

Nat. Industry 2

PRIME MINISTER

Statement on Steel

As might be expected, Mr. Jenkin had a fairly difficult time. The agreement reached between the Community and the US may provide some relief, but it still means a loss of markets for BSC.

Stan Orme, leading for the Opposition, said that there was a crisis in the steel industry. Whatever the agreement reached with the Americans, it would mean a reduction in Community exports to the US market, and that would mean more excess capacity in the Community. He called on the Government to ensure that this would not mean more Community imports into the UK market; already one-third of UK demand was met by imports. The Opposition wanted action. The Government should insist that the State Aids Rules were enforced in the Community. They should also follow the example set by the Americans and impose import controls. The BSC's cash limits should be increased, and measures taken to stimulate demand. The Chairman of BSC was reported in The Guardian as having told the Government that it must take responsibility for deciding whether to close Ravenscraig. Mr. Orme called for a categorical assurance that there would be no closures of any kind. He accused the Government of doing nothing for the steel industry, and said that this was why the unions had called a day of action.

In the subsequent questioning, the Opposition pursued three themes: that the Government should follow the American example and impose import controls; that it was hopeless to rely on the Community to enforce the State Aids Rules, production quotas, and pricing rules; and that the Government should come clean on the future of Ravenscraig, Redcar, and the other major steel plants. Tam Dalyell hinted that the closure of Ravenscraig would lead to more than simply industrial action in Scotland, and Ian Wrigglesworth hinted much the same about the possible closure of Redcar. Richard Wainwright pressed Mr. Jenkin for

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figures on the cuts in European steelmaking capacity notified to the Commission by Member States. Mr. Jenkin was unable to give him any firm details. Eric Heffer, winding up, demanded an early statement and debate before the Informal Meeting of Industry Ministers in Denmark on 18 November.

Mr. Jenkin agreed that there was a crisis in the steel industry, and that there would inevitably be reductions in Community exports to the USA. He pointed out that of the 30 per cent reduction in US imports, 20 per cent was caused by the recession, and only 10 per cent by this agreement. He reiterated that the best hope for the steel industry was for the Commission to enforce their rules strictly, and he pointed out that the Rome and Paris treaties prevented the unilateral imposition of import controls. He acknowledged the temptations of protectionism in a recession, but drew attention to the fact that we export more of our GDP than any of our main competitors. He also acknowledged that BSC were unlikely to meet their targets for 1982/83. No decision would be taken on plant closures without the agreement of the Government. He could give no specific undertakings one way or the other on Ravenscraig or any other plant. He would obviously give the House early warning of any decision, and the Lord President would naturally consider whether time could be made available for a debate. As far as today's industrial action was concerned, he said that the 1980 strike had cost the UK steel industry a lot of business by losing the confidence of customers; the unions' action was not in the long term interest of the industry.

WM

22 October, 1982



STEEL DISCUSSIONS IN BRUSSELS: ORAL STATEMENT BY THE SECRETARY OF  
STATE FOR INDUSTRY

With permission, Mr Speaker, I should like to make a statement on steel exports to the USA and the steel regime in Europe.

2 Yesterday, the European Community reached agreement on the terms of a negotiated settlement with the United States. We have thus avoided the imposition of countervailing and anti-dumping duties on certain UK steel exports.

3 The Government recognised from the outset the importance of resolving this issue in a way which would guarantee the UK steel industry a reasonable share of the US market to which we have traditionally had access and avoid the imposition of punitive duties. We gave our full support to the European Commission's efforts to this end. The negotiations lasted several months, and continued up until the last possible moment. On Wednesday all Member States except Germany had signified their acceptance of the package. The German Government had a number of last-minute reservations but these were satisfactorily resolved in Brussels yesterday. This has enabled the US Administration to persuade the American steel industry to withdraw their countervailing and anti-dumping cases, and this the companies did formally late last night.

4 The settlement will establish, from 1 November, restrictions by means of export licences on Community sales of a range of



carbon and alloy steel products until 31 December 1985. In addition, Community exports of steel pipes and tubes will be monitored, and if they exceed a 5.9% share of the US market immediate consultations will be held, with the possibility of control measures being introduced. While the arrangements with the USA inevitably represent a compromise the outcome is without any doubt much better for our steel industry and for jobs in British steel plants than it would have been without an agreement. I will place details of the arrangements in the Library as soon as possible.

