

• PO-CH/NL 0545  
PART A

Part A

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Begins : 19/10/88

Ends : 17/1/89

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Chancellor's (Lawson) Papers:  
Collection of Intra-Community Trade Statistics After 1992

DD's: 25 Years

D Anderson

12/4/96

PO - CH / NL / 0545.  
PT.A.



Philip Nash  
Director: Customs

*Ch. Usual cross dirigiste approach  
from the Commission. Lndicrous to  
impose the same methods on  
IT-advanced countries like us +  
Denmark, + bureaucratic places like  
Greece.*

Board of Customs and Excise  
Dorset House  
Stamford Street  
London SE1 9PS  
01-928 0533

**FROM: PHILIP NASH**  
**DATE: 19 OCTOBER 1988**

**ECONOMIC SECRETARY**

*25  
19/10*

*NAZ @ [initials]*

cc **Chancellor of the  
Exchequer**  
Chief Secretary  
Sir Peter Middleton  
Sir Terence Burns  
Mr Sedgwick  
Mr Culpin

**COLLECTION OF INTRA-COMMUNITY TRADE STATISTICS AFTER 1992**

1. With the completion of the internal market, border controls will have been greatly reduced if not altogether removed and an alternative to the present method of compiling intra-Community trade statistics from customs declarations will have to be found. This note sets out the state of play of discussions between the Commission and Member States and the position reached here following discussion between officials in the departments concerned under the aegis of the Cabinet Office.
2. A Commission proposal for a draft Council regulation (referred to below as "the proposal") is exercising officials (mostly statisticians) in a committee in Luxembourg. UK representation is shared by Mr Pratt of our Statistical Office which is responsible for collection of trade statistics and the Statistics Division of the Department of Trade and Industry which is responsible for trade statistics policy.
3. In the discussions thus far the Commission has refused to move from its initial position that it should take powers to prescribe in detail the method of collection of statistics after 1992. If the proposals are not substantially amended it is likely that we shall be advising that the proposal be opposed when it comes before Council early in 1989.

**Internal distribution:**

- CPS
- Mr Jefferson Smith
- Mr Wilmott
- Mr Fryett
- Mr Pratt
- Mr Allen
- Mr Knox (O/R)

4. The proposal in its present form seeks to define the data to be collected, the method of collection and the uses to which the data can be put. The Commission is insisting that the same method of collection of statistics should be used by all Member States so that traders will encounter the same procedures wherever they are operating within the Community. The Commission's approach is to develop an entirely new method linked to the internal VAT collection system and the clearing house proposal supplemented by a system of statistical surveys, rather than to use existing customs-based collection procedures. This approach is not favoured either by DTI statisticians or by VAT administrators here in Customs.

5. Customs and the DTI consider that in any case the proposal as currently drafted is unduly prescriptive. The powers the Commission is seeking would specify in excessive detail the procedures to be followed. There is a real danger if these powers are rigidly applied that we may not be allowed to utilise and adapt our existing and developing computer systems to collect intra-Community trade statistics after 1992, although some assurances on this point have been given orally by senior Commission officials in SOEC (Statistical Office of the European Communities).

6. The proposal also impinges on Member States' sovereignty in several other important respects, particularly in seeking to impose strict confidentiality on the data collected. This could prejudice the recent legislation on disclosure of importers' names and the information that is currently made available to other government departments could become severely restricted. Effectively the Commission are laying claim to ownership of the statistics; they say that they may not be used by, or passed to, any non-statistical arm of government, whatever that may mean.

7. The proposal also provides for Commission-imposed fines for non-compliance by the providers of statistics and prohibits Member States from collecting any statistics of intra-Community trade other than those which the proposal specifies. Needless to say, UK representatives are opposing these and other unacceptable features of the proposal.

8. The UK, along with one or two other Member States, has invested heavily in the development of computer systems in order to facilitate the electronic data capture of statistical information from customs declarations. At present around

Since the 'clearing house' probably won't be built, this may be quite helpful in hitting things up.

90% of import information and 10% of export information is collected electronically. About half of this information relates to intra-Community trade. Considerable savings have accrued both for traders and the Department from the investment made in IT systems. The CHIEF system (Customs Handling of Import and Export Freight) is due to become operational during 1991/2. This system will provide an infrastructure to capture and validate statistical information for imports and exports, and will make it possible to dispense with paper declarations. Information will usually be input either directly by the trader via a computer terminal or by the periodic provision of a computer tape.

9. The Commission's proposal and the committee procedure it envisages would lead to a substantial increase in the powers of the Commission and is likely to result in a plethora of detailed regulations which would be inimical to UK interests. It would effectively control budgetary and investment decisions in Member States. For this reason we have also indicated that the committee procedure proposed is unacceptable to the UK. Fortunately it appears to be unacceptable to several other Member States as well. The Commission's response is that the advisory committee proposed is appropriate where single market matters are concerned and has so far refused to budge from its position.

10. Although we have been given informal assurances that we will be allowed to continue using our own technologies and systems, the Commission's unbending regulatory approach is that the methods of collection must be the same in all Member States. The state of the art in information technology varies enormously across Europe and the Commission's apparent desire to achieve uniformity by 1993 would seem to vitiate these assurances. We and the DTI believe that it would be confusing and costly for UK providers of information to have to operate two separate methods for intra and extra-community trade and more acceptable and efficient for traders if there were a single system, although the information required in the case of intra-Community trade might be considerably less detailed if as we hope the appetite for European statistics can be reduced.

11. The UK's response to the proposals has been discussed and agreed in official Cabinet committee (EQO) and is positively supported by the other departments concerned, notably the DTI, Central Statistical Office and the FCO. It is the common view that although at some point in the future we could expect methods of data collection to move towards harmonisation, we believe that this should be achieved by a process of evolution rather than prescription by the Commission.

Conclusion

12. DTI and Customs officials involved in the European meetings are pursuing two main objectives:

- a) to ensure that traders have as simple a system as possible for the reporting of the required statistical information on intra-Community trade after 1992
- b) to ensure that the system allows sufficient flexibility to collect information that the UK needs for essential national purposes.

13. We shall continue to seek to persuade the Commission that a less prescriptive approach is required. We shall also be using the offices of UKREP to attract support from other Member States for the UK's position. Ultimately if the proposal continues to postulate a system that we do not wish to operate, DTI will advise Ministers to seek derogations from certain articles, although this might not be straightforward under qualified voting procedures. In particular if the draft Regulation still specifies that the system is run with an advisory committee we would want this changed to a management committee operating with qualified majority voting procedures. We should know within the next 2 or 3 weeks whether there is likely to be any yielding on the Commission's part and a further submission will be made in due course when we see how things develop.

