

PA
MS

LUNCH WITH THE COMMITTEE ON INVISIBLE EXPORTS

The Prime Minister was entertained to lunch on 23 February by the Committee on Invisible Exports. Those present, in addition to the Prime Minister, were:

- Sir Francis Sandilands
- Mr. John Baring
- Mr. W. M. Clarke
- Lord Denman
- Mr. J. Dundas Hamilton
- Mr. J. Emms
- Mr. E. J. W. Hellmuth

Most of the conversation was general. The Committee presented the Prime Minister with the attached documents.

In discussion of the retention of the exchange control powers, Mr. Clarke said that the 1947 Act remained a factor in the market while it was still on the Statute Book. In Mr. Hellmuth's view it was no longer necessary to keep it, and Mr. Baring thought that it would be a safeguard to repeal the Act.

Mr. Clarke said that there was some worry that the American banks might take their Euro-currency business from London to New York, now that they were able to do so. Mr. Baring said that London had time advantages in that it overlapped both eastward and westward. Mr. Hellmuth said that there were some Inland Revenue activities which foreign banks operating here found unhelpful. He instanced some practices on withholding tax credits. He said that these effects were marginal but nonetheless an irritant. Sir Francis Sandilands said that everyone would do all they could to keep the existing financial markets in London. Mr. Clarke said that New York was trying to make itself into an international financial centre with operations in banking, insurance and shipping. It followed that constraints on operations in London were becoming more important.

/ There was

There was a brief discussion about relations with the European Community. Mr. Emms said that British insurance companies were already established in Europe. The discussion is still continuing about the directive on insurance which would eventually benefit Lloyds and the brokers. The Prime Minister said, slightly to the surprise of her hosts, that she gathered that there was a problem over VAT on insurance, which was difficult but not insoluble.

In discussion of investment overseas, Mr. Dundas Hamilton said that something like £2 b. had already been invested. Sir Francis Sandilands said that, as Chairman of the ICI Pension Fund, he could see more and more overseas investment as time went by, but not all at once. Mr. Hamilton said that there might be a flight out of this country towards the end of this Parliament if the Government seemed to be in trouble.

Mr. Hellmuth said that the export houses feared that the ECGD might withdraw facilities in respect of third country trade. Lord Denman said that large losses had been suffered on this. The solution was to put the rates up and carry out the activity profitably.

On statistics, Mr. Clarke thanked the Prime Minister for what had already been done. He said that the Committee were going to produce their own monthly figure and were in touch with the Department of Trade and the CSO about it. It would show a surplus of something like £400 million a month on private invisibles.

There were also general discussions on movements in the foreign exchange markets in response to recent events; the marketing of Government debt; the effect of interest rates on industrial companies; and the Scott Report.

9 March 1981

MS

CURRENT CONSTRAINTS FACING INVISIBLE EXPORTERS

The following is a summary of submissions received by the Committee on Invisible Exports from the bodies represented on the Committee's Constraints Sub-Committee.

Accepting Houses Committee

Taxation matters

- 1 Following the abolition of exchange controls, the Inland Revenue has ceased to co-operate by providing United Kingdom resident companies issuing euro-bonds with clearance letters confirming that the interest may be paid gross and may be deducted as a charge for corporation tax. As a result, it is necessary to use an overseas finance vehicle and incur expenses and professional costs abroad, together with some liability to overseas taxation, and there may be delays of several days or weeks with the risk of missing borrowing opportunities in what has become an increasingly volatile market.
- 2 Despite the Inland Revenue's discussion paper, notional capital gains in connection with the repayment of foreign currency debt are still exposed to tax without an allowance for the offsetting losses. Not being able to raise foreign currency debt to finance business in foreign currencies without being subject to this risk is an impediment to such business.
- 3 The management by United Kingdom residents of investments for overseas residents is impeded by the risk that the overseas residents may become subject to United Kingdom income or corporation tax on business managed and controlled in the United Kingdom and that uninvested cash balances on deposit with United Kingdom banks may be regarded as being subject to capital transfer tax on the death of non-resident owners. This is a handicap to obtaining such business and the opportunity of providing other financial services.

