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Ref. A03720

MR. ALEXANDER

Prime Minister: You have already seen the minutes referred. Para 4 says, rather vaguely, that the outstanding issues should be ~~over~~ resolved in collective seminars. Agree? — Amb

Textiles

In his minute of 21st November to the Prime Minister, the Secretary of State for Trade raised a number of questions about the Government's policy on low cost textile imports and sought agreement to his allowing the two existing quotas on United States synthetic textiles to lapse at the end of the year. The Secretary of State for Industry, in his minute of 25th November, objected to an early announcement before he had heard the industry's case and the implications of any such decision had been fully considered. The Chancellor of the Exchequer, the Secretary of State for Wales and the Lord Privy Seal all agreed on the need for discussion of the wider policy issues before any announcement on the fate of the United States quotas was made, though the Lord Privy Seal was content to see them lapse.

2. The Secretary of State for Trade's minute deals with four separate questions: the existing American quotas, the possible need for new restrictions on other American textile products, the cost to our exports of rigorous implementation of the Community's textiles policy against countries like Indonesia and Mexico, and the problems caused by the dual pricing of energy in the United States. Officials under Cabinet Office chairmanship have since reviewed the scope for a settlement with Indonesia and Mexico and have agreed on immediate next steps. Urgent work is under way, with the Department of Trade in the lead, on how best to tackle the energy price differential problem, which affects the chemical as much as the textile industry. That leaves the United States quotas and our general approach to the implementation of the Multi-Fibre Arrangement (MFA), both of which fall squarely within the framework of the Community's common commercial policy.

3. I therefore suggest that these last two issues be considered in OD(E) in the first instance. A provisional slot has been earmarked for this purpose on 10th December, and I understand that the Secretary of State for Trade is willing to circulate a paper as the basis for discussion.



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4. If the Prime Minister agrees, her reply to Mr. Nott might say that she recognises the importance of the issues he has raised, notes the comments of colleagues and the Secretary of State for Industry in particular, is aware that the questions at issue have Community implications and need to be considered in the framework of the Community's common commercial policy, and suggests accordingly that the future of the United States quotas be considered at an early meeting of OD(E) in the context of our general approach to the application of the MFA to low cost textile imports. The reply might be copied to the members of E and OD(E) Committees and to the Secretaries of State for Northern Ireland, Scotland and Wales.

(Robert Armstrong)

3rd December, 1980



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