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Foreign and Commonwealth Office

London SW1A 2AH

24 February 1988

N L Wicks Esq CBE
10 Downing Street

Dear Nigel,

BRIEFING FOR THE SECOND SHERPAS' MEETING

In my letter of yesterday I promised you additional briefing, which I now enclose, on the recent decisions taken by the Community on agriculture. The Commission will no doubt offer a vigorous defence of the European Council agreement: the Canadians for one are likely to level the criticism that it does not amount to very much. We shall want to come in with strong support. The attached supplementary brief should provide you with some useful ammunition.

Yours ever,

Rodri

R Q Braithwaite

cc Sir Geoffrey Littler KCB
HM Treasury

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TORONTO ECONOMIC SUMMIT:
SECOND MEETING OF PERSONAL REPRESENTATIVES
27-29 FEBRUARY 1988

BRIEF NO 4: TRADE AND AGRICULTURE
SUPPLEMENTARY BRIEF: CAP REFORM AND THE URUGUAY ROUND:
AND ROLLBACK

POINTS TO MAKE
CAP REFORM AND THE URUGUAY ROUND

- The agreement on CAP reform reached at the European Council on 11-12 February sets effective limits on CAP support and will ensure better control and slower growth of EC agricultural spending.
- This represents important move by the EC towards objectives defined at Punta del Este: reducing structural surpluses, cutting subsidies and making agriculture more responsive to market forces.
- The guideline limiting EC spending on agriculture has been reinforced and will now be legally binding. It will in future rise more slowly than Community GNP (at 74% of the latter). The proportion of EC budget expenditure devoted to agricultural support will therefore decline.
- Stabilisers now adopted for all agricultural products covered by CAP regimes (those for non-arable products confirmed by FAC on 22 February).
- Community will rightly take credit in GATT for the Brussels reforms. Look to other GATT Contracting Parties to make similarly constructive contributions.

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(if necessary)

- The statement annexed to the Brussels European Council agreement on the finance/CAP reform package (implying inter alia that CAP reforms adopted since 1986 and those agreed in Brussels discharged the Community's OECD and Venice Summit commitments on agriculture) is intended primarily as a signal to other contracting partners that they should recognise EC achievements and make similarly positive contributions; and also as a deterrent to others against action in breach of OECD/Venice commitments.

ROLLBACK

- Foreign Affairs Council on 22 February approved Commission proposal on rollback (ie reductions in non-tariff barriers) for tabling in Geneva. This covers a range of quantitative restrictions operated by individual EC member states against third country trading partners.

- Constructive contribution to the Uruguay Round negotiations: looking to others to put forward similarly positive offers.

European Community Department (External)
February 1988

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5. On oilseeds and proteins, MGQs of 4.5, 2.0, 1.3, 3.5 million tonnes for rapeseed, sunflower seed, soya and protein products respectively contrast with forecast harvests of 6.3, 2.7, 1.7 and 3.6 million tonnes (1988) and 6.4, 2.9, 2.0 and 4.0 million tonnes (1989 and 1990). There will be automatic in-year price cuts of 0.45% (1988) and 0.5% (subsequent years) for each 1% by which production exceeds these levels. At the forecast harvest levels, there will thus be large price cuts this year.
6. A comparable package of stabilisers on non-arable products (olive oil, cotton, sugar, wine, fruit and vegetables, tobacco, milk and sheepmeat) was approved at the Foreign Affairs Council on 22 February.
7. In addition to the European Council statement referred to in the points to make, a further statement in the European Council conclusions speaks of pressing for "an appropriate solution" to the problems of imports into the EC of cereal substitutes, oilseeds and proteins. This echoes language in the EC's agriculture papers (not formally approved by the Council) tabled by the Commission in Geneva. Any EC protectionist measures of this kind would be strongly resisted by other GATT Contracting Parties. Britain, the Netherlands and Italy (who together would constitute a blocking minority) made it clear in a separate statement for the minutes that they would not be bound by protectionist elements in these declarations.

Rollback

1. The Commission offer was agreed at the Foreign Affairs Council on 22 February. It will now be tabled in Geneva, as a contribution to the Uruguay Round. Like offers tabled by the EC and other Contracting Parties on other aspects of the negotiations, it is conditional on other major trading partners making similar contributions, so that the burden of rollback is fairly shared. The offers on products of interest to Japan and Korea (a few of the former are included, despite Italian reluctance) are specifically conditional on the implementation of satisfactory commitments by these two countries.