



Ref. A085/1416

PRIME MINISTER

Cabinet: Community Affairs

The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 13-16 May. The main conclusions were:

1. Agreement (the Federal Republic of Germany and Greece abstaining) on 1985-86 prices and related measures for all products except cereals and rapeseed. The measures are those proposed by the Commission adjusted by the final Presidency compromise, ie within the terms agreed at Cabinet last week. No extra financial provision will be made in 1985 above the level already agreed by the Budget Council and included in the draft budget now before the European Parliament. The decisions do not breach the financial guideline for 1986. The effect on food prices will be negligible but the price of the 250 gm pack of butter (about 50p) may rise by about 1p over a period of time (ending of the butter subsidy).

2. Mr Jopling negotiated the continuation of the beef variable premium scheme for a further year. The present arrangements for sheepmeat, which are favourable to the United Kingdom, are also substantially unchanged.

3. The current situation on cereals prices in that the Commission's revised proposal of -2 per cent and the Presidency's suggestion of -1.8 per cent are on the table and are undecided. The cereals marketing year does not begin until August. The Council will come back to these products on 11-12 June. It should be our prime objective



to continue to stiffen the Commission's resolve to stay with a restrictive price proposal which respects - partially, if not completely - the earlier decision on guarantee thresholds.

4. It is unsatisfactory that the package has been truncated by the deferment of the decisions on cereals and rapeseed. In the circumstances, however, it was probably in the United Kingdom's interest to have settled all the other items, in order to avoid further unstitching by Agriculture Ministers.

5. The incoherence of the German position was made explicit. Although the spokesman in Bonn has tried to cloud the issue, it is clear throughout the Community that Herr Kiechle did invoke the Luxembourg compromise* in order to defer the vote on a proposal which he found unacceptable. This will give us an important dividend in the wider discussions on decision taking and the development of the Community.

2. The Foreign and Commonwealth Secretary may report on the Foreign Affairs Council of 20 May. This was a routine Council. Agreement was reached that the Accession Treaty would be signed in Lisbon and Madrid on 12 June. There was informal discussion of the way in which the main issues on the development of the Community might be handled at the Milan European Council. While the position of the Federal Republic of Germany, France and the

*para 1 "Where, in the case of decisions which may be taken by majority vote on a proposal of the Commission, very important interests of one or more partners are at stake, the Members of the Council will endeavour, within a reasonable time, to reach solutions which can be adopted by all the Members of the Council"



United Kingdom appear to be coming closer together on our lines, the Italian Presidency and the Benelux countries are still on the earlier track (Signor Andreotti has circulated an informal document on a mandate for an intergovernmental conference). The Foreign and Commonwealth Secretary went on to Paris for discussions with Monsieur Dumas, the French Foreign Minister, which covered the development of the Community and the first steps in the conversion of the French EUREKA proposal on research into something more acceptable (no bureaucratic agency, emphasis on exploitation of research through a wider market).

3. You may wish to refer to your discussion with the Federal German Chancellor, Herr Kohl, on 18 May.

4. The Consumer Affairs Council met on 21 May, when the United Kingdom was represented by the Parliamentary Under Secretary of State, Department of Trade and Industry (Mr Fletcher), but there are no points requiring a report to Cabinet. The Budget Council is meeting today (22 May), when the United Kingdom is being represented by the Economic Secretary, Treasury. The Council is examining European Parliament proposals for changes in the draft 1985 budget and is expected to reinstate, in all significant respects, the original provision (there is no threat to the United Kingdom's 1,000 million ecu abatement because the European Parliament has not altered the provision on the revenue side).

5. The Transport Council and the Development Council are meeting tomorrow (23 May). Monsieur Delors, the President of the Commission, is visiting the United Kingdom for discussions with you and the Foreign and Commonwealth Secretary on 24 May. There will be a meeting of Culture Ministers on 28 May.

RA

22 May 1985

ROBERT ARMSTRONG

[I attach
a note
on which
you could
draw
C.D.?]