American Banks' Association of London

Taxation matters

The recent approval by the Federal Reserve Board of the establishment of "International Banking Facilities" in the USA has removed the former tax and regulatory disadvantages of basing international lending in the US. The American Banks in London are concerned at the possible effect of the following unresolved issues in the field of taxation which could cause them to review their position in London as a consequence of the FRB's decision:

- (i) uncertainty as to whether the present method of granting double taxation credit for overseas withholding taxes on interest received by banks in the UK will continue;
- (ii) the taxation of exchange adjustments on foreign currency capital borrowing (the Marine Midland Bank are appealing to the High Court on this question);
- (iii) the possibility of CTT being levied on non-residents' foreign currency deposits in the UK.

Representations on (i) and (iii) have been made to the Revenue.

Association of Investment Trust Companies

Tax constraints on portfolio investment abroad

It would seem to be in the national interest to encourage outward capital investment while the UK oil surplus persists in order to secure overseas earnings for when this surplus ends. Investment trusts receiving dividends from their portfolio investments abroad obtain no relief for the underlying foreign tax against the UK corporation tax liability on that income.

If this bias against overseas portfolio income were eliminated or reduced, the contribution which portfolio investors can make to Britain's invisible earnings would be significantly increased.

British Consultants Bureau

1 ECGD facilities

These facilities are of fundamental importance to consultants who in many cases would be unable to sustain a high proportion of turnover with overseas clients without ECGD assistance; in fact, some consultants are required by their bankers to make the maximum use of ECGD facilities in connection with lines of credit for overseas trade. While it is realised that recent underwriting losses are likely to lead to a review of premium rates, it would be very short-sighted policy to allow any curtailment of the facilities currently available.

2 Aspects of taxation adversely affecting consultants who practice overseas

Improvements in the treatment of reliefs are sought for foreign taxes incurred overseas in order to put double taxation relief on the same footing as other reliefs. A graduation of the relief for overseas earnings is sought between the 25% and 100% rates for employees, and similar treatment for the self-employed taxed under Schedule D. These changes are aimed to exclude some anomalous inequities in the present operation of the reliefs, and representations have been made both to the Chancellor and to Somerset House.

British Export Houses Association

ECGD facilities

BEHA is extremely concerned over the possibility of ECGD being required either to withdraw its External Trade cover completely or to so increase its costs and decrease its scope as to make it commercially unviable for many members. In 1979 BEHA members' turnover is estimated to have been £3.2 billion, of which £1.7 billion was in respect of external trade. Profits from this represent a material contribution to the UK's invisible earnings, and in addition this trade gives members the market experience necessary for the optimal development of UK visible exports. In BEHA's view, tangible Government support of British external merchanting trade is as properly in the national interest

as the substantial assistance being provided in various forms to exporting manufacturers. Although large in absolute terms, the accumulated deficit on ECGD ET Account is relatively insignificant in comparison with Government aid to visible exporters. BEHA have made representations on this matter to Mr Cecil Parkinson MP, Minister of State for Trade.

British Insurance Association

Exchange Control Act 1947

Although the BIA (and several other members of the Committee) welcome the abolition of exchange controls in 1979, the BIA feel that the retention of the Act on the statute books must inhibit overseas investment since controls could be re-introduced immediately. The BIA therefore recommend the repeal of the Act (the far-reaching powers contained in which are more appropriate to the climate pertaining when controls were first imposed on the outbreak of war than to current conditions) and the introduction of the minimum new legislation required by EEC directives. If, in future, Government wishes to re-impose controls, it would be necessary to introduce a new bill subject to rigorous examination by Parliament and which would be expected to reflect contemporary circumstances.

Committee of London Clearing Banks

1 Lack of reciprocity

- (a) Although London is an open centre for the establishment of bona-fide banks by non-residents, there are many countries (eg, Australia) where it is difficult or impossible for UK banks to establish branches or subsidiaries.
- (b) The observance of agreements such as GATT seems to be honoured more by the UK than by competing countries (eg, France, Germany, Japan) resulting in a loss of visible and invisible export earnings.

2 Work permits

Invisible trade is inhibited in both directions by difficulties in obtaining work permits for key specialised officials.

3 Communication difficulties

- (a) Inordinate delays in installing telecommunications equipment in the City have resulted in the loss of business to foreign centres.
- (b) French and German banks appear to obtain access to important EEC decisions more quickly than their UK competitors; it would help if Whitehall were able to improve liaison/communication on these matters.

4 World Commodities Centre

Active Government support of this project would help to maintain London's pre-eminence as a major financial centre.

