

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

10 May 1982

*I have told F.C.O. that*

*P.N. agrees.*

*OR 11/5*

*Dear John.*

/ I attach a copy of a telegram (UKRep Brussels, No 1862) which Mr Walker has sent Mr Pym, asking for action to be taken before tomorrow morning to discourage our partners, and in particular the French and the Commission, from attempting to circumvent our use of the Luxembourg compromise to prevent a decision being reached tomorrow on CAP price fixing.

/ I also attach draft instructions which we propose to send to Sir Michael Butler and to our Ambassadors in all Community posts, together with a draft covering telegram. Although he does not say so in his telegram, Mr Walker specifically asked in an earlier telephone conversation with me that the Prime Minister be consulted on the action to be taken.

I am copying this letter to David Hancock and to Robert Lawson at MAFF.

*Yours ever,*

(F N Richards)  
Private Secretary

A J Coles Esq  
10 Downing Street

CONFIDENTIAL

File No. ....

OUTWARD

Security Classification

Department .....

TELEGRAM

Precedence

Drafted by .....

(Block Capitals) .....

Tel. Extn. ....

DESKBY .....Z

FOR COMMS. DEPT. USE

Despatched (Date) ..... (Time) .....Z

POSTBY .....Z

PREAMBLE

(Time of Origin) ..... Z (G.M.T.) (Restrictive Prefix) .....

(Security Class.) ..... (Caveat/ Privacy marking) .....

(Codeword) ..... (Deskby) ..... Z

TO FLASH UKREP BRUSSELS Tel. No. .... of (precedence) (post)

AND TO (precedence/post) .....

AND SAVING TO .....

REPEATED TO (for info) EC POSTS .....

SAVING TO (for info) .....

Distribution:-

*Handwritten signature*

[TEXT]

CAP PRICE FIXING: AGRICULTURE COUNCIL 10/11 MAY

- 1. My i.f.t. contains a number of points which you should put to the Commission/Presidency as soon as possible, making clear that they represent the considered views of myself and of the Prime Minister. The Minister of Agriculture may wish to make use of them also with DALSAGER, DE KEERSEMAECKER and his other colleagues.
2. Other Posts to whom this telegram is repeated should seek the earliest possible opportunity on 11 May (no later than 0730Z) to make these views known to the Governments to whom they are accredited. They should say that, irrespective of their Governments'

Copies to:-

~~Governments~~ position on majority voting and the Luxembourg compromise, we hope that they will ensure that their Agricultural Ministers currently meeting in Brussels do not take any action, or encourage the Commission to take any action, which might lead to a really fundamental crisis in the Community with unforeseeable consequences.

3. In conveying our views Posts may wish to take account of the following additional points.

(Paris) It will certainly not be possible to override or circumvent the Luxembourg compromise in one area, while preserving its use in others. Given the French line hitherto (including in the present Government's relance document), we cannot believe that that is their intention.

(Bonn, Rome) While ~~formally~~ contesting the original Luxembourg compromise in 1966, both Governments have ~~recently~~ recently (in the context of the Genscher/Colombo proposals) proposed formally recognising it as a fact of life, subject to a written explanation of the important material interest invoked being given. They will note that we are prepared so to explain our use of the veto on this occasion.

(Copenhagen/Athens) Although neither Government has taken up as clear-cut a position favouring the Luxembourg compromise as we and the French have done, we understand that both have, in the domestic presentation of their Community membership, placed some weight on it as an ultimate safeguard for their interests.

NOTHING TO BE WRITTEN IN THIS MARGIN

INSTRUCTIONS TO SIR M BUTLER TO CARRY OUT WITH COMMISSION  
AND PRESIDENCY

1. We understand that the Commission/Presidency intend to make a revised compromise proposal to the Agriculture Council (to take account of outstanding Greek/Italian reserves) and then to seek to have that proposal adopted by a majority vote.

2. We would regret such a move to abandon the invariable practice hitherto of taking agriculture price decisions by consensus. It would merely raise the temperature, emphasise an air of crisis and serve no useful purpose.

3. If the Commission/Presidency nevertheless proceed in this way, the UK will have to ask for the decision to be deferred, since important UK national interests will be at stake. We will naturally explain what these are to the Council. Commission/Presidency are familiar with them; and we do not imagine they seriously dispute that the additional net contribution for the UK arising from this package (200 MECU at constant world prices or more if prices fall) taken together with elements which were a major part of the Mandate negotiations (aid for small milk farmers, improvements to Mediterranean agriculture), constitute an important interest;

4. We have heard it suggested that a vote might

/nevertheless

nevertheless be taken or that an attempt might be made to give effect to the provisions of the price package without recourse to a prior decision by the Council. Either of such courses would be unacceptable to the UK and would have serious and damaging consequences, greatly widening the scope of the present problems facing the Community. The possibility of deferring a decision when an important national interest is at stake was an integral part of the terms under which the UK joined the Community and we could not accept its abrogation.

