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Confidential

Meeting between the Taoiseach and Prime Minister Thatcher

The meeting took place in the Palacio de Congresos Madrid from approximately 6.40 p.m. to 7.10 p.m. on Monday, 26th June, 1989, immediately on the conclusion of the second session of the Council. Mr. Charles Powell attended with the Prime Minister and the undersigned with the Taoiseach. The meeting was discursive and friendly.

Taoiseach
Tom King
28/6

After the usual preliminaries, the Prime Minister remarked that there was a lot of airy fairy talk about EMU. Most of the people who talked so much about it hadn't read the papers and didn't really know what Stages 1 and 2 meant. The Taoiseach said that might be but that she should not go on so strongly against convergence. The Prime Minister remarked that a Community where three members contributed and nine were net beneficiaries just wouldn't survive. She then went on to the question of the crucial day for the Taoiseach on Thursday. After some discussion of this point she remarked that Tom King was doing an extremely good job. He had handled the Anglo-Irish Agreement very well and she hoped for the day when it was fully accepted. On the security front things seemed to be going well. There were some questions about Ryan, though she recognised that the problem was with the Attorney General - (meaning, in fact, with the Director of Public Prosecutions). She had some general reservations about extradition but did not go into the question in any detail. She then went back to the discussions at the Council, saying that Francois Mitterrand was being very difficult. The Taoiseach replied that he thought he was searching for agreement.

The Prime Minister then returned to the subject of Northern Ireland. She said there was an awful lot of semtex around. Three hundred pounds had been used in the attack on the barracks in Germany. People who used that quantity obviously had an awful lot of the stuff. The police had been very lucky at Salisbury. The IRA were getting a lot of money from people. There were a great deal of intimidation going on particularly in the construction industry. The Taoiseach questioned as to whether this was in the North. The Prime Minister did not demur. She said that they were apprehensive about the next big attack. Powell remarked on the existence of additional powers against racketeering.

After some further general discussion the Prime Minister remarked again that on the social charter people just didn't know what they were letting themselves in for. There was a lot of vague talk but what it amounted to was the

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destruction of jobs. They were really setting themselves up to raise costs, make Europe uncompetitive and create a protectionist area which would damage every member country and Europe itself. She was against the concept of an environment protection agency because there were plenty of organisations in existence which could do that job. The Institution of Climatology and UNEP were mentioned.

She then said that there did not seem to be much else of immediate importance and the discussion became general. It touched on the social dimension, the Madrid Council discussions, the forthcoming Economic Summit, the "booming" (her words) Irish economy, North and South, events in China and the USSR, on which she said that she hoped Gorbachev succeeded but she doubted if he had the capacity to do so. There was only a very small number of people in Russia who knew anything about economics or Government. Russia had always been run on a totalitarian system and had no real administration. The Taoiseach adverted to the extraordinary level of bureaucratisation. On the South American debt, which was recognised as being of primarily Spanish interest, there were some comparisons between the way countries run as British colonies or dependencies fared in comparison with those which had southern European countries as colonial masters.

There was also some general discussion on health policy.

The meeting concluded with the Prime Minister wishing the Taoiseach well in the coming days: and the attached communique was issued.



27 June, 1989.

c.c. Secretary Dorr.