General Council of British Shipping

1 Investment allowances

Several years of depressed trading conditions and severe competition have largely eroded the resources of UK shipping companies. There is an urgent need for the reintroduction of investment allowances.

2 Consortium Group Relief

The General Council considers that group relief for a consortium should be on a similar basis to that for a group of companies with a 75% relationship.

3 Double taxation agreements

The General Council feels that the omission of successive Governments to take powers to prevent foreign countries taxing UK shipping (contrary to the principles laid down in the generally accepted OECD model text for double tax agreements) should be rectified as soon as possible.

4 Capital taxes

While there have been some valuable ameliorations in the law over the last two-three years, much remains to be done to reverse the damaging effect of capital taxes on the shipping industry, particularly the family sector (some 15% of the non-oil company fleet) which contributes so much to the industry as a whole. The General Council's argument is that the effects of CTT and CGT must gradually destroy the viability of some companies. The rates of CTT are too severe and in the majority of cases the only source of funds to meet these liabilities and at the same time retain family control, or even preserve the existence of the companies, is within the companies themselves.

5 Profit sharing schemes

To encourage employees or directors to invest in their own companies, the limit under which participants can receive shares free of income tax should be raised, and in cases where there is a tax liability this should be levied under Capital Gains Tax provisions, not Schedule E.

The General Council has made submissions on these points to the Chancellor.

The Stock Exchange

Transfer Stamp Duty

At present, there is a 1% Duty on purchases of equity, preference and convertible securities by overseas residents. In making a market in overseas securities, London is hampered by having to make this additional charge which investors do not have to pay in overseas centres. The Stock Exchange suggest that the Duty on overseas residents' purchases of overseas securities be removed, which would help London to compete more effectively for overseas residents' business.

Topics proposed for Discussion with the Prime Minister

1. World invisible outlook. How COIE sees prospects over next 18 months. Where competition is rising. Main competitors. Special case of France.
2. Prospects for UK private invisibles: individual industry prospects. What are the main obstacles?
3. Official presentation of invisible statistics: a progress report on monthly and quarterly analyses.
4. Overseas Promotion. Results of missions, conferences. Prospects for 1981-82.

World Invisible Outlook

(COIE unpublished estimates)

1. World market in invisibles (i.e. services and return on overseas investment) is worth between \$250-300 billion. This accounts for just under a quarter of total world trade (24% in 1978).
2. Invisible trade has ranged between 22 and 26% of total world trade over past decade and changes in invisible trade tend to lag about a year after world economic growth. Thus slackening of world growth in 1979-80 may be followed by a fall in share of invisibles in world trade in 1980-81. No significant upturn in world invisible market until 1982?
3. In gross terms the top countries are now:

United States	56,210 m	(SDR's)
France	25,776 m	
United Kingdom	24,802 m	
W. Germany	24,480 m	
Japan	14,830 m	

4. But if gross invisible payments are included (that is, the amount each country spends in foreign services), the net positions of surplus and deficit countries are as follows:

Largest Surplus countries:

1. US + 20,490 m	(SDR's)
2. UK + 6,264 m	
3. France + 5,410 m	
4. Switzerland + 4,143 m	
5. Italy + 4,023 m	

Largest Deficit Countries:

1. West Germany - 9,340 m
2. Japan - 6,530 m
3. Canada - 6,164 m
4. Brazil - 4,697 m
5. Indonesia - 3,206 m

5. Thus West Germany becomes the world's biggest invisible debtor (due to large tourist expenditure, large worker remittances and need to service her large visible export drive).
6. The rise of France to second place in gross league table and to third in net table is notable. France's net earnings more than doubled between 1977 and 1978, whereas those of UK increased by only 28%. The main contributors to France's increased earnings were travel (up by 230%), construction and investment overseas (up by 101%), and banking and insurance. COIE are examining how far all this reflects direct help or subsidies) from the French Government.

