



Prime Minister

Agree that we should ask Davignon to call on Wednesday?

From the Secretary of State

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John Coles Esq
Private Secretary to the Prime Minister
10 Downing Street
London
SW1

A.J.C. 6/12

6 December 1982

Dear John,

You asked for advice on the possibility of a meeting between the Prime Minister and Commissioner Davignon who will be in London on Wednesday 8 December. Both the FCO and ourselves feel that a meeting at Downing Street, of about half an hour, would be extremely valuable.

Commissioner Davignon, who is also a Vice President of the Commission, is a man of particular intellect and energy. This is reflected in his particular standing within the Commission. He was extremely closely involved in the recent EC-United States steel negotiations and in the negotiations surrounding the Multi-Fibre Arrangement. It would be appropriate for the Prime Minister to recognise this: on both issues satisfactory solutions were eventually achieved. Commissioner Davignon was also involved, although to a significantly lesser extent, in the recent GATT Ministerials and the United States Pipeline problem.

There are three particular issues which we believe the Prime Minister might raise with Commissioner Davignon. They are:-

JAPAN Discussion would follow on from that in the European Council. HMG's support for the Commission's recent tougher line with Japan can be emphasised. We hope that next week's Foreign Affairs Council will increase the pressure on Japan to take much more fundamental steps to increase manufactured imports, restrain sensitive exports, and act to revalue the Yen.

We favour pursuing GATT action in respect of Japan, under Article XXIII (2). We hope that the FRG can be persuaded to agree, as well as gaining the support of the United States Administration for the use of the GATT approach.

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From the Secretary of State

Finally, we would need to satisfy domestic pressures that any Community restraint measures would need to give us at least as effective protection as any national bilateral understandings.

SPAIN A second major problem is the disparity in trading opportunity with Spain. We remain committed to Spain's Accession to the Community but cannot afford to wait for it. Spain has long been in breach of her existing (1970) Trade Agreement with the Community (fiscal discrimination, opaque quota administration etc) This must be corrected without delay. In addition, Spain should play her part in reducing the current strains on the open trading system: we are therefore pressing for unilateral cuts in some of the very high tariffs (eg 36.7% on cars against the Community's 4%) that the 1970 Agreement allows her.

These points were raised by the Minister for Trade at the November Foreign Affairs Council. As a result, the Commission is now preparing a report on possible means of Community action. It is a matter of urgent political importance for us. We fear some of Commissioner Davignon's colleagues (eg Natali who is in charge of enlargement) are inclined to be fatalistic. Commissioner Davignon should appreciate more readily than most our refusal to accept that the now well-developed Spanish vehicle, steel shipbuilding and textile industries should continue to compete on such unequal terms with Community industries that have been so painfully restructured.

EC-UNITED STATES RELATIONS Finally, we should leave Commissioner Davignon in no doubt of our concern about the way in which EC-United States relations might develop in the next few months. The European Council has given the Commission a mandate to be responsive to United States concerns, particularly over agricultural subsidies, and to explore ways of reconciling the United States and EC interests. The Foreign Secretary is urging Mr Shultz to approach the discussions in a positive frame of mind. It would be very helpful if the Prime Minister could use this occasion to stress to the Commissioner that without some flexibility from the Community we are likely to find ourselves engaged in an extremely damaging confrontation.

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From the Secretary of State

Both my Secretary of State, and, I understand, the Foreign Secretary, feel that this meeting with Commissioner Davignon could be extremely valuable. He is man of considerable influence, and the meeting - which will flatter him - provides an excellent and informal opportunity to secure his sympathy for our position.

I am copying this to Roger Bone (FCO), Robert Lowson (MAFF) and to Jonathan Spencer (DoI).

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'J. Rhodes'.

JOHN RHODES
Private Secretary

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at Press Office
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STATEMENT ON THE FOREIGN AFFAIRS COUNCIL, BRUSSELS, 22-23 NOVEMBER 1982
TO BE MADE BY THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS
IN THE HOUSE OF COMMONS ON WEDNESDAY 24 NOVEMBER 1982.

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With permission, Mr Speaker, I will make a statement on the Foreign Affairs Council held in Brussels on the 22nd and 23 November. The Council dealt with a heavy agenda and reached agreement on a number of issues.

The Council had a first exchange of views on the Commission's paper on the budget solution for 1983 and later. It was agreed that the Committee of Permanent Representatives should get to work on this immediately and report back to the Council at its January meeting.

We discussed East-West trade issues and agreed that we should carry forward the studies approved in the recent Washington talks. Our objective is to improve our cooperation in this field and to achieve a greater cohesion in our approach to East-West trade.

The Council also discussed developments in the final preparations for the GATT Ministerial meeting. The Community will continue to press for improvements in certain areas and the Council will meet again in Geneva if necessary. My hon and learned friend the Minister for Trade, who was present at the Council, is now in Geneva for the GATT Meeting.

The Council agreed in principle on the details of the Community's Generalised Scheme of Preferences for 1983. Ministers noted the progress made in the past month in the bilateral textile negotiations under the Multi-Fibre Agreement with the ASEAN countries and Brazil. The Council also agreed that the Commission should proceed with negotiations with the three dominant suppliers (Hong Kong, South Korea and Macao) making full use as necessary of the flexibility available to them within the global ceilings.

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Ministers discussed the Community's external steel regime for 1983. They agreed that the Commission should open negotiations on Voluntary Restraint Arrangements (VRAs) with main third country suppliers of steel to the Community, on the basis of a cutback of twelve and a half per cent in import volume in relation to the 1980 base year.

We raised the problem of the trading imbalance under the EC/Spain Agreement and asked for a Commission report with proposals for action on Spanish implementation of the Agreement, and on the unequal and unjustifiable tariff imbalance in certain sensitive areas.

Ministers agreed a special aid programme for Central America. They approved a new Management Regulation designed to improve the procedures governing the Community's Food Aid Programme. Discussions will continue on other subjects, including the Community's research programme on nuclear safety, the European Parliament's proposals for a uniform electoral system, and a Commission memorandum on the follow-up to the second Lomé Convention.

A Ministerial Conference with the Portuguese in the margins of the Council reviewed progress in the accession negotiations.

Ministers also met in ^{the framework of} Political Cooperation and discussed a number of foreign policy issues including East-West relations and the Middle East. It was agreed that the Danish Foreign Minister should visit Israel shortly in order to put the Ten's views on the current situation. As applicant members of the Community the Spanish and Portuguese Foreign Ministers were present for part of the meeting.