



Prime Minister

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Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 20 November 1980

Paul

The Rt Hon Peter Walker MBE MP
Minister of Agriculture

MS

Dear Peter

PUBLIC STATEMENTS ABOUT THE GOVERNMENT'S POLICY TOWARDS
THE CAP

I have been reading the speech you made in Brussels on Monday, 17 November about the CAP. Whilst, from time to time, we all use different ways of presenting the arguments - if only for the sake of variety - I must say that there were a number of points in your speech which I would have preferred to have been expressed differently, particularly since it received very considerable press coverage.

For example, I wonder whether you did not exaggerate the importance of the reduction in the size of the intervention stocks: the reduced stockpiles have been achieved, as I understand it, more by subsidising exports than by matching Community production more closely with demand. On the question of CAP prices, we must be very careful not to bring into question the firmness of our resolve to restrain increases, both to improve the balance of agriculture and contain the cost of the CAP. Again, although I accept that Europe could not expect to buy unlimited amounts of food on the residual world market at something like present prices, your discussion of this topic could well be seen as implying we no longer believed that the CAP involved a substantial resource cost to the UK - surely a most damaging inference from the standpoint of our position on the structure of the Community Budget.

The point which worries me most, however, is your argument that it is a myth that the CAP has deprived European policies of funds. I cannot accept that this is the case.

/The constant upward



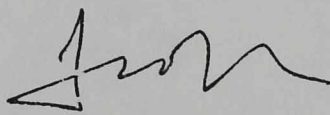
The constant upward pressure of CAP costs must have been a factor constraining the willingness of other countries to make money available for the regional and social funds. Indeed, this year the French and Germans have been fighting against the Commission's proposals for these funds in order to leave headroom for agricultural prices next year.

My concern is that your presentation of these points undermined the Foreign Secretary's balanced statement of our policies towards the Community and may have weakened our negotiating position. Clearly, this is water under the bridge though, if I may say so, had you shown your statement to the Treasury in advance - as the Foreign Secretary did and as I cleared my Isle of Ely speech with you, making several changes in the process - these consequences could well have been avoided. More importantly, and for the future, I do think that we should take steps to resolve any differences of substance which there may be between us, lest we cast any further doubts about our intentions.

I am sending copies of this letter to the Prime Minister and Peter Carrington.

*We had a word about this
at dinner last night - and both underlines
the importance of getting this right*

GEOFFREY HOWE

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