U.K. Invisible Prospects

1. Overseas earnings of major U.K. service industries may be maintained over next twelve months. But sharp contrasts in experience to be expected.
 - a) Shipping: Run down in size of fleet and wage awards likely to reduce earnings. Trading prospects are varied. Reduced demand for tankers reflects current drop in oil demand. Other areas of world show some buoyancy, notably the Pacific Basin, South Africa, South America.
 - b) Professions: (basically consulting engineers, who are biggest earners), believe they can hold their earnings (in money terms). Middle East main active market.
 - c) Civil Aviation: May hold foreign earnings in real terms. Revenue to grow by 13% in 1981?
 - d) Tourism: Believe that net surplus of 1980 (about £200 million) can be held in 1981. (But note 1979 surplus was £600 million and 1978 close on £1,000 million).
 - e) Banking: Dependent on exchange rates and interest rates (not levels but fluctuations). Euro-currency business to be maintained.
 - f) Insurance: Varied picture. Cycle of over-capacity being faced. Brokers still more optimistic than underwriters.
 - g) Stock Exchange: modest increase?
2. Main markets: Bilateral figures are difficult, sometimes impossible, to calculate. COIE believes that the US is the biggest UK invisible market. EEC, at 15 to 20% remains relatively small, awaiting the opening up of banking, insurance etc. Most buoyant markets in 1981 are expected to be, in order of priority, South East Asia, Latin America, North America, Middle East, EEC.
3. Prospects for Interest, Profits and Dividends: (i.e. return on overseas investments Main influences will still be North Sea oil (growing deficit) and removal of exchange controls leading to greater opportunities for City institutions and industry and return on investments.
4. Main Problems Faced:
 - a) Worsening World economic recession (no significant upturn in 1981?)
 - b) Strength of the pound and rising UK costs. But City sector of invisibles stresses need to reduce exchange rate by normal economic measures (i.e. genuine cuts in interest rates rather than by official intervention). Free flow of capital, in and out, should be preserved.
 - c) New competition (e.g. insurance market in New York, Euro-dollar transactions in New York, Soviet and Chinese shipping fleets, Siberian railway.
 - d) Special problems. (Separate list of constraints available).
5. Main Pressures on UK Net Invisible Account:
 - a) Government expenditure, originally reflecting rising EEC contribution, now beginning to decline.
 - b) Cost of foreign services and of foreign investment in extracting North Sea oil.

Presentation of Invisible Statistics

1. Problem of sharp narrowing of net invisible surplus because of:

- (i) Rising Government sector deficit;
- (ii) Impact of cost of North Sea oil on private invisible account.

The danger is that the declining net figure will indicate a lack of effort by private invisible exporters.

2. Thus need to ensure that official presentation of invisible figures stresses distinction between Government sector and private sector (including public corporations), wherever possible.

3. Monthly figures. Recent discussions with CSO and Department of Trade have led to following:

- a) CSO have stressed statistical difficulty of sub-dividing net monthly projection into Government and private sectors
- b) Improvements have been made in other parts of official monthly press release.
- c) COIE have discussed mechanics of press release with Department of Trade press officer. (Helpful co-ordination has resulted)
- d) COIE has also arranged series of lunches and discussion with leading City editors.
- e) The immediate results in the press have not been too encouraging. (Over past nine months leading papers have continued to confuse monthly net figures with private sector's performance).
- f) COIE is now discussing possibility of making and publishing rough monthly estimate of private sector contribution (even with wide margins of error), and is considering first press release for April.
- g) At present monthly invisible surplus of private sector is about £400 million.

4. Quarterly analysis of invisible trade performance at BOTB, BOTAC and NEDC meetings. COIE believe that it is misleading to use net invisible figures (i.e. including Government transactions) for these purposes COIE has therefore put forward proposal, through Department of Trade, whereby emphasis would in future be put on gross and net private sector trends (including public corporations) Improvements in presentation here already resulted.

C.O.I.E. Overseas Promotion

1. Over past seven or eight years C.O.I.E. have sponsored missions and conferences overseas, with direct help where appropriate from British Overseas Trade Board.
2. Main promotion has centred on services of the City of London, but, increasingly, other invisible sectors have been included (e.g. consulting engineers, management consultants, solicitors, accountants, tourism, airlines etc.,).
3. Recent missions and conferences have included:

1979 Alberta, Canada (large oil reserve)

City merchant bank secured main advisory role for Provincial oil fund now worth \$6,000 million.

Kuala Lumpur, Malaysia

London advice sought for clearing of new commodity exchange; development of Asian unit trust; project finance; and external investments in property.

Miami and Atlanta, USA

Combination of growth in the Sun Belt and use of Miami as financial and commercial base for South America. (Latin America short term funds in Miami estimated at \$12,000 million).

