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European /
Policy

PRIME MINISTER

Relationship between Fisheries Settlement and 1981 CAP Prices
(OD(81) 20)

BACKGROUND

In the course of settling last week United Kingdom objectives and tactics for the 1981 CAP price fixing negotiations, OD agreed (OD(81) 5th Meeting Item 1) that the Foreign and Commonwealth Secretary, in consultation with the Minister of Agriculture, should put a paper to the Committee assessing the scope for linking fisheries and other issues to the price fixing. OD(81) 20 is the result.

2. Last year we made a successful link between CAP prices and our budget demands. ^{UK-French} When Agriculture Ministers met in parallel with the European Council on 27th-28th April 1980, we maintained a reserve on a compromise package which was acceptable to all the other member states. Two Agriculture Councils during May continued the negotiations, filling out the more detailed elements of the compromise including important aspects of the sheepmeat regime. The United Kingdom reserve was finally lifted only when the 30th May Foreign Affairs Council reached agreement on the budget settlement.

3. This year the relevant dates over the period immediately ahead are:-
- | | | |
|-------------------------|---|---|
| 23rd-24th March | - | European Council |
| 22nd-24th March | - | <u>Commission and Presidency</u> tour capitals for <u>bilaterals</u> to prepare for <u>substantive CAP price negotiations</u> |
| 30th-31st March | - | <u>Agriculture Council</u> . <u>Substantive CAP price negotiations with objective of reaching final conclusion</u> |
| 6th-7th April | - | <u>Fisheries Council</u> |
| 13th-14th April | - | <u>Foreign Affairs Council</u> |
| 13th-15th April | - | <u>Agriculture Council</u> |
| 26th April and 10th May | - | <u>French Presidential Election</u> |



SECRET

11th-12th May - Anglo-German Summit

29th-30th June - European Council

4. The Foreign and Commonwealth Secretary's paper suggests that there are two broad options: to block CAP prices until we have a satisfactory CFP settlement; or to allow fisheries to cool off and resume discussion later this year. It does not come down on one side or the other, but argues that we should avoid making a choice if we can by keeping both sets of negotiations going in parallel. To this end we should make a further and early attempt to settle fisheries bilaterally with the French.

5. The purpose of the discussion is thus to decide whether the approach to the French should be made and, if it fails, whether and when we should be prepared to block the price negotiations to get what we want on fish. In the event that linkage is favoured, you may think it important to be clear in advance how far it should go and whether - as the Chancellor may urge - the link should extend to a financial ceiling on agricultural spending.

6. The arguments against both courses are fully set out in the paper. In brief, a fish/CAP prices link would hit our farmers along with others, worsen relations with our partners (including the Germans, if we continued to block the Canadian agreement which is so important to them), prejudice our own CAP price objectives, make the restructuring negotiations more difficult, and cloud the approach to our Presidency. Any such link might also have to be maintained until June. Putting the fisheries negotiations off until later in the year, on the other hand, would hit our fishermen, risk weakening our fisheries hand as we got closer to the expiry of the access derogations in December 1982, annoy the Germans considerably unless we lifted our veto on the Canadian agreement, queer the pitch for the budget restructuring discussions and complicate our Presidency. There is little on the positive side except the implied political necessity to use the only weapon now at hand (i. e. the CAP price fixing negotiations) to resolve the fisheries question. Against this, postponement might give us greater control from the Presidency chair of the resumed CFP negotiations, and would enable the restructuring negotiations to start in a better atmosphere.



SECRET

7. The disadvantages identified in the paper would be lessened if we refrained from making any overt link until as late as possible, pursuing our CAP objectives meanwhile but withholding agreement to the final package on ostensibly agricultural grounds until a CFP settlement was in sight. But the crunch could not be put off for ever.

8. As to other issues, it seems likely that the New Zealand butter problem will be resolved separately and need not therefore be taken into account. The Committee has already agreed that we should work for a financial ceiling on agricultural expenditure, and the Chancellor and the Minister of Agriculture have accordingly pressed for it in this week's Finance and Agriculture Councils. They have had little support, however, apart from the Germans, and it must be questionable whether it is realistic to make this issue - as well as fish - a breakpoint in the CAP price fixing discussions.

HANDLING

9. You might first ask the Foreign and Commonwealth Secretary to introduce his paper, followed by the Minister of Agriculture.

10. You might then seek agreement that as a first step a new and urgent attempt should anyway be made to resolve the fisheries question bilaterally with the French. Any such approach should desirably take place before the major CAP price fixing Council on 30th-31st March.

11. The Committee might next be invited to discuss the two broad options set out in OD(81) 20, on the assumption that the approach to the French has failed. What are the prospects of success on fish in each case? How do they weigh in the balance against the costs in other fields? If an early linkage is favoured, how far are we prepared to take it? Where would the crunch point come? Is it agreed that any link should be confined to fish, and not be extended to the financial ceiling formula? Do we need to retain our veto on the Canadian agreement as a bargaining counter in the fisheries negotiations, or should we remove it (subject to satisfactory arrangements on marketing) in order not further to damage relations with the Germans?

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CONCLUSIONS

12. Depending on the discussion you might conclude that:-

- (i) a satisfactory fisheries settlement is unlikely to be achievable in isolation either now or after a cooling-off period;
- (ii) linkage with the 1981 CAP prices provides the most suitable and timely lever, albeit at the probable cost of provoking a crisis and prejudicing some of our objectives for the CAP;
- (iii) linkage is unlikely to be possible again until the 1982 CAP price fixing when we shall have other priorities (restructuring, 30th May refunds);
- (iv) as a first step we should therefore seek a bilateral with the French on the CFP before the next Agriculture Council in order to test their willingness to make progress and to hint at our intentions;
- (v) if that bilateral fails, we should make a link between fish and 1981 CAP prices, keeping it covert for as long as possible and reviewing the position as necessary in the light of developments in the forthcoming Agriculture and Fisheries Councils.
- (iv) we should meanwhile settle for the best marketing arrangements we can get in exchange for lifting our reserve on the EC/Canada (and possibly the EC/Faroes) fisheries agreement.

RA

(Robert Armstrong)

18th March 1981