

010

Press Not-Ind ✓



CONFIDENTIAL  
DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
Telephone Direct Line 01-212  
Switchboard 01-212 7676

Wh  
22/11

JF2058  
Secretary of State for Industry

19 November 1982

Nick Huxtable Esq  
Private Secretary  
Lord President of the Council  
Privy Council Office  
Whitehall  
LONDON  
SW1A 2AT

Prime Minister

Content?

Dear Nick

I'm afraid to discuss  
say anything except  
that everything is urgent  
we are pressing for something to be  
done. It's we  
need to  
include  
reference?

STEEL : PARLIAMENTARY STATEMENT ON 22 NOVEMBER

As we discussed last night, my Secretary of State will be making a statement on steel, concentrating on his recent European discussion and in particular the Informal Industry Ministers' Council in Elsinore on 17/18 November, in the House on Monday, 22 November.

2 I attach a draft as approved by my Secretary of State. We shall need to have any comments from recipients of this letter on the text of the statement no later than noon on 22 November, and preferably earlier.

3 I am sending copies of this letter to Willie Rickett (No 10), Roger Bone (FCO), Margaret O'Mara (Treasury), Muir Russell (Scottish Office), Adam Peat (Welsh Office), Jim Buckley (Lady Young's Office), Barnaby Shaw (Employment), John Rhodes (Trade), Murdo Maclean (Chief Whip's Office), Michael Pownell (Lords Whip's Office), and Richard Hatfield (Cabinet Office).

Yours sincerely,  
Jonathan Spencer

J P SPENCER  
Private Secretary



## COMMUNITY DISCUSSIONS ON STEEL

With permission, Mr Speaker, I should like to make a Statement on last Thursday's European Community discussions on steel.

2. Since my Statement on 22 October, I have had talks on steel individually with my German and French colleagues, and further talks with the Commission - Vice Presidents Davignon and Ortoli; and on Thursday I attended the Informal Meeting of Community Industry Ministers in Denmark. These meetings have taken place at a time of deepening crisis in the steel industries in this country, in the rest of the European Community and indeed in the whole of the industrialised world.

3. At the Informal Meeting in Denmark the Commission stressed the seriousness of the forecast in their document General Objectives for Steel, 1985, that the surplus steel-making capacity in the Community, already evident in 1980, will be even greater in 1985, with capacity for finished steel products exceeding forecast demand by nearly 50million tonnes per year.

4. I stressed to my Community colleagues that the UK had done and was doing its part to reduce excess capacity and become competitive. I said that I could not and would not defend a situation where our capacity cuts were not matched by other Member States'. If the Community's steel

/industries ....



industries were to be restored to health, all Governments must pull together, and be seen to be doing so. This position was fully shared by eight of our nine partners; however, the Italian Minister expressed misgivings. I made it clear to the Commission that there must be no certificates of exemption in their administration of the State Aids Decision of August 1981.

5. I also drew attention once again to the increasing instability of steel prices in the Community and to the widespread allegations of abuse or evasion of the rules. I called for steps to be taken to ensure more effective policing of the price and quota rules; Member States should be ready to assist the Commission in this task. I am pleased to say that Vice President Davignon outlined a battery of measures which the Commission are considering urgently in order to try to restore price stability and to improve the enforcement of the rules throughout the Community. It is the intention that formal Commission proposals on these matters will be made in the next few days. These are important moves which will, I hope, tackle the problem of unfairly low priced imports from other Member States.

6. As far as imports from third countries are concerned, I repeated the Government's calls for a toughening of the voluntary restraint arrangements to be renegotiated for 1983, both as

/regards .....



regards overall quantities and provisions to avoid disruptive surges in imports. The negotiating mandate is being discussed again today at the Foreign Affairs Council in Brussels.

7. I also stressed the Government's concern about the level of UK imports from other Member States of high speed and tool steels, which has particularly affected the Sheffield-based industry. I have drawn the attention of all my Community colleagues to the need for action to deal with these problems. Vice President Davignon pressed Ministers to instruct their officials to examine positively and urgently the complex technical issues involved.

8. Finally, I expressed concern about the recently announced decision of the President of the United States to open proceedings under Section 201 of the Trade Act against imports of certain special steels from the European Community. I stressed the importance of seeking to resolve this issue speedily. Vice President Davignon agreed that a Community position was urgently required.

9. The meeting in Denmark made useful progress in tackling the problems faced by the steel industry and should help to improve the outlook for British steel producers, both in the

/public .....



public and the private sector. In particular, the effectiveness of the Community steel policy will be an essential element in the discussions I am having with the Chairman of the British Steel Corporation about the future strategy of BSC.

10. This is not the occasion, Mr Speaker, to discuss BSC's future in detail, if only because I have little to add to what I said on this subject on 9th November. My purpose, and that of the BSC, is to reach sensible decisions aimed at putting the Corporation back on to the path to profitability while at the same time ensuring that it retains the capacity to respond readily to the likely level of demand from customers over the next few years. I still hope that I will be able to report to the House before Christmas.

ce Geoggy: Bruce Pts Top copy on Nat. Ind) 2  
Nat Ind: Steel Argentina: Relations Pts 1  
 M

PNQ AND STATEMENTS

This afternoon John Nott answered a PNQ from Teddy Taylor about the French sale of Exocets to Argentina, Patrick Jenkin made a statement on the informal industry council on steel, and Nigel Lawson made a statement about the Britoil offer for sale. I think Patrick Jenkin had the easiest ride. John Nott faced some outrage from the Government backbenches, and the Opposition were determined to shout and hoot at Nigel Lawson.