1980 Colombia

Mainly project finance and engineering consultancy based on local oil revenue. London based money broking firm set up in Bogota.

Greece

Large financial conference at ministerial level. City group led by Governor of Bank of England and C.O.I.E. Chairman.

Italy

HMV Britannia used for top level City of London Conference aimed at providing services for Italian industrialists.

China

First international financial conference in Peking, arranged with Bank of China, aimed at Chinese negotiators.

4. Future Targets

a) Growth areas in developing world

e.g. Sabah/Sarawak, Malasia, India, Sri Lanka, Chile/Ecuador.

b) Growth areas in North America

e.g. Sun Belt plus oil and gas areas. Denver, New Orleans, Miami, Western Canada (Alberta and British Colombia).

c) Europe

New members of EEC: Portugal, largest invisible market; Western Germany.

d) Middle East and oil

U.A.E., Bahrein, Nigeria.

Appendix

Main Obstacles

- a) Sterling (i) Stability more important than rate, though City suffers too.
(ii) Avoid treatment which will affect flow of money in and out of UK (cf. CBI)
- b) Fear of Eurocurrency market moving to New York. (Tax treatment of banks, especially US banks)
- c) EEC - need to press for early action on continuing restrictions, e.g. on insurance legislation
- d) Telecommunication delays - action being taken through Bank of England
- e) List of main current constraints reported to COIE by individual associations is attached.

COMMITTEE ON INVISIBLE EXPORTS:
LUNCH WITH PRIME MINISTER ON
MONDAY 23 FEBRUARY 1981

The following will attend:-

- | | | |
|---|---|--|
| ① | <u>Sir Francis Sandilands</u> CBE (host) | Chairman, Committee on Invisible Exports
Chairman, Commercial Union Assurance Co Ltd |
| | The Rt Hon Margaret Thatcher MP | Prime Minister |
| ② | The Hon ^{Mr John} <u>J Baring</u> | Chairman, Accepting Houses Committee
Chairman, Baring Brothers & Co Ltd |
| ③ | Mr W M Clarke CBE | Deputy Chairman and Director General, Committee on Invisible Exports (COIE) |
| ④ | Lord Denman, CBE MC | Chairman of COIE Middle East Committee,
Chairman of Tennant Guaranty Ltd |
| ⑤ | Mr J Dundas Hamilton | Deputy Chairman of COIE
Partner, Fielding Newson Smith |
| ⑥ | Mr <u>J Emms</u> | Chairman, British Insurance Association |
| ⑦ | Mr <u>E J W Hellmuth</u> CBE | Chairman of COIE European Sub-committee
Chairman of COIE Constraints Sub-Committee
Group Chief Executive, European Arab Bank Ltd |
| | T P Lankester | Private Secretary to the Prime Minister |



BRIEF FOR PRIME MINISTER'S LUNCH WITH COMMITTEE
ON INVISIBLE EXPORTS (COIE) ON 23 FEBRUARY 1981

1 PRINCIPAL POINTS

COIE have proposed the following four items for discussion:-

- (i) World invisible outlook. How COIE sees prospects over next 18 months. Where competition is rising. Main competitors. Special case of France.
- (ii) Prospects for UK private invisibles: individual industry prospects. What are the main obstacles?
- (iii) Official presentation of invisible statistics: a progress report on monthly and quarterly analyses.
- (iv) Overseas Promotion. Results of missions, conferences. Prospects for 1981-82.

A list of those attending the lunch is at Annex I.

2 GENERAL DEFENSIVE BRIEFING

There has, more in the past than at present, been some feeling on COIE's part that manufacturing industry benefited more from Government export services than the invisibles sector. This is not really the case, because all the services apart from the Market Entry Guarantee Scheme - whereby Government shares certain risks of new export ventures - are equally available to all exporters. The British Overseas Trade Board has agreed in principle to the extension of the Market Entry Guarantee Scheme to the non-manufacturing sectors. Officials are now considering how best such an extension might be implemented.

3 BACKGROUND TO COIE

COIE is a privately funded body established on a permanent basis in 1968 by the Bank of England following



a report on Britain's invisible earnings commissioned by the now defunct British National Export Council.

The Committee's purpose is to suggest, and where possible implement, measures for the encouragement of invisible earnings.

The Committee includes representatives of banking, insurance and other City interests, tourism, civil aviation and consultancy, together with Government Departments and the Bank of England. A list of members is at Annex II.

