

~~Mr Isles~~
Agreed.
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MCS 19/10

PRIME MINISTER

European Restrictions on Trade with Japan

Mr. Robin Gray will be able to go into more detail about this subject at your meeting with the SMMT tonight. But he explains the situation as follows.

When the European Community was formed, France and Italy already had quotas applicable to imports from Japan. The United Kingdom had similar quotas but, in accordance with the free trade policy of successive Governments, agreed in the Anglo/Japanese Treaty of 1962 to phase out these quotas. This was duly done and by 1970 all quotas against Japan had been removed.

The provisions of the GATT are also relevant. When Japan joined GATT, existing members could maintain their quotas if they invoked Article 35 of the Treaty. France and Italy did so. The United States, leading the policy of free trade, did not. Similarly, we "disinvoked" Article 35 in return for a selective safeguard mechanism. It is under this mechanism that we have since applied voluntary restraint arrangements.

There remains the question of why we could not now apply a quota. Mr. Gray will be ready to speak on this tonight but a relevant question is the likely retaliation by Japan against our exports to her.

A. J. C.

18 October 1982