

Duo.

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CONFIDENTIAL

Prime Minister

Qz.04084

MR POWELL

I see no need  
for a review  
we know what's  
wrong

The great risk is that a  
review will undo what  
has been achieved by the  
budgetary discipline agreement.

Agree to proper  
interdepartmental consideration of  
the pros & cons of a review, and  
its terms of reference?

REVIEW OF THE COMMON AGRICULTURAL POLICY

Attached.

In a letter of 6 December to the Foreign and Commonwealth Secretary the Minister of Agriculture, Fisheries and Food suggested that he should take an initiative at the Council of Ministers (Agriculture) this week on launching an independent review of the common agricultural policy. The Chancellor of the Exchequer did not agree and, in fact, this question has been held over. Our view is that such an independent review of the common agricultural policy could be helpful provided that the terms of reference, the timing and the decision on those to be responsible for the review were all carefully worked out. Important questions not clearly covered in the Minister of Agriculture, Fisheries and Food's letter are:-

CDP  
11/12

(i) whether this is genuinely to be a review by independent people or to be an exercise by the European Commission. This is a matter of substance. In addition, if it were to be proposed as a review by independent people, it would be essential to make sure that Monsieur Delors went along with the proposal. We are relying heavily on Monsieur Delors in the coming period to ensure a rigorous price policy in the Commission's price proposals and it is essential to keep in step with him;

(ii) it would be essential to minimise any risk that the enquiry came up with further proposals on Mediterranean farming, since this tends to be an insatiable source of demands for extra money;

(iii) it seems to me very probable that any review of the common agricultural policy would come up with proposals for differentiating between the amount of support for

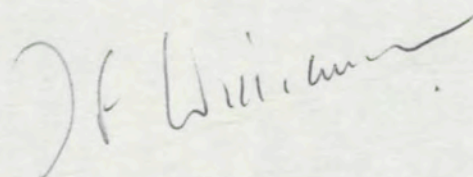
CONFIDENTIAL

larger and smaller farmers. This could be good for the Community budget as a whole but so far the United Kingdom has set its face against such differentiation;

(iv) on the positive side there are a good number of people in the Community who are looking for introducing a greater market element into the operation of the common agricultural policy and, in particular, for more flexibility to allow the prices to respond to supply and demand within the Community. There are ways in which this can be done which might temporarily reduce farmers' incomes but over a period of years would sustain them better. For example, the cost of internal support for the pig-meat regime is very low, while the cost of internal support for the beef regime is very high but in the Community as a whole pig-meat producers have reasonable incomes although with more variation. This is a direct reflection of the market element.

2. We have recommended to the Departments mainly concerned that all these issues need sorting out before a decision could be taken on an initiative for an independent review of the common agricultural policy.

3. I am sending a copy to Sir Robert Armstrong.



D F WILLIAMSON

11 December 1984



## 10 DOWNING STREET

*From the Private Secretary*

12 December 1984

MR. WILLIAMSON  
CABINET OFFICE

Review of the Common Agricultural Policy

Thank you for your minute of 11 December about the proposal by the Minister of Agriculture, Fisheries and Food to take an initiative in the European Community to launch an independent review of the Common Agricultural Policy.

The Prime Minister has commented that she sees no need for a review of the Common Agricultural Policy. We all know what is wrong with it.

If the Minister of Agriculture, Fisheries and Food still wishes to pursue the idea, in the light of the Prime Minister's comment, there will need to be full inter-departmental discussion and a recommendation to the Prime Minister. But I am bound to say that the Prime Minister's views on the subject have been very firmly expressed.

I am copying this minute to Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), David Peretz (HM Treasury) and Colin Budd (Foreign and Commonwealth Office).

Charles Powell

12 December 1984

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CC NO

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

11 December 1984

The Rt Hon Michael Jopling MP  
Minister of Agriculture, Fisheries & Food  
Whitehall Place  
LONDON SW1

*PM has already  
expressed views*

*CAP 13/11*

*Dear Minister*

**INDEPENDENT REVIEW OF THE CAP**

Thank you for sending me a copy of your letter of 6 December on this subject to Geoffrey Howe. I have also seen Geoffrey's minute of 10 December.

I have serious reservations about your proposal to launch an initiative this week to set up an independent review of the CAP. While I accept that there may be a case for seeking fresh ideas about the development of the CAP within the financial constraints which have now been agreed, I am very doubtful whether now is the right time to begin such an exercise. It would be all too easy for your colleagues in the Agriculture Council to argue that they should put off any difficult decisions required in next year's price fixing settlement until the review team had reported. And this could be disastrous in terms of our major objective that budgetary discipline on the CAP should be seen to work.

