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EUROPEAN COUNCIL, DUBLIN

29/30 NOVEMBER 1979

SHEEPMEAT

Brief by Ministry of Agriculture,
Fisheries and Food

OBJECTIVE

1. To resist any attempts by France to secure concessions in relation to the negotiations for a sheepmeat regime or to her problems over lifting her illegal import barriers.

POINTS TO MAKE

2. We are prepared to negotiate constructively for a sheepmeat regime but any common arrangements must recognise our interests as the Community's largest producer and consumer of sheepmeat.

3. Prepared to consider a light market related regime which continues fully adequate access for New Zealand and gives the UK a fair share of benefits. Cannot accept intervention or new restrictions on third country imports in breach of our GATT commitments.

4. Continued defiance by France of judgement of European Court is completely separate issue.

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5. (If French argue that Council must take interim action to support French producers and enable them to comply.)

The Treaty permits alternative legal measures of protection so it is open to the French to protect their producers from the immediate effects of free access..

6. (If French raise possibility of voluntary restraint on UK exports.) There is no possibility in practical or legal terms of exercising Government control over the volume of sheepmeat exports. Any attempt to persuade the industry to exercise self-restraint would be regarded by them as conniving at French defiance of Treaty obligations and would have little or no prospect of succeeding. We do not in any case accept that opening French market to UK sheepmeat will undermine French industry.

BACKGROUND+

7. The Treaty of Rome prevents us from arguing that sheepmeat does not need to be brought within the CAP. Discussions on Commission proposals for a common regime have continued and some progress has been made. The French were less insistent at the last Council on a regime based on intervention buying and appeared to have given up their demand for increased protection against imports by unbinding of the tariff (this is bound at 20% under the GATT and there is no realistic way of offering New Zealand adequate compensation for an unbinding). They may however revive these demands. Other Member States remained, broadly speaking, closer to the UK position on the shape of the regime than to France. The UK demand for a fair share of any Community expen-

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diture was noted. The UK accounts for over half the consumption and nearly half the production in the EEC, France for only 25% and 30% respectively. Discussions will continue at the Agriculture Council on 10/11 December on the basis of a new Commission paper which is expected shortly. ~~The Minister of Agriculture is having bilateral discussions with the French Minister on 26 November.~~

8. France continues to refuse free access to UK exports of sheepmeat, defying the ruling of the European Court. She claims that she cannot comply until the protection of a Community regime can replace that afforded by her import controls or until the Commission have introduced interim measures to prevent market disruption.

This argument is unacceptable since, in the absence of a common regime, France may protect her producers to any degree she wishes, provided she does not choose means which are contrary to the Treaty. In exactly parallel circumstances earlier this year we removed our restrictions on potato imports, accepting the increase in national expenditure which could result.

9. The Commission are taking further proceedings under the Treaty of Rome to secure French compliance with the Court's ruling, but the timetable is such that an interim injunction against the French will not now be made before January.

10. The French are reported to be seeking UK agreement to voluntary restraint on exports to France to enable them to lift their controls without prices falling dramatically. They may

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mention that the Dutch restricted potato exports to the UK when we lifted our import controls; this is not true.

11. The Government has no machinery and no legal authority for controlling the volume of exports of sheepmeat. Even if we had, we see no reason for making concessions to the French, who have persisted in defying the Court and excluding our trade and who have consistently argued for the inclusion in a regime of measures which are quite unacceptable to us - notably intervention and unbinding the tariff to permit the imposition of high levies on New Zealand imports. A request to our exporters to respond to a removal of the French import restriction by restraining the level of their sendings of sheepmeat to France would be seen as UK connivance with the illegal French aim of continuing to insulate their sheepmeat market from intra-Community competition and denying ourselves the benefits of free trade under the Treaty. There is no reason why our exporters should respond to such a request except to the extent that they judge it to their own commercial interests not to over-supply the French market. They will be even less likely to consider any restraint with UK market prices so depressed (at present 20p/kilo below the guaranteed price).

12. If it were possible, despite the lack of machinery or legal powers, to give consideration to voluntary restraint on sheepmeat exports for wider purposes, we would also need to consider voluntary restraint on French agricultural exports to the UK, notably of apples which are currently being sent here in large quantities and at low prices. French exports of agricultural produce to the UK are far greater than UK agricultural exports to France.

Ministry of Agriculture, Fisheries and Food
23 November 1979

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BRIEF ON SHEEPMEAT FOR EUROPEAN COUNCIL

ADDITIONAL PARAGRAPHS

13. In a bilateral discussion between the Minister of Agriculture and M. Mehaignerie on 26 November, the latter re-opened the idea of unbinding the tariff on imports of fresh sheepmeat and linked this with intervention by the Community to support the sheepmeat market at least until the unbinding had been negotiated with the countries concerned (which could take up to two years).

M. Mehaignerie accepted that premiums paid to producers should be the long term basis of support.

14. The inclusion of public intervention in a Community sheepmeat regime has long been sought by the French but totally opposed by us with German support. The introduction of intervention even as a temporary measure is unacceptable. Once Community support of an internal market price through intervention is accepted it would be very difficult, if not impossible, to get away from it. At his Press conference with the Prime Minister, President Giscard referred to Community preference in terms of free trade, the support and fixing of a minimum level of price and an intervention mechanism. Our view however is that Community preference means free trade between member states and a common external tariff, and the latter already exists.

15. The Commission have just tabled new proposals on external arrangements, premiums and storage aids. These proposals are still in draft and are being discussed at technical level following which the Commission say they intend to table proposals to the Agricultural Council. Despite this the French might try to secure some endorsement of the compromise proposals as they stand since what the Commission now envisage for storage aid would allow the French to operate intervention, with a subsidy from Community funds equivalent to the aid given to private traders for storage. Although the trading risk and much of cost would fall on the French Exchequer, the result would be a form of national intervention with Community financial support.

16. The revised premium proposals would still be likely to lead to very high payments to French producers. While they

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offer higher support for UK producers than previously proposed this would still mean that the UK was unlikely to do more than break even in resource terms. Moreover there is still no provision to ensure degression of the levels of premiums and rapid alignment to a common premium and a common reference price at the market equilibrium level. Discriminatory premiums would thus be likely to continue for a long period. The Commission proposals also include provision for a ban on imports where a third country supplier exceeds the quantity set under a voluntary restraint agreement. This would breach the GATT binding. Any safeguard action must be consistent with GATT safeguard provisions.

17. It follows that the latest draft Commission proposals are not acceptable to us as they stand and we should avoid any form of endorsement of the approach they embody or any more general commitment to Community support of sheepmeat prices through intervention.