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Le VC  
cpc

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*From the Private Secretary*

18 June 1986

EC/US ENLARGEMENT

The Prime Minister has seen a copy of Washington telegram no. 1596 about continuing problems with the US over enlargement of the Community. She finds the suggestions made in paragraph 4 of that telegram for exploiting the United States' proposal for a levy-free quota for corn and sorghum interesting and will be grateful to know how we intend to react to it.

I am copying this letter to Michael Gilbertson (Department of Trade and Industry), Ivor Llewellyn (MAFF) and David Williamson (Cabinet Office).

(CHARLES POWELL)

C.R. Budd, Esq.,  
Foreign and Commonwealth Office.

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 FROM WASHINGTON  
 TO IMMEDIATE FCO  
 TELNO 1596  
 OF 140326Z JUNE 86  
 INFO IMMEDIATE UKREP BRUSSELS

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*I hope we are taking some action with comments on it  
 some action with comments on it → copy.*

EC/US: ENLARGEMENT

SUMMARY.

1. WITH BOTH SIDES DUG IN ON THEIR POSITIONS OF PRINCIPLE WE STAND LITTLE CHANCE OF HELPING THE AMERICANS OFF THEIR SELF-CREATED HOOK OF THE JULY DEADLINE. NEED FOR PRAGMATIC IDEAS: WHY NOT A TIME LIMITED AND POSSIBLY DEGRESSIVE LEVY-FREE QUOTA WHICH WOULD TAKE US PAST THE AMERICAN ELECTION AND AVOID A TRADE WAR WITH IMPLICATIONS FOR US PROTECTIONIST LEGISLATION AND THE GATT ROUND?  
 DETAIL.
2. I AM DISTURBED NOT ONLY BY THE APPARENT COMPLETE LACK OF PROGRESS ON THE SPANISH ENLARGEMENT ISSUE, BUT BY THE DEARTH OF IDEAS ABOUT WHAT TO DO ABOUT IT. I ENTIRELY AGREE WITH OUR LINE THAT A WAY SHOULD BE FOUND TO ALLOW THE US TO POSTPONE OR AVOID THE ACTION THREATENED IN JULY/AUGUST BUT, AS WOODS IMPLIED IN LONDON (YOUR TELNO 1084) AND AS OUR CONTACTS HERE STATE CATEGORICALLY, THERE IS NO INTEREST HERE IN PUTTING THINGS OFF WITHOUT SOME SATISFACTION FOR THE US. WE ENJOIN THE COMMISSION AND OTHERS TO THINK IMAGINATIVELY ABOUT THIS, BUT NOBODY SEEMS EVEN TO BE TRYING TO HAVE IDEAS AND THE COMMISSION THEMSELVES NOW CANDIDLY ADMIT THAT THEY HAVE BEEN UNWILLING EVEN TO CONSIDER THE AMERICAN PROPOSAL FOR A LEVY-FREE QUOTA FOR CORN AND SORGHUM ON THE GROUNDS THAT IT IS CONTRARY TO THE EC'S GLOBAL APPROACH TO THE ARTICLE XXIV.6 NEGOTIATIONS (PARA 6 OF UKREP TELNO 2078). THIS IS DEPRESSING WHEN, AS FORELIDING RECOGNISED IN THE LAST ARTICLE 113 MEETING (UKREP TELNO 1971) THE SITUATION IS VERY SERIOUS AND THE POLITICAL PRESSURES VERY STRONG. ALTHOUGH THE AMERICANS ARE LARGELY RESPONSIBLE FOR THE EXCESSIVE HEAT THAT THIS WHOLE ISSUE HAS GENERATED AND THE JULY DEADLINE IS A HOOK OF THEIR OWN CREATION, WE ARE ALL IN GREAT DANGER OF BEING IMPALED ON IT.
3. I HAVE NO DOUBT THAT RESPONSIBLE PEOPLE IN THIS CAPITAL ARE LOOKING FOR A WAY TO GET OFF THE HOOK. BALDRIDGE SAID AS MUCH TO ME LAST NIGHT AND CONDEMNED THE MACHO POSTURING ON BOTH SIDES. HE WAS ALSO CRITICAL OF DENMAN AND OTHERS IN THE COMMISSION FOR REFUSING TO DISCUSS WAYS OF MANAGING THE ISSUES INVOLVED BUT RATHER STICKING CLOSELY TO STANDARD EC POSITIONS. AS WOODS MADE CLEAR IN LONDON, THE AMERICANS FEEL THEY ARE GETTING NO HELP FROM THEIR EC INTERLOCUTORS IN SEEKING PRAGMATIC SOLUTIONS INSTEAD OF DEBATING IRRECONCILABLE PRINCIPLES. THERE IS NO DOUBT A RECIPROCAL FEELING IN BRUSSELS. BUT IT DOES SEEM, AS SEEN FROM HERE, THAT IF AS MUCH TIME AND ATTENTION WERE GIVEN TO SEEKING A PRAGMATIC SOLUTION AS IS BEING GIVEN TO MAINTAINING POSITIONS OF PRINCIPLE, WE SHOULD HAVE A BETTER CHANCE OF AVOIDING THE SERIOUS CONFRONTATION THAT NOW LIES AHEAD OF US.