5. We hope very much that, rather than pursuing such a sterile course, the Commission/Presidency will devote their efforts to securing an early and equitable solution to the Mandate negotiations as a whole.



ans tel file BCL

10 DOWNING STREET

*From the Private Secretary*

11 May 1982

CAP PRICE FIXING

Thank you for your letter of 10 May. As I told you last night the Prime Minister agreed that the proposed instructions to Sir Michael Butler and to our Ambassadors in Community posts should be despatched.

I am copying this letter to David Hancock (Cabinet Office) and Robert Lawson (Ministry of Agriculture, Fisheries and Food).

A. J. COLES

Francis Richards, Esq.,  
Foreign and Commonwealth Office

HL

ZZ FCO

ADVANCE COPY

#03 10 Downright

CONFIDENTIAL

FM UKREP BRUSSELS 101819Z MAY 82

TO F L A S H FCO

TELNO 1862 OF 10 MAY.

COUNCIL OF MINISTERS (AGRICULTURE): 10/11 MAY

FOLLOWING FROM MINISTER OF AGRICULTURE FOR SECRETARY OF STATE.

1. I DISCUSSED WITH CHRISTOPHER TUGENDHAT THE DANGEROUS SITUATION THAT IS DEVELOPING ON THE MANDATE. HE SAID HE FELT THAT THERE WAS A FEELING AMONG OTHER MEMBER COUNTRIES THAT WE WERE NOT PREPARED TO MOVE AN INCH ON THE BUDGET BECAUSE WE WERE CERTAIN THAT BY HOLDING UP THE AGRICULTURAL PRICE SETTLEMENT WE WOULD COMPEL THEM TO GIVE US ALL WE WERE ASKING; AND THAT THEY WERE BECOMING INCREASINGLY DETERMINED TO DEFEAT THESE TACTICS. IN CHRISTOPHER'S OPINION, THE COMMISSION'S OWN POSITION WOULD BE AS FOLLOWS. FIRST, THE COMMISSION HAD GIVEN THE COUNCIL AN OPPORTUNITY TO TAKE A DECISION ON THE PRICE FIXING BY ITSELF ADOPTING AND PROPOSING THE PRESIDENCY COMPROMISE ACCEPTED BY SEVEN MEMBER COUNTRIES. IF AT SOME STAGE DURING THIS MEETING A VOTE WERE TAKEN ON COMPROMISE PROPOSALS AND THEY WERE CARRIED AGAINST OUR OPPOSITION THE COMMISSION WOULD WELCOME THE DEMISE OF THE LUXEMBOURG COMPROMISE WHICH THIS WOULD IMPLY AND WOULD IMPLEMENT THE COUNCIL'S DECISION. IF BY INVOKING THE LUXEMBOURG COMPROMISE WE WERE SUCCESSFUL IN PREVENTING A VOTE BEING TAKEN, THEN THE COMMISSION WOULD BE IN A DIFFICULT POSITION. CHRISTOPHER HOPED THAT THEY MIGHT BE PREVENTED FROM ACTING IN THOSE CIRCUMSTANCES TO IMPLEMENT A PACKAGE ACCEPTABLE TO NINE, BUT THEY WOULD TAKE THEIR DECISION ON IT BY MAJORITY VOTE AND HE COULD NOT RULE OUT THE POSSIBILITY THAT THEY MIGHT DECIDE TO GO AHEAD. CHRISTOPHER REPORTED DAVIGNON AS REPORTING MADAME CRESSON AS SAYING THAT SHE WAS PREPARED TO VOTE. AT A PRESS CONFERENCE SHE HAD STATED THAT WHILE SHE ACCEPTED THE RIGHT OF THE UNITED KINGDOM TO INVOKE THE LUXEMBOURG COMPROMISE, IF THE COMMISSION DECIDED TO ACT THAT WOULD BE A DIFFERENT MATTER.

2. THE PRESIDENCY AND COMMISSION ARE HOLDING BILATERALS THIS EVENING AND IT IS QUITE PROBABLE THAT A COMPROMISE ACCEPTABLE TO NINE WILL EMERGE TOMORROW MORNING. I SHALL INVOKE THE LUXEMBOURG COMPROMISE SO AS TO TRY TO PREVENT A VOTE. I MAY NOT HOWEVER SUCCEED. A VOTE ON THIS ISSUE, AND THE ABANDONMENT OF THE LUXEMBOURG COMPROMISE, WOULD CLEARLY BE DISASTROUS. YOU WILL WISH TO CONSIDER WHAT PRESSURES SHOULD BE PUT ON OTHER MEMBER GOVERNMENTS TO AVOID THIS; AND WHAT PRESSURES SHOULD BE PUT ON THE COMMISSION TO PREVENT THEIR ACTING ON THEIR OWN INITIATIVE TO IMPLEMENT THE PRICE PACKAGE.

