

PART 3

Confidential Filing

US Man-Made Fibre exports to UK

TRADE

Synthetic Textile Imports

Part 1 :- October 1979

Difficulties of textile and clothing industry
[Unattached Paper: 'The future of the Multi-Fibre Agreement']

Part 3 :- May 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
18.5.82							
14.12.82							
17.12.82							
12.12.84							
11.3.85							
25.3.85							
1.4.85							
19.8.85							
24/4/85							
4.8.85							
1.10.85							
14.3.86							
8.8.86							
18.11.86							
21.11.86							
25.11.86							
7.12.86							
21.9.89							
24.11.89							
29.11.89							

PREM 19/2881

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(A)(85) 16	25/03/1985
EQS(85) 5	08/03/1985

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed J. Gony

Date 13/8/2016

PREM Records Team



hA

10 DOWNING STREET

Prime Minister (2)

You may like to see
the abstract of this
E(CP) meeting, in particular
the discussion on the Multi-
Fibre Arrangement under
item 1.

REC 6
29/11

mt



SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon J Major MP
Chancellor of the Exchequer
HM Treasury
Whitehall
London
SW1

NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

MBPM
Recd
27/11

cc m
24 November 1989

Dear Chancellor,

attached
I have seen Nicholas Ridley's paper for ~~E(CP)~~ on the future of the Multi-Fibre Arrangement (MFA). I had hoped to attend the meeting on 27 November to present my concerns about the effects of the removal of the MFA on unemployment in Northern Ireland. Unfortunately due to pressing commitments neither I nor my deputy John Cope will now be able to attend. I note that the consultation period for comments on the Silberston report has been extended and I think this is right. Should colleagues decide that the issues need to be discussed further at a future meeting of E(CP) I would hope to be able to attend to present the Northern Ireland position.

In the meantime I would like to record briefly my initial responses to the issues set out in paragraph 25 of the DTI submission. I will deal with each in the order in which they appear.

First, I would certainly wish to endorse the general approach being taken by the EC, which reflects our own thinking. We should seek a progressive phasing out of the MFA in return for strengthened GATT rules and disciplines, particularly better market access by our companies to developing countries, fairer competitive conditions and more effective safeguards against surges of imports and dumping.

Secondly, I am happy to accept the case for liberalisation set out by Professor Silberston. However, I do wonder whether sufficient thought has been given to the impact of increased consumer spending. Price reductions may not necessarily be passed on in full by retailers to their customers. To the extent that they are, a significant proportion of this benefit might be spent on imported rather than local goods, thus increasing the UK trade deficit and reducing the positive employment effect noted by Professor Silberston.

Thirdly, on the question of the timescale for liberalisation I am concerned that we in Northern Ireland would suffer disproportionately higher job losses because we employ the highest proportion of clothing and textile workers in the United Kingdom - some 27% of all manufacturing employment compared with 9% for Great Britain. Seen against a background of the highest unemployment rates in the United Kingdom (14.5% in October, seasonally adjusted, compared with 5.7% for Great Britain), I am sure you and colleagues, particularly Malcom Rifkind, will understand why we would argue for a phasing out period no less than the 6/7 years recommended by Professor Silberston in order to give our clothing and textile industries in Northern Ireland sufficient time to adjust.

Fourthly, I note that DTI favour a combination of non-tariff methods for phasing out the MFA but recognise, at paragraph 14, that more work needs to be done. This is undoubtedly a complex area and I would want to see the outcome of this further work before reaching a firm view.

Fifthly, I am sure you would agree it would be very difficult to assess the likely effect of the Single Market on one specific regional industrial sector. A great deal depends on the enthusiasm of individual companies to exploit the opportunities and press for the greater competitiveness which will be essential if they are to

meet the challenges of their competitors. We will of course continue to do all we can to inform and encourage them but ultimately it will be up to the individual companies themselves.

Finally, since I have no direct involvement in such matters, I would offer no comments on the wider negotiating objectives and how the linkages between them and the EC stance on clothing and textiles might be pursued.

I am copying this to the Prime Minister, E(CP) members, Malcolm Rifkind, Peter Walker and to Sir Robin Butler.

Yours sincerely

Simon Sparrow

PB

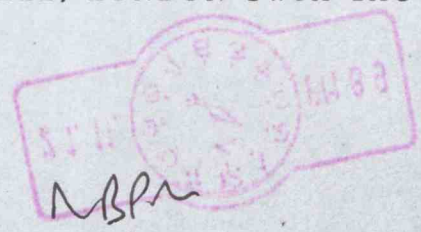
(Approved by the Secretary of State and signed in his absence)



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CCP

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade & Industry
Department of Trade & Industry
1-19 Victoria Street
LONDON
SW1H 0ET



Recd
2/11

21 November 1989

Dear Nick,

fol.

Thank you for sending me a copy of your letter of 21 September to Nigel Lawson about the arrangements for considering Professor Silbertson's latest report on the future of the Multi Fibre Arrangement.

I have seen Peter Brooke's letter of 19 October and, like Peter, I am concerned about the employment implications. There is evidence of fairly widespread concern in Scotland about the future of the MFA. During the last few weeks I have received representations from major textile companies who are important employers in the Borders and from local authorities in the Borders, some of which have also written to you. These representations are additional to those which you will no doubt be receiving in response to publication of Professor Silbertson's report. The textile and clothing industry in Scotland is already under heavy pressure - several companies have collapsed and others have introduced short-time working - and Professor Silbertson's conclusions are perceived by many as a further threat. I think it is going to be important that we present our policies for the future of the industry in a positive way. Any assurances we can give on the linkage between phasing out of the MFA and strengthening of GATT rules and disciplines, including measures aimed at opening up markets and creating fair competitive conditions, will obviously help. Any suggestion of a rapid phasing out of MFA is likely to have further adverse effects on the industry in Scotland and to be very badly received here.

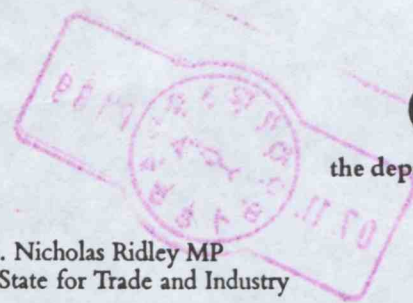
No doubt we will have the opportunity to discuss these matters fully at E(CP) on 27 November.

I am copying this letter to the Prime Minister, John Major, Members of E(CP), Peter Walker and Sir Robin Butler.

TRADE: US hand-made Film Exports to UK PT3



celu



dti

the department for Enterprise

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon Peter Brooke MP
Secretary of State for
Northern Ireland
Northern Ireland Office
Stormont Castle
BELFAST

**Department of
Trade and Industry**

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G
Fax 01-222 2629

NBRM

*REC
7/11*

Direct line 01 215 5622
Our ref PB1AEE
Your ref
Date 7 November 1989

Dear Peter

*will request
will be required*

Thank you for your letter of 19 October about Professor Silberston's Report on the future of the Multi-Fibre Arrangement (MFA).

As you know, the Report has now been published and industry and other interested parties have been asked to submit their comments by 17 November if possible. We will be studying the report and reactions to it and I intend, as I explained in my previous letter, to circulate a paper in late November in preparation for discussion at E(CP). You will no doubt want to arrange to attend the meeting in order to put forward your views. My paper will certainly consider the likely employment effects of liberalisation, including the position in Northern Ireland, and I am sure this is one of the issues we will want to discuss. Overall, as you will have seen, Professor Silberston's conclusions argue very strongly in favour of liberalisation.

In the meantime we very much welcome comments from organisations in Northern Ireland. I know that our officials are already in touch about the arrangements.

I am copying this to the Prime Minister, E(CP) Members, Malcolm Rifkind, Peter Walker and to Sir Robin Butler.

James
James



dti

the department for Enterprise

C. P. U.

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1

*NBRM & his
stage.*

*REC
2/9*

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 01 215 5622
Our ref PB3ACL
Your ref
Date 21 September 1989

Dear Nigel.
IN ATTACHED FOLDER

I attach an advance copy of Professor Silberston's new report on "The future of the Multi-Fibre Arrangement; Implications for the UK Economy" which my predecessor commissioned in September 1988. The report is now being printed and we are working to a publication date shortly after the House resumes.

Professor Silberston has summarised his conclusions in Chapter 12 of his study. A further summary risks losing some of his nuances but his main points are that the ending of the MFA would bring about much greater competition in world markets for textiles and clothing and a consequent fall in prices in developed countries. In the UK, producer and retail prices of clothing might fall by about 5%, leading to some increase in demand, while there would be a smaller fall in yarn and fabric prices. The total gain to UK consumers is estimated at about £980m per annum. Low income consumers are likely to gain more than others as one effect of the MFA has been to discourage the export of low-price items to developed countries.

Even on his worst assumptions on the effect on employment in the textile and clothing industry in the UK - job losses of 33,000 - Professor Silberston calculates that each job saved by the continuation of the MFA costs the consumer 3 to 4 times as much as each textile or clothing worker earns. Employment effects would vary according to the sector of the industry and alternative employment available in the regions affected. The most vulnerable areas, in Professor Silberston's view, are likely to be the North West, Scotland and Northern Ireland and some





the department for Enterprise

inner city areas elsewhere although not all branches of the industry in one area would be equally affected. In practice Professor Silberston expects that a gradual phase out of the MFA would allow job losses to be spread over a number of years and believes they might easily be overshadowed by the effects on employment of continuing productivity gains. There would also be offsetting gains in employment elsewhere in the economy over time.

In the Uruguay Round negotiations Professor Silberston generally favours phasing out the MFA over 6 to 7 years probably through gradual increases in growth rates and flexibility. He attaches importance to agreement on measures to strengthen GATT rules and disciplines and particularly on agreed conditions for safeguard action and notes the need for some compromise on the opening up of import markets in ldc's, particularly NIEs.

The report represents Professor Silberston's own views and does not commit the Government. I am sure however that the debate it will undoubtedly promote will be helpful to our further consideration of textile policy. I have no doubt there will be points in the report that the industry will strongly contest. Equally there will be those who will argue that the benefits of ending the MFA have been under-estimated. It is however helpful that Professor Silberston has taken care to consult widely and to look into the particular concerns put to him, e.g. on the barriers facing UK exports. As a result he has been able in many cases to present a range of opinions before striking a balance.

We shall be inviting comments from the industry and other interested parties on the report within a month of its publication with a view to discussion in E(CP) in late November. I will circulate for that meeting a paper on the line the Community should pursue in the Uruguay Round negotiations. Until publication the contents should not be disclosed publicly.

I am copying this letter to the Prime Minister, the members of E(CP), to Malcolm Rifkind, Peter Walker and Peter Brooke and to Sir Robin Butler.

CCP/C

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
 Secretary of State for Trade and Industry
 Department of Trade and Industry
 1 - 19 Victoria Street
 London
 SW1H 0ET

CDP
24 Nov

| December 1986

Dear Paul,

MULTI-FIBRE ARRANGEMENT

I have seen your note to the Prime Minister, dated 18 November, together with responses from Geoffrey Howe and Norman Tebbit dated 21 and 25 November, on the outcome of the Multi-Fibre Arrangement negotiations.

This represents a notable achievement. Given protectionist pressures building up on the US Government, it could well be particularly important that we have new textile arrangements for some period ahead which North American textile lobbyists will find it difficult to unpick. I welcome the fact that despite this US pressure, a more liberal regime overall has been secured than under the preceding arrangements. My one regret is that our European partners backed away from granting higher quotas to countries with more open trading regimes, like Hong Kong, as against the major LDC protectionists such as Brazil and South Korea.

The start of the new GATT Round has also vindicated the original E(A) decision to keep textile liberalisation back until multilateral trade negotiations allowed us to deal comprehensively and on a reciprocal basis with the wider question of access to developing country markets. I very much agree with Geoffrey that we now have a good starting point for this next step. The way the new MFA with the Punta del Este declaration provides for world textile trade to revert in due course to GATT disciplines is especially to be welcomed.

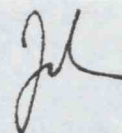
On the basis of thorough analysis when we settled the mandate for the MFA negotiations, it was agreed that the burden of the MFA on UK consumers was high. The new arrangement may have lessened these costs slightly, and we may now hope to make further reductions

at flap

in the context of the GATT Round. But the European textile industry, with our own, is bound to seek a longer rather than a shorter timescale, thereby deferring for at least a further five years the benefits which returning the textile regime to GATT disciplines would bring. I trust that steps can be taken to head off developments along these lines. It might help in moving alongside the industry, as you have clearly successfully done in negotiating the new arrangements, if barriers which our textile firms face abroad could be identified as a prime target for the multilateral negotiations.

I am copying this letter to E(A) colleagues, to Geoffrey Howe and to Sir Robert Armstrong.

Yours ever,



JOHN MacGREGOR

Trade: US man made fibre exports - PT3

cc PG



CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 233 3299
7471

25 November 1986

Timothy Walker Esq
Principal Private Secretary
to the Secretary of State for
Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

ED 25/11/86

Dear Tim,

MULTI-FIBRE ARRANGEMENT

The Chancellor of the Duchy has seen your Secretary of State's minute of 18 November to the Prime Minister, and the Foreign Secretary's minute of 21 November.

The Chancellor would wish to join the Foreign Secretary in expressing his appreciation of the work done in achieving such a satisfactory result.

I am sending a copy of this letter to David Norgrove (No 10) and other private secretaries to members of E(A).

Yours Sincerely,
Andrew Lansley

ANDREW LANSLEY
Private Secretary

TRADE : US man-made fibre exports : PE3





CCPC

FCS/86/275

EDD
24/11

SECRETARY OF STATE FOR TRADE AND INDUSTRY

Multi-Fibre Arrangement

1. I read with interest your minute of 18 November to the Prime Minister recording the outcome of the negotiations on renewal.
2. The result is very satisfactory. It was a very considerable achievement to get the terms we did, given the more restrictive views taken by most other Member States. The role played by the UK in formulating a moderate EC position at the outset was the key element in producing this result. As you say, the Community was judged by most participants to have played a positive role in the multilateral negotiations in Geneva (in contrast to the highly protectionist approach of the US). This should stand us in good stead when the longer-term future of the world trade in textiles comes up for discussion in the Uruguay GATT Round. I note that our own industry has given the outcome a cautious welcome.
3. This, and the successful launching of the GATT New Round, are important achievements for our Presidency. They have owed much to your efforts and those of your officials and Sir David Hannay's staff in Brussels. The Commission have also negotiated effectively on the Community's behalf.



4. I am copying this minute to the Prime Minister and members of E(A).

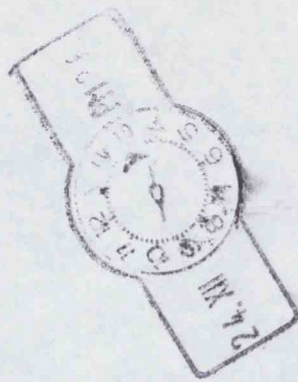
A handwritten signature in black ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

21 November 1986

TRADE Man-made film PT3





CONFIDENTIAL

CCP
②

Prime Minister

CDP
15/7/85

PRIME MINISTER

MULTI-FIBRE ARRANGEMENT

In my minute of 5 August, I reported on the outcome of negotiations on a new protocol of extension of the Multi-Fibre Arrangement. All the new bilateral agreements with the main suppliers have now been initialled and our objectives have largely been met.

2 E(A) agreed in April 1985 that the UK should press for some liberalisation in a renewed MFA but that major liberalisation of the MFA should be held back for the GATT Round negotiations (where we would hope to secure in return an opening up of the markets of the exporting countries). The new MFA agreements meet this objective. They are somewhat more liberal than their predecessors while maintaining tight controls on the most sensitive products especially from the larger suppliers. The new Protocol emphasises that the final objective is the return of textiles to GATT rules and the Ministerial declaration launching the New GATT Round stated that negotiations would aim to formulate modalities which would permit the eventual return of the sector to GATT rules, on the basis of strengthened GATT rules and disciplines.

3 E(A) agreed that we should try to ensure that countries with high barriers to our exports (and in particular those which are dominant textile exporters, Korea and Taiwan)

JF5BNM



CONFIDENTIAL

should benefit least from liberalisation in a renewed MFA, and the liberal countries (Hong Kong, Macao, Singapore) most. We achieved a noticeable differentiation, despite strong opposition from a number of other Member States.

4 E(A) also agreed that a number of less important quotas should be abandoned and that children's clothes should be excluded as far as possible from control. The number of quotas has been reduced by 25 per cent. On children's clothes a limited concession was agreed for certain children's clothes, which has been applied to all MFA suppliers.

5 Finally the objective of securing more favourable treatment of the poorest countries has been achieved. This was included in the new protocol of extension of the MFA and therefore will bind the US and Canada as well as the EC. This was given effect in the EC's bilateral negotiations, in particular by giving an agreement without quotas to Bangladesh.

6 I mentioned in my previous minute that there was a danger that some very protectionist textile legislation would be passed in the US. Fortunately the new Protocol enabled the Administration to defeat this.

7 We have maintained close and detailed contact with the industry and other interested parties throughout the negotiations. Although the industry would naturally have preferred a more restrictive new Arrangement, they gave it a cautious welcome. The Community's position on the MFA has been regarded by our supplier countries as constructive.

JF5BNM



CONFIDENTIAL

8 I am copying this minute to E(A) colleagues and to Geoffrey Howe.

PC

PAUL CHANNON

18 November 1986

DEPARTMENT OF TRADE AND INDUSTRY

JF5BNM

15

TRADE : Man Made Fibre exports : Pt 3

78



CONFIDENTIAL

CONFIDENTIAL

Restricted

RESTRICTED
FM UKREP BRUSSELS
TO IMMEDIATE FCO
TELNO 2769
OF 081016Z AUGUST 86
INFO ROUTINE WASHINGTON, UKMS GENEVA, SEOUL
INFO SAVING MEXICO, GUATEMALA, KINGSTON

MT

FRAME EXTERNAL

MULTIFIBRE ARRANGEMENT NEGOTIATIONS: ROUND-UP

SUMMARY

1. AGREEMENT INITIATED WITH SOUTH KOREA. EXCHANGE OF LETTERS INITIATED WITH GUATEMALA, HAITI AND MEXICO. 19 AGREEMENTS OR EXCHANGES OF LETTERS HAVE NOW BEEN INITIATED. 7 BILATERAL AGREEMENTS REMAIN TO BE NEGOTIATED IN THE AUTUMN, OF WHICH THE MOST IMPORTANT ARE WITH HONG KONG, INDIA, PAKISTAN AND BRAZIL, PLUS THREE RESTRAINT ARRANGEMENTS WITH PREFERENTIAL SUPPLIERS.

DETAIL

SOUTH KOREA

2. THE COMMISSION REACHED AGREEMENT WITH SOUTH KOREA AT LEVELS SOMEWHAT BELOW THOSE OUTLINED TO THE 113 (TEXTILES) COMMITTEE ON WEDNESDAY (MY TELNO 2754). THE FINAL PACKAGE INCLUDED A REDUCTION IN BASE LEVEL ON ONE SENSITIVE CATEGORY, AND ZERO, OR ONLY SMALL, INCREASES IN THE REST, WITH GROWTH RATES REMAINING UNCHANGED. THE MAJORITY OF NON-SENSITIVE PRODUCTS REMAINED AT THEIR EXISTING RATES. FOR OTHER PRODUCTS INCREASES AVERAGED HALF PERCENT. A SIDE-LETTER BY SOUTH KOREA GAVE STRONGER UNDERTAKINGS ON THE OPENING OF MARKETS THAN THOSE PROVIDED BY ANY OTHER SUPPLYING COUNTRY.

GUATEMALA, HAITI AND MEXICO

3. AGREEMENT ACHIEVED QUICKLY IN THESE NEGOTIATIONS. AS ENVISAGED IN THE MANDATE, EXCHANGES OF LETTERS WERE INITIATED WITH ALL THOSE COUNTRIES PROVIDING FOR CONSULTATIONS IN THE EVENT OF DIFFICULTIES. (MEXICO PREVIOUSLY HAD A NORMAL BILATERAL AGREEMENT).

SPENCER
ADVANCE:
GORDON FCO
PS/MR CLARK DT:
WILLIAMS DT:
LANE DT:
SHARP DT:
ARMSTRONG DT:
SIBBICK DT:
WILLCOCKS DT:
MAIN:

FRAME EXTERNAL

FCO PSE PASS SAVING MEXICO, GUATEMALA, KINGSTON

UCLNAN 3584
FRAME EXTERNAL
ECDE

(ADVANCED AS REQUESTED)

Restricted



JU193

PRIME MINISTER

CONFIDENTIAL

2
C. J. C.
Prime Minister
C.D.
6/8.

MULTI FIBRE ARRANGEMENT

The GATT Textiles Committee last week concluded a protocol extending the Multi Fibre Arrangement for a further five year period. The Community's bilateral agreements with the various developing countries who are members of the MFA have still to be concluded, but you may wish to have an interim report on how the DTI has fulfilled the remit given by E(A) in March last year.

2 You will recall that the decision made was to keep in place the essential structure of our protective system for textiles, holding back from considering major liberalisation until the GATT Round negotiations (when we might be able to secure in return an opening up of the markets of the exporting countries). We have achieved this. It was a matter first of carrying our views within the Community and then more generally. Each step was supervised by successive Ministers for Trade - by me until January and more recently by Alan Clark. There have been two debates in the House and both of us have maintained close contact with the industry and other interested parties.

17
19 **86**
BOARD OF TRADE
BICENTENARY



CONFIDENTIAL

3 The outcome meets our needs. The MFA has been extended for five years, longer than E(A) thought achievable. Fibre coverage is widened to meet US needs but there are also limits placed on the extent to which the US can increase the severity of its protective measures. This is important, since it helps to prevent diversion to EC markets. The objective of securing more favourable treatment for the least developed countries, which E(A) endorsed, has been achieved. Generally the Arrangement is more liberal than its predecessor but tight controls will remain in place on the most sensitive products and generally on the so-called dominant exporters (South Korea - where difficult negotiations are still in progress - Hong Kong, Macao, Taiwan). There is wording which should help us to secure better treatment for Hong Kong than for South Korea in our Community bilaterals, which is essential for us. There are stronger rules on circumvention of quotas. The final objective is to be the application of GATT rules, which will ultimately mean bringing the MFA to an end, since it is a derogation from the rules.

4 Given the many different and conflicting interests involved in the negotiations, I think that the outcome is a good one for the UK. I have to mention that there remains some danger that the US President's veto of some very protectionist US textile legislation, which would throw the MFA into the melting pot



CONFIDENTIAL

again, will not be sustained. But the signature of the Protocol should reduce that danger.

5 I am copying this minute to E(A) colleagues and to Geoffrey Howe.

PC

PAUL CHANNON

5 August 1986

Department of Trade & Industry

17
19 **86**
BOARD OF TRADE
BICENTENARY

② CCPC



CONFIDENTIAL

Prime Minister
CDP
14/3

PRIME MINISTER

THE MULTI-FIBRE ARRANGEMENT

I should report briefly on the discussions in the Community's Foreign Affairs Council earlier this week during which a mandate for the Commission to negotiate the renewal of the Multi-Fibre Arrangement was agreed. Alan Clark represented us at the critical meetings.

2 I believe the outcome is satisfactory from the UK standpoint. The mandate takes full account of the points stressed by E(A) when it considered Norman Tebbit's paper on the subject on 25 April last year and those brought out in two subsequent debates in the House of Commons on the subject. In brief the Commission is charged to secure the renewal of the MFA so as to give the further period of protection our industry needs while introducing a measure of liberalisation in the areas identified by E(A) Committee. As agreed by E(A) the major part of the MFA is held back for negotiation in the GATT Round we hope to see launched later this year; the link with these negotiations was satisfactorily established. Where liberalisation is proposed it will benefit mainly the poorer countries and those with open market economies. There is also a measure of liberalisation proposed for children's clothes.

3 Throughout the period leading up to the decision Alan Clark and I have kept in very close touch with the industry and other interested parties and have had fully in mind the point you made in summing up the E(A) discussion that account should be taken to the extent possible of the effects of

JFLAYV



CONFIDENTIAL

liberalisation on vulnerable areas of the United Kingdom. Although the industry would naturally prefer to see no weakening of the MFA I do not think they will feel that the outcome is too bad from their standpoint.

4 The most difficult single issue was the demand of the Portuguese, in return for their agreement to the mandate, that the Community of 10 should interpret "flexibly" the terms of the Protocol to the Treaty of Accession which regulates the expansion of Portuguese exports to the Community during a 3 or 4-year period. In effect we were being asked to release the Portuguese from their commitment to restrain exports to the specified levels. Other members of the 10 were prepared to go along with this. But the bulk of the trade comes to the UK and we felt we could not accept the formula which was on offer. Alan Clark insisted therefore that while the UK was prepared to interpret the Protocol with understanding of Portugal's position, and in the light of the state of the industries in both countries, we were not prepared to go further than this. The Treaty of Accession represented a complex balance and I am sure it was right for us to avoid giving any commitments over and above those already in the Treaty.

5 I am sending copies of this minute to members of E(A), the Foreign Secretary and Sir Robert Armstrong.

PC

PAUL CHANNON

14 March 1986

DEPARTMENT OF TRADE AND INDUSTRY

JFLAYV

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 169 A (i) / 85

RESTRICTED

13122 - 1

OCMIAN 13122
RESTRICTED
OO ANKAR
FM FCOLN TO ANKAR
011241Z OCT
GRS 463

RESTRICTED
FM FCO
TO IMMEDIATE ANKARA
TELNO 262
OF 011241Z OCTOBER 85
INFO ROUTINE UKREP BRUSSELS

TEXTILES: PRIME MINISTER'S MESSAGE TO OZAL

1. PLEASE ARRANGE FOR THE FOLLOWING MESSAGE FROM THE PRIME
MINISTER TO BE DELIVERED TO OZAL.

BEGINS:

DEAR PRIME MINISTER, THANK YOU FOR YOUR TELEX MESSAGE OF 20
SEPTEMBER ABOUT THE INTRODUCTION OF SAFEGUARD ACTION BY THE
EUROPEAN COMMUNITY ON CERTAIN CATEGORIES OF CLOTHING IMPORTS FROM
TURKEY.

I ENTIRELY SHARE YOUR VIEWS ABOUT THE IMPORTANCE TO WESTERN
EUROPE OF A STRONG TURKEY. AS YOU KNOW THE UK HAS PLAYED A
LEADING ROLE IN EFFORTS TO IMPROVE RELATIONS BETWEEN THE EUROPEAN
COMMUNITY AND TURKEY AND TO RE-VITALISE THE ASSOCIATION
AGREEMENT. WE SHALL CONTINUE TO DO ALL WE CAN TO MAKE PROGRESS.

I VERY MUCH REGRET THAT THE RECENT TALKS BETWEEN THE COMMISSION
AND TURKISH REPRESENTATIVES ON A BALANCED VOLUNTARY RESTRAINT
ARRANGEMENT COVERING CLOTHING PRODUCTS PROVED UNSUCCESSFUL. THE
COMMUNITY HAS BEEN SEEKING FOR A NUMBER OF YEARS AN
EXTENSION OF THE INFORMAL ARRANGEMENT IT ALREADY HAS WITH TURKEY
ON COTTON YARN TO COVER A COMPREHENSIVE RANGE OF TEXTILE AND

RESTRICTED

13122 - 1

CLOTHING PRODUCTS ON A SIMILAR BASIS TO THE ARRANGEMENTS WITH ITS OTHER MEDITERRANEAN PREFERENTIAL PARTNERS. RECENTLY TURKEY HAS BECOME THE COMMUNITY'S LEADING SUPPLIER IN VOLUME TERMS OF TEXTILE AND CLOTHING PRODUCTS. AS A RESULT THE QUESTION OF A VOLUNTARY RESTRAINT ARRANGEMENT WITH TURKEY HAS ASSUMED INCREASED IMPORTANCE. IN JULY THE COMMUNITY DECIDED NOT TO RENEW SAFEGUARD MEASURES ON SEVERAL CATEGORIES OF CLOTHING PRODUCTS IN THE HOPE THAT THIS WOULD CREATE THE RIGHT ATMOSPHERE FOR FRESH NEGOTIATIONS ON A VOLUNTARY RESTRAINT ARRANGEMENT.

I APPRECIATE YOUR WISH TO SEE A RAPIDLY EXPANDING TURKISH TEXTILES INDUSTRY. AS YOU RECOGNISE, THE EUROPEAN INDUSTRY HAS BEEN MAKING PAINFUL ADJUSTMENTS IN THE FACE OF OUTSIDE COMPETITION. THE UK TEXTILES INDUSTRY HAS LOST 250,000 JOBS IN THE LAST FOUR YEARS, EQUIVALENT TO ONE JOB IN THREE IN THE INDUSTRY. IT IS AGAINST THIS BACKGROUND THAT THE COMMUNITY HAS CALLED FOR A RENEWAL OF THE MULTI FIBRE ARRANGEMENT FOR A FURTHER PERIOD AND SOUGHT TO NEGOTIATE VOLUNTARY RESTRAINT ARRANGEMENTS WITH ITS PREFERENTIAL PARTNERS. THE RAPID INCREASE IN TURKISH TEXTILE AND CLOTHING EXPORTS IN RECENT YEARS COMPARED WITH THOSE OF OTHER SUPPLIERS DEMONSTRATES THAT THE COMMUNITY HAS NO WISH TO TREAT TURKEY UNFAIRLY. I THEREFORE HOPE THAT NEGOTIATIONS ON CLOTHING PRODUCTS CAN RESUME AS SOON AS POSSIBLE AND THAT FORTHCOMING NEGOTIATIONS ON TEXTILE PRODUCTS WILL ACHIEVE A MUTUALLY SATISFACTORY OUTCOME.

WITH BEST WISHES, MARGARET THATCHER.
ENDS.

HOWE
LIMITED
ECD (E)
SED
PS
PS/LADY YOUNG
PS/MR RIFKIND
MR JENKINS
MR RENWICK

COPIES TO:
MS WILCOX ITP/DIV DTI

file
RESTRICTED

SPW



10 DOWNING STREET

From the Private Secretary

1 October 1985

**CLOTHING AND TEXTILES:
EC SAFEGUARDS ACTION AGAINST TURKEY**

Thank you for your letter of 30 September enclosing a draft reply to Mr. Ozal's recent message about textiles.

4 The Prime Minister has approved the reply and it may now be despatched.

I am copying this letter to John Mogg (Department of Trade and Industry).

(C. D. POWELL)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

ew



Foreign and Commonwealth Office

London SW1A 2AH

30 September 1985

Yes

Prime Minister

Agree to proposed

Reply to Mr. Ozal's message?

CDD 3079

Dear Charles, It is a justifiably firm rebuttal of his case. The Turks are behaving badly on textiles

Clothing and Textiles: EC Safeguards Action Against Turkey

With your letter of 23 September, you enclosed a copy of a telex the Prime Minister had received from the Prime Minister of Turkey, Mr Turgut Ozal, and asked for a draft reply for the Prime Minister's signature as soon as possible. The Turkish Ambassador has since called on Lady Young to reinforce Mr Ozal's representations, and the matter was referred to in the Turkish Foreign Minister's conversation with Sir Geoffrey Howe at the UN General Assembly in New York. I enclose a draft reply in telegraphic form for delivery by our Ambassador in Ankara. This has been agreed with the Department of Trade and Industry. You may wish to have the following background.

It is the Community's policy to negotiate voluntary restraint arrangements (VRAs) for textile and clothing products with the Mediterranean countries with which the Community has preferential trade arrangements. Turkey unlike the other significant Mediterranean suppliers, has refused to enter into a comprehensive VRA and, in the absence of such an arrangement, it has been necessary in recent years to counter disruptive surges in Turkish exports by the introduction of safeguard measures.

Safeguard measures on clothing and textile products introduced last year expired at the end of June. The Community refrained from renewing them in the hope that this would improve the prospects of successful negotiation on a voluntary restraint arrangement. But during the negotiations on 11-12 September on clothing products, the Turkish side showed almost no flexibility, and talks quickly broke down. As a result the Commission has re-introduced safeguard action on six categories of Turkish clothing products on a Community basis, and on three other categories for certain Member States only.

.../Although



RESTRICTED

Although Turkish imports create a number of problems for the UK textile industry, safeguard action has not been taken for the UK market for a greater number of categories than for the FRG; nor is safeguard action being applied to the UK market alone for any single category. We are not therefore unduly exposed and Ozal's message does not single out the UK. (He sent a similar message to Chancellor Kohl.) We cannot, however, afford to hold out any hope of a change in our or the Community position, unless the Turks adopt a more realistic position on negotiations on a VRA. There have been recent indications that the Turks acknowledge that their tactics, dictated largely by their industry, were too rigid. We hope that negotiations for a VRA on textile products which are due to begin shortly will be more successful than those on clothing products.

I am copying this letter to John Mogg (Department of Trade and Industry).

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

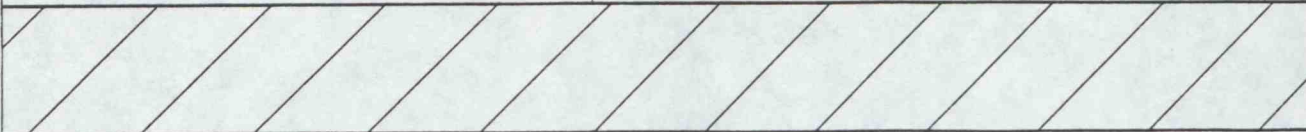
C D Powell Esq
No 10 Downing Street

RESTRICTED

OUT TELEGRAM

	Classification RESTRICTED	Caveat	Precedence IMMEDIATE
--	-------------------------------------	--------	--------------------------------

ZCZC TC CAVEAT FM TO TELNO OF AND TO	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29	<p>ZCZC</p> <p>RESTRICTED</p> <p>FM FCO</p> <p>TO IMMEDIATE ANKARA</p> <p>TELNO</p> <p>OF 231645Z SEPTEMBER 85</p> <p>INFO ROUTINE UKREP BRUSSELS</p> <p>TEXTILES: PRIME MINISTER'S MESSAGE TO OZAL</p> <p>1. Please arrange for the following message from the Prime Minister to be delivered to Ozal.</p> <p>Begins:</p> <p>Dear Prime Minister, Thank you for your telex message of 20 September about the introduction of safeguard action by the European Community on certain categories of clothing imports from Turkey.</p> <p>I entirely share your views about the importance to Western Europe of a strong Turkey. As you know the UK has played a leading role in efforts to improve relations between the European Community and Turkey and to re-vitalise the Association Agreement. We shall continue to do all we can to make progress.</p> <p>I very much regret that the recent talks between the Commission and Turkish representatives on a balanced Voluntary Restraint Arrangement covering clothing products proved unsuccessful. The Community has been seeking for a number of years an</p>
---	---	--



YYY MAIN ADDITIONAL NNNN		Catchword:		
	File number	Dept ECD(E)	Drafted by (Block capitals) D F RICHMOND	Telephone no 233 4400
	Authorised for despatch by: Initials Date/time			
	For COD use only	Comcen reference	Telegram number	Processed by

OUT TELEGRAM (CONT)

	Classification RESTRICTED	Caveat	Precedence IMMEDIATE
--	-------------------------------------	--------	--------------------------------

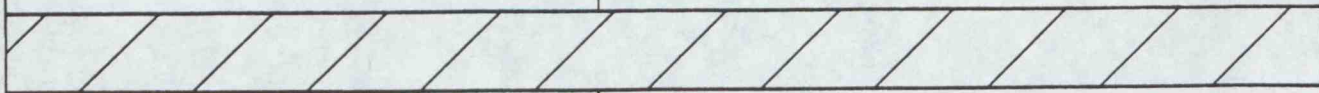
<<<<

1	<<<<	
2	extension of the informal arrangement it already has with Turkey	
3	on cotton yarn to cover a comprehensive range of textile and	
4	clothing products on a similar basis to the arrangements with its	
5	other Mediterranean preferential partners. Recently Turkey has	
6	become the Community's leading supplier in volume terms of	
7	textile and clothing products. As a result the question of a	
8	voluntary restraint arrangement with Turkey has assumed increased	
9	importance. In July the Community decided not to renew safeguard	
10	measures on several categories of clothing products in the hope	
11	that this would create the right atmosphere for fresh	
12	negotiations on a voluntary restraint arrangement. The Community	
13	has subsequently tried to be as flexible as it possibly can.	
14		
15	I appreciate your wish to see a rapidly expanding Turkish	
16	textiles industry. As you recognise, the European industry has	
17	been making painful adjustments in the face of outside	
18	competition. The UK textiles industry has lost 250,000 jobs in	
19	the last four years, equivalent to one job in three in the	
20	industry. It is against this background that the Community has	
21	called for a renewal of the Multi Fibre Arrangement for a further	
22	period and sought to negotiate voluntary restraint arrangements	
23	with its preferential partners. The rapid increase in Turkish	
24	textile and clothing exports in recent years compared with those	
25	of other suppliers demonstrates that the Community has no wish to	
26	treat Turkey unfairly. I therefore hope that negotiations on	
27	clothing products can resume as soon as possible and that	
28	forthcoming negotiations on textile products will achieve a	
29	mutually satisfactory outcome.	
30		
31	With best wishes, Margaret Thatcher.	
32	Ends.	
33		
34	HOWE	

///

//

/



For distribution order see Page	Catchword:
---------------------------------	------------

XY48A (REV)

OUT TELEGRAM (CONT)

		Classification	Caveat	Precedence
	↓	RESTRICTED		IMMEDIATE
<p><<<<</p> <p>1 <<<<</p> <p>2</p> <p>3</p> <p>4 YYY Y</p> <p>5 MAIN</p> <p>6 ECD(E)</p> <p>7 SED</p> <p>8 PS</p> <p>9 PS/Lady Young</p> <p>10 PS/Mr Rifkind</p> <p>11 Mr Jenkins</p> <p>12 Mr Renwick</p> <p>13 ADDITIONAL</p> <p>14 Ms Wilcox, ITP Division, DTI</p> <p>15 NNNN</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>26</p> <p>27</p> <p>28</p> <p>29</p> <p>30</p> <p>/// 31</p> <p>// 32</p> <p>/ 33</p> <p>34</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>26</p> <p>27</p> <p>28</p> <p>29</p> <p>30</p> <p>31</p> <p>32</p> <p>33</p> <p>34</p>			
		For distribution order see Page	Catchword:	

XY 48A (REV)



file

Reg

MR TURGUT OZAL

3/10

10 DOWNING STREET

From the Private Secretary

23 September, 1985

I enclose a copy of a telex the Prime Minister has received from the Prime Minister of Turkey, Mr. Turgut Ozal.

