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Ref. A083/2450

MR COLES (on return)

*Tim - would you
make a note of the
circulars relating under
paras 1, 2 & 3.
for your ho-
liday time.
mt*

Improving the Common Agricultural Policy

Mr Williamson has written a very interesting paper, setting out his own views about ways in which we can improve the operation of the Common Agricultural Policy. On this subject he writes with all the authority of his experience in the European Commission.

2. I do not suggest that the Prime Minister should read this before she goes away for her holiday; but she might like to read it after she comes back as part of the preparation for some of the discussions she will be having in September.

An excellent and illuminating paper

Christopher Cloke.

on behalf of,

ROBERT ARMSTRONG

8 August 1983

CONFIDENTIAL



*Dave -
now
pa
T.R.*

10 DOWNING STREET

MR. FLESHER

CAP

Please see the minute by the Prime Minister attached. She would like you to make a note, for the purpose of Parliamentary Questions, of the essential statistics contained in paragraphs 1, 2 and 3 of Mr. Williamson's paper.

A.J.C.

13 October 1983



Send

10 DOWNING STREET

From the Private Secretary

MR. HATFIELD
CABINET OFFICE

On 8 August Sir Robert Armstrong forwarded a paper by Mr. Williamson entitled "The Common Agricultural Policy: Improving Cost Effectiveness and Cutting Costs in Real Terms".

The Prime Minister read it during the holidays. You may like to know that she described the paper as "excellent and illuminating".

A. J. COLES

13 October 1983

THE COMMON AGRICULTURAL POLICY: IMPROVING COST EFFECTIVENESS
AND CUTTING COSTS IN REAL TERMS

Background

1. Changes can and must be made in the operation of the common agricultural policy. In order to judge what is desirable in economic terms and feasible in negotiating terms, it is essential not to underestimate the importance of the interests at stake. The Community, with a population bigger than that of the Soviet Union and substantially bigger than that of the United States (after enlargement the Community population will be one and a half times that of the United States), is one of the world's major producers and traders in agricultural and food products. The value of Community farm production in 1981 was about 128,540,000,000 ecu and the gross value added was 68,629,000,000 ecu. Upstream and downstream of agricultural production itself the amount of economic activity is very large. Food processing, for example, accounts for about 10% of the net value added in the Community by all industrial activity and the value of sales is normally about twice the value of agricultural production.

2. The Community is the largest producer in the world, or close to that position, for milk, butter, cheese, pigmeat, beef, poultrymeat, fruit, wine and sugar and is also an important producer of cereals (in a recent year almost 10 times as large as Australia). The number of those directly employed in agriculture is now about 8.1 million. For many years Community farmers were leaving the land at one a minute and the exodus is still high. It is this factor which has helped to revolutionise the efficiency of Community agriculture in the last 25 years. Too little account, however, is taken in policy decisions of the phenomenon of part-time farming. Only 36% of all Community farmers are fully occupied in farming for 100% of their full working time. 20% devote between 50-100% of their working time to farming, while the rest, that is 44%, devote less than 50% of their working time to farming. About 27% of all Community farmers have a gainful activity outside their own farm.

3. The Community is by far the world's largest importer of agricultural products - €60 billion in 1980, about a quarter of all agricultural imports in the world, compared with US imports of €29 billion and Soviet imports of €14 billion. The Community is also a major exporter of agricultural products - €28 billion in 1980, compared with US exports of €43 billion. The Community's deficit on agricultural trade with the US in 1980 was €32 billion. The trading interest in the common agricultural policy is therefore very important (effects on balance of payments and bilateral relations, eg France/China; pressures on governments from particular trading companies or organisations).

4. In recent years Community farmers' revenues took a dip in real terms but have now recovered to at or about the 1973 level in real terms. This has been achieved despite the setting of agricultural support prices on average in recent years below the level of inflation. The productivity gains are almost certainly greater than the Commission allows for in its calculations. At some cost to the budget, the result in terms of farmers' revenues and food prices has been quite good. Between 1978 and 1982 farmers' prices rose by 9.4% a year while food prices rose by 11.6% a year and consumer prices generally by 12.3% a year. We need to make sure that, as we make corrections which will hold down the budget cost, we do not create new difficulties on food prices.

5. Actual expenditure from the Community budget on agricultural support (EAGGF guarantee) in recent years has been:-

billion ecu					
<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1983 including</u>
<u>actual</u>	<u>actual</u>	<u>actual</u>	<u>actual</u>	<u>budget</u>	<u>draft supplementary</u>
				<u>estimated</u>	<u>estimated</u>
10.4	11.3	11.1	12.4	14.1	15.8
annual increase 1979 - 1982 :					5.7%
annual increase 1979 - 1983 (budget) :					7.8%
annual increase 1979 - 1983 (budget and supplementary budget) :					11%

The common agricultural policy

6. The common agricultural policy never was a homogeneous policy. The original policy contained, for a number of major commodities (eg cereals, milk), the classical system of public intervention, import levies and export refunds. This was intended to maintain internal market prices at above "world" levels and thus to impose on the consumer (in some cases another farmer, ie the live-stock producer) the cost of supporting farm revenues. Even at the outset, however, it was clear that international trade arrangements made it necessary to have support systems in some sectors which are basically deficiency payments, because there is free or almost free entry for imports of the product or a directly substitutable product; examples are tobacco (1982 expenditure 623 million ecu) and the vegetable oil seeds, colza and sunflower (1982 expenditure 721 million ecu) which directly compete with soya oil and soya cake and meal.

7. The Community always intended to set a fairly high level of support because of its concern for farm incomes. There was and is a resource cost from this policy, particularly because the base of the system (the support price for cereals) was set too high. In the course of time there have been three further types of development:-

- (i) the increase in the volume of Community production has been very great, particularly in one or two surplus sectors, such as milk products. The original concept of balancing the market through export disposals broke down in these cases because the open-ended guarantee shielded the producer from the low return which he was earning from export markets or from large subsidised disposals on the internal market. The Community perfected new methods of product disposal but nonetheless picked up an ever increasing bill. A system which worked in conditions of self-sufficiency and modest commercial exports simply has to be changed to reflect back the market signals, when a huge volume of production can only obtain prices well below support levels.

- (ii) consumption within the Community, on the other hand, has stopped increasing or slowed down. Consumption of a few products, such as pigmeat, is roughly keeping pace with the increase in production but consumption of cereals and sugar has remained stationary or declined. In other sectors, such as certain milk products, consumption is only being maintained at an exorbitant budgetary cost. The only sectors where a bright light for consumption exists are fruit and vegetables, cheese and certain meats. The effect of increasing production and stagnant consumption is that the Community's self-sufficiency has risen in the last 6 or 7 years for cereals from 91% to 101%, for meat from 96% to 98% and for milk fat from 102% to 113%.
- (iii) third country suppliers have markedly improved their ability to find loopholes in the Community's external protection, eg the substitution for traditional animal feed cereals of a range of cereal substitutes, such as mixtures of tapioca (almost pure starch) imported over the 6% tariff imprudently bound by the Community in a recent GATT negotiation and soya cake and meal (the protein element) imported over a bound zero duty. Thus the Community's own barley has been displaced into export at a cost to the Community budget (export refund). The original intention of the Community was to have a cereal regime in which the income from import levies more than paid for the internal disposal and export refund expenditure. This situation of financial advantage or neutrality was maintained for many years. Now the Community is just about self-sufficient in cereals (after taking account of cereal substitutes) but the regime costs 1875 million ecu, while import levies raise less than that sum.

8. The Community simply has to come to terms now with the production and consumption trends. We cannot go on increasing aids to pay for disposal, particularly on the internal market where the budget cost is normally very high. In a recent year the Community subsidised 88% of the skim milk powder consumed on the internal market and over 40% of the butter. This is bound to bust the budget and is also economic nonsense in terms of use of resources.

9. The conclusion is quite clear. We have gone about as far as we can in thinking up ingenious methods of disposal. We have now to concentrate on the level of price support, the form of the guarantee and the volume of production to be covered, since these are the elements which determine over a period of years the extent to which production increases and budgetary costs can be best contained.

How should the potential changes tie in with the financial guideline?

10. The financial guideline would establish the limits within which agricultural support price decisions would be taken. It would also determine, subject to the possible establishment by unanimity of a supplementary budget, the amount of expenditure which could actually take place in a financial year. It could be argued, therefore, that it is not necessary to establish, in discussions at the level of Heads of Government, how precisely the Council of Ministers is to ensure the respect of the financial guideline. It is important, however, to distinguish between our tactical and substantive objectives. Tactically we cannot hope to obtain at a European Council more than the guideline itself and a very simple statement of the measures which will support it. I consider:-

- (i) that we should seek, as a buttress to the financial guideline, agreement that if the rate of increase of agricultural expenditure is, or risks to be, greater than the rate of increase of own resources, then guarantee thresholds (ie limits on the volume of production subject to guarantee or aid) should be operative for all principal products from the

beginning of the next campaign. My idea is that the Council of Ministers (Agriculture) could establish the figures on the basis of the average of the last 3 years for all these products and that the arrangements would only be triggered if expenditure rose, or risked to rise, too fast. This scheme would have the advantage that there would be equality of misery in all the sectors but that the Agriculture Ministers would not have to explain away immediate implementation.

(ii) it goes without saying that the contingency plans at point (i) do not absolve the Council of Ministers from their obligation to respect the financial guideline in any event and consequently to toughen measures in the surplus sectors such as milk.

11. Our substantive objective is clearly to restrain the cost of expensive surpluses, which will require a strengthening of existing measures in the more difficult sectors. This could only be done in the Council of Ministers (Agriculture) and I set out below the areas which I think would repay more effort by the United Kingdom.

