

PRIME MINISTER

*I shall need a  
full 'substantial' on the  
details of this agreement  
re: .*

*Trade*  
cc Mr. Gow  
Mr. Coles  
Press Office

MFA

I attach the text of Mr. Rees' Statement today.

This was a procedural disaster. The Statement was scheduled for a Friday partly to fulfil undertakings to keep the House rapidly and fully informed of MFA developments, and partly to help with the management of today's Private Members Bills. Preparation of the Statement was always likely to be tight, but in the event Mr. Rees arrived at the House at 10.57, having been unable to provide any sort of advance text to the Opposition or to any of his Ministerial colleagues. His delivery of the Statement was therefore preceded by a formal protest by the Opposition Chief Whip, and a series of Points of Order from the Opposition benches.

Replying from the Opposition front bench, Ken Woolmer said that he could only give off-the-cuff reactions in the circumstances, so that a full debate would be necessary. MFA 3 had to stem the tide of job losses associated with its two predecessors. The major concerns would be on the problem of dominant suppliers, Group 2 and 3 products, and the need for work to be put in hand in consultations with unions and the industry about alternative arrangements should we need to withdraw from the MFA. At this point and later, Mr. Rees made it clear that a debate could be considered, but that he felt it ought to await detailed settlement of the quotas. Nicholas Winterton challenged the basing of the '83 quotas on the '82 figures instead of on the actual level of imports this year. This prevented the linkage of import growth rates with market growth. Bob Cryer followed the same theme. He argued that the 1% growth rate based on the '82 quotas allowed potential effective growth of 23% in sensitive areas. Charles Fletcher-Cooke wanted Mr. Rees to spell out a deadline for withdrawal, whilst James Hill asked about Hong Kong's position. Stan Cohen and James Lamond joined in the concern about low cost imports, although Mr. Lamond recognised

/the



the need to balance producer and consumer interests. This allowed Mr. Rees to underline the problems of balancing the needs of domestic industry, the claims of the Third World, and the problems of our exporters, who could be denied access to markets in other products if we did not tread warily in the textiles field. Winding up, Mr. Woolmer again pressed for a full debate.

Mr. Rees was patient and thorough with the House - perhaps irritating the Speaker slightly, but plainly helping the Chief Whip's problems for the day. But the news he brought from Brussels has done nothing to allay the fears of the textile lobby, and the morning's procedural failures will make it more difficult to resist pressure for a debate if the Opposition continue to demand one.

MR

26 February 1982



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From the  
Minister for Trade

Mike Pattison Esq  
Private Secretary  
10 Downing Street

26 February 1982

*Dear Mike,*

MFA STATEMENT

I attach a copy of the statement that my Minister intends to make later this morning about the outcome of the negotiations on the MFA at yesterday's Foreign Affairs Council.

I am copying this letter and the statement to Nick Huxtable (Lord President's Office), Jonathan Spencer (Industry), Stephen Gomersall (FCO), Murdo Maclean (Chief Whip's Office) and to David Wright (Cabinet Office).

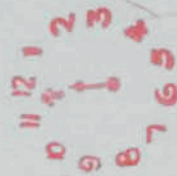
*Yours ever,*

*Nick McInnes*

N McINNES  
Private Secretary to the  
Minister for Trade (PETER REES)



26 FEB 1982



DRAFT STATEMENT

HOUSE OF COMMONS: FRIDAY,  
26 FEBRUARY, 1100 HRS

1 WITH PERMISSION MR SPEAKER I SHOULD  
LIKE TO MAKE A STATEMENT ON THE SPECIAL  
FOREIGN AFFAIRS COUNCIL TO  
DISCUSS TEXTILES WHICH TOOK  
PLACE IN BRUSSELS YESTERDAY.

2 I AM GLAD TO BE ABLE TO

TELL THE HOUSE THAT THE COUNCIL AGREED  
THAT THE COMMUNITY



SHOULD SIGN  THE EXTENDED MULTI—  
FIBRE ARRANGEMENT WHICH WAS  
ADOPTED BY THE GATT TEXTILE  
COMMITTEE IN GENEVA ON  
22 DECEMBER LAST. THE  
COUNCIL ALSO AUTHORISED THE  
COMMISSION TO START  
NEGOTIATIONS IMMEDIATELY ON NEW  
MFA BILATERAL AGREEMENTS  
WITH SUPPLYING COUNTRIES. THESE

2

SHOULD COME INTO EFFECT  
ON 1 JANUARY 1983 WHEN THE  
CURRENT AGREEMENTS EXPIRE.

