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Foreign and Commonwealth Office

London SW1A 2AH

15 November, 1983

*John Kerr*

*100-5/11*

*h-a-*

Visit of the Greek Prime Minister

Thank you for your letter of 7 November enclosing a record of the plenary session on 4 November.

I think there is one very minor typing error on page 6. The words 'We would be talking to the Americans and the UN' which occur in the 5th line from the foot of the 6th page, should appear in the last line of the page, after the words 'move of this sort', thus forming part of the Foreign and Commonwealth Secretary's remarks. I enclose a copy of the page concerned, with the amendment side-lined.

Copies of this letter go to John Kerr (HM Treasury), Robert Lawson (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

*John Kerr*  
*R B Bone*

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

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Mr. Papandreou said he knew what we had said on UDI, including the remarks made by Mr. Heseltine in Turkey. He was pleased by the line we had taken and hoped that such intervention would remove the threat of UDI. Following the urging of the UK and others, Greece had gone along with the Secretary General's initiative. After discussion with President Kyprianou it had been agreed to support the initiative without reservations. Together with the Cyprus Government they had prepared a response which pleased the Secretary General. But Denktash had refused to go along with the Secretary General's proposal. Since then things had not been going well. The Secretary General seemed to be yielding to pressure. The previous day he had apparently called for a summit meeting between Kyprianou and Denktash without referring to preparations (Mr. Mahairitsas commented that what the Secretary General had done was remove a phrase referring to his initiative).

The Foreign and Commonwealth Secretary said we were disturbed at some indications that UDI might be taken as an opportunity for sending additional Greek troops to Cyprus. Mr. Papandreou said that Greece was a guarantor power. They were not seeking a military confrontation with Turkey in either Cyprus or the Aegean. But their prestige was engaged. Consequently they might have to send troops. This was not to say that they would definitely do so but that they might believe it necessary to assure the security of the Greek Cypriot Community. He felt that UDI might lead to double enosis. He had always been against this. In his view neither Turkey nor Greece had any right to be in Cyprus. This was why he had put an emphasis on the need to remove Turkish troops and leave the Cypriots to solve their problem themselves. This was quite different from the question of British bases which were a matter between the UK and the Government of Cyprus. He hoped that Britain would talk to the Secretary General and the United States about the Cyprus problem and the attempts to remove references to the Secretary General's initiative.

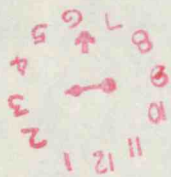
The United States could be influential. The Foreign and Commonwealth Secretary said he hoped that Mr. Papandreou would understand the reasons for his comment about troops. Also that we would not be taken by surprise by a move of this sort. <sup>We would be talking to the Americans and the UN.</sup> / Mr. Papandreou assured

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Greece Oct 80

Visit by Mr Papandreu



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10 DOWNING STREET

*From the Private Secretary*

7 November 1983

VISIT OF THE PRIME MINISTER OF GREECE

I enclose with this letter a record of the Plenary Session which took place here at 1145 on 4 November.

I am copying this letter and enclosure to John Kerr (HM Treasury), Robert Lowson (Ministry of Agriculture, Fisheries and Food), Richard Hatfield (Cabinet Office).

A. J. COLES

R.B. Bone, Esq.,  
Foreign and Commonwealth Office.

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RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND MR. PAPANDEOU  
AT NO.10 DOWNING STREET ON 4 NOVEMBER 1983 AT 11.45 AM

Present:

The Prime Minister	Mr. Andreas Papandreou
Foreign and Commonwealth Secretary	Mr. Gregory Varfis
Sir Julian Bullard	Mr. Nikos Kyriazides
Sir Michael Butler	Mr. Christos Mahairitsas
Mr. P.A. Rhodes	Mr. Yiannis Papanikolaou
Mr. D.H.A. Hannay	
Mr. A.J. Coles	
Dr. D.C. Wilson	

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The Prime Minister suggested that, following the tete-a-tete session, discussions should concentrate on the Athens summit and how that meeting should reach positive conclusions. There were certain fundamental principles at stake which had been defined at Stuttgart and on which it was not possible to compromise. If these were not dealt with in advance it was important to reach agreement on them at Athens. Two key issues were the budget, where a fair system of burden sharing was essential, and legally binding financial guidelines for the Common Agricultural Policy. How did Mr. Papandreou view these problems?

