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PO -CH /GH/0067



PART A

Chancellor's (Howe) Papers:

**UNITED KINGDOM TRADING
POLICY AND THE FRENCH
RECONQUEST OF INTERNAL
MARKETS**

Disposal Directions: 25 Yea

[Signature]

25/7/95

PO -CH /GH/0067

PART A

E.14

MR GORDON

UK TRADING POLICY

You may like to have on paper, as briefly as possible, my thoughts on your submission to the Chancellor dated 8 January.

2. As far as the submission itself is concerned:

(a) In paragraph 2 I would add the thought, "This is, however, to some extent false dichotomy - quite apart from anything else, it should be open to us in some cases to threaten or implement a measure of protection at home, whether selectively or universally, in retaliation for unacceptable NTBs imposed by our competitors."

(b) Insert after the second sentence of paragraph 8, "The measures and processes open to us are, naturally, all well known. It was always unlikely that one would be able to invent some new general procedure which no one had thought of previously. Moreover, given the very open nature ...".

(c) In the penultimate sentence of paragraph 8 amend, "... I believe that no additional general measures ...".

(d) Add at the end of paragraph 8, "There is, on the other hand, no reason to believe that it is impossible to devise more or better specific measures, case by case, as provocative circumstances arise."

(e) Add at the end of paragraph 9, "All this means that one would like the Government machine to seek out cases for potential action rather more actively; to be required to exercise real creativity in considering them; and, for obvious political reasons, to ensure that that new attitude is tactfully conveyed to those interest groups most concerned."

(f) Complete paragraph 11 as follows: "One way of carrying forward the debate is to challenge the handling of a particular case. Mr Ridley has suggested that, prima facie, measures described by the French to protect their markets against UK exports of mass produced doors might be a good example, if a recent report from Michael Latham MP turns out to have substance behind it. I understand from him that he is already pursuing Mr Latham about the matter, and may be able to come up with something more solid before long on the basis of which you could, perhaps, write to Mr Biffen. Since the case is not yet firm enough, we can clearly do no more than allude to the possibility in rather general terms."

3. I would suggest amending the draft letter as follows.

(a) Add at the end of paragraph 2, "This is scarcely surprising, since the possibilities open to us are already well known in general terms. However that conclusion does not of itself tell us a great deal. What really matters is the particular application of the full range of possibilities in specific cases, and the determination with which they are considered and applied."

(b) Redraft the first sentence^{of paragraph 3} as follows: "Our main concerns are that we combat any notions held in the country at large, or indeed by our competitors, that we are a soft touch. And that the possibilities open to us to attack or put pressure on the non-tariff barriers of others or protect against unacceptable competition in our own markets here are not neglected. To do that, I think we need to adopt a more active approach than we have in practice done so far. Where we can not do so we need to be able to explain informally ...".

(c) Paragraph 6 might then read, "Finally, there is nothing like specific cases to concentrate the mind. I think it would be useful to look at the lessons of, for example, a particular NTB imposed by our competitors. I have it in mind to offer an example of one or two shortly."

4. If time permits, I have it in mind to offer the Chancellor

a brief minute later on today or tomorrow expressing some anxiety about the general tone of the official report. But nothing I say in that will surprise you after our recent conversation, or - I trust - go against the thoughts I am offering now.

A handwritten signature in black ink, appearing to be the initials 'AR' or a stylized 'A' and 'R'.

ADAM RIDLEY

14 January 1982

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Chancellor

ANR's comments are attached behind. He

FROM: P R GORDON was involved in
DATE: 15 January 1982 the preparation of IP's piece.

JKR
18/

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (L)
Sir D Wass
Sir K Couzens
Mr Ryrie
Mr Littler
Mr Quinlan
Mr Carey
Mr Dixon
Mrs Hedley-Miller
Mr Lavelle
Mr Fitchew
Mr Slater
Mr Mortimer
Mr Ridley

JKR
Pl. ask Adams for his contribution + JKR
§ 9 of this note/ exactly captures my reaction - but is not really reflected in minute re P's + also the dropping of that word 'shaking' rightly, in other words (some v. long sentences!)

UNITED KINGDOM TRADING POLICY

The Secretary of State for Trade's minute of 23 December to the Prime Minister (attached) covers a paper prepared on this topic prepared by an ad hoc group of officials (on which the Treasury was represented) under Cabinet Office chairmanship, and proposes that the only action to be taken should be to take note of the points made by him.

Comments on the paper

2. Paragraphs 4 to 6 remind readers of the difficulty of arriving at a satisfactory compromise between on the one hand encouraging the Commission to take action against non tariff barriers (NTBs) in other Member States, and stimulating their use domestically. The point is made that British industry's main desire is to get others to dismantle their NTBs rather than erecting them here; this is picked up by the Secretary of State in his minute. But that does not invalidate action by the Government in some cases to threaten or implement a measure of protection at home, whether selectively or otherwise, in retaliation for unacceptable NTBs imposed by others.

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3. Paragraphs 7 to 12 are a report on the E Committee remit of June 1980. There is no comment required.
4. Paragraphs 13 to 23 deal with some possibilities for covert protection. The possibilities are not exciting, and reflect the position the official group found itself in of very much scraping the barrel for any ideas. The section on port controls exposes the probable lack of powers to stop certain types of imports at their point of entry, and the difficulty of introducing selective impediments without being quickly caught out. As mentioned elsewhere in the report (paragraph 14. iv) any protectionist effect achieved might be at the expense of losses to industries (or the consumer) other than those protected.
5. Paragraph 24 (animal health) requires no comment. Paragraph 25 picks up certain sectors where protection has been lost or will be, and which may become pressure points. There is currently action on many of these. Paragraph 26 to 29 do not call for comment.
6. Paragraphs 30 to 33 outline, in the light of identified constraints, possibilities for overt action within the Community, largely through the Commission. Inevitably there would be extra costs (as noted), but the field seems prima facie worth further exploration. The more action is pressed through the Commission, the more difficult of course it would be to take effective covert action. But the scope for the latter, over and above what is being done already, appears slight. What is proposed in paragraph 33 seems entirely sensible in its own right.
7. Paragraphs 34 to 37 deal with the enforcement of Community law. There appear no practicable routes to introducing the kinds of delay others (notably, the French) can contrive within their legal systems, but paragraph 37 sets out a class of case in which useful delaying tactics might be employed from time to time.

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Conclusions

8. It is clear that the paper does not provide the basis for a schematic approach to the introduction of covert NTBs. This is not surprising. The measures and processes open to us are, naturally, all well known. It was always unlikely that any new general procedure could be invented. Moreover, given the very open nature of the UK's administrative processes (contrary to popular mythology) it is virtually impossible to envisage - against the background of a policy stance of encouraging maximum fair competition - a system which would enable Government (for example) to stop imports of specified goods at points of entry at will. As far as covert action is concerned, I believe that no additional general measures are immediately worth contemplating. This is not to preclude the possibility that some ideas may not emerge in future, for instance as a better grip is taken on standard-making and the rôle of standards. There is no need to take it as given that more or better specific measures cannot be devised as cases requiring action arise.

9. If you agree with that, you can endorse the views expressed by the Secretary of State under his third point. They leave the way open for defensive action as may be thought desirable. They are consistent with your own approach to the matter as I understand it, but do not reflect any sense of urgency. What you are seeking to instil is a presumption of the desirability of a vigorous, swift response to objectionable action by others, with a willingness to run rather more risk that has been the practice hitherto of being ultimately declared out of court or of inducing retaliation. What that calls for is an awareness on the part of those dealing with industry - the parallel with purchasing policy is clear - of the need to think and act very positively when our interests may be or are being harmed. Arguably responses have been too acquiescent in the past.

10. You may think that the Secretary of State's conclusion, that there should be no endorsement of officials' recommendations but simply that note should be taken of his minute, is altogether too dismissive. It is in fact contrary to the view expressed in his

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paragraph 5, that sectors where helpful regimes are expiring should be looked at (paragraph 25 of the paper). Indeed, it would seem sensible, and not at all in conflict with the Secretary of State's views, that the conclusions set out in paragraphs 42, 43, 44 and 46 should be endorsed and officials instructed to proceed accordingly.

11. One way of carrying forward the debate is to challenge the handling of a particular case. Mr Ridley has suggested that, prima facie, measures described by the French to protect their markets against UK exports of mass produced doors might be a good example, if a recent report from Michael Latham MP turns out to have substance behind it. I understand from him that he is already pursuing Mr Latham about the matter, and may be able to come up with something more solid before long on the basis of which you could, perhaps, write to Mr Biffen. Since the case is not yet firm enough, you can clearly do no more than allude to the possibility in rather general terms.

12. One area that is not covered in the paper is the scope for imposing perfectly legitimate import controls - for example, under Article XIX of the GATT where rapid import penetration threatens serious injury to domestic producers. This is because a certain amount of work on the scope for such action had already been undertaken by officials, and there is not need to commission anything further. However, it may be worth drawing attention to the point in minuting the Prime Minister, and referring to the need to remain alert to the possibility of taking, or threatening to take, this type of action in appropriate cases.

13. Finally, the Secretary of State includes a comment about EMS membership, to the effect that the ability to determine the sterling exchange rate was much more important to the trade balance than any possible action on non-tariff barriers. If we joined we obviously would have to keep to the rules: and we also believe that sterling would tend to have to follow the future of the DM. However Mr Biffen's remarks, taken literally, seem to overstate

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(as you yourself have commented) our existing ability to manage the rate and may also imply a readiness to see it depreciate quite significantly. The references to EMS are really rather a red herring.

14. The Minister of Agriculture wrote to the Prime Minister on 13 January. He makes essentially two points: the need for tougher action in the EC context, and the need to match competitors' subsidies as a last resort. You may like to support him on the first, and sound an appropriate warning note on the second.

