

PREM 19/349

Part 1

Confidential filing

US Man-made fibre

TRADE

exports to UK

Part : 1

Synthetic textile imports.

Difficulties of textile and clothing industry

OCTOBER 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
12.10.79		25.6.80					
7.11.79		27.6.80.					
4.12.79		<u>ends</u>					
13.12.79							
31.1.80							
1.2.80							
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6.2.80							
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9.6.80							
12.6.80.							
16.6.80							
24.6.80							

PREM 19/379

PART 1 ends:-

Pm to J.E Langworth 27.6.80

PART 2 begins:-

Trade to NJS 30.6.80



emp
ind
trade

Trade
R.H.

10 DOWNING STREET

THE PRIME MINISTER

27 June 1980

Dear Mr. Longworth

Thank you for your letter of 10 June about advance payments under the Temporary Short Time Working Compensation (TSTWC) scheme.

Although there is provision under the Scheme for making advance payments, this provision has always been intended only for employers facing severe cash flow difficulties. However, all employers are advised of the availability of an advance payment when they are notified that their TSTWC applications have been approved (see attached form TST2, page 1 final paragraph).

You may be interested to know that in a recent survey it was found that, nationally, about 10% of successful TSTWC applications had received an advance payment.

The Department of Employment confirm that there has been no change in the procedure for obtaining advance payments since the procedure was first introduced. However, I note that you have the impression that there may have been some 'tightening up'; and if you will let me have any evidence of this, I will be pleased to arrange for individual enquiries to be made.

Yours sincerely

J E Longworth, Esq

MT

jfh

ab



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PO 7976/1980

Tim Lankester Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON
SW1

24 June 1980

See Tim

As you know, the letter of 10 June to the Prime Minister from Mr John E Longworth, Secretary of the Oldham and District Textile Employers' Association Ltd, has been passed by the Department of Industry to this Department.

... I attach a draft reply for the Prime Minister.

*Yours sincerely
John Anderson*

JOHN ANDERSON
Private Secretary

Trade

PO 7976/1980

Type for
PP1 Sig el.

J E Longworth Esq
Secretary, Oldham and District Textile
Employers' Association Limited
Thorncliffe, 115 Windsor Road
OLDHAM OL8 1RQ

Your Ref: JEL/OB

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24 JUN 1980

Original in GR.

FILE

VLS



10 DOWNING STREET

CC 3/1

D/T

THE PRIME MINISTER

21 June 1980

Dear Lord Bamber.

Thank you for your letter of 9 June, on which day I met - as you anticipated - Nicholas Winterton and his delegation. We had a very useful discussion and covered a wide range of problems. I hope I was able to assure them that I did not underestimate the importance of the textiles industry as a source of national wealth and as a provider of jobs, and fully appreciated the depth of the present crisis.

They echoed your plea for additional Government action to alleviate those problems which are largely outside the industry's control - the volume of low-cost imports and the present financial and economic climate. I had to explain that, so far as additional measures were concerned, the Government does not have a free hand either.

I take your point about the effect which the sudden introduction of protective measures can have on the confidence and prosperity of a particular industry, although we must also weigh the consequences for the national economy. But I am afraid that we cannot, in any case, cut back the present volume of low-cost imports without contradicting our international obligations as a party to the common textiles policy of the E.E.C. and to the agreements which the Community has negotiated with supplier countries. We cannot renege

/ on these

VLS

on these agreements without losing the degree of protection which our industry presently enjoys or, by resorting to unilateral measures, inviting retaliation. As you say, we must think carefully about balancing the advantages of greater protection against the risks which we shall have to run.

But there do exist over 400 quotas or restraint levels with more than 30 countries, and new quotas are continually being introduced. The textiles sector enjoy a much wider degree of protection than any other manufacturing industry. Even so, this system of protection is not nearly as watertight as we would like, and we will do everything we can to ensure that existing restraints are implemented as effectively as possible.

On the question of Government assistance for the textiles industry, I think we must be very careful to avoid short-term measures which will diminish or negate the effectiveness of our general economic policy. Special fiscal relief would mean an increase in taxation or public borrowing, which would make it that much more difficult to control public expenditure and inflation. You know how strongly I feel that we cannot afford to be deflected from this course.

These are the constraints with which the Government is faced, but I do believe that we should continue to weigh our options at all times, and in view of your very great experience of textiles I was most grateful for your comments and advice. I am very glad that you will soon be meeting Mr. Parkinson and have an opportunity to discuss matters and exchange ideas with him.

Yours sincerely
Raymond Dehler

121
THE
BRITISH TEXTILE
EMPLOYERS'
ASSOCIATION

(Cotton, Man-Made and Allied Fibres)

2
5th FLOOR,
ROYAL EXCHANGE,
MANCHESTER M2 7ED

20th June 1980

RLJ/PA

The Rt. Hon. Margaret Thatcher MP
10 Downing Street
LONDON S.W.1.

ms
Answer this to
No reply needed.
R.
27/6
John Pinnick

Our discussions at 10 Downing Street
on 9th June 1980

In my letter of the 11th June I did state that I would reply in detail to your letter of the 3rd June on my return to the office today after a week spent at the European Parliament and Commission. However since that time - as I mentioned in my letter to Mr John Nott of the 13th June - we have set up a Central Committee meeting on the 26th June when the major subject for debate with our member firms will be your letter of the 3rd June and our subsequent discussions. It therefore seems desirable to await the outcome of that debate before replying fully to your letter of the 3rd June and I hope you will agree with this suggestion. I have already taken up the matter of the working party with Mr John Nott and I hope to have a meeting with him shortly on this subject.

I would like to take this opportunity to thank you again most sincerely on behalf of the whole North-West delegation for giving us so much time on the 9th June and also for making a number of positive statements which have reassured us on some aspects of our present situation.

Yours sincerely,

R. Lloyd-Jones
R. Lloyd-Jones
Director-General

Director General: R. Lloyd-Jones

Director (Administration and Finance) and Secretary: J. Platt, M.B.E.

Director (Industrial): J. Gill Director (Commercial): S. Rothwell Director (Statistics): D. C. Shaw

Telephone: 061-834 7871 (5 lines)

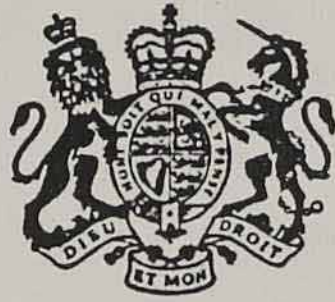
Telegrams: Employer, Manchester

Telex: 666737

Original - K/R.
C.F. to note

Trade MFS 13/4

CC DOT
DOT



10 DOWNING STREET

THE PRIME MINISTER

16 June 1980

Thank you for your letter of 23 May about the situation in the wool textile industry, with which you enclosed details of redundancies of your members notified since the beginning of this year.

First, let me make it absolutely clear that the Government does view the continuing loss of jobs in the textile industry, and the wool textile industry in particular, very seriously indeed. No one can be in any doubt about the contribution made by the Textile and Clothing Industries to the overall level of employment, and indeed to the level of industrial activity in this country. We are also very conscious of the fact that the textile industry is concentrated in certain areas of the United Kingdom, so that the social impact of these redundancies is much greater than it would otherwise be.

In your letter you identify some of the factors contributing to the present situation: the continuing growth of imports from low and high-cost sources, the high value of sterling, and the present high interest rates. There are of course others. Domestic inflation and rising labour costs over the past year have had an adverse effect on the profitability of all companies, not only those in the textile and clothing sectors. The wool textile industry in particular has been hit by changes in fashion and decreasing consumer demand. And the modernisation and

/rationalisation

VB

Trade SR



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

17 June 1980

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
SW1

SR/CF noted
m m m

Dear Tim

You wrote to Ian Ellison on the 12 June enclosing a letter which the Prime Minister had received from Mr John Longworth, of the Oldham and District Textile Employers' Association Ltd.

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19/6

As the subject of his letter is more appropriate to the Department of Employment, I have passed your letter to Andrew Hardman in that Department.

yours sincerely

Mike Kenny

MIKE KENNY
Private Secretary

rationalisation of manufacturing processes, leading to increased productivity, although welcome for the viability of the firms concerned, has taken its toll of employment.

So far as the pressure from imports is concerned, I think I must emphasise that a very great deal is already being done. Imports of textile and clothing from low-cost sources are now more restricted than ever before. There are well over 400 quotas under agreements with more than 30 countries, and the provisions of these arrangements are being invoked all the time to introduce new quotas.

These arrangements are without parallel in any other manufacturing sector. As you know, this industry lives not only by its domestic sales, but through its exports as well. This trade, in both directions, is governed by our relations with the European Community and the provisions of the General Agreement on Tariffs and Trade. We cannot as a major trading nation fail to take account of the very real likelihood of retaliation if we were to attempt to disregard these obligations. The United States are already considering retaliation against our wool textiles as a result of the quotas which were imposed on fibre imports into the United Kingdom.

Nevertheless, I must emphasise that we are committed to making every effort within the Community to ensure that all the existing arrangements under the Multi-fibre Arrangement are implemented effectively and as quickly as possible, and to ensure that whenever there are weaknesses in these arrangements they are remedied. For example, the problem of cheap suits from Romania has been taken up with the Romanians by the Commission under the price clause in the EC/Romania MFA bilateral agreement; so far the Romanians have offered substantial increases in the average price of their sendings to the United Kingdom, but we are continuing to press for an undertaking that can be more

/easily enforced.

easily enforced. Allegations that goods are arriving in the United Kingdom and avoiding the appropriate quotas through false declarations of origin are being actively investigated by HM Customs Investigation Department. These investigations can lead to seizures and in certain cases to prosecutions: proceedings have recently been ordered against a United Kingdom importer involved in the Hong Kong/Indonesia fraud case of 1978/79. And of course we are continuing to make the maximum possible use of Article 115 of the Treaty of Rome to limit imports of third country goods via other Member States.

You mention the problem of public purchasing from overseas sources. The United Kingdom is under a Community obligation to advertise certain public contracts to tender in the EC Official Journal. But within these limits, central Government purchases of textiles and clothing are normally made from United Kingdom sources. Available statistics show that well over 90 per cent of Government textile and clothing requirements are met by United Kingdom suppliers. This suggests that at the central Government level at least, public purchasing is not a major factor in the growth of imports. However, we do not keep comprehensive records of overseas purchases by other public organisations, and if your Union has evidence that this is a major problem, then I know that Ministers at the Departments of Trade and Industry would be glad to see it, and to see whether there is anything central Government can do to help United Kingdom firms win these contracts.

On the question of our domestic economic measures, the Government does appreciate the burden placed on our exporters by the high value of sterling, and the difficulties created for business in general by the high interest rates. I have already made it clear that we will reduce interest rates as soon as we are confident that we can do this while at the same time maintaining control of the money supply; and the reduction in our contribution

/to the

to the Community Budget will certainly make matters easier. Without strict control over the money supply and without the reduction in public spending on which we are planning, we will not be able to bring inflation down. Yet a reduction in the inflation rate must be our first priority if we are to create the conditions in which industry as a whole can flourish. Any short-term action to alleviate the effects of the Government's economic measures in particular sectors would simply prolong the task of getting inflation under control. It is not in the long-term interest of any sectors, including the textiles sector, that this should happen.

In conclusion, let me say once again that we shall lose no opportunity, subject to the constraints of our overall economic objectives and our international agreements, to do everything we can to help the wool textile industry, and to press the interests of the industry in the Community.

(SGD) MARGARET THATCHER

W.H. Maddocks, Esq., J.P.

Nat. Union Dyers, Bleachers & Textiles Workers

vb

B/F 20.6.80

Trade.

12 June 1980

The Prime Minister has received the enclosed letter from Mr. John Longworth following up the textile meeting here on Monday. She would like the point about disbursements to be followed up, and I would be grateful if you could let me have a draft reply for her to send.

T.P. LANKESTER

I.K.C. Ellison, Esq.,
Department of Industry.

→ passed on to

Employment to
handle

HS

12 June 1980

I am writing on behalf of the Prime Minister to acknowledge your letter of 10 June. The Prime Minister will be writing to you as soon as possible.

T. P. LANKESTER

J.E. Longworth, Esq.

6/27-6-8

JS
cc D/1

12 June 1980

Before last Monday's meeting on textiles, Jack Straw sent to the Prime Minister the attached letter listing the points he would want to make during the meeting. Most of them were indeed discussed during the meeting.

The Prime Minister would now like to send Mr. Straw a considered reply on these points, drawing on what was said at the meeting, and adding anything further which can be said.

May I ask you, in consultation with the Department of Industry, to let us have a draft reply for the Prime Minister to send to Mr. Straw, to reach us here by Friday 27 June?

I am sending a copy of this letter, and its enclosure, to Catherine Bell (Department of Industry).

NSJ

Stuart Hampson, Esq.,
Department of Industry.

Trade

JS



10 DOWNING STREET

PRIME MINISTER

Jack Straw sent you the attached letter before the textiles meeting last Monday. It was intended to be an agenda for the meeting, and the points listed in it were indeed discussed.

Do you want to send him a considered reply on each of the points, repeating the conclusions of the meeting; or are you content to let it rest?

Yes please MS

mf.

11 June 1980

The Royal Westminster Hotel

Buckingham Palace Road,
London SW1W 0QT.
Telephone: 01-834 1821.
Telex: 916821

The Prime Minister.
10, Downing Street.

Prime Minister

✓ de Mr Lloyd-Jones

Dear Prime Minister

R
11/6
11th June 1980.

VISIT BY NORTH WEST TEXTILE DELEGATION

Although I will comment in greater detail on our discussions and your letter of the 3rd of June when I return to my office next week, I do wish to thank you on behalf of the whole team for devoting so much time to our meeting on Monday last. We were comforted by many of your positive statements and your obvious personal interest in our present critical situation.

Thank you.

Yours sincerely,

Bob Lloyd-Jones
Bob Lloyd-Jones.



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Oldham and District Textile Employers' Association Limited

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THORNCLIFFE, 115 WINDSOR ROAD,
OLDHAM OL8 1RQ

Secretary :
JOHN E. LONGWORTH
Assistant Secretary :
RAYMOND R. RAGGETT

Ref: JEL/DB

The Rt. Hon. Margaret Thatcher, MP
Prime Minister
10 Downing Street
LONDON SW1

10 June 1980

Dear Prime Minister,

I am writing to express my personal thanks for the way in which you received the textile delegation yesterday and took note of our deep concern for the future of the industry.

At one stage in the discussions, when Jack Straw suggested advance payments in connection with the Short Time Working Compensation Scheme, I did say that firms were able to obtain advances if they had cash flow problems.

I have checked and confirmed this again today but there appears to have been a tightening up within the Department that makes it a little harder to obtain an advance payment. This strikes me as being one of the perfectly legitimate areas where, without any publicity within the Community, additional assistance could be given to firms by issuing guidelines to regional officials administering the scheme.

Financial pressures are proving to be the final straw for many firms who were just managing to fight the battle against low labour cost imports and unfair competition and anything you can do to relieve those pressures will ultimately benefit us all.

*Yours sincerely,
John E. Longworth*

RO

TEMPORARY SHORT-TIME WORKING COMPENSATION SCHEME

Messrs

Date

Dear

Reference

I am pleased to inform you that your application for compensation under the Temporary Short-time Working Compensation scheme has been approved for a period of 13 weeks from within the limits of jobs which are at risk of redundancy, *and for workers who will work short-time but who are not connected with the redundancy

Compensation is not payable during a period of notification of redundancy made in accordance with the provisions of the Employment Protection Act 1975. * This approval therefore will become effective when you have withdrawn the notification already made. A written notice of withdrawal should be sent to the office to which you sent the earlier notification with copies to the Trade Union representative concerned and to me at this office.

A complete review of the situation will be necessary at the end of the present period if you wish to apply for payment of compensation for further periods of 13 weeks within the maximum period of one year allowed for under the scheme, which runs from the beginning of the first 13 week period approved.

Your payments for the 13 week period which has been approved will be reimbursed, in arrears, in three instalments relating to the first 4 weeks, the second 4 weeks and the final 5 weeks, that is, the periods ending on

..... I enclose three claim forms on which you should apply for reimbursement of your payments for those 3 periods. Please note that on each claim form you are asked to indicate whether you will continue short-time working and claim compensation for a further period. On the first two claim forms (TST 3) this period will be the next claim period, but on the third claim form (TST 3A) you are asked to indicate whether you wish to apply for compensation for a further 13 week period (see Question 17 on TST 3A). YOU MUST ANSWER "YES" TO THIS QUESTION IF YOU WANT TO RECEIVE COMPENSATION FOR A FURTHER 13 WEEK PERIOD.

The amount of compensation given will be based on the number of redundant jobs which you certify on the claim forms as continuing to be maintained, * and on the number of workers whom you certify will work short-time although they are not connected with the redundancy.

You should submit your claim forms as soon as possible after the end of the period to which they relate, and wherever possible WITHIN 2 WEEKS of the end of that period. CLAIMS WHICH ARE RECEIVED AT THIS OFFICE MORE THAN 4 WEEKS AFTER THE END OF THE PERIOD TO WHICH THEY RELATE WILL NORMALLY BE REFUSED.

Please note that the maximum period for which compensation can be paid commences at the date from which payment is first authorised. If payments are not drawn when they are due, for any reason, no back payment may be made subsequently, but within the maximum period of compensation set out in PL 636 payments may be resumed if the conditions of the scheme remain satisfied.

* If you are introducing short-time working under these arrangements for the first time you may receive an advance payment (normally of 2 weeks estimated compensation) which will be recovered from the final payment. The enclosed form TST 4 should be completed and returned if you wish to receive an advance.

* Delete as necessary

May I remind you that this is a purely voluntary scheme and you are entirely free to withdraw at any time by written notice to this office. Your statutory obligations as regards the notification of redundancies in accordance with the Employment Protection Act 1975 and the issue of notices of dismissal to workers on grounds of redundancy will apply once again from the date of withdrawal from the scheme or of course on completion of the period of payment of subsidy. I would also like to mention that the scheme is entirely within the discretion of the Secretary of State for Employment and there is no obligation on him to make payment in any particular case

Please do not hesitate to get in touch with me if you have any queries or require further information.

Yours sincerely

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10 DOWNING STREET

From the Private Secretary

9 June 1980

I enclose a copy of the record of this morning's meeting here at No. 10 with the delegation from the textile industry.

I am sending a copy of this letter and enclosure to Stuart Hampson (Department of Trade), Martin Hall (H.M. Treasury) and David Wright (Cabinet Office).

T. P. LANKESTER

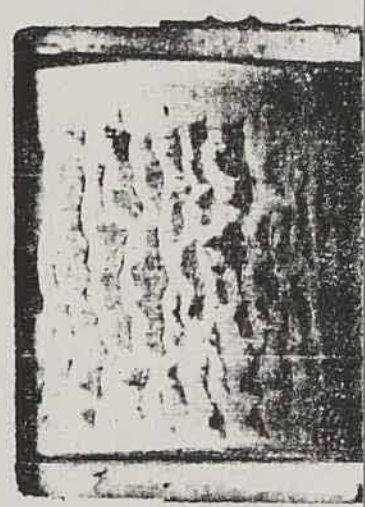
I. K. C. Ellison, Esq.,
Department of Industry.

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cc D/T
HMT
CO



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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND A DELEGATION
REPRESENTING THE LANCASHIRE TEXTILES INDUSTRY AT 1200 HOURS ON
MONDAY, 9 JUNE 1980 AT 10 DOWNING STREET

cc. Master set.

Present:

The Prime Minister
Secretary of State for Industry
Secretary of State for Trade
Mr. David Wolfson
Mr. Clive Whitmore
Mr. Neville Gaffin
Mr. Tim Lankester

Mr. Bob Lloyd-Jones (British
Textile Employers Association)
Mr. J. E. Longworth (B.T.E.A.)
Mr. Jack Brown (Amalgamated
Union of Textile Workers)
Mr. Ian MacArthur (British
Textile Confederation)
Mr. Derek Nightingale (Walsden
Printing Co.)
Mr. Cyril Smith, M.P.
Mr. Jack Straw, M.P.
Mr. Nicholas Winterton, M.P.

Mr. Lloyd-Jones thanked the Prime Minister for agreeing to see the delegation, and also for the letter which she had written him on 3 June. In spite of the Government's apparent concern for the industry's problems, he and his colleagues felt that the Government's advisors still had not grasped their significance and urgency. The situation was now so bad that there was a real risk that the U.K. would follow the Swedish example: our textile industry would be lost and we would be faced with the job of recreating it all over again. In the cotton and allied sector, one mill was closing each week; he had knowledge of 40 further intended closures; over 11,000 employees were presently on short time working; there had been over 5,000 redundancies in 1979, another 3,900 between January and April 1980; and another 5,000 were immediately in prospect.

Mr. Nightingale said that the large-scale employers were approaching the present crisis in a way which was quite different from previous downturns. This was exemplified by the position of Courtaulds who had made clear that, if an operation was not viable, they would close it down. In the past, they would have kept their unprofitable plants going in anticipation of the upturn

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/ to come.

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- 2 -

to come. In his own line of activity, namely finishing, there were 130 employers as of January 1980; 19 were now in the process of closing down. Three out of eight roller printing works were going out of business. This was an alarming rate of contraction.

Mr. MacArthur said that the British Textile Confederation endorsed the views which had been expressed on behalf of the cotton and allied sector. The Government should not lose sight of the large contribution which the textile industry made to G.D.P.. This was now being eroded. Once there were mill closures, it was unlikely that they would re-open.

Mr. Brown said that the textile industry liked to fight its own battles, and normally it would not come to Government for assistance. But in the present crisis, its own weapons were insufficient. The human consequences of the present closures were appalling; and the consequences for the country should not be underestimated. He understood that the industry could not be altogether shielded from the problems of the high exchange rate and the high level of M.L.R.. But he hoped that a programme could be worked out so that as much of the industry as possible could survive.

Mr. Longworth said that the present situation for the industry was worse than he had ever known it in many years of lobbying. He was currently spending a huge amount of time advising managers on such things as short-time working, redundancy payments, and whether the Government was likely to take action on the industry's behalf. Individual managers were in a highly emotional state, for even the most efficient firms were being forced to close, and this after they had spent large amounts of money on re-equipping. The industry could not do any more for itself: the Government had to help.

Mr. Straw said that the industry was special in two respects. First, its current difficulties had not been caused by its own inadequacies. On the contrary, productivity had risen, labour

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relations were good, and it had adapted readily to changing technology. Second, the industry was faced with a very high level of import competition. The industry had a technology which was in common use in many countries, and the present MultiFibre Arrangement, which unfortunately continued until the end of 1981, was inadequate. There must be a "recession clause" in the next MFA.

Mr. Straw then repeated most of the points in his letter of 5 June to the Prime Minister. First, controls recently imposed on man-made fibres from the USA were not adequate. The quotas had been set too high and the failure to impose any controls against finished tufted carpets meant that the position of this sector was now even worse than it had been before. Second, the "gentlemen's agreements" which purported to control imports from the Mediterranean countries were inadequate. They could too easily be evaded. Third, the Government could do more to support the industry by Buying British. Fourth, the retailers needed to be encouraged to buy more of their goods from British manufacturers. Marks and Spencer were currently running into difficulties because of the unpatriotic attitude of some of their competitors. Fifth, the industry needed some immediate cash assistance. He regretted that the Temporary Employment Subsidy had been discontinued. From the point of view of industry's cash flow, this was a far better scheme than the Temporary Short Time Working Scheme; and it also had had a beneficial effect on the balance of payments.

Mr. Longworth cited Turkish yarn as an example of a "gentleman's agreement" failing to work properly. In 1979, there had been a ceiling of 2,940 tons, but in fact they had exported over 5,000 tons to the UK. It was easy for the Mediterranean countries to get around their agreements by free circulation within the EEC.

Mr. MacArthur said that the bilateral agreements negotiated under the MFA in 1978 had been reasonable in the context of the trading conditions at that time. Unfortunately, the MFA had assumed that spending on textiles would continue to grow fairly rapidly - and this had not happened. In addition the "basket

/extractor"

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extractor" system had not worked as effectively as it should have done. Furthermore, on the question of man-made fibres, the Commission had let the UK down. In the last few days, for example, they had allowed 900 tons of nylon filament yarn to be imported to the UK via the free circulation route.

Mr. Winterton said that MPs in all three Parties were concerned about the plight of the industry, and they were not prepared to let it collapse. The Commission's handling of the quota arrangements had been highly unsatisfactory: he was especially critical of the length of time they took to act in particular cases. The large companies were now increasingly establishing their production units abroad: he wondered whether the Government really wanted the UK to be turned into a service economy. This was the worst crisis for the industry in 50 years. If nothing was done, there would be no industry left when the Government's economic policies began to work through.

Mr. Winterton then suggested the following paliatives. First, the Government should enable the energy industries to charge lower energy prices to the textile industry and thereby emulate the position in the USA. This would help offset the high level of MLR and of sterling. If this was not possible, PRT should be increased and the proceeds should be allocated to industry. Second, the Government ought to act more firmly against imports from COMECON countries. Some of the prices charged by these countries were quite absurdly low. Third, the Government should set a better example in its public purchasing policy: it was quite wrong that the police had recently purchased a large consignment of raincoats from West Germany. ^{Fourth,} the Government had been very successful in securing its objectives on the EEC Budget; it should now get the EEC to change on the question of textile imports.

The Prime Minister said that the Government could not change the existing MFA, and it had to operate within the EEC rules and through the Commission. In considering the case for controls on imports, the Government had to take into account the fact that the UK was highly dependent upon exports and therefore subject to retaliation, and also that controls were not always popular - for

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/example

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- 5 -

example with consumer interests and with producers who needed to import materials.

However, the Government was determined to do all it could for the industry. It intended to negotiate a tough successor to the current MFA - taking into account experience with the latter. But it would be damaging to our negotiating position to say in public what were our negotiating aims at this stage. Second, the Government was going ahead with a requirement for origin marking. It was not possible to promote this as an aid to the industry because the Commission would object: the requirement would only be acceptable if it were described as a consumer aid and this was why the Minister of State for Consumer Affairs was dealing with it. She was now consulting with the Commission on the details, and draft Orders would be published shortly.

The Prime Minister said that she understood that the industry had three kinds of complaints about the import quotas: they took too long to be introduced; they were not set high enough; and they were not implemented properly. On each of these scores she had a good deal of sympathy with the industry; and the Government would do all it could to improve matters. Mr. Nott added that the arrangements for obtaining new quotas under the "basket extractor" did take too long, and officials would do all they could to speed things up. However, it had to be pointed out that the delays in introducing quotas on imports from Turkey had been due partly to the pressure from the Germans, who had not wanted restrictions on imports to undermine their aid programme to Turkey.

On the question of energy pricing, the Prime Minister said that under the rules of the EEC the price of North Sea oil in the UK market could not be lower than the price obtained from sales to our EEC partners. As for electricity and gas prices, industry was able to negotiate bulk tariff deals; any further assistance would have to be at the expense of ^{domestic} consumers. The idea of increasing PRT and allocating the proceeds to industry was also unattractive - PRT was already high enough and was holding back exploration activity in the

/North Sea

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- 6 -

North Sea. Mr. Brown said that, in that case, the Government should finance assistance to the industry by borrowing more. The Prime Minister responded that the Government could not do that since it would simply mean higher interest rates.

Mr. MacArthur said that the industry accepted that the current MFA could not be renegotiated. But it did contain provisions for consultation after the first two years - the so-called "flexibility provisions" - if trading conditions had radically changed. The Prime Minister said that the Government would consider the possibility of invoking these provisions.

Mr. Winterton said that it was very disappointing that the Government had not managed to obtain a quota on tufted carpet imports from the USA. Mr. Nott said that, as soon as he had sufficient evidence, he intended to return to the Commission on this issue. He pointed out, however, that the USA had already put in substantial compensation claims, as they were entitled to, in respect of the two quotas already imposed; and these would probably have to be met by lowering the tariff level on EEC imports of USA textiles. He was also trying to fend off the threat of US retaliation on imports of wool textiles from the UK.

