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From the Private Secretary

24 November 1981

Dear Bravis,

THE HEAD OF THE EUROPEAN COMMISSION

As you know, the President of the European Commission, M. Gaston Thorn, called on the Prime Minister this morning. He was accompanied by M. Noel and M. Duriex. Sir Michael Butler and Mr. Franklin were also present.

As the discussion was somewhat discursive and is, in any case, rapidly being overtaken by events, I propose in this letter merely to record some of the main points made by M. Thorn and by the Prime Minister.

M. Thorn was inclined to agree with the Prime Minister that, while it was necessary for the European Council meeting to be seen as a success, it would not be easy to achieve this objective. His tour of European capitals had brought it home to him that, although there was a natural tendency to focus on the positions of the French and German Governments, the position of the smaller members of the Community, notably the Danes, the Dutch, the Irish and the Greeks, would be, if anything, even more difficult to move. They would be very stubborn.

M. Thorn thought that it should be possible to get somewhere on Chapter 1 of the 30 May Mandate. On Chapter 3, the Prime Minister's colleagues were in principle inclined to be cooperative. They realised that they had to help in finding a solution to Britain's problem. However, they would wish to set a time limit: it might be possible to achieve agreement to a solution lasting three years. If the Prime Minister were to push for seven years, she would probably achieve less than three. The best thing to go for would be guidelines. As regards Chapter 2, it would be important not to waste time on a detailed discussion of commodities. The most that could be achieved would be agreement on a way to proceed in the next few weeks.

M. Thorn said that Mr. Papandreou's position would cause complications. He would wish to make a statement, the burden of which would be that, while he did not wish to come out of the Community, it was going to be difficult for him to stay in and he would wish to discuss the matter with his colleagues. He

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would not be willing to commit his Government, e.g. on the CAP, at this stage. He would argue that the Greek Government would first have to study the question in much more detail.

The Prime Minister said that she was worried about the prospects for the meeting. There was a risk that the press would present it as a useless, and indeed damaging, meeting. She was determined to go through the points on the agenda systematically. But she was anxious to avoid a situation where such a discussion highlighted the inability of the Council to reach agreement. This would have to be taken into account in the drafting of the conclusions. In the absence of any agreement, the conclusions would have to refer simply to a general discussion of the Mandate and to indicate that further work would be carried forward in the Council of Ministers. She would not be prepared to have conclusions recorded on matters which Heads of Government had not dealt with.

The Prime Minister said that she was unhappy with the economic analysis in the draft conclusions on Chapter 1 of the Mandate. The draft compared unfavourably with the Commission's report on the economic situation. She hoped that it would be possible to ensure that some of the points in the Commission's report were reflected in the conclusions.

The Prime Minister said she was concerned about having nothing except disagreement to report to the European Parliament in December. She intended to make it clear to her colleagues that she thought it would be a poor start to the practice of Presidency reports to the Parliament if they created a situation where the first such report had to be of a failure. (M. Thorn warmly supported this approach and pointed out that the Member states who were likely to make most difficulty on Thursday and Friday were precisely those who had been most enthusiastic about the idea of a Presidency report by the appropriate Head of Government to the European Parliament.)

As regards Mr. Papandreou, the Prime Minister said that she would wish to arrange things in such a way that he made his statement early on in the proceedings. This would at least ensure that his subsequent interventions were seen in a proper light. The Prime Minister added that the difficulties with the Greek Government would not weaken her support for the idea of Spanish and Portuguese membership of the Community. She saw this as, above all, important in the context of preserving democracy in those countries.

I am sending copies of this letter to John Kerr (HM Treasury), Kate Timms (MAFF) and David Wright (Cabinet Office).

Yours ever

Michael Alexander

Francis Richards, Esq.,
Foreign and Commonwealth Office.