



Foreign and Commonwealth Office

London SW1A 2AH

4 November 1983

John [unclear]

Anglo-Irish Summit: Milk Super-Levy

The Irish have warned us that they will be raising the subject of milk with the Prime Minister on Monday. I understand that this was discussed at the Prime Minister's meeting this morning. While we, like the Irish, have expressed reservations about the super-levy, our respective positions are based on diametrically opposite strategic objectives. The UK is determined that the Community must control milk production (ideally through price reductions). The Irish want to continue to increase their production by 5% a year for the next decade or so.

In these circumstances we must be very careful not to suggest even a tactical alliance in opposition to the super-levy. At the same time it is probably premature to tell the Irish that we would be ready to consider the super-levy on certain strict conditions.

We thought it might be helpful to draw the threads together a little more clearly in a revised speaking note. I enclose some points to make, cleared with the MAFF. They have not been seen by the Secretary of State. I shall be showing him copies in tonight's box.

I am copying this letter to Robert Lowson (MAFF).

[Handwritten signature]
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(R B Bone)
Private Secretary

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THE SUPER LEVY

Points to Make

1. Something radical has got to be done about the EC milk surplus. Production is about 25% above consumption, and milk absorbs over 30% of CAP spending. [Irish production has risen by 50% since they joined the EC, compared with a rise of 20% or so in the rest of the Community.]

2. The Irish paper against the super-levy offers no solutions: (they call for being tough on NZ, getting rid of our butter subsidy etc but these are marginal to the central problem).

3. The Irish paper expresses support for "Community principles of free trade, comparative advantage ... etc". We hope the Irish will support us in urging for price reductions to bring the milk sector into balance and to allow them to exploit their comparative advantage.

4. As for Irish claims about the impact which a super-levy would have on them:
 - a) the parallel Dr Fitzgerald has drawn with the British budget problem is not valid. We suffer a net budgetary burden, while the Irish gain more than any other single member state in terms of budget receipts per capita: (350% of the EC average, to our 50%);

 - b) the Irish claim 5% of their GNP would be lost if a super-levy were introduced. We do not accept this figure which is based on rosy estimates of future milk production increases which must, in any case, be frustrated.

5. If a super levy is introduced (and we would prefer action on price) there must be no question of exemptions or discrimination against certain types of producer.

6. (Defensive point)

Acknowledge Irish concern that price reductions and effective control of the milk surplus could bear heavily on their (small) producers. But it is wrong to use the common price mechanism to address this problem.

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