

PREM 19/1018



Common Agricultural Policy

(CAP)

EUROPEAN POLICY

Part 1: May 1979

Part 10: April 1982

PART 10

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>5.4.82</del>		<del>15.9.82</del>		<del>26.7.83</del>			
<del>19.4.82</del>		<del>16.9.82</del>		<del>27.1.83</del>			
<del>21.4.82</del>		<del>17.9.82</del>		<del>7.2.83</del>			
<del>22.4.82</del>		<del>27.9.82</del>		8.2.83			
<del>27.4.82</del>				← Pt End →			
<del>28.4.82</del>		<del>14.10.82</del>					
<del>4.5.82</del>		<del>18.10.82</del>					
<del>6.5.82</del>		<del>20.10.82</del>					
<del>10.5.82</del>		<del>28.10.82</del>					
<del>11.5.82</del>		<del>4.11.82</del>					
<del>12.5.82</del>		<del>10.11.82</del>					
<del>17.5.82</del>		<del>17.11.82</del>					
<del>19.5.82</del>		<del>25.11.82</del>					
<del>20.5.82</del>		<del>26.11.82</del>					
<del>21.5.82</del>		<del>1.12.82</del>					
<del>26.5.82</del>		<del>6.12.82</del>					
<del>28.5.82</del>		<del>3.12.82</del>					
<del>30.5.82</del>		<del>7.12.82</del>					
<del>17.82</del>		<del>13.12.82</del>					
<del>6.7.82</del>		<del>17.12.82</del>					
<del>22.7.82</del>		<del>20.12.82</del>					
<del>18.9.82</del>		<del>19.1.83</del>					
		<del>20.1.83</del>					

PREM 19/10/82



PART Part 10 ends:-

MAFF to Ch/Ex 8.2.83

PART 11 begins:-

MAFF to WR. 9.2.83



TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(82) 16th Meeting, Minute 4	5.4.82
CC(82) 19th Meeting, Minute 4	22.4.82
CC(82) 24th Meeting, Minute 3 (extract)	6.5.82
CC(82) 28th Meeting, Minute 2	20.5.82
CC(82) 37th Meeting, Minute 3 (extract)	8.7.82
CC(82) 39th Meeting, Minute 3	22.7.82
CC(82) 41st Meeting, Minute 2	9.9.82
CC(82) 43rd Meeting, Minute 3	14.10.82
CC(82) 44th Meeting, Minute 3	21.10.82
CC(82) 45th Meeting, Minute 4 (extract)	28.10.82
CC(82) 47th Meeting, Minute 3	4.11.82
CC(82) 50th Meeting, Minute 3	25.11.82
CC(82) 52nd Meeting, Minute 4	9.12.82
CC(82) 53rd Meeting, Minute 3	16.12.82
CC(83) 1st Meeting, Minute 3	20.1.83
EQO(83) 7	21.1.83
CC(83) 2nd Meeting, Minute 3	27.1.83
CC(83) 3rd Meeting, Minute 3	3.2.83

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 27 March 2013

PREM Records Team





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

CRJ  
②

From the Minister

Prime Minister

CONFIDENTIAL

A.S.C. 8/2

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

8 February 1983

Dear Sir Geoffrey

attached - ?

Thank you for your letter of 4 February concerning the CAP price fixing proposals. In discussion in the Council of Ministers, I will continue to advocate the importance of price restraint particularly for the main surplus products.

I do however see no point in constantly stating in public that we need a freeze on the prices of the surplus products if for certain we know there is no such possibility.

You mention the possibility of German and Dutch support. The Germans have categorically said they are going for more than the increase proposed by the Commission in order to get an early settlement. The Dutch have publicly said in the Hague, and publicly at the Council of Ministers meeting, that they consider the Commission proposals are a reasonable starting point, which implies that they will be wanting some changes in the form of increases.

I therefore do not understand your reliance on what you have heard in confidence from Dutch officials, for Dutch Ministers have gone public upon their position.

Likewise the German Government have made a decision as to their tactics and I would naturally be interested if during an election year they were to reverse their tactics. But I am sure that they would not, for there is no way that either the Christian Democrats, Social Democrats or the Free Democrats would fight an election campaign on reducing further Commission proposals that the entire farming lobby of Germany characterises as inadequate.

/I will therefore ...

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I will therefore maintain for the time being the line that surplus products should be frozen. But I think in the next few weeks we must settle the tactical approach that we should pursue.

Certainly, there will be no joy in election year for the price fixing conclusions to be described as a major defeat for the British Government.

✓ I am sending copies of this letter to the Prime Minister, the Foreign Secretary and Sir Robert Armstrong.

18 FEB 1955  
11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

Yours sincerely

Robert Lassa

for PETER WALKER  
(dictated by the Minister and signed in his absence)





*Euro Pol CAP*

*cc WR Press Office*

Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

From the Minister's Private Office

CONFIDENTIAL

R J Bone Esq  
Private Secretary to the  
Secretary of State  
Foreign and Commonwealth Office  
12 Downing Street  
LONDON  
SW1A 2AL

*A.d.c. 8/2*

*h-a.*

8 February 1983

*Dear Roger*

IMPORTS OF UHT MILK

- ... I enclose the revised text of the statement Mr Walker proposes to make this afternoon in answer to a written Parliamentary Question. This takes account of the judgment of the European Court, which we have now received, and of the comments received on the text I circulated yesterday. If any one has any further comments I should be very grateful to have them by 2.30 pm today.
- ... I enclose also a copy of the Court's conclusions, for those who may not have seen them. They are as expected, but a preliminary study of the rest of the judgment suggests that some of our earlier ideas for controls in other Member States may have to be revised. This however does not affect the action to be taken today, ie to make the statement this afternoon and amend the Open General Licence so as to prohibit imports immediately.
- ✓ I am sending copies of this letter and enclosures to the private secretaries of the other members of the OD(E) Committee, of the other Agricultural Ministers, and of the Secretary of the Cabinet.

*Yours sincerely*

*Robert Lawson*

ROBERT LOWSON  
Private Secretary

CONFIDENTIAL



JUDGMENT OF THE EUROPEAN COURT

CASE 124/81 : COMMISSION v UK : UHT MILK

The Court hereby:

1. Declares the Commission's conclusions to be inadmissible insofar as they relate to the new legislation applicable in Northern Ireland with effect from 31 July 1981 (S.R. 1981 Nos. 233 and 234);
2. Declares that by prescribing a system of prior individual licenses for imports on to its territory of milk and cream which have undergone ultra heat treatment on the territory of other Member States, the United Kingdom of Great Britain and Northern Ireland has failed to fulfil its obligations under Article 30 of the EEC Treaty;
3. Declares that by making the distribution in England, Wales and Scotland of UHT milk imported from other Member States subject to a system involving a second heat treatment and the repacking of the milk, the United Kingdom has failed to fulfil its obligations under Article 30 of the EEC Treaty;
4. Declares that by prohibiting all sales of UHT milk or cream in Northern Ireland until the adoption of the new regulations on milk in 1981 (S.R. 1981 Nos. 233 and 234) the United Kingdom failed to fulfil its obligations under Article 30 EEC Treaty;
5. Orders the United Kingdom to pay the costs.



REVISED DRAFT STATEMENT

UK IMPORTS OF UHT MILK

The European Court of Justice has today issued its judgment in the case dealing with UK imports of ultra heat treated milk. The Court finds our present arrangements for licensing imports of ultra heat treated milk and cream, and for applying certain requirements to the sale of such milk, to be contrary to Community law.

The Government will be studying the judgment in detail and will take as soon as possible the steps necessary to comply with it. The preparation of the necessary legislation will be set in hand urgently as soon as the details of the judgment have been studied and consultations held with the Commission and with other Member States.

Meanwhile, in order to deal with the immediate situation created by the judgment and to retain full safeguards for public health, the Government is maintaining the status quo temporarily by amending the Open General Licence so as to prohibit imports while the necessary studies and consultations take place.



Euro Port : CAP : Pt 10

23 FEB 1988





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10 DOWNING STREET

From the Private Secretary

7 February 1983

UHT MILK: EUROPEAN COURT JUDGEMENT

The Prime Minister held a meeting of Ministers at 1430 today to discuss the problem set out in the minutes of 3 and 4 February by the Foreign and Commonwealth Secretary and your Minister's reply of 4 February.

In addition to the Minister of Agriculture, Fisheries and Food, the following were present: the Secretary of State for Foreign and Commonwealth Affairs, the Chief Secretary, H.M. Treasury, the Secretary of State for Trade, the Solicitor General, Mr. Adam Butler and Lord Mansfield.

The Minister of Agriculture explained that the Government did not know what view the European Court would take in its imminent ruling but was planning for the contingency that it would rule that the present regime for protecting public health was too restrictive and would have to be changed. The United Kingdom would have no option but to comply with the law but had a right to protect public health. The intention would be to secure primary legislation which would permit continental milk which met United Kingdom standards to enter the country freely. In the meantime continental milk had to be kept out and the Minister had no powers to achieve this. He had therefore sought the advice of the Solicitor General on the best way of securing the temporary exclusion of continental milk and he had accepted that advice.

The Secretary of State for Trade said that the Solicitor General's proposal that reliance be placed on the 1939 Act carried the risk of a controversy which would go much wider than the agricultural field. The use of the alternative 1955 Act would be safer since its purpose was to protect the public health and it was not a general trade statute. Action under the 1955 Act would be defended by the Minister of Agriculture and any controversy that followed would be confined to agricultural interests. He therefore suggested that the right approach was to look at what could be done under the 1955 Act and then consider whether that would be sufficient.

/The Solicitor General

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The Solicitor General said that it was common ground that the Government had a duty to protect public health and that Article 36 of the Treaty of Rome permitted us to protect it. It was also common ground that, if, following the Court judgement on 8 February, imports of milk from the continent were permitted freely, the result would be chaos which the Government had a duty to prevent.

Against that background he had considered how best to prevent such imports for a temporary period. He stressed that his advice was given on the assumption that the period would indeed be temporary and that the Government intended to secure primary legislation in the shortest possible time. The procedure which he recommended for the temporary solution was, not to make direct use of the 1939 Act, but simply to remove milk from the list of products for which an open general licence was granted under a regulation made in 1954. He was strongly of the view, having considered the matter most carefully, that such a use of the powers derived from the 1939 Act would not be open to challenge in the English Courts. It was, furthermore, his view that there was no obvious way in which the Commission could challenge the procedure before the European Court. The use of the Minister's powers under the 1955 Act, by contrast, would be likely to appear so patently ultra vires that it would invite challenge.

The Foreign and Commonwealth Secretary said that clearly the Government had to be guided by the legal advice but the intended use of the 1939 Act - which had only been brought to his notice and that of the Secretary of State for Trade a few days earlier - had implications for general policy which he and the Trade Secretary felt obliged to bring to the Prime Minister's attention. It seemed to him that there was a distinct risk that the use of the 1939 Act would be challenged and, if it were, this could be damaging.

The Chief Secretary to the Treasury said that in his view the use of the 1955 Act was much more open to challenge than the use of the 1939 Act.

Lord Mansfield said that the use of the 1955 Act would require separate legislation in Scotland, and Mr. Butler said that the 1955 Act provided no legal defence in Northern Ireland. Differences in Northern Ireland's law had also led him to suggest to the Minister of Agriculture and the Secretary of State that, if the Solicitor General's proposed course of action were followed, cream and flavoured milk should also be withdrawn from the open general licence so that the present restrictions into Northern Ireland could be maintained. Specific licences could then be given freely for imports of cream and flavoured milk into Great Britain.

Summing up the discussion, the Prime Minister said that it was possible that the European Court would give the United Kingdom time to change its law to meet the Court's requirement. If so, a remedy should be sought through primary legislation and no temporary expedient should be adopted. If not, then the procedure suggested by the Solicitor General should be followed on the following understandings:

/(i)



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- 3 -

- (i) the statement of explanation of the Government's actions would be agreed in advance with the Foreign and Commonwealth Secretary, the Secretary of State for Trade and the Chief Secretary to the Treasury;
- (ii) it would stress the temporary nature of the action taken;
- (iii) the use of the powers under the 1939 Act would be defended in Parliament and in public by the Minister of Agriculture, and not by the Secretary of State for Trade, in order to reduce the risk that the measure would be regarded as an action of commercial policy;
- (iv) the Minister of Agriculture would, before 7 March, circulate a paper on the permanent solution to the problem for discussion, if necessary, by the Ministers represented at today's meeting.

I am sending copies of this letter to the Private Secretaries to the Secretary of State for Foreign and Commonwealth Affairs, the Chief Secretary, H.M. Treasury, the Secretary of State for Trade, the Solicitor General, Minister of State for Northern Ireland, Lord Mansfield (Scottish Office) and to Mr. Hancock (Cabinet Office).

A. J. COLES

Robert Lowson, Esq.,  
Ministry of Agriculture, Fisheries and Food.

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Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

From the Minister's Private Office

R J Bone Esq  
Private Secretary to the  
Secretary of State  
Foreign and Commonwealth Office  
12 Downing Street  
London SW1A 2AL

A.S.C. 1/2

h.a.

7 February 1983

Dear Roger

IMPORTS OF UHT MILK

- ... I enclose a statement which, depending on the precise terms of the ECJ Judgment, Mr Walker proposes to make tomorrow in the form of a reply to a written Parliamentary Question. I will assume that you and other recipients of copies of this letter are content unless comments have been received by 10 am tomorrow, 8 February.
- / I am sending copies of this letter and enclosure to the private secretaries of the other members of OD(E) Committee, of the other Agricultural Ministers, and of the Secretary of the Cabinet.

Yours sincerely

Robert Lawson

ROBERT LOWSON  
Private Secretary



Draft Statement by the Minister of Agriculture

UK Imports of UHT Milk

The European Court of Justice has today issued its judgement in this case. The Court recognises that, in the absence of agreed Community measures it is reasonable for HMG, in order to protect UK consumers, to take steps to assure itself about the health and hygienic quality of imports of milk from other Member States. However, it says that we must not apply to imports standards which go beyond those applied to our own milk or impose measures for this purpose which are excessive. The Court declares that to the extent that our present legislation (which requires all UHT milk sold in the UK to have been treated in registered premises in this country) prevents imports it is illegal.

The Government is taking immediate steps to make the necessary changes in UK legislation to comply with the Court's judgement. This will involve primary legislation. The preparation of this will be set in hand, as soon as we have digested the details of the judgement and had the necessary consultations with the Commission with the aim of passing the necessary Act as soon as possible. These provisions will provide for the import of UHT milk from other Member States subject to it satisfying the same strict health and hygiene requirements on which, in the interests of public health, we insist for the production and processing of our own milk

This will take a little time to achieve and in order to deal with the immediate situation created by the judgement the Government is maintaining the status quo by prohibiting imports



while we settle the requirements to be applied for the import of UHT milk. We are informing the local authorities responsible for the enforcement of our present legislation of the effect of the judgement in relation to the registration and licensing provisions which at present effectively exclude imports.



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Type letter p.

A.S.C. 7/2.

MR COLES

UHT MILK

I attach a draft Private Secretary letter to record the meeting at 2.30 pm today.

D.H.

D J S Hancock

7 February 1983.

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DRAFT

Private Secretary Letter.  
To MAFF.

Copies to Private Secretaries to all the people at  
the end of the minute.

UHT MILK: EUROPEAN COURT JUDGMENT

1. The Prime Minister held a meeting of Ministers  
at 2.30 pm today to discuss the problem set out in  
the minutes of 3 and 4 February by the Foreign and  
Commonwealth Secretary and your Minister's reply of  
4 February.

2. In addition to the Minister of Agriculture,  
Fisheries and Food, the following were present:

The Secretary of State for Foreign and Commonwealth  
Affairs

The Chief Secretary, Treasury

The Secretary of State for Trade

The Solicitor-General

Mr Adam Butler

Lord Mansfield

~~Mr Hancock of the Cabinet Office.~~

3. The Minister of Agriculture explained that the  
Government did not know what <sup>view</sup> the European Court would  
~~say~~ <sup>take</sup> but was planning for the contingency that it would  
rule that the present regime for protecting public health  
was too restrictive and would have to be changed. The  
United Kingdom would have no option but to comply with  
the law but had a right to protect public health. The

in its imminent  
ruling



intention would be to secure primary legislation which would permit continental milk which met United Kingdom standards to enter the country freely. In the meantime continental milk had to be kept out and the Minister had no powers to ~~do so~~. <sup>achieve this.</sup> He had therefore sought the advice of the Solicitor-General on the best way of securing the temporary exclusion of continental milk and he had accepted that advice.

4. The Secretary of State for Trade <sup>said</sup> ~~explained~~ that the Solicitor-General's proposal that reliance be placed on the 1939 Act carried the risk of a controversy <sup>which</sup> ~~much~~ <sup>would go much wider</sup> ~~broader~~ than the agricultural field. The use of the alternative 1955 Act would be ~~much~~ safer since its purpose was to protect the public health and it was not a general trade statute. ~~an~~ <sup>under</sup> Action ~~Under~~ the 1955 Act would be defended by the Minister of Agriculture and any controversy that followed would be confined to ~~the~~ agricultural <sup>interests.</sup> ~~sphere~~. He therefore suggested that the right approach was to look at what could be done under the 1955 Act and then consider whether that would be sufficient.

5. The Solicitor-General said that it was common ground that the <sup>Government had a duty</sup> ~~United Kingdom was entitled~~ to protect ~~the~~ public health, and that Article 36 of the Treaty of Rome permitted us to protect it. It was also common ground that, if, following the Court judgment on 8 February, imports of milk from the continent were permitted freely, the result would be chaos which the



Government had a duty to prevent.

6. Against that background he had considered how best to prevent such imports for a temporary period. He stressed that his advice was given ~~entirely~~ on the assumption that the period would indeed be temporary and that the Government intended to secure primary legislation in the shortest possible time. The procedure which he recommended for the temporary solution was, not to make direct use of the 1939 Act, but simply to remove milk from the list of products for which an open general licence was granted under a regulation made in 1954. He was strongly of the view, having considered the matter most carefully, that such a use of the powers derived from the 1939 Act would not be open to challenge in the English courts. It was, ~~however~~ <sup>furthermore,</sup> his view that there was no obvious way in which the Commission could challenge the procedure before the European Court. The use of the Minister's powers under the 1955 Act <sup>by contrast,</sup> would be ~~quite a different matter and~~ <sup>appear</sup> likely to <sup>be</sup> so patently ultra vires that it would invite challenge.

7. The Foreign and Commonwealth Secretary said that clearly the Government had to be guided by the legal advice but the intended ~~use~~ <sup>use</sup> of the 1939 Act, - which had only been brought to his notice and that of the Secretary of State for Trade a few days earlier - had implications for general policy which he and the Trade Secretary felt obliged to bring to the Prime Minister's attention. It seemed to him that there was a distinct risk that the use of the 1939 Act would be challenged and, if it were,



this could be damaging.

8. The Chief Secretary to the Treasury said that in his view the use of the 1955 Act was much more open to challenge than the use of the 1939 Act.

9. Lord Mansfield said that the use of the 1955 Act would require separate legislation in Scotland, and Mr Butler said that the 1955 Act provided no legal defence in N. Ireland. Differences <sup>in</sup> ~~in~~ N. Ireland's law had also led him to suggest to the Minister of Agriculture and the Secretary of State that, if the <sup>proposed course of action were followed,</sup> Solicitor-General's ~~advice were accepted,~~ cream and flavoured milk should also be withdrawn from the open general licence so that the present restrictions into N. Ireland could be maintained. Specific licences could then be given freely for ~~the~~ imports of cream and flavoured milk into Great Britain.

10. Summing up the discussion, the Prime Minister said that it was possible that the European Court would give the United Kingdom time to change its law to meet the Court's requirement. If so, a remedy should be sought through primary legislation and no temporary expedient should be adopted. If not, then the procedure suggested by the Solicitor-General should be followed on the following understandings: (the Government's actions)

(i) <sup>the</sup> ~~a~~ statement of explanation of ~~our actions~~ <sup>in advance</sup> would be agreed <sup>with</sup> the Foreign and Commonwealth Secretary, the Secretary of State for Trade and the Chief Secretary to the Treasury;



- (ii) it would stress the temporary nature of the action taken;
- (iii) the use of the powers under the 1939 Act would be defended in Parliament and in public by the Minister of Agriculture, and not <sup>by</sup> the Secretary of State for Trade, in order to reduce the risk that the measure would be regarded as an action of commercial policy;
- (iv) the Minister of Agriculture would, before 7 March, circulate a paper on the <sup>permanent</sup> ~~Government's~~ solution to the problem for discussion <sup>if necessary,</sup> by the Ministers represented at today's meeting.

11. I am sending copies of this letter to the Private

Secretaries to: The Secretary of State for Foreign  
and Commonwealth Affairs

The Chief Secretary, Treasury

The Secretary of State for Trade

The Solicitor General

The Hon. Adam Butler, MP (N. Ireland  
Office)

and to: The

Lord Mansfield (Scottish Office)

and to: <sup>and 5</sup> Mr Hancock (Cabinet Office)

*Mr 7/2.*



7 JAN 1983







Qz.03004

MR COLES

cc Sir Robert Armstrong

## UHT MILK: THE EUROPEAN COURT JUDGMENT

1. I refer to my minute of 4 February. The Secretary of State for Trade has asked for the meeting to go ahead as arranged at 2.30 this afternoon.

2. The fundamental reason why the Secretary of State is insisting on a discussion is, I understand, that the Department of Trade and not MAFF are answerable for the use of the 1939 Act. The Secretary of State fears that, once the Government agreed to use the 1939 Act in the manner proposed by the Solicitor General, MAFF would have no great incentive to replace the stop-gap measure by a permanent solution which satisfied the Commission.

3. It may therefore help to get agreement at this afternoon's meeting if the Prime Minister established that the proposals of the Minister of Agriculture and the Solicitor-General could only be accepted on two clear conditions:-

- (i) the text of the statement to be issued by the Minister of Agriculture tomorrow would be agreed in advance by the Department of Trade, the Treasury, the Foreign Office and the Solicitor-General;
- (ii) a paper by MAFF on the eventual solution to the problem should be considered by OD(E) not later than the end of March.

D.H.

7 February 1983.

D J S Hancock





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

From the Minister

CONFIDENTIAL

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

4 February 1983

Dear Secretary of State

UHT MILK: EUROPEAN COURT JUDGEMENT

both in  
box.  
Thank you for your minutes of 3 and 4 February on this subject.

At yesterday's discussion in Cabinet it was accepted that we should need to impose immediately interim controls to prevent imports which did not satisfy the same strict health and hygiene requirements that, in the interests of public health, we apply to the production and processing of our own milk: and the Law Officers have now considered what is best legal means of achieving this.

I understand that after taking into account all the points put forward at yesterday's meeting of legal advisers the Solicitor-General has now taken the firm view that the right course is to use the powers in the Import, Export and Customs Power (Defence) Act 1939 to impose immediately a temporary ban on imports of UHT milk while action is taken to achieve a more permanent solution. He envisaged that action could also subsequently be taken, once the Judgement had been studied more fully, to remove the illegal aspects of our present regime by recourse to Section 123(A) of the 1955 Food and Drugs Act and to provide under Article 13 for inspection at ports: but the immediate step would be to maintain the status quo by keeping out milk imports by specific licensing.

In his view this would be perfectly defensible provided we made it clear at the same time that we accepted the Court's judgement; intended to move quickly to remove the illegal effect of our legislation; and were proposing to open the necessary discussions with the Commission and others as soon as possible. He clarified the position about recent rulings by the Attorney-General, which in no way conflicted with the course of action he proposed. He said that in his view recourse to the 1939 powers for UHT milk would be

/perfectly defensible both ...

CONFIDENTIAL



perfectly defensible both from a UK and European point of view and would in no way undermine the usefulness or acceptability of these powers; but his view was that any attempt to create an effective import control on the basis of Section 13 of the Food and Drugs 1955 Act would be legally shaky and open to immediate challenge.

I am bound to say that it seems to me that the approach the Solicitor-General has proposed is the only feasible one from a legal and practical standpoint; and I entirely agree with him and with you that we would need to make it clear immediately that we accepted the Court Judgement, would be complying with it and would open discussions as soon as possible with the Commission and others concerned. I would propose to make this clear in a statement on the day of the judgement, next Tuesday, 8 February.

You have suggested that, as an alternative, I should rely on the powers of Section 13 of the Food and Drugs Act to seek to create a control of health and hygiene standards of imports at the ports during the interim period. The Solicitor-General has now ruled that this would be legally untenable but, even if it were, it would not be acceptable from a practical and political point of view.

All it could enable us to do is to require certificates from the French or other authorities to accompany any milk that enters the UK; and we could apply tests to such milk. This has four immense defects. First, it suggests that we are prepared to rely on French certification: we are not; the fact is their authorities will certify anything. Second, simply because they will certify anything, such a requirement would be ineffective and large quantities of milk would flood in. I simply could not defend this on public health grounds. Third, if we made the certification requirements so very onerous that even the French could not sign certificates we should be seen to be blatantly defying the Court and erecting a total and unreasonable barrier to imports. The same would be true of any attempt to test every carton for potential contamination (which incidentally would entail very considerable staff and administrative costs). This would cause far more trouble in the Community than the action now proposed, which at least holds out the prospect of imports when we are satisfied that French processing plants and farms meet the requirements we apply to our own milk. Fourth, it would manifestly not be applying to imports the same conditions and procedures as we apply to our own milk - a principle on which the Solicitor-General rightly insists if we are to avoid further Community challenge.

I hope that on reflection you and Arthur Cockfield will agree that the 1939 Act should be used. Since we shall be using it for only a few weeks, pending primary legislation, and since we shall be using it for the very reason that it is the only power we have that enables

/us to comply with the ...



us to comply with the Court's judgement while still protecting public health, I simply do not accept that its use on this basis will imperil the future status of these powers, and it is clear that Ian Percival shares this view. We shall get into far worse trouble if we try by trickery to twist the powers in the Food and Drugs Act to achieve something they are clearly never intended to achieve.

✓ I am copying this minute to the Prime Minister, to other Members of Cabinet and to Sir Robert Armstrong.

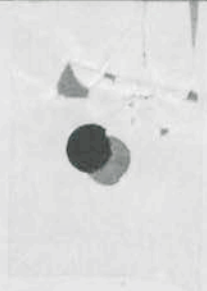
*Yours sincerely*

*Robert Lorna*

*for* PETER WALKER

(Approved by the Minister  
and signed in his absence)





4 JAN 1955





MR. FLESHER

Meeting on imports of milk: 1430 Monday 7 February

The following will attend:

Foreign and Commonwealth Secretary  
Minister for Agriculture  
S/S Trade  
Solicitor General  
David Hancock.

The Chancellor is away all day, but the Chief Secretary will represent him. The Earl of Mansfield will represent the Secretary of State for Scotland. Wales will send nobody as they will all be in the House for First Order Questions. The NIO will send a representative, name yet to be submitted.

Sir Ian Percival will let us know on Monday whether we should invite the Lord Advocate.

4 February 1983





e c t j.

(2)

Prime Minister

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

A.F.C. 7/2

4 February 1983

The Rt Hon Peter Walker MP  
Minister of Agriculture, Fisheries & Food  
Whitehall Place  
LONDON SW1A 2HH

*Dear Peter*

*mf*

## CAP PRICE FIXING 1983

Thank you for sending me a copy of your letter of 31 January, reporting the views of Ertl and Rohr on the price fixing.

As you say, we will have to consider the implications of this news when we meet to discuss the CAP price proposals. For my part I would not want to rule out a quick settlement on CAP prices, provided it is at an acceptably low and inexpensive level.

I am, however, concerned to hear that the German Agriculture Ministers are prepared to contemplate a further 1% increase above the Commission's proposals, which we all recognise are already too high for the main surplus products. I am sure therefore that it will be important at next week's Agriculture Council and in subsequent statements of our position to press home our arguments for a freeze of the prices of the surplus products, and for the strict application of the guarantee-threshold rules, and to seek German and Dutch support for the observance of our financial guideline.

If there is a suitable opportunity at next week's Finance Council, I would propose - without breaking Ertl's confidence - to urge the case for a tough price settlement on Stoltenberg, the German Finance Minister. We ourselves have heard in confidence from Dutch officials that Dutch Ministers will be taking a firm line on agricultural prices and I will see if I can get confirmation of this from the Dutch Finance Minister, Rüdiger.

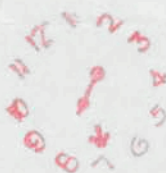
I am sending copies of this letter to the Prime Minister, the Foreign Secretary and Sir Robert Armstrong.

GEOFFREY HOWE

*G* →  
*Howe*



24 JAN 1983





MR COLMS

*1- General agreement but it would be useful if I could have a "tabloid" in charge 1- [unclear]*

*Other Ministers are being consulted over the weekend. If you and they are in contact with the minute we may not need a meeting on Monday.*

*Agree with recommendation in para. 9?*

*A.S.C. 4/2.*

UHT MILK: EUROPEAN COURT JUDGMENT

1. A meeting of Ministers has been arranged for Monday afternoon, 7 February, to consider what should be done to prevent uncontrolled imports of UHT milk from the Continent if the European Court rules that our present arrangements are unlawful. The judgment will be delivered early on the morning of Tuesday 8 February. The issue in question is discussed in the minutes of 3 and 4 February from the Foreign and Commonwealth Secretary to the Minister of Agriculture and in the Minister's reply of 4 February.

2. We do not know what precisely the judgment will say, but it is expected to condemn the existing United Kingdom restrictions on retail sales as they apply to other member states but to recognise the need for measures to protect public health. It may provide for the existing arrangements to be continued in force temporarily while a permanent new system of health protection is evolved. If so, Ministers will have time for further consideration of the matter. If not, there will be no protection against imports from other member states with effect from the time of the judgment. Decisions are therefore needed on Monday about the action to be taken by the United Kingdom in response to the judgment, assuming that it does not allow for the temporary continuation of our existing health control regime.



The Permanent Solution

3. The Minister of Agriculture's intention is to find a permanent solution to the problem which would impose the same health and hygienic requirements on milk producers in the United Kingdom and elsewhere in the Community. The substance of the Minister's proposals is set out in the extract from a recent letter at Annex A to this minute. The new regime will require primary legislation. We cannot say for certain how long it would take to prepare and enact this legislation even if Parliamentary time were not a constraint. It is very probable that the Commission would need to be satisfied that the terms of the new regime were consistent with the ruling of the European Court.

The Stop-Gap Solution

4. The Solicitor-General has been consulted about the powers available to the Government to control imports of milk in the interim period between the Court's judgment and the implementation of the permanent solution. He has advised that the best and most defensible solution would be as follows:-

- (i) immediately after the judgment of the European Court, to remove UHT milk from the open general licence granted under the 1954 order made under the Import and Export and Customs (Defence) 1939 Act. The effect would be to prohibit the importation of UHT milk without a specific licence;
- (ii) we should then negotiate with the Commission about the conditions under which specific licences would be available. The aim would be to subject producers





in other member states to the same conditions as apply to domestic producers;

- (iii) once the conditions attached to the grant of a specific licence had been promulgated, regulations should be made under Section 13 of the Food and Drugs Act 1955 in order to impose controls at the ports so that compliance could be checked.

The Solicitor-General's advice is recorded at Annex B.

5. The Foreign and Commonwealth Secretary and the Secretary of State for Trade have called attention to the risk that the use of the 1939 Act might be challenged. Any court decision against these new measures might diminish the legal force of the Act which is a vitally important legal power needed for reasons of general policy in other contexts. The Secretaries of State have asked whether the Food and Drugs Act 1955 could be used instead. The Solicitor General has given it as his opinion that the use of the 1955 Act would be much more open to challenge and is not able to advise the Government to rely on it except to the extent mentioned in paragraph 4(iii) above.

#### Presentation of the Introduction of Specific Licensing

6. A challenge to the 1939 Act resulting from its use in the manner recommended by the Solicitor General would be very much less likely if the presentation were as conciliatory to continental opinion as possible. It is therefore proposed that the Minister of Agriculture should make a statement stressing the following points:-





- (i) the United Kingdom accepted the Court's judgment;
- (ii) we intended to move quickly to remove the illegal effect of our legislation;
- (iii) a satisfactory solution would require new primary legislation which could not be enacted immediately;
- (iv) the intention would be to devise the new legislation so as to apply the same requirements to producers in the United Kingdom and in other member states;
- (v) the terms of the new scheme would be discussed with the Commission before enactment;
- (vi) in the meantime the Government had to continue to protect the public on health grounds and this was the sole reason for the temporary action taken.  
(In this section of the statement the greatest possible use would be made of any helpful remarks in the European Court's judgment.)

7. The precise wording of the statement cannot, of course, be settled until the terms of the Court's judgment are known. The text of the statement will be agreed by the Departments concerned before it is delivered.

#### Northern Ireland

8. The import regime for Northern Ireland is in one respect more restrictive than the existing regime for Great Britain - imports of UHT cream and flavoured milk are forbidden whereas they are permitted into Great Britain. A way of dealing with this complication is now being worked out by officials of the departments concerned.



Recommendation

9. Ministers are invited to agree that a temporary solution be implemented as recommended by the Solicitor General and that the presentation be handled as suggested in paragraphs 6 and 7 above.

10. Copies of this minute are being sent to the Private Secretaries of the Ministers invited to the meeting as listed below.

D.H.

D J S Hancock

4 February 1983

Distribution

Private Secretaries to:

Secretary of State for Foreign and Commonwealth Affairs  
Secretary of State for Northern Ireland  
Minister of Agriculture, Fisheries and Food  
Secretary of State for Scotland  
Secretary of State for Wales  
Chief Secretary, Treasury  
Secretary of State for Trade  
Solicitor General  
Sir Robert Armstrong.



ANNEX A

MEASURES PROPOSED BY THE MINISTER OF AGRICULTURE FISHERIES AND FOOD

1. The treatment plants in other Member States from which it is proposed to supply this country must be subject to individual authorisation under my control: I cannot rely on unsupported health certificates provided by other Member States.
2. Such authorisation must be conditional on inspection and approval by my inspectors to ensure that proper standards are being observed.
3. (Unless this is specifically ruled out by the judgment) this inspection and approval must, as in this country, extend to the farms supplying the treatment plants.
4. Individual consignments must be accompanied by an appropriate certificate to assure us that the necessary standards are being maintained.
5. My inspectors will need to make the necessary checks at the port to ensure that the certificates are valid.
6. In order to keep the administrative costs in reasonable bounds it will be necessary to specify the ports concerned.



NOTE OF A CONSULTATION HELD AT THE  
LAW OFFICERS' DEPARTMENT on 4 FEBRUARY, 1983

PRESENT: The Solicitor General  
K Chamberlain (FCO)  
J E Coleman (DOT)  
E Munir (MAFF)  
J Dixon (MAFF)  
W H Godwin (CO)  
C Wilson (LAD)  
M L Saunders (LOD)

UHT MILK

1. The Solicitor General emphasises that the Attorney General had not expressed grave doubts and warnings about the use of the Import, Export and Customs Powers (Defence) Act 1939. In two cases, the Attorney had in fact advised that that Act could be used but that it would be desirable to replace it by modern legislation as soon as possible. The Solicitor agreed wholeheartedly that it would be better and tidier to have new legislation but he had no doubt that the risks of a successful challenge to the use of the 1939 Act were negligible. The courts, on the few occasions on which they had considered the use of the 1939 Act, had not cast any doubts on its continued validity. The use of the Food and Drugs Act 1955 would be much more open to challenge.

2. The Solicitor General stressed that measures could only be taken to restrict importation of UHT milk for reasons of public health. It seemed to be accepted generally that the UK was not required in Community law to allow UHT milk into the United Kingdom without any checks as to its adequacy from the point of view of public health. In the Solicitor General's opinion, what we must try to do, in order to defend any system which is established in terms of Community law, is to put potential importers as nearly as possible in the same position as domestic



producers, taking into account the fact that they are not established in this country. We must of course not legislate extraterritorially. The Solicitor General suggested that we might achieve the aim of establishing a system which was defensible in terms of Community law by first, immediately after the Judgment of the European Court, removing UHT milk from the open general licence granted under the 1954 Order (made under the 1939 Act) thus prohibiting the importation of UHT milk without a specific licence. We will then as soon as possible enter into negotiations with the Commission to determine under what conditions the specific licence will be available. In those negotiations we would argue that it was reasonable and proportionate to subject foreign importers to the same conditions as applied to domestic producers. On completion of those negotiations we would then introduce the conditions to be attached to the grant of a specific licence and at the same time Regulations might be made under s.13 of the Food and Drugs Act 1955 imposing controls at the ports, including such matters as random sampling, requirements for marking and certification which would establish that goods have come from premises which have been tested and approved. It may well be, however, that the primary legislation which was being prepared would be enacted by this time. At some stage soon after the Judgment, the present restrictions on the sale of imported UHT milk would need to be lifted either by Regulations made under the 1955 Act or by an Order made under s.2(2) of the European Communities Act 1972.

3. The Solicitor General concluded that this scheme would require very careful presentation. The United Kingdom would make it clear that it would implement the Court's Judgment, that it would enter into urgent discussions with the Commission as to what restrictions could be imposed and that meanwhile there would be an import ban on UHT milk whilst these urgent



discussions were being undertaken. The Solicitor General said that if the discussions with the Commission did not arrive at a speedy and acceptable solution, we might have to introduce the licencing regime which we considered defensible in Community law and not maintain the absolute ban. It was reported that the Solicitor General for Scotland had not yet reached a final view. He would be discussing with officials in Scotland on Monday the eventual scheme envisaged and the powers under which it could be implemented.

LAW OFFICERS' DEPARTMENT

4th February, 1983.





FCS/83/23

MINISTER OF STATE FOR AGRICULTURE

Court Judgement of UHT Milk <sup>with FERB</sup>

1. We agreed in Cabinet this morning that something would have to be done to prevent uncontrolled imports of UHT milk from the Continent as from next week in the likely event that the European Court rules against us in the case on this matter. I understand that our Legal Advisers have been discussing the powers under which measures to prevent such uncontrolled imports could be taken.

2. I think I should make it quite clear now that I am firmly opposed to the use of the Import and Export and Customs (Defence) 1939 Act and its emergency powers in this case. The effect in the Community of using emergency powers would be quite disproportionate and add to the difficulties we already have. Moreover my Legal Advisers tell me that if we were to use it in a matter concerning intra-Community trade there would be a serious risk of challenge in the domestic courts on the grounds that we were taking action ultra vires the Act (which was an emergency measure passed because of the War). There might also be a case in the European Court. Any Court decision against our measures might diminish the legal force of the Act. This would be very damaging. As you know it is the only legal power we can at present use in some circumstances in which we need for reasons of our general policy to ban exports of arms and strategic materials to foreign countries (we used the Act for example in respect of Iran a few years ago). I am firmly of the view that we should not put at risk, in this case, this weapon in our armoury.

/3.





3. I understand that you have powers under Section 13 of the Food and Drugs Act which could form the basis for purely interim measures designed to prevent uncontrolled imports while we work out with the Commission and Member States a permanent system implementing the Court judgement. I hope that you will be able to use these powers.

4. I am sending copies of this minute to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Trade, for Scotland, for Wales and for Northern Ireland, the Solicitor-General and Sir Robert Armstrong.

*JP*  
-

(FRANCIS PYM)

Foreign and Commonwealth Office  
4 February 1983



4 FEB 1983







Prime Minister

A.J.C.  $\frac{3}{2}$ .

*M*

FCS/83/20

MINISTER OF AGRICULTURE, FISHERIES AND FOOD

UHT Milk: The European Court Judgement

1. I understand that the European Court is expected to deliver its verdict in the UHT milk case on 8 February. Given the line taken by the Advocate General, it seems unlikely that the Court's judgement will endorse our present requirements. This will clearly raise a variety of important questions which will need to be considered between Departments in due course. But my purpose in writing to you now is to consider the most immediate problem of what our first public reaction should be when the judgement is promulgated. I have a particular interest in this since I shall be top for questions on 9 February when the subject could well be raised.
2. I am quite sure that, whatever our position on the substance of the matter, we must make it plain from the outset that we intend to comply with the Court's judgement. Any equivocation on this score will only encourage the Commission, the French and any other potential suppliers to our market to subject our subsequent actions to even more suspicious scrutiny than will in any event be the case. A clear statement of intention to comply will put us in a much stronger tactical position - and can, of course, be immediately qualified by any reservations we need to make on public health grounds.
3. Subject, then, to your views, I would propose to take the following line if questioned in the House on 9 February. I would say that we are still studying the full detail of the Court's judgement, and can therefore at this stage make only these two points:
  - (a) That we shall, of course, comply with the Court's judgement; and
  - (b) That there are [as the Court itself acknowledges] important issues of public health at stake which will require careful discussion with all parties concerned,





including the Commission and other Member States.

4. This sort of line should, I suggest, put us in the strongest tactical position and give us the greatest freedom of manoeuvre as we decide the substance of our reaction to the Court's verdict.

5. I am copying this letter to the other members of OD(E).

A handwritten signature in dark ink, appearing to be 'FP', with a horizontal line underneath.

(FRANCIS PYM)

Foreign and Commonwealth Office

3 February, 1983



5 FEB 1983

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2





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

②

*J.T.S.*  
Prime Minister

From the Minister

CONFIDENTIAL

*A.S.C. 31/1-*

The Rt Hon Francis Pym MC MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
LONDON  
SW1A 2AL

31 January 1983

*MS*  
Dear Secretary of State

#### CAP PRICE FIXING 1983

In Brussels last week I had a private conversation with the two German Agriculture Ministers, Ertl and Rohr.

I am informed privately by them that their intention on the price fixing is to seek a settlement and if necessary to agree to price increases of 1% above those put forward by the Commission.

They intend to make no mention of prices until after the general election, although I am informed that both the main German parties will, in the election campaign, make it clear that they will not be in favour of prices less than those proposed by the Commission.

I was told that the present Government would continue in office until the 31 March, irrespective of the election result, and it is their intention, whether or not they are re-elected, to complete the price fixing before the new Government takes office. This will enable Ertl to preside over the price fixing and for his successor to come into office on 1 April with the price fixing completed. I am informed that they will be willing to sit, if necessary, night after night to achieve this objective.

/Naturally, this information ...

CONFIDENTIAL



Naturally, this information will have a considerable impact upon the tactics we pursue in the month of March, and doubtless in the near future we can fully consider the implications.

\* Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer and Sir Robert Armstrong.

Yours sincerely

R. L. Cross

31 JAN 1943  
12 11 10 9 8 7 6 5 4 3 2 1

for PETER WALKER

(Approved by the Minister  
and signed in his absence)



HU

EURO POL

MR. HATFIELD

This is just to record that the Prime Minister has seen Sir Robert Armstrong's minute of 25 January about Common Agricultural Policy Price Fixing for 1983/84.

Tim Flesher

26 January 1983

HU



CONFIDENTIAL

2

Prime Minister

A.S.C. 25.  
T

Ref. A083/0251

MR COLES

Common Agricultural Policy Price Fixing 1983/84

The Prime Minister asked why I had referred in my brief for last week's Cabinet to "the Commission's proposals for a 5.5 per cent increase in agricultural prices" when the Minister of Agriculture was referring to a 4.4. per cent increase.

2. The Commission's price proposals are based on a "norm" increase of 5.5 per cent, and this is the figure the Commission use in referring to them. In practice, however, because the increases for cereals and for milk in particular are below the norm, the weighted average increase on a Community basis works out at about 4.4 per cent. This average increase in common prices is the figure which is of primary interest domestically, and is the natural figure for the Minister of Agriculture to use in the House of Commons.

3. I am afraid that the weighted average increase figure was not available at the time when the brief had to be written.

RA

ROBERT ARMSTRONG

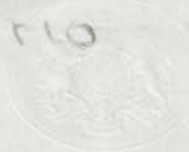
25 January 1983

CONFIDENTIAL

at Page J  
on Budget  
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Env. Pat. CAP Prio



COMPTON

1977



attachment with you  
WR 12/1

Euro PO1



Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

From the Minister's Private Office

W Rickett Esq  
Prime Minister's Office  
10 Downing Street  
London SW1

19 January 1983

Dear Willie

COUNCIL OF AGRICULTURE MINISTERS: 17-18 JANUARY 1983

--- I attach a copy of the statement which Mr Walker hopes to make in the House today. I would be grateful for immediate clearance.

/ I am copying this letter to Bernard Ingham; David Heyhoe (Leader of the House's Office); Murdo Maclean (Whip's Office, Commons); Michael Pownall (Whip's Office, Lords); David Wright (Cabinet Office); Keith Long (Chancellor of the Duchy of Lancaster's Office) and to Private Secretaries of the other Agriculture Ministers and members of the OD(E).

Yours sincerely  
Robert Lawson

ROBERT LOWSON  
Private Secretary




6 January 1983

The Prime Minister has asked me to thank you for your letter of 5 January enclosing an advance copy of the article which the Prime Minister of New Zealand has written for the Times and which appears in today's edition. Mrs. Thatcher read the article with interest.

JOHN COLES

His Excellency The Hon. W.L. Young







CCBI (2)

NEW ZEALAND HIGH COMMISSION

NEW ZEALAND HOUSE · HAYMARKET · LONDON SW1Y 4TQ  
Telephone: 01-930 8422 Telex: 24368

From the High Commissioner  
H.E. The Hon W. L. Young

*mt*

5 January 1983

*A very good article*

Prime Minister  
Well argued and well written.  
A & C. 5/1

*Dear Prime Minister*

I enclose with this letter a copy in advance of an article which Mr Muldoon has written at the invitation of the Editor of The Times. We now understand from The Times that the article is expected to be published in their edition of tomorrow, 6 January.

*With Best Wishes  
Yours sincerely  
Bill Young*

The Rt. Hon. Margaret Thatcher, MP  
Prime Minister,  
10 Downing Street,  
Whitehall,  
LONDON SW1.



NEW ZEALAND, GREAT BRITAIN  
AND THE EUROPEAN COMMUNITY

By the Right Honourable Robert Muldoon, CH  
Prime Minister of New Zealand

A year or two ago someone wrote to an English newspaper about the benefits of belonging to the European Community. They were, he said, like flying saucers: a lot of people talked about them, precious few could claim to have actually seen them, and those who did were generally disbelieved.