5 Anxiety over UK-steel exports to the USA has by no means been our only worry. Markets for steel across the world have been collapsing and there is a world-wide excess of steel making capacity. These problems pose real threats to the European steel industry. Yesterday in Brussels, we again pressed for a significant tightening of the voluntary restraint arrangements governing imports from non-Community countries, which come up for renewal at the end of the year; as a result of our pressure, these arrangements will be on the agenda at next week's Foreign Ministers' meeting. I also pressed Vice-President Davignon to ensure that the measures to restore stability to European Community steel markets are enforced more effectively, including the mandatory production quotas and the rules about pricing. We are determined to ensure that the quota regime and the price rules are observed as scrupulously by other countries as they are by us, and I have made it clear to the Commission who have the



responsibility for policing the regime, that we intend to keep them up to the mark.

6 I also spoke to Commissioner Andriessen about what other Member States are doing to restructure their steel industries. He confirmed my fear that despite the major contribution made by the UK the preliminary figures for cuts in steelmaking capacity notified to the Commission by Member States did not meet any reasonable estimate of forecast demand. I said that I expected the Commission to apply the rules of the ECSC State Aids Decision strictly and fairly, so that aids would not be permitted unless accompanied by commensurate capacity reductions. This country has already done a great deal and both the British Steel Corporation and private sector firms have made great sacrifices to make the steel industry competitive. The Government is doing all in its power to ensure that other Member States face up to their responsibilities and bear their share of the necessary sacrifice.

I shall be pursuing all these issues individually with my Community colleagues and jointly with them at an Informal Meeting of Industry Ministers, to be held in Denmark on 18 November.

7 Mr Speaker, the steel industry in Britain is an essential part of our manufacturing industry. I am determined to safeguard the best interests of the industry and all those whose jobs depend on it.

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JU14  
Secretary of State for Industry

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21 October 1982

Prime Minister

N Huxtable Esq  
Lord President's Office  
Privy Council Office  
Whitehall SW1

ms

Patrick Jenkin has not yet seen this draft. He will see it early tomorrow. I have told his office of your exchanges with Mr Foot, and they will consider whether the draft needs amendment in the light of that.

Dear Nick,

PARLIAMENTARY STATEMENT ON STEEL: FRIDAY 22 OCTOBER

I attach a copy of the draft oral statement on steel which my Secretary of State proposes to make tomorrow to the House. I should stress, however, that at this stage it is not fully cleared, and we may have to phone early tomorrow with amendments to the text.

WR  
21/10

2 Copies of this letter and attachment go to Tim Flesher (No 10), Margaret O'Mara (Treasury), Brian Fall (FCO), Jonathan Rees (Trade), Murdo McLean (Chief Whip), and to Richard Hatfield (Cabinet Office).

Yours ever,

Caroline Varley

CAROLINE VARLEY  
Private Secretary



DRAFT STATEMENT

With permission, Mr Speaker, I should like to make a statement on negotiations on steel exports to the USA and other international steel issues.

2 Yesterday, the European Community reached agreement on the terms of a negotiated settlement with the United States, thus avoiding the unilateral imposition of countervailing and anti-dumping duties on certain UK steel exports.

3 The Government had recognised <sup>from the outset</sup> / the importance of resolving this issue in a way which would guarantee the UK steel industry a reasonable share of the US market and avoid the imposition of punitive duties. We gave our full support to the European Commission's efforts to this end. The negotiations lasted several months, and continued up until the last possible moment. On 20 October, all Member States except Germany signified their acceptance of a package. The German Government's agreement was withheld until certain conditions had been met. These points were satisfactorily resolved in Brussels yesterday. This enabled the US Administration to persuade the American industry to withdraw their countervailing and anti-dumping cases.

2 The negotiated settlement will establish, from 1 November, restrictions by means of export licences on EC exports of a



range of carbon and alloy steel products until 31 December 1985. In addition, EC exports of steel pipes and tubes will be monitored, and if they exceed a share of the US market based on 1979/1981 levels, immediate consultations will be held, with the possibility of control measures being introduced. While the Arrangements with the USA inevitably represent a compromise reached in negotiations, the outcome is considerably better for the UK steel industry than that which would have obtained in the absence of agreement. Details of the Arrangements will be placed in the Library as soon as possible.

5 While the uncertainty hanging over UK-steel exports to the USA has been a major preoccupation in recent months, the Government has not been idle on other steel issues. In current discussions in Brussels, we are pressing for a tightening of the voluntary restraint arrangements governing imports from non-Community countries, which come up for renewal at the end of the year. We have also given our full support to the measures intended to restore stability to the European Community steel market: mandatory production quotas and price rules for producers and dealers. The Government are determined to ensure that the quota regime and price rules are respected, and will keep the Commission, who have the responsibility for policing the regime, up to the mark. I discussed these issues with Vice President Davignon in Brussels yesterday.



