

A06056

MR ALEXANDERPreparations for the European Council

1. At the informal meeting which the Prime Minister held on 19 November with the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer it was agreed that we should be prepared to shew a willingness to consider ways in which we could offer the French some limited help on the CAP if they were clearly prepared to reciprocate on the budget guidelines, and that officials should consider urgently the precise content of the offer which might be made. (Your letter to Mr Richards of today's date refers.)

2. Officials from the Treasury, the Foreign and Commonwealth Office, the Ministry of Agriculture and the Cabinet Office have accordingly considered possible fallback positions on six issues of importance to the French - five on the CAP and one on the new Community instrument (Ortoli facility). The resulting texts of possible alternative conclusions for the European Council are attached.

3. It is not intended to shew the texts themselves to the French in advance of the European Council. But they would provide the basis on which Mr Franklin and I would explain orally to President Mitterand's representatives on 23 November the ways in which we might be prepared to accommodate French interests if they in turn were willing to accept our budget guidelines.

4. Mr Franklin and I will be leaving for Paris on the morning of Monday, 23 November. I should be most grateful for the Prime Minister's approval to our proceeding on this basis.

5. I am copying this minute to the Private Secretaries of the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Minister of Agriculture, Fisheries and Food.

  
ROBERT ARMSTRONG

(Approved by Sir R Armstrong & signed on his behalf)

20 November 1981

  
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DRAFT EUROPEAN COUNCIL CONCLUSIONS ON 30 MAY MANDATE

DRAFT FALL-BACK TEXTS

CHAPTER I

New Community Instrument (alternative to paragraph 9)

The European Council decided to transform the new Community instrument for loans into a European Fund to increase investment in infrastructure, industrial renewal and self-sufficiency in energy in the Community and agreed that consideration should be given to the conditions for a further increase in the Fund's loan capacity.

CHAPTER II

Price Policy (alternative to paragraph 3)

The European Council considers a prudent price policy to be necessary, at the same time taking account of the objectives of Article 39 of the Treaty, the need to achieve in some sectors a greater market equilibrium, and the relationship between Community support prices and the level of comparable support prices for similar products in the main competitor countries.

Cereals substitutes (alternative to second bracketted passage in paragraph 7(a))

The Council will

- (a) complete negotiations rapidly for the stabilisation of imports of manioc;

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(b) authorise exploratory discussions with third country suppliers of individual products competing directly with cereals with a view to securing agreement on stabilising imports of other individual substitutes on the basis that the gap between Community support prices and comparable support price levels in competitor countries will be reduced.

Note: The text of (b) would not commit the United Kingdom at this stage to substantive decisions. The reference to "products competing directly with cereals" would enable the United Kingdom to argue that soya is not included.

Milk (alternative to paragraph 7(b))

Modulation of the guarantee should be achieved by a combination of

- (a) a linear co-responsibility levy with the existing exemptions
- (b) a supplementary levy on additional deliveries to dairies or modulation of the intervention price if production exceeds a guarantee threshold
- (c) a possible limited exemption from the co-responsibility levy for a certain quantity of milk from each herd if warranted by price decisions and subject to suitable conditions.

Note: We would interpret "subject to suitable conditions" as entailing that at least part of the cost was borne nationally, and would make this intention clear to the French.

Export Contracts (alternative to paragraph 12(b))

The Council should be ready to examine specific proposals for the



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negotiation of framework agreements for the multi-annual supply of products to importing countries, specifying in each case the products and the provisions to be included.

Note: This text would not commit the United Kingdom at this stage to substantive decisions.

Financial limit (alternative to paragraph 18)

The Heads of State and Government invite the Council and Commission to implement these guidelines so that agricultural expenditure in the years ahead grows markedly less rapidly than the growth of own resources.

Note: The United Kingdom would agree to drop the word "markedly" only if the Germans had abandoned it first.