I should be grateful if you could let me have a draft reply for the Prime Minister's signature as soon as possible. I also enclose an acknowledgement to be forwarded via our Embassy.

I am sending a copy of this letter and its enclosure to John Mogg (Department of Trade and Industry).

(C.D. Powell)

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

From the Private Secretary

23 September, 1985

I am writing on behalf of the Prime Minister to thank you for your telex dated 20 September. I shall ensure that this is brought to the Prime Minister's attention as soon as possible.

(C.D. Powell)

His Excellency Mr. Turgut Ozal.

SUBJECT cc Master
ops

Duty Clerk
File

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 106 E | 85

27582 CABOFF G
27582 CABOFF G

27582 CABOFF G

27582 CABOFF G
42203B SAFA TR

NO : 352

ANKARA, 20 SEPTEMBER 1985

THE RT. HON. MARGARET THATCHER
PRIME MINISTER
LONDON

MADAME,

I WOULD LIKE TO BRING TO YOUR ATTENTION THE UNCONCLUSIVE NEGOTIATIONS BETWEEN THE SECTOR REPRESENTATIVES OF TURKEY AND THE COMMISSION TO NORMALIZE THE CONTINUING TRADE IN TEXTILES. THE RUPTURE IS SADLY DUE TO COMMISSION'S DESIRE TO MAKE TURKEY AGREE, AT ANY COST, TO ITS PREDETERMINED DEMANDS. REGRETTABLY, THE COMMISSION TODAY EMBARKED UPON SEVERE RESTRICTIVE MEASURES, AS IF ITS AIM IS TO PUNISH THE TURKISH TEXTILE SECTOR. THIS IS A CLEAR VIOLATION OF THE ASSOCIATION AGREEMENT BETWEEN TURKEY AND THE COMMUNITIES.

I AM CONVINCED THAT WE ARE FULLY IN AGREEMENT ON THE IMPORTANCE OF A STRONG TURKEY TO WESTERN EUROPE. OUR EFFORTS TO STRENGTHEN THE ECONOMY OF TURKEY CAN ONLY SUCCEED, WITH THE SUBSTANTIAL SUPPORT AND COOPERATION OF OUR ALLIES. THE ABILITY OF TURKEY TO CONTINUE WITH HER DEVELOPMENT PROJECTS AND INTRODUCE NEW INITIATIVES DEPENDS CATEGORICALLY ON HER FOREIGN EXCHANGE EARNINGS. IT GOES WITHOUT SAYING THE ALL OF THESE PROJECTS AND INITIATIVES WILL ALSO CREATE A DEMAND FOR EUROPEAN GOODS AND SOPHISTICATED EQUIPMENT. OUR ABILITY TO IMPORT THESE GOODS FROM OUR EUROPEAN FRIENDS DEPEND SOLELY UPON OUR ABILITY TO EXPORT TO EUROPEAN COUNTRIES. THERE IS NO WAY IN WHICH WE CAN INDULGE OUR EUROPEAN PARTNERS IN THIS PROCESS IF WE ARE UNABLE TO COVER SUCH SUBSTANTIAL PAYMENTS THROUGH INCREASED EXPORT EARNINGS.

YOU MAY BE AWARE THAT RECENTLY ITALIANS ARE PARTICIPATING IN THE CONSTRUCTION OF PETROLEUM PIPE-LINE FROM IRAQ AND IT IS NOW MADE POSSIBLE FOR A FRENCH FIRM TO BID FOR THE CONSTRUCTION OF A NATURAL-GAS PIPE-LINE BETWEEN TURKEY AND SOVIET UNION. SIMILARLY THE PURCHASE OF AIR-BUS IS YET ANOTHER EXAMPLE REALISED THROUGH OUR MUTUAL DELIBERATIONS. THESE PROPECTS AND THE LIKE CAN ONLY BE FINANCED IF OUR ABILITY TO DULY INCREASE OUR EXPORT EARNINGS ARE NOT IMPAIRED.

HOWEVER IF SUCH UNILATERAL RESTRICTIVE MEASURES ARE TO GAIN PERMANENT NATURE, HOW ARE WE EXPECTED TO SUSTAIN OUR CAPACITY TO IMPORT FROM OUR EUROPEAN PARTNERS ?

MY GOVERNMENT WILL CONTINUE TO GIVE HER SUPPORT TO ACHIEVE A SOLUTION WHICH WILL RESPOND TO HER DEVELOPMENT NEEDS IN GENERAL AND THE NEEDS OF HER TEXTILE SECTOR IN PARTICULAR, WITHOUT UNDERMINING THE PRINCIPLES SET FORTH IN THE ASSOCIATION AGREEMENT IN THIS FIELD. I BELIEVE THAT EFFORTS SHOULD NOT BE ABANDONED TO ACHIEVE A SOLUTION THAT WILL SECURE THE INTERESTS OF BOTH SIDES.

ALBEIT THE FACT THAT THERE ARE ALSO CERTAIN PROBLEMS IN THE TEXTILE SECTOR OF YOUR COUNTRY, I AM ENCOURAGED BY THE SUPPORT WHICH YOU HAVE NOT SPARED IN OUR EFFORTS TO NORMALIZE OUR RELATIONS WITH THE COMMUNITY. I WILL, THEREFORE, DEEPLY APPRECIATE YOUR PERSONAL INTERVENTION WITH THE COMMISSION AND THE MEMBER GOVERNMENTS IN ORDER TO LIFT THE RECENT RESTRICTIVE MEASURES ON TURKEY'S TEXTILE EXPORTS TO THE COMMUNITY.

I WOULD LIKE TO REITERATE OUR WILLINGNESS TO DISCUSS THIS AND OTHER PENDING MATTERS BETWEEN TURKEY AND THE COMMUNITY AT THE HIGHEST POLITICAL LEVEL. I AM LOOKING FORWARD TO HAVE YOUR VIEWS ON THIS MATTER.

ACCEPT, MADAME, THE ASSURANCES OF MY HIGHEST ESTEEM.

TURGUT OZAL
PRIME MINISTER
OF TURKEY

+++++

27582 CABOFF G
42203B SAFA TR

Multi-fibre Arrangement

Motion made, and Question proposed, That this House do now adjourn.—[Mr. Peter Lloyd.]

4.28 pm

Mr. Speaker: More than 32 hon. Members have shown their interest in this debate, and there may be others. I propose to apply a limit of 10 minutes on speeches between 6 pm and 7.50 pm. I hope that that will be the norm for the other speeches that may follow, because I should like—and I am sure that the House will agree—to call as many hon. Members who have a constituency reason for taking part in this debate as possible.

The Minister for Trade (Mr. Paul Channon): I am glad to have the opportunity to introduce this debate. The House will know that the multi-fibre arrangement, which clearly will form the centrepiece of this debate, comes to an end in July 1986, and Governments all over the world, both in developed and developing countries, will have to take a view as to the next steps. My right hon. Friend the Leader of the House said in answer to business questions last week that this debate comes at a formative stage, and before positions are fixed. The Government have, of course, had to come to some preliminary views as to the next steps, but the House can be confident that its views are being expressed at the beginning of a long negotiation, when positions are still fluid.

My right hon. Friends and I will listen extremely carefully to what is said in this debate and it will be an important element in helping us to come to a final view on these issues. Perhaps I ought, at this stage, to remind the House that, of course, the British Government, in isolation, will not necessarily get their way in full. We shall have to establish a common position in the European Community, which the Community will negotiate in the general agreement on tariffs and trade, where, no doubt, the developing countries themselves will have strong views to express.

The starting point of the debate must be the state of the British clothing and textile industries. I am sure that the House will be in no doubt about the importance of the textile and clothing industries, both in terms of employment and skills. The industries have been through a process of painful adjustments during the past few years. Major changes have been made and the industries have made great strides in competitiveness. Output of the clothing industry, after having fallen very sharply in 1980 and 1981, has grown steadily in each of the last three years. The upturn in textiles started later than in clothing, and remains more modest, but again output is now moving in the right direction. I am glad to see that the profits of textile and clothing companies seem to be improving, too.

At the same time, there have been some encouraging improvements in export performance in some sectors and some markets. Knitwear exports to West Germany increased in value by 77 per cent. between 1982 and 1984. Our exports to the United States have also been impressive. Between 1982 and 1984 textile exports were up 100 per cent., knitwear exports up 121 per cent. and clothing exports up 195 per cent. More generally, our wool textiles exports increased from £426 million in 1983 to £538 million last year.

How has this happened? It is the result of much hard analysis of markets, much rethinking of product ranges

and much reorganisation of production. Many firms have been focusing their efforts on more specialised, higher valued items, where design flair and other British strengths can be made to count.

A leading figure in the textile industry said recently:

"New products have been brought to the market and older ones up-dated—production methods have been adapted to improve quality and to reduce processing time and energy consumption. Customers' changing needs, more variety, more designs, more seasonal changes, shorter lead times—have been anticipated and met."

I am sure this is the type of effort that points the way for the British textile and clothing industries.

In the light of that, the House and the Government have to consider the future situation. The present system of controls in the developing countries' exports of textiles and clothing is due to end in July 1986 and discussions are just beginning about whether it should be extended. This system, known as the multi-fibre arrangement, is an internationally negotiated derogation from the general agreement on tariffs and trade and applies to the vast majority of textile and clothing products. In this country it has led to 500 quotas being applied to some 80 textile and clothing items from 27 developing countries.

In July of this year the GATT textiles committee will be discussing whether the MFA should be extended, modified or discontinued. The Community will need to agree its policy stance in advance of this, so in recent months I have been consulting a wide range of bodies interested in the future of the import regime for textile and clothing and, of course, many hon. Members as well.

First, we must look at the effect on the textile and clothing industries. Of our national expenditure on textiles and clothing, our domestic industry supplies 60 per cent. In addition to supplying this proportion of the home market, our industry exports 27 per cent. of its production. Therefore 60 per cent. is supplied domestically by our industry and 40 per cent. of our home market is supplied from abroad. Out of the 40 per cent., 25 per cent. is supplied by foreign suppliers who face no restriction on their exports to the United Kingdom, mainly other Community and western European countries. The developing countries of the Third world, where exports are restricted by the MFA quotas, supply some 10 per cent. of our market—I emphasise that they supply 10 per cent. of our market—and approximately 5 per cent. comes from Mediterranean countries. Of the suppliers restricted by the MFA, Hong Kong is much the biggest.

Imports from the European Community have risen from about one third of the total imports of textiles and clothing in 1974 to almost one half in 1984, while the share coming from MFA suppliers has fallen. Developed countries as a whole now provide almost two thirds of our imports. This is partly because of a shift in demand in the United Kingdom towards higher value products, which favours developed country suppliers. In common with trade generally, our trade with our Community partners in textiles and clothing has increased in both directions. All this means that British textile and clothing firms are exposed to changing patterns of demand and to strong and shifting patterns of competition.

In addition to the MFA, the Community also has unilateral restrictions on textile and clothing exports from certain state trading countries and Taiwan, and has agreed voluntary restraints with a number of Mediterranean suppliers, of which Portugal is the biggest.

Mr. Jack Straw (Blackburn): Although one accepts the change in the pattern of imports, will the Minister accept that the impact of imports from MFA countries is significant and that the Silberston report predicted that if the MFA were to be abandoned there would be 50,000 more job losses than he predicted in the industry?

Mr. Channon: I am not seeking to argue that their impact is not significant. I want to get the figures straight and to give the facts to the House. I shall deal later, and in detail, with the Silberston report. It has been agreed during the accession negotiations that Portugal and Spain will have some restraints on their textiles and clothing for up to four years, but after that Spanish and Portuguese textiles and clothing will be subject to the normal Community rules of free circulation. In all, the low-cost suppliers whose textile and clothing exports are subject to quantitative controls of one sort or another amount to about 14 per cent. of our home market.

The point that I am making, which I take up with the hon. Member for Blackburn (Mr. Straw), is that although the MFA is clearly an important issue for the British textile and clothing industries, it must be kept in proportion. Whatever happens to the MFA, the British industries' capacity to compete against the developed world—West Germany and Italy, for example—in both home and export markets will be crucially important for their future.

In considering our attitude to the renewal of the MFA, we must bear in mind the strenuous efforts being made to halt the spread of protectionism. This, of course, has far wider ramifications than for textiles only. There is general agreement among all the Governments—I emphasise all the Governments—of the summit countries that spreading protectionism would be a disaster for the growth of the world economy. Since the war, the open trading system has led to an eightfold growth in trade. Surely we must not fall into the trap that our predecessors fell into in the 1930s. This particularly true for the United Kingdom, where I emphasise that exports are equivalent to 30 per cent. of our gross domestic product and where so many of our jobs are dependent upon our ability to sell abroad. The House must face the facts. I shall deal with policy in a moment or two. Not only do we need markets to sell our goods abroad, but we have to face the fact, not always palatable, that the poorer developing countries need markets, too, to sell their goods, both so that they can both afford to buy imports, including British imports, and also, incidentally, so that they can be in a position in many cases to pay their debts, to, among others, British firms and British banks.

Mr. Michael Latham (Rutland and Melton): While the general tenor of my right hon. Friend's statement is probably widely accepted, will he also address the crucial point that competition must be fair as well as free?

Mr. Channon: I could not agree more with my hon. Friend. I shall deal with that point, I hope in not too great detail, in about three minutes.

One of the subjects discussed at the Bonn Summit, and earlier, both in the Organisation for Economic Co-operation and Development and in the Community, is the need for a new round of multilateral trade negotiations under the GATT. It is clear that the new GATT round is acquiring increasing international momentum and that it will happen in the near future, notwithstanding the fact that one or two Governments find it difficult to set a target

date for getting the new talks launched. There has been concern in many countries that the multilateral trade system is being eroded by an increasing resort to protectionism. We share this concern—I come now to the point made by my hon. Friend the Member for Rutland and Melton (Mr. Latham)—and see the GATT round as an opportunity to achieve a better balance in the rights and obligations of all contracting parties to the GATT, to strengthen the GATT disciplines, which are so important to us as a trading nation, and to make sure that the rules are observed.

The negotiations, when they start, will be many sided. No serious objective should be left off the agenda. The negotiations will deal, of course, with tariffs, and especially with anomalously high ones, although tariffs are not in general the area where protection has grown. They will deal with many non-tariff issues, including trade in food, and in services—of prime importance to Britain.

Mrs. Elaine Kellett-Bowman (Lancaster): Will my right hon. Friend be considering the question of origin marking? At present the British housewife cannot make an intelligent decision on whether to buy goods with which she is presented because she does not know where they come from.

Mr. Channon: My hon. Friend raises an important point. We are considering the recent judgment of the European Court. I am not yet in a position to give the Government's reply to that, but my hon. Friend's point is well taken and I shall bear it in mind.

Mr. Robert Hughes (Aberdeen, North): On a point of order, Mr. Deputy Speaker. I am seeking to follow the Minister's argument carefully, but when he turns his head towards his own Back Benches the microphones do not pick him up. He was dealing with an important point about the European Court's decision.

Mr. Deputy Speaker (Mr. Harold Walker): No doubt the Minister will take on board what has been said.

Mr. Channon: I apologise to the hon. Member for Aberdeen, North (Mr. Hughes). I shall attempt to address my remarks to you, Mr. Deputy Speaker, but in a way that the hon. Gentleman can hear.

One of the most important and difficult tasks facing the negotiators will be the restoration of confidence in the fairness of the the open trading system. Unless that is achieved, none of the other aims will be achieved.

We need GATT commitments on better access to the markets of the more advanced among the developing countries. It is one of the most unsatisfactory features of the GATT as it has grown up. Under part IV of the agreement, added with the best of intentions in the early 1960s, GATT rules exempt "developing" countries from any need to reciprocate the tariff reductions and other concessions to which the developed countries have committed themselves in successive rounds of negotiations. In other words, the rules as they stand give them the benefit of all the rights of the agreement, including open access to industrialised countries' markets, without giving comparable benefits in their own.

The history of commercial relations between developed and developing countries since then is perhaps an object lesson in the unwisdom of unequal treaties; the developing countries have not gained in practice in the way intended.

The treaty was bound to fall into disrepute, as it was felt to be unreasonable, and the result has been the imposition of restrictions on the developing countries' trade.

Moreover, developing countries, which are a numerical majority of the members of the GATT, are a purely self-selecting group. There are no rules about the stage of economic development at which the privileged enjoyment of rights without obligations ceases to apply. Successive British Governments have been willing and ready to accept that situation, but this bizarre and unbalanced relationship can now be acceptable to Governments and business in the developed world only if the stronger developing countries, those which are rapidly industrialising and already competing successfully in our markets, progressively shoulder the normal obligations of full GATT membership. Fairness in trade is essential, and we shall need it in textiles as well as in other fields.

Even if the new GATT round — this is strictly relevant to the MFA — is launched early next year, it will be some years, perhaps four or five years or more, before it is finished. It is clear, however, that the tasks facing the negotiators in these talks are not such that trade in textiles and clothing can simply be set on one side. It is not open to us, or, indeed, to any other Government, to consider the renewal or termination of the MFA in one watertight compartment and the new GATT round in another. Indeed, we must recognise that whatever British and other observers in developed countries may think of the MFA and the bilateral quotas under it, Third world countries regard it as an outstanding example of the way developed countries discriminate against them. For the most part they restrict the textile and clothing exports only of the developing countries to the developed countries, and not of the developed countries between themselves. We should not forget that textiles and clothing are much the most important of the developing countries' manufactured exports.

Nor must we be under any illusion that protection is costless. Protection does not solve problems; it creates them.

Mr. David Steel (Tweeddale, Ettrick and Lauderdale): Does the Minister intend to say something about the unfair competition in the form of support given by our fellow Community Governments, notably Belgium, France and Italy, to their industries compared with the British industry?

Mr. Channon: Indeed, as the House knows, the new Commission is taking a much more rigorous stance on the whole question of state aids in the textile and other industries. That is fair enough provided that it applies to everybody, not just to some.

Mr. Cyril Smith (Rochdale): We have been told that for 10 years.

Mr. Channon: I have not been saying that for 10 years, but it happens to be true nevertheless. The Belgian and the Dutch schemes have been cut back. If hon. Members have evidence of other schemes which are going ahead which are not meeting the Community rules, we shall be happy to pursue them energetically. Indeed, the Commission is presently studying an Italian scheme and we are determined to ensure that the rules are applied fairly to everyone in the Community, not just to some.

Mr. Nicholas Winterton (Macclesfield): Does my right hon. Friend agree that steps are always taken after the

event? Our European colleagues have always spent the money, which has given their industries the advantage, whereas when we submitted our CLOFT scheme to the Commission it was turned down and a modest scheme of £20 million spread over four years was not implemented at all?

Mr. Channon: I regretted what happened over the CLOFT proposal, but we shall pursue energetically cases of other countries taking an unfair advantage in that way and would welcome any evidence from hon. Members or, indeed, the industry.

The House will be aware of Professor Silberston's report, published last December, which provides an independent assessment of the impact of the MFA on the economy. He found that the MFA raised the price of clothing in this country by about 5 per cent., costing British consumers some £450 million per annum. He said that the greater part of this cost benefited foreign rather than British manufacturers. He considered that the MFA protected some jobs in the textile industry, but said that in the economy as a whole the MFA was, if anything, doing more to reduce employment than to increase it. It seems clear that higher prices for the products of one industry must leave consumers with less money to spend on those of others.

The Silberston report has aroused wide debate not merely about the effect of restricting trade in the textile and clothing industries but on the economy as a whole. I am grateful to Professor Silberston for his work. Neither he nor the House will expect me to endorse every figure in the report, nor every conclusion. I am conscious of the fact that the industry has disputed a number of his calculations—

Mr. Nicholas Winterton: All of them.

Mr. Channon: I do not think that it has disputed all of them. The report is a carefully considered one which has received wide study. The subject has also received international attention. The Organisation for Economic Co-operation and Development has recently published a report entitled "The Costs and Benefits of Protection". It shows that protection has a wide variety of consequences—trade diversion, price increases, enforced changes of product mix and transfers of wealth to foreign producers. All of that is echoed in Professor Silberston's work. Most important of all, the OECD study agree with Professor Silberston that protection does not in the long run save jobs in the economy at large but reduces the scope for new employment by forcing some sectors of industry to bear the cost of protecting other sectors.

Dr. Keith Hampson (Leeds, North-West): It is all very well to talk about the generality of the economy, but what matters is the concentration of the textile industry in some parts of the country, particularly for certain categories of workers, such as part-time women workers and the ethnic groups. Frankly, that is spurious logic. I do not see how Ministers can argue, on the one hand, that if we reflate the economy most of the money will go on imports, but on the other hand, if we suddenly put £400 million back into the economy it will somehow go on British manufactures, not on imports.

Mr. Channon: My hon. Friend knows me well enough to know that I will be coming to that specific point in a moment.

[Mr. Channon]

During the past several months I have been holding detailed consultations with all the British interests affected by the MFA. I have been anxious to get a balanced picture of the views of all interested parties. I have met trade associations, consumers organisations and many hon. Members. I have also had many letters from hon. Members, some of them in identical terms.

As was to be expected, wider debate about the costs of protection has led to growing pressure, not only in this country but in the Community and elsewhere, for the MFA to be brought to an end. Within this country, consumer bodies, importers and retailers have called for a firmer commitment that special restrictions on textiles and clothing trade should be phased out. Consumers' organisations, in particular, expressed concern that the MFA bore especially heavily on lower-income consumers, and on the price of children's clothes.

Mr. Barry Sheerman (Huddersfield) *rose*—

Mr. Channon: I must get on. I have given way about eight times and about 32 hon. Members wish to speak. I do not wish to be rude, but I must press on.

The consumers' organisations argued that the cost of the MFA for consumers was disproportionately heavy in relation to any benefit that it brought to the industry. On the other hand, I have received strong representations from the textile and clothing industries and from trade unions, which have urged continuation of the MFA. Some trade bodies, such as Comitextil, the European trade association, on which the British industry is of course represented, have argued for a further four to five years of protection. Others have said that their is no telling how much longer protection should continue. I have been left in no doubt about its importance to particular areas of the United Kingdom. The industry has also drawn attention to the barriers which its exports encounter in many parts of the world. It has rightly pointed out that the MFA allows what it calls an orderly development of trade in textiles and clothing.

Although employment in the textile and clothing industries has fallen, it still represents 2 per cent. of employment in the economy as a whole. In addition, although employment in the clothing industry is dispersed fairly evenly across the country, employment in the textile and knitting industries is more heavily concentrated in particular regions. For example, in the Yorkshire and Humberside region, which has the strongest concentration of textile employment, more than 3 per cent. of all employees work in textiles. In the east midlands region, more than 4 per cent. of all employees work in the knitting industry.

It is, of course, precisely because parts of the country have been especially effected by the rundown that has taken place in the textile and clothing industries—as in some other industries — that the Government have launched the business improvement services scheme, with funding from the European regional development fund, over a four-year period up to 1989. Grants are available towards the cost of plant and machinery, and also for consultancy on computer applications, marketing and other matters. Some £63 million has been allocated to help small firms in these areas, including funding from the Community and from the Exchequer. Of this amount, the textile areas are rightly receiving the biggest slice. The

better business services scheme in Scotland and Northern Ireland has been launched for the same purpose. There has been a very heavy take-up of those aid schemes.

In the light of all those factors, the Government must decide what action is needed. What action should we urge upon our Community partners, and what common position do we want the Community to adopt in the GATT? In all this the Government will, of course, have the interests of the textile and clothing industries very much in mind. When the new GATT round gets under way, as I said earlier, one of our key objectives will be to get the basic principles of the agreement accepted and observed on a reciprocal basis as obligations of all contracting parties to the agreement. Any exceptions should be confined to the poorer developing countries. It is time everyone realised that we are not prepared to be a soft touch any longer. Our aim must be mutual, not unilateral, disarmament of special exemptions or derogations.

I cannot disguise from the House the fact that the developing countries will tell us that we have had an MFA, designed as a temporary breathing space, for 12 years; and this, too, is a special derogation which must be brought to an end. Nor is it realistic for us to assume in the GATT negotiations that we and other developed countries will get our own way without us, too, having to make concessions. It will have to be a two-way process, and countries which do not think that it will be are deluding themselves. Any agreement along the lines that I have suggested would be strongly in our interests and those of developing countries as well.

There is also the question of state trading countries, whose trading policies and methods are different from those of the market economies. Those countries have required, and will continue to require, somewhat different provisions.

What, then, should be our position in this period of change? Despite pressures from developing countries and consumers' organisations in this country, I am convinced that the MFA should be renewed next year. I believe that it would be wrong to end such a long period of protection with a sudden jolt. A further period of protection will give the British textile and clothing industries time to establish their international competitiveness, not only against developing countries but against the developed countries, which are both the major source of imports and the major market for our companies' exports.

Mr. Robert Hughes: Will the right hon. Gentleman give way?

Mr. Channon: I am about to deal with the details.

Mr. Hughes *rose*—

Mr. Channon: I have already given way about 10 times.

Mr. Deputy Speaker: Order. The Minister is clearly not giving way.

Mr. Hughes: I thought that the Minister might be persuaded.

Mr. Channon: I should prefer not to give way, as I must press on.

I believe that the renewal of the MFA in some form will be widely supported among our Community partners. We must now consider on what terms the MFA should be renewed, and for how long. Clearly, with the new GATT round approaching, any renewed MFA will be in some

sense a transitional measure. Some of our European Community partners may press for a prior commitment that thereafter all special restrictions on textile and clothing trade will come to an end—[HON. MEMBERS: "Hear, hear."]—but despite my hon. Friends' views I think that it would be premature to give such a commitment unconditionally at this stage. This is a matter that will have to be negotiated in the GATT round. In those negotiations all the major participants should be prepared to see all the major derogations and exemptions from the basic rules of the GATT put on the table for negotiation. For the developed countries this cannot exclude the MFA. [Interruption.] As the right hon. and learned Gentleman knows, the British Government are extremely anxious that there should be talks on agriculture. For the more advanced developing countries, that cannot exclude their own exemptions from GATT obligations. The important point is that the process of the GATT round will take several years, and it is in this context that the longer run future of the MFA should be decided.

I shall now give way to the hon. Member for Aberdeen, North.

Mr. Robert Hughes: I am grateful to the Minister for giving way. The House welcomes the fact that the Minister has committed himself to the principle of renewing the MFA, but will he go further and commit himself to the principle that the MFA will not be phased out? Will he give us an assurance that we are not talking about an arrangement that will last for five or six years and then end? Unless he has that basic principle in mind, he will be driven into a transitional arrangement and the MFA may come to an end.

Mr. Channon: As I have said, some of our partners may press for a prior commitment that thereafter all special restrictions will come to an end, but it would be premature to give such a commitment unconditionally at this stage. We cannot tell. I am saying that the renewed MFA should be designed to carry us from July 1986 into these wider GATT negotiations. In the negotiation of this, there will not unnaturally be pressure from the developing countries for the general improvement in economic conditions to be reflected in access levels. Nor can we forget the British consumer. So a rather more liberal arrangement than the present one seems inevitable and surely right.

I am sure, for example, that some of the existing quotas can be dispensed with altogether. I have in mind especially those whose costs are disproportionate to the amount of British production protected and some textile quotas which seriously handicap British clothing firms. Increases in other quotas are likely to be justified. In particular, I accept the indications that the restrictions have borne especially heavily on the price of children's clothes, and we shall be seeking to liberalise these restrictions where administratively practicable.

We shall also seek above average improvements in the access levels for the poorest developing countries, and for those whose own trade barriers to British exports are low. More advanced developing countries whose own trade policies are restrictive should not be looking to enjoy much liberalisation of their quotas unless, as I naturally hope, they are prepared to open up their own markets.

I said at the beginning of this speech that the Community would need to agree a broad policy stance by July, and I have outlined what, in the Government's view,

that stance should be. This, however, will be only the beginning of a negotiation. The MFA does not expire until July of next year, and the bilateral agreements negotiated by the Community under it last until the end of 1986. As the negotiations proceed, the positions of other major participants will become clearer. Plainly, the Community's position will have to evolve to take account of this. The position of the United States will obviously be specially important.

We shall, of course, keep in close touch with the industry and with other interested parties, as well as with the many hon. Members who clearly take an interest in this subject. The House will have seen the early-day motion in the name of my hon. Friend the Member for Harborough (Sir J. Farr). It has attracted 110 signatures from hon. Members in different parts of the House — [Interruption.] Although I may not be in complete agreement with all of its preamble, I have accepted its main conclusions. We have agreed to work, as the motion says,

"for an effective renewal of the Multi-Fibre Arrangement which provides developing countries with guaranteed and growing access to the markets of the European Community and ensures a framework of order in international textile and clothing trade that would not otherwise exist."

We are at the beginning of a long road. The House will not expect me to give away all of my hand at this stage, but I am glad to have had the opportunity of bringing the issue to the attention of the House in order to give hon. Members an early chance to debate the subject, and I look forward to hearing their views. We shall consider the debate very carefully and will bear hon. Members' views in mind throughout these long negotiations. I have a sneaking suspicion that this may not be the last debate that we have on this subject.

5 pm

Mr. John Smith (Monklands, East): The debate provides a timely and welcome opportunity for hon. Members to tell the Government the targets that they should set for the renewal of the MFA in the forthcoming discussions in the EEC and GATT and in the bilateral negotiations with supplier countries.

In recent months the Minister for Trade has been asked to state the Government's attitude to the renewal of the MFA. Time after time he has been unable to say whether it would be renewed. Not until today towards the end of his speech was it possible for him to say that the MFA would be extended in principle. He was not able to answer in the robust terms that we prefer.

If we say today that we are glad that the Government have at last said that they favour the renewal of the MFA it is thanks for small mercies. The Government's position should never have been in doubt. It should have been possible for the Government view to be articulated clearly and confidently long before today. At least the Government are at the starting gate, but they have a long way to go. Our fears about the Government's resolve to negotiate a satisfactory renewal of the MFA have not been laid to rest.

Much of the Minister's speech was a ramble round some interesting issues to be discussed in the wider GATT talks. He quoted from a number of documents which seemed to take the criticisms before the defences of the present arrangement. He offered a rather lukewarm endorsement of the principle of continuing the

[Mr. John Smith]

arrangement, with the clear hint that the Government thought that this was likely to be the last exercise on the MFA. I believe that some of the Minister's advisers, who are known to take a prominent free-trade position, had a little too much to do with the preparation of his speech.

Before I deal with the Minister's observations in detail I shall make clear the Labour party's view. We are strong and convinced supporters of the concept and basic structure of the MFA. Since 1974 it has provided a framework for regulating the terms of trade in sensitive textile and clothing goods from supplier countries to the markets of the major developed countries—primarily the EEC, the United States of America, Canada, some Scandinavian countries and Austria. We are familiar with the defects of the arrangement, but we believe that it has contributed greatly to the stability and orderliness of this extensive trade and that it has permitted imports to the developed countries to increase substantially without wrecking the textile and clothing industries in those receiving countries.

That does not mean that the textile and clothing industries in Britain have had an easy time. They have had to face major contractions and a great deal of unemployment in recent years. The MFA, which is only an umbrella agreement affecting the terms of trade, could not secure the industries against the massive recession, or the foolish Government policies which have accentuated the effects of that recession. It could not protect the industries from the depression of domestic demand, the erratic fluctuations in the exchange rates or the destruction of regional industrial assistance which Conservative economic policies have visited upon them.

Without the arrangement the difficulties for the industries would be much worse. Some of the encouraging signs in the industries would probably not have appeared without the arrangement to guide the decisions of those who have recently made important investments.

I hope that the alliance, whether it has one view or two, will make its view crystal clear. We have no doubt that the arrangement must be renewed on a basis which gives security and confidence to our textile and clothing industries. That is not the MFA's only objective, but it is crucial and we in the Labour party support it unreservedly.

Mr. Michael Fallon (Darlington): Does the right hon. Member for Monklands, East (Mr. Smith) recall that a Labour Secretary of State, when renegotiating the second MFA in December 1977, described it as a historic turning point in the history of the textile industry? Does the right hon. Gentleman now imply that the arrangement should become a permanent part of our world trading scene?

Mr. Smith: The MFA has proved its worth since 1977. I argue not for the extension of the MFA, only for a further period. We should seek to extend it for a longer period than is contemplated. We should negotiate that now so that we have a 10-year run with an opportunity perhaps to review it after five years.

Another objective that we regard as being of great importance is to secure greater access for the products of the least-developed supplier countries to our markets. Currently the dominant suppliers are the so-called newly-industrialised countries such as Hong Kong, Macao and

South Korea. They cannot be regarded as being among the poorest of the developing countries. They have prominent and robust economies.

The suggestion that the MFA is directed against the poorer and starving countries of the world reveals a gross misunderstanding of its purpose and its effect. The MFA is the mechanism which allows some of the poorest countries access to our markets against competition from some of the stronger, newly-industrialised countries.—*[Interruption.]* I notice cries from the Government Benches. Some hon. Members are keen on the principle of free trade. I wonder whether the enthusiasm for free trade of those who represent agricultural constituencies takes them far enough to condemn the common agricultural policy. Whenever their vested interests are challenged they run a thousand miles from free trade.

More room should be found in the arrangement for the least developed countries. That is a reasonable objective and I am glad that the Minister noted it. For the least developed countries the MFA offers a better prospect of orderly access than any other method.

Any objective evaluation of the MFA shows that it has helped to achieve two important objectives—order and opportunity in the world trade in textiles. Those twin objectives are at the heart of the matter. We need order to prevent surges of imports which could wipe out important industries, destroy companies and jobs and further imperil the declining manufacturing industries in the United Kingdom. We need opportunity to encourage growth in trade and to stimulate the market.

Let us be clear that the textile and clothing industries make a major contribution to the United Kingdom economy and that important issues and interests are at stake in the discussions. It is fashionable in the present Government to look disparagingly at manufacturing industry, particularly in the traditional areas of activity. I remind Government Members and others that the sales worth over £10 billion in the textile and clothing industries represent an added value of £3.9 billion. That is greater than the value added of the whole of the motor vehicle industry, more than half as much again as that of the aerospace industry and over twice that of the computer and office machinery industry.

Perhaps most important for a country labouring under the heavy burden of unemployment, which Conservative economic policies have placed upon the nation, almost 500,000 people are employed directly in the textile and clothing industries. Many are concentrated in areas which are particularly vulnerable to unemployment—the north-west, Yorkshire, Scotland, Northern Ireland the inner cities. A large number of women are employed in the industry and their wages are often crucial to family incomes. A large proportion of employees in the industries belong in our ethnic communities.

Dr. John Marek (Wrexham): My right hon. Friend will know about the Courtauld's proposal to close two factories in north-east Wales. Will he underline the need for a fourth MFA to prevent the further contraction of the textile industry? Does he agree that it is vital to have an effective MFA to keep the industry at its present level without further cuts in jobs?

Mr. Smith: I am grateful to my hon. Friend for making an apposite intervention. He is more aware than most of us of the effect that the Courtauld's closures have had in

north Wales and the fears which exist. The House is aware that his constituency has been affected directly by one of the closures. It is a stark example of the fragile nature of a great deal of the clothing and textile industries. It shows that we cannot afford to take any risks with their future or with the employment that they provide. The Government must bear that heavily in mind when they enter the negotiations. I hope that Ministers will keep the Courtaulds example in front of them and recognise what might happen on a much greater scale if the negotiations are not concluded satisfactorily.

Extremely important social considerations involving the welfare of people throughout the nation are at stake. The Silberston report refers to a possible job loss of 48,000 if the MFA were not to be renewed. However, there are many in the industry who take the view of the TUC that that estimate is far too low and that if the arrangement were not renewed satisfactorily 100,000 would be a more realistic figure. I happen to know that that is the view of the employers' organisations as well.

Britain cannot afford to lose any more jobs in these industries. It would be intolerable if in our handling of these matters we were to add to the the serious unemployment in the areas and categories to which I have referred.

