLUS COMMODITIES WHERE WE CONSIDER OUR AGRICULTURAL INTERESTS IN THE COMMUNITY ARE AFFECTED. WE HAVE ALSO MAINTAINED OUR RESERVE OVER THE BUDGETARY COST OF THE PROPOSAL. NO-ONE CAN DENY THAT THIS PLACES A FURTHER FINANCIAL BURDEN ON THE UNITED KINGDOM AND THERE IS, THEREFORE, A DIRECT AND ORGANIC LINK BETWEEN THE PRICE-FIXING DECISION AND THE BUDGET NEGOTIATIONS. I TOTALLY REJECT THE ARGUMENT THAT THE PRICE FIXING DECISIONS CAN BE REGARDED AS DIVORCED FROM THE BUDGETARY IMPLICATIONS. WE HAVE MAINTAINED ALL ALONG THAT THERE IS A DIRECT LINK AND THIS HAS BEEN RECOGNISED BY ALL MEMBER STATES IN THEIR AGREEMENT THAT THE THREE CHAPTERS OF THE 30 MAY MANDATE SHOULD PROCEED IN PARALLEL.

I ALSO REJECT THE ARGUMENT THAT THE COUNCIL WAS FACED WITH A LEGAL VOID WHICH HAD TO BE AVOIDED BY PUSHING THROUGH THE PRICE DECISIONS BY MAJORITY VOTING OVER THE OBJECTIONS OF THREE MEMBER STATES. THERE IS NO REQUIREMENT IN THE TREATY, AS THE COUNCIL'S LEGAL ADVISER CONFIRMED, TO REACH DECISIONS ON AGRICULTURAL PRICES BY ANY PARTICULAR DATE AND IN TWO OF THE LAST THREE PRICE FIXINGS THE DATE OF DECISION HAS BEEN LATER THAN TODAY. NO LEGAL VOID HAS ARISEN ON THOSE OCCASIONS AND THERE WAS NO NEED FOR SUCH A SITUATION TO ARISE NOW.

MY GOVERNMENT'S GOOD FAITH IN THE BUDGET NEGOTIATIONS HAS BEEN CALLED INTO QUESTION. I TOTALLY REJECT THE CHARGE THAT WE HAVE NOT BEEN READY TO NEGOTIATE CONSTRUCTIVELY FOR AN AGREEMENT. THE HISTORY OF THE BUDGET NEGOTIATIONS SHOWS THAT WE HAVE ON A NUMBER OF OCCASIONS MODIFIED OUR APPROACH IN ORDER TO SEEK A COMPROMISE. LAST FRIDAY, MY GOVERNMENT MADE A SUBSTANTIAL MOVE IN THE INTERESTS OF REACHING EARLY AGREEMENT BY SHOWING ITS READINESS TO NEGOTIATE FOR A ONE YEAR SETTLEMENT. ON SUNDAY THE COMMISSION PRODUCED A NEW PROPOSAL FOR A ONE YEAR AGREEMENT. WE MADE IT CLEAR AT YESTERDAY'S FOREIGN MINISTERS MEETING THAT WE WERE READY TO NEGOTIATE. YET IT SEEMS THAT MY GOVERNMENT WAS BEING PRESENTED WITH A TAKE IT OR LEAVE IT PROPOSAL.

IT PROPOSAL.

MR CHAIRMAN, I REGARD THIS TO HAVE BEEN A VERY
SAD AND DAMAGING DAY IN THE COMMUNITY'S HISTORY. UNDER
YOUR DIRECTION, THE COUNCIL HAS CHOSEN TO FUNDAMENTALLY
ALTER THE ESTABLISHED WORKING PRACTICES BASED ON THE
AGREEMENT REACHED IN 1966. I REPEAT THAT I TOTALLY
DISASSOCIATE MY GOVERNMENT FROM THE PROCEDURE YOU HAVE
ADOPTED. I SHALL BE REPORTING TO MY COLLEAGUES AND
WE SHALL NEED TO CONSIDER THE POSITION FOLLOWING TODAY'S
PROCEEDINGS.''

FCO ADVANCE TO:-

FCO - PS/SOFS SPRECKLEY WITNEY

CAB - ARMSTRONG

NO 10 - COLES

MAFF - PS/MIN PS/MIN OFS(C) PS/HAYES HADDON GURD REDFERN BROWN

TSY - FITCHEW

DAFS - CRAMOND

DANI - JACK

WOAD(I) - BEVAN

BUTLER

++

1631

UUUUUUUUH#

PRODROME LON

MW

FCO/CO110

CO T.D.

CO NEWS DEPT

IMMEDIATE

GROUPS 700

News Dept
Info Dept

UNCLASSIFIED

ps / Ac 10 Downing St

FM CENTROFORM LONDON 1615Z 18TH MAY

RETRACT 06518MAY

ONPASS FCO NEWS DEPT, 010 AND NUMBER TEN DOWNING STREET

FOLLOWING IS A VERBATIM OF A STATEMENT MADE BY UK AGRICULTURE MINISTER MR PETER WALKER AT THE CONCLUSION OF A TWO-DAY MEETING OF EUROPEAN COMMUNITY AGRICULTURE MINISTERS IN BRUSSELS TODAY 18 MAY.

