



Foreign and Commonwealth Office

London SW1A 2AH

7 January 1980

~~Prime Minister~~
 L.S.

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Paul

Dear Michael,

Prime Minister's Meeting with MEPs:
Tuesday 8 January

I enclose a brief for the Prime Minister's use when she meets members of the European Democratic Group on Tuesday 8 January.

UK MEPs receive written, factual background briefs for each session of the European Parliament as a matter of course; the subjects which they seem most likely to raise with the Prime Minister are:

- (i) The 1980 Budget;
- (ii) Budget/Convergence;
- (iii) The Common Agricultural Policy;
- (iv) Relations between MEPs and the UK Parliament;
- (v) Accommodation in London for UK MEPs;
- (vi) Briefing for UK MEPs;
- (vii) EEC/Rhodesia;
- (viii) Political co-operation, especially Afghanistan.

The European Democratic Group is also meeting the Chancellor of the Exchequer at 10.30 am on Wednesday 9 January and the Lord Privy Seal at 5.30 pm the same day.

I am copying this letter to John Stevens (Chancellor of the Duchy of Lancaster's office) and Martin Vile (Cabinet Office).

Yours etc

Paul

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PRIME MINISTER'S MEETING WITH THE EUROPEAN DEMOCRATIC GROUP MEPS:
8 JANUARY

POINTS TO MAKE

1980 BUDGET

1. Will take some time before 1980 budget can be adopted. Meanwhile no reason for there to be a financial crisis: twelfths system seems likely to provide Commission with adequate funds over at least first 3-4 months of year.
2. Recognise strength of some of the arguments put by EDG MEPS during budget discussion last year. Do not challenge validity of points they made, particularly on cuts in certain sections of CAP expenditure. Glad UK MEPS voted against co-responsibility levy which was in a form prejudicial to UK.
3. This time we hope to ensure that their points can be reflected at an early stage (i.e. in the draft budget established by the Council) so that we can avoid another institutional clash which would be damaging to the Community as a whole.
4. What are the crucial points for the Parliament? How far do they expect the Council to go? A gesture only towards more structural expenditure and less agricultural, or something more substantial? It would be unrealistic to expect, given power of European farming lobby, that swingeing cuts in agricultural spending could be realised immediately. Not all ways of cutting CAP (e.g. some elements in Commission economy package) would be in UK interests.
5. We must clearly build on present concurrence of interests between HMG and European Parliament. We fully recognise Parliament's budgetary powers as laid down in the Treaties and the various financial regulations and are of course content that they should be used to the full, but the Parliament must continue to use their powers responsibly

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and constructively. We do not favour any extension of the Parliament's present powers. In particular we believe that the Council should continue to be the primary policy-making body.

BUDGET/CONVERGENCE

6. Lord Privy Seal has just begun a tour of capitals to follow up Dublin and prepare for next European Council which we hope will be brought forward.

7. We are indicating willingness to negotiate, but emphasising narrow margin of manoeuvre. There must be matching movement by our partners, e.g. on raising level of receipts, duration of solution.

8. Dublin should not be viewed in purely negative light. Community has never found it easy to take decisions of this importance. Conclusions of Council represent first step towards solution:

(a) helpful consensus on removing restraints from 1975 Financial Mechanism;

(b) recognised need in principle for long term restructuring;

(c) focussed attention on receipts.

9. But little time. Therefore pressing our partners for an early solution.

10. Next formal step is the Commission paper on receipts (due end January or early February). We see three possible approaches to receipts problem:

(a) a mechanism bringing up our level of receipts to e.g. proportion of Community average;

(b) adjustment of existing policies to give higher level of spending in UK;

(c) new or extended policies, e.g. in areas suggested in Commission Paper for Dublin Summit (coal, transport etc) or for Northern Ireland.

11. No set views on which would be best: could be a mix of all three. But must make a substantial contribution to solving the problem and be lasting. Our view is that mechanism would be simplest, cheapest/^{and}would meet our problem best, but willing to look at range of possible solutions.