That may be a jaundiced view of Britain in Europe. But ten years on, it seems a pretty fair summation of what Britain's membership has meant for its relationship with "third countries" such as New Zealand. That our bilateral relationship is alive, and indeed remarkably healthy, is a tribute to hard work and immense goodwill on both sides. It owes little to Britain's entry into the Community: it has been maintained in spite of that fact, not because of it.

The most obvious, and the greatest, impact upon New Zealand has been in the field of trade. Since the repeal of the Corn Laws in 1846 Britain had consistently maintained a "cheap food" policy, freely allowing entry to its market from wherever agricultural goods could be produced most cheaply. In 1973 it overnight became a member of a fiercely protectionist grouping, already more than self-sufficient in many of the goods New Zealand produces most efficiently, and looking to the British market to absorb some of that excess. Inevitably, New Zealand's access to its traditional market was severely circumscribed. There can be no doubt that our economy has suffered as a result.

A measure of the degree of adjustment required of New Zealand is the level of entry permitted our major food exports now, compared with traditional sendings. Butter has fallen from a



a historical level around 170,000 tonnes to 92,000 tonnes in 1982 (and the prospect of 87,000 tonnes in 1983). Cheese has gone from about 70,000 tonnes annually to a GATT quota of 9,500 tonnes for the whole Community. Lamb is subject to "voluntary" restraint at 245,500 tonnes, in a market which has in the past absorbed quantities in excess of 300,000 tonnes a year from us.

It has never been New Zealand's wish to remain in an outmoded colonial relationship with the United Kingdom. Long before the decision was made which finally led to British EC membership in 1973, New Zealand had been actively seeking new markets for its primary products. Its success is reflected in the falling share of total exports directed to Britain - from 53 per cent in 1960 to 36 per cent in 1970 (before Community membership) to 14 per cent last year. That dramatic reduction has not been achieved without pain, and New Zealand would regard its present level of trade as an irreducible minimum. Markets simply do not exist elsewhere for the residual quantities of primary exports sold on the United Kingdom market.

Behind the difficulties Britain's EC membership has created for New Zealand is the Community's Common Agricultural Policy. That is the system which guarantees European farmers unrealistically high prices for their produce, and excludes efficient third country producers in order to prevent the operation of free market forces undermining that price structure. How the Community chooses to support its farmers, and at what level, is none of my business as long as the policies adopted affect only the Community. It becomes my business when those policies impinge directly on the economic interests of the country whose Government I lead, and this the CAP does in a variety of ways.

It is, from our point of view, unfortunate that the operation of Community preference has sharply reduced our scope to sell in what was formerly our major market. It is doubly unfortunate that very high internal prices are reducing consumption of



commodities such as butter to the point where there is not much of a market for anyone, including British farmers. But what is most damaging for New Zealand, in its process of continuing adjustment, is the Community's practice of subsidising exports. Surpluses created by the CAP are dumped on the international market with the aid of massive subsidies, to compete with the efficiently produced goods upon which we depend for our livelihood.

The Community has now reached the stage where 40 per cent of its total budget goes on the subsidies required to export its surpluses. Its agricultural exports increased by 164 per cent between 1973 and 1980, and now exceed those of the United States. If the Soviet market is excluded, it is the largest exporter of sugar, it is the largest exporter of beef after Australia, and it pre-empts New Zealand as the single largest exporter of dairy products in the world. Is it any wonder that I am occasionally less than temperate in my comments on the system that makes this possible?

Ten years of continuous stresses and strains associated with a difficult trading relationship might have been expected to produce a coolness in other areas, too. Paradoxically, they have not. Our peoples are too similar and our shared experience too long for a rift easily to open.

That our attitudes remain essentially alike was never more plain to me than in observing the reaction of the New Zealand people to Britain's sternest test of recent years, the Argentinian invasion of the Falkland Islands. We were no less unanimous than you in our reaction to the invasion. We were no less resolved in our determination that it was necessary to act in some way to counter that misuse of force. Common stock and common traditions are a powerful rallying force.

The greatest concern I have now when I consider British membership of the Community is the possibility that what we do hold in common may be eroded with the passage of time. It is not to be expected that those who profit most from the new system will



long cling to the old values. Already the British dairy farmers, with whom we co-operated when the market dictated price, are seeking to exclude New Zealand imports as an inconvenient reminder of that former condition. I fully expect that the UK sheep industry will follow suit as it gears production to the high new guaranteed price levels. How long then can the British Government resist the pressures of its own producers, added to the voices of those who see, wrongly, the maintenance of old friendships as incompatible with new alliances?

We are grateful for Britain's advocacy in the councils of the Community and are aware of the problems encountered there. I must express the hope that Britain will continue to fight the case for a more enlightened attitude towards agricultural production and marketing in Europe, and for a more broadly based recognition of the European Community's international responsibilities. It is important to New Zealand because the Community's decisions will have a profound effect on our future economic condition, and on our relationship with the Community as a whole. Most of all, it is important because it will increasingly set the tone for our dealings with the country which gave us our nationhood, and with which we will spare no effort to maintain the strongest possible ties.

In the wider perspective I find it distressing that the major Western allies, which have so much in common in terms of democratic systems, individual freedoms and shared perceptions of world security problems are squabbling amongst themselves on the trade front. Retreat into a protectionist laager, especially during current times, recessionary times, is patently the wrong thing to do if the world economy is to be turned round. All our societies bear to this day the scars from the injuries inflicted by that course in the 1930s.

If the European Community should move any further down this path it will damage not only individual member states but also



the Western alliance and the entire developing world. If wise counsels do not prevail it is, I fear, inevitable that New Zealand's traditional trade relations with the Community will change and diminish through the 1980s. Without at least stability, and preferably, growth in trade, the heart will have been knocked out of the relationship.

\* \* \* \* \*



CONFIDENTIAL

CAP

FILE

MFT



10 DOWNING STREET

*From the Private Secretary*

21 December 1982

Common Agricultural Policy: 1983/84 Price Fixing

With reference to your Secretary of State's minute of 20 December to the Prime Minister on the above subject, you may like to have a copy of the record of the meeting held here yesterday which discussed our tactics towards the next round of CAP price fixing.

A. J. COLES

John Lyon Esq  
Northern Ireland Office

CONFIDENTIAL

NK





10 DOWNING STREET

From the Private Secretary

20 December 1982

c. CO  
HMT  
FLO  
DI  
Demp.  
c. Scott's office

NTde  
MAFF

Dear Robert,

COMMON AGRICULTURAL POLICY: 1983/84 PRICE FIXING

The Prime Minister held a meeting at No. 10 Downing Street today to discuss the price fixing and the green pound. In addition to the Minister of Agriculture, Fisheries and Food, the following were present: the Chancellor of the Exchequer, the Secretaries of State for Foreign and Commonwealth Affairs, Industry, Employment and Trade, Sir Robert Armstrong and Mr. Hancock of the Cabinet Office.

The meeting had before it the Cabinet Office paper attached to my letter to you of 7 December; your Minister's minute to the Prime Minister of 15 December; and the Chancellor of the Exchequer's minute to the Prime Minister of 17 December.

The Minister of Agriculture reported that the Commission were still discussing their farm price proposals. Present expectations were that they would recommend a price increase of between 2 and 3 per cent for milk; about 4 per cent for cereals; and 5 to 6 per cent for the rest. The French Commissioners were pressing for special concessions for small farmers and the representatives of the Mediterranean interests were pressing for much more for Mediterranean agriculture. It was probable that the Commission would formally put their proposals to the Council in January. In the Council discussions, Italy, Ireland and Greece could be expected to press hard for much higher price increases. The French Government were unlikely to go for high average increases but would instead concentrate on getting special concessions for sensitive sectors of French agriculture. The German Government would control the timetable, being in the Presidency, and they were unlikely to want any sharp public conflict to emerge until after their General Election. The negotiations would therefore be unlikely to enter their decisive phase until mid-March.

When the Commission proposals were put forward the Minister proposed to oppose them strongly on the grounds that they were excessive. It was essential for tactical reasons that he should also say that there should be no revaluation of the green pound. He was content to agree that Ministers should consider policy for the green pound when the nature of the settlement could be predicted; but he would be surprised if the increases for milk and cereals, the two key commodities for the UK, came out at over 5 per cent so that there would be no call for a revaluation on the basis of the suggestion in the Chancellor of the Exchequer's minute of 17 December.

/ The Chancellor

SR



The Chancellor of the Exchequer said that the size of the United Kingdom's MCA and the consequent scope for revaluation could not be predicted. If last week's weakening of the pound persisted, the MCA would be reduced from 5 per cent to about 3½ per cent. His preferred course would be a firm Ministerial decision to revalue the green pound if necessary and if possible so as to limit the effect of the price settlement on domestic farm prices to below 5 per cent. But he would accept a decision to leave the matter open until the outcome of the negotiations could be predicted, provided that the UK's negotiating hand was played in such a way as to be compatible with a decision to revalue the green pound at that stage.

The Secretary of State for Employment said that there was a real risk that the monthly pattern of RPI figures would change direction in the course of 1983 and start going up again. Such a change of trend would attract public notice and could have a decisive influence on wage negotiations. The Government's priority must therefore be to prevent food prices going up by any more than was essential.

In discussion, it was pointed out that the international situation would provide the Community with a new and powerful incentive to agree to only modest price increases and to curb surpluses. In his visit to London the previous week, Secretary of State Shultz had made it quite clear that, if the Community carried on as before, the United States would deliberately launch a campaign of competitive subsidisation of agricultural exports and would be determined to win.

It was further suggested that the farm price and green pound decisions would be important for the food manufacturing industry, whose interest had to be considered as well as those of British farmers. On the other hand, it was argued that most of the firms in the British food manufacturing industry were making healthy profits.

Summing up the discussion, the Prime Minister said that the meeting agreed that for tactical reasons the United Kingdom's public position at the outset of the negotiations should be that there should be no revaluation of the green pound. Equally, the option of revaluing, if circumstances made that appropriate at a later stage, should not be foreclosed. It followed that nothing should be done in the negotiations or at home which would make it difficult for the Government to take such a decision at the appropriate time, if that were considered to be the right decision to take.

I am copying this letter to the Private Secretaries of the Ministers listed in paragraph 1, and to Richard Hatfield.

*John ...*  
*John ...*

Robert Lowson, Esq.,  
Ministry of Agriculture, Fisheries and Food.



612  
**CONFIDENTIAL**



NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

PRIME MINISTER

N. B. P. R.

COMMON AGRICULTURAL POLICY : 1983/84 PRICE FIXING

ML  $\frac{21}{12}$

I understand you are considering with colleagues the possibility of accepting Commission proposals for the revaluation of the Green Pound in the context of 1983/84 EC agricultural price fixing. In my view, there would be little tactical advantage in accepting such proposals. It would not be of any real value in persuading the other Member States to accept a lower average price increase in the negotiations. The Germans and the Dutch did not accept any automatic reduction of their "old" positive Monetary Compensatory Amounts when they signed the "Gentleman's Agreement" on Agri-monetary affairs.

We must also be careful not to inflict unnecessary damage on our agricultural industry. 1982 certainly appeared a good year in comparison with 1981, but it has not made up for 1980, which was a disastrous year in Northern Ireland. In real terms returns are lower than the mid-1970's. Indeed recent relatively improved results were largely due to the good fortune of better than average weather conditions.

While I would hope that future fluctuations in the value of sterling would not be as violent as occurred at the beginning of the month, a fall of the same magnitude would put us in a position where monetary compensatory amounts would no longer apply. A revaluation could, in such circumstances, have the effect of reintroducing negative MCA's which we abolished soon after taking office and which act as an incentive to our competitors to export to us.

Any hint that we were adopting a revaluation of the Green Pound when our farmers would have a very low, or perhaps even negative, increase in the basic agricultural support price would be likely to choke very quickly the increased investment which it appears has been taking place recently. The value of such works for the rest of the economy, of maintaining stability in agriculture and, if possible, improving our use of home grown products and exports must surely more than balance the very marginal effect there might be on the retail price index from a revaluation.

I am copying this Minute to the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, the Secretaries of State for Trade, Industry and Employment, the Minister of Agriculture, the Secretaries of State for Scotland and Wales and the Chief Whip.





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

PRIME MINISTER

COMMON AGRICULTURAL POLICY : 1983/4 PRICE FIXING AND THE GREEN POUND

I have seen a copy of Peter Walker's letter to you of 15 December about the CAP price fixing.

2. I am afraid that I must strongly disagree with his proposal that we should take a decision now not to revalue the green pound.

3. First, let me say that I do not think that we should be unduly influenced in our discussion by the recent fall in sterling. The reduction in our positive MCA to 5.1 per cent (about the level obtaining in the Netherlands) has not changed the level of the green pound itself or the prices received by our farmers, which remain higher than those in all other Member States except Germany and the Netherlands.

4. Second, I cannot see how we can separate the question of the green pound from the outcome of next year's negotiations on CAP price levels themselves. It is surely essential that in the period we are talking about we do all we reasonably can to keep down the rate of inflation, particularly for the most sensitive items in the shopping basket, such as food. We must go into this year's CAP price fixing with that objective uppermost in mind. I understand that, despite MAFF's representations and the pressures from the USA, the Commission are still expected to propose price increases around 5.5 per cent, though with somewhat lower figures (3-4 per cent) for milk and cereals. Obviously we must fight hard for lower figures. But all the evidence of the past - particularly of the last 2 years - is that the eventual outcome could well be 1 per cent or 2 per cent higher than the Commission propose.





5. My view is that, if the final outcome of the price fixing leads to excessive increases in CAP prices, we should revalue the green pound to the extent necessary to reduce the impact on UK domestic farm prices to less than 5 per cent.

6. Peter Walker argues that the effect of even a 2 per cent revaluation on the RPI is too small to be worth bothering about. I do not accept that. The fact of the matter is that most of the price increases in the individual items making up the RPI shopping basket are in themselves pretty small. But their cumulative effect can have a significant impact on the rate of inflation. It is worth noting that the Germans, who are as committed to eradicating inflation as we are (but who have a larger farm population), have regularly been prepared to revalue by 1 - 2 per cent and may be expected to do so again next year after their Election.

7. Similarly, I do not accept Peter Walker's suggestion that the housewife will not feel the benefits of a green pound revaluation; all the evidence is that the competitive pressures in the retailing chain will make sure that the effects are passed on to the consumer.

8. In addition to the effect on food prices, we also need to consider the impact of the present level of the green pound on our food manufacturers and processors. They have made strong representations to us for a revaluation of the green pound for well over a year. They are just as large a source of employment as the farming sector, but have had to shed 9 per cent of their labour force over the past three years. They have been losing sales on the domestic markets because our high food prices have kept food consumption static; and our exporters of such foods as biscuits and chocolates lose out because they have to pay higher prices for their inputs, but are not entitled to the export refunds which are available to farmers.



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9. I recognise that a revaluation will be unpopular with our farmers. But the farm sector has done exceptionally well in comparison with the rest of the economy over the last 2 years (not just 1982 as Peter Walker implies). Net farm income will be up by nearly 33 per cent in real terms this year after a rise of 11 per cent in 1981. And a good deal of last year's 10½ per cent CAP price increase has still to work through to the farmer. So to limit our farmers to a 5 per cent rise in 1983 - which is what we recently agreed for liquid milk - should be defensible. Their political support is certainly important, and I do not take it for granted, but so is that of the consumer and the housewife.

10. As the Cabinet Office paper recognises, we cannot reach a final decision on the green pound until it becomes clearer from the negotiations in Brussels what level of CAP price increases other Member States are prepared to settle for; and we shall, of course, need to take account of any developments in the sterling exchange rate. But I hope that we can agree on Monday that our firm objective is to limit the effect of this year's CAP settlement to below 5 per cent on domestic farm prices and that we should be prepared to revalue to the extent needed to achieve that.

11. We can discuss in more detail on Monday precisely how to play the negotiating hand in Brussels. The adoption of the objective I have proposed does not, of course, mean that we should immediately accept the Commission's proposal for a revaluation. But the negotiating tactics we use in the opening phases in Brussels must be compatible with the eventual 5 per cent outcome.

12. I am sending copies of this minute to those who received Peter Walker's.

*Jolley*

PP G.H.

(Approved by  
Mr Chancellor,  
now in Brussels.)

17 December 1982





17 DEC 1952







SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

PRIME MINISTER

GREEN POUND

I gather you are to discuss Green Pound policy next Monday. For my part, I believe strongly that our negotiating hands on the EEC price-fixing should not be tied in advance by a commitment to revalue the Green Pound. It seems to me essential that our opening position should be a determined demand for a freeze on prices for products in structural surplus. In my view it is naive to suppose that a self-denying ordinance by the UK would have the slightest affect in persuading our Community partners to exercise any greater degree of restraint on prices.

A revaluation of the Green Pound would cause domestic political difficulties not just because it would cut price increases to our own farmers. We should also have to defend a position in which the UK taxpayer might be made to pay, through the Budget, for more support to French and German farmers than to our own.

In any event, it is surely too early to decide on whether to agree to a Green Pound revaluation. UK mcas have more than halved (from 10.7 per cent to 5.1 per cent) in the last three months, and there is more than three months to go before there is any likelihood of a decision on the price-fixing. Much could happen to international exchange rates, and to our negotiating position vis-a-vis our Community partners, before then.



I suggest, therefore, we stick firmly at present to the no price increase stance, and only consider even a token revaluation of the Green Pound - if at all - in the very last stages of the price-fixing, when we know how international exchange rates stand and what level of price increase the rest of our partners seem willing to settle for.

I am copying this minute to the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, the Secretaries of State for Trade, Industry, Employment, Northern Ireland and Wales, and to the Minister of Agriculture, Fisheries and Food.

G.Y.

G.Y.

17 December 1982



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



From the Minister

CONFIDENTIAL

PRIME MINISTER

Prime Minister

To note, pending next week's meeting.

15 December 1982

A. J. C. 16/12

COMMON AGRICULTURAL POLICY: 1983/84 PRICE FIXING

I have read the paper which the Cabinet Office have prepared as background for the discussion we are to have next week on the green pound. It may be helpful if I add one or two comments before we meet.

First, it is quite clear that our public stance at the outset of the negotiations must be that there should be no revaluation of the green pound. No other stance would be reconcilable with our insisting that there should be no increase in common prices for the products in structural surplus (cereals, milk, sugar and wine). The combination of a price freeze and a green pound revaluation would mean a reduction in support prices here, and no one would believe we seriously contemplated this (to say nothing of the impossibility of presenting it to our own industry). No one would therefore regard our posture on common prices as seriously intended if we showed at the same time any willingness to revalue.

Secondly, the case against a revaluation is in any case so overwhelming that in my view we should decide here and now that there should be none. Agriculture is pulling itself out of the recession, though real net income, despite a year of superlative weather, has still not reached the levels it attained under the Labour Government. To impose a handicap on the industry just as it began to prosper again would be indefensible in either economic or political terms. The only conceivable argument for doing so would presumably lie in the effect on food prices. But there would in my view be no visible benefits for the consumer. The rate of increase of food prices is already well below that of the RPI, and any effect of revaluation on

/the farmer's returns would ...

CONFIDENTIAL



the farmer's returns would be far more likely to go into the pockets of processors and retailers than to the housewife. And even if the whole of the benefit went to the housewife a 2% revaluation would affect the Retail Price Index by only about one tenth of one percent.

There is no way in which so small an effect on prices would be worth what a revaluation would cost us. Even a small revaluation would be a massive blow to the industry's confidence, which we have managed to sustain, with much difficulty, through the years of recession. It would further discriminate against our farmers by comparison with their main competitors, the French, who have scope to add 3.8% to the full common price increase by further green franc devaluation (on top of the devaluation increase of 2.8% already decided for them for the next marketing year). It would imperil the political support we can otherwise expect from the agricultural community in a general election. And it would be impossible to explain at a time when our MCA has already been halved by the fall in sterling (from 10.7% to 5.1%: at some of this week's rates for sterling the MCA would be as low as 3.5%) and when the rate for a floating pound remains unpredictable.

I hope therefore that we can take a firm decision next week against any revaluation of the green pound in the 1983 price fixing. We shall then have a clean and clear negotiating position which will enable us to bid credibly for a price standstill for the main surplus commodities and so strengthen our hand in the critically important negotiation on the Community budget.

✓ I am sending copies of this minute to the other Ministers invited to the meeting (the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary and the Secretaries of State for Trade, Industry and Employment); and also to the Secretaries of State for Scotland, Wales and Northern Ireland and the Chief Whip.

*Peters*

for PETER WALKER

Approved by the Minister  
and signed this abstract



Enso. Pol : CAP R410

5 DEC 1982

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Eno. Pol.

## Agriculture Council

4.14 pm

**The Minister of State, Ministry of Agriculture, Fisheries and Food (Mr. Alick Buchanan-Smith):** With permission, Mr. Speaker, I wish to make a statement on the meeting of the Agriculture Council on 13 and 14 December in Brussels, at which I represented the United Kingdom.

The Council agreed to extend to the end of 1983 the arrangements for controlling imports of live cattle and pigs into Great Britain to protect our livestock against foot and mouth disease and swine vesicular disease. The special arrangements which apply to imports of live animals and meat into Northern Ireland have also been extended for a further year. During next year, the Council will discuss the introduction of rules for trade within the Community in live animals and fresh meat. We shall, of course, ensure that, when such rules are adopted, the special status of Great Britain and Northern Ireland is fully protected.

The Council also discussed new provisions which would bring up to date the public health requirements for trade within the Community and with third countries in fresh meat. No decision was reached and the Council will consider this further at its meetings early next year.

Agreement was reached on the 1983 arrangements for the importation of beef for processing. Next year's arrangements, including the quantity of 60,000 tonnes at reduced rate of levy, are the same as those for this year. These supplies are important to our processing industry and this means that imports can take place from the beginning of January.

As the House knows, in October the Council decided the arrangements for imports of New Zealand butter in 1983. However, the French and Irish Governments indicated again that they are not prepared to adopt the necessary implementing regulation until the Commission has authorised exports to Russia. I made it clear that there is no possible justification for the objections of these two delegations, which are an abuse of the Council procedures. There will be further discussion at the management committee before Christmas.

**Mr. Norman Buchan (Renfrewshire, West):** The Opposition welcome the decision at last to continue for another year the existing animal import controls. I only wish that the Government had listened to us more fully in the debate last week. Certainly, my hon. Friend the Member for Durham (Mr. Hughes) will be pleased that the Minister listened to what he had to say.

Will the Minister accept that what is really needed is a permanent recognition of the special requirements both of Great Britain and of Northern Ireland? We cannot be satisfied with anything less.

I have anxieties about imported beef. Unnecessary and unfair restrictions are still being placed not just on third countries but on Third world countries. The figure for Botswana for the first nine months is 8,000 tonnes of imported beef. There must now be a gap because of what has happened with Argentina. Is it not possible that the gap could be filled by Botswana? Should we not examine that possibility to see what further imports of beef at that rate could be made?

The statement referred to butter. The Minister will remember that we now know that over the past few years, despite the decision of the Council of Ministers, the EC has continued to export subsidised butter. When the Minister says that there will be further discussion at the management committee before Christmas, does this mean that this matter will pass outside our control so that, as has happened over the past few years, the wishes of the Council of Ministers are to be flouted? We should like assurances on that.

Will the Minister give a further assurance that, if the management committee discusses this further, it will not discuss our guaranteed arrangements for the import of butter from New Zealand?

On a more festive note, the House would welcome an assurance that, despite what the management committee may say, the subsidised Christmas butter for the United Kingdom will continue. I should like guarantees on all those points.

**Mr. Buchanan-Smith:** With regard to foot and mouth disease, I welcome the support from the Opposition. We have succeeded in the Council of Ministers in achieving the declared objective that my hon. Friend the Parliamentary Secretary made clear to the House. I am glad that we have succeeded in that and, of course, we had the support of the Republic of Ireland and the strong support of Denmark in doing so. I am grateful for the welcome that the hon. Gentleman has given.

Beef is important to our processing industries. The arrangements fulfil the agreement under the multilateral trade negotiations which were carried out a number of years ago. As I understand it, arrangements have been welcomed by the countries involved.

The French Minister tried to make a link between the exports of butter to Russia and the continuation of supplies from New Zealand. The French failed in that attempt. The Presidency, the Commission and other delegations made it clear that they believed that to try to make that sort of link was unreasonable and unjustified. In October the Council had agreed, without any condition, that the import of butter from New Zealand should continue. We shall continue to press for that, and I am confident that we shall proceed with supplies continuing in 1983.

**Mr. Buchan:** What will the management committee be discussing if these guarantees are finalised?

**Mr. Buchanan-Smith:** The management committee has to deal with details such as implementing regulations and export refunds. A formal meeting of the management committee is due to take place before Christmas.

**Mr. J. Enoch Powell (Down, South):** Is the right hon. Gentleman aware that the Ulster farming industry will be relieved at the breathing space that the Minister, with the assistance of the House, has obtained, and that it relies on the Government to use that breathing space to make an agreement that will permanently secure a special standard of animal health in Northern Ireland, which is so beneficial both to the Province and to the United Kingdom as a whole?

**Mr. Buchanan-Smith:** I thank the right hon. Gentleman for what he has said and for the support which he gave in the House last week. We have a special status, and within the United Kingdom Northern Ireland has an even more special status. We have made an entry in the



[Mr. Buchanan-Smith]

Council minutes to the effect that this status and the longer-term conditions must be recognised before an agreement is reached.

**Sir Peter Mills** (Devon, West): I congratulate the Minister on the negotiations. Will he stand firm on the exports of butter to Russia, which are entirely wrong in my view? Any advantages should accrue within the Community, especially for pensioners, hospitals and the Armed Services. Will my right hon. Friend bear in mind that it is not wise to allow the importation of live animals into this country, especially in the south-west where there are enormous herds of beef and cattle? It would be disastrous if foot and mouth disease were allowed to enter the country.

**Mr. Buchanan-Smith:** The United Kingdom has made clear its opposition to the exports of butter to Russia and has voted against it in the management committee. We shall continue to take this position. I am grateful to my hon. Friend for his support. We recognise the danger to our livestock of foot and mouth disease, and that is why we have argued in the way that I have outlined. Until we arrive at satisfactory long-term arrangements, the arrangements that we thrashed out in 1976 will continue. I endorse everything that my hon. Friend has so rightly said.

**Mr. Geraint Howells** (Cardigan): I welcome the action that has been taken on the importation of live cattle. I am sure that the Minister will agree that foot and mouth disease and swine disease are extremely important issues. Can he give an assurance to our livestock producers that he is still in favour of the eradication system and does not support the vaccinating that has been suggested by our European counterparts? Will he advise the House where the 60,000 tonnes of processing beef is coming from? From which part of the world will it come? Finally, for how long does he think we shall sell our butter surpluses to the Russians?

**Mr. Buchanan-Smith:** I am grateful to the right hon. Gentleman for what he said about foot and mouth disease. We believe that our slaughter policy is the right one. It has proved to be successful in the past. We believe that the United Kingdom and two other countries in the Community have the highest health standards and we hope that others will come up to our standards.

One of the countries most involved in the importation of beef into the United Kingdom is Australia. Half our beef imports come under one system of levy and United Kingdom processors take about 40 per cent. of what is available under it. This is an advantage to Commonwealth countries and of especial advantage to our processors.

As I have said, we have made it plain that we believe it wrong to make a link between exports of butter to Russia and the continuation of supplies from New Zealand. Such exports are wrong in any event.

**Mr. Thomas Torney** (Bradford, South): I appreciate the Minister's assurance about New Zealand butter, but is he aware of the problems that New Zealand faces due to the unloading of surplus EC stocks, to which Britain has made no contribution, on the world market? Does he recognise that the unloading of these surpluses has led to New Zealand facing difficulties in selling its butter on the

world market? Will he ensure that the Common Market cannot in future make it so difficult for New Zealand to sell its butter on the world market and that there will be no effect on the quota that the Common Market agrees to supply to our country, bearing in mind that it is a Commonwealth country?

**Mr. Buchanan-Smith:** Not for the first time, the hon. Gentleman is wrong. Over recent years there has been good co-operation between the Community and New Zealand in respect of dairy products on the world market. The Commission made it clear that New Zealand butter should continue to have access to the Community to maintain the good relationship that exists in other world markets. There is support from the Commission and the Council and I hope that the hon. Gentleman will welcome it.

**Mr. Tony Marlow** (Northampton, North): Given the strong revulsion felt by the European public about the provision of subsidised butter to the Russians whereby they can release other resources for building up their massive armed forces, is it possible that the handling of this matter could be withdrawn from the competence of the management committee and vested in the European Council? If this is the case, will my hon. Friend seek to move in that direction so that we can veto this nonsense in future?

**Mr. Buchanan-Smith:** Under the provisions of the treaty, these matters are subject to management committee procedure. I do not see prospects of that being changed. However, among others in the Community, Britain is not alone in being concerned about these exports to Russia. Other Governments share our concern and we shall continue to work with them to try to achieve our objectives.

Several Hon. Members rose—

**Mr. Speaker:** I propose to call those who have been rising in their places and seeking to catch my eye.

**Mr. Robert MacIennan** (Caithness and Sutherland): I recognise the international multilateral obligations to which the Minister has spoken that apply to the importation of beef for processing and the needs of the processing industry. Might it not have been better this year, especially when our domestic meat producers are under considerable pressure, to have sought to supply a larger part of the processing industry's needs from our own resources?

**Mr. Buchanan-Smith:** No, because our processors want meat that has a high lean content for the processed meat that they are producing, which is not available from within the Community. Imports are necessary in recognition of the needs of our industry and the needs of our consumers. If our processors are not supplied, consumers are likely to be supplied from sources outside the Community. Therefore, the continued access to this meat is in the interests of British processors and British consumers.

**Mr. Dennis Skinner** (Bolsover): Is the Minister aware that these statements tend to follow a familiar boring pattern? The Minister presents a statement that is an announcement of defeat and failure, near-defeat or a referral to a committee and he tries to wrap it up as a partial victory. Is it not a fact that we have reached a stage when





Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

From the  
Minister of State

W Rickett Esq  
Prime Minister's Office  
10 Downing Street  
London SW1

15 December 1982

Dear Mr. Rickett,

15/12

COUNCIL OF AGRICULTURE MINISTERS: 13-14 DECEMBER 1982

I attach a copy of the statement which Mr Buchanan-Smith hopes to make in the House today. I would be grateful for immediate clearance.

I am copying this letter to Bernard Ingham; David Heyhoe (Leader of the House's Office); Murdo Maclean (Whip's Office, Commons); Michael Pownall (Whip's Office, Lords); David Wright (Cabinet Office); Keith Long (Chancellor of the Duchy of Lancaster's Office) and to Private Secretaries of the other Agriculture Ministers and members of the OD(E).

Yours sincerely

DW Harbourne

DAVID HARBOURNE  
Private Secretary



COUNCIL OF AGRICULTURE MINISTERS MEETING ON 13 AND 14 DECEMBER  
DRAFT STATEMENT

With permission Mr Speaker, I wish to make a statement on the meeting of the Agriculture Council on 13 and 14 December in Brussels, at which I represented the United Kingdom.

The Council agreed to extend to the end of 1983 the arrangements for controlling imports of live cattle and pigs into Great Britain to protect our livestock against foot and mouth disease and swine vesicular disease. The special arrangements which apply to imports of live animals and meat into Northern Ireland have also been extended for a further year. During next year, the Council will discuss the introduction of Community rules for intra-Community trade in live animals and fresh meat. We shall, of course, ensure that, when such rules are adopted, the special status of Great Britain and Northern Ireland is fully protected.

The Council also discussed new provisions which would bring up to date the public health requirements for trade within the Community and with third countries in fresh meat. No decision was reached and the Council will consider this further at its meetings early next year.

Agreement was reached on the 1983 arrangements for the importation of beef for processing. Next year's arrangements, including the quantity of 60,000 tonnes at reduced rate of levy, are the same as those for this year. These supplies are important to our processing industry and this means that imports can take place from the beginning of January.



As the House knows, the Council decided in October the arrangements for imports of New Zealand butter in 1983. However the French and Irish Governments indicated again that they are not prepared to adopt the necessary implementing regulation until the Commission have authorised exports to Russia. I made clear that there is no possible justification for the objections of these two Delegations which are an abuse of the Council procedures. There will be further discussion at the Management Committee before Christmas.





10 DOWNING STREET

*From the Principal Private Secretary*

13 December, 1982

The Prime Minister has seen and noted the Chief Whip's private and confidential minute of 9 December about the Early Day Motion deploring the possible devaluation of the Green Pound. She is grateful to the Chief Whip for drawing this to her attention.

E. E. R. BUTLER...

Murdo Maclean, Esq.,  
Chief Whip's Office





From the Minister

CONFIDENTIAL

The Rt Hon Francis Pym MC MP  
Secretary of State for Foreign and  
Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
LONDON  
SW1A 2AL

Prime Minister

To note

A.F.C. 10/12

10 December 1982

FRANCO-SOVIET AGRICULTURAL AGREEMENT

I was very disturbed to see UKREP telegram 4744 of 9 December reporting the latest state of play within the Commission on the Franco-Soviet agricultural agreement.

It is evident from this that the French lobbying, which I referred to in my letter of 29 November to you, is proving to be increasingly effective, and it seems to me there is now a very real danger that the Commission will try to duck the issue for the reasons given in paragraphs 2 and 3 of the telegram. I therefore strongly endorse Sir Michael Butler's suggestion that you should raise this with Thorn and Haferkamp in the margins of next week's Foreign Affairs Council. In particular, I think you should stress to them that we regard this issue as an important test of the Commission's willingness to take a firm stand against persistent and flagrant French transgressions of the Treaty.

*will request if required*

*will request if required*

I should also say that coincidentally the general question of long-term export contracts will be on the agenda for next week's Agriculture Council, and, whilst I appreciate the need to avoid giving the impression of conducting a bilateral dispute with the French, I think it would be wrong, in this context, if I were not to make at least a passing reference to the Franco-Soviet agreement.

/I would, however, do this ...

CONFIDENTIAL



I would, however, do this in a way which was directed at the Commission and which sought to elicit both a statement of where they now stand and a view of the legality of the agreement. I will also see whether I can get the Germans and the Dutch to weigh in as well. If they can be persuaded to take the lead, so much the better: but, even if they only speak in support of our reservations, that would clearly be helpful.

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

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PETER WALKER

Curia Pet. p. 1952





Government Chief Whip

12 Downing Street, London SW1

PRIVATE AND CONFIDENTIAL

The Prime Minister

MS

1. WK  
2. ABC  
3. MES.

This underlines the advantage  
of having the Ministerial meeting

F.R.B.

10.12.

I have heard that there is shortly to be a small Ministerial meeting  
to discuss the possibility of de-valuing the Green Pound.

You should know that Peter Walker has been very active among our  
back-benchers about this and has stirred up Peter Mills, who is likely  
to put down an Early Day Motion in the near future deploring the  
possibility of this de-valuation. I gather he already has eighty  
signatures.

---

9th December 1982





10 DOWNING STREET

Please now type the  
letter behind this page.

AD  $\frac{7.}{12}$



CONFIDENTIAL



bc. C.S.  
cf. N10

10 DOWNING STREET

From the Private Secretary

7 December 1982

Dear Robert,

Common Agricultural Policy: 1983/84 Price Fixing

The Prime Minister understands that the Commission are likely to present their 1983 farm price proposals to Agriculture Ministers later this month and that these can be expected to call for at least a partial revaluation of the green pound. She would therefore like to discuss with the Minister for Agriculture, the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, and the Secretaries of State for Trade, Industry and Employment the policy we should adopt on the green pound in the 1983 price-fixing negotiations. We shall be in touch separately to arrange a time for the meeting.

I enclose, as a basis for the discussion, a factual paper by the Cabinet Office listing the policy options.

I am copying this letter to the Private Secretaries of the Ministers listed above.

Yours ever

John Gorton

Robert Lowson, Esq.,  
Ministry of Agriculture, Fisheries and Food.

CONFIDENTIAL

John



CONFIDENTIAL



CC CAROLINE STEPHENS -  
TO ARRANGE MEETING

10 DOWNING STREET

*2 no*

*From the Private Secretary*

7 December 1982

Common Agricultural Policy: 1983/84 Price Fixing

The Prime Minister understands that the Commission are likely to present their 1983 farm price proposals to Agriculture Ministers later this month and that these can be expected to call for at least a partial revaluation of the green pound. She would therefore like to discuss with the Minister for Agriculture, the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, and the Secretaries of State for Trade, Industry and Employment the policy we should adopt on the green pound in the 1983 price-fixing negotiations. We shall be in touch separately to arrange a time for the meeting.

I enclose, as a basis for the discussion, a factual paper by the Cabinet Office listing the policy options.

I am copying this letter to the Private Secretaries of the Ministers listed above.

A. J. COLES

*AJC*

*11.30 on  
Tuesday 14 Dec.  
CS.*

*8/12.*

Robert Lowson, Esq.,  
Ministry of Agriculture, Fisheries and Food.

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COMMON AGRICULTURAL POLICY (CAP) PRICES 1983/84 AND THE GREEN POUND

Note by the European Secretariat of the Cabinet Office

BACKGROUND

1. The Commission have started serious work on their 1983 price proposals and hope to present them to the Agriculture Council on 13 December. Current information is that they are thinking in terms of a general norm of 5.5 per cent price increases - though only 4 per cent for cereals - with guarantee threshold adjustments of 2.2 per cent for milk and 1 per cent for cereals, making a net increase of 3.2 per cent for milk and 3 per cent for cereals, and green rate revaluations resulting in reductions in positive monetary compensatory amounts (MCAs) of 2.8 percentage points for Germany, the Netherlands and the UK. This would mean revaluations of approximately 3 per cent. The price increases for milk and cereals would be set at the minimum necessary to avoid a price reduction after taking account of the guarantee threshold adjustments and green rate changes, and these would be regarded as effective zero increases.
  
2. After discussion between the Minister of Agriculture, Fisheries and Food, the Chancellor of the Exchequer and the Foreign and Commonwealth Secretary, UKREP were instructed to take the following general line when lobbying the British Commissioners in preparation for the relevant Commission meetings. We advocated an effective standstill on institutional prices for the main surplus commodities - cereals, sugar, milk and wine - and only the most modest increases, not exceeding 5 per cent, for other commodities, as well as effective guarantee thresholds and a rate of growth in expenditure markedly lower than the budgeted rate of growth in own resources.
  
3. Ministers agreed that the United Kingdom's policy for the future of the green pound needed further consideration. Pending a decision, UKREP were instructed to tell the Commission that the United Kingdom's view was that individual member states should be free themselves to decide whether any adjustment in their green rate was acceptable.

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QUESTION FOR DECISION

4. Ministers need to decide what our approach should be on the green pound, at least for the opening stages of the negotiations that will begin when the Commission publish their proposals. The remainder of the paper falls into three parts:-

- (i) An analysis of the impact of green rate changes.
- (ii) A reminder of what happened about the green pound in the 1982 negotiations.
- (iii) An analysis of the four main options from which a choice needs to be made.

THE IMPACT OF GREEN RATE CHANGES

5. Two main factors determine the impact of CAP prices in this country:

- (i) the level of common prices agreed by Agriculture Ministers in the annual price-fixing;
- (ii) the green pound rate by which these common prices are converted into national currency.

There are also two further factors which are relevant to the Government's approach to these issues:

- a. developments in UK farm incomes;
- b. the competitiveness of UK food manufacturing and processing.

The green pound is currently undervalued by just over 6 per cent, giving the UK a positive monetary compensatory amount (MCA) of 5.1 per cent (for the week beginning 6 December), though until recently the undervaluation was nearly 12 per cent and our MCA 10.7 per cent. The German and Netherlands positive MCAs are 8.4 and 5.4 per cent respectively. At last year's price fixing these countries accepted a Gentleman's Agreement under which they would eliminate their positive MCAs over a period of two years; this would require the MCAs to be reduced in 1983/84 by 3.6 and 3.7 per cent,





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as compared to the 2.8 per cent which the Commission appear to have in mind. A revaluation of the green pound would reduce the effective support price increases in the UK and so reduce the impact of the prices settlement both on farming income and on food prices. It has been calculated that each 1 per cent revaluation would be equivalent to around 0.04 per cent off the Retail Prices Index (RPI), and that it would reduce producers receipts in the UK in a full year by about £60 million. The revaluation currently envisaged by the Commission would reduce the effect of the prices settlement on the RPI by about 0.1 per cent and producers receipts by about £160 million.

6. France and Belgium have already secured green rate devaluations, worth 2.8 per cent and 4.6 per cent respectively in terms of increased support prices, which do not come into effect for most commodities until next year. France in addition has scope for a further green franc devaluation bringing the total price effect up to 6.8 per cent. On the basis of the present market value of the lira, Italy too could obtain a price increase of 3.8 per cent through devaluing the green lira. If the Commission's current thinking were carried through into a price settlement, with all countries in a position to devalue their green currencies doing so to the fullest possible extent, this would damp down the RPI impact by 0.1 per cent but produce an average price increase for the UK well below those in the majority of other Member States. The following table illustrates the resulting pattern of farm price increases in national terms and compares these with the Commission's estimate of 1983 inflation rates:

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	(Assumed average increase in common prices 5.5 per cent ) Approximate per cent Increase in National Currencies	Commission's Estimates of 1983 Inflation Rates
Belgium	10.4*	8.5
Denmark	5.5	7.0
France	12.7*	9.0
Germany	2.5+	3.6
Greece	5.5	21.0
Ireland	5.5	13.0
Italy	9.5	15.0
Netherlands	2.5+	4.5
UK	2.5	6.9

\*Including effect of green rate changes agreed in October 1982 but not yet in effect for most commodities

+If the Gentleman's Agreement were fully implemented the increase for Germany and the Netherlands would be 1.7 per cent.

#### THE 1982 NEGOTIATIONS

7. In the 1982 price negotiations, Ministers agreed that the UK should resist revaluation of the green pound in the context of our pressure for lower price increases than those proposed by the Commission, but leave the possibility of some revaluation open for further Ministerial consideration when the level of the likely final settlement on prices was clearer. In the event the Presidency package which formed the basis of the final settlement did not contain a proposal for the revaluation of the green pound and Ministers decided not to seek a revaluation.

#### THE CURRENT OPTIONS

8. The following seem to be the main options at this stage:
- a. to maintain the present line, at least until the position becomes clearer;
  - b. to accept the Commission's apparent objective of a 2.8 per cent revaluation;



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- c. to decide now on a target level of effective price increase in the UK, and agree  if the common price increase exceeds this level to reduce the effect in the UK by a corresponding green rate revaluation. For instance, if our objective were that support prices in the UK should rise by no more than 5 per cent in sterling terms, then if a 7 per cent increase were eventually agreed in common prices, we would revalue the green pound by the amount required to offset the additional 2 per cent;
- d. to decide now that there should be no revaluation.

9. Although holding the present line would be designed to preserve the UK's domestic freedom of manoeuvre, it would not prove easy to maintain a convincing case for low increases in common prices once the Commission's formal proposals had been tabled unless we were prepared to take up a position on the green pound. Since green rates inevitably become bound up in the price-fixing negotiations as the various participants seek to form compromise packages embracing different aspects of the proposals, a failure to stake out a position on the green pound would tend to weaken the UK's negotiating posture, particularly when both we and the Commission are looking for zero effective increases for surplus commodities and our differing interpretations of what constitutes a zero effective increase depends upon whether or not allowance is made for green rate revaluations. And since the Commission and other member states would be tempted to fill the vacuum by assuming that we were saying obliquely that we were opposed to any revaluation, there would be strong pressures to make our position known.

10. Accepting the Commission's proposed revaluation would simplify the price negotiations and limit the inflationary impact of the eventual package while at the same time reducing the benefit to UK farm incomes. But it might be difficult to combine this position with effective deployment of the argument that the Commission's 5.5 per cent norm was too high and that there should be nil increases on a number of major commodities, since this would imply nominal price reductions for UK milk and cereal producers. Our action




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would therefore make it more likely that a price settlement could be reached relatively quickly, and the Government might be criticized for failing to put up a fight for British interests.

11. Deciding now on a target level of effective price increases and achieving this if necessary by an appropriate revaluation in the UK would be a developed version of the maintenance of the present line as in option (a). It would also limit the inflationary effects of the settlement as well as the benefit to farm incomes. It would enable our negotiators to operate on a basis of confidence about the way in which the price settlement would affect the United Kingdom, and would ensure that neither farmers nor consumers were unduly benefitted or penalised, whatever its outcome. We could not, however, directly deploy in the negotiations a policy line of this sort without undermining our objective of seeking the lowest possible price increases. We should need in fact to be arguing for no revaluation up to the point at which we were ready to concede a level of price increase in excess of the agreed target. Ministers would also be deciding now what a fair settlement would be for farmers and consumers in the UK without knowing the details of the eventual package and its timing, or the other circumstances which might be relevant at the time, including exchange rate relativities.

12. Deciding now that there will be no revaluation has the advantage that it enables us to take a clear line on the need for very low price increases. It maintains our stand of principle on the determination of the green rate and gives us an additional negotiating lever. On the other hand, other member states will argue that our farmers will be cushioned from the full impact of low price increases by the existence of our positive MCA. Moreover, if we do not in the end achieve our objective of very low price increases and we had left ourselves with no room for manoeuvre on revaluation, that option could have become politically more difficult - though it is perhaps unlikely that any objections would be raised in





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Brussels to a UK request to revalue at the last stages in the negotiations, if Ministers so decided.

13. Not all these options are necessarily mutually exclusive.

In order to reinforce the credibility of our case for zero or very low price increases, there seem to be clear advantages in resisting any revaluation of the green pound during the opening phase of the negotiations. Provided that we do not close the door entirely, Ministers would be able, when the settlement began to take shape, to choose between confirming their stance or accepting some revaluation to achieve an average price increase which Ministers judged to be acceptable for the UK. The shape of the eventual package is unlikely to become clear until after the German Elections in March. Postponing a decision on the above choice until then would enable Ministers to take into account the likely final settlement (including the price increases for other member states) and the value of sterling at the time.

#### CONCLUSION

14. Ministers are therefore invited to decide on the approach which should be taken on the green pound when the negotiations on the price fixing open in Brussels.