Sir Keith Joseph said that the Government would try to use public procurement more effectively to the advantage of the industry, and to avoid a repetition of the purchase of raincoats from West Germany by the police. Mr. Smith said that the industry could assist Government by monitoring the orders which were placed by the public sector. The Prime Minister said that she was sure the Department of Industry would welcome this. Mr. Winterton commented that the public sector in the UK advertised far more than its counterpart in other EEC countries: the Italians did not seem to advertise at all.

Mr. Straw repeated his suggestion in his letter that the Government should announce a Queen's Award for Retailers for purchasing from British manufacturers. He also argued that payments under the Temporary Short Time Working Scheme should be brought forward. The Prime Minister said that she did not think this would

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/be a good

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- 7 -

be a good idea. It would be misunderstood by housewives, who wanted to buy the best value for money. On the Short Time Working Scheme, Mr. Longworth commented that there was already provision for firms to obtain payments up to two weeks before short time working began. Mr. Nott said that the idea of bringing retailers and manufacturers together could best be pursued in NEDC and the relevant Sector Working Party.

The Prime Minister said that she often found that the designs of imported textiles were superior to UK manufacturers'. Much could be done by improving our own designs.

Finally, Mr. Lloyd-Jones said that he hoped that the Government would reconsider its position on his proposal for a working party to consider the problems of the industry. The Prime Minister said that she did not believe a working party would be of any advantage; but if he wished to pursue the matter, he should do so with the Secretary of State for Trade.

The meeting finished at 1310 hours.

R.

9 June 1980

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PRIME MINISTER

TEXTILE MEETING: 9 JUNE 1980

The Departments of Trade and Industry have provided the brief at Flag A.

There is a lot of other material which you might like to look at again. I have put it all in the folder, in case you want to look at any particular paper. This includes:

- in G/R*
- Flag B: Your exchange of correspondence with Mr. Lloyd-Jones (who will be coming to the meeting)
- Flag C: Jack Straw's letter to you setting out the points he proposes to make at the meeting. The brief has been drawn up taking them into account.
- Flag D: The correspondence from Cyril Smith - which is extensive, and includes some cuttings from the Rochdale Observer which you have not seen before.
- Flag E: Correspondence from Nicholas Winterton.
- Flag F: The papers for the E meeting last month on textiles, including Robert Armstrong's brief and the Department of Trade's "Facts Sheet".
- in G/R*
- Flag G: A letter we have just received from Lord Peart writing on behalf of the Retail Consortium and arguing against increased protection.

MS

6 June 1980

File

DSG

Trade

6 June 1980

I attach a letter from Cyril Smith giving the final composition of the textiles deputation meeting next Monday.

I am copying this letter and its enclosure to Stuart Hampson (Department of Trade).

N. J. SANDERS

Mrs. Catherine Bell,
Department of Industry.

DSG



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

6 June 1980

Nick Sanders Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Nick

...
I enclose briefing for the Prime Minister's meeting at 12 noon on Monday 9 June with the delegation from the Lancashire textiles industry led by Nicholas Winterton, Cyril Smith and Jack Straw. The Secretaries of State for Trade and Industry will also attend.

The brief incorporates the points raised by Mr Straw in his letter of 5 June.

The substance of the brief has been agreed with Department of Trade officials.

Yours sincerely
Catherine Bell
CATHERINE BELL
Private Secretary



A

BRIEFING FOR THE PRIME MINISTER'S MEETING WITH NORTH-WEST
TEXTILE MPs, 9 JUNE 1980

The Prime Minister (accompanied by the Secretaries of Industry and Trade) has agreed to meet a delegation representing the Lancashire textiles industry. The delegation will comprise:

- Mr Cyril Smith, MP
- Mr Jack Straw, MP
- Mr Nicholas Winterton, MP
- Mr Bob Lloyd-Jones, Director-General of the
British Textile Employers Association
- Mr J E Longworth, British Textile Employers
Association
- Mr Jack Brown, Amalgamated Union of Textile Workers
- Mr Ian MacArthur, Director, British Textile
Confederation
- Mr Derek NIGHTINGALE, Chairman Walsden Printing Co (Finishing Industry)

A letter was received at short notice from Mr Straw listing a number of points which he intends to raise and advising that he plans to release extracts from the letter to the press. These points are:

- i) Imports of man-made fibre products from the USA.
- ii) Imports from Mediterranean Associate countries of the EEC.
- iii) Public purchasing.
- iv) British Retailers' Purchasing Policy.
- v) Aid to Industry.
- vi) The (social) consequences of the industry's collapse.

The State of the Industry

Like other parts of the textiles and clothing industry, cotton and allied textiles (the "Lancashire" industry) is facing very serious difficulties. Closures are mounting. Employment fell from 69,000 to 65,000 in 1979, and the process appears to be accelerating. Fears of a very serious collapse cannot be discounted.



Continuing pressure from imports from both high-cost and low-cost sources (where Lancashire textiles were the first to feel the impact) is a major factor. The strength of sterling is making imports more attractive and exporting more difficult. High inflation and interest rates are adding to the industry's problems.

Mr Straw's Points

(i) - Imports of Man-made Fibres from the USA

The UK Government was naturally disappointed that the Commission did not accept the case for a quota on mmf tufted carpets and fixed the quotas on polyester filament yarn and nylon carpet yarn at relatively high levels. However, the fact that quotas exist should have a stabilising effect on the market. And the Commission have agreed that if imports of American carpets continue on an upward trend and damage the industry safeguard action will be taken.

Smith says they have control over this.

We are watching the position carefully at present. The problems of those carpet manufacturers using US yarn will of course have been alleviated by the level of the quotas which, as Mr Straw acknowledges, will give them access to amounts greater than they imported last year. On the evidence provided by industry the UK Government does not consider that there is at present a case under the international rules for seeking quotas on other synthetic textile products. The Department of Industry is keeping in close touch with the industry on this issue.

(ii) - Imports from Mediterranean Associate Countries of the EEC

As Mr Straw says, controls on the EEC's Mediterranean Associates are less formal than the restraints on other low-cost suppliers under the MFA. But the preferential trading status which the Mediterranean countries enjoy as EEC Associates guarantees them unrestricted access to Community markets for their manufactures. Under the Voluntary Restraint Arrangements (VRA) which the Community has succeeded in



negotiating, the Mediterranean countries have agreed to forego this right in the case of textiles and restrain their exports. Although the levels have not always been scrupulously observed, these arrangements were the best that could be achieved, and it will not be possible to establish more effective controls in this area.

The preferential agreements with Mediterranean countries do provide for the imposition of quotas in exceptionally disruptive cases. This safeguard provision was invoked to block further imports of cotton yarn from Turkey (for which no VRA exists) in late 1979 for the remaining weeks of that year. We would not rule out similar action in the future if conditions warrant it. But the need for Community consent for safeguard action limits our powers to act independently. So far this year Turkish yarn imports are running at a lower rate than last and are consistent with respect for the limit which we envisage (about 3000 tonnes).

(iii) - Public Purchasing of Textiles

The UK is under a Community obligation to advertise certain public contracts for tender. But within these limits purchases of textiles and clothing by central Government are normally (some 90%) made from UK sources. Local authorities and health authorities - who also have to have regard to Community obligations - are responsible for their own purchasing decisions. We hope that they will use their relationship with UK suppliers to improve industrial performance to the advantage of both sides and that where ever possible they will buy British textile products, but the Government is in no position to require them to do so. As far as the National Health Service is concerned the Secretary of State is about to set up a Supply Council to establish policies over the whole range of Health Service procurement. The Government is prepared to pursue any case where it can be demonstrated that a British company has suffered because other Member States have failed to observe Community obligations.



(iv) - British Retailers' Purchasing Policy

Retailers purchase what they can sell to the consumer, and it is primarily the responsibility of the manufacturer to produce the right goods.

However the need for closer relationships between retailer and manufacturer in the search for import substitution opportunities has been recognised. A Panel has been established for just over a year under the aegis of the National Economic Development Office on which manufacturers and retailers are represented. The Government attaches importance to this work and the Department of Industry is represented on the Panel. There have been one or two instances of import substitution arising from the work of the Panel but this is essentially a long term exercise. The Secretary of State for Trade recently attended a dinner hosted by the Chairman of the Clothing EDC at which a number of major retailers were also present. The Chairman of the Clothing EDC undertook to submit to the Departments of Trade and Industry an outline scheme aimed at helping with design, marketing and promotion.

(v) - Aid to Industry

(a) - Special Fiscal Relief for Textile Firms

This would inevitably mean an increase in taxation elsewhere or in public borrowing. It would thus make the task of bringing public expenditure and inflation under control more difficult. It is in the longer term interests of the textiles industry, as for industry generally, that we should not be deflected on this front.

(b) - Temporary Employment Subsidy

While the EEC Commission has authority to approve schemes of aid designed to remedy a serious disturbance in the economy of a Member State, they took serious objection to the TES, precisely because so much went to textiles and clothing firms (this was not envisaged when they originally approved the scheme) and they considered that it was distorting the pattern of trade and competition in the Community



in maintaining output at artificially high levels, which the Short Term Working Compensation Scheme does not do. There is no prospect that their view would be any different now if we sought to re-introduce similar arrangements.

Since TES was discontinued, other special employment measures have been developed and expanded and the Government is already committed to a high level of expenditure up to March 1981 when the whole programme of measures will be subject to annual review.

(vi) - Social consequences of the industry's collapse

It is true that a large part of the workforce in the Lancashire industry is composed of Asians.

Other Points Which May Arise

(vii) - Agreements with MFA Countries

Bilateral agreements negotiated under the MFA have established effective quotas on imports of many categories of product.

These cannot be cut-back (as the Prime Minister's letter of 3 June (attached as Annex) to the British Textile Employer's Association - representing the Lancashire industry - made clear). The agreements prohibit it and to renege on them would breach our international obligations.

But the Government is fully committed to seeking the rigorous implementation of existing restraint measures, although it does not have discretion to act independently of the Commission and its European partners.

(viii) - Renewal of the MFA

There will be a successor arrangement to present MFA, but negotiations with 3rd world will be very tough.



(ix) - Respect for Quotas by MFA Countries

By and large quotas work well. Discrepancies between import figures and quotas stem mainly from imports for re-export (excluded from the quotas) and permitted flexibility in quota usage.

(x) - Commission reluctance to negotiate new "Basket Extractor" quotas
Commission has unenviable task of balancing views of different Member States, and negotiating with 3rd countries who believe the restrictions to be unfair. But we must and will keep up the pressure.

(xi) - Global Ceilings

These apply for certain sensitive products (ie target levels for imports from all low-cost sources). There have been breaches because of additional access to the UK market conceded through new agreements and quotas. But breaches have been relatively small and in some cases imports have kept below the ceilings.

(xii) - Imports from Developed Countries

These have grown but so have exports to them. This trade is vulnerable to retaliation if we sought to take action against imports from these countries.

(xiii) - Government Commitment to Fair Trade

(a) But low-cost trade not necessarily unfair.

(b) EEC anti-dumping action on US acrylic yarn, and quotas on US polyester and nylon carpet yarn. But often difficult to make a case stick. Insufficient evidence under international rules to seek action on eg US carpets, fabrics and household textiles. We are keeping in close touch with industry on this.

(c) Fraudulent declaration or origin to evade quotas a recognised problem. HM Customs committed to controlling it and the Commission have made proposals for dealing with it and encouraging Member States to co-operate with each other.

(d) Government also seeking to persuade other countries to lower barriers against our own exports but this will not be easy.



(xiv) - Origin Marking

Consultation on origin marking now underway. Could run into trouble from the Commission (and European Court) but we hope they will accept it as a consumer protection measure.

(xv) - Free Circulation

New Article 115 regime for monitoring imports of 3rd country goods via other Member States does create uncertainty. Power of decision rests with the Commission but the Trade Minister has emphasised to the Commission the need for comprehensive monitoring under the new regime. The amount of free circulation is small in global terms but acute problems do arise on specific products.

(xvi) - Outward Processing

Some sectors of UK industry are beginning to see value in OP arrangements but the UK continues to count OP goods against normal quotas, and there are no plans to change this.

(xvii) - Enlargement of the Community

For Greece, a safeguard clause will be available throughout the 5 year transitional period although the Commission has discretion over its use. For Portugal and Spain (not joining before 1983) we expect to negotiate specific transitional arrangements for textiles.

(xviii) - Loss of Assisted Area Status in Lancashire Textile Areas

Need to concentrate regional assistance on areas of the greatest need. We accept that changes might occur in the circumstances of some areas compared with others. Prepared to look again at the status of affected areas if there is clear evidence of major changes in local circumstances relative to other parts of the country.



(xix) - Interest Rates

To reduce interest rates prematurely risks undermining the policy to reduce inflation. Companies and employees can safeguard liquidity by sensible wage negotiations /Note Labour relations in Lancashire textile are traditionally good. Recent wage settlements appear to have been moderate⁷. Cuts in public expenditure and the recent successful negotiation in the Community will bring forward the prospects for lower interest rates.

(xx) - Sterling

Exchange rates are determined by the market. Intervention would be inflationary. In any case this is not the way to improve long-term competitiveness, which rests rather on productivity and the ability to meet market requirements. Nevertheless the Government recognises the problems for industry of meeting the rapidity of the rise in sterling and is keeping the position of the company sector under close surveillance.

70
JACK STRAW, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

cc 16
PO
5/6

5/6/80,

Dear Private Secretary,

This is just to let you know that I intend to release extracts of the attached letter to the Press, for Monday's papers at the latest (maybe Saturday's).

The extracts will not include any reference to Bairds (p. 422) as this is given in confidence.

Jack Straw

JACK STRAW, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

5 June 1980

The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister
10 Downing Street
London SW1.

Dear Prime Minister,

I am most grateful to you for agreeing to meet Cyril Smith, Nicholas Winterton and myself, and for arranging the meeting to be held promptly on Monday next, 9th June.

I thought that you might find it helpful to receive, in advance, a note of some of the specific points which I would wish to raise with you at the meeting.

1. Imports of man-made fibre products from the U.S.A.

John Nott himself acknowledged that the controls established against certain U.S. fibres are not adequate, when he said in the House (18 Feb. 1980): "I am not wholly satisfied with the Commission's response to our application..." (col. 31). The problem is, first, that the quotas achieved on polyester filament yarn and nylon carpet yarn are far too high, and have been set at a level which will ensure that disruption of the U.K. market will continue. The quota on nylon carpet yarn, for example, will mean that imports for 1980 will actually be 30% higher than in 1979.

Second, the failure to back the controls against fibres by similar controls against finished products has in some respects made the situation worse than it was before 18th February. This applies particularly in the tufted carpet sector. The U.K. Government was unable to obtain any quotas against finished tufted carpets, which has meant that the carpet manufacturers have been caught both ways. They cannot compete adequately in the finished product market - nor can they now reduce their costs by purchasing cheaper, imported fibres.

This result is well illustrated by the present plight of Messrs. Mossbridge Yarns, Blackburn (a subsidiary of the William Baird Group). They spin yarns for the tufted carpet industry: but U.S.

importers are still able to undercut them by 50p per kilo (there are no quotas at all on spun yarn): at the same time, two of their major carpet-manufacturing customers are being put out of business by intense U.S. competition in the finished carpet market. The mill is now losing £20,000 a month.

In mid-May, Bairds told the trade unions concerned, in confidence, that they were going forthwith to issue redundancy notices to all 300 employees at the works. At the union's request, Charles Fletcher-Cooke (in whose constituency the mill lies) and I saw the Chairman of Bairds on 21 May, and managed to persuade him to hold off the issue of the redundancy notices for six weeks, in the hope that meanwhile the Government would announce stronger and more effective controls against U.S. fibres, yarns and finished products. But a failure to implement such controls will mean the closure of the mill. I shall therefore be asking you for a specific commitment to more effective controls on these U.S. imports.

2. Imports from Mediterranean Associate countries of the EEC

These have been highly disruptive. The continued high level of import of cotton yarns from Turkey, for example, has directly contributed to the closure of Courtauld's Imperial Mill, Blackburn, with the loss of 300 jobs. Unfortunately, unlike the controls on traditional low cost countries like the U.S.A., those against the EEC's Mediterranean Associates are "gentlemen's agreements" and appear to be easily evaded.

Is the Government willing to press for more effective controls in this area ?

3. Public purchasing

When Barbara Castle was Secretary of State for Social Services, she reviewed the DHSS's textile purchasing policy, and following this review new instructions were issued in June 1975 to all health authorities to ensure that "British alternatives to foreign goods" were more "fairly and fully considered". While I believe that this instruction still stands, it is apparent that it is not working effectively. For example, information given me by the Lancashire Area Health Authority (their letter of 9th May 1980, attached) indicates that, at one very large mental hospital, 40% of shirts and pyjamas were purchased from foreign suppliers - Hong Kong, Portugal, Poland and the USSR.

While I understand the financial pressures on individual Health Authorities to buy the cheapest, whatever the country of origin, this is surely a false economy for the Government as a whole, since any marginal savings which may be made in the

N.H.S. budget are likely to be more than offset by the Exchequer costs, in terms of unemployment benefit, and tax foregone, of those put out of work by such purchases. While I am aware of certain intra EEC obligations in respect of public purchasing, it is my very firm belief that by a variety of informal and formal means other governments, in the EEC and beyond, do ensure that home manufacturers are more favoured in their public purchasing arrangements than is the case in the U.K. (I am fortified in this belief by a reference in the Financial Times a few months ago to the fact that your Industry Secretary, Sir Keith Joseph, was considering a more effective public purchasing policy.)

I shall therefore be asking you whether the Government is willing to take more action to support the industry through public purchasing.

4. British Retailers' Purchasing Policy

The great overall increase in import penetration in the textile and clothing sectors has obviously been matched by substantial increases in these goods which individual retailing groups are buying from abroad. Some of the groups whom I have contacted recently do say that they favour British manufacturers wherever possible, but some others clearly do not, and excuse their high level of imports by complaining that British manufacturers are not as responsive to market changes and needs as some foreign ones. (This was part of the case made yesterday by the Retail Consortium.) But the shining example of Marks and Spencer surely shows what can be done when a successful retailer is willing to devote management time and effort (and some of its profits) to nurturing home manufacturers. But there are limits to what any one manufacturer can do, and you will know that Marks' are themselves finding it difficult to meet the competition of firms like Littlewood and British Home Stores, whose purchasing policies seem to ignore the national interest. But is there not a good deal that could be done by your Government to cajole, bully, encourage - and maybe shame - some of the leading retailing groups into following Marks and Spencer's excellent example? While the Retail Consortium may be correct in claiming that some U.K. manufacturers could improve their marketing, it is surely quite unfair to expect the manufacturers - many of whom are frankly demoralised - to take the initiative without some active encouragement from the retailers? Are you willing to offer tangible marketing help in this area? Would you, as a back-up to such a policy, be willing to consider the establishment of a Queen's Award for Retailers who make an outstanding contribution to British manufacturing?

(continued)

5. Aid to Industry

Your own continued operation of the Temporary Short-Time Compensation Scheme indicates to me that you have no objection in principle to such aids where you consider them justified. The problem with this scheme, however, is that it provides compensation for firms for not working; while the Temporary Employment Subsidy (TES) helped firms to remain in work. Figures produced by the Department of Employment under the last Government indicated, as I recall, that T.E.S. has a nil Exchequer cost (through savings in unemployment benefit and tax foregone) - and so added nothing to the PSBR, and was positively beneficial to the balance of payments.

There is no doubt that textile firms would greatly be helped by the early introduction of a scheme similar to T.E.S. When I have raised this in the House, however, I have understandably been met with the response by your Employment Ministers that T.E.S. had to be abandoned by the Labour Government because it fell foul of the EEC's free competition rules, and could not for that reason alone be reintroduced.

I have looked closely at these EEC rules. Article 92 (3)(b) does in fact allow aid "... to remedy a serious disturbance in the economy of a member state", and the EEC Commission when T.E.S. was originally introduced raised no objection to it (Fifth Report on Competition Policy 1976), accepting that it came within Article 92 (3) (b). It was only later, as the situation eased temporarily for the industry and as other member-states raised objections, that the Commission imposed conditions, with the result that the Scheme ended in April 1979. But the key point is that, given conditions in the industry, T.E.S. was accepted as within the EEC's rules when it began.

The situation within the textile industry is now worse than that which obtained when T.E.S. was first established. In the light of this the U.K. Government would surely have a very strong case for the introduction of a similar scheme. This I would urge you to do. There cannot surely be any doubt that the industry is causing "a serious disturbance" in the U.K. economy, nor that a scheme of temporary employment support would help remedy this.

6. The community consequences of the industry's collapse

Many of the Asians in my constituency first came to the U.K. in the 50's in response to advertisements in newspapers in India and Pakistan from U.K. textile manufacturers who were seeking to overcome what was then a labour shortage. In the North West there is now a heavier concentration of Asians working in the textile industry than in any other industry, so redundancies fall disproportionately hard on this community: they may also find it more difficult to obtain alternative employment. Unemployment is a personal

catastrophe for all - whatever their race or colour - who encounter it. But I hope that I do not need to spell out to you the serious community consequences that could arise if large sections of one ethnic group remain unemployed for long periods.

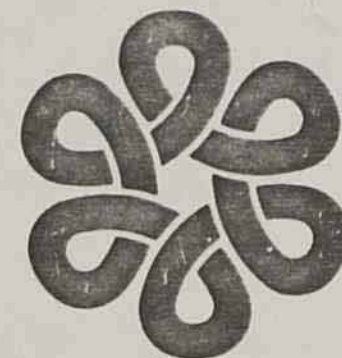
I shall look forward to meeting you on Monday.

Yours sincerely,

Jack Shaw

Lancashire Area Health Authority

Area Administrator: J.W. Roe, A.H.A., A.M.B.I.M., M.R.S.H



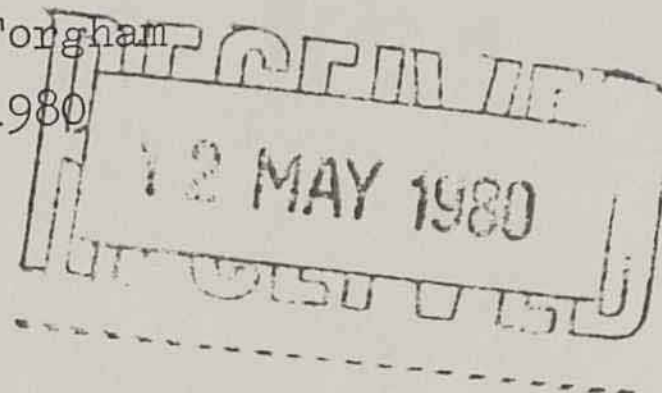
EAST CLIFF OFFICES, PRESTON PR1 3JN. Tel. Preston (STD 0772) 59344. Ext. 293

Your ref.

Our ref. WEF/AS

Please ask for Mr. W.E. Forgham

Date 9th May, 1980



Dear Mr. Straw,

My apologies for the delay in replying to your letter dated the 1st April, 1980 regarding the issue of shirts and pyjamas which are manufactured in Hong Kong to patients in Brockhall Hospital, and I regret I have only just received the information that enables me to reply.

Decisions on which items to purchase depend on the availability of goods on the market, price, quantity and quality. These decisions, aimed at obtaining the best value for money for the health service, are made after careful consideration, which includes the Government preference for British goods to be purchased wherever possible.

Factors which have been against purchasing British goods, have mainly been price, but also the existing contract for pyjamas is 100% polyester, whereas from the patients and laundering point of view there was a strong preference for polyester/cotton mixture. There was a substantial price advantage by purchasing the pyjamas made in Hong Kong. The nightshirts which are ordered from contract are British made.

Different types of shirts are purchased for the patients at Brockhall Hospital in order to provide some degree of variety for the patients. Of the 3-button casual shirt type 95% were purchased either on or off contract from British manufacturers, as against 5% purchased over the last twelve months of foreign manufacture, namely Russia, Portugal and Poland. Of the ordinary polyester/cotton men's shirts 37% purchased over the last twelve months were of British manufacture. The purchase of British manufactured polyester/cotton shirts has proved to be too expensive for the limited budget and the purchase of the British shirts was made chiefly to provide the patients with some variety.

Taking the above purchases as a whole over the past twelve months, 60%, in terms of the number of items bought were British and 40% of foreign manufacture.

If there is any further information you require would you please write to me again.

Yours sincerely,

Area Administrator

Jack Straw, Esq., MP
House of Commons,
London
SW1A 0AA

FILE

RH

5 June, 1980

I attach a copy of a letter we have received this afternoon from Jack Straw, MP., about next Monday's meeting on Textiles. I should be grateful if it could be taken into account in preparing the briefing for the Prime Minister and the other Ministers who will be present.

I am copying this letter and its enclosure to Stuart Hampson, (Department of Trade).

N. J. SANDERS

**Mrs Catherine Bell
Department of Industry**

RH

FROM : CYRIL SMITH, MBE.,MP



HOUSE OF COMMONS
LONDON SW1A 0AA

June 5, 1980 *LC*

The Rt Hon Mrs Margaret Thatcher, MP
The Prime Minister
10 Downing Street
LONDON SW1

Dear Prime Minister,

My very sincere thanks for agreeing to meet a
deputation, re the Textile Industry. I confirm
this as being on Monday next, June ~~10~~⁹, at 12 noon,
at 10 Downing Street.

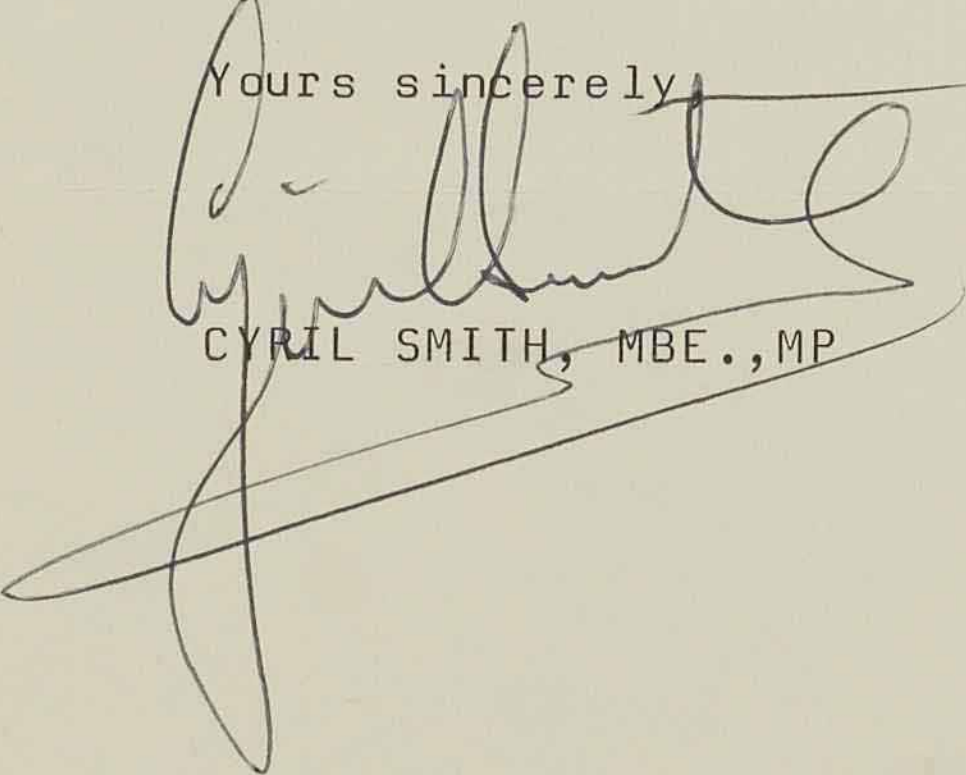
The deputation will consist of :-

Mr Cyril Smith, MBE.,MP
Mr Jack Straw, MP
Mr Nicholas Winterton, MP

Mr J Brown	Amalgamated Union of Textile Workers
Mr Bob Lloyd-Jones	Director-General British Textile Employers Association
Mr John Longworth	Rochdale & Yorkshire Textile Employers Sec. and Secretary Textile Industry Support Campaign
Mr Ian MacArtnur	Director, British Textile Confederation
Mr Derek Nightingale	Past President B.T.E.A. Chairman of Walsden Printing Co (Finishing Industry)

We look forward to a constructive discussion with you.