*Handwritten notes in red ink:*

Agreed for all to  
Other proposals  
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acceptance of the Commission  
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2. The Commission's  
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altogether.  
PHILIP NASH  
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European laws  
of that nature  
to create

FROM: J M G TAYLOR  
DATE: 21 October 1988



PS/ECONOMIC SECRETARY

cc PS/Chief Secretary  
Sir P Middleton  
Sir T Burns  
Mr Sedgwick  
Mr Culpin

Mr Unwin - C&E  
Mr Jefferson Smith - C&E  
Mr Nash - C&E  
PS/C&E

## COLLECTION OF INTRA-COMMUNITY TRADE STATISTICS AFTER 1992

The Chancellor has seen Mr Nash's note of 19 October.

2. He has commented that, apart from all the other disadvantages to this unacceptable proposal that the Commission should prescribe in detail the method of collection of statistics after 1992, it is of course a covert attempt to bounce us (and others) into acceptance of the Cockfield clearing-house proposals for VAT.

X | 3. He has commented, further, that in any case surely the logic of the Commission's objective (Europe sans frontiere) is that these statistics would cease to be collected altogether.

J M G TAYLOR



FROM: G R WESTHEAD  
DATE: 21 October 1988

A large, stylized handwritten signature in dark ink, possibly reading "G R Westhead".

MR NASH - C&E

cc: PS/Chancellor  
Mr Scholar  
Mr Sedgwick  
Mr R I G Allen  
Mr Culpin  
Mr Gilhooly  
  
PS/C&E  
Mr Jefferson-Smith - C&E

**COLLECTION OF INTRA-COMMUNITY TRADE STATISTICS AFTER 1992**

The Economic Secretary has seen and was grateful for your minute of 19 October on the above. He has three questions on which he would be grateful for answers please:

- (i) What is meant in paragraph 9 of your note where you say that if the Commission's proposals were adopted "the Commission would effectively control budgetary and investment decisions in Member States",
- (ii) Which Member States are for and which Member States are against the Commission's proposals. Could we construct a blocking minority if need be?
- (iii) What is meant in paragraph 13 about the possibility of "Ministers seeking derogations from certain articles"?

A handwritten signature in dark ink that reads "Guy Westhead".

**GUY WESTHEAD**  
**ASSISTANT PRIVATE SECRETARY**





Philip Nash  
Director: Customs

Board of Customs and Excise  
Dorset House  
Stamford Street  
London SE1 9PS  
01-928 0533

FROM: PHILIP NASH

DATE: 28 OCTOBER 1988

PS/ECONOMIC SECRETARY

**COLLECTION OF INTRA-COMMUNITY TRADE STATISTICS AFTER 1992**

Your note of 21 October sought answers to three questions posed by the Economic Secretary. Questions and answers are as follows:

- (i) **What is meant in paragraph 9 of the note where Customs say that if the Commission's proposals were adopted "the Commission would effectively control budgetary and investment decisions in Member States"?**

The Commission's proposal on the statistics of trade on goods between Member States after 1992 is based upon an advisory Committee procedure.

Advisory committees maximise opportunities for the Commission and minimise opportunities for Member States to influence the procedures and methodologies adopted in collecting, compiling, checking and transmitting statistical data. In practice the Commission's proposals put to an advisory committee for an opinion may become binding rules or conditions irrespective of the views of the Member States. Although the Commission is required to take the "fullest account" of opinions delivered by the Committee, it is not bound by these.

**Circulation:** PS/Chancellor  
Mr Scholar  
Mr Sedgwick  
Mr R I G Allen  
Mr Culpin  
Mr Gilhooly

CPS  
Mr Jefferson Smith  
Mr Pratt  
Mr Cowley  
Mr Knox

Our concern is based upon the extensive use of this procedure to determine many detailed arrangements. At least two-thirds of the thirty-two Articles in the proposal provide for regulation by the Commission using the advisory committee procedure. Several of these allow the Commission to prescribe procedures and methods that would be best left to Member States.

We foresee a real danger that such unnecessary regulation by the Commission could significantly affect burdens on companies and government departments. Additional money might have to be spent simply to comply.

- (ii) **Which Member States are for and which Member States are against the Commission's proposals. Could we construct a blocking minority if need be?**

It is likely that a majority of Member States will eventually accept the proposal (ie the whole Regulation). Only UK and possibly Denmark appear to have the resolution to carry their opposition through to the final stages.

However, the position is somewhat different regarding the comitology proposal in Article 27 and the frequent use of this procedure throughout the draft. The latest information is that 9 Member States, including Germany and Italy, have informally indicated that they will oppose Article 27. Belgium and France still appear more likely to support the Commission's proposals and Portugal has not yet decided.

At present it seems that the advisory committee procedure could be blocked in Council. The Commission would (we are told) then propose a management committee.

(iii) **What is meant in paragraph 13 about the possibility of "Ministers seeking derogations from certain articles"?**

If the proposal in its present form is accepted by Council it is possible that UK may have to ask for derogations in 1993 to allow departments to manage the new procedures economically and to ease burdens upon the trading community. A provisional list of some derogations that might have to be sought by DTI Ministers is provided in the attachment to this note.

...



**PHILIP NASH**

## PROVISIONAL LIST OF DEROGATIONS

The regulation by the Commission of:-

- |  |   |
|--|---|
| (1) the application of the provisions to companies in the Channel Islands (because CIs are within the statistical territory of the UK) | Article 3.1                             |
| (2) national provisions on statistics  | Article 7.4<br>Article 22<br>Article 25 |
| (3) allocation of identification numbers to intra-Community operators  | Article 11.3                            |
| (4) conditions imposed on companies submitting global declarations   | Article 14.3                            |
| (5) procedures for transmission of data  | Article 14.4<br>Article 24              |
| (6) procedures for establishing infringements  | Article 15.2                            |
| (7) provisions regarding the confidentiality of data   | Article 29                              |

FROM: PETER CURWEN  
DATE: 7 NOVEMBER 1988

- P.N.J. 7.XJ*
1. MR SEDGWICK
  2. ECONOMIC SECRETARY

*Mps PL*

*The Commission's proposals after the Bill on an issue from Edwards*

cc: PS/Chancellor  
PS/Chief Secretary  
Sir P Middleton  
Sir T Burns  
Mr Scholar  
Mr O'Donnell  
Ms Turk

**COLLECTION OF INTRA-COMMUNITY TRADE STATISTICS AFTER 1992**

You asked for a short note on Mr Nash's paper of 19 October.

