

Euro 181

(2)



From the Minister

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

Prime Minister: I asked for this note following our discussion of the time to take 2 questions last week. Mr Walker has taken the opportunity to describe the latest Commission proposal. 25 February 1980

PRIME MINISTER

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[Handwritten notes: "P.M.", "Repts 26/2", "mt."]

SHEEPMEAT

I attach a short note which explains the legal moves that the Commission has made against France to get her to open her frontiers to our exports of mutton and lamb.

The note goes on to outline the latest developments in the negotiations to set up support measures for sheep producers throughout the Community. The latest compromise floated by the Commission would involve setting aside some twelve million units of account for unspecified measures to support sheep farmers. The United Kingdom would get the larger share of the money and France would use its share, almost certainly, to finance intervention buying of mutton and lamb.

I am consulting colleagues urgently about the nature of our response to the latest moves and I am sending copies of this letter and the attached note to members of OD(E).

[Large handwritten signature]

PETER WALKER

x According to Mrs Gurdeloch!

NOTE

SHEEPMEAT

1. This note summarizes the legal action so far taken by the Commission against the French restrictions on imports of British sheepmeat and also the progress of negotiations on Community arrangements for sheepmeat.

Legal Action by the Commission

2. Following the judgement of the European Court on 25 September 1979 declaring the French import restrictions illegal, the Commission have started a second action in the Court against the French and have taken preliminary steps for a third action. The second case, which was commenced on 14 January 1980, is directed particularly against French continued quantitative restrictions. The third action is being directed against the French levies which were re-introduced briefly in January 1980 when French prices strengthened sufficiently for the French to lift the closure of their market. The Commission delivered a Reasoned Opinion under this third action on 8 February and set a deadline for compliance of 14 February, but the French refused to comply.

3. At their meeting on 20 February the Commission deferred a decision both on whether to proceed to the Court with the third case and also, despite UK pressure for immediate action, whether to overlay the two cases with an application to the Court for an interim injunction requiring France to suspend immediately her import restrictions pending judgements in the two cases (which might not be reached for up to a year).

Negotiations on a Common Regime

4. The EEC Treaty provides for a common organisation for sheepmeat and in April 1978 the Commission tabled proposals for a light regime. In subsequent discussions of these proposals the Commission have attempted to meet reservations by some member states (not the UK) on the degree of protection afforded to Community producers by putting forward possible modifications to their original proposals.

5. On the external side, the Commission rejected French pressure for de-consolidation of the GATT bound 20% tariff and proposed that voluntary restraint arrangements should be negotiated with the principal third country suppliers, notably New Zealand. The Commission have now opened negotiations on the basis of a mandate approved by the Council. New Zealand is willing to participate subject to not becoming firmly committed until the form of the common regime as a whole is known.

6. As regards internal arrangements, the Commission's original proposals confined permanent producer support to private storage aid but allowed for premiums to ease transitional difficulties. Discussion of Commission working proposals on internal arrangements has not yet led to agreement. The two main areas of difficulty are

- i) whether there should be support of market prices through intervention, which the French are pressing for but the majority of the Council have until recently opposed;
- ii) how far Community-financed premiums should compensate producers for any fall in market returns due to free trade. The majority of member countries favour full compensation in the first year but with gradual depression of premiums thereafter.

7. Our position has been, first, total opposition to Community-financed intervention and, second, we have argued that premium arrangements should not perpetuate the present discrimination against the UK due to the French import restrictions and should reflect our predominant position in this sector. The premium proposals as they stand do not meet these UK requirements. In particular they would result in little or no Community expenditure on premiums in the UK.

8. Last October OD(E) agreed that we should explore support for a low cost, market-related common premium arrangement as a safety net for producers in years of weak market prices. So far this approach has secured no support. On 25 January OD(E) decided that

the UK should continue to participate constructively in negotiations on a Community regime but that no concessions should be made before the next European Council.

Possible Interim Arrangements

9. At the Council of Agricultural Ministers on 18 February the Germans and Dutch, clearly prompted by the Italian Presidency, suggested that immediate attention should be focused on achieving free circulation and that to this end temporary arrangements might be introduced for an interim period pending agreement on a common regime to enable the French to lift their import restrictions immediately. The Commission were invited by the Presidency to bring forward a paper on this possibility to next week's Council on 3/4 March after appropriate consultations.

10. The Commission have since sounded us informally about arrangements which would apply only until 15 July and would take the following form

- i) the French would lift their import restrictions completely;
- ii) the Community would make available 15 MEUA (£10 million) for helping to support producer incomes or reasonable expectations of income. This aid would be subject to "a harmonious distribution" notably between the UK and France. The Commission have suggested to us that this would mean giving the UK more than France, to be agreed in advance though not necessarily formally decided by the Council.

The Commission suggests that such an arrangement could be initiated through agreement at next week's Council to a resolution on the lines of the draft at Annex I. The hope would be that a Community sheepmeat regime could be agreed, at least in outline, by the middle of July when the above arrangement would cease to apply.

MUTTON AND LAMB

Draft resolution of the Council

The Council

- taking note of the decision of the French Government to open its frontiers to mutton and lamb from all member states, without quantitative restriction, import charge or measures of equivalent effect
- wishing to ensure that, in the interim period before the introduction of the common market organization for mutton and lamb, the risk to the revenue or to the reasonable expectation of revenue of Community mutton and lamb producers is minimized

resolves

- that 15 million EUA will be available from FEOGA funds in the period between the opening of the French frontier and 15 July 1980, in order to meet the objective set out above
- that this sum will be allocated according to the need, account being taken of a harmonious distribution between the two principal producing member states

invites the Commission to present a proposal for the use of the available funds, if in the light of the development of markets and prices this is necessary for the objective set out above.

6 FEB 1950

