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From the Private Secretary

SIR DAVID HANNAY

cc Sir John Fretwell
Mr. Wall

EUROPEAN COUNCIL, MADRID: HEADS OF GOVERNMENT DINNER

The Heads of Government dinner was uneventful. M. Delors reported at some length on the world economy in what were, according to the Prime Minister, very unexceptional terms. He made much of the debt problem and the need for the industrialised countries to do something about it.

Chancellor Kohl then held forth on tropical forests. He warned against mixing up this problem with debt. He called for a major step forward at the Economic Summit in Paris.

There was a brief and inconclusive discussion of middle-income debt. The Prime Minister was not clear whether the conclusions agreed at official level were endorsed or not.

The Prime Minister herself took the initiative in raising Poland, urging the case for reducing Quantitative Restrictions. She also suggested that the Community should be ready to provide surplus food, particularly beef, to Poland at special prices.

The Prime Minister also raised China because she thought that Heads of Government ought to discuss it as well as Foreign Ministers. There was only a brief exchange.

Finally, the Prime Minister referred to the problem of fraud so that it would not be necessary to burden tomorrow's discussion with it. The Presidency indicated that there would be a reference in the conclusions.

As I told you, the Prime Minister bearded Sr. Gonzalez before dinner on the subject of economic and monetary union saying that, after a good start, he had allowed the discussion to take a confrontational turn. She was very much opposed to the sort of language which President Mitterrand was seeking on an inter-governmental conference. Sr. Gonzalez denied that he had moved from the position which he had described to the Prime Minister on 19 June. He was looking for conclusions which committed the Community to do more work on Stages II and III, in order to establish when a decision could be taken to hold an IGC in the future.

C. D. P.
C. D. POWELL
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Subject matter