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*Prime Minister
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FM UKREP BRUSSELS
TO DESKBY 300900Z FCO
TELNO 3607
OF 291843Z OCTOBER 86
INFO IMMEDIATE PARIS
INFO ROUTINE COPENHAGEN, THE HAGUE, ROME, DUBLIN, BONN, LUXEMBOURG,
INFO ROUTINE ATHENS, LISBON, MADRID
INFO SAVING BRUSSELS

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FRAME AGRICULTURE

MEETING BETWEEN VICE PRESIDENT ANDRIESSEN AND SIR MICHAEL FRANKLIN

29 OCTOBER 1986

SUMMARY

1. SIR MICHAEL FRANKLIN, ACCOMPANIED BY MINISTER (AGRICULTURE), MET ANDRIESSEN AND HIS CHEF DE CABINET (TROJAN) TO CONCERT TACTICS AND OBJECTIVES ON BEEF AND MILK. USEFUL PROGRESS WAS MADE, PARTICULARLY IN ADVANCING ANDRIESSEN'S THOUGHTS ON THE NEED TO BRING FORWARD PROPOSALS FOR MILK QUOTA CUTS. ON BEEF, ANDRIESSEN FITTED HIS PROPOSALS INTO A GENERAL THEME ON THE NEED TO REDUCE INTERVENTION THROUGHOUT THE CAP TO A SAFETY NET ROLE. HE ASKED FOR THE PRESIDENCY TO DO MORE TO ACHIEVE AN AGREEMENT ON SOCIAL BUTTER AND TO SEEK A DECISION, IF POSSIBLE AGREEMENT, ON THE SOCIO-STRUCTURAL PACKAGE.

2. ON SPECIFICALLY UK ISSUES, ANDRIESSEN REMAINED NEGATIVE ON THE GREEN POUND DEVALUATION. TROJAN REPORTED THAT THE COMMISSION SERVICES WOULD BE PUTTING PRESSURE ON THE FRENCH, VIA CHIRAC'S OFFICE, TO CEASE THEIR OBSTRUCTION OF IMPORTS OF LAMB FROM THE UK.

DETAIL

3. SIR MICHAEL FRANKLIN SAID THAT THE MAIN OBJECT OF HIS VISIT WAS TO BEGIN PREPARATION FOR THE HIGH LEVEL GROUP ON 12 NOVEMBER AND THE 17/18 AGRICULTURE COUNCIL. WE FELT STRONGLY THAT DECISIONS MUST BE REACHED ON MILK AND BEEF BEFORE THE END OF THE YEAR AND THAT THE ISSUE SHOULD NOT BE HELD OVER UNTIL THE PRICE FIXING. FOR THIS TO BE POSSIBLE WE NEEDED TO WORK CLOSELY WITH THE COMMISSION AND TO DEFINE COMMON OBJECTIVES AND TACTICS.

(A) MILK

4. SIR MICHAEL FRANKLIN SAID THAT HE FELT THAT IT WAS HIGHLY DESIRABLE, FOR PRACTICAL AND NEGOTIATING REASONS, FOR THE COMMISSION TO TABLE PROPOSALS FOR QUOTA CUTS IN 1987/88, FOR IMMEDIATE DECISION. SUCH A DECISION, COUPLED WITH AS MUCH AS COULD BE AGREED OF THE COMMISSION'S EMERGENCY PACKAGE AND AN INCREASE IN THE

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SUPERLEVY WOULD MAKE A SIGNIFICANT CONTRIBUTION TO CUTTING THE SURPLUS. OF QUOTA CUTS COULD NOT BE AGREED, THIS WOULD MAKE IT MORE DIFFICULT FOR THE COUNCIL TO REJECT THE COMMISSION'S EXISTING PACKAGE.

5. ANDRIESSEN SAID THAT HE HAD YET TO CONSULT HIS COLLEAGUES, BUT HIS OWN MIND WAS TURNING TO PRESENTING THE EXISTING PACKAGE IN A WIDER CONTEXT, INCLUDING AN INDICATION OF THE FUTURE LEVELS OF QUOTAS. HE WAS, HOWEVER, WORRIED ABOUT THE GERMAN IDEAS FOR PAYMENTS TO COMPENSATE FARMERS FOR PARTIAL UTILIZATION OF QUOTAS. THIS WOULD NOT PRODUCE A NET BUDGETARY SAVING IN THE SHORT TERM, AND PRODUCED THE WRONG STRUCTURAL RESULT. SIR MICHAEL FRANKLIN AGREED THAT THESE DRAWBACKS EXISTED. THE IMPORTANT POINT, HOWEVER, WAS NOT TO MISS THE OPPORTUNITY OF CAPITALISING ON THE COUNCIL'S APPARENT WILLINGNESS TO CONTEMPLATE SOME MEANS OF CUTTING QUOTAS. DEFINITE COMMISSION PROPOSALS WERE NEEDED TO FORCE THE COUNCIL TO REACH A DECISION. ANDRIESSEN AGREED TO REFLECT. HE REGRETTED THAT THE PRESIDENCY HAD NOT PUT SIMILAR ENERGY INTO PUSHING THROUGH HIS PROPOSALS ON SOCIAL BUTTER. ROBERTS SAID THAT WE DID NOT SHARE THE COMMISSION'S ASSESSMENT OF THE COST BENEFIT OF THAT SCHEME, BUT IN ANY CASE IT MADE MORE SENSE TO PASS ADDITIONAL MEANS OF SURPLUS DISPOSAL IN THE CONTEXT OF DECISIONS TO CUT SURPLUS PRODUCTION.