THE STATEMENT HAS BEEN ENTERED, AT MR WALKER'S REQUEST, ON THE MINUTES OF THE AGRICULTURE COUNCIL MEETING.

1. "AT THE OUTSET OF TODAY'S PROCEEDINGS, I MADE A FORMAL STATEMENT TO THIS COUNCIL DISASSOCIATING MY GOVERNMENT FROM THE PROCEDURE BY WHICH THE PRICE DECISIONS HAVE NOW BEEN PUSHED THROUGH BY MAJORITY VOTING AGAINST THE FUNDAMENTAL OBJECTIONS OF THREE MEMBER STATES. THE COUNCIL HAS VIOLATED THE ACCEPTED CONVENTIONS UNDER WHICH ALL PREVIOUS PRICE FIXINGS HAVE BEEN ADOPTED, AND HAS BEEN GIVEN POSITIVE ENCOURAGEMENT BY THE COMMISSION TO DO SO.

2. I HAVE MADE IT CLEAR THAT THE UNITED KINGDOM GOVERNMENT CONSIDERED THAT IMPORTANT NATIONAL INTERESTS WERE INVOLVED, AND THAT, IN ACCORDANCE WITH THE ESTABLISHED PRACTICES OF THE COMMUNITY, DISCUSSION SHOULD HAVE CONTINUED IN THIS COUNCIL UNTIL THE UNANIMOUS AGREEMENT HAD BEEN REACHED. IT HAS ALWAYS BEEN ACCEPTED THAT IT IS A MATTER FOR THE INDIVIDUAL MEMBER STATES TO DECIDE WHEN ITS IMPORTANT NATIONAL INTERESTS WERE INVOLVED. TWO OTHER MEMBER STATES HAVE JOINED WITH US TODAY IN ENDORSING THIS VIEW.

3. MY DELEGATION HAS MAINTAINED ITS RESERVE ON THE LEVEL OF PRICE INCREASES, PARTICULARLY FOR THE SURPLUS COMMODITIES WHERE WE CONSIDER OUR AGRICULTURAL INTERESTS IN THE COMMUNITY ARE AFFECTED. WE HAVE ALSO MAINTAINED OUR RESERVE OVER THE BUDGETARY COST OF THE PROPOSAL. NO-ONE CAN DENY

~~MORE.~~

STATEMENT 3

THAT THIS PLACES A FURTHER FINANCIAL BURDEN ON THE UNITED KINGDOM AND THERE IS, THEREFORE, A DIRECT AND ORGANIC LINK BETWEEN THE PRICE-FIXING DECISION AND THE BUDGET NEGOTIATIONS. I TOTALLY REJECT THE ARGUMENT THAT THE PRICE FIXING DECISIONS CAN BE REGARDED AS DIVORCED FROM THE BUDGETARY IMPLICATIONS. WE HAVE MAINTAINED ALL ALONG THAT THERE IS A DIRECT LINK AND THIS HAS BEEN RECOGNISED BY ALL MEMBER STATES IN THEIR AGREEMENT THAT THE THREE CHAPTERS OF THE 30 MAY MANDATE SHOULD PROCEED IN PARALLEL.

4. I ALSO REJECT THE ARGUMENT THAT THE COUNCIL WAS FACED WITH A LEGAL VOID WHICH HAD TO BE AVOIDED BY PUSHING THROUGH THE PRICE DECISIONS BY MAJORITY VOTING OVER THE OBJECTIONS OF THREE MEMBER STATES. THERE IS NO REQUIREMENT IN THE TREATY, AS THE COUNCIL'S LEGAL ADVISER CONFIRMED, TO REACH DECISIONS ON AGRICULTURAL PRICES BY ANY PARTICULAR DATE AND IN TWO OF THE LAST THREE PRICE FIXINGS THE DATE OF DECISION HAS BEEN LATER THAN TODAY. NO LEGAL VOID HAS ARISEN ON THOSE OCCASIONS AND THERE WAS NO NEED FOR SUCH A SITUATION TO ARISE NOW.

5. MY GOVERNMENT'S GOOD FAITH IN THE BUDGET NEGOTIATIONS HAS BEEN CALLED INTO QUESTION. I TOTALLY REJECT THE CHARGE THAT WE HAVE NOT BEEN READY TO NEGOTIATE CONSTRUCTIVELY FOR AN AGREEMENT. THE HISTORY OF THE BUDGET NEGOTIATIONS SHOWS THAT WE HAVE ON A NUMBER OF OCCASIONS MODIFIED OUR APPROACH IN ORDER TO SEEK A COMPROMISE. LAST FRIDAY, MY GOVERNMENT MADE A

MORE.

