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PRIME MINISTER

Briefing Meeting for President Giscard's Visit
Community Negotiating Cards

Within the Community framework, there appear to be three issues on which President Giscard may be looking for our help and on which you may be able to make some mileage in the budget context:-

- (a) Sheepmeat. Even if the French now comply with the European Court ruling they will still want to secure agreement on a sheepmeat regime as soon as possible and one which goes some way towards protecting their sheep farmers' interests. They will be hoping for a settlement at the next Council in mid-December. So far, the Minister of Agriculture has not departed from our stated preference for national financing for any premium to Community producers. But, with your approval, OD(E) has agreed that in the end we can accept a Community scheme involving FEOGA financing. You could let President Giscard know that, provided Dublin has gone well, the Minister of Agriculture might be able to shift his position on Community financed premiums for sheepmeat.
- (b) The 1980 Budget. OD(E) will be meeting tomorrow morning to consider a paper by the Financial Secretary on our attitude towards various amendments proposed by the European Parliament. The voting rules are such that the line we take in the 23rd November Budget Council may be decisive in determining whether or not they will be adopted. The main issues are:-
- (i) Whether the Parliament's proposals in the agricultural sector should be rejected or not. On substance, Ministers are likely to agree that we should oppose their attempt to increase the co-responsibility levy on a discriminatory basis, but that we might accept a number of minor changes to show our understanding of the Parliament's attempt to get CAP expenditure under control.



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- (ii) On the Regional and Social Funds, OD(E) may well agree that we should support the reinstatement of the higher totals earlier rejected by the Council against our wishes, while accepting that at the end of the day these may have to be scaled down to keep within the "maximum rate" for the budget as a whole.

The French will be strongly opposed to both sets of amendments on grounds of cost, because they attack the CAP and above all because they appear to extend Parliament's power at the expense of the Council. This time last year, President Giscard made much of the agreement he reached with Mr. Callaghan to curb the European Parliament's powers over the budget. He will be looking for the same support this time, but may be afraid that we will be tempted to let the amendments through because they attack the CAP and benefit us on the Regional and Social Funds. You will not want to go into detail in advance of the OD(E) discussion but ask the Chancellor and the Lord Privy Seal to consider how you should handle the issue with Giscard and report to you after the OD(E) meeting. It is not something we can hold until after Dublin: we shall have to show our hand at the Budget Council on 23rd November (if not already in the House of Commons debate on 21st November).

- (c) Fisheries. As the brief (OMV(79) 2(v)) says, the main French concern politically is with the historic rights exercised by French fishermen (mainly Breton) in our 6-12 mile belt off the South West coast. Mr. Callaghan told President Giscard in 1976 that French fishermen should not necessarily be excluded from their traditional fishing grounds in British waters. President Giscard will be anxious for you to reaffirm this assurance. You might wish tonight to seek the Minister of Agriculture's views on how to extract the most value from this card.

RIA

(Robert Armstrong)