After thanking the Prime Minister for inviting him to London for a meeting which he saw as an important part of the preparation for Athens, Mr. Papandreou said that nothing had really been resolved at Stuttgart. All important matters had been left for the Athens summit. If that meeting failed the consequences would be serious. Community countries would be entering an election period in which opposition parties would be highly critical of any compromises made by Governments in an endeavour to reach agreement. He hoped the Athens summit would resolve certain basic issues which were inter-related. The summit should not get involved in matters of detail.

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It should solve the political questions. One of these was that the matter of the budget and the British contribution to it had to be solved on a permanent basis. It was the Presidency's task to find an acceptable solution. If this matter was not resolved there could be no agreement on other matters. He agreed that the problem of the agricultural budget was also important. A distinction could be made between northern and Mediterranean produce. There were also the questions of own resources and enlargement. The latter was particularly significant since Gonzales now saw the Athens summit as being crucial for the negotiations on Spanish entry; he did not expect anything to come from the French Presidency. All concerned must seek compromises to make possible the survival and proper functioning of the Community. It was significant that Greece, a country with reservations about the Community, should take this view. The summit should also deal with structural funds, a matter which had been mentioned at Stuttgart but not resolved. Structural funds should be related to fundamental strategies and not just involve transfers of resources. He would like Mr. Varfis to speak on points of detail.

Mr. Varfis said the most difficult problem was the budget. It was significant that all member states now accepted that the system should be corrected and that the method for doing so should be automatic. But there were still major differences about how this should be achieved. The net contribution criterion was not acceptable to many countries. The Prime Minister intervened to say that this was a key issue for the UK on which we would not compromise. The point could not be over-emphasised. We could not accept that the two net contributors, Germany and the UK, should bow to the views of the majority. The problem must be solved before Athens.

Mr. Papandreou said that questions both of principle and practice were involved. Could there not be other ways of achieving the same practical result without using the criterion of net contributions? The Foreign and Commonwealth Secretary, commenting that we much appreciated the efforts already made by Mr. Varfis, said it was essential to take account not just of the VAT contributions but also customs and agricultural levies.

It was essential to take full account of all monies that went to the EC and all that was paid in return. Sir Michael Butler added that all the alternative forms of measurement proposed by the Commission or other member states were designed to reduce the size of the problem and to increase our contribution. It might be possible to use a term other than net contribution. But the problem itself could not be disguised. The Prime Minister said we could if necessary talk about 'equitable sharing'. Mr. Varfis suggested that there might be another system which gave the same result but was not based on net contribution. One possibility was that national shares of expenditure should be related not to GNP but to VAT. The Foreign and Commonwealth Secretary said this would not take account of customs or agricultural levies. It would be related only to VAT. It was essential to have a permanent mechanism for dealing with the problem. He sensed growing agreement that the solution must be found on the revenue side. The Danish proposals failed to do this. The French proposals, however, did. Mr. Varfis agreed that the final solution was likely to be found by a correction on the revenue side. But some countries were likely to hold out against this until the last minute. The Prime Minister said that the figures published by the Commission showed clearly net contributions and net receipts. Everybody could see what they themselves provided. It was wrong that the UK should provide heavy subsidies for other countries. We accepted that we should provide some funds but the solution must be related to net contributions. This was a fundamental principle. She added that we had our own safety net proposal. But there was no need to go into detail now. Mr. Papandreou said he understood the problem and was seeking for a solution which could be accepted unanimously by member countries. The Foreign and Commonwealth Secretary commented that unanimity is essential. The matter could not be decided by simple majority.

