



*a* MASTER SET 10 DOWNING STREET

*From the Private Secretary*

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EC: NEW COMMISSION

The Prime Minister had a brief discussion with Lord Cockfield this evening of the line she should later take with M. Delors on portfolios in the new Commission.

The Prime Minister said that she attached great importance to financial discipline in the Community, indeed it was her highest priority. Her second priority was to see the internal market completed and the proliferation of unnecessary directives on industry drastically reduced. It was a matter of judgement whether holding the Budget Commissioner's post was necessarily the best way to work for financial discipline. It could be argued that more influence could be exerted by a powerful Commissioner who did not hold the Budget portfolio. In which case, the right course for Lord Cockfield would be to go for industry/internal market.

Lord Cockfield agreed with this assessment. One reason was that increasingly it was the Council rather than the Commission which made the running on budgetary matters. His inclination, having visited Brussels, was to think that his opening bid should be for the whole of DG III, that is Industry and the Internal Market. He was unlikely to be able to obtain that, in which case his fall-back would be Internal Market plus Financial Institutions plus Customs Union. If he succeeded in this aim, he would hope to secure a corresponding reorganisation in the Commission services concerned, to avoid the problem of single Directorates-General reporting to more than one Commissioner.

The Prime Minister said that she was content with this, provided that it was recognised that if Lord Cockfield did not get his first choice we would fight hard for the budget.

As a major member state, we had a right to one of our two main preferences. She would make this general point to Delors, and stress the relevance of Lord Cockfield's industrial and ministerial experience to these two portfolios. But Lord Cockfield would have to fight hard for them himself with Delors: in her experience those who behaved reasonably in the Community rarely got their way.

The Prime Minister also stressed to Lord Cockfield the importance of a strong and well-directed cabinet. She hoped that he would soon select a good chef de cabinet.

I am sending copies of this letter to David Peretz (HM Treasury), Ivor Llewelyn (MAFF), and Callum McCarthy (DTI) with the caveat that it should be seen by Ministers and senior officials only.

(C.D. POWELL)

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