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FRAME AGRICULTURE

FRAME ECONOMIC

DESKBY 190730Z

FROM UKREP BRUSSELS 181659Z MAY 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1997 OF 18 MAY 1982

INFO ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS

COUNCIL OF MINISTERS (AGRICULTURE) 17/18 MAY

MIPT

MR WALKER'S STATEMENT

1. MR WALKER CRITICISED THE "CYNICAL" STATEMENT OF THE ITALIAN AND FRENCH MINISTERS. WHAT THEY HAD SAID SHOWED HOW WRONG THE CHAIR HAD BEEN TO PERMIT THIS VIOLATION OF THE LUXEMBOURG COMPROMISE. WHAT, IN EFFECT, THE FRENCH AND ITALIANS WERE SAYING WAS THAT, AFTER 16 YEARS, THEY HAD BROKEN THE LUXEMBOURG COMPROMISE AND NOW WISHED TO RECORD THEIR DESIRE FOR IT TO CONTINUE TO EXIST. THIS WAS RIDICULOUS. MR WALKER ASKED THE COUNCIL HOW MATTERS WOULD HAVE GONE HAD THE BOOT BEEN ON THE OTHER FOOT, AND HAD FRANCE, FOR EXAMPLE, BEEN IN THE POSITION OF DEFENDING A NATIONAL INTEREST, FACED WITH A SIGNIFICANT INCREASE IN THEIR BUDGETARY COST. IS IT CONCEIVABLE MR WALKER ASKED, THAT THEY WOULD NOT HAVE SOUGHT REFUGE IN UNANIMITY? ONLY RECENTLY, THE ITALIAN MINISTER HAD HELD UP THE WINE PACKAGE, PLEADING OVERRIDING NATIONAL INTEREST, AND THIS HAD BEEN ACCEPTED. NOW HE ACCUSED US OF ACTING SIMILARLY. THE EVENTS OF TODAY HAD OVERTURNED THE BASIC UNDERSTANDING OF MANY COMMUNITY MEMBERS. THE DAMAGE WHICH HAD BEEN DONE TO THE COMMUNITY WAS SO SEVERE AS TO BE UNQUANTIFIABLE. OUR COLLEAGUES HAD COLLUDED TO VIOLATE THE LUXEMBOURG COMPROMISE, WHICH WAS NOW DESTROYED. WE UNDERTOOK THE BENELUXE POSITION: THEY HAD CONSISTENTLY OPPOSED THE COMPROMISE. BUT GERMANY, IRELAND, FRANCE AND ITALY HAD NOW FORFEITED ALL RIGHT TO USE THE COMPROMISE AGAIN BECAUSE OF WHAT THEY HAD DONE.

2. MR WALKER THEN READ THE FOLLOWING STATEMENT ON TO THE RECORD:
" AT THE OUTSET OF TODAY'S PROCEEDINGS, I MADE A FORMAL STATEMENT TO THIS COUNCIL DISASSOCIATING MY GOVERNMENT FROM THE PROCEDURE BY WHICH THE PRICE DECISIONS HAVE NOW BEEN PUSHED THROUGH BY MAJORITY VOTING AGAINST THE FUNDAMENTAL OBJECTIONS OF THREE MEMBER STATES. THE COUNCIL HAS VIOLATED THE ACCEPTED CONVENTIONS UNDER WHICH ALL PREVIOUS PRICE FIXINGS HAVE BEEN ADOPTED, AND HAS BEEN GIVEN POSITIVE ENCOURAGEMENT BY THE COMMISSION TO DO SO. /I HAVE