FCO ADVANCE TO:

FCO - SOFS PS/PUS, PS/OS, BRIDGES, HANNAY

CAB - ARMSTRONG

MAFF - HADDON

TSY - PS/CHANCELLOR

NOT. 10 - COLES

BUTLER

THE COMMISSION'S OWN POSITION WOULD BE VERY DIFFICULT  
IN ORDER TO BE DETERMINED TO BELIEVE THESE INDICIES IN CHRISTOPHER'S  
THAT TO CLARIFY THE VOTE HE WERE WORKING: AND THAT THEY WERE BECOMING  
RELIANCE ON THE VOLUNTARILY PRICE SETTLEMENTS HE WOULD CONSIDER  
IN ORDER TO INCH ON THE BUDGET BECAUSE HE WERE CERTAIN THAT PA  
AND WERE BEING THROUGH OTHER MEMBER GOVERNMENTS THAT HE WERE NOT OBSERVED  
AND THE BELIEFING OF THE FUTURE HE WERE HE LEFT THAT I WERE  
I WERE DISAPPOINTED WITH CHRISTOPHER'S IDENTIFICATION OF DIVERGENT SITUATION

THE COMMISSION'S OWN POSITION WOULD BE VERY DIFFICULT  
IN ORDER TO BE DETERMINED TO BELIEVE THESE INDICIES IN CHRISTOPHER'S  
THAT TO CLARIFY THE VOTE HE WERE WORKING: AND THAT THEY WERE BECOMING  
RELIANCE ON THE VOLUNTARILY PRICE SETTLEMENTS HE WOULD CONSIDER  
IN ORDER TO INCH ON THE BUDGET BECAUSE HE WERE CERTAIN THAT PA  
AND WERE BEING THROUGH OTHER MEMBER GOVERNMENTS THAT HE WERE NOT OBSERVED  
AND THE BELIEFING OF THE FUTURE HE WERE HE LEFT THAT I WERE  
I WERE DISAPPOINTED WITH CHRISTOPHER'S IDENTIFICATION OF DIVERGENT SITUATION

THE COMMISSION'S OWN POSITION WOULD BE VERY DIFFICULT  
IN ORDER TO BE DETERMINED TO BELIEVE THESE INDICIES IN CHRISTOPHER'S  
THAT TO CLARIFY THE VOTE HE WERE WORKING: AND THAT THEY WERE BECOMING  
RELIANCE ON THE VOLUNTARILY PRICE SETTLEMENTS HE WOULD CONSIDER  
IN ORDER TO INCH ON THE BUDGET BECAUSE HE WERE CERTAIN THAT PA  
AND WERE BEING THROUGH OTHER MEMBER GOVERNMENTS THAT HE WERE NOT OBSERVED  
AND THE BELIEFING OF THE FUTURE HE WERE HE LEFT THAT I WERE  
I WERE DISAPPOINTED WITH CHRISTOPHER'S IDENTIFICATION OF DIVERGENT SITUATION



Mr Fall

Mr Walker has rung from Brussels to say that he must have a line from the Prime Minister and from Mr Pym by 1530 London time (when the Agriculture Council re-convenes) on two points which the Commission are rumoured to have under consideration:

- a) to impose a price fixing, taking advantage of the powers which it believes itself to have to operate in a legal vacuum, thus circumventing our use of the Luxembourg Compromise;
- b) imposing a back-dated price fixing from the moment of its eventual imposition, thus assuring farmers now that their long-term interests will not be damaged by a continued stalemate over the Mandate.

The following points are recommended by David Hannay, with the agreement of David Hancock and of Geoff Littler (Treasury). They are in line with the briefing already given to Mr Walker:

- i) Wrong that ideas of this sort should be canvassed; the right way forward to get a solution on the Mandate;
- ii) (If the Commission try to reach a decision on prices by majority vote) invoke the Luxembourg Compromise and make a reasoned statement to be inserted in the minutes to explain why our national interest would be harmed by what is proposed;
- iii) (If the Commission try to impose a price fixing unilaterally) it could not possibly be legal to use the (debatable) powers which the Commission believes itself to have to keep the Common Market running in order to impose new prices rather than merely to maintain existing ones;

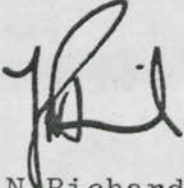
/iv)

*agreed  
no*

agreed  
not

- iv) (If the Commission suggests back-dating a settlement) this is legally very difficult, and we cannot see how it could operate.

10 May 1982

  
(F N Richards)

cc: A J Coles Esq

File BK  
Eun PA

10 May 1982

You spoke to me earlier this afternoon about the Minister of Agriculture's request for clearance from your Secretary of State and from the Prime Minister for the line he proposed to take in the Agriculture Council meeting this afternoon.

As I told you on the telephone, I confirm that the Prime Minister endorsed the line set out in your minute of today's date.

M A PATTISON

Francis Richards, Esq.,  
Foreign and Commonwealth Office

sl