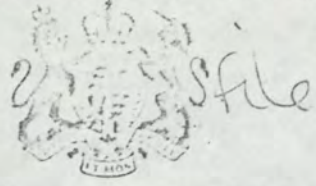


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Budget Pt 15



cc: FCO
HMT
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10 DOWNING STREET

From the Private Secretary

30 March 1982

30 May Mandate and Prices Fixing

You rang me on 28 March to give me an account of Mr. Walker's discussion the previous day with his Belgian opposite number. The Belgian Minister had said inter alia that he understood that it was necessary for the UK to make a link between the agricultural price settlement and the Mandate; but that he nevertheless wished Agricultural Ministers to complete their work on the package urgently so that, as soon as the Mandate problem was solved, it could be implemented. I passed on this message to the Prime Minister.

There was, as you will have seen from the reporting telegram, very little discussion of the Mandate at the European Council and virtually no reference to the Agricultural Price Review. But the line taken by President Mitterrand makes it unlikely that any solution to the budget problem will be found at the next meeting of Foreign Ministers in Luxembourg on 3 April.

In speaking to the press after the European Council, the Prime Minister stressed that the European Council had agreed last November that progress on the three chapters on the Mandate should be made in parallel. She also stressed that the size of the price increase would be a crucial determinant of the UK's contribution in future years.

In this situation the Prime Minister believes that we may be entering a period lasting some weeks in which no agreement can be reached on either the Mandate or on agricultural prices. During that period we shall have to maintain our veto on the implementation of any agreement on prices against a background of mounting criticism from other member states and the Commission. For that reason the Prime Minister is most anxious that the United Kingdom should take a consistent line on the nature of the inherent link between CAP policies and our budget problem in all the relevant Mandate negotiations. I attach as an annex to this letter, a brief on this point which was agreed last week by the officials of the departments concerned.

/ The Prime Minister

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The Prime Minister naturally hopes that Mr. Walker will take a full part in the price-fixing negotiations in order to attain as many UK agricultural objectives as possible, including a low price increase. If the Agriculture Council reaches the point where the other nine Ministers are ready to agree, she thinks that it would be particularly helpful for your Minister, in explaining our continuing veto, to make a special point of stressing to his colleagues (and to the press afterwards) that the reason why the United Kingdom cannot agree to the package is that the price proposals and the other measures that increase our net contribution would, failing a budgetary corrective arrangement, impose an excessive cost on British taxpayers.

I am copying this letter to the Private Secretaries to the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer and Sir Robert Armstrong.

A. J. COLES

Robert Lowson, Esq.,
Ministry of Agriculture, Fisheries and Food

SPEAKING NOTE FOR USE IF IT IS SUGGESTED THAT THE UK SHOULD AGREE TO AN
AGRICULTURAL PRICE SETTLEMENT IN ADVANCE OF AN AGREEMENT ON THE BUDGET PROBLEM

We all agreed last November that progress on the three Chapters of the Mandate should be made in parallel. The measures which are being considered in the context of the price fixing are organically linked with the proposals for CAP reform which have been discussed in the context of the Mandate. For example, the price proposals cover the treatment of Mediterranean products, help for small milk producers, modulation of guarantees for surplus products and the regime for cereals. They also have implications for the proposed guideline on the rate of growth of agricultural expenditure. We should not envisage decisions being taken on the CAP when comparable decisions on the implementation of the other Chapters have yet to be taken. Moreover, decisions taken now on the level of CAP prices will be a crucial determinant of the level of the UK net contribution in this and future years, and some of the current proposals, such as aid for small milk producers, and Mediterranean agriculture, would significantly add to the UK's budget burden. It would not be right to take decisions of this kind when we have still not agreed how that burden is to be alleviated.