



10 DOWNING STREET

From the Private Secretary

13 May 1980

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Dear GARTH,

SHEEPMEAT, FISHERIES AND THE COMMUNITY BUDGET

As you know, the Minister of Agriculture came to see the Prime Minister briefly this afternoon to report on the outcome of his meeting with Mr. Gundelach earlier in the day.

Mr. Walker said that, according to Mr. Gundelach, the Commission as a whole were optimistic that a solution could be reached to the problem of our budgetary contribution. The only member of the Commission who was gloomy was Mr. Jenkins. Mr. Walker said that he had made it plain to Mr. Gundelach that HMG would not be prepared to settle the question of our budgetary contribution unless the solution covered a three-year period. He had added that it was his personal judgement that for the third year it would not be necessary to settle a precise figure provided there was an agreed principle from which the figure for our contribution could be deduced. Mr. Gundelach had said that he thought that a third year was obtainable.

Sheepmeat

On sheepmeat, Mr. Gundelach had said that it would be essential for France to have some form of intervention. The Commission was preparing a sheepmeat regulation based on very limited intervention and no export rebates. Mr. Gundelach had admitted that the line he had taken in Luxembourg on the necessary connection between intervention and export rebates was wrong. He would be willing to confirm in writing that the proposed regulation would not involve export rebates. Mr. Walker told the Prime Minister that it would be possible to set up a sheepmeat regime in which there was some intervention in France but none in this country. Here there would be a premium system wholly financed by the Community. In effect, this would mean that in this country we had a deficiency payment system.

As regards the attitude of New Zealand, Mr. Gundelach had said that he would not finalise a sheepmeat regulation until

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he was assured of the agreement of the New Zealand authorities. When seeing Mr. Talboys yesterday, Mr. Gundelach had promised that he would negotiate a detailed agreement with New Zealand. Mr. Walker said that he intended to write to Mr. Gundelach after his own meeting with Mr. Talboys, with a view to securing from Mr. Gundelach, in writing, assurances both about New Zealand and export rebates. The Prime Minister made it clear that she would wish to be certain that the interests of New Zealand were not damaged by any sheepmeat agreement. She said that she would like to see Mr. Talboys during his visit to London at the end of this week.

Fish

Mr. Walker said that Mr. Gundelach had made it clear that he was opposed to a meeting of the Fisheries Council before the end of the month. He disagreed with his deputy, Mr. Gallagher, who had been seeking a meeting both to discuss the guidelines text, which had been under negotiation in Luxembourg, and quotas. The German officials dealing with fisheries problems were also doubtful about the utility of a meeting of the Fisheries Council but Chancellor Schmidt was insisting on a meeting in order that a text on fish could be agreed. Mr. Walker said that he agreed with the Commission in thinking that an unsuccessful meeting of the Fisheries Council would have a very damaging effect on the prospects for the European Council a fortnight later.

Mr. Walker said that he therefore saw advantage in trying to arrange a bilateral meeting between the UK and the Federal Republic in order to agree a guidelines text. He suggested that the Prime Minister should propose to Chancellor Schmidt that Mr. Buchanan-Smith should visit Bonn tomorrow or the day after to try to work out a text with his opposite number, Mr. Rohr. Once a text was agreed, much of the reason for holding a Fisheries Council would disappear. Mr. Gundelach had made it plain that he would be delighted to see it cancelled. The Danes did not want one. As regards the prospects for agreeing a text with the Germans, Mr. Walker said that German fishing interests were not in conflict with ours. They were mainly interested in distant water fishing and were not seeking access to our coastal waters.

The Prime Minister agreed that an attempt should be made to set up such a meeting. But she said that she would prefer the arrangements to be made between her Private Office and that of Chancellor Schmidt. She laid down no precise guidelines for Mr. Buchanan-Smith's negotiation but she will of course wish to approve whatever text emerges. She was prepared to see in any such text a general reference to the principles on which a common fisheries policy should be based. However, she did not wish there to be any explicit reference to "equal access". The right of British fishermen to have preferential access had to be preserved.

/ After Mr. Walker's

After Mr. Walker's departure, I spoke to Herr von Staden in Bonn. I told him that we were concerned about the state of preparations for the Fisheries Council. There would be considerable risks in holding such a meeting if it was inadequately prepared. One of the principal subjects at such a meeting was likely to be the guidelines text for the negotiation of a common fisheries policy. The principal difficulties in the text seemed, at present, to lie between London and Bonn. The Prime Minister therefore considered it might be helpful for Mr. Buchanan-Smith to come to the Federal Republic tomorrow or the next day in order to see whether he and Mr. Rohr could agree on a guidelines text. If the meeting was successful, the need for a Fisheries Council at the end of the month could be reviewed. If there was an agreed text, it might be shown to other colleagues at the Foreign Ministers' meeting in Naples at the weekend.

As you know, Herr von Staden rang back to say that Mr. Rohr thought that a meeting would be a good idea. Subject to the views of Mr. Ertl, he would be getting in touch with Mr. Buchanan-Smith tonight or tomorrow morning to make the arrangements for a meeting. You agreed that we should not seek publicity for the meeting. You also agreed that Mr. Michael Franklin should be included in Mr. Buchanan-Smith's party.

I am sending copies of this letter to George Walden (FCO), John Wiggins (HM Treasury) and David Wright (Cabinet Office).

Yours truly

Michael Alexander

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