... 15. I attach a draft minute to the Prime Minister for your consideration. This includes a dismissive sentence about the EMS which you may not consider worthy of reference.

16. This submission and the draft minute have been prepared in consultation with OF (Mr Lavelle), AEF2 (Mr Slater) IA1 (Mr Fitchew) and Mr Ridley.



P R GORDON

pl. type
for CLEX sig.

DRAFT

In practice the actual options matter less than our attitude ^{to specific cases}: we must show that we are ^{ready} determined to consider a full range of options ~~in specific cases~~ and if we decide ^{to} action, is desirable to act ~~those measures~~ with determination.

PRIME MINISTER

UNITED KINGDOM TRADING POLICY

I have seen the Secretary of State for Trade's minute to you of 23 December, and the official report accompanying it.

2. I am ^{think} ~~inclined to agree with~~ his assessment of the possibilities of any form of systematic invention or maintenance of non tariff barriers (NTBs), ^{is about right.} and hence to ~~in general,~~

I support ~~in general~~ his conclusion that we should continue to act pragmatically. I do not think the report ^{offers} yields for the most part any new types of ^{useful covert} action, which might usefully be taken covertly. ^{But} This is scarcely surprising, since ^{we are} the possibilities ^{already well aware of the general} open to us are already well known in general terms. However ^{open to us.} that conclusion does not of itself tell us a great deal. ^{But} What really matters is the particular application of the ^{available options} full range of possibilities in specific cases, ^{Exercise} ~~and the determination with which they are considered~~ and applied. ~~that we are determined~~

3. Our main concerns ^{is to} are that we combat any notions held ~~in the country at large,~~ or indeed by our competitors, that we are a soft touch, ^{and we must} ~~to ensure that~~ we do not neglect the weapons ^{we have available} to us to attack or put pressure on ^{other countries'} the non-tariff barriers of others, or ^{to} protect ^{our industries} against unacceptable competition in our own markets here, ^{In the past our approach has been} ~~are not neglected.~~ To do that, I think we need to ^{indulgy passive.} adopt a more active approach than we have in practice done so far. ^{4.} The counterpart of that is that where we can not do so we need ^{take swift action} to be able to explain informally as the need arises that we must stand ready to put our case to show that that decision we have considered all the ways in which we can protect ^{has only been taken after full consideration of the options available.} our industry against unfair treatment, and why many of ^{When we see our interests threatened, we must be ready to act swiftly and decisively, to show people that we mean business. It may be that that strategy will inevitably mean}

When we see our interests threatened, we must be ready to act swiftly and decisively, to show people that we mean business. It may be that that strategy will inevitably mean

prepared to pay

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~~them are either not open to us or will work against the general good. The report gives ^{US} some pointers for this. ~~we should draw on them.~~~~
~~I still think that we could generally respond more swiftly and robustly to complaints, accepting more risk than we have been prepared to hitherto, for example of being ruled against in the European Court.~~

~~4. I doubt whether John is right to suggest that we should simply take note of the points he has made and leave it at that. I would have thought that the conclusions on alternative protection for certain industries (paragraph 41); on the European Investment Bank (paragraph 42); on Commission and industry action (paragraphs 43 and 44); and on certain legal delays (paragraph 46) ^{are, at the very least,} ~~were~~ worthy of consideration, ^{and we may wish to take further action on these points.} ~~and further action (if we are so agreed) as may be appropriate.~~~~

~~5. One area that is not covered in ^{the} report (because work has been done elsewhere) ^{does not cover} ~~concerns~~ the scope for imposing perfectly legitimate import controls - for example, under Article XIX of the GATT where rapid import penetration threatens serious injury to domestic producers. I ^{do not think that requires further} ~~am not suggesting that we~~ need ^{Study.} ~~do further work on this topic.~~ But I do think it is ^{we should} ~~important that we remain alert to~~ ^{this} ~~the possibility of taking such action in appropriate cases on this front as well.~~~~

~~6. I do not think that the comments about the EMS are really justifiable - for one thing our present ability to control the exchange rate is overstated - but this is scarcely the place to debate this issue.~~

~~7. I ^{would also like to comment on} ~~have also seen~~ Peter Walker's letter of 13 January. I have two comments. First, I agree with him that our priority must be to get the Community to regulate and preferably much reduce the volume of national aids in agriculture. I suggest that in really blatant cases we should be prepared at least to consider the possibility~~

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of ourselves bringing an action in the European Court against an erring member state. I recognise that there may be legal as well as political difficulties in this, but even the threat of such an action may help to keep the Commission up to the mark.

8. Second, as his letter implies, the option of subsidising our own industries should only be considered in the most exceptional cases. I certainly could not accept, as a general proposition, the view that in the last resort we must be prepared to match a competitor's subsidies. Subsidies to ailing firms or industries have to be paid for out of taxation which either directly or indirectly will impose a burden on efficient and competitive ones. So even in the rare cases where a good argument for a temporary subsidy can be made out, the money would have to be found from within agreed public expenditure ceilings.

9. Finally, there is nothing like specific cases to concentrate the mind. I think it would be useful to look at the lessons of, for example, a particular NTB imposed by our competitors. I have it in mind to offer an example of one or two shortly.

10. I am sending copies of this minute to the Foreign Secretary, the Secretary of State for Trade, the Secretary of State for Industry, the Lord Privy Seal, the Minister of Agriculture, Sir Robert Armstrong and Alan Walters.

W.A.7
v. 1112 w.c.
H.V. A
R. 1112
J. 1112 w.
2. 1112

From: ADAM RIDLEY
18 January 1982

E.14

MISS RUTTER

cc Mr Gordon

UK TRADING POLICY

You asked me if I had any comments on the submission Mr Gordon put into the Chancellor on 15 January, following the Secretary of State for Trade's minute of 23 December covering a report by an ad hoc group of officials. Mr Gordon and I liaised last week over the preparation of ^{the} submission, and it embodies a number of points which I have made, which are sidelined in the attached copy of what he submitted to the Chancellor.

2. The most important feeling which I wished to import into the submission is reflected in the latter half of paragraph 9 - the feeling that what the Chancellor is, I think, looking for is a willingness to act positively, creatively and with at least half an eye on the outside world and the politics of the issues involved, in contrast with the present tendency which is to do not very much, rather too late, and always against the backdrop of somewhat complacent judgements that we're either doing all we can, or would stand to lose an enormous amount if we ever do anything more than is currently undertaken. It is, of course, all very well for one to say things like this. The Chancellor could then ask what on earth should be done to give effect to such an idea. I suppose that the answer is, inevitably, to ensure that there is suitable Ministerial pressure behind such a philosophy and its implementation; I have at the back of my mind the impact of Kenneth Baker on information technology. Second, one can designate a suitable senior official to give effect to the policy in detail, something which clearly involves a good deal of inter-departmental liaison in the UK case, for sure. Third, one can demonstrate the need for such an approach by bringing out into the open the failure to exploit such opportunities in the past. That is my reason for pursuing the rumoured action taken by the French against the so-called "half hour fire-doors",

which I am chasing with Mr Latham. (There is a reference to that in paragraph 11 of Mr Gordon's submission.)

3. A final observation: in pursuing such thoughts one wants always to make it clear that one is not advocating a massive move to protection - merely an effort to raise the UK's willingness to have recourse to such actions at the level which is needed to justify the maintenance, for the most part, of the liberal trading order. The existence of unfair competition and the refusal by the British Government to deal with it are not good arguments for free trade and open competition.



ADAM RIDLEY

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From: ADAM RIDLEY
26 January 1982

E.14

CHANCELLOR

JH
*Pl. minute to Adam, asking
how to proceed with ? of*

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (L)

*Can we find
one > all this?*

UK TRADING POLICY

May I add one brief comment prompted by your minute of 25 January to the PM about the official report on trading policy. It may not be a very original thought, but one cannot help asking whether the Department of Trade's reaction to the French Government's recent decision to set import penetration ceilings may not be a very good test case of the reality of what we are talking about. One forms the impression from afar (I have not studied the telegrams) that the French are not talking about a modest little PR exercise, but something which is really designed to protect their market quite efficiently. It is quite conceivable that they will not be doing anything very overt, and that there will be no basis on which to challenge the legality of what they are up to. That will surely not in any way mean that it would be appropriate for us to take such measures lying down. Indeed it might even be justified for us to make it clear that various counter measures are conceivable if their initiative is in the event to amount to something.

ADAM RIDLEY

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From: P R GORDON
2 February 1982

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Minister of State (C)
Minister of State (L)
Mr Quinlan
Mr Dixon
Mr Carey
Mr Slater
Mr Ridley
Miss Sinclair
Mr Mortimer

*Exactly as we feared:
same v. state - & no
lower effort - found action
however a UK debt "fear"
that we might be expected to
do something by way of
retaliation - which is certainly wrong by a
customary sense of inertia!*

*Or do' do
injunctives*

UK TRADING POLICY : FRENCH RECONQUEST OF DOMESTIC MARKET

Your Private Secretary's minute of 27 January to Mr Ridley asked for details of the French Government's recent decision to set import penetration ceilings; and the Department of Trade's reaction to this move.

2. Miss Sinclair and Mr Mortimer have together prepared the attached note, which summarises our present knowledge of the French Government's campaign to reconquer the domestic market (the proposed ceilings are part of this campaign). The views of the Departments of Trade and Industry are also summarised, and a comparison is made with similar attempts in the UK to reduce import penetration.

P R GORDON

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FRENCH RECONQUEST OF THE DOMESTIC MARKET

Early in December the French Government made known the broad outlines of/^a5-year plan aimed at "reconquering" their internal market, buttressing French industry, and cutting imports. We do not yet know the full details of their plans; and in some sectors specific schemes are still in the process of being worked out. But it is already clear that measures will be taken in the following sectors: furniture, textiles, toys, footwear, machine tools, domestic appliance, TV and radio.