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I HAVE MADE IT CLEAR THAT THE UNITED KINGDOM GOVERNMENT CONSIDERED THAT IMPORTANT NATIONAL INTERESTS WERE INVOLVED, AND THAT, IN ACCORDANCE WITH THE ESTABLISHED PRACTICES OF THE COMMUNITY, DISCUSSION SHOULD HAVE CONTINUED IN THIS COUNCIL UNTIL THE UNANIMOUS AGREEMENT HAD BEEN REACHED. IT HAS ALWAYS BEEN ACCEPTED THAT IT IS A MATTER FOR THE INDIVIDUAL MEMBER STATES TO DECIDE WHEN ITS IMPORTANT NATIONAL INTERESTS WERE INVOLVED. TWO OTHER MEMBER STATES HAVE JOINED WITH US TODAY IN ENDORSING THIS VIEW. MY DELEGATION HAS MAINTAINED ITS RESERVES ON THE LEVEL OF PRICE INCREASES, PARTICULARLY FOR THE SURPLUS COMMODITIES WHERE WE CONSIDER OUR AGRICULTURAL INTERESTS IN THE COMMUNITY ARE AFFECTED. WE HAVE ALSO MAINTAINED OUR RESERVE OVER THE BUDGETARY COST OF THE PROPOSAL. NO-ONE CAN DENY THAT THIS PLACES A FURTHER FINANCIAL BURDEN ON THE UNITED KINGDOM AND THERE IS, THEREFORE, A DIRECT AND ORGANIC LINK BETWEEN THE PRICE-FIXING DECISION AND THE BUDGET NEGOTIATIONS. I TOTALLY REJECT THE ARGUMENT THAT THE PRICE FIXING DECISIONS CAN BE REGARDED AS DIVORCED FROM THE BUDGETARY IMPLICATIONS. WE HAVE MAINTAINED ALL ALONG THAT THERE IS A DIRECT LINK AND THIS HAS BEEN RECOGNISED BY ALL MEMBER STATES IN THEIR AGREEMENT THAT THE THREE CHAPTERS OF THE 30 MAY MANDATE SHOULD PROCEED IN PARALLEL.

I ALSO REJECT THE ARGUMENT THAT THE COUNCIL WAS FACED WITH A LEGAL VOID WHICH HAD TO BE AVOIDED BY PUSHING THROUGH THE PRICE DECISIONS BY MAJORITY VOTING OVER THE OBJECTIONS OF THREE MEMBER STATES. THERE IS NO REQUIREMENT IN THE TREATY, AS THE COUNCIL'S LEGAL ADVISER CONFIRMED, TO REACH DECISIONS ON AGRICULTURAL PRICES BY ANY PARTICULAR DATE AND IN TWO OF THE LAST THREE PRICE FIXINGS THE DATE OF DECISION HAS BEEN LATER THAN TODAY. NO LEGAL VOID HAS ARISEN ON THOSE OCCASIONS AND THERE WAS NO NEED FOR SUCH A SITUATION TO ARISE NOW.

MY GOVERNMENT'S GOOD FAITH IN THE BUDGET NEGOTIATIONS HAS BEEN CALLED INTO QUESTION. I TOTALLY REJECT THE CHARGE THAT WE HAVE NOT BEEN READY TO NEGOTIATE CONSTRUCTIVELY FOR AN AGREEMENT. THE HISTORY OF THE BUDGET NEGOTIATIONS SHOWS THAT WE HAVE ON A NUMBER OF OCCASIONS MODIFIED OUR APPROACH IN ORDER TO SEEK A COMPROMISE. LAST FRIDAY, MY GOVERNMENT MADE A SUBSTANTIAL MOVE IN THE INTERESTS OF REACHING EARLY AGREEMENT BY SHOWING ITS READINESS TO NEGOTIATE FOR A ONE YEAR SETTLEMENT. ON SUNDAY THE COMMISSION PRODUCED A NEW PROPOSAL FOR A ONE YEAR AGREEMENT. WE MADE IT CLEAR AT YESTERDAY'S FOREIGN MINISTERS MEETING THAT WE WERE READY TO NEGOTIATE. YET IT SEEMS THAT MY GOVERNMENT WAS BEING PRESENTED WITH A TAKE IT OR LEAVE IT PROPOSAL.

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/MR CHAIRMAN,

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MR CHAIRMAN, I REGARD THIS TO HAVE BEEN A VERY SAD AND DAMAGING DAY IN THE COMMUNITY'S HISTORY. UNDER YOUR DIRECTION, THE COUNCIL HAS CHOSEN TO FUNDAMENTALLY ALTER THE ESTABLISHED WORKING PRACTICES BASED ON THE AGREEMENT REACHED IN 1966. I REPEAT THAT I TOTALLY DISASSOCIATE MY GOVERNMENT FROM THE PROCEDURE YOU HAVE ADOPTED. I SHALL BE REPORTING TO MY COLLEAGUES AND WE SHALL NEED TO CONSIDER THE POSITION FOLLOWING TODAY'S PROCEEDINGS.''

