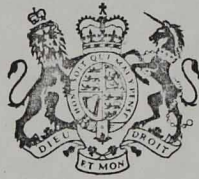


of Market Set

FILE
CONFIDENTIAL

RH



10 DOWNING STREET

From the Private Secretary

25 November, 1980

Dear Sir,

Call by the Greek Ambassador

The Greek Ambassador called on the Prime Minister this morning to deliver a letter from the Greek Prime Minister, Mr Rallis, about the power station project. I enclose a copy of the letter.

In handing over the letter, Mr Lagacos said that he had also had a telephone conversation with his Prime Minister who had asked him to stress the difficulties of the political issues involved for the Greek Government. The Public Power Corporation had leaked to the Greek press and opposition their view that the coal supply contract was unsatisfactory. There was, in any case, a general tendency to question the letting of such a large contract without an international tender. The Government was, of course, in a pre-electoral period and the opposition were seizing every opportunity to criticise the Government.

Mr Rallis had come to the conclusion that the only way to defend the package would be to increase the oil supply element and to stress the security of oil supply from the United Kingdom as opposed to that from e.g. Iran or Iraq. Mr Rallis was extremely anxious to strengthen relations between Greece and the United Kingdom and recognised the importance of the contract in this connection. But without an increased oil element, the package would not survive scrutiny in the Greek Parliament. Mr Lagacos made it plain that he agreed with his Prime Minister's assessment and that he was desperately anxious to see an agreement concluded.

The Prime Minister said that the Ambassador would not expect her to answer yes or no at once. The fact was that production in the North Sea was down because of gas flaring. She would have to consult the Secretary of State for Energy and BNOG about the possibilities. She would ensure that a reply was sent as soon as

/possible.

CONFIDENTIAL

RH

CONFIDENTIAL

- 2 -

possible. When accompanying the Ambassador to the door I stressed the degree to which North Sea Oil supplies were, inevitably, already committed. He seemed to find the thought that there was not a limitless supply surprising.

The Prime Minister did not get into the kind of discussion envisaged in Neil McInnes' letter to me of 21 November. Mr Lagacos made it very clear that he was not in a position to discuss the problems in any detail.

No doubt you will be considering urgently what line we take in reply. You will, of course, observe that Mr Rallis' letter does not refer to any other contracts although there is a statement to the effect that agreement would open up the way to "further and mutually beneficial co-operation". As you know the Prime Minister is anxious to secure the power station contract if at all possible. But she recognises that the new Greek demand represents a very considerable increase on the existing offer. We should aim to get a reply on its way in the course of this week.

I am sending copies of this letter and its attachment to Paul Lever (Foreign and Commonwealth Office), Ian Ellison (Department of Industry) Julian West (Department of Energy) and David Wright (Cabinet Office).

Yours sincerely

Richard Alexander

S Hampson, Esq
Department of Trade

CONFIDENTIAL