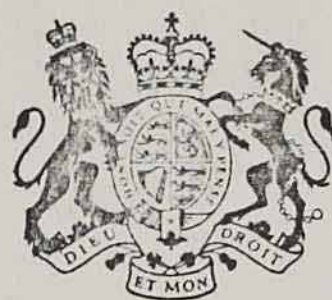


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MAFF
(DI Trade)

10 DOWNING STREET

From the Private Secretary

12 December 1979

AH-Gen.

+ C.O.

SYNTHETIC TEXTILE IMPORTS

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

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

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

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

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

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

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

M. O'D. B. ALEXANDER

Stuart Hampson, Esq.,
Department of Trade.

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