



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

23 March 1984

From the Minister

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

AGRICULTURE COUNCIL, 26/27 MARCH 1984

I am writing to let you and other colleagues know how I would propose to approach next week's negotiations in the Agriculture Council. It is, of course, still very unclear how the Presidency will decide to handle the meeting. They have told us that they want to work for an agreement of the Ten to an overall package. I think that we can assume that there will, in any case, be an initial effort to reach an overall consensus. But it is reported that the French Cabinet have decided to press for decisions to be taken by majority voting. The question then is whether, if there was a move to majority voting, the French Presidency would uphold the invoking of the Luxembourg compromise. Legally, they might feel in some difficulty in avoiding majority voting for which the Treaty provides; on the other hand, politically they have (except in the 1982 price fixing when our veto was brushed aside) been upholders of the Luxembourg compromise. The Commission have made it clear that they would support majority voting on the agricultural issues - though whether as a package or on individual regulations is unclear. At today's Special Committee on Agriculture, both the Greeks and the Italians have reiterated their reserves on the texts which were discussed at last week's Agriculture Council. The Italians have gone so far as to imply that they might invoke the Luxembourg compromise unless amendments they want are accepted.

The situation confronting us at the beginning of next week's Agriculture Council is, therefore, impossible to predict. I shall approach the negotiations on the basis that we are ready to seek an overall agreement, building on the outcome of last week's two meetings. I shall need to continue to maintain a general reserve over how the cost of the final package is to be financed and, if agreement is finally reached on an agricultural compromise deal, I should propose to put a suitable statement into the minutes reserving our position on how the necessary resources would be found to finance the Common Agricultural Policy in 1984 and beyond.

I do not see how we can open to an agreement package. It is contrary to the spirit of agreement and would be considered as a package surrender on our resources - or yet more loans on it. Some such as co-responsibility very

The Agriculture Council will clearly need to resume discussion of the Irish milk problem. Our understanding is that the Commission may be considering a proposition which would give the Irish 100,000 tonnes of milk in addition to their 1983 quantity. This would be a very substantial concession. The Commission are understood to be considering circumventing the Irish problem by a temporary derogation until June. We must insist on Ireland being included within the supplementary levy system. I should want, therefore, to resist ideas for a temporary derogation which would involve UK (and other) producers accepting the rigours of the supplementary levy while the Irish producers were still outside the system. We must go for a definitive solution which ties the Irish in for the full five years. An additional 100,000 tonnes above 1983 would be very difficult to defend. It will be essential to have a defensible deal for Northern Ireland which, on the basis of Commission thinking, would imply an additional 130000 tonnes. We should also aim to include some of the Irish/Northern Irish quantity within the 600,000 tonnes Community reserve, though this will be very difficult to achieve given Italian opposition.

At the end of the day, if the Irish are ready to accept what is on offer, I shall have to decide whether this (together with the other elements in the package including beef and sheep) is defensible in terms of UK - including Northern Irish - interests. If, on the other hand, the Irish invoke the Luxembourg compromise, it would be consistent with our established policy for me to decline to vote. If the Danes and the Greeks stood by their traditional attitude on the Luxembourg compromise, this would mean that the milk package would not be agreed.

On beef, it is of crucial importance that we secure the continuation of the beef variable premium scheme. Beef producers are faced with great uncertainty as a consequence of the effects of the supplementary levy on milk on the beef market. We could not possibly defend in these circumstances the loss of the BVPS. It may be necessary to make some concession in order to secure agreement on the continuation of the scheme. The Irish and the French have argued that the premium should be clawed-back on exports. I think we have to be ready to accept this if it is the price needed to secure our objective. It is difficult logically to maintain the argument against clawback. The text emerging from last week's Council provides for the Commission to report on the application of the new carcass classification arrangements to intervention before the end of 1984/85. I should be ready to see this provision widened to include provision for the Commission to report also on the operation of BVPS. But if even with these concessions, there was an attempt to push through a package without the beef variable premium, I would myself have to involve the Luxembourg compromise.

