



Foreign and Commonwealth Office

London SW1A 2AH

25 September 1985

NB 17
AM 25/9.

Dear Ruth,

Spanish Accession: Tariff Transition

Thank you for your letter of 20 September, with which you enclosed a draft message from your Secretary of State to Mme Cresson.

In the Foreign Secretary's absence in New York and Mr Rifkind's in Africa we are I fear unable to send you a reply at Ministerial level before the end of the day. As we agreed, I am therefore writing without Ministerial backing, to promote speedy resolution of this minor difference between our Departments. I should note however that Mr Rifkind will be back in the office early tomorrow, when we shall show him these papers.

We agree that the Commission and Spain are unlikely to make much headway until the French move into line on the Commission's proposals; also that a message should be sent, and that it would be helpful to instruct the Embassy in Paris to indicate some flexibility on Portuguese quotas in the way suggested in paragraph 3 of your letter.

We suspect, however, that following last week's discussion in Brussels the French may already be reconsidering their position; and believe that a persuasive rather than attacking line is more likely to bring the French along. We would therefore see advantage in slightly recasting the letter to Madame Cresson, on the lines of the enclosed draft.

I am sending copies of this letter to the recipients of yours.

Yours sincerely,
Colin Budd

(C R Budd)
Private Secretary

Ruth Thompson
PS/Mr Tebbit
Department of Trade and
Industry
1-19 Victoria Street
London SW1H 0ET

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT: DRAFT MESSAGE FROM SECRETARY OF STATE FOR TRADE AND INDUSTRY TO MME CRESSON, FRENCH MINISTER FOR INDUSTRY

.....In Confidence

CAVEAT.....

You will recall that at the June Foreign Affairs Council the European Community formally communicated to Spain the need for a solution to the problem of high tariffs 'by means of appropriate ways of accelerated dismantling' (CONF-E/41/84 of 25 June). I was therefore worried to learn from the reports of the Foreign Affairs Council on 17 September of continuing French reservations regarding detailed proposals to be put to Spain for early and substantial cuts in her high tariffs.

I fully concur with the point M. Dumas made at the Council regarding the importance of protecting the interests of both sides in the negotiations. By offering a general transition period for dismantling import duties over six years (and most Member States have already expressed willingness to move to seven years) and by confirming accelerated dismantlement to those high tariffs on products where Spanish export performance is good, the Community is showing considerable regard

Enclosures—flag(s).....

for interests of the Spanish economy. This is after a long period in which Spanish production has enjoyed high and unreciprocated benefits in sectors, notably cars, in which Spain has become internationally highly competitive and successful in Community markets. The time is overdue for the interests of manufacturers and their workforce in the Community to be met. This means obtaining at an early stage effective access to the Spanish market including special provision to deal with high tariffs.

I recognise that there are private investments by French car manufacturers in Spain as well as in Portugal. But I do not think it would be right for this reason to delay the earliest possible introduction of competition from manufacturers in the Community in the enlarged Common Market. It must be for the Spanish Government to represent the interests of Spanish domestic manufacturers, whatever their ownership. In turn workers in the existing Community have the right to expect that the Community will properly protect their interests. As you probably know, the British Government is under growing Parliamentary criticism from voters, particularly in the West Midlands, who believe reasonably enough that a redress for these anachronistic trading conditions between Spain and Member States of our Community is long overdue. I could not defend an outcome to negotiations for an enlarged Common Market which failed to meet these anxieties. Even the Spaniards themselves recognise the need for moves on high car tariffs.

I hope therefore that when the Commission reports to the Council on its exploratory talks with Spain on 1/2 October,

/ your

your Government will be able to join those of other Member States in supporting a negotiating position which represents the interests of the Community and its work force as a whole.

25 SEP 1984

11 12 1
10 2 3
9 4
8 ↓ 5
7 6



JU206

PS/Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

26 September 1984

C R Budd Esq
Private Secretary to the
Secretary of State for Foreign &
Commonwealth Affairs
Foreign Office
SW1

NBPM
@DP
26/9

Dear Colin,

SPANISH ACCESSION: TARIFF TRANSITION

Thank you for your letter of 25 September, and the redraft of the message my Secretary of State wanted to send Madame Cresson about Spanish accession to the EC. My Secretary of State is content with the amended draft you sent (subject to the typing error in line 7 of paragraph 2, where "confirming" should read "confining") and I would therefore be most grateful if you could arrange for the message to be sent to Madame Cresson through the Embassy in Paris as soon as possible.

