



OFFICE OF THE UNITED KINGDOM  
PERMANENT REPRESENTATIVE  
TO THE EUROPEAN COMMUNITIES  
ROND-POINT ROBERT SCHUMAN 6  
1040 BRUSSELS

TELEPHONE 230 62 05

10 December 1982

M. Gaston Thorn  
President of the Commission of  
the European Communities  
200 rue de la Loi  
1040 BRUSSELS

In the absence of Sir Michael Butler, I have been asked  
to pass you the enclosed message from my Prime Minister,  
the Rt Hon Mrs Margaret Thatcher MP.

C D Powell

bcc: Sir M Butler  
Mr Shepherd  
Mr Powell/Mr Wright  
Mr Smith  
Mr Hannay, FCO  
Mr Crowe, ECD(E), FCO ✓  
Miss Lackey, DOT



TEXT OF LETTER FROM THE PRIME MINISTER TO PRESIDENT THORN

When Vice-President Davignon was in London earlier this week, I discussed with him certain problems which are becoming acute in the United Kingdom, in particular those arising from our trade with Japan and Spain. I should like the Commission to be in no doubt about the gravity of these matters and therefore agreed with Mr Davignon that I would write to you at once.

We have long worked for a Commission solution to the Japanese problem and shall do all that we can to foster a united Community front. The United Kingdom will fully support the Commission's approach to Japan at the Foreign Affairs Council next week.

But the pressures on me to take effective action to deal with the problems caused by Japanese penetration of the British market are now intense. British public opinion really will not tolerate further delay in finding genuine solutions. Mr Davignon said that the Commission needed two months to find these solutions. I could not wait longer than that.

Then there is the problem of Spain. Our commitment to enlargement is in no doubt but enlargement will not happen next year. In the meantime, the inequity of the 1970 EC/Spain Agreement in a number of sectors is all too apparent - and is the subject of intense criticism in this country, especially in the West Midlands, the heart of our automobile industry. The disparity in duties on cars charged by Spain and the EC is totally unacceptable.

I look forward with interest to the proposals that I believe the Commission will be making on our immediate problem



with Spain at next week's Council. Here again, if we cannot get a solution, there will be great pressure on me in Parliament which I will find very difficult to resist.

It is most important that the scale of the political problems now being caused by these trade issues is fully appreciated. We have reached the point where continued delay in finding adequate solutions is no longer acceptable. I must, therefore, look to the Commission for urgent and intensive action in the coming days and weeks.

CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

10 December, 1982.

Prime Minister's letter to the President of the  
European Commission about Japan and Spain

We spoke this afternoon about the draft message enclosed with my letter of today's date. We agreed that in the last sentence of the second paragraph the words "proposals on" should be deleted and the words "approach to" substituted. John Rhodes has informed me that the Department of Trade can accept the text. You undertook to telegraph instructions to Sir Michael Butler to deliver the message as soon as possible.

I enclose with this letter the final version of the message.

I am copying this letter and its enclosure to John Kerr (HM Treasury), John Rhodes (Department of Trade), Robert Lowson (Ministry of Agriculture, Fisheries and Food), Jonathan Spencer (Department of Industry), and Richard Hatfield (Cabinet Office).

Roger Bone, Esq.,  
Foreign and Commonwealth Office.

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DRAFT LETTER FROM THE PRIME MINISTER TO M. GASTON THORN

When Vice President Davignon was in London earlier this week, I discussed with him certain problems which are becoming acute in the United Kingdom, in particular those arising from our trade with Japan and Spain. I should like the Commission to be in no doubt about the gravity of these matters and therefore agreed with Mr. Davignon that I would write to you at once.

We have long worked for a Commission solution to the Japanese problem and shall do all that we can to foster a united Community front. <sup>approach to</sup> The United Kingdom will fully support the Commission's proposals on Japan at the Foreign Affairs Council next week.

But the pressures on me to take effective action to deal with the problems caused by Japanese penetration of the British market are now intense. British public opinion really will not tolerate further delay in finding genuine solutions. Mr. Davignon said that the Commission needed two months to find these solutions. I could not wait longer than that.

