

CCMB



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

From the Minister

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for
Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London SW1

10 September 1986

Dear Secretary of State

GREEN POUND

Following our meeting in OD(E) on Monday 8 September, we have made every effort to persuade the Commission not to accede to the Irish request for a green punt devaluation. Despite this, and in the full knowledge of the difficulties it would cause for us, I understand that the Commission have now decided to go ahead and propose a 6% devaluation of the green punt for animal products and one of 3% for arable products.

For the reasons set out in John Gummer's letter of 28 August I believe we will find ourselves in an extremely awkward and indefensible position with farmers if we do not now obtain a parallel devaluation of the green pound. In particular the proposed 6% devaluation of the green punt for animal products will put our livestock sector at serious disadvantage. The effect would be at the worst in Northern Ireland. At present support prices in the Republic are 9½% higher than ours; if they devalue and we do not this disadvantage will worsen to 15½%.

We are necessarily pressing for reforms of the Common Agricultural Policy, the consequences of which are having to be accepted by our farmers - not least in the severe cut back in farm incomes now as compared with a few years ago. The industry accepts the need for changes in the CAP and the burdens this is putting on them, provided the process of adjustment is seen to be shared equally by other Member States. What we cannot expect of them is that they should suffer a serious competitive disadvantage through the value of the green pound. This would clearly be inconsistent with our election pledges, and would put me personally in an impossible position because of my association with our original pledge in 1979. It would also conflict with statements which have been made since then, not least at this year's NFU annual dinner.

/ When we met ...

When we met in OD(E) on Monday 8 September we discussed the various possible Commission responses to the Irish without coming to a final conclusion. Now that we know the approach the Commission are going to adopt we must move very quickly to a decision. I would need to be in a position to contact Andriessen as soon as possible to tell him in strong terms, as I did before the Commission's meeting, that, while we had hoped to avoid this situation developing, their willingness to give the Irish a devaluation makes it essential for us to have a parallel proposal for the United Kingdom on the table at next week's Council. I think it would be most helpful if you could reinforce this message with Delors. Clearly we need to take action in time for Andriessen to prepare a proposal to put to the Council on Monday, 15 September.

I shall of course point out that the UK and Ireland are the only countries which can legitimately make a case for devaluation at present.

I am sending copies of this letter to the Prime Minister, other members of OD(E), Nicholas Edwards, Tom King, Malcolm Rifkind, John MacGregor, and Sir Robert Armstrong.



Yours Sincerely
Michael Jopling
For MICHAEL JOPLING
(Approved by the Minister
and signed in his absence)