



JWR.

7.6

bcPC

a MASTER SET 10 DOWNING STREET

From the Private Secretary

16 October 1984

PRIME MINISTER'S MEETING WITH M. JACQUES DELORS,
PRESIDENT-DESIGNATE OF THE COMMISSION OF THE EUROPEAN
COMMUNITIES, ON MONDAY 15 OCTOBER

The Prime Minister received M. Delors yesterday evening for a discussion before a dinner in his honour at 10 Downing Street. M. Delors was accompanied by M. Pascal Lamy, his Chef de Cabinet.

The Prime Minister said that M. Delors was taking over the Presidency of the Commission at a moment of opportunity for the Community. She was anxious to take that opportunity. But it was necessary to be practical. There was a tendency to talk in terms of concepts rather than action. For instance, there were constant references to European unity, something which would never come about. Talking about it simply gave a false impression. It was no less worthy to set the aim of working together as nation states for the common good. M. Delors said that he detected two distinct trends in the Community: those who wanted to concentrate on practical improvements in the running of the Community and those who aspired to a new treaty. The Prime Minister said that it was absurd to talk of a new treaty. A great deal of the existing treaty had not yet been put into practice. Grand schemes were almost invariably a substitute for action to deal with real problems.

The Prime Minister continued that an example of a real problem to which she hoped priority would be given by the new Commission was the internal market. This needed to be completed urgently and it could be done without any significant additional expenditure. M. Delors said that the French Presidency had tried hard to make progress on the internal market, but had run into obstacles from two countries. But he saw completion of the internal market as one of his priorities. It must be combined with the minimum of harmonisation of rules. The Prime Minister agreed that there were far too many unnecessary directives. M. Delors continued that he also wanted to facilitate cooperation between firms within the Community. The Prime

Minister said that one had to move carefully here. Firms in individual states were competitors and Community rules should not be abused to fix markets. On the other hand she saw much to be said for cooperation in specific high technology areas such as the next generation of computers. It would be a great mistake to let all productive capacity go to the United States.

M. Delors said that he had misgivings about the work being undertaken by the Dooge Committee. He thought the goals which it was setting itself too ambitious. Its basic task should be to facilitate the work of Heads of Government. The Prime Minister agreed with this and commented that three European Councils a year were too many. M. Delors appeared to agree.

The Prime Minister said that she had greatly welcomed the appointment of M. Delors as President of the Commission. The Community was fortunate to have him. There was no doubt that the Community had run down under M. Thorn and all the discipline had been let go. M. Delors could rely on Britain to support him in every way to get discipline and good management restored to the Community's affairs.

The Prime Minister asked what his intentions were about the allocation of portfolios in the new Commission. M. Delors said that he would be meeting bilaterally with all the new Commissioners to discuss this. His aim was to get the allocation settled by early December so that the Commissioners could prepare for their new posts. He also wanted to get the new Commission together in December to prepare a programme which he could put to the European Parliament in January 1985 and subsequently to the European Council in March. He was working on the principle that no country would hold the same portfolio as in the last Commission. He would, for example, be asking France to surrender the economic and development portfolios. He would also be taking into account, naturally enough, the size and importance of individual member states in determining how portfolios should be divided. The Prime Minister said that she found this a sensible approach. She understood that M. Delors would want to discuss the distribution of portfolios with the Commissioners themselves. She would like to draw M. Delors' attention to the particular experience of Lord Cockfield both as politician, administrator and businessman running a company of 50,000. He had made an input to Cabinet discussions which nobody else could and she would miss him. But she had decided to send him to Brussels to give M. Delors maximum support in improving the running of the Community and restoring financial discipline. Lord Cockfield would hope to have a portfolio relevant to his abilities and experience. She took the point about not allowing the same countries always

to have the same portfolios. But she thought that the industry/internal market area was one in which he could make an enormous contribution. M. Delors said that Lord Cockfield brought a high reputation and he was pleased at the prospect of working with him. He took note of the Prime Minister's remarks which made a lot of sense.

The Prime Minister said that it was important to bring to a conclusion the Community's discussions on budgetary discipline. M. Delors said that he had taken the initiative here as Finance Minister. The problem lay in combining effective new procedures with a continuing role for the European Parliament. He believed that this could be done by involving the Parliament at the first stage. The Prime Minister asked whether M. Delors thought that there would be a majority in the Parliament in favour of budgetary discipline. M. Delors thought it possible. The Prime Minister was sceptical. The Prime Minister said that it was particularly important to bring agricultural spending under control. This would have to be principally through the price mechanism. M. Delors said that Agriculture Ministers had made some progress but it was not yet enough.

M. Delors asked about the Prime Minister's attitude to monetary cooperation. He understood that she was not in favour of joining the EMS or of a European currency. The Prime Minister said that the goal must be sound money which in turn meant confidence both in economic policies and in political stability. But the European Community could not be said to have achieved either yet in the same way that the United States or Switzerland had. The problem with other forms of cooperation was that their main aim was to raise money which in turn risked creating inflation. M. Delors said, turning to the Third World, that attempts to impose too strict a conditionality created political problems and instability. He foresaw immense problems in Africa in the next few years. The Prime Minister agreed that there were risks in being too tough.

The discussion ended at this point and continued in more general fashion over dinner.

I am sending copies of this letter to David Perertz (HM Treasury), Callum McCarthy (Department of Trade and Industry), Ivor Llewelyn (MAFF) and David Williamson (Cabinet Office).

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

JKRABF

bcpC



10 DOWNING STREET

From the Private Secretary

17 October 1984

MEETING WITH M. DELORS

My letter of 16 October gave an account of the Prime Minister's conversation with M. Delors before dinner the previous evening. In the course of re-ordering the material, I have omitted one important point, namely M. Delors' agreement with the Prime Minister that it would be a mistake to let a Mediterranean country, notably Italy, have the agricultural portfolio.

I am copying this letter to David Peretz (HM Treasury), Callum McCarthy (Trade and Industry), Ivor Llewelyn (MAFF) and David Williamson (Cabinet Office).

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

JP
bc PC



10 DOWNING STREET

16 October 1984

From the Private Secretary

PRIME MINISTER'S MEETING WITH M. DELORS

During the Prime Minister's conversation with M. Delors, the latter said that he understood that Mr. Williamson might be available as a candidate to succeed M. Noel as Secretary General of the Commission. He would much welcome this. The Prime Minister said that Mr. Williamson was outstanding. She would be loath to lose him but recognised the importance of the Secretary General's post.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.