2. The Treasury's requirement is for the cost-effective provision of reliable, regular, trade statistics. These statistics have a significant role in macro-economic management, not only as a market-sensitive indicator in their own right but also as an important component of GDP.

3. We fully endorse Customs' opposition to the Commission's proposals for data collection. Currently, about 90 per cent of our imports are recorded electronically - only about 10 per cent of our exports are recorded in this way. It is no coincidence that this year's measurement problems have occurred on the export side. The Commission's proposed use of surveys to record trade data would, in our view, be a regressive measure. It would put into reverse the moves towards greater use of information technology in this area which have evolved over the past two decades. As Mr Nash points out, Customs are (even now) developing a more advanced IT system (CHIEF) which should become operational during 1991/92. One important aim of the improved system is to take the burden off industry by bringing in soon a "fast track" Customs system for exporters. It should also help to improve further the quality of our visible trade statistics. There is no such guarantee with the data collection approach favoured by the Commission. In fact, as recent papers to the Cabinet Office Committee EQO have highlighted, Eurostat (the organisation who would undertake the surveys) have 'little expertise' in data collection, and a Customs' paper to the same committee concluded that

'Eurostat's current proposals for gathering statistics after 1992 are high risk, likely to be more costly to operate for both government and trade, and will provide lower quality statistical

products compared with existing and developing UK computer based methods.'

We completely agree.

4. There are Commission proposals, as yet not worked up, to capture the trade statistics electronically through links with the VAT system (based on the Commission's tax approximation and clearing house proposals). In principle this system would be very advanced and could ensure good quality statistics. However, in practice it will be many years after 1992 before it becomes fully operational.

5. The Commission's support for a survey-based approach reflects their wish to see all member states use identical methods for collecting statistics. Unfortunately the role of information technology varies widely across the EC with the UK and France being probably the most advanced in this area. We agree with Customs that the Commission's attempt to resolve this disparity in technology by adopting a lowest common denominator approach is entirely unnecessary. Data collection should in time be harmonised by a gradual process of evolution as more countries adopt electronic systems of capturing data. The prescriptive approach of the Commission should be (and is being) opposed as Customs have indicated. In any case it would be both confusing and costly for UK industry to have intra-community trade data collected on one basis (the Commission's proposed survey) while extra-community trade was recorded using the more advanced CHIEF system.

6. A point not relevant to the Customs' paper, but of interest, is the amount of pressure from outside groups, particularly trade organisations, to maintain the trade statistics in something like their current form. This lobbying is designed to ensure that the detailed statistics they currently use are still available after 1992.

7. We would advise acceptance of the Customs' line but emphasising that there should be no accommodation to the Commission's proposals. (There is an inclination in some parts of Whitehall not to admit the extent of the difference between Customs and the Commission.) It would be annoying if, having achieved better quality trade statistics and a significantly reduced burden on exporters through implementation

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of the CHIEF system and other administrative improvements, that the benefits of this were not enjoyed because of the Commission's prescriptive approach.

*Peter S. Curwen*

**PETER S CURWEN**

# dti

the department for Enterprise

1. pse. associate with  
other ps on this subject  
(on which I committed  
out this morning)

2. b.f. 18/11  
18

The Hon. Francis Maude MP  
Parliamentary Under Secretary of State for  
Corporate Affairs

Peter Lilley Esq MP  
Economic Secretary  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AQ

11/11  
MR NASH CBE  
PS/CHX PS/CST  
PS/SIR P MADDISON  
SIR T. BURNS Mr SEAGWICK  
MR SCHWARTZ Mr O'DONNELL

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MR CURRIEEN Mr STARK MR GILHOOLY  
MR JEFFERSON-SMITH MR RIG ALLEN  
PS/CBE MR CULPIN

215 4417

Direct line  
Our ref  
Your ref  
Date

10 November 1988

Dear Peter,

## INTRA-EC TRADE STATISTICS AFTER 1992

My officials have been keeping me in touch with the negotiations in Luxembourg about the Regulation the Commission will use to collect intra-EC trade statistics after 1992. I understand Customs officials are keeping you similarly informed. Following a meeting in Luxembourg on 25-28 October, the latest news is promising. After pressure from Member States (in which the UK has been prominent) the over-prescriptive nature of the earlier drafts of the Regulation is being reduced significantly, leaving greater flexibility for Member States to adopt procedures appropriate to their circumstances.

Before we can begin to plan the details of the sort of system we wish to adopt here as 1992 approaches we should establish to what extent, if any, we need these figures, bearing in mind that they inflict a form-filling burden on firms. (It is not yet evident what documentation for intra-EC trade will be needed for administrative reasons, but whatever it is I hope it will be as simple as possible). We are currently re-appraising our need for detailed product and country figures within DTI - and encouraging other Departments using these figures, such as MAFF, to do the same. We are also considering what might be done to satisfy private sector demand for detailed trade figures should the government decide to stop collecting them. However, the most important single user of the figures, for macro-economic purposes, is the Treasury; and it would be very helpful to have your considered views on your expected needs in the 1990s for statistics relating to intra EC visible trade, both at current and constant prices.

JCFAHK

the  
Enterprise  
initiative



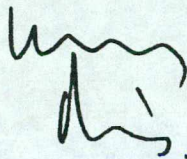
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I am of course aware of the Pickford Review of the quality of economic statistics. I have not yet seen the final report but understand that it is unlikely to find much fault with the quality of visible trade data, as used in the quarterly national accounts. Indeed, visible trade figures are probably the most reliable of all the components of GDP, Government transactions apart.

With the completion of the Single Market, intra-EC trade statistics will be of much less significance to both industry and government. We have an opportunity now to reduce significantly the form-filling burden on industry, and hence to reduce their costs. We therefore need to look critically at whether we need any intra-EC trade statistics as we go into the 1990s; and if we do, whether, for example, we can reduce the level of product detail needed to calculate figures at constant prices; and whether, instead of the virtually complete coverage of firms we have now, we can exempt small firms from reporting their EC transactions and make estimates for the missing trade.

It would be very helpful to have your views on all this, especially in the light of recent remarks by Nigel Lawson casting doubt on the future relevance of the balance of payments as an economic indicator. As I have said, we are taking a radical look at our own needs and I am sure you will want to do the same.

As we currently expect the Regulation to go before the Council of Ministers during December, I would be grateful to have a reply before the end of November.



FRANCIS MAUDE



FROM: J M G TAYLOR

DATE: 11 November 1988

PS/ECONOMIC SECRETARY

cc PS/Chief Secretary  
Sir P Middleton  
Sir T Burns  
Mr Scholar  
Mr Sedgwick  
Mr Curwen  
Mr O'Donnell  
Ms Turk

## COLLECTION OF INTRA-COMMUNITY TRADE STATISTICS AFTER 1992

The Chancellor has seen Mr Curwen's note of 7 November.