Yours sincerely,


CYRIL SMITH, MBE.,MP



HOUSE OF COMMONS
LONDON SW1A 0AA

R516

D

The Prime Minister
Rt Hon Margaret Thatcher MP

Weds
4/6/80

Dear Margaret

MS

B/F to MS

with textile
briefing when it comes
on Friday

I thought your advisers may like to
see the enclosed press pages before our
Textile Meeting.

I am most grateful to you for
agreeing to see us.

Anthony Hunt
MP

BUSINESS AT WORK

AN AILING INDUSTRY

CARRINGTON & DEWHURST LTD.
GREEN GROVE MILL
SMALLBRIDGE
ROCHDALE

TEXTILE unions and employers are poised to take "drastic and unprecedented steps" in a bid to avoid the industry's total collapse.

Rochdale is one of the worst-hit areas with more than 1,500 jobs lost, or redundancies announced, since January.

By **MARTYN GREEN**

To explore the gravity of the situation, I have spoken to some of the industry's top people — employers and trade union leaders — to obtain an overall picture of the crisis.

Some say they will use the survey to "hammer home" the facts at local, Government and Common Market (EEC) level.

Employers and trade unions agree on several points — not least that thousands of jobs will be lost between now and the end of the year if urgent action is not taken.

'WORST I HAVE KNOWN'



JOHN LONGWORTH

Mr John Longworth, secretary and director of Rochdale and Yorkshire Textile Employers' Association, said the situation was the worst he had known.

He warned: "If present trends continue I predict half of the Lancashire textile labour force will be out of work within 12 months. This would be a loss of about 35,000 jobs. This is how bad things are."

"The whole of my days are spent advising firms how to deal with short-time working, redundancies and closures and how to use existing agreements to reduce labour costs and increase productivity."

The tragedy, Mr Longworth said, was that in Rochdale, employers had spent something like £20M on new machinery over the past two-and-a-half years. Nationally, the industry had invested about £1,100M in five years.

He said: "In Rochdale, employers are filled with gloom and despondency. In just over two years about 3,000 textile jobs have been lost. Despite modernising and increasing efficiency, mills are closing because employers cannot survive."

Why are they closing?

Mr Longworth: "Firstly there is the problem of cheap imports. If we paid our workers nothing we still could not compete on price with some imports."

"Some countries are deliberately dumping cheap textiles on Britain and this must be stopped."

"Modernising a spinning mill costs about £1M, and repayments, with interest charges, would be about £10,000 a week. Interest rates have risen from 12 to about 20 per cent, and coupled with this, we have had a 25 per cent rise in the cost of raw materials. Employers had not taken this into account."

"I would support a two-tier interest scheme such as Germany's, where industry receives preferential rates, currently between four and six per cent."

"Then we have imported goods bearing false country of origin labels."

"Import levels come under the EEC, but when it has imposed anti-dumping duties to

protect sections of our industry they have been abused."

"Garments can be made in one country, which has to pay anti-dumping duties, shipped to another country where the buttons are sewn on, and then exported to Britain by that country."

"We must persuade major stores to buy British. The consumer buys what is on the shelves. He does not check to see if the goods were made in Britain."

"The rot started some years ago when stores started buying foreign. This knocked many British producers out of business."

"But now, if all stores bought British, we could not meet demand. Mothercare and Marks and Spencer buy mainly British and are successful. Some others buy without regard to the effect it will have on the British economy."

"Now is the time for a little patriotism, but stores will have to make the change gradually to enable manufacturers to build up stocks."

"I know of some British exports that have been held up by customs officials within the EEC for five weeks. They asked for country of origin certificates, which are not needed within the EEC."

"We must now ignore the EEC rules and restrict some textile imports for at least six months until our industry stabilises. We have exhausted all possible avenues of negotiation."

"I think all employers would support an international day of action by textile workers. It would hurt us because of lost production, but any action, within reason, aimed at highlighting the crisis would get our backing."

"I would like to see the Prime Minister come North to show she is really interested in our plight."

"President Carter came out with a firm statement about help for the American textile industry and kept his word. This is what we need from our Prime Minister."

'LAST RESORT' STAGE



BOB LLOYD-JONES

Mr Bob Lloyd-Jones, Director-General of the British Textile Employers' Association, fears that 170,000 of the 700,000 textile workers could lose their jobs by the end of the year — because of high interest rates, the rising £ and cheap imports.

He said: "At the start of the Multi-Fibre Agreement (MFA) we were forced to invest heavily in new technology and modernising plants. Firms who did this have now been caught out, mainly due to high interest rates."

"The rising value of the pound is also making exporting more difficult."

"We are renegotiating the MFA but my main fear is that, at the end of the day, it will remain basically the same. The MFA takes account of a six per cent growth in demand."

"In Britain, demand has not reached this level and the current philosophy is one of stagnation rather than growth, coupled with a national recession."

"Then we have to consider Greece, which is to become a full member of the EEC. Up to now the Greeks have adhered to export quotas. But will they continue this attitude once they are members?"

In 1985 China will be producing 5½M tonnes of textiles — 1M tonnes more than the EEC produces. This demonstrates why we are so worried about the implication of massive Chinese exports."

"Our industry is fast reaching the "last resort" stage. In general, I am opposed to any kind of 'day of action' by workers. This would only add to the problem by hitting production."

"But if it became clear that this is the only way — the last resort in focussing attention on the plight of the industry — then I would support a mass day of action."

"But all is not doom and despondency. Some companies are operating profitably and investing heavily in their future."

"The difference between Germany and ourselves comes down to three factors. In Germany, the trade union situation is easier, the Government backs industry in many ways and banks are pumping funds into the industry."

"On the question of imports, we are not up to some of the dirty tricks played by the French and Italians."

"We have played everything according to the rules. Now we must stop playing cricket. If survival means resorting to some of these deplorable tactics, we must consider doing so."

"The new MFA must close import loopholes. It has been proved that voluntary agreements have proved useless — Turkey being a prime example."

"There should be no voluntary agreements. There should be legislation, and when the law is broken the EEC must act immediately and not take months, by which time the damage is already done."

The BTEA hopes to meet the Prime Minister to discuss the crisis. If this appeal fails, the Association has a few more tricks up its sleeve.

Mr Lloyd-Jones would not reveal "his hand," but his ultimate action could well be a ban on handling any imported goods directly responsible for the decline of some sections of the industry.

He agreed that joining the Common Market had been a "massive disaster" for the industry.

Had all member states played the game, our textile industry would not be facing the present crisis, although it would still have problems due to high interest rates and the value of the pound."

Sir Arthur Knight, chairman of Courtaulds, said he would have welcomed the opportunity to comment, but could say

nothing in advance of the Group's annual report, due to be published soon.

A senior executive at Courtaulds said: "We appreciate the textile industry is facing severe problems, but we do not consider ourselves to be a declining industry."

"As far as we are concerned all is not doom, gloom and despondency. We are determined to keep textiles a viable industry."

"To do this inevitably means contraction — closing some unprofitable mills. It is sickening when, after years of loyal service and co-operation from our workers, we have to close a mill down."

"In all cases, we have kept unprofitable mills going as long as possible. But inevitably we have to call a halt to safeguard other operations and the group as a whole."

"Recent mill closures represent only a small percentage of our overall operations. We still have more than 300 plants employing about 100,000 people."

"We have to accept that developing countries have textile industries and it would be wrong to ban all imports from these countries."

"But certainly action should be taken in cases of unfair competition."

"Cheap imports, high interest rates and the rising value of the pound are hitting the industry hard. But they are also hitting other industries just as hard."

"In Rochdale we are investing heavily in new plant at the Arrow Mill. This is a positive step which we are confident will prove successful."

"Opposite the Arrow, we have our Northern Textile Development Unit — a vitally important part of our operations."

"So as far as we are concerned it is not all doom and gloom, although I appreciate this is little comfort to those workers who are being made redundant."

"If there was any way we could have prevented these redundancies we would have done so."

"As far as we are concerned, the textile industry will not die as some pundits are forecasting."

Continued on next page

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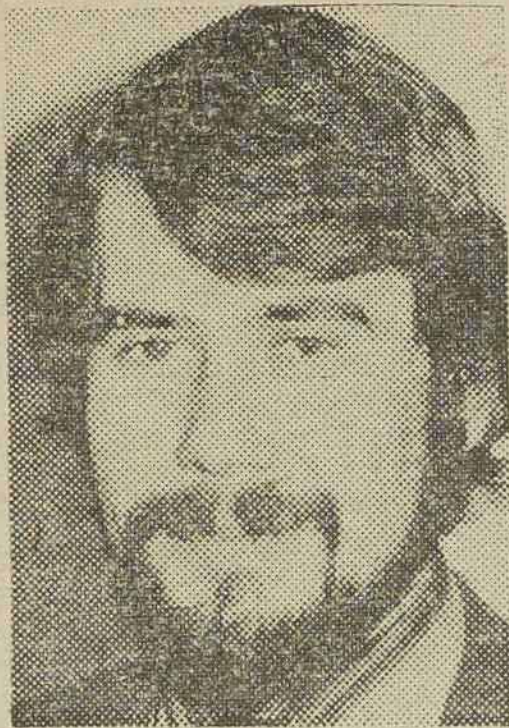
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'LITTLE JOB COMFORT — BUT TEXTILES WILL NOT DIE'

From previous page
'ON WAY TO RUIN'

Mr David Cunliffe, chairman of Carrington Viyella's Apparel Division, warns that if inflation continues to rise, interest rates remain high and the value of the pound continues to rise, the textile industry — and industry in general — will be "on the way to ruin."

He wants Britain to take a tough line to curb unfair textile imports.

"We should go it alone and take unilateral action. We have been too soft and must now take a tough stand," he said.

Carrington Viyella would have to take a careful look at its operations if the economic situation did not improve.

Ellenroad Mill Ltd employs 275 people at Newhey. Mr J D P Tanner, deputy chairman, said the health of the company depended on the health of its weaver customers.

They were not big exporters of yarn and had a fairly healthy order book, although selling prices had been cut to the bone.

The company was faced with a recent 14 per cent pay award to textile workers.

"They fully deserve this, but we are going to find it difficult to offset this by way of price increases," he said.

Mr Tanner said weavers were under intense pressure and had to look for alternative sources of supply.

He said: "Our main concern is the depressed state of the weaving industry and how long their suppliers can continue before they are in the same predicament."

"There is no doubt the short-term future of both is extremely dangerous. All we can do is to cut costs to ensure we are as competitive as possible."

"The crunch will come when it comes to investing in new technology. Cutting profit margins now reduces reserves available for new machinery and buildings."

"What makes me nervous is the possibility of reprisal action if we restrict imports."

He felt high interest rates would not solve the country's economic problems.

"So many loan demands to the banks are not for new productive enterprises, but for distress borrowing to keep a company going."

"It will be a tough fight for everyone in the next 12 months. The Government must decide now if it wants to retain a healthy textile industry."

Mr Geoff Heywood, chairman of S A Heywood and Sons, which employs 45 people at its Passmonds Mill, said: "Part of our success, compared with larger firms, is that administrative costs are kept to a minimum and account for less than one per cent of turnover."

"Our business is run by two directors and a secretary — on a turnover of about £500,000."

"We have been able to keep price rises to a minimum and so remain competitive, thanks mainly to a 25 per cent increase in productivity."

"There is no doubt the cloth market is under intense pressure. Even in the yarn market the situation is getting worse. In the past month we have found trading conditions more difficult."

"But whereas major firms have spent millions on re-equipping and modernisation, we have not. It takes many years to recoup the cost of modernising, particularly if cash has to be borrowed at high interest rates."

"Also, the directors have taken very little out of Heywood's. The money has been ploughed back in."

"This is now paying dividends, considering the present cost of borrowing."

"We have been helped tremendously by the Small Firms Advisory Unit of the Cotton and Allied Textile Industry Training Board."

"We are going through the worst and longest recession in my 30 years' experience. But we have to have a grain of optimism."

'NOT ONLY IMPORTS TO BLAME'

Mr William Fielding, senior executive of Besco Baron, which employs more than 300 people at Summer Street, feels cheap imports are not solely responsible for the declining textile industry.

He said: "Retailers and wholesalers are cutting back on stocks as the public are simply not buying. This is no doubt due to the overall economic depression."

"For the first time in our 30-year history we are cutting back on our workforce, not by redundancies, but by natural wastage."

TEXTILE DAY OF ACTION



EDMUND GARTSIDE

Mr Edmund Gartside, chairman and managing director of Shiloh Spinners, has for many years led a campaign to protect the industry.

He has led a number of national and international organisations connected with the textile industry and is currently vice-chairman of the International Textile Manufacturers' Federation.

He foresees more firms going out of business, but feels the industry will reach a stable level. When it does, those firms still left should reap the benefits.

For this to happen, the Government should act now on a number of issues.

"From a strategic point of view, we have reached the stage where British manufacturers could not even supply our armed forces in the event of an emergency."

"I would welcome and support a half-day or full-day of action by textile workers to highlight the plight of the industry."

The Prime Minister, he said, should adopt a tough line on cheap imports and insist on stronger anti-dumping measures.

"The EEC should be able to act quickly in cases of dumping and unfair competition. It does not. It drags its feet and waits months, by which time the damage is done," he said.

"I do not know of any zoning system operated by the EEC but I have certainly heard about a black list in operation, where the goods of certain member countries are being blacked."

"I do not think the pound should be devalued, even though it is partly based on our oil assets. OK, when its value rises our exports are dearer, but by the same token our cotton imports are cheaper and on the whole I think these two balance out."

"I think Mrs Thatcher should have introduced a wages policy rather than drastically increased interest rates."

He said reducing interest rates should be the Government's priority. The rate, I believe, should be in the region of 12 per cent, with lower rates for industry if possible.

"But I have to be optimistic. We have gone through rough

patches before and something has usually turned up. Last time it was the Government Temporary Employment Subsidy which saved us.

"As a major industry, a great deal of our future will depend on the terms renegotiated under the MFA."

"The new MFA must include a recession so that quotas can vary according to home demand. At present, the MFA is based on a growth factor of six per cent when, in fact, the UK growth demand is nowhere near that figure."

"Total imports of yarn cloth are between 15 and 20 per cent but last year America reduced its textile imports by about 15 per cent to protect its industry."

"I also feel import quotas should be reviewed quarterly or half-yearly, not annually as at present."

"To remain viable, textile firms must diversify. If they do not, given the present economic situation, they will die."

Continued on next page

BUSINESS AT WORK — 3

From previous page

Mr Fred Dunkerley, chairman of Standard Mill (Rochdale) Ltd, is possibly the most experienced textile employer in the town, having served on many local, national and international textile organisations.

He said: "The position in the spinning and weaving section of the industry is catastrophic. I cannot see many mills surviving.

"I have been involved in this industry for 50 years and this is the worst recession I have seen, a recession which, in my opinion, could have been avoided.

"Each successive Government claims it has given protection to the industry through the Multi-Fibre and Bilateral Agreements. These agreements are being exploited.

"In addition, the market is being flooded by imports from new sources.

"The Government could stop the decline almost overnight, if it had the will to do so, simply by stopping imports for three months and then reducing all quotas by 10/15 per cent and inserting a recession clause in all agreements.

"This would harm no one, but it would save thousands of jobs in Lancashire. The argument here is that it would cause retaliation, but I for one do not believe that it would.

"In any case, one has to decide whether we have unemployment on a huge scale just to please importers, or whether

we take a slight risk of retaliation.

"We have heard the argument that if importers were controlled the public would suffer. This is not so as the cheap prices are not passed on to the public.

"When one considers that mark-ups of 100 to 150 per cent are added to the imported, made-up fabrics, it brings them almost to the same price as home-produced goods.

"In the case of 'dumping' of yarns and fabrics the Government says, 'prove it,' whereas our competitors abroad demand that we prove we are not 'dumping.'

"The upshot of this is that it takes a year to prove a dumping case in this country, while in some countries to which we export, such as America and Canada, it takes only a few days for them to stop our imports.

"Every attempt to gain access to foreign markets where tariffs are high breaks down. The result is that we are faced with high tariffs and our competitors have almost free entry of goods into the UK.

"Why are those that are left on short-time? To stop a mill of average size could cost up to £10,000 per week. Is it any wonder mills go out of business when faced with massive losses while the Government stands idly by and does nothing.

"The question is, can our Government do anything? Or are we so emmeshed in the Common Market that we can no longer decide what happens to our unemployed.

"If we have to reply on the European Commission, God help us, because it took them a year to decide to take minimal action on the question of imported polyester yarns.

"As chairman of a company which has provided 300-400 jobs in this town for nearly 50 years and which has a reputation for installing the latest equipment, it grieves me greatly to have to talk in this way, but the facts are there for everyone to see."

Warnings in deaf ears



ARNOLD BELFIELD

Mr Arnold Belfield, Rochdale secretary of the National Union of Textile and Allied Workers, warns that the day of reckoning has now arrived.

He said: "Mill after mill is closing and the Government had ample time to take firm measures to prevent the thousands of redundancies over the past 12 months. We warned time and again what would happen but our warnings fell on deaf ears.

"It would appear the Government is prepared to sit back and watch the industry die.

"If it is not, why has it not acted before now? Delegation after delegation has met top civil servants and ministers appealing for action to stop the flood of cheap imports.

"The time has now come when the workers themselves are determined to take steps which will make the Government sit up and take notice.

"The time for words is over. Strong action is now needed as all possible avenues of negotiation and discussion have been exhausted.

"I have absolutely no doubt that my members would fully support a massive one-day campaign to protect their jobs. We are traditionally a moderate union but tempers are reaching boiling point. We will no longer sit back and watch thousands of our members thrown out of work.

"If the EEC will not take action to curb unfair imports, and our Government continues

Recession that could have been avoided

taking a soft line, the textile industry in Rochdale will virtually disappear within two years.

"Has our Government gone soft? Other EEC countries have taken unilateral action when one of their industries is threatened by imports and have adopted the attitude 'to hell with the EEC, we are protecting the jobs of our workers.' This is what Britain must do.

"Our Government appears to have lost the power to govern. This power has been handed to the EEC. In the old days we would have taken immediate action and imposed heavy import duties to protect our industry.

"Make no mistake, we will soon reach the stage where our workers will react with action — and strong action.

"As more and more become unemployed and job prospects worsen, the situation will explode. We have already seen Rochdale textile workers in angry mood when they were laid off because drivers refused to handle cotton held up at the docks.

"Now their jobs are permanently threatened and anger is slowly turning to fury. The warning signs are there and the Government must heed them.

Persuasion, and if that fails . . .

Mr Jack Brown, Rochdale based general secretary of the Amalgamated Textile Workers Union, the UK's biggest textile union, said future action by more than 500,000 textile workers cannot be ruled out.

He said: "It is understandable that our members — not knowing from one day to the next how long their mill will remain in business — are calling for more to be done.

"Whatever we can do will be done because when persuasion fails protest must take over. But this protest can no more highlight the crisis in the industry than the representations made so far.

"A mass protest has to be made but it has to be of such a significant nature that it is newsworthy and has necessary impact.

"My central executive council at a special meeting called to consider the plight of our members, decided not to call our members for a day of protest — at least not yet.

"There was a belief that to take such action would at least make the Government stop and contemplate the destruction of the textile industry. It would also, I hope, make consumers re-examine their buying habits and persuade them to buy British textiles.

"However, for the time be-

ing, a day of action is ruled out.

The executive council will invite senior management representatives within the Lancashire section of the industry to meet them "as union officials" as a forerunner to a joint representation to the Government.

Mr Brown said: "This is something that has not been done before except through official organisations. We believe if we can enrol the support of senior management in their roles as individuals we may, even at this late stage, secure positive action.

"I have used the word 'crisis.' The present state of the industry is so serious that it calls for an agenda for survival to be accepted by the Government and the EEC.

Mills are closing at the rate of more than one a week — and this has been going on for several months. Unless the Government reverses its economic policies many more jobs will be lost.

"There must be an immediate reduction in imports even though this would mean reneging on our international commitments, for example the MFA which in practice has been shown to have been too generous. It provides for an annual six per cent increase in imports yet domestic consumption has been going up by only two per cent. This means importers have a guaranteed market, a guarantee our own producers do not have.

"There would be nothing dishonest in taking this action after all political parties and Governments change policies as circumstances change. Unless measures of the kind I have referred to are taken urgently, then within 12 months much of what is left of the Lancashire spinning and weaving industry will disappear. In this sector alone 300,000 jobs have been lost over the past 30 years."

Mr Brown also makes an alarming prediction which, if proved correct, means hundreds of Rochdale textile workers are to lose their jobs.

He said: "At present 22,000 are employed in weaving and 17,000 in spinning in the Lancashire area. Unless action is taken by this time next year the weaving industry will employ about 15,000 and the spinning sector 10,000 — in other words a further 14,000 North West textile jobs will disappear."

Mr Brown added: "The sum total of all our activities in terms of benefits has been virtually nil. I doubt very much if they have prevented a single mill from closing."

Mr Brown supports a two-tier interest rate system. He would like the big banks to give industry loans at about six per cent interest with the Government paying the banks the difference between the six per cent and the current Minimum Lending Rate.



Trade

BF 6-6-80

10 DOWNING STREET

From the Private Secretary

4 June 1980

I am writing to confirm that the Prime Minister will be meeting with a deputation from the textile industry at 12 noon on Monday 9 June. The meeting will take place at 10 Downing Street and those attending will be as follows:

Secretary of State for Industry
Secretary of State for Trade
Mr. Cyril Smith, MP
Mr. Jack Straw, MP
Mr. Nicholas Winterton, MP

Mr. Bob Lloyd-Jones, Director-General of the
British Textile Employers Association

Mr. J. E. Longworth, British Textile Employers
Association

Mr. Jack Brown, Amalgamated Union of Textile
Workers

Mr. Ian MacArthur, Director, British Textile
Confederation

x | I would be grateful if your Department could submit a brief, in consultation with the Department of Trade, to reach this office by 1800 on Friday 6 June.

I am sending a copy of this letter to Nicholas McInnes (Department of Trade).

CAROLINE STEPHENS

Mrs. Catherine Bell,
Department of Industry.

R

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10 DOWNING STREET

THE PRIME MINISTER

3 June 1980

Mr R. Lloyd Jones

Thank you for your letter of 15 April enclosing a memorandum in which you spell out the problems facing the textiles and clothing industry and the measures you think necessary to resolve them. I assure you that we have given your detailed proposals the fullest possible consideration, and fully appreciate the serious difficulties facing the industry, and the cotton and allied sector in particular.

I am impressed by the underlying efficiency and productivity of the industry, and its record of investment. The Government would certainly not wish to suggest that greater application by the industry would alone be sufficient to surmount the current difficulties. There is no disposition either on the part of the Government to underestimate the importance of a strong textile and clothing industry - including cotton and allied textiles - to the economy. We are determined to do all we can, within the framework of our international obligations and our broad economic objectives, to help the industry in the difficulties which it faces.

You identify two basic problems: the import of foreign and especially low-cost competition, and the effect of domestic economic policies.

On imports, we are bound by EEC arrangements for textiles trade under the Multi-Fibre Arrangement and associated procedures, and by the general provisions of the General Agreement on Trade and Tariffs to which, through the EEC, we are a party. We

/cannot disregard

SDG

cannot disregard these obligations, nor can we, as a major exporting country, fail to take account of the possibility of retaliatory action if we did so.

It would be misleading if I did not make clear that against this background there is no prospect of cutting back the volume of imports of textiles and clothing on the lines you suggest. It is just not practicable to renegotiate the present MFA and the associated restraint measures in this way. But while I recognise that the existing package of restraints on imports from low cost sources is not as restrictive as the industry would like, the fact remains that there are over 400 quotas under agreements with more than 30 countries and the provisions of these agreements are continually being invoked to secure new quotas.

However, I must emphasise that the Government understands your concern. We shall continue to make every effort within the EEC to make sure that the existing arrangements under the MFA are implemented as effectively and as swiftly as possible, and that where there are weaknesses these are remedied.

We do press for vigorous action where fraud in relation to origin is established, or dumping or other unfair trading practices are found to be taking place. And we have made it clear that we shall seek a continuation of effective restraints when the MFA comes up for renegotiation at the end of next year.

As far as domestic economic measures are concerned, I appreciate that inflation, high interest rates, the strength of sterling and the cost of energy are bearing hard on many firms in textiles as in other industries. But as you recognise, we are determined to bring inflation under control and to create the right basis for an efficient and competitive economy. I know this will take time, but it would be wrong to jeopardise this overriding objective with measures which would erode the effectiveness of our general economic policies. Special fiscal relief for textiles firms, for example, would inevitably mean an increase in taxation or in public borrowing, which could only make the task of bringing public expenditure and inflation under control more difficult. It is in the longer term

/interests of

interests of the textiles industry, as for industry generally, that we should not be deflected on this front.

A note on the other matters raised in your memorandum is attached. On the question of the need for origin marking, so that the public has the fullest opportunity of "buying British", you will no doubt be responding to the invitation you have recently received from the Minister of State for Consumer Affairs seeking your views on this subject.

In conclusion, I can only repeat that we shall continue to do all we can to help the textiles industry within the constraints I have mentioned, and we shall continue to press the industry's interests as vigorously as possible in the Community. I do not think that a working party on the lines you propose would help but I know that Ministers from the Departments of Trade and Industry are prepared to meet you at any time to explain the Government's policy in greater detail.

Yours sincerely

Raymond Stobart

R. Lloyd-Jones, Esq.

1. Special fiscal relief for textiles firms

In his Budget speech, the Chancellor of the Exchequer explained that a reduction of taxation on industry could only be achieved at the expense of higher personal taxation or higher borrowing, which would increase interest rates still further. Instead he has given priority to the task of reducing the public sector borrowing requirement, which will in time act upon interest rates and be of more service to industry than subsidies which distort competition. Nevertheless, the Chancellor did announce a change in stock relief arrangements and textiles firms should be in a position to benefit from this, as well as the continuing tax incentives for investment.

2. A change in anti-dumping procedures

A change in anti-dumping procedures is not feasible since these are established by international treaty and Community legislation. However, the onus of proof does not strictly rest with the home industry, but with the investigating authorities who must draw information from all sources. The home industry is required only to supply reasonable evidence to support allegations that dumping is taking place and causing or threatening material injury.

It is true that certain countries, particularly the USA and Canada, do require exporters to declare the domestic price of imported goods. They make this requirement because, due to their particular valuation system, they establish ordinary import duties on the basis of the domestic value of the goods concerned. But this requirement is unrelated to anti-dumping action and it does not reverse the burden of proof. In the event of an anti-dumping investigation, independent enquiries into exporters' domestic prices still have to be made.

3. Pricing policies of public utilities

Pricing policy is essentially a matter for the commercial judgement of the corporations concerned. Any sensible pricing policy must reflect costs and market conditions, including in the case of gas and electricity the need to safeguard finite resources of energy,

/which are

which are of course likely to become more expensive in real terms. Our North Sea supplies do not insulate us from the wider prevailing forces. But vigorous competition is essential. This normally does far more to contain prices than government interference, and the recently passed Competition Act will enable the Director General of Fair Trading and the Monopolies and Mergers Commission to investigate practices which limit competition in both the public and private sectors. Under the terms of the Act, the possible abuse of a monopoly position can be referred to the Monopolies Commission for investigation.

4. Public purchasing of textiles

The UK is under a Community obligation to advertise certain public contracts for tender. But within these limits central Government purchasers of textiles and clothing are normally made from UK sources. The same obligation applies equally throughout the EEC and we shall pursue any case in which it can be demonstrated that a British company has suffered because other Member States have failed to observe it.



