

PM/ Jenkins meeting Record (extract) : 3. 11. 80

love this but it would be quite contrary to British interests. The Prime Minister asked Mr. Jenkins how he would play the hand. Mr. Jenkins said that he would not try to join the EMS immediately. He would first try to bring down the rate of sterling somewhat and would then join at the 6 per cent margin. The Prime Minister said that she was indeed anxious to bring down the sterling exchange rate and asked Mr. Jenkins how he would effect this. Mr. Jenkins said that he would try to talk the rate down; to reduce interest rates; and to discourage capital inflows e.g. by the introduction of differential interest rates. The Prime Minister said that the reduction of the MLR from 17 per cent to 16 per cent had pushed sterling up and that the introduction of differential interest rates would mean renegotiating double taxation agreements all over the world. Mr. Jenkins agreed about the difficulty of achieving a controlled reduction in exchange rates but repeated that if the Government succeeded in achieving it they should join the EMS within the wider margin. The EMS was a small scale Bretton Woods and the Prime Minister would recall how much post-War prosperity had owed to Bretton Woods.

The European Commission

The Prime Minister said that she understood that it was now the intention of Messrs Ortoli and Cheysson to remain in the Commission and to try to retain their present portfolios. She thought this would be a pity. Mr. Richard was ideally qualified for the development portfolio. Mr. Jenkins said that there was no reason in principle why Commissioners who stayed on should retain their portfolios. But M. Cheysson would certainly wish to keep the development portfolio and it would be difficult to shift him. He had run his "empire" extremely effectively and the French Government would certainly wish him to continue. It would be up to the new President whether he tried to shift the present incumbents or limited himself to allocating the vacant portfolios. M. Thorn would not of course be able to ignore the wishes of Member Governments entirely. The Prime Minister took note and commented that she would wish Mr. Tugendhat to retain responsibility for the budget.

CONFIDENTIAL

The Prime Minister asked whether the UK could be sure of getting the succession to Mr. Leonard Williams as Director General of DG XVII. Mr. Jenkins said that we should have no difficulty in doing this provided we did not also want the Energy Commissioner post. He had asked Mr. Williams to stay on in order to keep open this possibility. He did not think it would be possible to settle the succession to Mr. Williams before he himself ceased to be President. Mr. Jenkins said that a good British candidate was also required to succeed Mr. le Goy in DG VII. Mr. le Goy had not been a great success. It would be well worthwhile ensuring that his successor was really effective. Finally, Mr. Jenkins commented that Sir Roy Denman had been an outstanding success.

CONFIDENTIAL



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Euro Pol.

10 DOWNING STREET

From the Private Secretary

4 November 1980

Dear Julian,

Call by Mr. Jenkins

I enclose an extract from the record of yesterday's conversation between the Prime Minister and the President of the European Commission about British appointments in the Commission.

I am sending copies of this letter and its enclosure to Anthony Meyer (Department of Transport), George Walden (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

Yours sincerely

Michael Alexander

Julian West, Esq.,
Department of Energy.