

MINISTER'S MEETING WITH THE SPANISH AMBASSADOR:  
30 JANUARY 1985

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You and Mr Hollis were present when the Minister met the Spanish Ambassador to discuss British Sherry. The Ambassador was accompanied by his commercial counsellor, Senor Tejedor and by a delegation representing Spanish sherry interests. The Minister said that he had been horrified by reports that British companies with interests in Spain had been informed by Spanish exporters that unless they dropped all support for the continued use of the designation British sherry and actively supported the Spanish case against this, they would face loss of privileges, a possible ban on bulk exports of sherry and agitation by Communist Trade Unionists against the Company's local interests. Apparently, the British companies involved had been told that unless they complied with these threats, they would be denounced at a press conference to be held next Monday by Senor Caballero, the President of the Spanish Sherry Shippers Associations. He regarded this as blackmail. The Spanish Government should be aware that the present Government was not prepared to conduct negotiations under such a threat, as it had frequently demonstrated. In these circumstances, he did not think that it would be possible to have a proper discussion on the question of British sherry; until the position had been clarified.

The Spanish Ambassador said that he had no knowledge of these developments, and he could not accept the use of the word blackmail. The Minister retorted that he was unable to think of a better term for what had been going on.

Mr Pallengat, the Managing Director of Domecqs, then said that he had been present at a recent meeting in Jerez, at which Senor Caballero had been asked what the consequences might be if the two British companies principally involved in the production and shipping of Spanish sherry stood out against the Spanish case for the exclusive right to use the term sherry. He had replied that this was an issue which aroused considerable feeling in the area and that local politics and trade unions were dominated by left wing parties. In these circumstances, he could not predict what local unions might do. This had not been intended as a threat, but simply as a statement of the facts as Senor Caballero saw them. Equally, there had been pressure for some time to introduce bottling at source for sherry, but there had been no recent threats to ban bulk exports. He had not heard of any plans for a press conference next Monday, and did not believe that this, or the other parts of the story the Minister had been told, were true. However, it was clear that the British companies involved in Jerez would find it difficult to oppose the arguments being put forward by Spanish sherry interests and the two companies principally involved, Allied-Lyons and Grand Metropolitan, had agreed that their subsidiaries operating in Spain, Harveys and Crofts, should be free to argue the Spanish case, while their subsidiaries involved in British sherry would argue for the continued use of the term.

One of the other members of the Spanish delegation, a member of the Spanish Sherry Shippers Association, added that he could confirm that no press conference was planned for Monday.

The Association was determined not to expose any disagreement between their members, which included Crofts and Harveys. They would, therefore, only speak out when they had a general consensus.

The Minister said that he had been reassured by some of the things that he had heard, but he thought that it would be difficult to continue with the present discussion until the position was clearer. The meeting was essentially one between Governments and, given that what he had said had been new to the Ambassador, the/would be in a better position to express the views of his Government once he had clarified the situation. The Ambassador replied that he was convinced that pressure of the kind described by the Minister had not been put on British companies, and he could assure him, on behalf of the Spanish Government, that Spain would do what it could to avoid incidents of this sort. He hoped that he could now put to the Minister the Spanish case on sherry, which was a very just one.

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The Minister replied that he felt it better not to continue discussion in the difficult atmosphere that had been created. He would be happy to see the Ambassador again, once the situation had been clarified. He reminded the Ambassador that there were many other areas in the negotiations, within the agriculture and fisheries sectors, where Spain might wish to receive our support. The Ambassador accepted that, in the circumstances, it would be better not to continue the meeting.

chl

C I LLEWELYN  
31 January 1985

Mr Myers + 1

cc  
Private Offices  
Mr Andrews  
Mr Mason  
Mrs Attridge  
Mr Melville  
Mr Hollis  
PS/Foreign Secretary  
PS/S of S for Trade and Industry  
Mr Powell/No.10  
Mr Williamson  
ECD (E), FCO

31 JAN 1965