2. The following measures have emerged to date:

- a. A "Buy French" drive: there are persistent rumours of circulars to this effect, but no hard evidence. Similar circulars were issued under the last Administration, and resulted in the French Government being taken to the European Court by the EC Commission. Judgement is still awaited.
- b. The setting of quantified import reduction targets in certain sectors, including footwear, furniture and textiles. The details are not clear in most cases, eg whether such schemes would be voluntary or in some way mandatory. It would appear that distributors are being asked to reduce imports by anything from 10% to 25% over a year to 18 months.
- c. "Parafiscal" taxes are to be levied on imports of textiles, clothing and furniture. It appears that imports from other Community countries will be exempt, but the point needs clarification. HM Embassy are pursuing.
- d. French Customs authorities are withdrawing tax credit facilities for all imports from whatever source. No import duty as such is payable on goods imported from within the EC. Importers used to have up to 120 days to pay duty on imported goods. This facility has now been withdrawn, adding an estimated 2-5% on to importers' costs.

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3. In addition to these specific measures, HM Embassy have reported alleged cases of Government pressure being brought to bear on companies to "Buy French" in return for new or continued Government aid. There may well be nothing new in this, of course, and such cases are notoriously hard to prove.

Reaction in the Community

4. The Italians and Dutch raised the subject in the Foreign Affairs Council on 25/26 ^{January,} the former no doubt because the measures on footwear seem largely directed against them. The Treaty of Rome prohibits all measures equivalent to quantitative restrictions within the European Community, and all State aids which threaten to distort competition. The EC Commission were urged to investigate what the French were doing, and to report back.

Department of Trade/Department of Industry/Foreign & Commonwealth Office reaction

5. There is no real difference of view between the three Departments.

6. Their main fear is that the French action will stimulate pressure for similar steps to be taken in the UK, particular if a significant volume of third country imports is diverted away from France. The Department of Trade have already had several PQs urging the UK to follow the French example by introducing restrictions on imports of footwear. Both Department of Industry and Department of Trade are anxious to be seen to be pressing the Commission to investigate thoroughly. Privately neither they nor the Foreign and Commonwealth Office believe that the Commission will be able to do much in practice. In many cases they will be unable to prove that the French are breaching the Treaty.

7. So far Departments in London have had no complaints from UK industry that the French measures are hurting them. This is probably because few are yet in force. They may also turn out to be fairly ineffective. But if this is not the case, the UK could suffer in certain of the sectors singled out for protection, eg machine tools.

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8. In sum, the three Departments are resigned to the French "getting away with it". It is possible that the whole French campaign is more presentational than substantial. As mentioned above, it seems likely that there is nothing new about some of the actions being taken by the French under the banner of "reconquering their domestic market."

Comparison of French measures with those considered/implemented in the UK

9. Since little is known about the detail of the French proposals, it is difficult to compare them directly with what goes on in the UK. Nevertheless:

- i. The "Buy French" drive is in some respects similar to the public purchasing initiative launched by Sir Keith Joseph in 1980, and the "positive purchasing drive" (in respect of the private sector) launched by Sir Derek Ezra last year. Both are designed to encourage purchasers to exploit their purchasing power to strengthen British industry.
- ii. The French proposal to set quantified import reduction targets can be compared with some of the work of the EDC/SWPs. Many of the tripartite committees monitor import penetration, and seek to identify ways in which it can be reduced, eg through establishing closer user/supplier links, more positive marketing etc.
- iii. We appear to have nothing comparable to the French "parafiscal" taxes. The possibility of changing the arrangements for paying VAT on imports has, of course, been examined before, and rejected.

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From: ADAM RIDLEY
3 February 1982

put

Having looked at the question recently I think the last thing you want of this stage is for the heavy element of VAT on imports to be re-introduced as a serious measure. It has very little going for it, even as a weapon of protection, but I sometimes suspect it has a hankering for it despite the arguments: and the industry may return to the change. cc As you will see, I have started off a minute to I.P. But they've bound to wonder what work, in practice, as they officials, they can do. The fact is that inertia, particularly of the EC, on this question is deeply engrained and goes back to the tradition that changes shouldn't get too hot up about trade. It's also true that with all the pressure Members State can bring to bear, it's very difficult to put these creating machinery to bear on practices of this sort. It's not just the commission's fault.

CHANCELLOR

E.14

- Chief Secretary
- Financial Secretary
- Minister of State (C)
- Minister of State (L)
- Mr Quinlan
- Mr Dixon
- Mr Carey
- Mr Slater
- Miss Sinclair
- Mr Mortimer
- Mr P R Gordon

I see all your points: but they don't persuade me. I'd know that's wrong. I so we

UK TRADING POLICY: FRENCH RECONQUEST OF DOMESTIC MARKET

must talk up the position.

and I
A few quick comments on Mr Gordon's minute, which he discussed briefly after he had despatched it yesterday evening.

2. First, a general point about what the French may well be doing. My own hunch would be that, if they intend to take this exercise seriously, they will be using the banking system as their main weapon. The now largely nationalised banking sector will be told to seek to ensure that the provision of credit will be tied to "buying French" in various respects, the precise details depending of course very greatly on the sector in question. This is an eminently covert exercise, does not involve quotas, tariffs or any kind of visible control, and would be almost impossible to substantiate, whether investigated by the EC Commission or anybody else. (The only people who are likely to catch much wind of such an exercise would probably be British firms with large French subsidiaries - perhaps such as BP.)

3. The measures on credit for importers, referred to in paragraphs 2d and 9iii of Mr Gordon's minute are, indeed, very much relevant to the debate about the imposition of a new régime for the payment of VAT on imports. Coincidentally I had a call from Mr Feilden of the British Footwear Manufacturers Federation, with whom I have, as you know, been corresponding about the case for a tougher treatment of imports. It is clear that he has taken the French measures on board - indeed he may

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will be one of the animators of the recent PQs and pressure on the Department of Industry. So Mr Gordon is quite right to say that one could anticipate "pressure for similar steps to be taken in the UK"!

4. Turning to the broader question of what, if anything is to be done about all this, it is slightly sad to hear that "the three Departments are resigned to the French 'getting away with it'". That is, I should have thought, exactly what you are anxious about. Admittedly it could well be - as Mr Gordon surmises, and not by any means without reason - that this is a largely cosmetic process. But I have the impression from what he says that even if it were not to turn out to be so ultimately, we would just sit on our backsides and do nothing if FCO, DOT and DOI were left to their own devices, or rather attitudes.

5. While there are, of course, very obvious parallels with our own initiatives such as those launched by Sir Keith Joseph, I cannot help wondering whether some sort of high level and direct query to the French Government as to what exactly they are up to might not play a useful role at an early stage in the game.



ADAM RIDLEY

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10 DOWNING STREET

From the Private Secretary

Dear John,

United Kingdom Trading Policy

The Prime Minister was grateful for the Chancellor of the Exchequer's minute of 25 January, whose contents she has noted. She also saw earlier minutes from the Minister of Agriculture of 13 January and from the Secretary of State for Industry of 20 January.

The Prime Minister has commented on these papers:

"I still think that we have not begun to tackle the Japanese problem".

As you will know, this general issue of UK trading policy is for discussion at a meeting of E scheduled to take place later this month.

I am sending copies of this letter to Brian Fall (FCO), John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry), Michael Arthur (Lord Privy Seal's Office), Robert Lowson (MAFF) and David Wright (Cabinet Office).

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
H.M. Treasury.

JK to say
Carry E before
how many
Khan...?

EXCHEQUER
10 FEB 1982
Mr Nixon 10/2
CST
FST
EST

9 February 1982

- MSTC
- MSTL
- Sir D Wass
- Sir K Cousens
- Mr Byrne
- Mr Little
- Mr Hedley Mills

- Mr Kemp
- Mr Lovell
- Mr Fitchew
- Mr Mortimer

Mr Ridley

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93/5
W/E 6/12
RESTRICTED

From: J E MORTIMER
Date: 10 May 1982

CHANCELLOR OF THE EXCHEQUER

cc Sir Douglas Wass
Mr Ryrie
Mr Quinlan
Mr Carey
Mr Dixon
Mr Gordon
Mr Slater
Miss Sinclair
Mr Ridley

FRENCH RECONQUEST OF THE INTERNAL MARKET

In her minute of 2 April, Miss Rutter said that you would like a note on the French reconquest of the domestic market and on what the Department of Trade proposes to do about it.

Measures taken by the French

2. At the beginning of December last year, the French announced proposals to reconquer their domestic market. The proposals were designed to help 14 sectors of the economy. The main elements were:

- (i) measures to improve the French balance of trade by encouraging the production of French products, supporting exports, and limiting imports. Instruments to be used included import licences, public purchasing policy and restrictive trade practices implemented by private industry;
- (ii) a package of aid measures designed to improve industrial competitiveness. The aid would be for research and innovation, new technology and investment.

3. On the face of it, most of these proposals would be in conflict with either Article 30 of the Treaty of Rome (prohibiting quantitative restrictions on imports) or with the rules on competition.

4. It now seems possible that the announcement of these proposals represented something of a "ballon d'essai". In view of the

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subsequent reaction by other EEC Governments, the specific sectoral proposals that the French have announced so far appear to be relatively limited. They cover only five sectors:

- (i) textiles: measures here are designed to safeguard employment and promote competitiveness. Tighter controls are to be introduced on low cost imports (through the MFA). Help is to be provided for research and innovation. Social charges will be reduced for firms making specific commitments on investment and employment. A centre for promoting home-produced products is to be set up;
- (ii) leather and footwear: the aim is to modernise the sector which is particularly uncompetitive. The main efforts are to be directed at improving the value of the national raw material (raw skins). Measures include investment aid for the tanning industry;
- (iii) furniture: the objective is to encourage concerted action between producers and distributors to improve product quality. Measures include trade promotion, the introduction of a voluntary labelling system, and new investment aids financed by the doubling of parafiscal charges on domestic output;
- (iv) toys: the aim is to promote innovation, including the development of electronic toys. A semi-public company is to be set up to achieve these aims;
- (v) machine tools: the objective is to develop a competitive digital high technology industry with a greater use of robots. Measures include a programme of technical innovation and training, increased public orders, public sector participation in manufacturing industry etc.

