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TO IMMEDIATE F C O
TELEGRAM NUMBER 088 OF 14 JANUARY.

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DEAN DOVE.

FOLLOWING IS TEXT OF COMMISSIONER SUTHERLANDS REPLY TO
MR TEBBIT'S LETTER OF 11 JANUARY:

"THANK YOU FOR YOUR LETTER OF 11 JANUARY 1985 CONCERNING THE
COMMISSION'S DECISION OF 23 JULY 1984 RELATING TO DEAN DOVE LTD.

YOU WILL APPRECIATE THAT I AM BOUND BY THE TERMS OF THE DECISION
TAKEN BY THE PREVIOUS COMMISSION ON 23 JULY 1984 UNDER WHICH
THE AID IS TO BE WITHDRAWN. FURTHERMORE, I UNDERSTAND THAT IN
NEGOTIATIONS WITH YOUR OFFICIALS OVER THE PAST SIX MONTHS
AND IN ITS LETTER OF 27 DECEMBER 1984 DG IV HAS INDICATED THAT
A PROPOSAL TO PHASE REPAYMENT OF THE AID OVER SEVEN YEARS OR
TO CONVERT IT INTO A LOAN WHICH MOVES GRADUALLY TOWARDS
COMMERCIAL TERMS IS INSUFFICIENT BECAUSE IT MERELY REDUCES
THE INTENSITY OF THE AID WITHOUT ABOLISHING IT. YOU WILL BE
AWARE THAT IN PREVIOUS COMMISSION DECISIONS ON SIMILAR CASES THE
COMPANIES WERE NOT PERMITTED TO RETAIN ANY PART OF THE ECONOMIC
ADVANTAGE OF THE AID.

I AM CONSCIOUS OF THE POLITICAL SENSITIVITY ATTACHING TO THIS
CASE. HOWEVER, BECAUSE OF THE STRUCTURAL DIFFICULTIES OF THE
SYNTHETIC FIBRE SECTOR AND THE FACT THAT THE COMMISSION WILL
SHORTLY HAVE TO DECIDE ON A NUMBER OF SIMILAR CASES I AM OBLIGED
TO MAINTAIN THE STRICT DISCIPLINE WHICH HAS GOVERNED AID TO THIS
INDUSTRY SINCE 1977, AND TO ASK YOU TO ENSURE THAT THE AID IS
WITHDRAWN. HOWEVER, I WOULD POINT OUT THAT THE AID CAN BE
WITHDRAWN IN A NUMBER OF WAYS NOT ONLY THROUGH CONVERSION INTO
COMMERCIAL LOAN.

??

I REGRET THAT THE CIRCUMSTANCES PRECLUDE A MORE FLEXIBLE
REACTION BY THE COMMISSION.

MY SERVICES ARE, OF COURSE, AT YOUR DISPOSAL SHOULD YOU WISH
TO DISCUSS APPROPRIATE WAYS OF CONFORMING TO THE COMMISSION'S
DECISION".

- Ask him what way
He is referring to?
mb

FCO ADVANCE TO:

- FCO - FAIRWEATHER, SAWERS.
- CAB - STAPLETON, LAMBERT, EDWEN.
- DTI - PS/SOFS, PS/MR LAMONT, MOUNTFIELD, CAMELL, D.W.F. JOHNSON,
RILEY, BERRY, ARMSTRONG.

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