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Qa 05061

To: MR LANKESTER

From: J R IBBS

International Trade Policies and Non-Tariff Barriers

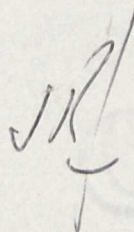
1. I have not put in a CPRS paper for the meeting of E Committee tomorrow because I broadly agree with the proposals put forward in the papers by the Secretary of State for Trade and the Chancellor of the Exchequer. I am, however, concerned about a point of emphasis that can be applied to the arguments in both papers and you may like to draw the Prime Minister's attention to this.
2. I accept that it is in the United Kingdom's long term interest to encourage an open trading system and to resist pressures for widespread import controls. In principle it is also better to seek removal of other countries' non-tariff barriers in preference to erecting extensive barriers of our own. On the other hand, as the Secretary of State for Trade points out, a blind free trade policy would not be appropriate and I support the pragmatic approach he is following which includes maintaining the import controls we have, continuing with constructive procurement policies at home, and taking action against unfair practices abroad. The Chancellor likewise recommends a case-by-case approach with some intensification of the use of non-tariff barriers.
3. The essence of these pragmatic approaches is that in appropriate instances some assistance should be given to industry but in ways that should avoid substantial retaliation and which do not cut across the main strands of policy.
4. The point of emphasis that concerns me is that in striking the right balance in individual cases, there may be a bias against giving assistance because of a belief that this may reduce the vigour with which increased efficiency is pursued. I believe that under present conditions this fear is largely groundless. The liquidity pressures and the high exchange rate which result from present economic policies mean that there is generally a great deal of pressure on companies to increase efficiency. Indeed, additional


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competitive pressures such as those which result from questionable practices by competitor countries may merely hasten the decline of a business that is worth keeping rather than stimulate its improvement.

5. It must be an objective of present economic policies to improve efficiency and induce a sense of economic realism whilst avoiding unnecessary damage to the industrial base - that there will be some damage is unavoidable. I therefore believe that the positive proposals in the papers by the Secretary of State for Trade and the Chancellor should be pursued and I would urge that, at least in the short term, Ministers should keep an open mind on further possibilities of modest protection to avoid serious damage to sectors worth preserving. This probably means a willingness to use selectively and vigorously the techniques already suggested in the two papers rather than seeking additional approaches. However, anything that can be done to speed up rates of response, for example that of the EC Commission to allegations of dumping, would be useful.

6. I am sending a copy of this minute to Sir Robert Armstrong.



24 June 1980