Action to improve the common agricultural policy

12. Prices. It is clear that the United Kingdom should continue its existing policy of seeking restraint on the common price increases, particularly in those sectors such as cereals where the Community is generally out of line with commercial prices practised on world markets. The Commission has already committed itself to the policy of closing the gap between Community cereal prices and those of its principal competitors and we can assume that this policy will be continued in future years.

13. It is important to recognise, in addition, that besides the normal support prices there are a number of important decisions taken within Commission competence after consulting the management committees which do affect the level of prices. The most important sector is again cereals: intervention, when opened, for bread making wheat is normally at a level

/about

about 10% above the feed wheat price. In all the calculations relating to exports and disposal of wheat the bread making wheat price is used. It should be the United Kingdom's objective to support the Commission in reducing the use of this price and replacing it wherever practicable by the feed wheat price. This could achieve savings of many hundred million ecu but will continue to be opposed by many other member states.

14. In general, I would recommend:-

- (i) a very restrictive attitude to the basic support prices decided by the Council of Ministers but not an attempt to have a freeze. Experience has shown that this normally results in a subsequent explosion of prices;
- (ii) opposition, wherever practicable, to the use of buying in, reference or premium prices of any kind above the level of the basic support price.

Less rigid guarantee systems

15. In those sectors where there is a flexible system of guarantee which does not include permanent fixed intervention, the Commission can manage the market at very little public expense. A key example is pigmeat, the most important meat in the diet of the Community consumer, which costs almost nothing and which has increased its share of the Community market, while providing good revenue to producers over a long period. In those sectors where there is rigid intervention (eg butter, skim milk powder) the Commission cannot allow the price to float down in the market since this immediately results in a sharply rising intervention stock. Most agricultural products being seasonal, it should be the objective to make the intervention arrangements, wherever practicable, less rigid so that at least in certain periods of the year the market forces can operate more efficiently on the price. While I was in Brussels I at last managed to break the system of permanent intervention for beef, with the

following result on the budget:

million ecu		
<u>1981</u>	<u>1982</u>	<u>1983</u>
1437	<u>1408</u>	<u>1159</u>

This was during a period when external markets were most unfavourable to the Community for this product. I think that it is still possible, with enough political clout, to reduce the periods of intervention for bread making wheat (which was also reduced during my period in Brussels) and to suspend intervention for skim milk powder in the winter. The evidence available from those cases where we were able to make intervention less rigid did not show that this was disadvantageous to farmers. Generally, it provided greater flexibility to pick up additional consumption in the Community which had been lost under the more rigid arrangements, either to substitute products or to other agricultural products with different support systems.

16. The British objective should be to try to avoid being boxed in by a system which makes the Community pay either through an export refund (or similar disposal payment) or through intervention purchase. If we do accept such a system, we should try to limit it to parts of the year where it is most useful for farmers (eg the late autumn for beef).

Volume of production subject to guarantee

17. Since it is almost impossible within the Community to obtain sufficient restraint on support prices to achieve a markedly better market balance for the main surplus commodities, we simply have to concentrate on limiting support by a system of standard quantities, now known in the Community as guarantee thresholds. The key elements for the United Kingdom are to:-

- (i) hang on to guarantee thresholds and extend their product coverage;

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- (ii) make sure that they remain at a fixed level or only reflect real increases in consumption. By this means the cumulative effect of rising production and a stable guarantee threshold means that there will quickly be a real disincentive to a rise in production. This can be seen in the milk sector: we only managed to get the guarantee threshold into the regulation for the first time in 1982 but the cumulative effect by 1984 will be a price reduction of 12% or equivalent measure;
- (iii) argue that the constraining measures triggered by exceeding a guarantee threshold should be capable of covering the full cost of the disposal of the extra production.

18. It is not necessary to insist on a single method of operating the restraining measure triggered by exceeding the guarantee threshold. For some commodities it would be quite appropriate to reduce the normal support price. For other commodities it may be more appropriate to put the whole penalty on additional production, as I proposed when in the Commission for milk; this would mean that the price received for extra milk production above the 1981 level would be about 25% of the existing level and this would certainly crack down on rising milk production. It would be most unwise to argue at the level of the European Council how guarantee thresholds are to be implemented, since this will immediately give rise to dispute whether there should be discrimination in favour of small or poor farmers. On this point I consider myself that it would be quite justifiable to introduce restraining and non-discriminatory measures on all producers, if a guarantee threshold is triggered, but that it would be reasonable after a period of one or two years to see whether there are any socially unacceptable difficulties for small farmers. If so, these could be met by modest payments to the smallest farmers, provided that their principal income is from farming.

Import arrangements

19. Although the basic British position is against any increase in protection, I do not think that we should completely exclude some further import measures where there are obvious inconsistencies in the Community arrangements. An example is the import of manufacturing beef decided each year under the so-called balance sheet. The results of the discussion in the Council generally bear little or no resemblance to the actual or estimated needs of the Community for manufacturing beef.

20. There are a large number of individual measures for agricultural products where in my view the Commission would welcome support from the United Kingdom for savings. I have discussed some of these with the Treasury and the Ministry of Agriculture, Fisheries and Food and no doubt these will be followed up.

Summary

21. I consider that:-

- (i) at the European Council we need to establish the strict financial guideline for agricultural expenditure in a form identical with, or close to, that which we are proposing in our paper;
- (ii) we must ensure that any discussion at the European Council on the ways in which a guideline might be implemented does not slow up the action already under way to restrain Community agricultural expenditure. It should also be our objective, however, to buttress the efforts now being made by proposing that guarantee thresholds should be established for each major commodity and, if not already in operation, should be triggered after the Commission states that the rate of increase in agricultural expenditure is, or risks to be, greater than the rate of increase of own resources;

- (iii) we should continue our pressure for moderation in basic support price increases in the Council of Ministers but should not aim for a total price freeze, which could be counter-productive;
- (iv) we should, as a general principle, seek to limit the use in the market regimes of prices other than the basic support prices. We should thus be opposed to such decisions as the use of the bread making wheat reference price for major cereal support measures, the use of beef buying in prices at above basic intervention levels or premium payments for higher quality product purchases on intervention as in the olive oil sector;
- (v) we should seek, wherever practicable, to make the existing intervention systems more flexible, in particular by suspension of intervention at certain seasons of the year or its replacement in some circumstances by aids for private storage;
- (vi) we should make it a number one priority to maintain existing guarantee thresholds; to extend their product coverage; to insist that any increase in the guarantee threshold should only be justified by an actual increase in consumption; and to seek to ensure that the restraining measures triggered by passing the guarantee threshold should cover the cost of disposal of the additional production. It is not essential to have a uniform system of action following the triggering of a guarantee threshold; in some cases it would be appropriate to reduce the basic support price, in other cases it would be better to put the whole burden of adjustment on additional production, since the effects would be sharper;

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(vii) we should examine on their merits any proposals for adjustment of import regimes, in those cases where the present arrangements clearly give rise to increased budget cost, eg cereal substitutes.

D F WILLIAMSON

Cabinet Office

28 July 1983

[Mr. Heseltine]

... on decisions such as these on defence or any other industry. It is wrong to cast a general description against one of our allies in this context.

I must pay tribute to the United States for ensuring that the two-way street has reached a point at which the Americans buy half as much from us as we buy from them, whereas not so long ago the trade was four to one in their favour. It is not possible to make narrow national issues out of this. The Americans have made considerable strides towards a better balance. However, they will always be subjected to the same constituency and industrial pressures as right hon. and hon. Members here.

Mr. Skinner: On a point of order, Mr. Speaker. I wonder whether you can tell me under what Standing Order it is possible for you to draw the attention of an hon. Member to the fact that he is not allowed to draw an analogy between the Government's priorities on weapons of war as opposed to the National Health Service and the disabled.

I well recall, as do many other right hon. and hon. Members, comparisons between the spending of taxpayers' money and other moneys being made when statements are made, when questions are asked and during speeches. I find it quite remarkable that, on this occasion, I was not allowed to make the vivid comparison between the massive amount of money spent on defence and the need for money to be spent in the National Health Service and for the disabled.

Mr. Speaker: Yes, I can answer the hon. Gentleman. I stopped the hon. Member for Bristol, East (Mr. Sayeed) because his question did not directly relate to the statement. I stopped the hon. Member for Bolsover (Mr. Skinner) for exactly the same reason.

EUROPEAN
CAP.

Fisheries Council

4.24 pm

The Minister of Agriculture, Fisheries and Food (Mr. Michael Jopling): With permission Mr. Speaker, I wish to make a statement on the meeting of the Council of Fisheries Ministers on July 25 and 26.

With the Minister of State at the Scottish Office and my hon. Friend the Minister of State in my Department, I represented the United Kingdom.

Once again the Council could not agree about the allocation of quotas for North sea herring and I greatly regret that it proved to be impossible to settle other parts of the package, including the proposed arrangements on structures, in the absence of agreement on herring. The methods of determining quotas for herring will be discussed further by officials before the next meeting of the Council on 3 October.

The Council also refused to confirm the Community's fishing agreement with Norway but the Council did agree, by a qualified majority, to permit the Norwegians to extend their interim fishing for North sea herring to two thirds of their proposed allocation of 31,000 tonnes. I voted against this proposal. The considerations were finely balanced. I attach great importance to our fishing relations with Norway and would certainly not wish in any way to harm them. There are also very important advantages for our fishing fleet in the maintenance of the agreement with Norway. I nevertheless conclude that I should not support an arrangement which permitted Norwegian fishermen to fish for North sea herring when United Kingdom fishermen were not able to do so.