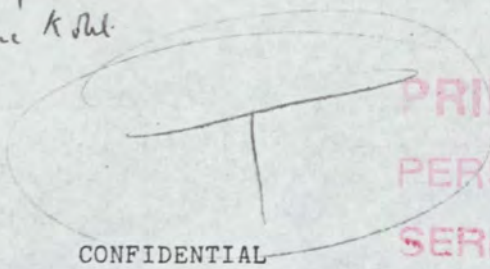


6 I also spoke to Commissioner Andriessen about what other Member States are doing to restructure their steel industries. I told him that I understood that the preliminary figures for steelmaking capacity reductions notified to the Commission by other Member States did not meet any reasonable estimate of forecast demand. I said that I expected the Commission to apply the rules of the ECSC State Aids Decision strictly, so that aids would not be granted unless they were accompanied by adequate capacity reductions. This country is doing its part to create a competitive steel industry; the Government are determined to ensure that other Member States bear their share of the sacrifice. I shall pursue this and other European Community Steel issues at an Informal Meeting of EC Industry Ministers, to be held in Denmark on 18 November.

7 The Government are not standing idly by in the face of the crisis confronting the steel industry.

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PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T1964/82

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IMMEDIATE BONN

TELEGRAM NUMBER 460 OF 20 OCTOBER

INFO IMMEDIATE UKREP BRUSSELS, WASHINGTON

EC/US STEEL

1. FOR YOUR INFORMATION, THE FOLLOWING MESSAGE HAS BEEN SENT TODAY WEDNESDAY 20 OCTOBER FROM THE PRIME MINISTER TO CHANCELLOR KOHL.

2. BEGINS DEAR CHANCELLOR, I VERY MUCH ENJOYED OUR MEETING YESTERDAY. AMONG OTHER MATTERS, WE DISCUSSED THE IMPORTANCE OF REACHING A SETTLEMENT ON STEEL WITH THE US SATISFACTORY NOT ONLY TO THE UK INDUSTRY BUT TO THE EUROPEAN STEEL INDUSTRY AS A WHOLE. HOWEVER I UNDERSTAND THAT THE DECISION OF YHOUR CABINET TO ACCEPT THE AGREEMENT WAS MADE SUBJECT TO CERTAIN CONDITIONS, ONE OF WHICH WAS THAT THE BURDEN-SHARING SHOULD BE AGREED IN EUROFER: AND THAT THE GERMAN STEEL INDUSTRY HAS NOT SO FAR NOTIFIED ITS CONSENT. I REALISE THAT YOUR INDUSTRY FACES DIFFICULTIES - INDEED SO DOES OUR OWN - IN ACCEPTING THIS SETTLEMENT. AS I WRITE, I AM NOT ENTIRELY CLEAR WHAT OBSTACLES PREVENT YOUR ACCEPTANCE OF THIS PACKAGE. I FEEL SURE THEY CANNOT BE SO SERIOUS AS TO JUSTIFY THE GRAVE CONSEQUENCES - BOTH POLITICAL AND ECONOMIC - OF FAILURE TO REACH AGREEMENT WITH THE UNITED STATES.

3 MAY I ASK YOU URGENTLY TO USE YOUR GOOD OFFICES TO CLEAR UP THE REMAINING IMPEDIMENTS SO THAT THE AGREEMENT WITH THE US CAN GO AHEAD ? I HAM STILL ADVISED THAT THE US DEADLINE IS 10 AM WASHINGTON TIME TOMORROW THURSDAY 21 OCTOBER. WITH WARMEST REGARDS. MARGARET THATCHER.  
MESSAGE ENDS.

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No. 10 DOWNING STREET

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PRIME MINISTER'S

Herr Helmut Kohl, Chancellor of the Federal Republic  
of Germany

PERSONAL MESSAGE  
SERIAL No. T 200/82

to

The Rt. Hon. Margaret Thatcher, MP, Prime Minister

Bonn, 27th October, 1982

Dear Prime Minister,

Thank you very much indeed for the most amicable welcome you gave me on October 19th.

In the meantime, I am happy to be in a position to be able to say that the agreement on steel exports between the EC and the US has brought a solution to a problem which was very crucial for all those involved.

You will have heard that the Federal Government has given its approval to the steel agreement with the US once the Commission of the EC had agreed to some special clauses resp. interpretations which seemed essential to us. I am very glad about this development which gives evidence of our readiness and our ability for solidarity with our partners in the EC, and is a first step towards an improvement of our trade relations with the US. Other steps will have to follow.

