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Rte

10 DOWNING STREET

31 January 1986

From the Private Secretary

Dear Colin,

PRIME MINISTER'S TELEPHONE CALL WITH THE NETHERLANDS  
PRIME MINISTER

Mr Lubbers telephoned the Prime Minister this morning.

Intergovernmental Conference

Mr Lubbers said that he had not been in touch with the Prime Minister since the Luxembourg European Council. He was reasonably encouraged with the progress made by the Netherlands Presidency hitherto. He was practically certain that all Member States except Denmark would be in a position to sign the documents emerging from the Luxembourg European Council on 17 February. He had little doubt that the Danes too would agree following their referendum. The Prime Minister complimented Mr Lubbers on the handling of the outcome of the Intergovernmental Conference. She hoped that it would close this particular chapter in the Community. The main task now was to tackle the Common Agricultural Policy.

CAP

The Prime Minister said that farmers in Britain like those in the Netherlands were very efficient but had the feeling that they were discriminated against by proposals emerging from the Commission in Brussels. We could not continue with a system which geared prices to the most inefficient producers. It must be possible to give hope to those who were efficient and who had invested in modern equipment. Mr Lubbers agreed that the CAP was the big issue for the future. He had the impression that the United Kingdom and the Netherlands worked together closely in this area. The main problem lay with the Germans. He was thinking of suggesting to Chancellor Kohl that he should work out some sort of nationally financed scheme to take inefficient German producers out of production.

Internal Market

Mr Lubbers said that he hoped it would be possible to achieve concrete results rapidly. Certainly the Netherlands Presidency would do its utmost. The Prime Minister said the



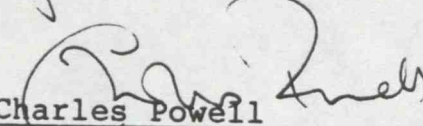
Community had been dilatory in this area but she had the feeling that there was now movement.

Oil Prices

Mr Lubbers said that his Government were concerned by the decline in the oil price. No action appeared to be required for the time being but if the decline continued it would be necessary to see what might be done. He had heard rumours of revived interest in the United States in an oil import tax principally as a revenue-raising measure to cope with pressures arising from the Gramm-Radman Act. The Prime Minister said that a rapid fall in oil prices inevitably caused difficulties. But prices were determined by the market and market pressures could not be overruled by Governments. She had not heard that an oil import tax was once again an issue in the United States. It would be necessary to oppose such a proposal firmly if it were made. It would be discriminatory, contrary to GATT and protectionist.

Mr Lubbers urged the Prime Minister to visit the Hague if she were coming to the Continent. The Prime Minister said that she had no immediate plans for this but would certainly bear his invitation in mind.

I am copying this letter to Rachel Lomax (HM Treasury), Geoff Dart (Department of Energy), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), Michael Gilbertson (Department of Trade and Industry), and David Williamson (Cabinet Office).

yours sincerely,  
  
Charles Powell

Colin Budd Esq  
Foreign and Commonwealth Office