

MR ALEXANDER

CAP Prices and the Community Budget

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 1. Mr Walker's letter of 16 April to the Foreign and Commonwealth Secretary suggests, following his talk with the French Agriculture Minister, that we propose a meeting of the Agriculture Council simultaneously with the European Council. The Lord Privy Seal does not think that this is a good idea. He is right. It would give far too much emphasis to the question of CAP prices (which interests the others) and put pressure on us to settle the budget issue; whereas the pressure must be the other way round. On the other hand, as the discussion at the Prime Minister's meeting on 15 April showed, it is not going to be easy to hold our position on CAP prices while at the same time ensuring that decisions on our budget contribution are not blocked simply because the ground for a decision on CAP prices has not been prepared. This is essentially the task of the Presidency: if they want the budget issue settled and accept that the French (and perhaps others) will not settle without a decision on CAP prices, then they must see that the European Council has a possible compromise in front of it or at least a report on the areas of disagreement in the Agriculture Council. Conversely, they must understand that movement on our part will be conditional upon (and proportionate to) movement towards us on the budget. The Lord Privy Seal's suggestion that a message be sent in this sense to the Italian Minister of Agriculture is probably the right one. The Prime Minister will be able to reinforce it when she sees Signor Cossiga on Tuesday morning.

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 2. On the related issue, of positive MCAs, Sir R Armstrong minuted you on 14 April ^(attached behind) about Mr Walker's letter. I understand the Lord Privy Seal takes the same view as the one expressed in that minute viz.

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that the question of the "franchise" to be applied to positive MCAs for countries not fully in the EMS should if possible be settled in the Agriculture Council next week rather than held as a bargaining counter at the European Council. Subsequent discussion in Brussels has suggested that a reasonable compromise should be possible, the more so since the question has again become of no immediate practical importance with the disappearance of positive MCAs as from Monday.

MDM

M D M FRANKLIN

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17 April 1980

*I am both to
settle anything at
present. but it is
sorted out with the rest of
the CAP.*