

The morning Lobby was repeated.

INDIA

At the same time as answering the PQ on IDA VI, ODA would be announcing that a British consortium led by NEI were entering into negotiations with the Indian Government on the construction of a super-thermal power station and coal mine. This was as a direct result of Mrs Gandhi's recent visit.

BRITISH RAIL

Today's announcement would not have been considered by Cabinet. Although the Government had not met BR's requirement in full this did not necessitate higher fares or cuts in service. What was needed was improved efficiency.

EUROPEAN COMMUNITY

We agreed that it was difficult to conduct a campaign in favour of UK membership and economic arguments for continuing membership. 43% of our trade was with the Community and approximately 2m jobs were involved. How could these be replaced? In addition we could not assume that other countries would do business with us if we left the Community. Furthermore the Community had developed significantly on the political and diplomatic front; would we operate more effectively on our own?

Our Budget target was to be a very modest contributor. We could not suggest a figure or estimate the administrative costs of the Community.

We did not anticipate much progress at Luxembourg; but much depended on the French. If they were absolutely committed to rejecting the Thorn/Tindemans proposal then, as the Prime Minister has said, another way would have to be found. However, the French position as put forward by their spokesmen was unclear, perhaps deliberately so.

There was little difference in the French position under Mitterand as compared with Giscard. No one supposed Mitterand would find it easy; after all, French farmers nearly trampled over Madame Cresson. However Mitterand's resolution on East-West matters was very firm.

We took the Lobby through the Budget figures (see table attached to this morning's Lobby note).

FALKLANDS

Although Lord Carrington was in Israel this did not mean the Prime Minister would be assuming the lead on this matter; she would continue to take a close interest. Foreign Office communications were extremely good and as a result Lord Carrington would continue to deal with the matter.

The security review of the area was in progress before the incident began but obviously had now taken on a new dimension.

Diplomatic exchanges were continuing; we understood the "Scrappers" were still on South Georgia. We were "not about to declare war".

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