COMMON AGRICULTURAL POLICY

Commission's Economy Package [if raised]

12. We strongly support the underlying objectives of the Commission CAP economy package. The proposed saving of 1 billion EUA would be a useful first step in bringing CAP expenditure under control. But some of the individual measures seem likely to be discriminatory and unhelpful to British farming industry. Need for further discussion on details.

1980/81 Price-Fixing [if raised]

13. Commission have yet to table their proposals. Essential that economy measures should be underpinned by a rigorous policy on prices of products in surplus. We can see no justification for price rises for such products.

Sheepmeat [if raised]

14. Linkage between sheepmeat regime and solution of our budget problem makes no sense. The French must comply with the Court judgement. As everyone, except the French (and to a lesser degree the Irish), agrees an intervention type regime is not appropriate. We are prepared to consider economical premium system which meets our requirements as the major Community producer and consumer. Any arrangements must ensure adequate access for New Zealand, and maintain the Community's GATT obligations.

/RELATIONS

RELATIONS BETWEEN EUROPEAN PARLIAMENT AND WESTMINSTER

15. The Government want good relations between the two institutions. But it is for the House and you yourselves to agree what form these relations should take.

16. Chancellor of the Duchy of Lancaster is taking soundings of all parties in the House which will in due course probably debate the subject.

ACCOMMODATION FOR UK MEPs

17. The Government have said they will help provide accommodation for UK MEPs and their secretariats at the Parliament's expense. I understand that you will in due course be moving into shared accommodation with the London Office of the European Parliament. Meanwhile, I hope you will remain in touch with Geoffrey Finsberg in order to ensure that we may help where we can.

BRIEFING FOR UK MEPs

18. Government continue to believe it is important for UK MEPs to be properly briefed on implications for HMG of subjects under discussion within the Community. Briefing arrangements have been agreed; hope they will work properly. If not, grateful if you would let Lord Privy Seal know of any suggestions you may have for improving them.

EEC/RHODESIA

19. Of great importance that an EEC trade regime for Rhodesia should be agreed and in place as soon as possible. Understand European Parliament will have to approve the agricultural aspects of whatever regime is agreed by the Council. Grateful for your help in ensuring that this process is completed as soon as possible.



POLITICAL CO-OPERATION: AFGHANISTAN [if raised]

20. Most Governments of the Nine have made strong statements condemning the Soviet action. The UK urged that there should also be a joint statement but others (notably the French) did not agree. We continue to work for a strong collective position.

/BACKGROUND

BACKGROUND

1980 BUDGET

1. The Commission have indicated to us informally that they accept that it is for them to produce a new preliminary draft budget (i.e. that the rejection of the 1980 draft budget requires that the procedure be repeated in full). However they do not intend to start work on the preliminary draft until they are satisfied that there is adequate common ground between the Council and the Parliament to obviate the risk of a further rejection. Therefore unlikely that even initial stages of budget procedure will be completed by February/March.
2. Rejection of the 1980 draft budget has opened up tactical opportunities in relation to our strategy on getting a budget settlement and to our policy on the CAP. Officials are studying the implications and will shortly report to Ministers.

BUDGET/CONVERGENCE

3. The Commission are still working on their paper on Supplementary Community measures within the UK: its precise shape is uncertain. One possibility is that it will be along the same lines as the final Commission proposals for the November European Council, i.e. they would cover a range of general possibilities but without pre-judging the possible financial return to the UK. The Commission are to decide on their general lines of approach on 9 January, and it is unlikely that the final paper will be available before the end of January. There will be a Foreign Affairs Council 4/5 February and a Finance Council 11 February which are likely to take up the initial discussion.

