



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

From the Minister

CONFIDENTIAL

PRIME MINISTER

We had better discuss the whole French position. She is not about to make a partnership with any country. The Foreign Secretary will be commenting. A.S.C. 14. 19 November 1982

I must express my very real alarm at the news that is filtering through concerning the agreement the French have made with the Soviet Union for exports of subsidised agricultural products to the Soviets.

If what is being said is correct, the agreement is totally illegal and violates article 113 of the Treaty.

Even worse, the agreement involves discrimination on the transport side as well as taking away the management of the CAP from the Commission to France.

It is clear that the deal involves specific commitments to be made each year on quantities of particular products and, of course, indicates the French confidence that they can dictate to the Commission the management of export refunds to the advantage of French traders and French farmers. This process is damaging to the entire Community but particularly damaging to those of us that are net contributors.

I do hope therefore, both in the Commission and at Ministerial level, that we will make the strongest protest and demand that the agreement is not fulfilled.

The French have total confidence that their overwhelming influence in DG VI enables them to make these Franco-Soviet deals, and after they have made them to succeed in obtaining the refunds from the Commission. If we fail to nip this in the bud I believe the consequences will be very serious.

I am copying this minute to the Foreign Secretary, the Chancellor of the Exchequer, other members of OD(E) and Sir Robert Armstrong.

Peter Walker
PETER WALKER

CONFIDENTIAL



B/1

BW

10 DOWNING STREET

From the Private Secretary

23 November 1982

RELATIONS WITH FRANCE

The Prime Minister has seen the minute of 19 November by the Minister of Agriculture about the arrangements the French have made with the Soviet Union for exports of subsidised agricultural products. I shall be showing the Prime Minister tonight the minute of 22 November on this subject by the Foreign and Commonwealth Secretary.

Mrs. Thatcher commented on Mr. Walker's minute to the effect that we ought to discuss the general French position with regard to Community affairs. France was not behaving like a partner but was pursuing her own policy independently of the Community and, to some extent, with Anglo/German money.

The Foreign and Commonwealth Secretary may like to have a preliminary discussion of this problem with the Prime Minister when he calls on her on Friday, 26 November. We can then consider how best to take this forward.

I am copying this letter to Robert Lowson (MAFF) and Richard Hatfield (Cabinet Office).

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL



Prime Minister
To note.

A.J.C. 23/11

PM/82/102

PRIME MINISTER

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1. I have seen the Minister of Agriculture's minute of 19 November about the Franco-Soviet Agreement on the sale of agricultural products.

2. I entirely agree that from what we know of it this agreement seems illegal. We have been pressing the Commission very hard to investigate and take proceedings against the French. The Commission have responded by agreeing on 17 November an 'orientation' to the effect that France appears to be in breach of the Treaties. This is presumably the first step towards infraction proceedings against the French. I understand that they will be considering the issue again at their meeting on 24 November.

3. Our objection to the agreement is that it appears to be in violation of a number of provisions of the Treaty of Rome. We need to be careful not to let it appear that this is a bilateral dispute between us and the French. It is the Commission's responsibility to take action and such action will be the more telling if they are seen to be responding to illegal actions by the French rather than to political pressure from another Member State. If the Commission drag their feet, then I agree that we should maintain on them the degree of pressure necessary to achieve the results we want. Like Peter Walker, I take a very serious view of this French action and I shall continue to watch the situation carefully.

/4. Copies of

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4. Copies of this minute go to members of OD(E) and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'FP', with a horizontal line underneath.

(FRANCIS PYM)

Foreign and Commonwealth Office
22 November 1982

CONFIDENTIAL



Euro Pol. JP

10 DOWNING STREET

From the Private Secretary

24 November 1982

FRANCO-SOVIET AGREEMENT ON THE
SALE OF AGRICULTURAL PRODUCTS

The Prime Minister has noted the contents
of Mr. Pym's minute of 22 November.

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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

From the Minister

CONFIDENTIAL

The Rt Hon Francis Pym MC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London SW1

Prime Minister
You agreed with Mr. Pym on
Friday that the right approach was
for us to insist that the Commission
carry out their obligations.

A.S.C. 29/11.
29 November 1982

Dear Secretary of State,

Thank you for your minute of 25 November.