3 THESE NEGOTIATIONS WILL TAKE

PLACE WITHIN A FRAMEWORK OF

REVISED GLOBAL CEILINGS FOR

IMPORTS OF THE EIGHT MOST

SENSITIVE TEXTILE AND CLOTHING

PRODUCTS - THE SO

CALLED GROUP I PRODUCTS. THESE

NEW CEILINGS WILL APPLY TO

3



ALL IMPORTS FROM LOW-COST SOURCES

BOTH FROM OUR MFA PARTNERS AND THE

COMMUNITY'S PREFERENTIAL

SUPPLIERS AND WILL INCLUDE ALL OUTWARD

PROCESSED TRADE. THE CEILINGS

REPRESENT A FIRM

COMMITMENT BY THE COMMUNITY TO

REGULATE IMPORTS IN THESE HIGHLY

SENSITIVE CATEGORIES. THEY TAKE

ACCOUNT OF PLANNED

343A



CUT-BACKS IN IMPORTS WHICH WILL BE  
THE SUBJECT OF NEGOTIATIONS WITH THE  
COMMUNITY'S DOMINANT SUPPLIERS  
TOGETHER WITH OTHER

4

TECHNICAL ADJUSTMENTS AIMED AT  
REDUCING THE TOTAL LIABILITY OF  
THE COMMUNITY. THE RATE OF GROWTH  
WHICH WILL BE ALLOWED ON  
THESE QUOTAS WILL BE VERY  
SMALL. FOR THE UK THE  
OVERALL <sup>ANNUAL</sup> GROWTH RATE IN THIS  
ESPECIALLY SENSITIVE AREA WILL BE  
ROUGHLY ONE PER CENT.

5



4 FURTHERMORE THE COUNCIL AGREED THAT  
ANNUAL GROWTH RATES FOR THE LESS SENSITIVE  
PRODUCTS OUTSIDE GROUP I SHOULD  
ALSO BE KEPT VERY LOW. IN  
VIEW OF RECENT TRENDS IN CONSUMPTION  
THEY WILL IN GENERAL BE <sup>LOWER</sup> ~~LESS~~ GENEROUS  
THAN THOSE NEGOTIATED WITH SUPPLYING  
COUNTRIES UNDER MFA 2.

5 CONSIDERABLE CONCERN HAS BEEN

6

EXPRESSED TO ME BY HON MEMBERS

AND BY REPRESENTATIVES OF THE INDUSTRY

ABOUT THE POSSIBILITY OF THE PROPOSED

NEW ANTI-SURGE MECHANISM WHICH IS

DESIGNED TO PREVENT TOO RAPID A

<sup>OF</sup>  
TAKE-UP ~~IN~~ UNDER-UTILIZED QUOTAS -

BEING NULLIFIED BY AN

EXCEPTIONAL SURGE OF IMPORTS ~~IN UNDER~~

THE QUOTAS ~~CONCERNED~~ IN THE COURSE

OF 1982. I AM GLAD TO TELL THE HOUSE

7



THAT AT THE INSISTENCE OF THE UK  
THE COUNCIL AGREED ON SPECIAL  
MEASURES TO COUNTERACT THIS POSSIBILITY.  
FIRSTLY, RAPID ANTI-DUMPING OR  
~~COUNTERVAILING~~ ACTION WILL BE TAKEN  
IN APPROPRIATE CASES. SECONDLY, IN  
PARTICULARLY SERIOUS CASES,  
ACTION WILL BE TAKEN AS A MATTER  
OF URGENCY UNDER THE GENERAL REVIEW

8

CLAUSES IN THE EXISTING

BILATERAL AGREEMENTS SO AS TO REACH

(RELATED TO QUANTITIES

A ~~QUANTITATIVE~~ SOLUTION. THESE

ARE MAJOR INNOVATIONS AND WILL,

I HOPE, HELP TO REASSURE THE

HOUSE ABOUT THIS POTENTIALLY DIFFICULT

PROBLEM.

6 THE COUNCIL ALSO CONSIDERED

THE TREATMENT TO BE GIVEN TO

OUTWARD PROCESSED GOODS.

9



INDUSTRIAL REQUIREMENTS IN THIS  
SECTOR VARY WIDELY WITHIN THE  
COMMUNITY. SO FAR AS THE UK  
IS CONCERNED I AM GLAD THAT  
AFTER CONSIDERABLE DISCUSSION  
OUR COLLEAGUES IN THE COMMUNITY  
WERE ABLE TO MEET

OUR REQUIREMENTS ON THIS

DIFFICULT POINT.

