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MR COLES

cc: Private Secretaries to:

Foreign and Commonwealth Secretary
Chancellor of the Exchequer
Minister of Agriculture, Fisheries and Food
Sir Robert Armstrong

AGRICULTURE COUNCIL

The Agriculture Council started to vote on the individual components of the price package this morning, despite Mr Walker's persistent efforts to avoid this step being taken. A request for a Foreign Affairs Council was refused; so were repeated requests for a tour-de-table to establish attitudes on the Luxembourg compromise. Only Denmark and Greece supported us.

--- 2. We urgently need a line to take in briefing the press. I attach a draft on which the Prime Minister could draw in answering questions this afternoon. If it is approved we will give it as guidance to all Departmental press officers.

3. Under the Treaty decisions taken by qualified majority vote are law. We cannot avoid the application of the price decisions in the United Kingdom without domestic legislation to set aside Community law. In any case, such action would greatly worsen the political problems that Ministers face.

4. The attached draft is based on the assumption that Ministers will wish to keep their options open. Officials feel that the best course now is to insist on agreement to an extension of the 30 May solution to 1982 as quickly as possible. The gap between the Commission's figures and those that we are prepared to accept is not large and it would be a waste of the withholding instrument to use it in this context. It will be better kept in reserve for possible use in the subsequent

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negotiations about the longer-term solution.

5. I should be grateful for urgent confirmation that the attached line is approved.

D.H.

D J S HANCOCK

18 May 1982

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MAIN STATEMENT

I understand that at the meeting of the Agriculture Council this morning decisions were taken on the 1982 farm price proposals by majority vote even though the Minister of Agriculture had made it clear that the United Kingdom had very important interests at stake and wanted the discussion to continue until our problems had been resolved. This procedure is quite without precedent in the Agriculture Council, where the annual price decisions have always been reached before by consensus. The action by the rest of the Community in this matter raises very serious issues and the Government will be considering what it should do in the new circumstances.

One thing is clear. If the Community is to avoid a really acute crisis, a decision must be reached on the budget problem at the Foreign Affairs Council next week. The Government has indicated its willingness to consider an extension of the agreement reached on 30 May 1980 for a third year, as provided for in that agreement, on the understanding that the rest of the Community commits itself to reaching conclusions for a longer-term settlement by the end of 1982 at the latest.

The Minister of Agriculture has kept the House fully informed of the progress of the farm price negotiations and he will be making a full statement tomorrow on the detailed conclusions of the Agriculture Council.

NOTES FOR SUPPLEMENTARIES

Will the United Kingdom now withhold its contribution?

This is one possibility but I do not think it right to speculate about the result of the Government's future consideration of its position. Much will depend on other decisions taken by the Community in the next few days.

What is the present status of the Luxembourg compromise?

That indeed is one of the most serious aspects of what has happened. The Government will have to reflect very carefully on the implications. But we are not going to be rushed into a decision.

Will we now leave the Community?

There is no question of that.