/STATEMENT 4

SUBSTANTIAL MOVE IN THE INTERESTS OF REACHING EARLY AGREEMENT BY SHOWING ITS READINESS TO NEGOTIATE FOR A ONE YEAR SETTLEMENT. ON SUNDAY THE COMMISSION PRODUCED A NEW PROPOSAL FOR A ONE YEAR AGREEMENT. WE MADE IT CLEAR AT YESTERDAY'S FOREIGN MINISTERS MEETING THAT WE WERE READY TO NEGOTIATE. YET IT SEEMS THAT MY GOVERNMENT WAS BEING PRESENTED WITH A TAKE IT OR LEAVE IT PROPOSAL.

6. MR CHAIRMAN, I REGARD THIS TO HAVE BEEN A VERY SAD AND DAMAGING DAY IN THE COMMUNITY'S HISTORY. UNDER YOUR DIRECTION, THE COUNCIL HAS CHOSEN TO FUNDAMENTALLY ALTER THE ESTABLISHED WORKING PRACTICES BASED ON THE AGREEMENT REACHED IN 1966. I REPEAT THAT I TOTALLY DISASSOCIATE MY GOVERNMENT FROM THE PROCEDURE YOU HAVE ADOPTED. I SHALL BE REPORTING TO MY COLLEAGUES AND WE SHALL NEED TO CONSIDER THE POSITION FOLLOWING TODAY'S PROCEEDINGS.

ENDS.

CENTROFORM LONDON

NNNN

FCO
PS
PS/MR HURD
PS/PS
MR BULLARD
MR HANNAY
LORD BRIDGES

RESIDENT CLERK
HD/ECD I (3)
HD/NEWS
HD/ERD
HD/.....
HD/.....

PLUS FCO
D/B 181730Z
IMMEDIATE
ADVANCE COPY

CABINET OFFICE
MR D HANCOCK
MR D M ELLIOTT
MR RHODES

D.O.T.

PLUS OGDS

H M TREASURY
SIR K COUZENS
MISS J E COURT
MR J G LITTLER
MR EDWARDS

M.A.F.F.
SIR B HAYES
MR G STAPLETON
MR ANDREWS

MR P KENT
H M CUSTOMS &
EXCISE

No 10 Downing Street

CONFIDENTIAL
FRAME ECONOMIC
DESKBY 181730Z
FROM UKREP BRUSSELS 181600Z MAY 1982
TO IMMEDIATE FCO
TELEGRAM NUMBER 1989 OF 18 MAY 1982
INFO IMMEDIATE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
BONN LUXEMBOURG ATHENS

YOUR TELEGRAM NO 435: UK BUDGET PROBLEM

1. I SENT THE NOTE TO THORN BEFORE LUNCH. HE HAD ALREADY INVITED ME TO DISCUSS THE PROBLEM WITH HIM AND I AM SEEING HIM AT 5 PM.

2. I ALSO SENT IT TO NOTERDAEME AND CIRCULATED IT TO MY COREPER COLLEAGUES. AT THE COREPER LUNCH I SPOKE TO THE INSTRUCTIONS IN YOUR PARAS 2 AND 3.

3. SEVERAL AMBASSADORS (RUGGIERO, RUTTEN, DONDELINGER AND NOTERDAEME) SPOKE OF THE NEED TO CONTAIN THE CRISIS AND THEREFORE TO DECIDE AS SOON AS POSSIBLE



10 DOWNING STREET

~~John~~

30 May Mandate

The attached telegram (271) to President Mitterand required immediate clearance by the P.M. in order that it could be delivered by 0930 Brussels time. This has been done and we change

PTO

to the text has
been relayed to the
Fro who have
'phoned it through
to Paris.

Pellis

18/5

IMMEDIATE

OUTWARD TEL

ADVANCE COPY

PS

Hd of ECD (1)
Mr Bullwood
Mr Wilby ECD (1)
Mr Sales No 10 DS
PS/Minister MAFF
Mr Haseldon - MAFF
Mr Fitchew - Treasury

(+9)

OO UKREP BRUSSELS

GR320

CONFIDENTIAL

[FRAME Economic]

DESKBY 180500Z

FM FCO 180220Z MAY 82

TO IMMEDIATE PARIS

TELEGRAM NUMBER 272 OF 18 MAY

AND TO ALL OTHER EC POSTS

INFO IMMEDIATE UKREP BRUSSELS

30 MAY MANDATE.

~~Duty~~ P.S. No 10 DS

Duty Officer - Cabinet
Office for delivery to
Mr Hancock at 0800 today

1. FOLLOWING THE DISCUSSION OF THE PRICE PROPOSALS IN THE AGRICULTURE COUNCIL ON 17 MAY, IT LOOKS AS THOUGH AN ATTEMPT WILL BE MADE WHEN THE COUNCIL RESUMES AT 0930 BRUSSELS TIME ON 18 MAY TO ADOPT THE PROPOSALS BY A MAJORITY VOTE. FRANCE MAY VOTE SO THAT ONLY DENMARK AND GREECE WOULD JOIN THE UK IN ABSTAINING OR VOTING AGAINST AND A QUALIFIED MAJORITY WOULD THUS BE SECURED. THIS ACTION IS BEING JUSTIFIED ON THE GROUNDS THAT I CRITICISED A COMMISSION PROPOSAL FOR AN EXTENSION OF THE 30 MAY AGREEMENT TO A THIRD YEAR IN THE FOREIGN AFFAIRS COUNCIL AS NOT BEING ON THE LINES OF THE ARRANGEMENT FOR 1980 AND 1981 AS IT IS REQUIRED TO BE.

