



cc RJ
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Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000 1st March 1983

A.J.C. 2/3

The Rt. Hon. Peter Walker MBE MP
Minister of Agriculture, Fisheries and Food

Dear Peter

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GREEN POUND: UK NEGATIVE MCAs

Thank you for your letter of 28 February. — *will request is required*

As my office informed yours I am happy for you to try to persuade the Commission to delay for a further week the creation of the negative MCA which would emerge under normal community rules, given the possibility that sterling might quickly recover sufficiently to eliminate the gap.

I must emphasise that my agreement is given on the understanding that this delay is for one week only. If the gap persists I do not think we could seriously hope to dissuade the Commission from introducing a negative MCA, nor do I think we should try.

I note what you say about the green pound. But there are many uncertainties in the present situation which may persist for some time, and the possibility that sterling may strengthen cannot be ruled out. I still believe our policy objective should remain to limit the increase in domestic prices of CAP products to 5 per cent or less during 1983. Our green pound policy should be consistent with that objective. If the recent fall in sterling persists it is all the more important that we should do whatever we can to keep the increases in food prices down to this level during 1983, especially given the strong recovery in farmers incomes experienced last year.

I am sending copies of this letter to the Prime Minister, Foreign and Commonwealth Secretary and to Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

Encl. Pol.
CAP 11

4-7-1983