I am sorry to hear that you no longer feel that we should show the seriousness of our opposition to the export of butter to the USSR by insisting on a discussion in COREPER before such sales take place. As we previously recognised, this would provide a Council forum where our foreign policy objections to the sale could be placed on record, whereas the Management Committee is a Commission body, and moreover not one which is properly able to take account of political statements. Consequently, I do not myself think it would be persuasive in domestic political terms if our response on this issue were limited to an adverse vote in the Management Committee - though it is of course for you to decide in the final analysis how to pursue what is essentially a foreign policy issue.

All this does of course have a direct link with my minute of 19 November to the Prime Minister about the Franco-Soviet Agreement. I was glad to see from your minute of 22 November that you share my views as to the seriousness of this development, and, as I said in Cabinet on Thursday, I hope we can continue to exert the maximum pressure on the Commission. I see that the original timetable for their consideration of infraction proceedings has already slipped by a week, and the French Commissioners will doubtless do all they can to delay this still further, whilst pushing the butter tender for all it is worth. In the final analysis, we may not be able to prevent the butter tender, but,

/unless we can ...

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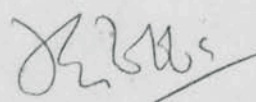
CONFIDENTIAL

Exec. Pol. CAP.
A-10

unless we can persuade the Commission to face up to their responsibilities on the wider Franco-Soviet deal, I fear we run the risk of getting the worst of all worlds. Can I ask therefore what is being done at the highest levels to put pressure on the Commission?

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

Yours sincerely,



pp PETER WALKER

(Approved by the Minister
and signed in his absence)

29 NOV 1982



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Pine Murda

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FCS/82/201MINISTER OF AGRICULTURE, FISHERIES AND FOODAgricultural Exports to the USSRin box
(29/11)

1. Thank you for your letter of 29 November.
2. You asked what is being done at the highest levels to put pressure on the Commission over the Franco-Soviet Agreement. Sir Michael Butler did not manage to speak to Thorn before this week's Commission meeting, but he spoke to Durieux, his Chef de Cabinet, on 29 November and 1 December to represent to him very strongly the need for Commission action if the matter were not to be raised in COREPER. Durieux was emphatic in saying, and wanted Sir Michael Butler to register, that the Commission would do its duty. We have naturally also kept in close touch with the British Commissioners and the Cabinets of several other Commissioners. At its meeting yesterday the Commission decided that the Agreement did contravene the Treaty in several respects, notably Article 113. They postponed a decision on action until next week in order to receive further advice on whether it also violated the Common Agricultural Policy. Thorn's Cabinet again assured us after the meeting that the Commission would launch infraction proceedings.
3. Events are thus going our way, if not quite as quickly as we should wish. I am sure it remains right for us to put pressure on the Commission privately in order to make sure that they do launch infraction proceedings, but to avoid doing so if possible in a way which makes it look

/as



as though they are responding to our pressure and which turns the issue into an Anglo-French one.

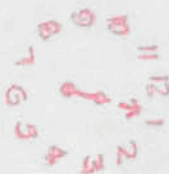
4. Turning to butter, I hold to my view that it would be preferable not to raise the question of butter sales to the Soviet Union in COREPER. We have made our views clear publicly and privately at many levels, including directly to Thorn. I see no advantage in raising the political temperature by public discussion in the Community from which we shall get no satisfaction. It is in my view enough to make our objections clear by voting against their proposal in the Management Committee, supplemented by such political statements in the House and in press briefing as we wish. If the Germans press for a discussion in COREPER, the situation would of course be a different one; then I agree that, despite the above arguments, we should support them vigorously.

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

A handwritten signature in dark ink, appearing to be 'FP' with a flourish underneath.

(FRANCIS PYM)

Soviet Union: Credit term 1+3



11 DEC 1982



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

From the Minister

CONFIDENTIAL

The Rt Hon Francis Pym MC MP
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

Prime Minister

To note

A-J.C. 10/12

10 December 1982

FRANCO-SOVIET AGRICULTURAL AGREEMENT

I was very disturbed to see UKREP telegram 4744 of 9 December reporting the latest state of play within the Commission on the Franco-Soviet agricultural agreement.