(B) BEEF

6. ANDRIESSEN SAID THAT THE COMMON THREAD IN THE BEEF AND MILK PROPOSALS WAS THE DETERMINATION TO CONVERT INTERVENTION FROM A NORMAL OUTLET TO A SAFETY NET. HE IMPLIED THAT THIS TOGETHER WITH A STRICT PRICE POLICY, WHICH WAS NOW ALREADY ACCEPTED, WOULD BE A GENERAL THEME IN HIS PROPOSALS FOR THE FUTURE ORIENTATION OF THE CAP. ONLY IF THIS MAJOR CHANGE IN THE INTERVENTION SYSTEM WAS ACCEPTED WOULD HE MAINTAIN PROPOSALS FOR PREMIA. SIR MICHAEL FRANKLIN SAID THAT WE AGREED WITH THE OBJECTIVES ON INTERVENTION. IT WOULD BE NECESSARY TO PUT TO THE COUNCIL THAT INTERVENTION MUST CHANGE RADICALLY AND THAT THE PREMIA WERE AN OFFSET. OTHERWISE SEVERAL DELEGATIONS WOULD STICK TO THE POSITION THAT THERE SHOULD BE MINOR TINKERING ON INTERVENTION AND NO PREMIA.

7. ON INTERVENTION MECHANISMS, ANDRIESSEN SAID THAT HE HAD BEEN PREPARED TO CONSIDER THE FRENCH ALTERNATIVE SUGGESTION OF CUTTING BUYING IN PRICES BUT HE GATHERED THAT THE EXPERT GROUP HAD CONCLUDED THAT IT WOULD ONLY MAKE A MINOR IMPACT ON INTERVENTION VOLUME. ROBERTS SAID THAT THIS WAS ALL THE FRENCH WANTED TO ACHIEVE. WITH A BIGGER AND LINEAR PRICE CUT AND TOUGHER STOP/GO PROVISIONS SUBSTANTIAL INTERVENTION CUTS COULD BE MADE.

(C) SOCIO-STRUCTURAL PACKAGE

8. ANDRIESSEN SAID THAT HE WAS VERY DISAPPOINTED THAT SO LITTLE PROGRESS HAD BEEN MADE ON THE SOCIO-STRUCTURAL PACKAGE. THE COUNCIL HAD AGREED TO DECIDE BY 1 AUGUST AND HAD THEN ACQUIESCED IN A UK PRESIDENCY PROGRAMME WHICH IMPLIED A DECISION BY DECEMBER. IT NOW SEEMED UNLIKELY THAT EVEN THIS DATE COULD BE MET. FARMERS HAD FACED A TOUGH PRICE PACKAGE IN 1986 AND THERE WOULD BE A TOUGHER ONE IN 1987. ALL THIS WAS IMPOSSIBLE WITHOUT STRUCTURAL MEASURES. IF THE

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COUNCIL COULD NOT AGREE THE EXISTING PROPOSALS, THEY SHOULD AT LEAST GIVE THE COMMISSION GUIDANCE ON WHAT KIND OF PACKAGE THEY DID WANT. SIR MICHAEL FRANKLIN ADMITTED THAT WE REGARDED THIS PACKAGE AS HAVING A LOWER PRIORITY THAN BEEF AND MILK, BUT WE COULD CERTAINLY SEEK TO ARRANGE A COUNCIL DISCUSSION OF THE KIND ANDRIESSEN HAD SUGGESTED. ROBERTS SAID THAT HE HOPED THE WORKING GROUP WOULD REPORT TO SCA IN TIME FOR IT TO PASS THE DOSSIER TO THE NOVEMBER COUNCIL, THOUGH CLEARLY IT COULD NOT BE THE MAJOR ITEM FOR THAT AGENDA.

(D) BILATERAL ISSUES.

9. SIR MICHAEL FRANKLIN ASKED WHAT ACTION THE COMMISSION WERE TAKING TO DEAL WITH THE LATEST FRENCH ACTION ON UK LAMB. TROJAN SAID THAT FOLLOWING RECEIPT OF A COPY OF MR GUMMER'S LETTER TO GUILLAUME, LEGRAS (DIRECTOR GENERAL OF DG VI) WOULD BE CONTACTING CHIRAC'S OFFICE TO MAKE CLEAR THAT THE FRENCH REQUEST FOR AN ADVANCE PAYMENT ON EWES, WHICH WAS ON THE VERGE OF ACCEPTANCE, WOULD BE FROZEN UNTIL THE LATEST INCIDENTS CEASED.

10. SIR MICHAEL FRANKLIN PRESSED FOR A COMMISSION PROPOSAL ON THE GREEN POUND. ANDRIESSEN SAID THAT THE COMMISSION AS A WHOLE WAS VERY NEGATIVE. IT DID NOT WANT ANY ACTION IN ADVANCE OF THE REPORT ON MCAS. HAD HE PRESSED FOR A DECISION, THE COMMISSION WOULD HAVE TURNED DOWN THE APPLICATION. AS IT WAS, IT WAS STILL BEING STUDIED BUT NOT URGENTLY. SIR MICHAEL FRANKLIN MADE CLEAR THAT THIS WAS VERY UNSATISFACTORY, ESPECIALLY GIVEN THE CURRENT LEVEL OF UK MCAS AND THE CARE WE HAD TAKEN TO CONFINE OUR REQUEST TO THE PRECEDENT THE COMMISSION THEMSELVES HAD SET IN THEIR DECISION ON THE IRISH GREEN POUND.

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