EL 10 Pol : CAP  
A 10





ASC  
to deal

Prime Minister

Content that I should:-

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- (a) circulate this paper?
- (b) convene a meeting attended by those listed in para. 2?

Tg 01523

MR COLES

A.S.C. 6/12

COMMON AGRICULTURAL POLICY: 1983/84 PRICE FIXING

1. I understand that the Prime Minister had it in mind to arrange a meeting to discuss policy on the green pound for the 1983 price fixing. We thought it might be helpful, as a matter of procedure, for the European Secretariat to prepare a factual paper listing policy options to provide the basis for the discussion. This procedural suggestion has been welcomed by both the Chancellor and the Minister of Agriculture.

2. Our paper is attached, together with a draft Private Secretary letter calling the meeting. Clearly, the Chancellor, the Foreign Secretary and Mr Walker should be present. The Prime Minister might wish other Ministers to attend as well. The Secretaries of State for Trade, Industry and Employment seem to us to have an interest.

gs

GUY STAPLETON

3 December 1982

Mrs. [initials]

Cabinet Office



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DRAFT PRIVATE SECRETARY LETTER to Robert Lawson

COMMON AGRICULTURAL POLICY: 1983/84 PRICE FIXING

The Prime Minister understands that the Commission are likely to present their 1983 farm price proposals to Agriculture Ministers later this month and that these can be expected to call for at least a partial revaluation of the green pound. She would therefore like to discuss with ~~colleagues on [ ]~~ the policy we should adopt on the green pound in the 1983 price-fixing negotiations. We shall be in touch again to arrange a time for the meeting.

I enclose, as a basis for the discussion, a factual paper by the Cabinet Office listing the policy options.

the Ministers of Agriculture, the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, and the Secretary of State for Trade, Industry and Employment

I am copying this letter to the Private Secretaries of the Ministers listed above.

MR 2.  
12

[blind copy to Sir Stephen 24 - 15 - 1983 meeting].

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EUROPE  
Pine Murda

TH

3/12

mf

FCS/82/201

MINISTER OF AGRICULTURE, FISHERIES AND FOOD

Agricultural Exports to the USSR

in box  
(29/11)

1. Thank you for your letter of 29 November.
2. You asked what is being done at the highest levels to put pressure on the Commission over the Franco-Soviet Agreement. Sir Michael Butler did not manage to speak to Thorn before this week's Commission meeting, but he spoke to Durieux, his Chef de Cabinet, on 29 November and 1 December to represent to him very strongly the need for Commission action if the matter were not to be raised in COREPER. Durieux was emphatic in saying, and wanted Sir Michael Butler to register, that the Commission would do its duty. We have naturally also kept in close touch with the British Commissioners and the Cabinets of several other Commissioners. At its meeting yesterday the Commission decided that the Agreement did contravene the Treaty in several respects, notably Article 113. They postponed a decision on action until next week in order to receive further advice on whether it also violated the Common Agricultural Policy. Thorn's Cabinet again assured us after the meeting that the Commission would launch infraction proceedings.
3. Events are thus going our way, if not quite as quickly as we should wish. I am sure it remains right for us to put pressure on the Commission privately in order to make sure that they do launch infraction proceedings, but to avoid doing so if possible in a way which makes it look

/as





as though they are responding to our pressure and which turns the issue into an Anglo-French one.

4. Turning to butter, I hold to my view that it would be preferable not to raise the question of butter sales to the Soviet Union in COREPER. We have made our views clear publicly and privately at many levels, including directly to Thorn. I see no advantage in raising the political temperature by public discussion in the Community from which we shall get no satisfaction. It is in my view enough to make our objections clear by voting against their proposal in the Management Committee, supplemented by such political statements in the House and in press briefing as we wish. If the Germans press for a discussion in COREPER, the situation would of course be a different one; then I agree that, despite the above arguments, we should support them vigorously.

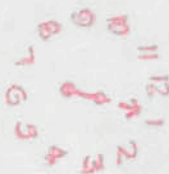
5. I am copying this letter to the Prime Minister, to members of OD(E), and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'FP', with a horizontal line underneath.

(FRANCIS PYM)



Soviet Union: Credit term 1+3



3 DEC 1982



*fluk*



10 DOWNING STREET

From the Private Secretary

3 December 1982

*Dear Roger,*

EUROPEAN COUNCIL: BUDGET RESTRICTIONS AGAINST THE USSR

The questions raised in the minute of 1 December by the Foreign and Commonwealth Secretary and 2 December by the Secretary of State for Trade were discussed with the Prime Minister on the way to Copenhagen this morning.

The Prime Minister takes the view that to allow the present quota restrictions to lapse would be to convey the wrong political signal with regard to events in Poland at the present time. She therefore agrees with Mr. Pym that the restrictions should be maintained in being at least until such time as a full assessment can be made of whatever measures of relaxation the Polish authorities adopt and the reaction of the Polish people to those measures.

I am copying this letter to John Rhodes (Department of Trade).

*John Rhodes*  
*John Rhodes*

Roger Bone, Esq.,  
Foreign and Commonwealth Office.

*A*



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FRAME EXTERNAL

FRAME AGRICULTURE

FM UKREP BRUSSELS 021055Z DEC 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 4626 OF 2 DECEMBER

INFO PRIORITY PARIS BONN WASHINGTON MOSCOW

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN ATHENS

LUXEMBOURG.

FRANCO-SOVIET AGRICULTURAL TRADE AGREEMENT.

1. THE COMMISSION ONCE AGAIN POSTPONED A DECISION ON WHETHER TO START INFRINGEMENTS PROCEEDINGS AGAINST FRANCE. WE HAVE BEEN TOLD, HOWEVER, (BY MEADOWS) THAT THE FINAL DECISION IS NOT IN DOUBT, AND WILL BE TAKEN NEXT WEEK. THE COMMISSION SERVICES HAVE ALREADY CONCLUDED THAT THIS AGREEMENT IS IN BREACH OF CERTAIN ARTICLES OF THE TREATY (EG. ARTICLE 113) BUT THE COMMISSION WISH TO ESTABLISH ITS COMPATABILITY OR OTHERWISE WITH THE C A P AND ALL THE INFORMATION REQUESTED FROM DGVI ON THIS POINT IS NOT YET AVAILABLE.

2. MEADOWS ALSO SAID THAT LAST FRIDAY TWO MEMBERS OF THORN'S CABINET MET FRENCH OFFICIALS IN PARIS AND MADE IT CLEAR THAT THE COMMISSION WOULD BE TAKING A HARD LINE. IT WAS APPARENTLY EXPLAINED TO THE FRENCH THAT THE COMMISSION WERE NOT PREPARED TO NEGOTIATE PRIVATELY ON ALL THIS, BUT WOULD BE TAKING ACTION PUBLICLY.

3. ALL THIS CONFIRMS WHAT DURIEUX TOLD ME AT LUNCH YESTERDAY. HE SAID THAT THE AGREEMENT WAS POTENTIALLY INCOMPATIBLE ON FIVE SEPARATE COUNTS: THE COMMISSION HAD ALREADY DECIDED AGAINST FRANCE ON THREE OF THESE AND WAS ONLY WAITING TO DECIDE THE REMAINING TWO. FOR THIS REASON HE EXPECTED THE DECISION ON THE AGREEMENT AS A WHOLE TO BE POSTPONED FOR A FURTHER WEEK. ANOTHER REASON FOR THIS POSTPONEMENT WAS THAT IT GAVE THORN TIME TO COUNTER THE UNFORTUNATE IMPRESSION GIVEN TO CHEYSSON BY ONE COMMISSIONER THAT ALL THIS COULD BE SETTLED WITHOUT A PUBLIC FUSS. THE FINAL DECISION WOULD BE TAKEN WITHOUT FAIL NEXT WEEK.

FCO PASS SAVING TO COPENHAGEN THE HAGUE ROME DUBLIN LUXEMBOURG  
AND ATHENS

FCO ADVANCE TO:-

FCO - WITNEY CROWE MS EVANS

NO 10 - COLES

MAFF - PS/MIN PS/MOS(C) GRIFFITHS

BUTLER

ADVANCED AS REQUESTED (REPEATED AS REQUESTED)

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FRAME AGRICULTURE  
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*From the Secretary of State*

The Rt Hon Francis Pym MC MP  
Secretary of State for  
Foreign and Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London  
SW1A 2AL

2 December 1982

*Dear Secretary of State,*

EUROPEAN COUNCIL: IMPORT RESTRICTIONS AGAINST THE USSR

- 1 Thank you for your minute of 1 December <sup>with ESC</sup>.
- 2 There are clear commercial disadvantages to continuing these quota restrictions. They have had little effect on actual volumes of trade in the goods covered because importers had sufficient advance warning to enable them to undertake contractual commitments before quotas were applied. They have however caused difficulties for some British firms legitimately engaged in trading in the items covered, and if they are continued they will cause even greater difficulties for more firms next year.
- 3 They are an irritant in our bilateral commercial relations with the USSR and if we are seen to take the lead in pressing for their extension it is likely that this will act to the disadvantage of other British firms seeking to export to the USSR.
- 4 The principal measures taken by the United States against the USSR as their response to repression in Poland have been lifted. Against this background, we would need very clear and compelling reasons for continuing our own restrictions for a further year.





*From the Secretary of State*

5 I accept that it may well not be possible to arrive at a full assessment of the expected Polish relaxations before the end of this year or to define the Western response right across the board. But it would be most unsatisfactory to continue the quotas in the expectation that we might decide to lift them after a month or so. Such a course of action would cause the maximum confusion among British traders and would lay us open to criticism. Unless therefore a preliminary assessment of the expected Polish measures shows that there is such a strong case as to make the Community as a whole virtually certain to want this limited range of quotas against non-sensitive USSR exports for a further year, we should let the quotas lapse.

6 I do not think we need take any initiatives on this matter at the European Council. We could say that we are content to follow the majority, but that we need to be ready to react quickly after 13 December and to give British traders a clear indication of our intentions by 1 January. But I nevertheless hope we can get away from a situation in which minor trade measures are maintained without any significant overall economic effect or justification.

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

LORD COCKFIELD

(Approved by the Secretary of State  
and signed in his absence)



1-2 DEC 1982

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Ref. A082/0344

PRIME MINISTER

Cabinet: Community Affairs

The Secretary of State for Trade will wish to report on the GATT Ministerial meeting in Geneva on 24/29 November at which the United Kingdom was represented by the Minister for Trade. Although it has received a rather negative press, there was much in the outcome with which we can be content. The meeting adopted a wide-ranging document which included decisions and conclusions covering most of the main issues: there was a realistic political commitment to the open-trading system; our ability to take safeguard action has been preserved; there are to be the studies we wanted on trade in services and on integrating the newly industrialised countries more fully into the GATT system; and an improved procedure for the settlement of disputes. On two points the Community had to enter reserves. While the EC agreed to a study of the whole question of agricultural trade issues, it was not willing to commit itself prior to the study to the negotiation of additional liberalisation in this field. The other EC reserve was on the roll-back of protective measures in order to protect our defensive measures against Japan and other East Asian suppliers.

2. The Minister of Agriculture, Fisheries and Food will wish to report on the Fisheries Council on 29 November. There were no further negotiations. Nine member states reaffirmed their agreement to the Common Fisheries Policy agreed on 8 November but Denmark asked for more time. At the United Kingdom's instigation the Commission will convene a high-level working group of officials on 6 December to prepare the national measures that will be required if Danish agreement is not obtained before 31 December. The Fisheries Council is due to meet again on 21 December.

3. The Minister of Agriculture may also refer to the two subjects of his recent correspondence with you and the Foreign and Commonwealth Secretary. He minuted you on 19 November and wrote to Mr Pym on 29 November about the agreement the French have made with

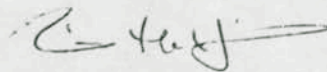
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the Soviet Union for exports of subsidised agricultural products to the USSR. Mr Walker wants the maximum pressure exerted on the Commission, to ensure both that they open infraction proceedings against the French and that the French do not gain the benefit of export refunds. The Minister of Agriculture's letter to the Foreign and Commonwealth Secretary of 29 November also registered his view that, while we cannot ultimately prevent it, we should continue to object to the sale of Community butter to the Soviet Union. You discussed both these issues with the Foreign and Commonwealth Secretary on 26 November.

4. The Environment Council will meet on 3 December, and you and a number of your colleagues will be attending the European Council meeting in Copenhagen on 3/4 December.



Approved by  
ROBERT ARMSTRONG  
and signed in his absence

1 December 1982

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*Econ Pol  
CAP*



Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

From the Minister's  
Private Office

*mt*

John Coles Esq  
10 Downing Street  
London SW1

1 December 1982

*Dear John*

In your letter of <sup>26</sup> November you asked for a note on the facts about our involvement, if any, in sales of subsidised grain to the Soviet Union.  
--- I enclose a note for the Prime Minister's use.

I am sending a copy of this letter to Roger Bone (FCO).

Prime Minister

*The short point is that there are no restrictions on EC and therefore U.K. sales of grain (as distinct from butter, butteroil etc) to the Soviet Union.*

*Yours sincerely  
Robert Lawson*

R LOWSON  
Private Secretary

*A.F.C. 1/12*



EXPORTS OF GRAIN TO THE USSR

1. UK grain exports during the crop year 1981/82 to all destinations (including other Community countries) comprised 1.7 million tonnes of wheat and 2.6 million tonnes of barley\*. Of this 75,000 tonnes of wheat and 83,000 tonnes of barley (3½% of the total) were recorded as going to the USSR.

2. The UK's exportable surplus of grain in the 1982/83 crop year is estimated at 2.4 million tonnes of wheat and 3.9 million tonnes of barley. Detailed export statistics are only available for the first two months (August and September) of the crop year. Of the 742,000 tonnes exported in those two months, none is recorded as having gone to the USSR.


3. Some UK grain exports are first shipped to Continental ports where they are transferred to larger vessels for shipment to final destination, often after mixing with grain of other origins. We have no means of establishing the final destination of these shipments.

4. We are not aware that any traders have so far contracted to sell UK grain to the USSR this season. During the two months for which figures are available, the main destinations of UK grain exports outside the Community have been North Africa and the Middle East. However, we cannot exclude the possibility that some UK grain will go to the USSR. Total world trade in grain is about 200 million tonnes. In 1981/82 the USSR's imports were about

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\* These figures in fact relate only to 11 months. Export figures for the first month of the crop year (August) are not available due to last year's Civil Service strike.






45 million tonnes of over 20% of world trade. This season they are expected to be lower (perhaps some 36 million tonnes) but still very large. The Russians import from the four main traditional grain exporting countries (the US, Canada, Argentina and Australia) and they have long-term agreements with the first three of these countries. (The US are very anxious to conclude a new long-term agreement with the Russians for larger quantities, and meanwhile sell as much as possible to them over and above the minimum level which the current agreement prescribes.) In 1982/83 the EC is likely to be the third largest grain exporter (after the US and Canada) with total exports of about 20 million tonnes or some 10% of world trade. Given the Community's geographical proximity to the USSR, it would be surprising if some of these exports did not go there. Indeed, it is reported that some 2½ million tonnes of French wheat has already been sold to the USSR.

5. Exports of grain from the UK and from other EC countries are made by private traders. They are enabled to take place through export refunds, which bridge the gap between Community market prices and prices on the world market (ie the selling prices of the main exporting countries). As in the case of other CAP commodities, the size of the export refunds and the destinations for which they are available are determined by the Commission, on the advice of the relevant Management Committee which gives its opinion on Commission proposals by majority voting. No national restrictions on trade are permitted. Most export refunds on cereals are fixed through a series of tenders, held weekly. Traders bid for the amount of refund they will accept for the export of quantities nominated by them, and the Commission, after consulting the Cereals Management Committee, decides up to what level of





refund bids should be accepted. A successful trader receives an export licence for the refund and quantity for which he bid. Once issued, certificates may be used for an export from any EC country.

6. When President Carter placed a partial embargo on US sales to Russia in January 1980 (in the case of grain this meant not selling quantities additional to those provided for in the US/USSR long-term agreement), the EC decided that Community supplies should be controlled so that they should not replace US supplies on the USSR market. For grain, this was done by setting a separate tender for export refunds to the USSR and limiting the quantity for which licences under it were granted. When President Reagan lifted the embargo in April 1981, the Community's restrictions on exports (other than of butter, butteroil and certain other milk products) to the USSR were removed and the USSR was reinstated in the list of destinations for which export refunds issued under the normal tender are available. This remains the position.

Ministry of Agriculture, Fisheries  
and Food  
1 December 1982



Exam Pol: CAP # 10



-11 DEC 1982

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Prime Minister

A.J.C. 1/12

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SECRETARY OF STATE FOR TRADE

European Council: Import Restrictions against the Soviet Union


1. The Commission have now announced that M. Thorn will raise at the European Council the question whether or not the Community should renew the import restrictions it imposed on the Soviet Union earlier this year in response to events in Poland. These will expire automatically on 31 December and a new Council decision would be necessary to renew them.

2. We now have good reason for believing that the Polish Government will lift martial law on 13 December. We shall have to decide with our partners how to respond to this new situation. This is likely to take some time, for a number of reasons. We shall not know immediately the full content of any measures which will accompany the lifting of martial law. The reaction of the Polish people will not manifest itself for a while. And the joint assessment we make with our partners will also take a little time. The amount of time necessary for all this will simply not be available between 13 December and the end of the year, let alone 13 December and the Christmas holiday. Yet any modification of the measures against Poland and the Soviet Union must clearly be part of an overall and considered response to the new situation in Poland.

3. The only measure which raises a problem in this regard is the import restrictions against the Soviet Union. It would be wrong to allow these to lapse by omission before

/we had





we had made up our minds what our response to the lifting of martial law should be. I therefore propose that at the European Council and in subsequent discussion we should take the line that the Community should be ready to renew the import restrictions for a further period of a year, with provision for review and suspension at any time if the Community decides that this is warranted. This would enable us to lift the restrictions as soon as we liked in the New Year if that were the conclusion we came to.

4. In view of the shortage of time I am attaching a draft / brief for the European Council covering this ground which also sets out the background.

5. I am sending copies of this letter to the Prime Minister, other members of OD, Peter Walker and Sir Robert Armstrong.



(FRANCIS PYM)

Foreign and Commonwealth Office  
1 December 1982



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1 December 1982

EUROPEAN COUNCIL, COPENHAGEN

3/4 DECEMBER 1982

IMPORT RESTRICTIONS AGAINST THE USSR

Brief by the Foreign and Commonwealth Office

OBJECTIVE

1. To encourage partners to be ready to renew the restrictions.

POINTS TO MAKE

2. Now seems likely that martial law will be lifted on 13 December. Ten/Community will have to decide how to respond to new situation. Important that any steps (i.e. new measures, changes in existing ones) we take should be taken as part of our considered response. Our existing measures must therefore be maintained until assessment has been made.
3. Problem arises in relation to import restrictions against Soviet Union which expire on 31 December unless renewed. Restrictions must not be allowed to lapse by omission before assessment made.
4. Situation in Poland and Polish people's response to lifting of martial law may not be clear enough for us to make

/up our minds



up our minds sensibly before Christmas. Hope we could decide now that in that event we should by the end of this year renew restrictions for a further year, with provision for review and suspension at any time if Community decides this is warranted.

#### BACKGROUND

References: None

5. In March the Community imposed restrictions on imports of a range of manufactured and luxury goods from the Soviet Union (including caviar, tinned salmon, refrigerators and alarm clocks). The restrictions expire on 31 December. Renewal will require a new Council decision. The Commission have said that Thorn will raise this at the European Council, presumably to seek a steer on whether or not to propose renewal.

6. In a brief discussion at the Foreign Affairs Council on 22 November the Secretary of State took the line that it was premature to decide at that stage whether to renew the existing restrictions. The move had been largely symbolic and we needed to reflect very carefully what signals we wished to give the Russians. This received French and German support (though there is evidence that the Germans wish to see the restrictions lifted) and no dissent.

7. The question will be discussed at the next Foreign Affairs Council (13-14 December) which coincides with the day on which martial law is expected to be lifted. It will take some time for us, together with our EC and NATO partners, to decide how to respond to the lifting of martial law and the

/possible



possible introductions by the Polish Government of measures to take its place. We will therefore not be in a position to decide whether to maintain or lift the present restrictions until well into the New Year. It is important that they should not be allowed to lapse by omission before we have had a chance to make our assessment.

FOREIGN AND COMMONWEALTH OFFICE

1 DECEMBER 1982



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



From the Minister

CONFIDENTIAL

The Rt Hon Francis Pym MC MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London SW1

Prime Minister

You agreed with Mr. Pym on  
Friday that the right approach was  
for us to insist that the Commission  
carry out their obligations.

A.S.C. 29/11.  
29 November 1982

Dear Secretary of State,

Thank you for your minute of 25 November.

I am sorry to hear that you no longer feel that we should show the seriousness of our opposition to the export of butter to the USSR by insisting on a discussion in COREPER before such sales take place. As we previously recognised, this would provide a Council forum where our foreign policy objections to the sale could be placed on record, whereas the Management Committee is a Commission body, and moreover not one which is properly able to take account of political statements. Consequently, I do not myself think it would be persuasive in domestic political terms if our response on this issue were limited to an adverse vote in the Management Committee - though it is of course for you to decide in the final analysis how to pursue what is essentially a foreign policy issue.

All this does of course have a direct link with my minute of 19 November to the Prime Minister about the Franco-Soviet Agreement. I was glad to see from your minute of 22 November that you share my views as to the seriousness of this development, and, as I said in Cabinet on Thursday, I hope we can continue to exert the maximum pressure on the Commission. I see that the original timetable for their consideration of infraction proceedings has already slipped by a week, and the French Commissioners will doubtless do all they can to delay this still further, whilst pushing the butter tender for all it is worth. In the final analysis, we may not be able to prevent the butter tender, but,

/unless we can ...

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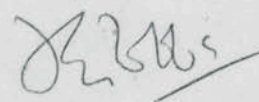
CONFIDENTIAL

Exec. Pol. CAP.  
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unless we can persuade the Commission to face up to their responsibilities on the wider Franco-Soviet deal, I fear we run the risk of getting the worst of all worlds. Can I ask therefore what is being done at the highest levels to put pressure on the Commission?

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

*Yours sincerely,*



pp PETER WALKER

(Approved by the Minister  
and signed in his absence)

29 NOV 1982



CONFIDENTIAL



SUBJECT

CONFIDENTIAL



de B. B. B. B. B.  
w. M. M.

10 DOWNING STREET

From the Private Secretary

26 November 1982

RELATIONS WITH FRANCE

There was some discussion of this question when the Foreign and Commonwealth Secretary was here today for a general talk with the Prime Minister about foreign policy issues.

With regard to the recent reports of a French agreement with the Soviet Union about exports of subsidised agricultural products (the Minister of Agriculture's minute of 19 November and the Foreign Secretary's minute of 22 November refer), it was agreed that the right tactic was to let the Commission take the lead in dealing with the French. We should of course take any necessary action to make sure that the Commission did intervene effectively.

The Foreign and Commonwealth Secretary said that he thought it would be a mistake to indulge in continuous criticism of the French on too many fronts. The Prime Minister was inclined to agree with this. We should be more selective and on occasion it would be more effective to adopt French tactics, e.g. by quietly impeding their export of a particular product to this country rather than publicly criticising some aspect of their trade policy. For the moment, the important thing was to retain French support on the question of fisheries.

The Prime Minister stated that, while our relations with France were often difficult to handle, we must remember that Mitterrand stood by us on the Falklands affair and that he was sound on nuclear policy. Both these points were important.

I am copying this letter to Robert Lawson (MAFF).

A. J. COLES

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL



CONFIDENTIAL



de B

10 DOWNING STREET

*From the Private Secretary*

26 November 1982

Sales of Butter to the USSR

The Prime Minister has seen the minute of 25 November by the Foreign and Commonwealth Secretary on this subject.

Mrs Thatcher noted the statement that we were acquiescing in and might even participate in sales of subsidised grain to the Soviet Union. She has enquired what grain we are selling to the Soviet Union and why we are doing so. I should be most grateful if you could let me have the facts.

I am copying this letter to Roger Bone (FCO).

A. J. COLES

Robert Lowson, Esq.,  
Ministry of Agriculture, Fisheries & Food.

CONFIDENTIAL





CONFIDENTIAL

Prime Minister

②

why are we selling barley to the USSR? not

I was not aware of X. I am told that we do get rid of some of our excess barley to the Russians (yet we oppose butter and have criticised US grain sales).

FCS/82/195

MINISTER FOR AGRICULTURE, FISHERIES AND FOOD

A.J.C. 25/11

Sales of Butter to the USSR

1. Thank you for your letter of 24 November about the proposed sale of Community butter to the Soviet Union.
2. I am in entire agreement with you about our policy, namely that we must continue to object to such sales, as we always have. Our position is now well established and well known and we must maintain it by voting against the Commission proposal if and when it comes to the Management Committee.
3. At the same time we need to recognise that the situation has changed since April 1981 when we insisted that any resumption of subsidised butter sales to the Soviet Union should be discussed in COREPER before a decision was taken. We will get no support within the Community apart from the Germans. We have failed to enlist any help from the Americans to lobby against these sales on general East-West policy grounds. We are ourselves acquiescing and may even participate in sales of subsidised grain to the Soviet Union. There is therefore no prospect that we should be able to prevent the sale of butter, whatever discussion we insisted on in COREPER or elsewhere. In these circumstances to raise the Soviet butter issue in COREPER and to be rebuffed, as we should be, would in my view be a more damaging signal to the Soviet Union than a simple decision by the Management Committee which we opposed.
4. Against this background I hope you can agree to instruct the UK representative in the Management Committee on 25 November, in voting

X

/against

CONFIDENTIAL





against the Commission's proposal, to make a strong statement of disagreement with it on the grounds in the last sentence of your letter, but to stop there. Of course, if the Germans wish to have the issue discussed in COREPER, we must support them; and I will instruct Sir Michael Butler accordingly.

5. I am sending copies of this letter to the Prime Minister, members of OD(E) and Sir Robert Armstrong.

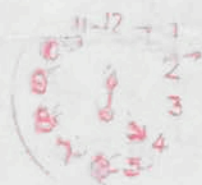
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Foreign and Commonwealth Office

25 November 1982



25 NOV.





*Original filed on: -**File No: Budget: PC 19*

Ref. A082/0268

PRIME MINISTER

Cabinet: Community Affairs

You may like to inform Cabinet of the Community aspects of your talks with the Danish Prime Minister on 22 November, when you impressed upon him that no further concessions on fish could be expected from the United Kingdom and that unless a settlement was reached beforehand, this was bound to be a major item at the European Council on 3-4 December.

2. The Foreign and Commonwealth Secretary and the Secretary of State for Trade will wish to report on the Foreign Affairs Council on 22-23 November which reached agreement on a number of useful matters, including a negotiating mandate for the Commission's negotiations with third countries on voluntary restraint agreements for steel, and on the Community's position for the GATT Ministerial meeting. There were two other items of major interest to the United Kingdom. First, the Council discussed the Commission's paper on the United Kingdom budget solution for 1983 and later. Although it proved impossible in the face of French opposition to get agreement that the Council should aim to reach a decision by the March European Council, Permanent Representatives were instructed to consider the Commission's paper and to report back to the Foreign Affairs Council in January. Second, the Minister for Trade called for Commission proposals at the December Council for action on Spain's implementation of the 1970 Agreement and on the imbalance in tariffs. The Commission agreed to produce a paper on the former and to study the latter.

3. The Secretary of State for Industry will not be present, but you will know that Industry Ministers had a constructive informal meeting on 18 November to review the crisis facing the steel industry and the measures available to alleviate it. Mr Jenkin emphasised the very substantial efforts the United Kingdom had already made and the need for others to be seen to be obeying the price disciplines, the quota regime and the aids decision.



4. Although it will not require a report to Cabinet, the Budget Council on 22 November agreed by qualified majority a Presidency compromise on the margin to be allowed the European Parliament as a result of the 1982 Amending Budget which gives effect to the United Kingdom refunds. The risk that the Parliament will prevent the payment of the refunds as a charge to the 1982 budget has thus been reduced. The Presidency will now have further discussions with the Parliament's Budget Committee, but a further Budget Council in December may be necessary before the matter is settled.

5. The GATT Ministerial meeting opens in Geneva today (24 November). Tomorrow President Thorn will hold a major Press conference in London to launch the Commission's dossier on 10 years of United Kingdom membership of the Community; at the appropriate time you and other Ministers will also be commenting on the anniversary, and the United Kingdom will be producing some published material. A special Fisheries Council is being held on 29 November in a final attempt to persuade Denmark to accept the Common Fisheries Policy before the European Council.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

24 November 1982



24 NOV 1982







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

Prime Minister

From the Minister

CONFIDENTIAL

A.F.C. 24/11

The Rt Hon Francis Pym MC MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London SW1A 2AL

24 November 1982

Dear Secretary of State,

SALES OF BUTTER TO THE USSR

We expect that the Dairy Management Committee may be asked at its meeting on 25 November to vote on Commission proposals which would, if adopted, open the way for the sale of Community butter to the USSR from intervention and private aided stocks. Such sales are, of course, being sought by France and are acceptable to other Member States except Germany. There thus is no real prospect of blocking the regulations in the Management Committee. However, when other controls on agricultural exports were lifted in April 1981, we said that the question of resumption of subsidised butter sales should be discussed in COREPER before any decision was taken. Germany supported us and may do so again. I believe we must be consistent and clear in our approach and that we should seek to raise the issue in COREPER before the regulation is adopted.

I am therefore instructing the UK representative in the Management Committee on 25 November to seek to delay a vote until COREPER has had a discussion. If the vote takes place, he will vote against but the COREPER discussion will still be relevant to the implementation of the regulations even if we cannot delay their adoption.

I recognise that in forcing the matter to COREPER, probably at its meeting on 2 December, we may prejudice the adoption of the New Zealand butter regulation, which we expect to be at the Environmental Council on 3 December. This regulation has been agreed in the Agriculture Council without any linkage but adoption has been delayed by the Presidency in deference to the French who want measures for exports adopted first. We do not accept such linkage. The risk that the French press it is one which I believe we have to take.

/I trust you will ...



I trust you will therefore agree to instruct Sir Michael Butler to arrange for this matter to be discussed in COREPER once it is clear that the Management Committee procedure is taking the course we anticipate. Our main argument in COREPER would be that facilitating exports of butter to the USSR is the wrong signal to make in the light of the Soviet Union's policies in Afghanistan and Poland; and we would place on record our political objections to the Commission's policy.

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

*Yours sincerely,*

*Peter Walker*

PETER WALKER

*MP*

(Approved by the Minister  
and signed in his absence)

24 JUN 1982  
6013001111





Euro Pol. JQ

10 DOWNING STREET

*From the Private Secretary*

24 November 1982

FRANCO-SOVIET AGREEMENT ON THE  
SALE OF AGRICULTURAL PRODUCTS

The Prime Minister has noted the contents  
of Mr. Pym's minute of 22 November.

A. J. COLES

Roger Bone, Esq.,  
Foreign and Commonwealth Office.

RJB





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

23 November 1982

A J Coles Esq.  
10 Downing Street  
LONDON  
SW1

*Mr 2/6*

*h.a.*

*Dear John.*

**CAP PRICE FIXING AND THE GREEN POUND**

..... You might like to see the attached two letters, which are relevant to the proposal, on which the Prime Minister and the Chancellor agreed on 18 November, for an early meeting of a small Ministerial group at No.10 to consider policy on the green pound.

*Yours ever,*  
*J O Kerr*

J O KERR  
Principal Private Secretary





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

23 November 1982

B J P Fall Esq.  
Principal Private Secretary  
Foreign and Commonwealth Office

*Dear Brian,*

**COMMON AGRICULTURAL POLICY: 1983/84 PRICE FIXING**

The Chancellor has seen the note enclosed with Robert Lowson's letter of 22 November to you, and is content that it should be used as the basis for briefing of the Cabinets in Brussels today on the UK approach to the new CAP price fixing.

The Chancellor has noted, and warmly welcomes, the proposal for an early Ministerial discussion on policy in relation to the green pound.

Copies of this letter go to Robert Lowson (MAFF) and David Hancock (Cabinet Office).

*Yours ever,  
J O Kerr*

J O KERR  
Principal Private Secretary



CONFIDENTIAL



BMA

B/C

10 DOWNING STREET

*From the Private Secretary*

23 November 1982

RELATIONS WITH FRANCE

The Prime Minister has seen the minute of 19 November by the Minister of Agriculture about the arrangements the French have made with the Soviet Union for exports of subsidised agricultural products. I shall be showing the Prime Minister tonight the minute of 22 November on this subject by the Foreign and Commonwealth Secretary.

Mrs. Thatcher commented on Mr. Walker's minute to the effect that we ought to discuss the general French position with regard to Community affairs. France was not behaving like a partner but was pursuing her own policy independently of the Community and, to some extent, with Anglo/German money.

The Foreign and Commonwealth Secretary may like to have a preliminary discussion of this problem with the Prime Minister when he calls on her on Friday, 26 November. We can then consider how best to take this forward.

I am copying this letter to Robert Lawson (MAFF) and Richard Hatfield (Cabinet Office).

A. J. COLES

Brian Fall, Esq.,  
Foreign and Commonwealth Office

CONFIDENTIAL





Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

CABINET OFFICE  
QZ 0092  
23 NOV 1982  
FILING INSTRUCTIONS  
FILE No. ....

22 November 1982

From the Minister's Private Office

B J P Fall Esq  
Private Secretary to the  
Secretary of State  
Foreign and Commonwealth Office  
Downing Street  
London SW1

*Dear Brian*

COMMON AGRICULTURAL POLICY: 1983/84 PRICE FIXING

As you will probably be aware, the Commission will soon begin considering their approach to next year's CAP price fixing. I enclose some material which, if the Chancellor of the Exchequer agrees, my Minister would be grateful if you could transmit immediately to UKREP in Brussels with the request that they pass it to the Cabinets of the British Commissioners.

My Minister understands that a meeting will be arranged shortly to discuss the issue of our policy in relation to the green pound on the basis of a paper to be prepared by the Cabinet Office.

I am sending copies of this letter and enclosure to John Kerr (Chancellor of the Exchequer's Office) and to David Hancock (Cabinet Office).

*Yours sincerely*

*Robert Lawson*

EG

cc

*Mr. Coles (No. 10)* *RL 6/12*

*Mr. Hatfield*

*Mr. Stapleton*

*Mr. Davis*

*Mr. Keay*

R LOWSON  
Private Secretary

*D.H. 23/11*



COMMON AGRICULTURAL POLICY: PRICE FIXING FOR 1983/84

UNITED KINGDOM VIEWS ON THE CONTENT OF THE PROPOSALS

GENERAL

1. Farm incomes have improved throughout the Community in 1982. The imbalances of production and consumption, however, have worsened in a number of important sectors. World markets are oversupplied and prices weaker, thus increasing the cost of exports and the risk of conflict with other exporting countries. It is now fairly clear that the draft budget provision for 1983 will be insufficient. There is a very real danger that expenditure will increase at too fast a rate and will before long absorb the remaining resources available to the budget, thus jeopardising the viability of the Common Agricultural Policy itself.
  
2. Against this background, effective policy action is essential at the 1983 price fixing. The Commission should propose an effective standstill on common institutional prices for products in structural surplus, namely all cereals, sugar, milk and wine. Since the problems are similar in each sector, there must be parallel treatment on prices. No increases should be proposed for olive oil, processed fruit and vegetables and dried fruit unless substantive changes are made in the regimes for these commodities to bring increases in production and costs under greater control. For other products, only the most modest increases in common prices should be contemplated ie no more than 5 per cent in any case, taking into account circumstances in each sector. There should be a significant further shift in the cereals/livestock balance in favour of the livestock sector (other than milk).
  
3. Consistently with our view that increases in common prices should be as low as possible and in the case of certain major commodities effectively zero, it is the UK Government's view that individual Member States should be free themselves to decide whether any adjustment in their green rate is acceptable in the light of their national circumstances.



4. The guarantee thresholds need to be effectively applied at levels which will give producers clear signals towards a better balance of supply and demand in the short and medium term. This requires clear decisions to be taken about the methods for implementing thresholds in 1984 and beyond.

5. The UK Government continues to attach importance to observance by the Commission and the Council of an overall financial guideline designed to improve the balance of expenditure within the Community budget. Our view remains that the rate of growth of agricultural guarantee expenditure, compared with the level provided for in the previous year, should be markedly lower than the budgeted rate of growth in the Own Resources base. The Commission should provide the Council with full information on the financial implications of their proposals on a basis which allows the effects of the proposals to be assessed separately from those of assumed changes in world market conditions.

6. The following paragraphs deal with main points on individual commodities.

MILK  
co-responsibilities levies

7. In order to tackle effectively the increasing surpluses of milk, some form of super levy mechanism biting on the increase in production needs to be introduced. There is no evidence that the present co-responsibility levy discourages milk production and the UK Government considers that it should be abolished. This would benefit producers returns without affecting prices and consumption.

Price

8. In determining the price proposal for milk, account should be taken of the threshold mechanism and of the abolition of the co-responsibility levy so that the net effect is a zero increase in the returns of milk producers.



### Threshold

9. The Council should take a clear decision on the method of implementation of the threshold in 1984 which should be designed to cover the full additional cost imposed by the excess production. There is no justification for any increase in the level of the threshold.

### Small producers

10. The special aid to small producers should not be extended beyond the current year. It is contrary to the objectives in the Treaty and there is no reliable evidence to support any clear relationship between herd size and the need for income support which is, in any case, a matter for social policy.

### Consumption

11. The UK butter subsidy should be maintained at least at its present level; and the rates under the school milk subsidy scheme should be increased.

### CEREALS

12. The zero increase should apply to cereals after taking account of any reduction required by the production threshold.

13. In fixing arrangements for operating the threshold in 1984, there is no justification for any increase in the present level of the threshold. But the present arrangement under which the threshold mechanism applies only in the intervention and reference prices is unfair to consumers. The threshold prices should also be reduced when production exceeds the threshold level.

14. We understand that the Commission Services are contemplating proposing that export refunds should be paid only on grain meeting certain minimum standards. There is no justification for this since refunds are based on market, not support, prices; and quality is reflected in the selling price. Hence there is no way in which the budget is being defrauded by the present system. Moreover, a limitation on the payment of export refunds based on quality would discriminate against exporters since producers who



cannot sell into intervention can sell low quality grain on the Community market at a price related to the intervention level.

#### SUGAR

15. As well as a zero increase in price, an increase in the B levy would be justified in order to make B sugar less attractive and to bring this regime back towards the intention of being financially self balancing.

16. An increase in the A levy however would not be wise since it would lead to pressure for an increase in the price.

#### BEEF

##### Variable Premium

17. It will be essential to continue the variable premium scheme as the main form of support in the UK. Any proposal to limit the coverage of the scheme, for example to male animals only, would be completely unacceptable. This would undermine the overall level of support provided to UK producers' returns by disqualifying about a third of the current eligible production.

##### Other beef premia

18. We do not know what proposals will be put to the Commission as a result of the review of various beef premia. In our view it will be important to retain measures on the lines of the present suckler cow subsidy to encourage the specialist beef herd while not harming consumption or indirectly aiding dairy production (as the existing calf subsidy does). We understand that consideration has been given to the possibility of also introducing a more generalised headage payment on cattle. It is impossible to take a view on such a scheme without details. But there could be substantial difficulties in administering it and in preventing fraud.

19. Any notion of discriminating against larger farms to the benefit of small ones, either in a revised suckler cow subsidy or in a new headage scheme, would in our view be contrary to the Treaty objective of promoting efficiency in production.



#### Carcase classification grid

20. At the 1982 price fixing the Council agreed to introduce on an experimental basis from 28 June 1982 a new form of cattle price reporting on a deadweight price basis based on the new Community carcass classification grid. Experience since then has thrown up a number of problems.

21. It would clearly be dangerous to rely solely on the new deadweight form of price reporting from the start of 1983/4 for the operation of intervention and import levy mechanisms. Even to propose that the carcass classification grid should be used for intervention from the start of the next marketing year would in our view be ill-advised.

#### Ireland

22. Any special subsidies for Ireland, particularly in the beef sector, raise major difficulties for the United Kingdom, not only in relation to Northern Ireland, but for GB too: UK cattle numbers have also fallen substantially and beef profitability has been adversely affected. The point would be particularly valid if any further special assistance for Ireland were to be proposed.

#### SHEEPMEAT

23. The price increase should follow that for beef, in order to maintain relativities in the meat sector and to improve the balance between livestock and cereals.

24. It will be essential to continue the exemption from claw-back for exports to third countries and ships' stores and allied supplies. Otherwise this trade will be lost to third country suppliers.

25. Exports of sheepmeat from the UK to other Member States continues to be disrupted by the operation of the regime. The Commission declared an intention in October 1980 to keep the trends in the UK export trade under review taking account of the fact that the clawback arrangements were not intended to hinder the development of this trade. The UK will continue to press the



Commission to produce a solution to this particular problem which is seriously prejudicing the interests of our exporters.

#### WINE

26. In addition to no increase in the price, it will be essential to resist pressures for changes in the new regime which was recently agreed.

#### RICE

27. Substantial improvements are required to the regime for rice. We have put detailed suggestions to the Commission Services in writing.

#### OLIVE OIL

28. Quite apart from the problem of enlargement in this sector, there is an imminent problem of surplus and an acute problem of financial control. With Community prices already about 80% above Spanish prices, there should be no further increase until:-

- a. the production aid has been converted onto a flat rate aid per hectare or per tree: this would improve financial control as well as lessening the risks of an explosion in production following enlargement;
- b. a clear and adequately restrictive interpretative regulation clarifying the existing rules on the areas which qualify for aid has been agreed.

#### RAPE SEED AND SUNFLOWER SEED

29. The threshold arrangement should be effectively applied in this sector and extended to 1984. The Commission should propose the extension of the production threshold to cover sunflower seed. There is no justification for the present distinction between rape seed and sunflower seed.



#### PROCESSED FRUIT AND VEGETABLES

30. The threshold for 1982/3 must be effectively implemented. A much firmer and more effective arrangement is needed if the escalating cost in this sector is to be checked.

#### DRIED FRUIT

31. A number of changes are required in this regime:-

- a. the quantities of dried grapes eligible for aid should be limited at all stages from grower through storage agency to processor, so that Community support will not be attracted to ever increasing quantities;
- b. more rigorous quality standards and effective enforcement are needed to improve saleability of dried grapes;
- c. currants should be excluded from the regime or receive a more restricted form of aid.

Until changes along these lines have been agreed the minimum prices for growers should be held at present levels.





Prime Minister  
To note.

A.J.C. 23/11

PM/82/102

PRIME MINISTER

*ms*

1. I have seen the Minister of Agriculture's minute of 19 November about the Franco-Soviet Agreement on the sale of agricultural products.
  
2. I entirely agree that from what we know of it this agreement seems illegal. We have been pressing the Commission very hard to investigate and take proceedings against the French. The Commission have responded by agreeing on 17 November an 'orientation' to the effect that France appears to be in breach of the Treaties. This is presumably the first step towards infraction proceedings against the French. I understand that they will be considering the issue again at their meeting on 24 November.
  
3. Our objection to the agreement is that it appears to be in violation of a number of provisions of the Treaty of Rome. We need to be careful not to let it appear that this is a bilateral dispute between us and the French. It is the Commission's responsibility to take action and such action will be the more telling if they are seen to be responding to illegal actions by the French rather than to political pressure from another Member State. If the Commission drag their feet, then I agree that we should maintain on them the degree of pressure necessary to achieve the results we want. Like Peter Walker, I take a very serious view of this French action and I shall continue to watch the situation carefully.

/4. Copies of





4. Copies of this minute go to members of OD(E) and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'FP', with a horizontal line underneath.

(FRANCIS PYM)

Foreign and Commonwealth Office  
22 November 1982



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



From the Minister

CONFIDENTIAL

PRIME MINISTER

*We had better discuss the whole French position. She is not about to take a partnership in any way. But promising to be independent. A.S.C. 14. The Foreign Secretary will be commenting. 19 November 1982*

*A. G. ...*

I must express my very real alarm at the news that is filtering through concerning the agreement the French have made with the Soviet Union for exports of subsidised agricultural products to the Soviets.

If what is being said is correct, the agreement is totally illegal and violates article 113 of the Treaty.

Even worse, the agreement involves discrimination on the transport side as well as taking away the management of the CAP from the Commission to France.

It is clear that the deal involves specific commitments to be made each year on quantities of particular products and, of course, indicates the French confidence that they can dictate to the Commission the management of export refunds to the advantage of French traders and French farmers. This process is damaging to the entire Community but particularly damaging to those of us that are net contributors.

I do hope therefore, both in the Commission and at Ministerial level, that we will make the strongest protest and demand that the agreement is not fulfilled.

The French have total confidence that their overwhelming influence in DG VI enables them to make these Franco-Soviet deals, and after they have made them to succeed in obtaining the refunds from the Commission. If we fail to nip this in the bud I believe the consequences will be very serious.

I am copying this minute to the Foreign Secretary, the Chancellor of the Exchequer, other members of OD(E) and Sir Robert Armstrong.

*[Signature]*  
PETER WALKER



*MS*

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

Michael Scholar Esq  
No 10

17 November 1982

*Dear Michael,*

If time allows, the Chancellor hopes to have a word with the Prime Minister, during their meeting at 9.30 am tomorrow morning, about the 1983 CAP price fixing, and the green pound. He has asked me to send you in advance the attached background note, which sets out our - Treasury - understanding of some of the factors relevant to the decisions on the UK's negotiating strategy which will have to be taken fairly soon.

*Yours ever,*  
*Jo Kerr*  
J O KERR





THE 1983 CAP PRICE FIXING AND THE GREEN POUND

The UK approach has to be considered in the light of our overall aims and prospects on inflation, and recent growth in the incomes of UK farmers.

2. Farm incomes have risen sharply throughout Europe. In the UK, the initial signs are that net farm incomes may have risen this year by over  $\frac{1}{2}$  in real terms.

3. Community surpluses of cereals, milk, sugar and wine are at record levels.

4. The case for very low 1983 price increases, particularly for these products, is therefore very strong. And very low price increases would help substantially on inflation.

5. But high inflation community countries - eg Italy and Greece - will press for high price increases. And some commission officials apparently envisage increases of some 5%-7%.

