

Alan

Wd. prefer not.
Can you find a home
for it?

Jance
Is this for you?

10/12/80
17/12



10/12/80

10 DOWNING STREET

15 December 1980

From the Private Secretary

European Reform Group

The Prime Minister has seen the draft reply from the Lord Privy Seal to Mr. Teddy Taylor, MP, enclosed with your letter to me of 11 December. She thinks that it is a little too confrontational and would hope that the Lord Privy Seal would be prepared to make the following amendments in the final version:-

- (a) Paragraph 1 : delete second sentence.
- (b) Paragraph 2 : delete the last two sentences.
- (c) Paragraph 7 : 4th sentence : delete "fully".
- (d) Paragraph 8 : insert after second sentence new sentence as follows "Decisions are taken in a management committee which does not require unanimous agreement."
- (e) Paragraph 9 : redraft first sentence to read as follows "Your fourth proposal, to 'abolish' or 'eliminate' the Common Agricultural Policy is incompatible with our membership of the Community." The Prime Minister also thinks that it would be useful to quote from Article 39.
- (f) Delete final paragraph and substitute "It would be my hope that you could agree these points. If so, perhaps we could both accept that they can be carried out within the framework of the Treaty of Rome."

MA

88

S. J. Gomersall, Esq.,
Lord Privy Seal's Office.



Foreign and Commonwealth Office

London SW1A 2AH

No.

*I have to try to
keep the party together,
and we have taken by the
L.P.S. in doing
to the one which
I look in Prime Minister.*

11 December 1980

(1)

*Dear Nicholas
Please when you see
the Lord Privy Seal would like to be assured
that you are broadly content with the line in this
letter before he despatches it.*

CONSERVATIVE EUROPEAN REFORM GROUP (ERG)

Am 12/11

I enclose a draft reply to a letter the Lord Privy Seal has received from Mr Teddie Taylor MP about the policies proposed by the Conservative European Reform Group. The draft confirms the position taken by the Lord Privy Seal in the House of 3 December, and makes clear that certain points in the Group's programme are not negotiable.

In view of her meeting with Mr Taylor and the Reform Group on 15 December the Prime Minister may wish to see the draft reply.

I am copying this letter to Nicholas Franklin, Cabinet Office.

*Yours ever
S J Gomersall.*

S J Gomersall

M O'D B Alexander Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

Lord Privy Seal

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Teddy Taylor Esq MP
 House of Commons
 London SW1A 0AA

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Thank you for your letter of 4 December about the European Community. [I am afraid it confirms my earlier view that your stated aims, specifically three out of four of them, are incompatible with our membership of the Community.]

On the first point in your letter, of course the Government fully share your view that we must work for a better balance in European Community net budget contributions. We have already achieved a great deal in this area, and there is no doubt that this was because of the Prime Minister's determination and the Government's commitment to Europe. The contrast with the failure of our predecessors is evident. We shall be seeking further progress during the process of examination of the Community budget which will take place, in accordance with the agreement of 30 May, during 1981. In the agreement, our partners have accepted the need to prevent the recurrence of unacceptable situations for any individual Member State and to review the whole structure of Community expenditure policies. [But any chance of success would be vitiated if the Government's commitment to the Community itself were in doubt. That is why I believe your approach is misconceived, and likely to impede rather than encourage reforms in the Community which will benefit Britian.]

Enclosures—flag(s).....

/On the question

On the question of national powers to control dumping, we have not in fact negotiated away, since we joined the Community, our national powers. The position is that in the Treaty of Accession itself (endorsed by both Houses of Parliament) we agreed that the United Kingdom would retain certain residual national powers for a transitional period. There were in 1973 considerable differences between UK national rates of customs duty and the Common External Tariff (CET) of the EC. Until our system was harmonised with the CET we needed to retain the power to apply anti-dumping duties at different rates as well. With our inclusion in the customs union on 1 July 1977, however, this requirement disappeared.

Independent action by Member States on dumping or any other external trade matter would be incompatible with Chapter 3 of the Treaty of Rome and in particular with Article 113 which explicitly states that '... the Common Commercial Policy shall be based on uniform principles, particularly in regard to ... measures to protect trade such as those to be taken in case of dumping ...'. Since the EC is a full customs union within which goods circulate freely, anti-dumping action has to be on a Community basis if it is to be effective. So the restoration to Member States of the right to take unilateral action on unfair trading practices including dumping is inconsistent with our obligations under the Common Commercial Policy and would weaken the effectiveness of the Community's action as a whole.

The Department of Trade has however an active anti-dumping unit to help British industry in presenting its anti-dumping complaints in Brussels. There is close liaison between this unit and Commission staff.

Thirdly, you say that you cannot believe that the general aim of reasserting the power of National Parliaments - in the terms of your group's statement - over the European Community institutions is in any way incompatible with membership.