Finally, in my statement on the previous Council meeting I was asked about the possibility of extending controls over foreign klondikers. I am glad to say that my right hon. Friends and I are laying an order before Parliament today which will extend to foreign vessels the arrangements which currently apply to British pelagic vessels transshipping their catch to klondikers within our fishery limits.

Mr. Norman Buchan (Paisley, South): The Minister has held his present position for about one month and, because of his predecessors' actions, has been forced to accept two humiliating experiences. He is now beginning to call it Canossa rather than Brussels.

Has not this deal angered British fishermen, especially Scottish and Shields fishermen, more than any previous one? The original deal, which was made in January, was supported by the fishermen and they assured me today that they supported it on the basis that the Government promised them they would fight like hell to get a good agreement. The Government have failed.

The Minister said that he did not support the proposition but did not use his veto. Some opposition that is. The Danes, who will benefit from it, used the veto three times in the two sets of discussions. We, who will suffer most, learn that our representative did not use the veto. It is a humiliating capitulation. The anger in the north-east of Scotland, Shields and Shetland reflects that.

In the mid-1960s we were fishing 1 million tonnes of herring in the North sea. It was industrial over-fishing, most notably by the Danes and purse-net fishing by the Norwegians which slaughtered the stocks and brought about the introduction of a ban. We, who honour the

principle of conservation, have had to pick up the tab. The Danes, who have been over-fishing this year, were given extra cod and mackerel by the Norwegians and, in compensation, we gave the Norwegians a good quota. We, who gave that quota because of Danish action, must now suffer again. They now have an extra 9,000 tonnes of fish. What a bizarre and ludicrous situation we have. They are fishing in our waters just outside the 12-mile limit—

Mr. Dennis Skinner (Bolsover): I should not be too sure of that.

Mr. Buchan: I hope that they are fishing outside the 12-mile limit—and we can stand on Rattray head and see Norwegian fishermen taking out our fish, and our fishermen are not allowed to fish. It is ludicrous, bizarre and humiliating.

I hope that the Minister will go back to the negotiating table. This time he should take the veto with him and use it. I do not single out the Norwegians for blame, except for their over-fishing in the past. I blame the Danes, but, above all, I blame the Government for reaching an agreement in January without having settled these basic issues.

Will Britain be able to protect its fishing quotas? Hon. Members may remember that a fortnight ago the Minister assured me that we could control over-fishing by klondikers. He has now had to admit that he was wrong and that the Government are bringing in an order on policing after the damage has been done. I have just left the Vote Office and I can tell the House that the order is still not in front of us, at the very last syllable of recorded time, with the House rising tomorrow. It is a disgraceful affair.

It is a pity that the right hon. Gentleman moved from the Whips' Office, because it is easier to look after sheep than it is to look after fish. I feel sorry for the right hon. Gentleman, who has had to pick up the tab, but he had better retrieve his reputation and return Britain to the position achieved under the so-called superb agreement which his predecessor said would last for 20 years. However, six months later, it is in pieces, and Britain must suffer for it.

Mr. Jopling: We have heard the usual display of extravagant language by the hon. Member for Paisley, South (Mr. Buchan). I am sorry that he has not taken the trouble to consider everything that he said. He has condemned the Government because, he says, they did not settle the herring arrangement in January, but he has been around for long enough to know that herring fishing in the northern and middle parts of the North sea was banned for the previous six years, so we could not make that agreement in January. Everyone knew that, because there was no fishing, an agreement would have to be postponed.

The hon. Gentleman condemned me for failing to get an agreement on herring. I could have helped to reach an agreement on herring—I cannot say what others might have done—but there was nothing on offer in Brussels this week that would have been satisfactory to our fishermen. If I had made an agreement just for the sake of making one, that would not have been in the interests of British fishermen. The order relating to klondikers will be laid before the House today.

The use of the veto was, as I said earlier, a fine judgment, since a breakdown in fishing relations with Norway could have implications for our fishermen who

fish in Norwegian waters. The matter was not clear cut, and I could claim no vital national interest to justify the use of the Luxembourg disclaimer.

It is worth explaining to the hon. Gentleman that there are two sides to the argument. I do not wish Norwegian fishermen to fish for herring in the northern and middle parts of the North sea. That is why I voted against the proposal, although it has been allowed. If we had continued to stop Norway fishing for herring in that part of the North sea, Norway would undoubtedly have taken retaliatory action.

I remind the hon. Gentleman that Britain has the right to fish for about 5,500 tonnes of white fish in the waters around northern Norway. That fishery affects especially Grimsby, Lowestoft and other ports on the east coast. At least 100 British vessels can now continue to fish for white fish in the southern Norwegian sector because Norway has been allowed to fish for herring. The hon. Gentleman seems to believe that it was a black and white decision, but he is wrong. Many of our fishermen will be glad that Norway will continue to fish—to put it in perspective, it is only another 9,000 tonnes of herring—for the remaining part of its interim quota, because it means that many of them can continue to fish for white fish in Norwegian waters.

Sir Walter Clegg (Wyre): Is my right hon. Friend aware that many of us believe that the Danes are abusing the Luxembourg disclaimer by using the veto constantly, which is unhelpful, while at the same time they are continuing to over-fish, which is deplorable?

Mr. Jopling: My hon. Friend has put his finger on a serious problem. Some states use the Luxembourg disclaimer much too often, which is not within the spirit of the Community. As the House knows, under both Governments the United Kingdom has used the Luxembourg disclaimer very infrequently. It would have been wrong to use it on an issue of this sort. One could not have claimed logically that it was vital to British interests, and we would have been mistaken to use it in the circumstances.

Mr. J. Enoch Powell (Down, South): Is not the statement which the right hon. Gentleman has been forced to make to the House this afternoon further proof of the fatal consequences of transferring control over our fishery waters to the Community, which will result in continuing loss to our fishing industry, and which will bedevil our relations with other fishing countries with whom we should be making mutually advantageous agreements?

Mr. Jopling: It is a great mistake for the right hon. Gentleman to talk in those terms. If we can settle the outstanding and difficult problem of North sea herring fishing, and if we can add to the agreement made by my predecessor earlier this year proper policing powers, which are already under way and which I believe will become effective during next year, we shall then have the opportunity to have a managed fishery in European waters which can be shared out and be a fruitful product for us all.

The right hon. Gentleman should remember what the hon. Member for Paisley, South said a few moments ago about the way in which fisheries were ruined by over-fishing, when there were no controls, by selfish people who take no notice of long-term conservation. As the

[Mr. Jopling]

common fisheries policy evolves, provided that we persevere and get over our immediate difficulties, we shall have a well-managed fishery which will bring prosperity to all of us.

Mr. Michael Brown (Brigg and Cleethorpes): Does my right hon. Friend accept that his statement will give considerable comfort to the fishermen in the constituency of the hon. Member for Great Grimsby (Mr. Mitchell), and to the fishermen in my constituency? Should not the hon. Member for Paisley, South (Mr. Buchan) recognise that hon. Members on both sides of the House must take into account, as does my right hon. Friend, the interests of the white fishing industry? As a result of his statement, at least the door is being kept open. Does my right hon. Friend accept that the attitude of the hon. Member for Paisley, South brings no comfort either to his hon. Friend the Member for Great Grimsby or to me?

Mr. Jopling: My hon. Friend has hit the nail on the head. The hon. Member for Great Grimsby (Mr. Mitchell) will not mind if I quote from a letter that he wrote to me on 6 July, speaking for Grimsby, in which he said:

"We have only one paramount aim at the moment and that is to allow the Norwegians to continue to fish for herring because if they are stopped as they now have been there is a real danger of retaliation against British fishing in Norwegian waters and that is now at its seasonal peak."

The hon. Gentleman continued:

"It is also reasonable that the Norwegians be given a second interim quota."

That is what happened. I agree with the hon. Gentleman, which is why I voted against its happening. However, we must realise that this is a balanced judgment. It is not one-sided, nor is all of it a minus to British fisheries, and we should recognise it as such.

Mr. Austin Mitchell (Great Grimsby): As I have been quoted, perhaps the Minister will permit me to second my own remarks in the sense that the real problem is not Norway. It would be unreasonable if the Norwegians suffered because of a dispute in which they were not involved. Indeed, we depend on reciprocal catches in Norwegian waters, which could be threatened by this disagreement. The real problem is, first, Danish over-fishing and, secondly, a complete inability of Common Market institutions to handle such delicate matters as fishing quotas and the national interests that are involved. As the Market is now deadlocked by the Danes, why does not the right hon. Gentleman take the opportunity to assert the national interest by imposing on Danish and Norwegian fishermen in British waters the same kind of reporting and control arrangements for any species as are imposed on our vessels in Norwegian waters?

Mr. Jopling: I am glad that the hon. Gentleman recognises the advantage to his constituents of the fact that the Norwegian fisheries will continue to be open to them. He condemned Danish over-fishing and so do I. It is for that reason that I take every opportunity to press the Commission to bring its policing arrangements, the use of the logbooks and so on into effect as soon as it can be arranged. This is hugely important, and we shall do everything we can to press it.

Mr. Albert McQuarrie (Banff and Buchan): I am sure that my right hon. Friend will take no cognisance of the

suggestion of the hon. Member for Greater Grimsby (Mr. Mitchell) that the Norwegians and Danes should be stopped from fishing in British waters, because the retaliation effect on our demersal fleet would be catastrophic.

Mr. Austin Mitchell: I said the reverse.

Mr. McQuarrie: There is considerable anger in my constituency, which has traditionally fished for herring, over the fact that the Norwegians have been given a further 8,500 tonnes. I understand that that is because the demersal fleet is to be allowed to continue to fish in Norwegian waters. I also understand that the demersal fleet was prepared to come back to shore if it meant that the Norwegians would be prevented from obtaining that 8,500 tonnes. When fishing opens on 1 October, will the British fleet be allowed to fish a minimum quota of 21,000 tonnes in the North sea?

