



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
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From the Minister

CONFIDENTIAL

PRIME MINISTER

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Robert Carr

Prime Minister

The meeting on trade policy has been rearranged for 9 Sept. (You have seen the earlier papers).

UNITED KINGDOM TRADE POLICY

As it proved necessary to cancel the meeting you had arranged for Monday 3 August, I thought it might be helpful to let you have some comments now on the minutes you have received from the Chancellor of the Exchequer, the Secretary of State for Trade and the Lord Privy Seal about the United Kingdom's trade policy.

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I believe that the Chancellor is right to be concerned at the constraints which our membership of the Community puts on our ability to react effectively to damaging penetration of our markets from third countries and from other Member States. Certainly, difficult problems arise in the agricultural sector where, given the perishable nature of much agricultural produce, a particularly quick response is often essential. It is true that the Community has at its disposal under the CAP a formidable armoury for dealing with agricultural imports from third countries, but the steps needed before the Community can take effective action can be lengthy and in the majority of cases there is, of course, no scope for national action.

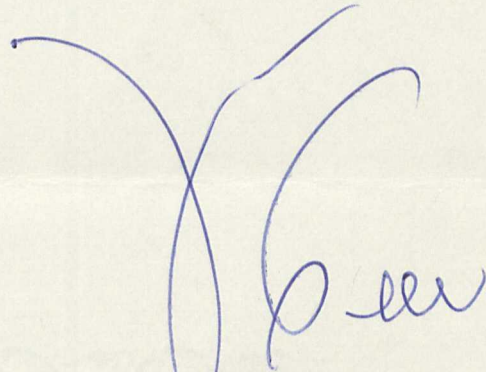
I am even more concerned at the limitations on our ability to prevent damage to our industries from other Member States' imports. The Lord Privy Seal points out, in his minute of 31 July, that the Community has a competition policy designed to prevent unfair competition between Member States. But the Commission's attempts to keep tabs on, let alone to control, the many illegal state aids in the agricultural sector have been singularly ineffective. And there is no attempt whatsoever to tackle the problems arising from the use of aids which may technically be legal. For example, the Commission now appear to regard the various aids which the French Government have been pumping into their turkey industry as legal. But this does not alter the fact that, as explained in the paper enclosed with my letter to the Foreign Secretary of 31 July, these aids are threatening to wipe out an important sector of our agricultural industry. This cannot be right; nor can it be in the long term interests of the CAP. Indeed, in the case of a commodity, such as poultry, which is not supported by intervention buying, the use by a Member State of subsidies could all too easily lead to the collapse of the Community regime for the product.

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I am very conscious that it will be very difficult to find ways of improving on the present position. But I agree with the Chancellor that we should have a talk to see if there is anything we can do. As for the Whitehall machinery for dealing with specific cases, I agree with the views expressed by the Secretary of State for Trade in his minute of 22 July.

I am sending a copy of this minute to the Chancellor of the Exchequer, the Secretary of State for Trade and to the Lord Privy Seal.



PETER WALKER

10 August 1981

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