6. However, the chances of resisting these pressures may be quite good, provided the UK, France and Germany act together. President Mitterand confirmed that France wants a moderate price settlement, given their concern about inflation, and the fact that their farmers have additional price increases in the pipeline as a result of the 5% green franc devaluation at the last EMS realignment.

7. The Germans will almost certainly not settle before their elections in March. Ertl will seek increases of 5/6% as a price for agreeing to any revaluation of the green mark (something for which the French will press hard).

8. UK's initial priority must be to secure a very low settlement. Mr Walker was right to propose - at the 21 October meeting - that





he should negotiate toughly, commodity-by-commodity.

9. But MAFF have also proposed that any revaluation of the green pound should again be resisted. This needs to be considered in relation to the likely outcome of the price fixing. Even with French and German support, we could face a settlement of more than 5%: a partial green pound revaluation, removing part of our 10% positive MCA, would then be highly desirable to dampen the impact on prices at the shop counter, and to keep down the RPI increase. Even a 2% green pound devaluation knocks 0.5% off the food price index, and 0.1% off the RPI.

10. And a green pound revaluation would be popular not only with housewives. Food manufacturers are concerned about the effect of the present MCA on their costs.

11. There is therefore a strong case for seeking collective ministerial agreement that, in addition to negotiating for low price increases, Mr Walker should be ready to revalue the green pound to the extent necessary to keep the impact of the 1983 price settlement to less than 5% on UK farm prices.



CONFIDENTIAL

Euro 10: Budget: 12/19

PRIME MINISTERCommunity Affairs

The Foreign and Commonwealth Secretary will want to report that the Commission have submitted a paper to the Council on the United Kingdom Budget solution for 1983 and later. Although it is by no means perfect, it is more helpful than most of us expected, and it could provide the starting point for a successful negotiation. The Commission acknowledge that the United Kingdom problem persists, restate the need for a structural solution, state the Commission's intention to make proposals in spring 1983 on the reform of the Community's financing system in the context of which the United Kingdom Budget problem "must eventually be resolved"; and in the meantime they propose a further ad hoc arrangement for two years with a possible third, "following the same principles" as the previous arrangements.

2. Although the Agriculture Council on 15th-16th November was largely inconclusive, the Minister of Agriculture, Fisheries and Food may wish to report that the Commission failed to put the New Zealand butter quota for 1983 to the Council as an A point and that it will therefore have to be cleared at a future Council. He will wish to report that, after consultations with his German, Dutch and French colleagues he will be pressing the Commission to hold a further Fisheries Council before the European Summit, probably on 6th December, so that the maximum pressure can be exerted on Denmark to conclude a settlement on the Common Fisheries Policy. Mr. Walker intends to have a prior meeting with France, Germany and the Netherlands to pursue their previous discussions about what type of national measures could best be adopted if no settlement proves possible before the present arrangements expire at the end of the year.

3. The Chancellor of the Exchequer and the Secretary of State for Employment may wish to report that, after the preliminary meetings of the Finance Council, and the Labour and Social Affairs Council on 15th November, the Jumbo Council on

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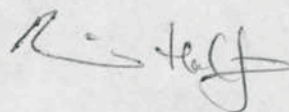


CONFIDENTIAL

16th November reached conclusions on the economic situation which were entirely acceptable to the United Kingdom in the way in which they dealt with inflation, investment, protectionism in trade, and employment.

4. The Secretary of State for Industry will not be present because he is attending the Informal Meeting of Industry Ministers on 17th-18th November which is discussing steel prices and price rules.

5. In the course of seven days the Budget Council will meet on 19th November, and the Foreign Affairs Council on 22nd-23rd November; the GATT Ministerial meeting will take place on 24th-27th November.



Approved by  
Robert Armstrong  
and signed in his absence

17th November 1982



17 NOV 1982





cc. Euro P.M.: Budget: Pt 19.  
(Tony) (my)

Ref. A082/0058

PRIME MINISTER

Cabinet: Community Affairs

Unless already covered under Foreign Affairs, you may like to inform the Cabinet of the Community aspects of your talks with President Mitterrand at the Anglo-French Summit on 4-5 November, the most specific result of which was agreement to your proposal to hold regular bilateral meetings at senior official level.

2. The Minister of Agriculture, Fisheries and Food will wish to report that the Fisheries Council on 8 November again failed to conclude a settlement on the Common Fisheries Policy when Denmark rejected the limited further concessions which were offered. The Danes, however, agreed that the Danish Government would look again at the proposals today. The date for the next Fisheries Council will be fixed in the light of the Danish response.

3. The Minister of State, Foreign and Commonwealth Office, Lord Belstead, will wish to report briefly on the outcome of the Development Council on 8 November at which the Parliamentary Under-Secretary of State, Mr Rifkind, represented the United Kingdom. Three-quarters of the Council was taken up by a discussion of a Commission Memorandum on the Community's future development policy. No formal conclusions were reached, and there will be a further discussion, particularly on the shape of the Lomé III Convention, at the next Foreign Affairs Council.

4. The Secretary of State for Energy may refer to the discussions at the Research Council on 4 November, at which the Parliamentary Under-Secretary of State, Mr Mellor, represented the United Kingdom, and the Energy Council on 9 November, at which the other Parliamentary Under-Secretary of State, Mr Moore, Department of Energy, spoke for the United Kingdom. At the Research Council Mr Mellor won some support for a re-examination of the "Super Sara" test programme on nuclear safety. The future of this highly



uneconomic programme is to be considered by Permanent Representatives and a decision reached before the next Budget Council. At the Energy Council the United Kingdom succeeded in obtaining a clear political commitment to develop a Community policy on coal and a special Coal Council is to be held, probably on 10 December.

5. During the next week the Commons will debate the six-monthly EC White Paper on 12 November, the Finance and Labour and Social Affairs Councils will meet on 15 November and the Agriculture Council on 15-16 November. The joint "Jumbo" Council of Economics, Finance and Employment Ministers will meet on 16 November, and there will be an Informal Council on steel on 18 November.

**ROBERT ARMSTRONG**

ROBERT ARMSTRONG

10 November 1982





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11

FCS/82/170

MINISTER OF AGRICULTURE, FISHERIES AND FOOD

EC: New Zealand Butter

1. Thank you for your letter of 22 October.
2. I entirely agree that we want no link between New Zealand butter and other butter issues. The personal views which my officials expressed to the New Zealand High Commission last week were based on this same objective. It was arguable that a row with the French on so high-profile an occasion as the Foreign Affairs Council, should they have chosen to block an A point and make the link in polemical terms (which Chandernagor probably would), would have been more damaging to our and New Zealand interests than letting the A point slip to the Research Council next week.
2. I should point out, for the record, that my officials agreed readily with yours once it was clear that your Department disagreed with the ideas which had been floated with the New Zealanders. I enclose a copy of the record which shows that this had been on an entirely personal and non-committal basis, specifically subject to MAFF views, and that it was the New Zealand High Commission which went off at half-cock on the subjects.
3. As it turns out, I see that the Danish Presidency do now propose to put the A point to the Research Council.

/We must



RESTRICTED



We must obviously do everything possible to ensure this decision is taken on 4 November, and to resist any linkage with butter sales to Russia.

JP

(FRANCIS PYM)

Foreign and Commonwealth Office

28 October 1982





FCS/82/171

MINISTER FOR AGRICULTURE

Butter Sales to the Soviet Union

1. Thank you for your letter of 22 October about butter sales to the Soviet Union.
2. I agree wholly that we must continue to oppose Community butter sales to the Soviet Union and that we must avoid giving the US any excuse to make butter sales which would, as you say, find their way to the Soviet Union and increase the cost of EC export disposals.
3. I am grateful for your offer to visit Washington to try to get some better understanding of the whole food export business. I cannot help feeling, however, that at this sensitive time in EC-US relations over the pipeline and East-West, economic relations generally now is not the moment for such a visit. I should, however, like to reflect on the balance of advantage and will let you have a more considered view soon.

A handwritten signature in dark ink, appearing to be 'FP' with a flourish underneath.

(FRANCIS PYM)

Foreign and Commonwealth Office

28 October 1982



RECORD OF CALL BY THE NEW ZEALAND DEPUTY HIGH COMMISSIONER ON  
MR HANNAY, 21 OCTOBER 1982

Present: Mr D H Hannay Mr B M Brown  
Mr J T Morrison

1. Mr Brown began by saying that, when he had requested the appointment, it had been in the expectation of having to discuss further tactics to secure an acceptable quota for New Zealand butter imports into the UK for 1983. In the light of the agreement on 87,000 tonnes and levy adjustment reached at the Agriculture Council on 19 October, however, he was in the happy position of being able to deliver a copy of the statement made by the New Zealand Minister of Foreign Affairs and Overseas Trade welcoming the decision and paying tribute to the efforts of Mr Peter Walker and Mr Alick Buchanan-Smith.
2. Mr Hannay agreed that the decision had come unexpectedly early. Despite the reduced quantity, it would come as welcome news to the New Zealand dairy industry which could now plan for 1983 with confidence. Mr Hannay explained the confusion which had followed in Brussels after the Agriculture Council in the light of Mme Cresson's subsequent remarks to the press about linking New Zealand butter to Community measures for surplus butter disposal. Agreement at the Council had clearly been reached on 87,000 tonnes without any formal reservation in Council by Mme Cresson. In summing up, the Presidency had said that delegations should consider the redrafted text of the Regulation, which would then go as an 'A' point to an early Council (presumably Foreign Affairs) next week. However, New Zealand butter could now be caught up in the failure of the Commission to agree on a package of measures for butter disposal at its meeting on 20 October. Mr Kofoed, the Danish President of the Agriculture Council, had claimed to M. Thorn that a butter package, including New Zealand and sales to Russia, had been reached in bilaterals with Agriculture Ministers in Luxembourg. This description of the outcome of the Council was disputed by British Ministers and by Mr Dalsager but his departure for Australasia now meant that the Commission might not return to the subject for two weeks. Mr Hannay suspected that the removal from the Commission's package by M. Villain of proposals to curb Community milk production was a French ploy which had backfired, inasmuch as the removal had unbalanced the package and had had the effect of preventing Commission proposals being made for export sales, which was what the French were after. There was now some doubt about when the Presidency would put forward the New Zealand butter decision as an 'A' point.
3. Making clear that he was thinking aloud and would want to discuss tacts with Mr Andrews in MAFF before Mr Brown reported to Wellington, Mr Hannay said that there might be merit in adopting

/a cautious approach



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- 2 -

a cautious approach and not pressing for the 'A' point to come to the Foreign Affairs Council where the French, in their present mood, would undoubtedly block it and be more likely to make an issue of it than at any other Council. If that resulted in casting doubt on the agreement reached at the Agriculture Council, this could lead to adverse press and Parliamentary speculation in New Zealand and the UK.

4. In Mr Hannay's opinion, the practical implications for New Zealand were assured; the 87,000 tonnes would be formally approved. The French could delay but could not afford now to try to stop the Regulation and it was probably best in the circumstances to generate the least possible excitement.

5. Mr Brown was surprised that things were so confused in Brussels. He was uncertain how Wellington would want it played. He doubted himself whether they would be prepared to accept delay.

European Community  
Department (External)

21 October 1982



Enrico Pet., COP, P410

4 NOV 1982





Ref. A09809

Original filed on: -

Euro PA: Budget: Pt 18.

PRIME MINISTER

Cabinet: Community Affairs

Unless already covered under Foreign Affairs, you may like to inform Cabinet of the Community aspects of your talks with Chancellor Kohl on 19 October.

2. The Foreign and Commonwealth Secretary will wish to report on the outcome of the informal meeting of Foreign Ministers on 16-17 October. Monsieur Thorn was prodded into giving an account of the Commission's current thinking on the Community budget issue. He urged a rapid solution of the 1982 problem without any linkage to 1983 and beyond. The Commission might make a formal proposal in November for 1983 and 1984, perhaps renewable for 1985. They might also propose a review of the Community's financial arrangements, covering both the possible creation of new own resources and new Community policies. You discussed all these aspects with the Chancellor, the Foreign and Commonwealth Secretary and the Minister of Agriculture today.
3. The Secretary of State for Industry will wish to report on whether an agreement has finally been reached with the USA about EC steel imports. Modifications to the August agreement were drafted by COREPER on 19 October, together with a parallel exchange of letters on pipes and tubes. The German Cabinet this morning agreed to the texts subject to a number of conditions which, in the case of pipes and tubes, may cause problems with the United States industry.
4. The Minister of Agriculture, Fisheries and Food will wish to report that the Agriculture Council on 18-19 October agreed arrangements for the import of New Zealand butter in 1983. The agreed figure is 87,000 tonnes (90,000 tonnes in 1982), with a reduction in the import levy to offset any fall in income. The New Zealand Government was consulted and is content with this deal.
5. The Minister of Agriculture, Fisheries and Food may also wish to report that his meeting on fisheries with France, Germany and the Netherlands in the margins of the Agriculture Council agreed to send a joint message to the Danish



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Government stressing the need for a settlement at the next Fisheries Council on the basis of the present proposals. The meeting also discussed possible ways of proceeding at the end of the year should no agreement be reached: a regulation introducing the proposed regime for nine member states; national measures blessed by the Commission; or stopping the clock. Officials are studying these in detail.

6. The Fisheries and Foreign Affairs Councils will meet on 25-26 October and the Standing Employment Committee on 26 October. E Committee will consider on 26 October the trade problems raised by the Secretary of State for Trade at last week's Cabinet. The Anglo-German Summit will take place on 28-29 October.

ROBERT ARMSTRONG

20 October 1982

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N. S. P. N.

FCS/82/163

M 21/10

MINISTER FOR AGRICULTURE, FISHERIES AND FOOD

New Zealand Butter: 1983 Import Entitlement and Special Levy

1. Thank you for your letter of 18 October. I am content with your proposed line both on New Zealand butter (provided, as you say, any arrangement is acceptable to New Zealand), and on measures to deal with the Community's rising butter surplus.

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

(FRANCIS PYM)

Foreign and Commonwealth Office

20 October, 1982



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21 OCT 1982





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

Prime Minister

From the Minister

A.S.C. 17/10.

CONFIDENTIAL

The Rt Hon Francis Pym MC MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London  
SW1A 2AL

18 October 1982

Dear Foreign Secretary,

NEW ZEALAND BUTTER: 1983 IMPORT ENTITLEMENT AND SPECIAL LEVY

When I wrote to you on 16 September I indicated that I did not expect that agreement would be reached easily on the Commission proposal for the import of New Zealand butter in 1983. In the event no agreement was reached at the Council on 20 September primarily because of the strong opposition from the French, who wanted subsidised exports of butter to Russia to be resumed, and from the Irish, who felt the quota should reflect the decline in butter consumption in the UK. In view of this opposition to the Commission's proposal, the Presidency has put forward a compromise figure of 87,000 tonnes, with a compensating reduction in the New Zealand levy (which would maintain the New Zealand return from the Community market).

The subject is on the agenda of the Agriculture Council on 18/19 October when there will also be discussion of problems in the Community butter market. I shall be meeting the New Zealand Ambassador to the Community immediately before the Council and arrangements will be made for him to be consulted during the Council as necessary. Given the other problems in the Community butter market I have no expectation that we will settle the issue next week. But if an unexpected opportunity should arise to settle it on reasonable terms it would be important to take it rather than run the risk of protracted negotiations which could well get enmeshed with the price fixing. I would propose therefore that, if it were possible to settle at a level around the Presidency compromise of 87,000 tonnes with satisfactory arrangements for the levy I should do so, provided that the arrangement was acceptable to New Zealand.

There is also expected to be a general discussion of measures to correct the imbalance which is developing in the Community butter market. Although the Commission have not yet tabled specific proposals, the discussion in the Council may be important in influencing the Commission's further deliberations on 20 October.

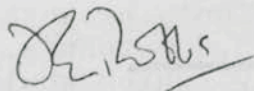
/It seems



It seems unlikely that any package of such measures will be agreed this side of the next price-fixing. For this reason, and on wider grounds, I shall resist any attempt by the French or others to involve the decision on the New Zealand 1983 quota in such a package. I shall also take the line that any package of measures to deal with the imbalance in the Community market must include, not just measures to stimulate Community consumption, but also measures to restrain Community production in conformity with the decision at the last price fixing to introduce a production threshold. I shall continue to resist strongly the French demand that the Community should resume subsidised butter sales to the USSR and, in any discussion of increasing the allocation of resources for subsidised butter disposals within the Community, I shall favour those steps, i.e. improvements in the general butter subsidy, which give the UK the best return. However, if we are to achieve our objectives for New Zealand and for effective restraint of Community production, it may not prove possible at the end of the day to resist some improvement to other schemes such as Christmas or social butter which are of less interest to us.

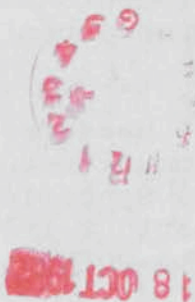
I am copying this letter to the Prime Minister, to members of OD(E) and to the Secretaries of State for Social Services, Northern Ireland, Scotland and Wales and to Sir Robert Armstrong.

Yours sincerely,



PP PETER WALKER

(Approved by the Minister and signed in his absence)



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*Budget: Pt 18*

CONFIDENTIAL

PRIME MINISTERCommunity Affairs

The Foreign and Commonwealth Secretary has already reported to you by telegram on the outcome of the Foreign Affairs Council on 20th-21st September when the French prevented agreement on the implementation of the 25th May agreement on the United Kingdom's 1982 Budget refunds. He may, in Cabinet, wish to report on his talks with the French Foreign Minister on 22nd September, when he pointed out that all other member states and the Commission agreed that the United Kingdom should receive 850 million ecu net for 1982 and that the alleged overpayments should be considered in relation to future years. In the Foreign Affairs Council France had argued that part of the United Kingdom's refunds should be deducted from the restitution of the alleged overpayments; but in his discussion with the Foreign and Commonwealth Secretary the French Foreign Minister failed to make this point and suggested instead that their difficulties were with the proposed compensation for Germany.

2. The Minister of Agriculture, Fisheries and Food may wish to report on the outcome of the Agriculture Council on 20th-21st September when the French pressed him to introduce a new regime for poultry imports by 30th September so that French exporters could take advantage of the Christmas turkey trade. Mr. Walker made it clear that the United Kingdom was acting speedily to comply with the European Court's judgment on Newcastle disease and had put proposals to the Commission and other member states which, while allowing poultry imports to resume, would protect the United Kingdom flock. The United Kingdom protested at the French blocking British lamb exports by delays for hormone tests. The Commission promised action. French and Irish opposition prevented agreement on New Zealand butter imports for 1983.

3. The Minister of Agriculture, Fisheries and Food may also wish to report on the talks on 21st September between his Minister of State and the new Danish Fisheries Minister, who maintained the previous Administration's uncompromising line on the Common Fisheries Policy.

CONFIDENTIAL



CONFIDENTIAL

4. The Secretary of State for Industry may wish to report on the dispute with the United States over steel imports. The deadline for the introduction of the United States measures has been postponed to 15th October, and the United States Administration is still trying to persuade the United States industry to go along with the 5th August agreement with the Community. The Foreign Affairs Council on 20th-21st September reaffirmed the Community's intention to implement the agreement, thus putting the ball back in the United States Government's court. The United States is still pressing for a cut in EC exports of steel pipes and tubes, and the Council authorised Commissioner Davignon to see what the Community could do to meet this request.

5. There was an Informal Meeting of Labour and Social Affairs Ministers on 27th-28th September, but the Secretary of State for Employment is unlikely to wish to say anything about it in Cabinet.

6. There will be a Fisheries Council on 4th October to try and agree on the Common Fisheries Policy, though the attitude of the new Danish Government makes agreement unlikely. There is also likely to be a special Foreign Affairs Council early in the month to consider the latest developments on EC/United States steel.

Robert Armstrong

27th September 1982





FCS/82/134

MINISTER OF AGRICULTURE, FISHERIES AND FOOD

New Zealand Butter

1. Thank you for your letter of 16 September about the import entitlement for New Zealand butter for 1983 and associated special import levy.
2. I too saw Warren Cooper yesterday. He also made it clear to me that in his recent talks with the Commission and other Member States he had said that New Zealand could accept the 89,000 tonnes and levy adjustment proposed by the Commission. In the circumstances I entirely agree that we should no longer hold out for the 90,000 tonnes which we and the New Zealanders had originally envisaged and that you should argue in support of the Commission's proposals at next week's Agriculture Council.
3. It remains our policy on this issue to secure the best possible arrangement acceptable to the New Zealanders. We must therefore continue to consult them if, as you suspect, agreement cannot be reached next week on the basis of the Commission's proposals.
4. I am copying this minute to the Prime Minister, the members of OD(E) and to Sir Robert Armstrong.

*Barry Pol*  
✓

(FRANCIS PYM)

Foreign and Commonwealth Office  
17 September 1982



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

From the Minister

*Mentioned to John Coles.*

The Rt Hon Francis Pym MC MP  
Secretary of State for Foreign and  
Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London  
SW1A 2AL

16 September 1982

NEW ZEALAND BUTTER: 1983 IMPORT ENTITLEMENT AND SPECIAL LEVY

You will recall that I wrote to you on 23 June suggesting the line we should take on the determination of the import entitlement for New Zealand butter in 1983 and the special levy applicable to such imports. The Prime Minister took the view that an entitlement of anything less than 90,000 tonnes would be unacceptable, in view of the strong support given to us by New Zealand over the Falklands (John Coles' letter of 28 June). You agreed that we should do everything possible to persuade the Commission to put forward a proposal to the Agriculture Council for an entitlement of 90,000 tonnes and that we could not oppose any Commission proposal for an adjustment in the special levy which reflected the change in the intervention price of butter at the start of the 1982/3 milk year.

Mr Dalsager's proposal to the Commission would have met these requirements but it met with strong opposition from French, Belgian and Irish Commissioners, who succeeded in forcing through a proposal for an entitlement of 89,000 tonnes. This represents a 3,000 tonne reduction on the 1982 amount and is justified by the Commission as being equivalent to the 3.3% decline in Community butter consumption. An adjustment has however been proposed to the rate of special levy to provide New Zealand with total returns from the market at a level equivalent to what would have been obtained from an entitlement of 90,000 tonnes.

/Officials have .....



Officials have maintained the line that 90,000 tonnes is the right figure, as implied by the logic of degressivity in previous years. Indeed this is recognised by the Commission in the compensation they proposed through the levy for the loss of 1,000 tonnes of entitlement.

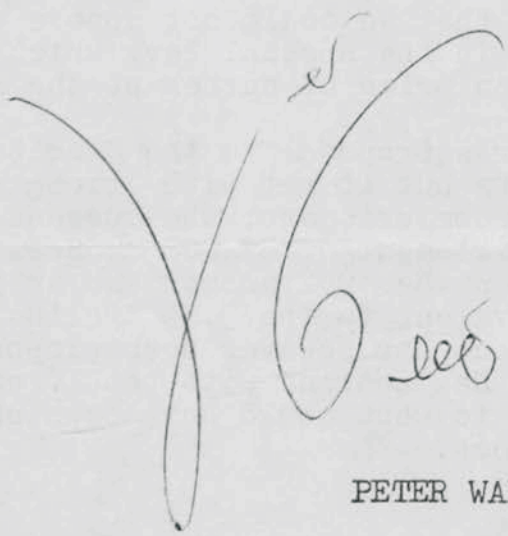
However, we have been alone in taking this view. Germany, the Netherlands, Luxembourg and Greece have all maintained their support for the Commission's proposal, while the line of Ireland, Denmark and France is that it is over-generous - pointing out that the decline in butter consumption on the UK market, where New Zealand butter has to be sold, is much more substantial.

In preparation for the Agriculture Council next week I have today discussed the negotiating prospects and New Zealand's needs with Mr Warren Cooper, New Zealand Minister for Overseas Trade. He accepts that there is no prospect of improving on the Commission's proposal of 89,000 tonnes. Indeed he has made it clear in his discussions in France and elsewhere that New Zealand would be content with the 89,000 tonnes. It is clear therefore that we cannot credibly argue for more than this.

I have told Mr Cooper my view that even an agreement on this figure is going to be hard to get given the attitude of the French and the Irish and the lack of leverage available to us.

I am, therefore, proposing to argue strongly for the Commission Proposal at next week's Council. I do not expect, however, that this issue will be resolved quickly and I have made this clear to Mr Cooper.

I am copying this letter to the Prime Minister, to members of OD(E) and to the Secretaries of State for Scotland, Northern Ireland and Wales and to Sir Robert Armstrong.

A large, stylized handwritten signature in dark ink, consisting of a large 'P' and 'W' intertwined, with a smaller 'W' and 'L' below it.

PETER WALKER

Euro Pol, CAP, P410



C.F. File

LPO

c. FCO Euro Pol

HWT  
WAF



10 DOWNING STREET

THE PRIME MINISTER

16 September 1982

Dear Mr Murray,

Thank you for your letter of 1 September about the EC farm price review and budget arrangements.

I note the General Council's views about the majority decision taken on the 1982/83 farm price review. The majority vote was taken despite the United Kingdom's clear objections and our invocation of the 1966 Luxembourg Compromise. As I said at the time, this raised very serious issues, and the Foreign and Commonwealth Secretary subsequently made our dissatisfaction very plain to other member states in the Foreign Affairs Council discussion on 20 June. He was supported unreservedly by two member states and by two others with some qualifications. There thus remains a divergence of views in the Council on this question, but we expect that the practice which the Community has followed, with this one exception, since 1966, will continue to operate in the future.

/The prices

Ful



The prices package included increases for a number of products higher than those for which we argued, particularly in view of the problem of surpluses. But the overall effect on food prices is estimated to be no more than 1.25 per cent in a full year.

As to the budget, the agreement reached earlier this year fell short of the lasting solution which we have been seeking. But we have now secured agreement to refunds of no less than £2,000 million in respect of the three years 1980, 1981 and 1982. The agreement reached on 25 May also contained a pledge to take decisions by the end of November on the solution for 1983 and later. We shall be continuing to pursue with all determination our objective of a lasting and equitable settlement of this problem.

Yours sincerely

Raymond Walker

The Rt. Hon. Lionel Murray, O.B.E.





Foreign and Commonwealth Office

London SW1A 2AH

15 September, 1982

Type letter for P.N.'s  
signature.

A.S.C. 4/2.

Dear John,

EEC Farm Price Review and Budget Arrangements

Thank you for your letter of 6 September. I enclose as requested a draft reply, for the Prime Minister's signature, to the letter from the General Secretary of the TUC.

I am copying this to Robert Lawson (MAFF) and John Kerr (Treasury). Both Departments have been consulted about the draft.

Yours over,

(F N Richards)  
Private Secretary

A J Coles Esq  
Private Secretary  
10 Downing Street



DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:  
Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO:  
 Rt Hon L Murray OBE  
 General Secretary  
 Trades Union Congress  
 Congress House  
 Great Russell Street  
 LONDON WC1B 3LS

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

Thank you for your letter of 1 September about the EC farm price review and budget arrangements.

I note [redacted] the General Council's views about the majority decision taken on the 1982/83 farm price review. The majority vote was taken despite the United Kingdom's clear objections and our invocation of the 1966 Luxembourg Compromise. As I said at the time, this raised very serious issues, and the Foreign and Commonwealth Secretary subsequently made our dissatisfaction very plain to other member states in the Foreign Affairs Council discussion on 20 June. He was supported unreservedly by two member states and by two others with some qualifications. There thus remains a divergence of views in the Council on this question, but we expect that the practice which the Community has followed, with this one exception, since 1966, will continue to operate in the future.

The prices package included increases for a number of products higher than those for which we argued, particularly in view of the problem of surpluses. But the overall effect on food prices is estimated to be no more than 1.25 per cent in a full year.

Enclosures—flag(s).....

/As



As to the budget, the agreement reached earlier this year fell short of the lasting solution which we have been seeking. But we have now secured agreement to refunds of no less than £2,000 million in respect of the 3 years 1980, 1981 and 1982. The agreement reached on 25 May also contained a pledge to take decisions by the end of November on the solution for 1983 and later. We shall be continuing to pursue with all determination our objective of a lasting and equitable settlement of this problem.





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Lionel Murray  
mc

10 DOWNING STREET

*From the Private Secretary*

6 September 1982

EEC Farm Price Review & Budget Agreements.

I enclose a copy of a letter which the Prime Minister has received from the General Secretary of the TUC. I should be grateful if you could let me have a draft reply, for the Prime Minister's signature, by 13 September.

I am sending a copy of Mr. Murray's letter to Robert Lawson (MAFF) and John Kerr (HM Treasury).

**E. J. COLES**

E. N. Richards, Esq.,  
Foreign and Commonwealth Office.

La.



6 September 1982

I am writing on behalf of the Prime Minister to acknowledge your letter of 1 September. This is receiving attention and a reply will be sent to you as soon as possible.

AJC

The Rt. Hon. Lionel Murray, O.B.EE.

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Rt Hon Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
London SW1

YOUR REFERENCE

OUR REFERENCE LM/BC/CK

DEPARTMENT Economic

September 1 1982

Dear Prime Minister

## EEC Farm Price Review and Budget Agreements

I am writing to you to let you know of the General Council's views on the UK's contribution to the EEC Budget in 1982, particularly in view of the outcome of the EEC Farm Price Review.

The General Council believe that the imposition by the EEC's Council of Agriculture Ministers of a settlement to the 1982/83 Farm Price Review by a majority decision against the wishes of three member states was an unacceptable abandonment of a long established principle of Community membership. In addition to the unacceptability of the Farm Price settlement on constitutional grounds, the General Council are concerned that the settlement would have a strongly inflationary effect on food prices in the UK. They were also concerned that the settlement would lead to a greater EEC spending on agriculture which underlies the UK's excessive net contribution to the EEC Budget.

The General Council take the view that the agreement reached on a partial rebate of the UK's net contribution to the EEC Budget for 1982 falls well short of the UK's Government objectives of a lasting solution to the Community's Budget problem. They underlined the support they gave to the Government during the previous negotiations on the EEC Budget in 1979 and 1980 in securing both an equitable solution to the UK's EEC Budget contribution and to the wider reform of the Community's Budget and policies.

.../.....



I am sending a copy of this letter to the Foreign Secretary  
and the Minister of Agriculture.

Yours sincerely

*Leslie Murray.*

General Secretary.



~~Mr. Speaker: I have noticed. There are mistakes in Hansard, and they will be corrected in the revised edition.~~

~~Mr. John Silkin (Deptford): The House is grateful, Mr. Speaker, for your decision to consider the matter raised a moment ago. It is more difficult for the Opposition than for the Government.~~

~~Mr. Speaker: There should be conversations through the usual channels and then with me. I want to serve the interests of the House as a whole.~~

## Council of Agriculture Ministers

3.57 pm

**The Minister of Agriculture, Fisheries and Food (Mr. Peter Walker):** With permission, Mr. Speaker, I should like to make a statement about the meetings of the Agriculture and Fisheries Councils which took place earlier this week.

At the Agriculture Council on 19-20 July, at which the United Kingdom was represented by my right hon. Friend the Minister of State and my hon. Friend the Minister of State Northern Ireland Office, agreement was reached upon a package of measures for the wine sector. I am pleased to inform the House that we obtained satisfactory safeguards for our alcohol and spirits industries.

On 20-21 July there was a meeting of the Fisheries Council at which I was accompanied by my right hon. Friend the Secretary of State for Scotland and my right hon. Friend the Minister of State.

The Danish delegation refused to approve measures involving agreements with Norway. This prevented the Commission from negotiating with the Norwegian Government on total allowable catches in respect of joint stocks which would have considerable impact upon quota allocations.

Nine member States agreed that until this negotiation could take place there could be no meaningful discussions on total allowable catches, quotas, and access. This was certainly the view of the United Kingdom Government, since important quotas for cod and herring are involved.

Therefore, it was agreed that negotiations on those major aspects would be resumed at a meeting of the Fisheries Council to be held in Luxembourg on 21 September. Agreement was reached on several implementing measures under the marketing regulation which will come into operation on 1 January 1983.

**Mr. Norman Buchan (Renfrewshire, West):** The first and most obvious matter is that the House would like to know exactly what the Minister means by "satisfactory safeguards for our alcohol and spirits industries." Is the industrial alcohol industry in Britain to be fully protected and, if so, how?

Although the statement was short, two extremely important matters arise from it. One would not have been unduly concerned about delay in a negotiation of this kind for two months were it not for the fact that, by the end of the year, the present fisheries agreement runs out. Is the Minister not negotiating with partners who have all the cards in their hands and who possess the veto, and that it is basically our fish that are at stake? Does the Minister agree?

Does the Minister agree that, as the Ministers are meeting again in September, as he has already surrendered to the French, and as the Danes are objecting and he is likely, in order to get agreement, to surrender to them eventually, it would be wrong for him to come to an agreement in Brussels while the House is still in recess? I hesitate to suggest that the House should be recalled to discuss the matter, but at least he should not come to an agreement with his Common Market partners in Brussels until he has had the terms of it ratified by the House on our return.

What does the Minister intend to do in the remaining two months of the year if no agreement is reached and the



people being tortured, and the lack of legal safeguards in trial procedures, and requests Her Majesty's Government to make known its condemnation to the Iranian authorities of these heinous human rights violations at every opportunity and to support the work of Amnesty International in combating them.

Will the right hon. Gentleman undertake to speak to his right hon. Friend the Foreign Secretary so that the Government's condemnation of mass executions in Iran may be known at every opportunity?

**Mr. Biffen:** I shall certainly draw the attention of my right hon. Friend the Foreign Secretary to the hon. Gentleman's point.

**Mr. Geoffrey Dickens** (Huddersfield, West): My right hon. Friend will recognise that the Supply day debate on Tuesday is of great importance to the House. I am certain that many Labour Back Benchers will wish to contribute, and many hon. Members such as myself wish to tell the Opposition a few home truths about British industry. Will my right hon. Friend please arrange for statements not to be made on that day so that we have the maximum time for debate?

**Mr. Biffen:** I can give no guarantee of that, but I shall certainly bear in mind my hon. Friend's point.

**Mr. Andrew Faulds** (Warley, East): As there is great concern in the arts world and among all hon. Members about the threat to the theatre museum project, as is evidenced by early-day motion 649, and since the Minister will make a decision on that matter in early August, would it not be advisable for the House to have a chance to express its views on that important museums project before the recess?

*[That this House strongly supports the project of a Theatre Museum which has been in being now for over 50 years; welcomes the action of successive governments in supporting it; believes that the Museum would constitute a major cultural and literary centre as well as providing an important tourist attraction; and calls on the Government to proceed with the project as a matter of urgency.]*

**Mr. Biffen:** The hon. Gentleman may like to know that there will be an Adjournment debate on that subject on Thursday.

**Mr. Edward Lyons** (Bradford, West): In view of the way that mobility allowances for the seriously mentally disabled are being piled up unused by hospital administrations, will the Leader of the House arrange with his right hon. Friend the Secretary of State for Social Services for a statement to be made as quickly as possible on how the Government propose to ensure that those disabled persons do have the benefit of that mobility allowance instead of the people who inherit after the death of those patients?

**Mr. Biffen:** I acknowledge at once the seriousness of the hon. and learned Gentleman's point. I shall certainly draw it to the attention of my right hon. Friend.

## Business of the House (Mr. Speaker's Statement)

3.55 pm

**Mr. Speaker:** I have three short statements to make.

The House is aware that applications for a second Adjournment debate are not acceptable after 8 pm, for reasons that have been outlined before.

I have decided that it is in the interests of the House that applications for second Adjournment debates on a Friday will not be accepted after 10 am. It would be unreasonable to expect the people concerned to change their arrangements for a Friday after that hour.

For the debate on Thursday 29 July on the Second Reading of the Consolidated Fund (Appropriation) Bill, hon. Members may hand in to my office by 9 am on Wednesday 28 July, their names and the topics they wish to raise. The ballot will be carried out as on the last occasion. An hon. Member may hand in only his or her own name and one topic.

The debate will cover all the main Estimates originally presented for the current financial year in House of Commons Papers Nos. 212 and 214, and the Supplementary and Revised Estimates presented since then in House of Commons Papers Nos. 429, 430, 431, 432 and 440. It will be in order on Second Reading to raise any topic falling within the compass of those Estimates.

I shall put out the result of the ballot later on 28 July.

I remind hon. Members that on the motion for the Adjournment of the House on Friday 30 July, up to eight hon. Members may raise, with Ministers, subjects of their own choice. Applications should reach my office by 10 pm on Monday next. A ballot will be held on Tuesday morning and the result made known as soon as possible thereafter.

**Mr. James Wellbeloved** (Erith and Crayford): On a point of order, Mr. Speaker. May I ask you to consider the possibility that in due course you might wish to review your first statement in the light of experience? I make this point because on a normal week roughly five hours elapses between the start of proceedings and the expiration of the time at which applications for a second Adjournment debate can be made.

On a Friday morning only half an hour is being allowed and that is insufficient time for Back Benchers, first, to assess likely progress of the House, and, secondly, to make the application to you. I accept that your ruling will stand for the time being, but I would ask you to give further consideration in the light of experience.

**Mr. Speaker:** Of course, I shall review the position after a period. I am trying to consider those who have to answer debates as well as those who initiate them. People try to make their arrangements for the weekend. If the House does not approve, the position can easily be changed.

**Mr. Peter Bottomley** (Woolwich, West): Further to that point of order, Mr. Speaker. I hope that, in reviewing the position in the light of experience, you will consider that 11 o'clock is perhaps a more suitable time than 10 o'clock. That is the time when statements are normally made.

On another point, I should be grateful, Mr. Speaker, if you would look at c. 407 of yesterday's *Official Report* where two of the paragraphs are out of order.



derogation runs out? He has told us that he has contingency plans. The clock is ticking very loudly now. We need to know what the contingency plans are to protect our fishing stocks against the depredations that loom ahead for them.

**Mr. Walker:** The safeguards for alcohol are similar to those agreed at the 18 May Council, which were considered by the industry to be completely satisfactory. They applied to the intervention of wine distillates, and the new regulation stipulates that their disposal must not disturb markets for alcohol and spirit drinks. With regard to other distillates which receive FEOGA marketing aids, the Commission has stated, and categorically minuted, that it will not allow the aids for which it is responsible to undermine existing alcohol and spirit drink markets.

I know that the hon. Gentleman will be delighted—he always is at any success on the part of British negotiators—that total safeguards have been obtained. I can claim that it was a considerable achievement, because it was done by the Minister of State and not by me.

With regard to the fisheries negotiations, the hon. Gentleman suggested that we were negotiating with partners who were all waiting eagerly for the end of the year. Clearly that was not the case at the Council meeting, where we had the support of eight of the partners, all of whom want agreement to be reached as speedily as possible. I hope that there will be a successful settlement in September. That will be in the interests of our industry.

As for getting the prior approval of the House, my position is exactly the same as that of the right hon. Member for Deptford (Mr. Silkin) when he held my office.

**Several Hon. Members rose—**

**Mr. Speaker:** Order. I propose to allow questions to run until 4.20 pm by the digital clock. If there are brief questions and brief answers, it should be possible to accommodate most of the hon. Members who wish to speak.

**Sir Patrick Wall (Haltemprice):** As the settlement of the common fisheries policy has again been delayed, will my right hon. Friend explain to the House the exact legal position that we shall face next year concerning fishing up to the beaches? I do not expect him to go into details, because obviously he will wish to keep his hand covered.

**Mr. Walker:** The view of the British Government is that the wording of the treaties is such that, in the event of there not being an agreement, there will not be a free-for-all and fishing up to the beaches, but it is a matter which others could dispute and which could be decided in the courts. In looking at the wording, I cannot say with certainty what is the exact legal position, but the Government's interpretation—and that of the previous Labour Government—is that it does not allow for fishing up to the beaches.

**Mr. Harry Ewing (Stirling, Falkirk and Grangemouth):** In view of the Minister's statement about the safeguards for the wine and alcohol industries, may I ask whether he is aware that the 18 May agreement was based on the distillation of 55,000 hectolitres of wine alcohol? Is he now saying that we are still distilling the 55,000 hectolitres, or that a greater quantity is being distilled? If that is the case, can he say how much more

than 55,000 hectolitres is being distilled, because obviously that will distort the market, despite the non-disturbance clause?

What studies are taking place in the EEC on alternative uses of the wine lake—for example, for animal feedstock?

**Mr. Walker:** With regard to the hon. Gentleman's last point, I am glad to be able to tell him that, at our request, the EEC has agreed to make studies.

With regard to the hon. Gentleman's first point, obviously the total volume will vary, depending on the size of the crop, but the non-disturbance agreement for all the wine going into intervention totally applies and I am glad to say that it is part of the regulation.

**Mr. David Penhaligon (Truro):** Has the Minister made it perfectly clear during negotiations that, come what may, Britain will in no circumstances allow fishing up to the beaches?

**Mr. Walker:** Yes, Sir.

**Sir Walter Clegg (North Fylde):** Is my right hon. Friend aware that the latest Danish delay could be fatal for the port of Fleetwood? Is he further aware that two middle water fleet trawlers have already tied up? A meeting is to be held this afternoon, as a result of which the rest may be tied up. It may well be that 38 lumpers will be laid off. Is there not a case now for financial help for the British fishing industry, pending a final solution?

**Mr. Walker:** As my hon. Friend knows, the specific problems of Fleetwood result from a range of difficulties, not all connected with the negotiations. Meetings took place yesterday with my right hon. Friend and further meetings will take place early next week.

**Mr. Gavin Strang (Edinburgh, East):** Does the action of Denmark lead the Minister to conclude that there is now a real prospect that no agreement will be reached before the end of the year? In those circumstances, will he give the House an undertaking that by no later than October he will come forward with his plans to ensure that our industry can develop, expand and succeed after 1 January 1983?

**Mr. Walker:** I still believe that there is a very good prospect of an agreement during the period of the Danish Presidency. Having been present at past meetings, as has the hon. Gentleman, I have witnessed the sorts of pressures now being put on the Danish position and upon the Danish Government. It is very unlikely that the Danish Presidency will proceed during the coming six months on the basis of refusing to come to a sane and sensible agreement on fishing. If I am proved to be wrong, we shall have to be prepared to come forward at an appropriate time—which will have to be judged in the circumstances of the dates of meetings and so on—and make clear what action we shall take.

**Mr. Albert McQuarrie (Aberdeenshire, East):** My right hon. Friend's statement will be greeted with dismay and disappointment by all British fishermen, and particularly those in my constituency. As my right hon. Friend is aware, the pelagic fleet fishing has already been delayed.

Can my right hon. Friend give the House an assurance that there will be active policing to ensure that the Danes do not overfish in the North Sea during the two months



[*Mr. Albert McQuarrie*]

before the next meeting? If they do, they will be taking advantage of the British fishermen who are endeavouring to carry out proper fishing.

**Mr. Walker:** I am glad to say that one of the things agreed yesterday was a roll-over of the various conservation measures. I assure my hon. Friend that, in those waters in which we are responsible for surveillance, proper surveillance will take place.

**Mr. John Home Robertson** (Berwick and East Lothian): As there will be only 72 fishing days between the date set for the next Fisheries Council meeting and the deadline on 1 January next year, and as the House is rising next week for the recess, will the Minister take this opportunity to tell the House of his contingency plans for protecting British fishing interests at the beginning of next year?

**Mr. Walker:** No, Sir, because I do not negotiate on the basis of announcing what I shall do if I do not succeed.

**Mr. Barry Henderson** (Fife, East): Is it not ironic that apparently it is the Danes who are holding up the settlement, bearing in mind that it was their ruthless industrial fishing methods that caused great problems in the fishing industry generally?

As there was the possibility of reaching a settlement on an earlier occasion, when France was causing the difficulty, can my right hon. Friend tell us whether there are any aspects of that near agreement which the Danes were then accepting but are not accepting now?

**Mr. Walker:** No, Sir. There has been no basic change in the position. One of Denmark's problems is that it has a minority Government, but it also has the responsibilities of the Presidency of the European Community. One matter that emerged clearly from the meeting was that the rest of Europe expects Denmark to conduct its Presidency in the interests of Europe.

**Mr. Robert Hughes** (Aberdeen, North): For how long will the Minister retain his innocent belief that there is goodwill in the Community to reach a fisheries settlement that is satisfactory to British fishermen, as there is always one obstructive fishing nation in the EEC? He said that his position on ratification of the agreement by the House of Commons was the same as that of my right hon. Friend the Member for Deptford (Mr. Silkin). Can he remind me of that position?

**Mr. Walker:** The right hon. Member for Deptford said that if one reaches an agreement that is satisfactory to the industry one must accept it and then justify that action to the House of Commons. That is what he told the House. It is obviously difficult to reach agreement when each nation wishes to have the maximum amount of fish and the best access arrangements. There is a strong desire to reach agreement among nine countries and I hope that, before the end of the year, that desire will extend to the Ten.

**Mr. Robert MacLennan** (Caithness and Sutherland): Is not the lesson of the latest Council meeting that our vital national fishing interests would have been better protected if the Minister had asked for majority voting on the issue earlier? Secondly, as the Danes are in the Presidency and that option will no longer be open, is there not also a risk that the right hon. Gentleman's earlier settlement of

agricultural price fixing, which he deliberately linked to the budget, will be used to link the budget to a fisheries settlement? Can he assure us that there will be no such linkage?

**Mr. Walker:** I have had the delightful task of negotiating in Europe for the past three years and I believe that there would be nothing more disastrous for the United Kingdom than to have majority voting. I should not join any process of majority voting, although no doubt on some occasions it would be to our advantage. As to the linkage between the budget and other matters, the proposals now advanced by the Commission on quotas will mean a better position than at any time in the Community's history, including the time when the Leader of the Social Democratic Party was President of the Commission.

**Mr. Teddy Taylor** (Southend, East): As my right hon. Friend the Minister has greatly reassured me, and possibly others, with his clear statement to the hon. Member for Truro (Mr. Penhaligon) that the Government will not permit fishing up to the beaches at the end of the year in the absence of an agreement, does he agree that it would be much more satisfactory, instead of seeking a hasty and unsatisfactory deal, to work to a deal that would be acceptable to all fishing organisations, including the National Federation of Fishermen's Organisations?