2. PLEASE SPEAK TO THE FOREIGN MINISTER OF THE COUNTRY TO WHICH YOU ARE ACCREDITED AS EARLY AS POSSIBLE ON 18 MAY AND STRESS THE GRAVE CONSEQUENCES THAT WOULD FLOW FROM AN ATTEMPT TO SET ASIDE THE LUXEMBOURG COMPROMISE IN THIS WAY. THE UK INTENDS TO RESPOND TODAY TO A REQUEST BY THE PRESIDENT OF THE COMMISSION AT THE FOREIGN AFFAIRS COUNCIL THAT WE SHOULD STATE WHAT SORT OF PROPOSAL WOULD IN OUR VIEW BE CONSISTENT WITH THE TERMS OF THE 30 MAY AGREEMENT. I MADE IT QUITE CLEAR THAT WE ARE READY TO NEGOTIATE AN EXTENSION OF THAT AGREEMENT TO 1982. THERE IS THEREFORE NO JUSTIFICATION WHATEVER FOR FORCING MATTERS IN THE AGRICULTURE COUNCIL TO A VOTE.

3. FOR PARIS. I INTEND TO SPEAK TO CHEYSSON MYSELF AS EARLY AS POSSIBLE TODAY. MIFT CONTAINS THE TEXT OF A PERSONAL MESSAGE FROM THE PRIME MINISTER TO PRESIDENT MITTERAND FOR DELIVERY AS SOON AS IT HAS BEEN APPROVED.

IT HAS BEEN APPROVED.

4. FOR BRUSSELS. I ALSO INTEND TO SPEAK TO TINDEMANS AS EARLY AS POSSIBLE TODAY (UKREP BRUSSELS TELNO 1977 (NOT TO ALL) REFERS)
5. FOR ATHENS AND COPENHAGEN. YOU NEED DO NO MORE THAN CONFIRM OUR APPRECIATE OF THEIR SUPPORT.

PYM

NNNN

IMMEDIATE

OUTWARD TEL

ADVANCE COPY

PS
Hd of ECD(1)
Mr Bullard
Mr Whitney - ECD(1)
Mr Bates - No 10 D.S.
PS / Minister - MAFF
Mr Hadden - MAFF
Mr Fitchers - Treasury

+9

00 UKREP BRUSSELS DESKBY 180500Z
[FRAME ECONOMIC]

GR180

CONFIDENTIAL

DESKBY 180500Z ALL POSTS

FM FCO 180220Z MAY 82

TO IMMEDIATE PARIS TELNO 271 OF 18 MAY

INFO IMMEDIATE ALL OTHER EC POSTS AND UKREP BRUSSELS

MIPT: 30 MAY MANDATE

1. THE FOLLOWING IS TEXT OF A PERSONAL MESSAGE FROM THE PRIME MINISTER TO PRESIDENT MITTERAND. IT SHOULD NOT (NOT) BE DELIVERED UNTIL YOU HAVE RECEIVED CONFIRMATION FROM NUMBER TEN THAT IT HAS BEEN APPROVED.

2. BEGINS. I UNDERSTAND FROM PETER WALKER THAT AN ATTEMPT MAY BE MADE TO TAKE A VOTE ON THE AGRICULTURE PROPOSALS IN THE COUNCIL IN BRUSSELS TODAY, DESPITE THE FACT THAT THE UK HAS MADE IT CLEAR THAT WE WISH THE DISCUSSION TO CONTINUE BECAUSE VERY IMPORTANT NATIONAL INTERESTS ARE AT STAKE. I DO NOT BELIEVE THAT YOU INTEND TO DESTROY THE LUXEMBOURG COMPROMISE BY ALLOWING THIS VOTE TO OCCUR. CLEARLY THE COMPROMISE WOULD NOT SURVIVE ITS ABANDONMENT ON THIS OCCASION. FRANCIS PYM MADE IT CLEAR IN LUXEMBOURG YESTERDAY THAT THE UK IS READY TO NEGOTIATE AN EXTENSION OF THE 30 MAY AGREEMENT TO 1982 AND I ~~AM~~ ^{BELIEVE} ~~CONFIDENT~~ THAT A SOLUTION TO THESE RELATED PROBLEMS ~~WILL~~ ^{CAN} QUICKLY BE FOUND. ~~ENDS.~~

PYM

NNNN

~~Duty PS~~ No 10 D.S.
Duty Officer - Cabinet Office
(for delivery to Mr Hancock at 0800 today)

CONFIDENTIAL

he th



10 DOWNING STREET

From the Private Secretary

MR. HANCOCK

30 May Mandate: UK policy during
the next phase

As I told you before the Prime Minister's departure for Scotland on 14 May, Mrs. Thatcher agreed with the recommendations in paragraph 3 of your minute of 13 May, subject to the views of her Ministerial colleagues. The draft letter from the Foreign and Commonwealth Secretary to Monsieur Thorn and Monsieur Tindemans was subsequently revised in the light of further correspondence.

