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PRIME MINISTER'S

Translation PERSONAL MESSAGE

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Telegramme

from Herr Helmut Schmidt, Chancellor of the Federal Republic of Germany

to

The Rt. Hon. Margaret Thatcher, MP, Prime Minister

Dear Prime Minister,

It fills me with growing concern that extensive aid programmes are being initiated in the member states of the European Community so as to meet structural and adjustment problems in individual sectors of industry. This places an increasing burden on the European Community. The race for subsidies developing among member states leads to a misdirection of resources which none of us can afford. This applies all the more as subsidization eventually leads to the unprofitability of competitive enterprises as well.

The extent of official aid granted or still being planned in the steel sector is particularly alarming. Large-scale subsidies in various member states have caused considerable damage to the German steel industry in the past and now increasingly confront our industry with problems threatening its very existence. The inadequate low price level of steel in the European Community is in no small measure also the result of subsidising practices.

You will understand that the situation as it has arisen in the European steel market is no longer acceptable to my Government. The German public also note with great concern that the Community has so far not been in a position to solve the problems that have arisen. They expect effective counter-measures such as were promised by the EC Commission at the Council Meeting on 27 March 1981.

At its meeting in Maastricht the European Council was agreed that the unity of the market must be maintained by scaling down and gradually eliminating the state aid and by reducing less competitive capacities. This process should be complemented by a voluntary agreement among enterprises. These are principles that must be put into practice without delay. It is only in this way that a price level can be restored within the European Community, which will again afford competitive steel enterprises economic prospects.

The EC Council will be discussing the subject of steel policy on 4 June 1981. It will have before it for approval a draft code on subsidies submitted to it, though at short notice, by the EC Commission. I regard it as highly desirable that the Council should give a clear signal on 4 June for a marked and rapid scaling down of state aid in Europe and determine at least the standard data for the future code (including strict time limits). It is equally necessary that the Commission should take a decision in the immediate future on the aid plans submitted to it and, in doing so, strictly apply the provisions of the code and the Council's resolution of 27 March. Only if this is done and the decision makes it clear that all concerned are seriously intent on containing state aid, and that progress is being made in this direction, can the common steel market be maintained.

I would be grateful if you could bring your influence to bear so that your country's representative on the Council will, in the interest of the Community's smooth functioning, influence the Council's decision on 4 June along these lines.

I am sending this letter to all my colleagues on the European Council as well as to the President of the Commission of the European Community.

Yours sincerely,

Helmut Schmidt

Chancellor of the Federal
Republic of Germany