2. He has commented that the Commission's proposals are clearly unacceptable. He has, however, repeated his observation (recorded in my note of 21 October) that the logic of the Commission's objective of a Europe without frontiers is that the statistics would cease to be collected altogether. Is this not correct, and what implications does it have for these proposals?

A handwritten signature in dark ink, appearing to be 'J M G TAYLOR'.

J M G TAYLOR



Philip Nash  
Director: Customs

**CONFIDENTIAL**

67. 22/11  
Board of Customs and Excise  
Dorset House  
Stamford Street  
London SE1 9PS  
01-928 0533

**FROM: PHILIP NASH**  
**DATE: 14 NOVEMBER 1988**

**ECONOMIC SECRETARY**

**COLLECTION OF INTRA-COMMUNITY TRADE STATISTICS AFTER 1992**

1. The news from Luxembourg is more promising as Francis Maude MP has indicated in his letter of 10 November addressed to you. Since my minute of 19 October there has been further consideration of the draft regulation during which the Commission seemed to be taking a noticeably more flexible and constructive attitude by agreeing to changes that would overcome some Member States' difficulties.

2. Since all Member States are now clearly opposed to the advisory committee procedure originally proposed by the Commission, the prospect of blocking in the Council of Ministers should suffice to kill off the idea. The management committee procedure which will replace it is one within which we hope to be able to operate satisfactorily. Any proposals for detailed methods of collection emerging from such a committee will still be subject to majority voting but this should be enough to curb the appetite of the Commission for burdensome regulation and unnecessary harmonisation.

3. Unfortunately the draft proposal for the new system (now to be called INTRASTAT) is being developed on two assumptions which are unacceptable to the UK, first that there will be no fiscal controls at all after 1992 and secondly that there will be a VAT clearing house system. The Commission has however acknowledged that if these assumptions are not well-founded, the proposal will have to be modified.

**Circulation:** Chancellor of the Exchequer  
Chief Secretary  
Sir Peter Middleton  
Sir Terence Burns  
Mr Sedgwick  
Mr Culpin

CPS  
Mr Jefferson Smith  
Mr Finlinson  
Mr Pratt  
Mr Allen  
Mr Knox

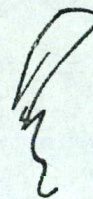
**CONFIDENTIAL**

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4. A particular point which the Commission appears to have conceded, following pressure from their own deregulation people, is the principle that small businesses should be exempt from regular returns. There have also been other concessions in respect of the involvement of the VAT authorities in the statistical process although the Commission still hopes to enlist the support of those authorities in drawing to the attention of traders the need to meet statistical obligations.

5. The Commission's line on the radical proposition that intra-Community trade statistics should cease altogether in 1993 is that these statistics will be needed among other things for macro-economic planning purposes and in particular to monitor the effects of the completion of the internal market. The Department of Trade and Industry leads on matters relating to the quantity and quality of data to be collected and they are currently taking steps to consult users in order to test this view and assess the need. The letter from Francis Maude MP seeking to establish the Treasury's position is part of this exercise.

6. Although the position will not be totally clear until we see the final format of the Commission's proposal to Council, we do now appear to be making positive progress towards the two main objectives outlined in my minute of 19 October. Further progress will be reported as soon as things begin to take shape.



**PHILIP NASH**

**CONFIDENTIAL**

FROM: P N SEDGWICK  
 DATE: 18 November 1988

ECONOMIC SECRETARY

cc PS/Chancellor  
 PS/Chief Secretary  
 Sir P Middleton  
 Sir T Burns  
 Mr Scholar  
 Mr R I G Allen  
 Mr Odling-Smee  
 Mr Hibberd  
 Mr Mortimer  
 Mr O'Donnell  
 Mr Pickford  
 Ms Turk  
 Mr Curwen

PS/C and E  
 Mr Nash

### INTRA-EC TRADE STATISTICS AFTER 1992

Mr Maude's letter to you of 10 November (attached) explained the progress in the negotiations with the Commission on the arrangements for collecting intra-EC trade statistics after 1992. Mr Maude also asked for your views on whether we need any intra-EC trade statistics as we go into the 1990s. This submission and the draft letter for you to send to Mr Maude have been agreed with EC division and Customs.

2. It is apparent from the Commission's proposals for measuring trade after 1992 that they are anxious to continue collecting such statistics. The proposals, which thus far have been shown to and discussed with Member States, have been formulated within the Statistical Office of the European Community (SOEC). It is clear that they see for themselves a continuing role in monitoring further progress in economic integration and wish to maintain the flow of statistics much along the lines of those they currently receive. The proposal either has or shortly will be submitted to the Commission for formal consideration and possible amendment before presentation to Council. (At this point the proposal will, inter alia, have to be shown to the Task Force on Small and Medium Enterprises (SME), the Commission's Deregulation Unit. This is entitled to give an opinion and may well take a different view about the quantity and quality of the statistics which will be required in the context of the burdens placed on businesses.)

3. The existing proposal from SOEC does make provision for eliminating some as yet unspecified information progressively after 1992 and this may satisfy the SME Task Force. It is therefore

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unlikely that we could expect much if any support from the Commission or other Member States if we suggested total abolition of intra-Community trade statistics. This is an aspiration likely to be considered for a later period than 1992.

4. As you are aware Customs are developing a more advanced system (known as CHIEF) scheduled to become operational before 1993. This will reduce the burden on industry by the electronic capture of export information. Support for the rapid development of this system will probably be of most long term benefit to UK industry. It is fully consistent with the proper ideals of 1992.

5. Indeed if we dropped Customs' current proposals it would leave us wide open to having to conform to EC rules that would most likely be extremely burdensome. In pursuit of a more distant ideal that could involve the removal altogether of a statistical burden we could paradoxically end up with greater burdens on government statistical services and on businesses than we have now.

6. Trade statistics are vital for the national accounts and for macroeconomic management. There are no current proposals for national responsibility for macroeconomic management to cease in 1992. The problems caused by the inaccurate measurement of GDP were highlighted in the Annex to Chapter 2 of the Autumn Statement. It would be rather perverse, to say the least, to be complaining about the standard of these crucial figures while at the same time abolishing intra Community trade statistics which are an important component of total GDP. If the 1992 initiatives prove successful, it is likely that intra-EC trade will increase substantially and traded goods will account for a growing proportion of UK output and employment. There is a strong case, therefore, for making every effort to improve the accuracy and efficiency of intra-EC aggregate trade statistics after 1992, not for abolishing them. There is no reason from the point of view of macroeconomic management, however, why the trade figures should continue to be available in the same product detail as now. We could therefore support efforts to reduce the product detail to the level needed for macroeconomic management. Subject to your agreement we and Customs will discuss with DTI officials how to achieve this.

