

SECRET

Rie Anwar

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PRIME MINISTER

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MADRID SUMMIT

As you prepare for a difficult Summit I do not wish to add to the paper with which you are already burdened. I would however like to leave one general thought with you. As I see it, it is of overriding strategic importance that we should not be marginalised in Europe. If we were to find ourselves in a second tier, whatever the strict economic virtue of our position, we would, I fear, be seriously diminished in the eyes of crucial partners like the United States and Japan.

We should also have lost the chance we would otherwise have of influencing European developments from the centre.

Of course the question arises of whether the price we are asked to pay to fend off this danger is excessive and this is a financial and economic, as well as a political calculation. It may also be argued that some of our EC partners, like the French are so intent on pushing on towards monetary union, that there is no price that would be sufficient to deter them. But I think this may take an over-gloomy view of our influence and the importance that most of our European partners attach to carrying us with them. In any event I am sure we should make a major effort to show that our position is not a negative one. What this points to is the critical importance of an early volunteered statement from our side in the most flexible and forthcoming terms possible about our ultimate readiness to join the EMS.

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PERCY CRADOCK

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