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PRIME MINISTER

SPAIN

At the 28 October E Committee we agreed that a case-by-case approach offered the best hope of acting against unacceptable conduct by some of our trading partners. Spain is clearly a prime candidate for such a study. I therefore welcome the Foreign Secretary's 22 October minute (PM 28/86) to you, and endorse its proposals. But I feel we need to go further.

Ev. Rel. May '79. Enlargement of EC

The reservation is important. We need quick and substantive action by Spain to redress the extremely lop-sided EC Agreement which we inherited on Accession. I agree that our negotiating team should launch our post-Accession proposals as soon as possible, but our immediate concern should not be lost in the enlargement discussions. Completion of Spain's post-Accession transitional arrangements is some ten years away, but real problems of inequity face us now. The symptoms will only get worse: substantial exports of the General Motors new Corsa car, for example, could begin next March.

I recognise that there is a delicate political background: Gibraltar, NATO, and enlargement itself. But just as we were able to conclude successful pre-entry arrangements for Portuguese textiles, it should be possible to convince the Commission and Madrid that some substantial action on industrial tariffs should not get lost in the difficult enlargement portfolio.

Thus, I propose we buttress the approach suggested by Francis Pym by:-

- (i) approaches to Commissioners Haferkamp and Davignon, as well as Natali: we need to bring the Commission's trade and industrial, as well as enlargement, interests to bear on the problem;

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- (ii) setting a clear deadline for positive action by Spain, say four months;

- (iii) my opening discussions, now, with General Motors and Ford about their plans in respect of their Spanish manufacturing capacity. This would provide the opportunity to alert them to the advantages to them of Spain making a prompt and sizeable first reduction in its automotive tariff.

Finally, we should urgently examine - if only provisionally - how we might emulate French practice in administering vehicle type approval requirements so as to exclude unwelcome imports: in this case from Spain.

I am sending copies of this minute to other members of E Committee and to Sir Robert Armstrong.

Department of Trade
1 Victoria Street
London, SW1H 0ET

2 November 1982

Arthur Cockfield
LORD COCKFIELD

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Trade, Tariff Camer, Pt 2



1982



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EUROPEAN POL 1

10 DOWNING STREET

From the Private Secretary

8 November 1982

See log,

EC/SPAIN

The Prime Minister has seen your letter of 5 November containing the comments of the Foreign and Commonwealth Secretary on Lord Cockfield's minute of 2 November. Mrs. Thatcher agrees with Mr. Pym's proposals for further action on the problem of our trade with Japan.

I am copying this minute to the Private Secretaries to Members of E and Sir Robert Armstrong.

Yours etc
John G. Cole.

R.B. Bone, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

5 November 1982

Prime Minister:

John Taylor,

Yes

Agree to the
Foreign Secretary's
proposals?EC/SpainR
S/4 PM's Box

Mr Pym has seen Lord Cockfield's minute of 2 November, endorsing the proposals made in his minute of 22 October, and adding some suggestions for further action.

Euro Pd
May '79
Enlargement
of EC

Mr Pym welcomes those. He would propose to incorporate the first two of them into the programme of action in the Community set out below, which incorporates Sir Michael Butler's advice.

Mr Pym believes that our aim should be to reach a position where the Commission can raise these problems with the new Spanish Government, on the basis of an agreed Community position, soon after it comes into office (which, thanks to the curious workings of the Spanish constitution, will probably not be until early in December.)

With this in mind, he suggests that we should proceed as follows:

- first, officials from the FCO and the DOT should - as they are already arranging - visit Brussels next week to explain the problems to Commission officials, indicate to them our view of the scope for Community action, and seek their support;
- second, Sir Michael Butler should be instructed, as part of the follow up to this initial contact with the Commission, to approach Commissioners Haferkamp, Davignon and Natali;

/- meanwhile



- meanwhile, our posts in Community capitals should be instructed to take supporting action with the Governments of our partners;
- Sir Michael Butler should seek a substantive discussion in COREPER on 18 November.

In the light of this first round, we shall be in a position to judge whether it would be tactically right to raise the issue in the November Foreign Affairs Council, or whether some more ground work is needed and what there should be by way of preparation for discussion at the December Foreign Affairs Council.

Mr Pym also agrees with Lord Cockfield that we shall have to get the Commission to make it clear to the Spaniards that failure to produce a satisfactory response within a reasonable time will lead to action by the Community. This is one of the matters which we shall need to explore as a matter of priority with the Commission.

I am copying this letter to the Private Secretaries to other members of 'E' Committee and to Richard Hatfield at the Cabinet Office.

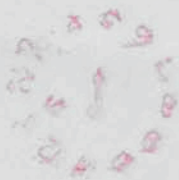
Yours sincerely,

A handwritten signature in dark ink, appearing to read 'R B Bone', with a horizontal line underneath.

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

Trade, Tariff Bureau, Pt 2



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