Another important aspect of the MFA is that it has permitted a considerable increase in imports from supplying countries. It has created substantial opportunities even in a period when market demand in the United Kingdom has been static or falling. The rate of import growth has not been restricted to growth in market demand, with the result that in sluggish market conditions the increase in low-cost imports has far outstripped the growth in the market itself. Between 1978 and 1984, market demand in the United Kingdom appears to have fallen by about 1 per cent. In the same period imports from suppliers under MFA bilateral agreements increased by 15 per cent. If we include imports from the preferential Mediterranean associates, there was an increase of 23 per cent. It is not true to suggest that the arrangement has set up an unyielding set of barriers to growth in trade. The supplying countries saw a substantial increase in access to our markets between 1978 and 1984.

These are the facts and it is unfortunate that many of those who contribute to the argument about the arrangement believe that facts are much less important than theory. Those who believe almost theologically in free trade—I am looking straight at some of them on the Conservative Benches—have always regarded the MFA as objectionable. For many years there has been no greater disparity between theory and practice and profession and action than in talk about international trade. There is a tendency throughout the world to state the principles of free trade almost to the point of tiresome repetition and behind the scene to set in train actions which, by whatever means, secure and protect markets without the slightest acknowledgement to the meaning of the principles which were so piously pronounced shortly before the actions were taken.

Mr. Kenneth Carlisle (Lincoln): The right hon. and learned Gentleman has talked about the practical effects of the MFA. Does he recall the dispute with Indonesia in 1980 about the MFA, involving about £10 million-worth

of goods? As we could not reach a conclusion on that disagreement, we lost exports of about £160 million. Is that theory or is that practical?

Mr. Smith: I think that it is theory because we do not know whether we would have secured the order. It is always extremely doubtful to say that we would have secured certain orders. The hon. Gentleman knows that every country has to balance such considerations. If I gauge his line of thinking correctly, he is suggesting that without having secured anything on the export front we should bilaterally rid ourselves of the arrangement. His words can have no other meaning than that the arrangement acts against our national interest—[HON. MEMBERS: "Yes".] There we are. That is confirmed by several Conservative Members. There are substantial sections of the Conservative party which are willing to throw away the regulation and protection which the arrangement provides.

Mr. Fallon rose—

Mr. Smith: I have given way to the hon. Gentleman previously and it is not reasonable to expect me to give way to him again.

I have been drawing attention to the difference between theory and practice. That is bad enough, but when it comes to the argument about the MFA an illusion is added. Those who argue that the choice is between the MFA and free trade do not live in the real world. If the arrangement were to be discontinued or, which is more probably the prospect, become so weak as to be an ineffective influence, we would be more likely to set in train a series of beggar-thy-neighbour trade sanctions than to establish free trade. Such sanctions would do enormous harm to textiles and clothing and the damage would extend across a much wider trading front. The rules of the GATT in the absence of an effective MFA are not adequate to ensure conditions of free trade in textiles and clothing.

If the MFA were to be abandoned or rendered ineffective, it is virtually certain that the United States would act unilaterally to introduce import restraints. About eight months ago, the United States Administration introduced a new series of rules of origin, which reflect its present tough disposition. We know of the intense pressure which currently exists upon and from Congress. The United States would act either under its domestic legislation or would take unilateral recourse to article 19 of GATT. Whichever course were followed by the United States, the EEC countries would in turn face the import consequences of abandoning the MFA, which would be serious enough, and an additional flood of imports diverted from the United States. I doubt that even the most theological of the free traders whom I am observing could stand idly by in the face of such a development.

If the United States were to act under article 19, the effect would be even worse. The difficulty of this article, which I think Professor Silberston, who rather blithely advocates its use, fails to understand, is that it cannot be used selectively. It has to be universal in its application. Therefore a very wide restriction has to be imposed. Article 19 confers also the right of retaliation by way of compensation, which could be in any area of trade, so the danger of trade interruption spreading beyond textiles and clothing is very real.

If there were no MFA, the poorest of the EEC's 130 supplying countries would suffer. The MFA provides them

[Mr. Smith]

with a guaranteed level of access to the EEC market. In the absence of the MFA, it is likely that they could not compete with the commercial power of newly industrialised countries such as Hong Kong and South Korea, or with the huge potential of China.

We must be realistic about the existing trade barriers. True free trade cannot exist while so many countries block our exports to them with high barriers, both tariff and non-tariff. With the exception of Hong Kong and Macao, which are tariff-free, and Singapore, which is largely tariff-free, we face very high tariffs in both the developing and the developed world. Brazil has a tariff of 200 per cent. In the developed world, considerable restrictions are imposed by Australia, New Zealand, South Africa and, in some areas, by the United States.

Let us not waste our time in the heights of the theory of international trade. Let us come down to the dusty plains of the real world and deal with the real relationship, the real prospects and the real gains and losses. We did not hear much about those from the Minister.

The Silberston report concluded that the MFA should be phased out after being renewed one last time. That seems to be the drift of the Government's thinking. We believe that that conclusion is unsound and wrong headed and that there are such serious errors and omissions and wrongly based assumptions in the report that it will not do as a basis for judgment.

For example, in a document that has been given such attention, the misunderstanding of the effect of article 19 of GATT is one that I find surprising. The lack of selectivity in action under article 19 makes it hopelessly ineffective and potentially dangerous.

The report bases its views on prices entirely on evidence from Hong Kong, although no reason is given why evidence should be so restricted. Hong Kong is not an average situation because of the pressure on quotas, and the effect of the MFA on prices is at its highest in respect of imports from Hong Kong. It should not be used as a basis for generalisation, as is done in the report.

It is misleading to believe that a reduction in landed prices will reach across to a similar reduction in retail prices, given the large mark-ups involved and the undoubted propensity of retailers to pitch prices at what the market will pay. Conclusions on prices do not appear to be based on a sound analysis of fact.

On unemployment—which, if anything, is a more serious matter—the report concedes that abandoning or weakening the MFA will affect jobs adversely, although three different estimates are given—one of 10,000 jobs, which is absurd; one of 48,000 jobs, which is nearer the mark; and the third of an unspecified number.

Sir John Farr (Harborough): I draw the right hon. and learned Gentleman's attention to a document that he may have missed, which is the report of the Manpower Services Commission entitled "Labour Market Trends Midland Region 1985-1987". It is quite a long report, and has one critical paragraph summarising the views of the MSC on the MFA. It refers to it as a structure for permitting certain regulated imports from Third world countries, and says that in view of the tremendous efforts that have been made by our textiles and clothing firms in the Midlands to

modernise their production methods to become competitive, a lack of renewal of the MFA would be a disaster. I thought that that might help the hon. Gentleman in deploying his argument.

Mr. Smith: I am glad to find that there are some realists on the Conservative Benches. I hope that the hon. Gentleman will speak to some of his hon. Friends. I do not seek to cause division among Conservative Members, but merely to spread the enlightenment that has obviously reached the hon. Gentleman, and of which some of his hon. Friends are in need.

The hon. Gentleman drew our attention to the real world. Those engaged either in running the industries or in working in them take that realistic and sober view of the prospects of the industry and the need to cater for its interests in the negotiations. The Silberston report did not give due weight to that, and insufficient weight was also given to the drastic effect on employment and confidence in the industry if its profitability were to be sharply affected by changes in the MFA. The true job loss is more likely to be about 100,000, and I hope that all sides agree that that is plainly unacceptable.

In the assessment of employment prospects both within and without the textile and clothing industries, the report places too much emphasis on theoretical arguments and assumptions. I would not place so much emphasis on the effect of changes in the exchange rate. Important and direct factors, such as currency movements and interest rates, affect the exchange rate, which, as we know, has varied widely and erratically in recent years, very much to the detriment of these industries.

We should be extremely careful not to assume that if we were to lose industrial interest in one area we could recoup it easily in another. Apart from the fact that it is cold comfort to those who go out of business or who lose their employment, recent experience shows that ground lost is not easily regained as the relentless decline in manufacturing industry continues. The removal of the MFA or its serious weakening would cause serious job losses. Hypothetical countergains in other areas would be extremely uncertain given, among other things, the general trend of Government policy towards manufacturing industry.

We seek a renewal of the MFA. The crucial question is what will MFA4 be like? What should be sought? I hope that the Government will not listen to those who argue that this should be the last MFA. If it is believed that this is the last agreement and that the Government give credence as I believe they are near doing—to that proposition, that will be bound to undermine the status of the agreement and to render it terminal in character. The loss of confidence that could flow from that would affect long-term investment, which is badly needed in the industry, and could have a dramatically adverse effect. The way to counter that problem is not to consider ending the MFA, but to argue as vigorously as possible, both within the EEC and GATT, the case for renewing the MFA for 10 years, with a break after five years.

A serious attempt should be made to improve upon the inadequacies of earlier versions of the MFA. I fully understand that the Government are only one of the parties to the negotiation. We are asking them, as previous Governments were asked, to do their best to eradicate some of the difficulties.

In recent years, supplier countries have been permitted substantial increases in quotas, despite the poor growth of consumer demand. Under the bilaterals negotiated in 1982, increases of 4.5 per cent. per annum were agreed. Given the likely estimate of demand, especially if present economic policies continue, high quotas will pose serious problems.

We agree with the TUC's submission to the Government that the quotas should be based on 1985 actual import levels. The quota growth should be related to consumption growth, although there should be higher growth for the less developed countries. That could be more easily achieved if quotas were re-based on the actual levels of existing imports.

Mr. Tim Eggar (Enfield, North) *rose*—

Mr. Smith: An important part of the negotiations should be to seek ways of increasing the access of the less developed countries. There is a strong case for coming back on the quota levels—

Mr. Eggar *rose*—

Mr. Smith: We believe that—

Mr. Eggar *rose*—

Mr. Deputy Speaker: Order. The right hon. and learned Gentleman is not giving way. Many hon. Members are waiting to speak.

Mr. Smith: I am not disposed to give way to the hon. Member for Enfield, North (Mr. Eggar), who interrupts in such an arrogant manner. He is a little—

Mr. Eggar: On a point of order, Mr. Deputy Speaker. We have had a fair and open debate and my right hon. Friend the Minister gave way on a number of occasions. I should have thought that the right hon. and learned Member for Monklands, East (Mr. Smith) would give way more than he has.

Mr. Deputy Speaker: It is up to the right hon. and learned Gentleman to decide whether to give way. I shall take account of interventions in making judgments about who should take part in the debate.

Mr. Smith: We believe that there should be more room—as I said before I was partially interrupted—for the less developed countries to get better access to our markets.

There are a number of more technical matters which must be taken into account by the Government. The anti-search mechanism, which has not worked successfully, would not be necessary if quotas were re-based. If, however, that is not achieved, the mechanism would have to be retained but should be strengthened and made more effective.

Similarly, if the basket extractor mechanism was strengthened—it, too, has been the subject of justified criticism, despite improvements that were thought to have been made in the last round of negotiations—it would be possible to reduce the number of quotas.

I was a little alarmed at what the Minister said about reducing some quotas and increasing others without clearly indicating which quotas he had in mind. It is one thing to take a negotiating position, but he should be more frank with the industry if his purpose is to assist it to face the difficulties. I hope that the doors of the Department of

Trade and Industry will be opened to more frank discussions with the industry while the Minister prepares for, and even during, the negotiations.

Mr. Channon: I have never yet refused anyone who wishes to come to me about these matters. Throughout the negotiations I shall be only too delighted to see representatives of the industry.

Mr. Smith: I do not doubt that the Minister is willing to see the representatives. I am asking him to listen to what they have to say. I am familiar with the ministerial technique of listening to delegations. As the right hon. Gentleman knows—and this can be said of Governments of all colours—access does not necessarily lead to comprehension or action. I am asking the Minister to listen carefully and patiently because these are important matters. The industry would have more confidence in the Minister's advocacy if it felt that it was being listened to in an attentive and understanding manner.

It should also be the Government's objective to bring the Mediterranean suppliers, who enjoy preferential status, more into line with the low-cost suppliers. The Minister mentioned the accession of Spain and Portugal. We believe that measures should be introduced to ensure an even spread of Spanish and Portuguese exports of textiles and clothing to other member states.

During negotiations, the Government should seek a reduction of the tariffs against our goods imposed by some supplier countries that are clearly successful economies. It is difficult to describe them as developing countries. The Minister suggested that that might be one of the Government's objectives.

I hope that the Government will also support the TUC's argument that a new article of social development should be written into the MFA. After all, article 1 of the arrangement states that its principle aim is to further the political and social development of developing countries. There are undoubtedly many cases of labour exploitation in supplier countries and the MFA should provide a stimulus for improvement, by requiring minimum standards to be met.

Any agreement needs to be enforced effectively, which has not always happened. That has not always been the fault of the British Government, but improvements need to be made to the capacity of United Kingdom and EC authorities to monitor and ensure the implementation of what is agreed.

On behalf of the Opposition, I state our scepticism about the value of outward processing and our objection to any special quotas being established for outward-processed goods.

If the Government are to carry out their obligations, they will have to negotiate with determination and conviction. I did not get the impression that the Minister is approaching the matter with sufficient determination or with conviction about the efficacy and usefulness of the MFA. I wish that I could feel more convinced that the Government will negotiate with conviction.

We know that the United States will approach the negotiations with a determination to achieve a robust agreement that safeguards its interests. We know also that in the preliminary assessments within the EC, the United Kingdom has veered more towards countries such as Germany, which are less enthusiastic about the MFA—some are frankly against it—and away from France and

[Mr. Smith]

Italy, which take a different view. The role of the United Kingdom is important and I hope that the Government will not see their role as that of tipping the EC against a new, strong MFA.

The Government have important obligations to the people of this country. If those obligations are neglected, great perils will face our important industries. I hope that the Government will be determined to secure, as best they can, the economic prosperity of our industries and of those who depend on them and to seek a better deal for least-developed countries. Above all, they should seek an agreement that will work effectively and fairly and provide a long-term basis of order and opportunity, which is essential for these crucial industries.

We shall watch the discussions with great care, and the Minister will be required to answer questions from time to time about the progress of the negotiations. However, before they start, the House must make it crystal clear to the Minister that important interests are at stake and that we expect the Government to pursue them with much more conviction than has been apparent up to now.

5.33 pm

Mr. Marcus Fox (Shipley): My right hon. Friend the Minister for Trade should ignore the less than generous remarks of the right hon. and learned Member for Monklands, East (Mr. Smith). Conservative Members with textile interests in their constituencies are delighted that my right hon. Friend has announced the renewal of the MFA. Hon. Members who have no textile interests in their constituencies are entitled to their view, but if they differ from me I shall await their speeches with interest.

The MFA has brought stability to the textile and clothing industries. Without it, the industries would have been decimated. When I became an hon. Member in 1970, the textile industry was the largest employer in Shipley. Today, it is nowhere near that. However, after years when there was only bad news, we see a different story, with sales of £10,000 million and exports of £2,700 million, which gives me great encouragement. Productivity is rising relatively faster than that in other industries. Huge investment has taken place and the companies are innovative and are more conscious of marketing and design. They are earning profits, most of which go back into those companies. Surviving firms have fought back to win orders at home and abroad.

I know the argument that protection is bad because it leads to feather bedding and slothfulness. However, that has not happened in the textile industry, as can be shown by the fact that the clothing component of the retail prices index has gone up more slowly than other items, and certainly at nothing like the rate of inflation. In addition, the public have not been held to ransom by restrictions in imports.

I do not believe that developing countries have suffered anything like as much as some people try to make out. Again, that is proved by the figures. The GATT study of 1984, covering the years from 1955 to 1982, showed that developing countries increased their share of world textile trade from 15 to 30 per cent., while the share of developed countries fell from 79 to 60 per cent. In clothing, the developing countries did even better. Their share

increased from 10 per cent. to 48 per cent. No one can claim that, whatever restrictions have been placed on those countries, they have not had at least some opportunities.

We should also remember that under the MFA the quota allowance has increased by about 5 per cent. a year. My figures are different from those of the right hon. and learned Member for Monklands, East. I am told that over the past six years the market has increased by 2.5 per cent., yet imports affected by quotas have increased by 16 per cent. Any reduction has not come from other countries. If there has been a fall, it has been within our industries.

Talk of "total freedom" in this area is nonsense. It would certainly be free, but it would not be fair. There would be dumping on an unprecedented scale and I have no doubt that the United States, which has already started to take unilateral action, would take even more such action. The surpluses would not go back whence they came; they would be dumped in Europe. Low-cost countries would not hesitate to do that.

Too much attention should not be paid to the Silberston report. Professor Silberston is well known for his views on liberalising trade. Perhaps those views are the reason why he was appointed.

A major criticism of the report is the fact that the terms of reference mention barriers to our exports, but the subject was dealt with in only a few short paragraphs, as if it were of no importance. In addition, it is unbelievable that Professor Silberston should dismiss the consequences of unemployment. He seems to forget that the textile industry is concentrated in a few areas. He talked about 2 per cent. unemployment as if it did not matter, but there are no other jobs in those areas. If 50,000 or 100,000 jobs were lost, people could not find work elsewhere.

Professor Silberston claimed that a reduction of 5 per cent. in import prices would lead to shopkeepers reducing their prices by the same amount, so that customers would benefit. I find that hard to believe.—[*Interruption.*] I am delighted that Opposition Members are on my side, for once.

To demonstrate that these are not my own views, let me quote a letter from the managing director of a company employing more than 600 people in manufacturing. He writes:

"we cannot compete with the unfair competition from the political pricing countries of the Comecom or the low cost, highly subsidised, poor working conditions in the Far East At the present time my own company imports very little, mainly components or machinery, and we are proud to be able to say that we use in excess of 95 per cent. British outer fabric for our clothing. If the MFA is not renewed we shall certainly have to review our policy as the last bastion of concentrating primarily on British materials and manufacturing."

I believe that that is the true position. By his action today the Minister has shown that the Government care about our textile and clothing industries. There have been occasions when they have been accused of thinking that the textile industry was expendable and that only the high-tech, sunrise industries held the key to the future. We can already see the results of that policy. Many of these so-called high fliers are already in deep trouble. I am very glad to say that the Minister has shown by his speech that the Government care about the textile and clothing industries, and so they should.

It would be a kick in the teeth for the industries if this renewal had not been promised. A loyal, hard working work force, good management and, dare I say,

shareholders who deserve a return, to say nothing of the country, will be better served by the renewal than they will be without it.

5.42 pm

Mr. J. D. Concannon (Mansfield): Today, I am sure that we shall find a great deal of unanimity across the Floor of the House. Those of us who have large proportions of our constituents working in the clothing and textile industries will be making sure that our point of view is put forward.

It is understandable that so many right hon. and hon. Members want to advance their constituency cases. However, it is incumbent upon us all not to wait for the 6 o'clock rule to come into operation. In my view, we should all keep our speeches as brief as possible. We have had good examples from the Minister and from my right hon. and learned Friend the Member for Monklands, East (Mr. Smith). The Minister said that he accepted that the MFA should continue and that he would be working hard for that. That has made my task of trying to restrict my speech to 10 minutes that much easier.

If the Minister had not put forward that view, I hate to think what might have happened to employment in my constituency. No one should be surprised that my name and those of my hon. Friends the Members for Ashfield (Mr. Haynes) and for Bassetlaw (Mr. Ashton) appear in the top six of the list of names appended to an early-day motion about the MFA. We represent major industry constituencies. Hon. Members of long standing know that we usually talk about our coal mining industry and the effect of that on our constituencies. However, that major industry causes an imbalance in the area, because there are not many females working in the coal mining industry. Over the years, that imbalance has been absorbed by the lighter industries which are the subject of today's debate. In our area they employ thousands of our wives and daughters. Over the years, in the northern end of Nottinghamshire, we have become familiar with such companies as Pretty Polly, Courtauld and Mansfield Hosiery Mills. All the household names are to be found in our region.

I was glad to hear the Minister acknowledge the importance of the MFA. It is extremely important to the thousands of our women folk who are employed in the industries, and they would have been disappointed if any other answer had come from the Minister. What is more, the words of my right hon. and learned Friend the Member for Monklands, East will go down very well with the vast majority of the work force in Mansfield.

Not only have the industries been beset by unfair competition and dumping, but they have been beset by the impact of modern technology. Modern technology has seen the upgrading of factories and equipment and the closing of some of the old mills, which none of us regretted. But others have advanced with the times. Companies have put a lot of capital into their factories, only to be met with cheap imports. They might have been cheap imports in the eyes of the public, but they could have been very damaging to the nation.

A few years ago I was invited to one of the mills in my constituency where I saw row upon row of new machinery costing hundreds of thousands of pounds. The machines were not even working, having only just been installed. The intention was to make what is now the old-fashioned silk stocking, which was very fashionable in those days

—many a tale can be told about them. The manager spent a couple of hours showing me round the factory, telling me about the massive investment and how well he would do in the new market. After giving me two hours' good talking to about the massive investment, he said, "We have just done this, Don, and some Italian so and so has invented tights and flooded the market with them." He is still trying to sell that machinery for any price that he can get.

With so many right hon. and hon. Members wanting to put forward their constituency interests, we must impress upon the Government the importance to our areas of the MFA. It is not perfect by any means, and there is no doubt that it demonstrates an element of protectionism, but it is necessary to protect our jobs from some of the unfair competition from overseas.

My hon. Friend the Member for Ashfield holds an important position on the all-party committee which tries to look after the interests of the industries. He has done a lot of work over the years. I represent the constituency next door to his, and I thank him on behalf of all those who work in the industries in my area.

This is a very important issue. I hope that the Minister will listen carefully to right hon. and hon. Members for whom the MFA is so important. I feel that the only hon. Members likely to speak against what the Minister and my right hon. and learned Friend the Member for Monklands, East said are those in whose constituencies these industries are not represented. I shall be very interested to hear their arguments.

The feeling in my constituency has always been that it is we who play the game of cricket, whereas the others bend and break the rules as they see fit. It is time for the Minister to take off the gloves and make sure that he goes into battle on behalf of the many thousands in our constituencies to whom the MFA represents some kind of future for their jobs and for the industry.

5.49 pm

Mr. Nicholas Winterton (Macclesfield): I am grateful to you, Mr. Deputy Speaker, for calling me early in the debate. It is a very important debate which is vital to many regions of the United Kingdom.

We are debating the future of what has become known as the multi-fibre arrangement. We are not simply discussing whether one specific measure should continue to attract the commitment of our Government in their negotiations with our trading partners and competitors. We are discussing the future of the United Kingdom textile and clothing industry. As the right hon. and learned Member for Monklands, East (Mr. Smith) said, it is an industry which employs nearly 500,000 workers. That is without the tail—those industries, serving the textile and clothing industries, which account perhaps for a further 150,000 to 200,000 workers. We heard that those industries realised annual sales of almost £11,000 million, and a value added of £3,900 million. Those figures are larger than for the motor vehicle manufacturing industry, and more than half as large again as those for the aerospace industry. I add—with my hon. Friend the Member for Hertford and Stortford (Mr. Wells) particularly in mind—that those figures are twice as large as those for computers and office machinery.

The textile industry is a traditional industry in the United Kingdom and has played a valuable part in wealth

[Mr. Nicholas Winterton]

creation and the provision of employment. It has stood the test of time in producing the jobs and wealth on which the nation has been founded.

In itself, the MFA is indeed a controversial policy, and numerous studies and commentaries have been produced by those who question its value and would rather see the unrestricted market of a free trade ideal, whatever that might be. But in the course of our deliberations we must not lose track of the fact that we are talking today about people. We are talking about 500,000 or more people employed in the textile and clothing manufacturing industries. We are talking about their families. We are talking about the firms which supply those industries with textile machinery, factories, and so on. We are talking of the building and construction industry, the energy industries, and of those who supply the textile and clothing industries with transport and many other services.

We are talking about the devastating effect upon people who have spent their entire working lives in the industry that would have followed a failure to reintroduce a robust MFA. We are also talking of industries which were never able to look to Government for the sort of support or material rewards which have been showered upon the workers in other manufacturing and extraction industries. I do not think that I need to outline those industries to the Ministers on the Front Bench.

We are talking about the future of an industry that is vital to the United Kingdom and is its fourth largest employer. It is one of our nation's most valuable resources. We are talking of whole communities and the way of life which has evolved within them. Coming from the north-west, I am proud to have associated myself with those industries from the very day that I set foot in the House of Commons. They have had a just cause for which hon. Members on both sides of the House, under successive Governments, have struggled for many years.

We are not talking about the sections of an industry which has become unprofitable. We are not talking about an industry which is uneconomic. I say to my hon. Friends who apparently represent the consumer lobby that we are not talking about an industry for whose products there is no longer a demand. We are certainly not talking about an industry which has received massive Government investment; in fact, the opposite is true on all counts, especially the last.

As we have heard, since 1980 productivity in the textile and clothing industry has risen by a magnificent 30 per cent. — a much faster rate than in manufacturing industry as a whole. Demand for clothing and textile products rose by 4 per cent. in 1984, and the longer-term trend still indicates an expected annual rise of about 1 per cent. Yet, despite those superb achievements and the existence of the MFA, imports of clothing and textiles are at record levels. This is a fact, and I hope that my Back-Bench hon. Friends, the consumer lobby addicts, will accept it. I hope that they will appreciate the vital importance of the industry to various regions—a point that was highlighted by my hon. Friend the Member for Shipley (Mr. Fox). Despite those superb achievements, clothing imports into Britain are running at record levels.

The textile and clothing industry is one of the largest exporting sectors of our economy. As my hon. Friend the Member for Shipley said, the figure last year was £2,700 million. Although that was an increase on the previous

year's figure, it is still much lower than could be achieved if our exports were not subject to the excessively punitive restrictions imposed by countries whose protectionist policies attempt to exclude United Kingdom products altogether. I pay tribute to the right hon. and learned Member for Monklands, East for making that point.

Mr. Richard Wainwright (Colne Valley): Does the hon. Gentleman agree that the low figures for textile exports in the 1980s owe far more to the grossly overvalued pound sterling than to any difficulties with certain markets abroad? Is there not a chance now, with a much more realistic value of sterling vis-a-vis the dollar, that textile exports will continue to improve, as they are doing?

Mr. Winterton: I share the optimism of the hon. Gentleman, who speaks for the Liberal party. But in respect of the MFA and its importance, I am sure that he will regret the speech that one of his colleagues—if he catches Mr. Speaker's eye—is likely to make. I would prefer to go by the information that is submitted to me, virtually unanimously, by the industry, and by the work force, through the papers submitted to the TUC.

I agree that much of what goes on in the industry can be affected by Government policy. Interest rates, the rate of inflation and currency values are all vital. I respect the hon. Gentleman's experience in the industry, but if he takes a rather different line from the one he has taken previously, no doubt voters throughout the country will take note of it. I believe that the MFA is vital, and the industry and its work force believe so. The British Textile Confederation should know what is good for the future of the industry. I see its members and have discussions with them. I have come to the conclusion that they are right and that a robust MFA is absolutely vital.

The question of the severe restrictions which other countries place on our exports is important and must be borne in mind when considering the future of the MFA. We have heard much about the prospect of free trade. Desirable though it may be, it cannot be realised while many of our competitors around the world block our exports—which in quality terms are often world beaters—with crippling tariff and non-tariff barriers; none more so, perhaps, than Japan, which has featured in criticism by the Prime Minister and the Secretary of State for Trade and Industry.

With the exception of Hong Kong and Macao, which are tariff-free, and Singapore, which is largely tariff-free, our exports face severe high tariffs in many parts of the world. That applies not only to developing countries but to developed countries such as Australia, New Zealand, South Africa, and even that epitome of private enterprise the United States of America. So long as those and other distortions to trade exist, the need for the MFA will continue.

There have been many false claims circulated about the effect of the MFA, and I am sure that other hon. Members will touch on those issues during the debate. I wish to comment on the fallacy that the MFA has simply brought about a diversion of trade. Contrary to such claims, a detailed study of trade flows in textiles and clothing between 1978 and 1984, on a category-by-category basis, reveals no—I do not say some—justification for the claim that is often made, that the MFA quotas have been responsible for diverting trade and increasing imports from non-MFA suppliers.

The reasons why imports from non-MFA suppliers have grown rapidly are overwhelmingly due to factors other than controls on MFA suppliers. Therefore, it is the United Kingdom's clothing and textile industries that would be most severely affected by the relaxation or termination of the MFA.

The use of aggregated data does indeed suggest, at first glance, that quotas on suppliers controlled under the MFA have led to a diversion of trade on a huge scale, to the benefit of other supplying countries. The proposition, based upon such aggregated data, has been made that the MFA has been of limited value to the United Kingdom and to our textile and clothing industries, and has benefited United Kingdom suppliers in other developed countries, particularly in other member states of the EEC. Certainly a study of the aggregated data reveals a growth of only 23 per cent. from MFA suppliers compared with a staggering 73 per cent. in imports from our so-called European partners.

A more detailed study—this is where Silberston let us down—reveals that this is not a simple diversion of trade. Such a consideration leads inescapably to the conclusion that the reasons why imports from non-MFA suppliers have grown so rapidly are overwhelmingly based on factors other than controls on MFA suppliers. Professor Silberston utterly failed to give the issue such detailed consideration. In his abysmal failure to do so, he produced two highly questionable hypotheses. First, he suggested that simply because the MFA has coincided with a period during which imports from non-MFA suppliers have risen faster than those from MFA countries, the MFA must have been the main cause. He suggests a causal relationship with no evidence to back up his claim.

Secondly, Silberston claimed that, because there has been a particular development or trend in the import pattern for textiles, the same trend can be directly extrapolated into the future. We all appreciate the value of historical evidence in formulating policies and anticipating market direction, but it cannot, in a complex market environment, be accorded such infallible status.

Let us glance briefly at the changes in volume of imports from MFA and non-MFA sources. To take one example, total imports of men's suits have risen from 2.1 million in 1978 to 2.9 million in 1984. It is certainly true that there was an increase of more than 30 per cent. in such imports from EEC countries. However, that must be set in the context of the overall increase in the volume of such imports. There was an overall rise of 38 per cent., with increases of 27 per cent. from low-cost non-preferential suppliers and of a staggering 200 per cent. from low-cost Mediterranean suppliers. In short, imports from low-cost sources have risen faster than those from what we should call the EC, and few MFA quotas for men's suits are in fact fully used at present. The only logical conclusion, if the figures are studied, is that no diversion of trade has occurred because of the MFA.

It is important to note that over half the total rise of 107,000 tonnes in textile imports from the Community between 1978 and 1984 was accounted for by rises in just three categories—filament synthetic yarn, carpets and non-woven goods—in which MFA suppliers were only of marginal significance, with virtually no quotas. Without any question of trade diversion, there was an increase of 106 per cent. in the volume of imports in those categories. A further 54,000 tonnes of the increase in imports from the EEC was in categories in which MFA

suppliers are of comparatively minor significance and for which MFA quotas are relatively few and substantially under-used, such as cotton yarn, dyed and printed fabrics, spun synthetic yarn, pile and wool fabric.

No doubt my right hon. Friend will say that adjustments and amendments can be made to the current quotas under the MFA. In these categories in which there is little scope for diversion of trade as a result of the MFA, the increase in European imports was still 57 per cent. The remaining 43,000 tonnes import increase from the EEC includes products heavily subject to the MFA.

Without doubt, the fact that imports from MFA suppliers have risen more slowly between 1978 and 1984 than those from non-MFA suppliers is only marginally attributable to the MFA. Detailed study of the evidence should have been accompanied by consideration of background developments such as the progressive integration of the United Kingdom into the EEC trading framework, the fluctuations of the United Kingdom's exchange rate, the recent trend towards increasing design and fashion content, the state aid available to our competitors in Europe, and the World Bank assistance that increases the competitiveness of industries in those countries. Such detailed study was glaringly lacking in Professor Silberston's report, and it points to numerous other factors being responsible.

Products by MFA countries show especially high growth rates from non-MFA countries, but since the MFA is not the major reason for the sharp rise in imports from non-MFA suppliers there is no reason for the Government to believe that the brunt of relaxation of the MFA would be borne by overseas supplying countries rather than by the United Kingdom. As I have said many times, I for one am not prepared to accept the devastating blow to our industry that a relaxation of the MFA would undoubtedly bring about. I trust that the Government will not abrogate their responsibility to act in the national interest, and to stand up for the interests of more than 500,000 people who work in our clothing and textile industries.

We have heard that the MFA is to be renewed. I hope that the Government will take a robust position and that the agreement, which has been good for the developing world as well as for the United Kingdom, will have the support of the Government. I hope that they will go to Brussels for the discussions with a positive policy as well as, I believe, with the overwhelming support of the House.

6.6 pm

Mr. James Lamond (Oldham, Central and Royton): The Secretary of the Oldham and Rochdale textile employers' association wrote to me the other day to remind me—I needed little reminding—of the continuing importance of the textile industry to Oldham.

Oldham was built on the textile industry and upon spinning in particular. For perhaps five decades the industry has been in sad decline, but even today there are 106 textile and clothing units in Oldham and 142 in Rochdale. Many of the firms are small, but there is a substantial number of large employers. In total, the firms account for about 25 per cent. of employment in manufacturing industry in Oldham. Oldham is a town of 250,000 people, and 25 per cent. of those who are employed in manufacturing industry work in textiles and clothing. There is a real interest in my constituency in the future of the MFA.

[Mr. James Lamond]

The negotiations are now getting under way and we hope that they will come to fruition in perhaps 18 months. The negotiations are complex and difficult to follow. However, it is important that we should realise that the MFA is not merely a restrictive arrangement of benefit to the United Kingdom. I listened to the Minister's speech with interest, and I welcome his assurance that we are determined to have a new MFA, but I thought that he was rather defensive. He seemed to suggest that we were doing no more than defending our interests. I do not believe that that is so.

The MFA is not an arrangement to shut out the textiles and clothing of the main exporting nations of the Third world. It is an attempt—sometimes unsuccessful from our point of view—to regulate in an orderly fashion the opening up of the markets of the United Kingdom and other developed countries to textile and clothing imports.

No one who has studied the figures for import penetration or for the decline of employment in the textile and clothing industry would accept the allegation that the MFA is a device to restrict trade to the advantage of our own industry. Employment in the United Kingdom textile and clothing industry has declined from about 1 million to 500,000 in 12 years. Import penetration of the United Kingdom market for textiles and clothing has risen steadily in the past 30 years. At one time it was less than 10 per cent. Now it may be three times that figure, and much worse in some sectors of the industry. Those who oppose renewal of the MFA, even in its present imperfect form, forget that we do not live in a perfect laboratory environment. There is no such thing as free trade. As the hon. Member for Macclesfield (Mr. Winterton) said, we have recently heard complaints in the Chamber about the Japanese Government's restrictions on imports and excessive assistance to Japanese firms. Those complaints refer to trade in general.

The tariffs on textile and clothing products operated by MFA supplier nations range from 128 per cent. in Pakistan to 22 per cent. in Malaysia. The tariff is 97 per cent. in Egypt, 60 per cent. in Thailand, 34 per cent. in South Korea and in Spain, which is waiting for accession to the EEC, it is 30 per cent. The average EEC tariff is 11 per cent., and it has been reduced by more than one third in the past five years. There has been no equivalent reduction in the tariffs charged by supplier countries. I welcome the Minister's assurance that there will be some attempt to ensure reciprocal arrangements among those countries. Perhaps I might put in a word about Hong Kong, which has no tariffs or barriers against our goods. If we are to be generous in any respect, we should realise the efforts that Hong Kong has made.

The textile, clothing and footwear industries committee of the Trades Union Congress has produced an excellent booklet entitled "A Fair Balance in Textile and Clothing Trade", which I am sure the Minister has read, in which it says that it strongly believes that there should be another MFA lasting 10 years, perhaps with a review after five years. That is important as it would give the industry some stability. The booklet also sets out many desirable improvements. I do not intend to list them because my right hon. and learned Friend the Member for Monklands, East (Mr. Smith) mentioned many of them. However,

three of the suggestions are in the finest tradition of trade unionism. I refer to the fine tradition of unions associated with the textile industry.

In my maiden speech I said with pride that textile workers had stood side by side with those in the United States who were fighting to free slaves there. They refused to touch cotton imports from the southern states during the civil war because they supported the fight against slavery. They did so at considerable expense to themselves. Mahatma Gandhi visited Manchester at the height of the Indian boycott on cotton goods in the north-west. Rather unexpectedly, he was well received and cheered in the streets of Manchester by textile workers, although his action was to their detriment. They did that because of their compassion for people who were worse off than themselves.

The trade union movement has made similar statements in the booklet to which I have referred. It says that it wants a new MFA to give more favourable treatment to the least developed countries and that it wants to encourage improvements in the social development of all member states. It also wants to reduce the gross exploitation of labour in member countries. We have all seen films of young children employed in the textile industry in some of the countries that export to us. They are remembered in the trade union document.

Lest it is felt that I have concentrated solely on what the trade unions have to say, I should like to quote from the letter sent by Mr. John Longworth. He writes:

"All of us, unions and employers alike, are deeply concerned about the effects on employment if the MFA is not renewed on similar or better terms than the present Arrangement. There is no doubt that there would be a large increase in imports from countries such as Hong Kong and Korea, and especially from China, which is a major threat. At the same time it would be impossible to argue for voluntary restraint arrangements with countries like Turkey if the MFA restraints on other suppliers had been removed. Without doubt these increased imports would mean thousands of further job losses in Oldham and Rochdale.

You may possibly be wondering why we cannot meet this competition head on. The reason is quite simply that government aids and subsidies given to overseas industries coupled with the distortion caused by unrealistic exchange rates make free and fair trade an illusion. Furthermore the overseas industries frequently operate behind protective barriers giving them a firm and profitable base from which to support their exports." Conditions overseas are not beyond the minds of trade unions. I hope that the Minister will bear that in mind.