Then there is the problem of Spain. Our commitment to enlargement is in no doubt but enlargement will not happen next year. In the meantime, the inequity of the 1970 EC/Spain Agreement in a number of sectors is all too apparent - and is the subject of intense criticism in this country, especially in the West Midlands, the heart of our automobile industry. The disparity in duties on cars charged by Spain and the EC is totally unacceptable.

/ I look forward

I look forward with interest to the proposals that I believe the Commission will be making on our immediate problem with Spain at next week's Council. Here again, if we cannot get a solution, there will be great pressure on me in Parliament which I will find very difficult to resist.

It is most important that the scale of the political problems now being caused by these trade issues is fully appreciated. We have reached the point where continued delay in finding adequate solutions is no longer acceptable. I must, therefore, look to the Commission for urgent and intensive action in the coming days and weeks.



FILE

RW

10 DOWNING STREET

From the Private Secretary

10 December 1982

Dear John,

Prime Minister's letter to the President of the European Commission about Japan and Spain

Thank you for your letter of 8 December.

The Prime Minister was not entirely happy with the draft which you recommend she should send to President Thorn. Mrs Thatcher has asked for a shorter and stronger draft which refers, in particular, to Vice President Davignon's request that the Commission should be given two months to find a solution to the problems arising from Japanese penetration of the British market.

I enclose a revised draft. I need to submit a draft on these lines to the Prime Minister this afternoon and should therefore be grateful for immediate comments, from you and from the Foreign and Commonwealth Office.

I am copying this letter to John Kerr (HM Treasury), Roger Bone (FCO), Robert Lowson (MAFF), Jonathan Spencer (Department of Industry) and Richard Hatfield (Cabinet Office).

Your ever

John Rhodes

John Rhodes, Esq.,  
Department of Trade.

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PRIME MINISTER

Meeting with Commissioner Davignon

You told him that you would write a letter dealing in particular with our problems about trade with Japan and Spain.

It would be right for you to send this letter not to Davignon but to President Thorn. Davignon will of course see it and will know of its importance because of the talk with you.

I attach a letter which the Department of Trade and all the other Departments concerned have agreed. If you are content with this, and sign it, we shall telegraph the text to Brussels tomorrow. We shall also give Sir Michael Butler an account of your conversation with Davignon and point out that he undertook to give us satisfaction on the Japanese problem in about the next two months.

ASC.

It isn't rough enough

Davignon said - give him

9 December 1982

2 months. We must refer

to this period in the letter,   
 not





10 DOWNING STREET

THE PRIME MINISTER

*I should like the Commission to be in no doubt about the gravity of these matters and am therefore agreed with Mr. Davignon that I would write to you at once.*

*When ~~Comm~~ Vice-President Davignon was in London earlier this week I discussed with him certain trade problems which are becoming acute in the United Kingdom, in particular those arising from our trade with Japan and Spain.*

*now*  
I am writing to let you know that the United Kingdom will fully support the Commission's proposals on Japan at the Foreign Affairs Council next week. We have for long welcomed a Community approach *which to the Japanese problem* and shall do all that we can to foster a united Community front towards Japan.

*but*  
I say this especially because the pressures on me to take effective action to solve the problems caused by Japanese penetration of the British market are intense. British public opinion really will not tolerate further delay in finding genuine solutions. *Mr. Davignon said that the Commission needed two weeks to find solutions. I would not wait longer than that.*

My aim, as you must know, is to see that the benefits of Community membership are understood in the United Kingdom and that the work that the Commission has done - for example on steel, textiles and in the GATT Ministerial - is fully recognised. That is why I hope that we can achieve a Common Fisheries Policy this year and a Budget settlement by next March. I want these problems behind me. But I must also be able to show that the Community can deal effectively with the trading arrangements with third countries which are seen to be inequitable.