/The powers

The powers of the European Community institutions are set out in the Treaties to which the United Kingdom acceded under the Treaty of Accession. The reassertion of the power of national Parliaments over the institutions of the Community in such a way as to interfere with the powers conferred by the Treaties on those institutions, would be incompatible with the obligations we accepted when we ratified the Treaty of Accession. In practice however the vast majority of important decisions in the European Community are taken by the Council on the basis of ^{full agreement} consensus. Ministers are as fully accountable to Parliament for their Community activities as they are for any other activities. Westminster scrutiny procedures provide for examination of draft Community legislation before it is approved by the Council of Ministers. The Government have undertaken in the House of Commons not to give approval in the Council of Ministers to a proposal which has been recommended for a debate by the House before that debate has taken place, save in exceptional circumstances or where the Scrutiny Committee agrees that UK consent in Council need not be withheld.

You mention in particular the question of the export of subsidised food to the Soviet Union. As you know, the Government has consistently opposed all subsidised food exports to the Soviet Union but we have not been able to secure agreement to this within the Community. However, at the instigation of the Council on 15 January and with our active support, the Community has restricted sales of a number of agricultural commodities to the Soviet Union since the invasion of Afghanistan. In the case of the remainder we continue to argue that the restrictions should be extended to them also.

Your fourth proposal, to 'abolish' or 'eliminate' the Common Agricultural Policy, is ~~yet another reason why the changes you propose are incompatible with the Government's policy and our membership.~~ The Treaty of Rome in Articles 38 to 46 explicitly requires that there should be a Common Agricultural Policy. Article 39, in particular, states what the objectives of the CAP shall be. The Government, like all

/British

Quote

Decisions are taken in a management committee which does not remain unreviewed.

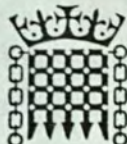
British Governments since our membership, support the objectives of the CAP as set out in this Article. They are similar to the objectives of British agricultural policy before our membership of the Community. That is not to say we are satisfied with the present workings of the policy. We are not. Fortunately our view of the need for far-reaching reforms in its operation is shared increasingly by other Member States, some of which have already put forward ideas of their own. This is quite possible within the framework of the Treaty. Rather than abolition of the CAP, as you suggest, it is effective reform of the policy which is needed. The commitment to restructuring of the Community budget which we achieved in the 30 May agreement provides a unique opportunity to bring this about.

You will see therefore the reasons why your prospectus is consistent with withdrawal from the Community but not with the Government's policy of making a success of our membership and of reform of Community policies.

*I would be my hope that you
 could agree these points. If so perhaps
 we could both agree that they can be
 carried out within the framework of the Treaty
 of Rome*

From: Teddy Taylor, M.P.

PS/LPS /



HOUSE OF COMMONS
LONDON SW1A 0AA

Thursday, 4th December.

Sir Ian Gilmour, M.P.,
Lord Privy Seal,
Foreign Office.

Dear Sir

I was concerned to read in Hansard this morning that you had stated twice that the aims of the Conservative European Reform Group were inconsistent with membership of the EEC. I would be grateful if you could advise me on what basis you arrived at this conclusion as the Group believes that it would be possible to seek to achieve its aims in negotiation without the consequences you mention.

(1) I cannot believe that our aim of securing a better balance in contributions is in any way inconsistent with Membership as this is something which the Prime Minister has already been engaged in.

(2) Nor can I believe that the aim of seeking to restore the power to nation states to control dumping would be inconsistent with membership. This was a power which we had in the initial years of membership and which was negotiated away. I cannot see any reason why the power solely to control dumping could not be sought in negotiation.

(3) I also cannot believe that the general aim of seeking to restore power over the EEC institutions is in any way incompatible with membership. We made it clear in our Press statement and conference that the power we had in mind was in relation to

(K)

cc. ps
ps/mr hnd
ps/pns
Lanbridge
Mr Hanway
Mr Fisher
4/12
MAY

the export of subsidised food to the Soviet Union which the Commission is pursuing and which the British Government opposes. This, we believe, is not only a reasonable objective in negotiation but would also be a natural consequence of the abolition of the CAP. It is, I would think, reasonable that Britain should seek to have the power to prevent the export of subsidised foodstuffs from intervention stocks in the United Kingdom.

(F) This leaves our aim to abolish the CAP and I can only assume that you believe that this is inconsistent with membership. If so, it would appear to be a significant change in Government policy. My understanding is that when the Council of Ministers instructe the Commission to draw up plans for a change in the structure which would not affect the principles of the CAP, the British Government made it clear that we regarded this reservation as being a commitment to maintain the principles from which the CAP was established on the support of agriculture and that the Government made it clear that these principles could be secured by means other than the maintenance of the CAP. If the Government now considers that the maintenance of the CAP is essential for the continuance of the EEC, I would think that this is a major shift in policy.

I would greatly appreciate your observations and clarification.

Yours

Teddy