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MEDITERRANEAN ACQUIS

In the light of this week's discussion in the Agriculture Council and other indications that the Italians are mounting an emotional resistance to the idea of a flat rate aid on olive oil, it seems likely that their Prime Minister will want to promote a substantive discussion of this at the European Council. We have thought it right to produce a rather fuller brief, the draft of which is attached to this letter so that it is available before tomorrow's briefing meeting. But we shall have to send round a final version on Friday.

There are two related procedural issues on the Mediterranean acquis, one of which is covered in the briefing and the other not.

On the timetable for settling the acquis, the steering brief speaks of an instruction to Agriculture Ministers "to complete their work and take the necessary decisions without delay". It has been suggested that we should go further than this and seek to lay down some new deadline (now that the end of March is clearly no longer realistic). It has been suggested that the end of April would be a suitable deadline. But I doubt whether a further deadline is going to influence developments in the Agriculture Council. More importantly, it would hardly seem to improve the credibility of the European Council to keep on laying down deadlines which are not observed.

The second related issue is the link with the price fixing. We do not consider that the Prime Minister should be briefed to go for a linkage, and there are a number of reasons for this. First, our main aim must be to get a satisfactory settlement on olive oil when we make concessions on fruit and vegetables. The problem, however, is that progress on the first dossier is much less advanced than on the second. So, if the Prime Minister were to press the linkage with the price fixing there is a danger that we would merely end up playing into the hands of the French, who want to deal with fruit and vegetables then, leaving the olive oil dossier unresolved if necessary, whereas our only prospect of getting a sensible settlement on olive oil would seem to be if we maintain the parallelism with the fruit and

vegetable part of the acquis. Second, the German Presidency are not making a link with the price fixing and, since they the Dutch and the Danes are our main allies in insisting on parallelism between the two acquis dossiers in order to get olive oil resolved, we want to avoid getting out of step with them. Third, if we make a strong link with the price fixing, we have to recognise (as we saw on wine) that at the end of the day we could not maintain that we had an important national interest which was at stake in these two dossiers. If we tried to do so, we could risk a replay of last May.

If you are still inclined to argue that we should go for a linkage between the acquis and the price fixing, I think that this point might be usefully brought out and aired at tomorrow's briefing.

I am copying this letter and the enclosure to John Coles (No. 10), Brian Unwin (Treasury) and David Hancock (Cabinet Office).

ours
Deuch.

D H ANDREWS