

PRIME MINISTER

GREEN POUND

There was no support in OD(E) for Mr. Jopling's case for a devaluation of the Green Pound. It was agreed that every effort shall be made to dissuade the Commission from giving the Irish permission to devalue.

Mr. Jopling has returned to the charge. He says that the Commission have decided to go ahead and give the Irish a devaluation, though smaller than they wanted. He wants the same for us.

The Chief Secretary intends to dig in his heels because of the public expenditure costs. He estimates these (in PES terms) are:

- (a) Irish devaluation only  
+ 7 + 12 + 6
- (b) Irish and UK devaluation  
+ 46 + 114 + 127
- (c) Irish, UK and French devaluation  
+ 63 + 142 + 140

He rates the risk of scenario (c) - ie the French also seeking a devaluation - as high. He wants a further effort to deter the Commission from giving the Irish their devaluation. He is not prepared to give way unless over-ruled by you.

I very much doubt that the Commission can be persuaded to go back on their decision about the Irish. Equally, I think they would probably reject an application by us for a devaluation, at least at this stage. I suggest that you don't intervene for the time being, but await the reaction of colleagues. (You certainly won't want to undermine the Chief Secretary's

1) If the Commission give in to the Irish, it will be acutely difficult for us. I hope we can dissuade them

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position.) The problem may solve itself, because it will simply be impossible anyway to get the Commission to act in time for next week's Council. But I suspect that, at some stage, we may have to go for a small change in the rate.

CDP

CHARLES POWELL  
10 September 1986