**Mr. Walker:** I shall try to reach an agreement that has the support of all the fishing organisations. At a recent meeting with the NFFO president there was no disagreement about our negotiating position. I asked this organisation's leaders whether, if we reached a settlement that was agreed by the fishing organisations that were responsible for 80 per cent. of the catch, they would wish to veto the entire agreement. They replied that they would not.

**Mr. Kevin McNamara** (Kingston upon Hull, Central): There will now be another two months' delay before arrangements are made. Is the Minister now beginning seriously to consider giving financial aid to the industry, such as operating subsidies, because bankruptcy is facing both large and small firms?

**Mr. Walker:** We are considering details that have been sent to us, but, as the hon. Gentleman knows better than most hon. Members, the fishing industry has diverse interests. A substantial section of the fleet has had much higher catches and prices during the past six months. Other sections of the industry are now in difficulty. We are considering carefully the detailed picture that is being presented to us.

**Mr. Tony Marlow** (Northampton, North): My right hon. Friend has not said anything about the re-establishment of the British veto. As this is fundamental to the Agriculture Council, can my right hon. Friend say what discussions there were about the restoration of the British veto and when he expects to see it restored? If he has any doubt about its restoration, what discussions has he had with his colleagues as to the action that should be taken by the Government?

**Mr. Walker:** Community procedures are a matter for the Foreign Affairs Council and they have been discussed by my right hon. Friend the Secretary of State.



**Mr. Nigel Spearing** (Newham, South): The Minister mentioned the political pressures on Denmark, which he said had a minority Government. Will he add proportional representation to those problems?

**Mr. Walker:** It is not for me to analyse why the Labour Government in Denmark is a minority one.

**Mr. David Crouch** (Canterbury): Is my right hon. Friend aware that many hon. Members feared that he might have been tempted into a trade-off with the French and the Italians about the distillation of wine and that we are grateful to him and to my right hon. Friend the Minister of State for not having been so tempted? Will he acknowledge that, in reaching the decision, he was helped by advice from Members of all parties?

**Mr. Walker:** I am grateful for the support of hon. Members on both sides of the House. The fact that the final wording of the agreement is highly satisfactory is to the credit of my right hon. Friend the Minister of State, who spent four and a half hours negotiating the wording and who eventually achieved what he required.

**Mr. Peter Hardy** (Rother Valley): Although the Minister's comments on industrial alcohol could have been worse, does he agree that the larger problem of the enormous over-production of wine in the Community, which leads to the astonishing and increasing export of large volumes of wine to third countries at prices such as 4p and 5p a litre, should command even more attention than he has devoted to the problem so far?

**Mr. Walker:** Yes. I did not go into detail about all the wine regulations that I mentioned in my statement. However, I know the hon. Gentleman's interest in the topic and he will find important structural proposals in the package, which I hope will reduce surplus wine production.

**Mr. Buchan:** I hope that the Minister has taken on board the genuine, sombre concern that is felt on both

sides of the House about the time factor. As we understand the position from his statement and from answers, there was agreement by everyone except Denmark. Does that mean that he is in total agreement about the limits laid down in the Commission documents?

Secondly, what does the right hon. Gentleman intend to do about confirming with the House the September agreement, if it should be reached then, because we are not talking about a normal agreement? The Minister referred to my right hon. Friend the Member for Deptford (Mr. Silkin). We are now talking about the next 10 and probably 20 years of fishing policy, and the Minister must obtain agreement from the House before he concludes that.

**Mr. Walker:** The hon. Gentleman is wrong about the latter point. The right hon. Member for Deptford was also questioned about total agreement on the common fisheries policy. He reasonably and rightly said "If in the middle of the night I have the opportunity . . ." I agree with that view.

I made it clear in my statement that nine countries agreed that we cannot meaningfully discuss quotas, access and total allowable catches until we know the additional available catches from the Norwegian joint stocks. The opportunity to discuss and make changes in those areas did not occur at the meeting, because we agreed that until the details of the additional stocks were available we could not discuss quotas.

**Mr. Buchan:** The Minister answered a question that I did not ask. I asked him specifically about the six-mile or 12-mile limits. Does he agree with the Commission document on those limits?

**Mr. Walker:** Those matters are still under negotiation and the position is changing continually. I have agreed no proposals for access with another country or with the Commission.



## St. David's Hospital, Dyfed

4.19 pm

**The Secretary of State for Wales (Mr. Nicholas Edwards):** With permission, Mr. Speaker, I should like to make a statement on St. David's hospital, Carmarthen, and mental illness services in Dyfed.

A series of reports since 1974 has drawn attention to the poor quality of mental illness services at St. David's hospital and elsewhere in Dyfed. These include two unpublished reports by the National Health Service health advisory service in 1974 and 1977.

In the course of the regular contacts by my officials, it became increasingly clear that the necessary remedial action was still not being taken by the authority. In September 1981, the General Nursing Council decided to withdraw approval from St. David's hospital as a statutory nurse training school. In November 1981, arrangements were put in hand for a formal visit by professional staff of my Department.

The visit took place in January of this year, and, as a result, a team from the NHS health advisory service was invited to conduct a special review of the shortcomings and deficiencies of the service. The team's report has just been presented to me and made available to the health authorities in Dyfed and the county council. I have discussed the report with the chairman of the East Dyfed health authority. The authority will consider it at a special meeting next week. In view of its nature, I thought it right immediately to make it available to Parliament, and copies have been placed in the Library.

The report confirms the sharply critical nature of so many earlier comments about St. David's hospital and states that no real progress has been made in remedying the very serious deficiencies that are revealed. It speaks of

"a marked absence of discernible, credible leadership"

at the hospital, states that

"no one seems to be responsible and accountable"

and concludes that

"the management structure has not proved equal to its task and has failed at all levels".

There is criticism of the approach and attitude of some of the doctors and staff and of unsatisfactory relationships between staff. The health authority is criticised for failing to set proper standards of performance and failing to control and monitor those who should be responsible for supervision. The report is strongly critical of the relationship between the health authority and the social services department.

As a consequence of these failings by management, standards of nursing in some wards are described as deplorable. Some wards are said to be filthy and, in the opinion of the team, little regard is paid to privacy and the preservation of human dignity. Standards of hygiene are poor.

Conditions due to overcrowding in some long-stay wards are described as intolerable. The report makes depressing reading, but I should make it clear to the House that there is no suggestion in the report that there has been any wilful mistreatment or cruelty to patients.

The report refers to the relative underfunding of Dyfed health authority and states that the underfunding of psychiatric services is a major factor causing many of the problems. The report is also critical of the present system of joint financing in Wales.

A detailed prescription for action can be prepared only after the health and social services authorities have considered the report, but I intend to see that two of the main recommendations of the report are carried out without delay. The first is that there should be an immediate exercise involving outside expertise to improve management structures and attitudes in the mental illness services in Dyfed.

Secondly, I am establishing a review group for a limited period to ensure that the performance of the organisation makes progress towards agreed objectives and the main recommendations of the report. This review group will be appointed by me. It will be chaired by one of my officials, and it will report direct to me. It will include independent senior professional staff from outside Dyfed.

As to Dyfed health authority's underfunding, I have continued the efforts, begun in 1975 by the previous Government, to tackle this long-standing problem. In all, since 1975, in addition to its share of general growth, Dyfed has received extra growth resources of over £3.2 million, of which the present Government have provided over £2 million. Between 1974 and 1982, no other health authority in Wales has received so large a percentage share of growth.

However, I have to say that the health authority has within its discretionary resources accorded very low priority to mental illness services, despite increasing pressure from my Department to give it higher priority and to remedy the acknowledged deficiencies.

There have been capital developments. I have approved central funding projects worth over £5 million in total to improve accommodation and relieve overcrowding at St. David's hospital and to improve facilities for the mentally ill in Dyfed.

Regarding joint finance, as part of the "Care in the Community" consultation exercise, the Government have been carefully considering the case for liberalising the present arrangements, and we hope to make a statement before the House rises for the recess.

As to the immediate future, the Welsh Office will pay the costs of the review group and the management exercise I have described. I shall also be urgently reviewing the financial requirements of the East Dyfed and Pembrokeshire health authorities in the context of the needs of the Health Service in Wales as a whole to ensure that the authorities give at least the same priority to the development of mental illness services as most of the other health authorities have done for some considerable time past.

I shall be considering further action necessary in the light of this report, and I shall, of course, keep Parliament fully informed.

**Mr. Alec Jones (Rhondda):** It is right and proper that the Secretary of State should have come to the House to make the statement and to publish the report. It is important that all those involved in St. David's and everyone responsible for the care of mentally ill patients in Dyfed should be aware of the totally unsatisfactory conditions that prevailed at St. David's, as the report clearly shows. Does the Secretary of State agree that the report confirms previous reports and reviews carried out by professional bodies and justifies the criticisms made by the responsible trade unions, NUPE and COHSE, in the report that they submitted to the Secretary of State earlier this year.



EUROPEAN COMMUNITIES

122/7

WITH THE COMPLIMENTS OF  
CHRISTOPHER TUGENDHAT  
VICE PRESIDENT OF THE COMMISSION

— MR  $\frac{23}{7}$   
h.e.



Edinburgh, 15th July 1982

CHRISTOPHER TUGENDHAT CHALLENGES LABOUR ANTI-EUROPEANS  
TO CLARIFY PLANS FOR BRITAIN'S FARMERS

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Britain's European Commissioner Christopher Tugendhat today challenges the Labour Party's spokesman on agriculture to say whether he secretly envisages a marked reduction of agricultural output from Britain's farmers under Labour's plans for withdrawal from Europe.

Speaking at the Scottish National Farmers' Union conference in Edinburgh, Mr. Tugendhat, a Vice-President of the European Commission, called on Labour spokesman Norman Buchan to admit that getting out of the Common Agricultural Policy (CAP) and returning to deficiency payments at a cost Mr. Buchan had estimated at about £1,000 M per year involved a big cut-back in British farm production. Mr. Tugendhat questioned the Labour claim of significantly lower consumer prices if Britain gets out of the CAP. This was inconsistent with Mr. Buchan's suggestion that world prices would rise if Britain left CAP.

Mr. Tugendhat stood by the statement he made earlier this year at the Oxford farming conference that the cost to the Exchequer of maintaining United Kingdom agricultural output and return at present levels and to provide support at CAP rates would in fact come to about £2,000 M per year.

Mr. Tugendhat wound up his speech to the Scottish National Farmers' Union today:

"I do not believe anyone in this room seriously believes that if their businesses were to operate under a national support system they would be better off than they are now. How much would Mr. Walker be able to obtain from the Treasury to finance the deficiency payment scheme? The estimate I made at the Oxford farming conference was that around £2,000 million per year would be needed. Taking into full account even his persuasive powers, I think he would find it difficult to obtain the necessary resources.

This figure has incidentally been criticised, notably by leading figures in the Labour Party; Mr. Norman Buchan, Member of Parliament for Renfrewshire West, and opposition spokesman on agriculture, told the Food Manufacturers' Federation a few weeks ago that my figure was based on the false assumption that the cost to the Exchequer was in some way related to the current level of consumer prices. His observations call for a few comments because I stand by my figure.

Firstly the figure I gave is, as I said in Oxford, the cost to the Exchequer and nothing else. As far as the calculation is concerned, Mr. Buchan should have no problems for it happens that my calculation uses the same methodology and gives rise to a figure very close to one of those worked out by the Labour Party's research department and referred to in the Labour document "Withdrawal from the EEC". This figure was incidentally £1,743 million.

Thus using the same assumptions we come to essentially the same figure - the £1,743 million being based on the 1979/1980 marketing year.



Secondly, Mr. Buchan, again speaking to the Food Manufacturers' Federation, said that the cost to the Exchequer would be something in the order of £1,000 million. The difference between his and my figure appears to be entirely due to different assumptions each of us has made about world market prices. I have assumed that they do not rise. I make this assumption because I do not believe it would be in the national interest for British agriculture to contract. Thus as total world food supplies would be unaffected by the policy change, world prices should be virtually unchanged.

Mr. Buchan assumed that were the United Kingdom to withdraw world prices would move up and close about half the gap between world and British prices. For prices to move so significantly, supply and demand would need to change markedly. Does Mr. Buchan envisage a marked contraction in British agricultural output? If so, he should let the industry know. He should also make his position clear to consumers who have been told by his party that food prices would be substantially lower were the CAP not applied in the United Kingdom. He simply cannot have it both ways.

Personally, I do not believe in these "substantially lower food prices" but I do fear that British agriculture could suffer enormous damage were the British public led to believe that they were attainable. This damage must be avoided in the national interest."





*Euro Pol*

FCS/82/97

SECRET

*N.B.P.R.*

MINISTER OF AGRICULTURE, FISHERIES AND FOOD

*A.J.C.Y.*

New Zealand Butter

1. Thank you for your letter of 23 June about New Zealand's butter quota for 1983.
2. I agree that we must do everything possible to see that the New Zealanders get a satisfactory deal, and that our first priority is to ensure that the Commission's draft proposal contains a figure not lower than 90,000 tonnes. Instructions to this effect have now gone to Sir Michael Butler in Brussels.
3. I am copying this minute to the Prime Minister and to the other recipients of your letter.

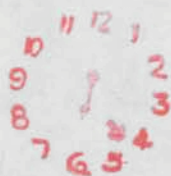
(FRANCIS PYM)

Foreign and Commonwealth Office

1 July, 1982



30 JUN 1982





AGRICULTURE AND FISHERIES STATEMENT

Peter Walker's statement this afternoon was virtually a re-run of his last statement. The Opposition, led by Norman Buchan, claimed that the Commission's proposals were a sell-out of the UK fishing industry. The Opposition would support proposals for a 12 mile exclusive zone, and 50 mile dominant preference zone; but the Commission's proposals for a 6 mile exclusive zone and a 6 mile dominant preference zone, coupled with a 34% quota were a flagrant breach of the Conservative Manifesto commitment. Mr. Buchan claimed that the Manifesto committed the Government to seeking a quota of two-thirds.

Both Donald Stewart and Kevin McNamara claimed that the fishing industry had been blackmailed into accepting the Commission's proposals, and referred to the press reports that the National Federation of Fishing Organisations were deeply unhappy. Bruce Millan, concluding for the Opposition, demanded that the Government should make clear what the Commission had proposed, and what Mr. Walker would accept.

Peter Walker said that it was important to draw a distinction between the Commission's proposals and proposals acceptable to the Government. He would only accept proposals that the fishing industry could live with. He presumed that the House would do the same. He had not accepted the Commission's proposals, but it would be quite wrong to reveal his negotiating position. There was no question of breaching the Conservative Manifesto: as Norman Buchan admitted, the Manifesto gave no explicit commitment on quotas, and simply said that any agreement should recognise that "UK waters contained more fish than those of the rest of the Community countries put together". The NFFO might have criticised the Commission's proposals, but they had assured him that they were happy with his negotiating position. In answer to Mr. Millan, he said that the Commission's proposals were available to the House, and had been considered by the



Scrutiny Committee. He rejected a suggestion from Robert Maclennan that we might seek a majority vote in the Council in the face of Danish intransigence.

Wh

30 June 1982



## Agriculture and Fisheries (Ministerial Meetings)

3.31 pm

**The Minister of Agriculture, Fisheries and Food (Mr. Peter Walker):** With permission, Mr. Speaker, I should like to make a statement about the meetings in Brussels of the Council of Agriculture Ministers on 28 June and the Council of Fisheries Ministers on 28 and 29 June.

My right hon. Friend the Minister of State and I represented the United Kingdom at the Agriculture Council.

Agreement was reached on devaluations in the green rates of Denmark, Ireland and Greece to reflect the effects of the recent monetary realignment in the EMS. The French Government had requested a selective devaluation of their green rate for pigmeat and sheepmeat and the Belgian Government wanted equivalent adjustments to those granted to the French. These arrangements for France and Belgium were not agreed.

The Council had further discussions on the new framework regulation on wine, and these will be resumed at the next Council.

Together with my right hon. Friends the Secretary of State for Scotland and the Minister of State in my Department, I represented the United Kingdom at the meeting of the Fisheries Council.

After a general discussion on the Commission's proposals on total allowable catches and quotas, there were a series of bilateral discussions between the Commission and individual member States on establishing priorities. In the course of the meeting it became apparent that the Danish Minister was not prepared at this meeting to negotiate towards a settlement of the common fisheries policy. However, at the end of the meeting the Commission tabled new proposals on the total allowable catches and quotas, and these will be considered at the next meeting of the Council in the second half of July. I shall consult the industry on these proposals.

**Mr. Norman Buchan (Renfrewshire, West):** This tiny mouse of a statement conceals a major surrender by the Government. The Government were preparing to surrender on quotas and limits, and their bacon was saved by the Danes. That was Danish bacon with a vengeance. Is it not the case that the quota agreement that the Minister was prepared to accept was half of that which would be determined by the amount of fish in our waters? Is it not a fact that in its manifesto for the last election campaign the Tory Party said that, unless the limits and the quotas were right, it was prepared to go it alone? Are the Government prepared to go it alone? If they do, they will have the support of the Opposition.

The Minister has been telling us that he has the support of the industry, but he should read the fishing industry newspapers more often. "No deal" say the fishermen's organisations in Britain. We have to stick by the decision, which was repeated in the House year after year, that there would be no surrender beyond the 12-mile exclusive limit and the 50-mile dominant preference.

All the indications are that the Minister is prepared to surrender on both those points. He is opening up the East

Coast, for example, through the bilateral agreement with the French. If he is prepared to put forward proposals on 12-mile and 50-mile limits we shall support him.

Would it not have been more sensible, instead of entering into a squalid arrangement under derogation in 1972, if we had decided that we would do what other independent nations have been able to do and stand by a 200-mile limit?

**Mr. Walker:** I assure the hon. Gentleman that he will never have the pleasure of seeing me come to the Dispatch Box with an agreement that the industry does not support. Therefore, I am willing to be judged upon our ability to obtain an agreement that the industry wants and agrees with. I presume that the House will be only too eager to support an agreement that the industry requires.

I have complete and detailed agreement with the industry as to our objectives on quotas. I am glad to say that we have made some further progress towards achieving these. Therefore, the only agreement that I would recommend to the House is one that provides quotas satisfactory to the industry, a substantial improvement in the access arrangements that have operated in living memory, and a secure and expanding future for the industry.

**Mr. Buchan:** Would the Minister agree, for example on the six-mile limit and on the six-mile dominant preference only? Would he agree on only 34 per cent. on quotas, reduced from the two-thirds that the Tory Party manifesto argued for? If not, he should stand by the pledge that he gave in 1979, that in the absence of such an agreement the Government would not hesitate to take the necessary measures on their own.

**Mr. Walker:** As far as I know, no political party, or the Labour Minister of Agriculture, Fisheries and Food in his wildest moments, ever suggested two-thirds quotas. The hon. Gentleman waves a document at me. If that is the manifesto, let him quote the promise about two-thirds of the quotas.

**Mr. Buchan:** The manifesto says something that is even stronger:

"United Kingdom waters contained more fish than those of the rest of the Community countries put together".

Will the right hon. Gentleman stand by that?

**Mr. Walker:** The hon. Gentleman has been exposed once again in making a false allegation.

**Mr. Donald Stewart (Western Isles):** Does the Minister accept that, as he is in the process of negotiating a new common fisheries policy, any question of historic rights to breach the 12-mile limit ought to be disregarded? Does he accept that, if chaos exists because of his failure to secure a policy, it is his duty to ensure that the United Kingdom fishing grounds are protected from ravishment by Common Market vessels?

**Mr. Walker:** My only objective in negotiating is to provide British fishermen, including Scottish fishermen, with a better future than they have had for many years, since we lost the Icelandic waters. If I cannot attain that objective, and the industry does not agree that I can attain it, I shall come to the Dispatch Box and say that there is no agreement.

**Sir Peter Mills (Devon, West):** All of us who think about these matters acknowledge what the Minister is doing—maintaining a firm stand in the interests of British



[Sir Peter Mills]

fishermen. Will he bear in mind that the reaction of the Danes is a serious setback and that he may have to make unilateral plans to deal with this and to protect fishermen, particularly in the South-West of England?

**Mr. Walker:** This illustrates the failure of the Labour Government to obtain any agreement, and the failure so far of the present Government to obtain agreement. This creates a much worse problem for our fishermen than there would be if a sane and sensible agreement had been obtained. As to the immediate problems of the fishing industry, as my hon. Friend knows, the Government have so far provided twice as much aid to the industry as did the Labour Government.

**Mr. Robert Hughes** (Aberdeen, North): Is it true that the Danish Government are asking for free fishing without quotas? How can that be a sensible policy? Since the Danish Presidency which begins next month will take us beyond the end of this year, will the Danes achieve their objective by refusing to come to an agreement in the next six months?

**Mr. Walker:** As the hon. Gentleman says, the main prize of a common fisheries policy is a quota system which is strictly enforced. There would be no point in a common fisheries policy without that ingredient. Denmark is alone in the view that for other than two species no quotas should be applied. I am sure that that would suit the type of fishing in which Denmark has been involved for some time, but it cannot form the basis of a fishing policy.

**Mr. David Penhaligon** (Truro): Why has the right hon. Gentleman done worse for England than the Secretary of State seems to have done for Scotland? What concessions between six miles and 12 miles has the right hon. Gentleman given to the French? How does he intend to prevent the concessions from escalating into a massive increase in take from those waters?

**Mr. Walker:** No concessions have been agreed with anybody. There has been no agreement whatsoever on access proposals. So far in the negotiations we have obtained substantial improvements on the question of historic rights for many parts of the coastline that compare with anything in living memory. We have achieved a substantial improvement for our coastal fishermen as a whole. I hope that there will be further improvements. Many of our fishermen wish to continue to enjoy historic rights in other nations' coastal waters and we have negotiated for that.

**Mr. Robert Hicks** (Bodmin): On the specific question of access to the six-mile to 12-mile band, and in particular in relation to the French, what safeguards has my right hon. Friend obtained and what additional safeguards does he hope to achieve in respect of controlling the catch that the French may take if they are allowed to continue to fish within that band?

**Mr. Walker:** The Commission has accepted that on 1 January, or when agreement is reached—whichever is the earlier—the first ever enforcement provisions will come into force. One fishing organisation—that mentioned by the hon. Member for Renfrewshire, West (Mr. Buchan)—queried control and said that there would not be adequate penalties. I was pleased to inform it that the

penalties already approved by the House of a fine of £50,000 maximum for any one offence with the confiscation of equipment would apply.

**Mr. Kevin McNamara** (Kingston upon Hull, Central): Has not the right hon. Gentleman blackmailed those in the industry to agree to whatever proposals he can get so that they receive some subsidy from him to help them in the chaos that they are experiencing? What does the right hon. Gentleman intend to do for the deep water ports? Is he aware that the port of Hull, for example, had 103 vessels 10 years ago and now has only 21, half of which are not fishing? About 135,000 tonnes of fish were landed there 10 years ago and only just over 25,000 tonnes are landed today. Is the right hon. Gentleman aware that he has done nothing for them, that there is no third party agreement and no compensation and that thousands of fishermen are unemployed?

**Mr. Walker:** It is untrue that I have at any stage tried to bargain or, to use the hon. Gentleman's word, blackmail those in the industry to accept subsidies in exchange for an agreement. I ask the hon. Gentleman to withdraw his allegation because it is totally without foundation. He knows more than anybody that the decline in the long-distance fleet took place primarily during the Labour Government's period in office.

**Mr. David Myles** (Banff): Now that negotiations have again broken down, will my right hon. Friend soon announce an aid programme for the industry, especially for the hard-pressed pelagic sector?

**Mr. Walker:** We are reviewing the figures on further aid submitted by the industry. The current position varies from one sector of the industry to another. Some sectors have had larger catches and better prices this year.

**Mr. John Prescott** (Kingston upon Hull, East): Does the Minister recognise that other countries have been subsidising their fleets to keep them at a certain level, whereas in the United Kingdom there has been a total collapse of ports such as Hull, which is facing a crisis and is in the hands of the banks? Does he recognise that the difference between his approach and that of the Danes is that he is prepared to accept the voice of the industry whereas in Denmark the parliamentary committee has to be satisfied before an agreement is accepted?

**Mr. Walker:** No one can accuse me of not coming to the House immediately following each meeting that I have had and submitting to the Scrutiny Committee every document involved. I shall not be accused of not doing that. The hon. Member must be pleased that the present Government have doubled the aid that the previous Government gave to the industry.

**Mr. John Townend** (Bridlington): Does my right hon. Friend accept that the industry needs an agreement in the near future? Will he repeat the pledge that he gave to the House earlier, that if the Danes continue to veto an agreement the Government will not allow fishing up to our beaches by the end of this year?

**Mr. Walker:** Yes, Sir.

**Mr. Gavin Strang** (Edinburgh, East): Does the right hon. Gentleman accept that it is not satisfactory to argue that it is in our interests not to have an exclusive 12-mile limit so that we can fish within another State's 12-mile limit? Will he abandon the Government's decision not to



press ahead with the policy adopted by successive Governments, including the last Labour Government, that there should be an exclusive 12-mile limit with the phasing out of all historic rights?

**Mr. Walker:** As the hon. Gentleman discovered when he was involved in these activities, the Labour Government got nowhere near to a negotiating position, or to an agreement satisfactory to our industry. Even now, with plenty of negotiations still to come, the access proposals for the British fishing industry are better now than at any time in living memory.

**Mr. Robert MacLennan** (Caithness and Sutherland): Have the new proposals from the Commission moved closer to or further from the Government's negotiating targets? If all that stands between the British fishing industry and a settlement is the Danish interest, will the Minister not hesitate to seek to persuade his colleagues to accept the precedent established at the agricultural price-fixing and proceed by majority voting?

**Mr. Walker:** I would not proceed on majority voting, believing as I do that it would be completely against Britain's interests. I would not argue for it when it suited me and argue against it when it did not.

I was asked whether the latest proposals were an improvement. The proposals were tabled last night and delivered after the Council meeting ended. I have not had time to discuss or study them in detail, but I understand from preliminary observations by officials that they show some further improvement in our quota arrangements.

**Several Hon. Members** rose—

**Mr. Speaker:** Order. I propose to call the four hon. Members on the Government Benches and the five on the Opposition Benches who have tried to catch my eye—if they are brief.

**Mr. Teddy Taylor** (Southend East): My right hon. Friend has said that the industry's agreement is required before he can present a case to the House. Does he mean all major sections of the industry and not just a so-called majority consensus? Would it not help the House in considering the various proposals if he were prepared to say what legal powers Britain has to exclude French and other EEC vessels from fishing up to our beaches after 31 December if there is no revised common fisheries policy?

**Mr. Walker:** We have expressed our view and interpretation of the treaty and the statements in it. My hon. Friend has asked me what in my interpretation constitutes the fishing industry. So far, in every detail that I have negotiated, I have carried the whole fishing industry with me. In the detailed and prolonged talks that I had with those in the industry in the past two days they were still in agreement with every detail of my negotiating position.

**Mr. Austin Mitchell** (Grimsby): Will the right hon. Gentleman confirm the widely published reports that he was prepared to accept a settlement that fell far short of the requirements of the House and the commitments of the Conservative Party manifesto and which has already been denounced by a large sector of the industry, specifically by the National Federation of Fishermen's Organisations, and that he was prevented from accepting that sell-out by the Danes doing what he should have been doing and asking for more?

Secondly, if the right hon. Gentleman wants the industry to give its unpressured and considered consent to

the sell-out, why does he not announce the vital aid that it needs to keep going? If withholding that announcement is not blackmail, what is?

**Mr. Walker:** It is unacceptable for the hon. Gentleman to talk about withholding aid when this Government's record on aid to the industry is so much better than that of any previous Government. The NFFO has had two lots of talks with me in the past 12 days and at neither was it critical of the negotiating position that I was taking.

**Sir Anthony Meyer** (Flint, West): Will my right hon. Friend treat the Opposition's offer of support in this matter as the dangerous booby-trapped device that it is? Will he reflect on the implications of the remarks attributed to him in *The Daily Telegraph* today that the one country that did not respect quotas was popular with its fishermen? This country has a greater interest than any other in achieving an agreed policy.

**Mr. Walker:** Every fishing organisation and every fisherman I have spoken to recognises that to obtain a secure future we need proper quota and enforcement arrangements in Community waters.

**Mr. George Foulkes** (South Ayrshire): Is there not a stark contrast between the way in which the Government moved swiftly to protect the interests of the Falkland Islanders by establishing a 200-mile exclusive zone there and the way in which they are refusing to protect the interests of my constituents and those of many other hon. Members?

**Mr. Walker:** I am sure that we would be willing to accept all the historic fishing rights of the Falklands to operate in our 12-mile limit.

**Mr. Roger Moate** (Faversham): Will my right hon. Friend clarify the situation? He has rightly asserted the importance of maintaining the agreement of the industry, and claims that he has that agreement, but the NFFO says that the proposals do not constitute the basis of an acceptable and honourable settlement. Which is correct?

**Mr. Walker:** The proposals that the federation was referring to were those of the Commission. I am in complete agreement with the industry about changes that we require on access, quotas and other details. The proposals that the NFFO was referring to were not proposals that I had made to the industry, but the current proposals of the Commission. My hon. Friend can check with the leaders of the NFFO. I have had discussion after discussion with them, and they do not disagree with my negotiating position.

**Mr. Thomas Torney** (Bradford, South): In view of the many occasions on which the right hon. Gentleman has had to come to the House and apologise for the continual procrastination of the Common Market on fishing matters, will he take unilateral action—we have waited long enough for the Common Market—and give aid to save what is left of our industry?

**Mr. Walker:** In fairness to the hon. Gentleman, may I say that I remember that he made similar comments from his anti-Community posture every time that we had disputes over lamb. I hope that I shall have the same success on fishing that I had on lamb.

**Mr. Tony Marlow** (Northampton, North): May I help my right hon. Friend? Is it not the case that the British



[Mr. Tony Marlow]

fishing industry has declined recently compared with the industries of some of our European partners? Would not an objective test of my right hon. Friend's success be whether that trend is reversed, particularly as we apparently own more than half the fish.

**Mr. Walker:** If my hon. Friend studies the matter, he will see that the decline of the British industry has been closely connected with the loss of Icelandic waters. Some improvements have occurred in the British fishing industry in coastal waters.

**Mr. Hugh D. Brown** (Glasgow, Provan): I recognise the merits of the right hon. Gentleman's claim about consultation with the industry and taking it with him, but is he not being a little arrogant and over-optimistic in giving almost a right of veto to an industry which is divided in its interests and, like farmers, is notoriously reluctant to accept that any Government can give it what it wants?

**Mr. Walker:** I had only two choices—to work closely with the industry, or not to do so. I chose to work closely with the industry.

**Mr. Peter Hardy** (Rother Valley): Will the right hon. Gentleman carry out a comparative study of the changes in conditions and quality of fish stock in Icelandic and British waters over the past 10 years? If he did so, would he expect to conclude that the protestations of my right hon. and hon. Friends from fishing ports are entirely justified?

On a wider note, will the right hon. Gentleman estimate whether the share of the Commission budget devoted to the structure and subsidy of agriculture will be greater next year than it was last year?

**Mr. Walker:** That question is not related to my statement. One of the rewards of getting a CFP is that there would then be European investment in the structure of the fishing industry.

**Mr. Bruce Millan** (Glasgow, Craigton): Why is it that on today's statement and the statement of a week or two ago the Minister has been unwilling to give us information about exactly what the Commission proposes on exclusive limits and access? Will he tell us exactly what the Commission proposes and exactly what he was apparently willing to accept on exclusive limits and access? Is it not a fact that he has been frightened to tell the House those details because he knows that the House would recognise them for what they are—a sell-out?

**Mr. Walker:** The right hon. Gentleman should be aware that all the documents have been made available to the House. They were passed to the Scrutiny Committee, which called for a debate on them, and I am certain that we shall have a debate on them. I have not agreed to any proposals. The right hon. Gentleman has got it totally wrong. The House has the information, and I have not agreed to anything.

## Questions to Ministers

**Mr. David Stoddart** (Swindon): On a point of order, Mr. Speaker. I wish to refer to a supplementary answer given to me yesterday by the Under-Secretary of State for the Armed Forces. I asked:

"Is the hon. Gentleman . . . aware that there are disturbing rumours that in future RAF Kemble is to be used as a maintenance depot for cruise weapons and/or the storage of chemical weapons? Will he categorically deny these rumours?" In answer to that part of my question the hon. Gentleman said:

"In answer to the second part of the hon. Gentleman's supplementary question, as the hon. Gentleman knows, the United States Air Force is examining the available facilities and, unfortunately, has not yet been able to divulge anything to me about its intentions."—[Official Report, 29 June 1982; Vol. 26, c. 741.]

Later yesterday afternoon, in reply to a question from Harlech TV, the USAF public relations officer said that if the USAF used Kemble it would do so for general supplies:

"some of which might be used in the cruise system".

It is incredible that a Minister of the Crown, in answer to a properly tabled question, was unable or unwilling to give information which the USAF was good enough to give to the media later the same day. I believe that that was either an attempt to mislead the House or a gross contempt of the House, bearing in mind—

**Mr. Speaker:** Order. I can already answer the hon. Gentleman. I have been patient in allowing him to make his point, but it is not a point of order for me. The answer that a Minister gives to a question is a matter for him. It is not my responsibility and it is not a point of order on which I can rule. I have been tolerant with the hon. Gentleman and have allowed him leeway to which he was not really entitled. If he has a valid point of order, I will listen to it.

**Mr. Stoddart:** May I complete my point of order—

**Mr. Speaker:** Order. If the hon. Gentleman has a genuine point of order, I shall be glad to hear it. It is my business to rule on a genuine point of order.

**Mr. Stoddart:** When a Minister has clearly misled the House, Mr. Speaker I believe it is your practice to give him the opportunity to make a personal statement. I should like your advice about how, if the Minister refuses to make a personal statement, I can ask a question that is in order which will enable—

**Mr. Speaker:** Order. I cannot say that the Minister has misled the House. It is the hon. Gentleman's opinion, but it might not be the Minister's. I am not involved in this.





Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

From the Minister's Private Office

W Rickett Esq  
Prime Minister's Office  
10 Downing Street  
London SW1

30 June 1982

*Dear Willie*

COUNCIL OF MINISTERS: 28-29 JUNE 1982

... I attach a copy of the statement which Mr Walker hopes to make in the House today. I would be grateful for immediate clearance.

I am copying this letter to Bernard Ingham; David Heyhoe (Leader of the House's Office); Murdo Maclean (Whip's Office, Commons); Michael Pownall (Whip's Office, Lords); David Wright (Cabinet Office); Keith Long (Chancellor of the Duchy of Lancaster's Office), and to Private Secretaries of the other Agriculture Ministers and members of the OD(E).

Yours sincerely

*Robert Lawson*

ROBERT LOWSON  
Private Secretary



DRAFT STATEMENT ON THE AGRICULTURE AND FISHERIES COUNCILS ON

28/29 JUNE 1982

With permission, Mr Speaker, I should like to make a statement about the meetings in Brussels of the Council of Agriculture Ministers on 28 June and the Council of Fisheries Ministers on 28 and 29 June.

My Rt hon Friend the Minister of State and I represented the United Kingdom at the Agriculture Council.

Agreement was reached on devaluations in the green rates of Denmark, Ireland and Greece to reflect the effects of the recent monetary realignment in the EMS. The French Government had requested a selective devaluation of their green rate for pigmeat and sheepmeat and the Belgian Government wanted equivalent adjustments to those granted to the French. These arrangements for France and Belgium were not agreed.

The Council had further discussions on the new framework regulation on wine and these will be resumed at the next Council.

*/ Together with ...*



Together with my rt hon Friends the Secretary of State for Scotland and the Minister of State in my Department, I represented the United Kingdom at the meeting of the Fisheries Council.

After a general discussion on the Commission's proposals on total allowable catches and quotas, there were a series of bilateral discussions between the Commission and individual Member States to establish priorities. In the course of the meeting it became apparent that the Danish Minister was not prepared at this meeting to negotiate towards a settlement of the Common Fisheries Policy. However, at the end of the meeting the Commission tabled new proposals on the total allowable catches and quotas and these will be considered at the next meeting of the Council in the second half of July. I shall consult the industry on these proposals.





10 DOWNING STREET

From the Private Secretary

28 June 1982

*See notes,*

NEW ZEALAND BUTTER

The Prime Minister has seen Mr. Walker's letter of 23 June to the Foreign and Commonwealth Secretary.

She has commented that a figure less than 90,000 tonnes for the permitted level of imports of New Zealand butter in 1983 would not be acceptable. The Prime Minister has much in mind the exceptionally strong support given to us by New Zealand over the Falklands issue.

I am copying this letter to Francis Richards (Foreign and Commonwealth Office), John Rhodes (Department of Trade), Muir Russell (Scottish Office), Stephen Boys-Smith (Northern Ireland Office), Adam Peat (Welsh Office) and David Wright (Cabinet Office).

*John Rhodes*

*John Rhodes*

Robert Lowson, Esq.,  
Ministry of Agriculture, Fisheries and Food.



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



Prime Minister

To note.

From the Minister

The Rt Hon Francis Pym MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Downing Street  
London  
SW1

A.J.C. - 25/6.

*No less than 90,000 tonnes. N.Z. has been made to us over the Falklands 23*

*[Handwritten signature]*

June 1982

NEW ZEALAND BUTTER

The Council are due to decide by 1 October the quantity of New Zealand butter which may be imported in 1983 under the present 3-year agreement.

We understand that the Commission could be faced with a draft proposal on this next week. The Commission Services are considering a figure of 90,000 tonnes for 1983. This would follow effective permitted levels of imports in 1981 of 94,000 tonnes and in 1982 of 92,000 tonnes. Given the reference to a "degressive" scale of imports in the preamble to the present regulation, there seems no prospect of securing a more favourable proposal than this. But there remains a real risk of a lower figure being proposed by the Commission. Even if the Commission Services decide to put 90,000 in their draft, a number of Commissioners are likely to be arguing for a more rapid depression in the New Zealand quantity.

The Commission are also likely to be considering a proposal for an increase in the New Zealand levy following the recent increase in the Community intervention price. Under the present agreement, New Zealand's "take home price" should be based on 75 per cent of the intervention price. Because the intervention price has been increased, they are able at present to secure more than 75 per cent and the Commission Services consider that a suitable adjustment must now be made.

Both of these issues are for decision by the Council, a levy adjustment requiring a qualified majority and the quantity unanimity. I do not think we can logically argue about a change in the levy and I doubt if New Zealand will want to resist this. On the 1983

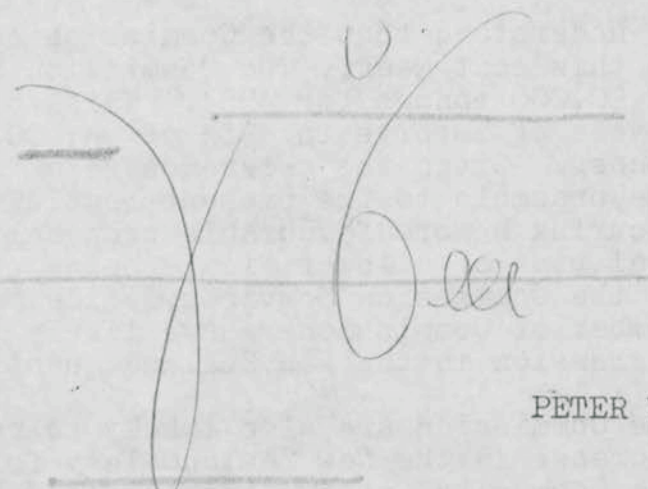
/quantity, .....



✓ quantity, we must clearly give New Zealand full support in securing a satisfactory deal. There is no doubt that we shall have a hard negotiation in the Agriculture Council over this. A number of other Member States will be out to cut back New Zealand's access. There are no obvious contexts this autumn in the Agriculture Council which will enable us to bring pressure to bear for a satisfactory settlement. Apart from the political argument, we shall have to point to the importance to the Community budget of continuing co-operation with New Zealand on the world market. I fear, as in the past, that the negotiations on this issue will drag out over a number of months and we may not be in a position to avoid this.

n But the essential first step is to get the right proposal out of the Commission. Subject to your views, I think that we must brief the British Commissioners to use their influence to secure a 90,000 tonnes figure in the proposal. I shall myself speak to Mr Dalsager when I see him next Monday and emphasise the political importance of this decision to the Community's credibility as a trading partner. I am consulting the New Zealand authorities to ensure that they are in agreement with the line we shall be taking on the quantity and on the levy adjustment.

I am sending copies of this letter to the Prime Minister, the Secretaries of State for Trade, Scotland, Northern Ireland and Wales and Sir Robert Armstrong.

  
PETER WALKER



## Agriculture and Fisheries (Ministerial Meetings)

3.52 pm

**The Minister of Agriculture, Fisheries and Food (Mr. Peter Walker):** With permission, Mr. Speaker, I should like to make a statement about the meetings of the Council of Agriculture Ministers and of the Council of Fisheries Ministers held in Luxembourg on 14 and 15 June respectively.

My right hon. Friend the Minister of State and I represented the United Kingdom at the Agriculture Council.

Agreement was reached on rules governing the approval of newly developed proteins—for example, from yeast—for use as animal feedingstuffs in the Community. The United Kingdom has a strong industrial interest in this and agreement will help our industry to exploit the technology that it has pioneered.

There was discussion of a new framework regulation on wine, but no decisions were reached on this and discussions will be continued at the next Council.

The Council discussed minimum space standards for battery hens. I emphasised that the Community legislation must provide satisfactory arrangements for ensuring uniform enforcement throughout the Community. The Council will resume its discussions on this at the next meeting.

Together with my right hon. Friends the Secretary of State for Scotland and the Minister of State, I represented the United Kingdom at the Fisheries Council.

The President of the Commission presented the Commission's proposals on total allowable catches and quotas and on access and it was agreed that these proposals would be considered at a further Council meeting on 28-29 June. In the meantime, I have arranged for consultations with our industry.

The Council reached agreement on the arrangements for enforcement of the Community rules on fishing. This provides for member States to enforce the rules in their own waters, subject to Community inspection to ensure that all countries enforce the rules effectively and impartially. The control regulation will come into force as part of a general settlement of a revised common fisheries policy or on 1 January 1983, whichever is the earlier. It is obviously essential that our fishermen can rely on the rules being enforced as effectively by other countries as they are by the United Kingdom. This agreement is a major step forward and follows the initiative that the United Kingdom took last year.

The Council also made progress on a revised conservation regulation.

Lastly, the Council agreed to authorise the continuation of payments to fishermen in respect of various market support measures. These will apply while detailed work goes ahead on the implementation of the new marketing regime.

This was a useful meeting, preparing the way for the major discussions on quotas and access at the end of the month.

**Mr. Mark Hughes (Durham):** I am sure that you, Mr. Speaker, the Minister, and the House will sympathise with my hon. Friend the Member for Renfrewshire, West (Mr. Buchan), who cannot be present this afternoon as his wife



**Mr. Biffen:** There are precedents for the introduction of guillotines on constitutional Bills. I am sure that there will be more than one interpretation of the Conservative Party election manifesto commitments.

On my hon. Friend's first point, I hope that I shall be able to make further announcements about a defence debate shortly.

**Mr. Clement Freud** (Isle of Ely): Will the Leader of the House examine Early-Day Motion 424?

*[That this House calls on Her Majesty's Government to stamp out as a matter of urgency the great and growing market in pirate video cassettes; draws attention to the fact that some 65 per cent. of video cassettes sold in the United Kingdom are now seen by this means, and that this is now a serious area of illegal activity which is having a gravely damaging effect on both the production and exhibition sides of the British film industry.]*

Is he aware that the Department of Trade has published the fact that 70 per cent. of all video cassettes that are sold have been pirated? Does he agree that it would be right for the Government to make an amendment to section 21 of the Copyright Act 1956, which would be unopposed, to bring the penalty in line with other countries, rather than pursuing the laborious process of having it introduced in another place by private Members' legislation?

**Mr. Biffen:** The hon. Gentleman will discover that the House has recently debated that subject, thanks to the initiative of my hon. Friend the Member for Howden (Sir P. Bryan), I shall draw his comments to the attention of my right hon. and noble Friend the Secretary of State for Trade.

**Mr. John Stokes** (Halesowen and Stourbridge): Now that the fighting in the Falkland Islands is over, will my right hon. Friend consider next week the best way in which the House can express its thanks for the achievement of our forces in the South Atlantic? As most people will be attending church services of thanksgiving on Sunday, will the House have an opportunity of going to a similar service at St. Margaret's?

**Mr. Biffen:** On my hon. Friend's second point, I do not know but I shall make immediate inquiries and let him know. On his first point, yes, the Government are now considering the matter.

**Mr. Bob Cryer** (Keighley): The Leader of the House said that the Prime Minister will make a statement on her return from the United Nations. When is a debate likely as there are two important items—the world disarmament campaign and the world disarmament conference—that have been adopted by the second special session on disarmament? Does he agree that they need to be debated by the House?

Secondly, on the Supply day debate, when stating their case on the vexed question of unemployment, will Government spokesmen take any account of the massive number of redundancies that are being announced by GEC in Bradford and others so that the Government can bring some pressure to bear on a massive combine to reverse that decision?

**Mr. Biffen:** I cannot hold out any promise for a debate on disarmament next week. More generally, in view of the pressure on parliamentary time, a debate is unlikely. On the unemployment debate, I am sure that the hon.



has been taken ill. I am sure that we all recognise that he means no disrespect to the House and that we all wish his wife a speedy recovery. [HON. MEMBERS: "Hear, hear".]

The Minister's statement covered important but narrow points on wine distillation, protein feeds and battery hens which we might examine in more detail on another occasion. We are surprised, however, that it contained no comment on the possible revaluation of the green franc and any discussion that may have taken place on that, nor on the B quota sugar levy. In view of the content of the statement and press reports on a possible fisheries agreement, however, I shall concentrate on that aspect.

Does the Minister accept that the reported 35.4 per cent. of valuable species, 30.9 per cent. of herring and an exclusive zone of only six miles are totally at variance with the oft-repeated and unanimous view of the House? Does he agree that if this were accepted it would be a sell-out of a divided, demoralised and decimated industry, the end of our deep-sea fleet, insecurity for the majority of inshore fishermen and a negation of what his right hon. and learned Friend the Member for Hexham (Mr. Rippon) guaranteed to the House when he negotiated Britain's entry 10 years ago?

