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CABINET
DEFENCE AND OVERSEA POLICY COMMITTEE

RELATIONSHIP BETWEEN FISHERIES SETTLEMENT AND 1981 CAP PRICES

Memorandum by the Secretary of State for Foreign and Commonwealth
Affairs

1. When we discussed our approach to the 1981 CAP price fixing in OD on 12 March, I mentioned that we were faced by a difficult tactical choice on whether to establish a link between the conclusion of a CFP and agricultural prices. In considering this we need also to bear in mind the potentially unresolved problem of New Zealand butter (the package which includes this with manufacturing beef, sugar and agricultural structures is still subject to an Italian reserve).
2. As I see it, we may shortly be faced with two broad options:-
 - (i) To insist on an early settlement on fisheries on our terms and to refuse to settle agricultural prices until that is done;
 - (ii) To allow fisheries to cool off and resume negotiations later in the year.
3. If we adopt the first choice, there will be a confrontation with our partners. Anglo-French relations will become very tense, particularly in view of the forthcoming French elections. All our other partners want to see an early agricultural price settlement and none will support a link with fish (the Germans would be particularly incensed if the EC/Canada agreement were involved and the same would go for the Danes over EC/Faroes). There would be a real risk that the Nine would simply reach agreement on an agricultural price package we would not like

(possibly omitting our beef premium and even the butter subsidy) and then camp on it as they did last year. There would be some risk to the deal on New Zealand butter. Hopes of an Anglo-German approach to restructuring would be prejudiced as would be any hope of a quiet run up to our Presidency. We should be accused of reneging on the 30 May agreement. The dispute might well spill over into the Presidency. There would inevitably be further damage to public attitudes in the UK towards the Community.

4. But would we get what we want on fisheries that way? Possibly: though not necessarily quickly. The leverage that blocking agricultural price rises gives us was very clearly demonstrated last year: this year inflation has been higher in a number of countries (France, Ireland, Italy, and Greece), and farmers incomes are under greater pressure. However, our own farmers would suffer as acutely as others: more so than the French, who are in the process of receiving £400 million of national aids. We cannot, moreover, hope to get a settlement on such a confrontational basis in the middle of the French Presidential election. So the crisis could run on, perhaps to the European Council in June.

5. The alternative choice of keeping fisheries separate from CAP prices and resuming negotiations later in the year has many draw-backs too. The absence of an effective CFP will mean further depletion of stocks, further uncertainty for the fishing industry and a running sore in the Community. Our fishermen would be critical of the Government for not using the agricultural prices lever to help them, even if they were given further national subsidies. The resumed fisheries negotiations would be proceeding in tandem with restructuring and, until the end of the year, under the UK Presidency, and there would be no possible external leverage available even if we wanted it. The risk is that the negotiations would spill over into 1982 - uncomfortably close to the end - 1982 termination of the Accession Treaty derogation on fisheries access. Moreover, in 1982 we are likely to want to reserve such levers as exist, for example the 1982 agricultural price fixing negotiations, for the restructuring negotiation itself or to get the figures we want for the third year refund under the 30 May agreement, rather than

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on fisheries. On the other hand, we would begin the restructuring negotiations in a better atmosphere and, with the French election over, could hope to enlist German support for our objectives in it.

6. These are the two courses from which we have to choose. It is a choice of evils. But, whichever course we choose, there is no need to make this known to our partners straight away and indeed a good case for keeping them guessing as long as possible. From our own point of view there is much to be said for avoiding this difficult choice if we can. One way would be to try to ensure that the two negotiations proceed in parallel.

7. I have considered how best to proceed in the next few weeks before we reach a point at which either of the courses as set out above has to be espoused finally and publicly. I believe there would be advantage in a further attempt to reach a bilateral settlement on fisheries with the French. It might well be easier to find a compromise in private talks than in public multilateral negotiations. Meanwhile in the Agriculture Council we would negotiate hard for the objectives agreed in OD and not be prepared to concede on any major issues. We would tell the French when we approach them to set up bilateral talks on fisheries that both questions were urgent and that agreement on fisheries would improve the climate for settling agricultural prices.

8. I have discussed and agreed this memorandum with Peter Walker.

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Foreign and Commonwealth Office

17 March 1981