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

29 February 1980

Dear Peter

SHEEPMEAT

Thank you for copying me your letters of 25th and 27th February on this issue to the Prime Minister and to Lord Carrington.

I have some doubt about the value of an interim scheme of any kind. In any event this is not the time to agree to one. From the point of view of the Budget negotiations, there would be advantage in keeping the French on the defensive until the Council meeting in March. It is after all they who broke the law by imposing import restrictions on our sheepmeat. There is no reason why we need lean over backwards to accommodate them. And while an interim scheme would open French markets to our sheepmeat it could be against our interests and objectives in the long run. I quite see that it is difficult for us to reject the proposals out of hand given our firm stance on the iniquity of the French import restrictions, and the risk that if we appear too rigid it might undermine our position in the Budget negotiations. I agree therefore that the most promising way to handle this is to insist on a series of constraints likely to prove unacceptable to the French.

With this in mind I firmly endorse the conditions you specify in your later letter of 27th February. We should not be prepared to budge on any of these points. I regard them as absolutely essential if in the event we are pushed towards an interim scheme, which would inevitably influence the eventual structure of a permanent regime. In this connection I think the second condition relating to the exclusion of Community funds for the purposes of financing national intervention measures is crucial. If we agree at this stage to widen the intervention arrangements to a further product the consequences could hardly

/be regarded

The Rt. Hon. Peter Walker, MBE., MP.

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be regarded as propitious for our aim to reform the CAP system.

There is a further condition which I regard as important and one which you should press if, unexpectedly, the Council did seem prepared to endorse the Commission's proposals as modified by your proposed conditions. The Resolution should make it clear that the Community funds might be used to help recoup the Exchequer for the money already spent on deficiency payments to UK sheepmeat producers under our national price guarantee arrangements. We have a good case here on the grounds that these payments arose because of the depressed sheepmeat market, which in itself reflected the French import restrictions. Such a condition would imply that the receipts would be used solely to reduce our net contribution, and would not therefore be available to finance increased spending in the United Kingdom. Hence the arrangement would have the advantage of helping to reduce the PSBR.

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

A handwritten signature in dark ink, appearing to read 'Geoffrey Howe', with a horizontal line underneath.

(GEOFFREY HOWE)

29 FEB 1980

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