



Trade

Ref A02429

PRIME MINISTERBRITAIN'S INTERNATIONAL TRADE POLICIES  
AND NON-TARIFF BARRIERS TO TRADE

E(80) 43 and 57

BACKGROUND

Although these two papers are down on the Agenda as separate items they overlap and can best be discussed together.

International Trade Policies: E(80) 43

2. In the first part of this paper the Secretary of State for Trade proposes that in general the Government should maintain a policy of open trading, rejecting import controls but fighting dumping and other unfair trade practices. He argues that, apart from GATT and EC constraints, it is in the national interest to do so. Protectionism would remove incentives and would be at the expense of the consumer. We could not afford countervailing action against our exports of goods and services, which are around a third of our GDP.
3. He recommends that for textiles our main objective in restraining imports must be secured through the re-negotiation of the Multi-fibre Arrangement, as E has already agreed. Elsewhere we should broadly maintain the import controls we have (on steel, footwear, TVs, cars etc) and be active, through the Commission, in the anti-dumping field - see his paragraphs 7(ii) and (iii).
4. In his paragraph 8(a) the Secretary of State questions whether we should remain in overseas project business where we are paying heavy interest rate subsidies to secure business in large overseas projects (eg power stations, mining, and railway electrification).
5. In 8(b) he questions whether the organisation of Government is appropriate to international trade in 1980. He points out that the Departments of Industry and of Trade, the Foreign Office and the Treasury are all involved in this area. I understand that the main change which he is seeking is more delegated authority from the Treasury on particular cases, including those involving the ECGD.



6. Paragraph 8(c) questions the balance between trade and diplomacy in foreign policy. Mr Nott suggests that our trading interests might be better served if we were to keep a lower public profile rather than to seek to practice world leadership in foreign policy.

✓ The Foreign Secretary's minute of 10 June

7. The last question in E(80) 43 - trade versus diplomacy - provoked a vigorous reply from the Foreign Secretary. He rebuts the criticism levelled against our activities in particular areas. More generally he argues that the right course is to exert what influence we can on world affairs and not to be afraid of letting Britain's voice be heard; and that the fundamental reason for poor export performance lies with the deficiencies of our manufacturers rather than with our foreign policy.

Non-Tariff Barriers to Trade: E(80) 57

8. This paper by the Chancellor of the Exchequer was prepared by a small group of Ministers including the Secretaries of State for Employment, Industry and Trade, the Lord Privy Seal and the Minister of Transport. Officials from the Department of the Environment took part. It considered impediments to international trade rather than explicit controls - eg national standards and regulations, subsidies and price controls, discriminatory public purchasing policies.

9. The general arguments against extending NTBs are similar to those in the Secretary of Trade's paper against restrictions on open trading. Moreover, the Chancellor's Group judge that, while NTBs have a significant localised impact on certain industries and markets, it is doubtful whether they have a significant direct effect on the totality of our exports. They do not propose any major new initiatives.

10. In paragraph 10 the Chancellor summarises four limited areas in which further work is recommended with the objective of intensifying the use of NTBs in the United Kingdom. These are -

- (a) accelerated payment of VAT on imports;
- (b) an EC ban on the import of leather products containing sperm whale oil;
- (c) a UK national type approval scheme for imported commercial vehicles; and
- (d) the use of national safety standards and regulations.



11. Paragraph 15 lists a variety of initiatives which would be taken, mainly through the EC, to secure the dismantling of NTBs elsewhere. These include revised arrangements for technical barriers to trade; simplification of procedures for the collection of VAT and of statistics on imports; implementation of new non-discriminatory regulations by the French which would reduce the scope for them to frustrate inward investment; and removals to barriers to intra community trade in services.

HANDLING

12. You might open the discussion yourself by suggesting that, since the argument about open trading is common to both, the papers might be taken together, but reserving the more general questions raised by the Secretary of State for Trade on the Whitehall structure and trade versus diplomacy to the end of the discussion. You might then invite the Secretary of State for Trade to introduce his paper and the Chancellor of the Exchequer to follow on non-tariff barriers. Before turning to the particular questions on which Departmental Ministers will wish to comment, you might invite Mr Ibbs to comment on the general arguments put forward. Other Ministers to invite are the Lord Privy Seal, representing the Foreign Secretary, and Lord Gowrie, representing the Employment Secretary, who is tied up with the Opposition Supply motion on unemployment.