I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Minister for Agriculture, Fisheries and Food and Sir Robert Armstrong.

A. J. COLES

17 May 1982

CONFIDENTIAL

6



CONFIDENTIAL

Qz.02572

MR COLES

M

*h-a.
M/S.*

VISIT OF PRESIDENT MITTERRAND, 17 MAY: 30 MAY MANDATE

I refer to my minute of last night. We have now received the Commission's proposal. The text is contained in Luxembourg telegram No 124, copy attached.

2. As I predicted, it is not in line with the agreement for 1980 and 1981. The second sentence makes explicit that the Commission proposal is that the UK should pay a minimum net contribution of 730 million ecus. In the view of Commission lawyers the 30 May agreement provided for a minimum refund to the UK, not a minimum contribution.

3. The other significant change is that the Commission allege that their estimate of our net contribution in 1982 before adjustment is 1530 million ecus. I very much doubt whether this is a genuine estimate by Commission officials. We are surprised that Mr Tugendhat should have gone along with it. The Chancellor will be seeing Mr Tugendhat in Brussels this afternoon and will be able to explore this point with him.

4. I do not think this news requires any change in the line to take with President Mitterrand in my minute of last night other than the replacement of paragraph (iii), sub paragraph (a) by the following:-

"a. A refund of 66% of the Commission estimate of the United Kingdom's unadjusted net contribution for 1982. We have just heard that the Commission say that their estimate is 1530 million ecus. *h* The 30 May agreement therefore requires a refund of 1010 million ecus."

D.H.

D J S HANCOCK

17 May 1982

CONFIDENTIAL

/Distribution:

Distribution:-

Private Secretaries to:-

Foreign and Commonwealth Secretary
Chancellor of the Exchequer
Minister of Agriculture, Fisheries and Food
Sir Robert Armstrong

F C BUDGET

[ADVANCES]

IMMEDIATE

14.
Mr de Lamblaque ECU(1)

ECD (I)

(3)

MR BULLARD

LORD BRIDGES

MR HANNAY

RESIDENT CLERK

MR ASHFORD } TREASURY

Mr Edwards } TREASURY

MR SHORE } TREASURY

Rhodes } CABINET OFFICE

MR HORNE } CABINET OFFICE

Mr Andrews

Mr Andrews, MAFF

CONFIDENTIAL

DESKBY 170700Z

FM LUXEMBOURG 162130Z MAY 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 124 OF 17 MAY

INFO UKREP BRUSSELS AND OTHER EC POSTS, STRASBOURG.

FROM UKREP BRUSSELS.

PROPOSAL FOR 1982.

1. THE COMPENSATION TO THE UNITED KINGDOM FOR 1982 IS FIXED AT 800 MILLION ECU, ON THE BASIS OF A NET CONTRIBUTION ESTIMATED AT 1.530 MILLION ECU. THE NET CONTRIBUTION OF THE UK CANNOT, AFTER COMPENSATION, BE LESS THAN 730 MILLION ECU.

IF THE NET CONTRIBUTION FOR 1982 PROVES TO BE MORE THAN 1.530 MILLION ECU, THE ADDITIONAL SUM WILL BE DIVIDED IN THE FOLLOWING WAY:

- INCREASE FROM 1.530 TO 1.580 MILLION, ENTIRELY AT THE EXPENSE OF THE UNITED KINGDOM:
- INCREASE FROM 1.580 TO 1.730 MILLION : 50 PER CENT AT THE EXPENSE OF THE UNITED KINGDOM AND 50 PER CENT AT THE EXPENSE OF THE OTHER NINE MEMBER STATES:
- BEYOND 1.730, 25 PER CENT AT THE EXPENSE OF THE UNITED KINGDOM AND 75 PER CENT AT THE EXPENSE OF THE OTHER MEMBER STATES.

2. THE COMMISSION UNDERTAKES TO CONTINUE ITS EFFORTS TO ARRIVE BEFORE THE END OF 1982 AT A LONGER-TERM ARRANGEMENT. THIS ARRANGEMENT WILL TAKE ACCOUNT OF THE RELEVANT ELEMENTS RESULTING FROM THE EXPERIENCE OBTAINED OVER THREE YEARS FROM THE FUNCTIONING OF THE MAY 30 1980 MECHANISM AND, IN PARTICULAR, OF THE RESULT OF THE APPLICATION OF THIS ARRANGEMENT WITH RESPECT TO FORECASTS THAT WERE MADE INITIALLY.

