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ZNY 0 0 211426Z JUN 82
TO IMMEDIATE WASHINGTON
TELEGRAM NUMBER 1207 OF 19 JUNE 1982
INFO IMMEDIATE UKREP BRUSSELS.

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FOLLOWING IS TEXT OF AIDE MEMOIRE.

UK STEEL EXPORTS TO THE USA: PRELIMINARY DETERMINATIONS
OF SUBSIDY BY THE US DEPARTMENT OF COMMERCE.

HER MAJESTY'S GOVERNMENT ARE DEEPLY CONCERNED AT THE
ANNOUNCEMENT BY THE US DEPARTMENT OF COMMERCE ON 11 JUNE OF
A PRELIMINARY DETERMINATION OF SUBSIDY TO THE EXTENT OF SOME
40 PERCENT IN RESPECT OF EXPORTS OF STRUCTURALS, PLATE AND HOT-
ROLLED CARBON BAR, BY THE BRITISH STEEL CORPORATION (BSC).

2. BRITISH OFFICIALS, TOGETHER WITH THEIR EUROPEAN COMMISSION
COLLEAGUES, ARE STILL STUDYING THE DETAILS OF THE COMMERCE
DEPARTMENT'S FINDINGS.
THESE FINDINGS APPEAR TO IGNORE THE SPECIAL CIRCUMSTANCES
OF BSC, AND THE METHODOLOGY INVOLVED IS OPEN TO SERIOUS
CHALLENGE. THE EUROPEAN COMMUNITY WILL BE CONSIDERING THE MATTER
FURTHER AT THE FOREIGN AFFAIRS COUNCIL IN LUXEMBOURG ON 22 JUNE.

3. HER MAJESTY'S GOVERNMENT WISH TO DRAW ATTENTION YET AGAIN
TO THEIR DETERMINATION THAT BSC SHOULD OPERATE AS A COMMERCIAL
ENTERPRISE AND REACH ENDURING PROFITABILITY IN THE NEAR FUTURE.
TO THIS END, A STRATEGY WAS ADOPTED IN DECEMBER 1979 TO REDUCE
MANNED CAPACITY TO 15 MILLION TONNES THROUGH PLANT CLOSURES
AND THROUGH LARGE-SCALE JOB LOSSES. BETWEEN MARCH 1979 AND
MARCH 1981, THE WORKFORCE WAS REDUCED FROM 186,000 TO 121,000.
THE CORPORATE PLAN FOR 1981/82 INVOLVED A FURTHER CUT IN MANNED
CAPACITY (TO 14.4 MILLION TONNES) AND FURTHER JOB LOSSES TO
IMPROVE PRODUCTIVITY. NUMBERS EMPLOYED IN MARCH 1982 STOOD AT
104,000 WITH FURTHER REDUCTIONS LIKELY, THUS VIRTUALLY HALVING
THE WORKFORCE IN 3 YEARS.

4. THIS RESTRUCTURING OF THE UK STEEL INDUSTRY IS A MAJOR
CONTRIBUTION TO THE MUCH NEEDED REDUCTION OF WORLD STEEL MAKING
OVER-CAPACITY. THE ELIMINATION OF OVER CAPACITY
WILL BRING BENEFITS TO STEEL MAKERS IN ALL
COUNTRIES, NOT LEAST THE USA, AND THE ACTION TAKEN IN THE UNITED
KINGDOM HAS BEEN CONSISTENTLY APPLAUDED BY THE US ADMINISTRATION.
THE ECONOMIC, AND ESPECIALLY SOCIAL, COSTS OF SUCH A MAJOR
REDUCTION IN UK CAPACITY ARE ENORMOUS AND HAVE NECESSARILY
HAD TO BE FINANCED BY GOVERNMENT. HER MAJESTY'S GOVERNMENT FIND

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IT PARTICULARLY DISTURBING THAT THE COSTS OF THIS RESTRUCTURING HAVE BEEN PRELIMINARILY DEEMED BY THE US COMMERCE DEPARTMENT TO BE A SUBSIDY ELIGIBLE FOR COUNTERVAILING DUTIES.

THE CONSEQUENCE OF THESE DUTIES IS LIKELY TO BE THAT BSC LOSE A LARGE PART OF WHAT HAS ALWAYS BEEN A TRADITIONAL MARKET IN THE USA AND THAT THE RESTRUCTURING PLAN WILL BE PLACED IN JEOPARDY. IT SHOULD BE NOTED THAT THE BSC HAS SCRUPULOUSLY OBSERVED THE TRIGGER PRICE MECHANISM IN ITS EXPORTS TO THE U.S. MARKET.

5. EARLIER THIS WEEK THE EUROPEAN COMMUNITY REPRESENTATIVES IN WASHINGTON MADE A FORMAL DEMARCHE TO THE US ADMINISTRATION. HER MAJESTY'S GOVERNMENT ASSOCIATED THEMSELVES FULLY WITH THAT ACTION.

6. HER MAJESTY'S GOVERNMENT APPEAL TO THE US ADMINISTRATION TO USE THEIR BEST EFFORTS TO BRING ABOUT A SETTLEMENT WHICH WILL GIVE STABILITY TO THE STEEL TRADE AND SERVE TO DEFUSE TRADE TENSION!!.

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