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10 DOWNING STREET

From the Private Secretary

22 September 1983

Dear Roger,

Call by Commissioner Tugendhat

The above called on the Prime Minister at 1800 hours this afternoon. Mr. Lever was also present.

The discussion was mainly concerned with the prospects for the European Council in Athens. The Prime Minister made it clear that she was interested only in fundamental reform of Community financing and the CAP; she was not interested in horse trading. Mr. Tugendhat argued that on this occasion the Prime Minister's position was stronger than it had been in the past because the other Member States sought concessions from her.

The Prime Minister asked when the Community would run out of money. Commissioner Tugendhat said that his best and latest estimate was September, 1984 but that depended on next year's harvest. Mr. Lever added that on present plans the Community would spend all but 80 million ecus of its resources this year. He suspected that other Governments were already asking themselves how agricultural expenditure would be financed next year.

The Prime Minister said that our £42 million refund had still not been paid. She would have to consider whether we could meet the request that we should doubtless receive for an advance payment to the Commission in November. In general it seemed that the Community would not enter into a crisis sufficiently soon and that there was therefore unlikely to be much progress at Athens. It should not be assumed that she would agree to an increase in own resources. Fundamental reform of the existing system was imperative.

Commissioner Tugendhat said that there could be an awkward moment for us in December if the European Parliament held up our refund. The Prime Minister said that this would present her with no difficulty - we should react specifically and sharply.

Commissioner Tugendhat observed that the European Commission now had some 15 or so months to run. He wondered what kind of person the Prime Minister thought should be the next President. In his view a sensible German who would not be open to influence from Paris might be the best choice. A possibility, though he was not in any sense proposing him, was Herr Albrecht. The Prime Minister said that we had not turned our minds to this question. She knew Herr Albrecht and doubted whether he was a sufficiently strong personality.

/ Concluding

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Concluding the conversation, the Prime Minister said that she would not be dissuaded from what we must obtain, namely a safety net and a firm financial guideline.

I am copying this letter to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

You see

John Kerr.

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

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