



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
3-8 Whitehall Place
London SW1

From The Minister

The Rt Hon the Lord Carrington MP
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
London SW1

ABD -
25/1

22 January 1980

EEC SHEEPMEAT REGIME

John Nott's letter to you of 18 January contains some serious misconceptions about the negotiating position on sheepmeat which we face in the Community to which I feel I must draw attention before the OD(E) meeting planned for Thursday.

John Nott suggests that we should avoid sheepmeat becoming linked with our budget objectives by ensuring that we are not identified as the major obstacle to agreement on sheepmeat. But it is the French who will try to make the link - they have already made this clear - and they will not be deterred from attempting to use this lever because the UK has avoided becoming isolated in the Council. We have seen them use these tactics before.

I was amazed to read John Nott's suggestion that we should disregard the needs and benefits of our own sheep sector in the interest of keeping in with the Germans, Dutch and Danes. We have the largest sheep sector in the Community by a long way and we really must work for Community arrangements which reflect this and which move as quickly as possible to a common level of application throughout the Community.

There is bound to be one institutional support price in any common organisation. This was included in the Commission's original proposals. My aim is to get it to a market related level as quickly as possible. I do not underestimate the difficulties but the majority of the Council share our concern to arrive at economical arrangements.



What will be more difficult is to reach a common level quickly. We should recognise that the Germans, Dutch and Danes, while favouring temporary premiums only, see these as continuing for five years if on a degressive basis. Moreover, they are supporting initial reference prices (very much institutional prices) for all member countries other than the UK at levels well above their likely market price levels with free trade.

John Nott writes of fighting hard for agreement on national financing but elsewhere agrees that we should avoid becoming isolated. The fact is, however, that all other member countries and the Commission support Community financing. Thus the compensatory premium proposals now on the table, would mean that for several years FEOGA payments went largely to other member countries, mainly France, and the result would be a perpetuation for some time of the present discrimination against the UK, and at a net cost in terms of our budgetary transactions with the Community. We must work for a better outcome than this.

John Nott also completely overlooks the pressure we are having to resist for premiums to be underpinned by market price support. We have held the majority against intervention but the French will persist with support from the Commission. Already the Germans have proposed an Article in the sheepmeat regulation which would enable the Council to take ad hoc measures in a crisis. Unless we have established a common premium safety net such ad hoc measures could only take the form either of buying-in sheepmeat or of import restrictions.

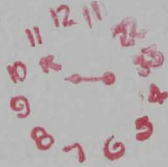
The position John Nott is advocating amounts to opposing any Community financing of internal support for sheepmeat, whether temporary or permanent. This is a blocking position and will be seen as such by the rest of the Community. If we stand back in this way we shall see a consensus increasingly developing around the Commission's present proposals, we shall have played no effective part in influencing the outcome, and we will become increasingly isolated.

There can be no question of settling on sheepmeat arrangements for the Community until the French are respecting fully the Court ruling. Subject to this, however, I hope my colleagues will agree to the approach I have set out in my paper for OD(E).

I am copying this letter to the Prime Minister; members of OD(E) and Sir Robert Armstrong.

PETER WALKER

23 JAN 1960



[Handwritten signature]