7. A draft reply to Mr Maude is attached making the above points.

P.N.S  
P N SEDGWICK

DRAFT LETTER FROM ECONOMIC SECRETARY TO MR MAUDE, DTI

INTRA-EC TRADE STATISTICS AFTER 1992

Thank you for your letter of 10 November. It is good news that the over-prescriptive nature of the earlier drafts of the Commission Regulation is being reduced significantly. I would be grateful if you would continue to keep me in touch with developments in this area.

2. Our understanding is that the proposals which have thus far been discussed with Member States have been formulated within the Statistical Office of the European Community (SOEC) and do not necessarily have the support of the full Commission. Despite the Commission's objective of a Europe without frontiers, SOEC, and quite probably the Commission, will see for themselves a continuing role in monitoring further progress in economic integration as measured by increased intra-EC trade, and will wish to maintain the flow of statistics much along the lines of those they currently receive.

3. The proposal has not yet been seen by the Commission Task Force on Small and Medium Enterprises (SME) (their deregulation unit) who are entitled to give an opinion. They may take a different view about the appropriate quantity and quality of statistics in the context of burdens on such businesses. But the existing proposal does make provision for eliminating some as yet unspecified information from the requirements progressively after 1992. This may satisfy the SME Task Force in which case it would be unlikely that we could expect much, if any, support from the Commission or other Member States if we suggested total abolition of intra-Community trade statistics.

4. Indeed there would be a major risk that instead of the efficient system that we are currently proposing there would be a more inefficient and burdensome process imposed by the Commission. The unnecessary burdens and costs of their system would adversely affect business and government.

5. You asked for our views on expected needs in the 1990s for intra-EC visible trade both at current and constant prices. The trade data are necessary for the measurement of GDP and for macroeconomic management. (Now that a substantial part of Community budget contributions are based on shares of GNP, we have an additional interest in ensuring that the GNP statistics are as reliable as possible.) As the UK will still be responsible for its own macroeconomic management after 1992 it is vital in our opinion to continue collecting trade data. To reach this conclusion it is neither necessary nor desirable to attach undue importance to the current account surplus or deficit per se. The traded sector accounts for a crucial and growing component of GDP. If the 1992 initiatives are successful the share of UK output and employment that is dependent on intra-EC trade could increase substantially. We will therefore want to monitor closely the development of the internal market. This implies that intra-EC trade figures will become more, not less, important after 1992.

#### Product and country detail on trade

6. The product and country composition of trade is less important for macroeconomic management than the aggregate figures. Nevertheless some information on the commodity composition of imports and exports is useful. For example it is somewhat reassuring that capital goods account for such a large proportion of imports this year, but it is also interesting to note that there have been large exports of capital goods. In addition the



degree of import penetration in different sectors can be useful when assessing the supply performance of particular industries. Disaggregation between different countries can shed light on the impact of competitiveness and exchange rate changes on trade flows.

7. Nevertheless there seems to be some potential for reducing the amount of product detail which is now required to be collected in every case and we would support any efforts in this direction which do not impair the supply of the data needed for macroeconomic purposes. My officials will need to consult closely with yours on this aspect.

8. To conclude I hope that we can all agree to support Customs' proposals which will reduce the burdens on industry and the cost to government. At the same time they represent the only practical alternative to harmful proposals from the Commission.

PETER LILLEY

The Hon. Francis Maude MP  
Parliamentary Under Secretary of State for  
Corporate Affairs

Peter Lilley Esq MP  
Economic Secretary  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AQ

Department of  
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MR SEDGWICK  
PS/CHX PS/CST  
39/3 PS/SIR P MIDGTON  
SIRT. GUNDS

MR SCHWAB MR O'DONNELL

MR CURRIE MR TURK

MR JEFFERSON-SMITH

PS/CH MR NASH

MR GILHOOLY

MR RIGG ALLEN

MR CULPIN

Direct line  
Our ref  
Your ref  
Date

215 4417

10 November 1988

*Dear Peter,*

## INTRA-EC TRADE STATISTICS AFTER 1992

My officials have been keeping me in touch with the negotiations in Luxembourg about the Regulation the Commission will use to collect intra-EC trade statistics after 1992. I understand Customs officials are keeping you similarly informed. Following a meeting in Luxembourg on 25-28 October, the latest news is promising. After pressure from Member States (in which the UK has been prominent) the over-prescriptive nature of the earlier drafts of the Regulation is being reduced significantly, leaving greater flexibility for Member States to adopt procedures appropriate to their circumstances.

Before we can begin to plan the details of the sort of system we wish to adopt here as 1992 approaches we should establish to what extent, if any, we need these figures, bearing in mind that they inflict a form-filling burden on firms. (It is not yet evident what documentation for intra-EC trade will be needed for administrative reasons, but whatever it is I hope it will be as simple as possible). We are currently re-appraising our need for detailed product and country figures within DTI - and encouraging other Departments using these figures, such as MAFF, to do the same. We are also considering what might be done to satisfy private sector demand for detailed trade figures should the government decide to stop collecting them. However, the most important single user of the figures, for macro-economic purposes, is the Treasury; and it would be very helpful to have your considered views on your expected needs in the 1990s for statistics relating to intra EC visible trade, both at current and constant prices.

266/11

JCFAHK

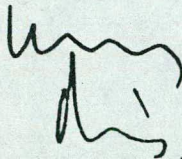
2

I am of course aware of the Pickford Review of the quality of economic statistics. I have not yet seen the final report but understand that it is unlikely to find much fault with the quality of visible trade data, as used in the quarterly national accounts. Indeed, visible trade figures are probably the most reliable of all the components of GDP, Government transactions apart.

With the completion of the Single Market, intra-EC trade statistics will be of much less significance to both industry and government. We have an opportunity now to reduce significantly the form-filling burden on industry, and hence to reduce their costs. We therefore need to look critically at whether we need any intra-EC trade statistics as we go into the 1990s; and if we do, whether, for example, we can reduce the level of product detail needed to calculate figures at constant prices; and whether, instead of the virtually complete coverage of firms we have now, we can exempt small firms from reporting their EC transactions and make estimates for the missing trade.


It would be very helpful to have your views on all this, especially in the light of recent remarks by Nigel Lawson casting doubt on the future relevance of the balance of payments as an economic indicator. As I have said, we are taking a radical look at our own needs and I am sure you will want to do the same.

