

European Policy



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

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CONFIDENTIAL

The Rt Hon John Biffen MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

5 November 1979

[Handwritten signature]

Thank you for your further letter of 29 October about the forecasts for our net contribution to the Community Budget and for CAP expenditure by the Intervention Board.

I am ready to be convinced that, as you say, the Treasury figure for an outcome of £2 billions could come about with no increase in the 1% VAT ceiling. But I have not seen any realistic set of assumptions which could bring about this result, and I must therefore ask again if you could tell me what they are. If there is no realistic scenario which would bring about this result while maintaining the 1% limit, it will be apparent to all that we are assuming that the 1% limit will be raised. That must in my view prejudice our position.

To assume the contrary, that the limit will not be raised, is not to take credit for negotiating achievements before we have made them. We do not have to persuade others not to raise the limit. We simply have to decline to agree to its being raised ourselves, and that is our firmly stated policy. I am simply arguing that our predictions for public expenditure should be consistent with that policy, which I trust we shall maintain.

I am sending copies of this letter to the Prime Minister, other Cabinet colleagues and Sir Robert Armstrong.

[Large handwritten signature]

PETER WALKER