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Trade

PRIME MINISTER

Work of EX Committee

In his minute of 31st July the Secretary of State for Trade asked you for a short briefing meeting to clarify how his Department could best prepare material for this new Committee. He has now sent you a note as a basis for discussion (under cover of his Private Secretary's letter of 13th October to Mr. Lankester). He will bring with him Mr. Caines and Mr. Benjamin, his Deputy and Under Secretary dealing with this work.

2. You decided to set up this Committee on 25th June when E Committee discussed a paper (E(80) 43) by Mr. Nott on Britain's international trade policies (E(80) 21st Meeting, Item 2). Although Mr. Nott did not ask for a new Committee he questioned whether the present divisions of departmental responsibility - mainly between Trade, Industry, the Treasury and the Foreign Office - allowed for a sufficiently quick and effective response in competing for international trade. He further questioned whether the Government might be denying British industry access to some major markets by giving undue weight to foreign policy rather than trading objectives.

3. The terms of reference are:-

"To ensure that major cases involving Government support of exports are dealt with quickly and efficiently and to keep under review the arrangements for promoting the United Kingdom's international trade objectives."

4. The Members, under your Chairmanship, are the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretaries of State for Industry and for Trade. Other Ministers will be brought in as necessary.

5. Mr. Nott has not so far found any cases, or general policy issues, which he wishes to bring to the Committee. Indeed it may be that the very existence of the Committee has concentrated departmental minds in dealing with major projects. The Chancellor of the Exchequer is planning to put forward a general paper on export credits and promotion, probably next month.

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6. In his note of 13th October Mr. Nott proposes that the Committee should have three main purposes:-

- (i) To remove any interdepartmental log jams in dealing with major projects (his paragraph 4).
- (ii) To identify priority projects or export markets which might become special targets for the United Kingdom (paragraph 5).
- (iii) To consider any novel policy approaches to improve the prospects for winning projects, including the introduction of new financing facilities (paragraph 6).

7. He will probably take the opportunity to outline some of the current problems facing exporting industries and the Government in trying to help them - for example, the costs of credit packages competitive with those offered by other Governments; the difficulties in exporting to traditional markets, such as black Africa, which are becoming increasingly uncreditworthy; the vulnerability of ECGD to risks (e.g. Turkey, Iran).

8. There is no objection to the proposal that the Committee should be ready to break interdepartmental log jams in the handling of major projects. Your main reason in setting it up was to do precisely this, and the Committee stands ready to meet if Mr. Nott has proposals to put to it. He is however right in implying that the Committee is a court of last resort. Most problems should be dealt with in existing committees, such as E(EA) or between the Ministers concerned.

9. His more general proposals, (ii) and (iii), are within the Committee's terms of reference. You will not however wish to prejudge any particular proposals which Mr. Nott might put forward at this meeting. It may well be that changes need to be made, but these must be on the basis of considered and specific proposals on which the other Ministers responsible can have an opportunity to put their case. In particular it is essential that any proposals for further expenditure, or different methods of financing, should deal fully with the financial implications - for example, how any additional public expenditure should be offset; and the implications for monetary policy. If Mr. Nott intends to put forward proposals with financial implications his Department should, in the normal way, first discuss them with the Treasury;

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and with the Department of Industry and the Foreign and Commonwealth Office if what he has in mind has implications for the Industry and Aid Programmes.

10. To sum up you might conclude by telling Mr. Nott that the Committee will meet when he - or any of the other members - is ready to put papers to it. He should bring out financial implications to his proposals clearly and consult colleagues on them first. The ball is now in his court.

Ret

(Robert Armstrong)

17th October 1980

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