

Econ Pol



1. Mr Carrington ✓  
2. Mr. [unclear] 2/5

CHANCELLOR OF THE EXCHEQUER

12  
31/5

EXCHANGE CONTROLS

You sent Peter Carrington a copy of your minute of 23 May to the Prime Minister outlining a package of exchange control relaxations which you propose to announce in your forthcoming budget speech.

In his absence at a NATO meeting in The Hague, I am writing to say that I welcome your proposal to introduce some relaxations to our exchange control regime. I accept that the imminence of the budget makes it difficult to do more at this stage and I welcome your intention to keep the possibility of further relaxations under study. If we are to relax portfolio investment controls, as I think we should, I hope we shall do so sooner rather than later.

That said, I accept that the package is a valuable first step. If the proposed removal of controls generates an increase in the flow of direct investment overseas, including to the developing countries, this may to some extent offset cuts we are having to make in our official Aid Programme. It should also help to increase the diversity and security of our raw material supplies. Finally, it should help us counter the criticism which we have been under from both the Commission and the Americans over our current exchange control practices. I am glad that you will be giving the Commission advance notice of what you intend.

/I

CONFIDENTIAL



- 2 -

I am sending copies of this minute to the Prime Minister, the Secretaries of State for Industry and Trade, the Governor of the Bank of England and to Sir John Hunt.

*I.H.G.*

30 May 1979

I H G

CONFIDENTIAL