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PRIME MINISTER

UNITED KINGDOM TRADING POLICY

You have arranged a meeting with the Chancellor, the Minister of Agriculture and myself on 4 August to discuss the Chancellor's recent minute to you under the above heading. I will not therefore comment in detail on the points in his minute at this stage. I would however like to make a suggestion and just a few preliminary comments.

My suggestion is that we should include in the dossier for the meeting a paper (E(80)57) which the Chancellor circulated last year on Non-Tariff Barriers to Trade; a more general paper on Britain's International Trade Policies (E(80)43) by John Nott; and the minutes of the meeting of E Committee on 25 June 1980 at which they were discussed. These papers taken together go a good deal beyond the particular points the Chancellor is now raising, but much of their content - for example the discussion in the Chancellor's paper of the extent to which the use by us of non-tariff barriers is practical or useful - is highly relevant.

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The comments I would myself like to make at this stage are these. First, we cannot ignore the implications of Community "competence" for safeguard action against imports. Community membership deprives us of full control of our own national trade policy. I have never sought to conceal my views on this matter, but I cannot deny the current European realities. The European Community is first and foremost a common market, which implies free trade within the market and an agreed common external policy. Free trade within the Community (at least for goods) and a common commercial policy for trade with outsiders (together with a Common Agricultural Policy)



are required by the Treaty of Rome. They have been comprehensively spelt out in implementing regulations which in many respects have become part of United Kingdom law. Discussions are at present going on in Brussels on changes in the regulations for import controls. These would have the effect of whittling down still further the little scope we now have to take national action. We shall in due course have to take a view on these proposals. But they do illustrate the point that any movement is likely to be in the direction of further trade harmonisation unless we take a conscious and determined policy to thwart this.

My second comment relates to the doubts the Chancellor expresses about whether we have the right machinery in Whitehall for dealing with specific cases of damage to industry from imports. I do not think that any inadequacy in our own machinery is the real problem. My experience so far is that it is the problems inherent in each case (eg Japan, developing country and American textiles) which have led to delays, difficulties or in certain cases a decision to do nothing. A case can always be made for new co-ordinating machinery. But my own instinct is that adding to bureaucracy would merely add to the already excessive daily round of papers and just slow things up.

I am copying this to Geoffrey Howe and Peter Walker.

WJB

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JB

*JD* July 1981