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MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
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From the Minister

The Rt Hon Geoffrey Howe QC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London SW1A 2AL

6 June 1985

My Dear Geoffrey

1985 CAP PRICE FIXING

Thank you for your minute of 3 June. I should comment on your points about the handling of cereals at next week's Agriculture Council.

I note what you say about leaving this matter unresolved until after the Milan European Council. But I am not sure your minute takes sufficient account of the attitude of other Member States - and indeed of the Commission - if the Germans formally invoke the veto and the negotiations remain blocked. The Germans and Kiechle are clearly being less than honest about the use of the Luxembourg Compromise and there are obvious attractions from a wider policy point of view in forcing them to come clean. But if we were successful as you suggest in making Kiechle next week move to paragraph II of the Luxembourg Compromise text, the negotiations would clearly be seen to have reached an impasse. In these circumstances, I believe that we should find growing pressure from other Member States - and from among Commissioners - for a compromise to be found which would give the Germans a way out. You will have seen the report of the Germans briefing (Bonn Telno. 574) of Community Ambassadors who "led by the French" spoke of the need for a compromise and for a solution to be found before Milan. Nallet, in briefing the French press after the last Council, also referred to the need for "an acceptable compromise".

I shall be speaking to Nallet and Pandolfi, as well as to Andriessen, before the Council to ensure that our position is understood and to try to make sure the French and we stay together and that the Commission hold firm.

If we were to reach the end of the cereals year without any agreement, we should be moving into uncharted waters involving no doubt a good deal of legal argument. Some voices within the Community argue that the Commission would have no alternative in these circumstances but to continue with the prices

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as they were fixed the previous year. In effect, this would give the Germans what they are now openly advocating, unless through management measures the Commission could achieve a weakening in the price support level to bring about de facto cut in price. This would not necessarily be easily achieved from a technical point of view and the Germans would, of course, object to this.

An alternative view is that the Commission would be justified in these circumstances - and the Court could be expected to support them - in putting into place price arrangements which reflected the qualified majority view within the Council. In effect, this would mean that the Commission will be saying to the Germans that they were not prepared to see the decision process blocked. It would be a moot point, of course, whether this would amount to an overriding of the Luxembourg compromise by Commission action. Certainly, if paragraph II had been invoked by the Germans, this would clearly be the case. The question for us, in this situation, would be whether we should support the Commission's right to follow the view of the qualified majority or whether we should lend support to the Germans if they were continuing to object.

We need not face these issues immediately. I make these points simply to indicate that the issues may not be quite as clear cut as your minute suggests. I shall of course consult you if there are unexpected developments at next week's Council.

I am copying this letter to the Prime Minister, other members of OD(E), George Younger, Nicholas Edwards and Douglas Hurd and to Sir Robert Armstrong.

Yours ever
Michael

MICHAEL JOPLING