It is evident from this that the French lobbying, which I referred to in my letter of 29 November to you, is proving to be increasingly effective, and it seems to me there is now a very real danger that the Commission will try to duck the issue for the reasons given in paragraphs 2 and 3 of the telegram. I therefore strongly endorse Sir Michael Butler's suggestion that you should raise this with Thorn and Haferkamp in the margins of next week's Foreign Affairs Council. In particular, I think you should stress to them that we regard this issue as an important test of the Commission's willingness to take a firm stand against persistent and flagrant French transgressions of the Treaty.

I should also say that coincidentally the general question of long-term export contracts will be on the agenda for next week's Agriculture Council, and, whilst I appreciate the need to avoid giving the impression of conducting a bilateral dispute with the French, I think it would be wrong, in this context, if I were not to make at least a passing reference to the Franco-Soviet agreement.

/I would, however, do this ...

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I would, however, do this in a way which was directed at the Commission and which sought to elicit both a statement of where they now stand and a view of the legality of the agreement. I will also see whether I can get the Germans and the Dutch to weigh in as well. If they can be persuaded to take the lead, so much the better: but, even if they only speak in support of our reservations, that would clearly be helpful.

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

11 DEC 1952

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PETER WALKER

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FRAME EXTERNAL

FRAME AGRICULTURE

FM UKREP BRUSSELS 021055Z DEC 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 4626 OF 2 DECEMBER

INFO PRIORITY PARIS BONN WASHINGTON MOSCOW

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN ATHENS

LUXEMBOURG.

FRANCO-SOVIET AGRICULTURAL TRADE AGREEMENT.

1. THE COMMISSION ONCE AGAIN POSTPONED A DECISION ON WHETHER TO START INFRINGEMENTS PROCEEDINGS AGAINST FRANCE. WE HAVE BEEN TOLD, HOWEVER, (BY MEADOWS) THAT THE FINAL DECISION IS NOT IN DOUBT, AND WILL BE TAKEN NEXT WEEK. THE COMMISSION SERVICES HAVE ALREADY CONCLUDED THAT THIS AGREEMENT IS IN BREACH OF CERTAIN ARTICLES OF THE TREATY (EG. ARTICLE 113) BUT THE COMMISSION WISH TO ESTABLISH ITS COMPATABILITY OR OTHERWISE WITH THE C A P AND ALL THE INFORMATION REQUESTED FROM DGVI ON THIS POINT IS NOT YET AVAILABLE.

2. MEADOWS ALSO SAID THAT LAST FRIDAY TWO MEMBERS OF THORN'S CABINET MET FRENCH OFFICIALS IN PARIS AND MADE IT CLEAR THAT THE COMMISSION WOULD BE TAKING A HARD LINE. IT WAS APPARENTLY EXPLAINED TO THE FRENCH THAT THE COMMISSION WERE NOT PREPARED TO NEGOTIATE PRIVATELY ON ALL THIS, BUT WOULD BE TAKING ACTION PUBLICLY.

3. ALL THIS CONFIRMS WHAT DURIEUX TOLD ME AT LUNCH YESTERDAY. HE SAID THAT THE AGREEMENT WAS POTENTIALLY INCOMPATIBLE ON FIVE SEPARATE COUNTS: THE COMMISSION HAD ALREADY DECIDED AGAINST FRANCE ON THREE OF THESE AND WAS ONLY WAITING TO DECIDE THE REMAINING TWO. FOR THIS REASON HE EXPECTED THE DECISION ON THE AGREEMENT AS A WHOLE TO BE POSTPONED FOR A FURTHER WEEK. ANOTHER REASON FOR THIS POSTPONEMENT WAS THAT IT GAVE THORN TIME TO COUNTER THE UNFORTUNATE IMPRESSION GIVEN TO CHEYSSON BY ONE COMMISSIONER THAT ALL THIS COULD BE SETTLED WITHOUT A PUBLIC FUSS. THE FINAL DECISION WOULD BE TAKEN WITHOUT FAIL NEXT WEEK.

FCO PASS SAVING TO COPENHAGEN THE HAGUE ROME DUBLIN LUXEMBOURG AND ATHENS

FCO ADVANCE TO:-

FCO - WITNEY CROWE MS EVANS

NO 10 - COLES

MAFF - PS/MIN PS/MOS(C) GRIFFITHS

BUTLER

ADVANCED AS REQUESTED (REPEATED AS REQUESTED)

FRAME EXTERNAL
FRAME AGRICULTURE
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