

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

4 December, 1980.

Control of Community Expenditure on the CAP

At its meeting on 3 November, OD agreed that we should seek to secure a ceiling on agriculture expenditure, starting in 1981. The subject was not discussed at the European Council earlier this week. The Prime Minister therefore assumes that the Chancellor will now pursue the matter in the Ecofin Council, if possible with German support.

As to the nature of the financial limit for 1981 which would be acceptable to us, she has of course seen the Chancellor's minute of 12 November and the Minister of Agriculture's minute of 13 November. She is inclined to feel that the course recommended by the Chancellor would have little chance of success even with the Germans. On the other hand, the formula suggested by Mr. Walker would appear to leave too much latitude for price increases next year and not give sufficient weight to our general objective of reducing the proportion of the budget going to agriculture. She therefore considers that, without prejudice to a more stringent approach for future years in line with the ideas put to her by Chancellor Schmidt at the recent discussions in Bonn, the intermediate approach discussed in the Chancellor's minute under (ii) is the one we should go for in 1981.

I am copying this letter to Paul Lever (Foreign and Commonwealth Office), Kate Timms (Ministry of Agriculture, Fisheries and Food) and to David Wright (Cabinet Office).

A.J. Wiggins, Esq.,  
HM Treasury.

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M. O'D. B. ALEXANDER

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