I CAN CONFIRM THAT WE SHALL

BE UNDER NO OBLIGATION TO OPEN

SPECIAL QUOTAS FOR ADDITIONAL

OUTWARD PROCESSED GOODS, WHICH  
IS IN ACCORDANCE WITH THE WISHES OF THE  
THE UK INDUSTRY WITH WHOM WE HAVE ~~KEP~~  
KEPT IN CLOSE TOUCH THROUGHOUT THE  
NEGOTIATIONS

THE ONLY EXCEPTION WILL BE ANY  
SUCH TRADE OFFERED TO THE DOMINANT  
SUPPLIERS AS COMPENSATION FOR THE  
CUT-BACKS IN THEIR NORMAL TRADE  
WHICH I MENTIONED EARLIER.



7 THE STAGE IS NOW SET,  
MR SPEAKER, FOR THE COMMISSION TO  
BEGIN THEIR BILATERAL NEGOTIATIONS  
WHICH WILL DETERMINE  
THE PRECISE QUOTAS FOR EACH  
COUNTRY AND EACH PRODUCT.  
THE MANDATE GIVEN TO THE  
COMMISSION IS A TOUGH ONE, INCLUDING  
AS IT DOES POINTS  
ESTABLISHED AT EARLIER COUNCILS

WHICH HAVE BEEN REPORTED TO THE HOUSE SUCH

AS GOTO PAGE (12)



INTRODUCTION OF NEW QUOTAS:

~~REDUCES~~  
~~REDUCTIONS IN THE USE OF FLEXIBILITY~~

IN THE USE OF SOME QUOTAS; ~~REVISIONS~~

~~FURTHER REDUCTIONS IN FLEXIBILITY~~

A ~~AND~~ COMMITMENT TO CONSULT UNDER

THE GENERAL REVIEW CLAUSES IN THE EVENT

OF RECESSION; TOGETHER WITH THE

CUT-BACKS ON THE

~~SUPPLIERS~~  
DOMINANTS AND THE ANTI-SURGE

MECHANISM WHICH I HAVE ALREADY

13

MENTIONED. ALL THIS, MR SPEAKER,  
IN ADDITION TO THE  
~~WITHIN THE~~ GENERALLY MORE

RESTRICTIVE GLOBAL CEILINGS AND GROWTH  
RATES AGREED YESTERDAY.

8 THE COMMISSION IS TO REPORT

BACK TO THE COUNCIL ON PROGRESS MADE IN

THE AUTUMN. UNTIL THEN ~~WE CANNOT BE~~  
~~WE CANNOT BE CERTAIN~~  
~~PRECISELY WHAT QUOTAS~~  
~~CERTAIN HOW SUCCESSFUL THEY~~  
~~WILL EMERGE~~

~~WILL BE.~~ HOWEVER, THE COUNCIL

DECIDED YESTERDAY THAT IN THE

14



ABSENCE OF THE SATISFACTORY  
RENEWAL, IN GOOD TIME, OF THE  
BILATERAL AGREEMENTS THE COMMUNITY  
WOULD NOTIFY ITS WITHDRAWAL  
FROM THE MULTI FIBRE  
ARRANGEMENT <sup>BY</sup> AT THE END OF  
THIS YEAR. ~~THIS IS A FIRM~~  
~~DECISION OF THE COUNCIL AND A~~  
~~CLEAR INDICATION OF THE DETERMINATION~~

15

~~OF THE COMMUNITY TO OBTAIN A~~

~~SATISFACTORY OUTCOME.~~

9 AS I THINK I HAVE MADE

CLEAR, MR SPEAKER, YESTERDAY WAS

NOT THE END OF THE

STORY. WE SHALL BE

MONITORING PROGRESS IN THE

NEGOTIATIONS VERY CAREFULLY INDEED

TO ENSURE THAT THE SPECIAL

INTERESTS OF THE UK INDUSTRY

16



ARE KEPT FULLY IN MIND BY THE  
COMMISSION. IF THE COMMISSION FULFILLS  
ITS MANDATE - AND I HAVE  
EVERY CONFIDENCE THAT IT WILL -  
I THINK THERE CAN BE NO DOUBT  
THAT THE NEW MFA BILATERAL  
AGREEMENTS WILL, BY ANY  
DEFINITION, BE SIGNIFICANTLY  
TOUGHER THAN THOSE CURRENTLY  
IN FORCE AND THE ALREADY HIGH DEGREE

OF PROTECTION AFFORDED <sup>TO</sup> THE UK

INDUSTRY WILL BE SUBSTANTIALLY

ENHANCED, THUS ENABLING <sup>THE</sup> ~~THE~~ INDUSTRY

TO CONTINUE THE PROCESS OF

RESTRUCTURING AND MODERNIZATION

UPON WHICH IT IS ALREADY

EMBARKED.

15