During the Government's period of office COIE has entertained Sir Geoffrey Howe, Mr Parkinson and Mr Nott (when Secretary of State for Trade) and is to entertain Mr Biffen on 18 May.

4 WORLD INVISIBLE OUTLOOK - SUMMARY AND LINE TO TAKE

- (i) Prospects for world invisibles depend primarily on rate of growth in world economy, with perhaps a one year time lag.
- (ii) UK share of world invisible market currently around 9% (having been 12% a decade ago).
- (iii) UK committed to pressing for greater liberalisation of services in European community. The freedom of movement in goods in the Community - where the UK is relatively less competitive - has always been in advance of the freedom in services where the UK is clearly successful.

Some progress has been made on opening up the Community's internal markets. But we are using the opportunity offered by Dutch presidency to push insurance services directive.

The Prime Minister drew attention at the last European Council to the lack of progress on this directive, which has been on the negotiating table for over five years.

- (iv) Growing involvement of newly industrialised countries in invisibles offers opportunities



as well as challenge. We will resist pressure from some developing countries for increased protection for their service industries.

- (v) We believe in helping invisibles exporters through removing restrictions. /If asked about French Government's alleged direct help to invisibles exporters - This is not necessarily the best form of assistance. Support which involves increased public spending is likely to be counter-productive in the longer term.
- (vi) Background briefing on this subject is attached (Annex III).

5 PROSPECTS FOR UNITED KINGDOM PRIVATE INVISIBLES

- (i) Insurance (net earnings £944m in 1979)

Of all our financial institutions the insurance industry makes the single largest contribution to the City's invisible earnings (about half the total).

The United Kingdom is in fourth place among the world's international insurers, with an estimated 6% of the total world insurance market. The leader is the United States of America with an estimated share of just under half, followed by Japan and Germany with about 12 and 10% respectively.

In the last 20 years or so the United Kingdom, like all the insurance industries of developed countries, has lost a little market share to the emerging insurance industries of developing countries; this trend is expected to continue. However, at present the developing countries' industries account for only about 3% of the world insurance market.



Although the United Kingdom may be losing direct markets in developing countries, it continues to be a major centre for their reinsurance business.

(ii) Banking (net earnings £109m in 1979)

Net overseas earnings of the United Kingdom banking sector were £664m in 1978 and £109m in 1979. This does not reflect a fall in competitiveness but a net inflow of deposits. (The earnings figure shows the balance of interest payments, which is the inverse of the balance of capital flows.)

London competes successfully for footloose business; we have freedom of establishment and free movement of capital, though we are not a tax haven.

The United States plans to lure eurodollar business back to New York by setting up a free trade zone are cause for concern. The intensified French efforts in this area should be noted as well.

We see a need for improvement in the prudential surveillance of offshore banking business, but obviously this cannot be pushed so far that banks no longer find London attractive.

(iii) Stock Exchange (net earnings £25m in 1979)

The earnings figures does not do justice to the efforts of the Stock Exchange to seek and retain overseas business. Many broking firms have overseas offices or subsidiaries, and there is active market making by jobbers in overseas securities, particularly United States and South African.

(iv) Other important sources of invisible earnings are:

- commodity trading (net earnings £298m in 1979)
- investment trusts (net earnings £58m in 1979)



- unit trusts (net earnings £22m in 1979)
- pension funds (net earnings £49m in 1979)
- shipping (about £1,000m in a year)
- civil aviation (net earnings £325m in 1979)
- tourism (net earnings £673m in 1979, but substantially less forecast in 1980)
- consultancy (including consulting engineers) (some £500m in 1979)

6 OFFICIAL PRESENTATION OF INVISIBLE STATISTICS - SUMMARY AND LINE TO TAKE

- (i) COIE are concerned that the size of the surplus on invisibles in the private sector and public sector corporations is not obscured by the deficit on Government transactions. (Sir Francis Sandilands wrote to the Prime Minister in October 1979 - copy, with reply at Annex IV).
- (ii) After extensive discussions, changes to the Department of Trade monthly Press Notice have been made, and COIE accept that Government has now done as much as is possible.
- (iii) The problem of how journalists write up the monthly picture remains.
- (iv) COIE plan therefore to release their own press notice each month giving their projection of the monthly surplus on invisibles for the private sector and public corporations. Officials have given COIE a number of suggestions on the wording of the press notice.
- (v) The Prime Minister may wish to thank Sir Francis and his colleagues for the suggestions they have made to improve the presentation of official statistics and to wish them success in their efforts generally to improve public knowledge about invisibles.