However, having finally come to a solution in this matter, we should certainly not forget the reasons for such an agreement on self-restraint. We will have to continue to make all possible efforts in order to stop this expensive and nonsensical race in subsidizing within the EC, and to strive for a situation which again allows a steel trade free of dirigistic measures.

I am very much looking forward to seeing you at our forthcoming consultations.

Yours sincerely,

Helmut Kohl

T e l e g r a m m

von Herrn Helmut Kohl, Bundeskanzler der Bundesrepublik Deutschland

an

The Rt. Hon. Margaret Thatcher, MP,  
Prime Minister

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Bonn, 27. Oktober 1982

Sehr geehrte Frau Premierminister,

ich danke Ihnen für den sehr freundschaftlichen Empfang am 19. dieses Monats.

Inzwischen bin ich in der glücklichen Lage, darauf hinweisen zu können, dass mit der Einigung über das Stahlabkommen zwischen der Europäischen Gemeinschaft und den Vereinigten Staaten ein für alle Beteiligten schwieriges Problem bereinigt werden konnte.

Sie werden erfahren haben, dass die Bundesregierung dem Stahlabkommen mit den USA zugestimmt hat, nachdem die Kommission einige Zusagen bzw. Erläuterungen geben konnte, die uns wichtig erschienen. Ich bin glücklich über diese Entwicklung. Sie zeigt unsere Bereitschaft und Fähigkeit zur Solidarität mit unseren Partnern in der EG und stellt einen ersten Schritt zur Verbesserung unserer handelspolitischen Beziehungen mit den USA dar. Weitere müssen folgen.

Über der Einigung sollten wir aber auf keinen Fall die Ursachen für dieses Selbstbeschränkungsabkommen vergessen. Wir müssen weiter alle Anstrengungen unternehmen, um den teuren und volkswirtschaftlich unsinnigen Subventionswettbewerb in der EG zu beenden und einen Zustand zu erreichen, der wieder einen von Staatseingriffen freien Stahlhandel erlaubt.

Ich freue mich auf das Treffen mit Ihnen anlässlich der bevorstehenden Konsultationen.

Mit freundlichen Grüßen

Ihr

Helmut Kohl

Steel

Naklad

TO THE HONORABLE MEMBER

Parliamentary Secretary

23 October 1962

I enclose a copy of a letter from the Federal German Chancellor to the Prime Minister which has just arrived, and which deals with steel questions.

I am copying this letter and enclosure to Roger Bone (FCO) and John Rhodes (Department of Trade).

Jonathan Spencer, Esq.,  
Department of Industry.

Botschaft  
der Bundesrepublik Deutschland  
Embassy  
of the Federal Republic of Germany

Jürgen von Alten  
Chargé d'Affaires a. i.

1-200/82  
London, 28th October, 1982

*Dear Prime Minister,*

I have the honour to transmit to you the enclosed telegramme from Federal Chancellor Herr Helmut Kohl.

A courtesy translation is attached.

*I am, dear Prime Minister,*

*Yours sincerely*

*Jürgen von Alten*

The Rt. Hon. Margaret Thatcher, MP  
Her Majesty's Prime Minister and  
First Lord of the Treasury

L o n d o n

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Secretary of State for Industry

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19 October 1982

John Coles Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street LONDON  
SW1

*Handwritten initials and date:*  
M 5/15  
T.

*Dear John,*

EC : US STEEL

As you know discussions have been going on throughout today in Brussels aimed at pressing the Germans to drop their reservations on the deal with the US. Finally, with some spilt blood, the German Ambassador accepted some revised Commission proposals subject to approval by the German Cabinet tomorrow morning.

2 This evening's meeting with Chancellor Kohl provides an ideal opportunity to exercise maximum pressure on the German Government not to block a Community deal. My Secretary of State has suggested that the Prime Minister might use the following line.

"Chancellor Kohl should be congratulated on the progress made so far in reaching a Community position on steel with the United States. Hope that this agreement will be ratified by the German Cabinet tomorrow morning.

3 Resolution of the EC/US steel issue is of crucial importance to our industry - and indeed to European steel industry as a whole. Imposition of duties by the Americans would not only have a direct impact on UK exports to US but would result in excess European steel - denied access to the American market - washing around Europe and further damaging the already fragile European steel market.

*Yours ever,*  
*Cousine Varley*  
*JP* J P SPENCER  
Private Secretary