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EUROPEAN COUNCIL IN RHODES: SPANISH CONCERNS

SUMMARY

1. SOME DOMESTIC DIFFICULTIES FOR FELIPE GONZALEZ, THE MOST SERIOUS BEING THE THREAT OF A GENERAL STRIKE ON 14 DECEMBER. FRANCO-SPANISH INTEREST IN COORDINATING THE AIMS OF THEIR PRESIDENCIES IN 1989. POSSIBLE SPANISH EC INITIATIVES IN EARLY 1989. FOREIGN MINISTER TO VISIT THE SOVIET UNION AND THE MIDDLE EAST. BILATERALLY, SOME NOTABLE COMMERCIAL SUCCESSES.

DETAIL

2. I UNDERSTAND THAT THE PRIME MINISTER MAY HAVE A BRIEF MEETING WITH FELIPE GONZALEZ IN THE MARGINS OF THE RHODES COUNCIL. WHEN SHE TALKED TO HIM IN MADRID IN SEPTEMBER HE EMPHASISED HIS DETERMINATION TO TACKLE RESURGENT INFLATION AND RISING PAY SETTLEMENTS. IN OCTOBER AND NOVEMBER THE SPANISH ECONOMY HAS CONTINUED TO BOOM BUT INFLATION HAS BECOME MORE WORRYING (AND WILL PROBABLY RISE TO 6% BY THE END OF 1988). THE GOVERNMENT'S DETERMINATION TO HOLD DOWN PUBLIC SECTOR PAY SETTLEMENTS AND ITS COMMITMENT TO ITS YOUTH EMPLOYMENT SCHEME HAVE PROVOKED THE MAIN UNIONS INTO CALLING A ONE-DAY GENERAL STRIKE ON 14 DECEMBER. IT WOULD BE THE FIRST FOR 50 YEARS AND THE GOVERNMENT ARE DISMAYED THAT THEIR NATURAL ALLIES AND OLD ASSOCIATES IN THE SOCIALIST TRADE UNION MOVEMENT (WITH WHICH GONZALEZ WAS IN THE PAST CLOSELY INVOLVED) SHOULD THUS HAVE TURNED AGAINST THEM. THEY HAVE MOUNTED A MAJOR CAMPAIGN TO TRY TO HEAD IT OFF.

3. AGAINST THIS BACKGROUND FELIPE GONZALEZ MAY BE MORE THAN USUALLY SENSITIVE ABOUT HOW THE SPANISH MEDIA REPORT HIS PARTICIPATION AT THE RHODES COUNCIL. THIS MAY BE REFLECTED IN HIS CONTRIBUTION TO DISCUSSION OF THE 'SOCIAL DIMENSION'. HE HAS ALREADY SAID PUBLICLY THAT HE REGARDS THE ESTABLISHMENT OF AN EC SOCIAL DIMENSION, INCLUDING COMMON SOCIAL AND LABOUR RIGHTS

FOR EUROPEAN WORKERS, AS A SPANISH PRIORITY. THIS WAS CONFIRMED IN THE TALKS WHICH THE SPANISH MINISTER OF LABOUR HAD TODAY WITH MR NORMAN FOWLER. THE SPANIARDS HOWEVER ADMIT THAT THEIR PRESIDENCY GIVES THEM LITTLE SCOPE FOR TAKING SPECIFIC STEPS IN THE SOCIAL FIELD.

4. AT THE FRANCO-SPANISH SUMMIT IN MONTPELLIER ON 23-24 NOVEMBER, GONZALEZ AND MITTERRAND/ROCARD AGREED THAT SPAIN AND FRANCE SHARED, AS THEIR PRIORITIES FOR 1989, SOCIAL AND FISCAL ISSUES AND MONETARY COOPERATION - ACCORDING TO THE FRENCH EMBASSY IN MADRID. THE EMBASSY SAID THAT THE SPANISH AND FRENCH GOVERNMENTS HAVE AGREED ON INFORMAL ALIGNMENT OF THEIR POSITIONS DURING 1989. THERE APPEARS TO BE NO INSTITUTIONALISED MECHANISM FOR FORMAL COORDINATION, BUT FRANCO-SPANISH COLLABORATION OVER THE DIRECTION OF THEIR FORTHCOMING PRESIDENCIES IS CLEARLY VERY CLOSE.

5. MEANWHILE THE FOREIGN MINISTER AND HIS SENIOR OFFICIALS HAVE MET TO DECIDE THEIR PRIORITIES FOR EPC DURING THE SPANISH PRESIDENCY. THESE INCLUDE CLOSER RELATIONS BETWEEN EC AND EASTERN EUROPE AND THE SOVIET UNION, (FERNANDEZ ORDONEZ IS DUE TO VISIT MOSCOW IN EARLY 1989). A SECOND OBJECTIVE IS SAID TO BE AN EC DECLARATION CALLING FOR AN INTERNATIONAL CONFERENCE ON THE MIDDLE EAST. FERNANDEZ ORDONEZ IS PLANNING TO VISIT THE REGION, INCLUDING ISRAEL, DURING THE SPANISH PRESIDENCY.

6. ON THE BILATERAL INDUSTRIAL FRONT VOSPER THORNEYCROFT HAVE VERY RECENTLY WON THE CONTRACT (AGAINST THE ITALIANS) TO UPDATE THE SPANISH MINEHUNTER FLOTILLA - A MAJOR BREAKTHROUGH INTO 'VISIBLE' DEFENCE CONTRACTS (A PUBLIC ANNOUNCEMENT IS STILL HOWEVER AWAITED). ROLLS ROYCE HAVE SIGNED UP AS SPAIN'S PARTNER FOR EUROJET, THE MANUFACTURER OF THE EFA ENGINE.

GORDON LENNOX

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