6.16 pm

Mr. Ken Hargreaves (Hyndburn): Even if I had not been caught by the 10-minute rule, I would have been brief because it is important that as many hon. Members as possible should have the opportunity to take part in this debate, thereby reflecting the strength of feeling on both sides of the House. It is encouraging that so many hon. Members wish to take part and that so many signed the early-day motion to which my hon. Friend the Minister referred.

When I made my maiden speech 18 months ago, I urged the House never to forget that Britain had prospered through the skills and hard work of the people in the textile industry and said that the situation could be summed up by the old slogan, "Britain's bread hangs by Lancashire's thread." I went on to suggest that people in textile areas such as Hyndburn were proud and independent and would rather give help than receive it, but now they desperately needed that help. Consequently, in common with many other hon. Members, I am delighted to hear the

Government's commitment to work for a renewal of the MFA. I hope that they will support renewal on the most effective terms possible. To do otherwise would be to increase the existing pressure on employment in areas that are already unemployment black spots. Anything less than the commitment to which I have referred will simply accentuate the economic and social problems of areas such as Hyndburn, caused by the decline in the textile industry for many years.

I support the renewal of the MFA not so much because of my constituency interest in textiles, which, alas, is now small, but because I have lived in a textile area all my life. I have seen at first hand the problems caused to ordinary working people by job losses in textiles. Mill towns such as Accrington were devastated. I would not want that to happen to other areas. It was tragic to see such skilled and hard-working people, who worked hard for relatively low wages, whose industrial relations record was second to none and who readily accepted the need to be competitive by agreeing to shift working, time studies, job flexibility and low pay increases—even in some cases reductions—thrown on the scrap heap. It was a bewildering experience for them. There were no £30,000 redundancy payments for them. Even if the MFA is renewed, it is sadly, too late for the vast majority of textile workers in my constituency. Certainly it is too late for Messrs. Highams Ltd., a name synonymous with Accrington and textiles, which announced six weeks ago that it is closing with the loss of 300 jobs. The loss of such a well-established company is a severe blow to the morale of the area and a tragedy for the employees concerned.

Such closures add to the severe problems of unemployment and industrial dereliction in my constituency. Fortunately, because of the help of my hon. Friend the Parliamentary Under-Secretary of State for Trade and Industry, who played an important part in ensuring that a development grant application from the only remaining textile firm in my constituency was dealt with swiftly, 120 of the jobs were saved. Speed was essential, and without the Minister's intervention the jobs would have been lost. I wish to place on record my thanks to him. The right hon. and learned Member for Monklands, East (Mr. Smith) said that access to Ministers did not lead to comprehension and action. In this case he was wrong.

The textile industry and the fine people in it deserve our support. The industry has acted to improve its competitive position, productivity has risen by 22 per cent. since 1980, which is well above the average for manufacturing industry, investment is rising, even in the uncertain conditions which now prevail, increasing importance is being placed on design, and Enfield Manufacturing has succeeded because of the combination of all those factors and a determination to break into the often difficult export market.

The continued survival of such firms depends on the further improvement of their competitiveness in both home and overseas markets. The investment required in new technology will be achieved only if they have confidence in the future. Without the present system of low-cost import restraint, the prospect of reasonable stability would be removed and with it much of the confidence on which investment depends. That is why the renewal of the MFA is vital.

I support help being given to Third world countries—the world's poor—but it must come from the country

as a whole. Indeed, it must also come from other countries, and not from one section of one country. I cannot say to the remaining textile workers in my constituency that they must accept an increased burden when workers in America, Japan and Australia are not prepared to do so. Far from being protectionist, the MFA has allowed EC imports to grow, even in a declining market. By providing guaranteed and growing access to developed markets, it has greatly assisted developing countries in advancing their export interests in an orderly trading environment.

If we were to abandon the MFA, it would lead to chaos, which would hurt everyone, not least the less developed countries. Without any such international agreement, political pressure would build up in each developed country to enact strong protectionist legislation. Such legislation would have serious and mainly negative implications for both textiles and world trade generally.

I recorded earlier my thanks to my hon. Friend the Minister for helping to save 120 jobs. That action shows that the Government care about the textile industry, and also their care and anxiety to renew the MFA. Clearly the British Government in isolation cannot have their way in the important discussions ahead, but we look to them to argue Britain's case forcefully. Anything less would fail the industry and those employed in it. I believe all that the Minister said and thank him for what he said when he opened the debate.

The Silberston report made many forecasts of what might happen if the MFA were rapidly phased out after 1986. Those hon. Members who live in and represent textile areas know what would happen, and we would not support it.

6.23 pm

Mr. Paddy Ashdown (Yeovil): There can be no doubt that the textile and clothing industry is one of the United Kingdom's greatest industries. There is no point in repeating the figures to point out that fact. There can be no doubt that the industry has made great strides in profitability, efficiency and modernisation, and all hon. Members must join with the Minister in paying tribute to it for that. There can be no doubt that the industry is centred around the present centres of unemployment. Unemployment is often highest where the clothing textile industry is situated. There can be no doubt that it would be folly, and, in the light of the present unemployment trends, dangerous folly, for the Government not to do all they can to create a climate and framework within which the industry can prosper. That must be common ground to us all.

We must consider whether an essential part of that framework is the multi-fibre arrangement. One may imagine that there is little else. Our capacity to assist our clothing and textile industry is woefully inadequate compared with that of the Belgians who put £90 million a year, which is equivalent to £500 million a year for an industry the size of ours, into the industry, or the Italians who provide, it is said, assistance worth £1,500 million a year.

The fact that for many people the MFA is the only instrument with which we can assist our industry accounts for some of the strength of the reactions to the debate whether it should be continued.

There are only two reasons for continuing the MFA: is it good for the industry, and is it right for trade? No one

[Mr. Paddy Ashdown]

can want the MFA because he wants protectionism—at least I imagined that until I heard the speech of the right hon. and learned Member for Monklands, East (Mr. Smith). It is strange to hear from the mouths of a party which has such a proud tradition in internationalism, which professes to care greatly for the Third world, and says it wishes to ensure that the poor have reasonable access to cheaper goods, protectionism in that form and manner.

As a trading nation we depend on a free and fair system.

Mr. Tom Clarke (Monklands, West) *rose*—

Mr. Ashdown: I apologise to the hon. Gentleman. I recognise that I have said one or two things which will have annoyed him, but with only 10 minutes to speak I cannot afford to give way.

With the mood of protectionism rising, few people can want to put permanently in place a protectionist measure, such as the MFA, for longer than necessary. Is the MFA necessary? There are two parts to the question. First, is it necessary to the structure of world trade for stability; secondly, is it necessary for the industry itself?

The first question is easier to answer than the second. The MFA has provided a framework for stability during a period of great change. It would be wrong brutally and precipitately to dismantle it now as the period of adjustment is not yet complete. However, it is nearing completion. Allowing for transport costs, the West German industry, for example, would need only a 3 per cent. duty on yarn and a 12 per cent. duty on cloth to compete with the Korean industry. It is calculated that the United States industry needs no duty. The need for the MFA in world trading terms has diminished and is diminishing. I accept that it will be needed—but for how long?

What I do not accept is the view that the MFA has been a benevolent instrument for the less developed countries, especially the poorer less developed countries. Seventy per cent. of our net imports come from the Organisation for Economic Co-operation and Development, whereas under MFA 1 the figure was 65 per cent. The drift continues in the same direction. More than half of our net imports come from Common Market countries. The less developed countries, share of the market has fallen from 32 per cent. to 26 per cent. If it is so beneficial to less developed countries, why did 21 of the leading less developed countries in the MFA ask only last month for a return to a genuine multilateral form of trading?

Mr. Bryan Gould (Dagenham) *rose*—

Mr. Ashdown: The hon. Gentleman will make a full speech and no doubt he can make his points then.

I accept that the MFA has had a stabilising effect on world trade, and that it still has a role to play. However, that role is diminishing. The MFA was set up as a temporary structure, and I see no reason to change its temporary nature now.

Is it, therefore, necessary to the United Kingdom industry? That is the contentious question. Silberston said that it was not. I recognise that many hon. Gentlemen disagree with that. However, careful analysis and consideration of the criticisms will show that some of the criticisms are also ill-founded. I have considered

Silberston's report and the criticisms of it, and I believe that he got it about right in general direction, if not in detail. We could pick holes in many of the details, but in general, the thrust is about right. [HON. MEMBERS: "The hon. Gentleman knows nothing about it."] There are textile firms in my constituency, and not in insignificant number.

I agree that our textile and clothing industry needs support and a framework to help it in the struggle to adjust to difficult world trading conditions. I do not deny that the MFA has provided such assistance, although the assistance may have given too little weight to some consumer views. We must remember that the consumer, not the taxpayer, has paid for the MFA. There is an argument that the MFA is a hidden tax that falls most heavily on those who purchase cheap clothes or children's clothing. Be that as it may, I agree that the MFA has been useful in providing a framework to allow our textile and clothing industry to restructure itself, and that it will continue to have a similar role, albeit a diminishing one, in the immediate future.

However, I cannot accept the fact that the MFA must be enshrined as a permanent structure. We should renew it for a last term—MFA 4—roughly similar to that of MFA 3. The Government should seek a commitment, through the EC, that this will be the last renewal. The Minister may not wish to say that now, but a case could be made for it. Furthermore, as a commitment to a more liberal rather than a more restrictive MFA, we should investigate the possibility of exempting the poorest exporting countries from quota provisions. They occupy a tiny fraction of the textile markets, so such action would cost us little enough.

If we are to provide the support that this great industry needs, there must be better long-term ways of doing it than the MFA. As my right hon. Friend the Member for Plymouth, Devonport (Dr. Owen) said in June last year, we need a decent EC plan for textiles to consolidate and build on the great advances that have been made by the industry. By all means, let us renew the MFA for a final term, but let us also begin to draw up a proper and efficient system for assisting our textile industry—a system that will provide the support that is needed, where it is needed, rather than relying solely on a structure of import quotas, which cannot last for long and which, in any event, is an extremely inefficient way of assisting such a great and vital industry.

We have allowed ourselves to hide behind the MFA as an excuse for not making proper provision for the industry. The textile and clothing industry deserves better from us than being put in a position of relying on such a temporary measure. If the Government wish to do something of real importance for the industry, they should press our EC partners for a European plan for textiles rather than the indefinite retention of this essentially temporary structure for ever.

6.33 pm

Mr. Kenneth Carlisle (Lincoln): On the surface, this debate is about the multi-fibre arrangement and the textile and clothing industry, but in reality it goes much wider and touches on matters of great importance to the United Kingdom. We must decide whether we want free trade or protection, and I believe that, as a trading nation, we must take the course that expands our trade most.

Just as the debate goes wider than its title, so must hon. Members lift their sights above their narrow constituency

interests. I sympathise with my hon. Friend the Member for Hyndburn (Mr. Hargreaves), who made a moving speech, but he, too, must lift his sights, as a Member of Parliament, to what is best in the long term for a trading nation.

Britain is a trading nation, and it exports a larger share of its output than does any other country. As a result, it does better when world trade is buoyant than when it is weak—that is self evident. Free trade undoubtedly helps trade to grow and generates wealth, whereas protection has always had the opposite effect. It reduces economic activity and increases poverty, and in this respect, I am glad to be on the same side as the hon. Member for Yeovil (Mr. Ashdown). It is sad to hear the constant cries for protection from both sides of the House, and especially from the Labour party, because that would reduce prosperity and jobs.

Let us consider a practical example. I am always impressed by how much of what is manufactured in my constituency is exported. Ruston Gas Turbines, our biggest employer, exports more than 90 per cent. of what it makes. If one adds direct exports to the components that go elsewhere to be assembled into exports, most firms in Lincoln export 50 per cent. or more of their output, and I am sure that many other industrial centres have a similar record. Therefore, if we drift towards protection, barriers will be erected, markets will shrink, and jobs will be lost. It is folly to believe that demand at home or in the Common Market will take up that slack. In an earlier intervention, I gave the example of Indonesia in 1980, when our reactions lost us jobs at home. We must be under no illusion that protection which expands without ceasing would have that effect repeatedly.

Britain is right to fear a drift towards protection. With our Common Market partners, we must stem and reverse that tide. If we do not, we shall suffer. We must achieve our aim of having a new round of GATT talks. We must stop the growing lobby in the United States towards protection, and we must use all the levers we have and all the power of our market to get other countries to open their markets to our products, and to introduce true free and fair trade.

Those who advocate protection have much more to answer than the sole charge that protection reduces wealth. It also narrows choice for the consumer. It increases prices here, as competition is reduced and cheaper goods are kept out. It is estimated that the textiles which come in under quota protection cost the British consumer £500 million more than they would cost if there was free competition. That money is prevented from going elsewhere in the economy to generate its own wealth. In addition, the countries affected by the MFA send us more expensive goods to make the best use of their quotas. Therefore, in all ways, the poorer families in Britain suffer from the MFA, because they must spend more on textiles and clothing than they should.

The consumer has a right to be heard—we are all consumers—and his interests must not go by default. They must not be swallowed by narrow constituency interests.

Many people claim that we should do more to help Third world countries, but one of the best forms of help is to provide British markets for their products. The MFA restricts choice, increases prices and damages poorer countries. We stomach all this because we claim that we are buying time to change our textile industry so that it will

compete fairly. But import quotas are a bad way to help the industry, and history proves that. In 1974, the MFA was introduced temporarily, but since then it has been extended twice, and now we hear cries that it should be extended for another 10 years. Protection never promotes the change that is needed; therefore, protection endures for ever.

There are better ways to help industry. I welcome the scheme started in March 1984 to help smaller firms to invest in new technology. If help is needed, let us go down that route, not the protection route. The main argument for the MFA has proved itself to be a delusion. Jobs will be created by creating a climate of more exports from Britain and of having cheaper goods for the British consumer to buy. We shall have greater spending power.

The practical lesson that we have learnt since 1974 is that once protection starts, it is difficult to dismantle. I have two practical suggestions for new talks. First, we should use existing quotas as a lever to secure reductions in barriers against us in other markets. We must use the force and power of our markets to reduce barriers in Taiwan, South Korea, the United States and other markets. If we do this, we can relax barriers here. Secondly, we must analyse the strength and weaknesses of the various sectors of the clothing and textile industries. The Silberston report sketches out a sensible timetable for the reduction of the MFA. It does not suggest doing this all in one go, and it tries to meet the practical situation.

I end as I began. As a trading nation we must allow our skill and efforts to stem the drift towards protection because that drift can only harm freedom of choice, prices, our ability to compete, our markets and hence jobs. For prosperity, future and the jobs of our people, we must turn the world back towards free trade and away from this ominous drift towards protectionism.

6.41 pm

Mr. Max Madden (Bradford, West): I declare an interest as a Member sponsored by the Transport and General Workers Union, of which the textile group represents many workers in the industries that we are discussing. Many of them are extremely low paid, and all of them, I remind the hon. Member for Lincoln (Mr. Carlisle), are consumers. Like my right hon. and learned Friend the Member for Monklands, East (Mr. Smith), I believe that it is sad that it has taken so long for this debate to take place. Because of the Government's equivocation and public uncertainty about whether they were committed to a renewal of the MFA, there has been considerable uncertainty in the industry and outside it. That has been damaging and the Government have only themselves to blame for the damage that they have done to the confidence in the British textile and clothing industry.

The Government have an opportunity to show—I am glad that they have done so to some extent in this debate—the importance of the British textile and clothing industries to our economy, to our manufacturing industry, to exports and, vitally, to employment. It is important that we should never overlook or understate the importance of the textile and clothing industries to employment. They are concentrated in areas that have already been ravaged by high unemployment.

Both sides of the textile and clothing industries support a renewed MFA, even though there are clear and divergent interests among those involved in the industries. It is an insult for those who oppose renewal of the MFA to attempt

[Mr. Max Madden]

to dismiss those who support it as being entirely motivated by vested interest. It is equally insulting for them to misrepresent the aims of the MFA and its past and future impact, and to mislead or misrepresent its effect. The most important argument to address is the one that seeks to persuade us that ending the MFA in favour of free trade and intensified competition serves all interests best—the textile and clothing industries, consumers and foreign textile suppliers—including the poorest.

It is clear that if the MFA were to end, or to be substantially weakened, the international textile and clothing industries would not find themselves in a pure free trade environment invigorated by fair competition. Britain, with all other textile suppliers, including the poorest, would find itself in a trade jungle, unregulated, subject to constant and major disruption, with the weak being even more exploited than they are now, or in some cases being snuffed out altogether. Pure free trade and unfettered competition would no longer exist.

The Minister pleaded with us to face the facts, and talked a lot about the 1930s. I wish that he had faced more facts about the world in 1985. Free trade is an obsolete concept in a world in which real economic power, and economic decisions that affect the daily lives of all of us, are wielded by a small group of giant multinational companies. In many cases their individual economic power, or sometimes their power in small groups, is greater than that of Governments of independent sovereign states. Multinationals rather than Governments now determine the location of investment, or its withdrawal, without giving a second thought to the social consequences.

Courtaulds has probably taken more taxpayers' money than many other companies of which I can think. It has recently announced the closure of two companies in Wales, with the redundancy of 1,100 workers. Rumours are circulating that the product that was made in Wales is now to be made in India through a joint venture between Courtaulds and the Indian Government. I support investment in the Third world, but I deplore, if it is true, the social irresponsibility of a company such as Courtaulds engaging in such a venture and throwing 1,100 people in a high unemployment area on the dole.

The profits earned by multinational companies are artificially manipulated to minimise tax payments, and profit or loss is determined by deliberate transfer pricing. Free trade is the fashionable belief among a dwindling band of Thatcherite Ministers, Whitehall mandarins, Adam Smith Institute pamphleteers and those dreaming of higher things at the Institute of Directors. Sadly, to judge from the speech of the hon. Member for Yeovil (Mr. Ashdown), there seem to be lingering supporters of Gladstone in the Liberal party. For the first time, we may be having a second speech from the Liberal party, but one of a different flavour. Perhaps in future we shall have not one member of the parliamentary Liberal party seeking to speak from the Opposition Dispatch Box, on behalf of his party, but two. Perhaps the Procedure Committee will take note of that.

Only this week we witnessed the economic and trading realities of the world in 1985. Our tender for the Turkish bridge was the lowest, and our bid matched or beat that of others bidding for the contract, but the Japanese won the order because they offered to subsidise the approach

roads to the bridge. That is an ill reward for those senior Tories who have over years been apologists for the Turkish Government and sought to conceal or excuse their appalling record on human rights and their appalling deeds. We failed to get the contract despite the embarrassing behaviour of senior Tories.

Free trade offers the consumer little, and the poorest countries in the Third world even less. The poorest textile suppliers will survive and expand only if they can look to relative stability and assured access to markets, and have some confidence of a sustained demand to maintain their markets and open up and sustain new markets. Above all, we need increasing world demand, and that is why the Labour party is constantly urging economic expansion, because such things come only from economic expansion. The internationalism about which the hon. Member for Yeovil talked is meaningless unless there is a determined international effort to expand economic activity throughout the world and allow the poor countries to find new and larger markets for their products.

The MFA is all about trying to assist an orderly growth in trade and about our negotiating a planned growth in trade to the mutual benefit of all textile suppliers, especially the poorest. It is necessary to dispose of the myth, again fashionable among those who still cling to free trade notions, that British textiles are a sunset industry, locked into inevitable and terminal decline, and that the MFA might as well dwindle because it is merely postponing the inevitable death of the textile and clothing industries. That myth must be nailed. As many hon. Members representing textile constituencies have made clear in the debate, the Government need to provide more investment and support for the British textile and clothing industries. They must "talk up" these industries.

It must be emphasised that by any economic yardstick or any economic criteria our textile and clothing industries represent a most important part of the British economy. They employ 500,000 people, many of them women, large numbers of whom belong to the ethnic minorities. Much understandable importance has been placed upon that aspect.

These industries represent a major part of Britain's shrinking manufacturing base. They are major British exporters. Their performance, not least in productivity growth, can be compared favourably with any other part of our manufacturing industry. Unless the multi-fibre arrangement is strengthened, the loss of jobs within the industry will be intensified. Only last year 200 textile workers went on the dole queue every month.

Most of these jobs will be lost in areas where there is already high unemployment — in Yorkshire, Humberside, the east Midlands, the north-west, Scotland and in some parts of the south-east. Many of those men and women are the only wage earners for their families. Already in some areas unemployment is as high as 60 per cent.

This is a valuable debate. I hope that the Government's indication that this industry's trade is being renewed will be followed up by a full-hearted and determined commitment. I am worried about some of the comments on transitional arrangements and about the hint that the MFA may be only a temporary measure. For the sake of the industry, of the men and women who depend upon that industry and of the world economic community, I hope that a strong and effective MFA will be negotiated.

Anything less than that will be a gross betrayal of a British industry and of the men and women who have devoted their lives and energies to it.

6.52 pm

Mr. Gary Waller (Keighley): In the last Parliament there were several fairly gloomy debates, most of them initiated by the Opposition, on or related to textiles. This is the first major debate on textiles in this Parliament. To some extent this reflects the more confident state of the industry—at least of the wool sector of the industry. Confidence, however, is relative. Today, the industry is very much leaner, albeit fitter, than it was and employs far fewer people, but its future remains extremely uncertain.

Some people, among whom I include my hon. Friend the Member for Lincoln (Mr. Carlisle), have portrayed the multi-fibre arrangement as a means of rigidly restricting textile and clothing imports. In fact, it is a framework for gradual liberalisation. This can be illustrated by pointing out that the present MFA—MFA3—allows for an annual growth rate of imports of up to 6 per cent., which in the event has been very nearly four times the growth rate of clothing sales in this country over that period.

Free trade in goods and services must be the ideal, but we do not live in an ideal world. The reality is that many countries have erected barriers to trade which are far less liberal than our own. This factor applies to both developed and underdeveloped countries. The United States must come high on anybody's list of protectionist nations. United States tariffs on woven wool fabrics at 45 per cent. compare with the 13 per cent. tariff applied by the European Community. Australia, too, could hardly be counted in anybody's book as underdeveloped, yet its tariffs of between 70 and 100 per cent. on woven outerwear are ludicrously high, compared with that of 16 per cent. in the European Community.

Of the developed countries, Europe cannot be expected alone to accept responsibility for imports from low-cost countries. If we did, it would have disastrous results. The United States is a much more self-sufficient country than the United Kingdom, and a much smaller proportion of its gross national product is devoted to trade. Britain depends to a much greater extent than almost any other nation on trade. It is not in our interests that there should be increasing restrictions. The United States cannot be allowed indefinitely to use high tariff barriers as a means of protecting its own industry from exchange rates which are largely the result of its own economic policies. I hope that Her Majesty's Government will increasingly take a tough line with the American Administration.

The MFA is not, I believe, a restrictive measure but a way of allowing international trade to develop in an orderly way. It should also be a means of enabling trade to develop more liberally, but this is a two-way process. It depends just as much on those with whom we trade as ourselves. Reciprocity is the principle for which we should aim. When we negotiate the bilateral agreements a tough line should be taken with those countries which have made no effort whatsoever to open up their markets to exports from the European Community, but in no way can any guarantee be given that MFA4 will be the final MFA. That depends upon others as well as ourselves.

If we were to give away our bargaining hand, as was suggested by the hon. Member for Yeovil (Mr. Ashdown), there would be little hope of persuading other more restrictive states to adopt freer policies. The hon.

Gentleman said that Silberston had got it just about right. I presume that he was speaking as the official spokesman for the Liberal party. I challenge the hon. Member to come and say that on Liberal platforms in west Yorkshire, both now and in the future, and see what the result is.

Non-tariff barriers and other distortions of fair competition should also be considered when we conduct bilateral negotiations. Some Governments provide massive aid to their own industries. The social conditions of workers are often quite unacceptable, even allowing for the much lower standards which we would expect to prevail. These are factors which we cannot afford to ignore. Therefore, one would wish there to be in the new MFA a social clause which deals with such issues as working hours and conditions and guarantees against the exploitation of children.

We are entering upon a period of even greater changes in trade patterns than existed in the past. The expansion of Chinese exports in textiles is something of which our own industry is very fearful. If orderly trade development was needed before, it will be needed even more in the future.

It is often suggested that we should relax all barriers in order to aid the Third world, bearing in mind that many poor countries are better able to contemplate the development of a textile industry with the use of low technology than other enterprises which require much greater capital investment. However, without the existence of a framework for orderly trade development it is likely that the most underdeveloped countries will be squeezed out by those who already have a track record. The best hope for the most underdeveloped nations is the existence of reasonable quotas which give them a chance to have some access to the market.

Although we are discussing the renewal of the MFA, this must be viewed in the context in which it appears. In the past, several European Community member states gave various forms of financial assistance and other aid to their textile and clothing industries. One can point notably to members of the Community such as France, Belgium, Holland and Italy. All have extended massive aid to their textile industries. For years complaints were made about this by companies in this country, but the Community failed to act. When, at long last, the British Government proposed a relatively modest scheme, known as CLOFT, involving only £20 million, compared with the hundreds, if not thousands, of millions of pounds which had been extended to industries abroad, the competition policy of the Community was tightened up. It is of some comfort to companies in this country, which have had to face very unfair competition over a number of years, that schemes put forward by other countries will be subject in future to the most rigorous examination. In the meantime, many firms have disappeared and many jobs have been lost. The textile and clothing industries in Britain now look searchingly to the Government to protect their interests in the future and to ensure that genuinely fair competition prevails.

Today's statement by my right hon. Friend is encouraging as far as it goes. The wool textile industry, which is so important to the economy of west Yorkshire, will give one cheer tonight. It will give another cheer if a satisfactory MFA 4 is negotiated, and it will cheer even louder if the subsequent bilaterals are fair to all sides.

6.59 pm

Mr. Roy Beggs (Antrim, East): I cautiously welcome the Minister's statement that the multi-fibre arrangement will be renewed. I am not convinced that the Government have expressed a clear determination to put up a strong case during the negotiations. The importance of the MFA to Northern Ireland in particular can be demonstrated by a simple reference to my constituency of Antrim, East.

At present more than 20 per cent. of my constituents are unemployed. Despite what Professor Silberston says in his report, that high level of unemployment arose directly from the collapse of the synthetic fibre industry several years ago. It has not been possible to create new jobs for those constituents of mine who were formerly employed by Klingers in Larne and by the international companies such as ICI and Courtaulds. Those companies pulled out putting thousands of people on the dole and then made a cosmetic gesture in attempting to attract small businesses to those huge plants.

The MFA, which has been designed to control and restrain the growth of cheap imports into the United Kingdom, must be renewed and renewed in such terms that we do not precipitate further decline in the textile industry. I believe sincerely that failure to renew the present arrangements would cripple the Northern Ireland textile industry and seriously damage employment opportunities in the textile, clothing and knitting industries in Britain. It could turn the United Kingdom, including Northern Ireland, into one big shop for cheap imports from the rest of the world and simply put our people into unemployment.

As far back as 1974 the Northern Ireland economic council reported, and nothing really has changed since then, that:

"There are no measures to show exactly what effect cheap imports have had on local producers but it is clear that this has been an important factor in the decline of the industry over the past ten years. Furthermore, import penetration has been greatest in those products in which Northern Ireland industry has tended to specialise—carpets and the down-market end of fabric production."

The textile industry, excluding man-made fibres, is one of Northern Ireland's largest industrial sectors. The decline of that sector and the loss of jobs there, has been almost continuous in the post-war period. Since 1959, 54,000 people, representing 34 per cent. of the manufacturing labour force, have declined to 20,430 people or 14 per cent. of the manufacturing labour force by 1979.

Yet output continues to increase due to the productivity of the labour force and the modernisation which occurred as a result of the uptake of capital grants to industry. But even since 1979 decline in the industry has continued. By 1983 the Northern Ireland textile industry provided employment for 13,000 people, representing only 13 per cent. of all persons in manufacturing in Northern Ireland.

We are all well aware of the former dependence for employment in Northern Ireland on the linen industry. I trust that the Government will give every assistance possible to foster the rebirth of that industry, to encourage the development of new products and new composite materials based on linen. It has been clearly shown that these are in demand by high fashion designers throughout the world. Finding markets for new products is still a problem. All those engaged in searching for new markets and promoting exports merit greater support and encouragement from the Government.

Northern Ireland industry has also been dependent on the United Kingdom market but there again growth has been low and demand has been slow. We are well aware of the need to export to survive, but how can we compete, especially when there are high tariff barriers elsewhere? There must be greater incentive and assistance for those who wish to export.

Import penetration by cheap imports from low-cost producers in the developing countries has also caused serious job losses for our home produced products. I am sure that hon. Members are well aware that imports of textiles increased from 21 per cent. of total United Kingdom sales in 1973 to 40 per cent. in 1982.

It appears almost ridiculous for hon. Members to advocate at every opportunity that consumers should buy British when there is inadequate and insufficient protection by the Government for the textile industry and the products that are produced in the United Kingdom to enable fair competition against cheap and subsidised imports.

I remain concerned about the recommendations of the Silberston report. I urge the House and the Government not to accept its main recommendations and strongly to defend the interests of the United Kingdom's textile, clothing and knitting industries to take account of the economic and social importance of those interests in Northern Ireland and in other regions in Britain which are equally depressed.

I wrote to the Minister of State, Northern Ireland Office requesting that the interests of the Northern Ireland textile industry should be adequately protected in the forthcoming negotiations and that the MFA should be renewed on such terms as would prevent further decline in jobs. I recognise and appreciate the Minister's awareness of our problems in Northern Ireland. In his reply he said:

"We have examined the Silberston Report on the economic effects of restraints on trade in textiles and clothing and share your concern over the recommendations in the report on the future of the Multifibre Arrangement. The textiles and clothing sector makes up almost 30 per cent. of the total employment in manufacturing industry in the Province and I am well aware that the erosion of the Textile Industry has contributed substantially to the high level of unemployment in Northern Ireland today. It is our intention to ensure that the renegotiation of the Multifibre Arrangement will not jeopardise NI companies."

I hope that the Government will back up that assurance and the Minister's statement that the United Kingdom will not be a soft touch in the negotiations. I also hope that no date will be agreed for the final phasing out of the MFA and that incentives to the textile and clothing industries will mean that we shall quickly modernise and be able to compete internationally with every other producer.

7.9 pm

Mr. Gerald Malone (Aberdeen, South): It is always an interesting and curious parliamentary occasion when those of my hon. Friends who occasionally tend to run like lemmings with the free trade argument suddenly draw themselves up on the edge of the precipice on a night such as tonight having doubtless been confronted by the reality of their parliamentary majorities. Perhaps we should be a little courteous to those of them who have the courage to go over the edge tonight. My hon. Friend the Member for Lincoln (Mr. Carlisle) has already leapt, and, judging by the noises on the Benches behind me, some others may also leap.

Mr. Michael Fallon (Darlington): Will my hon. Friend give way?

Mr. Malone: I do not intend to give way.

Although I have some sympathy with those of my hon. Friends who may take that step, I believe that, their courage is misplaced. If there is any debate in which a fair grasp of reality must be the touchstone from which we proceed, this is it. Indeed, I congratulate my right hon. Friend the Minister on what he said in his initial remarks and on having a very realistic approach to an extremely difficult issue. My right hon. Friend's approach was different from that of Opposition Members. He has demonstrated that he is prepared to consider some form of renewal of the agreement while working towards freer trade, but Opposition Members are more than happy to have protectionism and to see the present agreement set in concrete. That is the difference between us.

This debate is extremely important for Scotland. Scotland employs about 14 per cent. of those employed overall in the textile industry. But perhaps more importantly, those people are employed in areas where there has already been a massive rundown in the industry, and they have already faced massive sacrifices. In some of those areas it has proved possible to create new jobs through fresh industries, but there would be a grave risk if anything happened to prejudice those jobs still further.

We must try to balance the interests of those employed in the industry with the interests of the consumer. My hon. Friend the Member for Lincoln rightly mentioned the consumer. However, in another context my right hon. Friend the Secretary of State for Energy pointed out that there is more to matters than simply the consumer. There are, after all, consumers and producers. It is perhaps another interesting parliamentary curiosity that my right hon. Friend's speech has been endorsed by my right hon. Friend the Prime Minister from the Dispatch Box. Thus, the Government presumably accept that the interests of consumers cannot be considered on their own.

Those who believe that the agreement should simply be scrapped should ask themselves whether it has badly affected consumers' interests. There are three questions to which hon. Members must address themselves. First, has the agreement made the textile industry softer? The answer is that it has not, because the textile industry, almost uniquely in this country, has increased its productivity by 30 per cent. since 1980. Secondly, has the agreement made the textile industry less keen to invest? The answer is, of course not. After all, £200 million was invested last year by the textile industry. Thirdly, has the agreement made the industry complacent about its products? Has there been a shortage of goods in the market place? The answer is no. The industry has diversified and has moved with the times. It has added value to its product to the extent last year of £3.9 billion.

If we had been faced with a complacent industry that had hidden behind a protective shield, I would have agreed with those of my hon. Friends who say that the agreement should be thrown over. However, that is not the case. The industry has responded to the challenge set out in 1974, which was that this was a time for change and should be used as an opportunity for change. The industry has taken that opportunity.

It is too simple to state that the agreement should simply be renewed. That is not sufficient. In the past few years it has become tighter and more, rather than less,

protectionist. I had hoped that over the period of its development the degree of protection provided would become less restrictive than at the outset. One of the principles guiding the negotiations leading to renewal should be that, although some protection is necessary, it should not be static and should not become sharper and tougher as the years go by.

In attempting to renegotiate the agreement, my right hon. Friend the Minister should move slowly towards a free trade position. That must be the inevitable and long-term consequence of our endeavours. But it is not something that can be achieved instantly; it must be a long-term objective. It is not quite proper tonight to suggest, say, that the agreement should last for five or 10 years. However, the textile industry in this country has taken substantial investment decisions on the basis of the current MFA. Those investments must be given a chance to bear fruit, and the industry must be given a chance to see clearly where its future investment opportunities lie. If my right hon. Friend has that as a guiding principle, he cannot go too far wrong in the renegotiations.

There are some details that it would be helpful to incorporate in any new agreement. We must, of course, move towards a less restrictive approach than we have had during the past few years, which would benefit the developing world. I think that there is a broad consensus tonight on that point. We now have an ideal opportunity to get rid of some of the abuses in the present system. I have always thought it reprehensible that a system of quota renting—a method of passing quotas round—should grow up. That problem must be tackled in the negotiations, and stopped. In addition, we must develop a much less blunt instrument than the unilateral sanctions that exist under GATT as a response to those who abuse the free trade that we wish to see. As hon. Members have already said, such abuses certainly exist.

If my right hon. Friend the Minister pursues that course, he will set a mood that shows that, although we are in favour of renegotiating the agreement on a reasonable basis, we are not in favour of protectionism as a creed. That is the mood that he must set in the talks. It is a difficult mood to create, but I am certain that my right hon. Friend has made a very good start this evening, and I am also certain that the whole House wishes him well in his efforts.

7.18 pm

Mr. William McKelvey (Kilmarnock and Loudoun): I am glad to have the opportunity of speaking in this debate, because, as many hon. Members have said, the issue before us is crucial for the textile industry. I accept that hon. Members have the right to talk about constituency matters, but on this occasion I should like to underline the importance to Scotland of renewing the agreement.

The economic importance to Scotland of the textile industry is often ignored and almost invariably understated. The industry in Scotland employs about 60,000 people—almost as many as the steel, coal and shipbuilding industries combined, and more than half as many again as the electrical and new electronic engineering industries employ. That means that the industry is responsible for 14 per cent. of manufacturing employment and for about 3 per cent. of total employment in Scotland. Consequently, I need not underline its importance to Scotland.

[Mr. William McKelvey]

The threat of job losses if the multi-fibre arrangement were liberalised or abandoned is viewed not with hysterical anxiety but with genuine concern by those engaged in or employed by manufacturing industry. The problems would be exacerbated if the agreement were ended because of the geographical locations involved. Unemployment would result and the effects upon the Scottish economy would be disastrous.

The high unemployment in Scotland seems to have escaped the attention of the media recently. The latest figures show that more than half of the United Kingdom total rise in unemployment during April took place in Scotland. Last month 2,785 souls in Scotland joined the dole queue, bringing total unemployment to a disgraceful 354,692. The Government's policies are responsible.

In 1982 the textile and clothing sector accounted for nearly 8 per cent. of manufacturing output and nearly 2 per cent. of Scottish gross domestic product. In real terms output per head in textiles rose by nearly 14 per cent. between 1979 and 1982. That compares favourably with the 13.5 per cent. increase in manufacturing industry as a whole. Manufacturing industry in Scotland cannot be said to be Victorian, Luddite or old fashioned. Manufacturers in Scotland, like their counterparts elsewhere in the United Kingdom, have modernised their machinery and cut costs.

The Scottish textile industry is export oriented. About 90 per cent. of total sales in 1976 went either to the rest of the United Kingdom or abroad. In Scotland we regard sending goods to England and Wales as an exercise in exporting.

The Minister said that a great deal of money had been put into the textile industry to alleviate the problems in areas of high unemployment. I hope that the Minister will take my remarks into account when such moneys are doled out in future.