2 I am sending copies of this letter to the Private Secretaries of the Prime Minister and Sir Robert Armstrong.

Yours sincerely,

RUTH THOMPSON
Private Secretary

Caro PD PT 2

Enlargement

1984
5/15
1/15

1984
SEP 23
1984

236 SEP 1984



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JU119

S/ Secretary of State for Trade and Industry

20 September 1984

RESTRICTED

Len Appleyard Esq
Private Secretary to the
Secretary of State for Foreign
& Commonwealth Affairs
Foreign & Commonwealth Office
Downing Street SW1

*Await FCS
Reply
can*

Dear Len,

SPANISH ACCESSION: TARIFF TRANSITION

My Secretary of State has noted that in the face of French opposition to a clear Community declaration on high tariffs the Foreign Secretary was nonetheless able to secure agreement to exploratory talks between the Commission and Spain.

2 He fears, however, that such talks will prove of little value if the French let the Spaniards know of their opposition to the Commission's proposals. He believes that we should not delay in urging a more flexible position on French Ministers before they become irretrievably committed. Accordingly he proposes to send the enclosed message to Madame Cresson, the French Minister for Industry, to bring home to her that their position cannot be defended.

3 He recognises that persuasion may be an easier task if we hint at accommodation elsewhere (e.g. on Portugal). He suggests that in delivering his message the opportunity might be taken to do this. It could be pointed out that in logic we are equally entitled to see an end to Portuguese quotas protecting her car industry, but that political pressure on this front has not built up to anything like the same extent as on Spain. This means that if France can give us positive support on high Spanish import duties, including those on cars, we can in turn be more flexible regarding her wish to protect Renault's other interests in Portugal.



4 If asked about the possibility of a mechanism for dealing with high import duties on cars by reduced duty quotas we could follow the line in the Foreign Affairs Council brief.

5 I am sending copies of this letter to the Private Secretaries of the Prime Minister and Sir Robert Armstrong.

Yours etc.

A. Churchill

PP RUTH THOMPSON
Private Secretary

File No.**DRAFT**

Addressed to :

DRAFT MESSAGE FROM SOS (TRADE AND INDUSTRY)
 TO MME CRESSON, FRENCH MINISTER FOR
 INDUSTRY

Copies to :

 Originated by:
(Initials and date)

 Seen by:
(Initials and date)

Enclosures :

Type for signature of

(Initials and date)
DEPARTMENT OF TRADE AND INDUSTRY

I was puzzled and disturbed to learn from the reports of the Foreign Affairs Council on 17 September of continuing French reservations regarding detailed proposals to be put to Spain for early and substantial cuts in her high tariffs.

I fully concur with the point M Dumas made at the Council regarding the importance of protecting the interests of both sides in the negotiations. By offering a general transition period for dismantling import duties over six years (and most Member States have already expressed willingness to move to seven years) and by confining accelerated dismantlement to those high tariffs on products where Spanish export performance is good, the Community is showing considerable regard for the interests of the Spanish economy. This is after a long period in which her production has enjoyed high and unreciprocated benefits in Community markets. The time has come when the interests of Community manufacturers and their workforce also need to be met. This means obtaining at an early stage effective access to the Spanish market including

(CONTINUE TYPING HERE)

File No.

special provision to deal with her high tariffs.

I am particularly concerned that if we fail to make such provision in certain sectors the principal beneficiaries will be the subsidiaries of Community enterprises in Spain-which I must point out includes Renault. As you probably know the British government is under growing parliamentary criticism from voters, particularly in the West Midlands workforce, that a redress in the anachronistic trading conditions between output in Spain and in Member States is long overdue. I could not defend an outcome to negotiations for an enlarged common market which failed to meet this preoccupation because certain Member States had delayed accepting fresh Community competition for their enterprises whenever these might be located in that enlarged market.

I trust therefore that when the Commission reports to the Council on its exploratory talks with Spain on 1/2 October, France will be able to join all other Member States in supporting a realistic negotiating position on this problem.