



From the Minister

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

S E C R E T

The Rt Hon the Lord Carrington KCMG MC  
Foreign and Commonwealth Office  
Downing Street  
London  
SW1A 2AL

1 May 1980

*My Lord,*

CAP PRICES AND RELATED MEASURES

1. In the light of our discussion at Cabinet today, I am writing to set out my views on the handling of next week's discussions in the Agriculture Council.
2. The President's conclusions on CAP prices and sheepmeat from the European Council refer to discussions being resumed in the Agriculture Council "with the aim of reaching agreement as soon as possible". I shall, of course, have to maintain our firm reserve on the text to which the other Eight were prepared to agree. I shall refuse to accept in particular, the price increases and the statement on mutton and lamb. While maintaining this general overall reserve, I shall have to be ready to discuss those points which are still open on the text on CAP prices. On these, I would propose to take the following position:-
  - a) On the lower rate of co-responsibility levy in less favoured areas I shall maintain my objection of principle to differential rates and argue against reducing the 1.5 per cent to any lower figure. The French indicated that they would want 0.5 per cent;
  - b) on the supplementary levy I shall resist the Irish demand for the removal of the words in square brackets which would result in the additional levy being charged on producers who do not increase production;
  - c) on the suckler cow subsidy I shall want to resist any element of national financing but support any move to secure a rate higher than 20 ECU per cow;
  - d) on milk sector aids, I shall want to argue against the maximum of 40 cows per farm for the Community's financial participation in a development programme.

In discussion of other points not covered in the present text I shall obviously want to seek improvements on the basis of our agreed negotiating aims.

S E C R E T

The Rt Hon the Lord Carrington KCMG MC

3. On mutton and lamb, I shall continue to argue strongly for amendments to the text on premiums and intervention, though it is clearly unlikely that I shall make much headway.
4. The above sets out the line I should propose to take on the assumption that the meeting goes ahead without our being faced with a concerted demand to settle the CAP prices package. We cannot, however, rule out that I may be faced with attempts to find a formula for pushing through the package. The French Government have made statements to the effect that their farmers will be given the price increases as soon as possible and there is no doubt that they are under some pressure from their producers. The French and the Italians will be seeking green rate adjustments next week which I shall not oppose and which will presumably to some extent take the heat off in these two countries. However, the French Minister has referred to a number of possible ways of giving his producers the full increases they are looking for, including quick agreement on a common price settlement; an agreement among the Eight without the UK; and the possibility of national aids.
5. I think it unlikely that the French Government will want to resort to national aids which would be costly and contrary to the principle of common financing. There would be serious legal and financial difficulties also about any attempt to proceed by agreement among the Eight alone.
6. However, I could find myself faced with attempts to produce a formula which I might accept and the threat to force through a decision by qualified majority. I should clearly have to reject any blandishments and stick to our fundamental reserve on the package as a whole. I think it important that we take steps in more friendly capitals to find out how others will be approaching next week's meeting and to leave them in no doubt about the seriousness of the situation which would arise if we were put under unacceptable pressures in the Agriculture Council.
7. In case we reach this sort of crunch, however, I need to be clear how we would respond. I should, of course, do my best to avoid the issue coming to a vote by calling into question the status of the documents (though we could not rely on the Commission not to confirm that they have the status of "proposals" which could under the Treaty be passed by majority vote). If necessary, I should make it clear that "very important interests" were involved so that they would know that I should be ready to invoke the Luxembourg Compromise.
8. But I think we also have to be ready to indicate, if necessary, how we would respond if an agricultural package was forced through in advance of a budget settlement. We have stated clearly and publicly that we shall not accept an agriculture settlement unless and until the budget problem is resolved. It would seem to me that we should need, therefore, to react firmly if other Member States

S E C R E T

The Rt Hon the Lord Carrington KCMG MC

were to push through a prices package. In my view we should then be justified in proceeding to withhold. My own immediate thoughts are that the appropriate step would be to announce a decision to withhold at the figure for 1980 offered in Luxembourg, and to consider also withholding a further amount to reflect the additional cost to us of a price settlement to which we had not agreed.

9. The precise basis upon which we might withhold in these circumstances does, of course, need to be carefully considered. However, for next week's meeting, I need to be clear what I could say in the Council and in the margins, about our response if a package were forced through. It might greatly help to avoid this happening if I was able to indicate clearly that we should then have no real alternative but to withhold.

10. I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer and Sir Robert Armstrong.

*Peter Walker*  
*P*

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

