

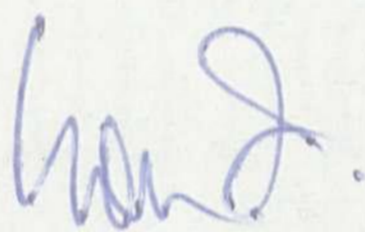
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Qz.02374

MR ALEXANDER

--- The Prime Minister may find it helpful before her briefing meeting tomorrow to have the attached draft brief which suggests how she might guide the discussion on the Mandate.

I am sending a copy to the Private Secretaries to the Foreign Secretary, the Chancellor of the Exchequer and the Minister of Agriculture.



M D M FRANKLIN

23 November 1981

Lyster

Carole T. J. Duffield
P. Anderson.

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EUROPEAN COUNCIL: THE MANDATE

Brief for the Prime Minister on Handling.

1. In opening the discussion on the Mandate the Prime Minister will want to make clear that she is looking for discussion at the level of Heads of Government on ^{some specific} ~~these~~ areas where Foreign Ministers have not been able to reach agreement and where they need to give directives to enable officials to draft the conclusions. She will want to say that it is essential to make progress on all three chapters. She would have preferred to avoid going into detail but there are unfortunately a number of subjects on which no agreement has been possible at a lower level and it will be necessary for the Heads of Government to go through these one by one. She will want to urge them to make a real effort on the various points, on the understanding that the conclusions as a whole will form a package: agreement on one or another point will be understood to be conditional on agreement on the package as a whole. If there are other points, not covered in the Presidency's report, which anyone wishes to raise, these might be taken at the end of the discussion. But a point by point discussion, of the points listed in the Presidency report seems indispensable.

2. At this point the Prime Minister might pause for comments but she will want to resist any attempts to make general statements and suggest these be left to the end.

3. On timing, she will want to suggest that it is essential to get through all three chapters before dinner. She will want to leave at least an hour before she proposes to break for dinner for discussion of Chapter 3. If discussion on Chapter 2 is unduly slow she may want to break it off at this point, though there is no need to announce this in advance.

CHAPTER 1: DEVELOPMENT OF COMMUNITY POLICIES

4. In introducing this chapter the Prime Minister might say that, thanks to the progress made by Foreign Ministers there are only two problems to be dealt with and she hopes to cover these fairly quickly.

/Borrowing

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Borrowing and Lending

Opening Statement

5. The issues are whether the New Community Instrument (NCI) (under which the Community borrows on the market and on-lends for projects in the field of energy, industry and infrastructure) can be transformed into a European Fund and increase in size.

Handling

6. The Prime Minister might turn to Spadolini and Mitterrand who are the main supporters of expansion and to Schmidt who opposes an increase, before proposing a compromise, which would include agreement on the name change and on a general commitment, without a figure, to an increase in the Fund.

Possible Summing Up

7. I have noted the gap between the positions of some delegations but I would suggest that the most we can all agree on today is that we should convert the New Community Instrument into a Fund and we should agree in principle on the desirability of an increase but leave the amount to be settled later.

Regional Fund

Opening Statement

8. The question we need to resolve here is whether the quota section of the Regional Fund should be concentrated on the poorer Member States (Greece, Ireland, Italy, UK) or whether, as at present, there should be quotas for all Member States. I understand that most Member States are prepared to agree to the change.

Handling

9. I would like to turn to Mitterrand and Eyskens who, I understand, had difficulty with this proposal.

Possible Summing Up

10. I wonder whether we could not all agree that in the new regional fund the highest priority should be given to the regions in the less prosperous Member States.

CHAPTER 2: COMMON AGRICULTURAL POLICY

Handling

11. Agriculture will be a difficult and detailed part of the discussions but one to which several member states attach great importance. While it may be necessary to intervene from the Chair to cut short the discussion, eg by suggesting that the discussion on individual commodities should be remitted to the Agriculture Ministers, to do so prematurely could prejudice discussion of Chapter 3.

A. Price Policy

Handling

12. It might be helpful to get the discussion off to a good start by, in effect, offering a compromise from the Chair at the start.

Opening Statement/Possible Summing Up

13. All our discussions are, of course, subject to reaching agreement on the complete mandate. Against this background I think it should be possible to find a guideline for price policy which we could agree without too much debate. It would have to recognise the need for:-

- (a) A prudent price policy;
- (b) Which takes account of Article 39 of the Treaty and the concern there for the incomes of farmers;
- (c) The need ^{to have a balance between supply and demand} ~~to improve market equilibrium for several commodities;~~ and
- (d) The need, in appropriate cases, to take account of the relationship between Community support prices and support prices in the main competitor countries.

B. Cereals

Opening Statement

14. We need to look at two aspects of cereals together. There appears to be a fair degree of support for reducing cereals prices in real terms to achieve a better balance between cereals and livestock. But there are differences of view on action to stabilise imports of cereals substitutes.

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Handling

15. After introduction invite Van Agt, Mitterrand and Schmidt to speak.

Possible Summing Up

16. (a) All are agreed that the Community should make reductions in the real price of cereals.
- (b) There remain differences on the need to control imports of cereals substitutes but perhaps we can agree that the Council should complete the negotiations on the stabilisation of imports of manioc and should authorise exploratory discussions with third country suppliers on certain other individual substitutes which compete with cereals. [Not including soya and other oil seeds.]