5. At first glance, it appears that these sector plans no longer refer to measures to regulate trade in breach of Article 30 of the Treaty. The French have argued that efforts to bring together manufacturers and dealers are not designed to organise restrictive practices to limit imports. The Commission, however, have received various complaints about restrictions on trade and are examining them at present. The French have notified the Commission of their plans for the five sectors listed above.

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6. The French have also argued that the various forms of aid that have been proposed are not in breach of the EEC competition rules. They point out that the aid is mainly for research and innovation. The Commission are concerned, however, about the proposals and are examining them as well.

Action taken by the Department of Trade

7. Since the French measures were discussed in the Council on 28 January, both the Minister of State for Trade and senior officials in the Departments of Trade and Industry have continued to express disquiet to the French. We are also aware that the Germans have expressed their views bilaterally to the French. The response of the French has been to deny that their action has been in breach of the Treaty. They have also shifted their ground somewhat - and started to talk about the need to fight off imports from Japan and the US in order to reconquer the European market (an objective which is of course far less controversial than reconquering the domestic market).

8. You will recall that you wrote to Mr Biffen about six weeks ago concerning a complaint you received from a constituent regarding protectionist measures introduced by the French as part of the reconquest. Mr Biffen replied emphasising that the Commission were examining the French proposals, and pointing out that they would not fail to take the French to the European Court if they succeeded in unearthing hard evidence against them. He hinted, however, that various complaints about the British (eg in relation to a buy British campaign in the nationalised industries) made the UK's position a little difficult.

9. The number of complaints about the French measures received so far by the Departments of Trade and Industry cannot be described as large. The Department of Trade say that your constituent's letter referred to above is the most recent complaint that they have received. The Department of Industry say that they have had "a few complaints" from the footwear and toy sectors, including one Ministerial case. At your EDC/SWP Chairmen's meeting on 30 March, Mr Spencer Crookenden complained about what was happening in the

RESTRICTED

footwear sector; he promised to write in with firm evidence about French actions, but we do not believe a letter has yet been received. On 23 April, our Embassy in Paris wrote to say that Courtaulds Hosiery Division had recently lost a £300,000 order from a French company, and it was possible that French Government pressure was to blame.

10. At present, the matter lies with the Commission, and we are awaiting of the outcome of their investigation. In view of the fact that the French have shifted their ground, and in the absence of hard evidence of French malpractice, I get the impression from those that I have talked to in Whitehall that some of the steam has gone out of this issue. I understand, however, that the Department of Trade are still trying to maintain pressure on the French, and Mr Rees will be briefed to raise the French reconquest with his French opposite number in the margins of the Franco-British Council in Edinburgh next week.

Further steps

11. I believe the Department of Trade feel that there is not a great deal more that can be done at present. However, it is a little difficult to be certain of this from our advantage point in the Treasury, and, if you yourself have some doubts about the vigour with which Trade are pursuing this matter, it might be worth writing to Lord Cockfield seeking his confirmation that as much pressure as possible is being applied on both the French, to get them to play the game, and on the Commission, to investigate alleged breaches of the rules. We will gladly supply a draft letter.

12. Another possibility would be for you to raise the matter of the French reconquest with M Delors in the margins of the next Finance Ministers Council (our understanding is that M Delors is a little embarrassed by the reconquest proposals, which are mainly the work of M Jobert). Probably the main value of applying pressure in this way is that, even if it has little effect in persuading the French to rescind what action they have already taken, it might prevent them from introducing further protectionist measures for other sectors of the economy.



J E MORTIMER

Chancellor.

RESTRICTED

From: J E MORTIMER

Date: 10 May 1982

I find this only moderately reassuring. Although the French may have only done the limited things outlined in §4, have they really now agreed to stop that of 26) 4(u) - import licences etc. And have they not also already implemented a selective VAT prepayment on some imports

CHANCELLOR OF THE EXCHEQUER

cc

(cf. attached proposals here?)

M. 11/5

Sir Douglas Wass

Mr Ryrle

Mr Quinlan

Mr Carey

Mr Dixon

Mr Gordon

Mr Slater

Miss Sinclair

Mr Ridley *8/12*

FRENCH RECONQUEST OF THE INTERNAL MARKET

In her minute of 2 April, Miss Rutter said that you would like a note on the French reconquest of the domestic market and on what the Department of Trade proposes to do about it.

Measures taken by the French

2. At the beginning of December last year, the French announced proposals to reconquer their domestic market. The proposals were designed to help 14 sectors of the economy. The main elements were:

- (i) measures to improve the French balance of trade by encouraging the production of French products, supporting exports, and limiting imports. Instruments to be used included import licences, public purchasing policy and restrictive trade practices implemented by private industry;
- (ii) a package of aid measures designed to improve industrial competitiveness. The aid would be for research and innovation, new technology and investment.

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subsequent reaction by other EEC Governments, the specific sectoral proposals that the French have announced so far appear to be relatively limited. They cover only five sectors:

- (i) textiles: measures here are designed to safeguard employment and promote competitiveness. Tighter controls are to be introduced on low cost imports (through the MFA). Help is to be provided for research and innovation. Social charges will be reduced for firms making specific commitments on investment and employment. A centre for promoting home-produced products is to be set up;
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Action taken by the Department of Trade

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8. You will recall that you wrote to Mr Biffen about six weeks ago concerning a complaint you received from a constituent regarding protectionist measures introduced by the French as part of the reconquest. Mr Biffen replied emphasising that the Commission were examining the French proposals, and pointing out that they would not fail to take the French to the European Court if they succeeded in unearthing hard evidence against them. He hinted, however, that various complaints about the British (eg in relation to a buy British campaign in the nationalised industries) made the UK's position a little difficult.

9. The number of complaints about the French measures received so far by the Departments of Trade and Industry cannot be described as large. The Department of Trade say that your constituent's letter referred to above is the most recent complaint that they have received. The Department of Industry say that they have had "a few complaints" from the footwear and toy sectors, including one Ministerial case. At your EDC/SWP Chairmen's meeting on 30 March, Mr Spencer Crookenden complained about what was happening in the

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footwear sector; he promised to write in with firm evidence about French actions, but we do not believe a letter has yet been received. On 23 April, our Embassy in Paris wrote to say that Courtaulds Hosiery Division had recently lost a £300,000 order from a French company, and it was possible that French Government pressure was to blame.

10. At present, the matter lies with the Commission, and we are awaiting of the outcome of their investigation. In view of the fact that the French have shifted their ground, and in the absence of hard evidence of French malpractice, I get the impression from those that I have talked to in Whitehall that some of the steam has gone out of this issue. I understand, however, that the Department of Trade are still trying to maintain pressure on the French, and Mr Rees will be briefed to raise the French reconquest with his French opposite number in the margins of the Franco-British Council in Edinburgh next week.

Further steps

11. I believe the Department of Trade feel that there is not a great deal more that can be done at present. However, it is a little difficult to be certain of this from our vantage point in the Treasury, and, if you yourself have some doubts about the vigour with which Trade are pursuing this matter, it might be worth writing to Lord Cockfield seeking his confirmation that as much pressure as possible is being applied on both the French, to get them to play the game, and on the Commission, to investigate alleged breaches of the rules. We will gladly supply a draft letter.

12. Another possibility would be for you to raise the matter of the French reconquest with M Delors in the margins of the next Finance Ministers Council (our understanding is that M Delors is a little embarrassed by the reconquest proposals, which are mainly the work of M Jobert). Probably the main value of applying pressure in this way is that, even if it has little effect in persuading the French to rescind what action they have already taken, it might prevent them from introducing further protectionist measures for other sectors of the economy.



J E MORTIMER

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Leah
Received 3/10/82
From: J E MORTIMER
Date: 26 May 1982

(Pnp)

1. MR DIXON *lagu. 27/5.*
2. CHANCELLOR

- cc Sir Douglas Wass
Mr Ryrie
Mr Quinlan
Mr Carey
Mr Slater
Miss Sinclair
Mr Ridley

FRENCH RECONQUEST OF THE INTERNAL MARKET

In his minute to me of 24 May, Mr Jenkins said that you would like to write to Lord Cockfield urging him to put as much pressure as possible on the Commission, in order to get them to investigate thoroughly alleged breaches of the Treaty by France, and on the French, to get them to play to the rules. A draft letter is attached at Flag A.

2. You will see that the draft refers to a letter from Mr Spencer Crookenden complaining about the action the French have taken in the footwear sector. This letter follows up the complaint made by Mr Crookenden at your last meeting with EDC/SWP Chairmen. In my note of 10 May, I said that I did not believe that Mr Crookenden had in fact written in. I am afraid this was a mistake. I have only just received a copy of the letter by a rather circuitous route. The copy is at Flag B.

J E Mortimer

J E MORTIMER

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2/6
M/√/Hpl.

DRAFT LETTER FROM: The Chancellor

TO: The Secretary of State for Trade

FRENCH RECONQUEST OF THE INTERNAL MARKET

^{becoming increasingly worried}
I am ^{am} very concerned about the complaints I have received ^{ing}
^{about} concerning the French "reconquest" of their domestic
market. ~~I should be grateful if you could reassure me~~
~~that as much pressure as possible is being put on the~~
^{Are we doing all we can to press the Com}
Commission, ~~to get them to investigate thoroughly alleged~~
breaches of the Treaty by France, and ^{to press} ~~on the French~~
themselves, ~~to get them to play the game.~~ ?