CF

10 DOWNING STREET

48
e. Mr. Winterton M.P.
Mr. Straw M.P.
Press office

THE PRIME MINISTER

2 June 1980

Dear Mr. Smith,

Thank you for your letter of 22 May about your request that I should meet a deputation to discuss the problems of the textile industry in the North West. In view of the further representations which you and Nicholas Winterton have made to me, and the exchanges which you and others have already had with the Secretary of State for Industry and the Secretary of State for Trade, I would be prepared to meet a delegation to discuss the difficult problems now facing the textile industry. My office will be in touch with you and the others concerned to make the necessary arrangements.

I am copying this letter to Nicholas Winterton and Jack Straw.

Yours sincerely,

MT

Cyril Smith, Esq., M.B.E., M.P.

JMP



2

10 DOWNING STREET

PRIME MINISTER

Another letter from Cyril Smith:
it will be answered by your formal
reply to him agreeing to see the
deputation.

MS

30/5

Would you please
let Nick Winton
~~know~~
know just
me

KROOK CYRIL SMITH MBE, M.P.

CC16



HOUSE OF COMMONS
LONDON SW1A 0AA

Thursday
29/1/80

R30

The Minister

Dear Margaret

Forgive me - I promise this will
be the last on the subject (!). This time
round anyway!!!

I approached the Textile Employers
privately to see if they thought a meeting
with Keith Joseph or John Nott should be
pursued - in the light of your response.

I enclose a letter we had from
them today.

I hope you've noted that NO
public statement has been made about

2

Your response since I'm

convinced NOT to have to say that

you have asked us to see a Minister

rather than you.

Regards.

Cyrrill
MO

**THE
BRITISH TEXTILE
EMPLOYERS'
ASSOCIATION**

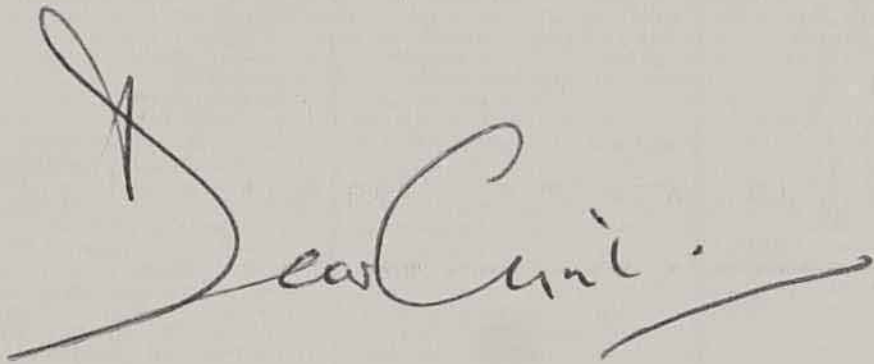
(Cotton, Man-Made and Allied Fibres)

5th FLOOR,
ROYAL EXCHANGE,
MANCHESTER M2 7ED

23rd May 1980

RLJ/PA

Cyril Smith Esq MBE MP
House of Commons
LONDON SW1A 0AA

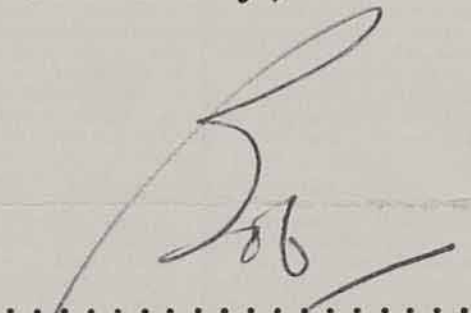


John Longworth has just alerted me to a discussion you had with him and we both feel most strongly that, after several discussions with the Department of Industry and various Ministers, only a meeting with the Prime Minister herself will provide the sort of discussion and benefits that we require at this time. In order to demonstrate our strength of feeling on this we have both signed this letter to you and agree that you may make whatever use of it that you wish.

I am certainly anxious personally to be involved in any deputation but clearly we must not waste further time when the situation is as grave as it is.

We look forward to hearing from you and wish you every success on our behalf.

Yours sincerely,


.....
Bob Lloyd-Jones
.....
J. E. Longworth

Director General: R. Lloyd-Jones

Director (Administration and Finance) and Secretary: J. Platt, M.B.E.

Director (Industrial): J. Gill Director (Commercial): S. Rothwell Director (Statistics): D. C. Shaw

Telephone: 061-834 7871 (5 lines)

Telegrams: Employer, Manchester

Telex: 666737



10 DOWNING STREET

From the Private Secretary

29 May 1980

As I told you on the telephone today, the Prime Minister has now agreed to meet a delegation representing the textile industry in the North West and led by Nicholas Winterton, Cyril Smith and Jack Straw. I attach copies of some further letters the Prime Minister has received from Nicholas Winterton and Cyril Smith.

As I told you and Hugh Bartlett, the Prime Minister would like your Secretary of State and the Secretary of State for Trade to be present at the meeting. We will be in touch with you to find a date. When we have that date, we will send you a formal request for briefing, but the officials concerned might like to have this advance notice so that they can begin to make preparations.

I am sending a copy of this letter and enclosures to Hugh Bartlett (Department of Trade).

N. J. SANDERS

Mrs. Catherine Bell,
Department of Industry.

HS

FROM CYRIL SMITH MBE, MP,



HOUSE OF COMMONS
LONDON SW1A 0AA

Weeks. 28/1/80

The Prime Minister

Dear Margaret

R29/5

R

The Rochdale Observer is a
free local newspaper - covering
some 7 Parliamentary Constituencies.

It is totally ANTI Labour!

Let's revisit Editorial of today!

I cannot stress too much the
importance and urgency of 704
seeing us!

Cyril Smith

ROCHDALE OBSERVER



WEDNESDAY 28 MAY 1980

Circulation 27,712

Battle weary

WHEN is a "last resort" a No 1 priority? The question went through the minds of three MPs a fortnight ago when they asked the Prime Minister to meet a deputation from the Lancashire textile industry.

Mrs Thatcher's willingness to meet a deputation personally was expressed in the House of Commons as a response to a question by Rochdale's MP, Cyril Smith.

Her words "... in the last resort I am always willing to receive deputations representing industries as important as textiles" was seized on by Mr Smith and interpreted as a promise.

Mr Smith, in collaboration with Tory MP Nicholas Winterton and Labour's Jack Straw, immediately wrote to Mrs Thatcher saying the "last resort" stage had been reached and asked for a meeting.

Mrs Thatcher has not yet met a deputation. Of course these things take time to arrange. But a fortnight is a long time in the life of the Lancashire textile industry these days.

Mrs Thatcher had been told that three mills had shut down in Rochdale in the last 10 days. That was before the announcement this weekend that John Bright's Moss Mill and Healey Mill would close — bringing the total of textile mill closures in Rochdale this year to seven.

Will more mills close before Mrs Thatcher fulfils her promise to meet local textile leaders? Or — the more important question — will more mills close before she acts to halt the textile decline? Textile unions, managements and workforces are battle weary. We hope they are not all ready to surrender.



file 16

10 DOWNING STREET

From the Private Secretary

28 May 1980

I am writing on the Prime Minister's behalf to thank you for your letter of 22 May about the textile industry. I will place your letter before the Prime Minister and you will be sent a reply as soon as possible.

M. A. PATTISON

Cyril Smith, Esq., M.B.E., M.P.

16



10 DOWNING STREET

PRIME MINISTER

You have already seen Cyril Smith's private letter to you about the textile industry's wish to send a delegation to see you. Here is his more formal response to your letter turning him down.

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

A handwritten signature in blue ink, appearing to be 'MAD'.

28 May 1980

PRIME MINISTER

Here are two personal letters from Cyril Smith and Nicholas Winterton asking you to reconsider your decision about meeting their delegation on the problems of the textile industry. I have also attached the earlier correspondence.

worth reading MJS

(Returned to AIR)

What would you like to do? You know from the discussion in E last week that there is little that such a meeting could do to prevent further closures of mills in the North West and elsewhere. Do you want to reply by repeating your earlier advice that they should see Keith Joseph and John Nott first; or do you want to chair a meeting, at which Keith Joseph and John Nott would presumably be present, to hear about the industry's problems yourself?

I should draw your attention to the separate correspondence we have had from the Northern Group of Labour MPs, also asking you to see their delegation.

We are going to get a large number of requests of this sort over the next few months, and I doubt that you will be able to see them all personally.

MJS

will see one

delegation

+ 1 Gov. 1 Lib 1 Lab
member

27 May 1980

with K.J. & J.N. present
not.

JS

27 May 1980

I am writing on the Prime Minister's behalf to thank you for your letter of 23 May about the textile industry. I will, of course, place your letter before the Prime Minister at once.

NJS

Nicholas Winterton, Esq., MP.

LB

JS

27 May 1980

I am writing on the Prime Minister's behalf to thank you for your letter of 24 May about the textile industry. I will, of course, place your letter before the Prime Minister at once.

NJS

Cyril Smith, Esq., MBE, MP.

JS

FRONT ERIC SMITH MBE, R.P.

Smith pps pls. ^{cc70}



Pls

HOUSE OF COMMONS
LONDON SW1A 0AA

Fri. 24/5/80.

The Prime Minister

Dear Margaret

I hope you will not mind me writing ^{the very} private letter to you but I do so because I do so much want to see you succeed in your defence of freedom.

I write re the Textile industry and my "official" request to you to meet a deputation. I plead with you to do so.

The position really is very serious - another closure to be announced this afternoon (Ash Mill) making 4 in the last 17 days. Labour are covering a field day out of it!

The writer the local Press pointing out that in the last 3 months of Lab. Govt., we had 3 Textile Mills close - and it really is nonsense to argue that all this is due to the Tony Govt. BUT

3

Honestly, those of us who fight a very vicious
Labour Party in the W. West - do need to be able to be
seen to be doing something.

I assure you, on my word of honour, many
of your own Members are in the thick of it - as I am.
Young David Trisler - a grand lad whom I've
seen grow up - were all taking the stick
a very cocky Labour Party -

Now were being taunted that you are not
concerned - they are offering bets through
speeches that you won't see us - and soon.

There's no way I'd attend a delegation
and watch rudeness, unfair blame or
impudence - though you're well able to
look after yourself - I realize!!



HOUSE OF COMMONS

LONDON SW1A 0AA

3

Since I first wrote you etc., I have become
aware of a letter addressed to you by Bob Lloyd
Jones - (dated April 15th) of British Textile
Employers' Assn.

It would be great if you met us,
and then agreed to set up - without prejudice
or commitment - the working party the B. Textile
Employers are asking for.

We really do need a physiological
stick with which to hit back. A meeting
WITH 404 - without any disrespect to
Keith or John Watt - would be such a

Stick and a boost - and ~~your~~ ~~new~~ ~~members~~
 would be greatly encouraged I assure you.

Forgive me then, for writing in this very
 personal way. I hope (and believe) that you,
 like me - will keep this letter confidential.

The typed ones are over official correspondence!

I'm past the top of the hill politically, am
 coming down not up - I have no axe to grind.
 If I stand at the next Election - and its
 highly unlikely I'll do so - it will be
solely because of my hatred of Left wing
 Coalitions and my keen desire to keep one
 more out of the House - so I ask all
 this not for personal ego, advancement,



HOUSE OF COMMONS
LONDON SW1A 0AA

5
on anything of that kind but simply
because I DO believe a meeting would
not only be useful for the Textile Industry,
it would also be very useful politically
to the non-Labour NW M.P.S.

Forgive me for writing at length,
but I cannot over-emphasise my strong
belief that a meeting WITH YOU is vital
industrially and politically.
Regards.
Lyndal

NICHOLAS R. WINTERTON, M.P.
(Macclesfield)

cc: [initials]

E



23rd May 1980 NRW/cmh

Rt. Hon. Mrs Margaret Thatcher MP
10 Downing Street
LONDON SW1

Dear Margaret,

I am very disappointed to learn from the letter which you have sent to Cyril Smith MP dated 21st May, that you would appear unwilling to meet a deputation from the textile industry at this time and you have suggested that the industry should make approaches to John Nott and Keith Joseph initially.

I am sure that you must be aware that the industry, both direct and through Members of Parliament concerned, has made strong representations both to the Secretary of State for Trade and the Secretary of State for Industry, to date without any significant and constructive response. Like Cyril Smith, I am very disappointed at the answer you have given in your letter. The textile industry at this time is facing serious problems. Mills are closing each week, hundreds of redundancies are occurring each week, and if the present trend continues for very much longer the industry, which is one of the largest in our country, will become no more than a rump and its future viability will be in doubt.

I therefore appeal to you, as Mr Cyril Smith has done, to reconsider your reply as the industry, both employers and workers, would get a tremendous boost if they knew you were receiving a deputation and giving personal consideration to the plight of an industry which has a history of high investment, rationalisation and good industrial relations as well as a fine record of productivity and export achievement. Purist views of our economy and market trading must not be allowed to undermine the industrial base of this country and particularly of an industry which has served our country well.

Nicholas R. Winterton

PPS
To NSS - 2715

FROM : CYRIL SMITH, MBE., MP

cc IG x



HOUSE OF COMMONS
LONDON SW1A 0AA

ops

May 22, 1980

The Rt Hon Mrs Margaret Thatcher, MP
The Prime Minister
10 Downing Street
LONDON SW1

Dear Prime Minister,

Thank you for your letter of May 21, in response to one from Nicholas Winterton, Jack Straw and myself.

I confess I am very disappointed. The Textile Industry is in a very bad way - another 70 redundancies this week in Rochdale - and I really cannot over-emphasise the problem. I am certain it would be a tremendous help if you, personally, agreed to meet a deputation, and I appeal to you to reconsider your reply. We want to see YOU!

Psychologically, it would be a tremendous boost to the morale of textile workers if they knew that you were receiving a deputation - and I can tell you that that is the view of many M.Ps on your own side of the House.

PLEASE think again, and agree to see us.

Yours sincerely,


CYRIL SMITH, MBE., MP



10 DOWNING STREET

THE PRIME MINISTER

21 May 1980

Dear Mr. Smith,

Thank you for your letter of 13 May, which was also signed by Jack Straw and Nicholas Winterton.

What I said in the House was that I hope that any such deputation would go, in the first place, either to the Secretary of State for Industry or the Secretary of State for Trade. I do not under-estimate the difficulties which the textile industry is now facing, but I think it would be best for you to make your approach to John Nott or Keith Joseph initially. I am sure that they would both be happy to meet you and your delegation.

I am copying this letter to Jack Straw and Nicholas Winterton.

Yours sincerely

MT

Cyril Smith, Esq., M.B.E., M.P.

jfh

CF to note

*W DIND
D/T/M/S*

DSG

*NOTED CF
21/5*

Prime Minister

Ref. A02226

PRIME MINISTER

I have included
in this folder the
submission from the
employers and the
draft reply provided
by DoI which
you wished.

Problems of the Textile and Clothing Industries
(E(80) 41 and 43)

BACKGROUND

You asked the Secretaries of State for Industry and for Trade to put a joint paper to E on the problems and prospects of the textile and clothing industries, the measures that are currently being taken to assist them, and any further measures that might be introduced. The paper by the Secretary of State for Trade on Britain's international trade policies, E(80) 43, has been put on the agenda as relevant to this item because it makes some particular references to the textile industry. But discussion of its main theme - the need to preserve the open trading system - is for a later meeting when it can be taken alongside a promised paper on non-tariff barriers to trade.

2. The problem is simply stated. Employment in textiles and clothing has fallen from 926,000 in 1974 to 760,000 now. This contraction is accelerating. The industry is regionally concentrated in the North West, and is also important in Northern Ireland. There is an increasingly negative trade balance.

3. Our industry is highly protected, as are its competitors. Nevertheless it cannot compete with the low labour costs of the developing countries and is also losing markets to other developed countries. It complains of general difficulties - interest rates, the exchange rate and VAT. But its main complaints are directed against the inadequacy of controls over imports and against "unfair" trading.

4. The main protection for the industry against low-cost imports from developing countries is provided by the Multi Fibre Arrangement (MFA) and associated restraint measures. The industry criticises these measures as inadequate and ineffective because of cheating by others. However, the MFA agreements run to the end of 1982 and it is judged impracticable to renegotiate

them before then. Moreover the MFA is negotiated by the Commission on behalf of the Community as a whole, and there is no prospect of general agreement to any changes yet.

5. The Secretaries of State differ on the tactics for stating the Government's policy now to the successor to the MFA - see paragraph 14 of E(80) 41. The Secretary of State for Trade argues that it is bad negotiating tactics to commit ourselves to any detailed position now. The Secretary of State for Industry feels it might improve confidence if the Government could state firmly that its aim would be to ensure that the next MFA would link access more closely to actual market conditions (i. e. allow for changes during periods of recession).

6. Any changes in the arrangements with developed countries are also constrained by GATT and Community obligations. Seventy per cent of our imports from developed countries come from EEC countries and any unilateral restrictions would be illegal. Paragraph 9 notes that the Italians are believed to be giving secret subsidies to textiles, and that the United States synthetic textile industry is benefiting from cheap feed stocks as a result of energy price controls. In his wider paper, E(80) 43, the Secretary of State for Trade concludes that the controls on imports work better than the industry claims. He also implies that the root cause of the industry's problem is its own inefficiency.

7. For the rest the paper notes (paragraph 15) other measures under consideration, notably the possibility of compulsory origin labelling to encourage customers to buy British, and greater efforts by Customs and Excise in enforcement of origin rules. But action here would require more staff. Various financial measures are discussed in paragraphs 16 and 17 but no new proposals are made.

HANDLING

8. You might open the meeting by explaining - if you agree - that general discussion of the Secretary of State for Trade's paper on international trade policies should be deferred until after Whitsun when it can be taken with the papers on non-tariff barriers. You might then ask the Secretary of State for Industry to introduce the paper, and the Secretary of State for Trade to follow him. The

Foreign and Commonwealth Secretary will wish to comment on the international implications and the Chancellor of the Exchequer on the financial. The Secretary of State for Northern Ireland has been invited to attend or be represented and will want to comment on the Northern Ireland aspects. Mr. Ibbs would like to comment on the problem of subsidies to the United States synthetic textile industry.

9. In discussion you will wish to cover the following questions:

(i) What should be our line on the renegotiations of the Multi Fibre Agreement?

You might first establish that no-one disagrees with the proposition that there can be no substantial changes in the MFA until new agreements are introduced after 1982. Subject to this the Committee will wish to come to a view on whether the Government should declare its negotiating objectives now - as the Secretary of State for Industry proposes - or not - as the Secretary of State for Trade recommends.

(ii) Can any more be done to clamp down now on unfair trading?

In the absence of other immediate measures this seems the main possibility. Departments are already doing what they can to prompt the Commission to enforce existing restraints rigorously. It is unsatisfactory that they have so far been unsuccessful in challenging the Italians on their covert textile subsidies. The paper does not discuss in any detail why more cannot be done to counter the Americans' subsidies to their synthetic textile industry. Mr. Ibbs will be able to comment from experience.

(iii) What other measures can be taken?

The Chancellor of the Exchequer might wish to comment on the suggestion that Customs and Excise should be strengthened to devote more effort to the enforcement of origin rules and so help check fraudulent trading. The obvious difficulty here is that it conflicts with the objective of staff reductions.

CONCLUSIONS

10. In the light of the Committee's discussion you will wish to record conclusions:

CONFIDENTIAL

- (i) Settling the question of whether the Government should make known now its objectives for renegotiation in 1982 of the present Multi Fibre Agreement.
- (ii) If possible, giving guidance on the acceptability of an extra effort, and extra staff, by Customs and Excise in enforcing existing agreements.

REA

ROBERT ARMSTRONG

21st May, 1980

CONFIDENTIAL



From the Secretary of State

Tim Lankester Esq
10 Downing Street
Whitehall
SW1

21 May 1980

For E file.
FACT - SHEET
ON TEXTILES
But Dept of
Industry don't
like this.

Dear Tim,

TEXTILES

My Secretary of State has suggested that in connection with the discussion on textiles at E tomorrow the Prime Minister and other members of the Committee may wish to be aware that this Department and the Department of Industry are currently working on a "factsheet" on textiles. This will be published as part of the campaign to reassure the industry that the Government appreciates its importance and the problems it faces but also to broaden the awareness of the action the Government is already taking.

12

..... I attach a copy of the latest draft.

I am copying this letter to the Private Secretaries to other members of E Committee and to David Wright (Cabinet Office).

Yours sincerely,

Strat Hampson

S HAMPSON
Private Secretary

THE GOVERNMENT AND THE TEXTILE INDUSTRY

KEY FACTS AND ISSUES

The textile and clothing industries make up Britain's second largest manufacturing sector. Together they employ around 750,000 and are consistently successful exporters accounting for five per cent of our overseas sales. Yet their future is the subject of widespread concern.

Much of this concern is related to the competition faced by the industries from imports. This booklet sets out to assess the extent of the textile import problem and to sketch out the role the Government plays in providing a substantial measure of protection.

Since the War, the two industries have been constantly adapting to new technologies, fibres and fashions. At the same time they have had to cope with the assault by producers in low-cost countries on many traditional domestic markets.

As in other major industrial countries these changes have led to a substantial reduction in textile and clothing jobs - more than a million since 1950. Recently, the situation has been made more difficult by a strong pound and by a high rate of domestic inflation.

The Government sees its central role as getting the economic climate right for industry to flourish. The challenge of change is something only industry itself can meet.

As a crucially important and successful sector of our economy, and as a sector with special problems, however, textiles and clothing have long commanded special consideration which is unique in British manufacturing industry. Because of the continuing threat from low-cost imports, the two industries have been given an unprecedented degree of protection - protection not to stop imports but to control their growth.

These restraints on low-cost competition are at the heart of the discussion. Are they too generous? Are they observed? Do they leak? Are they being added to quickly enough?

There are ten central points at the centre of most of the discussion on the industrial problems.

One In total, there are formal controls or restraints on 41 low-cost producing countries. These include 27 bilateral agreements, running till the end of 1982, negotiated under the Multifibre Arrangement (MFA). In 1979, this meant that 83% of low-cost imports to the UK came in under quota or restraint arrangements. Taking account of further potential controls under the MFA - through the "basket extractor" provisions - the coverage extends to over 93% of low-cost imports. In fact, it is normally possible to contain sudden surges of low-cost imports across virtually the whole field.

Two In 1977 "global ceilings" were set in the European Community covering imports in eight textile and clothing product areas regarded as extremely sensitive to the domestic industries. There has been concern that those ceilings have been breached.

Further negotiations since ^{in fact} 1977 - for instance, with the Mediterranean producers and China - have led to new quotas and restraint levels which, ^{however} in total, have overshot the ceilings. The overshoots are small; between 1½ and 5.7%. However, actual imports, for sale in the UK, have not been breaching the ceilings because there is almost always some wastage of quotas.

Three It is sometimes pointed out that quotas for new products and sources, set under the MFAs 'basket extractor' procedure, are much higher than the trigger levels which set off the procedure. ^{however} The trigger levels simply indicate the point at which negotiations can begin but are not meant to indicate a level of quota. The Government will continue to put cases of this type to the European Commission and will press for speedier action whenever possible.

Four There has been criticism of the time taken, after 1977, to secure arrangements with the Mediterranean producers and other countries not covered by the MFA. These negotiations were complicated by the special trade relationships which these countries enjoy with the Community and which do not allow for the tight quota agreements reached with MFA countries. However, restraint arrangements with the Mediterranean producers are now with the exception of Turkey, in place. The Government intends to see that these arrangements are continued and will invoke their safeguard provisions where justified.

Five

Surges of imports from countries acceding to the Community are feared. At present there are restraint arrangements with Greece, Spain and Portugal. There is a safeguard provision for five years after Greek accession at the end of this year and similar provisions will be included in the Treaties with Spain and Portugal. In addition, the Government is seeking, through the Community, provision for a phased movement to open trade in textiles and clothing with these countries after their accession.

Six

There is anxiety that quotas or restraints are evaded by false declarations of origin. The Government is concerned about these allegations and has already approached a number of supplying countries where abuses have been claimed. Measures to combat fraud in the textile sector are being considered on a Community wide basis and the UK will play a full part in seeking an intensification of preventative efforts.

Seven

It is sometimes claimed that the free movement of goods within the Community (free circulation) leads to large-scale quota evasion. There is no real evidence of this but the Government does act to control free circulation imports, where appropriate, under Article 115 of the Treaty of Rome. However, the Government has expressed its concern about a new Commission decision on free circulation which may reduce our ability to monitor and seek new restraints on free circulation goods.

Eight

Outward processed goods - for example, British cloth sent abroad for making up and re-importation into the UK - count against British quota or restraint levels. Other European Community states have different arrangements which can mean more imports entering their countries under additional quotas for outward processed garments.

Nine

There are no general controls on imports from other Community states and other advanced industrial countries from which come 59% by value of our textile and clothing imports and, excluding fibres and filament yarns, about 50% by weight. However, disruptive and unfair competition from countries outside the Community can be checked. For instance, the Government, this year, acted through the Community to control damaging surges in imports of some man-made fibre yarns from the USA. Action is often taken against 'dumped' products, including textiles. The

Department of Trade maintains an anti-dumping unit to help and advise firms preparing cases to be put to the European Commission. Within the Community, the competition and state aid rules of the Treaty of Rome apply to ensure fair trade.

Ten

The textile and clothing manufacturers often complain that advanced developing countries (though not Hong Kong) impose very high tariffs and severe import controls against our exports. The Government also believes that these tariffs and controls must begin to come down. It exerts pressure both directly and through the Community, which takes the same view, and will continue to press for better opportunities for exporters.

The Government is now beginning to consider the future of the MFA which expires at the end of 1981. The British Textile Confederation and other trade bodies have published proposals for a successor arrangement. The Government will not reach decisions on negotiating detail yet though it is clear that there must be a new MFA.

In the meantime, the Government is concerned that the policies which underlie the present controls are not fully understood and that misapprehension may itself be undermining confidence in the textile and clothing industries. This booklet is a response to many requests to put the record straight.

It attempts to describe what is being done. It recognises the problems and shortcomings of the control but also demonstrates that, overall, their effects have been of considerable benefit to the industries concerned.



ONE - THE BACKGROUND

The textile and clothing industries today account for about two per cent of our gross domestic product, five per cent of our exports and 10 per cent of employment in manufacturing industry.

They are two highly diversified industries with many branches - man-made fibre production, spinning and weaving, knitting, carpet manufacture, dyeing, printing and the making up of clothing and other products. Companies range from the massive multinational groups down to the tiny clothing firms employing only a handful of workers. Thus the many problems faced by the industry are seldom, if ever, common to all its components.

