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MINISTER OF AGRICULTURE, FISHERIES AND FOOD

CAP Prices and Related Measures

1. Thank you for your letter of 1 May about next week's Agriculture Council. This meeting could be crucial to our attempt to find a solution to the budget problem.
2. I agree in general with the line you propose to take on the various outstanding items in the package. In particular, I agree that on sheepmeat your efforts should be directed to limiting the intervention element in any regime on seasonal and other grounds and to pressing for premiums at levels of benefit to UK as well as French and other farmers. I understand that you have heard from the Commission that they intend to table a new proposal at the Council which will not include export rebates. This is welcome and you will obviously wish to support exclusion in both our own and New Zealand's interests.
3. As far as our partners are concerned, we have already instructed HM Ambassador in Rome to tell Cossiga that it would be very damaging if any attempt were made to force through a decision on prices, on which I agree you must stand firm. I understand that you yourself have spoken to Gundelach and that you have it in mind to speak or send a message to Marcora in the same sense. I think that we ought to see what the outcome of these contacts is before considering any more general lobbying exercise. If the reaction is unsatisfactory, we may want to warn all our partners of the negative consequences of trying to force through a decision.

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4. Turning to the meeting itself, you should, I suggest, while firmly maintaining our general reserve, show that you are ready to negotiate seriously within the framework of the Commission's proposals with a view to having an agreement ready for approval when our reserve can be lifted. This will give the best chance of avoiding a confrontation. If our partners begin to doubt whether we would be prepared to reach an agreement even in the context of a budget settlement, there will be much greater likelihood of their trying to force through a decision now.

5. The French may of course press for an immediate decision, although my reading of what Francois-Poncet said to the National Assembly is that they do not expect to get one. If so, I think we need to avoid overreacting. The French will want to pin the blame for deadlock on us and you will have to put up with a good deal of flak. But for your own part, you will be able to argue strongly that the new Commission compromise has only been given limited Council discussion, that prices were not settled until June last year and that the Council should not be being rushed into hasty decisions. It is important, however, that you should not force any issues by refusing discussion or leaving the meeting.

6. If, nonetheless, an attempt is made to take a decision - and I am sceptical about whether the French will press it that far at this meeting - you will need to make clear that you are invoking the Luxembourg Compromise. You may want to use the words of the Compromise itself to say that this is a case where very important UK interests are at stake and that in these circumstances we believe that 'where very important interests are at stake the discussion must be continued until unanimous agreement is reached.' This point should be illustrated by reference not simply to the link with the budget settlement but by explaining that the agricultural prices decision will in itself seriously worsen the UK's budgetary problem which is already recognised by the Member States as an unacceptable one.



7. If this is not sufficient to deter a decision then you may need to insist that your statement be recorded formally in the minutes. And it could help to ask the French (not the others, who have never accepted the legal force of the Compromise) whether they accept the implications.

8. Finally, if, despite all this, a decision is taken, you might say that it has very serious consequences and implications which go far beyond the agricultural field, and that you will have to report to your colleagues in the Government.

9. I do not think however that it would be appropriate or helpful to our case at this stage to threaten withholding or any other specific action. Threats would, I believe, only tend to provoke those who might otherwise back away from a confrontation to feel that they have no alternative but to press for the decision.

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

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(CARRINGTON)

Foreign and Commonwealth Office
2 May 1980