

FCO ADVANCE TO:-

FCS - PS/SOFS, ~~PS/PS~~, PS/PUS, ~~PS/PS~~, ~~PS/PS~~, FAULKNER, ~~PS/PS~~
~~PS/PS~~, EDD (2) (3)
 MAFF - PS/MIH, PS/PS, DAVIES, ANDREWS, MRS PICKERING, G WILSON
 TSY - ROBERTS
 NO 10 - ALEXANDER
 DAFS - CRAMMOND
 DAN I - JACK
 WOAD (1) J I DAVIES

ADVANCE COPIES

FRAME ECONOMIC

30... XEROX COPIES

FCO

PLUS FCO

PS/LORD PRIVY SEAL
PS/MR RIDLEY.

RESIDENT CLERK

HD/EID()(4)
HD/NEWS
HD/FRD
H/.....
HD/.....

MR BULLARD
MR THOMPSON
LORD BRIGES

FLASH
ADVANCE COPY

CABINET OFFICE

D.O.T.

PLUS CGDS

MR M D M FRANKLIN
MR D M ELLIOTT
MR N.C.R. WILKINS
MR HORNE

H.M. TREASURY

M.A.F.F.

SIR K COUZENS
MR ASHFORD

S/O MR B D HAYES

GR 533

CONFIDENTIAL

FRAME AGRICULTURE

FRAME ECONOMIC

DESKBY 200736Z COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN WELLINGTON
CANBERRA

FM UKREP BRUSSELS 291955Z MAY 80

TO FLASH FCO

TELEGRAM NUMBER 2642 OF 29 MAY

INFO IMMEDIATE COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN WELLINGTON
CANBERRA

COUNCIL OF MINISTERS (AGRICULTURE): 28/29 MAY

Mufaxed to
Cheques.

Prime Minister (2)

S. P. L. H.
Duty 29.5.80.

SHEEPMEAT REGIME.

MESSAGE FOR THE PRIME MINISTER FROM THE MINISTER OF AGRICULTURE.

1. THE COUNCIL OF AGRICULTURE MINISTERS HAS NOW FINISHED ITS DISCUSSION OF SHEEPMEAT. THE MAIN RESULTS ARE AS FOLLOWS:

- (I) VARIABLE PREMIUMS. WE HAVE SECURED OUR FULL AIMS ON VARIABLE PREMIUMS. THE UK WILL OPERATE THESE INSTEAD OF INTERVENTION, SO THAT BRITISH HOUSEWIVES WILL BENEFIT; BRITISH PRODUCERS WILL GET GUARANTEED RETURNS AT THE EXPENSE OF COMMUNITY FUNDS; AND ANY RISK OF BRITISH SHEEPMEAT GOING INTO FRENCH INTERVENTION IS REMOVED.
- (II) REFERENCE PRICES. WE HAVE SECURED ARRANGEMENTS UNDER WHICH REFERENCE PRICES FOR PRODUCERS IN EACH COUNTRY WILL REACH THE SAME LEVEL BY EQUAL STAGES OVER FOUR YEARS. THIS WILL MEAN A SUBSTANTIAL NET FINANCIAL BENEFIT FOR THE UK FROM THE REGIME AS A WHOLE, AND PUT OUR PRODUCERS ON LEVEL TERMS WITH OUR COMPETITORS WITHOUT RAISING THE PRICE TO OUR HOUSEWIVES.
- (III) NEW ZEALAND IMPORTS. THE THREAT OF ACTION AGAINST NEW ZEALAND IMPORTS HAS BEEN REMOVED. THE WHOLE REGIME WILL COME INTO EFFECT ONLY WHEN NEW ZEALAND HAS AGREED ON VOLUNTARY RESTRAINT OF HER IMPORTS INTO THE COMMUNITY IN EXCHANGE FOR A TARIFF REDUCTION. THIS GIVES NEW ZEALAND AN EFFECTIVE VETO OVER THE REGIME IF THEY WANT TO USE IT.
- (IV) EXPORT REFUNDS. THE MAJOR DIFFICULTY HAS BEEN OVER EXPORT REFUNDS. THE FRENCH HAVE INSISTED ON INCLUDING PROVISIONS FOR THEM FOLLOWING VOLUNTARY RESTRAINT AGREEMENTS WITH COUNTRIES LIKE NEW ZEALAND, AND THE COMMISSION AND ALL OTHER COUNTRIES EXCEPT OURSELVES AND THE NETHERLANDS HAVE AGREED. THE COMMISSION HAVE, HOWEVER, INSISTED ON A COUNCIL DECLARATION THAT THEY MUST BE OPERATED IN CONFORMITY WITH INTERNATIONAL OBLIGATIONS AND SO AS NOT TO PREJUDICE AGREEMENTS WITH THIRD COUNTRY SUPPLIERS. IN OTHER WORDS, NEW ZEALAND IS FREE TO NEGOTIATE, AS PART OF THE VOLUNTARY AGREEMENT, AS TO HOW THEY SHOULD OPERATE, AS WELL AS HAVING AN OVERALL VETO ON THE REGIME.

2. I HAVE MAINTAINED A FIRM UK RESERVE ON THE ENTIRE REGIME BUT IT IS CLEAR THAT THIS SCHEME WOULD

2. I HAVE MAINTAINED A FIRM UK RESERVE ON THE ENTIRE
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BRING US CONSIDERABLE NET BENEFIT AND THAT THE NEW
ZEALAND POSITION IS EFFECTIVELY SAFEGUARDED.