Mr. Jopling: I can perfectly understand that my hon. Friend's herring fishing constituents are extremely cross over the fact that the Norwegians will be allowed to continue to fish for about 9,000 tonnes. It was for that reason that we voted against the proposal. As to the position after 1 October, I think that my hon. Friend is referring to the southern part of the North sea. As fishing took place there last year, that will continue on a roll-over basis from 1 October. I cannot confirm precisely that our own fishermen will be allowed 21,000 tonnes, but I can confirm that we shall have 31 per cent. of that fishery. The figure mentioned by my hon. Friend is, I think, based on the total allowable catch for last year of 68,000 tonnes. There is a possibility that the total allowable catch will be somewhat reduced, but I assure him that our 31 per cent. share will remain intact. The total catch may possibly be reduced for conservation reasons. That has yet to be made absolutely clear, and I am sure that my hon. Friend would not quarrel with that.

Mr. Russell Johnston (Inverness, Nairn and Lochaber): If the Minister is so properly in favour of maintaining good fishery relations with Norway, and is therefore in favour of the 31,000 tonnes allocation, why did he vote against a limit of two thirds? The only reason one can think of is that it is virtually impossible to monitor, and many people suspect that it will be much exceeded. Indeed, the Minister said during questions that it would be about a year or so before proper policing arrangements could be introduced.

Mr. Jopling: The hon. Gentleman possibly misunderstands the basis of the 31,000 tonne allocation for Norway, which has been proposed but not confirmed by the Council of Ministers. There are three parts—first, compensation for over-fishing by Community fishermen in the past; secondly, a repayment of a swap arrangement which has been carried on in previous years; and, thirdly, it is partly but only a small part, an allocation of herring to Norway. On over-fishing and the repayment of the swap, we shall have to repay that either this year, next year or some time. By allowing the Norwegians to continue to fish now we shall repay a debt that will not recur next year. In a sense that will be got out of the way and Norway will need a very much smaller allocation next year if we have repaid that one-off debt.

As to the veto—I say this in reply to the hon. Member for Great Grimsby (Mr. Mitchell), whom I did

not properly answer—we shall always hold ourselves in readiness to use it when important national interests arise. On this occasion we took a judgment that they did not, hence, we did not use it.

Mr. Robert Hicks (Cornwall, South-East): Was any further consideration given to the proposal to extend the south-west fishery mackerel box and the associated introduction of stricter conservation measures? Is my right hon. Friend aware that there is increasing anxiety in the south-west about the delay in introducing these sensible measures?

Mr. Jopling: We would very much have liked to have a continuing discussion on conservation measures, especially the mackerel box off the south-west of England. We pressed hard for the discussions to extend to those issues, to the remaining TACs and quotas and to other conservation measures. As it was not possible to reach agreement on the herring fishery in the North sea, I fear that we were prevented from moving to those other matters on which there was a basis for agreement and on which we could have reached agreement. I very much regret that the activities of one state stopped us moving to those matters.

Mr. Robert Hughes (Aberdeen, North): Does not the Minister accept that his statement displays the total inadequacy of the agreement reached in January? While some hon. Members might take comfort from the fact that the interests of the white fish fleet have been protected this time and that the penalty for the Government's failure has been paid by the herring fishermen, in three months or six months it will be the other way round and we shall then see whether the right hon. Gentleman quotes Grimsby letters with such grace and favour. Is he not aware that the deal cooked up in January was just as bad as the one cooked up before we joined? Its only purpose was to paper over the cracks until the election was passed. The fishermen are now paying for it and the Government have disgraced themselves, as we always said they would.

Mr. Jopling: I do not know where the hon. Gentleman has been. The deal reached in January was a gigantic step forward in getting ourselves a common fisheries policy that will be of great benefit to the Community in years to come.

Mr. Robert Hughes *indicated dissent.*

Mr. Jopling: Admittedly, the process of reaching a deal is long and difficult. If hon. Members are saying that we ought to accept solutions and arrangements that are basically unsatisfactory to this country, I am sorry, but I am not prepared to do so. Even if it takes a long time, the House will expect us to go battling on until we can get a satisfactory deal.

Mr. John Spence (Ryedale): I welcome what my right hon. Friend said about not accepting unsatisfactory deals. We have heard much about the major ports in the questions on my right hon. Friend's statement, and I wish to say something about the smaller ports, such as Filey in my constituency. The fishermen's jobs there are as important to them as individuals as the jobs of fishermen in major ports. Over-fishing and conservation are of major importance to the livelihoods of my constituents. I hope that my right hon. Friend will not be carried away by quotas, to the exclusion of the admirable work that he and his predecessor have done on conservation. Conservation

is the key to the livelihood of all our fishermen, whether they come from major or minor ports, and is essential to Filey's continued employment and prosperity.

Mr. Jopling: As one who has often fished off the cob at Filey, with great success, I know what my hon. Friend means, and I have every sympathy with it. We have the small ports in mind and are therefore pursuing conservation measures in all our waters round our coasts, to look after the smaller ports in particular. My hon. Friend is right to stress the importance of conservation.

As a result of the common fisheries policy hammered out last January, our fishermen in small ports have had a greater opportunity to fish in the waters close to our ports than for years and the access for our fishermen has been dramatically improved. This is just one of the ways in which the common fisheries policy is a great bonus and a great step forward.

Mr. Gordon Wilson (Dundee, East): Is the Minister aware of the utter outrage that Scottish fishermen feel at the prospect of seeing Norwegian boats fishing for herring in what should be Scottish waters, and of the anger that they feel at the weak way in which the Government have handled the negotiations? Will the Minister explain why, on balance, he found it necessary to vote against the Norwegians being able to fish, but then refused to apply the veto? If it was necessary to vote in other circumstances to prevent the Norwegians from fishing, why did the Minister not apply the national interest principle and use the veto? Was he trying to defend the English white fisheries in deep waters at the expense of Scottish fishermen?

Mr. Jopling: I can understand the outrage of which the hon. Gentleman speaks, but we did not apply the so-called veto because—

Mr. Robert Hughes: "So-called" veto now, is it?

Mr. Jopling:—we did not regard this matter as one of vital national interest. As a nation, we have used that vital national interest on very few occasions in the years since we joined.

Mr. Robert Hughes: Too few.

Mr. Jopling: On this occasion, to have used the veto for a matter that concerned the comparatively small amount of about 9,000 tonnes of herring, when there were strong arguments on both sides would have been wrong. As I said in my statement, it was a fine judgment. My judgment was that this was not a sufficiently important national interest for us to use that drastic measure which has been so seldom used in the past.

Mr. Teddy Taylor (Southend, East): As the Minister has shown that there are serious and urgent problems of widespread over-fishing, the absence of Community policing, a lack of agreement on quotas and foreign vessels fishing in United Kingdom waters from which British vessels are excluded when will the Council meet again?

Secondly, the fishermen from Southend are just as important as the others mentioned, so will my right hon. Friend tell them what our fall-back position is if his optimism proves unfounded and the whole thing collapses into a messy shambles? In other words, what do we do if everything goes wrong with the common fisheries policy?

Mr. Jopling: My hon. Friend should not talk about over-fishing. Since the common fisheries policy was

[Mr. Jopling]

agreed in January there has not been evidence of dramatic over-fishing, and my hon. Friend is wrong to talk in those terms.

Mr. Taylor: That was the information last week of the Dutch.

Mr. Jopling: We should be a little careful about making such allegations which in many cases are not possible to substantiate.

As I said in my statement, the Council will be meeting again on 3 October. I hope that it will then be possible to come to an agreement over herring fisheries in the north and middle parts of the North sea. We shall do our utmost to get a deal, but it will only be one that we think is satisfactory.

Mr. David Penhaligon (Truro): Can the Minister confirm that, for the south-west, this statement means that there will be no mackerel box and a continuation of over-fishing? If present trends continue, how long will it be before mackerel becomes an endangered species?

Mr. Jopling: It is true that there has been a delay in the creation of the institution of the mackerel box in the south-west of England, but there will not be unlimited over-fishing. The same quotas for last year will continue to be effective and we shall do everything that we can to get agreements on these matters when we meet again.

Mr. Buchan: It is an extraordinary statement that we should not talk about over-fishing. The whole reason for the ban on fishing for herring in the North sea which we are supposed to be implementing is that we are over-fishing.

The Minister tells us that no national interest was involved, but the Danes apparently felt that there was. They threatened to use the veto, and then used it. The right hon. Gentleman did not even threaten to use it. The hon. Member for Brigg and Cleethorpes (Mr. Brown) seemed surprised at the Minister's action, but the Minister said in reply that he voted against the proposal. The hon. Member for Brigg and Cleethorpes is right—either the Minister was for it or he was against it. The worst of all possible postures was to vote against and then to let the proposal through by not using the veto, or even the threat of the veto. The only reason why he opposed the proposal, as far as we can see, was so that he could come to the House and say, "Look, I opposed it. Look how strong the Government have been." However, this is further evidence of the Government's weakness and irresolution.

Four specific questions have to be asked about this statement. The Minister talked about the situation in the southern North sea when the herring season opens there in October. Has not the right hon. Gentleman got it wrong when he refers to us having a 31 per cent. quota of the roll-over 40,000 tonnes? Is it not the case that the roll-over would mean 68,000 tonnes with a 31 per cent. quota? There would be a hell of a lot more fish if it did.

Secondly, can we accept the Minister's guarantee, his pledge, that that quota will remain intact? When we have

seen the other quotas bust ever since January? Thirdly, are 60 Norwegian boats fishing off the north-west of Shetland, having been told by the Norwegian Government that they can move into the North sea to resume herring fishing?

