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MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
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From the Minister

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PRIME MINISTER

PREPARATIONS FOR THE EUROPEAN COUNCIL

I have now seen your Private Secretary's letter reporting the meeting you had last night with the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer. I have also had a report of the follow up official discussions this morning in the Cabinet Office.

I recognise of course the desirability of securing a binding commitment to a budgetary corrective arrangement applying for a period of years and on a basis which recognises the criteria we would wish to see adopted. But I remain very sceptical of the chances of our securing anything on the budgetary corrective at this stage which would justify our making concessions of substance to the French on the CAP.

I was therefore concerned by the reference to our being prepared at this stage to show a willingness to offer the French some limited help on the CAP, even though this is made conditional on their being prepared to reciprocate on the budgetary guidelines. The French will tell us clearly enough what their price is for meaningful progress on the guidelines. In offering any weakening of our position on the CAP at this stage we shall clearly in my view run the risk of making concessions of substance which have real and adverse effects, in exchange for insubstantial wording on the budget. I hope you will share my own view that, while pressing our own compromise proposal on the budget, we must avoid putting ourselves in this position.

/I accept ...

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accept that our representatives at Monday's discussions in Brussels will need to indicate a readiness on our part to be flexible on points which the French will want in return for a budget deal. Subject to seeing the detailed briefing which I understand will be submitted to you later today, I accept that we should indicate to the French that we would be ready to examine specific proposals on long-term contracts and authorise exploratory discussions with third countries about stabilising imports of products which compete directly with cereals. I do not, however, consider that we should now accept on milk the possibility of limited exceptions on the milk co-responsibility levy.

I wish you to understand that acceptance of a co-responsibility levy which discriminated in favour of small producers would be highly unfavourable to Britain; it would also be deplored by the Netherlands and Denmark. It would be a cause of immense discontentment on the part of British milk producers. Whilst there may be a settlement on the budget that makes all of this worthwhile, at this moment of the negotiations we should be taking a stance of strong hostility so that, if we have eventually to move, a very considerable price is paid to us in return. If we show flexibility on this now, we diminish our chances of reaching this objective.

In indicating to the French that we would make some movement on the CAP, I am concerned that we should do so in a way which leaves the French in no doubt at all that there will be no substantive decisions on any of these issues except in the context of a fully satisfactory settlement of the budget. It seems to me that we need to be very clear on this point otherwise we give them every opportunity of accusing us later of misleading them.

I should like also to draw attention to one important point in the draft Conclusions reported to me last night. The brief text recording that monetary compensatory amounts should be phased out in conformity with the conclusions of the Council on 5/6 March 1979 and of 6/7 May 1980 is acceptable as it stands, but only provided that it is not interpreted as in any way going beyond those conclusions. The point here is that the 1979 conclusions record agreement on detailed rules for phasing out MCAs by eight countries only, with the United Kingdom declining to be bound by them.

We could not accept any commitment to phase out our own positive MCA, since this would mean reducing support prices to our farmers simply because the pound happened to be relatively strong on the foreign exchanges. This would be very damaging and completely indefensible.

/I am sending...

I am sending a copy of this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and Sir Robert Armstrong.

Kate Timmins

for PETER WALKER
20 November 1981

(Approved by the Minister
and signed in his absence)