



Ref. A084/365

PRIME MINISTER

Cabinet: Community Affairs

Unless it has already been covered under Foreign Affairs, you may wish to tell the Cabinet about the Community aspects of your talks with the Italian Prime Minister on 26-27 January, when the post-Stuttgart negotiations were among the issues discussed.

2. The Secretary of State for Trade and Industry will report on the Steel Council on 22 January at which he and the Minister of State for Industry (Mr Lamont) represented the United Kingdom. This agreed to the renewal of the mandatory quota arrangements until the end of 1985. The prolonged regime includes the improvements for United Kingdom producers negotiated in July. The Council considered the implications for the carbon steel arrangement between the Community and the United States of the decision by Bethlehem Steel Corporation to file an action under Section 201 of the Trade Act against all United States carbon steel imports and agreed that the Commission should enter into consultations with the United States.

3. The Secretary of State for Trade and Industry may also report on his talks with Commissioners Davignon, Ortoli and Andriessen about the need for a further tranche of aid for the British Steel Corporation (BSC). The Secretary of State has obtained a Commission decision to allow the aid to BSC, even though we have passed the 31 January deadline for submitting a revised Corporation plan. Talks at official level with the Commission also identified means to reduce the fines on Sheerness Steel, which breached the quotas on production, to a level acceptable to the company and to ease the payment arrangements.

4. The Minister of Agriculture, Fisheries and Food will report on the Fisheries Council on 31 January. Unexpectedly, and most unusually so early in the year, the Council succeeded in agreeing catches and quotas in Community waters for 1984. The Common Fisheries Policy does now seem to be operating more effectively.

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The Council also agreed on a reopening of herring fishing in the North Sea which was suspended a month ago following disagreement on national quotas.

5. The Minister of Agriculture, Fisheries and Food may also refer to three other Community agricultural issues which have received recent publicity. First, the Commission should be deciding today whether to disallow expenditure in the United Kingdom on the milk regime for 1978-79 because the Milk Marketing Board's dual pricing policy is alleged to have breached Community regulations. The Financial Controller's claim is opposed by the Commission's legal and agricultural services. We expect that the Financial Controller's claim will be thrown out and that the expenditure for these years will be accepted. The position for 1980 and subsequent years, however, remains to be resolved. The Minister of Agriculture is taking action with the Milk Marketing Board to secure the ending of the practices, with a view to avoiding the risk of disallowance for 1980 and later years. Secondly, there has been some unrest in the industry about the French Government's action on 29 January in restricting the entry points through which live food animals and fresh pigmeat could be imported into France. This has been announced as a precaution against foot and mouth disease. The practical effect on United Kingdom exports is likely to be small. The French Minister of Agriculture has agreed that United Kingdom and French officials should meet to discuss the matter. Thirdly, Mr Jopling may refer to the European Court's judgment on 31 January that retaining statutory powers to reintroduce severe restrictions on poultry imports was illegal. The Ministry of Agriculture has, however, made it clear that this does not affect the existing licensing system for imports of poultry meat.

6. Over the next seven days there will be an informal meeting of Social Affairs Ministers on 2 February. The Finance Council will meet on 6 February and the Agriculture Council on 6-7 February.

ROBERT ARMSTRONG