FROM THE EXPERIENCE OBTAINED OVER THREE YEARS FROM THE FUNCTIONING
OF THE MAY 30 1980 MECHANISM AND, IN PARTICULAR, OF THE
RESULT OF THE APPLICATION OF THIS ARRANGEMENT WITH RESPECT TO
FORECASTS THAT WERE MADE INITIALLY.

THOMAS

FCO ADVANCE TO:-
FCO DE FONBLANQUE
CAB HANCOCK
MAFF ANDREWS
TSY EDWARDS

NNNN

<u>FCO</u> PS	RESIDENT CLERK	<u>PLUS FOO</u>
PS/MR HURD PS/PS MR BULLARD MR HANNAY LORD BRIDGES	IMMEDIATE HD/ECD I (3) HD/NEWS HD/ERD HD/..... HD/.....	

CABINET OFFICE
MR D HANCOCK
MR D M ELLIOTT
MR RHODES

D.O.T.

PLUS OGDS
~~N^o 10 MS~~

H M TREASURY
SIR K COUZENS
MISS J E COURT
MR J G LITTLER
MR EDWARDS
W ANDREW

M.A.F.F.
SIR B HAYES
MR G STAPLETON

MR P KENT
H M CUSTOMS &
EXCISE

DESKBY FCO AND UKREP BRUSSELS 180730Z
FM LUXEMBOURG 172358Z MAY 82
TO IMMEDIATE FCO [FRAME ECONOMIC]
TELNO 151 OF 17 MAY
AND TO IMMEDIATE UKREP BRUSSELS
INFO IMMEDIATE OTHER EC POSTS

FOLLOWING FROM UKREP BRUSSELS

EC MINISTERIAL MEETING : 17 MAY

30 MAY MANDATE

- AS SOON AS THE MEETING TOOK UP THE MANDATE, TINDEMANS ASKED YOU TO SET OUT THE BRITISH POSITION. YOUR FIRST STATEMENT IS SET OUT IN MY IFT.
- GENSCHER IMMEDIATELY SAID THAT, WHILE HE HAD INDICATED SOME FLEXIBILITY YESTERDAY, HE WOULD NOW WITHDRAW THAT AND WISHED TO CONCENTRATE THE DISCUSSION ON AGRICULTURAL PRICES. THE FOREIGN AFFAIRS COUNCIL DIRECTED THE WORK OF OTHER COUNCILS AND HE BELIEVED THEY SHOULD HAVE A SAY IN THIS MATTER.

BELIEVED THEY SHOULD HAVE A SAY IN THIS MATTER.

3. CHEYSSON SAID THAT HE HAD BEEN PREPARED TO DISCUSS SEVERAL DIFFERENT PROPOSALS FOR DEALING WITH THE UK PROBLEM. THERE HAD BEEN THE ONE FLOATED BY THE TWO PRESIDENTS AFTER THE MEETING AT VILLERS-LE-TEMPLE AND NOW THERE WAS THE NEW COMMISSION PROPOSAL, ABOUT WHICH HE HAD SOME MINOR RESERVATIONS. HE WAS PREPARED TO DISCUSS THIS AS SOON AS BRITAIN WAS READY TO DO SO. MEANWHILE THE AGRICULTURAL MINISTERS WERE DOING THEIR WORK EXAMINING THE DETAILED MEASURES ON PRICES AND IT WAS NOT THE JOB OF THE FOREIGN AFFAIRS COUNCIL TO ENCROACH ON THE AGRICULTURE COUNCIL. THE BEGINNING OF SEVERAL PRODUCT SEASONS HAD ALREADY BEEN MISSED AND THE FRENCH DELEGATION WOULD BE WORKING FOR EARLY DECISIONS. IF DECISIONS WERE TAKEN, THEN THE OFFICIAL JOURNAL WOULD BE ABLE TO PUBLISH THEM ON 19 MAY. OTHERWISE THERE WOULD BE A LEGAL VOID. HE THEREFORE BELIEVED THAT THE MEASURES SHOULD BE PUBLISHED THAT DAY. GENSCHER INTERVENED AGAIN TO SUPPORT THAT FRENCH VIEW.

4. MME FLESCH SAID SHE AGREED WITH THE FRENCH AND GERMAN POSITIONS ON AGRICULTURAL PRICES. THE FARMERS COULD NOT BE ASKED TO WAIT ANY LONGER. SHE WAS OPEN TO A FURTHER SEARCH FOR SOLUTIONS ON THE MANDATE. SHE REGRETTED IT IF THIS LATEST COMMISSION PROPOSAL WAS NOT ACCEPTABLE BUT WAS READY TO LOOK AT OTHERS.

5. VAN DER STOEL SAID HE TOO REGRETTED THAT THE COMMISSION PROPOSAL WHICH HE REGARDED AS INGENIOUS HAD BEEN REJECTED BY THE UK. HE DID NOT KNOW WHAT OTHER POSSIBILITIES THERE WERE. AGRICULTURAL PRICES SHOULD BE SETTLED BY THE AGRICULTURE COUNCIL.

