

CONFIDENTIAL



From the Secretary of State

T Lankester Esq
Private Secretary
10 Downing Street

Anne Austin
The Dept. of Trade, with the
British endorsement, remains
against any action on

Dear Jim

*I do hope we
have done everything
possible within our powers.
This material I have
heard your head
insistent
it is.*

10 April 1981

PRIME MINISTER'S VISIT TO INDIA

Flash Thank you for your letter of 9 April.

It is not the Commission who are being difficult in this case - the matter arises substantially because of the Government's decision last September, in the face of heavy pressure from the textile industry, to strengthen our defences against quota evasion and fraud not only in relation to India.

The garments concerned were seized by Customs in late 1980 because they were incorrectly declared to be "folkloric" items, which do not count against import quotas. "Folkloric" is clearly defined (and indeed illustrated) in the Community's bilateral agreement with India under the MFA and there is little doubt that most, if not all, of the consignments were a deliberate attempt to evade quota restrictions.

We understand that although Customs have the powers to dispose of these goods in any way they please - including destruction - they have in fact in some cases made formal offers to importers that the goods may be released either for re-export under Customs control for sale outside the Community, or alternatively for sale in the UK on presentation of a valid import licence. Import licences are issued by this Department against an official export licence issued by the Indian Government and the goods would then, of course, count against the relevant quota in the normal way. Some importers have already taken advantage of the re-export facility. In other cases the offer has not been made. This is because the Commissioners of Customs and Excise are actively considering prosecuting the importers concerned for contravention of the import regulations.

My Secretary of State has considered the matter and feels it would be wrong to intervene in these cases. He feels that an instruction to Customs at this point to release goods seized quite legitimately would run totally counter to the Government's announced policy of combatting fraud in the textiles trade. (It might also give rise to legal difficulties for the Commissioners or lead to charges of maladministration, although the Commissioners have not had time to explore this in detail.)

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From the Secretary of State

This matter is not new. When it was raised with Mr Biffen during his visit to India in January arrangements were made and implemented for the immediate release of all garments which Customs could accept as being "folkloric". Since then discussions have continued with the Indians at working level in co-operation with technical experts from the Commission. Last month the Indian High Commissioner in London proposed to Mr Blaker that there should be talks between the Indians and our Customs people with a view to clarifying any remaining points of obscurity in the customs classifications relating to textiles. The Indians have been told that we accept this proposal and are ready to start talks when they are.

The arguments for and against exceptional action clearly range far wider than those relating purely to the maintenance of our textiles policy. My Secretary of State is of course aware of the importance of the Paradip project and is conscious of the general context in which this proposal has been put forward. Nonetheless he could not recommend overriding the normal procedures in this case.

I am copying this letter to John Wiggins (HM Treasury) and George Walden (FCO).

Yours sincerely,
Stuart Hampson

STUART HAMPSON
Private Secretary

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