*Then*  
In addition to Japan, there is the problem of Spain. Our commitment to enlargement is not in doubt but enlargement will not happen next year. In the meantime, the inequity of the 1970 EC/Spain agreement in a number of sectors is all too apparent - and is the subject of intense criticism in this country, especially in the West Midlands, the heart of our automobile industry. The disparity in duties on cars charged by Spain and the EC is totally unacceptable.

/ I know that

I know that Peter Rees discussed this problem recently with Commissioner Natali. I look forward with interest to the proposals that I believe the Commission will be making on our immediate problem with Spain at next week's Council. Here again, if we cannot get a solution, there will be great pressure on me in Parliament which I will find very difficult to resist.

All this apart, I hope that in your discussions with George Shultz and the other four American Ministers this week, you will bring home to them the impact that United States policies have on the rest of the world. On the Community side, I do hope that every effort will be made to find some accommodation with the Americans on agricultural exports because I do not think British taxpayers will be alone in resenting paying for a subsidy war with the Americans - which could easily escalate across the board.

May I say that I discussed these matters - and others such as steel - with Vice President Davignon on Wednesday when we were together at a technology conference in London.

I believe that the Community is moving closer together on a range of matters and I ask you to take both my problems, and my concern to reinforce the Community's position, into full account.

*It is most important that the ~~scale~~ scale of the political problem now being caused by these trade issues is fully appreciated. We have reached the point where continued delay in finding adequate solutions cannot be tolerated. I must therefore urge to the Commission to speed and intensify action in the coming weeks, days and weeks.*

His Excellency Monsieur Gaston Thorn

**CONFIDENTIAL***From the Secretary of State*

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

8 December 1982

*Dear John*

.... 1 I attach a draft letter for the Prime Minister to send to President Thorn. This was commissioned from the Prime Minister's lunchtime meeting with Commissioner Davignon.

2 You will appreciate that the letter needs to be sent quickly, as will, I hope, the copy recipients of this letter.

3 Copies go to John Kerr (Treasury), Roger Bone (FCO), Robert Lawson (MAFF), Jonathan Spencer (Industry) and Richard Hatfield (Cabinet Office).

*Yours sincerely,*

JOHN RHODES  
Private Secretary



DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO  
PRESIDENT THORN

I am writing to let you know that the United Kingdom will fully support the Commission's proposals on Japan at the Foreign Affairs Council next week. We have for ~~a~~ long ~~time~~ welcomed a Community approach and ~~we will~~ <sup>shall</sup> do all that we can to foster a united Community front towards Japan.

I say this especially because the pressures on me to ~~do~~ <sup>take</sup> something effective ~~on the Japanese problem~~ are ~~intense~~. <sup>to solve the problems caused by Japanese protection of the British market we intend to</sup> ~~intense~~ <sup>intense</sup> ~~public opinion really will~~ <sup>not tolerate further delay in finding genuine solutions.</sup>

My aim, as you must know, is to see that, ~~in this~~ <sup>in Britain</sup> ~~country,~~ the benefits of Community membership are understood and that the work that the Commission has done - for example on steel, textiles and in the GATT Ministerial - is fully recognised. That is why I hope that we can achieve a Common Fisheries Policy this year and a Budget settlement by next March. I want these problems behind me. With ~~Japan,~~ ~~these~~ ~~are~~ ~~of~~ ~~crucial~~ ~~importance.~~

<sup>but I must also be able to show that the Community</sup>  
~~can deal effectively with~~ <sup>the</sup> ~~trading partners~~ <sup>arrangements with</sup> ~~of these countries~~  
~~which we can to be inevitable.~~

~~President~~

~~President~~

in the United Kingdom



In addition to France, there is the problem of Spain.

~~Then there is Spain.~~ Our commitment to enlargement is not in doubt but enlargement will not happen next year.