Is the Minister aware that no improvement in enforcement procedures, however welcome, can compensate for such losses? Will he therefore undertake to hold a debate in Government time on these proposals, perhaps on the basis of early-day motion 535 on the British fishing industry signed by a number of his hon. Friends? Will he also respect the views of the House and the industry and reject the proposals as an abject surrender of British national interests?

**Mr. Walker:** On the last part of the hon. Gentleman's question, it is clear that he has no idea what is in the proposals. [HON. MEMBERS: "Why does not the right hon. Gentleman tell us?"] I can only repeat the assurance that I have always given to the House that no agreement will be reached which does not have the agreement of our industry. [HON. MEMBERS: "And the House."] I should be most surprised if either side of the House decided to go into the Lobbies to reject an agreement that the British fishing industry required and wanted for the future. The hon. Gentleman's entirely party political reaction is in complete contrast to that of the fishermen who were with me in Brussels this week and who will spend tomorrow at the Ministry considering the proposals quota by quota and item by item. If Labour Members have the fishing industry rather than party politics in mind, they should listen to the industry rather than making remarks of that kind.

Moreover, if I, unlike the Labour Party, deliver to the fishing industry a European agreement that it requires, it will be more important to the stability and future of our fishing industry than anything else that has been done in the past 10 years. We shall attain a negotiating position with the industry that I hope will bring it a much greater stability and better financial future than it has had in the past. The reason why I did not deal with the revaluation of the green franc was that there were no proposals about it at the Council.

**Sir Marcus Kimball** (Gainsborough): Is my right hon. Friend aware of the growing opinion that, unless regulations are made to ban the use of monofilament nets, both as a drift net and as a leader to a bag net, all negotiations about catches and quotas will be null and void?

**Mr. Walker:** I appreciate that many fishermen have strong feelings on the subject, but it does not form part of the common fisheries policy.

**Mr. J. Enoch Powell** (Down, South): Will the Minister understand that, if he abandons principles and requirements in the national interests that have been affirmed by the House, he cannot shelter from the consequences of doing so behind the agreement, real or alleged, enforced or cajoled, of the so-called representatives of the industry?

**Mr. Walker:** I hope that the right hon. Gentleman will not treat the fishing industry in Northern Ireland with such disrespect as to say that it cannot advise and talk to the Government about what it considers to be its long, medium and short term interests. I hope that he is not criticising me because, unlike some of my predecessors, throughout the negotiations I have not agreed to any measure or negotiating position that has not been discussed with or agreed by the fishing industry. I hope that the right hon. Gentleman will applaud that rather than decry it.

**Mr. David Penhaligon** (Truro): What percentage of the North Sea is in our waters? How much will it cost to monitor that and what provision do we need to expand our current capacity? Will it help to stop the Spanish fiddle in my area, because it appears to be possible that a Spanish boat with a British passenger can fish within the minimum limits that protect the Cornish fishing fleet?

**Mr. Walker:** The hon. Gentleman's latter point is a legal point that is now being considered. The control measures are immensely important and mean that we shall not only have total control but that other countries will have a Commission inspectorate to ensure that they have the same standards as we have had and shall continue to have in our waters. Fishing industry representatives, especially from Cornwall, emphasised the fact that there is no point in having a common fisheries policy if it is not enforced.

**Sir Peter Mills** (Devon, West): Does my right hon. Friend agree that future success depends upon the policing and the enforcement of any rules and regulations that are made, especially in view of the introduction of Spain into the Community? Will he assure the House that we have adequate means to police and to control, especially in a vast area such as the South-West of England?

**Mr. Walker:** I agree with that, but enforcement is no good unless one is enforcing an agreement satisfactory to the British fishing industry. That is why it is important that we should negotiate adequate quotas and access arrangements to give the industry a secure future. Enforcement of inadequate quotas and access arrangements would be completely unacceptable. If we achieve the result that we require, it will be no good without proper enforcement and that is why I am delighted that the regulations adopted at the meeting were based upon a draft submitted by the British Government.

**Mr. Donald Stewart** (Western Isles): Is the Minister aware that, as some Scottish fishermen are already alleging that their leaders have been conned by the Ministry into approving the negotiations, he cannot rely on selling a package to the House on the ground that it has the approval of the fishing industry?



[Mr. Donald Stewart]

There are reports that a special deal has been made for the Orkneys and Shetlands, which I support. Why is there not a similar deal for the Western Isles, which is at least as dependent on fisheries as other areas?

**Mr. Walker:** I note the right hon. Gentleman's insulting remarks about the leaders of the Scottish fishing industry. Industry leaders will confirm that I have sought their advice and that I have not endeavoured to persuade them to pursue any attitude or policy towards quotas or access. [HON. MEMBERS: "Oh!"] They know that, but the right hon. Gentleman does not. I am sorry that, as with the right hon. Member for Down, South (Mr. Powell), he is insulting the views and the wisdom of the industry leaders.

**Mr. Robert Hughes** (Aberdeen, North): Can the Minister tell us a little more about the new enforcement measures which, on their face, seem to be even more cumbersome than in the past, which will make them more difficult to monitor? Will he be a little more forthcoming about access, because I learnt nothing from his statement about what is on the table? Can he assure the House solemnly—it may be difficult—that, whatever the proposals are, he will not make any recommendation to the fishing industry?

**Mr. Walker:** I assure the House that my entire view about our fishing policy is based upon the advice that I obtain from the industry as to its requirements for stocks and port by port access arrangements. Since I have been the Minister, the fishing industry has influenced me and I have always made it clear that I shall come to no agreement without discussing matters with the representatives and receiving their support. No Minister could be more fair to an industry than that. I am sorry that, when I pursue that policy, some hon. Members say that perhaps the leaders of the fishing industry are bad leaders. The best that I can do is to consult the leaders, and I have done that. The enforcement proposal put forward by us is straightforward and uncomplicated. It will enable the Commission to inspect other countries' methods, to board ships and to see all ships' documents.

Several Hon. Members rose—

**Mr. Speaker:** Order. In order to be fair to those Members who are interested in later business, I intend to call four more hon. Members from either side.

**Mr. Robin Maxwell-Hyslop** (Tiverton): Will my right hon. Friend lose no opportunity to press on the Commission that illegal fishing beyond quota should not be permitted to establish a base for future quota allocations?

**Mr. Walker:** The problem with having no agreement is that there are no quotas. The importance of getting an agreement is that only when one has agreed quotas in a common fisheries policy can one ensure that a member country can be stopped from fishing beyond its quota.

**Mr. Thomas Torney** (Bradford, South): As the British fishing industry has been fading away while the Common Market has been talking, how does the Minister propose to protect the fishing industry when matters are decided in the Common Market by majority voting and the right of veto has disappeared? Will he explain that to the House?

**Mr. Walker:** I shall explain the hon. Gentleman's earlier statement about the decline of the fishing industry. Such decline as took place in the long-distance fleet happened before I took office. It was due to the loss of Icelandic waters and had nothing to do with the Common Market. However, the number of vessels elsewhere has increased.

**Mr. Albert McQuarrie** (Aberdeenshire, East): May I as a Member part of whose constituency forms one of the largest fishing communities in Europe, congratulate my right hon. Friend on the progress made towards a common fisheries policy? My right hon. Friend is right to condemn the disparaging remarks of the right hon. Members for Western Isles (Mr. Stewart) and for Down, South (Mr. Powell). I am sure that the Minister will confirm that there will be no sell-out of the fishing industry and that he will continue to consult the leaders of the industry before a final common fisheries policy is effected on 1 January 1983. That will show that the disparaging remarks made in early-day motion 482 by the right hon. Member for Western Isles and hon. Member for Dundee, East (Mr. Wilson) are disgusting.

*[That this House deplores the statement in the 'Scotsman' newspaper dated 25th May, page 8, which attributes to Mrs. Winifred Ewing, the only Scottish Nationalist Party member of the European Assembly, an accusation that Her Majesty's Government proposes a sell-out of the fishing industry in the negotiations for a renegotiated common fisheries policy, which is a typical hysterical outburst from this European Economic Community member who is not even a member of any British group in the Assembly and is completely out of touch with Her Majesty's Government's statements made on many occasions by the Prime Minister and all Fisheries Ministers that no common fisheries policy will be agreed which has not received the total support of the leaders and members of the fishing industry; and calls upon the fishing industry to treat this accusation with the contempt it deserves.]*

**Mr. Walker:** I am grateful to the hon. Gentleman. It would be interesting to have noted the views of the right hon. Member for Western Isles (Mr. Stewart) had I decided to ignore the advice of the leaders of the fishing industry because he does not approve of them. I did the opposite and consulted them throughout and I shall make sure that they are consulted to the end.

**Mr. Robert MacLennan** (Caithness and Sutherland): While I accept the Minister's statement that the long term stability of the fishing industry would be assisted by the ending of 10 years of uncertainty, would the Minister agree to strengthen his negotiating hand in Brussels in the next crucial round of talks by publishing the views of the industry as to what its bottom line is, and give his views so that, as on previous occasions before important negotiations, the House can endorse and whole-heartedly support the stand the Minister takes?

**Mr. Walker:** I cannot imagine a worse way of negotiating than to publish our bottom line requirements. In negotiations I wish to obtain all of the fish and all the priorities for British fishermen that I can. I certainly should not negotiate after having published my bottom line requirements. I assure the House that I shall consult stock by stock—as I am doing tomorrow with the fishing



industry—their priorities and what they consider important for particular ports. I shall have the most detailed assessment of what the industry requires that any Minister has ever had. I shall negotiate accordingly, and I shall have the fishing industry with me in Brussels.

**Mr. Robert Hicks** (Bodmin): Regarding access and fishing limits, is my right hon. Friend aware that in the far South-West—because of the fishermen's vulnerability—there are increasing anxieties following this week's meeting about their future and the ability of the inshore fishing industry to earn a living? There must be no going back on assurances given to the industry by successive Governments and the House.

**Mr. Walker:** I am aware of the detailed problems and requirements of the South-West. I assure the hon. Member that their requirements will be part of our negotiations before we reach a settlement.

**Mr. John Prescott** (Kingston upon Hull, East): The Secretary of State must accept that hon. Members representing fishing communities like Hull—where the fleets have declined from 160 to 16 ships and from 3,000 to 300 men and from ¼ million tonnes of fish to 13,000 tonnes—that their community representatives, not an agreement between the Government and industry must decide policy in the House. The difference between dominant preference, which was the policy of the House, and adequate quotas is the difference of between 60 per cent.—giving us enough fish to maintain a fishing fleet at the 1970 level—and 36 per cent. which will mean the destruction of areas like Hull. Is that being done in the name of European unity or is it a further price for the Falklands support?

**Mr. Walker:** As he has been a Member for Hull, the hon. Gentleman will know under whose Government the main decline in Hull took place. This Government have doubled the aid given to the fishing industry, including Hull, compared with the previous Government. I do not want lectures from the hon. Gentleman as to who has treated Hull the worse.

The hon. Gentleman knows that never in the history of British fishing has there been any question of our having 60 per cent. of the catch of European waters.

**Mr. John Townend** (Bridlington): The fishermen of Bridlington are grateful to my right hon. Friend and his colleagues for achieving adequate conservation measures. Is the Secretary of State satisfied that in the future there will not be the same amount of cheating as there has been by the French, the Dutch and the Danes in the past? The main requirement is still a 12-mile exclusion zone.

**Mr. Walker:** Yes, that is why the fishing industry was so pleased this week that we not only obtained agreement on the control regulations to ensure that enforcement took place but also agreed that, irrespective of the timing of any general common fisheries policy agreement, the control regulations will come into operation on 1 January 1983.

**Mr. Austin Mitchell** (Grimsby): Since the Minister is reluctant to tell us what we are negotiating about until the final settlement comes as a pleasant surprise, will he confirm the lines of settlement reported in the newspapers, which amount effectively to a six-mile exclusive zone, a six-mile dominant preference zone and a share of 35 per cent. for a nation that takes two-thirds of the fish stock to the Common Market pool? Would not a settlement along those lines betray the requirements of the House and the promises held out in the Conservative Party manifesto and the express wishes of the fishing industry? No Minister of integrity should accept such a settlement.

**Mr. Walker:** It is nonsense to suggest that we shall have only six miles. We have always stated that we wanted 12 miles. I have said that in agreeing to 12 miles we would have to take into account in our own and other countries interests any historic rights that existed in the six to 12-mile limit before we joined the Community. The hon. Gentleman knows that. We have always enjoyed historic fishing rights in the six to 12-mile limit around the coast of the Irish Republic. I do not believe that our fishermen would be delighted if we got rid of that. We have certain historic fishing rights in the six to 12-mile limits around France. I do not believe that our fishermen along the South coast would be pleased if that were eliminated. The pretence that we have switched to a six-mile limit is completely wrong.



## European Union

**Mr. Speaker:** I have selected the Opposition amendment.

4.18 pm

**The Minister of State, Foreign and Commonwealth Office (Mr. Douglas Hurd):** I beg to move,

That this House takes note of the Document containing the latest text of the German-Italian proposals on European Union.

I want to make clear the status of the document that we are considering. The original proposals prepared by the German and Italian Foreign Ministers were submitted to the European Council in London in November 1981. The Council asked 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 Scrutiny Committee, which recommended them for debate. The Belgian Presidency decided to set up a group of senior officials to examine the proposals. That group started work in January and it soon became clear that several member States had reservations about several parts of the proposals. Others needed clarification where the precise intention or meaning was not clear. Foreign Ministers asked officials to produce a revised text that took account of those points of view. That text is now before the House. It has the status of a working document and no Government are committed to it. It contains a number of passages in square brackets which show that agreement on those passages has not yet been reached. The text will be considered by Foreign Ministers at their meeting on 20 June.

For the Government and British people to be

"determined to achieve a comprehensive and coherent common political approach and reaffirming their will to transform the whole complex of relations between their States into a European Union."

Will my right hon. Friend assure the House that the Government have no intention of allowing any such settlement to come in the final document?

**Mr. Hurd:** I shall come to that in a very short time. I quite understand my hon. Friend's concern.

**Mr. Teddy Taylor:** Will my right hon. Friend tell us when?

**Mr. Hurd:** In about five minutes if I am allowed to proceed. It is possible that agreement will be reached on a final text at Sunday's meeting. That is possible but by no means certain. We thought it right and necessary to hold the debate today so that the House can have an opportunity to express its views on the proposals as they stand before any decisions are taken upon them. If agreement is reached at the Foreign Ministers' meeting this weekend, the Presidency hopes to submit the document for approval at the next summit of the European Council on 28-29 June. However, the disagreements may be such as to prevent agreement at this stage. In that event there will be a delay.

**Mr. Nigel Spearing (Newham, South):** I am grateful to the Minister for giving way so often so early in his speech. However, my intervention is important on procedural grounds. The right hon. Gentleman said that if there is an agreement, the agreed document, whatever it may end up to be, will be submitted to the next Heads of Government meeting. I understand that that is not within the treaty and is not part of the EEC's formal constitutional arrangements. As he is now telling us that it will be done at the Heads of Government meeting and will not go through the normal, proper treaty-constitutional channels of the Community to which this document clearly refers and is clearly relevant?

**Mr. Hurd:** This is not Community legislation. It is a political, not a legal text. Therefore, it is fitting, if sufficient progress is made, and that is by no means assured, for it to go to the next summit of the European Council at the end of the month.

It seems inevitable and right that right hon. and hon. Members should want rigorously to examine the document with a keen eye for anything that might have an effect on the interests of the United Kingdom or the rights of the House. I do not think that anything in the document justifies the language in the Opposition's amendment. I hope that that will emerge as I go through it. I have noted, of course, the amendment tabled but not called—I think that it is in order for me to refer to it—by my hon. Friend the Member for Tiverton (Mr. Maxwell-Hyslop). I shall try to deal with it when I reach the passage in my speech on the European Parliament.

My right hon. Friend the Foreign Secretary will study carefully the views that are expressed this afternoon before he goes to the discussion that will take place during the weekend. My hon. Friend the Member for Northampton, North (Mr. Marlow) is concerned about the title referring to European union. The objective of European union derives from the preamble to the Treaty of Rome, 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. This



CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

26 May 1982

Dear John,

100 27/5  
p.a.

European Community Issues

Thank you for your letter of 21 May, with which you enclosed a copy of Chancellor Schmidt's letter of 13 May (delayed in transmission by a German clerical error) to the Prime Minister about the EC budget and CAP prices issues. You asked whether we would advise the Prime Minister to pursue the correspondence further.

I now see from the record of the Prime Minister's telephone conversation with the Chancellor on 24 May that the Prime Minister referred to his letter and mentioned its late arrival. In the circumstances, there would seem no need for further correspondence.

I am copying this letter to the recipients of yours.

Yours ever,

(F N Richards)  
Private Secretary

A J Coles Esq  
10 Downing Street

CONFIDENTIAL



RMAFF

Encl.

26 May 1982

The Prime Minister has asked me to thank you for your letter of 12 May about the delay in fixing farm prices. There have, of course, been important developments since you wrote, which the Minister of Agriculture described in his statement to the House of Commons on 19 May. In the light of this, you will not now be expecting a substantive reply to your letter. But the Prime Minister has asked me to say that she is grateful for the Union's backing and your own efforts on the budget, and also for your support over the Falklands crisis.

AJC

The Hon. Sir Richard Butler, D.L.

So





Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

GR  
PPS ?  
c/f

From the Minister's  
Private Office

John Coles Esq  
Private Secretary  
10 Downing Street  
London SW1

24 May 1982

Type letter pl.

Dear John.

APL 26/5

EC AGRICULTURAL PRICES/MANDATE

I refer to your letter of 12 May enclosing a copy of a manuscript letter to the Prime Minister from Sir Richard Butler.

... A draft reply for your signature is enclosed.

Yours sincerely  
Robert Lawson

ROBERT LOWSON  
Private Secretary



DRAFT LETTER FOR SIGNATURE BY THE  
PRIME MINISTER'S PRIVATE SECRETARY

The Hon Sir Richard Butler DL  
President  
The National Farmers' Union  
Agriculture House  
Knightsbridge  
London SW1X 7NJ

The Prime Minister has asked me to thank you for your letter of 12 May about the delay in fixing farm prices. There have, of course, been important developments since you wrote, which the Minister of Agriculture described in his statement to the House of Commons on 19 May. In the light of this, ~~I imagine~~ you will not now be expecting a substantive reply to your letter. <sup>but</sup> The Prime Minister has, ~~however,~~ asked me to say that she is grateful for the Union's backing and your own efforts on the budget, and also for your support over the Falklands crisis.

ARL <sup>26.</sup>/<sub>5</sub>







CONFIDENTIAL

MR COLES



10 DOWNING STREET

cc. HMT Euro 101 (2)  
MAFF  
CO.

From the Private Secretary

21 May 1982

MS

Prime Minister  
you will wish to see.

MR 21/5

European Community Issues

The German Ambassador came to see me this afternoon to deliver the enclosed letter from Chancellor Schmidt. The reason he delivered it in person was because he wished to accompany it with an oral explanation.

You will note that the burden of the message is that the Federal Government has "agreed to the agricultural proposals". Herr Ruhfus wished to explain that the Chancellor had signed this letter on 13 May. It had accidentally been sent to London by airmail and had consequently only just arrived. When he had enquired of the Chancellor's staff whether he was still to deliver the letter, they had asked him to seek advice from me. He made it plain to me that both he and the Chancellor's staff would have great difficulty in explaining to Chancellor Schmidt what had happened and in asking him to sign another letter. I told Herr Ruhfus that I had no difficulty in accepting his letter, together with his explanation for the delay.

He then said that he imagined that the Prime Minister was in any case in no doubt that the German Government did not approve of the linkage we had made between the agricultural prices settlement and the budget issue. I reminded him that it had been agreed at Lancaster House that the three chapters of the Mandate would be pursued in parallel and I could tell him that the Prime Minister regarded what had happened at the Agricultural Council as a breach of faith by our Community partners.

I shall show the Chancellor's letter to the Prime Minister over the weekend. I should be grateful to know in due course whether you would advise the Prime Minister to pursue this correspondence further.

I am sending copies of this letter and enclosure to John Kerr (H.M. Treasury), Robert Lawson (Ministry of Agriculture, Fisheries and Food) and David Wright (Cabinet Office).

A. J. COLES

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL



DER BOTSCHAFTER  
DER BUNDESREPUBLIK DEUTSCHLAND

Jürgen Ruhfus

London, 21st May, 1982

Dear Prime Minister

I have the honour to transmit to you the enclosed letter from the Chancellor of the Federal Republic of Germany, Herr Helmut Schmidt.

A courtesy translation is attached.

I am, Dear Prime Minister,  
yours sincerely

Jürgen Ruhfus

Her Excellency  
The Rt. Hon. Margaret Thatcher, MP  
Her Majesty's Prime Minister and  
First Lord of the Treasury

London



Courtesy Translation

Message from the Federal Chancellor of the Federal  
Republic of Germany  
to the Prime Minister and First Lord of the Treasury

Prime Minister, Dear Margaret,

I thank you for your message of 2 May and for explaining the British position on the budget and agricultural problems.

The Ministers of Agriculture have in the meantime found a compromise which is being accepted by nine Member States. I, too, am not happy with this compromise. It contains a series of elements which the Federal Government would rather have avoided. In giving our agreement we have above all taken into account that according to the statement by the EC Commission the decisions on agricultural prices do not lead, in 1983 either, to getting beyond the 1%-limit on VAT and that the rate of increase of agricultural expenditure will remain also in the coming year below the rate of increase of own resources. Both these points were quite essential demands put forward by our two governments throughout the mandate discussion. The compromise on agricultural prices therefore seems to me to point in the right direction.

In the final analysis the Federal Government has nevertheless agreed to the agricultural proposals because it is of the opinion that we in the Community have to rely on mutual concessions. The Community can only retain its ability to act if all member states make every effort to reconcile their interests in a fair manner.

As you know, I have great sympathy with the British problem and I say this not only at home in Germany. I have the impression that now the time has come when Great Britain should no longer



hold up the decision on agricultural prices and should move towards the position of the other member states on the budgetary problems; this position comes, I believe, quite close to your ideas and interests.

I should therefore be very grateful if you could think your attitude over once again in the light of developments which have taken place in the meantime.

Yours sincerely,

sgd. Helmut



SUBJECT

SC MASTER  
OPS

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 108 A/82

DER BOTSCHAFTER  
DER BUNDESREPUBLIK DEUTSCHLAND

Jürgen Ruhfus

London, 21st May, 1982

Dear Prime Minister

I have the honour to transmit to you the enclosed letter from the Chancellor of the Federal Republic of Germany, Herr Helmut Schmidt.

A courtesy translation is attached.

I am, dear Prime Minister,  
yours sincerely  
Jürgen Ruhfus

Her Excellency  
The Rt. Hon. Margaret Thatcher, MP  
Her Majesty's Prime Minister and  
First Lord of the Treasury

London



MATTPOST

Courtesy Translation

Message from the Federal Chancellor of the Federal  
Republic of Germany  
to the Prime Minister and First Lord of the Treasury

Prime Minister, Dear Margaret,

I thank you for your message of 2 May and for explaining the British position on the budget and agricultural problems.

The Ministers of Agriculture have in the meantime found a compromise which is being accepted by nine Member States. I, too, am not happy with this compromise. It contains a series of elements which the Federal Government would rather have avoided. In giving our agreement we have above all taken into account that according to the statement by the EC Commission the decisions on agricultural prices do not lead, in 1983 either, to getting beyond the 1%-limit on VAT and that the rate of increase of agricultural expenditure will remain also in the coming year below the rate of increase of own resources. Both these points were quite essential demands put forward by our two governments throughout the mandate discussion. The compromise on agricultural prices therefore seems to me to point in the right direction.

In the final analysis the Federal Government has nevertheless agreed to the agricultural proposals because it is of the opinion that we in the Community have to rely on mutual concessions. The Community can only retain its ability to act if all member states make every effort to reconcile their interests in a fair manner.

As you know, I have great sympathy with the British problem and I say this not only at home in Germany. I have the impression that now the time has come when Great Britain should no longer



hold up the decision on agricultural prices and should move towards the position of the other member states on the budgetary problems; this position comes, I believe, quite close to your ideas and interests.

I should therefore be very grateful if you could think your attitude over once again in the light of developments which have taken place in the meantime.

Yours sincerely,

sgd. Helmut





BUNDESREPUBLIK DEUTSCHLAND  
DER BUNDESKANZLER

Bonn, den 13. Mai 1982

Sehr verehrte Frau Premierminister, *Dear Margaret!*

ich danke Ihnen für Ihre Botschaft vom 2. Mai dieses Jahres und die Erläuterung des britischen Standpunktes zu der Haushalts- und Agrarproblematik.

Die Agrarminister haben in der Zwischenzeit einen Kompromiß gefunden, der von neun Mitgliedstaaten akzeptiert wird. Auch ich bin über diesen Kompromiß nicht glücklich. Er enthält eine Reihe von Elementen, die die Bundesregierung lieber vermieden hätte. Wir haben bei unserer Zustimmung vor allem berücksichtigt, daß nach Erklärung der EG-Kommission die Agrarbeschlüsse auch 1983 nicht zu einer Überschreitung der 1 %-MWSt-Grenze führen und daß die Steigerungsrate der Agrarausgaben auch im kommenden Jahr unterhalb der eigenen Einnahmen bleiben wird. Beides waren ganz wesentliche Anliegen unserer beiden Regierungen in der gesamten Mandatsdiskussion. Der Agrarpreiskompromiß scheint mir damit in die richtige Richtung zu weisen.

Letztlich hat die Bundesregierung den Agrarvorschlägen aber deshalb zugestimmt, weil sie der Meinung ist, daß wir in einer Gemeinschaft auf ein gegenseitiges Nachgeben angewiesen

Ihrer Exzellenz  
dem Premierminister des  
Vereinigten Königreichs  
Großbritannien und Nordirland  
Frau Margaret Thatcher

L o n d o n

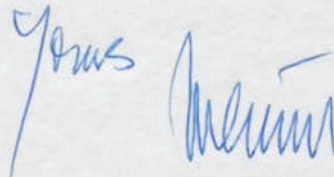


sind. Die Gemeinschaft wird nur handlungsfähig bleiben können, wenn alle Mitgliedstaaten sich um einen fairen Interessenausgleich bemühen.

Wie Sie wissen, habe ich für das britische Problem viel Verständnis und sage dies nicht nur bei mir zu Hause. Mir scheint jetzt der Zeitpunkt gekommen, in dem Großbritannien den Beschluß über die Agrarpreise nicht mehr aufhalten und sich bei der Haushaltsproblematik auf die Haltung der übrigen Mitgliedstaaten zubewegen sollte, die wie ich glaube, Ihren Vorstellungen und Interessen weitgehend entgegenkommt.

Ich wäre Ihnen deshalb sehr dankbar, wenn Sie Ihre Haltung noch einmal im Lichte der inzwischen eingetretenen Entwicklung überdenken könnten.

Mit freundlichen Grüßen





Euro Pol.

Ref. A08461

Top copy filed on: —

PRIME MINISTER

Euro Pol: Budget: PC 16

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

ROBERT ARMSTRONG

19 May 1982



*EuroPol*

### Business of the House

### Agriculture Council

3.30 pm

**The Lord President of the Council and Leader of the House of Commons (Mr. John Biffen):** With permission, Mr. Speaker, I should like to make a short business statement.

The business for tomorrow will now be a debate on the Falkland Islands, on a motion for the Adjournment of the House.

The business originally set down for that day will be taken on another occasion.

**Mr. John Stokes** (Halesowen and Stourbridge) *rose*—

**Mr. Michael Foot** (Ebbw Vale): I thank the right hon. Gentleman and the Government for arranging a debate. I presume that the debate will open with a statement by the Government giving the fullest possible account, from the Government's point of view, of the stage that has been reached in the peace discussions and the attempts to secure a peaceful settlement. Will the debate start with a description of the present stage of such discussions?

**Mr. Biffen:** That is the intention.

**Mr. Stokes** *rose*—

**Mr. David Winnick** (Walsall, North) *rose*—

**Mr. Speaker:** Order. I shall call both hon. Members and then move to the second statement.

**Mr. Stokes:** Is my right hon. Friend aware that during the whole of the battle of El Alamein during the last war the House was not once recalled, nor was there a single statement? Can my right hon. Friend say what good he thinks tomorrow's debate will do and what good the fifth debate did last week?

**Mr. Biffen:** I do not share my hon. Friend's view about the constructive role that the House is able to play in this matter. There, I fear, the matter must rest.

**Mr. Winnick:** As the country is fortunately not involved in a world war—as implied by the hon. Member for Halesowen and Stourbridge (Mr. Stokes)—will the Leader of the House assure us that, before any military invasion of the Falkland Islands the House will be informed and a debate will take place?

**Mr. Biffen:** That is precisely the kind of point that should be made in tomorrow's debate.

**The Minister of Agriculture, Fisheries and Food (Mr. Peter Walker):** Together with my right hon. Friend the Minister of State I attended a meeting of the Agriculture Council which met in Brussels on 17 and 18 May.

Since January at eight meetings of the Council of Agriculture Ministers we have been negotiating this year's price fixing arrangements. During these meetings member States had by negotiation obtained unanimity on many of the questions involved. Britain had retained specific reserves on a number of agricultural issues and a general reserve on the entire package. The purpose of the general reserve was to ensure that the position adopted at last November's European Council meeting in London by all member States in considering the 30 May mandate, that the budget and agricultural matters should be dealt with in parallel, should be complied with.

We therefore expected that at the meeting this week we would continue to negotiate on those remaining questions where unanimity had not been obtained. If by the time of the completion of our meeting there was no agreement upon the budget measures we would retain our general reserve.

Together with Denmark and Greece we strongly protested when the Presidency, encouraged by the Commission, announced that for the first time since 1966 the principle of obtaining unanimity where a very important national interest had been invoked was to be violated—[HON. MEMBERS: "Shame."]—and that a decision was to be taken in accordance with the treaty arrangements for majority voting.

I made a firm statement to the Council contesting the procedure and declaring that the Council had violated an accepted convention under which all previous price fixings had been adopted. I stated that the Government considered that, as important national interests were involved, in accordance with the established practice of the Community, discussions should have continued in this Council until a unanimous agreement had been reached. I pointed out that the decisions that were being taken would place a further financial burden on the United Kingdom, that there was clearly a direct and organic link between the price-fixing decision and the budget negotiations and that this link had been recognised by all member States in their agreement that the three chapters of the 30 May mandate should proceed in parallel. I placed it on record that I considered that the conduct of the Presidency of the Commission and the member States who had joined in this procedure had created a very sad and damaging day in the Community's history—[HON. MEMBERS: "Hear, hear."]—and that the Council had quite unjustifiably chosen to depart from the established working practices based on the agreement reached in 1966.

A majority decision was, therefore, taken on all of the regulations in accordance with what had been negotiated and agreed by nine member States in the meetings prior to this week's Council. Under the treaty these regulations become Community law with effect from tomorrow.

Had the normal process of negotiating continued and had not the Presidency, the Commission and seven member States violated the normal traditions, we would have endeavoured to obtain some further improvements in



[Mr. Peter Walker]

the clawback arrangements on lamb, and even larger reductions in the co-responsibility levy, whilst at the same time reducing the price increase for milk. We would also have sought lower increases in the prices of a number of cereals and in the prices of a range of Mediterranean products.

Many of the regulations were of course in accordance with the package that had emerged from the negotiations that had taken place in previous meetings of the Council. In those previous meetings the United Kingdom had achieved a number of important objectives to the benefit of consumers and producers, and these will now be implemented.

We successfully resisted pressures from the Commission and all other member States to revalue the green pound. We obtained a ½ per cent. reduction in the milk co-responsibility levy which will be worth around £10 million a year to United Kingdom producers. The Commission was made to withdraw its proposal for a progressive co-responsibility levy which would have been damaging to the interests of our industry. Improvements were made in the provision of aid for school milk. The Community subsidy was increased and this should lead to an increased up-take by local authorities.

We succeeded in obtaining an increase of two-thirds in the maximum beef premium payments and an increase in the Community contribution from the 25 per cent. negotiated by our predecessors to 40 per cent. We obtained a firm Commission declaration ensuring that the sale of wine distillates will not threaten the alcohol industry in this country. We resisted the Commission proposals for a large reduction in the United Kingdom butter subsidy, and the subsidy will continue at around 13p per pound.

The result of the total package that has now been agreed on farms support prices in the United Kingdom is an increase of 10·2 per cent. The effect of this on the retail price index over a full year will be ¼ per cent. and on the food price index over a full year 1¼ per cent. The consumer benefit of the beef premium scheme, the sheepmeat regime and the continuation of the butter subsidy will be worth some hundreds of millions of pounds, depending on the market situation.

The Commission estimates that the settlement increases the budgetary cost of the common agricultural policy by around 1,500 million ECUs or over £900 million in a full year. It also calculates that the increase is well within that of the Community's own resources. We estimate that the extra budgetary cost to the United Kingdom is about £120 million in a full year. This emphasises the importance of agreement on the adjustment of our budgetary contribution, which member States had previously agreed should be decided in parallel with the agricultural decisions.

Separately from the price-fixing, the Commission announced that a satisfactory solution had been reached to the problem of Dutch horticultural gas prices, which should be of benefit to United Kingdom horticulturists.

It is wrong that for the first time in 16 years a number of member States should have changed the rules of procedure to suit their immediate requirements and it must be noted that three of the four member States that have joined the Community strongly protested at the violation

of the normal procedures that took place yesterday; they had joined the Community in the knowledge that these were the procedures of the Community.

The Government will be urgently considering the implications of what was done yesterday, and what action they will take. I am sure that the House will wish to debate this matter further. My right hon. Friend the Leader of the House is arranging through the usual channels for a debate.

**Mr. Norman Buchan** (Renfrewshire, West): We face a serious and grave situation and we had a not too serious a statement in response to it. Clearly, there are implications that go well beyond the mere matter of agriculture price-fixing. There are many future implications for Britain's international role and its role in relation to the Common Market. We shall have a look at some of those.

May we have a little clarity? The Minister said that in previous meetings the United Kingdom had "achieved a number of important objectives to the benefit of consumers and producers"—

I have no doubts about the benefits to the consumers—

"and these will now be implemented."

However, the right hon. Gentleman also said that the regulations agreed yesterday will

"become Community law with effect from tomorrow."

What does that mean? Does the right hon. Gentleman intend to implement only those matters that he has already agreed, or will he have to implement the entire burden of the decisions made yesterday? I understand that the Ministry has today issued instructions for the implementation of the regulations in accordance with Community law and I want from the Minister a denial that he has given such instructions or that his Ministry is proceeding to implement the matters on which he did not agree.

Quite apart from the international impact, there will be wide internal implications, not only for farmers but for consumers. We are extremely sceptical about the figures quoted by the right hon. Gentleman. For example, the European Consumer Organisation estimates that the decisions will involve an additional cost of £1·50 a week for the average family with two children. Most estimates in reputable journals, including *Agra Europe*, suggest increased costs of between £1·20 and £1·50—and that is against the background of a compulsory wage ceiling for large sectors of our people of between 4 per cent. and 6 per cent.

There are major implications for the future. The common fisheries policy falls within the Minister's responsibility. The sands of time are running out and we have only a few more months in which to reach a settlement. Is the veto to be available for use from now on, or will our waters be open—up to the beaches—for every fisherman in Western Europe? What protection do we have for our fishing communities and our waters if the CFP is also to be decided by majority vote? It was clear yesterday and from the philosophy of some of the right hon. Gentleman's response that such an objective is in the minds of not only the Commission, but many members of the Council of Ministers.

The total budget on which the right hon. Gentleman says that he has been raising his resistance is one of the problems, as the right hon. Gentleman told the Eurofanatics on the SDP and Liberal Benches who wanted to force a settlement even before we knew the total of the budget. What effect will yesterday's decisions have on the total budget and on the share that we shall have to pay for





*Euro Pol*

Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

From the Minister's Private Office

M Pattison Esq  
Prime Minister's Office  
10 Downing Street  
London SW1

19 May 1982

*Dear Mike M.P.*

COUNCIL OF AGRICULTURE MINISTERS: 17-18 MAY 1982

I attach a copy of the statement which Mr Walker hopes to make in the House today. A meeting between the Chancellor of the Exchequer, my Minister, and the Minister of State for Foreign and Commonwealth Affairs this morning discussed the line to be taken.

I am copying this letter to Bernard Ingham; David Heyhoe (Leader of the House's Office); Murdo Maclean (Whip's Office, Commons); Michael Pownall (Whip's Office, Lords); David Wright (Cabinet Office); Keith Long (Chancellor of the Duchy of Lancaster's Office), to private secretaries of the other Agriculture Ministers and members of the OD(E), and to David Hancock (Cabinet Office).

*Yours sincerely*

*Robert Lawson*

ROBERT LOWSON  
Private Secretary



Together with my Rt Hon Friend the Minister of State I attended a meeting of the Agriculture Council which met in Brussels on 17 and 18 May.

Since January at eight meetings of the Council of Agriculture Ministers we have been negotiating this year's price fixing arrangements. During these meetings Member States had by negotiation obtained unanimity on many of the questions involved. Britain had retained specific reserves on a number of agricultural issues and a general reserve on the entire package. The purpose of the general reserve was to ensure that the agreement entered into by all Member States in considering the May 30 Mandate that the budget and agricultural matters should be dealt with in parallel should be complied with.

We therefore expected that at the meeting this week we would continue to negotiate on those remaining questions where unanimity had not been obtained. If by the time of the completion of our meeting there was no agreement upon the budget measures we would retain our general reserve.

Together with Denmark and Greece we strongly protested when the Presidency, encouraged by the Commission, announced that for the first time since 1966 the principle of obtaining unanimity where a very important national interest was involved was to be violated and that a decision was to be taken in accordance with the Treaty arrangements for majority voting.

I made a firm statement to the Council dissociating the British Government from the procedure and declaring that the Council had violated an accepted convention under which all previous price fixings had been adopted. I stated that the Government considered that, as <sup>important</sup> national interests were involved in accordance



with the established practice of the Community, discussions should have continued in this Council until a unanimous agreement had been reached. I pointed out that the decisions that were being taken could place a further financial burden on the United Kingdom, that there was clearly a direct and organic link between the price fixing decision and the budget negotiations and that this link had been recognised by all Member States in their agreement that the three Chapters of the 30 May Mandate should proceed in parallel. I placed on record that I considered the conduct of the Presidency of the Commission and the Member States who had joined in this procedure had created a very sad and damaging day in the Community's history and that the Council had chosen to fundamentally alter the established working practices based on the agreement reached in 1966.

A majority decision was therefore taken on all of the Regulations in accordance with what had been negotiated and agreed on by 9 Member States in the meetings prior to this week's Council. Under the Treaty these Regulations become Community law with effect from tomorrow.

Had the normal process of negotiating continued and had not the Presidency of the Commission and 7 Member States violated the normal traditions, we would have endeavoured to obtain some further improvements in the clawback arrangements on lamb, an even larger reduction in the co-responsibility levy, whilst at the same time reducing the price increase for milk. We would have sought lower price increases in a number of cereals and in the prices of a range of Mediterranean products.

Many of the Regulations were of course in accordance with the package that had emerged from the negotiations that had taken place in previous meetings of the Council. In those previous meetings the UK had achieved a number of important objectives to the benefit of consumers and producers, and these will now be implemented.



We successfully resisted pressures from the Commission and all other Member States to revalue the green pound.

We obtained a half per cent reduction in the milk co-responsibility levy which will be worth around £10 million to UK producers in 1982/83.

The Commission were made to withdraw their proposal for a progressive co-responsibility levy which would have been damaging to the interests of our industry.

Improvements were made in the provisions and aid for school milk. The Community subsidy was increased and this should lead to an increased up-take by local authorities.

We succeeded in obtaining an increase of two-thirds in the maximum beef premium payments and an increase in the Community contribution from the 25 per cent negotiated by our predecessors to 40 per cent.

We obtained a firm Commission declaration ensuring that the sale of wine distillates will not threaten the alcohol industry in this country.

We resisted the Commission proposals for a large reduction in the United Kingdom butter subsidy, and the subsidy will continue at around 13 pence per pound.

The result of the total package that has now been agreed on farm support prices in the United Kingdom is an increase of 10.2 per cent. The effect of this on the retail price index over a full year will be a quarter of one per cent and on the food price index over a full year one and a quarter per cent.



The consumer benefit of the beef premium scheme, sheepmeat regime and the continuation of the butter subsidy will be worth some hundreds of millions of pounds, depending on the market situation.

The Commission estimate that the settlement increases the budgetary cost of the common agricultural policy by around 1500 million ECUs or over £900 million in a full year. They also calculate that the increase is well within that of the Community's own resources. We estimate that the extra budgetary cost to the United Kingdom is about £120 million in a full year. This emphasises the importance of agreement on the adjustment of our budgetary contribution, which Member States had previously agreed should be decided in parallel with the agricultural decisions.

Separately from the price-fixing, the Commission announced that a satisfactory solution had been reached to the problem of Dutch horticultural gas prices, which should be of benefit to United Kingdom producers.

It is wrong that for the first time in 16 years a number of Member States should have changed the rules of procedure to suit their immediate requirements and it must be noted that 3 of the 4 Member States that have joined the Community strongly protested at the violation of the normal procedures that took place yesterday, for they had joined the Community in the knowledge that these were the procedures of the Community.

The Government will be urgently considering the implications of what was done yesterday, and what action it will take.



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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

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 BECAUSE 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

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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. 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.

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/MR CHAIRMAN,



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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

[ADVANCED AS REQUESTED]

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1992 OF 18 MAY 1982

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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 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.

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/3.



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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 STATEMENTS. SOME SIGNIFICANT COMMODITY  
POINTS, AND BITS AND PIECES, WILL BE REPORTED TOMORROW  
(NOT TO ALL)

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 (1) - BEVAN

BUTLER

[ADVANCED AS REQUESTED]

[COPIES SENT TO NO 10 DOWNING ST.]

FRAME AGRICULTURE  
ECD(I)

COPIES TO:-  
ADVANCE ADDRESSEES AS LISTED IN  
CABINET OFFICE, MAFF, DAFS, DANI,  
WOAD



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Qz.02576

MR COLES

cc: Private Secretaries to:

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

AGRICULTURE COUNCIL

The Agriculture Council started to vote on the individual components of the price package this morning, despite Mr Walker's persistent efforts to avoid this step being taken. A request for a Foreign Affairs Council was refused; so were repeated requests for a tour-de-table to establish attitudes on the Luxembourg compromise. Only Denmark and Greece supported us.

2. We urgently need a line to take in briefing the press. I attach a draft on which the Prime Minister could draw in answering questions this afternoon. If it is approved we will give it as guidance to all Departmental press officers.

3. Under the Treaty decisions taken by qualified majority vote are law. We cannot avoid the application of the price decisions in the United Kingdom without domestic legislation to set aside Community law. In any case, such action would greatly worsen the political problems that Ministers face.

4. The attached draft is based on the assumption that Ministers will wish to keep their options open. Officials feel that the best course now is to insist on agreement to an extension of the 30 May solution to 1982 as quickly as possible. The gap between the Commission's figures and those that we are prepared to accept is not large and it would be a waste of the withholding instrument to use it in this context. It will be better kept in reserve for possible use in the subsequent



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negotiations about the longer-term solution.

5. I should be grateful for urgent confirmation that the attached line is approved.

D.H.

D J S HANCOCK

18 May 1982

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## MAIN STATEMENT

I understand that at the meeting of the Agriculture Council this morning decisions were taken on the 1982 farm price proposals by majority vote even though the Minister of Agriculture had made it clear that the United Kingdom had very important interests at stake and wanted the discussion to continue until our problems had been resolved. This procedure is quite without precedent in the Agriculture Council, where the annual price decisions have always been reached before by consensus. The action by the rest of the Community in this matter raises very serious issues and the Government will be considering what it should do in the new circumstances.

One thing is clear. If the Community is to avoid a really acute crisis, a decision must be reached on the budget problem at the Foreign Affairs Council next week. The Government has indicated its willingness to consider an extension of the agreement reached on 30 May 1980 for a third year, as provided for in that agreement, on the understanding that the rest of the Community commits itself to reaching conclusions for a longer-term settlement by the end of 1982 at the latest.

The Minister of Agriculture has kept the House fully informed of the progress of the farm price negotiations and he will be making a full statement tomorrow on the detailed conclusions of the Agriculture Council.



NOTES FOR SUPPLEMENTARIES

Will the United Kingdom now withhold its contribution?

This is one possibility but I do not think it right to speculate about the result of the Government's future consideration of its position. Much will depend on other decisions taken by the Community in the next few days.

What is the present status of the Luxembourg compromise?

That indeed is one of the most serious aspects of what has happened. The Government will have to reflect very carefully on the implications. But we are not going to be rushed into a decision.

Will we now leave the Community?

There is no question of that.



HL

Sir Richard BUTLER  
26/5

12 May 1982

EC Agricultural Prices/Mandate

I enclose a copy of a manuscript letter which the Prime Minister has received from Sir Richard Butler. This in turn encloses a copy of a letter sent by the President of COPA to the Belgian Prime Minister.

I should be grateful if you could provide a draft reply for my signature on behalf of the Prime Minister.

JOHN COLES

Robert Lowson, Esq.,  
Ministry of Agriculture, Fisheries and Food.

DSJ



MR COLLS

AGRICULTURE HOUSE · KNIGHTSBRIDGE · LONDON SW1X 7NJ

01-235 5077



THE  
NATIONAL FARMERS'  
UNION

FROM THE PRESIDENT  
SIR RICHARD BUTLER

May 12<sup>th</sup>

Dear Prime Minister,

I enclose a copy of  
a letter which has been sent  
to M<sup>r</sup> Martens of Belgium in his  
capacity as Chairman of the EEC  
Council. As members of COPA  
- the Farm Organisations of the  
EEC - we support this letter  
and would like to see decisions  
made on farm prices for 1982/83  
without further delay.

We do however fully understand



and support the need to obtain  
a satisfactory outcome of your  
negotiations for an equitable and  
longstanding agreement on the UK  
contribution to the EEC Budget.  
We have asked all the farm  
organisations in COPA to put  
pressure on their Governments to  
resolve this matter. I shall  
again make this clear when  
I am in Brussels later this week.

