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PRIME MINISTER

Community Affairs

You may wish to inform the Cabinet of the highlights of your talks on 31st October with Chancellor Schmidt, with reference in particular to his attitude towards the Dublin European Council discussion of our Community Budget problem.

2. The Minister of Agriculture might be invited to report on the 29th October Fisheries Council, which passed off without major controversy and set further work in hand on conservation for resumed Council discussion on 3rd-4th December.

3. The Minister of Agriculture might also be invited to report on the discussions in the 29th-30th October Agriculture Council on sheepmeat and the Commission's ideas for containing CAP expenditure. France was unanimously condemned for her continuing defiance of the European Court judgment on sheepmeat and the Commission threatened immediate legal measures. The United Kingdom came under pressure to agree to Community financing for any eventual sheepmeat regime. In an informal discussion of the CAP, Commissioner Gundelach suggested that economies could be made by cutting subsidies on skimmed milk powder and export refunds on butter, by reducing the sugar quotas, and through a modified co-responsibility levy for milk. No clear consensus emerged on any of these measures.

4. The Foreign and Commonwealth Secretary might be invited to report on the main results of the 29th-30th October Foreign Affairs Council. France blocked the endorsement of the Multilateral Trade Negotiations (MTNs) package, which will now come back to the 20th November Council. The Irish Presidency outlined their ideas for the agenda of the Dublin European Council; the Commission's paper on solutions to the Budget problem will be considered first in a special meeting of COREPER on 6th November in preparation for the 19th and 20th November Finance and Foreign Affairs Councils. To avoid the

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United Kingdom being stigmatised as the only obstacle to a further humanitarian gesture, we agreed that the Community should provide 25 m.u.a. for new aid for famine relief in Cambodia but insisted that the budgetary imputation of this sum should be further discussed in COREPER.

MJV.

(M. J. Vile)

31st October, 1979