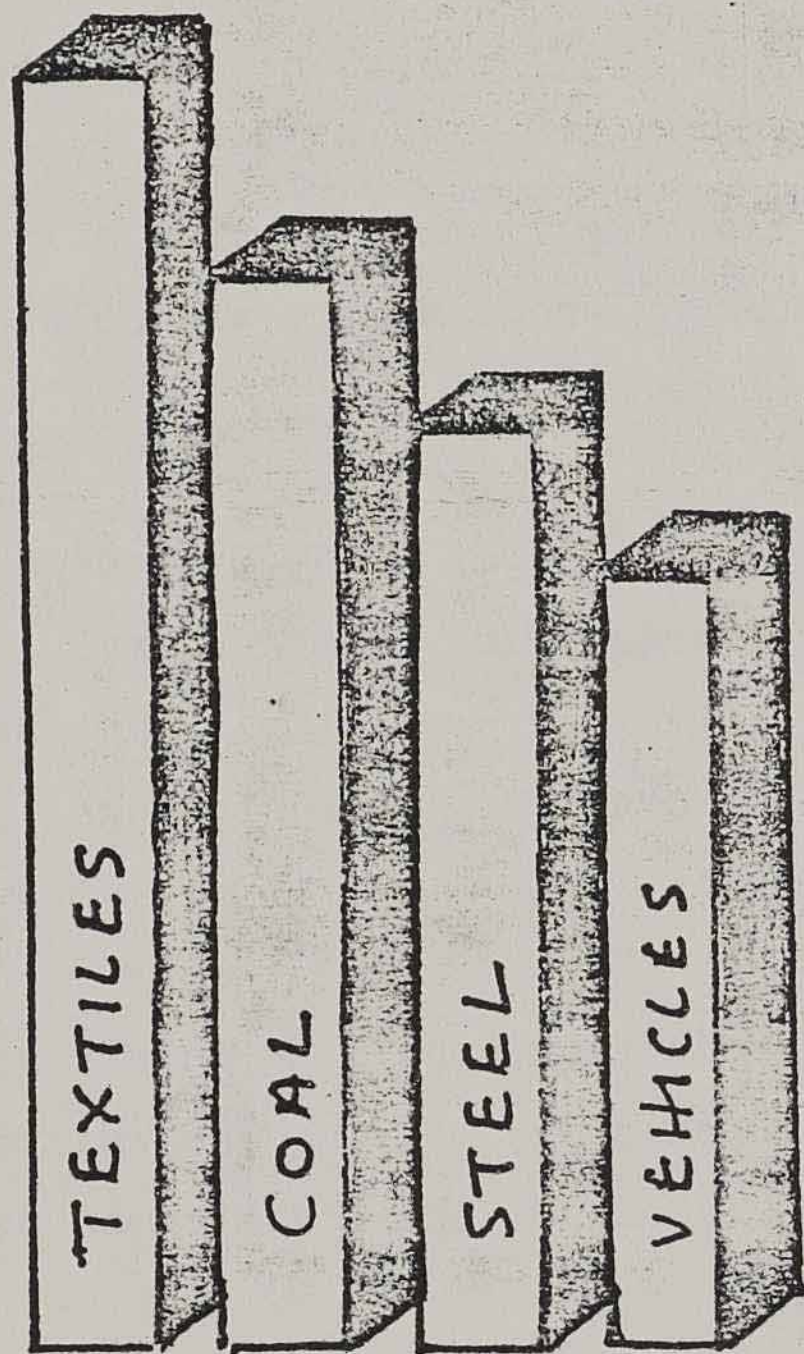
The industry has lost more than a million jobs since 1950. In 1979 alone, the Department of Employment was notified of 170 closures - and closures have continued into 1980. But, while manpower has fallen, so productivity in the industry which remains has improved significantly over the years, through technological changes and good industrial relations.

As well as the rapid growth in man-made fibre production, the last thirty years have seen the introduction of many new techniques to spinning, weaving and knitting as well as the development of non-woven fabrics. Much of the industry is now highly automated.

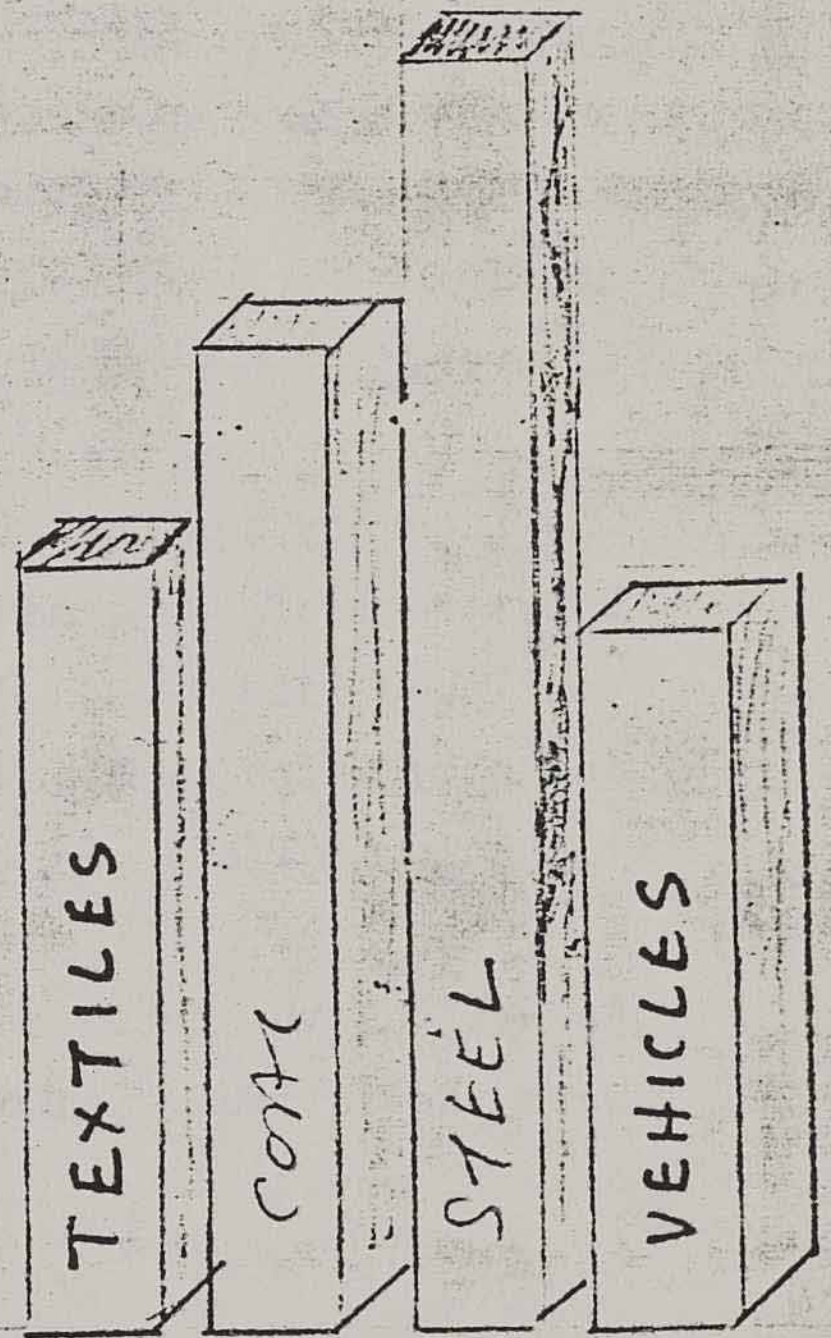
All of this has been brought about through a high level of investment. Capital spending in the textile industry in the years 1973 to 1977 totalled nearly £1000 million while that in clothing reached £170 million.

While technological change has led to increased productivity and labour shake-outs, fashion changes have also had their effect. The industry has had to keep up with frequent and often unpredictable changes in the high volume fashion markets. The emphasis has shifted to casual dress, lighter clothing, informal knitwear - jeans and T-shirts have become the uniform of the young.

Employment 1979



Exports 1979



Other categories can be included



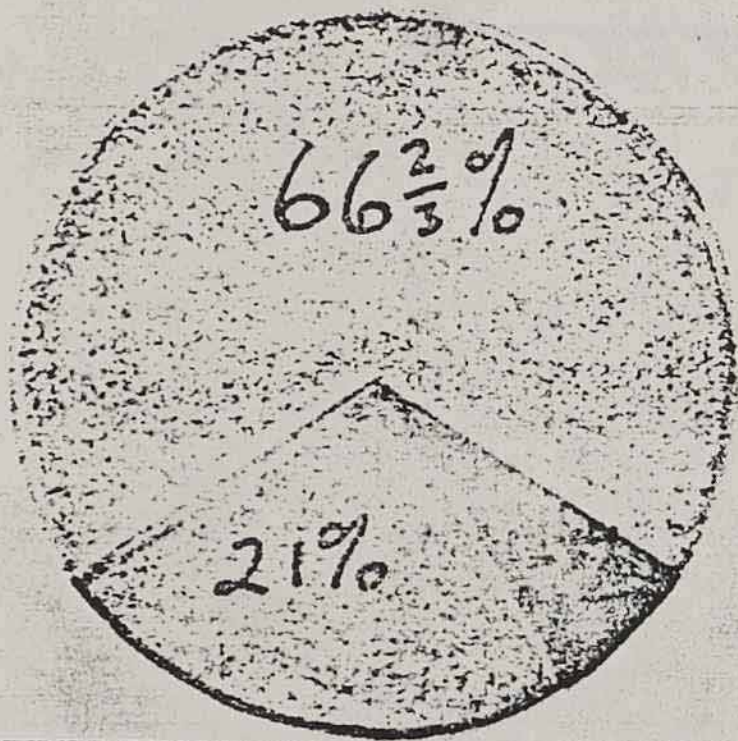
But the strains and pressures faced by the British textile industries are by no means unique. There are large textile industries throughout the developed world.




In the European Community the textiles and clothing industries provide around 10 per cent of wage-earning industrial jobs. In the United States they represent the largest single source of jobs in manufacturing industry with over 2.5 million employees.

The one problem which all textile industries in the developed world face, and are having to come to terms with, is that of low-cost imports.

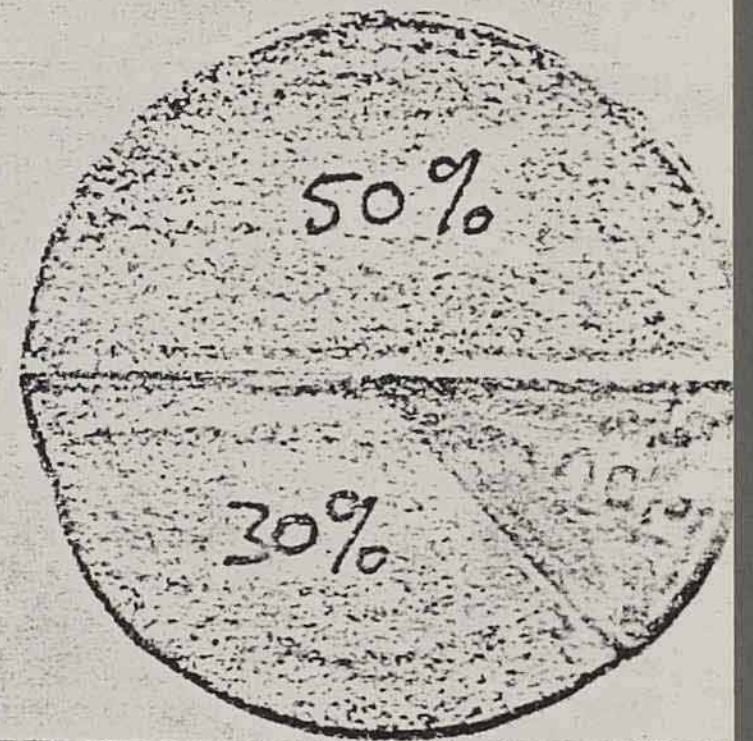
Proportion of home market supplied 1979 (textiles and clothing)

By value



Supplied by UK industry 
From developed countries 
From developing countries 

By weight





TWO

BRITAIN'S TRADE IN TEXTILES AND CLOTHING

The UK textile industry is a major exporter. In 1979 textile and clothing exports excluding fibres, reached some £2,100 million or 22% of the industry's output. As a comparison, in 1979, US clothing and textile exports were worth £1,750m - or about 2½% of total US exports of goods.

UK exports from the textile and clothing sectors have been increasing both in value and in volume for many years now. However, that steady rise has been largely overshadowed by increases in the level of our imports.

(See charts)

For particular products the proportion of imports from low cost countries can be much higher. For example, two thirds of knitted shirts are imported from developing countries, and over a third of all jeans sold in Britain come from Hong Kong.

Textiles and clothing trade balance

The textile and clothing industries are currently running a combined annual trade deficit of nearly £800 million. For textiles the deficit is in the region of £350 million and for clothing about £450 million. If the countries which export to the UK are divided into high and low cost suppliers, then the picture looks like this:

High cost countries

For most of the 1970s the balance of trade in textiles with high cost countries was in surplus. In 1978 this surplus started to decline sharply to a deficit of £230 million in 1979. The UK's balance of trade in clothing with high cost countries has remained in surplus for the whole of the last decade, rising well above £100 million since 1977.



Low cost countries:

We are running a small but increasing textile deficit with low cost countries (£120 million in 1979). In the clothing sectors, the picture is one of major deficit (£560 million in 1979).



CHAPTER THREE

UK TRADE IN TEXTILES AND CLOTHING WITH LOW-COST SUPPLIERS

The growth of international trade in textiles with low-cost countries has been accompanied by increasing controls on this trade.

Twenty one years ago the UK secured restraints on imports of cotton textiles from India and Hong Kong. This was followed shortly after by the GATT* Short Term Arrangement on cotton textiles. In the early sixties a Long Term Agreement for trade in cotton textiles was introduced within the GATT.

MULTI-FIBRE ARRANGEMENT (MFA)

A successor to the Long Term Agreement, which had applied only to cotton textiles, was introduced in 1974 - the Multi-Fibre Arrangement (MFA). The first MFA ran from 1974 to the end of 1977 and was subsequently renewed for a further four years with much tighter conditions.

The objective of the MFA is to promote the orderly growth of trade in textiles, balancing the interests of supplier countries against those of the importing countries. In practice this means that low-cost suppliers accept restrictions on their exports in return for certain guarantees about access to developed markets.

MFA Bilaterals

Around 60% of the UK's low cost textile and clothing imports is now governed by 27 bilateral agreements negotiated by the EEC Commission under the MFA.

The bilateral agreements runs for five years (1978-82) and each includes quotas on all products exported to the Community in significant quantities by the low-cost suppliers concerned. This gives the UK some 465 quotas in all.



COUNTRIES WITH WHICH EEC HAS CONCLUDED MFA OR MFA-TYPE AGREEMENTS: ARGENTINA, BANGLADESH, BRAZIL, BULGARIA, CHINA, COLOMBIA, EGYPT, GUATEMALA, HAITI, HONG KONG, HUNGARY, INDIA, INDONESIA, MACAO, MALAYSIA, MEXICO, PAKISTAN, PHILIPPINES, PERU, POLAND, ROMANIA, SINGAPORE, SOUTH KOREA, SRI LANKA, THAILAND, URUGUAY, YUGOSLAVIA

MFA agreements include the following points:

Limited growth rates for imports. The 6% per year growth rates allowed under the previous arrangement were mostly amended downwards in 1977; in some cases to as little as 0.5%.

Flexibility. Limited transfer of quotas between categories is permitted. Supplier countries may also anticipate by borrowing from the following year's quota. They may also carry forward unused quotas to the next year. However, there is an overall limit on the extent to which these flexibility provisions may be used to enhance the basic quota.

Common classification dividing textiles and clothing products into 123 categories. (as opposed to some sixty in the earlier MFA).

Double control of products under quota. Under this system an import licence is issued by the importing country only against a valid export licence from the supplier country. When the quota has been fully licensed the importing country concerned has the power to suspend the issue of import licences.

Once negotiated, MFA quotas cannot be broken. Goods are not admitted in excess of quotas. However, actual imports in a given year may vary considerably from the quota level as a result of, for instance, free circulation, anticipation and carry forward and goods imported outside the quota for re-export. Also, because quotas apply to shipments in the quota year, overhang can upset the figures considerably as the previous year's shipments arrive in the early months of the new year. Some quotas are not fully used.



PREFERENTIAL SUPPLIERS

The EC has not sought to negotiate formal MFA-type bilateral arrangements with those countries with which it has a preferential trade agreement. These include most Mediterranean countries, Portugal, and those countries which are signatories to the Lomé Convention. The Community has instead sought less formal voluntary restraint arrangements (VRAs) with these suppliers. The EC has concluded seven such arrangements.

MEDITERRANEAN COUNTRIES WITH WHICH THE EC HAS CONCLUDED VOLUNTARY RESTRAINT ARRANGEMENTS (Date of conclusion of agreements in brackets)

EXPIRE END 1980

Spain (20/2/79)
Tunisia (19/3/79)
Cyprus (15/10/79)
Greece (1/2/80)

EXPIRE END 1981

Morocco (29/1/79)
Portugal (22/1/79)
Malta (26/9/79)

TURKEY

The only significant supplier in the Mediterranean area not covered by an MFA agreement or a voluntary arrangement is Turkey.

During 1979 imports of Turkish cotton yarn into the UK rose at an unacceptable rate. As a result, at the UK's request, the EC Commission imposed a quota on imports into the UK for part of the year. This action was taken under the safeguard provisions of the EC-Turkey Association Agreement.



GREECE, SPAIN AND PORTUGAL

The three most important Mediterranean suppliers to the UK market - Greece, Spain and Portugal - are expected to become full members of the EC during the 1980s. (Greece signed her Treaty of Accession last year and will become a full member of the Community on January 1 1981). The Government is considering, within the Community, the most satisfactory means of staging the adjustment from voluntary restraints to genuinely free access.

The Greek Accession Treaty contains a safeguard clause which could be invoked in cases of sudden surges of imports and it is intended to negotiate similar clauses in the Spanish and Portuguese treaties. In the case of Spain and Portugal, the Government is seeking to negotiate within the Community special transitional arrangements for textiles and clothing additional to the normal safeguard clause.

At the end of a transitional period, however, all three countries will have free access to all community markets.

MAURITIUS

Only Mauritius out of the 58 African, Caribbean and Pacific countries which are signatories to the Lomé Convention is currently a major textile exporter. In January 1980 the EC Commission concluded a two-year voluntary restraint arrangement with Mauritius, under which restraint levels were set for their exports of jerseys, T-shirts, blouses and acrylic fibre. Further voluntary restraint arrangements will be negotiated with Lomé countries if the need arises.

AUTONOMOUS ARRANGEMENTS

Autonomous arrangements restrict textile imports from most of the state-trading countries. The exceptions are Romania, Hungary, Poland and Bulgaria, all of which have initialled MFA bilateral agreements. China has concluded a similar agreement with the EC. There are also autonomous arrangements for Taiwan.



These arrangements generally allow for some growth in trade but for the non-MFA type neither the base quotas nor the growth rates are as liberal as those allowed under MFA bilateral agreements.

Double-control systems - similar to those operated in the MFA bilateral agreements - are used by the UK in textile and clothing trade with all state-trading countries except Vietnam!

GENERALISED SCHEME OF PREFERENCES

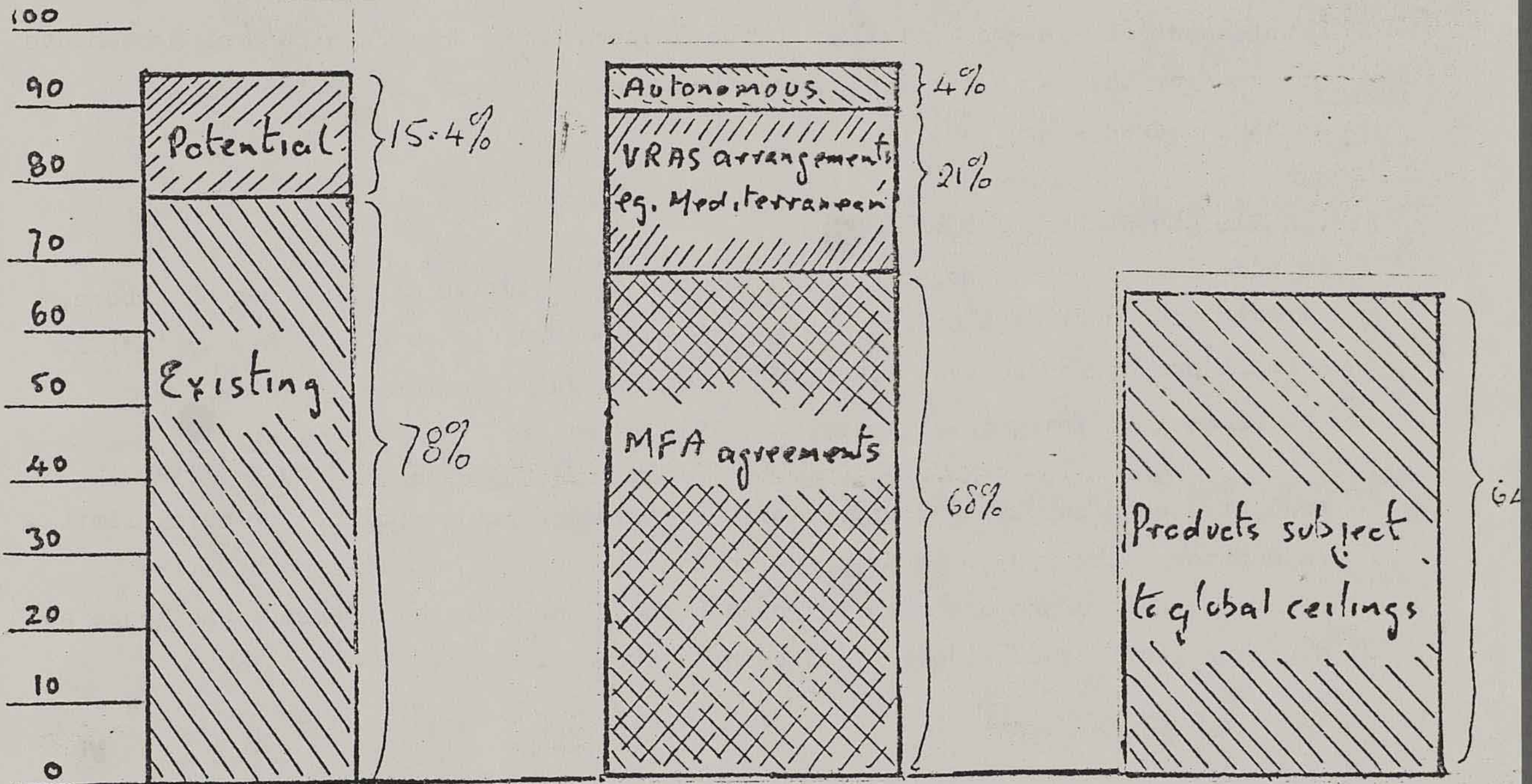
In addition to being subject to the various quantitative controls set out above, imports from most developing countries are also subject to the community tariff.

A small proportion however (about 10%) come in duty free under the GSP. For textiles the Community-wide limit in 1980 is set at 115,000 tonnes.)

For most of the products, each supplying country has been given an individual preferential limit in advance. The system is designed so that the poorer and less competitive countries have a proportionately greater entitlement to preferences than those at a higher level of development and competitiveness.

total
cost
ports
%

Quotas and restraints





THE "BASKET EXTRACTOR"

There is an important provision in the MFA for controlling imports of new products not already under quota, if these become disruptive in their turn. When they are unrestrained these products are said to be in a "basket".

The bilateral agreements contain trigger points, set on the basis of past trade flows. If imports of a new product exceed the trigger level we can - depending on the degree of disruption they are causing - ask the European Commission to "extract" them from the basket and negotiate a new quota with the supplier concerned.

The Commission can also negotiate basket extractor quotas for the Community as a whole at its own initiative. In most cases it is for the UK industry, as the injured party, to request the Department of Industry to put forward basket extractor cases, but the Department has agreed that it will automatically pursue 17 sensitive categories.

The MFA vastly simplifies the process of obtaining a quota. But the fact remains that quotas normally must be negotiated, not imposed. The trigger levels are points beyond which we may begin negotiating, but, as the table below illustrates, they have no direct correlation with quota levels. The level of a quota depends in large part on the strength of the case we, and our industry, can make. In a few instances the quota levels negotiated have represented a substantial percentage of our low-cost imports of the category concerned. But in total these extra quotas do not constitute a major addition to the Community import commitment, only amounting to something over 2% of total low-cost textile imports. Our main concern is that 'basket extractor' cases should be handled quickly and effectively by the Commission.

BASKET EXTRACTOR CASES SINCE 1/1/78

Category and Product			Country	Trigger Level	Quota Level	First Year covered
50	Wool Cloth	(tonnes)	Argentina	37	60	Last 5 months 1973
6	Woven trousers	(000pieces)	Philippines	67	172	1978
28	Knitted trousers	(000pcs)	Singapore	16	300	1978
6	Woven trousers	(000pcs)	India	66	110	1978
8	Woven shirts	(000pcs)	Philippines	34	265	1979
73	Tracksuits	(000pcs)	Taiwan	33	150	1979
46	Wool tops	(tonnes)	Argentina	223	280	1979
32	Pile fabric	(tonnes)	Hong Kong	259	3,600	1979
46	Wool tops	(tonnes)	Brazil	223	104	Last 5 months 1979
46	Wool tops	(tonnes)	Uruguay	297	500	1979
17	Men's jackets	(000pcs)	Poland	36	120	1979
20	Bed Linen	(tonnes)	Korea	56	100	1980
21	Parkas	(000pcs)	Thailand	116	50	Last 2 months 1979
11	Knitted gloves	(000pairs)	Pakistan	299	1,500	1979
71	Babies undergarmts	(tonnes)	Philippines	11	36	1980
80	Babies undergarmts	(tonnes)	Philippines	12	100	1980
3	Synthetic fibre.	(tonnes)	Brazil	31	364	1979
7	Blouses	(000pcs)	Brazil	47	105	1979
15B	Women's coats	(000pcs)	Taiwan	42	42	1979
80	Babies clothes	(tonnes)	Pakistan	16	115	1980
14B	Men's coats	(000pcs)	Hungary	12	47	1980
21	Parkas	(000pcs)	Philippines	116	450	1980
17	Men's jackets	(000pcs)	India	36	325	1980
68	Babies undergarmts	(tonnes)	Hong Kong	4	250	1980
82	Adults undergarmts	(tonnes)	Hong Kong	5	150	1980
17	Men's jackets	(000pcs)	Philippines	29	115	1980
7	Blouses	(000pcs)	Indonesia	57	150	First 5 months 1980
50	Wool cloth	(tonnes)	Uruguay	43	165	1980
21	Parkas	(000pcs)	China	145	145	1980



GLOBAL CEILINGS

During 1977 the UK urged the European Community to set 'global ceilings' on the eight potentially most damaging categories of imports. The products are: cotton yarn, cotton and woven spun synthetic cloth, knitted shirts, jerseys, trousers, blouses and woven shirts.

The ceilings were an indication by the Community of the total levels of access it is prepared to allow for all low-cost countries together.

In fact new arrangements negotiated since 1977, particularly those with China, Cyprus and Malta, have resulted in the ceilings being slightly exceeded. For the UK the extra allowances have ranged from one per cent for woven shirts to 5.7 per cent for woven spun synthetic cloth.

It should be remembered that the ceilings refer to the total potential access rather than actual imports in any year. Actual imports have fallen below the global ceilings since quotas for many countries remain substantially under-used.

The following table illustrates this for 1979. The figures exaggerate the extent to which the ceilings have been filled since they exclude exports for re-export - immediately or after simple processing. There are no statistics for imports retained for sale in the home market.

UTILIZATION OF THE UK'S GLOBAL CEILING IN 1978-1979

1978

GLOBAL CEILING
TOTAL ALLOCATIONS
GROSS IMPORTS

	CAT 1 COTTON YARN % OF GLOBAL TONNES - CEILING	CAT 2 COTTON CLOTH % OF GLOBAL TONNES - CEILING	CAT 3 SYNTHETIC CLOTH % OF GLOBAL TONNES - CEILING	CAT 4 KNITTED SHIRTS % OF GLOBAL '000 PIECES - CEILING	CAT 5 JERSEYS % OF GLOBAL '000 PIECES - CEILING	CAT 6 TROUSERS % OF GLOBAL '000 PIECES - CEILING	CAT 7 BLOUSES % OF GLOBAL '000 PIECES - CEILING	CAT 8 WOVEN SHIRT & OF GLOBE '000 PIECES - CEILING
GLOBAL CEILING	22,833	70,476	12,800	54,365	49,229	29,677	29,500	44,093
TOTAL ALLOCATIONS	23,100 - 101.2%	67,562 - 95.9%	13,136 - 102.6%	53,832 - 99.0%	45,427 - 92.3%	29,414 - 99.1%	28,518 - 96.7%	43,622 - 98.9%
GROSS IMPORTS	21,776 - 95.4%	65,136 - 92.4%	13,637 - 106.5%	56,813 - 104.5%	48,882 - 99.3%	37,533 - 126.5%	27,564 - 93.4%	41,304 - 93.7%
1979								
GLOBAL CEILING	22,901	70,704	12,916	56,527	51,705	30,641	29,671	44,779
TOTAL ALLOCATIONS	23,319 - 101.8%	70,945 - 100.3%	13,438 - 104.0%	57,067 - 101.0%	48,391 - 93.6%	31,403 - 102.5%	29,940 - 100.9%	45,287 - 101.1%
GROSS IMPORTS	22,403 - 97.8%	68,585 - 97.0%	14,754 - 114.2%	53,464 - 94.6%	49,621 - 96.0%	34,576 - 112.8%	29,174 - 98.3%	43,984 - 98.2%

FOUR

OTHER ISSUES AFFECTING LOW COST IMPORTS

1 FREE CIRCULATION

Under the Treaty of Rome, once goods have entered the Community, they may be circulated freely within it. This means that goods from, say, Taiwan imported into France or Holland could be exported to the UK without further restriction.

