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PS/ Secretary of State for Trade and Industry

18 November 1983

J Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
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Prime Minister.

Dear John,

COMMONWEALTH HEADS OF GOVERNMENT MEETING

I understand that at yesterday evening's briefing meeting the Prime Minister asked for a note about Commonwealth countries' protectionism. A note is attached. But the Prime Minister should be aware that, as said in the note, many of the protectionist measures operated by the developing countries within the Commonwealth are perfectly legitimate under GATT rules.

2 I am copying this to Peter Ricketts (FCO) and to Lindsay Wilkinson and David Goodall in the Cabinet Office.

Yours sincerely,

Ruth Thompson

RUTH THOMPSON
Private Secretary

Encl

PROTECTIONISM IN COMMONWEALTH COUNTRIES

Line to Take

The majority of developing Commonwealth countries have high tariffs and tight quantitative control of imports, especially of consumer goods. The developed Commonwealth countries are also usually more protectionist than the EC.

2 The European Community has a low external tariff, few import controls, and offers privileged access to most Commonwealth developing countries' exports. Those controls that remain are concentrated in sensitive industries such as textiles, which face severe problems (¼m job loss since 1980).

Background

Developing countries of the Commonwealth, like their counterparts elsewhere, press for easier access for their exports to developed country markets. At the same time these countries have been able to use certain provisions of the GATT to defend and sanction their own protectionist measures. In particular Part IV of the GATT (a chapter on trade and development added to the GATT in 1965) permits developing countries to maintain protective measures in order to assist their economic and financial development. Therefore import restrictions maintained by developing countries to conserve foreign exchange or encourage the development of domestic industries are sanctioned.

2 Most of the poorer developing countries, including the African and Caribbean Commonwealth countries and those in the Indian sub-continent, are highly dependent on commodity exports and have been badly affected by the fall in export earnings during the recession. They have also been hard hit by the rise in oil prices. The economies of most such countries are fragile, and they usually suffer from a chronic shortage of foreign exchange. They exercise tight control of imports; and import controls are often a feature of conditions imposed by the IMF in offering temporary assistance. A few developing Commonwealth countries - notably Hong Kong and Singapore - are exceptions in having open economies. Some of the developed countries, eg Australia, are highly protectionist.

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3 The European Community has a more open market than most and has relatively few remaining quantitative restrictions (although controls on textiles, agricultural products, including sugar, and in some cases steel, hit developing countries). In 1980 80% of total UK imports were admitted duty-free, and only 7% were subject to some form of quantitative restriction. The Commonwealth developing countries benefit particularly from the trade privileges available to them under Lomé. For African, Caribbean and Pacific countries, 98% of their exports to the Community are tariff-free.

4 Details of the position in the major Commonwealth countries are attached.

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AUSTRALIA

Australia has taken a forward position in criticising European protectionism, but her own record is dismal. High tariffs and a wide range of quotas and local content rules, eg for vehicles, justified by reference to Australia's geographical isolation and patchy industrial base, remain largely intact, despite many recommendations of independent bodies to speed up liberalisation. Tariffs on motor vehicles are nearly 60%, and at least 50% on some textiles.

CANADA

Canada has a more open market, but has shown no sign of responding to the Williamsburg declaration and is unlikely to be tempted to attack the UK for lack of movement. Tariffs on certain textiles of nearly 30%, and over 20% on footwear, ships and clocks.

NEW ZEALAND

There are legitimate complaints about European protectionism in agriculture, but the UK's rôle in defending NZ interests is appreciated.

JAMAICA/GUYANA

Most Caribbean Commonwealth countries face critical shortage of foreign exchange and tightly control imports by licensing and tariffs, eg Jamaican tariffs on clothing and textiles of 45%.

NIGERIA

Bans a wide range of consumer good imports and subjects the rest to a tight licensing regime. Tariffs on cars over 2000cc 500%; and on man-made fibres and carpets 55 to 110%. In addition, it has a compulsory import deposit scheme which requires importers to pay cash deposits in advance of goods arriving in Nigeria.

INDIA

Despite some liberalisation in recent years India maintains a restrictive import licensing regime. The gradual easing of import controls has enabled the import of certain capital goods and raw materials needed for the expansion of industry and development of export capability.

BANGLADESH

The current Bangladesh import policy is designed to increase the availability of raw materials and spare parts while restricting items manufactured outside Bangladesh. Import licences are required for virtually all imports.

KENYA/TANZANIA/ZAMBIA/GHANA

All these countries, and the other smaller Commonwealth countries in Africa, suffer from chronic foreign exchange shortages and maintain very strict quantitative control of imports, particularly of consumer goods. Tariffs are high. In addition most of these countries, and Nigeria, have a scheme of pre-shipment inspection which causes delays and increases costs to exporters.

DTI
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