Moreover the value of any independent review will depend to a large extent on the membership of the review team and its terms of reference. For example, it is surely essential that the resources available for CAP market support under the financial guideline should be one of the constraints of the review rather than one of the questions on which it is asked to report. In the circumstances I must ask that any initiative in Brussels should be postponed until we have had the chance to have some collective discussion of these issues, preferably on the basis of a paper agreed by officials.

I am copying this letter to the Prime Minister, the Foreign Secretary, the Secretaries of State for Scotland, Wales, Northern Ireland and the Environment, the Lord President, the Lord Privy Seal, the Chief Whip and Sir Robert Armstrong.

*Yours sincerely  
Nigel Lawson*

NIGEL LAWSON

*PP  
(Approved by the Chancellor and signed  
in his absence)*

EUROPEAN POL: CAP 6 P12

13 DEC 1984





MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH

c. H. Williams

From the Minister

*Mr. Ingham*

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign and  
Commonwealth Affairs  
Downing Street  
London SW1A 2AL

CABINET OFFICE  
A 9494  
6 DEC 1984  
FILING INSTRUCTION:  
FILE No. ....

6 December 1984

*Dear Secretary of State*

#### INDEPENDENT REVIEW OF THE CAP

I hinted in my speech to the Farmers' Club on 3 October at the idea of an independent review of the CAP. In your minute to me of 9 October you responded favourably to this idea.

I have since given further thought to this and I believe the time is right for such an independent review. In the Agriculture Council, we tend under pressure of immediate events to become wholly absorbed with shorter term issues. An independent review would help to demonstrate clearly and objectively the longer term consequences of current policies. It should underline that radical changes in policy seem inevitable in the face of the expected developments in supply and demand and the application of new technology to agriculture. If initiated now, it would also enable account to be taken of the possible consequences of further enlargement on the costs of the Mediterranean regimes.

I have in mind a review conducted by a team of independent experts. The Commission would clearly need to be closely involved and to submit papers. But a substantial independent input into the review is, I believe, desirable since outsiders would be less inclined than the Commission to be preoccupied with the justification for past policies.

I have discussed this informally with most of my colleagues in the Agriculture Council and their response has been reasonably encouraging. But there will undoubtedly be differences of view both on whether the review should in fact be carried out by a group of independents or by the Commission Services; and on the size and membership of an independent review body. In particular, it seems clear that Pandolfi is planning himself to launch some sort of review during the Italian Presidency. But he seems strongly inclined to the idea that the Commission should run the exercise which I am convinced would be less than satisfactory.

/I believe that ....

I believe that there is much to be said for getting our ideas launched before Pandolfi takes over in the Presidency. I, therefore, propose to take an initiative on this at next week's Agriculture Council, provided it is clear that there will be support from other Ministers. I am attaching draft terms of reference defining the scope of the study -- which I have it in mind to circulate to colleagues. We shall not be able to reach decisions next week. I would expect other Ministers to want to reflect on the details and it will be necessary to involve the new Commission. But I would hope that preliminary discussion at next week's Council will pave the way for decisions early in the New Year on the detailed arrangements for carrying out the study.

I am sending copies of this letter to the Chancellor of the Exchequer, the Secretaries of State for Scotland, Wales and Northern Ireland, the Secretary of State for the Environment, and Lord President of the Council, the Lord Privy Seal, the Chief Whip and Sir Robert Armstrong.

Yours Sincerely  
C. H. J. J.

for MICHAEL JOPLING  
Approved by the Minister and  
signed in his absence

## INFORMAL COUNCIL:

## DEVELOPMENT OF EUROPEAN AGRICULTURE AND IMPLICATIONS FOR THE CAP

Terms of Reference

1. To consider the development of agriculture in the Community\*, assuming present policies, and taking account of technical developments and structural changes over the next decade:
2. To analyse by main sectors:
  - (a) supply and demand within Europe;
  - (b) world trade opportunities and costs;
  - (c) food aid opportunities and costs.
3. To consider in the light of 1 and 2 the financial, economic and social implications.
4. In the light of the above analysis to consider the broad direction of adjustments in the CAP in the coming years.

\* Community would need to be considered both as EC 10 and EC 12.