Fourthly, did we initially press for a 30 per cent. quota, were the Commission's proposals initially 28 per cent., and was that then reduced to 23.5 per cent.? Did the Minister make it clear at Brussels this week that if the total allowable catch was increased, far from our quota being increased along with it, because this would give a bigger proportion that could be allowable for Britain our quota would be reduced to 15 per cent.

The House is faced with an intolerable position. In any other circumstances I should be pressing for the Adjournment of the House so that we could debate this issue. Instead of doing so, I can only reiterate the feeling of the fishing industry, and both sides of the House, that this is yet another sell-out, another capitulation along the lines which we warned the Minister about in January when the Government boasted of a superb 20 years' agreement.

Mr. Jopling: The hon. Gentleman would not be himself—whether he is going on holiday or not—if he did not use the familiar extravagant language that he has used over the years. Our quota last year for the area in the southern part of the North sea was 31 per cent. of last year's total catch of 68,000 tonnes. There is a possibility that, for various reasons, that will be reduced to 40,000 tonnes this year as a total allowable catch for everybody, but our quota of 31 per cent. will remain.

The hon. Gentleman talked about Norwegian trawlers fishing for herring in the North sea. They are allowed to do that, as I explained earlier. It is quite legal. Much of it is a one-off repayment for what has happened in the past. Next year the Norwegians will not need to claim a tonnage for that reason. It is true, as the hon. Gentleman said, that a report was produced before the Council of Ministers, following the meeting of the group of experts, suggesting that we should have a lower percentage of herring in the northern and middle parts of the North sea than was originally proposed by the Commission. We opposed that strongly. Indeed, the French and Belgians joined us in saying that that report was not a basis for discussion. As a consequence of the pressure that we brought to bear, the report was not pursued.

Mr. Buchan: Further to that—

Mr. Speaker: Time is getting on.

Mr. Buchan: Will our share of the total allowable catch be reduced to 15 per cent.? Will it be reduced to that—half of our original demand?

Mr. Jopling: There was speculation in the report about what might happen if the total allowable catch over the years increased because of the success of conservation. That was no surprise to us, and it has always been understood by us and by fishermen. It demonstrated that inbuilt adjustments would cause our percentage to decrease. The figure that was proposed was another reason why we were united in saying that the report was not a matter for discussion.

**EMBARGO: NOT FOR PUBLICATION OR BROADCAST
BEFORE 0001 HOURS, FRIDAY 17 JUNE '83**

SPEECH BY MR. CHRISTOPHER TUGENDHAT, VICE PRESIDENT
OF THE COMMISSION OF THE EUROPEAN COMMUNITIES
TO THE FOOD AND DRINK INDUSTRIES' COUNCIL,
IN LONDON ON FRIDAY 17TH JUNE, 1983 AT 10.00 H.

WHY THE EUROPEAN COUNCIL MUST TACKLE AGRICULTURAL EXPENDITURE

Mr 27/6

1.4.

One of the most important tasks facing the Heads of State and Government at this weekend's European Council meeting at Stuttgart is to get a grip on agricultural expenditure. The British budget contribution is of course another, but on this occasion I should like to concentrate on agriculture.

The European Community is currently spending some £5 million each working hour on agricultural support measures. Total expenditure so far this year amounts to around £5,000 million, which is over one third higher than for the comparable period last year. As a result an unusually large supplementary budget will shortly be required.

Much of this expenditure is used to subsidise the disposal of products for which there is insufficient commercial demand - in other words surpluses. The unit cost of these subsidies is often equivalent to a substantial part of the price received by the producer. Indeed in some instances the real cost of the subsidy exceeds the producer price.

Even for some non-surplus products costs are high. For example, for certain oil seeds which are widely grown in Britain the subsidy through a deficiency payment system can amount to the equivalent of some £350 per hectare per year. That is about £14,000 for a field the size of London's St. James' Park - a lot to pay for that beautiful, almost phosphorescent yellow which illuminates the countryside in late spring.

This is but one of many examples that I could give from all parts of the Community. The cost of agricultural market support has risen to the point where it is now the equivalent of 10% of the value of agricultural output, double the proportion it took a decade ago.

Unless something is done - and done quickly - to control this tidal wave of expenditure, the European Community will face a financial crisis. If that happens, the operations of the Common Agricultural Policy itself and of other Community policies will all suffer. It is therefore in the interest of those who benefit from those policies - and particularly the beneficiaries of the CAP - to respond positively to efforts to bring agricultural expenditure under tighter control. It is because I believe that the CAP has a vital role to play in the economic life of all Community countries including Britain and because I believe that a healthy and prosperous agricultural industry is also of great importance that I draw attention to the need for action by the Heads of State and Government.

Control of agricultural expenditure is an attainable objective. The recent rise in costs is not the result of mysterious, unidentifiable and uncontrollable forces. Certainly in the short run movements on world markets, currency fluctuations, the weather and other factors that no-one can hope to control affect agricultural costs. But the single most important reason why they have risen so fast and are now so high is because of the decisions taken annually by the Council of Agriculture Ministers.

Over the past four years, these Ministers, who are of course responsible to the Community's Heads of State and Government have taken decisions which have doubled the costs of the proposals for agricultural prices and related measures put forward by the Commission. In this way, some £1,500 million has consciously been added by national governments to the Community budget.

The present excessive burden of agricultural expenditure was not therefore imposed on the Community by some outside agency. It stems directly from the decisions taken by the Ministers from the Member States who have time and again decided upon higher prices than the Commission suggested, and have weakened the Commission's proposals for production controls. This year with a financial crisis staring them in the face, the agriculture Ministers for the first time for many years more or less accepted our original proposals instead of adding to them. But by then much harm had already been done.

Nor, I am afraid, can the European Parliament escape blame although some MEPs are anxious to control costs and expenditure. The agricultural lobby is invariably in the ascendant when Parliament is called upon to give its opinion on agricultural prices and on proposals to restrain surplus production. Indeed, in recent years, Parliament when giving its opinion on the Commission's proposals, has specifically advocated even higher prices than those finally decided upon by the Council as well as the rejection of production curbs and other cost restraining measures.

Finally, and in all objectivity, I must add that the Commission has not always defended its original and generally sensible proposals as robustly as perhaps it should. It has too often been prepared to respond to the pressures of the Council and Parliament by making changes in its initial propositions. This year, however, it stood firm and as a result was able to guide the Ministers to the most modest and realistic price settlement seen for many years.

Some weeks ago, the Commission put forward proposals for increasing the financial resources available to the European Community in order to ensure the maintenance of existing policies and the development of new ones.

A number of governments have insisted that before they can

/agree to such an idea

agree to such an idea or even consider it, agricultural expenditure must be brought under tighter control. This is quite understandable. Before new resources are made available to the Community, it is obviously essential that all those concerned in managing the Community's affairs should be able to show that existing resources are being sensibly used. It cannot be right in that context to spend vast sums of money on sustaining levels of agricultural output for which there is no prospect of any viable commercial outlet.

I hope therefore that the heads of state and government meeting this weekend at Stuttgart will recognise that the curbing of agricultural expenditure can not be a painless operation. A careful balance will have to be struck between on the one hand the potential savings to the Community budget, and on the other the potential increase in burdens both budgetary and otherwise which could be generated in the various Member States. There is no easy option. Difficult decisions for everyone lie ahead, particularly if quick results are required in order to make up for the relative inaction of recent years.

We have already heard calls from farm and other Ministers, which will no doubt be repeated, for cuts and freezes in prices and aids for products which are not of particular interest to their own countries. Calls will also be made for exemptions to take account of particular circumstances in each Minister's own country.

As Vice President of an institution responsible for the Community interest as distinct from the various national interests. I should like to make the following suggestion. Let us try to define justifiable expenditure as that which individual Member States would be prepared to incur if it were their treasuries rather than the Community which had to pick up the bill. We cannot afford to carry on like a group of diners in a restaurant each choosing expensive dishes in the knowledge that the bill will be shared. The CAP is an integral part of the European Community. In fact I do not believe the Community could exist without it. But from now on let us try to ensure that CAP expenditure is subjected to tests as least as rigorous as those which are applied in the Member States. Let us also try to ensure that agricultural decisions are taken on the basis of the general Community interest rather than as a result of negotiations in which Member States trade expensive concessions with each other without sufficient regard to the cost to the Community budget.

It is against this background that the Commission asks the European Council to use its authority to bring CAP expenditure under control. We believe that the strict application of two ideas which we have long advocated and which, to a limited extent, Ministers have already begun to accept have a big role to play.

One is that production thresholds should be imposed beyond which the normal price guarantees should not apply. It is because producers have in the past enjoyed unlimited price guarantees regardless of how much they produced that surpluses have been created. In future the reduction of guarantees beyond agreed production limits should be sufficiently severe to prevent surpluses from arising.

The other is that agricultural prices must be held within prudent limits. In order to do this proper account will have to be taken of the market situation, both internally and externally, of all the various commodities and of the requirements of the Community's overall economic and financial situation.

If these two mechanisms were to be rigorously applied, the rate of growth of agricultural expenditure could be held below that of the Community's financial own resources. This is what the Commission has long advocated without securing adequate support from Member States.

It is now up to the Heads of State and Government to give the Commission the support it needs to take effective action on the problems that have led to the creation of butter mountains, wine lakes and other expensive excesses that at present disfigure the CAP.

NOTE EMBARGO.

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AC 5.

The attached guidance notes on presentation of the Government's policies on agriculture, fisheries and food are for the personal use of all Ministers and should be associated with earlier notes in the series.

