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10 DOWNING STREET

THE PRIME MINISTER

3 June 1980

*Mr R. Lloyd Jones*

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

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

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

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

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

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

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

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

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

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

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

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

Yours sincerely

Raymond Stobart

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R. Lloyd-Jones, Esq.