

SUBJECT

THE PRIME MINISTER

CONFIDENTIAL

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T227/80

Athens, 21 November 1980

Dear Madam Prime Minister,

As you will recall, the energy package under the Memorandum of Understanding between our two Governments, figured prominently in the talks we had during your recent visit to Greece. I hope that I was then able to convey to you our appreciation of the efforts made by your companies and officials as well as our own eagerness to reach agreement within the required time limit. In doing so, I did not conceal the technical weaknesses of the proposed package as our experts saw them, or the political difficulties attending the conclusion of contracts of such importance without inviting international tenders. These considerations were also set out in the course of the conversation I had, subsequently, with the Secretary of State for Trade Mr. John Nott.

Since then I pressed the Public Power Cooperation for renewed and imaginative endeavours with a view to breaking the deadlock. After long deliberations the following picture emerged :

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The Rt Hon. Margaret Thatcher MP.,
Prime Minister,
10 Downing Street,
LONDON

The price asked by the General Electric Company Ltd for the design, manufacture and erection of the coal-fired power stations, after discounts made, can now be considered as reasonable.

Unfortunately the conditions of the coal supply contract, despite efforts at improvement on the British side, remain unsatisfactory. They fall short, in Public Power Corporation's view, of the letter and spirit of the Memorandum of Understanding.

Since the prospects of further improvement of the coal supply conditions look dim, a way out could only be brought about through some offsetting clause in a parallel field, which would make the deal fairer and more balanced. Such a clause could be found in increased and secure North Sea oil supplies. It is true that on this score the Memorandum of Understanding is rather vague, while the offer of nearly 500,000 tons, under an annual evergreen contract is insufficient to redress the balance of the energy package.

I, therefore, propose the conclusion of a firm contract irrevocably committing the United Kingdom to supply Greece with ten million tons of oil, over a period of ten years, in equal parts, at current prices, commencing on 1 January 1981. It is my conviction that only under this condition the whole energy package will be able to stand Parliamentary scrutiny.

I earnestly hope that this proposal painfully arrived at after long efforts and much heartsearching could meet with your agreement. If this proves to be the case, the way will thus be opened up to further and mutually beneficial cooperation.

In closing I would like to repeat my feelings of deep appreciation of your visit to Greece as well as my enduring interest in the talks we had and the views you expressed.

This letter will be delivered to you by our Ambassador in London Mr. Lagacos, who will be available to further elaborate on the political intricacies of the whole issue with which I am confronted.

Please accept, Dear Madam Prime Minister, the assurance of my highest esteem and consideration, with which I remain,

Yours Sincerely

G. J. Rallis

GEORGE RALLIS