

28th July, 1980

Many thanks for your letter of 4th July, which was written following our talk here on 2nd July.

I was most interested to read the two articles which you had written; thank you for having sent them on.

Of course I value, greatly, your views about the C.A.P. and about France, and have shown your letter to the Prime Minister.

I hope that our paths may meet again, and that we can resume our too brief discussion at the beginning of the month.

With every good wish.

IAN GOW MP  
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to the Prime Minister

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EUROPEES PARLEMENT

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July 4, 1980

Dear Ian,

It was good to see you again at the P.M.'s teach-in. As I threatened I am sending a copy of the article I did for the Observer on olive oil and Enlargement. The object is to illustrate the following a) If we argue for the political need of enlargement we must recognise that there is a financial bill attached and if we are going to complain about it we should start now while the problem is still looming but not imminent; b) the Community is staring a problem in the face in a mood of paralysis, trapped by the "rules" of the EEC some of which are pretty mythological in any case. e.g. the obvious solution is to let Spain keep her tariffs against non-olive oils, however unpretty this looks in terms of the unity of the market, common customs tariff etc. But the Commission is drifting downstream with barely a splash of protest. c) It is about time HMG woke up to the fact that the real problem areas of agriculture are going to be increasingly Mediterranean products and stopped thinking that the French and Italians can be left to sort these things out between them. There may not be much drama in tomato-paste but there is going to be a great deal of money spilt over it.

I am also permitting myself to send a copy of a thing I did on Anglo-French relations. This brings me to the slight alarm I felt when the P.M. mentioned a couple of times "The French hate us." It really is NOT true. Quite clearly Giscard is not a great fan of the P.M. (and vice-versa) and his entourage with ~~their~~ their belief that politics is an elitist activity much better in the hands of officials than politicians is hardly likely to warm to Mrs T.'s style. But the fact is that the Government is not France and Mrs T.'s stand on things like the Olympics and Afghanistan is much more in tune with popular French feeling than is the equivocal attitude of a pre-election government.

The French have no germs of reference for Mrs T. She is a species which does not exist there. They are fascinated by her and have a good deal of admiration for her, and the reactions of farming organisations do not reflect the opinion of all France. The French feel an alarming sense of drift in the West. They believe President Carter is disastrous ( don't we all) and they therefore respond to the idea of a person with firm views refusing to fudge issues. Please don't let the P.M. base her attitudes on the idea of a whole French nation in arms against her: she has a constituency in France upon which she could capitalise.

The final point in this lecture: the P.M.'s remarks suggesting that there are billions of pounds wasted in the CAP which can be used to finance everything from motorways in East Angla to coal seams in Derbyshire. It is not true. There is substantial waste- that is clear. But even the most purified CAP in the world has to live in an environment of severe inflation; enlargement of the EEC which brings new financial respo<sup>n</sup>sibilities bigger than new resources; and the need to relate at least in some measure to a recession which has sharply slowed down the exodus from land to town. I would be prepared to bet a fair deal that next year Britain's Minister of Agriculture is one of those pressing for the highest level of farm price increases because of the effect of inflation and interest rates of the UK farm sector. There is a real danger that the CAP will be reformed by ~~ix~~ inflation and that is a most indiscriminate weapon. It could mean that we will reform the CAP by destroying our own agricultural base.

If we want to reform the CAP we must create mechanisms to remove some of the strain from the CAP with its very large social responsibilities. But, as I said at No 10, if the olive oil producer is not to be dealt with in the CAP we have to create the alternative means of dealing with him- and in the UK we would have interest in pressing for an EEC social policy which was intended to be of benefit to our social cases in ailing industry as well as continental agricultural social cases..In other words, if we want to fashion the EEC to our ends ( which is presumably what we shall be trying to achieve through the budget restructuring) we will eventually bump up against the inescapable need for new resources. Of course reforming the CAP is essential and of course we do not want to create new resources which will serve to license new CAP depreations, but please let us not evade the issue by pretending that the CAP itself is capable of yielding the resources to diversify the EEC's activities by more than a small amount.

Should I leave these heretical thoughts with you or should I try to express them directly to the P.M. If so how?

Please excuse the typing: I have done it myself on my old portable, part of my campaign to prevent my own personal deindustrialisation!

Yours sincerely

David.

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