

Subject

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF THE EUROPEAN COMMISSION, M. GASTON THORN, AT 10 DOWNING STREET ON 20 FEBRUARY 1981 AT 1145

Present

The Prime Minister
Mr. M.O'D.B. Alexander

M. Gaston Thorn
M. Spaak

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Fish

After an exchange of courtesies, the Prime Minister said that she was very anxious to see an early agreement reached on the Common Fisheries Policy. Our industry needed a settlement. So, she imagined, did the industries in France, Germany and Denmark. (The Prime Minister mentioned that she had just received a letter from the Danish Prime Minister about the Faroes Agreement.) A settlement had seemed to be imminent just before Christmas but unfortunately it had not materialised. The difficulty was that, while both the British and French Governments were keenly aware of their responsibilities to their respective industries, the French Government could fulfil those responsibilities without an agreement.

M. Thorn said that he understood the linkage which had been established between the various fishing issues under discussion. But the differences between France and the United Kingdom lay at the heart of the problem. He hoped that both Governments would be able to move a bit in order to make agreement possible. The closer the French came to an election, the more difficult it was going to be to reach an agreement. The Commission would be happy to play their part: they were at present seeking additional information about the fishing boxes of Scotland.

/ The Budget

The Budget

The Prime Minister said she hoped that the Commission would be able to keep to the timetable for the tabling of their paper on restructuring. She did not think there should be any discussion of restructuring in Maastricht. It was the Commission's remit to bring forward proposals. It seemed to her that the options were relatively clear. Although we had various ideas for the way ahead, the only point she wished to make to M. Thorn was that the reform of the CAP would not suffice to solve the budgetary problem. The budgetary issue was becoming increasingly serious for Europe, particularly because of the German dimension. The Federal Republic was going through a difficult period. It was of great importance not to put undue burden on the Germans or to expect them to go on financing Europe. It followed that a fundamental look at the way Europe was paid for was necessary. It was no longer good enough for the Community to pursue a miscellaneous set of policies in the hope that the sums would come out more or less right. An overall policy with a consciously distributive function was required. Steps must be taken to prevent any Member feeling that it was being treated unfairly. This was the only way to hold Europe together without resentment building up. The importance of avoiding any weakening of Germany's links with the Community had to be constantly borne in mind.

M. Thorn said that it was not easy to conceive of policies which would secure general agreement in a Community of ten. It was reasonable, however, to try to find policies which gave the poorer Members something. The Prime Minister said that it would be even more difficult when there were twelve Members. Tinkering with the present arrangements would not suffice. M. Thorn said that he thought it was generally accepted that reshaping the CAP would not of itself be enough. Nonetheless, the cost of the CAP had to be reduced. The Prime Minister agreed.

/ Confirming

CONFIDENTIAL

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Confirming that the Commission would certainly have its proposals on restructuring on the table in June, M. Thorn said that he was glad to hear that the Prime Minister did not want any discussion of the subject in Maastricht. The Dutch Presidency had been inclined to favour a progress report, but had agreed the previous day that there should be no paper. However, it was of course the case that if Heads of Government wanted to comment on restructuring, or on the way the subject should be handled at Luxembourg in June, they would be free to do so. As regards the progress being made by the Commission, M. Thorn said that they had not inherited much from their predecessors. There was at present a tendency for each Commissioner to watch what the others were doing and to contribute little. However, the deadline had to be respected.

M. Thorn said that he assumed that officials in London were busy elaborating their own ideas on how the budget problem should be tackled. He wondered whether it would be a good idea for the Commission to set up a small working group which could contact the capitals bilaterally and hear about their ideas in confidence. It would be essential to do this bilaterally since a premature multilateral discussion would rapidly kill off any new thoughts. The Prime Minister agreed about the need to avoid any multilateral discussion but did not respond to M. Thorn's suggestion for bilateral working parties. M. Thorn did not revert to the idea. The Prime Minister said that she assumed there would be a discussion of the world economic situation in Maastricht. She hoped that such a discussion would lead on to a discussion of the problems of our trading relations with the United States and Japan. There would, no doubt, have to be some discussion of the overall political situation. M. Thorn agreed. The Prime Minister observed that the growth of non-tariff barriers - inside Europe as well as outside - was a source of concern. She also thought the increasing scale of national aids to agriculture in some Member countries was

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very worrying. M. Thorn said that the Commission had taken both Italy and France to court, but this did not seem to help very much. The Prime Minister agreed.

M. Thorn said the Commission had done its best on agricultural prices. A number of Governments had already made it clear that they wanted to see a considerably larger increase. The French wanted something in double figures and the Irish wanted 15 per cent. He would be warning Governments of the need to show responsibility. A decision by Ministers to override the Commission's proposals would cause great difficulties in the future. The Prime Minister said that the British Government would be backing the Commission in its effort to hold down the price rises.

The discussion ended at 1220.

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20 February 1981