Turning to agriculture, the Foreign and Commonwealth Secretary said that there was a need for binding financial mechanisms. It was also important to have as many as possible of the smaller details settled before the Athens summit. Mr. Varfis said that most countries were agreed on voluntary measures to provide the financial guidelines. There was agreement that, if decisions were made to increase expenditure on other items, then expenditure on agriculture should increase by a lesser amount. He believed that

political agreement on procedural measures, eg that Ministers of Finance as well as Ministers of Agriculture should be involved in any decision on increasing funds, would be almost equivalent to a binding agreement. The Foreign and Commonwealth Secretary said that agreements on procedure were not enough. It was essential to have legally binding agreements. The Dutch suggestion did not go far enough. The Prime Minister added that there was an even more important issue. If there was to be any increase in own resources it was essential to know what the situation would be for the next 10 years. If there was no increase in own resources the Community would face financial constraints (Mr. Varfis commented that there would also be no enlargement).

The Prime Minister continued that, as Europe came out of recession, Community revenues would be buoyant without any increase in VAT. It was essential to realise that, unless specific funds were allocated to agriculture, other policies would suffer. We must not have a situation in which resources devoted to agriculture were increased and other programmes were not decreased with a consequent rise in overall expenditure. Mr. Papandreou said the proposal was that increases in agricultural expenditure should be lower than on other items. Sir Michael Butler commented that the key to this was the figure taken as the 'base' for agricultural expenditure. The Foreign and Commonwealth Secretary said that specific proposals were needed for specific items. But overall there must be a binding agreement. Political commitments as in 1981 were not sufficient.

The Foreign and Commonwealth Secretary continued that what was needed from the Athens summit was agreement on a convincing and attractive set of new policies. Some of these, eg further removal of frontier restrictions on trade and sorting our air fares, did not require additional expenditure. A list of such proposals should be prepared for the Athens summit. An agreed plan for reducing lead in petrol could be on the list. It would be popular politically.

In answer to a question from the Prime Minister about the next moves by the Presidency, Mr. Varfis said he thought



the time had not yet come for concrete proposals from the Presidency on the budget. He agreed there should be a list of important points for decision at Athens which would be impressive from the point of view of public opinion. There should be a timetable for implementation. The Prime Minister commented that Copenhagen had produced a timetable but nothing had happened. The Foreign and Commonwealth Secretary said that timetable had been too general. There should be specific proposals. In addition he believed it was essential to settle the basic issues at Athens. The consequences of not doing so would be very serious. The Prime Minister added that there was a need for a fall back position if there was no agreement at Athens. With so many crises elsewhere we could not afford a crisis in the EC. Mr. Papandreou wondered if it would be sufficient to say that all agreed that the UK was carrying an unfair burden in budget contributions. The Foreign and Commonwealth Secretary said this would not be enough. There must be firm agreements in place as a result of the Athens meeting.

#### Cyprus

Turning to other matters, the Prime Minister asked the Foreign and Commonwealth Secretary to comment on the situation in Cyprus. The Foreign and Commonwealth Secretary said we hoped to see progress within the framework of the Secretary General's new initiative and talks between the two communities. We had been much concerned recently about Turkish Cypriot threats on UDI. We had made our views clear to the Turks and Turkish Cypriots. It was sometimes said that we were on the same side as the Greeks. Such comments could be counter-productive. We needed to remain in a position to influence both sides. The Prime Minister added that when President Kyprianou had been in London we had been concerned that negotiations between the two communities were taking so long. We had approached the UN Secretary General, asking him to take a closer interest. She understood that he had now put forward new proposals but was concerned that these were not getting far.

/ Mr. Papandreou

Mr. Papandreou said he knew what we had said on UDI, including the remarks made by Mr. Heseltine in Turkey. He was pleased by the line we had taken and hoped that such intervention would remove the threat of UDI. Following the urging of the UK and others, Greece had gone along with the Secretary General's initiative. After discussion with President Kyprianou it had been agreed to support the initiative without reservations. Together with the Cyprus Government they had prepared a response which pleased the Secretary General. But Denktash had refused to go along with the Secretary General's proposal. Since then things had not been going well. The Secretary General seemed to be yielding to pressure. The previous day he had apparently called for a summit meeting between Kyprianou and Denktash without referring to preparations (Mr. Mahairitsas commented that what the Secretary General had done was remove a phrase referring to his initiative).

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him that there would be no surprise. We should keep in touch on Cyprus through diplomatic channels.