Strathclyde covers about one third of the geographical area of Scotland and supports about two thirds of Scotland's population. It unsuccessfully claimed a share of the £58 million allocated to the United Kingdom under the EEC non-quota programme to assist textile closure areas. Representations were made in respect of the Kilmarnock and Paisley travel-to-work areas where there is a concentration of that type of work and where heavy losses in employment have occurred recently. The EEC Commission and the Government adhered strictly to the 20 per cent. "regional dependency ratio" which works against such a large region because of the pockets devoted to textiles in that region.

The districts certainly lost over 20 per cent. of manufacturing employment but they were denied the grant which could have alleviated suffering in areas with some of the worst unemployment in Britain. I hope that the Minister will bear in mind the needs of that large region. Perhaps he will be able to change the system so that grants are more equitably distributed.

In Kilmarnock and Loudoun the textile and clothing industries provided 4,500 jobs in 1981—almost half of all manufacturing employment in textiles. Because of the many job losses in the BMK carpet factory, that figure has shrunk, but we have managed to hang on to our lace knitting industry. The knitwear industry has experienced a slight improvement in terms of jobs. Once 40 small knitting firms existed in the area but now there are only

four. Any further depletion of that industry would be disastrous for an area with no alternative employment opportunities.

The factories distributed throughout Scotland are not usually large. Mackinnons in Coatbridge employs about 500 people. It was returned to the private sector by the Scottish Development Agency as part of the Dawson international group. Queen of Scots in Irvine employs about 400 people, is part of Courtaulds and produces "cut and sew" knitwear. Cumnock Knitwear employs about 300 workers, Macdougalls of Lanark employs between 200 and 300 and Mansfield hosiery mills in Glasgow employs about 200. Any loss of jobs in those areas could be devastating.

There is a modest caution about the way in which the Minister approaches the problem. That is not because he is not sincere, but I should have more confidence if he were more dynamic and forceful in his attitude to the negotiations. If he needs any assistance, I know several shop stewards in the textile industry who are fully aware of what it means for the MFA to be continued. They want to sleep easy in their beds. All the representations made to me on the subject have been made jointly by the trade unions and management. I support them.

7.27 pm

Mr. John Watson (Skipton and Ripon): I am pleased to have the opportunity to participate in the debate, particularly as two key issues of principle must be discussed before the House can consider the MFA itself. The first is the simple definition of the word "unfair".

Some people are confused about what we mean when we talk about unfair competition. If what is meant is competition from imports which are subsidised by the Governments of the countries from which they come, I would enthusiastically agree with the definition. However, some colleagues take the definition further and apply it to imports which they regard as unfair simply because they are unwelcome, inexpensive or based upon pay levels which are lower than levels here. By no stretch of the imagination can I believe that the word "unfair" can be applied to such competition.

Secondly, and perhaps more fundamentally, what exactly do we want industry to provide? Do we expect industry in Britain to be the provider of jobs or of wealth? The prevailing political fashion is to say that it can do both. In the 150 years since the industrial revolution, successful industry has indeed done both.

However, it is unrealistic to expect manufacturing industry to provide both jobs and wealth as the 20th century draws to a close, for two reasons. First, to provide jobs and wealth it is necessary for production each year to exceed productivity by a considerable margin. That can be done only if our share of world trade escalates considerably from its current low level. Second, it means that the employment provided by manufacturing industry, which has been falling consistently for over 100 years, must be reversed and so begin to increase.

Those might both be laudable objectives, but they are unrealistic as assumptions upon which to base an economic policy. I appreciate that, faced with a choice between jobs and wealth, it is consistent that many Labour Members should believe that the correct role of industry is to provide jobs. That is a valid and logical choice, but I ask Labour Members to consider the consequences of opting for it.

It is self-evident that an industry whose task is to provide jobs must be overmanned and will not be competitive in world markets. If it is to exist, it must do so behind a barrier of trade protection, from which a number of consequences inevitably flow. The choice available to domestic consumers will be smaller and the prices enforced on them will be higher. If experience around the world is a guide, our currency would be higher in value, thus making exporting more difficult, apart from any retaliation that might be indulged in by our trading competitors. Our raw material imports would be more expensive.

Any policy that is based upon industry assuming the role of a provider of jobs must be accompanied by a lower standard of living for Britain, not least for those who have the misfortune to be unemployed. The standard of living would, I believe, be lower than the majority would be prepared to countenance.

My preference is for the alternative. I believe that industry should be regarded as a provider of wealth rather than of jobs. That brings problems as well, for we must decide how to distribute the wealth thus created. As a policy that is based upon the creation of wealth cannot be one which offers full employment, we are presented with the problem of how to distribute the burden of unemployment. If unemployment is bound structurally to exist, should it fall upon those who, by default, are currently unemployed, who are largely those entering the working population for the first time, or should we make adjustments to the age or retirement, for example, so that the burden of unemployment, under-unemployment or enforced leisure falls upon those who would find it rather less unwelcome?

It follows that, in principle, I do not like the multi-fibre arrangement. It is clearly a protectionist measure. It fails to distinguish between imports that are unfair and others that are merely unwelcome. However, I shall disappoint those of my colleagues who believe that I should say that the arrangement should be chucked into the Indian ocean. My argument is not based on constituency interests because I do not represent a textile constituency.

I am always suspicious of some of my colleagues whose principles are reinforced by naivety. If it is in our interests to give something away, we should not give it away if instead, through a process of bargaining and negotiation, something can be gained in the other direction. Concessions with the United States and newly industrialised countries could be gained if our ultimate objective were the liberalisation of the arrangement.

It must be acknowledged that some benefit would be provided to some countries if we were to open up our markets in a more liberal way. If we provide that benefit, it is surely only logical that we should have some say in determining the beneficiaries. If we were to throw the arrangement into the water, the principal beneficiaries would be Taiwan, Korea and other newly industrialised countries which are not among the most needy of the developing nations. Some discipline must be maintained to protect the role of the most poor and most needy.

I also support the limited maintenance of the arrangement, at least for the time being, because of the nature of the employment which textiles provide. Professor Silberston's report included the almost notorious assertion that consumers are paying £500 million more for their goods than they would pay if we did not have the

arrangement and that 50,000 jobs would be lost if we did not have it, so that the consumers' subsidy per job is about £10,000.

First, I challenge the assumption that all of the £10,000, if that is a true figure, would instead be spent within the United Kingdom. It is arguable that half of that sum would be spent upon other imports into the United Kingdom that had been manufactured in other countries. Secondly the nature of the employment that is provided by the textile industry is one that is peculiarly difficult to replace. It employs an above average number of women and members of ethnic minorities. Overwhelmingly, it employs those who are not based in the south-east. If we were to devise a job creation programme to fill the gap potentially to be left by the demise of the textile industry, I have no doubt that it would cost the taxpayer more than £5,000 or £10,000 per job.

Therefore, I support the line taken by my right hon. Friend the Minister for Trade. I hope that the arrangement will not be a feature of British industrial life in the long term. However, until we can have some control over who gets the benefits, until we can be sure that we shall receive adequate concessions from our trading partners, and until we have some realistic policies to deal with the unemployment that would undoubtedly result in certain areas, I hope that the arrangement can be maintained for the time being.

7.37 pm

Mr. Barry Sheerman (Huddersfield): It gives me great pleasure to have the opportunity to take up some parts of the thoughtful speech of the hon. Member for Skipton and Ripon (Mr. Watson), which went beneath some of the superficialities on which some Conservative Members have dwelt. I shall not be joining what amounts to a consensus in welcoming the Minister's announcement on the arrangement, because I shall adopt a rather different approach.

I am sure that the people of west Yorkshire will be intrigued when they learn that the Liberal party's spokesman on these matters has adopted a philosophy that will sell down the river the textile interests of west Yorkshire and other areas. The Liberal party has taken a signal decision and we shall ensure that those in west Yorkshire and elsewhere hear about it, including those who live in Lancashire.

Many Conservative Members are guilty of hypocrisy. There are known to be slavish admirers of the Prime Minister and the free market philosophy. However, when it comes to constituency interests, such as jobs in the areas which they represent, and, most important, to the fear, which interestingly enough was expressed after the results of last Thursday's elections were announced, that they might lose their seats, they depart from the free market philosophy and the belief that the Prime Minister is absolutely right on every occasion. Instead, they start calling for some support for the industries that provide jobs in their constituencies.

There is common ground between us in welcoming the Minister's statement on the arrangement. However, it seems that he has been waving his commitment to the arrangement rather like a figleaf that disguises the terrible damage that the Government have done to the textile and clothing industries over the past five or six years.

In my constituency, the jewel in the crown of the textile industry, we have seen mill after mill closed because of

[Mr. Barry Sheerman]

the Government's policies on interest rates and the exchange rate. Against that background, the arrangement has offered a little help. We have seen what the Government's policies have done to the textile industry. To pretend that the Government are concerned about the arrangement, the textile industry and the people who work in it will not go very far to convince Labour Members that the Government are sincere in their professed concern.

There would be a loss of jobs if we abandoned the MFA. Indeed, some 25,000 jobs would be lost in west Yorkshire. It is also fair to say that retaining the MFA might mean a loss to consumers. Yet the figures show that the cost of clothing has risen less rapidly than any other component of the retail prices index. The proponents of the MFA would play up its advantages, and its opponents the converse.

The MFA is part of a much wider picture, and if that is understood the role of the MFA becomes clearer. I want to sketch it in two parts—the key structural problems, and the framework of policies that could tackle them. Manufacturing industry and its part in international trade is not something that can be comprehended by the accounting techniques of the grocer's shop; nor by anyone whose intellectual boundaries do not extend beyond those techniques. First, the pressures and turbulences of international markets are quite capable of putting paid to a domestic industry in a short space of time, especially in labour-intensive sectors where low-wage economies have enormous potential price advantages. Secondly, international trade in that area is heavily dependent upon exchange rates, and the absence of a stable system since the collapse of the Bretton Woods agreement has accelerated the fluctuations and increased the turbulences in the trading environment. Thirdly, the domestic conditions of production may create special difficulties. All those factors have conspired to cripple the textile industry in this country.

The Government have delegated to international speculators the job of determining the sterling exchange rate, and the wild see-sawing of exchange rates has been responsible for many of the casualties among textile firms and workers in west Yorkshire and elsewhere. Domestically, the Government have capitulated their responsibilities for economic management to the monetarist mystics and their myopic measures of money supply. By deflating demand and jacking up real interest rates to historic heights, they have caught yet more firms in a dreadful pincer movement, which even the willingness of the textiles work force to take cuts in real wages has been unable to thwart.

On top of all that, there has been the relentless pressure of developing nations wanting to improve—and who can blame them?—their foothold in our markets. They have, quite naturally, built on a price advantage because of the low wages employers pay in those countries. That is where the MFA has played a part in regulating the pace at which market penetration has increased. It has been a modest part in defending the interest of the industry and those who work in it, but the strong consensus is that it has been useful. The underlying structural problem remains that wage differentials between the United Kingdom and the developing nations create a substantial price advantage in the labour-intensive areas of textile production for the developing nations.

This is the point at which to sketch in the framework of policies that are needed. They clearly differ a great deal from the policies of this Government, who tell us that the answers lie not with manufacturing but with the service industries. That is their rationale, if such it can be called, for their cool unconcern at the destruction of Britain's manufacturing capability, both in textiles and outside, and its grossly underused capacity.

The Government tell us that the future lies not with high wages but with workers pricing themselves back into jobs. That is the rationale for the attack on the wages councils—pitifully low though the wages are that they set. They also tell us that the future lies not with skills training for industry but with basic training more appropriate to the low-skill, low-tech, low-wage service industry of the future that they want to see. That is the reasoning behind the abolition of the industrial training boards—and the one covering the textile industry went three years ago—the closure of skillcentres and the crucifixion of our national training system on the cross of market forces.

If that be the framework of policies, the MFA has little or no place, the Government tell us; so an investment policy for the textile industry has no place, so the Government tell us; so an education and training policy geared to textile production has no place, so the Government tell us; and so the industry itself, in the long term, has no place.

However, as some of our captains of industry recently pointed out to the Government—I refer to Mr. Harvey Jones and the chairman of GEC, Lord Weinstock—to seek salvation in the service economy is an inspiration based on an illusion. There can be no thriving service sector in the absence of a manufacturing sector to service and without the wealth that production and exports generate to purchase those services. Nor should anyone be surprised that Lord Weinstock and Harvey Jones actually told the Government that they had to begin investing in our manufacturing rather than our service industry.

The truth is that the Government have destroyed the textile industry and are now waving the MFA at the British public to try to show that they care. I believe that people working in the textile industry generally and those manufacturing in that industry—both in management and on the shop floor—will not believe the Government. That is not to say that I do not welcome in some measure, what has been said, but there is now a need for a further strategy to reinvest in the textile industry, in training, in the infrastructure, in modernisation and in high-tech and to get the textile industry booming again so that it creates more jobs.

7.46 pm

Mrs. Elizabeth Peacock (Batley and Spen): I welcome what my right hon. Friend the Minister said and hope that he has more to tell us later. We all await his reply to the debate. He is well aware of my interest in this matter as I have made representations to him many times during the past 18 months on behalf of my constituents.

The attractions of free trade—an ability to trade in goods without the influence of authority, be it local, national or international—have to be considered as, in theory, they at least have merit in any free society. The replacement of the current MFA for textiles must be considered in the light of continuing experience and a basic consideration of whether it is really possible to conduct international trade in any commodity on a wholly

free basis. I have to say that I cannot find a single internationally-traded commodity that is traded without the influence of some authority or Government.

In that context, virtually all agricultural commodities are traded under EC and world understandings, and in that I include such items as sugar and cocoa. There is no real free trade in metals and minerals—while prices may, on the face of it, monitor supply and demand, the markets are underpinned by international understandings that stabilise them. That stability of markets is what we essentially have now with the MFA for textiles, and it is something that we should maintain.

In this great competitive world, we are often tempted to throw open the markets for many of our products to the complete influence of supply and demand. That has serious dangers of cyclical production and little confidence to invest, and in the longer term it does not benefit the consumer. This year's cheap product is next year's dear item.

I have heard a great deal today about consumers. We are all consumers and must not forget that. As a housewife and mother with two boys, who have recently grown through their teens, I know a little about the purchase of children's clothes, and it is something that continues to interest me.

Consumer organisations have said that the MFA has raised United Kingdom market prices by restricting access of low-cost imports. They say that choice has also been restricted. I have never noticed any real shortage of the cheaper imported ranges of clothes, nor have I noticed any restriction of choice.

Undoubtedly, if the MFA was suddenly abandoned there would be a flood of cheap imports and prices would fall—but, I suspect, for a short time only. The market would find a level—its own level. Certain manufacturers would be put out of business, jobs would be lost and the overall availability would be in balance. Some retailers might see an opportunity to get slightly better margins and prices would move upwards again. In the longer term, the consumer would not benefit.

I suggest that, also in the longer term, the British market is looking for better quality products than some of those generally available from imports. All things being equal, the British housewife wants to buy British, but the value must be right. She is often willing to pay that little bit more to buy British and to have quality—not just in the cloth, but in the finish and the presentation, which are important. I would go as far as to say that the MFA has worked in the consumers' interest, because it has maintained quality in British goods and allowed only part of the market to imported goods.

On an international scale, we are looking for competitive trading within carefully structured constraining rules, such as those provided by GATT and the Lomé convention. For the international textile trade, the MFA umbrella provides the structure and constraint that I maintain are necessary.

At a national level, there is still room for individual initiative. It does not offend my sincerely held Conservative principles to demand controls on international trading, as I believe that there is still plenty of room for competition.

The Yorkshire textile and clothing industry desperately needs a renewal of the MFA, and I call on the Government to acknowledge that they support an MFA 4. We were told earlier that some of us have narrow constituency interests.

That is why I am in the House; if I did not reflect that narrow constituency interest in debates such as this, I would have no right to be here.

The EC Commission, which has the job of carrying forward MFA 4, must be told firmly by the Government that the British textile industry needs an MFA 4 and that we should have one. Britain as a whole needs a new agreement and we should make it clear to the EC where its duty lies.

The current MFA may not be perfect—multilateral agreements rarely are—but the overriding factor is that it has achieved its objective:

"The aim of the MFA is to allow for orderly growth of world trade in clothing and textiles."
That overall objective is often lost in the complexity of the arguments.

The developing countries' share of world textile trade rose from 30 to 38 per cent. between 1973 and 1982. Their share of world clothing trade rose from 47 to 59 per cent. in the same years.

In contrast, the industrialised countries' share of textile trade fell from 59 to 49 per cent., and their share of clothing trade fell from 34 to 23 per cent. Between 1977 and 1983, EC demands for textiles and clothing increased by 2.5 per cent., with imports from MFA supply countries increasing by 16 per cent.

The MFA is clearly allowing for a growth in imports to the EC that is well in excess of demand. Experience has shown that while the excess of imports is unhealthy, it has been tolerated by the industry—a fact which should not be overlooked. The industries in the United Kingdom—I have some in my constituency—are leaner and fitter than ever before, and many have invested in new technology and new techniques, which fit comfortably alongside traditional machinery in a traditional industry. Output per person has increased by 22 per cent. since 1980, a fact of which the industries should be proud.

With the current MFA production, order books are about in balance. The industry is stabilised, and it is stability for which we are looking. It appears, particularly in Yorkshire, that companies are able to grasp market opportunities, but they can and will do so only if they have confidence in the future. In addition to providing stability, we have to provide confidence. Stability and confidence are provided by the MFA umbrella and all its related agreements. Therefore, I call on the Government to renew the arrangements in the form of MFA 4. What is more, I call on them to do so now, to provide the continuing confidence that our industries need.

Throughout the world recession, developing countries have increased their share of world markets. We must have some thought for the poorest countries, and they have been guaranteed access to world markets which, in the absence of an MFA, they would have been denied by the larger, dominating supply countries. They must realise that the MFA brings order to international trade in clothing and textiles, and that must be preferable to the disorder that would ensue without an MFA 4.

I clearly support the retention of an MFA system and the introduction of an MFA 4 agreement. The Yorkshire textile industry, and others throughout the country, demand just that from the Government and from the EEC.

7.55 pm

Mr. Cyril Smith (Rochdale): I start by telling the hon. Member for Huddersfield (Mr. Sheerman) that, whatever

[Mr. Cyril Smith]

has happened in Yorkshire, textile mills in my constituency and other parts of the north-west were closing long before 1979.

This is the fifth Parliament in which I have served and there have been few, if any, textile debates during those 12½ years in which I have not taken part. I cannot think of a debate on any of the MFAs that have been negotiated over that period in which I have not taken part. I used to work in the textile industry and I have close relatives who still work in it. In the metropolitan borough of Rochdale, 35 per cent. of manufacturing workers are employed in the textile industry and there are 147 companies in the textile industry.

I say that merely to show that I have a deep interest in the subject, and I hope that it will not surprise the House if I take a different line from that of my hon. Friend the Member for Yeovil (Mr. Ashdown). I try to deal with my hon. Friend kindly, so I say simply that it might have been better if my party had decided to leave the speech to someone who knew something about the textile industry.

I make the strongest possible plea for the MFA to be renegotiated and for a fourth such agreement to be reached. The hon. Member for Macclesfield (Mr. Winterton) and I are both officers of the all-party textiles committee and we, with the hon. Member for Oldham, Central and Royton (Mr. Lamond), appealed for a third agreement. Perhaps it is not surprising that we are now appealing for a fourth.

The Minister told us about things that will happen tomorrow, but we were told 10 years ago that those things would happen tomorrow—there would be stability and everything would be all right. I have heard it all before. Until we see all the promises translated into reality, hon. Members who show some common sense in representing textile constituencies will remain determined that the industries should be protected not from competition, but from unfair competition. That is what the MFA is all about.

The Minister's speech got better as it went on. At the beginning, I wondered what conclusion he would reach. In the end, the conclusion was all right. However, I was intrigued that he told us all about the existing situation in the textile industry, but did not say what it would have been if we had not had the MFA to protect the industry. He may say that a small percentage represented imports, and so on. But that percentage would have been much greater had there not been a multi-fibre arrangement to protect the industry from those imports.

In the metropolitan borough of Rochdale, which covers Heywood, Middleton and so on, 35 per cent. of the population are engaged in manufacturing work in textiles. In the same area we have an unemployment rate of 17 per cent., even after the local authority has taken off 2 per cent. by indulging in Manpower Services Commission schemes, job creation schemes, and so on. To subject my constituents to a higher level of unemployment as a consequence of allowing the textile trade again to be flooded by imports is unthinkable.

The Prime Minister has talked recently about a bridge in Turkey. I ask hon. Members to consider what happened when we experienced a flood of imports from Turkey. At present, one of the greatest threats to our textile industry is China. We have heard little about China today, but it is likely to be a major threat. If we do not protect our

industry from such threats—threats which often are based on the experience of other countries—we shall be doing our constituents and our textile industry a gross disservice.

I must stress again a matter which has been mentioned already by the right hon. and learned Member for Monklands, East (Mr. Smith), because it is especially relevant to my constituency, as it is to constituencies such as Bradford which are also heavily engaged in textile manufacturing. A great many of our constituents are immigrants, and a large number of them work in the textile industry. If we did not act to protect jobs in the textile industry, we should be putting more and more immigrants on the dole—paid for, incidentally, by the taxpayer, whatever this clown, Silberston says. In his view, 50,000 would be put on the dole, never mind the 100,000 that we see accruing from a failure to renegotiate the arrangement. I understand that it costs a minimum of £5,000 to keep a man on the dole, so how he arrives at his economic statistics I fail to understand.

But we have some experience of academics fiddling about with industry. They know nowt about it. They come into industry and start telling us how to run it. They have never got off their backsides and out of their universities, so they know nothing about it. If I were advising the Government about the Silberston report, I should tell them to put it in the wastepaper basket and forget it. It is written by a man who may be a brilliant academic, but I doubt whether he has much industrial experience.

I was saying that more and more immigrants will be put on the dole. That is an additional reason for protecting the textile industry. Whereas in the past we may have been able to cope with redundancy because other industries were more buoyant, that is not the position today. That is another reason for developing and maintaining the multi-fibre arrangement.

I do not believe that it is a protectionist arrangement. How can it be protectionist when it allows for a greater measure of imports than the growth of our industry? That must mean that our industry gets a smaller share of the home market or itself exports, so how can it be described as a protectionist measure?

What is more, it should not be forgotten that the MFA helps less developed countries by protecting them against a swamping of western markets by goods from industrialised countries such as Hong Kong, Korea and, in the future, China. At least they know that under the MFA they have a guaranteed level of imports on which they can rely. If they were openly competing with some of the more industrialised nations, their own trade in the developed nations might suffer as a consequence.

In my political life, which has not long to run now, I have always tried to be a realist. I like idealism. It is all right for those who have nowt better to do to indulge in it. For our textile industry and for British industry generally I do not believe that free trade is a realistic option. The trouble with free trade at present is that it is all one way: it is all one way coming in, but it is not one way going out.

We have heard tributes paid to Hong Kong, and I join them. It is one of the few nations which allow in a fair measure of imports. But that is not the general pattern. The trouble with free trade is that, although it may be a glorious ideal, it is not realistic, and it is time that some of my colleagues recognised that.

If MFA 4 is not negotiated, it is certain that thousands of people will be added to the dole queue in my constituency, and they will be added to the 3 million people who are already unemployed. That is why as both a realist and the hon. Member for Rochdale I reject free trade as an alternative and strongly urge that a fourth multi-fibre arrangement should be negotiated. When it is negotiated, I hope that the new arrangement will contain effective mechanisms to react quickly and positively to unfair practices.

The industry generally—and that includes both employers and the trade unions—want to see the arrangement renegotiated, and I for one welcome the Minister's statement and congratulate him. It does not matter how long it has taken him to make it. What matters is that he has made it and said that this Government are committed to negotiating a fourth MFA. I welcome that. I wish him well in the negotiations. He can rest assured that many of us will be watching him and judging him on the results that he achieves.

8.7 pm

Mr. Bowen Wells (Hertford and Stortford): I hope that all of us who start from a totally different position on free trade from that of the hon. Member for Rochdale (Mr. Smith) will not be accused of not trying to put forward the best interests of our textile industry and to maximise employment in the industry, both here and overseas. I hope that today's debate is about expanding the textile industry and protecting it from unfair competition, but making certain that it is subject to proper and fair competition.

I believe that that is common ground, even though some hon. Members look at the position differently. I do not agree with many of those who support the existing MFA or a tightening of it. However, there is one notable exception to what I say, and that is the hon. Member for Huddersfield (Mr. Sheerman), who clearly was reiterating normal Labour party propaganda and in no way relating his remarks to the debate. The rest of us are all concerned with the way in which we can expand opportunities in the textile industry.

It has been calculated that if our textile industry output stands still, but it continues to increase productivity there will be some 60,000 job losses in areas of high textile concentration. Therefore, it seems to me that if we are to look at a static position in terms of the output of our textile industry, we have to make provision for diversifying the economies of the areas in which the textile industry is located. That will have to happen, anyway, if we are looking at the static position.

I hope that, through the policies which my right hon. Friend enunciated earlier, we shall see Britain's textile industry expand and that the fears which have been expressed will prove to be groundless. Therefore, the hon. Member for Rochdale and I have reached the same conclusion—that my right hon. Friend is right in supporting a renegotiation of the MFA, but that we should look for additional ways of inducing better marketing worldwide and domestically in Britain.

I pay tribute to some considerable achievements by many companies in the textile industry. Gents of Barnsley is able to manufacture clothing which it can sell over tariff barriers of every kind, artificial or otherwise, in Japan. A company in Leicester has been set up with the most modern machinery to produce hosiery. It is selling hosiery

domestically and has expanded by over 250 per cent. in the past three years, but it is also selling hosiery in Asian countries, such as India, Hong Kong and Japan. Therefore, there is every reason to believe that if our domestic industry invests in the most modern machinery, and is flexible in its response to market demands, it can be the equal of any in the world. We do not need protection so much as expanded markets, and that is what I hope we shall get from the renegotiation.

Mention has been made of the developing countries. Their position is to some extent being used as a sop to our better feelings in relation to the developing world, and to justify a protectionist measure. There is no doubt that the MFA, in the way that it has developed, operates against the interests of the poorest of the less developed countries.

Most speakers in the debate have talked almost exclusively of four countries which are now tabulated as newly developed countries. They are Singapore and Hong Kong in our own Commonwealth, and Taiwan and South Korea. This is the conclusion in the derided report of Professor Silberston, which we should bear in mind when renegotiating the MFA if we wish to improve it. He concludes:

"The MFA does not have negative effects for all textile and clothing firms in developing countries. The long-established successful firms are protected from competition from new firms in their own countries, at least to some extent, through their continuing access to quotas."

That is very important. Therefore, it operates against competition even within those countries.

Professor Silberston continues:

"As has been noted, certain countries are protected from competition from other developing countries, since they historically have had large quotas, and attempts to curb the 'dominants' have had only limited success. It may be that countries such as Hong Kong would do as well as they do now in a completely free market, in spite of their high real wages, but the present system does not allow this to be tested. As it is, the poorest countries of Asia, Africa and Latin America, where low real wages favour clothing production, are prevented from exploiting"

that advantage and exporting their product to other countries.

That is the considered opinion of the Silberston report and it accords with my experience in the developing world. That anomaly has to be put right when we renegotiate the MFA and its future.

Indeed, it should be remembered by all those who argue that the MFA now helps countries in the less developed world with low wages, that the real wages in Hong Kong per head are now higher in many cases than they are in the United Kingdom. For example, it is not generally known that the driver of a double-decker bus in Hong Kong takes home more in real wages than his equivalent in London.

Hong Kong cannot be categorised as a low-wage economy needing the protection of a multi-fibre arrangement. Hong Kong is an example of what I hope we shall become—a highly efficient country which can compete in textiles with anybody in the world. A modernised and technically advanced industry can be successful and pay high wages, as industry in Hong Kong has managed to do. That should be our objective.

We have to eliminate the protectionist element of the MFA and introduce serious qualifications so that access can be given to the less developed countries. I hope that my right hon. Friend will do that when he helps to renegotiate the MFA. We must ensure that the quota system, if we are to have it in the same form as before,

[Mr. Bowen Wells]

is fair and does not favour certain countries. I hope and believe that my right hon. Friend will pursue robustly a policy of opening the markets of the world to ensure that the developing world will in turn open its markets to us. I hope that my right hon. Friend will help to ensure that our textile exports can get into the United States of America.

Mr. Nicholas Winterton: What about Brazil?

Mr. Wells: And into Brazil. They do not now.

I hope that my right hon. Friend will ensure, as a condition of modifying the present MFA, that those markets will be open as well. In that way, by using the MFA in a bargaining sense to open up the markets of the world, the textile industry in the United Kingdom will be able to employ more people and create more wealth. It will be able to operate as a market for other countries wishing to export here, thus expanding the whole of the world economy and benefiting all our people.

8.16 pm

Mr. Robert Hughes (Aberdeen, North): Like many hon. Members before me, I welcome the debate, but I trust that the Government will act in accordance with the views of the House and of the industry. In the industry everyone—management and trade unions—is in favour of the renewal of the MFA. Across the political divide, there is an almost unanimous agreement—apart from one or two eccentrics on either side—that the MFA should be renewed. Although there will not be a vote on the motion tonight, I hope that the Government will receive loudly and clearly the instructions of the House, and there is no doubt as to what they should be.

Much has been said about job protection, and a great deal has been said about the Silberston report. I quote a passage from page 42 of the report, in relation to jobs:

"At the worst, employment might be unchanged."

That is a reference to technical changes and differences in the MFA. It continues:

"In other words, the fall in employment of 166,000 in textiles and clothing—as well as the subsequential unemployment in associated industries, such as man-made fibres—could be offset, or more than offset, by an increase in employment in other industries. What is more, earnings in these other industries would probably be higher than in the low-paid textiles and clothing industries, so that workers moving from one to the other might benefit from the point of view of earnings."

That shows how much Professor Silberston is in touch with the reality of the situation.

The need to renew the MFA is not related only to job protection. If we were dealing with a dying industry, we might argue that it was purely job protection, but in global terms the textile industry is a growth industry. There may be arguments and questions as to how and where the growth is to take place, but there is great worldwide potential for the textile and clothing industry.

Indeed, the report of the secretariat of the United Nations Conference on Trade and Development points out that the value of world trade in textiles increased over the decade 1970-80 by an annual average of 16.1 per cent. Over that decade, the annual growth of clothing manufacture worldwide was 20.1 per cent. Although the figures may vary from time to time, if there is an upsurge in world trade, there is room for an upsurge in training, and even greater potential for the industry.

I welcome the Minister's commitment to a renewal of MFA 3 and a new MFA 4. However, he did not satisfactorily answer on the crucial point, which is the period of renewal. The renewal of MFA 3 into MFA 4, simply phasing it out, is not good enough. We need an MFA 4 with a commitment to renegotiation, either in the middle of the period or at the end of it, over 10 years. The need for stability demands that we should know where we are going. The Minister said that some people within the EEC favoured a phasing-out, but that he would not accept that as a precondition for discussions. That statement does not fill me with confidence. The Minister has left the back door ajar for phasing out MFA 4 if the opportunity arises. He has left himself an escape hatch. We do not want him to make use of it.

If the industry is to be competitive, we need modernisation and investment. There will be investment only if there is a long-term future extending over at least 10 years. We need investment, but we also need Government help. Change must be fostered. We must recognise that great changes are taking place in various parts of the world. I believe that the People's Republic of China is poised to invest massively in the most modern type of computer technology, by-passing the technology that many of our industries have adopted. We must be prepared to follow suit.

The omens are not good. A year ago, the Government put forward the CLOFT scheme, which involved a sum of £20 million over four years. The scheme was blocked in the EEC. I believe that the Minister of State was as astonished as anyone when the scheme was blocked. A fortnight before, he had written to me stating that he expected the scheme to be approved in the near future because, after discussion, adjustments had been made to the original scheme. I do not know what the adjustments were, but I believe that the Government did all that they could to have the scheme adopted, and yet it was blocked. Does the Minister intend to accept the situation, or does he intend to take a more active line and vigorously pursue a new investment package? We need to know his intention.

The Minister said that he will press for equity of treatment and ensure that other countries do not get away with behaviour contrary to the strict EEC rules. However, the door is being closed after the horse has bolted. Other countries have had investments and preferential treatment. They have had their grants and subsidies, while this country has not. Belgium, Italy and various other countries have enjoyed such treatment. They are listed in the much-maligned Silberston report.

We need to act positively, especially in terms of the so-called social clause. Trade unionists and Socialists are certainly not opposed to development in developing countries. We want development for people, and decent pay and conditions. We understand the importance of textiles to such countries. The UNCTAD report notes that textiles and clothing represent 33 per cent. of the manufactured exports of developing countries. However, in developing countries, textiles and clothing also probably represent the greatest area of exploitation. That is graphically shown in the TUC booklet entitled "A Fair Balance in textile and clothing trade". Table 7 on page 31 gives the hourly labour costs in some major producing nations in 1984. Seventeen countries are listed. In 14 of them, labour costs were below \$2 an hour. The lowest rate is paid in Indonesia. I do not have the precise figure,

because the graph does not give it, but the average labour costs in Indonesia were below 50 cents an hour. In the United Kingdom, the figure was about \$5.25 an hour, in Italy, over \$6 an hour, in the United States, \$8.50. Clearly, there is great exploitation in Indonesia.

There may be exploitation in terms of conditions as well as pay. On page 31 of the TUC booklet we read that:

"The widespread appearance of free trade zones in these countries over the last five to ten years, in which companies receive considerable tax concessions from host countries and in which workers are frequently denied employment rights laid down in ILO Conventions on Minimum Labour Standards, is a worrying phenomenon."

We take that matter very seriously. I hope that we shall see a change in the sneering attitude of the hon. Member for Yeovil (Mr. Ashdown) and of some Conservative Members who have cast doubts on our credibility and our concern for those who live and work in the Third world. Among other things, the Minister must take seriously the strengthening of the social clause.

There is a need for proper labelling. Under the system known as outward processing, without proper labelling, one does not know what one is buying, where it comes from or what quality it is. Labelling applies to goods from inside the EEC as well as outside. I am very concerned about the decision taken by the European Court on 25 April which made it clear that article 2 of the Trade Descriptions (Origin Marking) (Miscellaneous Goods) Order SI 1981 No. 121 is in contravention of article 30 of the EEC treaty. That decision means that our domestic legislation on labelling, especially with regard to countries of origin, is out of court and cannot be applied.

I believe that the Minister said in his speech that the Government were considering the implications of that judgment. I am no expert in EEC matters, but I understand that there is no appeal against the decision. We are stuck with it. However, the Minister should try to get round it. Fair competition demands fair and accurate labelling.

I certainly do not constantly espouse the cause of the employers. I have spent too much time arguing with them about employment practices. However, I take the employers seriously when they tell me that they want proper and fair competition and believe that they can live with it. That, too, must be part of the new MFA.

I come from the north of Scotland, where there are many companies at the top end of the clothing market, such as Crombie's of Grandholm. They are world-famous companies. They argue for reciprocity or equivalence of tariffs. In South Korea, Brazil and Australia, the tariffs are astronomical. In some cases, imported wools and textiles are subject to tariffs of 205 per cent. Such matters must be resolved in detail. However, what is most important is that the MFA should be renewed and that the Government should state specifically that there is not to be a transitional or phasing-out agreement. I understand why Ministers say that we cannot declare our hand now but must wait for negotiations. However, unless the Minister states specifically the principles on which he will not budge, he will be railroaded into a transitional arrangement and, in the end, that will mean a phasing out.

We want an agreement that lasts at least 10 years. We are prepared to accept a break clause to see how things adjust. We want stability. Phasing out must not be allowed. Far too many people in Britain and in Third world countries depend on textiles for jobs. The issue should be examined properly and the Minister for Overseas Development should be brought in with a view to creating

a combined aid package concerning imports, jobs and investment. In those circumstances we should all be satisfied. I dare say, however, that none of us will be entirely satisfied with the final package. I understand the reality of negotiations, but the House is clearly instructing the Government that it wants an MFA 4 and no phasing out in any form, no matter how others might try to smuggle it in through the back door.

8.30 pm

Mr. Lewis Stevens (Nuneaton): I welcome my right hon. Friend the Minister's assertion that the MFA will be renegotiated. Any liberalisation should have no significant effect on controls in the present arrangement.

It has been suggested that we can compete in any circumstances and that others should be given a fair crack of the whip. As the hon. Member for Aberdeen, North (Mr. Hughes) said, the costs in some countries are so low that there is no way in which we can genuinely compete with them. It is therefore essential to protect our industry. I welcome what my right hon. Friend said about recognising the special circumstances of poorer suppliers. It is generally agreed that the MFA has helped the textile outputs of those countries.

There have been some important developments in textile companies during the past five years. They have slimmed down and we can admire their updating of equipment, methods and design. All that will be wasted if the MFA is threatened as they need its special support to go through confidently with the required investment.

Our principal fear about imports from countries such as Taiwan is that they are at the bottom end of the market. My right hon. Friend referred to our producing higher quality goods. That is good, but we must be careful not to be pushed into having a high quality industry with no base in the cheaper end of the market. Some of our other industries have collapsed because they were forced into ever more specialised markets. The great example of that was the motor cycle industry. To avoid repeating that we need the protection of the MFA.