C. Milk

17. The milk sector is complicated and many different ideas have been put forward by the Commission and different member states. Dairy surpluses have been reduced; but most seem to be agreed that arrangements of some kind are needed to alert producers to the dangers of surplus production.

Handling

18. After introduction might invite Fitzgerald, Mitterrand, Van Agt, Jorgensen to speak. Discussion is likely to reveal continuing differences on method. This could be the occasion to intervene and suggest a remit to agriculture Ministers.

Possible Summing Up

19. (a) It is clear that the complex problems of dealing with this sector will have to be tackled by agriculture ministers when they settle the 1982 price fixing.
- (b) But it should be possible for the European Council to agree that effective measures to deal with surplus production of milk must be introduced and ask the Agriculture Council to settle the modalities.

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D. Mediterranean Agriculture (wine, fruit and vegetables and olive oil)

Opening Statement

20. Discussion in the Foreign Affairs Council has shown that it is important for some member states (France, Italy and Greece) to have specific guidelines on mediterranean products. The Presidency draft now includes specific wording on each commodity (wine, fruit and vegetables, olive oil). I hope we can agree that this represents an acceptable way of taking the work forward.

Handling

21. Invite Papandreou and Spadolini to speak; but also Schmidt who will be cautious. Discussion may well be sufficiently vague for a rather broad summing up.

Possible Summing Up

22. May not be able to improve on existing text. Detailed work now referred to the Agriculture Council.

E. Exports: Long Term Contracts

Opening Statement

23. For several delegations agreement to develop long term contracts for exports is a matter of great importance. But for other delegations there are doubts about financial aspects and the implications for the Community's broader trade policy. No opposition to the Community's present and substantial role as an agricultural exporter.

Handling

24. Fitzgerald, Jorgensen (in favour) and Schmidt, Van Agt (against) might be invited to speak. There is no prospect of agreement.

Possible Summing Up

25. Opinions are still divided. Perhaps we can agree that the Council should be invited to examine specific proposals for the negotiation of framework agreement for particular products. This should help to clarify the position so that the Council can judge whether the advantages envisaged by some outweigh the doubts and difficulties envisaged by others.

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F. Budgetary Aspects: Growth Rate of Agricultural Expenditure

Opening Statement

26. There is general concern about the level of expenditure on the Common Agricultural Policy which has resulted in several different approaches being suggested to containing its level. One formulation is that it should grow at a rate markedly less than the growth of the own resources base. A second formulation is that it should grow at two thirds that rate. Another suggestion is that the proportion of the budget taken by agriculture should be reduced to 60 per cent. And some delegations do not want any of these ideas.

Handling

27. Mitterrand, Schmidt, Jorgensen could be invited to give their views. Prime Minister might then call on Eyskens, who is likely to propose a compromise formulation.

Possible Summing Up

28. Could we all agree with the Eyskens formulation? viz that we invite the Council and Commission to implement the guidelines so that agricultural expenditure in the years ahead grows [markedly] less rapidly than the growth of own resources.

[Note: UK would prefer "markedly" but it is unlikely to command general support.]

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CHAPTER 3: BUDGETARY ASPECTS

Opening Statement

29. It is disappointing that progress on this Chapter seems to have lagged behind progress on the other two. I would have preferred to aim for agreement on the whole problem at this meeting but I fear that this is impossible, in view of the lack of progress so far. Our aim is to make solid progress on the principles of a solution even if we cannot expect to reach final agreement on the details today.

30. I am sure there is a good deal of common ground on which we can all agree. We all agree that the object of the Community Budget is to finance agreed policies but that, at the same time, unacceptable situations must be avoided. We support the need for convergence and to avoid imposing undue burdens on any Member State.

31. We are also agreed that in the longer term the answer lies in the development of better balanced Community policies. That is why we have been discussing Chapters 1 and 2. But this will take time and in the meantime a corrective arrangement will be needed if unacceptable situations are to be avoided. (Note: These paragraphs cover the material in the first three paragraphs of the Budget Guidelines. At this point the Prime Minister may wish to pause and see if there are any comments before going on to the material in the remaining paragraphs of the Budget Guidelines).

Handling

of the

32. I suggest we now consider the nature/problems which need to be resolved and the means of doing so.

33. First I think it is clear that the problems arise both from excessive contributions, as already recognised by the Financial Mechanism and from inadequate receipts. I hope we can agree that we must avoid an annual negotiation on the figures and that this means that the arrangement must be based on objective criteria, which should obviously take account of the relative prosperity of Member States. (The Prime Minister might pause for comments at this point).

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34. Second I am sure we all agree that the financing of the arrangements must be achieved within the available Community resources and without putting at risk the financing of other policies. Moreover the financing must take account of Member States ability to pay ie whether they have more or less than average Community GDP as well as whether they already have a problem arising from the Community Budget. (Pause for comments).

35. Third I think we should all be able to agree that the arrangements should start in 1982. It will be for the Council to adopt the necessary detailed decisions on proposals from the Commission. (Pause for discussion).

36. Fourth I suggest that the arrangements agreed should be subject to review after a period of seven years to consider whether any changes are needed. (Pause for comments).

Possible Summing Up

37. We had a useful discussion and I think we should now see if officials can improve the budgetary guidelines text on the basis of our discussion.

OR

I really do not think we have made enough progress for officials to be able to draft. We will need to continue this discussion over dinner.