Last and by no means least  
we appreciate some of the problems  
of the Falklands crisis and strongly  
support the stand which you  
are taking.

Yours sincerely

Richard Butler



TO THE PRESIDENT

DEAR SIR

THE DELAY IN THE SETTLEMENT OF FARM PRICES OF THE 1982/83 CAMPAIGN, WHICH FOR MILK, BEEF AND SHEEPMEAT SHOULD HAVE COME INTO EFFECT ON 1 APRIL LAST, IS CAUSING A CONSIDERABLE LOSS OF RETURNS FOR ALL THE COMMUNITY'S FARMERS AND PARTICULARLY LIVESTOCK FARMERS.

THIS IS WHY WE ARE MAKING A VERY URGENT APPEAL TO THE EEC COUNCIL TO ADOPT OFFICIALLY, THE COMPROMISE REACHED AT THE LAST COUNCIL MTG IN LUXEMBOURG AFTER HAVING IMPROVED IT IN ACCORDANCE WITH THE FULLY JUSTIFIED DEMANDS OF COPA AND COGECA, SO THAT THE FARM PRICES OF THE NEW CAMPAIGN CAN COME INTO EFFECT IMMEDIATELY.

FURTHERMORE, WE ARE DEMANDING THAT THE COUNCIL SHLD DECIDE EITHER TO ABOLISH THE CORESPONSIBILITY LEVY IN THE DAIRY SECTOR AS FROM 1 APRIL LAST, OR TO REDUCE ITS LEVEL DURING THE 1982/83 CAMPAIGN FOR AS LONG AS NECESSARY TO COMPENSATE PRODUCERS FULLY FOR THE LOSS INCURRED BY THE DELAY IN THE SETTLEMENT OF PRICES OF THE NEW CAMPAIGN.

IN THE HOPE THAT YOU WILL INFORM MEMBERS OF THE EEC COUNCIL OF OUR DEMANDS, WE REMAIN,

YOURS FAITHEUYLLY

J ARBUCKLE CBE  
PRESIDENT OF COGECA

U EMO CAPODILISTA  
PRESIDENT OF COPA

++++



Euro. Pol.

Original filed on:-

Euro Pol: Budget Pt 15.

Ref. A08390

PRIME MINISTERCabinet: Community Affairs

The Foreign and Commonwealth Secretary reported to Tuesday's Cabinet on the budget discussions at last weekend's informal Foreign Ministers' meeting, and you may be discussing our next steps on the budget with the Ministers directly concerned on Friday.

2. You will wish the Minister of Agriculture to report on the 10-11 May Agriculture Council. As expected, a final Common Agricultural Policy price package was put forward which attracted the support of the nine other member states. The United Kingdom was accordingly pressed to break the link with the budget, and invoked the Luxembourg compromise to avoid a vote being taken. Commission and Presidency attempts to get round the compromise failed. The Council will meet again on 17 May.

3. In the absence of the Chancellor of the Exchequer, you might wish the Chief Secretary, Treasury to report briefly on the 11 May Budget Council. The Council agreed a Presidency mandate satisfactory to the United Kingdom for the next round of negotiations with the European Parliament on the classification of expenditure. This dialogue is aimed at removing the main causes of the recurring disputes on the budget between the Council and the Parliament; within this broad objective the Council's mandate also seeks to tighten the budgetary procedure in its own favour and to limit the Parliament's freedom to act unilaterally.

4. It is possible that a meeting of Foreign Ministers may be convened this coming weekend to deal with the budget or the renewal of the Argentine trade embargo or both. Next week the Agriculture and Finance Councils meet on 17 May and the Fisheries Council is scheduled to take place on 18 May. You will be seeing the French Prime Minister on 15 May and President Mitterrand on 17 May.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

12 May 1982



## Council of Agriculture Ministers

3.38 pm

**The Minister of Agriculture, Fisheries and Food (Mr. Peter Walker):** With permission, Mr. Speaker, I should like to make a statement to the House about the Council of Agriculture Ministers meeting in Brussels on 10 to 11 May.

The Council continued its discussion of the Presidency proposals on a number of major elements in the 1982-83 price fixing. After further Commission proposals, all member States that had previously maintained reserves withdrew them, with the exception of the United Kingdom.

In the absence of further improvements, the United Kingdom maintained our specific reserves on parts of the package in addition to our overall reserve that the agricultural and budget elements of the mandate of 30 May must be agreed in parallel. I explained why important British interests were involved in this and that we could not agree to take decisions on this matter except by unanimity.

The next meeting has been provisionally arranged for 17 May.

**Mr. Norman Buchan (Renfrewshire, West):** I welcome the statement by the French Foreign Minister that the support for Britain over the Falkland Islands has no relation to our support or otherwise of the common agricultural policy's budgetary proposals. The Minister will be aware that we shall support him in resisting a further price increase. We opposed the 9 per cent. increase because it was too high. The figure now talked about is 10.5 or 10.7 per cent. We oppose that also.

Will the right hon. Gentleman deny the widespread belief that he would accept the price increases if a satisfactory solution were found to the total budgetary package? I hope that he will accept that we believe that agricultural problems—like the Falkland Islands—are a separate issue? Does he accept that? Finally, I assure the Minister that, like him, we would not accept a price policy imposed on Britain by a majority vote.

**Mr. Walker:** I am grateful to the hon. Gentleman for his comments. He has welcomed the French Foreign Minister's statement that there is no link between the Community's attitude towards the Falkland Islands and the negotiations. My colleagues in other Councils of Ministers have not met any Minister from any Community country who has mentioned, inferred or implied that there should be such a link. It would be monstrous if the Community's foreign policy were to be affected by other negotiations. In probably the toughest and most detailed part of the negotiations, no Minister, of any description, has ever suggested that there is any such linkage.

As regards overall price fixing, we continue with a number of reserves. The hon. Gentleman mentioned 10.5 and 10.7 per cent. The current average is probably 10.6 per cent. The figure varies greatly from one commodity to another. Ultimately, the overall package will be decided by what we consider to be in the interests of the British consumer and the British farm industry. We shall have to decide the final form of the package on a combination of those two.

The hon. Gentleman pledged his party's support to the principle that it would be wrong to impose on Britain, or

any other member State, an agreement that was considered to be against its national interest. I welcome that support. The Community has operated on that basis since 1966 and it would be disastrous to depart from that practice now.

**Mr. Buchan:** I think that the Minister has omitted to deal with one point. Will he give an assurance that he will on no account accept the figure that he has now defined as 10.6 per cent. merely to gain agreement on the total budgetary package?

**Mr. Walker:** No, I shall not give that assurance, because it depends on the total balance of the package and on what we obtain, to the benefit of British consumers, on such matters as the butter subsidy and the beef and sheep premium schemes. Like my predecessors, I shall have to judge the total balance.

**Several Hon. Members rose—**

**Mr. Speaker:** Order. I shall call those hon. Members who have indicated their wish to ask questions. We shall then move on.

**Mr. David Steel (Roxburgh, Selkirk and Peebles):** Will the Minister be extremely careful about the official Opposition's warm embrace for this tiny statement? Is he aware that there will be considerable dismay in the farming community over the fact that there is still no settlement of agriculture prices? Is the right hon. Gentleman further aware that this Bench would not accept trying the wider budgetary problems to this settlement? Does he realise that there is a feeling among our European partners that having renegotiated the terms of our membership once, we appear to be determined to do so annually?

**Mr. Walker:** I am shocked and surprised that the Liberal Party should be happy to agree a price fixing—with all its costs—without any idea of Britain's contributions to those costs. That is an utterly irresponsible policy. In the 30 May mandate statement our Community partners agreed that the agriculture and budget policies should be agreed in parallel. Therefore, the United Kingdom is not demanding something to which all the other Community countries have objected. The United Kingdom is demanding that Community countries should keep to the agreement of 30 May. I was interested to hear that the Liberal Party would agree to a price fixing without any knowledge of Britain's costs.

**Mr. John Spence (Thirsk and Malton):** From what date will the new prices apply to British farming? Will they apply from the beginning of the financial year, or from the date of agreement?

**Mr. Walker:** All previous Presidents—and presumably the same will happen this year—have made the date of application the date of the agreement, and it is not backdated.

**Mr. Nigel Spearing (Newham, South):** Will the Minister confirm that the reserve procedure that he mentioned is not a Treaty provision but comes within the Luxembourg arrangement of yore? If so, does he agree that the recent proposals from various quarters that we should revert to pure Treaty majority voting should be resisted by the Government?

**Mr. Walker:** Yes, Sir. The hon. Gentleman is correct in saying that the Treaty did not envisage that situation. It arose in 1966, when the Community came to a standstill.



[Mr. Walker]

Nothing happened for six months, until the agreement was thrashed out. Since 1966, and, therefore, prior to Britain's membership of the Community, that has been the basis of operation. Several other member countries strongly share my belief that it would be disastrous to move away from that situation.

**Mr. Peter Mills** (Devon, West): Given the Council's sometimes difficult stance on such matters, will my right hon. Friend make it clear in Brussels that he must be free to adjust, change or reserve his position?

**Mr. Walker:** Yes, Sir. Yesterday the Commission suggested that as nine countries had agreed that should be taken as what is described as an agreed point and that it should be approved or disapproved at a subsequent meeting. That would mean that one could either approve or disapprove of the package, but one could not open it to discuss the individual items. Naturally, the United Kingdom strongly resisted that. No such approach had previously been made in the history of the Community. However, I am glad to say that as a result of our resistance the Commission dropped that proposal.

**Mr. Ron Leighton** (Newham, North-East): This year, will the Minister adhere to the promises made in the Conservative Party's election manifesto by not agreeing to price increases for those goods in structural surplus?

**Mr. Walker:** I notice that the Labour Party's current position on the price fixing is that it desires a nil increase in all areas with a surplus—throughout the Community and not necessarily in the United Kingdom—and a 4 per cent. green pound revaluation. If the suggestion made by the hon. Member for Liverpool, Walton (Mr. Heffer) had been taken up, it would have meant a reduction in British farm incomes of one-third of last year's figures. That would have been disastrous for employment prospects in many of our industries.

**Mr. Tony Marlow** (Northampton, North): As the House is full of admiration for my right hon. Friend's robust defence of British interests so far, and as it is also full of admiration for and awe at my right hon. Friend's clarity of expression, and as the Conservative Party and Government gave a commitment to the British people that they would not accept from Europe price increases for commodities in structural surplus, will my right hon. Friend explain—beyond doubt and peradventure—what that means? Does it mean no price increase, no price increase above the average European rate of inflation, or no price increase above the British rate of inflation? Over what month is that calculated?

**Mr. Walker:** My hon. Friend has taken an interest in these matters and will know that under this Government prices in Europe for items in surplus and not in surplus have not increased in real terms. Throughout Europe there have been substantial reductions in farm incomes because in the past four years—including the proposals for this year—the average increase has been 6.5 per cent. That is way below the inflation rate in Europe.

**Mr. Robert MacLennan** (Caithness and Sutherland): Is the Minister aware that Social Democrats share the concern expressed by the leader of the Liberal Party—[*Interruption*—about the undeniably adverse effect on farm incomes of indefinite delay in reaching a price

settlement, particularly for commodities—began their marketing year on 1 April? As the farming community has suffered a massive loss of relative income under the right hon. Gentleman's stewardship and that of his predecessor, will he at least give that aspect of the matter some attention? Will he also tell us the position with regard to the clawback in the sheepmeat regime?

**Mr. Walker:** After last week's local government election results, I welcome the growing support of the Social Democrats for the Liberal Party. I am equally surprised that the Social Democrats join in alliance on the question of price fixing, saying that Britain should agree to price fixing without knowledge of the budgetary cost. I consider such a policy completely irresponsible. If the hon. Gentleman thinks that by mentioning the impatience of farmers to have price increases he gains some political advantage, I am glad to say that the leaders of the farmers unions show much more responsibility than he does.

**Mr. Teddy Taylor** (Southend, East): My right hon. Friend will not want to reveal his bargaining hand, but will he tell the House, in this desperately important constitutional matter, what options are open to the Government? If Ministers ignore the Luxembourg compromise and go ahead with a farm price increase by a majority vote? What is the sense of having further substantial increases for some commodities, such as sugar, where there is wild over-production?

**Mr. Walker:** I remember the latter point being put to me the year before world sugar prices rose to levels way beyond Community prices. This is an area in which stability of supply is important, and the years show violent variations.

As for the first part of his question, I believe that if that were to happen it would be very much against the interests of Europe and the Community. In my period as a Minister at the Council of Ministers I have seen France, Italy, Greece, Ireland and Denmark—almost every country in the Community—protected by the Luxembourg accord, whereby one cannot impose upon any member State something that is against its national interests. I believe that it would be dangerous for the Community to depart from that position.

I am not prepared to speculate on how the Government might react if it were to do so. I believe that after reflection and thought the Community should not and would not embark on that course.

**Mr. David Myles** (Banff): Following the answer that my right hon. Friend gave to my hon. Friend the Member for Thirsk and Malton (Mr. Spence), does he realise that farmers both in this country and the Community find it intolerable that they, who have not held up negotiations in any way, should be denied retrospective payment, while trade unionists, possibly by obstructive attitudes, can obtain retrospective payments?

**Mr. Walker:** I believe that the difficulty both of administration and of backdating throughout the Community is understood. There have been many occasions when farm prices have been fixed after the end of the previous marketing year. It is possible for Ministers to consider the fact that prices will be available for only nine or 10 months as opposed to 12 months. Backdating of payments would be impracticable and I do not believe it could be done.



PRIME MINISTER

I attach the text of Mr Walker's statement today about the Agriculture Council.

For the Opposition, Norman Buchan welcomed the French Foreign Minister's remarks separating the Falklands from the Mandate and price fixing issues. Mr Buchan naturally supported HMG's rejection of the new price proposals, but he sought confirmation that Mr Walker would not accept these even within a wider package on outstanding Community problems. Finally he stressed - as did Gavin Strang later - that decisions on such fundamental issues by majority were totally unacceptable.

David Steel suggested caution about the "warm embrace" of the Opposition. Farmers would be further dismayed about the continuing delay. Our European partners felt that, despite a major re-negotiation of our arrangements in the Community, we were now seeking further re-negotiation every year. Robert MacLennan later echoed, for the SDP, the growing impatience of the farming community.

In further exchanges there were some ritual references to the Government's manifesto statements about resisting price increases on products in structural surplus. There was also some probing of the Luxembourg Accord on questions of major national interest. But the House did not challenge Mr Walker's view of events.

12 May, 1982



COUNCIL OF AGRICULTURE MINISTERS MEETING ON 10 - 11 MAY

STATEMENT

With permission, Mr Speaker, I should like to make a statement to the House about the Council of Agriculture Ministers meeting in Brussels on 10 - 11 May.

The Council continued its discussion of the Presidency proposals on a number of major elements in the 1982/83 price fixing. After further Commission proposals, all Member States that had previously maintained reserves withdrew them, with the exception of the United Kingdom.

In the absence of further improvements the United Kingdom maintained our specific reserves on parts of the package in addition to our overall reserve that the agricultural and budget elements of the mandate of 30 May must be agreed in parallel.

I explained why important British interests were involved and why we could not agree to take decisions except by unanimity.

The next meeting has been provisionally arranged for 17 May.





4c Mr Ingham  
AJC.  
Then to me pl

MAF

Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

From the Minister's Private Office

M Pattison Esq  
Prime Minister's Office  
10 Downing Street  
London  
SW1

12 May 1982

Dear Mike MAF

COUNCIL OF AGRICULTURE MINISTERS: 10-11 MAY 1982

I attach a copy of the statement which Mr Walker hopes to make in the House today. I would be grateful for immediate clearance.

I am copying this letter to Bernard Ingham; David Heyhoe (Leader of the House's Office); Murdo Maclean (Whip's Office, Commons); Michael Pownall (Whip's Office, Lords); David Wright (Cabinet Office); Keith Long (Chancellor of the Duchy of Lancaster's Office), and to private secretaries of the other Agriculture Ministers and members of the OD(E).

Yours sincerely

Robert Lawson

ROBERT LOWSON  
Principal Private Secretary



COUNCIL OF AGRICULTURE MINISTERS MEETING ON 10 - 11 MAY

DRAFT STATEMENT

With permission, Mr Speaker, I should like to make a statement to the House about the Council of Agriculture Ministers meeting in Brussels on 10 to 11 May.

The Council continued its discussion of the Presidency proposals on a number of major elements in the 1982/83 price-fixing. After further Commission proposals, all Member States that had previously maintained reserves withdrew them, with the exception of the United Kingdom.

In the absence of further improvements the United Kingdom maintained our specific reserves on parts of the package in addition to our overall reserve that the agricultural and budget elements of the mandate of 30 May must be agreed in parallel.

*explained why important Br. interests were involved and*  
I ~~successfully resisted attempts by the Commission, supported by some~~  
*why we could not agree to take decisions except by unanimity*  
~~other countries, to depart from the normal procedures for negotiating~~  
~~until there is unanimous agreement.~~

The next meeting has been provisionally arranged for 17 May.





ans tel file BCL

10 DOWNING STREET

*From the Private Secretary*

11 May 1982

CAP PRICE FIXING

Thank you for your letter of 10 May. As I told you last night the Prime Minister agreed that the proposed instructions to Sir Michael Butler and to our Ambassadors in Community posts should be despatched.

I am copying this letter to David Hancock (Cabinet Office) and Robert Lawson (Ministry of Agriculture, Fisheries and Food).

A. J. COLES

Francis Richards, Esq.,  
Foreign and Commonwealth Office

HL



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Foreign and Commonwealth Office

London SW1A 2AH

10 May 1982

*I have told F.C.O. that*

*P.N. agrees.*

*OR 11/5*

*Dear John.*

/ I attach a copy of a telegram (UKRep Brussels, No 1862) which Mr Walker has sent Mr Pym, asking for action to be taken before tomorrow morning to discourage our partners, and in particular the French and the Commission, from attempting to circumvent our use of the Luxembourg compromise to prevent a decision being reached tomorrow on CAP price fixing.

/ I also attach draft instructions which we propose to send to Sir Michael Butler and to our Ambassadors in all Community posts, together with a draft covering telegram. Although he does not say so in his telegram, Mr Walker specifically asked in an earlier telephone conversation with me that the Prime Minister be consulted on the action to be taken.

I am copying this letter to David Hancock and to Robert Lawson at MAFF.

*Yours ever,*

(F N Richards)  
Private Secretary

A J Coles Esq  
10 Downing Street

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File No. ....

OUTWARD

Security Classification

Department .....

TELEGRAM

Precedence

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Tel. Extn. ....

DESKBY .....Z

FOR COMMS. DEPT. USE

Despatched (Date) ..... (Time) .....Z

POSTBY .....Z

PREAMBLE

(Time of Origin) ..... Z (G.M.T.)

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TO FLASH UKREP BRUSSELS Tel. No. ....of (precedence) (post)

AND TO (precedence/post) .....

AND SAVING TO .....

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SAVING TO (for info) .....

Distribution:-

Handwritten signature in blue ink.

[TEXT]

CAP PRICE FIXING: AGRICULTURE COUNCIL 10/11 MAY

- 1. My i.f.t. contains a number of points which you should put to the Commission/Presidency as soon as possible, making clear that they represent the considered views of myself and of the Prime Minister. The Minister of Agriculture may wish to make use of them also with DALSAGER, DE KEERSEMAECKER and his other colleagues. 2. Other Posts to whom this telegram is repeated should seek the earliest possible opportunity on 11 May (no later than 0730Z) to make these views known to the Governments to whom they are accredited. They should say that, irrespective of their Governments'

Copies to:-



~~Governments~~ position on majority voting and the Luxembourg compromise, we hope that they will ensure that their Agricultural Ministers currently meeting in Brussels do not take any action, or encourage the Commission to take any action, which might lead to a really fundamental crisis in the Community with unforeseeable consequences.

3. In conveying our views Posts may wish to take account of the following additional points.

(Paris) It will certainly not be possible to override or circumvent the Luxembourg compromise in one area, while preserving its use in others. Given the French line hitherto (including in the present Government's relance document), we cannot believe that that is their intention.

(Bonn, Rome) While ~~formally~~ contesting the original Luxembourg compromise in 1966, both Governments have ~~recently~~ recently (in the context of the Genscher/Colombo proposals) proposed formally recognising it as a fact of life, subject to a written explanation of the important material interest invoked being given. They will note that we are prepared so to explain our use of the veto on this occasion.

(Copenhagen/Athens) Although neither Government has taken up as clear-cut a position favouring the Luxembourg compromise as we and the French have done, we understand that both have, in the domestic presentation of their Community membership, placed some weight on it as an ultimate safeguard for their interests.

NOTHING TO BE WRITTEN IN THIS MARGIN



INSTRUCTIONS TO SIR M BUTLER TO CARRY OUT WITH COMMISSION  
AND PRESIDENCY

1. We understand that the Commission/Presidency intend to make a revised compromise proposal to the Agriculture Council (to take account of outstanding Greek/Italian reserves) and then to seek to have that proposal adopted by a majority vote.

2. We would regret such a move to abandon the invariable practice hitherto of taking agriculture price decisions by consensus. It would merely raise the temperature, emphasise an air of crisis and serve no useful purpose.

3. If the Commission/Presidency nevertheless proceed in this way, the UK will have to ask for the decision to be deferred, since important UK national interests will be at stake. We will naturally explain what these are to the Council. Commission/Presidency are familiar with them; and we do not imagine they seriously dispute that the additional net contribution for the UK arising from this package (200 MECU at constant world prices or more if prices fall) taken together with elements which were a major part of the Mandate negotiations (aid for small milk farmers, improvements to Mediterranean agriculture), constitute an important interest;

4. We have heard it suggested that a vote might

/nevertheless



nevertheless be taken or that an attempt might be made to give effect to the provisions of the price package without recourse to a prior decision by the Council. Either of such courses would be unacceptable to the UK and would have serious and damaging consequences, greatly widening the scope of the present problems facing the Community. The possibility of deferring a decision when an important national interest is at stake was an integral part of the terms under which the UK joined the Community and we could not accept its abrogation.

5. We hope very much that, rather than pursuing such a sterile course, the Commission/Presidency will devote their efforts to securing an early and equitable solution to the Mandate negotiations as a whole.



ZZ FCO

ADVANCE COPY

#03 10 Downright

CONFIDENTIAL

FM UKREP BRUSSELS 101819Z MAY 82

TO F L A S H FCO

TELNO 1862 OF 10 MAY.

COUNCIL OF MINISTERS (AGRICULTURE): 10/11 MAY

FOLLOWING FROM MINISTER OF AGRICULTURE FOR SECRETARY OF STATE.

1. I DISCUSSED WITH CHRISTOPHER TUGENDHAT THE DANGEROUS SITUATION THAT IS DEVELOPING ON THE MANDATE. HE SAID HE FELT THAT THERE WAS A FEELING AMONG OTHER MEMBER COUNTRIES THAT WE WERE NOT PREPARED TO MOVE AN INCH ON THE BUDGET BECAUSE WE WERE CERTAIN THAT BY HOLDING UP THE AGRICULTURAL PRICE SETTLEMENT WE WOULD COMPEL THEM TO GIVE US ALL WE WERE ASKING; AND THAT THEY WERE BECOMING INCREASINGLY DETERMINED TO DEFEAT THESE TACTICS. IN CHRISTOPHER'S OPINION, THE COMMISSION'S OWN POSITION WOULD BE AS FOLLOWS. FIRST, THE COMMISSION HAD GIVEN THE COUNCIL AN OPPORTUNITY TO TAKE A DECISION ON THE PRICE FIXING BY ITSELF ADOPTING AND PROPOSING THE PRESIDENCY COMPROMISE ACCEPTED BY SEVEN MEMBER COUNTRIES. IF AT SOME STAGE DURING THIS MEETING A VOTE WERE TAKEN ON COMPROMISE PROPOSALS AND THEY WERE CARRIED AGAINST OUR OPPOSITION THE COMMISSION WOULD WELCOME THE DEMISE OF THE LUXEMBOURG COMPROMISE WHICH THIS WOULD IMPLY AND WOULD IMPLEMENT THE COUNCIL'S DECISION. IF BY INVOKING THE LUXEMBOURG COMPROMISE WE WERE SUCCESSFUL IN PREVENTING A VOTE BEING TAKEN, THEN THE COMMISSION WOULD BE IN A DIFFICULT POSITION. CHRISTOPHER HOPED THAT THEY MIGHT BE PREVENTED FROM ACTING IN THOSE CIRCUMSTANCES TO IMPLEMENT A PACKAGE ACCEPTABLE TO NINE, BUT THEY WOULD TAKE THEIR DECISION ON IT BY MAJORITY VOTE AND HE COULD NOT RULE OUT THE POSSIBILITY THAT THEY MIGHT DECIDE TO GO AHEAD. CHRISTOPHER REPORTED DAVIGNON AS REPORTING MADAME CRESSON AS SAYING THAT SHE WAS PREPARED TO VOTE. AT A PRESS CONFERENCE SHE HAD STATED THAT WHILE SHE ACCEPTED THE RIGHT OF THE UNITED KINGDOM TO INVOKE THE LUXEMBOURG COMPROMISE, IF THE COMMISSION DECIDED TO ACT THAT WOULD BE A DIFFERENT MATTER.



2. THE PRESIDENCY AND COMMISSION ARE HOLDING BILATERALS THIS EVENING AND IT IS QUITE PROBABLE THAT A COMPROMISE ACCEPTABLE TO NINE WILL EMERGE TOMORROW MORNING. I SHALL INVOKE THE LUXEMBOURG COMPROMISE SO AS TO TRY TO PREVENT A VOTE. I MAY NOT HOWEVER SUCCEED. A VOTE ON THIS ISSUE, AND THE ABANDONMENT OF THE LUXEMBOURG COMPROMISE, WOULD CLEARLY BE DISASTROUS. YOU WILL WISH TO CONSIDER WHAT PRESSURES SHOULD BE PUT ON OTHER MEMBER GOVERNMENTS TO AVOID THIS; AND WHAT PRESSURES SHOULD BE PUT ON THE COMMISSION TO PREVENT THEIR ACTING ON THEIR OWN INITIATIVE TO IMPLEMENT THE PRICE PACKAGE.

FCO ADVANCE TO:

FCO - SOFS PS/PUS, PS/OS, BRIDGES, HANNAY

CAB - ARMSTRONG

MAFF - HADDON

TSY - PS/CHANCELLOR

NOT. 10 - COLES

BUTLER

THE COMMISSION'S OWN POSITION WOULD BE VERY DIFFICULT  
IN ORDER TO BE DETERMINED TO BELIEVE THESE INDICATORS IN CHRISTOPHER'S  
THAT TO CLARIFY THE VOTE HE WERE WORKING: AND THAT THEY WERE BECOMING  
RELIANCE ON THE VOLUNTARILY PRICE SETTLEMENTS HE WOULD CONSIDER  
IN ORDER TO INCH ON THE BUDGET BECAUSE HE WERE CERTAIN THAT PA  
AND BEING AMONG OTHER MEMBER COUNTRIES THAT HE WERE NOT OBSERVED  
AND THE BELIEFING OF THE "MIDDLE" HE WERE HE LEFT THAT I WERE  
I WERE DISAPPOINTED WITH CHRISTOPHER'S IDENTIFICATION OF DIVERSION

THE COMMISSION'S OWN POSITION WOULD BE VERY DIFFICULT

IN ORDER TO BE DETERMINED TO BELIEVE THESE INDICATORS

THAT TO CLARIFY THE VOTE HE WERE WORKING

AND THAT THEY WERE BECOMING

RELIANCE ON THE VOLUNTARILY PRICE SETTLEMENTS

HE WOULD CONSIDER



File BK  
Eun PA

10 May 1982

You spoke to me earlier this afternoon about the Minister of Agriculture's request for clearance from your Secretary of State and from the Prime Minister for the line he proposed to take in the Agriculture Council meeting this afternoon.

As I told you on the telephone, I confirm that the Prime Minister endorsed the line set out in your minute of today's date.

M A PATTISON

Francis Richards, Esq.,  
Foreign and Commonwealth Office

sl





*With the compliments of*

*F. N. Richards*

THE PRIVATE SECRETARY

FOREIGN AND COMMONWEALTH OFFICE

SW1A 2AH



Mr Fall

Mr Walker has rung from Brussels to say that he must have a line from the Prime Minister and from Mr Pym by 1530 London time (when the Agriculture Council re-convenes) on two points which the Commission are rumoured to have under consideration:

- a) to impose a price fixing, taking advantage of the powers which it believes itself to have to operate in a legal vacuum, thus circumventing our use of the Luxembourg Compromise;
- b) imposing a back-dated price fixing from the moment of its eventual imposition, thus assuring farmers now that their long-term interests will not be damaged by a continued stalemate over the Mandate.

The following points are recommended by David Hannay, with the agreement of David Hancock and of Geoff Littler (Treasury). They are in line with the briefing already given to Mr Walker:

- i) Wrong that ideas of this sort should be canvassed; the right way forward to get a solution on the Mandate;
- ii) (If the Commission try to reach a decision on prices by majority vote) invoke the Luxembourg Compromise and make a reasoned statement to be inserted in the minutes to explain why our national interest would be harmed by what is proposed;
- iii) (If the Commission try to impose a price fixing unilaterally) it could not possibly be legal to use the (debatable) powers which the Commission believes itself to have to keep the Common Market running in order to impose new prices rather than merely to maintain existing ones;

/iv)

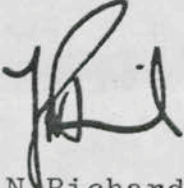
*agreed  
no*



agreed  
not

- iv) (If the Commission suggests back-dating a settlement) this is legally very difficult, and we cannot see how it could operate.

10 May 1982

  
(F N Richards)

cc: A J Coles Esq





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

MINISTER OF AGRICULTURE

Prime Minister  
Content that we should  
not propose a  
reevaluation of the  
green pound?

A.J.C.  $\frac{4}{5}$

*ms*

k.a.  $\frac{2}{5}$

CAP PRICE FIXING ; GREEN POUND

Thank you for your minute of 28 April, in which you record that you would under continued pressure from the Commission reluctantly be prepared to accept some reevaluation of the green pound, but argue that you could not volunteer a reevaluation if this is not pressed on you in the negotiation.

2. You raise a number of points as to why the reevaluation I proposed in my earlier minute would cause you difficulties. While I recognise that it is modest I regard it as nonetheless worth having for all that. As I said in my earlier minute even fractional improvements in the RPI are important, and a small reevaluation would at least be indicative of our continued commitment to bring down inflation. I understand that the latest Presidency proposals on prices now average over 10.5 per cent; this further strengthens the case for a reevaluation.

3. Second, as I have said before, I do not accept that our attitude to a green pound reevaluation should be solely determined by the price increases in prospect for other member states; we must judge the case on our own circumstances.

4. I understand, however, that the Presidency have now included in their compromise package a proposal that there should be no change in the UK green rate. You have of course placed considerable emphasis on the right of individual member states to determine





their own green rates, and in principle this should allow us to volunteer a revaluation as well as resist one. Nevertheless, I recognise that, if the present Presidency proposal remains unchallenged as the price fixing negotiations are completed, you would find it politically difficult to propose a revaluation which others were not pressing us to accept. Very reluctantly, I am prepared to accept that you should go along with this aspect of the package, unless it is reopened by the Commission or other member states.

5. This turn of events has prevented us from having a collective discussion of our policy on the UK green rate in the way OD(E) originally envisaged. I attach considerable importance to taking a considered look at this issue well in advance of the next price fixing in the light of the information about this year's developments in UK farm incomes, which should be available before the end of 1982.

6. I am sending copies of this minute to the other recipients of yours.

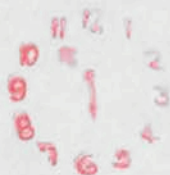
A handwritten signature in black ink, appearing to be 'G.H.' with a stylized flourish.

G.H.

5 May 1982



5 MAY 1982





Ref. A08315

PRIME MINISTER

1.2%

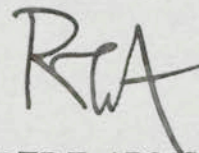
Cabinet: Community Affairs

The Minister of Agriculture might report on the outcome of the 28-30 April Agriculture Council. Seven member states reached agreement on a price package and arrangements for the reform of the wine regime; apart from a number of detailed reservations the United Kingdom placed a general reserve on the whole package until the budget problem was solved, Greece maintained a general reserve and Italy reserved on wine. The package provides for an average increase in common prices of 10.3 per cent and is estimated by the Commission to be twice as costly as their original proposals. It does not include any provision for the revaluation of the green pound, nor any specific measures for tackling the milk surplus. The Council agreed to meet again on 10-11 May.

2. Since you plan to discuss the mandate with the Ministers directly concerned at your ad hoc meeting later on 6 May you may prefer not to go too far into the implications of the Common Agricultural Policy price package in Cabinet.

3. The Secretary of State for Industry might report on the 4 May Industry Council, whose most useful result from the United Kingdom's viewpoint was agreement in principle to the extension for twelve months of the Article 58 regime for mandatory production quotas on steel. It also agreed in principle the Commission's proposals on steel prices. It is hoped that firm decisions will be taken on these issues, and the proposals on the social measures, at the Council's next meeting on 26 May. The Council also had a first discussion of a Committee paper on industrial strategy.

4. There will be an informal meeting of Foreign Ministers on 8-9 May and of Agricultural Ministers on 11 May (following the 10 May Agriculture Council).



ROBERT ARMSTRONG

5 May 1982



	Sales/Head £
Ordnance, Small Arms and Explosives	22,000
Instrument Engineering	13,000
Radio and Electronic components	17,000
Radio, radar and electronic capital goods	
Shipbuilding and Marine Engineering	13,000
Aerospace equipment	21,000

We also estimate that for the United Kingdom defence industries as a whole, average sales per employee were £18,000. In these statistics it is not possible to distinguish civil from military sales—or, in the case of military sales, to distinguish export sales from sales to Her Majesty's Government.

## AGRICULTURE, FISHERIES AND FOOD

### Royal Botanic Gardens, Kew

47. **Sir Anthony Royle** asked the Minister of Agriculture, Fisheries and Food if he will consult with the hon. Member for Richmond during his consideration of action in respect of the new arrangements for the administration of the Royal Botanic Gardens in Kew.

**Mr. Peter Walker:** I invite my hon. Friend to send me his views about the proposed new arrangements. As I announced in my reply to him on 21 April, my officials are at present conducting consultations, and I am arranging for my hon. Friend to receive a copy of the letter sent to interested organisations.

### Fishing Industry (Aid)

**Mr. McQuarrie** asked the Minister of Agriculture, Fisheries and Food when he expects to announce his decision on the application by the fishing industry for further cash aid in the light of the submissions which have been made to him by that industry.

**Mr. Buchanan-Smith:** I refer my hon. Friend to the answer I gave on 26 April to the hon. Member for Grimsby (Mr. Mitchell).—[Vol. 22, c. 181.]

### Council of Agriculture Ministers

**Mr. Peter Mills** asked the Minister of Agriculture, Fisheries and Food what was the outcome of the Council of Agriculture Ministers meeting in Luxembourg on 28 to 30 April; and if he will make a statement.

**Mr. Peter Walker:** The discussions took place on proposals made by the Presidency on a number of major aspects of the 1982-83 price fixing where there were substantial disagreements.

For milk, we secured a ½ per cent. reduction in the coresponsibility levy, which will save United Kingdom producers some £10 million per annum.

The Commission's proposal to reduce the basic rate of coresponsibility levy in favour of small producers has been dropped as a result of our strong opposition supported by Denmark and the Netherlands. Instead, a sum of 120 MECU will be distributed among member States to be made available to small milk producers on a basis to be agreed between the member State and the Commission. This means that we have been wholly successful in our demand that there should be no changes in the market regime that discriminate according to the size of the producer.

Considerable progress was made towards a major reform of the wine regime, including obligatory early season distillation at a low price in years of heavy surplus.

The Presidency proposals recommended revaluations of the green currencies of Germany and Holland but no revaluation of the green pound.

So far, therefore, in the negotiations to date we have succeeded in retaining our butter subsidy virtually unchanged, in improving school milk arrangements, in retaining the variable beef premium scheme, in rejecting the Commission's proposals for a 4.4 per cent. revaluation of the green pound, and in obtaining a reduction in the coresponsibility levy.

The proposals under discussion in the main retain the Commission's compromise proposals on prices submitted on 1 April, apart from a further 1 per cent. on minimum quality breadmaking wheat and an extra ½ per cent. for other cereals, rape seed and sugar.

There was no other overall agreement at the meeting. In addition to specific reserves on parts of the package the United Kingdom retained an overall reserve until the implications for the Community budget are made clear and until there is agreement on other aspects of the 30 May mandate. Greece also maintained a total reserve and Ireland and Italy retained a number of specific reserves.

The marketing years for the commodities immediately affected were extended until mid-night on 16 May.

The Council will be meeting again on the 10-11 May to continue the negotiations.

### Food and Drink Labelling Regulations

**Mr. Michael Morris** asked the Minister of Agriculture, Fisheries and Food what is his policy towards implementing the proposed European Economic Community food and drink labelling regulations.

**Mr. Peter Walker:** I have received representations from manufacturers and retailers about possible difficulties in the implementation by 1 January 1983 of the Food Labelling Regulations 1980, which implement the European Community Food Labelling Directive (79/112/EEC). I have written to the European Commission asking how it intends to deal with the problem of ensuring that all member States comply with the directive by a common date, and I shall decide what further action is needed in the light of the Commission's reply.

### Agricultural Land

**Mr. Peter Mills** asked the Minister of Agriculture, Fisheries and Food what is the policy of Her Majesty's Government towards protecting the stock of good quality agricultural land.

**Mr. Peter Walker:** The protection and improvement of good quality agricultural land in the United Kingdom is an important part of Government policy, to which I attach the greatest significance. While we must realistically accept that there will be legitimate competing demands for development, recreation and conservation, a balance has to be struck which adequately protects agriculture. Good quality land is a scarce resource and its availability is vital to the capacity of the agricultural industry to maintain and improve its competitive position and enable it to make its essential contribution to the provision of the nation's food supply.





*Two per*

10 DOWNING STREET

*From the Private Secretary*

5 May, 1982.

Council of Agriculture Ministers:  
28-30 April 1982

I write to confirm that the Prime Minister was content with the draft statement circulated under cover of your letter of 4 May. I understand that this will now be given in the form of a Written Answer.

M. A. PATTISON

Robert Lawson, Esq.,  
Ministry of Agriculture, Fisheries and Food.

*Lo*



cc AJC

1



Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

From the Minister's Private Office

M Pattison Esq  
Prime Minister's Office  
10 Downing Street  
London SW1

Prime Minister

Content?

MAR 4

4 May 1982/v

Yes mt

Dear Mike

COUNCIL OF AGRICULTURE MINISTERS: 28-30 APRIL 1982

I attach a copy of the statement which Mr Walker hopes to make in the House tomorrow. I would be grateful for immediate clearance.

I am copying this letter to Bernard Ingham; David Heyhoe (Leader of the House's Office); Murdo Maclean (Whip's Office, Commons); Michael Pownall (Whip's Office, Lords); David Wright (Cabinet Office); Keith Long (Chancellor of the Duchy of Lancaster's Office), and to private secretaries of the other Agriculture Ministers and members of the OD(E).

Yours sincerely

Robert Lawson

ROBERT LOWSON  
Private Secretary



COUNCIL OF AGRICULTURE MINISTERS MEETING ON 28 TO 30 APRIL

DRAFT STATEMENT

With permission, Mr Speaker, I should like to make a statement to the House about the Council of Agriculture Ministers meeting in Luxembourg on 28 to 30 April.

The discussions took place on proposals made by the Presidency on a number of major aspects of the 1982/83 price fixing where there were substantial disagreements.

For milk, we secured a  $\frac{1}{2}$  per cent reduction in the coresponsibility levy which will save UK producers some £10 million per annum.

The Commission's proposal to reduce the basic rate of coresponsibility levy in favour of small producers has been dropped as a result of our strong opposition supported by Denmark and the Netherlands. Instead, a sum of 120 MECU will be distributed among Member States to be made available to small milk producers on a basis to be agreed between the Member State and the Commission. This means that we have been wholly successful in our demand that there should be no changes in the market regime that discriminate according to the size of the producer.

/Considerable progress ...



Considerable progress was also made towards a major reform of the wine regime, including obligatory early season distillation at a low price in years of heavy surplus.

The Presidency proposals recommended revaluations of the green currencies of Germany and Holland but no revaluation of the green pound.

So far, therefore, in the negotiations to date we have succeeded in retaining our butter subsidy virtually unchanged, in improving school milk arrangements, in retaining the variable beef premium scheme, in rejecting the Commission's proposals for a 4.4 per cent revaluation of the green pound, and in obtaining a reduction in the coresponsibility levy.

The proposals under discussion in the main retain the Commission's compromise proposals on prices submitted on 1 April, apart from a further 1 per cent on minimum quality breadmaking wheat and an extra  $\frac{1}{2}$  per cent for other cereals, rapeseed and sugar.

/There was no ...



There was no overall agreement at the meeting. In addition to specific reserves on parts of the package the United Kingdom retained an overall reserve until the implications for the Community budget are made clear and until there is agreement upon the United Kingdom's net contribution to that budget. Greece also obtained a total reserve and Ireland and Italy retained a number of specific reserves.

The marketing years for the commodities immediately affected were extended until mid-night on 16 May.

The Council will be meeting again on the 10 - 11 May to continue the negotiations.



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



From the Minister  
CONFIDENTIAL

Prime Minister

We may need a ministerial  
meeting in due course.

MP 29/4

28 April 1982

CHANCELLOR OF THE EXCHEQUER

CAP PRICE FIXING: GREEN POUND

TPM

Thank you for your minute of 26 April. We have, as you say, done well to avoid being isolated at the last two Agriculture Councils. I very much hope that we shall be able to continue to do so at the meeting today in Luxembourg although in the light of Francis Pym's experience in the Foreign Affairs Council this may well be more difficult. In any case I shall certainly ensure that we block any settlement in line with our agreed tactics on the budget issue.

On the green pound, what you are asking for is a 1% revaluation, sufficient to bring the Commission's compromise package down from an average of 10.1% in the UK to an average of 9%. The effect of this on inflation, which is your main argument, would be so small as to be hardly worth measuring: my economists have calculated the effect on the RPI as 0.04%.

On the other side you are asking me to defend giving our agricultural industry a price increase lower than in the great majority of other Member States. The French, Belgians, Danes, Italians, Greeks, Irish and Luxembourg will indeed all be getting increases above the price settlement because of their green rate devaluations.

You will recognise the political unpopularity involved in defending the situation whereby the Commission figures show that United Kingdom farm incomes in real terms have during the period we have been in power fallen by a greater amount than in virtually every other Member State. We now go to a price fixing where we volunteer to lower our farm incomes below what the Commission is proposing whilst virtually everybody else is increasing theirs above what the Commission is proposing.

I must warn that the unpopularity of doing this in our own Parliamentary Party would be considerable, and for a minute amount we will have done much to tarnish our reputation with the rural voter.

/To follow the

28 APR 1982



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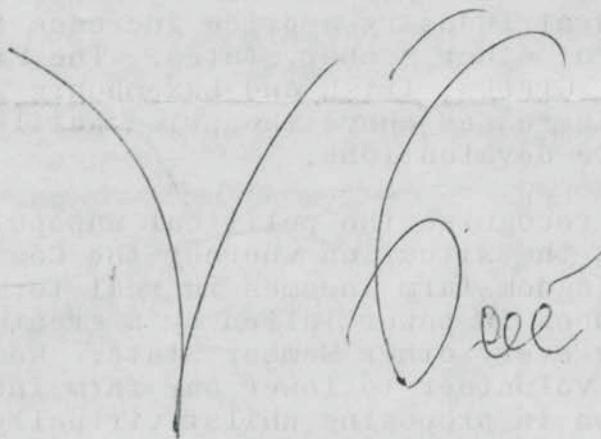
To follow the income squeeze of recent years with such a green pound change, at a time when producer costs continue to rise and before this year's crops are barely in the ground, would not in my view square with the Government's commitments to the industry.

As to consumers and processors, I would rebut any criticism that we have sacrificed their interests. In fact I have been negotiating and will continue to negotiate hard to protect their interests, for example on the butter subsidy and the beef premium as well as on starch refunds and on safeguards for the alcohol market. In any case the suggestion that we might be sacrificing consumers' interests in the agricultural prices package in order to get a settlement on our budget refunds seems to me quite misconceived. As we have agreed I have been negotiating on the prices package on purely agricultural policy grounds and will only need to involve the budget linkage if a prices settlement emerges before a settlement on the budget.

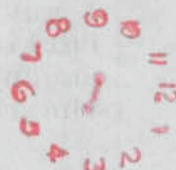
I must also remind you that I have formed an important alliance (important for both the budget and the farm price increases) with the Germans, Dutch and Danes. We have remained united on green currency policy as well as other items on the principle that each member country should be free to decide what movement to make.

It may be that at the end of the day the Commission will persist with some revaluation of the green pound, and if they do I will demand some other benefit to the United Kingdom in order to reluctantly accept such a demand. But to go along and to volunteer something which is to the advantage of every other Member State in Europe and to our disadvantage would be seen as a remarkably weak negotiating posture which would undermine my negotiating position in the whole negotiation.

I am copying this to the Prime Minister, Francis Pym, the Chief Whip and Sir Robert Armstrong.



PETER WALKER



28 APR 1982



Euro PM

Ref. A08246

Original filed on: —

PRIME MINISTER

Euro Sol: Budget: Pt 15.

Cabinet: Community Affairs

This item has been added to the Wednesday Cabinet agenda to enable the Foreign and Commonwealth Secretary to report to Cabinet urgently, in accordance with an undertaking he gave to his Community colleagues in Luxembourg, on the outcome of the discussion of the mandate at the 26-27 April Foreign Affairs Council. You may prefer to take any other Community items in the normal way at Thursday's Cabinet.

