



CG 3073

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Dear Charles

Following discussion at the Prime Minister's briefing meeting this morning and the information in UKREP telegram 1149 of today that Pandolfi thinks Kohl may raise the 1985 price fixing at the European Council, the Chancellor thinks that the Prime Minister may find it helpful to have an additional speaking note to cover this eventuality.

← | The telegram reveals the extent to which the German Government is ready to sacrifice budget discipline to its agricultural interests. The sort of concessions which Kiechle is talking about could easily add 350 mecu to the cost of the Commission's package and other member states would demand sweeteners on a corresponding scale.

The Chancellor considers that the Prime Minister's main aim should be to head off discussion of this subject. Most other heads of government can be expected to take an unhelpful line. We are better off conducting the negotiation in the Agriculture Council and, if necessary at a certain stage, in a Joint Council involving Finance Ministers as well as Agriculture Ministers. However, she will want to leave her colleagues in no doubt that the UK Government would regard a significant breach of the new arrangements as a grave matter.

... I attach a draft speaking note. Of course, it is first and foremost for the Commission to defend its own proposals. The Prime Minister may want to come in to support the Commission, but the Chancellor thinks that she will probably not want to take the lead unless M. Delors unaccountably fails to defend the Commission's proposals.

I am sending copies of this letter to Colin Budd (FCO), Ivor Llewellyn (MAFF) and Richard Hatfield (Cabinet Office).

Yours ever
Receal

MRS R LOMAX
Principal Private Secretary

EUROPEAN COUNCIL
1985 AGRICULTURAL PRICE PROPOSALS

C.A.P.

Points to make

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[If raised by others]

1. It is for the Agriculture Council to negotiate a settlement on the basis of the Commission's proposals. UK supports them - indeed would have preferred a more restrictive package. But consider that it would be wrong for this Council to try to steer Agriculture Council, especially in the direction of a laxer settlement.

[In support of Commission - if others press hard for dilution of Commission's proposals]

2. Any serious weakening of Commission's proposals would reverse the process of CAP reform to which the Agriculture Council committed itself in the 1984 agricultural price settlement and which we endorsed at European Councils last year. It would also be inconsistent with our recent conclusions on budget discipline. These were an integral part of the Fontainebleau package. A set-back for budget discipline would greatly complicate the UK Government's task of obtaining parliamentary approval for new own resources. The budget discipline conclusions, and procedure prescribed therein, must be adhered to.

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CONQUEROR

