

DESKBY 151000Z

FRAME [GENERAL]

CONFIDENTIAL

FM ATHENS 150840Z OCT
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 282 OF 15.10.87
 INFO IMMEDIATE UKREP BRUSSELS
 SAVING TO E C POSTS.

*Mr Nott has not
 had an easy time, it
 would seem.*

mt.

VISIT OF SECRETARY OF STATE FOR TRADE: COMMUNITY QUESTIONS

1. THE FOLLOWING SUBJECTS WERE RAISED BY KONTOGEORGIS, GREEK MINISTER RESPONSIBLE FOR EC AFFAIRS, DURING MR NOTT'S DISCUSSIONS AT THE MINISTRY OF COORDINATION ON 13 OCTOBER:

- (A) THE GREEK SHARE OF THE EUROPEAN DEVELOPMENT FUND (ERDF).
- (B) ALLEGED OBSTUCTION OF GREEK APPLICATIONS FOR ERDF FINANCE.
- (C) THE GREEK STEEL QUOTA.
- (D) PROPOSALS BY THE BUDGET COUNCIL WHICH WOULD REDUCE THE NUMBER OF PLACES FOR GREEKS IN THE COMMISSION.

TOPICS (A) AND (C) WERE ALSO RAISED BY MR RALLIS WHEN MR NOTT SAW THE GREEK PRIME MINISTER ON 14 OCTOBER.

2. ON THE ERDF, KONTOGEORGIS STATED THE GREEK VIEW THAT THEY WERE ENTITLED TO 15%. THIS HAD BEEN THE WORKING HYPOTHESIS IN THE ACCESSION NEGOTIATIONS AND WAS THE BASIS FOR CALCULATING THE LIKELY GREEK BENEFIT FROM COMMUNITY MEMBERSHIP. AS REPORTED IN TELECON WITH SPRECKLEY ON 13 OCTOBER. KONTOGEORGIS CLAIMED THAT HE HAD DISCUSSED THE MATTER WITH THE FINANCIAL SECRETARY TO THE TREASURY AT THE BUDGET COUNCIL ON 23 SEPTEMBER AND THAT MR LAWSON HAD SAID THAT THE UK WOULD SUPPORT A GREEK SHARE OF 15%.

3. IN REPLY MR NOTT OUTLINED THE BRITISH ATTITUDE TO THE EC RESTRUCTURING EXERCISE. HE POINTED OUT THAT A REDUCTION IN THE PERCENTAGE WHICH WE RECEIVED FROM THE ERDF WOULD AFFECT OUT GENERAL POSITION UNDER THE COMMUNITY'S BUDGET. THE UNITED KINGDOM WAS STILL THE SECOND HIGHEST CONTRIBUTOR TO THE BUDGET AND THE ERDF WAS ONE OF THE FEW SOURCES FROM WHICH WE BENEFITTED. IT WAS POLITICALLY IMPOSSIBLE TO ACCEPT THAT OUR SHARE BE REDUCED TO MAKE UP A 15% SHARE FOR GREECE. IT WAS UP TO THE RICHER COUNTRIES TO GIVE UP PART OF THEIR SHARE. KONTOGEORGIS CLAIMED THAT THIS WAS WHAT HE HIMSELF HAD PROPOSED. MR NOTT WENT ON TO SAY THAT, WHILE WE APPRECIATED THAT THE GREEK GOVERNMENT NEEDED TO DEMONSTRATE THE BENEFITS ACCRUING FROM ACCESSION, IF THERE WAS A DIRECT CONFLICT OF INTEREST WE SHOULD HAVE TO LOOK TO OUR NATIONAL INTEREST. HE SAID THAT WE WOULD BE REPLYING

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SHORTLY TO THE PAPER HANDED OVER BY THE GREEKS ON 23 SEPTEMBER DURING MRS THATCHER'S VISIT TO ATHENS.

4. ON 14 OCTOBER MR RALLIS EMPHASIZED THE SERIOUS CONSEQUENCES FOR HIS GOVERNMENT IF, ON ACCESSION AND WITH THE PROSPECT OF ELECTIONS, THE ANTICIPATED BENEFIT FROM THE REGIONAL FUND WAS REDUCED AND ALSO (SEE MIFT) IF GREEK STEEL PRODUCTION WERE RESTRICTED. THE ANTI-EEC OPPOSITION WOULD HAVE A FIELD DAY AND THE UNITED KINGDOM WOULD BE THE OBJECT OF PUBLIC OPPROBRIUM IF WE TOOK THE LEAD IN SEEKING TO REDUCE THE EXPECTED 15% OF THE ERDF FOR GREECE. MR NOTT REPLIED IN SIMILAR TERMS TO THOSE USED WITH KONTOGEORGIS.

5. KONTOGEORGIS COMPLAINED THAT THE UK (AND THE FRG) HAD BEEN DELAYING CONSIDERATION BY THE COMMUNITY OF GREEK APPLICATIONS FOR FINANCING UNDER THE ERDF. HE SAID THAT, UNLESS DECISIONS WERE TAKEN QUICKLY ON GREEK PROJECTS, IT WOULD BE DIFFICULT OR IMPOSSIBLE FOR GREECE TO SPEND ITS QUOTA NEXT YEAR. THE COST OF PROJECTS ALREADY PROPOSED WAS WELL BELOW ANY CEILING WHICH GREECE MIGHT RECEIVE FROM THE FUND. THE SECRETARY OF STATE FOR TRADE REPLIED THAT HE COULD SEE NO REASON WHY PREPARATORY WORK SHOULD NOT GO AHEAD BUT HE WOULD MAKE ENQUIRIES.

6. AT NO TIME DURING THE SECRETARY OF STATE'S VISIT DID THE GREEKS SUGGEST (MY TELNO 277) A DIRECT LINK BETWEEN THE ERDF ISSUE AND THE COAL-FIRED POWER STATION PROJECT ON WHICH, AS I AM REPORTING SEPARATELY, THE PROSPECTS FOR ACCEPTANCE OF THE BRITISH OFFER APPEAR SLIGHT, BUT ON WHICH A DECISION IS NOT EXPECTED BEFORE NEXT WEEK.

7. BEFORE LEAVING FOR VIENNA MR NOTT TOLD ME THAT, ON HIS RETURN TO LONDON, HE WOULD WISH TO CONSIDER FURTHER THE ISSUE OF THE GREEK SHARE IN THE ERDF AND THAT IN THE MEANTIME, THE ANSWER TO ANY FURTHER REPRESENTATIONS BY THE GREEKS, INCLUDING THE EXPECTED APPROACH BY THE GREEK AMBASSADOR IN LONDON REFERRED TO IN MY TELCON WITH SPRECKLEY, SHOULD BE ON THE LINES OF MY PARAGRAPH 3 AND SHOULD NOT INCLUDE MENTION OF 8% OR ANY OTHER SPECIFIC FIGURE TO WHICH THE GREEK PERCENTAGE MIGHT BE REDUCED. THE SECRETARY OF STATE FOR TRADE CONSIDERS THAT THE BROADER IMPLICATIONS FOR UK INTERESTS SHOULD BE ASSESSED BY MINISTERS AT AN EARLY MEETING OF THE RELEVANT CABINET COMMITTEE.

8. FOR DISCUSSION ON OTHER COMMUNITY ISSUES SEE MIFT.

9. FCO PLEASE PASS SAVING ADDRESSES
SUTHERLAND

[REPEATED AS REQUESTED]

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