2. You may be aware that I wrote to John Biffen ^{I wrote to John Biffen} on
12 March/ enclosing a complaint I had received from a
constituent/ ^{of mine} who ^{contacted} argued that French industry had been
directed by the French Government to buy French unless
imported goods were more than 10 per cent cheaper than
domestically produced items. Since then, Spencer Crookenden
of the Footwear EDC has complained to me at one of my
meetings with EDC/SWP Chairmen about action in the footwear
sector, and I believe he subsequently wrote to your
Department enclosing the evidence available to him on what
the French were up to. I have also seen a report from our
Embassy in Paris that Courtaulds recently lost a
£300,000 order from a French company, and it was possible
that French Government pressure was to blame.

^{In his reply of}
3. When he wrote to me on 29 March, John Biffen said
that the Commission were investigating the French "reconquest",
and that the matter largely lay in their hands. He pointed
out that we had already expressed our concern at the
French measures, both in the Council and bilaterally with
the French. I do not know what developments there have
been since then. But ^{it remains uneasy} ~~clearly a lot of unease remains.~~
I do believe ^{it} ~~it is important that we should do everything we~~ ^{all we}
~~can to pressurise the Commission and the French, so as~~
~~can~~ both to protect the position of British traders exporting
to France, and to ensure that goods from third countries
that were originally intended for France are not diverted to
the British market. ^{here.}

2/6



From the Secretary of State

RESTRICTED

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1P 3AG

EXCHEQUER	
REC	14 JUN 1982
ACTION	Mr Dixon 15.6
COPIES to	Sir A Wass
	Sir W Ryne
	Mr Quinlan
	Mr Carey
	Mr Slater
	Miss Sinclair

14 June 1982

Mr Ridley
Mr Mottner

Hmm?

Dear Geoffrey,

"RECAPTURE" OF FRENCH HOME MARKET

You wrote to me on 3 June, following your correspondence in March with John Biffen. I do not know if, as John Biffen suggested, you have been able to speak to Minister Delors about the "10% preference" story reported by your constituent.

You refer to the Footwear EDC's representations. Mr Crookenden has been very active in pursuing his representations. I believe that John Biffen was present when you met Mr Crookenden, and he subsequently wrote to John. I replied on 7 May, and have not heard further. We know that this sector is one in which the Commission is still pursuing its enquiries. If anything emerges I will certainly let you know.

You also refer to a report of 23 April from the Embassy in Paris, who had been told by a local Courtaulds representative that a supermarket chain had cancelled an order under pressure from Foreign Trade Ministry officials. The Embassy has spoken suitably to the Ministry about this report, but I understand has confidentially expressed doubt as to whether it is to be taken at its face value.



From the Secretary of State

RESTRICTED

There are two dangers that we need to guard against. The first, as you say, is that trade may be frustrated or distorted. If this should occur, I should naturally be the first to be concerned. Strikingly, however, my Department has received no complaints from British industry beyond those of which you know. If any should come, you may be quite sure that we shall take them up.

The second danger, seen in the Footwear EDC correspondence, is that pressure will mount on us to match any French measures here. Patrick Jenkin has dealt with this firmly in his own letters to Mr Crookenden.

"Recapturing the home market" was originally a Socialist Party manifesto slogan. The French were plainly foolish to re-use it in December. The resulting chorus of Community criticism has obliged them to disown some of their first ideas for giving it substance, and has attracted close scrutiny to their remaining plans. They have sought, though with indifferent success, to divert attention with proposals for new defences for the Community market as a whole.

[Handwritten note: The title here is taken from the original document. What is the meaning of 'worry'?

This leaves me suspicious rather than uneasy, and vigilant rather than worried. But this is not an Anglo-French issue; our other partners are equally suspicious, and generally have similar interests in the matter.

All of us have made it clear that we look to the Commission to discharge its responsibilities on our behalf in a prompt and thorough fashion and to report on them if necessary. Without being complacent, I should be reluctant to assume that the absence of such a report signifies that the French are being allowed to get away with something. However, I am asking

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From the Secretary of State

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Peter Rees to get in touch with Commissioner Narjes to ask him whether the Commission are confident that they have a full picture and if so are in a position to set at rest anxieties which may linger in business circles in other Member States and which we could respond to with a quotable statement.

A handwritten signature in blue ink, appearing to read 'Arthur', with a long horizontal flourish extending to the right.

LORD COCKFIELD

RESTRICTED

RESTRICTED

^C
I see no harm, and some point, in
clearing up the Commission as
suggested. pag 24.6

From: J E MORTIMER
Date: 24 June 1982

1. MR GORDON ✓ ^{24/6}
2. CHANCELLOR

cc Sir D Wass
Sir W Ryrie
Mr Quinlan
Mr Carey
Mr Dixon
Mr Slater
Mr Perry
Mr Tyler
Miss Sinclair
Mr Ridley

FRENCH RECONQUEST: REPLY TO LORD COCKFIELD

You wrote to Lord Cockfield on 3 June (flag A) seeking his assurance that as much pressure as possible was being applied to the Commission to get them to investigate thoroughly the French reconquest of their domestic market. Lord Cockfield has now replied (flag B) saying that criticisms that have been voiced by the UK and others have forced the French to back down somewhat, and there appears to be little that is objectionable in what the French are up to. Nevertheless, he suggests that Mr Rees should "get in touch" with Commissioner Narjes (who is responsible for investigating the French reconquest) to ask him whether the Commission are confident that they have a full picture of what the French are doing, and if so are in a position to set at rest anxieties which may linger in business circles in other member states and which we could respond to with a quotable statement.

2. We broadly agree that the way forward suggested by Lord Cockfield is right. An important consideration here is that we have heard in the last week or so that, because the Commission have come up with little hard evidence of French malpractice, they do not intend to report to the Council on their investigations. Unless, therefore, the UK pursues the matter further (eg by getting Mr Rees to write to Commissioner Narjes) there is a danger that nothing more will be heard about the French reconquest, and the pressure being applied to the French as a result of the Commission's investigation will simply disappear.

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Assuming Mr Rees does "get in touch" with Narjes, it seems to us to be important that he does not do so in too-relaxed a way. In particular, we believe he should send Narjes a letter asking some pretty pointed questions about what the findings of the Commission on the French reconquest are, and why the Commission do not plan to report to the Council. Unless we press the Commission in this way, it seems to us that Ministers will have great difficulty in convincing those that have complained about the French measures that their complaints have been taken seriously and pursued in Brussels as vigorously as possible. If you agree, you may feel that it is worth writing to Lord Cockfield, making these points. A draft letter is at flag C.

4. You may be interested to know that the reconquest is not the only area where allegations have been made about the French breaking the rules. AP, for example, are concerned about what they have been doing in the public purchasing field. Despite an obligation under the Supplies Directive to produce annual public purchasing statistics, the French have not produced any since 1979. Statistics for that year suggest that they were abusing the exemptions permitted under the Directive. Moreover, it appears significant that they failed to provide the figures which would show how much purchasing they actually made from non-French firms. Despite these failings, we have seen no effort by the Commission to bring the French into line. The French Government have also been facing infraction proceedings from the Commission for specific "Buy French" instructions issued by them to their public sector. The Commission have recently dropped their legal action, and we are at present seeking to discover on what basis they decided to do this. At the same time, the Commission are pressing the UK on several public purchasing issues connected with local authorities, nationalised industries and the Treasury public purchasing guidelines. AP do not suggest that this be picked up in the correspondence with Lord Cockfield, as it is sensible to deal with it as a separate issue. But you may think it reinforces the need to maintain pressure on the Commission whenever they appear to be lax in their actions towards others.



J E MORTIMER

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19. type

✓ 25/6

DRAFT LETTER FROM: The Chancellor

TO: The Secretary of State for Trade

COPIES TO: Foreign Secretary
Secretary of State for Industry

French "Reconquest" of the Internal

~~RECAPTURE OF FRENCH HOME MARKET~~

11/11

✓ Thank you very much for your letter of 14 June. I am glad to hear that you believe there may not be as much in the French "reconquest" as was once thought, and that you remain vigilant but unworried.

2. I don't dissent from your proposals for future action. But I broadly agree with the way you plan to carry the matter forward. I would, however, like to suggest that when Peter Rees writes to Commissioner Narjes he asks him some fairly pointed questions. What are the findings of the Commission on the French "reconquest"? Why are the Commission not going to report to the Council? Why is no further action likely to be taken on, for example, the circular on the leather and footwear industry put out by the French Ministry of Industry last November (a copy of which was attached to Spencer Crookenden's letter of 2 April), and which appears prima facie to breach Article 30 of the Treaty? Are there similar circulars in existence covering other sectors?

3. It would also be helpful if Commissioner Narjes would instruct his officials to talk to UKREP about the details of the Commission's findings. Unless we press the Commission in this way, it seems to me that we shall have great difficulty in convincing those who have registered complaints about the French measures that we really have taken their complaints seriously and pursued them in Brussels to the best of our ability.

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4. When the French "reconquest" was discussed in the Council last January, ~~I note that~~ it was the Italians and the Dutch ^{who} that took the lead in raising the matter. ~~I wonder whether~~ ^{Would it} it would be worth getting UKREP to find out whether either ^{they}, these or any of our other EEC colleagues, remain, like us, a little dissatisfied at the failure of the Commission to report their findings to the Council?

