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CO

10 DOWNING STREET

From the Private Secretary

22 May 1980

cc Envoy P&I Pt 8 Budget.  
Master Set.

Sean Paul,

European Community

The Prime Minister held a meeting earlier this afternoon to discuss the present state of play on the various negotiations at present in train with the other members of the Community. The meeting was attended by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Minister of Agriculture and Mr. Franklin.

Sheepmeat

It was agreed that this was the right time for the New Zealand Government to press their case with the European Commission. Mr. Walker had already made this point to Mr. Talboys. The New Zealand Government should be seeking assurances on, e.g., tariff and quota levels. The Prime Minister said that any Community sheepmeat regime would have to be acceptable to New Zealand. But it was noted that there might well be more than one way to safeguard the interests of New Zealand and that New Zealand's first preference was not necessarily the only one which would be acceptable to the New Zealand authorities.

Fisheries

Mr. Walker said that recent developments had been relatively encouraging. It had been agreed that there would be no meeting of the Fisheries Council at the end of this month. Anglo-German discussions of the guidelines text for the negotiations on a Common Fisheries Policy had made some headway.

National Aids

It was agreed that Mr. Walker should write as soon as possible to Mr. Gundelach expressing H.M.G.'s concern about reports of the French Government's intention to introduce national aids in the absence of an agreement on agricultural prices at next week's Agricultural Council. Before the letter was sent, the Law Officers and F.C.O. legal advisers were to be consulted about the legality of the French Government's actions - insofar as we had precise information about these.

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It was agreed that all the evidence suggested the French Government were determined to act at the end of the month and that they were not merely indulging in brinkmanship. Against that background, careful thought would need to be given to the situation which would arise after 31 May if the French had introduced national aids and if these were clearly illegal. A Working Group should be set up at once to review the possibilities. The sort of questions which would have to be considered, either by the Group or separately, would include:

- how best to demonstrate the seriousness of our own threat to withhold VAT;
- what to do about French imports of nationally subsidised products after the end of the month;
- and
- whether or not to try to withhold agreement on the provision of additional twelfths for FEOGA.

#### ECO/FIN Council

It was agreed that the meeting of ECO/FIN early next week should be treated as an exercise in damage limitation. The object would be to prevent any slippage, e.g. in the direction of a discussion of rebates, rather than of the ceiling on the UK's net contribution. The more that could be found out about the intentions of other members, and in particular the Germans, the better. No flexibility could be indicated on the Luxembourg figure of 538 meua as the UK contribution for 1980. A solution covering three years was essential.

#### Budget Contribution

It was agreed that, given the German concern about the 1980 figure, an effort should be made to identify a formula which would be more beneficial to the UK in the second or third year and less beneficial in 1980 than those previously discussed. Whether or not such a formula produced a firm figure for the third year (it was noted that a firm figure might give rise to difficulties in the context of the one per cent VAT ceiling) any formula should enable a third year figure to be quantified if necessary. If the approach of an "envelope" for three years was to be adopted, the total figure would have to be a large one. The Prime Minister mentioned 5,000 meua.

#### Foreign Affairs Council

It was agreed that the UK should support the holding of a Foreign Affairs Council at the end of next week.

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Next Meeting

It was agreed that the same group of Ministers would meet again on Wednesday, 28 May at 9.30 p.m. to hear a report from the Chancellor of the Exchequer on the outcome of ECO/FIN and to discuss the line which the Minister of Agriculture would take at the Agriculture Council and the Foreign and Commonwealth Secretary at the Foreign Affairs Council.

I am sending copies of this letter to John Wiggins (H.M. Treasury), Garth Waters (Ministry of Agriculture, Fisheries and Food) and David Wright (Cabinet Office).

*Yours ever*

*Richard Alexander*

Paul Lever, Esq.,  
Foreign and Commonwealth Office.

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