PRESENTATION OF POLICIES ON AGRICULTURE,
FISHERIES AND FOOD

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A. AGRICULTURE AND FOOD

I. INTRODUCTION

The home production of food is fundamental to the Nation's Security as we learnt only too well during the last war. In fact, it is second only to the defence of the Realm in any Government's responsibilities to its people. Today the guarantee of adequate food supplies that do not have to be shipped long distances is given, first, by increased self sufficiency - even successive Labour Government have supported this policy up until now, in particular during the 1970's with the publication of two papers, "Food from our own Resources" Cmnd 6020 (1975) and "Farming and the Nation", Cmnd 7458 (1979) - and second, membership of the European Community.

The Food and Drink Industry in the United Kingdom is the largest sector in terms of consumers' expenditure at approximately £39,000 million per annum. Over 2 million, some 10 per cent of the working population, are engaged in this vast enterprise. But all citizens are concerned in one way or another in its well being. They benefit from a variety and choice of foods available in the shops unknown some twenty years ago.

The agricultural and food industry is one of enormous diversity. From the 242,000 agricultural holdings and their supporting industries such as engineering and chemicals to the food manufacturers both large and small, wholesalers and finally the retailers, the food chain leads inexorably to the total population as consumers.

All Western nations support their food and agricultural industries in some form or other. This may be by direct aid, protection against the gyrations of the world market, or both. The Labour Party has traditionally supported agriculture. It was Tom Williams who introduced deficiency payments from the National Exchequer in the late 1940s. And others such as Fred Peart and Cledwyn Hughes were content to carry on in the same vein.

It can be truly said that the Agricultural industry has been one of our most notable success stories in the national economy since the war. The uptake of new technology, new plant varieties, improved livestock, control of disease, and introduction of new management techniques has been rapid and continuous. This has led to dramatic increases in yields, more varied products and better quality. And the productivity performance is the envy of all other industries.

The result has been increased self sufficiency, in particular in the last ten years since we joined the European Community. Indeed, the growth in labour productivity since 1978 - years of deep world recession - has been exceptionally rapid. This is unlike the recession in the 1930s when agriculture faced collapse and only recovered with the 1940s war demands. Today, of the food we can grow and produce in our climate, we are 76 per cent self sufficient (an increase of 9 percentage points since 1978) and in food of all types 62 per cent self sufficient (an increase of 7½ percentage points since 1978).

No industry in this country has as close a relationship with Government as has agriculture and food. The Government's advisory services (ADAS), the research stations and laboratories all work closely with the grass roots of the industry to improve its efficiency and productivity. This means that the fruits of research are quickly transmitted and adopted by the thousands of farm businesses on whom we depend for the bulk of our food supplies.

Finally, labour relations in agriculture are second to none. There are no strikes, no demarkation lines, no overmanning, and workers are ready to learn new techniques, operate new machinery and equipment, and use their varied skills as and when the need arises. The result is a success story, with output growing, imports being displaced and new markets being captured. Our food exports now total £2½ billion when in the early 1970s they amounted to only £250 million.

II. PRESENTATIONAL FRAMEWORK AND POLITICS

"We believe that radical changes in the operation of the Common Agricultural Policy (CAP) are necessary. We would, in particular, aim to devalue the Green Pound within the normal lifetime of a Parliament to a point which would enable our producers to compete on level terms with those in the rest of the Community. We will insist on a freeze in CAP prices for products in structural surplus. This should be maintained until the surpluses are eliminated. We could not entertain discriminatory proposals such as those which the Commission recently put forward for milk production.

The Uplands are an important part of our agriculture. Those who live and work there should enjoy a reasonable standard of life."
Manifesto, 1979.

There are a number of aspects of the public's perception of the Agricultural and Food industries that need stating before a detailed analysis can be done on the last four year of Conservative Government.

a) EUROPE

Opinion is divided on Britain's Membership of the European Community. Support is and has been declining since the Referendum in 1975, and today the figures show that more people are in favour of leaving than staying, in particular in the C2 and DE groups (ABC1 groups are still in favour of membership).

The main reason given for this hostility to and unhappiness about the EEC is the feeling that the increases in prices in recent years can be largely blamed on the Common Market, in particular the Common Agricultural Policy. However, opinion on the whole approves of the Conservative Government's handling of our relationships with the EEC.

Other adverse aspects of membership were Britain's contributions to the EEC Budget and the so called "food mountains".

b) LOBBIES AND POLITICS

Traditionally, there have been four lobby organisations in Agriculture, namely the Farmers Unions, the Country Landowners, the National Union of Agriculture and Allied Workers, and the Royal Society for the Prevention of Cruelty to Animals.

Today, organisations are being formed almost daily to lobby in the interests of animals - including pests - flora, hedgerows, etc. Media coverage of these groups is excellent and funding seems to be no problem, indeed one organisation gave £80,000 to the Labour Party during the last election. Support for these new bodies has in the main come from Urban dwellers whose knowledge of rural matters and agriculture is limited. Unfortunately, this could in time lead to a dangerous conflict between the Urban dweller and the Rural dweller.

The structure of rural society has changed considerably since the War. The agricultural workforce has more than halved, and the rural economy now relies much more on the commuter and the elderly, rather than the farm worker and farmer. The new commuting country dweller has taken over many of the leading positions in rural society, for example membership of parish councils and local authorities, often with no background or knowledge of agriculture. This at times has created conflicts of interest between the farmers and new country dweller. Second homes are also in this category.

Finally, access to the countryside is becoming easier now that most families own cars and have wider interests. Urban dwellers are often uninformed about farming and many regard the countryside as open territory for their leisure pursuits. Conflict will increase, particularly as agriculture moves forward to greater productivity and efficiency.

ASSUMPTIONS

- It is assumed that Britain will stay in the European Community.
- It is assumed that Government will continue to support Agriculture.
- It is assumed that greater self sufficiency in food that we can produce ourselves will continue to be Government policy.

III. THE VOTER'S PERCEPTIONS VERSUS THE FACTS

These notes single out the misconceptions in public opinion on the most important subjects to do with agriculture and food. Some are taken from opinion polls, others are more generally known misunderstandings of the true facts.

a) FOOD PRICES - EUROPE TO BLAME Price rises in general are blamed on membership of the EEC (47%). Food prices in particular come second in anti market opinion.

FACT Between 1973 and 1979, Food Prices rose by 110 per cent of which 10 per cent can be directly attributed to the Common Agricultural Policy and Membership of the EEC (statement by the then Minister, John Silkin). Also, food prices are not fixed by the Council of Agriculture Ministers, only the support price to farmers and growers - market forces largely dictate food prices in the shops.

b) FOOD PRICES - GOVERNMENT TO BLAME

The public blame the Government for what they consider unnecessarily high price rises.

FACT Under Labour, food prices rose by 120 per cent between 1974 and 1979.

Food prices under this Government have gone up by 34.7 per cent compared with 50.9 per cent for all items. January 1983 year on increase was only 1.9 per cent. During the period since 1979 Farm Gate Prices have only gone up by approximately 22 per cent.

c) CHEAPER FOOD IF WE LEFT THE EEC

There is no opinion poll indication of public feeling on this. However, the anti market view is that food prices would fall if we imported our needs from the World Market rather than the EEC.

FACT Britain's demand in most commodities is such that World Prices could rise if we entered the World Market. To contemplate relying more and more on uncertain world food markets - and one cannot ignore the implications of projections of another 50 per cent rise in world population by the turn of the century - is not an option. It is sufficient to recall that a shortfall in the world supply of cereals in 1973 doubled the world price in a matter of weeks, whilst over the past eight years, massive fluctuations in world sugar prices have arisen for climatic and other reasons.

Third countries who traditionally supplied us with food have, since we joined the Community, found other markets for their products. They are unlikely to give up those lucrative markets and return to supplying the United Kingdom again. And if they did, they would not supply us 'on the cheap'. It should also be said that if our agriculture were to be supported in the event of our leaving the EEC, the cost would be great. Taxpayers - and thus consumers - would therefore find the net gains to be ephemeral. What they might save on their food bills they would largely lose through the higher taxes the Labour Party would surely impose.

d) REFORM OF THE COMMON AGRICULTURAL POLICY

The Government are often accused of not keeping to their Manifesto pledge to reform the CAP.

FACTS It must first be pointed out that the Government cannot instantly improve the Common Agricultural Policy on its own. Agreement has to be reached by all Member States on any legislation or change to the existing policy.

The Government's achievements to be highlighted are as follows:

- A slowing down of the increase in the CAP budget from 210 per cent during the Labour Government to 20 per cent during this Government.
- The percentage of the European Budget going to the CAP has been reduced from just under 80 per cent to 65 per cent.
- United Kingdom receipts under the CAP have been doubled.

- Support prices for products in surplus have been reduced in real terms since 1978; Wheat by 19 per cent, Barley by 18 per cent, Sugar by 14 per cent.
- Annual support price increases have been reduced by the Government from an average under Labour of 7.56 per cent to 6.43 per cent. In this Government's first price fixing in 1979, the increase was only 1.3 per cent, the lowest figure ever in the European Community.

The Government's policy has not changed since the election.

"I am convinced that a policy of restraint on Community support prices and other measures to limit guarantees for products in surplus is the only appropriate one to follow in present circumstances but the effect of this in limiting production is difficult to measure given the range of other factors affecting production." Peter Walker. Hansard 17th February 1983 Col 251.

"We accordingly support the guidelines which the Commission has put forward for a prudent price policy, particularly for products in surplus, improvements in the balance between cereals and livestock prices, and the application of guarantee thresholds." Peter Walker London, 27th November 1982.

e) SURPLUSES

Voters' perception of Membership of the European Community and the agricultural industry often takes issue with the production of surpluses. These attacks vary considerably and frequently avoid the cause, ie. increased efficiency and expansion by the industry with static or in some cases, such as butter, reduced demand.