As we currently expect the Regulation to go before the Council of Ministers during December, I would be grateful to have a reply before the end of November.



FRANCIS MAUDE

CONFIDENTIAL



The Hon Francis Maude MP  
 Parliamentary Under Secretary of State  
 for Corporate Affairs  
 Department of Trade and Industry  
 1-19 Victoria Street  
 LONDON SW1H 0ET

PS/CAX

PS/CST

Sir P Middleton

Sir T Burns

Mr Scholas

Mr RIG Allen

Mr Odling-Smee

Mr Hibberd

Mr Mortimer

Mr O'Donnell

Mr Pickford

Ms Turk

Mr Curwen

27 November 1988

PS/C+E

Mr Nash C+E

Dear Francis

#### INTRA-EC TRADE STATISTICS AFTER 1992

Thank you for your letter of 10 November. It is good news that the over-prescriptive nature of the earlier drafts of the Commission Regulation is being reduced significantly. I would be grateful if you would continue to keep me in touch with developments in this area.

Our understanding is that the proposals which have thus far been discussed with Member States have been formulated within the Statistical Office of the European Community (SOEC) and do not necessarily have the support of the full Commission. Despite the Commission's objective of a Europe without frontiers, SOEC, and quite probably the Commission, will see a continuing role for themselves in monitoring further progress in economic integration as measured by increased intra-EC trade, and will wish to maintain the flow of statistics much along the lines of those they currently receive.

The proposal has not yet been seen by the Commission Task Force on Small and Medium Enterprises (SME) (their deregulation unit) who are entitled to give an opinion. They may take a different view about the appropriate quantity and quality of statistics in the context of burdens on such businesses. But the existing proposal does make provision for eliminating some as yet unspecified information from the requirements progressively after 1992. This may satisfy the SME Task Force in which case it would be unlikely that we could expect much, if any, support from the Commission or

other Member States if we suggested total abolition of intra-Community trade statistics.

Indeed there would be a major risk that instead of the efficient system that we are currently proposing there would be a more inefficient and burdensome process imposed by the Commission. The unnecessary burdens and costs of their system would adversely affect business and government.

You asked for our views on expected needs in the 1990s for intra-EC visible trade both at current and constant prices. If trade with the Community were not recorded there would be no macro-economic value in recording trade with other countries so we would have to abandon trade statistics entirely. But trade data are necessary for the measurement of GNP and for macro-economic management. (Now that a substantial part of Community budget contributions are based on shares of GNP, we have an additional interest in ensuring that the GNP statistics are as reliable as possible.) As the UK will remain responsible for its own macro-economic management after 1992 it is vital in our opinion to continue collecting trade data. This conclusion implies no undue importance to the current account balance.

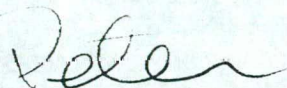
#### Product and country detail on trade

The product and country composition of trade is less important for macro-economic management than the aggregate figures. Nevertheless some information on the commodity composition of imports and exports is useful. For example the degree of import penetration in different sectors can be useful when assessing the supply performance of particular industries. Disaggregation between different countries can shed light on the impact of competitiveness and exchange rate changes on trade flows.

Nevertheless there seems to be some potential for reducing the amount of product detail which is now required to be collected in every case and we would support any efforts in this direction which do not impair the supply of the data needed for macro-economic purposes. I suggest that my officials consult closely with yours on this aspect, with the aim of reducing the burden on industry and Government as far as we can.

To conclude, I hope that we can all agree to oppose the Commission's proposals which are certain to increase the burden placed on industry and to support Custom's development of an advanced computerised system which should not only further reduce the costs imposed on industry and government, but also provide better quality trade statistics.

*Yours ever*



PETER LILLEY



the department for Enterprise

The Hon. Francis Maude MP  
Parliamentary Under Secretary of State for  
Corporate Affairs

Peter Lilley Esq MP  
Economic Secretary  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AQ

*We must not  
get into a rut  
on this issue.  
I am not  
convinced  
we need  
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problem is  
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one of  
statistics  
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of  
policy.*

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Trade and Industry

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ECONOMIC SECRETARY	
REC'D	22 DEC 1988
ACTION	Mr Sedgwick
COPIES TO	PS/chr Sir P Middleton Sir T Burns Mr scholar

Mr RIG Allen  
Mr Odling-Smee

Mr Hibberd  
Mr Mortimer  
Mr O'Donnell  
Mr Pickford  
Ms Turk  
Mr Curwen  
PS/chr  
Mr Nash

Direct line  
Our ref  
Your ref  
Date

215 4417

20 December 1988

Dear Peter,

**INTRA-EC TRADE STATISTICS AFTER 1992**

Thank you for your letter of 24 November.

As I said in my previous letter, we are taking a radical look at the need for trade statistics in this department - and I hoped you would have done the same on the Treasury needs. In this department we are assessing the extent to which numerical information is essential for decision making. So far I am not convinced that the availability of trade statistics actually contributes much to the development of Government policy.

In your letter you said "...trade data are necessary for the measurement of GNP and for macro-economic management" and "As the UK will remain responsible for its own macro-economic management after 1992, it is vital in our opinion to continue collecting trade data". Alan Clark and I do not find these bold assertions persuasive, and we feel that they need to be sustained by some argument. The underlying assumptions ought to be challenged. Apart from determining EC contributions why do we need GNP figures at all? Do we really need trade figures for macro-economic management? How much of the Chancellor of Exchequer's Budget judgement actually depends on economic statistics, notwithstanding their unreliability? Are trade figures and other economic statistics essential to the efficient functioning of financial markets?

In asking these very basic questions we fully realise that we are questioning conventional wisdom. The opportunity to do so occurs infrequently, and as a radical and reforming Government I think we should take the opportunity.

*Wh.  
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inter-*



the department for Enterprise

2

I suspect we may not be able to resolve this by correspondence. Alan and I would be very glad of a joint meeting with you and your officials to talk it over.

A handwritten signature in black ink, appearing to be 'Francis Maude'.

FRANCIS MAUDE



FROM: MISS M P WALLACE

DATE: 4 January 1989

Handwritten initials 'MP' in black ink.

PS/ECONOMIC SECRETARY

cc PS/Chief Secretary  
Sir P Middleton  
Sir T Burns  
Mr Scholar  
Mr R I G Allen  
Mr Sedgwick  
Mr Hibberd  
Mr O'Donnell  
Mr Pickford

**INTRA-EC TRADE STATISTICS AFTER 1992**

The Chancellor has seen Mr Maude's letter of 20 December to the Economic Secretary.

