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Qz.02505

PRIME MINISTER

AD HOC MEETING 2.45 pm WEDNESDAY 17 MARCH 1982

There are two separate subjects to discuss at your meeting tomorrow with the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Minister of Agriculture and the Secretary of State for Scotland:-

(i) Fish.

(ii) The general handling of the 30 May Mandate negotiations: "EC budget restructuring".

2. I suggest that you take fish first because there will not be a lot of time and there is a difference of view on that issue to be resolved between Ministers.

\* --- 3. Attached to this minute are separate Chairman's briefs on the two subjects. The one on fish describes the background to the problem more fully than in the note attached to the Minister of Agriculture's minute to you of 11 March. The brief on EC budget restructuring deals only briefly with the background as you are familiar with it.

D.H.

D J S HANCOCK

16 March 1982

\* brief on EEC Budget filed on European Policy: Community Budget Pt 14

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PRIME MINISTER'S AD HOC MEETING: 17 MARCH

REVISION OF THE COMMON FISHERIES POLICY

Chairman's Brief

1. The Minister of Agriculture's minute of 11 March raises the question whether the UK should make a link between the negotiations on the Common Fisheries Policy (CFP) and those on the Mandate and CAP prices. We understand that both the Foreign Secretary and the Chancellor have doubts about this suggestion and they are both likely to minute you before tomorrow's meeting. But their minutes are not available yet. We shall submit further advice if necessary when the minutes are received.

#### BACKGROUND

2. Although progress has been made on conservation, marketing and third country issues, the key CFP questions of access and national quotas remain unresolved. The derogations on access laid down in Articles 100 and 101 of the Accession Treaty expire at the end of 1982; if no new measures are agreed there will be no legal basis for our restricting the access of other member states to our coastal waters.

#### Situation in 1983 if no agreement

3. Para 10 of the Annex concludes that unilateral action would be needed if the UK were to maintain restrictions on access to coastal waters. The alternatives to unilateral action, set out in para 17, would be "to do nothing" or to "settle for what we could get". The latter is likely to mean, in practice, a short

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term rolling forward of the existing derogations. While such a measure is unlikely to be agreed without some negotiating cost to the UK in terms of quotas, a six month prolongation could open the possibility of linkage to other decisions in 1983, perhaps to the price fixing.

Prospects for reaching a settlement satisfactory to the UK Industry

4. To meet the industry's needs a satisfactory agreement would have to provide inter alia for preferential rights of access for British fishermen within the 12 mile coastal belt and an area of preference outside 12 miles (a "preferential box"). In bilateral negotiations last autumn the French indicated that they would be prepared to accept an arrangement which in the context of an otherwise satisfactory package could have been the basis of an acceptable deal on the 12 mile coastal belt, around all of the UK except off the west coast of Scotland. They were unable to envisage arrangements off the north west coast of Scotland and the adjacent islands which the Secretary of State for Scotland could have accepted. They also made it clear that nothing of substance could be provided in the way of a preferential box outside 12 miles off North Scotland except at the cost of further weakening the preference for British fishermen within 12 miles.

5. Though it is not spelt out in his minute, the Minister of Agriculture appears to have concluded that this key part of the negotiation cannot be satisfactorily resolved without some further leverage being exerted on the French.

6. We understand that the Foreign Secretary does not accept that all hope of a CFP settlement reached on its own merits should yet be abandoned, and he is likely to recommend that the United Kingdom should undertake intensive bilateral contacts with the Presidency, the Commission, the French and the Irish before any decision in favour of linkage is taken.

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Procedure for creating linkage

7. If a linkage were thought desirable, one way of establishing it would be for you to state at the March European Council that the Community had three issues which required prompt resolution, the Mandate, CAP prices and the CFP, and that it was essential for the UK that they be dealt with quickly and be concluded together. Another would be for the link to be created at, or after, the Fisheries Council in April. But the later any link were made the greater would be the risk that member states would react adversely and seek ways round the CAP prices lever.

8. The effectiveness of the CAP prices lever as a means of producing an acceptable conclusion to the CFP negotiations may anyway be open to doubt: the French are likely to want to settle CAP prices, but may introduce national aids if provoked too far; and the Danes, who have the major conflict of interest with us on CFP quotas, may be able to satisfy their farmers temporarily with a green rate change.

9. The other arguments against a link are that by adding fish to the Mandate/CAP prices negotiations we would make it more difficult for our partners to give us satisfaction on all three elements in the same package and more likely that our fishing industry will criticize the outcome as a sell-out. The Chancellor of the Exchequer will equally be concerned that the addition of fish to the Mandate negotiations will make it even harder to bridge the substantial gap between our objective on the budget and what the other member states are currently prepared to give us.

HANDLING

10. You will wish to invite the Minister of Agriculture, the Foreign Secretary and the Chancellor (as appropriate) to speak to their minutes. You might then direct the discussion to the following issues:-



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- (i) What are the prospects of reaching an agreement on the CFP acceptable to the UK industry, without linkage? Would they improve in the autumn under the Danish Presidency, given their interest in obtaining a substantial share of the quotas?
- (ii) If in December no agreement had been reached, what are the chances of negotiating an acceptable short-term rolling forward of the access derogation arrangements?
- (iii) How could a linkage be effected, if it were decided?
- (iv) What are the arguments for and against a link with the Mandate/CAP prices?

CONCLUSIONS

11. Depending on the discussion you might conclude:

- (a) Linking the CFP to the Mandate and CAP prices would be likely to reduce the level of settlement we could attain on the budget, could overload the leverage available to us through the CAP prices and cause other member states to take action to undermine its effect.
- (b) But no final decision on such a linkage should be taken until a vigorous effort had been made in bilateral negotiations with the French and Irish and the Commission and the Presidency.
- (c) The Minister of Agriculture and the Secretary of State for Scotland should initiate such negotiations urgently and should report back with their proposals for handling the negotiations at the April Fisheries Council and subsequently.
- (d) When drawing up their proposals, the Minister and Secretary of State should consider what could be done to put pressure, other than linkage with the Mandate and 1982 price fixing, on the other member states and the Commission to complete the CFP negotiations before the access derogations expire; and, if that were not possible in time, to agree to an extension of the status quo into 1983.