FCO ADVANCE TO:-

FCO - PS/SOFS SPRECKLEY WITNEY

CAB - ARMSTRONG

NO 10 - COLES

MAFF - PS/MIN PS/MIN OFS(C) PS/HAYES HADDON GURD REDFERN BROWN

TSY - FITCHEW

DAFS - CRAMOND

DANI - JACK

WOAD(I) - BEVAN

BUTLER

[ADVANCED AS REQUESTED]

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FROM UKREP BRUSSELS 181654Z MAY 82

TO IMMEDIATE FCO

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INFO ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS

AGRICULTURE COUNCIL : 18 MAY 1982

SUMMARY

1. COUNCIL ENDED TEA-TIME WITH ALL THE PRICE-FIXING REGULATIONS VOTED THROUGH AND SCENES OF BITTER RECRIMINATION. THE WHOLE DAY HAD BEEN BRUISING. UNTIL NOON UK FACED INTENSE AND CONCERTED PRESSURE TO ACCEPT THE INEVITABILITY OF VOTING. MR WALKER HAVING TO INTERVENE ABOUT EACH MINUTE TO DEFEND OUR POSITION AND TO TRY TO PENETRATE THE COLLECTIVE DEAFNESS OF SEVEN COLLEAGUES AND GET THEM TO CONSIDER THE DESPERATE CONSEQUENCES OF THEIR INTENDED COURSE OF ACTION. A TURNING POINT CAME AROUND NOON, WHEN THE CHAIR ANNOUNCED THAT OUR REQUEST FOR AN EMERGENCY MEETING OF FOREIGN MINISTERS HAD BEEN REJECTED, ALLEGEDLY UNANIMOUSLY, IN THE MARGINS OF THE NATO COUNCIL. VOTING THEN BEGAN ON EACH OF THE 62 REGULATIONS, THE UK SEEKING CHANGES IN SOME AND GAINING A LITTLE HEADWAY. AS THE CHAIRMAN THROUGH THE LUNCH HOUR GABBLED THROUGH THE REQUIRED FORMULAE ON EACH, AND GAINED THE SAME PATTERN OF VOTING ON EACH (ALL 12 IN FAVOUR, UK, GREECE AND DENMARK REFUSING TO PARTICIPATE), MORE COMMISSIONERS CROWDED IN TO SAVOUR THE DELIGHTS OF SEEING THE TREATY OPERATE. OF THEM, AND MANY OF THE 7, ONE COULD SAY WITH TOM ELIOT THAT THEY HAD THE EXPERIENCE BUT SOMEHOW MISSED THE MEANING OF THE EXPERIENCE. FRANCE WERE QUIETLY CONFIDENT THAT THEY COULD JUSTIFY THE PROCEDURE AS CONSISTENT WITH AMINTENANCE OF THE LUXEMBOURG COMPROMISE, BUT DID NOT EXPOSE THEIR RATIONALE TO THE COUNCIL UNTIL ALL WAS OVER. GERMANY BLUSTERED AND HEAPED ABUSE ON THE UK: THEY DID NOT DEIGN TO JUSTIFY THEMSELVES, AND BRUSKED ASIDE UK ATTEMPTS TO DRAW THE CONSEQUENCES FOR THE COMMUNITY'S INSTITUTIONS AS A PROCEDURAL GIMMICK. THORN, IN A FINAL SELF-JUSTIFICATION, GAVE AN EXTRAORDINARILY DISTORTED VERSION OF THE MANDATE NEGOTIATIONS.

2. AND SO COUNCIL DISPERSED, ENJOYING THE SWEET AND SOUR SAVOUR OF SELF-CONGRATULATION ON THE DAY'S WORK AND APPREHENSION AS TO THE FUTURE, BUT WITH THE SWEET PREDOMINATING.

