

Ref: A04790

CONFIDENTIAL

MR. ALEXANDER

Grain Sales to USSR


Soviet
Assumed with Prime Minister. She is content. Mr Franklin informed.
K.A.
Print 29/4

The Prime Minister saw in the Gulf FCO telegram no. 348 to UKREP giving preliminary views on how we would want the Community to respond to the United States Government's decision to lift the grain embargo.

2. The Commission will be meeting today to discuss its line and we have lobbied them on the lines of telegram no. 348. The French are taking the line that the Commission is now free to decide, but we take the view that the Council itself must be involved, and we expect the matter to be discussed in COREPER tomorrow. I enclose a draft telegram of instructions which has been agreed by FCO and MAFF and at official level. The main elements are:

- (i) It is for the Council and not the Commission alone to lift the Community's embargo on grain. But given that the Foreign Affairs Council's decision in January 1980 was directly related to the United States action, it is unrealistic to expect, now that the United States have decided to lift their embargo, that we could get agreement on the maintenance of a Community embargo. It is clear that we should get no support from the Germans, and to try to and fail would only bring political comfort to the Soviet Union.
- (ii) But we should insist on the maintenance of the arrangements taken since January 1980 to improve monitoring of agricultural exports to the Soviet Union. This would be a worthwhile achievement in case of any new development in Soviet policy e. g. towards Poland.
- (iii) Community exports of butter to the Soviet Union are not affected by the United States decision, and since Community stocks are very low there is no reason for the Commission to change its position on export subsidies, which have been suspended since October 1980.

CONFIDENTIAL


CONFIDENTIAL

3. It is clear that the President of the French Republic attaches importance to a decision allowing the export of 600,000 tons of French wheat being taken before the final round in the Presidential elections (see the record of my talk last week with M. Wahl). We should upset him to no purpose if we tried to thwart him. If the French are assured that we will not block this export, they should be ready to accept our position on the political nature of the decision and the need to maintain the monitoring arrangements. Unlike wheat there are no good management reasons for exporting butter to the Soviet Union at the present time, and we will of course maintain our opposition to any such sales.

4. The FCO and MAFF are consulting the Foreign and Commonwealth Secretary and Minister of Agriculture respectively. I should be grateful for confirmation that the Prime Minister is content with the line proposed.



Robert Armstrong

29th April, 1981

CONFIDENTIAL

CONFIDENTIAL

TO UKREP BRUSSELS

COREPER 30 APRIL: GRAIN EMBARGO

OBJECTIVE:

1. To secure agreement:

a) That the Council machinery should be seen to take the political decision to lift the Community's embargo imposed in January 1980.

b) That monitoring arrangements introduced since that time should be maintained.

LINE TO TAKE

2. US decision clearly removes basis for principle laid down by January 1980 Foreign Affairs Council that Community supplies should not directly or indirectly take the place of those of the US on the markets of the Soviet Union. But in January 1980 Council was at pains to demonstrate that their action was an independent political decision taken by the Community on its own authority. The Community must now again be seen to take its own decision and must not simply alter its procedures without proper consideration in the Council machinery.

3. Therefore while British Government maintains reservations, which antedated US grain embargo, about appropriateness of subsidised food sales to Soviet Union, ^{we} accept that COREPER should agree on recommendation to Ministers on following lines:

a) Lifting of US embargo removes basis for January 1980 decision.

b) Council should therefore decide that the principle then laid down that Community supplies should not take the place of those of the US should no longer be applied.

c) Commission should be invited to take appropriate measures.

4. Important to ensure that these measures do not give wrong signal to Soviet Union and others about Europe's attitude to invasion and occupation of Afghanistan. Position of UK on this remains unchanged. So no doubt does that of other member states (see Paris telegram no 307 for French position) and Afghanistan must remain on agenda of Community/Ten.

CONFIDENTIAL

5. At same time measures taken since January 1980 to improve monitoring of agricultural exports to Soviet Union have proved useful and timely. They should be maintained in case of any new development in Soviet policy e.g. towards Poland. This point also should be included in recommendation to Ministers.
6. (If appropriate) Agree with Commission that US decision does not affect measures taken by Commission since October 1980 over export restitutions for sales of butter to the Soviet Union. It is for Commission to continue to judge situation in view of market requirements. Commission should however consult COREPER if these conditions change and potentially controversial export restitution proposals become once more a possibility. Same applies to other products.
7. (If appropriate) Once Council procedures have been completed (but not before) Commission of course free to bring forward proposals for sale, for example, of 600,000 tonnes of wheat to Soviet Union, if they judge this desirable on market management grounds.

BACKGROUND

8. The case for deliberate procedures being followed by the Council machinery is basically political not legal. We attach importance to the Council and its organs being seen to control actions by the Community over matters of such political importance as the grain embargo.
9. It is not yet clear what the Commission will propose to COREPER. But even if the substance of what they propose is acceptable we shall want to press for the final word being seen to lie with the Council machinery, eg in the form of a recommendation by COREPER which would then be agreed by the written procedure.
10. It seems uncertain whether the proposed sale of 600,000 tonnes of French wheat to the Soviet Union will now come before the Management Committee in the near future (para 3 of your tel no. 1444).

CONFIDENTIAL

If this were to come up at the Management Committee in the near future, it would be inconsistent to oppose it. But we should ask that no decision should be taken before completion of the discussion in the Council machinery about lifting the Community's embargo. If, however, others insist on a vote irrespective of the position in COREPER our representative will abstain.

Ref. A04793

PRIME MINISTER

Cabinet: Community Affairs

There are no major Community developments to report since the Easter break.

2. You might invite the Foreign and Commonwealth Secretary and the Lord Privy Seal to report on the Community aspects of their respective recent visits to Bonn and Ankara, unless they have already been covered under the Foreign Affairs agenda item.

3. You might also wish the Foreign and Commonwealth Secretary to inform the Cabinet of President Reagan's decision to lift the United States embargo on grain sales to the USSR, and to explain its implications for United Kingdom policy with regard to the parallel embargo imposed by the Community in January 1980.

4. The 28th April Development Council was a non-event and calls for no discussion.



ROBERT ARMSTRONG

29th April, 1981