There have been considerable improvements in the industry in my constituency, but the result has not been many more jobs. If our textile and clothing industry suffers, so, too, will others such as the textile machinery industry. We used to have a highly successful textile machinery industry, but the smaller our textile industry gets, the less the engineering industry can develop. We need the home market for development of high technology. Our share of the textile machinery market has reduced considerably recently, to the detriment of areas such as Leicester.

It is good that some companies are investing overseas. Some of our agreements with Third world countries will lead to our investing there, thus enabling them to enhance their use of the MFA. The MFA has led to co-operation between Third world countries and the EC. Such development can continue. The new agreement should not be short term. It will be a major factor in the protection of our textile industry. Although liberalisation is desirable, it cannot be achieved quickly in the real world. We heard from the hon. Member for Yeovil (Mr. Ashdown) what fairyland is like. Although we must react to a nominally free market, free is a relative term which depends on products, customers and other countries. We do not often work in a genuinely free market and this moderate restriction helps us and the poorest countries of the world.

8.36 pm

Mr. George Park (Coventry, North-East): Coventry might not be a place that immediately springs to mind in a discussion on textiles, but the city has been involved with textiles for hundreds of years and, until recently, they provided thousands of jobs for Coventrians and minorities from Asia and European countries in the aftermath of the second world war. Many people from the Ukraine, Poland and Latvia still work in the textile industry.

It is regrettable that many of those jobs have disappeared. We are now down to a plateau of about 2,000 employees, mainly in one company. There are severe doubts that, if a fourth MFA is not negotiated, we could slip off the plateau and the industry could suffer further job losses, if not extinction.

A new MFA would provide a framework for avoiding large and sudden influxes of imports, many of which are in some way subsidised. The manufacturers of such goods enjoy protection for their home market. That is not often recognised by the advocates of complete free trade. Recent events have shown that the market in textiles is still weak and that home demand is not adequate to cope with the already agreed growth in imports. Some countries such as the United States of America are likely to continue to restrict imports, so there is an even greater likelihood of dumping in Europe if there is no effective organisation to control it.

In Coventry, we have been painfully picking up the pieces in an attempt to return to a viable state, albeit at a greatly reduced level. However, serious uncontrolled inroads into the textile market by producers from outside Europe would be a significant setback to the process of regaining even a few of the jobs that have been lost. I remind hon. Members that unemployment in the area is 34 per cent., not 16 per cent. or 18 per cent.

The case for MFA 4 is not entirely based on self interest. Without it, poorer developing countries would lose the guaranteed access to the EEC market that the MFA provides. Disorder would develop in world textile and clothing trades and spread to other sectors of trade. In that connection, it should be noted that, despite a fall in market demand for textiles and clothing in the United Kingdom, imports between 1978 and 1984 from MFA countries rose by 15 per cent. Although United Kingdom industry has benefited from income growth being lower than it would have been without the MFA, developing countries have increased their market share and export earnings.

Labour Members continually stress the need for increased investment in industry to reduce unemployment. To generate the necessary confidence for investments to be made, there must be reasonable prospects. Without the stability provided by an MFA there would be no restraints on low-cost imports, the confidence to invest would disappear and with it, the prospect of more jobs.

The textile and clothing industries are gradually picking up the pieces, but they are still vulnerable, and the abandonment of the MFA would expose them to an unrestrained flood of disruptive imports from low-cost countries, and cause a return to beggar my neighbour policies.

I am glad that the Minister in his opening speech said that he was in favour in principle of continuing the MFA. However, several of my colleagues and I believe that the Government should work for a renewed and strengthened MFA along the lines set out in the TUC booklet. That

would safeguard the livelihood of those still in the industry, and provide hope for the unemployed through a continuation of orderly adjustment in the industry.

8.41 pm

Sir Paul Bryan (Boothferry): As I was a manufacturer of clothing in the West Riding of Yorkshire for 20 years, I feel at home in this debate. However, the House will be glad to hear that that does not mean that I shall make a long speech. Because of other duties in the House I had to miss a large part of the debate. It would therefore be inappropriate and unwelcome if I spoke at length.

I shall concentrate on one matter. My hon. Friends will not be surprised to hear that that matter is Hong Kong. I wish to discuss the possible effects of the multi-fibre arrangement on Hong Kong and on our relations with Hong Kong. I do not pretend that a fall or rise of 1 or 2 per cent. in the quota will kill the Hong Kong textile industry. In the past it has shown an amazing adaptability to whatever conditions it faces. My point is that our negotiations could affect our relations with Hong Kong.

At present our relations are good because we have succeeded in negotiating the agreement with China on behalf of the people of Hong Kong. It was not the best agreement for which one could possibly hope, but it was clearly the best that we could manage. The people of Hong Kong could undoubtedly see that we tried hard on their behalf. The Prime Minister took part in the negotiations and we provided a magnificent negotiating team. As a result, there is a general international confidence in Hong Kong. The agreement is unique in that it is for 13 years. We must, therefore, hold the confidence of that territory for a long time. One can argue that that should not be difficult, that we have a genuine interest in Hong Kong and that we wish to do our duty. However, people in their position are bound to look for signs that we are not as interested as we were or might be.

From time to time we blunder into terrible and needless lapses in our relations, as we did with students' grants. For no benefit to ourselves, we offended Hong Kong terribly and, indeed, did ourselves great damage. I do not want that to happen again.

The manufacturers of Hong Kong are far too sophisticated and realistic to think that we will abolish the MFA, and they would not have been surprised to hear the speech of my hon. Friend the Minister today. However, they would be offended if their quota were reduced further. They expect it to stay where it is. In the early days of the first MFA in 1973 everyone believed that it would increase the opportunities for underdeveloped countries and protect employment in our industry, but the figures do not show that. The developing countries are little better off, but Europe has benefited most. The gap in our consumption has been filled by Europe. To cut Hong Kong's quota further now would have no foreseeable effect and would be offensive to the people of Hong Kong. I hope that we shall be seen to negotiate an arrangement which does not make their position any worse than it is.

Oddly enough, our clothing manufacturers buy a great deal of cloth from Europe when they could buy it from the United Kingdom. That spoils our balance of payments with Europe.

A more severe quota than previous quotas would be offensive. It would be of no practical benefit to our country and it would offend Hong Kong. Indeed, it could do practical damage to our trade. These days we do not

believe that sentiment goes far, but from my knowledge of Hong Kong I am certain that we would never have got big contracts such as Castle Peak power station, had it not been for our close tie with the territory. With the enormous opportunities in China at hand, we must be careful to deal with these matters with delicacy and good sense.

8.48 pm

Mr. Peter Pike (Burnley): The vast majority of hon. Members present welcome the Government's intention to renegotiate the agreement. The hon. Member for Yeovil (Mr. Ashdown) presented a minority view. I hope that the Minister will take note of the strong views and ensure that the qualifications and reservations that the hon. Gentleman expressed are not overstressed and that we reach a good long-term arrangement. The majority of hon. Members believe that that is what we should seek, and if a vote were held at the end of the debate, that would be the clear result.

It is also interesting to note that that is the view of hon. Members on both sides of the House. I represent an important cotton manufacturing town in Lancashire. At the turn of the century it had more cotton looms which wove straight white cotton than there were in any other town in the world. Ever since the end of the first world war the industry has been in decline. There was a recession in the cotton industry between the wars, when about 30,000 people left the town to seek work elsewhere. That is one reason why I was born a southerner instead of being born in Burnley. However, during the war, when the textile industry was asked to produce the cotton and textiles that the country needed, it went back into production and produced the goods.

It must be remembered that in the immediate post-war years, when many people foresaw a return to the depression between the wars and wished to move to other industries, the Government of the day pleaded with the people of Lancashire and other regions to stay in the industry and continue to produce cotton. They have earned the right to demand that the MFA should be renewed and that we should have a mark 4 agreement.

As many hon. Members have said, the campaign for the renewal of the MFA has been made by both sides of the industry. I have received letters from the textile workers section of the Transport and General Workers Union in my constituency, the Dyers and Bleachers Union, the Textile Manufacturers Association of North-East Lancashire, Elgin Manufacturing and Grenfell Garments. I take time to name them because, if those letters did not have headings and signatures at the bottom, it would have been difficult to know who was making the case for the renewal of the MFA.

Many hon. Members have stressed the importance of the industry to our economy. Despite its decline, it is still a major industry and a major employer. I am aware of the work undertaken by institutions, such as the Shirley institute in Manchester, in trying to ensure that the industry is at the forefront and can meet the challenge of the 1980s and beyond.

I have no doubt that if the MFA is not renewed, jobs will be lost and there will be more closures. That will hit the most vulnerable areas, including the north-west, Yorkshire, Scotland, Northern Ireland and the inner cities. It will affect especially women workers and the ethnic minorities. The unemployment statistics are interesting. In Accrington and Rossendale, unemployment is 14.3 per cent.; in Blackburn, it is 15 per cent.; in Bradford, it is

15.1 per cent.; in Oldham, it is 13.8 per cent.; in Pendle, it is 14.6 per cent.; and in Rochdale, it is 17.1 per cent. Those figures speak for themselves, and I have no doubt that unemployment would become worse if the agreement were not renewed.

That does not mean that we are uninterested in the future of the developing nations. I am interested in their future, and wish them to develop and improve the standard of living of those who live there. It will not be to their advantage if the agreement is not renewed. The more industrialised nations, such as South Korea, will benefit, not the emerging nations, which we should be trying to help. The renewal of the agreement will ensure that they get the best deal possible and the best protection possible.

The bilateral trade agreements made under the MFA between the EC and its low-cost suppliers provide guaranteed access to the EC, with yearly increases. It is important to remember that there are yearly increases and that growth is not limited to increased demand. Between 1977 and 1983, market demand in the EC increased by only 2.5 per cent., while at the same time the supplying nations covered by MFA bilateral agreements increased their share of the market by 16 per cent. It is obvious that the MFA benefited them, and that advantage must be provided for in any new agreement.

There has been a massive improvement in productivity in the United Kingdom industry in recent years, which is another reason why it should be assisted to move forward and ensure that jobs and companies are protected. I do not accept the argument that we should not protect some of our industries. The role that the textile industry has played for many years, and the fact that it has such a good record of industrial relations, have earned it the right to demand the renewal of the agreement.

8.55 pm

Mr. John Whitfield (Dewsbury): When the hon. Member for Huddersfield (Mr. Sheerman) began his speech, I was looking forward to full and informed comment on the welcome announcement by the Minister this afternoon that Britain would apply, with the European Community, to renew the MFA. Unfortunately, we heard the usual Socialist diatribe that is wheeled out so often in the House, and his speech had little to do with textiles.

I represent Dewsbury, and I am by nature a free trader. My inclination was to make a speech similar to that made by my hon. Friend the Member for Lincoln (Mr. Carlisle), but unfortunately, in Dewsbury we must live in the real world, and the real world is beset by protectionism in many forms. It comes in the form of tariffs, quotas, outright blockades, anti-dumping measures and regional assistance in all countries, including the United Kingdom. It also comes in the form of the multi-fibre arrangement.

I received a rather sad letter from people who describe themselves as,

"All that remain of a work force of over 1,500", at Wormalds and Walkers Limited, Dewsbury Mills, Thornhill road, Dewsbury. All that remains of that work force are 30 names and addresses attached to a letter urging the Government to proceed with new negotiations, which I am pleased to hear they will do. That is an illustration of what happens in the real world. Wormalds and Walkers were manufacturers of heavy woollen cloth and blankets. The MFA certainly did not help that company.

[Mr. John Whitfield]

Since other hon. Members wish to speak in the debate, I shall restrict my remarks to what I believe the shape of MFA 4 should be. We have heard what the guiding principles behind it should be.

Many people have said that the new MFA must recognise the need for competition in the textile and clothing trades so that bilateral agreements concluded with low-cost supply countries incorporate a social clause that deals with working hours and conditions, freedom of association for workers and protection of women and children. The hon. Member for Aberdeen, North (Mr. Hughes) referred to this. However, the MFA should not contemplate taking that on board.

The issue of low cost and low wage countries is fraught with difficulty, but such countries should not be penalised for what they are. What may be unacceptable working conditions to us should not be held against low-cost countries as a reason to prevent them from trading with us. Subsidisation takes place on all countries including ours, and if low-cost countries indulge in it, that should not disqualify them from taking part in world trade.

An important principle is reciprocity, which has been referred to several times today. This is essential, and I urge my hon. Friend the Under-Secretary to push that for all that it is worth. There is no doubt that there are serious omissions. Japan is the obvious case in point. Another firm in my constituency, Hinchcliffe and Sons, of Denby Dale is a successful company—by contrast to the previous example that I gave—of fine woollen spinners. Among other things, it spins cashmere yarns, for which the raw material is £82 a kilo. However, its competitors in the Scottish borders are able to purchase the raw materials for the same yarn at £70 a kilo from Japan. That is a typical example of the difficulties of protectionism, for what is protectionism for one is a cheap supplier for another.

Japan denies us access to its markets. Therefore, reciprocity is important. I urge my hon. Friend to change the rules for such countries, to ensure that they open the doors so that we can have the same facilities in their markets as they have in ours.

It is also said that there is a need for other developed countries to share the responsibility of accepting imports from low cost countries, and the United States in particular is the offender here because it has adopted an extremely restrictive attitude to textile and clothing imports, while Community tariffs are among the lowest in the world. The relevant percentages for wool fabric are, in the EEC 30 per cent. and in the United States 45 per cent. Several hon. Members have said that everybody has to jump when the United States takes a decision. That is an unpleasant economic fact of life, and in these negotiations we should try to change it.

An important point is that in negotiating MFA 4 it is essential, as others have said, that we negotiate arrangements in such a way as to maintain confidence in the textile and clothing industries, to sustain a high level of investment. Such investment is essential to increase the use of new technology and improve productivity so that these industries can compete with newly developed countries on an equitable basis. As part of this process, the European Commission must ensure fair treatment for textiles and clothing firms throughout the Community. We

have heard about the unfair arrangements that have existed in the past as between ourselves and Belgium, Italy and France.

I welcome the statement made by my hon. Friend the Under-Secretary. It is the start of a long road, with some long and difficult negotiations. We are all against protectionism in principle, but in practice we have to accept it in one form or another. We must roll up our sleeves and get down and compete in the market place. It is no longer good enough for Britain to play cricket and to play the straight bat while letting everybody else get away with murder, which is what has happened in the past.

I have another example from my constituency. S. Lyles is a firm of yarn spinners in Dewsbury. It complains about competition, not from abroad but from Scotland because of the regional assistance in Kilmarnock. The hon. Member for Kilmarnock and Loudoun (Mr. McKelvey) has spoken today. The firm in my constituency is competing with a yarn supplier called William Dawsons and Sons Ltd. a well-known firm that has set up a factory in Scotland and is manufacturing yarns unfairly because it is competing with an unsupported manufacturer in Dewsbury. These are the kind of problems which have to be wrestled with both domestically and world wide. I wish the Minister every success.

9.5 pm

Mr. Stuart Holland (Vauxhall): If the House is honest with itself, and to a considerable extent I think that it has been so during the debate, it is faced with a dilemma over the multi-fibre arrangement, a dilemma which in some cases poses the conflicting interests between the less developed regions of this country and the less developed countries of the world economy. But the issue is not that simple. The panacea offered by the hon. Member for Yeovil (Mr. Ashdown) of a golden dawn, as though he has the answer whereas other hon. Members do not, is misleading and mischievous. The multi-fibre arrangement is not a perfect instrument. In fact, it is rather blunt. It may not even be an instrument which can be perfected for the regulation of the textile and clothing trade. It is a means of coping with particular circumstances in the industry, and it should be varied over time in accordance with changes in trading conditions and other policy priorities.

Several hon. Members have referred to the fact that the increase in imports to this country has been especially from European countries rather than from the less-developed countries. It is also important, as several Opposition Members have stressed, that the overwhelming share of the imports from so-called less-development countries come from the newly industrialising countries and that up to four-fifths of those imports are from the newly industrialising countries. It is understandable that many hon. Members feel that we do not owe some of those countries a permanent living, not least in view of the fact that in terms of gross domestic product per head the real earnings of a bus driver in Hong Kong are higher than the real earnings of a bus driver in London. This point was made by the hon. Member for Hertford and Stortford (Mr. Wells) who was foremost among Conservative Members in arguing the case for the less-developed countries. Gross national product per head in Hong Kong and Singapore is higher than the GNP per head in Portugal and is more or less the equivalent of that in Greece. Therefore we are not referring to the least and lesser developed countries. We are referring to intermediate, modernising countries which

do not enjoy the liberal political or trade union conditions which are enjoyed in Greece, after the colonels, and in Portugal after half a century of dictatorship.

Mr. Richard Wainwright: Will the hon. Gentleman give way?

Mr. Holland: No, it is very late in the debate, and although I should be perfectly willing to give way, may I point out, with respect, that the hon. Gentleman has only just come into the House. The problem over the case for liberalisation, as argued by the hon. Member for Yeovil, is that it can in no way guarantee a shift of imports towards the lesser and least developed countries. We simply could not guarantee a shift towards the lesser and least developed countries by liberalisation. It is not only a question of a new international division of labour. Reference has already been made to the very low labour costs in some of the countries concerned, which are one-fifth, or less, of those in Europe. But we also have a multinational division of labour in which many enterprises are using production platforms in some of the least developed countries of the world and combining them with modern methods of production. Therefore, competition is not on wage costs alone.

That is a special problem in the case of Bangladesh. It is right that we should be concerned about Bangladesh, which is one of the half dozen poorest countries in the world, but now is having a certain amount of success in some categories of textile imports to this country. I do not believe that Bangladesh can be included in the same category as Hong Kong. They are poles apart. Also, a problem may be posed for the authorities in Bangladesh as to the terms and conditions upon which multinational companies are allowed to operate in Bangladesh.

There is therefore a case for a development dialogue with the lesser and least-developed countries, with a view to achieving trade agreements with them which safeguard their interests to a greater extent than would a simple automatic renewal of the multi-fibre arrangement, granted especially that the MFA is an umbrella agreement which allows for a series of bilateral agreements and deals within it.

The harmony of interest case through liberalisation is a fantasy. Free trade is not automatically fair trade. Nor do equal conditions for competition mean competition between equals. Unqualified liberalisation would mean that the weaker, less developed countries helped the stronger as production platforms, while stronger, newly industrialising countries help themselves to final markets in the developed countries. That is why we need not only a renewal but also a reform of the MFA to help the lesser and the least developed countries.

9.10 pm

Mr. Martin M. Brandon-Bravo (Nottingham, South): I join in the cautious welcome of today's statement by my right hon. Friend the Minister. I hope that we can press him to firm up over the coming weeks and months. I also declare an interest—32 years of interest in the industry in my constituency and area of Nottingham.

As never before we must speak for employment and jobs in the United Kingdom in general. We must speak up for employment in the broad sweep of our own textile industry. I do not mind being parochial. I would be more than happy to speak for employment in the east midlands, which is so heavily dependent on textiles.

I know that the original perception was that the MFA should not be a permanent mechanism. Like so many ideals we have to say that perhaps it seemed a good idea at the time but much has changed and we must address ourselves to this matter against a level of unemployment that did not exist at that time. It would be madness not to recognise that. Our people would not forgive us if we did not. They would be justified in not forgiving, and we must take the matter on board.

There is a common misconception of the industry—a misconception light years away from truth and reality. The industry is not a single one but is many; it is spinning, weaving, knitting, dying and finishing, printing, narrow fabrics, lace—all industries in their own right, long before the public perception of the industry, garment manufacture, even begins.

There are legions of secondary industries that do not readily spring to mind as being connected with textiles, but they exist and they depend on it. They may be inter-related. Without a garment trade there would be no need for the fabric trade, unless some well-meaning theorist—the House has many on both sides—imagines that the whole structure could somehow sustain itself and survive solely on exports. If people believe that, they will believe anything.

I am well aware that it sometimes suits a garment manufacturer to buy fabric from abroad in order to meet the demands of an ever-changing market. By so doing he is at least retaining the main labour intensive part of the cycle. It is because I believe in flexibility of choice within the cycle of the manufacturing process retained in the United Kingdom that I feel so strongly about the retention of the MFA.

In emphasising the manufacturing side of the equation, it would be wrong to ignore the role to be played, for good or ill, by the retail trade. The retailer cannot be blamed for seeking to buy in the best market. If that advantage is passed on to the customer, I acknowledge the benefits, certainly in the lower prices. But what is the long term cost in employment or in ultimate price?

The recognition of responsibility to British-made goods end what that means for jobs and spending power cannot be greater exemplified than by our largest retailer, Marks and Spencer, without whom it is no exaggeration to say that there would be no textile industry in Britain. But for it and other retailers who operate policies of varying degrees of loyalty to their suppliers there is a mutual need to preserve a manufacturing base. It is no rare thing to budget for shared purchasing between imported and home-based products for the protection of lines of supply, or just to have a home-based supplier to turn to, if, as they say, the sun shines, and economics be damned, the cash registers will tinkle away like mad.

On the manufacturing side of this industry the giant names in the trade are well-known. In coming to the House I gave up an executive role within our own parent group, Readson of Manchester. That group, with units all over the United Kingdom, employed approximately 3,500 people in 1979. It now employs just over 3,000 people. Thus there has been a drop of 14 per cent. as compared with the industry average of 26 per cent.

Notwithstanding the climate, the group proudly claims a turnover of £85 million, and last year put £1.75 million into new equipment. I say to the Minister that that investment must not be put at risk. Investment in computer design and fabric utilisation—which sadly had to be

[Mr. Martin M. Brandon-Bravo]

imported—amounted to a mere £100,000 and went to assist a group of three units employing 450 people. A simple matter such as the installation of mechanical cutting equipment for a team of 150 people meant an investment of £65,000. I have given those two simple examples not merely to bang the drum for my own group but to try to illustrate that we have not sat on our bottoms, cried our eyes out or demanded handouts or massive protection from the Government.

We have responded to the stiff breeze that my right hon. Friend the Prime Minister has rightly caused to blow through British industry. We say to my right hon. Friend the Minister today, on our own behalf and on behalf of the rest of our industry, that we have done our bit. We are still doing our bit, and the Government must now play their part in the renegotiation of a good MFA agreement. This vital industry has been slimmed down to such a point that we cannot allow it to be slimmed down further. In a climate of full and flexible employment there might—I say “might”—be a case for less protection. In the present climate, our greatest duty is to our own. We must have this agreement and we must reserve to ourselves the right to do what is in the best interests of our people in the circumstances, and as the future unfolds.

9.16 pm

Mrs. Ann Winterton (Congleton): I begin by giving credit to both workers and management in an industry that has experienced major upheavals in recent years, and that has as a result, surfaced leaner, more highly productive and much more competitive.

I intend to concentrate briefly on the fallacy that the MFA has raised prices on the United Kingdom market by restricting access to low-cost imports with the result that retail clothing costs are higher—some wrongly claim by as much as 20 per cent.—than they would be if the MFA no longer existed. It is also claimed by some that the MFA has restricted choice in the United Kingdom market.

But it is essential to consider the situation from the consumer's point of view in any reasonable discussion of the future of the MFA. Contrary to the false claims of those who suggest that the United Kingdom textile market is over-protected, the evidence shows that textile and clothing prices in the United Kingdom have been subjected to an effective restraint through a combination of competitive pressure and the effects of the general recession.

Between January 1974 and December 1984 the retail prices of all goods rose, on average, by 267 per cent. For clothing, textiles and footwear, the corresponding increase was only 118 per cent. In no other group of products or services have prices risen less quickly than in textile and clothing. Such reductions in real prices have been brought about despite the rising charges for raw material and fuel that have been experienced by industry as a whole.

There have been staggering job losses in the industry with wholesale factory closures dealing further blows to the north and north-west regions of the country, which between them account for 39 per cent. of all textile employment, with the east midlands, partly represented by my hon. Friend the Member for Nottingham, South (Mr. Brandon-Bravo), accounting for a further 20 per cent. But the north and north-west desperately need renewal of this

orderly marketing agreement if they are not to be left reeling under a still greater burden of unemployment and economic hardship.

But the industrial recession has not just cost jobs in the textile industry; the suppression of price increases has had a similar effect on the earnings of those employed in that sector of our economy. Such workers must look with envy at the massive pay rises, superlative redundancy payments and cast-iron guarantees of life-long employment that have recently been given to workers in the nationalised sector. I refer, of course, to the coal industry. The earnings of those employed in the textile industry have fallen in real terms, and in relation to the earnings of groups of other workers. Clearly the MFA has not led to inflationary wage settlements. The opposite is the case.

In the context of falling prices, reductions in real wage levels, increases in per capita productivity and better marketing techniques, we must ask whether the removal of the MFA would reduce prices much further. It is difficult to believe the accusation that the consumer's choice of textile products is restricted in the United Kingdom. No evidence of market scarcity in any United Kingdom product category has been produced. Indeed, the British market is renowned for its wide range of choice and the flexibility with which it adapts to changing fashions and demands.

In addition, it is claimed that families are disadvantaged by the MFA because they spend a higher percentage of their income on clothing and because supply countries prefer to fill their quotas with adults' clothes rather than children's clothes, for which they receive less revenue. Figures produced by the Department of Employment in the family expenditure survey suggest that low-income families spend less on clothing than other households and tend to spend less of their income on MFA products than better-off families.

It is said that adult clothing is exported in preference to children's wear. The evidence is not compelling. Prices for children's clothing have risen slightly faster than the prices for all clothing and footwear, although they have risen much slower than prices overall. It is unfair to suggest that the increases are a result of the MFA.

The MFA has not limited choice for the consumer. It has not restricted quality or the volume of supply. It has not artificially raised prices, and it has not adversely affected poor income groups.

For the British consumer, for the British textile and clothing industries and for our economy, renewal of the MFA is essential. I welcome my right hon. Friend's statement and his commitment to the renewal of the MFA. I urge him to nail his colours firmly to the mast in the forthcoming renegotiations.

9.22 pm

Mr. Bryan Gould (Dagenham): As my hon. Friend the Member for Oldham, Central and Royton (Mr. Lamond) said, the number of hon. Members who have taken part in the debate and the depth of concern which has been demonstrated illustrates strikingly hon. Member's recognition of the industry's importance.

A number of pertinent statistics have been repeated several times. I make no apology for referring to them again. The industry employs 500,000 people. Employees often live in regions which are disadvantaged and belong to social groups which have problems finding employment. The industry provides 9 per cent. of all employment

in manufacturing. The industry's foreign exchange earnings were £2.7 billion last year—almost as large as the highly regarded earnings by the financial sector. As my hon. Friend the Member for Burnley (Mr. Pike) said, the industry's sales of £10.891 billion last year are worth more than a third of the earnings of the aerospace industry and its value added is more than that of the motor vehicle industry.

My hon. Friend the Member for Huddersfield (Mr. Sheerman) and others said that the textile industry has suffered substantially in recent years with the rest of manufacturing industry. It has suffered from a range of Government inspired factors such as low demand, high interest rates and, most damaging, an over-valued exchange rate. As a consequence the balance of trade in textiles has deteriorated sharply. The deficit last year of £2.2 billion was 35 per cent. worse than in the previous year. Output has fallen, employment has halved in 10 years, import penetration has increased substantially and was up 8 per cent. in 1984 over the previous year. There are those who say—this has been suggested in muted tones during the debate—that the pass had been sold and that there is no future for Britain as a manufacturing nation in general and in textiles in particular. The Opposition firmly reject that view, and I am glad that we have the support of so many Conservative Members. We believe that textiles are an important part of our manufacturing base. We shall depend on that base and the textile industry for our national wealth once North sea oil is depleted.

We do not believe that textiles are a sunset industry. Indeed, the industry has done a great deal to improve its own productivity and has invested substantial sums to that end. The industry has remarkably good labour relations and it can hardly be said to overpay its work force. As the hon. Member for Congleton (Mrs. Winterton) said, the real wage of the male worker in the textile industry has fallen by 4.7 per cent. since 1979. That provides an excellent test of the current theory that if we were only to reduce real wages employment would miraculously appear. As my hon. Friend the Member for Bradford, West (Mr. Madden) said—

Mr. Peter Thurnham (Bolton, North-East) *rose*—

Mr. Gould: I shall not give way to the hon. Gentleman, as my time is limited. My hon. Friend observed that the textile industry and textile workers especially have tested the theory to destruction.

The textile industry has not languished behind a protective barrier growing rich and lazy. We need now the clearest possible commitment to the industry's future. As well as the Minister's welcome statement this afternoon, we need resolute action. We need a Government who will fight as hard for the interests of our textile industry as every other government will fight for the interests of their textile industries. This is no time for unilateral trade disarmament, on which we sometimes hear worrying observations. This is no time for a free trade theology. That must not be allowed to override hard, practical considerations. We need the most robust attitude from the Minister. We need an industry that is protected and consequently strengthened, and nothing else will do.

The argument about the MFA is sometimes presented as a clear choice between the arrangement or something approaching free trade. Many of those who have

contributed to the debate have said that that is a fallacy. That is not the choice. If we were to withdraw from the arrangement, or if it were to disappear altogether, we would not arrive miraculously at free trade conditions. The United States would remain strongly protectionist and the state trading nations would not play the free trade game. What I describe as the predatory trading nations would press home what is in some instances an unfair market advantage. If we were to weaken the MFA or bring it to an end, the result would be the very antithesis of free trade. If that were to happen, we should enter a jungle. The issue is not confined to the arrangement or free trade.

We have a choice of chaos or regulation, and the Opposition will opt for regulation—[HON. MEMBERS: “What about article 19 of the GATT?”] My right hon. and learned Friend the Member for Monklands, East (Mr. Smith) dealt with that issue extremely effectively earlier in the day. That remains a major threat to the very trade that presumably Conservative Members are interested in maintaining.

Even if it were the case that free trade were an option, it is doubtful whether some of those who advance the free trade argument would take it up. It is argued that, if only we were to get rid of the protective barrier, British industry would become more efficient and would match competition more easily. It can be said with some confidence that that view is to be rejected. It has been tested because we have some experience of an industry which has been opened up to competition. We know the consequences of that in the textiles industry because it has been opened up to that competition. We have no protection against the textiles industries of the EEC. The consequence has been that EEC imports have risen by 70 per cent. in the last few years. As has happened in many other industries, that has meant substantial losses of production, output and employment.

The record shows that, faced with such powerful competition in the real world rather than in the comfortable theoretical world, British industry does not become more efficient. That is an awkward fact, but it is true. Instead, large chunks of it simply go out of business because they cannot match the competition. That is what would happen if the MFA were abandoned or weakened, and we do not want that to happen to an even greater extent than it has already happened.

This is hardly a matter of controversy, because so much is frankly admitted by Professor Silberston. It is extraordinary that the Government should have been so tactically inept as to publish the report now and make absolutely inevitable the opportunity for their opponents across the negotiating table to quote happily from it whenever the Minister seeks to defend British interests.

It is important to understand what the Silberston report says. The professor does not dispute that there will be job losses, although he is in some doubt about the number. The Liberal party also accept that point, judging by the speech of the hon. Member for Yeovil (Mr. Ashdown). The hon. Member for Rochdale (Mr. Smith) made a valiant effort to claw back that position. However, as I understand that he does not take the Whip, we must assume that the position stated by the hon. Member for Yeovil is that of the Liberal party. We shall study that with some interest.

Silberston says that there will be some job losses but that in some miraculous way they will be transmuted into job gains elsewhere. It is an improbable deal that he offers

[Mr. Gould]

to the textile industry—in return for immediate, direct and certain losses of jobs, output and investment, there may be some highly theoretical possibility of a diffuse gain somewhere or other in the economy at some unspecified time in the future. That is hardly a deal to commend itself to a textile worker in Bradford or Huddersfield.

It takes leave to doubt the Silberston report and its conclusions. The methodology employed is extremely unconvincing and has rightly attracted censure from many objective commentators. Indeed, even Professor Silberston was prudent and cautious and he wrapped his conclusions round with a whole range of caveats and qualifications. He said that he had considerable reservations about his conclusions.

The report substantially understates the jobs losses that may flow from the abolition of the MFA because it takes an unduly pessimistic view of the job losses that would occur in the industry even with the MFA. I do not believe that the future of the industry is as bleak as the professor maintains. Certainly, when the Labour party returns to power it will create a climate that is much more favourable to manufacturing industry, and the textile industry will be part of that increased prosperity. Therefore, there is no ground for such pessimism.

As many hon. Members have said, the professor overstates the fall in prices that might flow from the ending of the MFA. The scope for a fall in prices is extremely limited. The industry produces a range of commodities whose prices have shown the smallest increase of any item in the RPI during the past 10 years. During the decade from 1974, whereas prices generally rose by 267 per cent., textiles, clothing and footwear prices rose by just 118 per cent.

There is no margin for further price cuts. If the imported price fell because of the ending of the MFA—which is doubtful—all that would happen is that margins would rise. The effect would be so small as to be meaningless, and the notion that it might have a macro economic effect on the economy is ludicrous. Even if it were to have such an effect, the stimulation to the economy would be more than offset by increased unemployment and reduced demand in the short term.

Professor Silberston substantially misunderstands what would happen to the exchange rate in such circumstances. The Cambridge econometrics group derived most of its favourable consequences of what was proposed from its view of what would happen to the exchange rate. However, the exchange rate will not be so sensitive to a worsening of the balance of payments because of the removal of the MFA as to fall substantially and thereby increase our competitiveness, so that we suddenly start selling exports all over the world. The exchange rate does not operate like that, as we have all seen in recent years. It does not reflect such matters in the market place; it reflects monetary practice, interest rates, capital flows and so on.

Mr. Ashdown: Will the hon. Gentleman give way?

Mr. Gould: No. I am sorry, but I do not have time.

It is significant that the industry—both employers and trade unions—is united in condemning the Silberston report and in supporting the case for a new and effective MFA. We accept that argument and strongly support that case. We need a new MFA. What matters is

not that, but what shape the new MFA will take. We need an MFA that operates better, not necessarily because it is more restrictive, but because it serves the interests of this country more efficiently.

As my hon. Friend the Member for Vauxhall (Mr. Holland) pointed out, an effective MFA would not only serve our interests. It would be the best means of guaranteeing the interests of less developed countries. Countries without the guaranteed access that an MFA provides would not be able to compete with dominant suppliers. The less-developed countries would find that, without that access, their industries would be destroyed.

Therefore, we are looking for a new MFA that guarantees that access and provides more generous quotas for countries that need access to our markets. We also need a social clause to protect workers in those countries against exploitation and low wages, so that as their industries develop, on the basis of that guaranteed access, the workers, and not foreign providers of capital, will derive the benefit.

We recognise that countries such as Hong Kong and Singapore have opened their markets to produce from around the world, including this country. It would be right to try not to discriminate against those newly industrialising countries.

There is some justice in the Hong Kong claim that the effect of restrictions has simply been to make room in our market for more EEC imports. That is indisputable, but the problem is that the rise in EEC imports is not a consequence of the MFA, but a consequence of our inability to take measures to deal with that flood of imports.

In textiles, as in other areas, a Labour Government will have to grapple with that problem when we return to office.

This is not the time to look at the detail of the negotiations, but I ask the Minister to note carefully the fact that we want a longer term for MFA 4 than I believe that he is contemplating. A renewed MFA that expired when the GATT talks came to an end would not be good enough. We want an MFA in which import quotas are fixed at 1985 levels. If that were the case, we could do away with the anti-surge mechanism. We need a more effective mechanism to replace the basket extractor mechanism. We also need at home more resources devoted to dealing with fraud and quota evasion.

We do not expect the Government to reveal fully their negotiating position. But we want a clear and strong statement. We are worried by what appears to be a lack of firmness and conviction in what the Minister said. In our view, he showed too great a readiness to make concessions in advance of the negotiations. We shall watch very closely what he does in these negotiations because we believe that, after all the damage that his Government have wreaked upon the industry, any failure of conviction or determination in pursuing these negotiations would be a further and quite unnecessary blow.

We want a stronger statement. We want strong action. I hope that the Minister of State will take the opportunity to dispel the remaining doubts about the Government's firmness of purpose and make clear their determination, in which they will have the opposition's full support, to maintain this vitally important British industry.

9.41 pm

The Minister of State, Department of Trade and Industry (Mr. Norman Lamont): This has been an extremely lively debate in which there has been a certain amount of disagreement but not necessarily along party lines. We have had some notable constituency speeches, and some notable speeches from hon. Members who have represented the consumer interest, with no specific industrial interest in their constituencies. We heard a splendid speech from my hon. Friend the Member for Macclesfield (Mr. Winterton). My hon. Friend the Member for Hyndburn (Mr. Hargreaves) reminded us of the slogan, "By Lancashire's thread hangs Britain's bread", which was the answer to the single hon. Member who sought to imply that the problems of the textile industry were only of very recent origin.

There has been a certain amount of tilting at windmills in the debate. As soon as my right hon. Friend said that there was to be another MFA, I fear that some of the speeches prepared by Opposition Members did not quite have the perorations intended.

My right hon. Friend made it clear that we wanted another MFA, albeit a more liberal one, and that we wanted the longer term future of the MFA to be examined in the context of the GATT negotiations.

I agree with the hon. Member for Dagenham (Mr. Gould) and with my hon. Friend the Member for Macclesfield about the importance of the textile industry. I shall not go over all the statistics repeated again and again about exports and the proportion of manufacturing employment. This is a huge manufacturing industry and an extremely important one. No Government could be indifferent to its enormous employment. The Government do not regard it as a sunset industry. It employs so many people that it has to compete. By using modern technology, concentrating on good design and perhaps moving up market, I am sure that there are many areas of the industry where we can be fully competitive without protection. That has been said to me again and again by industrialists. There are areas where they are competitive in world terms.

