



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
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Prime Minister

From the Minister

For discussion on

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Thursday. A.J.C. 14/6

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London
SW1A

14 June 1982

[Handwritten signature] *[Handwritten initials]*

THE LUXEMBOURG COMPROMISE

We shall be discussing the Foreign Secretary's paper on the Luxembourg Compromise this Thursday. Meanwhile I thought it might be helpful to explain in a little more detail one of the most serious implications of the Agriculture Council's votes of 18 May.

This relates to the new French argument that the Compromise can only be properly invoked if the national interests concerned relate directly to the subject under discussion. If this point were to be accepted and interpreted literally it would change the whole nature of the annual price-fixing negotiation, and very much to our disadvantage. It has always been implicit in that negotiation that each country is entitled to block measures which would benefit others until it has secured at least its own minimum requirements from the package. The package, in other words, has been regarded as an entity, to be accepted or rejected as a whole. On 18 May, however, this concept was implicitly abandoned and each Regulation was voted on separately.

If the French view of the Compromise were accepted, this procedure could very readily be repeated: a country might then be able to block a single Regulation which it could show had an unacceptable effect for important national interests. But it could not block the rest of the package. Still less could it insist, as we have many

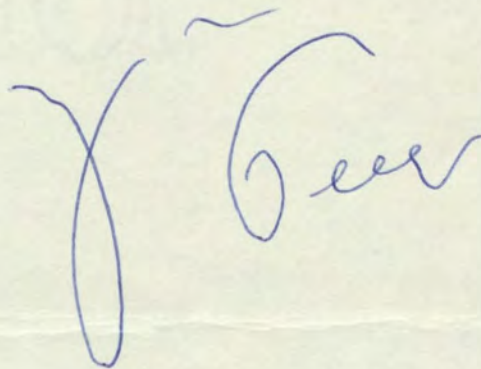
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times had to do in the past, on the inclusion in the package of measures which the Commission had not seen fit to propose. Nor would it be possible to block price increases on which others were agreed, since it could never in their eyes be an important national interest, in strictly agricultural terms, to reject a level of price increase whose undesirability related essentially to its budgetary cost.

I am very much afraid that whatever is now done to reinstate the Compromise, the fact that agricultural measures have been put through once by a vote against the wishes of three member countries means that the same thing can happen again. But we must make it as difficult as possible for this to take place. I would much prefer not to have to accept a requirement to explain in writing the reasons for invoking the Luxembourg Compromise. For the reasons I have given this could obviously make it much harder to achieve our aims in a package negotiation of the price-fixing type; and it would make us more vulnerable to criticism at home if we had subsequently to change our stance. But if we cannot avoid that we must at least resist any definition of the circumstances in which the Compromise can be invoked which limits them in a way damaging to our interest. I am very glad to see that the Foreign Secretary recognises this in paragraph 12 (v) of his paper OD(82)48. The purpose of this letter is simply to reinforce that very important point.

I am sending copies of this letter to the Foreign Secretary, other members of OD and to Sir Robert Armstrong.



PETER WALKER

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