



PM/81/5

PRIME MINISTER

EC Strategy: Fisheries/CAP

1. As Peter Walker reported to Cabinet last Thursday, the prospects of an early settlement do not look good. The French have hardened their position on access and may well have decided that they cannot meet our demands - which involve restriction on some fishing rights to which they are currently entitled - at any rate this side of the Presidential election. Peter Walker has gone about as far as he can while still carrying the industry with us. The Germans are upset because we are blocking the agreement with Canada on which their deep sea fleet depends. There are already signs that the support we had from other member states in December may be starting to erode.
2. We still have no solution for New Zealand either. The French are almost certainly planning to use this as a lever to secure our agreement on agricultural prices.
3. The prospect is therefore of another bruising battle with the French. They will not want to concede on fish in the run up to the elections. But if nothing was agreed before the elections, we should be accused by our partners - however implausibly - of renegeing on the 30 May settlement. This would be the worst possible curtain raiser to the budget restructuring negotiations. And we have the Presidency from 1 July.
4. Peter Walker and I would like to discuss with you and the Chancellor of the Exchequer whether there is any way of avoiding all this happening, with its inevitable effects on anti-European feeling here. The suggestion would be that we sound out the Elysee at official level saying something like this: we recognise your political

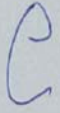
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problems and in particular your wish to have this year's agricultural prices fixed before the election campaign. But if we are to show understanding of your difficulties, you must show understanding for ours. If we are to make an effort to be helpful over agricultural prices we believe it reasonable to ask you to settle speedily on fisheries and New Zealand butter. This would be a clear hint that we might be willing to do a deal but it would also be an implied threat.

5. We should then have to see what response from the French side was, and be careful not to make any concessions without seeing the colour of their money. Once we knew what their conditions were, we should need to consider what might or might not be acceptable to us, bearing in mind that, on agricultural prices, we have the ability to determine the effect on our own consumers and farmers through the green pound. The French reaction might be to say "no deal" or to put up impossible demands. If so we should have no option but to slog it out. We would, however, have put ourselves in a better position with the Germans and our other partners, by letting them know that we had at least made the offer.

6. I am copying this minute to the Chancellor of the Exchequer, the Minister of Agriculture, Fisheries and Food and Sir Robert Armstrong.


(CARRINGTON)

16 February 1981
Foreign and Commonwealth Office