Such disagreement as there has been has not been about whether there should be a multi-fibre arrangement. It has rather been about the tightness of a future MFA. My right hon. Friend made his view clear that we would like a more liberal one. We cannot accept that it should be longer than four years. Four years has been the life of MFAs in the past.

A number of hon. Members contrasted the theory of free trade with the practice in the real world. I emphasise what was said by my right hon. Friend and underlined by my hon. Friend the Member for Skipton (Mr. Fox). Only if we get concessions in the GATT negotiations will we go further with liberalisation. We have a great deal to gain by getting concessions from other countries, but we shall not offer them in advance. We are using them as a bargaining counter.

I agree with the point made by my hon. Friend the Member for Skipton about distinguishing between unfair and unwelcome competition. Not all competition from low-cost countries is unfair. Industrialisation is a rough business, and it is by exporting to us that the poorer countries will make themselves richer and improve themselves.

The hon. Member for Rochdale (Mr. Smith) was one of the few Members who mentioned what might have been thought to be an extremely important question—that of China. China is a huge potential supplier overhanging the market and is a subject of enormous worry, but I can at least give the assurance that China, a member of the MFA although not of GATT, will continue to be treated as a state trading country. Therefore, regardless of what happens in the MFA negotiations—or GATT, while she is not a member—China will continue to be subject to special negotiations and arrangements such as those applied to state trading countries.

My right hon. Friend said that we favoured some liberalisation of quotas. An important question is whether different sectors of the industry merit different treatment under the quota arrangements. The industry has said that each sector contains a range of products of enormous variety and that the different sectors are interdependent. As my right hon. Friend said, we take the view that some quotas should be dispensed with and others substantially relaxed. We intend to concentrate liberalisation on those areas where the cost to the economy as a whole of protection is greatest, but we shall be consulting the industry and hon. Members about the details.

It has already been made clear to us that quotas on textiles can damage the prospects of our clothing industry. One example that came to my attention recently was that of a leading United Kingdom garment manufacturer which had to close one of its factories after quotas were imposed on imported yarns which it used substantially. A dyeing and finishing plant shed jobs because import quotas meant that it was unable to obtain sufficient quantities of undyed fabrics. Examples of that sort demonstrate that restraints on textiles can hurt our clothing industry. In many instances our clothing, weaving, dyeing and finishing industries are less competitive than they could be, and are operating below their potential because of the restrictions on textile imports.

Several hon. Members mentioned the practices of the United States of America. My hon. Friend the Member for Keighley (Mr. Waller) referred to the high tariff on woollen goods, which we regard as quite unsatisfactory. One cannot, in making comparisons, do so product by product or industry by industry. The United States in general is a relatively low tariff country but, like every country, it has some areas of anomalously high tariffs. We have said publicly that it is our intention on the GATT round to seek a reduction in the anomalously high tariffs.

A crucial factor in the renegotiation of the MFA, will be the attitude of the United States. I take the point made by the hon. Member for Oldham, Central and Royton (Mr. Lamond) and others that if the United States is restrictive there is a danger of a diversion of goods from there into this country. We have to take account of that in the negotiations. In discussing what sort of quantitative restrictions and what sort of quotas there might be, we have to take account of what the attitude of the United States is likely to be.

My hon. Friend the Member for Macclesfield made an interesting point about the diversion argument—whether the effect of the MFA was to cause diversion and increase imports from the EEC. The hon. Member for Dagenham also pursued that point. I agree with my hon. Friend up to a point, but it is an argument that can be much exaggerated, and probably many of those exports from Europe would have increased anyway because there were

[Mr. Norman Lamont]

other factors tending in that direction. However, there is undoubtedly an area of overlap between some of the MFA countries and some of the European countries. For example, Hong Kong is moving up-market and competing to an increasing extent with European countries. There may have been an element of diversion, but it should not be exaggerated.

I do not agree with those of my hon. Friends who have referred to the consumer lobby in slightly disparaging terms. Of course we must represent constituency interests, but the national interest includes consumer as well as industrial interests. As my hon. Friend the Member for Aberdeen, South (Mr. Malone) said, we must strike a balance between consumer and producer interests. It was necessary that the consumer's voice should be heard in the debate, and I was very pleased that my hon. Friend spoke out for the consumer loud and clear.

On the question of the Silverston report, we were diverted by the two speeches from the Liberal Bench. We are accustomed to hearing the alliance speak with different voices, but on this occasion the ranks of Tuscany themselves were divided.

Mr. Ashdown: The Minister should look behind him.

Mr. Lamont: The Liberals really resembled the mugwumps, with the mugs on one side of the fence and the wumps on the other. The hon. Member for Yeovil (Mr. Ashdown) made a brave speech, but it did not seem to slip down like a dozen oysters with his hon. Friend the Member for Rochdale.

I listened with interest to some of the comments made about Professor Silberston. Professor Silberston is far from being a doctrinaire free trader. His background is in industrial economics. I listened with interest to what the right hon. and learned Member for Monklands, East (Mr. Smith) said about Professor Silberston, especially as one Labour Government appointed him to the board of the British Steel Corporation. Presumably that Government did not consider him so very wild. We should not lose sight of the fact that Professor Silberston concluded that we needed another MFA. It is not wrong for the Government to ask someone to examine and attempt to quantify the costs of the MFA. If people have confidence in the case for their industry, they should not object to an examination of it and an assessment of the costs.

In one sense, this is history. The Government have made their decision. We have announced that there is to be another MFA. I would not wish to get hooked on any particular statistic from the Silberston report. However, Professor Silberston estimated the cost of protection per job at about £10,000 to £40,000 per annum. He compared that with our ceiling of £10,000, once and for all, in our regional policy. If Opposition Members are right to say that Professor Silberston has underestimated the employment protection effect of the MFA, the cost per job must be far greater than is suggested in the report.

Opposition Members may believe that it is right to pay the price of having an MFA. They may believe that the MFA is worthwhile. However, it is surely right that we should examine it, and attempt to calculate the cost. If there is a cost, it seems likely that there will be an effect on employment. That was one of the central points in the report. However, Professor Silberston recommended that there should be another MFA because of the hardship and

the degree of adjustment that the clothing and textile sector had already faced. That has been a major consideration in the Government's decision to have another MFA.

We want to move in a more liberal direction. We recognise that the industry has suffered enormous pains of adjustment in the past few years. We want to examine the MFA in the context of GATT, and, provided that we can win real concessions from other countries, we will try to make it even more liberal. That prize is well worth pursuing. No country has more to gain than us from the further liberalisation of world trade. We hear much about restrictions on trade, but our managing to export about 30 per cent. of gross domestic product, which is probably a higher proportion than that of any other country, shows that we are pretty good at overcoming many of the obstacles.

As the hon. Member for Vauxhall (Mr. Holland) said, there are many countries which are no longer among the poorest, such as Korea and Taiwan, which have high tariffs and considerable restrictions, although their economies are becoming strong. As the hon. Gentleman said, gross domestic product per head of population in those countries is close to ours. We ought to use our position in the MFA to get concessions from those countries.

Decisions on the MFA are likely to be of key importance for world trade. If we do not have liberalisation in textiles in the forthcoming negotiations, it is difficult to see how we can achieve any worthwhile results in the round of GATT negotiations. Textiles and clothing account for one quarter of the exports of manufactures from developing countries. We can hardly expect them to make concessions in trade if we start by blocking the goods which are most important to them.

I hope that part of what I have said is the answer to those who have asked why the process of liberalisation starts with textiles. The industry has enjoyed the protection of the MFA for some years.

Mr. Robert Hughes *rose*—

Mr. Lamont: It was always implicit that that protection should be temporary. The industry has had a lot of time to adjust. Indeed, it has adjusted recently. There has been a fantastic restructuring. Companies such as Illingworth Morris, Vantona Viyella and Courtaulds have done a remarkable job and dramatically improved their profitability so that they are now among the strongest companies in the world.

There has been some argument about the impact of the MFA on developing countries. It is sometimes suggested that, because some of the quotas under the MFA have been under-used, the MFA does not harm developing countries. However, any country will have a spread of quotas, some of which might be used more than 90 per cent. and some of which might be very much under-used. A country such as Bangladesh might well prefer to export a much larger volume of some goods and not have quotas on some other goods in respect of which it is not competitive. In that way the MFA has done some harm to developing countries. We believe that an MFA should help the poorest countries. Whatever the pros and cons of the argument might be, there is no doubt that the developing countries think that it damages them because they continue to press for the ending of the MFA. In Mexico last month, the countries

representing them again confirmed their commitment to the full application of the normal rules and principles of GATT to textiles and clothing.

My right hon. Friend the Minister for Trade set out the Government's view of what our initial stance in the negotiations should be. I have already referred to the GATT round, in which context we believe these matters should be considered and tackled. But first we must negotiate MFA 4. We accept that some quotas should go and that others should be increased significantly. The details will receive careful analysis later, but one important factor should be the extent to which industrial users of products subject to quota are inhibited by current quota levels from taking full advantage of their international competitiveness and expanding accordingly. That will help the consumer too.

As for the exporting countries, we want to be especially liberal towards the poorest and those which accept their GATT obligations, but much less so to the better-off developing countries unless and until they recognise their obligations to open up their markets. The Community must arrive at a common view on the MFA and GATT. The matter must then be negotiated with the other signatories. We are only at the beginning of the process. The MFA does not expire until July 1986. The bilateral agreements that the Community have negotiated need to be renegotiated by the end of 1986. We intend to keep the House informed of major developments in the negotiations as they progress. We shall also keep closely in touch with the textile and clothing industries and all other interested parties.

Mr. Mark Lennox-Boyd (Morecambe and Lunesdale): I beg to ask leave to withdraw the motion.

Motion, by leave, withdrawn.

STATUTORY INSTRUMENTS, &c.

WEIGHTS AND MEASURES

Motion made, and Question put forthwith pursuant to Standing Order No. 79(5) (Standing Committee on Statutory Instruments, &c.)

That the draft Weights and Measures (Liquid Fuel carried by Road Tanker) Order 1985, which was laid before this House on 22nd April, be approved.—[*Mr. Lennox-Boyd.*]

Question agreed to.

Miss Thi Minh Bui

Motion made, and Question proposed, That this House do now adjourn.—[Mr. Lennox-Boyd.]

10 pm

Mr. Clive Soley (Hammersmith): I wish to draw the attention of the House to an important and moving human problem because Britain and the Government can help many refugees in Hong Kong and other areas. I shall give some of my time to my hon. Friend the Member for Monklands, West (Mr. Clarke). The hon. Member for Ynys Môn (Mr. Best) asked to be associated with the debate, but for good reasons, I am sure, he is unable to attend.

The question relates to the reunification of families of Vietnamese origin in the camps in Hong Kong and other parts of south-east Asia. The case came to my attention because two sisters, Miss Thi Nga Bui and Miss Thi Minh Bui, aged 23 and 19 respectively, live in my constituency. They arrived in the United Kingdom in 1981.

I recognise that no country, and certainly not Britain, which has a relatively small land space, can solve all the refugee problems of the world. However, we have a duty to act where we have particular responsibilities and if we can do something important both for humanity and to persuade other countries to act. I am supported in that view by a recent Select Committee report, from which I shall quote generously.

The two sisters left Vietnam, were picked up by a British freighter and taken to Brunei. From there they came to the United Kingdom. Their father, mother, three brothers and one sister—the children are aged 20, 18, 10 and eight respectively—left Vietnam about a year later and sailed directly to Hong Kong, where they were admitted to a closed camp.

Hon. Members without exception are disturbed by the existence of the closed camps. We recognise the pressures that there were on Hong Kong in 1979 and 1980 when 200,000 refugees left Vietnam. However, none of us can be anything but deeply disturbed by the camps. People in those camps cannot leave them, or go out to work. They rely on money sent to them by relatives and friends overseas and they own little or no property. My hon. Friend visited the camps more recently than I did, and he may wish to add to that.

We hear a great deal about the importance of family life, and we all accept that it is important. It is especially important to Vietnamese families, who are extremely close and rely greatly on each other for support. We should remember that we are a signatory to the Helsinki final act. Although it does not apply throughout the world, the spirit of it is what counts. If our commitment to it is true, we should allow the principles on which we signed it to guide us on family matters.

Until May 1981 families were reunited, but the policy was changed and brought into line with general refugee policy. The Select Committee and others, including myself contend that that is unjust and unnecessary. It is generally accepted that verbal undertakings were given, although perhaps not by Government officials, that members of families would be reunited.

Mr. Barber, who is the director of the British Refugee Council, said this when he gave evidence to the Select Committee:

"In seeking to fill the quota, I think there is no doubt . . . that from the voluntary agency side . . . efforts were made to

[Mr. Clive Soley]

say that 'Of course, if close family members join you and come to Hong Kong later when you are already settled in Britain, then Britain will accept them.'

The Select Committee concluded:

"Secondly, it is clear that many Vietnamese were given assurances in Hong Kong that if they came to Britain family members would be allowed to join them. When the quota of 10,000 was announced, there was some difficulty filling it, because refugees understandably preferred countries with larger Vietnamese communities and better job opportunities, and some Vietnamese may therefore have been persuaded to come to Britain by assurances of family reunion. We accept that no such undertakings were given with Government authority, but at the time when selection was taking place to fill the quota, Britain had wide criteria for family reunion and it would be extraordinary if the selecting teams had not mentioned this."

Lord Ennals, who is the chairman of the British Refugee Council, said this in evidence to the Select Committee:

"There is, of course, as the Committee will know, a continual policy of family reunions from those whose close relatives are still in Vietnam, and some of those who fled and went to Hong Kong now find themselves in the invidious position that had they stayed in Vietnam they might have been able to have been brought to Britain under the 'Orderly Departure' policy; having now arrived and taken all the risk of going by boat, they now find that they cannot be admitted to Britain."

The second important reason why we must reconsider the policy—it was emphasised by the Select Committee—is that if some family members are in Britain, no other country will consider other members of their family, who are trapped in the camps in Hong Kong or elsewhere. The Select Committee states in paragraph 16:

"Thirdly, and most importantly, Vietnamese who have close relatives in Britain will not usually be considered for resettlement by any other country . . . the problem should have been foreseen when the family reunion criteria were narrowed. These people are likely to remain in refugee camps indefinitely unless they are allowed to join their families in Britain."

That powerful point was emphasised and given more power by the hon. Member for Ravensbourne (Mr. Hunt) who, alas, but probably for good reasons, is not here tonight. When he questioned the Minister of State, Foreign and Commonwealth Office, he said:

"Because it is a fact, is it not, that unless we accept that liability, these people are destined to remain virtually indefinitely in these camps, because in view of their links with those already in the United Kingdom, no other country is going to come anywhere near to accepting responsibility for them? So that they are in a very special compassionate situation, are they not?"

The Minister of State replied:

"I think I would have to say yes to that. I agree with you."

That is a powerful argument for acting in the way that I have suggested. Given that the Minister of State, the Select Committee and a growing number of people inside and outside the House are saying that, we are obliged to take it seriously.

The third reason why it is important to reconsider the policy is that it is essential to bring together these families if they are to cope with the real problems of settling down to life in Britain. Divided families inevitably have greater problems than do united families, who can rely on each other. I have already said how especially important that is to the Vietnamese, although all of us would accept that it is important to everyone, regardless of race, colour or creed.

The inability to reunite the family makes resettlement difficult. I am supported in that by the Select Committee, which said, talking about the stress-related problems that some refugees have experienced:

"The principal cause appears to be the cultural shock of life in the UK after Vietnam; the realisation that return is impossible"

I wish to emphasise the next part—

"the sense of loss, concern and guilt for those left behind; the lack of an established indigenous group here to provide support, and the difficulties of communication."

These are three good reasons why the House needs to reconsider this policy.

Britain must give a lead. Another important argument for that is that there is good reason to believe that Australia and the United States and probably Canada, West Germany and France, would act to help us clear the 11,000 or 12,000 refugees left in the camps in Hong Kong. The Minister of State, Foreign and Commonwealth Office, said on behalf of the Department:

"It is our responsibility to take the lead, as the Department in the Government responsible for Hong Kong, and to try to find a solution to it . . . it must be a priority in terms of our responsibilities."

The Select Committee said:

"We are convinced that a new intake of Vietnamese from Hong Kong by Britain is indeed a 'pre-condition' to resolving the problem, and that no substantial progress can otherwise be made in emptying the camps."

I accept that Britain, and Hong Kong in particular, have made gallant efforts to help in the Vietnamese refugee problem, but we are talking about a relatively small number of people, probably only about 500. If we took the lead in their case, other countries would follow our example and help us to resettle these people. That would ease the burden on Hong Kong.

Britain has not been ungenerous, but the closed camps disturb all of us. The Select Committee called for the closure of these camps, and I identify myself strongly with that call. I ask the Minister to allow this family to settle in Britain. Will he reconsider the policy and change it? He could begin by allowing my constituents to have their parents, three brothers and sister come to live with them here.

It is deeply moving to think of people who have managed so well here on their own but who are in contact with their family only by letter. They are trying to send money to their relatives, but they have only a limited amount, as one is a student and the other is working as a waitress. It is extremely difficult for them and they are an example of the Vietnamese families struggling to manage here. We should be doing everything that we can to help.

I support the Select Committee recommendation that family reunion criteria should be relaxed in respect of Vietnamese in camps in countries of temporary asylum. I have said that this is why we should change the policy. The fact that they are in these camps means that they cannot be settled anywhere else if they have relatives in the United Kingdom. I support the Select Committee's call for the closure of the camps and the transfer of the inmates to open camps.

The Minister said that if Britain committed itself to a modest resettlement programme we would have a good chance of a reasonable response and good reason to expect it. We also have the help of the United Nations High Commissioner for Refugees, who would be more than willing to put pressure on other countries if we took this initiative.

I wish to leave time for my hon. Friend the Member for Monklands, West to speak, and I see that the hon. Member for Ynys Môn is here as well. I urge the Minister of State, Home Office to give this matter full consideration. I



CONFIDENTIAL

Qz.04398

MR FLESHER

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY
SUB-COMMITTEE ON ECONOMIC AFFAIRS, 25 APRIL, 4.30 pm

SEE ITEM 1.
The meeting of E(A) originally scheduled for 3 April will now be held at 4.30 pm on 25 April. The brief for the Prime Minister on the multi-fibre arrangement (E(A)(85) 16) attached to my minute to you of 1 April remains valid but needs to be brought up to date on one or two points to reflect preliminary discussion at official level in Brussels on a new MFA. I attach a revised version of pages 1 and 3 of the brief which you might like to insert in the Prime Minister's copy. The main change is in the third and fourth sentence of paragraph 7.

2. I understand that the Secretary of State for Northern Ireland is now likely to attend the meeting, rather than the Minister of State, Northern Ireland Office, who had been expected to attend the earlier discussion. If this is confirmed, you may like to amend paragraph 12 of the brief accordingly.

3. I am copying this minute and enclosures to Sir Robert Armstrong and Peter Gregson.

D F Williamson

D F WILLIAMSON

24 April 1985

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

Prime Minister

MFA

Christopher Hogg made the following points:

- (i) the textile and clothing industry had strengthened itself over the past few years but there were still many thousands of jobs dependent on the protection of the MFA.
- (ii) were consumers getting a raw deal? clothing prices were rising about half as fast as inflation.
- (iii) the position of the US was crucial. If the UK liberalised and the US tightened up, there would be an obvious diversion into UK markets.
- (iv) more differentiation was needed between true developing countries and established producers such as Hong Kong and Singapore.

AT
24/4

CONFIDENTIAL

PRIME MINISTER

24 April 1985

THE MULTI-FIBRE ARRANGEMENT

The MFA should be dismantled as soon as possible because:

1. No industry should have "temporary" protection for more than 23 years. The clothing and textile (CT) industry doesn't need it: it is innovative, successful and competitive.
2. According to the study by Aubrey Silberston (Professor of Economics at Imperial College), which Norman Tebbit commissioned and now endorses, the MFA costs British consumers £450 million per annum.
3. It kills off more jobs in the economy as a whole than the jobs it protects in the CT industry. Without the MFA, employment might be 40,000 higher after allowing for job losses in textiles. Consumers would have more money to spend on other things; industry would be more competitive generally because the cost of living, and hence wages rates, would be marginally lower.
4. The MFA is an expensive form of job support (£9,000-45,000 per job every year, compared to the once-and-for-all cost-per-job limit of £3,000-10,000 in our reformed regional policy. The cost is so high because quotas invite foreign suppliers to exploit their value to the full, either by forming cartels, or by selling quotas on

CONFIDENTIAL

CONFIDENTIAL

- 2 -

the open market, as in Hong Kong. MFA is also bureaucratic, involving 600 quotas and 80 UK staff to administer them.

6. The MFA hurts the poor most, in Britain and among the developing countries. Quota allocation largely reflects past trade patterns, and therefore closes off opportunities to the poorest countries, like Bangladesh, Indonesia, Sri Lanka and the Philippines, which see the CT industry as a route out of poverty.

The Politics

The politics of liberalisation are inherently difficult because, although the beneficiaries (consumers and those who would be priced into jobs) vastly outnumber the losers, the latter are organised and noisier. But if we could not cope with this fact, our trade would never be as liberal as it is.

The CT industry is not as locally concentrated as it once was. It accounts for more than 10% of the workforce in only 14 towns, which comprise less than 5% of all local labour markets ("travel-to-work-areas") in Great Britain. The loss of an additional 10,000-50,000 jobs in the industry in over 5 years would hardly be noticed amid the general decline in employment predicted for the industry. Quite a few MPs will claim a constituency interest in retaining the MFA, but none could plausibly argue that their constituency would become a ghost town.

CONFIDENTIAL

Textile towns are not areas of exceptional unemployment. The 14 textile towns in Great Britain, ie where CT employment represents more than 10% of total employment are:

England

Keighley

Huddersfield

Pendle

Leek

Kidderminster

Leicester

Alfreton and Ashfield

Scotland

Galashiels

Hawick

Peebles

Alloa

Cumnock and Sanqhar

Kilmarnock

Forfar

If these 14 towns lost no more than "their share" (9,400) of the maximum job losses which scrapping the MFA is predicted to cause, they would lose only 1% of their total jobs.

The industry trade associations, predictably, have condemned the Silberston Report as "no basis for policy", but some individual clothing companies have (privately) welcomed the report. For example, Bodycote International (a Manchester textile and clothing producer) argued to the DTI that the MFA restricts their choice of fabrics, denies them the cheapest prices, forced them to close down a factory (at Great Harwood) which was dependent on Turkish yarn. More generally, the MFA encourages Hong Kong, Taiwan and South Korea to move up-market (eg Cardin shirts), in order to maximise their returns from their quota, into precisely the market segments where we should be, and in many cases are moving to.

Tactics

Norman Tebbit proposes a new MFA, offering minor concessions directed to improve the MFA's worst features (restrictions on children's clothing, meagre quotas for the poorest countries) in order to leave substantial negotiating leverage in a new GATT Round and to carry Community partners with us. If this tactic works, abolition could be presented in 1993 as part of a satisfactory deal (although the concessions we might secure won't benefit the CT industry itself).

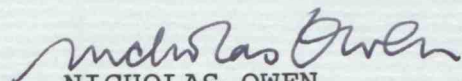
This is a good trade negotiator's line. The danger with this approach is that if we retain the MFA card to play it in the GATT negotiation, we may never abolish it:

- Our objectives in the GATT Round - liberalisation of services, graduation of NICs - are nebulous and difficult.
- When Portugal joins the Community, she will try to slow this negotiation down.
- The Third World countries will have difficulty agreeing a line. Some NICs, like Hong Kong and Singapore, are already free traders and have nothing left to give. Brazil and India, seem wedded to industrialisation behind massive trade barriers, and probably won't budge. More generally, protection in the Third World is often just

part of a wider incompetent economic management and is difficult to change quickly.

In short, we may well fail to achieve our negotiating objectives, and where will we be then? Saddled with the MFA, which we and the educated public now know to be harmful. We have a choice: to go for a creditable draw in a 5-year arm-wrestling match with the LDCs/NICs. Or secure the benefits of liberalisation in this Parliament by unilateral action. The industry itself is expecting substantial and early liberalisation. So are those who take our rhetoric about competition seriously. Why not consider the bolder course and either:

- Allow the MFA to lapse at end 1986. OR
- Propose a more liberal new MFA than Norman Tebbit proposes and negotiate the rest away in GATT. For example, why not dismantle quotas on yarns and fabrics (including cotton grey cloth) to help our clothing industry? Why not abandon use of the "basket extractor mechanism" - a pernicious arrangement which enables new quotas to be imposed on new sources of supply of the slightest significance, eg shirts from Bangladesh?


NICHOLAS OWEN

CONFIDENTIAL

C O N F I D E N T I A L
 FRAME EXTERNAL
 DESKBY 220830Z

FM UKREP BRUSSELS 192105Z APR 85
 TO IMMEDIATE F C O
 TELEGRAM NUMBER 1410 OF 19 APRIL,
 INFO PRIORITY WASHINGTON UKMIS GENEVA ROME.

ARTICLE 113 COMMITTEE (FULL MEMBERS), 19 APRIL 1985.
 FUTURE OF THE GATT MULTI-FIBRE ARRANGEMENT (MFA).

SUMMARY

1. THE COMMISSION GAVE A FIRST INDICATION OF THEIR THINKING, ESSENTIALLY TO SEEK RENEWAL OF THE MFA IN 1986 BUT WITH LIBERALISATION WHERE POSSIBLE.

DETAIL

2. FIELDING GAVE A PREVIEW OF THE WAY IN WHICH THE COMMISSION'S THINKING WAS DEVELOPING. FORMAL DISCUSSIONS IN GENEVA WOULD NOT BEGIN UNTIL THE GATT TEXTILES COMMITTEE MEETING IN JULY. THE E.C NEEDED TO HAVE SETTLED THE BROAD OUTLINES OF ITS POSITION BY THEN BUT PROBABLY NO MORE THAN THAT, BECAUSE IT SEEMED UNLIKELY THAT THE JULY DISCUSSION WOULD GO BEYOND RHETORIC. THERE WAS WIDESPREAD UNCERTAINTY ESPECIALLY IN WASHINGTON WHERE THE ADMINISTRATION WAS UNDER STRONG PRESSURE FROM U.S INDUSTRY (WITH NO SIGNS YET THAT THEY WERE PREPARED TO RESIST THIS).

3. THE COMMISSION WOULD BE SUBMITTING A COMMUNICATION TO THE JUNE FOREIGN AFFAIRS COUNCIL PROPOSING THE BROAD OUTLINES OF THE E.C'S POSITION. LATER ON THE COMMISSION WOULD ALSO SUBMIT FORMAL DRAFT NEGOTIATING DIRECTIVES. MEANWHILE THEY WERE WORKING ON TECHNICAL STUDIES (TO BE COMMUNICATED TO THE COUNCIL SHORTLY) NOTABLY A REPORT ON THE FUNCTIONING OF THIS MFA AND OF THE CURRENT STATE OF E.C INDUSTRY. THE COMMISSION'S ASSESSMENT WAS THAT THROUGH RESTRUCTURING SOME SECTORS WERE NOW FULLY COMPETITIVE. BUT THE OVERALL STATE OF E.C INDUSTRY CONTINUED TO CAUSE CONCERN. THE MFA REMAINED THE BEST WAY TO CONTINUE TO LOOK AFTER E.C INDUSTRY: WITHOUT THE MFA THERE WOULD BE A SERIOUS RISE OF MARKET DISTURBANCE WHICH COULD NOT BE SAFELY HANDLED THROUGH GATT ARTICLE XIX SAFEGUARD ACTION. EQUALLY WITHOUT AN MFA PROTECTIONIST PRESSURES IN THE U.S MIGHT LEAD TO GLOBAL IMPORT QUOTAS WHICH COULD WELL HAVE IMPLICATIONS FOR E.C EXPORTS (DESPITE THE EXISTING E.C/U.S GENTLEMAN'S AGREEMENT). AGAIN THE E.C WOULD BE UNABLE TO JUSTIFY RESTRAINTS ON PREFERENTIAL SUPPLIERS AND THE POST-ACCESSION ARRANGEMENTS FOR SPAIN AND PORTUGAL WOULD BECOME UNWORKABLE.

4. REFLECTING THESE CONSIDERATIONS THE COMMISSION'S THINKING WAS MOVING IN THE DIRECTION OF SEEKING FURTHER EXTENSION OF

CONFIDENTIAL

/ THE MFA

THE MFA BUT WITH A MORE LIBERAL REGIME TO RESPOND TO THE IMPROVEMENT IN THE GENERAL ECONOMIC CLIMATE AND IN THE PROSPECTS FOR SOME SECTORS OF E.C INDUSTRY. THIS IN TURN WOULD SERVE TO PAVE THE WAY FOR EVENTUAL ABANDONMENT OF THE MFA.

5. THE VARIOUS MECHANISMS FOR INTRODUCING GREATER LIBERALISATION WOULD NEED CAREFUL EXAMINATION, BUT THE POSSIBILITIES INCLUDED:

- A REDUCED NUMBER OF RESTRAINT ARRANGEMENTS:
- REDUCED QUOTA COVERAGE IN THE ARRANGEMENTS:
- DISCONTINUATION OF EXISTING PROVISIONS SUCH AS THE SURGE MECHANISM:
- IMPROVED FLEXIBILITY PROVISIONS:
- THE E.C WOULD BE PRESSED HARD FOR AUTOMATIC INTERNAL FLEXIBILITY:
- CHANGES IN PRODUCT COVERAGE AND THE PRESENT SYSTEM OF CATEGORISATION:
- SIMPLIFICATION OF OUTWARD PROCESSING ARRANGEMENTS:
- GREATER DIFFERENTIATION IN THE TREATMENT OF INDIVIDUAL SUPPLIERS, WITH PREFERENCE FOR SMALLER AND POORER SUPPLIERS. THIS IN TURN COULD BE LINKED TO A REQUIREMENT TO INCREASE ACCESS TO THEIR OWN MARKETS. THIS COULD NOT BE ACHIEVED EASILY OR DIRECTLY BUT THE E.C WOULD HAVE TO SEE WHAT COULD BE DONE.

6. ON THE PROSPECTS FIELDING SAID THAT EXPORTING COUNTRIES WERE CONTINUING TO ATTACK THE MFA BUT MOST MEDIUM-SIZED SUPPLIERS REALISED THAT WITHOUT SOMETHING LIKE IT THEY RISKED BEING SQUEEZED BY CHINA AND THE DOMINANT SUPPLIERS. EVEN HONG KONG HAD SAID THAT THEY PREFERRED THE STABILITY OF THE MFA TO THE UNCERTAINTY OF RETURNING TO NORMAL GATT RULES. THE COMMISSION'S ASSESSMENT WAS THAT THIS COULD EVENTUALLY BE THE PREDOMINANT VIEW AMONG THE EXPORTING COUNTRIES BUT A LOT OF LEVERAGE WOULD NEED TO BE EXERCISED FIRST. THE E.C WOULD ALSO NEED TO KEEP ITS OPTIONS OPEN FOR SOME TIME AND SAY AS LITTLE AS POSSIBLE IN PUBLIC ON WHAT THE E.C'S POSITION WAS LIKELY TO BE. THE E.C'S POSITION WOULD NEED TO BE EXPRESSED IN FAIRLY GENERAL TERMS EVEN AT THE JULY TEXTILES COMMITTEE.

7. OVER LUNCH MEMBER STATES GAVE SOME PRELIMINARY VIEWS. NETTERSTROEM (DENMARK) SAID THAT TEXTILES COULD BE A KEY ISSUE IN THE NEW ROUND. THE E.C WOULD NEED TO EVALUATE CAREFULLY THE BARGAINING VALUE OF GREATER LIBERALISATION: IT WAS IMPORTANT TO BE CLEAR WHETHER THE E.C HAD SOMETHING TO SELL WHICH PEOPLE WANTED. WILLIAMS (DTI), SPEAKING PERSONALLY NOTED THE IMPORTANCE FOR THE NEW ROUND. THE MFA WAS ONE OF THE FEW MEANS AT THE E.C'S DISPOSAL TO ENCOURAGE GRADUATION BY THE NICS. ABEL (FRG) AGREED ON THE IMPORTANCE OF THE MFA FOR THE NEW ROUND. THE DEVELOPING COUNTRIES WOULD BE EXPECTING SOMETHING. THE E.C SHOULD ADOPT A MIDWAY POSITION AS BROKERS BETWEEN THE U.S AND DEVELOPING COUNTRIES. THE

2
CONFIDENTIAL

/ PERSPECTIVE

CONFIDENTIAL

PERSPECTIVE SHOULD BE ONE OF PHASING OUT THE MFA IN THE CONTEXT OF THE NEW ROUND. THE NETHERLANDS MADE IT CLEAR THAT THIS MFA SHOULD BE THE LAST. THE LINK WITH THE NEW ROUND WAS INEVITABLE. FRANCE IN CONTRAST CAME OUT CLEARLY IN FAVOUR OF RENEWAL. THE POSITION OF CHINA WAS OF MAJOR IMPORTANCE. BELGIUM FAVOURED LIBERALISATION BUT NOT TOO QUICKLY. GREECE STRESSED THEIR MAJOR INTEREST IN THE QUESTION. THE E.C NEEDED TO REFLECT NOT ONLY ON THE MFA BUT ALSO ITS PREFERENTIAL REGIME.

8. FIELDING CONCLUDED THAT THE COMMISSION'S POSITION WAS CLOSER TO THAT OF THE NETHERLANDS THAN TO THAT OF FRANCE. BUT THE POSSIBILITY OF EVENTUAL ABOLITION OF THE MFA WOULD DEPEND ON WHAT HAPPENED IN THE NEW ROUND AND ON THE SUCCESS OF E.C RESTRUCTURING. IT WAS NOT CLEAR THAT THE E.C COULD GIVE UP THE MFA ALTOGETHER. MOEHLER (COMMISSION) CAME IN TO EXPRESS A DG III VIEW AGAINST LINKING E.C CONCESSIONS TO MARKET OPENING BY THE DEVELOPING COUNTRIES.

9. DETAILED REPORT OF LUNCHTIME DISCUSSION TO BE CIRCULATED BY D.T.I.

FCO ADVANCE TO:-

FCO - SHEPHERD, LEWINGTON.

DTI - R.WILLIAMS, LANE, HALL, WILLCOCKS, PRYOR, MADELIN (ITP),
ARMSTRONG, SIBBICK (CTP).

BUTLER

(ADVANCED AS REQUESTED)

FRAME EXTERNAL
ECD(E)

COPIES TO:
ADVANCE ADDRESSEES



CONFIDENTIAL

Qz.04343

MR FLESHER

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY
SUB-COMMITTEE ON ECONOMIC AFFAIRS, 3 APRIL, 10.30 am

--- I attach a brief for the Prime Minister on the multi-fibre arrangement (E(A)(85) 16).

I am sending copies to Sir Robert Armstrong and Peter Gregson.

D. F. Williamson

D F WILLIAMSON

1 April 1985

CONFIDENTIAL

MINISTERIAL SUB-COMMITTEE ON ECONOMIC AFFAIRS,

25 APRIL AT 4.30 pm

CHAIRMAN'S BRIEF

MULTI-FIBRE ARRANGEMENT

(E(A)(85)16)

PURPOSE OF MEETING

1. To decide the United Kingdom line on possible extension of the present Multi-Fibre Arrangement (MFA) which expires in July 1986 (preliminary Community discussion has just begun).

BACKGROUND

2. The first MFA was agreed in the GATT framework in 1973. Its stated objectives were to achieve progressive but orderly liberalisation of world trade in textile produce and to encourage the growth of the textile and clothing industries of developing countries, while avoiding disruptive effects on individual markets and products in both importing and exporting countries. The MFA was renewed in renegotiated form in 1977 and again in 1981. Because of the pressure from the industries which were then in the depth of the recession, Ministers committed themselves to obtaining a tough regime in 1981. Since then, economic circumstances have improved and demand for textiles and clothing is more buoyant.

3. The MFA does not cover all the restrictions on international trade in textiles and clothing. The Community, in common with most other developed members of GATT, has quantitative restrictions on imports from exporting countries who are not members of the MFA - notably Taiwan and certain Eastern European states. The Community has preferential agreements allowing more generous access than under the MFA to a number of Mediterranean countries, Portugal and the ACP states.

4. An independent review commissioned by the Government from Professor Silberston concluded that the MFA tends to depress employment in the economy as a whole, and that the net employment effect of relaxation of the MFA might be at worst no change and could be a gain of up to 40,000 jobs. The industry challenge this conclusion, in particular the price assumptions on which it is based. The regional concentration of employment in the textile, knitting and clothing industries (see flag A) is not very heavy. But at the local level this employment can be important eg in Leicester (absolute number of jobs), the Scottish borders (high percentage of jobs at Howick and Peebles) and some towns in Northern Ireland (eg Strabane). Flag B lists travel to work areas where textiles and clothing account for more than 10% of total employment. Professor Silberston concludes that it is the clothing industry which will find it hardest to compete in an unprotected market.

