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10 DOWNING STREET

THE PRIME MINISTER

16 September 1982

Dear Mr Murray,

Thank you for your letter of 1 September about the EC farm price review and budget arrangements.

I note the General Council's views about the majority decision taken on the 1982/83 farm price review. The majority vote was taken despite the United Kingdom's clear objections and our invocation of the 1966 Luxembourg Compromise. As I said at the time, this raised very serious issues, and the Foreign and Commonwealth Secretary subsequently made our dissatisfaction very plain to other member states in the Foreign Affairs Council discussion on 20 June. He was supported unreservedly by two member states and by two others with some qualifications. There thus remains a divergence of views in the Council on this question, but we expect that the practice which the Community has followed, with this one exception, since 1966, will continue to operate in the future.

/The prices

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The prices package included increases for a number of products higher than those for which we argued, particularly in view of the problem of surpluses. But the overall effect on food prices is estimated to be no more than 1.25 per cent in a full year.

As to the budget, the agreement reached earlier this year fell short of the lasting solution which we have been seeking. But we have now secured agreement to refunds of no less than £2,000 million in respect of the three years 1980, 1981 and 1982. The agreement reached on 25 May also contained a pledge to take decisions by the end of November on the solution for 1983 and later. We shall be continuing to pursue with all determination our objective of a lasting and equitable settlement of this problem.

Yours sincerely

Raymond Barber

The Rt. Hon. Lionel Murray, O.B.E.