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OD(79) 11th Meeting

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CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

MINUTES of a Meeting held at
10 Downing Street on
WEDNESDAY 24 OCTOBER 1979 at 10.00 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Lord Carrington
Secretary of State for Foreign
and Commonwealth Affairs

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Francis Pym MP
Secretary of State for Defence

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

The Rt Hon John Nott MP
Secretary of State for Trade

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Peter Walker MP
Minister of Agriculture,
Fisheries and Food
(Item 1)

The Rt Hon George Younger MP
Secretary of State for Scotland
(Item 1)

The Rt Hon Sir Michael Havers QC MP
Attorney General

Mr Alick Buchanan-Smith MP
Minister of State
Ministry of Agriculture,
Fisheries and Food

Sir Donald Maitland
United Kingdom Permanent Representative
to the European Communities

SECRETARIAT

Sir John Hunt
Mr M D M Franklin
Mr D M Elliott
Mr H G Walsh

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1. THE COMMON FISHERIES POLICY: NEXT STEPS

The Committee had before them a Memorandum by the Minister of Agriculture, Fisheries and Food and the Secretary of State for Scotland (OD(79) 34) seeking agreement to the line they proposed to take in resumed negotiations on a Common Fisheries Policy (CFP) at the Fisheries Council on 29 October.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that, following the measures we had taken on 1 July, the United Kingdom now had an effective conservation regime within its fisheries limits. The legality of several of our measures had been contested by the Commission and other member states, however, and a number of cases were currently proceeding in the European Court. One minor case had just gone against us. If we lost others, as was possible, the stocks of fish in our waters would be in jeopardy. There was therefore now a strong case for getting what we had already achieved consolidated into a Community conservation regime, which would ensure that our fish stocks would be protected and would show that our objective was not to block all progress on a CFP. Since enforcement of any agreed Community regime by coastal states had been accepted, this would leave only the interrelated issues of access and quotas to be resolved. He believed that this would be possible. The bilateral discussions with other Community fisheries Ministers had indicated that they were willing to move some way to meet our needs, although the Social Democrats' victory in the Danish general election had created uncertainty about the Danes' future attitude, and the French had consistently taken a hard line. He would be speaking to the French fisheries Minister (M Le Theule) before the 29 October Council. To achieve a general settlement on conservation, some accommodation would have to be reached with the French on nephrops and with the Danes on the pout box, and the Fisheries Ministers sought discretion from the Committee to negotiate this. The talks with the United Kingdom industry had revealed that the greater part would accept a reasonable settlement, if one could be got soon. They were concerned about the lack of progress on a CFP, and at the same time anxious about the possible United Kingdom concessions that might be needed to break the deadlock. Reports in the Financial Times suggesting that the Government might trade concessions on fish for a satisfactory deal on our budget objective had caused serious misgivings.

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He would reassure the industry on this point in further discussions taking place later in the week: he would also explain to them that we should want any conservation agreement to contain a reserve power enabling the United Kingdom to take national measures where in our judgement there was no effective Community measure. He would also explore the possibility of linking the entry into force of an agreed conservation package with the settlement of the remaining issues. The Council on 29 October could make progress on conservation only, but it would serve as the starting point for negotiations going well into 1980. He had kept in touch with Commissioner Gundelach on arrangements for CFP discussions. THE SECRETARY OF STATE FOR SCOTLAND said that he concurred with the views expressed by the Minister of Agriculture.

In discussion, it was stressed that it would be essential to have the positive support of the United Kingdom fishing industry in the negotiation of a conservation package and throughout the subsequent negotiations on other aspects of a CFP. It would not be sufficient if the industry were merely reluctant followers with the Government in the lead. In the general election the Government had gained support in a number of fishing constituencies on the basis of a pledge that we would not make concessions on a CFP against the interests of the industry. So far, the Government had solid support from the inshore industry. The deep sea sector had been more reserved but it was the inshore industry which was electorally the more important. It should be possible to convince both sections that progress on a Community conservation package in advance of the Court rulings would be in their best interests.

In a further discussion, it was agreed that, before accepting a separate conservation package, we needed to make sure that we had agreement to satisfactory enforcement arrangements. Within the limits of public expenditure constraints we should be sure that we had the means to carry out enforcement up to our 200 mile limit. While the advice of the experts was that we had adequate means to enforce a Community conservation regime out to 200 miles, our enforcement capability would need to be kept under review as negotiations progressed.

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THE PRIME MINISTER, summing up the discussion, said that it was essential that in negotiations on a conservation package or other aspects of a CFP, the Government should proceed with the positive support of the United Kingdom industry. Provided that Fisheries Ministers were assured of that support, the Committee agreed that they could embark on the negotiation of separate conservation package at the 29 October Fisheries Council incorporating as far as possible the provisions of our existing national measures. We should not make any move on other aspects of a CFP. The Committee also agreed that there should be no link between fisheries and our other Community objectives, including those on the budget.

The Committee -

Took note, with approval, of the Prime Minister's summing up and invited the Minister of Agriculture, Fisheries and Food and the Secretary of State for Scotland to be guided accordingly.

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2. COMMUNITY BUDGET: GNP CRITERION

Previous reference: OD(79) 9th Meeting

The Committee had before them a Memorandum by the Chancellor of the Exchequer (OD(79) 36) covering a note by Treasury Officials on what developments in exchange rates and relative growth rates would be needed for the United Kingdom's gross domestic product (GDP) per head to reach the Community average especially during the next five years.

THE CHANCELLOR OF THE EXCHEQUER said that at their last meeting the Committee had been concerned lest we should cease to qualify for a refund on our net budgetary contribution if for any reason our GDP per head were to rise above the Community average. Officials had now produced further information which showed that any conceivable improvement in the United Kingdom's real growth rate could not bring us up to the Community average for many years even in an enlarged Community. A steep rise in the real exchange rate sufficient to carry us over the same threshold appeared a slightly greater risk, but even if this were accompanied by a significant improvement in our growth performance it seemed improbable that we should exceed the Community average over the next five years. He therefore concluded that the risk of this occurring was too small to justify expending significant negotiating capital in seeking to safeguard ourselves against it. We should therefore press for raising the present 85 per cent trigger in the Financial Mechanism to 100 per cent of the Community average, for a three-year averaging provision, for a review clause to be activated if a country that had previously qualified for relief ceased to do so, and for the automatic 5-year phasing out arrangement proposed in OD(79) 25. We should resist any suggestion that GDP per head should be calculated on the basis of purchasing power parities.

THE PRIME MINISTER, summing up a brief discussion, said that the Committee endorsed the conclusions in paragraphs 4 and 5 of the Chancellor of the Exchequer's memorandum as the basis for our continuing negotiations. Recent remarks by the President of the Commission that the United Kingdom's net contribution could be expected to fall after a few years did not appear

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to be based on solid evidence. We should continue to make it clear that, in our view, a corrective mechanism would be needed for as long as the problem lasted.

The Committee -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Chancellor of the Exchequer to be guided accordingly.

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3. COMMUNITY BUDGET: NEGOTIATING TACTICS

The Committee's discussions and conclusions reached are recorded separately.

Cabinet Office
25 October 1979

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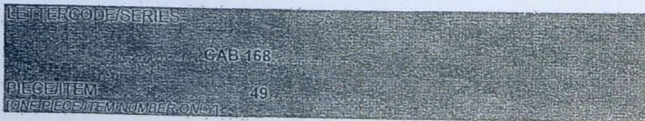
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