- Why sell subsidised butter to Russia; would it not be better to sell it cheaply within the EEC?

First, it is not within the powers of the Government to prevent sales of surplus butter to Russia. The decision is taken in the Management Committee and certain Member States support the sales wholeheartedly (France in particular). Second, to subsidise all butter in Europe would be much more expensive for the Community Budget. It would not increase butter consumption by much, hence the surplus would still exist.

- Why does the Community not sell the surpluses on the World Market?

The majority is sold on the World Market at a subsidised price. However, dumping at prices well below World Prices would cause immense problems for 3rd Countries and to existing World trade and prices. Therefore EEC exports have to be carefully controlled at all times. For butter, the real problem is the limited world market in that few nations outside Europe and North America either consume significant quantities or need to import their requirements.

- Why does Europe produce large surpluses of food and what are we in Britain doing about it?

First, better technology and management of food production over the last fifteen years has increased the production of food. However the population of Europe is static at about 260 million. Consumption is barely growing, hence the widening gap between supply and demand.

Second, it must be admitted that under the present funding of the CAP, money is directed mainly to those member states producing more than they consume thereby exacerbating the problem. Also it must be pointed out that these countries tend to contribute less to the Common Budget than their receipts. However, reform of the Budget is proceeding in that from 1980 onward, the United Kingdom - previously a massive net contributor to the Budget - is now contributing 2/3 less. This is important as she is not the main producer of surpluses.

Third, over production is not as serious at the moment as some people think. In days supply for the whole community, the largest surplus is in Skimmed Milk Powder at 139 days. Butter stocks are only 17½ days, wheat 45 days, Olive Oil 77 days and Barley only 14 days supply. Would consumers prefer to have stocks of food at stable prices in storage, as do all housewives, or would they rather have to queue for food as they do in Eastern Europe?

Last, much has already been achieved in controlling surplus production but more must be done. Britain has been in the forefront in arguing for price policies (low increases in support prices) and other changes in the CAP that will bring surpluses under better control (see those listed under Reform of the CAP). Our aim has always been to achieve better market balance and cuts in CAP expenditure.

f) AGRICULTURAL WORKERS WAGES

The Government have been accused of preventing Agricultural workers achieving what are described as reasonable wage increases.

FACTS The Agricultural Wages Board is the sole arbitrator in the annual demands for agricultural wage increases. There are an equal number of representatives from the farmers and from the agricultural workers union, with the independent members holding the balance.

- Agricultural wages have gone up in real terms every year under this Government.
- Agricultural wages actually fell in real terms under the last Labour Government
- Farming Income in real terms fell during the first two years of this Government.
- Average earnings under this Government have increased from £71.75 (1979) to £105.75 (1982 forecast).

IV. THE GOVERNMENT'S RECORD OF MEASURES TO HELP THE INDUSTRY

The Government's policy for Agriculture has been based on the principles of helping it maintain its position in the home market during the recession, and making it more competitive, particularly in Europe. At the same time, the Government has made sure that consumers' interests have been safeguarded, in particular as far as prices are concerned.

Below are listed the major measures and decisions taken by the Government since the election.

Three Green Pound devaluations, which fulfilled a Conservative Manifesto pledge, have eliminated the negative monetary compensatory amounts (MCAs) which had grown to over 45 per cent under the Labour Government in the late 1970s. These acted against the interests of British farmers and growers, by subsidising imports from, and taxing exports to Europe.

Massive increases in Hill Livestock Compensatory Allowances and in Suckler Cow premium have been given in the last three years to help the hill farming sector, and amounted to over £101 million in 1982. Hill cow allowances alone are now worth £44.50 per cow, which is 96 per cent higher than in May 1979.

Milk price increases have maintained the level of production throughout the United Kingdom even though the dairy herd declined steadily with those who have wished to move out of milk production being aided by considerable EEC grants. Total payments now total over £20 million a year. Milk prices have NOT gone up in Real Terms since 1951; in fact, the price of milk today (21p per pint) is slightly lower than it was in 1961 which is of enormous benefit to all consumers.

A sheepmeat regime for the European Community was successfully negotiated and introduced in 1980. This resulted from Government efforts to safeguard both the interests of United Kingdom sheep farmers, particularly in exports, and the traditional New Zealand trade that has filled a gap in our market for many years. Under the regime, Britain has retained her traditional system of guaranteed prices and premiums, the former now 40 per cent higher than when the last Labour Government left office. Because of the operation of the premium system, consumers have been protected from rises in retail prices.

Aid to the horticultural industry worth £6.5 million has been given in the last two years to offset the fuel cost advantage received by the Dutch industry. Agreement was reached in April 1982 in the Council of Ministers, for Dutch fuel prices to be brought up to the EEC average by April 1983.

Changes were made in the 1982 Budget for conversion grants to coal firing to the benefit of the glasshouse industry.

Aid worth £400,000 was also given to the British apple industry to launch the new 'Kingdom Cox' campaign in 1980. This prevented the French from increasing their growing share of the United Kingdom apple market.

Grant aid has been introduced for the replanting of apple and pear orchards for a 5 year period.

The Special United Kingdom Butter Subsidy from the EEC was doubled in 1979 and is now about 13p per lb. This has assisted in preventing extra falls in consumption and is of immense benefit to United Kingdom consumers.

The Special United Kingdom Variable Beef Premium negotiated a few years ago has been retained each year, despite resistance from other EEC Member States, and in 1982 the maximum payable to farmers has been increased by 46 per cent.

Improvements in Marketing. The Government campaign to persuade the industry to improve its marketing started with the appointment of five 'marketeers' in 1979, who produced reports on many of the sectors that were experiencing a declining market share and low returns. These reports included the apple and pear sector, the potato industry and others; and many of their recommendations have since been implemented.

On 7th June 1982, a new body 'Food from Britain' was set up to oversee and help all sectors of the industry. The total support will be more than £20 million over a 5 year period.

Capital Transfer Tax Relief of 20 per cent was introduced for the first time in the transfer of let land.

V. THE SUCCESS OF THE AGRICULTURAL INDUSTRY UNDER THIS GOVERNMENT'S POLICIES

Listed below are the main achievements of British agriculture, with particular reference to the Government's policies.

<u>Self Sufficiency</u>	<u>Now</u>	<u>Increase since 1978</u>
In all food consumed	62%	16.8%
In indigenous-type food	76%	13.4%

Food Prices

Increase since May 1979	35.6%
RPI over same period	55.5%
Increase March 1982 to March 1983	0.9%*

*lowest year on year increase since 1964 and equivalent to the monthly rate of increase under the previous Government.

Net Product

Increase since 1978 (last full year of Labour)	21.4%
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Labour Productivity

Increase since 1978 (last full year of Labour)	25.9%
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Farming Income

Increase in actual terms since 1978 (last full year of Labour)	47.7%
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(In real terms Farming Income is still below the levels reached during the mid-1970's and is still below that described as adequate at the last election.)

Balance of payments

Our increased self sufficiency means that in 1982, our balance of payments will be enhanced by over £1 billion, as against the position in 1978.

Food Exports

Food exports have grown from £250 million in the early 1970's to some £2,500 million in 1982.

B. FISHERIES

I. INTRODUCTION

During the negotiations that preceded the entry of Denmark, Ireland, and the United Kingdom to the European Economic Community, the then Member States hurriedly formed a Common Fisheries Policy (CFP) based in principle on free access to each others' waters. It did not, for example, provide for reserved coastal belts. The Treaty of Accession left open the possibility of allowing fishing 'up to the beaches' at the end of 1982.

The move to exclusive 200-mile limits by all nations around the world overtook events and the existing CFP became totally unworkable. A chance to change the CFP was missed by the Labour Government during the renegotiations culminating in the Dublin agreement in 1975. All Member States extended national fisheries limits to 200 miles on 1 January 1977 to create an EEC exclusive zone.

At Luxembourg on 26 October 1982 the Government succeeded in obtaining the agreement of eight other Member States to a fishing policy covering all the main issues of quotas, access, conservation and enforcement. Only Denmark did not give her Agreement. The nine countries that were in agreement made it clear that in the event of the failure of the Danish Government to agree, they would take Commission approved national measures. This they did from 1 January with the agreement of the European Commission and within the legal parameters of the Treaty of Rome.

On 25 January 1983, the Government succeeded in obtaining a Community-wide agreement which will run for 20 years, into the next century. After 3½ years of difficult and tough negotiations the Government has achieved an agreement that is acceptable to all the principal fishing organisations - the British Fishing Federation, the National Federation of Fishermen's Organisations and the Scottish Fishermen's Federation.

II. THE INHERITANCE

When the Government came into office they inherited a situation from John Silkin in which the eight other members of the Community (Greece at that time was not part of the Community) had come to a fishing agreement at Berlin, a meeting that Mr Silkin had decided not to attend. The agreement of the eight had been totally unsatisfactory to the United Kingdom on quotas, on access, on conservation and on enforcement. The Government had to negotiate in order to persuade the Commission and other Member States to support an agreement acceptable to the United Kingdom.

It has been argued that if Britain had a 200 mile limit a substantial quantity of Europe's fish would be in British waters. The opportunity to use this argument to obtain improvements necessary for the United Kingdom was in fact thrown away by the previous Government when in 1976 all Community countries were asked to go for a 200 mile limit on the basis that all the waters contained within that 200 mile limit would be Community waters. The agreement to do so - known as the Hague agreement - was negotiated by Dr David Owen, who was then a Labour Foreign Minister and is now a leader of the Social Democrats. In these negotiations Ireland insisted that if they were going to agree to the 200 mile limit as European waters they should gain arrangements permitting in effect the doubling of their catch in absolute terms; this was agreed by all other Member States including Dr Owen. The Labour Government however sought no such agreement for the United Kingdom and accepted the Hague agreement which created a 200 mile limit for the Community without any specific undertaking to the United Kingdom on quotas.