BACKGROUND

COIE have for some years been content with the presentation of invisibles in the quarterly press notice on the balance of payments. It has proved much more difficult to meet their requirements in the monthly press notice containing the overseas trade figures. Statistics on invisibles are collected only quarterly, so a projection of the surplus on invisibles is included with the latest month's visible trade figures to arrive at the balance on current account. Because of the very weak basis of the projection, it is not split between the surplus for the private sector and public corporations and the deficit on government transactions. But the details for past quarters are given in Table 3 of the press notice. This table is one of the numerous additions made over the years to assist COIE, and the Prime Minister will recall that further changes were introduced following the letter to her in October 1979.

In the third quarter of 1980, the latest for which returns are available, the private sector and public corporations had an average monthly surplus on invisibles of nearly £400m, but because of the deficit on government transactions - military expenditure overseas, our contribution to the European Community, etc - the average monthly surplus on all invisibles was £100m.

7 OVERSEAS PROMOTION - SUMMARY AND LINE TO TAKE

- (i) COIE have organised a number of seminars and Inward Missions to increase awareness of the financial, consultancy and other services provided by the UK invisibles sector.
- (ii) The event on board HMY 'Britannia' during the Royal Visit to Italy last October was particularly successful.
- (iii) The Prime Minister might congratulate the COIE on their work in this field.

BACKGROUND

One of COIE's principal activities is to organise overseas seminars in association with the British Overseas Trade Board and overseas Posts. The purpose of these events is to make the carefully selected audiences aware of the



financial, consultancy and other services provided by the UK invisibles sector.

The seminars have different aims according to the needs of the country visited. In Athens last May the event was designed to examine how Greek/British financial links could be strengthened in the 1980s. On board HMY 'Britannia' during the Royal visit to Italy in October, 80 Italian industrialists were informed about finance and services for Italian projects at home and abroad and for Italian exports to third countries. The seminar in Peking in late October provided Chinese negotiators and officials with an opportunity to discuss how the Western business system, and especially the City of London, works.

At all these events the British members are, of course, free to pursue their own business interests, and concrete business usually results.

This year seminars are being held in Ecuador, Chile and Portugal and probably in Italy, Austria and USA (Denver, Colorado). A small group of merchant bankers is also going to Sabah/Sarawak and visits to the United Arab Emirates, Bahrain and Kuwait are being considered. Possibilities for 1982 include USA (New Orleans, Miami), Vancouver, India, Sri Lanka, Thailand and Nigeria.

COIE also organises Inward Missions to this country to enable foreign businessmen to learn more about the international services of City institutions. A group of financiers is coming from Greece in March (coinciding with a visit by Mr Palaiocrassas, the Greek Alternate Minister of Co-ordination). A mission will probably come from West Germany in June and a visit from Spain is being considered.

Department of Trade
20 February 1981

1947

Exchange Control

Appendix still there
changed. Appendix.

ANNEX I

COMMITTEE ON INVISIBLE EXPORTS:
LUNCH WITH PRIME MINISTER ON
MONDAY 23 FEBRUARY 1981

The following will attend:-

Sir Francis Sandilands CBE (host) Chairman, Committee on Invisible Exports
Chairman, Commercial Union Assurance Co Ltd

The Rt Hon Margaret Thatcher MP Prime Minister

The Hon J Baring Chairman, Accepting Houses Committee
Chairman, Baring Brothers & Co Ltd

Insurance President 1975 - W M Clarke CBE - W M Clarke CBE - Series

Deputy Chairman and Director General, Committee on Invisible Exports (COIE)

Lord Denman, CBE MC

Chairman of COIE Middle East Committee,
Chairman of Tennant Guaranty Ltd

J Dundas Hamilton

Deputy Chairman of COIE
Partner, Fielding Newson Smith

J Emms

Chairman, British Insurance Association

E J W Hellmuth CBE

Chairman of COIE European Sub-committee
Chairman of COIE Constraints Sub-Committee
Group Chief Executive, European Arab Bank Ltd

T P Lankester

Private Secretary to the Prime Minister