COMMON AGRICULTURAL POLICY

4. The Commission package of economy measures (milk levies, cuts in sugar quotas, reduction in support for beef, rye, starch and fruit and vegetables) was formally presented to the Agriculture Council on 10/11 December. There was no more than a brief tour de table and further preparatory work was commissioned. But it was clear that many countries had reservations.
5. Both the Agriculture Council and the Finance Council (on 17 December) have agreed that the latter should examine the budgetary consequences of the economy package and the Finance Council decided that it could only do this effectively in the light of the Commission's price-fixing proposals.
6. The latter are expected to be submitted towards the end of January. The Commission may well recommend increases even for products in surplus. This is unacceptable since it would undermine the economy measures and provide no incentive for farmers to cut back production. It would also be likely further to provoke the European Parliament, which has already shown its determination to cut CAP costs by rejecting the 1980 draft budget.

/Sheepmeat

Sheepmeat

7. The Presidency Conclusions to the Dublin Summit referred to the need to reach a rapid Community solution to the problem of the organisation of a market in sheepmeat. Ministers are to consider soon how we should respond to attempts to establish a link between sheepmeat and our budgetary contribution. In the meantime, we continue to insist that the issue be treated on its merits. There has been little progress in negotiations on the internal regime. It was not discussed substantively at the Agriculture Council on 10/11 December. The French are still maintaining the need for an intervention-type regime.

8. On voluntary restraint agreements with third country suppliers, the Agriculture Council on 10/11 December adopted a Commission negotiating mandate which is generally satisfactory to our interests and those of New Zealand, though the New Zealanders will undoubtedly wish to negotiate hard on certain points. The French have abandoned their insistence on unbinding of the GATT tariff.

9. The French have still not complied with the 25 September judgement of the European Court. But they have, according to Commissioner Gundelach, acknowledged for the first time and unconditionally that the judgement of the Court must be implemented in full. Commissioner Gundelach told Mr Walker on 20 December that he had obtained permission to take the French to Court again without further reference to the Commission, but was holding his hand over the Christmas holidays (the Court is in recess between 13 December and 7 January). He will discuss the subject with Mr Walker on 10 January.

RELATIONS BETWEEN THE EUROPEAN PARLIAMENT AND WESTMINSTER

10. Until direct elections in June 1979 all MEPs were nominated from national parliaments. This assured good relations between the European Parliament and respective national Parliaments.

11. Now, however, all UK MEPs, except the nine with a dual mandate, have no privileged access to Westminster. Ministers agreed that the Chancellor of the Duchy of Lancaster should take soundings with MPs about privileged access to Westminster facilities for MEPs and the establishment of a Joint Select Committee on the constitutional and procedural aspects of their relationship to members of the Westminster Parliament. These soundings are still in progress. There has been some resistance, particularly from Labour members, to the idea of privileged access to Westminster.

ACCOMMODATION FOR UK MEPs

12. Until direct elections, UK MEPs had the use of offices in St Stephens. But the Government (and House Services Committee) have decided that, given that there are now only nine dual mandate members, the responsibility for finding suitable accommodation should lie with the European Parliament. We understand they plan eventually to share premises with the London office of the Parliament but so far none has been found.

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13. Meanwhile the MEPs have been allowed to stay in their old offices in St Stephens. They have recently however been asked to move to make room for the new Parliamentary Select Committees. They have been offered instead alternative accommodation in the rear of St Stephens. Mr Jim Spicer, one of the dual mandate members, is in touch with Mr Finsberg, Parliamentary Under-Secretary at the Department of the Environment.

BRIEFING FOR UK MEPs

14. On 13 December OD(E) agreed on the arrangements for briefing and handling correspondence with them. Guidance was issued to departments by the Cabinet Office.

15. The main points of the guidance are:

(i) where there is a Community locus MEPs' letters should be answered by a Minister in the same way as MPs' letters;

(ii) factual written briefing will be provided by Departments on subjects under discussion, generally at the request of the UK MEPs;

(iii) oral briefing may also be given to MEPs to go into more detail on the Government's policy; generally speaking it will be given by Ministers but, with specific Ministerial authorisation, may also be given by officials.

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