Greece/Turkey

The Foreign and Commonwealth Secretary asked about progress in the dialogue between Greece and Turkey. Mr. Papandreou said they were prepared to have a dialogue about all matters except Cyprus. On the Aegean Greece had insisted on a moratorium in 1981. Such a moratorium now existed. There had been no recent infringement of Greek national airspace. Evren was following a policy of rapprochement on this matter. Greece was prepared to talk providing there was no question of surrendering sovereign territory. Talks had started on economic matters and tourism. The only difficult issue at present was NATO exercises in the Aegean. But this was a NATO not a bilateral matter.

Lebanon

Turning to the Lebanon the Prime Minister said reports were coming in of Israeli airstrikes in Lebanon following the bombing that morning of Israeli headquarters in southern Lebanon. Such bombing attacks were a very serious problem. Nobody had taken into account the possibility of suicide bombing raids. Mr. Papandreou said there must be a question about who had done the bombing. He was not convinced it was the Palestinians. It could be the Syrians. Greece had accepted in principle to be part of an observer force. But he would not send Greek soldiers to Lebanon (where they might get killed) unless there was agreement between those meeting at Geneva and the others involved. If there was agreement at Geneva then he was prepared to send observers. He was not optimistic about Lebanon. The problems there were intensified by outside interference from both Israel and Syria. Both intended to remain in the Lebanon. So apparently did the US. Syria had recently sent a message to the French through the Greeks. The Syrians had said that they understood the US presence in the Lebanon but not that of France. They had advised the French to withdraw.

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The Foreign and Commonwealth Secretary said he had recently met with the other contributors to the MNF. Our partners were interested in reducing their contingents in the MNF by the introduction of observers. Mr. Papandreou commented that Sr. Craxi seemed more interested in sending observers than did Greece: that was because the Italians already had troops there. The Prime Minister concluded by expressing concern that the original commitment to send a force for a limited period was constantly being extended. With such international forces it was essential to lay down in advance clear guidelines on their role, a clear time limit for their presence and to have a clear command structure.

The meeting ended at 1.05 pm.

A.J.C.

4 November 1983

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Duty Clerk

LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY THE  
PRIME MINISTER AND MR. DENIS THATCHER IN HONOUR OF HIS EXCELLENCY  
MR. ANDREAS PAPANDREOU, PRIME MINISTER OF GREECE ON FRIDAY,  
4 NOVEMBER 1983 AT 1.00 PM FOR 1.15 PM

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The Prime Minister  
and Mr. Denis Thatcher

His Excellency Mr. Andreas Papandreou

Prime Minister of Greece

Mr. Gregory Varfis

Under Secretary for Foreign  
Affairs

His Excellency the Greek Ambassador  
and Mrs. Kyriazides

Mr. Christos Mahairitsas

Head of Mr. Papandreou's  
Diplomatic Cabinet

Mr. Yiannis Papanikolaou

Economic adviser to  
Mr. Papandreou

Mr. Nicolaos Katapodis

Political Director

Her Majesty's Government

Rt. Hon. Michael Heseltine, MP

Visited Greece in  
September. Mr. Papandreou  
holds the Greek Defence  
Portfolio

Rt. Hon. Norman Fowler, MP  
and Mrs. Fowler

Possible visit to Greece

Mr. Ian Stewart, MP  
and Mrs. Stewart

Rt. Hon. Lord Belstead

Labour Party

Rt. Hon. Neil Kinnock, MP

Conservative Party

Sir Bernard Braine, MP

Chairman, Anglo-Greek  
Parliamentary Group

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His Grace The Lord Archbishop of Canterbury  
and Mrs. Runcie

Visit to Greece planned  
for 1984

Commerce and Industry

Rt. Hon. Earl Jellicoe  
and Countess Jellicoe

Chairman, British Overseas  
Trade Board. Chairman,  
Anglo-Hellenic League

Admiral Sir Raymond Lygo  
and Lady Lygo

Managing Director, British  
Aerospace plc

Commerce and Industry (continued)

Sir Nicholas Henderson  
and Lady Henderson

Director, Hambros Bank.  
Lady Henderson is Greek

Mr. Robert Evans  
and Mrs. Evans

Chief Executive, British Gas  
Corporation

Media

Mr. Geoffrey Owen

Editor, Financial Times

Mr. John Torode  
and Mrs. Torode

Political and industrial  
leader writer, The Guardian

Academia/Arts

Dr. J.K. Campbell  
and Mrs. Campbell

St. Antony's College, Oxford.  
Greek historian.