2. He has commented that we must not get into a rut on this issues. He is not at all convinced that we need external trade figures. The problem is one of presentation rather than policy, which would be assisted by their absence. However, we could not get anywhere with a move of this kind unless we could persuade other EC countries to do the same. This means that we would have to propose this as an EC initiative.

Handwritten signature of Moira Wallace in black ink.

MOIRA WALLACE



pps pt

FROM: P N SEDGWICK  
DATE: 13 JANUARY 1989

ECONOMIC SECRETARY

cc **Chancellor**  
Chief Secretary  
Sir P Middleton  
Sir T Burns  
Mr Scholar  
Mr R I G Allen  
Mr Riley  
Mr Hibberd  
Mr Mortimer  
Mr O'Donnell  
  
PS/C and E  
Mr Nash C and E

Doesn't include point  
that could only consider  
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AA

PSK  
PJK  
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**INTRA-EC TRADE STATISTICS AFTER 1992**

Mr Maude's letter to you of December 20 goes beyond querying the need for trade statistics, and questions the need for GNP figures and - by implication - macroeconomic statistics in general.

2. There is at the moment a good deal of sensitivity attaching to the arrangements for collecting economic statistics, and I have discussed and agreed this submission and the attached draft letter with Sir Peter Middleton.

3. There are already two major reviews of economic statistics underway, namely the Cabinet Office ("Pickford") Scrutiny of the whole range of economic statistics and the DTI's Scrutiny of its own statistics (other than the trade figures). The DTI Scrutiny has been examining the need for a vast array of detailed figures that the DTI and Business Statistics Office collect, and has concluded that many are not needed. In addition to the two Scrutinies there is the need to consider what arrangements there should be for the collection of trade statistics post-1992: indeed this particular problem sparked off the present correspondence between you and Mr Maude.

4. There is a strong case therefore for the view that there are quite enough reviews going on at the moment, and that there is no need for a separate discussion between Treasury and DTI Ministers on the general principles that should determine what statistics the government should collect. Indeed given Mr Maude's current thinking I do not think that anything could be gained by prolonging

C. DAY - LEWIS

AKA - Nicholas Blake

→ Trouser

→ Milk

- LAURA
- SHIRT & TIE el
- SHAVE HEAD
- CASH

Unclaimed prize  
or Prem. Bond

the debate with him on principles, whether by correspondence or at the meeting which he and Mr Clark would like. If DTI Ministers want to pursue further the idea of doing without important macroeconomic statistics - and it remains to be seen whether Lord Young sympathises with them - they could do so when Ministers collectively consider the results and recommendations of the Cabinet Office Scrutiny of Government Statistics.

5. I attach a draft reply that declines the offer of a meeting, and sets out our general approach to macroeconomic statistics. The main practical need is to agree aims for the discussions with the EC Commission and member states on the arrangements for collecting trade statistics after 1992. Your last letter (copy attached) to Mr Maude set out what our aims should be. We need to get Mr Maude to agree to them.

P.N.J

P N SEDGWICK

CONFIDENTIAL

DRAFT LETTER FROM: Economic Secretary  
TO: The Hon Francis Maude MP  
Parliamentary Under Secretary of State for  
Corporate Affairs  
Department of Trade and Industry

INTRA-EC TRADE STATISTICS AFTER 1992

Thank you for your letter of 20 December.

2. In your letter you questioned the need not only for trade statistics, but for GNP figures as well. I agree with you that it is essential to examine whether the mass of statistics collected by Government are really needed, given the costs of collection for both Government and business. But it is equally important for the operation of macro-economic policy that there should be a coherent and accurate set of national and sectoral accounts. Aggregate trade statistics are an essential component of these accounts.

3. The requirements of macro-economic management do not, however, justify the collection of economic statistics in anything like the current detail. Indeed there must be a suspicion that the tradition of excessive Government intervention in the economy has led over the years to the collection of many more statistics than are needed. The DTI's Scrutiny of the statistics it collects should make possible a significant reduction in the quantity of statistics collected without damaging those necessary for macro-economic policy.

4. You suggest a meeting with you and Alan Clark. As you are aware, a Cabinet Office Scrutiny is currently reviewing the arrangements for the collection of economic statistics. I should have thought that it would be best for Ministers to discuss these issues when we receive the report and recommendations from this exercise. Meanwhile I hope that we can agree on the approach to

**CONFIDENTIAL**

the collection of trade statistics after 1992 that I set out in my last letter, which will minimise the costs to Government and industry, and thwart the desire of the European Commission to impose upon member states a system of collection that will be burdensome for industry and costly for Government.

[ P L ]

The Hon. Francis Maude MP  
Parliamentary Under Secretary of State for  
Corporate Affairs

Peter Lilley Esq MP  
Economic Secretary  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AQ

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Our ref  
Your ref  
Date

30 December 1988

ECONOMIC SECRETARY	
REC'D	22 DEC 1988
ACTION	Mr Sedgwick
COPIES TO	PS/K+E
	Sir P Middleton
	Sir T Burns
	Mr Scholier

Mr Rig Allen  
Mr Odling-Smee

Mr Hibberd  
Mr Mortimer  
Mr O'Donnell  
Mr Pickford  
Ms Turk  
Mr Curwen

PS/K+E  
Mr Nash etc

*Dear Peter,*

INTRA-EC TRADE STATISTICS AFTER 1992

Thank you for your letter of 24 November.

As I said in my previous letter, we are taking a radical look at the need for trade statistics in this department - and I hoped you would have done the same on the Treasury needs. In this department we are assessing the extent to which numerical information is essential for decision making. So far I am not convinced that the availability of trade statistics actually contributes much to the development of Government policy.

In your letter you said "...trade data are necessary for the measurement of GNP and for macro-economic management" and "As the UK will remain responsible for its own macro-economic management after 1992, it is vital in our opinion to continue collecting trade data". Alan Clark and I do not find these bold assertions persuasive, and we feel that they need to be sustained by some argument. The underlying assumptions ought to be challenged. Apart from determining EC contributions why do we need GNP figures at all? Do we really need trade figures for macro-economic management? How much of the Chancellor of Exchequer's Budget judgement actually depends on economic statistics, notwithstanding their unreliability? Are trade figures and other economic statistics essential to the efficient functioning of financial markets?

In asking these very basic questions we fully realise that we are questioning conventional wisdom. The opportunity to do so occurs infrequently, and as a radical and reforming Government I think we should take the opportunity.

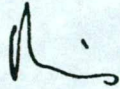
120/12

**dti**

the department for Enterprise

2

I suspect we may not be able to resolve this by correspondence. Alan and I would be very glad of a joint meeting with you and your officials to talk it over.