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3. IN VIEW OF THE POSSIBLE IMPORTANCE TO EC POSTS OF THE
DETAIL OF POSITIONS TAKEN BY EACH MEMBER, I REPORT EXTENSIVELY
IN FOLLOWING TELEGRAMS ON THE FORENOON AND AFTERNOON SESSION.
I APPEND TO THE TELEGRAMS REPORTS, MORE OR LESS VERBATIM,
OF MR WALKER'S TWO MAJOR STATEMENTS. SOME SIGNIFICANT COMMODITY
POINTS, AND BITS AND PIECES, WILL BE REPORTED TOMORROW
(NOT TO ALL)

FCO ADVANCE TO:-

FCO - PS/SOFS SPRECKLEY WITNEY

CAB - ARMSTRONG

NO 10 - COLES

MAFF - PS/MIN PS/MIN OF S (C) PS/HAYES HADDON GURD REFERN BROWN

DAFS - CRAMOND

DANI - JACK

WOAD (1) - BEVAN

BUTLER

[ADVANCED AS REQUESTED]

[COPIES SENT TO NO 10 DOWNING ST.]

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COPIES TO:-
ADVANCE ADDRESSEES AS LISTED IN
CABINET OFFICE, MAFF, DAFS, DANI,
WOAD

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Qz.02576

MR COLES

cc: Private Secretaries to:

Foreign and Commonwealth Secretary
Chancellor of the Exchequer
Minister of Agriculture, Fisheries and Food
Sir Robert Armstrong

AGRICULTURE COUNCIL

The Agriculture Council started to vote on the individual components of the price package this morning, despite Mr Walker's persistent efforts to avoid this step being taken. A request for a Foreign Affairs Council was refused; so were repeated requests for a tour-de-table to establish attitudes on the Luxembourg compromise. Only Denmark and Greece supported us.

2. We urgently need a line to take in briefing the press. I attach a draft on which the Prime Minister could draw in answering questions this afternoon. If it is approved we will give it as guidance to all Departmental press officers.

3. Under the Treaty decisions taken by qualified majority vote are law. We cannot avoid the application of the price decisions in the United Kingdom without domestic legislation to set aside Community law. In any case, such action would greatly worsen the political problems that Ministers face.

4. The attached draft is based on the assumption that Ministers will wish to keep their options open. Officials feel that the best course now is to insist on agreement to an extension of the 30 May solution to 1982 as quickly as possible. The gap between the Commission's figures and those that we are prepared to accept is not large and it would be a waste of the withholding instrument to use it in this context. It will be better kept in reserve for possible use in the subsequent

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negotiations about the longer-term solution.

5. I should be grateful for urgent confirmation that the attached line is approved.

D.H.

D J S HANCOCK

18 May 1982

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MAIN STATEMENT

I understand that at the meeting of the Agriculture Council this morning decisions were taken on the 1982 farm price proposals by majority vote even though the Minister of Agriculture had made it clear that the United Kingdom had very important interests at stake and wanted the discussion to continue until our problems had been resolved. This procedure is quite without precedent in the Agriculture Council, where the annual price decisions have always been reached before by consensus. The action by the rest of the Community in this matter raises very serious issues and the Government will be considering what it should do in the new circumstances.

One thing is clear. If the Community is to avoid a really acute crisis, a decision must be reached on the budget problem at the Foreign Affairs Council next week. The Government has indicated its willingness to consider an extension of the agreement reached on 30 May 1980 for a third year, as provided for in that agreement, on the understanding that the rest of the Community commits itself to reaching conclusions for a longer-term settlement by the end of 1982 at the latest.

The Minister of Agriculture has kept the House fully informed of the progress of the farm price negotiations and he will be making a full statement tomorrow on the detailed conclusions of the Agriculture Council.

NOTES FOR SUPPLEMENTARIES

Will the United Kingdom now withhold its contribution?

This is one possibility but I do not think it right to speculate about the result of the Government's future consideration of its position. Much will depend on other decisions taken by the Community in the next few days.

What is the present status of the Luxembourg compromise?

That indeed is one of the most serious aspects of what has happened. The Government will have to reflect very carefully on the implications. But we are not going to be rushed into a decision.

Will we now leave the Community?

There is no question of that.