Under Article 115 of the Treaty of Rome, however, a Member State can apply to the Commission for permission to refuse to admit from other Member States goods originating in a particular third country in cases where these goods would have been subject to quota if they had been imported directly. For example, if the number of Malaysian tee-shirts entering Britain via other EEC countries reached a significant proportion of the tee-shirt quota which we have agreed with Malaysia, then the UK could apply to the Commission for permission to refuse to allow any more Malaysian tee-shirts into Britain via other Member States.

- The European Commission has absolute discretion in the application of Article 115. However, Article 115 cannot be used where no formal quota exists (eg for goods from the Mediterranean countries covered by voluntary restraint arrangements).

The Government makes regular use of Article 115 although it has to be selective about cases it puts to the Commission which, in turn, does not always sanction a "stop" to further imports. In 1979, for instance, the Department of Industry received 704 applications from importers seeking to import formally quoted goods through free circulation. In 81 of these cases (covering 54 country quotas) the Government sought authority from the Commission under Article 115 for "stops" on further imports. The Commission gave authorisation in

32 cases (25 country quotas). For 1978 the corresponding figures were 367 applications, 98 cases forwarded to Brussels and 24 "stops" (13 country quotas).

In 1979 there were only two categories where indirect trade of this kind relating to goods under formal quota, amounted to more than 1% of direct low cost imports of any particular category of goods.

2 ORIGIN RULES

If the MFA with its agreed quotas and the voluntary restraint agreements with Mediterranean countries are to work, then Customs Officers throughout the EEC must be able to establish clearly the country of origin of imported goods. For this purpose the Community has drawn up a set of origin rules. In general, if goods have been through one complete process in a country, then for quota purposes they are considered to originate in that country.

For imports from any source the importer is required by Customs to declare the country of origin of the goods. In addition, for most categories of textiles and clothing, documentary evidence of origin has to be produced for all commercial imports from outside the Community, whether or not an import licence is required.

It is an offence to make a false declaration of origin when importing goods into the UK.

In 1978 to get round UK quotas certain goods of Hong Kong origin were declared to be of Indonesian origin. The British authorities began immediate investigations and there were subsequently prosecutions in Hong Kong. The part played by the UK importers is still being investigated.

3 ORIGIN MARKING

The textile and clothing industries have frequently advocated that the marking of the origin of goods for the consumer should be made compulsory. As part of a wider review of policy in this area, detailed discussions are being held with representative organisations on the implications of extending the present origin marking requirements under the Trade Descriptions Act 1972

However, origin marking is being considered as a consumer information and protection measure and not as a measure to discourage imports. Any measure which impeded imports would run counter to the Treaty of Rome.

East European Suits

Imports of East German suits into the UK are subject to quota, as are imports of suits from most other East European countries. There is, at the same time, complete freedom of trade between East and West Germany. Allegations have come from the British textile industry that West German traders are importing suits from East Germany free of duties and tariffs and then re-exporting them to the UK.

The legal position in cases like this would depend on what claims were made as to country of origin:

- * East German origin admitted: East German suits are subject to quota if exported to the UK direct. An Article 115 application would be made to restrain imports if they were entering the UK in significant quantities via West Germany.

Community origin claimed: a false declaration of origin of this kind would be a Customs offence. If the goods were falsely labelled as well, then this would be contrary to the 1968 Trade Descriptions Act. The UK importer could be prosecuted if it could be proved that he was involved in the fraud. The British authorities could also alert the West Germans and invite them to take action under their own law.

But the Government cannot act on the basis of allegations alone. Its resources are limited and it has to concentrate on those cases where allegations are backed by hard evidence.

4 OUTWARD PROCESSING

Outward Processing (OP) is the procedure whereby, for example, cloth is exported from the Community to another country (perhaps a Mediterranean or East European country) to be made up into garments which are then re-imported. Some EEC countries have special quotas for OP trade on top of restraints for non-OP goods. The UK counts OP trade against normal restraint levels.

A proposed new regulation relating to OP trade with Mediterranean countries is under discussion in Brussels. It will deal mainly with the allocation of licences where there are special OP restraint levels. Progress has been slow. Some EEC countries, where OP is well established, are opposed to much more restriction on the grounds that their own industries benefit from it.

The proposed regulation, in its existing form, would have no direct effect upon UK industry; its main provisions relate to the allocation within each Member State of special quotas for outward processed goods. The UK operates no such quotas and will not be obliged to do so.

FIVE: TRADE WITH THE DEVELOPED WORLD

rather less by weight
Nearly two-thirds by value of the textiles and clothing imported into the UK comes from developed countries. By weight the figures would be rather less. The rules of GATT and EC/EFTA are however built around the principal that there should be the minimum of interference in trade between developed countries.

Dumped or subsidised imports

Action can be taken against dumped or subsidised imports if they can be shown to be causing material injury to a home industry

Dumping is the practice of selling abroad at prices below "normal value". Normal value is usually taken to be the price an exporter charges for goods in his own country. If he charges lower prices for comparable sales abroad, then he is dumping. If there are no home sales, as would be the case for goods produced for export only for example, then normal value is taken as:

- * the foreign supplier's price to other markets, OR
- * the foreign supplier's cost of production, plus a reasonable amount for administration etc and profits.

In the case of any developing countries, the supplier's costs may well be extremely low by UK standards. This makes imported goods from these countries cheap, but it does not necessarily make them dumped.

Complaints procedures

The UK authorities cannot take independent action against dumped or subsidised imports. Responsibility for controlling these practices now lies with the European Commission in Brussels. Requests for action can be made either through the Department of Trade or else direct to the European Commission.

The Department of Trade has a specialist anti-dumping unit to help UK industry prepare and submit complaints to the Commission. An explanatory booklet is also available. Department of Trade officials attend meetings of the EEC Anti-Dumping Advisory Committee, where cases are discussed before action is taken.

The Commission has given assurances to British Ministers that it will pursue anti-dumping cases with vigour.

Action against dumping or subsidy

If, after a full investigation, it can be shown that:

- * dumping or subsidy has been taking place and this is harming a Community industry and action would be in the Community interest (including the consumer interest) then the Commission may impose a duty. These duties are levied throughout the Community and not just in the Member State which has complained.
- * If, during or after an investigation, the foreign supplier agrees to stop exporting, or to sell at a price which would not harm the domestic industry concerned, his undertaking may be accepted and the investigation closed. Undertakings may apply only to imports into the state which has complained.
- * To prevent serious injury to an industry while an investigation is taking place, the Commission may impose provisional duties for a limited period, not exceeding four months in the case of subsidy and six months for dumping.

Anti-dumping duties and undertakings currently in force (textile and textile products)

DUTIES

Acrylic fibres from the USA	
Discontinuous acrylic fibre	13.7%
Continuous filament tow	17.6%

(Imposed as definitive duties on 3 May 1980)

Ladies rubberized raincoats from Hong Kong	£1.50 per raincoat
--------------------------------------------	--------------------

(Imposed under UK legislation in May 1976)

UNDERTAKINGS

Acrylic fibres from Japan and Spain
(The European Commission have accepted ^{price} undertakings which have eliminated the margin of dumping found).

Polyamide (nylon) yarn from USA (price undertaking accepted in 1979 from US exporter).

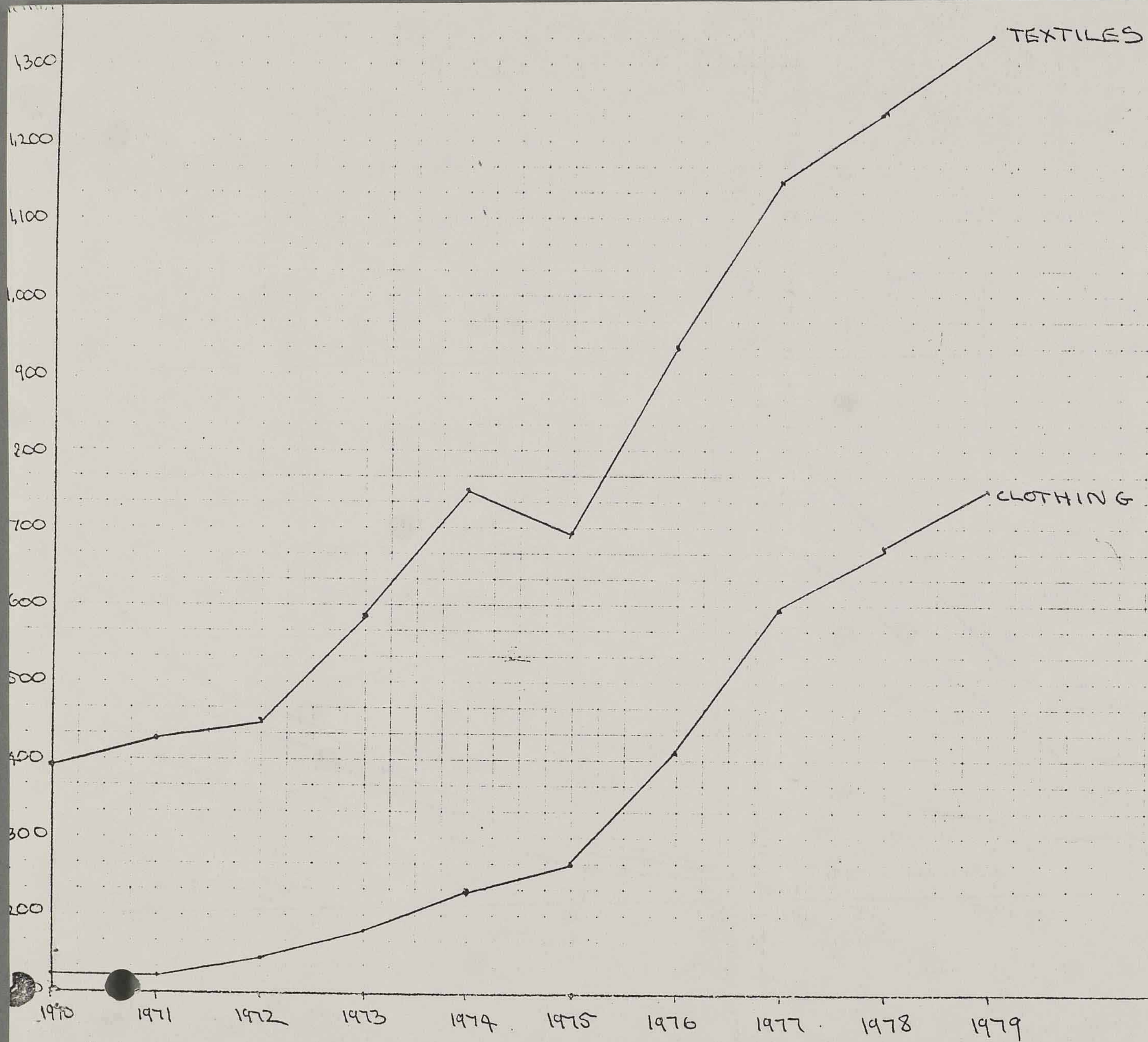
Unfair Competition from the EEC

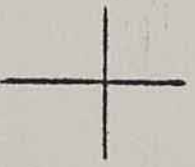
For trading purposes, the EEC Member States form a single market. Anti-dumping action cannot be taken by one EEC Member against another since, in theory at least, dumping cannot exist within the Community.

If a UK industry considers that it faces unfair competition from Community producers, it can complain to the Commission under those Articles of the Treaty of Rome which deal with Competition Policy. Complaints of this kind are best made with the help and advice of the Department of Industry.

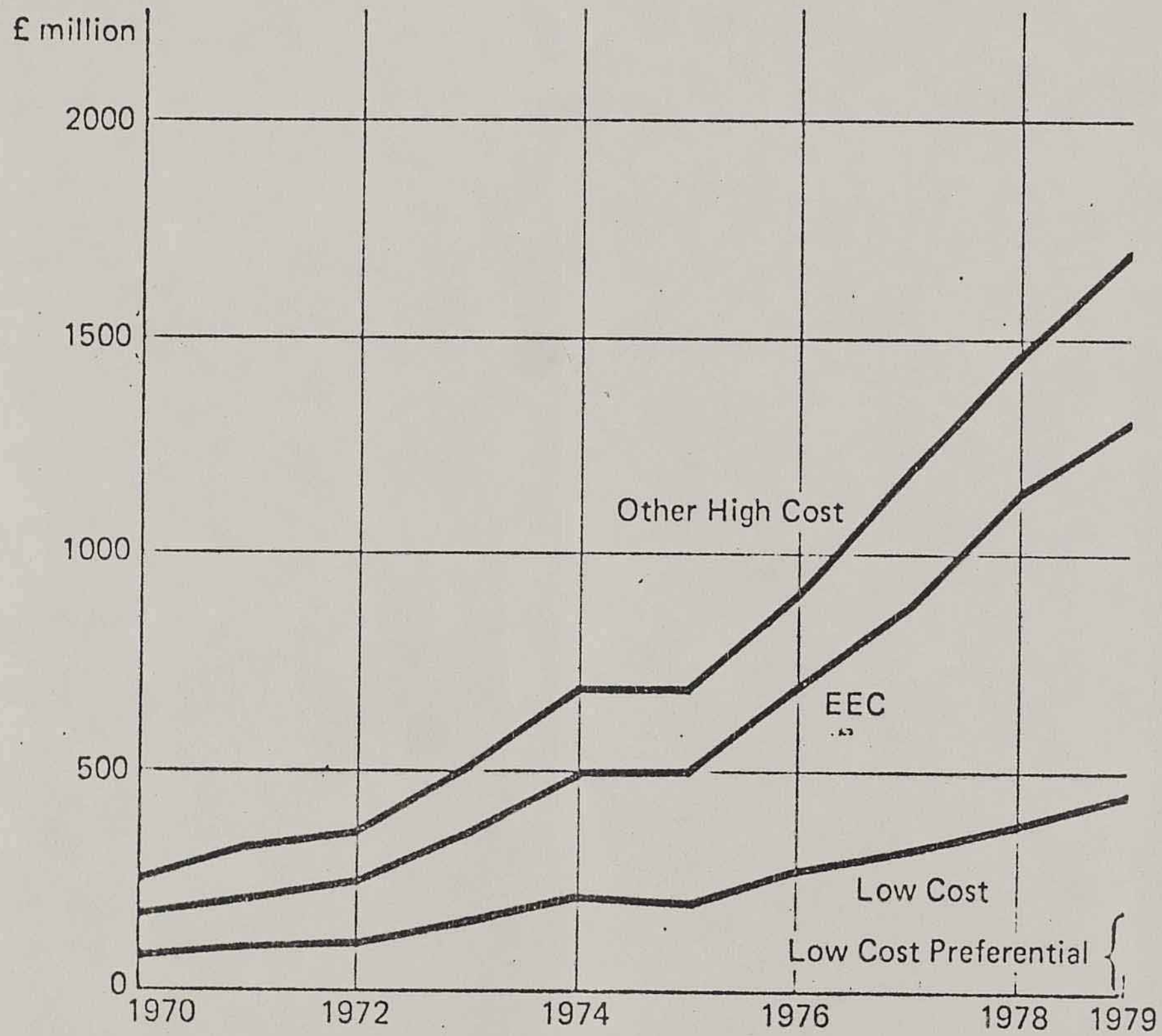
Italian woollen fabrics

Italian woollen fabrics are an example of the kind of import problem that can arise within the Community. Two-thirds of the total UK imports of woollen fabrics come from Italy. The home industry has alleged for some years now that their Italian counterparts, based in Prato, benefit from hidden subsidies. It is claimed, for example, that they avoid paying social security charges by employing a large number of home workers. The problem has twice been referred to the European Commission (1975 and 1979). The Commission, however, has not been able to establish that unfair trading is taking place. The Government is, however, continuing to press the issue.

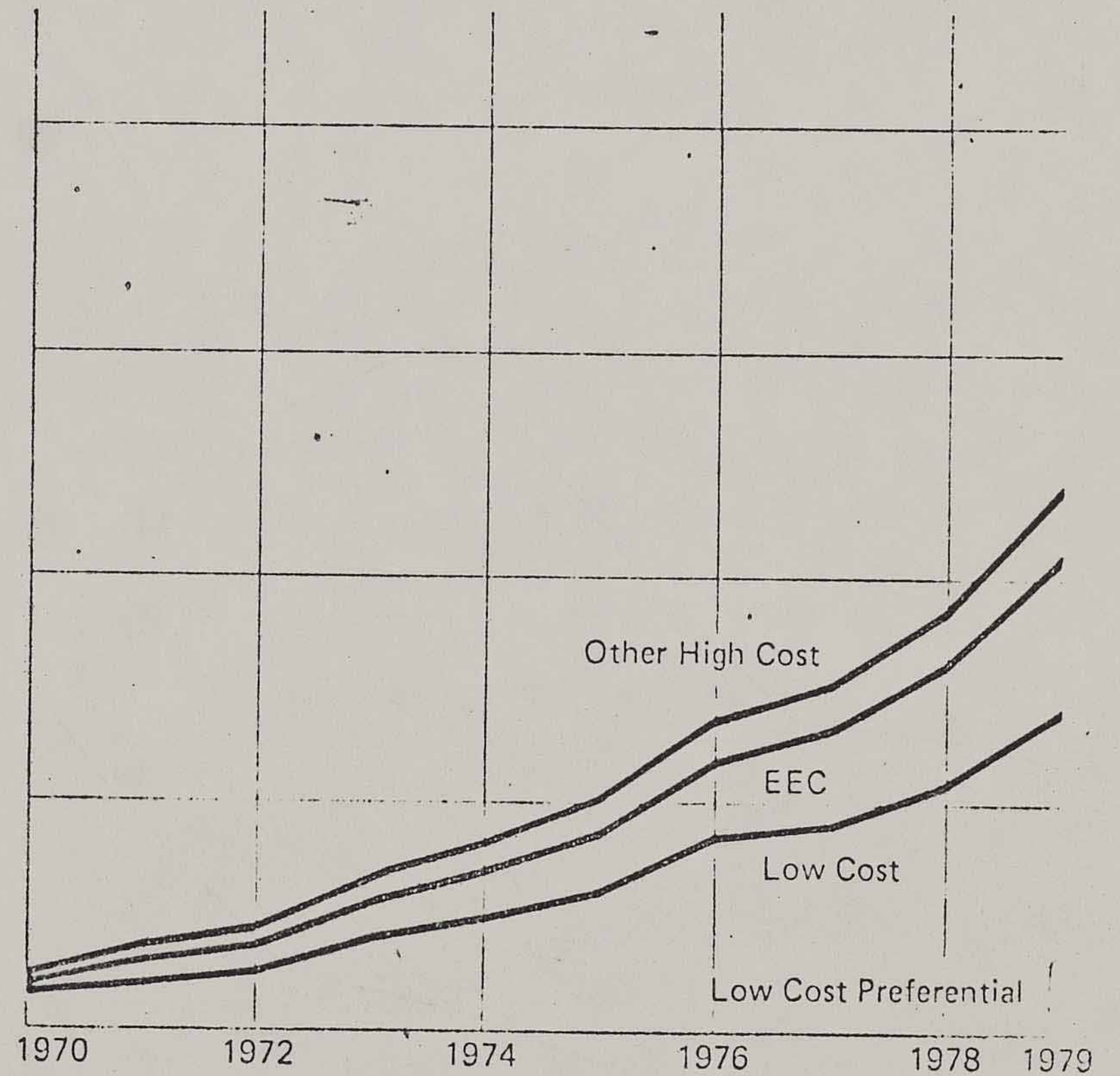




UK Textiles – Imports

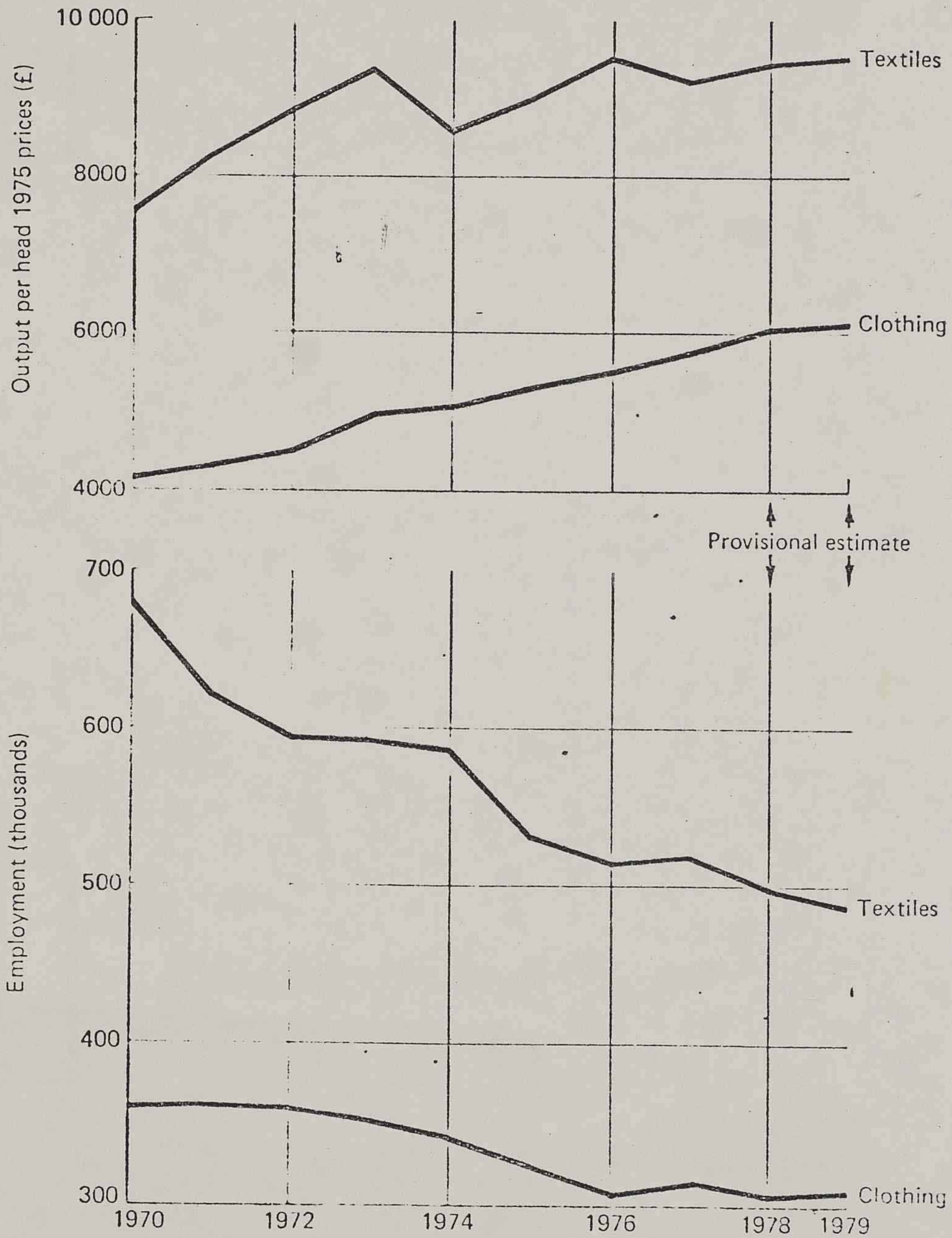


UK Clothing – Imports



Source: Overseas Trade Statistics

UK Textiles and Clothing Output per Head, Employment*



*Department of Employment Gazette, end of June figures

BF 21/5

2

PRIME MINISTER

X | This is another letter of dissatisfaction from the Wool Textile Industry. I can simply acknowledge on your behalf since the substance of the letter is not addressed directly to you but to Mr. Nott.

| We have arranged to take policy towards the textile industry at E next Thursday. I will let you have a redraft of the long draft provided by the Department of Industry, which you did not like, in the light of the discussion.

mb

??

16 May 1980

X Separate File: Confederation
of British Wool Textiles

FROM : CYRIL SMITH, MBE.,MP



HOUSE OF COMMONS
LONDON SW1A 0AA

R15
cc Press Office
10/5

May 13, 1980

The Rt Hon Mrs Margaret Thatcher, MP
The Prime Minister
10 Downing Street
LONDON SW1

Dear Prime Minister,

You indicated in Question Time today that, "in the last resort" you would be prepared to receive a deputation from the Lancashire Textile Industry.

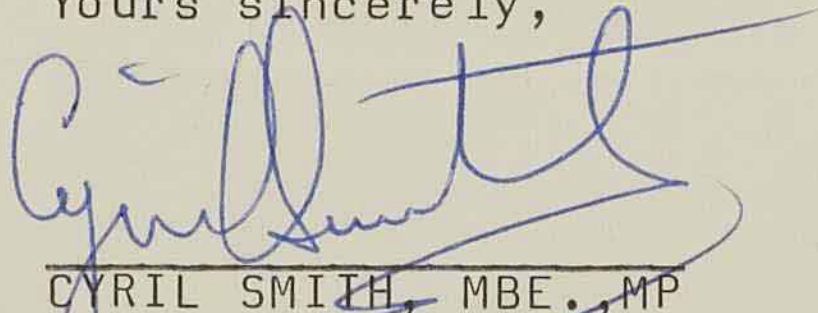
Mr Jack Straw, the Honourable Member for Blackburn, and Mr Nicholas Winterton, the Honourable Member for Macclesfield, and Chairman of the All Party Textile Group, together with myself, are now hereby formally requesting you to meet such a deputation, which we will be happy to organise.

We do consider that "the last resort" has now been reached in this industry, and we are of the agreed opinion that a meeting with you will give the industry the feeling that it so desperately needs, that the Government is concerned about its plight.

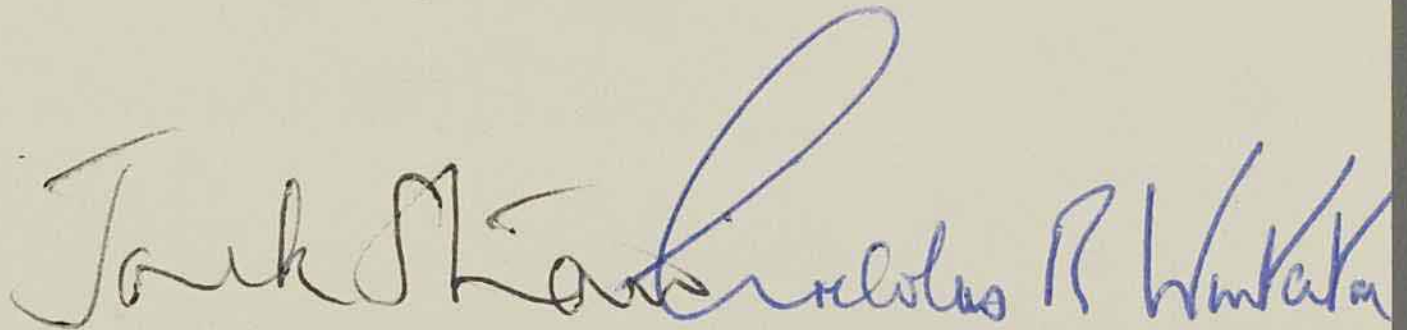
We would intend that the deputation would be led by 6 Members of Parliament of all three Parties, together with employers and Trade Unionists from the Textile Industry, and we would assure you that the object of the meeting would be constructive.

