



CONFIDENTIAL

PRIME MINISTERCommunity Budget

This is by way of background to your meeting with the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer on 12th May.

2. The meetings of the Foreign Affairs Council and the Agriculture Council earlier this week, like your own meeting with President Cossiga, showed evidence of a general desire to try to resolve the outstanding difficulties, if possible before the end of May. The Foreign Ministers agreed to take up the question at their informal meeting in Naples on 17th-18th May. There is no expectation that that meeting will settle matters, but the Presidency is looking for clear progress, and regard it as extremely important to settle before the end of May. The Council of Foreign Ministers will probably hold a special meeting before the end of the month. The Agriculture Ministers discussed some of the outstanding issues on the price package and set in hand further work on sheepmeat. They will meet again at the end of May, probably simultaneously with the Foreign Affairs Council. The Foreign and Commonwealth Secretary is hoping to see Signor Colombo in the margins of the NATO meeting in Brussels next Wednesday and will continue to encourage the Presidency, in consultation with the Commission, to explore the basis for an acceptable compromise.

3. The Presidency is still talking about a package which, in addition to our budget contribution, includes CAP prices, sheepmeat, fisheries and energy. The position on each of these is as follows:-

- (a) CAP Prices. Mr. Walker was able to secure some minor improvements to the price package, but it is generally assumed that we will accept it if the budget issue is resolved.
- (b) Sheepmeat. Mr. Walker succeeded in having the Commission/French proposals remitted for further expert study. He has sent you a paper suggesting the line to be taken in attempting to remove the worst excesses from the current proposals. We believe that in

CONFIDENTIAL

See
MAFF to MJD/BA
of 9/5.



CONFIDENTIAL

general his conclusions could be endorsed, but the Treasury are not happy with the idea of a variable premium in the United Kingdom which they think will give too much encouragement to British producers (who will anyway benefit from a sheepmeat regime) and so make things more difficult for New Zealand. This issue could be resolved by OD(E).

(c) Fisheries. You have a paper from Mr. Walker which has also been discussed in draft with the Scottish Office and FCO under Cabinet Office chairmanship. We cannot hope in the budget context to improve our negotiating position on fisheries, but we must do nothing to weaken it. We think that the line suggested by Mr. Walker is consistent with our real interest in making progress towards an early settlement and only agreeing to language which would not prejudice future negotiations on access.

(d) Energy. There is to be a meeting of the Energy Council on 13th May but there are few signs that we shall be seriously pressed to go further than the text which was agreed in Luxembourg. If necessary we could bring into play all or part of the presentational statement which you approved before Luxembourg.

On the budget issue itself, the message you received from Signor Cossiga was that, in some way or another, the solution would have to look different from the one which was under discussion in Luxembourg. The problem will be to secure a longer duration without losing the substantial gains which you made both on the reduction in our contribution for 1980 and the very important principle that, even if at somewhat higher levels, it is our net contribution which will be limited. Is the next step to work out, very quickly, ways of achieving this which might be a basis for bilateral approaches to (at this stage) the Italians (Carrington to Colombo on 14th May) and then to the French and Germans.

REA

(Robert Armstrong)

9th May 1980

-2-

CONFIDENTIAL

see
MEMO to HADRA
of 9/5.