



10 DOWNING STREET

From the Private Secretary

25 March 1982

Possible EMS Realignment: Green Rate Changes

At the Prime Minister's briefing meeting for the European Council on 24 March, the Chancellor of the Exchequer raised the question of green rate changes following any new EMS realignment.

The Chancellor explained that at the last EMS realignment conference it had been agreed that consequential green rate changes should not be made at once because the annual price fixing was being negotiated. There had been a dispute between those who wanted to postpone the consequential green rate changes until 1 April and those who wanted them postponed until the new prices were agreed, whenever that was. If the French now asked for a new realignment, it was probable that a number of other countries would take advantage of the opportunity to devalue their central rates as well so that they could then secure greater price increases for their farmers. The Community could thus be faced with potential devaluations of green rates by France, Belgium, Denmark, Italy and Ireland. The Chancellor therefore needed agreement on a line to take if the question of the timing of consequential green rate changes was discussed at a new realignment conference (which might be called at very short notice).

In discussion it was pointed out that our policy in the past had always been that a Member State was free to adjust its green rate in line with a change in its central rate if it wished so that, if others wanted to change their green rates immediately after a new realignment, it would be extremely difficult for the United Kingdom to resist on its own. If the green rate change were made at once, our price fixing lever would to some extent be weakened. On the other hand, we would be able to exploit the opportunity to get the others to agree that no Member State should be forced to adjust its green rate if it did not wish to do so.

Summing up the discussion, the Prime Minister said that the Chancellor should try to get agreement that green rate changes should not be made during price fixing negotiations. But we should not stand on this position on our own. If isolated, we

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- 2 -

should instead try to secure agreement that no Member State should be forced to adjust its own green rate if it did not want to do so. Outside the price fixing season, our existing policy should be maintained - namely that the United Kingdom should be free to adjust its green rate when it chose.

I am sending copies of this letter to Francis Richards (Foreign and Commonwealth Office), Robert Lowson (Ministry of Agriculture Fisheries and Food) and David Wright (Cabinet Office).

A. J. COLES

John Kerr, Esq.,
H.M. Treasury.

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MR COLES

POSSIBLE EMS REALIGNMENT: GREEN RATE CHANGES

As I mentioned to you on the telephone, I think Departments will need a record of the decision taken at the Prime Minister's briefing meeting yesterday morning.

--- 2. I attach a draft letter for your consideration.

D.H.

D J S HANCOCK

25 March 1982

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Draft letter from Mr Coles

To: Private Secretary to the Chancellor of the Exchequer

cc: Private Secretaries to Foreign and Commonwealth
Secretary, Minister of Agriculture, Sir Robert Armstrong

POSSIBLE EMS REALIGNMENT: GREEN RATE CHANGES

At the Prime Minister's briefing meeting for the European Council on 24 March, the Chancellor of the Exchequer raised the question of green rate changes following any new EMS realignment.

2. The Chancellor explained that at the last EMS realignment conference it had been agreed that consequential green rate changes should not be made at once because the annual price fixing was being negotiated. There had been a dispute between those who wanted to postpone the consequential green rate changes until 1~~st~~ April and those who wanted them postponed until the new prices were agreed, whenever that was. If the French now asked for a new realignment, it was probable that a number of other countries would take advantage of the opportunity to devalue their central rates as well so that they could then secure greater price increases for their farmers. The Community could thus be faced with potential devaluations of green rates by France, Belgium, Denmark, Italy and Ireland. The Chancellor therefore needed agreement on a line to take if the question of the timing of consequential green rate changes was discussed at a new realignment conference (which might be called at very short notice).

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3. In discussion it was pointed out that our policy in the past had always been that a Member State was free to adjust its green rate in line with a change in its central rate if it wished, so that, if others wanted to change their green rates immediately after a new realignment, it would be extremely difficult for the United Kingdom to resist on its own. If the green rate change were made at once, our price fixing lever would to some extent be weakened. On the other hand, we would be able to exploit the opportunity to get the others to agree that no Member State should be forced to adjust its green rate if it did not wish to do so.

4. Summing up the discussion, the Prime Minister said that the Chancellor should try to get agreement that green rate changes should not be made during price fixing negotiations. But we should not stand on this position on our own. If isolated, we should instead try to secure agreement that no Member State should be forced to adjust its own green rate if it did not want to do so. Outside the price fixing season, ^{or} ~~the~~ existing policy should be ^{maintained} ~~preserved~~ - namely that ^{the U.K. should be} ~~Member States~~ were free to adjust ^{its} ~~their~~ green rates ^{it} ~~they~~ when ~~they~~ chose.

5. I am sending copies of this letter to [as above].

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