We look forward to hearing from you that you will carry out your promise of this afternoon, by advising us to contact your Private Office in order to arrange an agreed date.

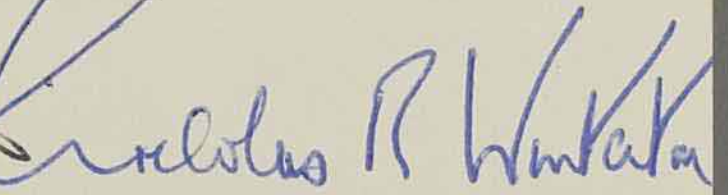
Yours sincerely,



CYRIL SMITH, MBE.,MP



JACK STRAW,MP



NICHOLAS WINTERTON,MP

File

Trade

MFJ

CONFIDENTIAL

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*B/F 22-5-80
see E(80)41 of 20/5*



10 DOWNING STREET

From the Private Secretary

12 May 1980

Dear Mr.

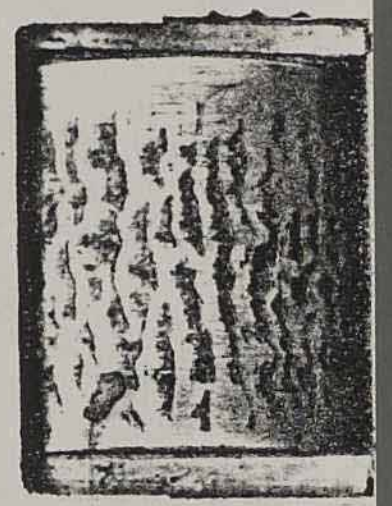
The Prime Minister is becoming increasingly concerned about the difficulties of the textile and clothing industry. She would therefore like to have an early discussion in E Committee about the industry's problems and prospects, the measures that are currently being taken to assist the industry, and any further measures that might be introduced. She would be grateful if your Secretary of State and the Secretary of State for Trade would circulate a paper to the Committee by the Whit weekend for discussion as soon as possible thereafter.

I am sending copies of this letter to Private Secretaries to members of E Committee and to David Wright (Cabinet Office).

Tim
Tim Laker

I.K.C. Ellison Esq
Department of Industry

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• **newsflash**

Trade

from the WOOL TEXTILE and CLOTHING INDUSTRY ACTION COMMITTEE

12,000 Textile Jobs Safeguarded

Following representations by the Action Committee, Jim Prior, Employment Secretary, has announced that the Government's Temporary Short Time Working Compensation Scheme is to be continued beyond 31 March, 1980.

Commenting on the announcement Mr George Park, Action Committee chairman, said that he was very encouraged by the Government's decision, which will safeguard 12,000 textile jobs in West Yorkshire, but pointed out that this was only one of many objectives being pursued by the Action Committee.

Anti-dumping Scheme Rejected

The Action Committee has suggested a scheme whereby Customs and Excise Officers could detect cases of imported garments which are being dumped in the UK. The scheme would entail the Wool Industry Research Association (WIRA) building up a catalogue of inescapable costs for the manufacture of various products.

Application has been made to the Garment and Allied Industries Requirements Board (GARB) within the Department of Industry to finance 50% of the project costs, estimated at £75,000. The balance of finance would be obtained from the industry and local authorities.

But Sir Keith Joseph Secretary of State for Industry, has said it is the industry's responsibility, not the Governments, to produce evidence of dumping and GARB has accordingly refused to support the project. This is yet another example of the Government's lack of concern towards the crisis facing the textile industry.

.....

Over 2,000 redundancies	—	p2
Decline of textile jobs	—	p3
Comparison of job losses	—	p3
What's your origin?	—	p4
Misleading labels	—	p4
EEC Commissioner's visit	—	p4

The Wool Textile and Clothing Industry Action Committee comprises representatives of management and unions, Members of Parliament and the European Parliament, together with representatives of local authorities in West Yorkshire.

Chairman: A. G. Park, chairman and managing director, Hield Brothers Ltd., Bradford.

Secretary: R. M. Barlow, County Hall, Wakefield, West Yorkshire WF1 2QW. Telephone Wakefield 67111, ext. 2228.

TABLE 1

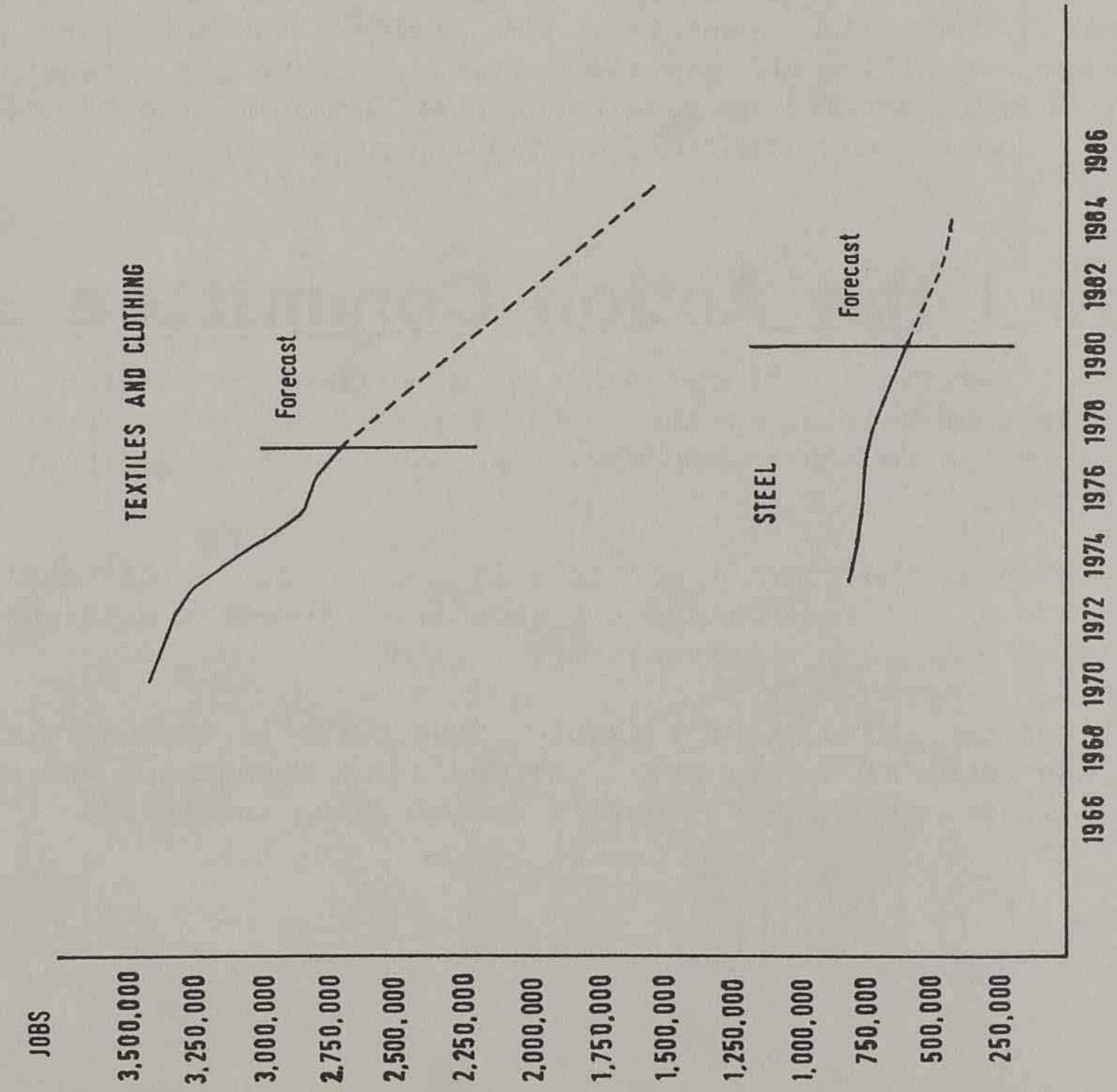
Announced Redundancies in textiles and clothing in West Yorkshire for the six week period covering December 1979 to mid January 1980

Eldon Combing Co Ltd	HUDDERSFIELD	50 Redundancies
Joseph Lumb and Sons Ltd	HUDDERSFIELD	100 Redundancies
Associated Weavers	BRADFORD	900 Redundancies
G Garnett and Sons Ltd	BRADFORD	50 Redundancies
Greenwood Stell and Sons Ltd	MYTHOLMROYD	50 Redundancies
Homfray Carpets Ltd	HALIFAX BATLEY and BIRSTALL	377 Redundancies
Faxall Products Ltd	HALIFAX	26 Redundancies
H and M Textiles	HUDDERSFIELD	85 Redundancies
Star Sportswear	WAKEFIELD	28 Redundancies
William Denby and Sons	BRADFORD	135 Redundancies
Marshfield Dyeing Co	BRADFORD	97 Redundancies
Bradford Patent Dyeing Co	BRADFORD	47 Redundancies
John Crowther and Sons	HUDDERSFIELD	90 Redundancies
	<hr/>	
	TOTAL	2035 Redundancies
	<hr/>	

FIGURE 1

STEEL, TEXTILES AND CLOTHING EMPLOYMENT

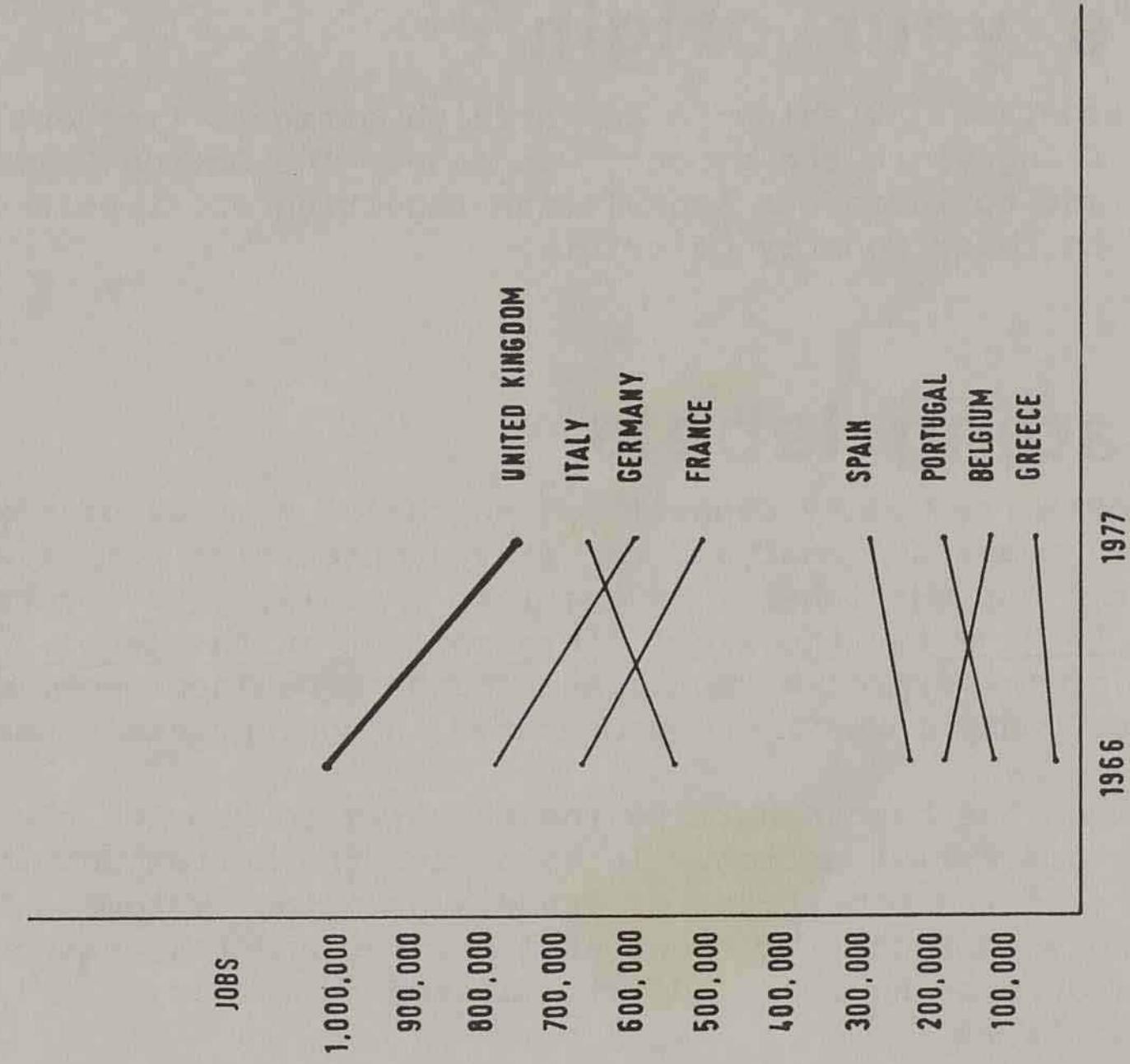
IN THE EEC
COMPARISON OF DECLINE IN JOBS



Sources : EEC Commission and Department of Industry.

TEXTILE AND CLOTHING EMPLOYMENT IN EUROPE (1966-1977)

DECLINE IN JOBS



Sources : Department of Employment, EEC Commission and Financial Times.

What's your origin ?

Patriotic consumers wishing to buy British garments frequently have a difficult task identifying where the product was made. The Action Committee are pressing the Government to introduce legislation requiring all imported garments to clearly state their Country of origin

Misleading labels

The West Yorkshire County Council has purchased samples of textile products over the last few years and analysed the fibre content for comparison with that stated on the garment label. In the last 3 years, of 283 garments tested, 25% were found to have the incorrect fibre content on the label. A substantial proportion of the articles tested and found to be incorrect, originated from Italy. The County Council has prosecuted in appropriate cases.

The Government has been exhorting the industry to provide the evidence so that it can take corrective action. In this case the Action Committee has forwarded the evidence to the Department of Trade suggesting Customs and Excise Officers should closely monitor fibre content labelling and take effective action to prevent garments being imported with misleading labels.

EEC Commissioner's visit

The EEC Commissioner responsible for Industry is to visit West Yorkshire and meet the Action Committee on the 28 March following a request from Barry Seal, MEP for Mr Davignon to see for himself the crisis facing the wool textile industry. As well as pressing on Mr Davignon the need for the European Commission to adopt a positive EEC textile policy, to renew and strengthen the MFA, the Action Committee will be seeking quicker action by the Commission on misleading labels, dumping and other unfair trading practices.

About the Action Committee

The Wool Textile and Clothing Action Committee was created in December, 1979, with the object of helping to secure the future of the Wool Textile and Clothing Industries in Yorkshire and where necessary seek the help of other bodies on a UK basis.

Membership of the Committee totals 11 and is made up of leading industrialists and trade unionists from the two industries together with one MEP, one MP and two local authority representatives.

The Committee is to issue a regular News Bulletin to inform the Government, European Commission, MP, MEPs, the media and management and unions of developments and attitudes in the wool textile and clothing industries of West Yorkshire

Trade

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10 DOWNING STREET

THE PRIME MINISTER

18 March 1980

Mr. Murgatroyd.

Thank you for your letter of 13 March.

I am of course very concerned about the difficulties which the wool textile industry is currently facing. I have asked the Secretary of State for Trade to consider your letter and the memorandum which you enclosed with it, and to write to you direct.

Yours sincerely
Margaret Thatcher

F B Murgatroyd Esq
Vice President
Conf. of Br. Wool Textiles Ltd

6



10 DOWNING STREET

THE PRIME MINISTER

13 March 1980

Dear David,

Thank you very much indeed for your letter of 4 March concerning the British Textile Industry.

Although I am naturally pleased to read the sentiments you express at the beginning of the second paragraph of your letter, I do understand that you and your colleagues in East Lancashire are facing enormous pressure from rising import competition from low-cost countries and elsewhere.

As you are aware, John Nott has negotiated the imposition of quota levels against the United States on polyester filament yarns and nylon carpet yarns. At the same time, you will have been pleased to see that we have extended the Temporary Short Time Working Compensation Scheme for another twelve months which will relieve the pressure which the industry is facing at the moment.

The Government is very anxious to confirm that we wish to see the continuation of a viable textile industry and, as an illustration of that commitment, I would draw your attention to our support of the existing MFA and our pledge to press for a continuation of effective restraints when the current MFA expires in 1981. Full account will be taken of the problems of the industry.

We are, of course, duty bound by community regulations to advertise certain public contracts for tender. We comply fully with these. Departments in practice buy almost all their requirements for

/textiles

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textiles and clothing from UK firms because they are generally competitive and offer best value for money.

I am well aware of the efforts which you and your colleagues in East Lancashire have made on behalf of the industry. The Government will do all it can to ensure that the industry enjoys conditions of fair trade with its competitors overseas.

Yours ever

Margaret

D A Trippier, Esq, JP, MP.

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard, 18 February 1980, columns 30-45
"Synthetic Textiles (Imports)"

Signed Wayland Date 6 July 2010

PREM Records Team



Trade
18-2-80

STATEMENT

THE HOUSE MAY BE AWARE THAT THE EUROPEAN COMMISSION ANNOUNCED THIS MORNING THEIR DECISION ON THE UK APPLICATION FOR IMPORT QUOTAS ON CERTAIN SYNTHETIC TEXTILES.

MY HON FRIEND THE MINISTER FOR TRADE AND I, TOGETHER WITH OFFICIALS OF MY DEPARTMENT, HAVE HELD EXTENSIVE TALKS WITH THE COMMISSION TO STRESS THE URGENT NEED FOR ACTION TO STABILISE IMPORTS OF THESE PRODUCTS IN ORDER TO CHECK FURTHER FACTORY CLOSURES AND REDUNDANCIES IN THESE THREATENED SECTORS.

FOR THEIR PART, THE COMMISSION HAVE BEEN ANXIOUS TO AVOID THE UK'S APPLICATION LEADING TO A BREACH IN THE OPEN TRADING RELATIONS WITH OUR MAIN PARTNERS. THE UK WITH ONE THIRD OF ITS GNP SOLD IN EXPORT MARKETS, SHARES THIS INTEREST IN AVOIDING AN OUTBREAK OF RETALIATORY ACTION AND DAMAGE TO OUR WIDER TRADING INTERESTS. MOREOVER, THE UNITED KINGDOM IS ITSELF A MAJOR TEXTILE EXPORTER. THE COMMISSION HAS THEREFORE BEEN CONCERNED TO ENSURE THAT ANY ACTION TAKEN IS STRICTLY WITHIN THE TERMS OF ARTICLE XIX OF THE GATT.

AGAINST THIS BACKGROUND, THE COMMISSION HAS AGREED QUOTAS ON BOTH POLYESTER AND NYLON CARPET YARN AT THE FOLLOWING LEVELS FOR THE CALENDER YEAR 1980:



- FOR POLYESTER FILAMENT YARN, 9,100 TONNES, COMPARED WITH IMPORTS IN THE FINAL QUARTER OF 1979 RUNNING AT AN ANNUAL RATE OF 15,600 TONNES;
- FOR NYLON CARPET YARN, 7,500 TONNES, COMPARED WITH A 1979 FINAL QUARTER RATE OF 9,150 TONNES.

THESE QUOTA LEVELS WILL CUT IMPORTS BACK FROM THE VERY HIGH LEVEL REACHED AT THE END OF LAST YEAR, BUT IT IS OUR VIEW THAT THEY SHOULD NOT BE SO SEVERE AS TO PROVOKE RETALIATORY ACTION ON THE ONE HAND, NOR ON THE OTHER TO CREATE DAMAGE TO THE DOWNSTREAM TEXTILE AND CLOTHING INDUSTRIES WHICH DEPEND ON THE AVAILABILITY OF LOW COST FIBRES FOR THE COMPETITIVENESS OF THEIR OWN END PRODUCTS.

WITH REGARD TO MAN-MADE FIBRE TUFTED CARPETS OUR CONCERN HAS BEEN TO AVOID THE QUOTA ON NYLON CARPET YARN DAMAGING THE INTERESTS OF THE UK CARPET INDUSTRY; FOR THIS REASON WE FELT THAT QUOTAS ON BOTH PRODUCTS SHOULD BE INTRODUCED. THE COMMISSION HAS, HOWEVER, HAD TO EXAMINE OUR APPLICATION AGAINST THE DEFINITION OF "SERIOUS INJURY", SINCE OTHERWISE A NUMBER OF OTHER EUROPEAN COUNTRIES MIGHT ALSO SEEK QUOTAS FOR THEIR PRODUCTS LEADING TO AN ESCALATION OF PROTECTIONISM. WHILST THE INCREASE IN IMPORTS OF MAN-MADE FIBRE CARPETS HAS BEEN SUBSTANTIAL DURING 1979, GROWING FROM 1,085,000 SQUARE METRES IN THE FIRST QUARTER TO 2,162,000 SQUARE METRES IN THE FOURTH QUARTER FROM NON-EEC OR PREFERENTIAL SOURCES, IN FACT THE PENETRATION OF THE UK MARKET FROM THESE SOURCES AMOUNTED TO ONLY 8.5% IN THE FINAL QUARTER OF 1979. IN THE COMMISSION'S VIEW



THIS LEVEL OF IMPORT PENETRATION WAS INSUFFICIENT TO WARRANT A QUOTA BASED ON SERIOUS INJURY AT THIS STAGE. DESPITE THIS WE HAVE OBTAINED A STATEMENT TO THE EFFECT THAT THE COMMISSION WILL MONITOR IMPORTS VIGILANTLY AND RECOGNISES THE NECESSITY OF IMMEDIATE RECOURSE TO SAFEGUARD ACTION IF PRESENT TRENDS CONTINUE AND LEAD TO SERIOUS INJURY.

I AM NOT WHOLLY SATISFIED WITH THE COMMISSION'S RESPONSE TO OUR APPLICATION. BUT WE HAVE TO ACKNOWLEDGE THE OVERRIDING DUTY OF THE COMMISSION NOT TO PROVOKE A SUDDEN SURGE OF PROTECTIONISM. ON BALANCE, THEREFORE, I THINK THE OUTCOME IS A REASONABLE ONE. WITHIN THESE CONSTRAINTS THE GOVERNMENT WILL DO ALL IN ITS POWER TO SAFEGUARD THE INTERESTS OF THE UK TEXTILE AND CLOTHING INDUSTRIES.

I HOPE THAT THESE QUOTAS AND THE VERY FIRM STATEMENT ON CARPETS WILL GO A CONSIDERABLE WAY TO STABILISING THE EXCEPTIONALLY DIFFICULT TRADING CONDITIONS WHICH THE INDUSTRY HAS FACED DURING THE PAST YEAR.

Trade

DEPARTMENT OF TRADE

1 VICTORIA STREET LONDON SW1H 0ET

Telephone 01-215 7877

CONFIDENTIAL



Prime Minister

(2)

From the Secretary of State

Pa.

Paul - 15/2

Paul Lever Esq
Private Secretary to the
Secretary of State for Foreign &
Commonwealth Affairs
Downing Street
Whitehall
SW1

15 February 1980

Dear Paul

SYNTHETIC TEXTILES

Following the formal consultations yesterday with other Member States on the UK and Italian requests for import controls (UKREP Brussels Telegram No 946) we have now advance notice of the Commission decision. This is:

polyester filament yarn:

a quota based on the average of sendings in 1978/79 - which amounts to 9,100 tonnes for the restricted sources.

nylon carpet yarn:

a quota of 7,500 tonnes for the restricted sources. This high figure reflects the difficulties we had in getting a positive decision out of the Commissioners. Both they, and a number of Member States, felt that the difficulties here stemmed from the structure of the industry and not from imports. Finally, on political grounds, they agreed to a quota, but wanted an annual rate equivalent to sendings in the last quarter of 1979. This has been reduced in the final figure by about 1,500 tonnes.

mmf tufted carpets:

the application was rejected on the grounds that the import penetration levels (at 17% overall in 1979 and 5.8% from the US and Canada); and the increases in domestic production, market and sales did not justify

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From the Secretary of State

action. In fact, since the UK application on this product was announced, Ministers in this Department have received very forceful representations against its validity from the importers, the distributors and the retailers. Moreover, representations both from the US and Canada have concentrated on this sector. However, in recognition of the fact that a quota on nylon carpet yarn could adversely affect the carpet industry, the Commission will be giving us the following statement:

"In the sector of man-made fibre tufted carpets the Commission considers that the introduction of import restrictions is not justified at the present time. Although imports have increased, it is far from clear that the British carpet industry's difficulties arise only from this increase. However, the Commission recognises that, although import penetration from restricted sources on carpets, at less than 10% in the second half of 1979, is much below the penetration (25% or more) on the two yarn products covered by import restrictions, the rate of growth of imports of mmf tufted carpets is very rapid. The Commission recognises, therefore, that there is a potentially serious situation in this sector, which might call for restrictive action if current trends continue and if restrictions on imports of yarns aggravate the carpet industry's problems. Accordingly, the Commission states its intention of monitoring imports and trends vigilantly, and recognises the necessity of immediate recourse to safeguard action if present trends continue and lead to serious injury!"

Article 115 and diversion through other Member States

The Commission will give us the following formula:

"To the extent that diversion of trade occurs, the Commission will take appropriate action."

The quotas will operate as for whole calendar year 1980 and will come into force on 19 or 20 February.

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From the Secretary of State

There are obvious disappointments in the outcome. But my Secretary of State thinks we must accept the Commission decision; they have, after all, given us quotas on two "liberalised products" where we cannot maintain an import restriction for longer than six weeks in the absence of a Commission regulation or Council approval. This is very relevant in the balance. We cannot be certain that the Germans will not take us to the Council on the nylon carpet yarn and on the basis of the consultation discussion we could not then be certain that there would be the necessary qualified majority in favour. But it will be the Commission who will have to plead for their Regulation and they stand a much better chance of bringing everybody into line than we would.

I should add that the Commission have not yet decided what to do on the Italian applications; but the chances are that they will be rejected.

The Commission will be announcing their decision at their press briefing at noon on 18 February. The Secretary of State proposes to make an oral statement in the House that afternoon. A draft is attached.

... I am copying this letter to Tim Lankester (No 10), the Private Secretaries to members of OD(E), to Ian Ellison (Industry), Michael Hopkins (Northern Ireland), John Stevens (Chancellor of the Duchy), Richard Prescott (Paymaster General) and David Wright (Cabinet Office).

Yours sincerely,

S HAMPSON
Private Secretary

DRAFT STATEMENT

The House will be aware that the European Commission announced this morning their decision on the UK application for import quotas on certain synthetic textiles.

My Hon Friend the Minister for Trade and I, together with officials of my Department, have held extensive talks with the Commission to stress the urgent need for action to stabilise imports of these products in order to check further factory closures and redundancies in these threatened sectors.

For their part, the Commission have been anxious to avoid the UK's application leading to a breach in the open trading relations with our main partners. The UK with one third of its GNP sold in export markets, shares this interest in avoiding an outbreak of retaliatory action and damage to our wider trading interests. Moreover, the United Kingdom is itself a major textile exporter. The Commission has therefore been concerned to ensure that any action taken is strictly within the terms of Article XIX of the GATT.

Against this background and in the knowledge that the UK Government was, if necessary, prepared to take unilateral action, the Commission has agreed quotas on both polyester and nylon carpet yarn at the following levels for the calendar year 1980:

Lamb?

- for polyester filament yarn, 9,100 tonnes, compared with imports in the final quarter of 1979 running at an annual rate of 15,600 tonnes;
- for nylon carpet yarn, 7,500 tonnes, compared with a 1979 final quarter rate of 9,150 tonnes.

These quota levels will cut imports back from the very high level reached at the end of last year, but it is our view that they should not be so severe as to provoke retaliatory action on the one hand, nor on the other to create damage to the downstream textile and clothing industries which depend on the availability of low cost fibres for the competitiveness of their own end products. The Governments does not see these quotas as a permanent measure but as a means of giving the British industry time to adjust to latest conditions.

