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Sir Peter Preston KCB
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20 October 1981

Dear Peter

CANCUN BRIEFING

At the briefing meeting on Monday, the Prime Minister asked us to put together a few trade-related "nuggets" on which she might draw if necessary in discussions at Cancun.

I am sending you under cover of this letter a note which deals fairly briefly with the points which were suggested. They are "nuggets", not rocks to be slung indiscriminately. It would be unwise generally to mention particular developing countries by name - anonymous examples are better.

A copy goes to Richard Evans.

R W GRAY

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CANCUN SUMMIT - TRADE NUGGETS

I. PROTECTIONISM BY NEWLY INDUSTRIALISING COUNTRIES (NICs)

In Brazil most items require an import licence though about 600 are subject to temporary prohibition or import licence suspensions. Under the 'Law of National Similars' import licences are refused for any goods which can be manufactured in Brazil. Customs duties are among the highest in Latin America, ranging up to 205% for some goods which include textiles and footwear. Plus a severe import deposit requirement under which a deposit of 100% is necessary to open a letter of credit.

In Mexico import licensing applies to one-third of the items in its General Import Tariff (and most items of export interest to the UK). Official prices for customs valuation are fixed.

India operates a strict and complex import control system with licensing the main instrument. Import duties are mainly in the range of 40-110% though some exceed 200%.

In Venezuela tariffs range up to 350%.

II. MEXICO AND GATT

The Mexicans negotiated tariff concessions which would have enabled them to join the GATT at the end of 1979. But in March 1980 Lopez Portillo announced that the Government had decided not to proceed to membership. We regret that Mexico thus remains outside the GATT.

III. UK/EEC TRADE WITH DEVELOPING COUNTRIES

(i) Advanced industrial countries provide markets for 70% (by value) of developing countries' exports. The EC takes some 30% of their exports.

(ii) The European Community is the world's biggest importer of agricultural produce. In 1979 the EC took about 40% of world imports of agricultural products; North America took some 10%; and the USSR about 6%.

(iii) As a result of the European Community's Generalised Scheme of Preferences (GSP) and other arrangements, about two-thirds of EC imports from developing countries are free of duty and most products come in without quantitative restriction (textiles is a difficult exception). In 1980 the UK imported under the GSP goods worth over £750 million.

(iv) Textile and clothing account for a quarter of the UK's imports of manufactures and one-twelfth of all imports from developing countries. Over the period?, the share of the UK market taken by developing country textiles grew from 18% to 28% by volume.

MFA. 76-80.

IV STRUCTURAL ADJUSTMENT - JOB LOSSES

Structural adjustment is a continuous process, not decided in UK by Government.

Over the past decade, employment in the UK textile and clothing industries has fallen from around 1 million to well under 600,000. In 1980 alone, job losses totalled some 118,000 (17% of the workforce) and a further 30,000 jobs were lost in the first half of 1981. UK Government have to consider the pace of adjustment.

In the UK employment in the automobile industry fell by 70,000; in iron and steel by 52,000; and in mechanical engineering by 93,000. So we know quite a lot about structural adjustment.