5. Developed countries are not subject to MFA restrictions on their exports to the Community. The United Kingdom, however, faces formidable obstacles in exporting textiles and clothing to other developed countries as well as to most developing countries. While Community tariff levels are comparatively low, tariffs on textiles and clothing elsewhere are higher than in most product groups. The USA maintains tariffs, for example, on woven wool fabrics and some outerwear of 40% or more, and countries such as Korea and Brazil impose tariffs of 50% to 200% plus on woven fabrics and outerwear. Non-tariff barriers are particularly prevalent in Australia, New Zealand, Latin America and much of Africa. The United Kingdom clothing industry has also complained of arbitrary changes in the US customs classification leading to liability to higher duties.

MAIN ISSUES

6. In E(A)(85)16, the Secretary of State for Trade and Industry argues that the balance of United Kingdom interest is in favour of phased ending of the MFA provisions, but that major liberalisation -

of the MFA should be held back in order to improve the Community's negotiating power during the proposed new GATT Round, particularly in seeking to bring trade in services within GATT rules and in reducing import barriers in the new industrialised countries. He proposes that, subject to these conditions, we should abandon the less important quotas and make a significant once-for-all increase in the remaining quotas.

Link between MFA and new GATT Round

7. Linking liberalisation of the MFA to progress on a new GATT Round is attractive in principle. But it is unclear how effective the leverage on the developing countries will be. Although it seems from preliminary discussions in Brussels that the Commission are thinking on broadly similar lines to our own, the prevailing mood in some member states (particularly France, Italy and Greece) remains protectionist on textiles. It may not be easy, therefore, to get the Community act together. We may also have difficulty in maintaining a vigorous Community line on elements of the new GATT Round which are important to us - notably agriculture and services. If the Community does succeed in holding to a common view on the MFA, divisions among the developing countries could help its case. But developing countries may conclude that the Community's own economic interest lies in liberalisation, and for that reason - or if they fail to reach agreement among themselves - could decline to make concessions in the GATT negotiations of the kind we want. In that case, the Community would have to reassess its position.

Duration of new regime

8. The duration of the new MFA regime will be an important factor in new GATT Round negotiations which could last well into the 1990s. A regime of 4 to 4½ years is probably the maximum which the developing countries could accept. Possible variants include a shorter (say 2 year) regime with the possibility of extension if no GATT Round concessions were forthcoming or conversely a 4 to 4½ year regime with the possibility of shortening it in reward for concessions. The United Kingdom can probably be flexible on this point.

Attitude of United States

9. Domestic pressures will make it difficult to get the US to agree to a more liberal MFA. But they will recognise the need to exert leverage on the new industrialised countries during a new GATT Round, and may see attractions in our approach. Their attitude will be crucial, and we shall need to lobby them.

Reaction of United Kingdom industry and domestic presentation

10. The United Kingdom textile and clothing industries are likely to be vocal in advocating continuation or intensification of the current MFA, and to play on fears of job losses in areas of already high unemployment, particularly in parts of Northern Ireland (where Strabane may be especially vulnerable) and Scotland. The Silberston report has, however, already led them to expect some liberalisation and this, coupled with the bottoming out of the recession in these industries, should soften their reaction. DTI have asked the industries to identify their priorities and their response should help in formulating the modifications to the regime for which the United Kingdom should press.

11. Domestic presentation of United Kingdom efforts to achieve a more liberal MFA will need careful handling. It will be important to stress the expected benefits of liberalisation to the economy as a whole, and in particular Silberston's conclusion that the net employment effect will be at worst nil and possibly positive (he does, however, assume a large fall in employment in any event). Attention could also be drawn to Silberston's conclusion that two thirds of the benefit of MFA-increased clothing prices goes to foreign suppliers. It will be useful that the report has stirred up support for liberalisation from retailers and consumers.

HANDLING

12. The Secretary of State for Trade and Industry will introduce the paper. The Minister of State, FCO may want to comment on the likely amount of support for the proposed United Kingdom line within the Community and at the Bonn Summit. The Secretary of State for Scotland and the Secretary of State, Northern Ireland Office will probably express concern at the potential employment implications of MFA liberalisation.

CONCLUSIONS

13. You may be able to conclude that

i. the United Kingdom should seek a more liberal MFA to succeed the present MFA which expires next year, but seek to make major liberalisation of the MFA conditional on progress on a new GATT Round;

ii. to this end, bilateral contacts should be made with our Community partners and the US before the GATT Textiles Committee discussion in June;

iii. if we are unable to get Community/US support for our proposed approach, or the developing countries subsequently fail to come up with satisfactory concessions in new GATT Round negotiations, the United Kingdom line will need to be reconsidered.

iv. careful consideration should be given to the domestic handling of the United Kingdom position and, while a broad indication will need to be given in the promised House of Commons debate that the Government favours a degree of liberalisation, premature commitment to objectives which we may not be able to achieve should be avoided.

You may also want to conclude that

v. in making the choice on specific quotas for removal or increase, we should give special consideration to the possible impact on the particular textiles [redacted] produced in areas where employment in this sector is significant and unemployment is high, eg Strabane in Northern Ireland

EmL.
N. Inc.

REGIONAL EMPLOYMENT IN INDUSTRIES AFFECTED BY THE MFA

	TEXTILES % Total Employment	KNITTING % Total Employment	CLOTHING % Total Employment	TOTAL UNEMPLOYMENT Sep 84 seasonally adjusted and excludes School leavers %
TOTAL UK	1.13	0.43	1.06	12.9
REGIONS				
South East	0.22	0.05	0.70	9.6
East Anglia	0.36	0.01	0.62	10.0
South West	0.49	0.06	0.60	11.5
West Midlands	0.71	0.10	0.61	14.8
East Midlands	1.80	4.02	1.76	12.0
Yorkshire & Humberside	3.33	0.20	1.49	13.9
North West	2.45	0.16	1.50	15.4
North	0.62	0.37	1.45	17.7
Wales	0.80	0.11	1.00	15.9
Scotland	1.46	0.65	1.20	14.5
Northern Ireland	2.89	0.64	2.89	20.7

1. Employment figures are derived from the Census of Employment September 1981.

2. Unemployment figures from the Employment Gazette October 1984.

TRAVEL TO WORK (TTW) AREAS WHERE TEXTILE AND CLOTHING EMPLOYMENT REPRESENTS MORE THAN 10% OF TOTAL EMPLOYMENT

REGION	TTW AREA	EMPLOYMENT			% TOTAL EMPLOYMENT		% UNEMPLOYMENT
		TEXTILES*	CLOTHING*	TOTAL	TEXTILES*	CLOTHING*	
Yorkshire & Humberside	Keighley	3,678	1,553	26,596	13.8%	5.8%	12.8%
	Huddersfield	8,886	394	72,640	12.2%	0.5%	13.5%
North West	Pendle	3,675	771	26,573	13.8%	2.9%	13.9%
West Midlands	Leek	1,418	791	10,951	12.9%	7.2%	9.5%
	Kidderminster	4,856	10	31,124	15.6%	0.03%	15.3%
East Midlands	Leicester	23,549	11,433	225,814	10.4%	5.0%	11.3%
<u>SCOTLAND</u>	Alfreton & Ashfield	7,920	3,890	50,297	15.7%	7.7%	12.5%
Borders	Galashiels	1,677	266	14,517	11.6%	1.8%	7.1%
	Hawick	3,066	45	7,638	40.1%	0.6%	9.8%
	Peebles	885	1	4,253	20.8%	0.02%	10.5%
Central	Alloa	1,712	367	14,451	11.8%	2.5%	19.1%
Strathclyde	Cumnock & Sanqhar	781	1,304	13,191	5.9%	9.9%	23.8%
	Kilmarnock	3,293	680	25,788	12.7%	2.6%	18.6%
Tayside	Forfar	1,074	14	9,923	10.8%	0.14%	9.4%

REGION	TTW AREA	TEXTILES *	EMPLOYMENT		% TOTAL EMPLOYMENT		% UNEMPLOYMENT
			CLOTHING *	TOTAL	TEXTILES*	CLOTHING *	
<u>NORTHERN IRELAND</u>	Craigavon	3,788	2,065	44,674	8.4	4.6	21.2
	Dungannon	502	451	9,365	5.4	4.8	30.8
	Londonderry	974	3,617	32,038	3.0	11.3	30.1
	Magherafelt	248	887	6,961	3.6	12.7	29.0
	Strabane	1,326	332	6,046	21.9	5.5	41.2

* Knitted fabrics and goods are divided as appropriate between these two headings



8
Multi-Fibre

MULTI-FIBRE ARRANGEMENT

LINE TO TAKE

When will Government state its policy?

My Rt Hon Friend the Minister for Trade is consulting interested parties about the future of the Multi-Fibre Arrangement (MFA).

We will need to come to a view on what our policy should be on this issue in the next month or two. Although the MFA does not expire until July 1986, in July 1985 the GATT Textile Committee has to discuss whether the MFA should be extended, modified or discontinued. The Community will need to decide its broad policy stance in advance of that meeting. The House will be informed of the Government's views at an appropriate time.

Silberston Report

Professor Silberston's independent report on the effects of these restrictions on the British economy and his conclusions will be taken into account, along with the views of other interested parties, when the Government makes up its own mind about our future policy stance.

Debate

I am aware of many hon Members' interest in this issue.



BACKGROUND NOTE

The current Multi-Fibre Arrangement (MFA) expires in July 1986, [REDACTED]

[REDACTED]

By July 1985 the GATT Textile Committee has to consider whether the Arrangement should be extended, modified or discontinued and it is intended that the EC Council should agree an initial position before this meeting. Ministers have held consultative meetings with interested parties and are consulting colleagues this month about what line the UK should take in the negotiations.

SILBERSTON REPORT

The Department commissioned in July 1983 a report by Professor Silberston on the effects of UK exports of textiles and clothing of the trade barriers maintained in other world markets and the effects of restraint on imports of low-cost textiles into the UK. Professor Silberston's report (published in December 1984) found that the MFA had raised prices by about 5%, at a cost to consumers of £450m pa. Although its abolition would lead to a loss of jobs in the textile and clothing industry, this loss would be small compared to job losses which would happen anyway (due to productivity gains and import competition). The loss in jobs would moreover be offset by gains in output and employment elsewhere in the economy. Professor Silberston recommended gradual relaxation of the MFA over 5 or 6 years.

Mr Winterton, Chairman of the All Party Parliamentary Group for the Textile and Clothing Industry strongly supports the renewal of the MFA, and has been pressing for a commitment from Government to support its renewal. He is highly critical of the findings of the Silberston Report.

2



10 DOWNING STREET

Prime Minister

Textiles : MFA

Although this has
not yet reached
Ministers, you ought
to know that it
is on its way to
E(A).

CIDP
11/3



From the Minister for Trade

DEPARTMENT OF TRADE AND INDUSTRY (2)
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215 5144
GTN 215
(Switchboard) 215 7877

David Barclay Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

CP: to see

12 December 1984

Prime Minister

You will want to be aware of the publication of Professor Silberston's report, commissioned by HMG. It will be most unwelcome to the textile industry.

MULTI-FIBRE ARRANGEMENT

The Prime Minister may wish to know that a Report by Professor Silberston on the Multi-Fibre Arrangement (MFA) and the UK economy is to be published tomorrow. The Report was commissioned in 1983 by this Department to provide an independent study on the effects of the restraints in clothing and textile trade on the UK economy, to assist the Government in its policy considerations on what regime should succeed the MFA when it expires in 1986.

My Minister will be answering an arranged Parliamentary Question in the terms attached, stating the main conclusions of the Report while making it clear that the responsibility for the Report's analysis and conclusions is entirely Professor Silberston's. Mr Channon will not be expressing any views on the Report at this stage, but will consult with all the interested parties.

In due course my Secretary of State will come forward with proposals to colleagues on where our priorities should lie in the negotiations within the EC, and subsequently in the GATT, on a successor regime to the current MFA.

Yours ever
Steve

STEPHEN NICKLEN
Private Secretary



DRAFT ARRANGED PARLIAMENTARY QUESTION ON SILBERSTON REPORT
FOR ANSWER ON DAY OF PUBLICATION

Question

TO ASK THE SECRETARY OF STATE FOR TRADE AND INDUSTRY, WHEN IS THE REPORT BY PROFESSOR SILBERSTON ON THE MULTI-FIBRE ARRANGEMENT TO BE PUBLISHED, AND IF HE WILL MAKE A STATEMENT?

Answer

Today.

My Rt Hon friend, the then Secretary of State, asked Professor Silberston in July 1983 to carry out an independent study into the effect of trade restrictions in textiles and clothing, both on the British textiles and clothing industries and on the British economy generally. I am grateful for Professor Silberston's report, which I hope will be read widely.

The report notes that temporary restrictions have for some years applied to imports of textiles and clothing from developing countries under the Multi-Fibre Arrangement, which suspends the normal trading obligations of the GATT. The report concludes that:

- (i) these restrictions raise the retail price of clothing by perhaps 5% (more for lower-cost clothing) at a total cost to consumers of about £450m per annum; they also raise the cost of materials used by British clothing manufacturers;
- (ii) the benefits of these higher prices accrue in part to British textile and clothing manufacturers, though the main benefit is to ~~unrestricted~~ foreign suppliers;



- (iii) the import restrictions make employment in the British textile and clothing industries somewhat higher than it would be without them. However, their macro-economic effects tend to depress employment elsewhere in the British economy. Overall, the restrictions tend to leave employment in the economy lower than it would be without them;
- (iv) the cost-per-job of the employment safeguarded in the textiles and clothing industries (leaving aside jobs lost in other industries) exceeds average earnings in those industries;
- (v) the British textiles and clothing industries face formidable barriers to their own exports in most parts of the world.

This is an important report about an important industry, which employs 2% of the nation's work-force.

The Government would welcome the views of interested parties on Professor Silberston's report. It would be helpful to have comments as soon as possible before the Government takes a position on the future trade regime for textiles and clothing, prior to negotiations in the EC and the GATT.

system. They cannot agree on the system they want to adopt. Today, there are many differences between members of the Community on this fundamental matter.

Mr. Nigel Spearing (Newham, South): What has happened to the Genscher-Colombo proposals for so-called European union? Where have they got to, and in what form will they re-emerge and when?

Mr. Pym: They will be considered when the Presidency is transferred from Denmark to Germany. That plan will be proceeded with during the next six months. What will emerge I cannot say.

Sir David Price (Eastleigh): My right hon. Friend mentioned measures concerning the continuing imbalance of trade between Japan and Europe. Has any progress been made with our European colleagues in considering the possible use of anti-dumping measures should those earlier measures that he announced prove unsuccessful? In the meantime, is he aware that if each of us were to buy British rather than Japanese we would forward the cause of European self-sufficiency?

Mr. Pym: I agree with my hon. Friend on the last point. The problem with Japan is not so much dumping but the limited extent to which the Japanese will permit imports and the ruthlessness with which they export their products. Dumping is not the main problem, but it is an aspect that certainly has been considered.

Mr. D. N. Campbell-Savours (Workington): I recognise the nature of the international recession, but what particular measures is the Foreign Secretary impressing upon his European partners to introduce specifically to boost world demand? Or does he believe that we can end the international recession by not boosting world demand?

Mr. Pym: Although that extremely important subject was not on the agenda of the Council, I did on this occasion in the margins take an opportunity, as I do at every meeting, to talk to my Foreign Minister colleagues on this critically important subject. It is now very much in the forefront of people's minds. It is written about and commented upon a great deal. Western leaders and Western finance Ministers are exercising their minds very much to see what further steps can be taken to improve the international framework and structure to enable growth to return to the world economy.

Mr. Robert MacIennan (Caithness and Sutherland): Did the Foreign Secretary and his European colleagues take the view that Japanese import penetration is not due to their taking our Prime Minister's advice about greater competitiveness, but is due to a breach of GATT? Why do the Government and the European Community proceed at this snail's pace, as the hon. Member for Melton (Mr. Latham) said, and move from A to B, and not take a leaf out of the book of the United States Administration who have shown a determination that has already brought positive responses from the Japanese?

Mr. Pym: I can only say that I hope that the decision we took and the steps that we shall take will have the effect that the hon. Member for Caithness and Sutherland (Mr. MacIennan) and I wish to see.

Viscount Cranborne (Dorset, South): Did the Council discuss the issue of trade with the Soviet Union? I refer

particularly to a common approach between the United States and the EC over exports to the USSR, especially of technology?

Mr. Pym: The studies on East-West trade that are now to be undertaken are on a much wider basis than just the European Community. Of course, the European Community has a part to play in them. In so far as those discussions and studies relate to Community competence, the Community must have a position. We discussed that position. We had no difficulty in arriving at a procedure by which we can feed the Community view into the wider studies.

Mr. Gavin Strang (Edinburgh, East): Do the Government attach a high political priority to the accession of Spain?

Mr. Pym: Yes, indeed, Sir. Spain, like her neighbour Portugal, has become a democratic nation. We believe that it is undoubtedly helpful to nurture the democratic process in those two countries by accession to the European Community, which is a collection of democratic countries. We believe that on a political basis it is a strength to Europe that they should join.

Mr. Anthony Nelson (Chichester): Is my right hon. Friend aware that one of the largest manufacturing companies in the world—Caterpillar Tractors—has recently decided to transfer its production of fork lift trucks from the United States to Britain? Is it not important that in order to retain the prospects of such inward investment and associated jobs, international trade in such products should be free from any prejudicial dumping or subsidised exports by Japan? As fork lift truck production is one of the areas that will be covered by the new survey agreed by the Commission, will my right hon. Friend give an assurance that there will be some finite time limit on the studies that will be undertaken to further substantiate and obtain evidence on the extent to which there is dumping in these products?

Mr. Pym: I cannot give my hon. Friend an assurance as to a precise time, but I agree very much with what he said. As he knows, Britain and other countries have taken much trouble to preserve the open trading system, which is threatened by the pressures for protectionism which are a natural concomitant of a deep world recession. That must be stopped and we will do everything we can to prevent it. We want that trade and we want free investment and inward investment into this country. I will certainly take up my hon. Friend's point about time.

Mr. Tam Dalyell (West Lothian): By an oversight the Foreign Secretary did not respond to the last question of my hon. Friend the Member for Liverpool, Walton (Mr. Heffer) about loans by Lloyds and 20 other banks to Argentina. Is it right that the Bank of England and the Treasury have agreed to such loans? I am not necessarily critical, but if so, how can we be certain that part of the money is not used to finance that sinister cargo that left St. Nazaire, of longer-range Mirages and properly fused Exocets? How do we know that any bank loan is not used for armaments?

On a separate question, in his original statement the Foreign Secretary referred to the three scientists appointed to examine the Super Sara project. Who are the three scientists, and what exactly are their terms of reference in this important matter?

Mr. Pym: On the first point, we did not discuss Argentina but we did discuss Poland and, in relation to that, the Polish debt. That is why I answered the hon. Member for Liverpool, Walton (Mr. Heffer) with regard to that part of his question and did not refer to Argentina. I cannot off the top of my head give the hon. Gentleman the names of the three scientists, but a number of us questioned the cost effectiveness of the project which has to do with nuclear safety and is an important subject. It is being studied and researched in other countries as well as the EC. Before we continue with a commitment that would last a number of years we want to be entirely satisfied that the project is the right use of scarce resources. We will probably come to a final conclusion about the future of this programme in February.

Multi-fibre Arrangement

4.46 pm

The Minister for Trade (Mr. Peter Rees): With permission, Mr. Speaker, I should like to repeat a statement made in another place by my right hon. and Noble Friend the Secretary of State about the multi-fibre arrangement.

The Council of Ministers yesterday agreed that the European Community should stay in the third multi-fibre arrangement for the whole of its term up to July 1986. This decision marked the end of almost two years of negotiations; first to decide upon a protocol to extend the MFA itself and, secondly, to settle with 26 individual supplying countries or territories the terms of new bilateral agreements to run up to the end of 1986.

Twenty-five new agreements have now been initialed and will come into effect on 1 January. The countries involved are Bangladesh, Brazil, Bulgaria, Colombia, Czechoslovakia, Egypt, Guatemala, Haiti, Hong Kong, Hungary, India, Indonesia, Macao, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Romania, Singapore, South Korea, Sri Lanka, Thailand and Uruguay. All these agreements were concluded within the negotiating mandate established by the Council of Ministers at a series of meetings during this year and 1981.

One country, Argentina, has not concluded a new agreement, and the European Community will therefore impose a unilateral limitation on Argentine textile imports. There will also be unilateral measures, as before, in respect of Taiwan.

The 25 agreements are technically complex and contain several hundred quotas. The most important points are however, as follows.

First, the quotas. For the eight most sensitive textile and clothing products making up group I, the global ceilings established by the Council in February have been fully respected. The annual rate of growth in these quotas between 1983 and 1986 will be substantially below 1 per cent. per annum on average, for the United Kingdom share.

For the five group one clothing categories, the 1983 quotas of the three dominant suppliers who have so far concluded agreements—Hong Kong, Macao and South Korea—will be cut back by 7 to 8 per cent. on average from their 1982 levels. The corresponding quotas for Taiwan will for the time being be reduced by 10 per cent. Outside group one, annual growth rates will in the great majority of cases be significantly below the rates applying under MFA 2.

I turn to the textual provisions of the new agreements. The agreements follow the same general outline as the present agreements, but with a certain number of significant improvements. All the agreements contain tougher provisions than in the past for introducing new quotas—the “basket extractor mechanism”—and for dealing with fraudulent imports in breach of quotas. All the agreements contain the “anti surge mechanism” which can be invoked when there are substantial surges of imports within quotas. For the dominant suppliers there are changes in the so-called “flexibility” provisions, which for group one products will allow us to withhold in large measure advance use of quotas or carry-over from the previous year.

Those are the main points. Following past practice, the new agreements, once they have been formally signed, will be submitted to the appropriate Committee of both Houses in the usual way. However, before the end of this month the Council regulations containing the quotas for 1983 will be published and available for detailed analysis.

The new agreements extend the protection of the United Kingdom textile and clothing industries against low-cost imports for a further four years, and at a rather tougher level than hitherto. I have every confidence that those industries which have played such a notable part in the industrial life of this country will take full advantage of the certainty offered to them by these agreements to secure and improve their position in home and export markets.

Mr. K. J. Woolmer (Batley and Morley): The House will know that the Opposition have consistently called for, and supported, a tough negotiating position in MFA 3. Although some important matters of concern remain, I congratulate the Minister on his grasp of the issues facing the textile and clothing industries and on his tenacity and stamina during the long negotiations.

However, the House will feel that today's statement was too brief and that it did not offer hon. Members or the workers and managements of those important industries any assessment of the impact of the new agreements on jobs and production. I remind the House that 210,000 clothing and textile jobs have been lost since June 1979. For the remaining 580,000 workers, it is vital to know whether the agreement means job stability and whether there is a basis for confidence in the future. Did the Minister satisfy himself about the consequences of the agreement for jobs and production before he agreed to the deals? If so, will he tell the House his assessment of those consequences up to 1986?

Will the agreements stop the rising import penetration in those industries? Does the Minister accept that the original mandate suffered from a fundamental weakness, by basing growth in future quotas on 1982 quotas, instead of on the existing levels of trade? Does the hon. and learned Gentleman accept that that crucial factor means that imports of the most sensitive products can grow by more than 20 per cent., which is far in excess of the less than 1 per cent. growth in quotas that he presented in his statements? Why did the hon. and learned Gentleman agree to a weakening of the cut back from dominant suppliers—on average from 10 per cent. to 7½ per cent.—and is he aware that Hong Kong has presented that as meaning no cutbacks in its exports to us?

Is it here not a systematic and substantial uplift of quotas from 1982 to 1983 in many products? Will not that uplift in the next 12 months render worthless any claims to a lower rate of import growth in the subsequent three years?

Will the Minister be more specific about group two imports? Will he give us his estimation of the import growth that is to be permitted compared with the 5 per cent. growth under MFA 2? Why has the hon. and learned Gentleman referred to a growth in quotas between 1983 and 1986? What is happening to the growth in quotas in that uplift period?

Does the Minister recognise that his efforts to sustain the textile and clothing industries are being sabotaged by the Government's economic policies of deflation and an over-valued pound? The latest disastrous industrial output figures show that there has been 28 per cent. fall in textile

and clothing production since the Conservative Party came into office. Will the hon. and learned Gentleman urge on the Prime Minister and her Ministers the need to change their policies as effectively as he appears to have dropped his free trading principles in the interests of British industry?

Mr. Rees: I am grateful to the hon. Gentleman for his opening remarks. However, I had thought that the House would welcome the brevity of my statement, as it is the third to be made this afternoon.

It is impossible to forecast with any scientific accuracy the precise consequences of the new agreements for jobs. The industry is going through a period of restructuring and has been for perhaps the past decade or more. As a result of the new agreements within the protocol, managers will have some certainty when plotting their courses.

The hon. Gentleman suggested that imports in sensitive quotas could grow by as much as 20 per cent. he is being wildly speculative. As I have said, and as I stress, the growth rates in group one—the sensitive group—will be only 1 per cent. per annum for the United Kingdom. That is far lower than the growth rates negotiated under MFA 2, which was worked out under the previous Labour Government.

As regards the weakening of cutbacks, I stress that when aggregated, the individual agreements are comfortably within the global ceilings that form such an important part of the negotiating mandate, which I explained to the House at an earlier stage in the negotiations. For group two imports, there are about 100 quotas and it is impossible to give any realistic growth rate figures for them. However, the figures overall are likely to be less than the growth rate for group two under the previous MFA.

The hon. Gentleman has been spreading gloom for too long about the effect of the Government's economic policies on the textile industry. I congratulate the industry on the fact that its exports are running at £2 billion per annum. One company is even exporting shirts to Hong Kong.

Mr. Robin Maxwell-Hyslop (Tiverton): Without a copy of my hon. and learned Friend's statement, it is difficult to follow the details, but what specific action has been taken to deal with the problem of textile exports from the United States of America to the European Community, and particularly to Britain? Normally, we do not consider the United States of America to have a low-wage economy, but that is the nature of the textile industry in Georgia. Those in that textile industry often work in appalling conditions that rival those in the Far East. Are not Malaysia and Hong Kong, for example, right in saying that we do not apply the same standards to the United States of America as we apply to our colonies or to members of the Commonwealth?

Mr. Rees: The United States of America is not covered by the MFA or by any of these specific agreements. Notwithstanding what my hon. Friend said, it is not regarded as a low-cost exporter. There have been considerable exports from the United States of America to the United Kingdom market, but they are now slightly in decline. Until recently, the United States of America had an advantage, because of its energy costs and the pound-dollar exchange rate. However, those advantages have been largely redressed. I hope that the United Kingdom's textile industry will be able more than to hold its own.

Several Hon. Members rose—

Mr. Speaker: Order. If questions are brief, I shall be able to call all those who have been standing in their places, as I know that they have constituency interests.

Mr. Bob Cryer (Keighley): Does the Minister accept that if there is a 1 per cent. growth rate in imports of group one products during a recession, it will inevitably lead to closures in Britain? How will the MFA be enforced, as enforcement is crucial to its success? Who will supervise the quotas activating the basket extractor mechanism? How speedy will remedial action be? Will action depend on Government-fed information or on the industry? The industry is not equipped to act, and that means that urgent Government action will be needed to put the MFA into operation. This is a complicated matter which the Minister accepts that he has not been able to detail. Can we have an early debate so that we can discuss the details?

Mr. Rees: I would not accept that a 1 per cent. growth rate in group 1 products must inevitably result in closures. With regard to enforcement, as the hon. Member for Keighley (Mr. Cryer) and the House will appreciate, exporting countries will have to give licensing authority for exports which will match the licensing from this country. The policy is a matter for my Department, but the supervision will be a matter for the Customs and Excise. I assure the hon. Member for Keighley that they will be as astute and quick as they have been in the past to detect any breach of ceilings, and any circumstances that might require the operation of the basket extractor mechanism. It is not a matter for me whether we have a debate.

Mr. Nicholas Winterton (Macclesfield): May I congratulate my hon. and learned Friend on the tenacity and vigour with which he has pursued the MFA and endeavoured to achieve a satisfactory outcome. I believe it is unequalled by any Minister since the inception of the MFA.

Is my hon. and learned Friend aware that the growth rate that has been obtained is still higher than the expected growth of consumption, and that the total access to the United Kingdom market for clothing and textiles is much higher than recent actual trade levels? It is much higher than this country can assimilate. Is he further aware that the fundamental weakness of the mandate, upon which he has had to negotiate, is that the quotas set for 1983 are generally far too high and much higher than recent trade levels? Will my hon. and learned Friend direct his attention to those fundamental matters. We are dealing with an industry where 300,000 people have lost their jobs during the past 5 years.

Mr. Rees: I am grateful to my hon. Friend the Member for Macclesfield (Mr. Winterton) for his kind words. They are a consolation to me, as they come from someone who has such expert and wide knowledge of the textile industry. My hon. Friend the Member for Macclesfield is taking too gloomy a view of growth rates. He will be aware that the anti-surge mechanism was devised largely at the United Kingdom's request to deal with a sudden surge of imports. I hope that that will meet the point raised by him. I am acutely aware of the number of jobs that have been lost over the past two or three years. I made that point with great regularity at the Council of Ministers which was called to consider these matters.

Dr. Shirley Summerskill (Halifax): Will the Minister bear in mind that it is absolutely no comfort to the thousands of textile workers in West Yorkshire, including those in my constituency, to be told that the industry is going through a period of restructuring? Will he answer the question put by my hon. Friend the Member for Batley and Morley (Mr. Woolmer) who wants an assurance, on behalf of those people employed in the textile industry and those who have lost their jobs, that as a result of these welcome protective measures there will be no further mill closures and jobs lost. The measures will be tested by the ability of people to stay in work in the future.

Mr. Rees: I recognise the anxiety of the hon. Member for Halifax (Dr. Summerskill). She and the House must realise that I could not possibly give such an assurance. However, I believe that both the textile and clothing industries can take some comfort from the new MFA. They have an assurance that there will not be a flood of imports from low-cost exporters and therefore they will be able to plan for the next four years with greater certainty than seemed possible even six months ago.

Mr. Michael Latham (Melton): Is my hon. and learned Friend aware that while we must reserve judgment on the details, there will be a welcome from the Conservative Benches for his persistence and hard work on a difficult matter. Can he assure the House that when he was sitting next to his French colleague from the EC negotiating about the Third world he told him that we expect also to be able to sell knitwear and textiles to the French?

Mr. Rees: I believe that that general point became clear during my interventions. As my right hon. Friend the Foreign Secretary made clear in his statement preceding mine, we attach great importance to the opening of the European Community's internal market. Such barriers as remain must be removed steadily and relentlessly. I believe that the particular point that my hon. Friend the Member for Melton (Mr. Latham) has in mind will be the subject of challenge by the European Commission.

Mr. Barry Sheerman (Huddersfield, East): The Minister will be aware that the Opposition are grateful for small mercies, but that we do not put all our eggs in the MFA basket. While the Opposition are grateful for the reasonably tough stand taken by the Government, we believe it is only the beginning of a process of resuscitating an industry killed by the Government's policies.

The Werner report states clearly that our competitors' Governments are trying to save them. Our Government are trying to destroy our home industry. Shall we now see the Government aiding wool textile industry areas which have just lost intermediate development status and have no hope of any other State aid?

Mr. Rees: I have never asserted to the House, and I do not believe that any responsible spokesman could, that the multi-fibre arrangement—whether it be first, second, third or any individual agreements—would solve all the problems of the textile industry. That would be largely a matter for the industry. There are other aspects of our market and export markets that will require constant attention and consideration. I realise that the third point by the hon. Member for Huddersfield, East (Mr. Sheerman) is a constituency point, but it is a matter for my right hon.

STATEMENT ON THE FOREIGN AFFAIRS COUNCIL, BRUSSELS TO BE MADE BY
THE RT HON FRANCIS PYM, SECRETARY OF STATE FOR FOREIGN AND
COMMONWEALTH AFFAIRS, IN THE HOUSE OF COMMONS ON TUESDAY
14 DECEMBER 1982

With permission, Mr Speaker, I will make a statement on the Foreign Affairs Council which met in Brussels yesterday. This was the last Foreign Affairs Council of the Danish Presidency and I would like to express my appreciation of the Chairmanship of the Danish Foreign Minister.

The Council agreed that the Community should continue to participate in the Multi Fibre Arrangement on the basis of satisfactory new bilateral agreements. A separate statement is being made in Another Place which my honourable and learned Friend the Minister for Trade will shortly be repeating to the House.

The Commission reported on their talks on the 10th of December with the American Secretary of State and a number of his Cabinet colleagues on a wide range of trade matters. Both sides agreed on the importance of avoiding disruption of world markets for agricultural products. There will now be a programme of bilateral discussions on specific problems.

The Council agreed on the steps to be taken in trade relations with Japan. The full text is being deposited in the Library of the House. The main features are a decision to take the case submitted by the Community in the GATT to the second stage of the dispute procedure; to extend import surveillance; and ^{to} reinforce pressure both for an increase in imports into Japan and for effective and clearly defined restraint of Japanese exports in certain sensitive sectors. There will be a report before the Council at its next meeting.

TO BE CHECKED
AGAINST DELIVERY

2

These measures represent a clear signal by the Community to the new Japanese Government that more action on their part is now urgently required to redress the trade imbalance.

The Commission gave a detailed statement on the problems of the 1970 EC/Spain Agreement which we requested at the November Foreign Affairs Council. They stated their intention of approaching Spain to seek better implementation of the agreement, and undertook to discuss the tariff imbalance with the car industry. We made it clear that we expected early and effective action to remedy the unbalanced trade relationship, and asked the Commission to report again to the January Council.

Ministers discussed the negotiations for a new trade regime between the Community and Cyprus in 1983. We, in common with a majority of our partners pressed for an improvement in the arrangements being offered to Cyprus. No agreement was reached and the existing regime will be extended automatically for a further six months.

The Council also discussed the Internal Market and identified the initial priority areas for work. It was agreed to hold special sessions in the New Year to resolve outstanding problems. My honourable and learned Friend the Minister for Trade made clear the importance we attach to early progress towards the completion of the Internal Market in the field of services as well as goods.

It was agreed that a Committee of three scientists should urgently review the cost effectiveness of the Super Sara project and produce a report for a final decision early in the new year.

There was further discussion of measures to restore stability to the steel market. Support was given to the Commission's actions to strengthen the price regime.

Discussion of the European Parliament's proposals for a common electoral system showed that a number of difficult problems remain. The Council agreed to look at the question again at its next meeting in January.

The Council agreed a duty-free tariff quota for newsprint for 1983 but to our regret was unable to agree to a small supplement to the 1982 quota.

In the margins of the Council, Ministers met in political cooperation to discuss recent developments in Poland.

They concluded that it would be premature to form conclusions now on the implications of the measures announced by the Polish government. We will keep in close touch and continue to follow the situation closely.



From the Secretary of State

Michael Pownall Esq
Private Secretary
House of Lords
London
SW1A OPW

10 December 1982

Dear Michael,

MULTIFIBRE ARRANGEMENT: TUESDAY 14 DECEMBER STATEMENT

I have spoken to you about the possibility of a statement next Tuesday by the Secretary of State, on the outcome of the Multifibre Arrangement discussions scheduled for Monday 13 December in the Foreign Affairs Council. Both the Secretary of State and the Minister for Trade, who will be attending the Council, agree that such a statement needs to be made. The Council discussions should see, with possibly minor exceptions, the final conclusion of bilateral textile and clothing trade agreements between the Community and supplying countries.

I understand that it has been agreed that the statement will be repeated in the House of Commons, by the Minister for Trade, the same day. In the circumstances, I am afraid that it will not be possible to circulate a statement until shortly before it is due to be made. We will, of course, do our best to finalise a statement as early as possible on Tuesday morning.

I am copying this to Willie Rickett (Number 10), Roger Bone (FCO), Murdo Maclean (Chief Whip) and Nick Huxtable (Lord President's office).

Yours sincerely,

JOHN RHODES
Private Secretary

RESTRICTED

Track



From the
Minister for Trade

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 5144
SWITCHBOARD 01 215 7877

NBPM

Muzys

Kenneth Baker Esq MP
Minister for Industry and
Information Technology
Department of Industry
123 Victoria Street
London SW1

18 May 1982

Ken Baker

STATE AIDS FOR TEXTILES

- pt 2

I have seen your letter of 23 April to Douglas Hurd.

I can well understand that the introduction of new state aids for the textile sector in France, Belgium and the Netherlands gives rise to unwelcome pressure for comparable new aids in the United Kingdom. I do not, therefore, dissent from the proposal that Patrick Jenkin should take the relatively rare step of writing to the Commission.

We should, however, bear in mind that thanks to the system of national controls under the Multi-Fibre Arrangement the danger of distortion of the pattern of trade in low-cost imports which might be diverted from other Member States as a result of new state aids is much reduced. Moreover, complaints about unfair competition within the Community have been much stronger in relation to imports of textiles from Italy than in relation to France, Belgium, or the Netherlands.

In view of the Department of Trade's responsibilities where distortion of trade is in prospect, and our general responsibility in the competition policy field dealt with by Commissioner Andriessen, I would be grateful if officials from this Department could join any discussions that may be held with the Commission to follow up Patrick Jenkin's proposed letter.

I am copying this letter to Douglas Hurd and to the other recipients of yours.

Peter Rees

PETER REES

RESTRICTED

● PART 2 ends:-

m/Ind to m/FCO 23/4/82

PART 3 begins:-

m/Trade to m/Ind 18/5/82



IT8.7/2-1993

2009:02

Image
Access

IT-8 Target

Printed on Kodak Professional Paper

Charge: R090212