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4. WE HAVE ALREADY ADVANCED FROM HERE SOME IDEAS INCLUDING ASSURANCES TO THE US THAT THERE WILL BE NO OILS AND FATS TAX AND A WITHDRAWAL OF THE 1984 NOTIFICATION TO THE GATT ON CORN GLUTEN FEED. BUT THE IMMEDIATE OBJECTIVE MUST SURELY BE TO GET WITHOUT DAMAGE (AND WITHOUT PREJUDICE TO THE EC'S POSITION) PAST THE US JULY DEADLINE AND INDEED PREFERABLY PAST THE NOVEMBER ELECTION. IN THIS CONTEXT I DO WONDER WHY MORE ATTENTION HAS NOT BEEN PAID TO THE POSSIBILITY OF ADAPTING AND TURNING TO GOOD USE THE US PROPOSAL FOR A LEVY-FREE QUOTA FOR CORN AND SORGHUM. FOR EXAMPLE COULD THE EC NOT MAINTAIN ITS POSITION ON THE GLOBALITY OF ARTICLE XXIV.6 NEGOTIATIONS WHILE TAKING THE AMERICANS PAST THEIR CRISIS POINT BY OFFERING A LEVY-FREE QUOTA (FOR QUANTITIES TO BE NEGOTIATED AND POSSIBLY DEGRESSIVE) FOR A LIMITED PERIOD, PERHAPS SET IN RELATION TO THE TIME THE GLOBAL ARTICLE XXIV.6 NEGOTIATIONS SHOULD TAKE THE AMERICANS COULD HARDLY COMPLAIN, SINCE THEY HAVE SAID MANY TIMES THAT THE RELIEF/COMPENSATION OFFERED TO THEM ON CORN AND SORGHUM WOULD BE FOLDED INTO THE OVERALL ARTICLE XXIV.6 NEGOTIATIONS (EVEN THOUGH THEY DO NOT ACCEPT, CERTAINLY AT THIS STAGE, THAT INDUSTRIAL CREDITS CAN BE USED TO OFFSET AGRICULTURAL DEBTS). AT WORST THE COMMUNITY WOULD BUY TIME AND TAKE US BEYOND THE AMERICAN ELECTION. AT BEST THE TIME THUS BOUGHT COULD ENABLE A LONG TERM SOLUTION TO BE REACHED AND WOULD IN ANY CASE AVOID THE FALLOUT FROM AN EC/US TRADE WAR ON CURRENT PROTECTIONIST LEGISLATION, WHICH HAS FAR TOO GOOD A CHANCE OF PASSING BETWEEN NOW AND THE ELECTION, AND ON THE HOPED-FOR LAUNCH OF THE GATT ROUND IN SEPTEMBER.

5. CONTACTS IN USTR TELL US, INCIDENTALLY, THAT THEY ARE CONSIDERING THE OPTION OF SIMPLY ACCEPTING THE EC PHANTOM TARIFF AS NOTIFIED TO THE GATT (REQUIRING THE EC TO FILL IN THE BLANKS ON AGRICULTURE) WITHOUT SEEKING ANY REDUCTIONS TO THE EXISTING EC10 TARIFF. WHILE GIVING AWAY THEIR POINT OF PRINCIPLE, THIS WOULD PREVENT THE EC FROM CLAIMING AN INDUSTRIAL CREDIT FOR USE ON AGRICULTURE AND ENABLE THE US TO CLAIM THAT, HAVING BACKED ITS INDUSTRIAL CREDITS IN THE HIGHER TARIFFS, THE EC THUS OWED THEM FULL COMPENSATION IN RESPECT OF THE AGRICULTURAL LEVIES. THE HIGHER THE FIGURES THE EC FILLED IN FOR THE BLANKS, THE HIGHER THE COMPENSATION DUE. WE CANNOT TELL HOW SERIOUS AN OPTION THIS IS, BUT USTR ARE TAKING IT SERIOUSLY ENOUGH TO RUN THE FIGURES THROUGH THEIR COMPUTER TO SEE WHAT THE EFFECTS WOULD BE FOR US EXPORTS.

WRIGHT:

FRANC EXTERNAL  
CCD(S)  
NAD