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

(a) Is the general stance on open trading right?

The Secretary of State for Trade has summarised in his paragraph 9 (a) - (f) the general approach which he wants the Committee to endorse - generally open trading, resisting pressure for new import controls but maintaining those we have now, and acting through the EC and GATT to get a better deal more generally. This is likely to win general support and, if so, the Committee can then turn to the more detailed proposals in the two papers.

(b) Should the payment of VAT on imports be accelerated?

(Paragraph 10(a) of E(80) 57.) This would bring the procedure in line with that for domestically produced goods. It will probably be more useful as a once for all benefit to the PSBR, in the order of £500 millions, rather than as a NTB. But it would affect company liquidity at a difficult time and need some more customs officials to administer it. No



decisions have been taken yet and the Chancellor is arranging for the Treasury, Customs and Industry to look at the idea further. Unless the Committee has any particular points which the Chancellor should take on board, it will be sufficient to note that this work is in hand.

(c) What should be our line on sperm whale oil? (Paragraph 10 (b).)

In short the proposal here is to be vigorous in supporting measures for the conservation of whales with the incidental effect of securing a ban on the import of leather and leather products containing sperm whale oil. The Secretary of State for the Environment will wish to comment on this since his Department is in the lead in the current EC negotiations.

(d) Should there be a national type approval scheme for commercial vehicles? (Paragraph 10(c).) This will be welcome to BL but not to the multi-nationals based here or to some of the smaller manufacturers. The Secretary of State for Industry and the Minister of Transport will wish to comment on where the balance of advantage lies and also on the administrative costs of introducing this scheme. However, the Committee is not being invited to take a final decision but to approve consultations with the industry.

(e) Should anything more be done on safety standards and regulations?

(Paragraph 10 (d).) The Secretary of State for Trade is currently reviewing the relevance of national standards to assisting United Kingdom producers. This follows a recent discussion by E(EA) of proposals by the CPRS. Unless any Ministers have new points to make at this stage it would be sufficient to note the position here.

(f) Are there any other possibilities for NTBs?

The paper notes that the Minister of Agriculture and the Secretary of State for Trade are looking at the food and drink sector and will make any recommendations separately. Given that the Ministers mainly concerned have been looking at NTBs for some time it seems unlikely that any new ideas will come forward.

(g) Are the proposals for dealing with NTBs in other countries acceptable?

These are listed in paragraph 15 of E(80) 57. For the most part they represent action which is already in hand by the Secretary of State for Trade, and it is largely a matter of inviting him to press forward and to consult



colleagues where necessary. EQS will be considering the general question of freedom to provide services this Friday, 27 June. E has already agreed a line on public procurement to help with the competitiveness of UK industry.

(h) Are the arrangements for overseas project business satisfactory?

This is the point raised in paragraph 8(a) of E(80) 43. The Secretary of State for Trade points out that interest rate subsidies are very high but then appears to go on to say that the policy is right. You might ask him to say whether he is proposing any changes here.

(i) Should there be any changes in the Whitehall organisation?

If the Secretary of State for Trade has any specific proposals to make - for example on the extent of Treasury delegation to his Department and to the ECGD - he should take them up directly with the Minister concerned. Any more radical changes in Departmental organisation - although I do not think the Secretary of State is suggesting this - would be for you to decide as a question of the machinery of Government.

(j) Should the balance of trade and diplomacy be changed?

In his paragraph 8(c) the Secretary of State for Trade makes some points about particular markets, such as Taiwan, I suggest that any particular complaints should be pursued separately with the Foreign Secretary. The Committee will probably not want to spend time debating the more general issue of trade versus diplomacy.

CONCLUSIONS

14. In the light of the discussion you will wish to record conclusions:

- (i) endorsing the general policy on trade summarised in paragraph 9(a) - (g) of the Secretary of State for Trade's paper, E(80) 43;
- (ii) endorsing the further work proposed in the Chancellor of the Exchequer's paper E(80) 57 on non-tariff barriers in the United Kingdom (paragraph 10) and on action to secure dismantling of NTBs in other countries (paragraphs 15 and 16);
- (iii) inviting the Secretary of State for Trade to take up with the Chancellor any proposals he may have on Treasury delegation to Trade and ECGD and with the Foreign Secretary any particular points on the Foreign Office's role in trade promotion.

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(ROBERT ARMSTRONG)