6. COLOMBO SAID THAT, ALTHOUGH HE WAS SORRY THAT THE LATEST COMMISSION PROPOSAL COULD NOT BE ACCEPTED, HE WAS PREPARED TO ACCEPT OTHER IDEAS WITHIN REASONABLE LIMITS. HE AGREED THAT THE AGRICULTURAL PRICE FIXING WAS OVERDUE AND, IF DECISIONS COULD BE TAKEN THERE, THIS WOULD CREATE A BETTER ATMOSPHERE. THE GREEK FOREIGN MINISTER ALSO EMPHASISED THE URGENCY OF FIXING AGRICULTURAL PRICES WHICH SHOULD BE DONE BY THE AGRICULTURE COUNCIL. THE IRISH FOREIGN MINISTER SUPPORTED THIS TOO.

7. THE MEETING WAS THEN TREATED TO A LONG AND EMOTIONAL DIATRIBE BY THE PRESIDENT OF THE COMMISSION AGAINST THE UK. AS ONE OF THE ORIGINAL SIGNATORIES OF THE TREATY OF ACCESSION HE MUST NEVERTHELESS SAY THAT EVER SINCE WE JOINED THERE HAD BEEN NOTHING BUT TALK OF THE JUSTE RETOUR AND OF FINANCIAL COMPENSATION FOR THE UK. IT HAD STARTED WHEN WE NEGOTIATED OUR ACCESSION AND IT HAD NEVER STOPPED. NOW, WHEN WE HAD FOR THE FIRST

7. THE MEETING WAS THEN TREATED TO A LONG AND EMOTIONAL DIATRIBE BY THE PRESIDENT OF THE COMMISSION AGAINST THE UK. AS ONE OF THE ORIGINAL SIGNATORIES OF THE TREATY OF ACCESSION HE MUST NEVERTHELESS SAY THAT EVER SINCE WE JOINED THERE HAD BEEN NOTHING BUT TALK OF THE JUSTE RETOUR AND OF FINANCIAL COMPENSATION FOR THE UK. IT HAD STARTED WHEN WE NEGOTIATED OUR ACCESSION AND IT HAD NEVER STOPPED. NOW, WHEN WE HAD FOR THE FIRST TIME BEEN NET BENEFICIARIES FROM THE BUDGET IN 1981, WE WERE BLOCKING FARM PRICES. THE COMMISSION HAD TRIED ANY NUMBER OF SOLUTIONS BUT ALL HAD FAILED AND THIS WAS TOO MUCH. THEY HAD NEVER RECEIVED ANY POSITIVE REACTION TO THE IDEAS THEY PUT TO US. IT WAS NOT RIGHT TO TELL THE COMMISSION WHICH WAS THE GUARDIAN OF THE TREATIES, THAT IT MUST CHANGE ITS VIEWS. OF COURSE THE LATEST COMMISSION PROPOSAL WAS NOT PERFECT. PERHAPS THE UK WOULD TELL THE COMMISSION WHAT THEY CONSIDERED WAS A PROPER INTERPRETATION OF THE 30 MAY AGREEMENT. THE TROUBLE WAS ONE COULD NOT BE PRECISE ABOUT AN AGREEMENT LIKE THE 30 MAY WHERE DIFFERENT LANGUAGE VERSIONS IMPLIED DIFFERENT THINGS. IF THERE HAD BEEN PERFECT CLARITY THEN THE NEGOTIATORS WOULD HAVE FIXED A FIGURE ALREADY IN ADVANCE FOR 1982. IN ANY CASE THE FORECASTS MADE IN THE 30 MAY AGREEMENT WERE TOTALLY WRONG. NOW THE COMMISSION WAS BEING ASKED TO MAKE OTHER INACCURATE FORECASTS. THEY WERE BEING URGED TO SET THE FIGURE VERY LOW SO THAT THE UK WOULD GET EVEN MORE COMPENSATION. THEY HAD TRIED IN THEIR PROPOSAL TO ACHIEVE A REASONABLE POSITION. NO DOUBT THE FORECASTS GIVEN WERE NOT PERFECT BUT THEY WERE BETTER THAN THE EARLIER ONES. AS FOR THE FIGURE FOR THE UK'S ADJUSTED NET CONTRIBUTION, THEY HAD TAKEN THE FIGURE FOR 1981. IF THE COMMISSION PROPOSAL WERE ADOPTED THE UK WOULD GET THREE QUARTERS OF ITS NET CONTRIBUTION P REFUNDED OVER THE THREE YEAR PERIOD. THE 30 MAY AGREEMENT MADE IT CLEAR THAT THE RISK SHARING FORMULA WAS MEANT TO BE EVOLUTIONARY. ALL THE COMMISSION HAD TRIED TO DO WAS TO REINFORCE COMMUNITY SOLIDARITY. SURELY A 75 PERCENT REFUND OVER THREE YEARS WAS A GOOD START FOR THE LONGER TERM NEGOTIATION.