2. We do not yet have full reports of the mandate discussion, but it appears that a substantial gap still remains between what we want and what the others are prepared to give us, and that the Council agreed to resume discussion at the informal meeting of Foreign Ministers on 8-9 May. Meanwhile the President of the Council and the President of the Commission will take up the budget problem direct with the United Kingdom, and the Agriculture Council is still intended to go ahead as scheduled on 28-29 April.

3. In these circumstances the United Kingdom came under strong pressure in the margins of the Council to abandon the link between the budget and the emerging CAP prices package. After Mr Pym had firmly reiterated the clear basis for the link several times he agreed to report the strong feelings of his Community colleagues to the Cabinet, making it clear that this should not be taken as implying any likelihood of a change in the Government's position. The urgency thus arises from the need to report back to the President of the Council on the Government's reaction before the Agriculture Council convenes on the afternoon of 28 April.

4. You might therefore invite the Foreign and Commonwealth Secretary to report on the mandate discussions on 27 April.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

27 April 1982



CONFIDENTIAL

①



Prime Minister

You may wish to await  
Mr. Wallis's reply.

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

A.J.C.  $\frac{27}{4}$

MINISTER OF AGRICULTURE, FISHERIES AND FOOD

MT 1002 29/4  
h.c.

CAP PRICE FIXING: THE GREEN POUND

I understand that the Agriculture Council will probably meet again on Wednesday next week. I have seen your minute to Francis Pym about the tactics to be employed then. If I may say so, I think it has been a remarkable achievement on your part and that of Alick Buchanan Smith to have avoided our being isolated at the last two Agriculture Councils. Obviously, the longer you can continue to sustain this the better, but unless an agreement on the budget emerges at Tuesday's Foreign Affairs Council, it will, as agreed, be necessary for us to block any compromise package on agriculture until a satisfactory budget settlement emerges.

2. Your letter to Francis Pym refers to our negotiating objective on the green pound. Since we last corresponded about this subject at the end of March, it seems to have become reasonably clear what level of price increases we shall have to accept in the agricultural settlement. As I understand it, although there are some pressures for still higher prices, there is a good prospect that a consensus will be found for the Commission's latest proposals, averaging 10.2 per cent. The time has therefore come when we can and should take our own decisions on the level of the green pound. In my letter of 26 March I proposed that we should offset any excess above a 9 per cent increase in common prices by a one-for-one revaluation of the green pound. I believe that we should now agree on this as our policy in advance of Wednesday's Council and should so inform the Presidency and the Commission at the appropriate moment.



CONFIDENTIAL



3. I have set out the case for a revaluation of the green pound in our earlier discussions. I will therefore simply repeat my view that the Government should not forego the opportunity open to it to achieve smaller rather than larger increases in food prices, where those increases are not justified on economic grounds. Reductions of even fractions of a percentage increase in the RPI, if they can be achieved in a way that is consistent with our other objectives, are important and worth securing.

4. Against this criterion my proposal to limit the increase in prices to 9 per cent is, from the consumers' point of view, a modest one. On the other side of the coin our farmers would get an increase of nearly twice the percentage which would have resulted from the Commission's original proposals. Your officials' estimates earlier this year suggested that a price increase of 6-7 per cent would suffice to maintain UK farmers' incomes. A 9 per cent increase should therefore be defensible as giving a fair deal to our producers, while reinforcing the downward trend in inflation and demonstrating that the interests of consumers and food processors have been brought into the balance as well. A further advantage is that a revaluation will make it easier for us to answer the criticism that we have sacrificed the consumers' interest in order to get a settlement on our budget refunds. I trust therefore that you will be able to agree to my proposal.

5. I am sending copies of this minute to the Prime Minister, the Foreign Secretary and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G.H.'.

(G.H.)

26 April 1982



Ref. A08182

PRIME MINISTER  

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Cabinet: Community Affairs

The Minister of Agriculture might report on progress in the CAP price fixing negotiations in the 20/22 April Agriculture Council, where it will be our aim to maintain the relatively comfortable position secured for the United Kingdom at the first round of discussions in March when we avoided being isolated but blocked a final settlement pending a satisfactory outcome on the budget.

2. In the absence of the Foreign and Commonwealth Secretary (and unless already reported by him to Cabinet on 20 April) you might simply confirm on the mandate that the meeting of Foreign Ministers of the Ten which Mr Pym attended on 20 April agreed that the budget negotiations should go ahead on the second day of the 26/27 April Foreign Affairs Council.

3. Next week, apart from the Foreign Affairs Council, the Finance Council meets on 26 April and the Standing Employment Committee on 27 April.

RA

ROBERT ARMSTRONG

21st April 1982





From the Minister

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

*Chris Pol* (2)

*Prime Minister*

The Rt Hon Francis Pym MC MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London SW1A 2AL

*[Handwritten mark]*

*APL 12/4*

*APL 25/4*

19 April 1982

*[Handwritten signature]*

Recently the French Chambers of Agriculture (APCA) published their assessment of the impact on the French current account if France were to withdraw from the CAP and instead support her agriculture by national measures. The cost was put at no less than 17.8 thousand million francs, a figure which generated an instant and somewhat embarrassed response from Mme Cresson.

-- The APCA figure was probably too high but what cannot be in doubt is that France is a major beneficiary from the CAP. The attached note indicates that in 1980, the year chosen by APCA, the current account costs of French withdrawal would have amounted to some 8.6 thousand million francs. This figure is based on the assumption that the volume and pattern of French agricultural trade would remain unchanged were she to withdraw. In the event, she would surely find it more difficult to maintain her strong position in EC food markets and therefore the figure above is probably the minimum cost she would have to bear.

Given that for many years France has shown a singular lack of appreciation of this country's difficulties as a major contributor to the financing of the CAP, it is helpful to have on the record a French assessment of the benefits which accrue to her. At the right moment this is a message we should be able to deploy with advantage to counter French questioning of our position towards both the CAP and to its financing.

I am copying this letter to the Prime Minister, other Cabinet colleagues and to Sir Robert Armstrong.

*[Handwritten signature]*

PETER WALKER



## COST TO FRANCE OF WITHDRAWAL FROM THE CAP

1. The French Chambers of Agriculture (APCA) recently issued a statement in which they estimated that the cost to France of withdrawing from the CAP would be 17.8 billion francs. The French Minister of Agriculture, Mme Cresson, criticised this estimate as being too high on four counts. This note sets out the basis of the APCA figures, comments on Mme Cresson's criticisms and provides some Ministry estimates based on rather more detailed analysis.

### Basis of APCA estimate

2. The APCA estimate relates to the cost to the French of maintaining producer prices entirely by national measures on lines similar to those operating under the CAP. Thus, export refunds and various intervention measures would be nationally rather than FEOGA financed, and additionally refunds would have to be paid on exports to other Member States to allow them to compete. But the existing levies charged on imports into France from third countries would be retained by the French authorities and also other contributions to the Community budget for CAP purposes would no longer be made. The figures presented by the APCA are as follows:

	<u>Based on 1980 figures</u> <u>thousand million francs</u>
<u>Loss of direct revenues from FEOGA</u>	
Export restitutions	9
Intervention subsidies	7.5
Social and regional payments benefiting agriculture	1
<u>Loss of trade receipts</u>	
Exports of food to other Member States at world rather than at Community prices	12
<u>Gross Loss</u>	29.5
Subtract present French contribution to total FEOGA budget	11.7
<u>Net loss</u>	<u>17.8</u>

### Mme Cresson's criticisms

3. Mme Cresson criticised the estimate as being too large on the following four counts:



- (a) if France had to pay 12 thousand million francs by way of refunds on the 44 thousand million francs of exports of food to other member states, then she would collect 8 thousand million francs by way of levies on the 30 thousand million francs the APCA imported from them. This major source of revenue was omitted from the APCA calculation and should be deducted from the cost;
- (b) cereals represent a major proportion of the French trading surplus and the best price hierarchy France could achieve would reduce the budget cost of these exports;
- (c) part of the national agricultural budget represents corrective amounts in relation to certain inadequacies of the CAP;
- (d) other member states would not turn away from French products in order/ <sup>to</sup> patronise "other markets which might perhaps secure them more substantial returns". It was also stressed that the agricultural advantages which the EC secures for France are to a great extent compensated for by the industrial benefits which certain partner countries derive from the Community.

4. The first criticism is valid and would reduce the APCA estimate by almost half to about 10 thousand million francs. The second may have some validity but it is difficult to see how any adjustment could be made to allow for this effect which, in the event, would probably be small. The third and fourth criticisms are not strictly relevant to the figures but are restatements of arguments frequently used by the French to justify, for example, national aids, the high levels of support provided by the CAP and the French receipts from FEOGA.

#### Ministry estimates

5. MAFF estimates of the cost to France of withdrawal from the CAP, but maintenance of CAP levels of support by nationally financed measures, are compared in the attached table with the APCA estimate adjusted to take account of Mme Cresson's first criticism. The two estimates of France's receipts from FEOGA are similar; the small differences in the make up of these figures being due to small variations in exchange rates used. There are, however, substantial differences in the other elements as follows:



- (a) Trade with other member states. The French estimate simply assumes that her loss on intra-Community trade, through selling at world rather than CAP supported prices, would be proportionately the same as that on third country trade. In other words, the value of intra Community trade is taken to be raised at present by the same proportion as export refunds are to the value of exports to third countries. In practice a larger proportion of exports to other member states than to third countries is of items such as fruit and vegetables on which export refunds are nil or small. The MAFF estimate is based on a commodity by commodity assessment for the main products and should therefore be more reliable.
- (b) French contribution. France's overall contribution to the Budget is 19.2% and applying this percentage to FEOGA expenditure yields 13.4 bn francs for 1980. There are alternative methods of estimating France's contribution which could yield a slightly lower figure but even so, the APCA estimate of 11.7 thousand million francs appears low. The APCA paper states that the source of their estimate of 11.7 bn francs is French Budget documents; our Embassy in Paris is attempting to obtain further details from this source.

### Conclusion

6. The APCA estimate is undoubtedly too high for the reason given by Mme Cresson. The more detailed assessment of the effects of French withdrawal on trade with other member states yields a higher net figure and if the saving on the French contribution to the Budget has been under-estimated by some 2 bn francs the total net cost to France of withdrawal from the CAP may have been overstated by APCA to the tune of nearly 10 bn francs or some  $1\frac{1}{2}$  bn francs after the adjustment suggested by Mme Cresson. Even so, the losses in current account terms of 8.6 thousand million francs (equivalent to £760m) arising from withdrawal, would be substantial. If as a result of withdrawal France encountered difficulties in maintaining the volume of her exports to other member states, then their diversion to third country markets could well add to this cost.

Econ/Stats Group  
23 March 1982



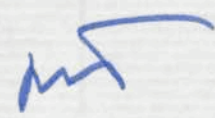
## ESTIMATES OF COST OF FRENCH WITHDRAWAL FROM CAP

	billion francs	
	French estimates	MAFF
<u>FEOGA guarantee section</u>		
Loss of refunds	9	8.8
Loss of intervention expenditure	7.5	7.8
	<u>16.5</u>	<u>16.6</u>
<u>FEOGA Guidance section</u>		
Loss of levy rebate	1	0.8
	-	0.1
Total loss of receipts from FEOGA	<u>17.5</u>	<u>17.5</u>
<u>Trade with other member states</u>		
Loss of value of exports	12	9.0
Higher cost of imports <sup>(1)</sup>	8	4.3
	<u>4</u>	<u>4.7</u>
Net loss on trade with EC		
TOTAL LOSSES	<u>21.5</u>	<u>22.2</u>
SAVING ON CONTRIBUTION	11.7	13.6
NET COST OF WITHDRAWAL	9.8	8.6

Note: (1) The original APCA calculation did not include this item and thus the APCA published net cost of withdrawal was put at 17.8 thousand million francs.



PRIME MINISTER



I attach Mr Walker's statement on the Agriculture Ministers Council.

The House was in no mood to concentrate on this. Norman Buchanan even suggested a moratorium at Questions in return for an undertaking that the House would have a further chance to debate the issues before the agriculture price fixing was concluded.

Mr Walker pointed out that there had been a debate within the last week, that he had kept the House fully informed and that the possibility of a deal on 20/21 April depended essentially on the Mandate issues.

As a result, there was some desultory questioning, but none worthy of recording.

M. A. PATTISON

5 April, 1982



AGRICULTURE COUNCIL - 31 MARCH AND 1/2 APRIL 1982

DRAFT PARLIAMENTARY STATEMENT

With permission, Mr Speaker, I should like to make a statement on the Council of Agriculture Ministers' meeting in Brussels on 31 March and 1 and 2 April.

The Commission made a compromise proposal on the 1982 price package. After a long and detailed discussion no agreement was reached. Following pressure from the United Kingdom, I was glad to see included in the package the virtual restoration of the butter subsidy and an improved provision for school milk. There were demands by many member states for higher price increases than those proposed. The United Kingdom opposed further price increases, though Germany and the Netherlands supported us on a number of commodities. We gathered good support for our fierce opposition to the coresponsibility levy on milk with lower rates for small producers, and for our view that we should have freedom as to whether and when there should be any revaluation of the Green Pound. It was recognised that further consideration was required, and the Council will resume its deliberations in Luxembourg on 20 to 22 April.



In order to allow the Danish Government to continue its policy of having no MCA's, a devaluation of the Danish green krone of 1.8 percentage points was agreed, subject in some cases to reference to capitals.

The current marketing years for milk, beef, sheepmeat and dried fodder were extended until 26 April.



## Council of Agriculture Ministers (Meeting)

**The Minister of Agriculture, Fisheries and Food (Mr. Peter Walker):** With permission, Mr. Speaker, I should like to make a statement on the Council of Agriculture Ministers' meeting in Brussels on 31 March and 1 and 2 April.

The Commission made a compromise proposal on the 1982 price package. After a long and detailed discussion, no agreement was reached. Following pressure from the United Kingdom, I was glad to see included in the package the virtual restoration of the butter subsidy and an improved provision for school milk. There were demands by many member States for higher price increases than those proposed. The United Kingdom opposed further price increases, though Germany and the Netherlands supported us on a number of commodities. We gathered good support for our fierce opposition to the co-responsibility levy on milk with lower rates for small producers, and for our view that we should have freedom as to whether and when there should be any revaluation of the green pound. It was recognised that further consideration was required, and the Council will resume its deliberations in Luxembourg on 20 to 22 April.

In order to allow the Danish Government to continue its policy of having no MCAs, a devaluation of the Danish green krone of 1.8 percentage points was agreed, subject in some cases to reference to capitals.

The current marketing years for milk, beef, sheepmeat and dried fodder were extended until 26 April.

**Mr. Norman Buchan (Renfrewshire, West):** I am grateful to the Minister for the statement, which is less precise than that which we read on page 3 of *The Observer* yesterday. We have heard the Minister and we regret his failure to come to grips with the need to press for a fundamental reform of the CAP.

In view of the business of the House and, above all, the gravity of the international situation, I shall not press further questions on the Government, so long as we have an undertaking that no final decisions will be agreed before the House has had an opportunity to debate the details. I have given the Minister short warning of my attitude, but we would welcome a rethink. If the Minister gives us an assurance close to that which we require, that would be the best way to deal with the matter.

**Mr. Walker:** I am grateful to the hon. Gentleman for his observations. I understand the spirit behind his suggestion. The debate on the price fixing took place only a week ago. I shall continue negotiations on 21 April, so I cannot guarantee that there will be further debate or that there will not be a conclusion on 20 to 22 April. The hon. Gentleman will understand that. He will also understand that nobody has been more forthcoming than I in coming to the House after a meeting in Brussels. I have never missed coming to the House and whenever the Opposition have required a statement, I have made one. I do not know whether there will be agreement on 20 to 22 April. That depends upon agreement on the budget, which depends upon a meeting of Foreign Ministers to agree the budget. If we cannot reach agreement on the CAP, I shall make a statement in the usual way. Alas, I cannot for obvious reasons, give the assurance for which the hon. Gentleman asks.

**Mr. Buchan:** Does the right hon. Gentleman accept that the timetable of the House has fluctuated—Saturday, for example—that it will fluctuate again and that, therefore we might have the opportunity for discussion earlier than has been envisaged? I must press one or two questions. Has the right hon. Gentleman been pushing the mandate on the principle of closing the gap between the EEC and world grain prices? Has that been abandoned? Is the right hon. Gentleman aware of the leaks that suggest that that gap is at a level of between 10 per cent. and 11 per cent.? What will that mean in terms of the support budget? The suggested figure is 16 per cent. but perhaps a more realistic level is 20 per cent. What will the new proposal of between 10 per cent and 11 per cent. mean?

How do the proposals square with proposals in the Tory manifesto that radical changes are necessary in the CAP and that we—and that means them—should insist on a freeze on products in structural surplus? How does that square with the statement in the middle of February that the United Kingdom urgently needed prudent price increases for products in surplus? Since then prices have been increasing.

Does the Minister agree with the House of Lords Select Committee that the proposals would add £70 million to the United Kingdom budget contribution? How much more will the increase leaked this weekend add to that £70 million? Does the right hon. Gentleman agree that the CAP is incapable of being reformed, that it has failed both the farmer and the consumer and that the best solution is for us to withdraw from the CAP and to develop a policy that will fulfil the needs of the producer and the consumer in this country?

**Mr. Walker:** The hon. Gentleman was a Minister in a Government under which the cost of CAP went up by 350 per cent., whereas under this Government it has gone up by only 30 per cent. In those circumstances, I do not accept the hon. Gentleman's criticism. The proportion of the European budget taken up by CAP has substantially reduced, whereas the proportion of CAP expenditure applied to British benefit doubled during this Government's lifetime. Therefore considerable progress has been made.

the detail of the compromise suggestion by the Commission on the price proposals was accompanied not by detailed costing but by the detailed assurance that it would still be within the budgetary limits and below the increase in own resources. We are seeking from the Commission detailed estimates of its proposals.

The hon. Gentleman raised the question of prices and their effect on consumers and statements on page 3 of *The Observer* and elsewhere. The Commission has moved to a proposal which averages 10.3 per cent. The effect on prices in the United Kingdom will be an increase—if all the price increases take place—of 1.2 per cent. in a full year. When one considers that in the lifetime of the last Labour Government food prices went up by 16.4 per cent. in a year, on average, that is not excessive.

We are interested to assess the cost of the proposals made by the Opposition last week. The hon. Gentleman suggested that there should be deficiency payments fixed between the current European price and the world price. That would cost £1,000 million a year to the Exchequer and reduce farm incomes by 80 per cent. It would be



in view of what has been happening behind him and is happening behind the Chair at the present time? The Government have kept their promise by bringing the White Paper before us in these difficult times, for which they should be commended. Is the right hon. Gentleman also aware that a power-sharing executive was last brought down by para-militaries on both sides—those who supported the Ulster Workers Council and those who supported the Provisional IRA? There is a lesson there for the democratic parties to ensure that their voices are heard.

Finally, can the right hon. Gentleman say to what extent there will be a degree of economic initiative lying within the power of the new Assembly?

**Mr. Prior:** On the last point, I have nothing to add to what I have already said. However, I would certainly wish to explain to the country, and perhaps to other countries, particularly America, the initiative that the Government are taking, and therefore the need for inward investment in Northern Ireland from America. I emphasise that I wish to see inward investment coming to Northern Ireland.

I believe that we are right, in the interests of Northern Ireland, to bring forward these proposals at the earliest possible moment. I do not think that anything that we say which would be helpful to get American investment in Northern Ireland should be interpreted in the way that the hon. Gentleman sometimes seeks to do.

**Mr. Tom Arnold (Hazel Grove):** Will my right hon. Friend re-emphasise that devolved institutions, supported by a majority of the people of Northern Ireland, can serve to strengthen and not weaken the Union?

**Mr. Prior:** I am grateful to my hon. Friend for that question, and I believe passionately that that is the case.

Otherwise, there will be continual erosion in Northern Ireland of Northern Ireland's position within the United Kingdom. With a little wisdom, we could put that behind us for ever.

**Mr. A. E. P. Duffy (Sheffield, Attercliffe):** Why is the Secretary of State so nervous of the parliamentary tier? Was it not agreed at the Heads of State meeting? Who has warned him off?

**Mr. Prior:** It is a question not of being nervous but of being frank with those who place a great deal of emphasis on the parliamentary tier. My experience of the House suggests that right hon. and hon. Members would be reluctant to give any of their sovereignty to that tier. I have had to tell members of the SDLP and the minority community of the difficulties involved in that suggestion. That should be a matter for the House and the Dail to decide.

**Dr. Brian Mawhinney (Peterborough):** Does my hon. Friend accept that many of us—and I speak as a colleague and an Ulsterman—will welcome the proposals? Is he not surprised at the unhappiness expressed when devolution is simply on offer and not imposed on the people of Northern Ireland? Does he agree that the divisions in the Province are likely to be made worse unless a move is made to bring the two communities together?

**Mr. Prior:** I am grateful to my hon. Friend for the help and advice that he has given over many months in trying to move forward a step at a time. I hope that some of the resistance from my own side of the House will be mitigated by the fact that we are moving forward only as and when the people of Northern Ireland are prepared and willing to do so.



catastrophic for employment and would cause unemployment in agricultural machinery, the tractor industry and farming, to the detriment of the nation.

**Mr. John Carlisle** (Luton, West): I appreciate the Herculean efforts of my right hon. Friend and his colleagues in Brussels to keep these prices as low as possible, but how optimistic is he that a settlement will be reached between 20 and 22 April? Does he realise that the longer this goes on, the greater the detriment it will have on trade and those trying to trade commodities? If, at the end of the day, he must agree to a higher price increase than he would wish, what would his thoughts be on a revaluation?

**Mr. Walker:** Obviously to settle a price fixing as near the marketing year date as possible, is an advantage for all the farming community. However, before we make any settlement, it is vital that we recognise the nature of Britain's budgetary contribution. That is why we have always made it clear that the agreement for Britain's future budgetary payments should be connected with and parallel to the price fixing.

**Mr. Robert Maclellan:** (Caithness and Sutherland): Why is the Minister so opaque about the Government's intentions on the revaluation of the green pound? He must be aware of the farmers' concern about this matter. His statement merely outlined the Government's procedural opposition to that matter being considered by the Council. As a matter of law—not of the Minister's opinion—is this not a matter for the British Government to decide?

**Mr. Walker:** Yes, Sir. Our view has always been that any member country must be free to move its green pound whenever it wishes and at its own instigation. That has always been our view and that is why I repeated it in the statement. During the debate a week ago, I made it clear that, as far as I was concerned, there would be no revaluation of the green pound.

**Mr. Richard Body:** (Holland with Boston): Is my right hon. Friend aware that most, if not all, hon. Members are grateful to him for continuing his practice of reporting back to the House, even when he sometimes comes empty-handed from Brussels? Does he agree that we now have a wonderful opportunity, which may never be repeated, to effect curbs on the way that the EEC dumps surplus grain, dairy products and sugar on the world market in a way that causes great hardship? Will he assure us that he will make the utmost use of that opportunity, which may not be repeated at this time next year?

**Mr. Walker:** Yes, Sir. The United Kingdom Government have always reported the facts on European trading policy, and we shall continue to do so. The present situation and uncertainty of world conditions on grain, for example, show how much better it is for Western Europe to have a surplus than a deficit.

**Mr. Nigel Spearing** (Newham, South): The Minister mentioned that there had been some support for the United Kingdom stand on the so-called "co-responsibility levy". Does he agree that trying to have a common market in milk over the whole of the EEC is not in accordance with the marketing facts? As he had some encouragement in this matter, would it not be more sensible to make separate arrangements where surpluses arise? Is that what the Council of Ministers is going towards?

**Mr. Walker:** No, Sir. The Commission's proposal to have a super levy, based on the real production of individual countries, is fully supported by the United Kingdom. That is a sane and sensible way of trying to curtail milk production.

**Several Hon. Members rose—**

**Mr. Speaker:** Order. I propose to call those hon. Members who have been rising. I hope that they will cooperate.

**Mrs. Elaine Kellett-Bowman** (Lancaster): I welcome my right hon. Friend's assurance that there will be no lower co-responsibility levy for small farmers, but will he assure us that large farmers, producing more than a certain gallonage or hectareage, will not be penalised?

**Mr. Walker:** Yes, I give that assurance. In no way would I accept such a proposal.

**Mr. Teddy Taylor** (Southend, East): First, if the Commission's proposals are accepted, will surpluses next year be larger or smaller? Secondly, was any move taken to curb the record exports of subsidised food to Russia? Thirdly, what is the point of having a price rise for sugar, for example, when the Common Market already produces about 70 per cent. more than it needs?

**Mr. Walker:** When one talks of price rises, one must consider their impact in real terms as opposed to purely money terms. There are many jobs in the United Kingdom sugar-producing industry. That industry is of considerable importance to Britain. It would be absurd to cause damage to it by not being realistic about the increase in input costs.

Whether surpluses will be greater or smaller obviously depends on many factors. Overall, even at present price levels—many of which we oppose on particular commodities—farm incomes in Europe will have dropped substantially over the past three years. That does not mean that a high price was the reason for surplus production. For example, on dairy production, I assure my hon. Friend that the curtailing of price over a long period has resulted in many small producers of milk endeavouring to improve their yields by having extra cows and thereby increasing production. Therefore, there is not a straight price production ratio.

**Mr. Tony Marlow** (Northampton, North): I congratulate my right hon. Friend on fighting a magnificent battle for the British and European consumer when confronted by the whole of the European farming industry. Bearing in mind that my hon. Friend the Member for Devon, West (Mr. Mills) considered that a 9 per cent. increase was about right, that nurses were offered 6.4 per cent. and that some people in work have had no increases this year, does my right hon. Friend agree that if certain European countries believe that they need a higher price increase to suit their farmers because of their domestic circumstances, there should be an increasing divergence between our agricultural policies and those of other countries and that our increase should be restricted to a maximum of 9 per cent.?

**Mr. Walker:** First, one cannot start referring to 9 per cent. as if it applied to all commodities and that the proposal was for each to go up by 9 per cent. There is a great divergency of price increases. Secondly, it is wrong for anyone to equate farm price increases with wage increases for any sector. The two are totally disconnected.



[Mr. Walker]

One is an increase, the largest part of which goes to meet increased wages and costs. It is not an increase in farmers' incomes of 10 per cent. It is absurd to say that the nurses or the civil servants have been offered this or that and that farmers should get the same. Farmers must meet a whole range of additional costs out of that increase. The two are not connected. If farm incomes over the past three years had been connected with wages or salaries, including those of the nurses, farm prices would be much higher than they are today.

**Mr. David Myles** (Banff): If there cannot be agreement before the beginning of the livestock year—one has heard that it will be postponed until 26 April—will my right hon. Friend ensure that producers who must market this livestock within that period will not suffer a disadvantage?

**Mr. Walker:** No, Sir. I cannot give that assurance. The normal custom in the Community has been not to back-date marketing years when agreement has been reached late. Therefore, I cannot give that assurance.

**Mr. John MacKay** (Argyll): Remembering the years when, under the Labour Government the MCAs were greatly to the disadvantage of the British farmer, will my right hon. Friend resist any pressure to devalue the green pound? Does he realise that the British agriculture industry is 100 per cent. behind him in that determination for consumers?

**Mr. Walker:** Yes. That applies not only to the British agriculture industry. I have no doubt that the detriment to British agriculture and, therefore, to all the industries connected with it from having a negative MCA policy was disastrous in those years. Since we have had positive MCAs, we have massively increased the proportion of the United Kingdom market supplied by British farmers. That is an indication that the reverse policy is proving to be correct.

**Mr. Buchan:** I would not have intervened again, but comments have been made that make it necessary for me to do so. The nonsensical costing of a deficiency payment, on the estimates that I put before the House 10 days ago, in the first half, tallied closely with the figures that I gave. I said £900 million, and it came to £1,000 million. To accompany that with a reduction of 80 per cent. in farm income is a spurious and totally irrelevant figure plucked out of the air.

Is it not also the case that to attach that to a comment on the consequential forward investment in machinery—when this is precisely what has happened in

British farming over the past few years as a result of Common Market policy—is almost like trying to rebuke Satan in defence of the CAP sin? That position certainly increased under our old structures. Does the Minister agree that if it was possible for us to operate a deficiency payments structure when we operated our own agricultural policy before we entered the Common Market, it is equally possible for us to operate it after we leave the Community? That seems to be manifest. Does the Minister agree?

The right hon. Gentleman blames me for the price increase under the Labour Government. I remind him, first, that that price increase took place during a transitional period when prices had been considerably jacked up year by year. Secondly, I remind him that I resigned from that Government because their policy was too close to his policy for my liking.

**Mr. Walker:** I do not blame the hon. Gentleman for resigning from that Government. I commend him for doing so. With regard to the costing, I repeat that when one looks carefully at the wording of the hon. Gentleman's statement in *Hansard*, it seems that, if he was implying that he would fix the prices for British farming at the average between the current world price and the current Community price—

**Mr. Buchan:** I did not say that.

**Mr. Walker:** I was saying that that was implied. Therefore, I look forward to hearing the hon. Gentleman say at what level the price would be fixed. If he fixed it at the present price in order to maintain present farm price levels—therefore, not to reduce farm incomes—the cost would be much more than £1 billion. It would be a tremendous amount more than that. Therefore, the hon. Gentleman's figures would be wrong.

Another factor that the hon. Gentleman will remember is that food prices more than doubled under the previous Labour Government. At the end of the Labour Government's period of office, the Minister responsible for agriculture announced that only a small proportion of that was due to CAP farm prices increases.

## BILL PRESENTED

### MERCHANT SHIPPING (LINER CONFERENCE)

Mr. Secretary Biffen, supported by Mr. Humphrey Atkins, Mr. Secretary Howell, Mr. Secretary Tebbit and Mr. Iain Sproat presented a Bill to provide for the implementation in the United Kingdom of the Convention on a Code of Conduct for Liner Conferences signed at Geneva on 6 April 1974; and for connected purposes: And the same was read the First time; and ordered to be read a Second time tomorrow and to be printed. [Bill 102.]





Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

From the Minister's  
Private Office

M Pattison Esq  
Prime Minister's Office  
10 Downing Street  
London SW1

5 April 1982

*Dear Mike*

COUNCIL OF AGRICULTURE MINISTERS: 31 MARCH -  
2 APRIL 1982

I attach a copy of the statement which Mr Walker hopes to make in the House today. I would be grateful for immediate clearance.

I am copying this letter to Ingham; Heyhoe (Leader of the House's Office); Maclean (Whip's Office, Commons); Pownall (Whip's Office, Lords); Wright (Cabinet Office); Buckley (Chancellor of the Duchy of Lancaster's Office), and to private secretaries of the other Agriculture Ministers and members of the OD(E).

Yours sincerely

*Robert Lawson*

ROBERT LOWSON  
Private Secretary



DRAFT PARLIAMENTARY STATEMENT

With permission, Mr Speaker, I should like to make a statement on the Council of Agriculture Ministers' meeting in Brussels on 31 March and 1 and 2 April.

The Commission made a compromise proposal on the 1982 price package. After a long and detailed discussion no agreement was reached. Following pressure from the United Kingdom, I was glad to see included in the package the virtual restoration of the butter subsidy and an improved provision for school milk. There were demands by many member states for higher price increases than those proposed. The United Kingdom opposed further price increases, though Germany and the Netherlands supported us on a number of commodities. We gathered good support for our fierce opposition to the coresponsibility levy on milk with lower rates for small producers, and for our view that we should have freedom as to whether and when there should be any revaluation of the Green Pound. It was recognised that further consideration was required, and the Council will resume its deliberations in Luxembourg on 20 to 22 April.



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The current marketing years for milk, beef, sheepmeat and dried fodder were extended until 26 April.




Ref. A08039

PRIME MINISTERCabinet: Community Affairs

The Minister of Agriculture may wish to report on the outcome of the 31 March - 2 April Agriculture Council. No agreement was reached on CAP prices or on any of the non-price commodity issues. The United Kingdom was far from isolated on the non-price issues. The Commission compromise proposal for an average 10.5 per cent price increase (instead of 9 per cent in their original proposal) remains on the table and will be taken up at the next meeting of the Council on 20-22 April where it is possible that the other nine will reach agreement, at least on prices. There was an acrimonious discussion about green rates pending the price settlement at the end of the Council on Friday evening. As a result, Denmark's monetary compensatory amount will now be eliminated, unless Italy and Greece both object; but no other changes in green rates were agreed.

2. The Presidency decided to postpone the Foreign Affairs Council meeting to discuss the mandate scheduled for 3 April because Lord Carrington was unable to attend. The next discussion of the mandate is now likely to be on the second day of the regular April meeting of the Foreign Affairs Council - 26-27 April.

3. The Secretary of State for Employment is currently attending an informal meeting of Employment Ministers on 5-6 April in Brussels.



ROBERT ARMSTRONG

5th April 1982



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~~MR HANNAY~~  
LORD BRIDGES  
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PLUS OGDS

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

Ps/No. 10, Downing St: -  
Mr. COATES ✓  
DAFS: MR. CRAWFORD  
DANI: MR. JACK  
WOAD: MR. J.I. JAVIES (CARDIFF)

H M TREASURY

Ps/MIN. - Ps/MOS (C)  
M A F F

SIR K COUZENS  
MR G E FITCHEW

Ps/SIR B HAYES  
MR D H ANDREWS/MR. GURD  
MR M HADDON/MISS. BROWN  
MR M RING/MR. STALLETON

CONFIDENTIAL

FRAME AGRICULTURE

FROM UKREP BRUSSELS 022243Z APR 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1385 OF 2 APRIL 1982

INFO ROUTINE COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN ATHENS

COUNCIL OF MINISTERS (AGRICULTURE) 31 MARCH / 2 APRIL

FINAL SPASM

1. MINISTERS WERE LOCKED UP ALONE FOR A FINAL SESSION FROM 6 UNTIL 10 PM, ENGAGED IN AN EXTRAORDINARY, CONFUSED RUNNING FIGHT OVER MCAS FROM WHICH DENMARK EMERGED VICTORIOUS, AD REFERENDUM, WITH NO MCA, FRANCE A PROBABLE LOSER WITH A 1 PERCENT MCA, THE CHAIR COVERED IN DISHONOUR AND DISGRACE FOR PARTIALITY AND INCAPACITY, BELGIUM DESPISED FOR THEIR TACTICS AND HUMILIATED BY THE OUTCOME (NO DEVALUATION), AND ALL OTHER PARTICIPANTS BAFFLED, BITTER AND EXHAUSTED. SO FAR AS ONE CAN TELL -



OUTCOME (NO DEVALUATION), AND ALL OTHER PARTICIPANTS

BAFFLED, BITTER AND EXHAUSTED. SO FAR AS ONE CAN TELL -  
(A) THERE WILL BE NO FORMAL REPORT TO THE FOREIGN AFFAIRS  
COUNCIL, WHENEVER THAT MAY BE, BUT THE CHAIR WILL IF  
REQUESTED MAKE AN INFORMAL REPORT ON A PERSONAL BASIS;  
(B) THE AGRICULTURE COUNCIL WILL MEET AGAIN ON 20 APRIL  
IN LUXEMBOURG AT 4 PM, TO CONTINUE ON 21ST AND 22ND  
(WHICH COULD BE BEFORE THE FAC, IN WHICH CASE (A) IS  
IRRELEVANT):

(C) THE MARKETING YEARS BEGINNING 1 APRIL ARE ROLLED  
FORWARD UNTIL THE FOLLOWING MONDAY 26 TH APRIL

(D) THE SPECIAL COMMITTEE WILL MEET ON TUESDAY AND  
WEDNESDAY TO KEEP UP THE HOPELESS PRETENCE THAT THE  
MEDITERRANEAN ACQUIS DOSSIER CAN BE PUT INTO ORDER  
FOR COUNCIL DECISION TOGETHER WITH THE PRICE FIXING  
(BUT WITH THE VALUABLE IMPLICATION THAT ALL OF IT IS  
THEN SETTLED, OR ALL OF IT DEFERRED):

(E) THE COMMISSION COMPROMISE PROPOSALS ON PRICES REMAIN  
ON THE TABLE, AND WILL BE TAKEN UP AT THE NEXT COUNCIL  
WITHOUT FURTHER OFFICIAL PREPARATION:

(F) UNLESS ITALY AND GREECE BOTH OBJECT BY MONDAY AFTERNOON,  
DENMARK'S GREEN CURRENCY IS DEVALUED BY 1.8 PERCENT (WHICH  
TOGETHER WITH THE FRANCHISE, GIVES A ZERO MCA):

(G) UNLESS THE AGRI-MONETARY COMMITTEE MEETING MONDAY  
COMES TO SURPRISING CONCLUSIONS, THE SUSPENSION OF THE  
OPERATION OF THE NON-CUMULATION ROLE IN FAVOUR OF FRANCE WILL  
BE ENDED, GIVING A 1 PERCENT NEGATIVE MCA:

(H) THE NETHERLANDS GAS TARIFF ISSUE REMAINS UNDISCUSSED  
AND UNRESOLVED:

(I) MARVELLOUSLY ABSTRUSE DEBATES WILL BE CONDUCTED FOR  
WEEKS HENCE ON THE BYZANTINE COMPLEXITIES OF THE ISSUES OF  
WHETHER MINISTERS ACTUALLY VOTED ON MCAS AND IF SO WHETHER  
THEY UNDERSTOOD THAT THEY WERE DOING SO.

2. FOR ALL THAT, WE EMERGED WELL-PLACED. ALTHOUGH ONE CAN  
FORESEE NEAR ISOLATION ON PRICES, WE WERE NOT UNDER ANY  
OBVIOUS PRESSURE AT THIS SESSION. ON NON-PRICE COMMODITY  
ISSUES, THERE IS NO CONSENSUS FORMING AMONGST THE NINE  
AND NO POINT WHATSOEVER HAS HAD TO BE CONCEDED BY US.

THE MEDITERRANEAN ACQUIS TACTIC IS WORKING VERY WELL. OUR  
CAPACITY TO NEGOTIATE WHATEVER WE MAY DECIDE ON OUR OWN  
MCAS IS GREATLY ENHANCED. OUR PARTNERS ARE AT ONE

ANOTHER'S THROATS ON ISSUES, ESPECIALLY AGRI-MONETARY ONES,  
OVER WHICH WE CAN BE RELATIVELY RELAXED. AND ALTOGETHER



ANOTHER'S THROATS ON ISSUES, ESPECIALLY AGRI-MONETARY ONES,  
OVER WHICH WE CAN BE RELATIVELY RELAXED. AND ALTOGETHER  
THE MOST PARTIAL OBSERVER WOULD BE HARD PUT TO IT TO FIND  
A SINGLE ISSUE UPON WHICH UK WAS IN A CLEAR MINORITY OF  
ONE OR SHOWING SIGNS OF BLOCKING FOR NON-AGRICULTURAL  
REASONS.

3. NARRATIVE OF THE FINAL SESSION FOLLOWS IN MIFT

FCO ADVANCE TO:-

FCO - PS/SOFS PS/LPS HANNAY SPRECKLEY WITNEY

CAB - HANCOCK WENTWORTH

NO 10 - COATES

MAFF - PS/MIN PS/MOS(C) PS/HAYES ANDREWS STAPLETON HADDON  
GURD MISS BROWN

DAFS - CRAMOND

DANI - JACK

WOAD - J I DAVIES (CARDIFF)

NICOLL

(ADVANCED AS REQUESTED)

NNNN



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RESIDENT CLERK

PLUS FCO

PS/LORD PRIVY SEAL

HD/ECD I (3)  
HD/NEWS D

Mr WITNEY (ECD(1))

MR BULLARD  
MR HANNAY  
LORD BRIDGES

HD/.....  
HD/.....  
HD/.....

CABINET OFFICE

D O T

PLUS OGDS

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

~~Mr~~ COATES N° 10

H M TREASURY

M A F F

PS Minister  
PS Min of State

SIR K COUZENS  
MR G E FITCHEW

SIR B HAYES  
MR D H ANDREWS  
MR M HADDON, Mr GURD  
MR M RING, Miss BROWN

*mt*

GRPS 700

CONFIDENTIAL

FRAME AGRICULTURE

DESKBY 011500Z

FM UKREP BRUSSELS 011350Z APR 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 1330 OF 1 APRIL 1982

INFO ROUTINE COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN ATHENS

AGRICULTURE COUNCIL 31ST MARCH/2ND APRIL:

TACTICAL POSITION AT LGA2 ~~908+577~~  
LUNCH TIME THURSDAY

6.  
1. FOLLOWING THE PUBLICATION OF THE COMMISSION'S PROPOSALS, BY MUTUAL AGREEMENT AND ENCOURAGED BY MR WALKER, THE MINISTERS OF GERMANY, HOLLAND, DENMARK AND THE UNITED KINGDOM LUNCHEDED TOGETHER. MR WALKER WAS ANXIOUS TO AVOID A 9 TO 1 LINE-UP WHICH WOULD OF COURSE GIVE PLEASURE TO THE FRENCH.

2. THE RESULT OF THE LUNCH WAS VERY SATISFACTORY IN THAT ALL FOUR



2. THE RESULT OF THE LUNCH WAS VERY SATISFACTORY IN THAT ALL FOUR MINISTERS AGREED THAT THIS AFTERNOON THEY WOULD PRESS FOR THE ENTIRE MEDITERRANEAN ACQUIS TO BE TAKEN OUT OF THE PROPOSALS AND TO BE SETTLED SEPARATELY AFTER THE PRICE FIXING. IT WAS HOPED THAT WE WOULD RECRUIT BELGIUM, LUXEMBOURG AND IRELAND TO SUPPORT THIS LINE AND THEREFORE THE FRENCH AND THE GREEKS WOULD BE IN A MINORITY OF 2, OR 3 IF ITALY SUPPORTED THEM. THIS WOULD REMOVE THE COMMISSION'S COSTLY AND DAMAGING PROPOSALS ON WINE FROM THE PACKAGE.

3. IT WAS ALSO AGREED BETWEEN HOLLAND, GERMANY AND OURSELVES THAT WE WOULD STRONGLY REJECT THE CURRENT MCA PROPOSALS, AND BOTH THE GERMANS AND THE DUTCH STATED THAT THEY WOULD BLOCK THE WHOLE PACKAGE UNLESS CHANGES WERE MADE.

4. MR WALKER URGED THE OTHER THREE MINISTERS TO JOIN HIM IN ATTACKING THE NEW PRICE PROPOSALS AS TOO HIGH. THEY WERE HOWEVER RELUCTANT TO DO SO, AND ERTL AT LEAST SEEMED PREPARED TO SEE A FURTHER INCREASE OF HALF A PER CENT, AND ONLY THE DUTCH SEEMED TO HAVE ANY SYMPATHY WITH OUR VIEW.

5. THERE WAS ALSO A CONSENSUS VIEW THAT THERE SHOULD BE AN ELIMINATION OF THE DISCRIMINATORY ASPECTS OF THE CO-RESPONSIBILITY LEVY ON MILK. THE GERMANS SURPRISINGLY SAID THAT THEY WOULD ACCEPT A FLAT RATE CO-RESPONSIBILITY LEVY OF 1 AND ONE HALF PER CENT AND UNDERSTOOD THE OBJECTION OF HOLLAND, DENMARK AND THE UNITED KINGDOM TO THE DISCRIMINATION IN FAVOUR OF SMALLER PRODUCERS.

6. IN A PRIVATE CONVERSATION WITH MR WALKER, THE GERMAN REPRESENTATIVE IN BRUSSELS, DETKEN, SAID IT WAS IMPORTANT FOR MR WALKER TO REALISE THAT THE SOCIAL DEMOCRATS WERE FOR THE FIRST TIME EAGER TO ISOLATE THE FRENCH MINISTER RATHER THAN THE BRITISH MINISTER AND THAT THEIR PROPOSALS TO EXCLUDE THE MEDITERRANEAN PACKAGE WOULD HAVE THAT RESULT. MR WALKER HOWEVER REFLECTED AFTERWARDS THAT ON A NUMBER OF OCCASIONS THE GERMANS HAVE STARTED WITH A STRONG LINE AND UNDER FRENCH PRESSURE CAVED IN. BUT AT LEAST IT WOULD APPEAR THIS AFTERNOON THAT WE WILL HAVE SOME ALLIES.

7. MR WALKER HAD A BRIEF TELEPHONE CONVERSATION WITH COMMISSIONER TUGENDHAT, WHO INFORMED HIM THAT AT THE MEETING DURING LAST NIGHT HE HAD TRIED TO RESIST SOME OF THE PRICE INCREASES AND TO OBTAIN A BETTER POSITION ON THE BRITISH MCAS, BUT THE COMMISSION HAD BEEN RALLIED BY MR ORTOLI, AND ORTOLI HAD HAD A SUCCESS IN ACHIEVING A PACKAGE WHICH WAS VERY FAVOURABLE TO FRANCE.

8. BEFORE THE LUNCH TODAY ERTL WENT TO SEE THORN AND REPORTED



PACKAGE WHICH WAS VERY FAVOURABLE TO FRANCE.

8. PRIOR TO THE LUNCH TODAY ERTL WENT TO SEE THORN AND REPORTED TO THE MINISTERIAL LUNCH THAT HE HAD ACCUSED THE COMMISSION OF PRODUCING A TOTALLY PRO-FRENCH PACKAGE WITHOUT ANY CONSIDERATION FOR ANYBODY ELSE. THORN ADMITTED THAT THE PACKAGE WAS VERY FAVOURABLE TO THE FRENCH, BUT STATED THIS WAS AS A RESULT OF THE SUCCESS OF MR ORTOLI IN RALLYING THE COMMISSION. THORN ALSO SAID THAT HE ANTICIPATED THAT BEFORE THERE WAS A SETTLEMENT THE SUGGESTED REDUCTIONS IN THE POSITIVE MCAS WOULD HAVE TO BE CHANGED, AFTER ERTL HAD MADE IT CLEAR THAT THERE WAS NO WAY THAT THE GERMANS WOULD ACCEPT SUCH REDUCTIONS.

FCO ADVANCE TO:-

FCO - PS/S OF S, PS/LPS, PS/PUS, HANNAY, SPRECKLEY, WITNEY

CAB - HANCOCK, WENTWORTH

NO 10 - COATES

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

BUTLER

NNNN

2 01/1440



PART 9 ends:-

ASC to MAFF 30.3.82

PART 10 begins:-

Brussels to Fco rel: 1330 1.4.82



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