In the meantime the inequity of the 1970 EC/Spain agreement <sup>in a number of sectors</sup> is all too apparent - and is being focussed

~~on~~ in the West Midlands, the heart of our automobile industry. The <sup>disparity in</sup> duties on cars charged by Spain and the EC are ~~totally imbalanced.~~ <sup>is totally unworkable.</sup>

I know that Peter Rees <sup>discussed this problem</sup> had a discussion recently with Commissioner Natali ~~on this problem.~~ That is why I look forward with interest to the proposals that I believe the Commission will be making on our immediate problem with Spain at next week's Council. Here again, if we cannot get a solution, there will be great pressure on me in Parliament which I will find ~~it~~ very difficult to resist.

All this apart, I hope that in your discussions with George Shultz and the other four American Ministers this week, you will bring home to them the impact that United States policies have on the rest of the world. ~~I am seeing George after you do.~~ On the Community side, I do hope that every effort will be made to find some accommodation with the Americans on agricultural exports ~~surpluses~~ <sup>but it</sup> because I do not think ~~my~~ taxpayers will be alone in ~~resisting~~ <sup>resenting</sup> paying for a subsidy war with the Americans - which could easily escalate across the board.

the subject of intense criticism in the country, especially



May I say that I discussed these matters - and others such as steel - with Vice President Davignon <sup>on Wednesday</sup> ~~[yesterday/Wednesday]~~ <sup>when</sup> ~~for~~ we were together at a technology conference in London.

I believe that the Community is moving closer together on a range of matters and I ask you to take both my problems, and my concern to reinforce the Community's position, into full account.

- END -

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Trade

file Mb



10 DOWNING STREET

*From the Private Secretary*

8 December 1982

CALL ON THE PRIME MINISTER BY COMMISSIONER DAVIGNON

Commissioner Davignon called on the Prime Minister at noon today. I enclose the record of conversation.

You will see that the Prime Minister stated that she would write a letter to the President of the Commission about the problems of trade with Japan and Spain. I should be most grateful if your Department could supply an early draft.

I am copying this letter, and its enclosure, to Roger Bone (Foreign and Commonwealth Office), Robert Lawson (Ministry of Agriculture, Fisheries and Food), Jonathan Spencer (Department of Industry) and David Hancock (Cabinet Office).

A J COLES

John Rhodes, Esq.,  
Department of Trade.

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Trade - 2/50.



ROYAL COURTS OF JUSTICE  
LONDON, WC2A 2LL

01-405 7641 Extn

11 November 1982

The Rt Hon The Lord Cockfield  
Secretary of State for Trade  
1 Victoria Street  
London SW1

N.B. I.R.

100-12-4

Dear Arthur,

TRADE WITH SPAIN

PM.

I am afraid that a copy of your minute of 2 November to the Prime Minister reached me only yesterday. I write merely to confirm, should there be any doubt, that what David Howell says in his letter to you of 4 November is right. Use of vehicle type approval requirements, or indeed any other regulatory provision of that sort, for an improper purpose is unlawful and could be the subject of action in our courts. I should add that this has nothing to do with Community law: it is a basic proposition of our own system of administrative law.

Yours etc.

Michael

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12 NOV 1982

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sc JV



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

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The Lord Cockfield  
Secretary of State for Trade  
Department of Trade  
1 Victoria Street  
LONDON SW1

4 November 1982

Dear Alan

Handwritten initials and signature: *PM* Prime Minister

SPAIN

Handwritten initials: *DP*  
4/11

I have seen a copy of your minute of 2 November to the Prime Minister on trade with Spain.

You propose that we consider how we might emulate French practice in administering type approval requirements so as to exclude unwelcome imports. I am certainly ready for my officials to join those from other Departments to discuss their practice with French officials. But I must make it clear that my legal advice is that, if I adopted a policy of delaying the issue of type approval in the case of vehicles imported from Spain, I would be acting unlawfully and would be exposed to High Court actions by the importers and any other interests involved. The possibility of claims for damages would follow. If therefore it emerged that there were some scope for adopting French tactics here, I should need to consider the legal position very carefully.

I am sending copies of this letter to the Prime Minister, to other members of E Committee, to the Attorney General and to Sir Robert Armstrong.

Handwritten signature: *David*

DAVID HOWELL

Trade : Non Tariff Barriers Pt-2

4 NOV 1982

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