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MR. ALEXANDER

Community Budget: Proposed Ad Hoc Meeting on 15th April

It is clear from the meeting of Personal Representatives which Mr. Franklin attended in Paris yesterday that agriculture prices and sheepmeat will play a crucial role in the prospects for a successful outcome of the European Council at the end of April.

2. There may accordingly be moves at the 21st-22nd Agriculture Council to make sufficient progress on the Commission's prices and economy package to enable it to be presented in some form - if necessary, ad referendum - to the European Council. Whether or not this happens, CAP prices are bound to figure prominently among the issues related to our Budget problem at the European Council. For the French, a resolution of the sheepmeat problem will also be important and the French Minister of Agriculture has asked for a meeting with Mr. Walker.

3. The Minister of Agriculture's present mandate from the Cabinet and OD(E) is to block any price increase for surplus commodities until we get satisfaction on the Budget, carrying this policy right up to the next European Council and beyond if necessary. The Prime Minister's discussions with Chancellor Schmidt about the handling of related issues and yesterday's discussions in Paris suggest that we may need to review our tactics. If there are signs e.g. from a tour by Signor Cossiga that movement is possible on the Budget provided that we move on agricultural prices, then it may be necessary to give Mr. Walker a greater measure of negotiating flexibility at the next Agriculture Council, subject to a satisfactory outcome of the European Council (and perhaps to corresponding progress on the Budget contribution at the meeting of Foreign and Finance Ministers in the week beginning 21st April). Similarly it might be desirable to send a signal to the French, either through Signor Cossiga or in the course of Mr. Walker's meeting with Monsieur Mehaignerie, indicating our willingness to contemplate some limited intervention on sheepmeat if they subscribe to an acceptable Budget solution.

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4. Mr. Walker is expected to put round the usual pre-Council letter to his OD(E) colleagues setting out the line he proposes to take on 21st-22nd April. Instead of considering it in OD(E), the Prime Minister might prefer to call an ad hoc meeting of the Ministers directly concerned to consider tactics both for the agriculture Council and the meeting with Monsieur Mehaignerie scheduled for the late afternoon of 15th April. To cover this latter point the ad hoc meeting would need to take place some time during the morning of 15th April. It would need to include the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Lord Privy Seal, the Minister of Agriculture and the Secretary of State for Trade.

(Robert Armstrong)

3rd April 1980