FRANCIS MAUDE

*Mrs Lead file*

*PS/cax*  
*PS/cst*  
*Sir P Middleton*  
*Sir T Burns*  
*Mr Scholar*  
*Mr RIG Allen*  
*Mr Odling-Smee*  
*Mr Hibberd*  
*Mr Mortimer*  
*Mr P. Donnell*  
*Mr Rickford*  
*Ms Turk*  
*Mr Curwen*

The Hon Francis Maude MP  
 Parliamentary Under Secretary of State  
 for Corporate Affairs  
 Department of Trade and Industry  
 1-19 Victoria Street  
 LONDON SW1H 0ET

November 1988

*PS/c+E*  
*Mr Nash c+E*

*Dear Francis*

**INTRA-EC TRADE STATISTICS AFTER 1992**

Thank you for your letter of 10 November. It is good news that the over-prescriptive nature of the earlier drafts of the Commission Regulation is being reduced significantly. I would be grateful if you would continue to keep me in touch with developments in this area.

Our understanding is that the proposals which have thus far been discussed with Member States have been formulated within the Statistical Office of the European Community (SOEC) and do not necessarily have the support of the full Commission. Despite the Commission's objective of a Europe without frontiers, SOEC, and quite probably the Commission, will see a continuing role for themselves in monitoring further progress in economic integration as measured by increased intra-EC trade, and will wish to maintain the flow of statistics much along the lines of those they currently receive.

The proposal has not yet been seen by the Commission Task Force on Small and Medium Enterprises (SME) (their deregulation unit) who are entitled to give an opinion. They may take a different view about the appropriate quantity and quality of statistics in the context of burdens on such businesses. But the existing proposal does make provision for eliminating some as yet unspecified information from the requirements progressively after 1992. This may satisfy the SME Task Force in which case it would be unlikely that we could expect much, if any, support from the Commission or



other Member States if we suggested total abolition of intra-Community trade statistics.

Indeed there would be a major risk that instead of the efficient system that we are currently proposing there would be a more inefficient and burdensome process imposed by the Commission. The unnecessary burdens and costs of their system would adversely affect business and government.

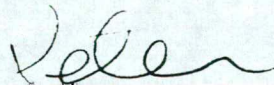
You asked for our views on expected needs in the 1990s for intra-EC visible trade both at current and constant prices. If trade with the Community were not recorded there would be no macro-economic value in recording trade with other countries so we would have to abandon trade statistics entirely. But trade data are necessary for the measurement of GNP and for macro-economic management. (Now that a substantial part of Community budget contributions are based on shares of GNP, we have an additional interest in ensuring that the GNP statistics are as reliable as possible.) As the UK will remain responsible for its own macro-economic management after 1992 it is vital in our opinion to continue collecting trade data. This conclusion implies no undue importance to the current account balance.

#### Product and country detail on trade

The product and country composition of trade is less important for macro-economic management than the aggregate figures. Nevertheless some information on the commodity composition of imports and exports is useful. For example the degree of import penetration in different sectors can be useful when assessing the supply performance of particular industries. Disaggregation between different countries can shed light on the impact of competitiveness and exchange rate changes on trade flows.

Nevertheless there seems to be some potential for reducing the amount of product detail which is now required to be collected in every case and we would support any efforts in this direction which do not impair the supply of the data needed for macro-economic purposes. I suggest that my officials consult closely with yours on this aspect, with the aim of reducing the burden on industry and Government as far as we can.

To conclude, I hope that we can all agree to oppose the Commission's proposals which are certain to increase the burden placed on industry and to support Custom's development of an advanced computerised system which should not only further reduce the costs imposed on industry and government, but also provide better quality trade statistics.

*Yours ever*  
  
 PETER LILLEY



FROM: A C S ALLAN

DATE: 16 JANUARY 1989

*py*

PS/ECONOMIC SECRETARY

cc PS/Chief Secretary  
Sir P Middleton  
Sir T Burns  
Mr Scholar  
Mr R I G Allen  
Mr Riley  
Mr Sedgwick  
Mr Hibberd  
Mr Mortimer  
Mr O'Donnell

PS/C and E  
Mr Nash C and E

**INTRA-EC TRADE STATISTICS AFTER 1992**

The Chancellor has seen Mr Sedgwick's minute of 13 January, and the draft letter to Mr Maude. He feels it would be worth adding to the draft letter the point that we could not in any case consider dropping the collection of intra-EC trade statistics unless all other EC countries agreed to do the same, which seems most implausible.

*ACSA*  
A C S ALLAN

C O N F I D E N T I A L

PPS/CHX

PS/CST

PS/Sir P Middlebar

Sir T Burns

Mr Scholar

Mr RIG Allen

Mr Riles

Mr Sedgwick

Mr Hibberd

Mr Mortimer

Mr O'Donnell

PS/CTE

17 January 1989 Mr Nash

CTE

The Hon Francis Maude MP  
Parliamentary Under Secretary of State  
for Corporate Affairs  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON  
SW1

Dear Francis

**INTRA-EC TRADE STATISTICS AFTER 1992**

Thank you for your further letter of 20 December.

In your letter you questioned the need not only for trade statistics, but for GNP figures as well. I agree with you that it is essential to examine whether the mass of statistics collected by Government are really needed, given the costs of collection for both Government and business. But it is equally important for the operation of macro-economic policy that there should be a coherent and accurate set of national and sectorial accounts. Aggregate trade statistics are an essential component of these accounts. Chapters 2 and 3 of the 1988 Financial Statement and Budget Report and Chapter 2 of the 1988 Autumn Statement give some idea of the use that we make of these statistics.

The requirements of macro-economic management do not, however, justify the collection of economic statistics in anything like the current detail. Indeed there must be suspicion that the tradition of excessive Government intervention in the economy has led over the years to the collection of many more statistics than are needed. The DTI's Scrutiny of the statistics it collects should make possible a significant reduction in the quantity of statistics collected without damaging those necessary for macro-economic policy.

C O N F I D E N T I A L

You suggest a meeting with you and Alan Clarke. As you are aware, a Cabinet Office Scrutiny is currently reviewing the arrangements for the collection of economic statistics. I should have thought that it would be best for Ministers to discuss these issues when we receive the report and recommendations from this exercise.

Meanwhile I hope that we can agree on the approach to the collection of trade statistics after 1992 that I set out in my last letter. It is worth bearing in mind that we could not consider dropping the collection of statistics even on intra-EC trade unless all other EC countries agreed to do the same, something that seems most implausible. The approach that I proposed on trade statistics minimises the costs to Government and industry, and thwarts the desire of the European Commission to impose upon member states a system of collection that will be burdensome for industry and costly for Government.

*Yours ever*

*Peter*

PETER LILLEY