

Mr Spreckley, LCD(I)

Secretary of State's Discussion with the President of the  
European Commission

The Secretary of State had breakfast with Mr Jenkins on 5 February in Brussels. Mr Jenkins had visited Bonn during the previous week and had had 3½ hours of discussion, mainly tete-a-tete, with Herr Schmidt. Schmidt had been, according to Mr Jenkins, in a worried and discursive mood. He was clearly still quite ill (Mr Jenkins thought it was heart trouble rather than thyroid) and had spoken in pessimistic, almost apocalyptic, terms about the state of the world. He was critical of President Carter's handling of recent events such as Iran and Afghanistan: in Schmidt's view the Americans had no coherent strategy for dealing with the Soviet Union and were simply reacting in an opportunistic way to events, lurching from one crisis to the next. Schmidt had said that there was a "smell of 1914 in the air": he thought that there was at least a 20% chance of another world war. Mr Jenkins commented that although he had seen Schmidt in a depressed state before he had never known him as emotional as this.

Schmidt had also been pessimistic about the prospects for resolving the problem of the UK's Community budget contribution. At one stage he seemed even to imply that Britain would simply have to take the 520 muas offered by the revision of the corrective mechanism and not expect anything more. But when Mr Jenkins had pressed him on this he had acknowledged that a settlement along the lines implied at Dublin, i.e. with some increase in Community expenditure in Britain, might be attainable. He had, however, been critical of the British Government's European policies generally. In particular, he had expressed considerable irritation and astonishment that Britain had not joined the EMS. Schmidt thought that even though there might not be any great financial benefit for us in joining, it would cost us absolutely nothing to do so and that failure to join was an indication that we were not at heart committed Europeans. Mr Jenkins commented that the importance which Schmidt had attached to the EMS had surprised him: he had not previously thought that the question of possible British membership of the EMS exchange rate mechanism was currently something to which other Community countries attached great importance. Mr Jenkins also said that, although the Commission had been careful not to commit itself to any figures for the degree of relief which Britain might expect to get on the budget, his own estimate of what his colleagues might collectively consider feasible and reasonable was something around 1000 muas.

Finally, Mr Jenkins said that British obstruction on the non-quota section of the Regional Development Fund was counter-productive. The amount involved was tiny and there was no sense of making an issue of principle out of it. The degree of irritation which this caused within the Community, and, within the Commission, particularly to Commissioner Giolitti, who had hitherto been robust in supporting the British cause,

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was out of all proportion to the gain to Britain from holding things up. The Secretary of State said that he would look into the matter and see whether we needed to retain our reserve.

*Paul Lever*

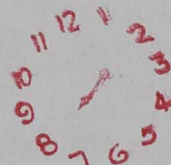
(P Lever)

6 February 1980

ccs:-

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