With regard to ^{man-made fibre} ~~nylon~~ tufted carpets our concern has been to avoid the quota on nylon carpet yarn damaging the interests of the UK carpet industry; for this reason we felt that quotas on both products should be introduced. The Commission has, however, had to examine our application against the definition of "serious injury", since otherwise a number of other European countries might also seek quotas for their products leading to an escalation of protectionism. Whilst the increase in imports of ^{man-made fibre} ~~nylon~~ carpets has been

substantial during 1979, growing from 1,805,000 square metres to 2,162,000 square metres from non EEC or preferential sources, in fact the penetration of the UK market from these sources amounted to only 8.5% in the final quarter of 1979. In the Commission's view this level of import penetration was insufficient to warrant a quota based on serious injury at this stage. Despite this we have obtained a helpful statement to the effect that the Commission will monitor imports vigilantly and recognises the necessity of immediate recourse to safeguard action if present trends continue and lead to serious injury.

I am not wholly satisfied with the Commission's response to our application. But we have to acknowledge the overriding duty of the Commission not to provoke a sudden surge of protectionism. On balance, therefore, I think the outcome is a reasonable one. Within these constraints the Government will do all in its power to safeguard the interests of the UK textile and clothing industries. I hope that these quotas and the very firm statement on carpets will go a long way to stabilising the exceptionally difficult trading conditions which the industry has faced during the last year.

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From the Secretary of State

The Rt Hon The Lord Carrington KCMG, MC
 Secretary of State for Foreign and
 Commonwealth Affairs
 Foreign and Commonwealth Office
 Downing Street
 London, SW1A 2AL

Tade
~~Michael~~ *[Signature]*

M.

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7/2

6 February 1980

Dear Peter.

IMPORTS OF US SYNTHETIC TEXTILES

As agreed at OD(E) on Monday, I have told the Commission that unless they are prepared to issue a Regulation restricting imports of polyester filament yarn, nylon carpet yarn and mmf tufted carpets into the United Kingdom, within 5 days of a formal UK request for such action, the UK will have no option but to take unilateral action.

Before the Council, I had a brief discussion with Vice-President Haferkamp who offered understanding in general terms. I then dined with Commissioner Davignon. He did not insist on his previously reported line of action on polyester filament yarn only - nor did he specifically agree to any other action. I believe that he will do his best to help us with the three products and to let us have a definite response on Thursday morning. Part of the reason for the apparent delay was his visit to Bonn and his wish to inform the German Trade Minister (Lambsdorff) of the UK's intentions.

Discussion in the Foreign Affairs Council yesterday was low-key. If anything it failed to reflect adequately my statement that the UK situation was one of pressing urgency in particular cases (see UKREP telegram 694 of 5 February). In agreement, therefore, with the Commission my officials subsequently informed the Italian Presidency, the French and the Germans that the UK expected to apply



From the Secretary of State

on Thursday for action on the 3 products. (I thought it only right to wait for 2 days in view of the Council conclusions.)

I agreed to await a final Commission response tomorrow morning.

I intend that, regardless of the Commission response, the UK should on Thursday submit a formal application on all 3 products and that I should announce this to the House at the same time on the terms
.... of the attached statement.

If the Commission do not agree to the 3 products, in my view we have no option but to take unilateral action next week.

I am copying this letter to the Prime Minister, all colleagues on OD(E), to Sir Keith Joseph, Humphrey Atkins, Norman St John-Stevas, Angus Maude and to Sir Robert Armstrong.

Yours ever
John

JOHN NOTT



WRITTEN STATEMENT

The UK Government has today applied to the European Commission under the relevant Community instruments for restriction by quota of imports into the United Kingdom of polyester filament yarn, nylon carpet yarn and tufted carpets of man-made fibres. These restrictions will not apply to countries with which the Community has preferential trading agreements, or bilateral agreements under the Multifibre Arrangement. The Commission are required by the terms of the Community instruments referred to to give a decision on this application within five working days. I have deliberately confined our present application to the Commission to those cases in which the level of import penetration and injury is, in my view, causing serious injury to our domestic producers.

I had hoped that the GATT Article XXIII discussions, which the Foreign Affairs Council on 5 February agreed should be pursued vigorously, would by now have produced a satisfactory solution to the problem as a whole. But as this has not proved possible I have no alternative but to take this course.

27 FEB 1960



Trade.



CONFIDENTIAL

From the Secretary of State

Prime Minister,
Duty Clerk 1/2/80

Tim Lankester Esq
Private Secretary
10 Downing Street
London, SW1

7 February 1980

Dear Tim

IMPORT OF US SYNTHETIC TEXTILES FROM THE USA

We spoke about the problem of imports of US
... synthetic textiles. I attach a further note
on this from my Secretary of State for the
Prime Minister.

Yours Sincerely
Hugh Bartlett

H W BARTLETT
Private Secretary

CONFIDENTIAL



IMPORT OF US SYNTHETIC TEXTILES FROM THE USA

Mr Nott, who has just returned from the Far East, has not yet had an opportunity of discussing the situation with Mr Parkinson who has been handling the matter throughout. The political arguments for our taking unilateral action are as follows. Since imports started rising dramatically in May/June 1979 the Department has strenuously avoided the pressures from British industry generally and in particular from the textile industry to take unilateral action. In front of repeated delegations and in Parliament Mr Parkinson and Mr Nott have said that for action to be effective it should be based on a Community wide response. When the Commission decided that it was necessary to take firm action on the problem we were persuaded at the November Council meeting which Mr Nott attended to allow them to open negotiations under Article 23 of the GATT with the Americans. Mr Nott made it clear at the time that failing a satisfactory voluntary agreement with the Americans (which never seemed likely) the United Kingdom would be forced to press the Community for an Article 19 response. At the December Council Mr Parkinson pressed for firm proposals to be put forward by the Commission at the February Council. We hoped that the Commission might impose a Community wide tariff but the Commission now say that they can only contemplate action on behalf of the UK alone and then on a quota basis and possibly limited only to one major product line. Of course, it is the case that whatever action is taken either by the UK or the Commission unilaterally the textile industry will be dissatisfied. Nevertheless the UK Government will, in Mr Nott's view, look exceptionally weak if after seeking to act through the Community for eight months and following the firm words spoken as long ago as December the UK was to return from the meeting on Tuesday the 5th with inadequate Community action particularly as it would solely relate to the UK and not to other EEC countries.

2 Since coming into Office and indeed in Opposition Mr Nott has made it absolutely clear that the new Government believes in the open trading system but it will act vigorously and with determination on "unfair trading". The extent of unfairness in US competition is in dispute but the present surge of textile imports represents full entitlement to action under the GATT. The UK is entitled to act alone subject to subsequent Community endorsement and the question really is whether this is appropriate at this stage. The Americans are extremely unhappy about any action by the UK or the Community as they are lobbying against us for all they are worth.

3 Mr Nott and Mr Parkinson will be discussing this matter over the weekend and it will arise at OD(E) on Monday. Both of them are of the view however that the Government would look weak if it was now



impossible to secure an adequate Community response. There are even arguments at this very late stage for the UK exercising its rights under the GATT and under Community arrangements to act independently in any event, given that the Commission is not now prepared to impose a Community wide tariff. Mr Nott is of the view that if we were to act unilaterally it would be necessary for either him or Mr Parkinson to fly to Washington at or before the announcement to speak personally to the Secretary of Commerce in order to explain the impossible predicament in which the country finds itself. By a personal approach of this kind Mr Nott would attempt to limit the possibility of retaliation by the Americans pending some arrangements under which the American industry might voluntarily reduce its exports and thereby enable us to lift the quotas.

4 Pending a full discussion and a decision on this matter Mr Nott is strongly of the view that the UK's response to this situation is extremely important for the Government's future relations with British industry generally and in particular with the trades unions. For us to shirk the necessary political action at this stage, having shown great patience up till now, might look like an act of weakness and would undermine the Government's often declared determination to protect jobs against such sudden surges of imports where the rules of GATT were relevant and could be applied. Clearly if the Government were to take the risk of acting on its own behalf (and the risk amounts to offending the Commission on the one hand and possibly leaving us marginally less protected against American retaliation on the other) it would certainly look like a firm and decisive act of Government towards the outside world. If on the other hand we were merely to ask the Commission to act for us it might well be regarded as a feeble response when we have failed to secure our objectives of a Community wide response.



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Subject

Trade

NOTE FOR THE RECORD

cc Mr. Alexander
Mr. Franklin (Cabinet Office)

The Secretary of State for Trade called on the Prime Minister at 1845 last evening. Mr. Nott said that he was faced with a very difficult decision on the question of imports of synthetic textiles from the USA. He had been trying to get the EEC to act for 8 months, but they had so far done nothing. In the meantime, factories were closing as imports continued to grow. Big political pressure was building up in favour of firm and effective action against US imports. A decision was needed on Monday in time for the EEC Foreign Affairs Council on Tuesday.

There were three options (which were set out in OD(E)(80)7): do nothing, ask the Commission to take action on behalf of the UK, take unilateral action. He had still to make up his mind which of these to go for. He would be discussing the matter with Mr. Parkinson over the weekend. His officials were inclined to the second course, but he was given to the view that unilateral action would be preferable. This was because he believed that action by the Commission would be totally inadequate: this belief was strengthened by information that the President of the Commission was backing away from the idea of tough action. He was well aware, however, that there were serious objections to this course: in particular, it would upset the Commission, and probably increase the likelihood of US retaliation. But on the whole, he did not think the US would retaliate. In reaching a view on which of the options to go for, he was concerned that OD(E) would not take sufficient account of the internal political considerations. He therefore hoped that the Prime Minister would be willing to consider the matter if OD(E) were unable to reach agreement.

The Prime Minister said that one way or another effective action must be taken. She would of course be willing to consider further if OD(E) were unable to reach agreement.

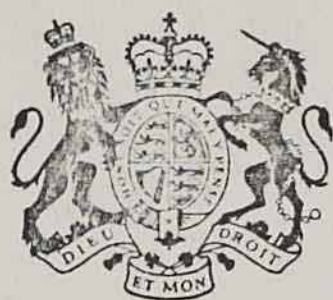
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MAFF

(DI Trade)

10 DOWNING STREET

From the Private Secretary

12 December 1979

AH-Gen.

+ C.O.

SYNTHETIC TEXTILE IMPORTS

As you know, your Secretary of State called on the Prime Minister this morning to discuss with her the problem of the increasing scale of imports into this country of synthetic textiles from the United States. He was accompanied by the Minister of State.

Mr. Nott told the Prime Minister that the increasing level of imports of United States synthetic textiles had been a growing problem for the last six months. Not only had demand been falling off, but imports from developed countries, notably the United States and Europe, had been increasing. The implications for the domestic textile industry, particularly in Ulster, were obvious. Jobs would inevitably be lost. The Minister of State had been spending much of his time dealing with people affected by the situation.

Mr. Nott said that imports this year would be worth about £700 million. Of this figure, imports to the value of £200 million would come from low-cost producers. Protection against them had been substantially increased in recent months: some 90 per cent of these imports were now under restraint. The other £500 million of imports came from the United States and from Europe. There was particular difficulty with imports from the United States. United States exporters were benefiting from low feed stock prices; from the present relationship between the dollar and the pound; and from new technology. The latter factor was in fact the most important. The Americans were at present better than us at producing synthetic fibres. The feed stock problem was significant, but secondary.

Mr. Nott said that nonetheless action would have to be taken on the feed stock problem. It would have to be taken through the Community and not unilaterally. The timing would be critical since there was a threat that the United States would impose countervailing duties on Rolls Royce, on British Steel, and on wool textiles. The Commission were being very helpful. The

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proposal under discussion (to be taken by the Council of Ministers on 18 December) was that unless the United States was prepared to take action under Article XXIII of the GATT, the Commission should speak to the producers and request them to raise their prices. If they refused, the Commission would impose duties under Article XIX of the GATT (which deals with disruption of the market). The timing of such action would remain under British control. If, as was possible, the United States were to impose countervailing duties on British Steel on 1 January or on Italian shoes later in the month, it would make action against their synthetic textiles easier to defend. But even if the United States did not take any action, the Commission would probably have to act against the textiles by the end of January.

The Prime Minister enquired which firms were principally hit by the problem. Mr. Nott said that it was ICI, Courtaulds and certain carpet firms. It was pointed out that limiting the import of cheap United States fibres might damage the weaving trade. Mr. Nott agreed but said that the Government would be forced to take action because of the potential job loss in textile firms and by the difficulty of defending inaction in the House. The Prime Minister agreed that there was no choice but to pursue the course of action he had described.

I am sending copies of this letter to the Private Secretaries to the members of OD(E) and to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

Stuart Hampson, Esq.,
Department of Trade.

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10 DOWNING STREET

From the Private Secretary

4 December 1979

The Prime Minister has seen your letter to me of 28 November containing a progress report on the question of US synthetic textile exports.

The Prime Minister remains unhappy about the rate of progress in the Community's discussions on this issue. She has commented that it seems as though it is always the UK which has to suffer and which receives no help from its Community partners.

I am sending copies of this letter to Ian Ellison (Department of Industry), Michael Richardson (Foreign and Commonwealth Office) and Jim Buckley (Lord President's Office).

M. O'G. B. ALEXANDER

Miss Vivien Thackeray,
Department of Trade.

A large, stylized handwritten signature, possibly 'ABX', located in the bottom right corner of the page.



From the
Minister ~~of State~~
for Trade

It seems as if it is always we who have to suffer and who receive no help from the Community.

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

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Weekend Box

Mr. Prime Minister

Paul

Mr M Alexander
Private Secretary to
The Prime Minister
No 10 Downing Street
SW1

28 November 1979

Dear Michael,

In your letter of 7 November to Stuart Hampson you asked for a progress report on the question of US synthetic textile exports after the Foreign Affairs Council on November 20.

You explained that the Prime Minister had expressed surprise that more progress had not been made. We have in fact been pressing the Community very hard on the matter since July and Mr Parkinson has made it clear on more than one occasion that we were not satisfied with the rate of progress. However, despite this strong pressure from the UK, this has not been going as quickly as we would have wished. There are two reasons. First, the question of the precise extent of the price advantage US producers derive from their access to cheap feedstocks is genuinely complex, and took a little time to resolve. Second, the Commission are not enthusiastic about taking measures which could have far-reaching consequences for Community trade as a whole in order to deal with what is, so far, very largely a UK problem.

Paul no comment!

Nevertheless the fact-finding exercise is now effectively complete. It shows a US final price advantage in the range of 10-20% for a number of important products. And there is no doubt that imports of some of these products into the UK have increased very rapidly during 1979. Import penetration of polyester filament yarn, for example, was 24% in the third quarter of this year, as compared with 7% in the whole of 1978. The corresponding figure for nylon filament was 11%, as compared with 6.4% in 1978. The Americans (with whom the Commission have had preliminary discussions) agree that there is some advantage from the differential pricing, but have so far offered no remedy.

Discussion in the November Council which my Secretary of State attended took place against this background, and the Commission proposed the opening of formal consultations with the US authorities under Article XXIII of the GATT. They also (though this is really a separate issue) proposed the imposition of anti-dumping duties on US exports of acrylic staple fibres. We welcomed these proposals.



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Opening of Article XXIII consultations will mark the formal move from the fact-finding to the political stage, and will put the Americans firmly on notice that we expect them to offer a solution. At the same time it invites the Americans to proceed by agreement, as an alternative to the Community's taking unilateral action against them. It is important that we should take this road, both to minimise the damage to our general trade relations with the United States and also because we need to carry the Commission and the rest of the Community with us - and for obvious reasons they too would much prefer an agreed solution.

We need however to recognise that the Commission may well fail to reach an agreed solution with the Americans, if only because the US anti-trust laws offer a serious obstacle to the kind of voluntary restraint arrangement we would like to see. We need also to ensure that the Article XXIII consultations do not drag on indefinitely. My Secretary of State therefore made it clear at the Council that if these consultations did not offer a very early solution to the problem then we must be ready at the December Council to adopt alternative measures. These would most likely take the form of imposition by the Community of quantitative restrictions under Article XIX of the GATT. But it is unlikely that we would in fact get agreement to this as early as the December Council, and given the very plain reluctance of other member states (none spoke in our support on November 20) and the Commission there can be no guarantee that we would get it even at a later date. We would then need to consider the possibility of action by the UK alone (this would still need at least the tacit agreement of the Commission and the rest of the Community). But this is a course we would very much hope to avoid, since it would isolate the UK from the rest of the Community and almost certainly lead to US retaliation. Indeed, at a time when we are also discussing the Protection of Trading Interests Bill, and when the USA has so many other problems, it would be an unfortunate moment for the UK, as friends of America, to appear to be launching an attack on her. For the moment, we feel that we must continue to press for a Community solution, and should consider unilateral action only as a very last resort.

Given the serious implications of any move to restrict trade with the United States, we think it would be useful to have a discussion with colleagues before the December Council, and this is being arranged.

I am sending copies of this letter to the Private Secretary to SOS Industry and the Lord Privy Seal and the Lord President.

*Yours sincerely,
Vivien Thackeray*

VIVIEN THACKERAY
(Private Secretary to the
Minister for Trade)

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B F ^{DS} 23/4/79

10 DOWNING STREET

From the Private Secretary

7 November 1979

Dear Sir,

United States Synthetic Textile Exports

You will wish to be aware that the Prime Minister is taking an interest in the work going on in the Community on this subject. She has seen an account of the discussion at the Foreign Affairs Council on 29/30 October and has expressed some surprise that more progress has not been made. She would be grateful to receive a progress report after the November Foreign Affairs Council.

I am sending copies of this letter to Paul Lever (Foreign and Commonwealth Office) and Martin Vile (Cabinet Office).

Yours ever

Richard Alexander

Stuart Hampson, Esq.,
Department of Trade.

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MR. VILE
CABINET OFFICE

EEC Commercial Policy

The Prime Minister has seen your minute to me of 6 November on this subject, and has read the enclosures. I have written to the Department of Trade.

MICHAEL ALEXANDER

7 November 1979

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Ref. A0593

MR. ALEXANDER

Prime Minister

Print

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su: Euro. Pol. May 79
Mtg with Jenkins

EEC Commercial Policy

When the Prime Minister last saw Mr. Roy Jenkins she referred to two matters on which neither she nor Mr. Jenkins had been briefed.

A. 2. The first was the Community's arrangements to restrict imports of textiles about which the Prime Minister had read in "Which?". I attach a background note based on information obtained from the Department of Trade. I think it is fair to say that the previous Government (with strong support from the French) was most active in pressing the Commission to negotiate strict limits on the imports of sensitive textiles from the low-cost exporting countries, especially from South East Asia and the Mediterranean area. The present Government has supported the maintenance of these arrangements and the Department of Trade in exploring the possibility of maintaining voluntary quantitative limitations on exports by the applicant countries - Greece, Spain and especially Portugal - after accession. We have however agreed to some relaxation in the previous limits on imports from Malta and Cyprus.

B. 3. Secondly, the Prime Minister referred to the unfair competition facing United Kingdom manufacturers of synthetic textiles due to lower oil prices in the USA. Mr. Jenkins promised to speak to Commissioner Davignon. The Prime Minister may wish to have the attached note which reports on the latest discussion in the Foreign Affairs Council on 29th/30th October. You may wish to let the Department of Trade be aware of the Prime Minister's concern and call for a report after the November Foreign Affairs Council.

M. J. VILE

6th November, 1979

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TEXTILES : THE MULTIFIBRE ARRANGEMENT (MFA) AND RESTRICTIONS ON LOW-COST IMPORTS

The first MFA ran from 1974 to 1977 and its successor runs until 31 December 1981. The United Kingdom is a member of the MFA through the EEC, which signed on behalf of all Member States. The other parties to the Arrangement are the other developed members of GATT and most textile supplying countries. The Arrangement is based on a balance between export restrictions and guaranteed levels of access. Originally, these guarantees included an annual growth rate of 6 per cent but, when the MFA was renegotiated in 1977, "reasonable departures in particular cases" were permitted; such "departures" have since become the rule rather than the exception, at a rate lower than 6 per cent. In most cases, the "reasonable departures" have been specified in formal bilateral agreements, of which the EEC has now negotiated 26, covering around 70 per cent of the United Kingdom's low-cost imports. All the agreements are based on a common categorisation of products and a common base year; all allow for growth, though the rates are low for the most sensitive products; all provide for unrestricted products to become restricted if trade levels subsequently become dangerously high. While individual supplier countries might account for only a few per cent of imports each, the real threat to EEC domestic industry was their combined effect, and the Commission were therefore also given overall global ceilings, for the 8 most sensitive categories, within which to fit the import total of the quotas negotiated for each of the separate supplying countries.

The Mediterranean countries which have preferential trade agreements with the EEC were not prepared to accept formal bilateral agreements and the Commission negotiated less formal voluntary restraint agreements with them. Where not even this was possible, the Commission simply notified the governments concerned of import levels below which safeguard action would not be taken. These arrangements were recognised as potentially the weakest link in the MFA system and significant problems arose with a number of suppliers during 1978, forcing the Community to take safeguard action to protect the global ceilings. Nevertheless, the rate of growth in the value of United Kingdom imports from Mediterranean countries in 1978 exceeded that from any other group. The 3 most important Mediterranean suppliers are Spain, Greece and Portugal, all three

of whom are likely to become full EEC members during the 1980s; we have begun to prod the Community into trying to find a way of staging the adjustment from voluntary restraint to genuinely free access, but the acceding states can safely be expected to resist strongly the idea of any post-accession restraints.

The textile and clothing industry is the third largest employer of labour in the United Kingdom. The two sides of the industry have a highly developed lobbying network to get their point of view over to the Government and the many MPs with textile constituencies. Both the MFA agreements and their operation are closely monitored by the pressure groups and MPs alike. There has been a marked contraction in the textile and clothing industry in the United Kingdom and employment has fallen by over 140,000 since 1973. Low-cost imports, together with significant productivity improvements, have contributed to this, while further rationalisation had been hampered by the lack of alternative employment opportunities in the traditional textile areas. The essential elements of Government policy towards the textile industry for some years have been to provide resources for investment on the one hand and a more stable market behind the protection of the MFA on the other. Its object has been to enable the United Kingdom industry to make the social and economic adjustments to the inevitable growth of low-cost imports at an acceptable pace.

The present MFA is due to end on 31 December 1981, though most of the bilateral agreements under it in fact last until 31 December 1982. Although the current arrangements are nominally only temporary aids to adjustment by the developed countries, international trade in low-cost textiles has been governed by restrictive arrangements of some sort for nearly 20 years and it is unlikely that there will be complete liberalisation after 1982. While being careful not to commit themselves to the renewal of the MFA in its present form, Ministers have said that the Government sees the need for "orderly marketing arrangements" beyond 1981. We are unlikely to be the only members of the Community to see such a need; nevertheless there is likely to be a disposition on the part of the Commission and some Member States to be a good deal more generous than under the present MFA.

UNITED STATES SYNTHETIC TEXTILE EXPORTS

Since 1973 it has become increasingly apparent that the growing divergence between controlled US oil and gas prices and those applying in Western Europe, as they affect petrochemicals feedstock, could distort competition in favour of US producers. With world oil prices rising while US prices are kept down, the advantage to US synthetic fibres textile producers is becoming significant. Though a number of other influences, such as the \$/£ movement and the greater output scale and higher efficiency of the US producers, may well be at work, there is little doubt that artificial feedstock prices account to a significant extent for the recent increasing inroads made by US exporters into the United Kingdom (and to a lesser extent Italian) market. A working party of Member States, chaired by the Commission, was set up to examine the facts behind the US competition and estimated at a meeting in September that the US price controls gave a significant advantage - ranging from 10-20 per cent depending on the product - to their producers. The increasing damage to the United Kingdom industry is eroding confidence and could lead to major closures. The already serious market position, to which US competition is contributing, is already resulting in the loss of some 1100 jobs in Northern Ireland (where much of the United Kingdom fibre industry is situated).

In April, in the context of its discussion on the outcome of the GATT MTNs, the Foreign Affairs Council agreed that if, overseas producers of synthetic fibres (and the Council had in mind US producers) took advantage of artificial differences in energy and feedstock prices to disrupt the Community markets for textiles, appropriate action would be taken under GATT. In view of increasing US import penetration, the Commission instituted anti-dumping proceedings in June 1979 and have had a series of discussions, still continuing, with the Americans and the European fibre industry.

At the Foreign Affairs Council on 29/30 October, the Commission were at pains to demonstrate that they were taking the difficulties in the synthetic textile sector very seriously. They will be carrying out an on-the-spot investigation in the US on 5 November and were working on the facts and figures, and on possible remedies. The matter is due to be raised at the next EEC/US high level consultations on 19/20 November. The Commission came under some pressure

from some Member States, including ourselves, to inject greater urgency into the handling of the case. They pointed out, with some justice, that the number of different factors affecting US performance meant that it was important to try to isolate the effect of artificial feedstock prices; nevertheless, they have undertaken to present Member States with options for decision at the November Foreign Affairs Council.

The Italians have supported our pressure on the Commission, as have the French, though the latter are not yet under such serious pressure. Other Member States - and to some extent probably the Commission - are more lukewarm about pursuing the matter too forcefully on the grounds that the US performance is not demonstrably accounted for by its feedstock advantages alone and, more significantly, that if, as is likely, we do not secure voluntary restraint by the Americans, they do not relish the risk of the trade war with the Americans which might result from unilateral GATT action by the Community. We ourselves view that prospect with considerable misgivings.

PRIME MINISTER

to Mr Wolfson 2

A note on U.S. man-made fibre exports to UK. Sir Maurice Hodgson hopes to raise this at lunch on Monday.

DEPARTMENT OF INDUSTRY

ASHDOWN HOUSE

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Trade

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12 October 1979



PS/ Secretary of State for Industry

Mike Pattison Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Mike

We have heard from ICI that their Chairman, Sir Maurice Hodgson, is expected to see the Prime Minister at a lunch next Monday, and that he is likely to raise on that occasion the question of the impact on the UK market of cheap man-made ~~figure~~ ^{fibre} products from the USA. In case this subject is raised, I attach a short defensive brief for the Prime Minister's use if necessary.

Yours sincerely
Peter Mason

PETER MASON
Private Secretary

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To file pls
not GR



IMPORTS OF MAN MADE FIBRE PRODUCTS FROM US

Background

There is growing concern about rapidly rising and disruptive imports of certain synthetic fibre products from the US. These benefit from US price control on their gas and oil ingredients whereas the UK and Community producers depend on uncontrolled (and OPEC determined) oil prices. Particular concern is being felt in Northern Ireland: redundancies (Courtaulds, ICI) are being attributed partly to this problem.

A number of steps have been taken. In April, in the context of the MTN tariff negotiations, the EEC Council said that it would take appropriate measures under the GATT if world synthetic fibre producers took advantage of artificial differences in energy and feedstock prices to disrupt, or threaten to disrupt, the Community market for textiles.

UK Ministers have drawn attention to this growing concern at the Council in July and September.

The EEC Commission in consultation with Member States and the European industry is examining the reasons for the growth in imports with particular reference to the extent of the US producers' advantages deriving from the price controls. A Commission team discussed the problem with the Americans in Washington on 2 October, and in Brussels on 10 October, when the Americans undertook to provide their own calculations of the price benefit. Once the full facts have been established, the next stage should be to consider what action, if any, should be taken.

Handwritten marks: a question mark and three exclamation marks.

The case has surely been established

In other words they have a case.

LINE TO TAKE

We are **pressing hard** within the Community for the whole question to be dealt with as quickly as possible in view of the situation which is developing.

Handwritten note: - quickly - we certainly in view of the situation

POSSIBLE SUPPLEMENTARY

Q Does not the problem go wider than fibres, eg US imports of synthetic fibre carpets are rising sharply, and petrochemicals generally may be hit?

A Yes. The fibre problem is being looked at first by the Commission



but this does not rule out an examination later of the position in relation to other textile and petrochemical products where US exporters may gain a significant advantage and disrupt the EEC market as a result of artificial energy and feedstock prices.