5. ~~I am copying this letter to Francis Pym and Patrick Jenkin.~~



EXCHEQUER	
28 JUN 1982	
ACTION	Mr Dixon
COPIES TO	Sir A Wass, M28/6
	Sir W Byrne
	Mr Quinlan
	Mr Carey
	Mr Stiles
	Miss Sinclair
	Mr Ridley, Mr Mortimer

120

Foreign and Commonwealth Office

London SW1A 2AH

25 June 1982

From The Minister of State

Rt Hon Douglas Hurd CBE MP

Dear Geoffrey,

FRENCH RECONQUEST OF THE INTERNAL MARKET

I have seen a copy of your letter of 3 June to Arthur Cockfield about the French 'reconquest' of the domestic market and of his reply of 14 June. I sympathise with your concern about the possible implications of the French measures, and share your view that we must try to ensure that the Commission investigate any possible breach of the Treaty by the French. I gather that we have in fact been encouraging the Commission to scrutinise the French measures and made sure they are aware of the little firm evidence we have of problems caused for British companies, notably in the footwear sector. I feel, however, that it would be a mistake at this stage to raise the question again in the Council. It would not add significantly to pressure on the Commission, would be met by protestations of innocence from the French which we could not counter very effectively, and would lay us open to counter-accusations and perhaps a broader discussion of the need for measures against Japanese investment. In such circumstances the Council discussion might actually be counter-productive and lead to a lessening of Commission pressure on the French.

I agree with Arthur Cockfield that a better way of keeping up the pressure on the Commission would be for Peter Rees to write to Commissioner Narjes in the terms suggested.

I am copying this letter to Arthur Cockfield.

Lowery
Doyle

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury



From the
Minister for Trade

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 5144
SWITCHBOARD 01 215 7877

Mr Karl-Heinz Narjes
Member of the Commission of
the European Communities

6 July 1982

Dear Commissioner

I have for some time been looking forward to an opportunity of meeting you so that we may discuss Community internal market matters.

As you know, we placed a considerable emphasis on achieving progress in this area during our Presidency last year, and very much share your own commitment to the achievement of a free market for goods and services. You may have heard from your Chef de Cabinet that it is a subject which has aroused much positive Parliamentary interest here; for example, the House of Lords enquiry concentrating primarily on barriers to trade in goods, to which he gave evidence in January. This is now nearing completion. I had hoped to see you at the proposed Internal Market Council last month in Luxembourg, but since in the event this did not take place I should very much like to come over and see you soon in Brussels. I have already asked my office to get in touch with yours to find a mutually convenient time.

It would be my hope, naturally, to run over as many internal market issues as time allows. I think it only reasonable to tell you, however, that one subject under this heading is inevitably colouring comment on the internal market in this country at the moment and lends particular urgency to my wish to talk with you. This is the declared French intention to recapture the home market - an intention to which their President seems recently to have lent his personal weight. You will recall that the Commission has already responded to representations in Council that the relevant French measures would be scrutinised and a report made back if necessary. I believe Member States now badly need the Commission's advice as to whether they are confident that they have the full picture on a matter falling within their responsibility and whether they are in a position to set at rest natural anxieties in business circles about how these intentions and the measures taken under them can be reconciled with the concept of the internal market.

I greatly look forward to talking over these questions with you.

Yours sincerely
Peter Rees

PETER REES

1. M. copy to Dr
K. Atkes.
2. The RWP



From the Secretary of State

EXCHEQUER	
REC.	12 JUL 1982
ACTION	Mr Dixon 13/1
COPIES TO	S. D. Wase
	Sir W. Byrnes
	Mr. Ominikan
	Mr Carey
	Mr Slater
	Mrs. Sinclair
	Mr. Ridley
	Mr. Martine

RESTRICTED

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1A

9 July 1982

Pres. ?

Dear Geoffrey,

Thank you for your further letter, of 30 June, about the French campaign to "recapture" their home market.

I am sure that most of our other Community colleagues share our suspicion and our vigilance. You mention in particular the Italians and the Dutch:

- I have just been in Holland, and drew attention there to the Mitterrand report. The Dutch certainly feel the same way as we do. They told me that they attach importance to making the French feel that they are being closely watched, and they assured me that they would not hesitate to bring forward any evidence of malpractice upon which the Commission could act;

- you, meanwhile, have been at the Anglo-Italian Summit, with a brief on the subject from my Department. If you had a chance of raising it, I hope you found the Italians equally determined, although they themselves are certainly no more faultless than most of us in such matters.

[We forgot?]
No - do I didn't
come up with any
usable stuff.

Jul

Your letter also went into some detail about the contact that I told you I had asked Peter Rees to make with Commissioner Narjes. He has duly written, and I enclose a copy of his



From the Secretary of State

letter. But the necessary points cannot all be made most effectively in correspondence, and so Peter is also arranging to go and see Narjes. He will have your letter with him, and I look forward to his report.

I am copying this to Douglas Hurd, who wrote to you on 25 June after seeing my last letter.

A handwritten signature in blue ink, appearing to read 'Yours, Arthur', with a long horizontal flourish extending to the right.

LORD COCKFIELD

FROM MICHAEL LATHAM, M.P.



Tape

HOUSE OF COMMONS
LONDON SW1A 0AA

26th July, 1982.

Per Adam,

We spoke about the new French protectionist campaign to reclaim their internal markets. By chance, I received the attached letter from En-tout-cas Limited, which seems to me to be a classic example of exactly what is involved. Numbered paragraph 2 is absolutely crucial.

I have written to Neil MacFarlane about this as well.

*Per lists,
Michael*

Adam Ridley, Esq.,
Political Adviser to the Chancellor of
the Exchequer,
Treasury Chambers,
Great George Street,
LONDON, S.W.1.

The logo for En-tout-cas features the company name in a bold, sans-serif font. The text is split across three elements: 'En-' is on a white triangle pointing right, '-tout-' is on a white rectangle, and '-cas' is on a dark grey trapezoidal shape.

Specialists in the design and construction of sports and recreational surfaces.
Designers and engineers of sports and athletic facilities.
Suppliers of sports and recreational equipment.

**En-tout-cas Limited,
Syston, Leicester LE7 8NP
England.**

Telephone: Leicester (0533) 696471
Telex: 342243 Entout G

Our ref: DHG/JEO

Your ref:

Mr. M. Latham M.P.,
House of Commons,
Westminster,
London.
SW1A 0AA

22nd July 1982

Dear Mr. Latham,

I wonder if I may yet again ask for your help. Firstly, however I need to tell the story.

We were recently in direct competition with the French company Resisport in tendering for the provision of an international standard running track at one of our country's centres of excellence - Carnegie College, Leeds. The tender invitations were sent out by Leeds City Council who are financing the project. We have recently been advised that our tender has been rejected and the French company's tender accepted on the basis that their price was approximately £2,000 below our price (contract value approximately £250,000). My understanding is that the National Sports Council are contributing something in the region of £35,000 to this project. Three things disturb me greatly.

1. Despite the various noises that I hear from our politicians regarding backing Britain, we, as an organisation, rarely see any real evidence of this - although in this particular case our British product has recently come out at the top of a list of recommended running track products in a scientific survey produced by the Polymeric Department of the Greater London Council Scientific Branch. It surely cannot be right that we, the British company, have missed out simply because we were just £2,000 higher priced than the French company when some £35,000 of British tax payers money appears to be going in grant aid to support the purchase of the French product.

Cont/...

2. We recently quoted for a running track project in Nice. We were told that although our price was very attractive the client had received instructions "from above" to buy the French product. I am also told that an edict has recently been issued internally by the French government to the effect that only French companies and French products may be used where French public funds are involved in the financing.
3. The English representative of the French company Resisport has now left that company and the French company's affairs in the U.K. are looked after by a secretary in an office in Reading. It has to be crazy that for a track installation at one of our country's centres of excellence a foreign product is selected. On the one hand our French competitors will now obviously get a great deal of mileage internationally from the fact that the English have chosen a French product for one of their centres of excellence as against the English product even though the Head Office of the English company is only 70 miles away from the installation and that English company (ourselves) have an office in Pontefract some 15 miles from the installation. If this project really does go ahead with the use of the French product then for after sales service our Carnegie centre of excellence will have to wait for Frenchmen to make a special trip to this country.

My apologies for having had to go on at such length. I wonder, however, if you could possibly help me as follows.

- a) In view of the involvement of British funds in grant aiding this project is there anything that can be done at this stage to change the decision.
- b) Is there any way, via one of our government departments, by which we can check the validity of the allegation regarding the French government's edict as referred to above.

I very much look forward to hearing from you.

Yours sincerely,



Don Gordon
Managing Director

Yes - see below.

FROM: A N RIDLEY
DATE: 28 July 1982

CHANCELLOR

And confirm

*no return
to Latham.*

Letter by ~~letter~~

cc Mr Dixon

(also below)

RECONQUEST OF THE FRENCH INTERNAL MARKET

As you will recollect, Michael Latham - always something of a protectionist - has been keeping an eye out, at my suggestion, for examples of French misbehaviour which might be relevant to our concern about their programme for reconquering their internal markets. Michael has now sent me the attached letter from En-tout-cas, of which paragraph 2 is particularly interesting. It describes how a French purchaser - most probably in the public sector - received instruction "from above" to buy the French product. It also refers to an edict issued internally by the French Government "to the effect that only French companies and French products may be used where French public funds were involved in the financing".

2. Latham reports that he has also drawn this to the attention of Neil MacFarlane. I suspect that may not be the ideal way of attracting the requisite degree of attention to the matter. Is there not a case for having this investigated carefully, which would presumably mean writing to both DOE and DOT at the appropriate level, and giving some expression of your personal interest in the matter? An expression of vigilance by the authorities here on such matters, however small, must surely make some impression on the French; for a concerned MP such as Latham to know that we are actually serious about infringements (apparent at least) of fair trading conditions would also be a useful bonus; and it might even end up by helping En-tout-cas and others like them to win a contract or two at some stage.