Mr. George Richardson  
and Mrs. Richardson

Economist. Fellow of  
St. John's College. Secretary  
to the Delegates and Chief  
Executive, Oxford University  
Press

Miss Dilys Powell

Author, and journalist.  
Book about Greece

Professor Robert Cook

Archaeologist. Chairman,  
Management Committee of  
British School at Athens

Others

Rt. Hon.

The Earl of Longford

and Lady Katherine Giles

Mr. Frank Giles  
and Lady Katherine Giles

Mr. Giles is Acting Chairman of  
Association of Property  
Owners in Greek Frontier areas

The Hon. Montague Woodhouse  
and Lady Davina Woodhouse

Distinguished soldier and  
historian of Greece. Biography  
of President Karamanlis

Sir Brooks Richards  
and Lady Richards

Former Ambassador to Greece.  
Chairman, CSM European  
Consultants

Officials

Sir Julian Bullard

Foreign and Commonwealth Office

Mr. P.A. Rhodes

HM Ambassador, Athens

Mr. David Hannay

Foreign and Commonwealth Office

10 Downing Street

Mr. Robin Catford

Mr. John Coles

VISIT OF THE GREEK PRIME MINISTER: 4 NOVEMBER

Greek Delegation for Talks with the Prime Minister.

Mr Andreas Papandreou

Prime Minister

Mr Gregory Varfis

Under Secretary for  
Foreign Affairs  
responsible for EC  
matters.

Mr Christos Mahairitsas

Head of Papandreou's  
Diplomatic Cabinet.

Mr Yiannis Papanicolaou

Papandreou's economic  
adviser.



LUNCH FOR THE GREEK PRIME MINISTER, 4 NOVEMBER

SPEAKING NOTES

Glad to welcome you back to London, both as President of EC and as Head of Government of an important and valued friend.

Common membership of North Atlantic Alliance and of EC links our interests together both in the security and economic spheres. But bilaterally too there are close ties which stretch back even further, covering periods of peace and war. These ties range across many and varied fields: our people know and love your country from their visits in summer; we share a long and character-forming maritime tradition; many of our academics owe their livelihood to their study of your country's past (and, for that matter, her present); while Westminster has been called the mother of Parliaments, honour is due to Athens as the cradle of democracy. This itself illustrates another debt which we owe to the Greek tradition, that of language: democracy is a word of Greek invention, as are the words describing your own fields: economics and, of course, politics.

I am looking forward to visiting Greece myself in December for the Athens Summit. As we have agreed in our talks this morning, there is still much to be done by all members of the

/Community

Community working together and much to be gained for the Community as a whole. At the end of the day a negotiated package will need to reflect member states' essential requirements. Greece's rôle in the Presidency will be testing and crucial.

NATO Secretary-General: Thank you for supporting Lord Carrington.

Falklands Resolution: Please abstain. Not asking you to vote with us, only not to vote with Argentina.

INF Deployment: Greek proposal for six-month delay is harming alliance position.

EC issues: We have fundamental interests at stake at Athens and will not accept unsatisfactory compromises.

PLENARY

Athens issues: You have difficult task as Presidency. Commend your efforts so far.

Explain our requirements on future financing and CAP. Problems will be solved only by hard negotiation, not artificial compromises.

Greek Memorandum (if raised): We are participating in ad hoc group which is examining Commission proposals.

Arms Control

Arms Control: Our view of INF deployment.

British and French deterrents.

NATO: Concern at effect of Greek/  
Turkish problems on NATO.

Tornado: Hope you will purchase.

British property in frontier areas:

Parliamentary and public concern. Find  
way to resolve uncertainty and assure  
titles of ownership.

/.....

Elgin Marbles (if raised): We are considering official request and are consulting British Museum. We should not let this become political issue.

Cyprus: Against Turkish UDI. Back efforts of UN Secretary-General.

Lebanon: Position of Greek and Italian observers.