

Euro for

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

Disputed at Cabinet

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CONFIDENTIAL

The Rt Hon The Lord Carrington KCMG MC
Secretary of State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London SW1

27 February 1980

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SHEEPMEAT

In my minute of 25 February to the Prime Minister which I circulated to all members of OD(E), I drew attention to the latest compromise floated by the Commission for an interim arrangement under which, in response to the French lifting their illegal import restrictions, the Community would set aside a fund to provide financial aid towards unspecified national measures to support sheep farmers.

This proposal, in the form in which Gundelach is now apparently envisaging presenting it to the Agricultural Council on 3/4 March, could in practice amount to a commitment by the Community to fund intervention in France which, although initially on a temporary basis, would clearly pre-empt the form of permanent Community arrangements for sheepmeat. It would allow the French to assume a posture of legality for the time being without any assurance that they would not re-impose their import restrictions if subsequently they failed to secure agreement to permanent arrangements providing for continuing Community supported intervention in their market. It would also give Community endorsement to the very high level of price support which the French are seeking for their market.

Despite the possibility that the Commission's proposals would allegedly offer the UK a fair share of the FEOGA aid to be made available, I do not think we should contemplate going along with a proposal which carries the serious implications I have identified.

If the Commission put this proposal as it stands to next Monday's Agricultural Council it is quite likely to secure the support of the majority of member countries. We must avoid this if possible. After a preliminary talk with Ian Gilmour I have concluded that despite our strong reservations a flat rejection of the whole

approach could be counter-productive and that tactically we would be better to inform the Commission as soon as possible of the conditions which would have to be made to make it possible for us even to consider the proposal. The two main conditions would be:

- (i) an unqualified assurance that free circulation, free of levies and quantitative restrictions, would not only be established immediately but permanently (ie a total commitment by France not to revert to illegal import restrictions or levies at a future date);
- (ii) the resolution would also have to make it clear that the use of Community funds to aid any national intervention measures is totally excluded.

We should add that the basis of the distribution of FEOGA funds would need to be clearly specified and agreed and that this would have to ensure that UK receipts reflected fully its share of total Community production of sheepmeat.

The first of these two main conditions above, and the requirement that the UK should receive its appropriate share of FEOGA aid, can be presented as strictly communautaire. The inclusion in the proposal of our two main conditions would almost certainly make it unacceptable to the French.

Our best chance of deterring Gundelach from even tabling a proposal at next Monday's Council, certainly on the lines he is now envisaging, would be to put our conditions to the Commission as soon as possible. We propose to do this early tomorrow, unless contacts which the Cabinet Office are having with the French today throw up any developments leading us to think again about these tactics.

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

(Also copied to Secretaries of State for Scotland, Wales and Northern Ireland)

PETER WALKER

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I am copying this to the Prime Minister, members of the Cabinet and Sir Robert Casanovi. (Also copy to the Secretary of State for Scotland, Wales and Northern Ireland.)

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PETER WALKER

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