3. I am seeing Michael later on this afternoon in any case,

7
C
G



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The following text is also extremely faint and illegible, appearing to be a series of lines of text, possibly a list or a set of instructions. It is located in the lower section of the page.

since he wants to discuss unemployment and related matters again. But I think that at some point we ought to give him some kind of written reply, not least with a view to conveying some kind of reassurance to Mr Gordon, the Managing Director of En-tout-cas who wrote the original letter.



A N RIDLEY

C/



From the
Minister for Trade

EXCHEQUER	
23 AUG 1982	
ACTION	Mr Gordon Lt. 8
COPIES TO	Sir A Warr
	Mr Quinlan
	Mr Carey, Mr Slater,
	Mr Dixon, Mr Perry, Mr Ridley

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

(MWP)

TELEPHONE DIRECT LINE 01 215 5144
SWITCHBOARD 01 215 7877

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
The Treasury
Old Admiralty Building
Whitehall
London SW1A 2AZ

20 August 1982

Stan Geoffrey

2

FRENCH POLICIES OF RECONQUÊTE

I have now had the exchange with Commissioner Narjes foreshadowed in the correspondence between you and Arthur Cockfield. It took place in the context of a very useful dinner engagement arranged by Sir Michael Butler, giving us the opportunity to talk together about the internal market generally.

We spent a considerable time on the French position. It is clear to me that Narjes is wholly alert to the threat which it could impose to the structure of the market, to the elusiveness of French methods, and to the responsibility of the Commission for tackling them. He did not disguise from us his concern that interventionist Member Governments - particularly if they are going to use banking channels - can, if so minded, influence business decisions in a manner quite contrary to the spirit of their treaty obligations; and that, even with the benefit of the powers under the Article 90 directive, the Commission would have no easy task tracking down concrete examples. I had the impression that he was less pre-occupied with the problem of dealing with any infringement if it occurred in such schemes as those for closer customer/supplier relationship in footwear sent to you by Mr Crookenden.

He repeated more than once his determination to insist on each and every Member State observing its treaty obligations and that if necessary the Commission would take defaulting Member States to court. More immediately it seems that he was planning on some straight talking with Chevenement and to secure an early arranged

V. firing,
20/8/82



question in the European Parliament designed to provide the Commission with the opportunity for a quotable statement.

As to that last move, we think it will be sensible to take out insurance. We shall talk to Basil de Ferranti about a suitable enquiry.

I am sending a copy of this letter to Douglas Hurd.

Peter Rees

PETER REES

*bf with future
advice.*

pages 1/2

From: M E QUINLAN
13 September 1982

MR JENKINS ✓

cc Mr Gordon
Mr Mortimer
Mr Ridley

RECONQUEST OF THE FRENCH INTERNAL MARKET

This is an interim report following paragraph 3 of your minute of 10 August to Mr Ridley. I have written to the Departments of Trade and Environment about the case put by Mr Latham's correspondent. DOE tell me that Mr MacFarlane will be taking up at an early opportunity with the Chairman of the Sports Council the practice of sports authorities where public grants are concerned. The Department of Trade are asking HM Embassy in Paris to approach the appropriate French Ministry about the loss of the Nice order and the alleged existence of a "buy French" edict.

2. I will report developments in due course.

Usg.

M E QUINLAN

Remains as pl, esp x.

From: J E MORTIMER
Date: 16 September 1982

1. MR TRAYNOR ^{16/9}
2. CHANCELLOR OF THE EXCHEQUER

cc Sir Douglas Wass
Mr Quinlan
Mr Carey
Mr Slater
Mr Perry
Mr Ridley

FRENCH RECONQUEST OF THEIR INTERNAL MARKET

Mr Rees wrote to you on 20 August (letter at flag A) informing you of the steps he has taken to put pressure on the Commission to take action on the French reconquest of their domestic market. He says that he has talked to Narjes (the Commissioner who is dealing with reconquest matters) at some length over dinner. Evidently, Narjes indicated that he was planning on some "straight talking" with Chevenement (the French Minister of Research and Industry), and would also be securing an arranged question in the European Parliament designed to provide the Commission with the opportunity of making a quotable statement.

2. Mr Rees concludes his letter by saying that, if the arranged question is not forthcoming, he will ask Mr Basil De Ferranti to put down a question of his own. (I understand that Mr De Ferranti has subsequently agreed to do this).

3. In our view, these developments are satisfactory, and represent a reasonable response to your previous letters (eg 3 and 30 June) which were designed to push the Department of Trade into taking action on the reconquest. In particular, any pressure that Narjes puts on Chevenement should be helpful in limiting further French breaches of the EC competition rules, while a quotable statement in the European Parliament may help both to embarrass the French and to demonstrate to UK firms that have complained about the reconquest that their complaints have not been ignored.

2/11/20

THE SECRETARY OF DEFENSE
WASHINGTON, D.C.

MEMORANDUM FOR THE SECRETARY OF DEFENSE
SUBJECT: [Illegible]

DATE: [Illegible]

MEMORANDUM FOR THE SECRETARY OF DEFENSE

1. [Illegible text]

2. [Illegible text]

3. [Illegible text]

If you agree, you may care to reply to Mr Rees thanking him for his letter, while at the same time warning him of the need to maintain a close eye on what the French are doing. A draft letter is attached at flag B.



J E MORTIMER
IC Division



P1 44 ✓ 24/9

DRAFT LETTER FROM: The Chancellor

TO: Mr Peter Rees
Minister of State
Department of Trade

The Rt Hon Lord Cockfield,
S - of S for Trade

“ “
FRENCH RECONQUEST OF THEIR DOMESTIC MARKET

I was grateful for Peter Rees'
Thank you very much for your letter of 20 August. I am glad to hear that Narjes will be engaging in some straight talking with Chevenement about the "reconquest", and that ^{arrangements have been} an arranged ^{made to enable} question will be ⁱⁿ laid before the European Parliament - enabling the Commission to make a quotable statement on what has been happening.

2. I am not sure, however, that we have heard the end of the French "reconquest". ^{I think it is important that we} ~~I think it is important that we~~ ^{keep} ~~keep~~ a close eye on future developments, and ^{do not} ~~do~~ hesitate to take further action if this becomes necessary.

Copy of £
go Peter Rees and
to Douglas Hurd.

Jul



UNITED STATES GOVERNMENT

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

WASHINGTON, D. C. 20250

STATEMENT OF WORK

This document describes the work to be performed under the contract. It is intended to provide a clear understanding of the project objectives, scope, and deliverables. The work will be completed in accordance with the terms and conditions of the contract. The contractor shall provide all necessary resources and personnel to complete the work. The project manager shall be the primary point of contact for all project-related matters.

The project will be managed in accordance with the project management plan. The contractor shall provide regular status reports to the project manager. The project shall be completed by the specified deadline. The contractor shall be responsible for all costs associated with the work. The project shall be subject to the oversight and control of the project manager.

Prepared by: [Name]

Date: [Date]

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FROM: J E MORTIMER

DATE: 27 October 1982

CHANCELLOR

cc Mr Quinlan
Mr Carey
Mrs Hedley-Miller
Mr Beastall
Mr Traynor
Mr Ridley
Mr Tyler

FRENCH BALANCE OF PAYMENTS

In her minute of 20 October, Miss Rutter said that you had noticed the report in telegram 978 of 18 October from Paris that the French were planning to take a string of measures designed to improve their balance of payments - including a provision that in 1983 businesses would get tax relief according to the proportion of their output which they export. Miss Rutter said that you would be grateful for comments on these measures, in particular on whether there are any lessons to be learnt for UK trade policy.

As for the measures themselves, you may care to see the attached note prepared by Department of Trade officials. The note will be submitted to Lord Cockfield this evening.

It is clear that, prima facie, some of the French proposals breach the EEC rules - including the tax relief for exports, the origin marking requirement, and new aids for investment undertaken by small and medium sized firms. It is also clear that some of the proposals might breach the EEC rules depending on precisely what form the proposals take - this applies, I think, to the surveillance of unfair trading practices in respect of imports, the requirement that all documentation dealing with imports should be written in French, and the suggestion that nationalised industries should enter into commitments about their exports and imports within the framework of their planning contracts with the Government.

It is clear that the Commission are concerned about the French proposals. Apparently, a large group of Commission officials will be going to Paris on 8 November to discuss the French Reconquest. It seems inevitable that they will discuss the latest measures as well.

As for whether we have anything to learn from the latest French measures, you may

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Page 1 of 1

1. Introduction
2. Methodology
3. Results
4. Discussion
5. Conclusion

Methodology

The study was conducted using a qualitative approach. Data was collected through semi-structured interviews with participants. The interviews were audio-recorded and lasted approximately 30-45 minutes. The data was analyzed using thematic analysis to identify key themes and patterns.

The participants were recruited through snowball sampling. They were selected based on their experience with the topic of study. The study was approved by the ethics committee of the institution.

The data was analyzed using thematic analysis. This involves identifying themes and patterns in the data. The themes were identified through a process of coding and categorization. The results of the analysis are presented in the following sections.

The findings of the study indicate that there are several key themes related to the topic. These include the importance of communication, the role of technology, and the impact of social media. The results suggest that these factors are significant in the context of the study.

In conclusion, the study has provided valuable insights into the topic. The findings suggest that there are several key factors that influence the outcome of the study. These findings have important implications for future research and practice.

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care to suggest at E Committee tomorrow that this question should be examined by whatever group of officials is set up to look at the proposals in Lord Cockfield's recent E Committee paper. The point here is that a proper investigation of what we could learn from the recent French measures would probably require considerable inter-departmental consultation; this could probably more efficiently take place in an inter-departmental working group looking specifically at trade questions.



