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11/11/82

10 DOWNING STREET

From the Principal Private Secretary

MR HANCOCK

THE LUXEMBOURG COMPROMISE AND THE
GENSCHER/COLOMBO PROPOSALS

The Prime Minister saw your minute of 8 June 1982 over the weekend, and as I told you on the telephone this morning, she minuted her reaction in the following terms:-

"I find the conclusions on these papers disquieting.

As I understand it, a term of our entry to the Community was that voting would have to be unanimous on any issue in which a member state declared that it had a vital national interest at stake. The member state was its own judge of what was a 'vital' interest.

What is before us now suggests a considerable erosion of that basic term of entry, and therefore a further diminution of the sovereign power of Parliament.

Let us be clear what our partners seek. They want to ensure that we cannot get a fair deal on the budget by holding up agreement on CAP prices. They argue, falsely, that how the prices are financed is not a vital interest to the country that is responsible for finding a considerable part of the money. If we agree to 'tightening up' the conditions on the compromise as suggested in paragraph 10 of OD(82)48 - we shall be changing the terms of entry and weakening our powers. I fear that would raise again the whole European question which is precisely what the events of 17/18 May had done".

We agreed that the Prime Minister's reaction meant that we would have to try to arrange a meeting tomorrow, Tuesday, to consider the line which FCO Ministers would have to take on the Luxembourg Compromise in the debate on Thursday of this week. You said that you would arrange for the draft of Mr Hurd's speech to be circulated by close of play tonight.

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We also agreed that we would now have to go ahead with the meeting of OD which was due to take place after Cabinet on Thursday morning of this week.

JWH.

14 June 1982

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