8. YOU THEN INTERVENED AGAIN TO SAY THAT YOU WERE SURPRISED AT M THORN'S STATEMENT, PARTICULARLY AFTER THE UNHELPFUL ATTITUDE THAT HAD BEEN TAKEN AT THE VILLERS-LE-TEMPLE WEEKEND. DURING THE ACCESSION NEGOTIATIONS WE HAD BEEN GIVEN AN UNDERTAKING THAT ACTION WOULD BE TAKEN IF AN UNACCEPTABLE BUDGETARY SITUATION AROSE. THE BRITISH PEOPLE AND PARLIAMENT HAD BEEN TOLD OF THIS. WE DID NOT BELIEVE THAT A FAIR PROPOSAL TO DEAL WITH THE PROBLEM HAD YET BEEN MADE. ON ANY OBJECTIVE ANALYSIS BRITAIN, AS A LESS PROSPEROUS STATE, COULD HAVE HOPED TO BE A NET BENEFICIARY. BUT WE JOINED LATE AND WE ACCEPTED THAT WE SHOULD BE

AS A LESS PROSPEROUS STATE, COULD HAVE HOPED TO BE A NET BENEFICIARY. BUT WE JOINED LATE AND WE ACCEPTED THAT WE SHOULD BE A MODEST NET CONTRIBUTOR. INSUFFICIENT CREDIT WAS GIVEN TO US FOR THAT. YOU HAD EXPRESSED YOUR DOUBTS LAST NIGHT AS TO WHETHER IT WAS WISE TO TABLE A NEW PAPER AT SHORT NOTICE AND THEN TO TRY TO DISCUSS IT WITHIN 24 HOURS WITHOUT PROPER PREPARATION. YOU HAD NOT REJECTED THE COMMISSION PROPOSAL. YOU HAD MERELY STATED THAT IT DID NOT SEEM IN A NUMBER OF RESPECTS TO CONFORM TO THE PROVISIONS OF THE 30 MAY AGREEMENT. WE WERE READY TO CONTINUE THE DISCUSSION. IT MADE NO SENSE TO TRY TO DO DETAILED BUSINESS LIKE THIS WITHOUT PROPER PREPARATION. AS TO THE TAKING OF DECISIONS IN THE AGRICULTURE COUNCIL, IF THERE WAS A GENERAL WISH TO DISCUSS INSTITUTIONAL CHANGES IN THE COMMUNITY AND THE WAY DECISIONS WERE REACHED, THEN THERE CERTAINLY MUST BE DISCUSSION OF THIS FIRST IN THE FOREIGN AFFAIRS COUNCIL. BUT SUCH A DISCUSSION COULD NOT BE SPRUNG LATE AT NIGHT WITHOUT PREPARATION. THE FACT WAS THAT THE AGRICULTURAL PRICE PROPOSALS NOW ON THE TABLE WERE COSTLY TO THE UK AND AN IMPORTANT NATIONAL INTEREST WAS AT STAKE IN ENSURING THAT THE BUDGETARY COST WAS ALLEVIATED. YOU WERE NOT EXORTING ANY ARTIFICIAL LINK.

9. THORN REPLIED BRIEFLY THAT IT MIGHT BE NECESSARY TO MEET AGAIN TO DISCUSS THE COMMISSION'S ROLE. WHAT THE COMMISSION COULD NOT DO WAS SAY RED WAS BLACK AND BE SENT BACK TO THE DRAWING BOARD EVERYTIME THEY PRODUCED A PROPOSAL. PERHAPS SOMEONE ELSE SHOULD TRY THEIR HAND AT MAKING PROPOSALS NOW.

10. TINDEMANS THEN BROUGHT THE MEETING ABRUPTLY TO A CLOSE, SAYING THAT HE DID SO WITH A FEELING OF SADNESS.

11. AT YOUR PRESS BRIEFING IMMEDIATELY AFTER THE MEETING YOU ANNOUNCED THAT WE INTENDED TO RESPOND TO THORN'S REQUEST THAT WE SHOULD INDICATE WHAT WE MEANT BY A SOLUTION ALONG THE LINES OF THAT FOR 1980 AND 1981. THIS WOULD NOT BE A PROPOSAL BUT WE WOULD LET THE PRESIDENT OF THE COMMISSION AND YOUR COLLEAGUES KNOW OF HOW WE SAW THINGS ON 18 MAY (WE ENSURED THAT THIS STATEMENT WAS MADE KNOWN TO NOEL AND NOTERDAEME AND THUYSBAERT BEFORE THEY LEFT THE BUILDING).

FCO ADVANCE TO:

FCO - PS, PS/PUS, BRIDGES HANNAY SPRECKLEY

CAB - HANCOCK

TSY - LITTLER, ANDREW

BUTLER

PART 15 ends:-

SFS Agriculture to PM + att 14.5.82.

PART 16 begins:-

Hancock to AJC Qz 02572.