On sheep, the Commission's proposal for a new basis of calculating the annual premium would hit us much more than other Member States, particularly because of changes in the way in which the variable premium is taken into account. The overall effect of the proposed change in the annual premium calculation would be to lose us some £28 million, representing a fall of around 4-5% in the gross returns to UK sheep producers. This is highly discriminatory and substantially changes the balance of the sheepmeat regime as agreed in 1980. I propose to aim to get this whole issue over the calculation of the annual premium set aside for future consideration along with the proposed ceiling on

variable premium and the associated questions of clawback. If this is not achievable, I should look for some temporary concession, for example on the implementation of the final transitional step due this April, which would save some money for FEOGA without, however, conceding a major principle in relation to the operation of the regime.

There may be a move in the Agriculture Council to push through the mandate which provides the negotiations with the US on maize gluten feed and the other products under the GATT Article XXVIII. I shall try to steer this issue into the Foreign Affairs Council. But, if we are moving to an overall package settlement, it may be impossible to block a decision on the negotiating mandate. But if there is any question of voting any parts of the package, I should have to take a judgement on whether to vote against this particular item.

On the new MCA system I would propose to do what I can to secure a commitment that the newly created negative MCAs resulting from the imposition of the regime will be phased out over a period or, failing that, to secure some undertaking from the Commission on the proposals they would make subsequently for green rate devaluations. It is very difficult to predict what we might be able to secure in this area. It is not a matter on which it would be realistic to think in terms of using the Luxembourg compromise, but if there is no final agreed package and proposals are voted on separately I would expect to vote against.

I hope that the oils and fats tax issue will not re-emerge seriously in the Agriculture Council. There is no evidence so far that the Germans, Dutch and Danes are weakening. If we find ourselves faced with negotiating on this, I should argue that it is properly an issue for unanimity and not for majority voting. If we came to an impasse, I should have to decide whether to invoke the Luxembourg compromise or simply vote against. There could, however, be a problem in making the Luxembourg compromise stick on this issue.

Finally, there will be on the agenda the access arrangements for New Zealand butter. If there is no overall settlement or no agreement on the milk package, I should have to press for a one month rollover on the same basis as for the first three months of this year. If there is agreement on an agriculture package which includes milk, the question will be whether the French and the Irish are ready to accept the Commission proposals or whether they press for lower access quantities. I fear that they will find it very difficult politically to accept what is in the Commission proposal. As it stands this proposal requires unanimity because it refers back to the New Zealand Protocol. It is possible that the Commission or others might suggest that the legal basis should be changed in order to enable majority voting. We have always, with New Zealand, avoided this possibility in the past because of the risks it could carry in relation to future arrangements. But the New Zealanders main concern at the moment is to get a five year deal. I shall want to keep in close touch with New Zealand and ensure that the line I take on this issue is agreed by their Government.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer and Sir Robert Armstrong.

Henry Ford
Michael

MICHAEL JOPLING

23 MAR 1984



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WHITEHALL PLACE, LONDON SW1A 2HH

23 March 1984

Prime Minister.

From the Minister

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

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*See comments
on identical
letter elsewhere
in boxes
me*

AGRICULTURE COUNCIL, 26/27 MARCH 1984

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Henry Cross
Michael

MICHAEL JOPLING

NEW ZEALAND BUTTER

The Minister spoke to M. Rocard after the Council on Saturday. He said that this would have to be on the agenda for next week's Council (Rocard accepted this) but it would be helpful if he could tell the Prime Minister before the European Council that France was prepared to lift its reserve on the proposal for a five year settlement.

I understand that Rocard replied, in a somewhat truculent manner, that he was not prepared to give any assurances. He would consider the matter further, but he recalled that France had never accepted an initial quantity of 83,000 tonnes and suggested that agreement would be difficult to reach for a quantity greater than 79,000 - 80,000 tonnes.

Sir Michael Franklin will be informing the Prime Minister's party of this conversation; the FCO will no doubt wish to inform Wellington.

C I LLEWELYN
19 March 1984

pa
Dms
19/3

Mr Andrews + 1

cc Private Offices
Mr Dixon
Mr Wentworth
Mr Hadley
PS/Foreign Secretary
Mr Fairweather, FCO
Mr Durey, Cabinet Office
Mr Coles, NO.10

19 MAR 1984