The final part of our inheritance was a fishing industry which had lost its rights in Icelandic waters, while stocks of important fish were declining, and an industry which had been given precious little special financial aid in the last years of that Labour Government.

III. THE VOTER'S PERCEPTION OF THE GOVERNMENT'S ACHIEVEMENTS

The previous paragraphs describe the position we inherited in May 1979 which resulted in the following commitments being made in the 1979 Manifesto -

"We would work for an agreement which recognised first, that United Kingdom waters contained more fish than those of the rest of the Community countries put together; secondly, the loss of fishing opportunities experienced by our fishermen; thirdly, the rights of inshore fishermen; last, and perhaps most important of all, the need for effective measures to conserve fish stocks which would be policed by individual coastal states. In the absence of agreement, we would not hesitate to take necessary measures on our own, but of course on a non-discriminatory basis."

The outline agreement reached in October 1982 has been well received by the industry and in the country generally. Such criticisms as have arisen have come largely from outside the industry and are dealt with in the following paragraphs. The Government's achievement must constitute the very best that could have been obtained in the short time available, starting from an eight to one against situation in May 1979.

(i) Quotas

We should have stuck out for larger quotas than we achieved, considering the amount of fish that we are contributing to EEC stocks, and knowing that we lost considerable fishing opportunities in third country waters.

Fact

Of the seven main species of fish (Cod, Haddock, Saithe, Whiting, Plaice, Mackerel and Redfish), six provide more than 80 per cent of United Kingdom landings. Another species of great importance in the future, if stocks recover, is herring.

The quotas obtained for the seven main species are in excess of our fishing in the years from 1973-78 and indeed for most stocks are as great as, or greater than, the exceptionally high level of fishing of these species in 1982.

To illustrate this, the average catch of North Sea cod in the years 1973-78 was 85,000 tonnes, while the quota provided in this agreement for 1982 is 114,700 tonnes. The new quotas provide the United Kingdom with 47 per cent of the EC availability of North Sea Cod, 60.5 per cent of the EC availability of West Coast herring and 58.7 per cent of the EC availability of West Coast mackerel.

The proportion of quotas allocated to each Member State for the seven main edible species is -

United Kingdom	37.3%
Denmark (including Greenland)	25.5%
France	11.6%
Germany	11.4%
Netherlands	7.7%
Ireland	4.6%
Belgium	1.9%
Italy	NIL
Greece	NIL
Luxembourg	NIL

Some measure of the success of the negotiations undertaken by this Government can be seen from the fact that, when they took up the negotiations, the Commission's first proposals offered only 31 per cent of the stocks of the seven main species. Every percentage point gained since has been at the expense of other Member States.

To have tried to go even further than this would have been pointless. No nation would wilfully prevent her friends and neighbours from fishing in her waters when it is known that first, fish do not abide by territorial limits and second, nations have traditionally fished in her waters, some for centuries.

The loss of fishing opportunities in third country waters is adequately reflected in the quotas listed above.

(ii) Access and protection of the rights of inshore fishermen

The Government has reneged on its commitment for a 12 - and indeed at times 50 - mile exclusive limit for our fishermen.

Fact

In the mid to late 1970s, the then Government demanded exclusive limits that were not within our reach either on a historical basis or compatible with our commitment to Europe.

"All practical considerations lead us to require that belt of up to 50 miles that we have demanded." (Silkin, Hansard, 28 November 1977, Col 115.)

This was never a starter and Mr Silkin never came anywhere near achieving it. But the present agreement does provide British fishermen with a better domination of our coastal waters than has been available at any time in the history of the fishing industry.

Up to 1964 Britain enjoyed a three mile exclusive zone. When the London Convention was adopted in 1964 and limits were extended first to six and then to twelve miles, agreement was reached with all the other fishing countries as to what historic fishing rights should be allowed in the 6-12 mile belt. These rights were agreed to by all the countries involved in the London Convention and were the historic rights by which we had to abide in the 6-12 mile zone until the United Kingdom joined the Community. In 1973 under the Treaty of Accession other Community countries demanded and obtained a further extensions of historic rights.

This new agreement has eliminated most of the Treaty of Accession rights, and has even improved on the rights that existed prior to accession. Under the terms of the Treaty of Accession, other Member States held rights in 1,999 miles of our 2,667 miles of coastline. In the agreement now reached, these rights are eliminated or reduced in 1,441 miles of those 1,999 miles. A major improvement has therefore been achieved in 72 per cent of the coastline where historic rights previously existed.

United Kingdom fishermen will also obtain important rights in 6-12 mile areas of other Member States. This includes rights to fish all species in the French waters from the frontier with Belgium to Cap d'Alprech for demersal species, and from Texal Island in the Netherlands to the border with Germany, and to fish for cod and plaice around Heligoland in Germany and most species round the Irish Republic from Minehead east along the southern coast and north up the eastern coast to the Ulster border. The arrangements under which Northern Ireland fishermen can fish in any part of the Irish Republic's 12 mile area, and vice versa, are also continued - arrangements that work very much to the advantage of Northern Ireland's fishermen.

Added to this, a "box" has been obtained around the Shetland Islands where fishing by larger vessels will be licensed so that the important stocks in that area can be carefully conserved, and, over the years, enhanced. There is no restriction on vessels under 80 feet in length, which is to the advantage of United Kingdom, particularly Scottish, vessels. These arrangements provide a 20 year guarantee against a really major increase in the intensity of fishing in an area of vital importance to us.

(iii) Enforcement and Conservation

The perception is that the January 25th agreement will not enforce the conservation measures agreed by all Member States.

Fact

Enforcement

One of the most important demands of our fishermen was to have a sensible system of enforcement in which Member States could not over-fish their quotas or infringe the access provisions. The agreement provides a system which will ensure the effective control of fishing by all fishermen in the Community. The United Kingdom Government provided the first proposals for such a Regulation. It sets out clearly Member States' obligations to ensure that Community fisheries rules are obeyed. The United Kingdom will be responsible for enforcement within our own fishing limits and at the ports. In addition, at the United Kingdom's insistence, the Commission are establishing a special unit whose specific task will be to check up on Member

States' fulfilment of their enforcement responsibilities. Inspectors from this unit will make regular visits to all the Member States concerned, will have the power of "on the spot" inspection, and will be able to accompany the national inspector to check that agreed control measures are being properly enforced. The Commission will have the power to ask for information and call for and attend an administrative inquiry if it is not satisfied with that information. Of most importance, the Commission will be able to stop a Member State fishing when there is reason to believe that its quota has been exhausted.

Substantial penalties will be available. A fine of up to £50,000 plus the confiscation of the very costly gear will add up to a major disincentive to overfish.

Conservation

There will be a new regime to meet some important United Kingdom needs and establish on a permanent basis the vital Norway pout box in the North Sea. The proposals will also include a more rigorous control on beam trawling. Our previous national measures will now be put on a Community basis. It is this measure that will give the fishing industry increasing instead of declining stocks.

IV. THE GOVERNMENT'S RECORD

An agreement has been achieved which will last into the next century, will allow stocks to recover and so give our fishermen increasing fishing opportunity and, most important, will give them confidence in their future viability.

Throughout the negotiations, the Government has supported the industry during the recession with massive aid, and the agreement that has been reached will help the rebuilding and restructuring of the industry that all agree is necessary. It has always committed itself to not accepting an agreement that did not meet the industry's approval. Peter Walker complied totally with that promise and when the final offer was made by the Commission he called in the leaders of the fishing industry and asked them whether they wished him to approve or reject. He made it clear to them that if they wanted him to reject he would do so and that they were entirely free to come to a decision. All three organisations asked him to accept the package. "The House will know that I have always undertaken that I would only approve an agreement that has the approval of the British Fishing Industry. When the Commission's final proposals were made I met the leaders of the three fishing organisations and all three asked me to accept these final proposals." (Hansard, 27 October 1982, Col 1051).

V. AID TO THE FISHING INDUSTRY

It will be seen from the following table that there is a remarkable contrast between the Conservative Government's record in giving special financial aid to the industry and that of the Labour Government. Indeed, the aid announced in October 1982 was more than the total of special aid given by the Labour Government in its entire period of office. Already, this Government has given almost four times the aid that Labour gave when it was responsible.

<u>Previous Government</u>	<u>£ million expenditure</u>
1974/5	0.6
1975/6	11.1
1976/7	2.3
1977/8	0.1
1978/9	0.8
<u>Total</u>	14.9

This Government

1979/80	0.4
1980/81	17.1
1981/82	24.7
1982/83	15.0
<u>Total</u>	57.2

(Source: MAFF January 1983)

Structures

The structure package is made up as follows -

	<u>EC budget</u> (million units of account)	<u>EC budget</u> £m approx	EC share of total cost to Member State	Duration (Years)
Decommissioning	32	18	50% (of up to approx £360 per tonne)	3
Vessel building and modernisation	118	66	25%*	3
Laying up Grants	44	25	50%	3
Joint Ventures	7	4	50%	3
Development of aquaculture	34	19	25%*	3
Artificial Reefs	4	2	50%	3
Exploratory Voyages	11	6	50%	3
<u>Total</u>	250			

*50% in Ireland (including Northern Ireland), Greenland, Greece, the Mezzogiorno and the Departments D'Outre Mer.

(Source: MAFF October 1982).

Substantial scrapping, modernisation and construction grants will be made to our fleet and the Community will finance 50% of all scrapping grants of up to £360 tonne and 25% of modernisation grants.