



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

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PRIME MINISTER

30 MAY MANDATE: FOREIGN MINISTERS' MEETING

I have seen copies of the minutes to you from the Foreign and Commonwealth Secretary and the Chancellor following our discussion on 2 December. I have also seen a copy of your Private Secretary's letter of 4 December recording your decisions on how we should proceed. You left for further consideration our approach on the budget and on agricultural problems, and it is on this that I should like to comment.

2. I agree with the Chancellor that if we could get guidelines which included the four essential requirements he sets out in his minute we should have taken a valuable step towards a satisfactory budget settlement, and one which would justify certain concessions (which I will discuss later) to the French in the agricultural guidelines. But I also agree with the Chancellor in not rating very highly our chances of securing an agreed set of guidelines at the Foreign Ministers' meeting.

No 3. My concern is therefore that we should give no more agricultural concessions to the French, however conditionally, until they have shown genuine willingness to move towards our position on the budget. We have already made two conditional concessions - on the import of cereal substitutes and on export contracts - without eliciting any corresponding move from the French. I suspect this means that they are following their usual method of negotiation: one of unyielding toughness right up to the last minute, pocketing each successive concession from their opponents and using it to justify an ever higher price for their ultimate agreement. I suspect that this is not merely the technique they adopt themselves but also the only one they understand, and that they regard all concessions from the other side, however conditional or qualified, as simply evidence of weakness.

/4. If this assessment ...

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4. If this assessment is correct, then our main purpose, I suggest, must be to persuade the French that we shall not move another inch towards them on agriculture without real movement from them on the budget; and that unless and until the eventual budget deal is agreed there can be no question of our agreeing to Council decisions on any of their agricultural aims (including 1982 prices). On Mediterranean agriculture we should ensure that the Italians as well as the French realise that we shall give nothing of substance except in the context of a budget settlement.

5. How might we best achieve these results at the Foreign Minister's meeting? We start at a disadvantage, it seems to me, in always having to discuss agriculture before we discuss the budget. I can see that if the Chair were to suggest reversing the order it might only open up a sterile procedural argument; but the Foreign and Commonwealth Secretary may nonetheless wish to consider this. If we have to stick to the usual order, then in my view it will be important to take a very hard line on milk and the other agricultural items and to avoid discussing any new texts until all three chapters have been discussed. Only if we see a willingness emerging to meet the Chancellor's minimum requirements on the budget guidelines should we make any move from our present stand on agriculture.

6. Turning to the substance of the agricultural chapter, I take a rather different view from the Chancellor. I believe that any guidelines acceptable to France and Germany are more likely to be prejudicial than helpful to us in future negotiations on the common agricultural policy. As to the three main points at issue, I agree of course that we should stick with Chancellor Schmidt's text on the limitation of agricultural expenditure, because we need German help in the budget negotiation. But I do not share the Chancellor's confidence that a tough guideline on agricultural expenditure would necessarily prove a good thing for us. I suspect it would simply increase the

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pressures for higher co-responsibility levies and for cuts in direct subsidies - such as the UK butter subsidy, the sheepmeat premiums and the aids to beef producers - from which we derive most benefit. It would therefore not greatly concern me if we had in the end to accept a somewhat weaker formulation on this.

7. On Mediterranean agriculture, I agree with the Chancellor that we should in no circumstances go beyond a general reference to improving the regimes in question; and that we should seek if possible to limit any reference to "improvements for the Mediterranean regions" rather than in the provisions for the individual commodities. The essential aim here of course is simply to keep down the cost; and we should have German and Dutch support in doing so.

8. Milk is the real difficulty. It is quite clear that the French are set on securing discrimination in favour of the small producer, first on milk and later on other commodities (the Commission are already proposing a similar discrimination in the beef sector). Discrimination of this kind is diametrically opposed to British interests. Because small producers account for a tiny proportion of our agricultural production but a massive proportion of French and German production, any discrimination in favour of small producers builds in a competitive advantage for Continental agriculture over British. If it were proposed to adopt Community policies that gave a competitive advantage to Continental producers of motor cars or electronics over British producers, we would not dream of accepting it: it is in my view every bit as unacceptable in the agricultural field. Certainly our supporters in the country would not understand our going along with it; and we committed ourselves in our Manifesto not to do so.

9. How then are we to resolve the difficulty with the French? In my view we should not at this stage accept the continuation of the existing co-responsibility levy of 2.5%, which is against our interests: no-one will be accepting similarly detailed

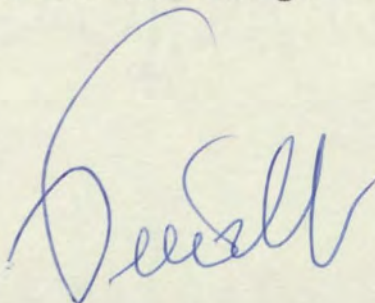
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decisions on the budget and we should not concede detailed decisions on agriculture. We should most certainly not accept the principle that the co-responsibility levy should "take account of the situation of small producers": That is an invitation to discriminate against us (and the slightly watered-down German version is as unacceptable in principle as the Commission's). The furthest we should go, in my view, is to show a readiness to consider the possibility of temporary income aids of a social kind to small milk producers, wholly or at least mainly financial by member states themselves. The distinction I draw is between Community measures on price or levy, which build a competitive advantage for small producers into the regime itself and are unacceptable for that reason; and temporary income aids for those who cannot support the full rigour of the milk policy, which although undesirable could be just about acceptable if they were mainly nationally financed and under strict Community control. I would not object to general wording which could be interpreted as going no further than this; but only, of course, if we secured the Chancellor's four requirements on the budget.

10. The status of the text on all the other agricultural issues, including the modulation of guarantees, cereals and national aids, is obscure. I hope we can agree that no further concessions need or should be made on them.

11. I am sending copies of this minute to the Foreign and Commonwealth Secretary and the Chancellor, and Sir Robert Armstrong.



PETER WALKER
7 December 1981

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