Exocets

John Nott argued that our defence capability in the Falklands, and especially our early warning systems, were sufficient to ensure their protection. The Government regretted the French action since there was no formal cessation of hostilities, and our views had been made clear to the French. On the other hand, they could be said to be simply honouring long-standing contracts. On the sale of Rolls Royce engines to the FRG for frigates destined for Argentina, Mr. Nott said that the Government would naturally be concerned if these frigates were to be delivered soon. But again this was a long-standing contract with a major NATO ally and trading partner. All Governments, including the last Labour Government, had traded in arms. It would be very difficult to control this trade through NATO, as Mr. Silkin suggested.

Tam Dalyell raised the old story of the seven hour telephone conversation between an Aero-Spatiale executive and the Argentines, but Mr. Nott said that these reports had never been confirmed, and that he was satisfied that France had supported us fully over the Falklands.

Towards the end of the questioning, Frank Allaun asked Mr. Nott why he regretted the French decision to export Exocets, while at the same time allowing the export of Rolls Royce engines. He also argued that "long-standing contracts" like these had surely

been overtaken by the hostilities. In answer, Mr. Nott repeated that these were long-standing contracts, and that the FRG had been told we regretted their contract to supply frigates. This was not very well received by the House. Peter Viggers repeated that there was no end to the hostilities, and said that we must ensure that the missiles did not arrive. Bernard Braine made the same point. Mr. Nott argued that he had only seen reports of missiles being shipped, and that these had not been confirmed.

### Steel

Mr. Jenkin was committed to make this statement because the Opposition had called for a statement, if not a debate, on last week's closures. Stan Orme, leading for the Opposition, said that Mr. Jenkin's statement was merely words and no action. The UK was bearing the brunt of the closures in Europe. Community imports now accounted for two-thirds of total steel imports into the UK. Third country imports were growing. The industry needed protection. He called for an assurance that there would be no closure of any of the five integrated steel plants. He urged the Government to provide money to maintain capacity in the steel industry.

Patrick Jenkin pointed out that the meeting last week had been an informal council, and that it was not in the business of making firm proposals for action. It had, however, allowed him to say that the UK would make no more sacrifices in meeting capacity reductions in Europe. The Commission would be putting forward formal proposals shortly on the enforcement of price rules. The Foreign Affairs Council had agreed a negotiating mandate on voluntary restraint arrangements on imports from third countries. He would not be drawn on closures. He would make a statement before Christmas. The industry needed to be competitive, and it was the function of the BSC Board to restore the Corporation to viability. He would not stand in the way of capacity reductions, unless these raised a question mark over the future of the five major plants. The Government would have to be involved in any decision on these plants.

Most of the questioning concentrated on the inadequacy of the Commission's response to the problems facing the steel industries, and the recent closures at Craig Neuk and Round Oak were given as examples. There were also accusations that other members of the Community were cheating on the rules, particularly on prices. But, to some extent, the House recognised that they could not have expected firm decisions from last week's meeting.

### Britoil

Merlyn Rees said that Amersham had been over-subscribed by 23 times, and that Britoil had been under-subscribed by 70%. This showed that Mr. Lawson did not understand the workings of the free market. Mr. Lawson had claimed that Britoil was a strong soundly based company, but clearly the City did not agree with him. The small shareholders who had bought shares would lose from this sale. It was an absurd way to value the nation's assets. There should be a Select Committee inquiry and a full debate, and Nigel Lawson should resign.

Nigel Lawson had to struggle to make himself heard over the hooting of the Opposition, which became all the louder when he said he would not resort to abuse. He said he would welcome a PAC inquiry. Less than a week ago the Opposition had said the sale would be "a City rip-off". Now they complained when the shares were left with the underwriters. There was always a risk in an offer for sale. That is why he had gone to such pains to have this one underwritten. He quoted Merlyn Rees as having said "There is no need for underwriting. It would not matter in the short run if all the shares were not sold". There were always changes of sentiment in the nine or ten days between the announcement of the sale and the closing date for applications. He quoted Lord Kearton who considered that the sale was "not managed badly at all".

In questions, the Opposition simply continued to paint the sale as a failure, and called for Parliamentary scrutiny. The Government backbenches accused the Opposition of having caused the under-subscription by talking down the sale; they drew

/ attention



attention to Sheikh Yamani's unhelpful remarks, and pointed out that a fixed price sale would probably have been under-subscribed as well.

Merlyn Rees wound up by claiming that he had never objected to the underwriting, which allowed Mr. Lawson to have another go at him. He accused the Opposition of hypocrisy: they had been horrified at the prospect of "a City rip-off", now they were horrified when the City had itself paid a good price for the taxpayer.

Tf for WFSR