



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
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From the Minister

SECRET

The Rt Hon Lord Carrington KCMG MC  
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Rennie Minister

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It would be premature to act on the  
Walker proposals until Sir H. Anitland  
has reported.

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*R. Carrington*

CAP : DISCUSSIONS WITH THE FRENCH

My talks with M. Mehaignerie in Paris yesterday were friendly and, I think, quite useful. After our commodity discussions he took the Ambassador and myself aside and asked whether there was any prospect of a price settlement at next week's Agriculture Council. I said that in my view there was none, since other countries were clearly not prepared to accept our views on prices and we were not prepared to change them. He replied that this did not augur well for the budget discussion in the next European Council, and suggested that this might mean waiting until June.

I am very much afraid that, if we are not very careful, next week's Agriculture Council could greatly sour the atmosphere for the European Council. The others have been looking for material progress on the CAP next week, as a sweetener for the budget discussion, and when we refuse to budge over three days of negotiation they will probably react badly. Clearly we should do all we can to minimise the adverse effects. I think we should immediately make it clear to all other member countries, through our Ambassadors, that there is no prospect of a settlement next week, so that no false hopes are raised. They will not like this, but it would be better to be frank now than to seem to act deviously or to prevaricate.

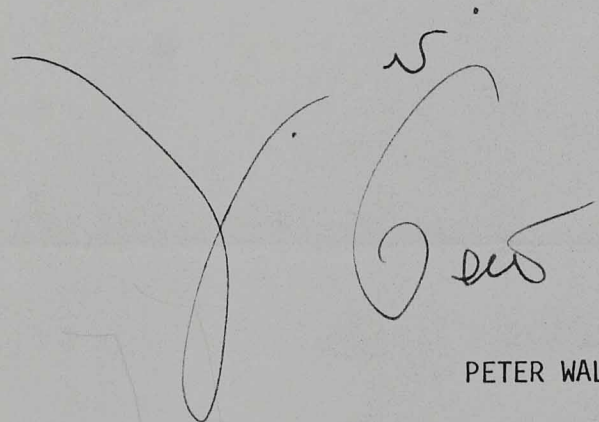
The critical question, however, is how we can make progress on the budget and the CAP simultaneously, for the others will not settle the budget without being sure of the CAP settlement, and we will not settle CAP prices without being sure of an acceptable outcome on the budget. Given the impracticability of dealing with the CAP's fearsome complexities in the European Council, I am driven to the conclusion that the only way to do this may be to hold an Agriculture Council simultaneously with the European Council. I wonder if it would not be sensible for us to suggest this? Next week's Agriculture Council could then be regarded as a preparatory meeting to clear the ground, and the real negotiation could take place simultaneously with the European Council on 27/28 April. Even if the proposal did not commend itself to other countries, the fact of our making it would show that we were seriously prepared to make progress simultaneously

on all the issues, on their merits. And if it were not adopted now, it might well commend itself in June.

There will be a separate report on our commodity discussions, but you may be interested to know at once of the trend of French thinking on sheepmeat. Mehaignerie asked one of his officials to outline French ideas, and for the first time we were given a fairly coherent account of their conception of a definitive common regime. Briefly a reference price would be set at the level of last year's French market price. Community aids for private storage would be given when prices fell to 90% of this reference price. Community financed intervention buying would take place, at least in France, at 85% of the reference price. Export restitutions would also be available. Imports from third countries would be limited by voluntary agreement. Since, in conditions of free intra-Community trade, these measures would not hold up French market prices at the level of the reference price, there would also be a Community-financed premium paid to producers, designed to bridge the gap between the French market price and the reference price. All this was fairly predictable. But the French went on to say that this system could operate at once, throughout the Community, without any transition. If there were to be a transition allowing for different price levels in France and the UK, then there would have to be charges on UK exports to France, despite the legal difficulties of this (which some of the French seemed to think soluble, others not).

I rehearsed in strong terms our objections to intervention, and our apprehensions about the practical effects of a system on these lines. But it was clear that the French had not in any case fully thought through their ideas and Mehaignerie and I agreed that our officials should meet to clarify their proposals and the difficulties we see in them. This is at least the beginning of a dialogue and when we have more of the details of the French proposals we shall need to consider again how far we should be prepared to move towards them in the context of a satisfactory settlement on the budget.

I am sending copies of this letter to the Prime Minister, other members of OD(E) and Sir Robert Armstrong.



PETER WALKER

P.S. I have already spoken  
to Jim about all of this.

521

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There will be a separate report... interested to know at once of... Ministers asked one of his... first time we were given... definitive common program... of last year's French market... by given when prices fell... intervention buying would take place... price. Export restrictions would also be available... would be limited by voluntary agreement... Community funds. These measures would not hold up French market prices at the... level of the reference price. There would also be a Community-financed premium... paid to producers designed to bridge the gap between the French market price... and the reference price. All this was fairly predictable. All the French want... any transition. It there was to be a transition allowing for different price... levels in France and the UK, then there would have to be charges on UK exports... the French market. The total difficulty of this (which some of the French... seemed to think soluble) is that...

I gathered in strong views on objections to intervention; and our suggestions about the practical effects of a system on these lines; but it was clear that the French had not in any case fully thought through their ideas and Ministers and I agreed that our officials should meet to clarify their proposals and the difficulties we see in them. This is at least the beginning of a dialogue and when we have more of the details on the French proposals we shall need to consider again how far we should be prepared to move towards them in the context of a satisfactory settlement on the budget.

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521

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*[Faint handwritten notes and signatures]*

521