

cf M. Franklin *Not Incl*
Steel
100/31
3/10



Prime Minister
has seen.

La. - Hunt - 3/10

PRIME MINISTER

COMMUNITY STEEL QUOTAS

I am sorry that you were unnecessarily involved - because of a telephone call from Chancellor Schmidt - in the negotiations about the Commission's proposals to impose quotas on Community steel production.

By way of background, you will recollect that, because of the serious over-supply of most types of steel, the Community producers had for some time been seeking an agreement between themselves to limit production. In the end we were most reluctantly forced to agree with the Commission that a voluntary agreement was impossible. Throughout the long and difficult negotiations the Germans have consistently been alone in their stand against the general application of quotas.

A key point in the negotiations was the application of quotas to steel for tubes. The complete exclusion of steel for tube products would, in the opinion of both BSC and the private sector steel companies, have made the system unworkable. They had even said that they would have preferred no system to one which excluded tubes. The French took a similar line.

/The ...



The Chancellor's intervention arose from a difference in the interpretation of what had been agreed at the Council meeting on 25 October. Count Lambsdorff had reported back to the Cabinet that there was agreement to exclude tube steel from positive quotas. Both I and my French colleague were in no doubt that this was not so and Commissioner Davignon confirmed to me that our view was correct. The Germans appeared to have lifted the President's summing up of Saturday's proceedings out of context.

It was because of this difference of understanding that Count Lambsdorff apparently felt that I was reneging on an agreement. He was forced to go back to his Chancellor because the exclusion of tubes was a key plank in the package which the German Cabinet had approved.

UKREP will have advised you that late last night we finally reached an agreement which involves a compromise on both tubes and special steels. Throughout, I had attached considerable importance to achieving unanimity. Both I and our producers regard the outcome as reasonably satisfactory - one which should help to limit the steel crisis and thus reduce the further call on public funds by BSC.

/I ...



I am sending a copy of this minute to Peter Carrington and
Geoffrey Howe.

ER.

per
ACB

31 October 1980

(dictated by the Minister and
signed in his absence)



31 OCT 1980