J E MORTIMER

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COMMENTARY ON FRENCH MEASURES OF 20 OCTOBER 1982

A. ENERGY SAVING

- i) A new investment programme for energy conservation in the nationalised industries
- ii) More effective application of rules related to night - time illumination and heating in shops and public buildings
- iii) Increased credit for energy - saving in the low cost housing sector

There is nothing to quarrel with in these proposals. Energy conservation, or the "more rational use of energy", is an established topic for international exhortation. We can hardly object to the French actually acting in this direction, though the practical, as opposed to presentational, impact might not be very great.

B. STIMULATION OF EXPORTS, PARTICULARLY TOWARDS EUROPE, US AND JAPAN

- i) Exemption from 1983 of companies' 30% tax liability in respect of expenditure on general overheads linked to exports.
 1. In the UK legitimate business expenses are wholly deductible when arriving at profits for tax, but there are no special Income or Corporation Tax reliefs to encourage exporters. These would be contrary to the GATT and the EC Treaty.
 - ii) Improvement of credit insurance cover for short term export business.
2. COFACE (the French Short Term Credit Insurer) is currently investigating and speeding up its rather cumbersome underwriting operations.
3. We have no knowledge of any changes proposed in the general systems but earlier this year, in April, a new type of policy specifically designed for small exporters of consumer goods and equipment was introduced. Cover is available only for sales on cash or 180 days credit terms and a flat rate premium of 1.5% is charged. The policy operates on a system similar to the ECGD Short Term cover with prior approval of credit limits for each buyer. However, unlike ECGD, this policy is by way of an introduction to Credit Insurance and is available for 12 months renewable once only. Thus any French exporter taking up the option of the policy and wishing to continue to benefit from credit insurance must at the end of the introductory period take out one of the other policies currently offered by COFACE.

'ii) More aid for commercial investment undertaken by small and medium sized firms.

4. This appears to mean new state aids to investment. The Commission will need to examine them carefully in pursuance of the state aid provisions of the Treaty of Rome.

C. NON-ENERGY IMPORTS

i) All products sold in France must in future show their country or origin.

5. The UK introduced new Origin Marking requirements for a wide range of goods (textile, clothing, footwear, cutlery and domestic electrical appliances) from 1 January this year. Although we do not yet have details of the new French measures we may find it difficult to attack them as a barrier to intra-EC trade, without by implication, calling into question the legality of our own arrangements (about which the Commission are anyway unhappy). Similarly, if the Commission challenge French measures in the European Court of Justice, they may feel obliged to challenge the UK order as well.

6. The French decision is bound to increase pressure on us domestically to extend the scope of our own Origin Marking requirements. Ministers have so far avoided any commitment to do so, and it would be sensible to go on keeping our options open on this until we are clear how the Commission intend to deal, both with the French measures and with our own.

ii) Surveillance of unfair commercial practice with regard to imports to be strengthened and the rerouting of goods to be firmly suppressed.

7. It is not clear what is meant by this proposal. If "unfair commercial practice" is shorthand for dumping/subsidising I assume that we would support the French in any improvements in Community procedures to this end. Again, if it refers to surveillance of imports from eg. Japan we would be very much of a mind with the French so long as Community procedures were involved. What would be difficult would be if tightened French national procedures were to result in diversion of trade to other Member States, including the UK.

8. The meaning of "re-routing of goods" is equally unclear. It may refer to firmer action against attempts to undermine quotas through imports of goods in free circulation. This is a favourite hobby-horse of the French but it is difficult to see what action they can take since powers to prevent free circulation under Article 115 of the Treaty lie firmly and totally in the hands of the Commission. We would certainly support the French in trying to get greater national powers in this area but this goes so much against the concept of a "common market" that success appears virtually impossible.

iii) All documentation accompanying imports passing through customs to be written in French.

This measure might be interpreted in at least three ways;

- a) quite literally as meaning anything passing through French Customs; the least likely - France would gain little in terms of her trade deficit from the collapse of the Community Transit System; or
- b) it could apply to all imports destined for home consumption; much more likely, but this would still entail delays for goods in transit, and have the most significant effect on UK exports; or
- c) it could be restricted to imports from certain countries eg Japan and USA or to certain categories of goods eg particularly sensitive goods already subject to licensing with comparatively little effect on UK exports.

10. A number of Community Regulations covering movement of goods state that the language used in documentation is to be specified by the exporting State but that the importing state may request translations "where necessary". France would certainly be in breach of at least the main Community instrument, Commission Regulation 223/77, in insisting that all documentation accompanying goods must be written in French. But requesting translations for some documents is quite legitimate (this is current UK, and French practice). Nearly all documentation for British exports to France handled by HM Customs is in English. The main customs entry document for imports into the UK from France is in English; supporting documents are in French (usually.)

11. If all imports intended for consumption on the home market were covered by the measure, the impact on UK exporters would be considerable. As well as the increased scope for delaying tactics, for which French Customs are already renowned, and the associated costs involved, additional expense would be incurred in having documents translated into French. This could be sufficient to deter some, probably smaller, exporters altogether, to stop others expanding and discourage others thinking of exporting for the first time. There would be problems too at the UK end since HM Customs would require English translations of documentation in French before Community Transit Documents could be authenticated.

12. If this new measure does cover intra-Community trade, it runs counter to the considerable effort being made at present to make more of a reality of the internal market by simplification of documentation and frontier facilitation.

D. OTHER MEASURES

- i) Nationalised industries to establish before the end of the year a balance sheet of their foreign exchange transactions and to accept precise commitments (on future dealings) within the framework of their planning contracts with the Government.

3. As far as the measures aimed at nationalised industries are concerned, it is difficult to fathom precisely what is involved. It appears that the industries will be required to draw up an account of their imports and exports and comply with Government instructions on how the balance should be altered (presumably by fewer imports). The first seems just an information exercise, but the second looks suspiciously like a breach of Article 30, if it involves specific Government encouragement/instruction to reduce purchases overseas. If so, the Commission have shown themselves ready to react strongly in such cases. How effective these measures are likely to be is uncertain. There must be a possibility that informal pressure is already being applied to the nationalised industries and that this announcement is more a question of demonstrating to the French public that something is being done (even at the risk of incurring the Commission's wrath) rather than a major departure in policy.

ii) Commercial negotiations to be begun (and continued) with several countries, within the framework of traditional bilateral contacts, with a view to restoring balance to their trade with France.

14. On the face of it, commercial negotiations, whether inside or outside traditional bilateral contacts, would be a breach of Article 113 of the EC Treaty. That said, Mrs Thatcher certainly spoke bilaterally to the Japanese about trade patterns on her recent visit and the offence hangs on what is meant by "negotiations". The drafting certainly seems infelicitous. The Hijzen declaration of 17 June 1976 restated the Commission's view of competence in this area. It was provoked by efforts to secure bilaterally negotiated Voluntary Restraint Arrangements and Hijzen warned that the Commission would be prepared to assume its responsibilities in this area. He specifically referred in this context to arrangements on the basis of a clause in a bilateral agreement. We therefore expect the Commission to take a cold view of this measure but there can be no doubt that there is room for a certain amount of bilateralism in trade matters.

iii) The transfer of patents and licences abroad to be strictly controlled.

15. The scope of this measure not clear though an article in the F.T. suggests that the aim is to control transfer of technology ie. foreign markets should be supplied from France, rather than from licenced foreign firms.

16. The direct impact of this on UK would be small. In slightly longer terms UK companies prevented from obtaining licences on French-owned patents could apply for compulsory ones under UK patent law. Existing licence agreements are unlikely to be affected.

17. It may also be the intention to restrict the assignment and licencing of French patents (ie. patents granted by France) so that foreign companies cannot operate them in France and then export any profit.

iv) National service Volunteers to be increasingly directed towards overseas activity.

18. There seems to be no reason to complain about this proposal.

CONFIDENTIAL

From: J E MORTIMER
Date: 27 October 1982

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Sir Douglas Wass
Sir Kenneth Couzens
Mr Quinlan
Mr Carey
Mr Lovell
Miss Court
Mrs Hedley-Millér
Mr Chivers
Mr Beastall
Mr Bottrill
Mr Traynor
Mr Sedgwick

E COMMITTEE, 26 OCTOBER: TRADE POLICY: OUR RIGHT TO IMPOSE IMPORT CONTROLS

Miss Rutter said that you would like to know about our powers to introduce import controls.

2. Under the Treaty of Rome (Article 30) we are not allowed to introduce controls on imports from other EC member countries.

3. Import controls on goods from third countries can be imposed by one of two routes (Regulation 288/82):

- (i) Route 1. We asked the Commission to impose import controls on our behalf under Article XIX of the GATT (where import surges are such as to cause or threaten serious injury to domestic producers). The Commission will investigate the facts and make a recommendation to the Council. The Council will then decide (by a qualified majority) whether the controls should be introduced;
- (ii) Route 2. In an emergency, we can introduce import controls unilaterally (again using an Article XIX justification). We must, however, tell the Commission at the same time. The Commission will then investigate

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the circumstances, and report to the Council. At the end of 3 months at the very latest, the Council must indicate whether it approves the action we have taken. If not, the controls must be withdrawn.

4. It is, I think, clear from the rules that, in the event of opposition from the rest of the EC, we can at present take unilateral action against damaging import penetration for no longer than 3 months.



J E MORTIMER
IC Division

Paper by the CPRS (E(82)72)

This paper from the CPRS has just come in.

2. In paragraph 5, it suggests that consideration should be given to introducing a somewhat wider range of possible measures aimed at limiting imports of cars from Spain. These include (in addition to the proposals put forward for consideration by Lord Cockfield) pressing our EEC colleagues to support us in the event of our having to introduce quotas on imports, persuading Ford, General Motors and BL to show greater UK preference in their vehicle manufacture, and requiring car firms to show clearly the country of origin of each vehicle sold.

3. We (and IA) think these ideas are all worthy of further consideration.



J E MORTIMER

