Prime Minister

From the Secretary of State

PRIME MINISTER

GATT MINISTERIAL MEETING

In view of all the press publicity over the last few days, you and our colleagues may like to know how things stand at the meeting of GATT Trade Ministers in Geneva. There was a good deal of activity over and since the week-end, although the meeting formally started only today and is expected to finish on Friday or Saturday.

The Community considered its position at the meeting of the Foreign Affairs Council on Monday. Several Member States, including the UK, were unhappy with what had so far emerged from Geneva. Difficulties included:

(1) The language of the political declaration, which inadequately reflected the EC's analysis of the reasons for the present crisis.

(2) Agriculture, where the EEC felt that the text went too far in attempting to bring agriculture under GATT rules and the Americans and Australians felt it did not go far enough.

(3) The so-called "ceasefire", where proposals for tightening up safeguards would fall most heavily on the EC, and could be construed as unrealistic commitments to abandoning voluntary export restraints entered into by Japan and the NICs outside the GATT framework.

(4) The obligations of developing countries, where the handling of problems caused by the newly industrialising countries was weak.

(5) Services, where no text had yet been agreed.

It was therefore agreed that the Commission should continue to negotiate on the basis of the guidelines agreed by the Community on 29 October which covered all these points.

The Ministerial session opened today with formal statements by a number of countries. The UK blocked circulation of a statement of the EC position, because it contained no reference to services. We are continuing to insist that this item is included.

From the Secretary of State

It looks as though negotiations of the Ministerial text will now be handled by a small group of 14 Ministers (divided equally between developed and developing countries) meeting informally. They are expected to report tomorrow, when there will be a further Foreign Affairs Council to consider the EC position. Peter Rees will also be putting specific UK concerns on record in his speech to the meeting.

It remains, in my view, of the first importance that breakdown should be avoided. Press reporting is gloomy, with suggestions - not entirely accurate - of a US versus EEC confrontation. That is an excessively simplistic view. We ourselves are making every effort to point to the need for flexibility all round, while protecting our vital interests.

There were indications earlier in the week that the French were considering dissociating themselves from the outcome of the meeting because it dealt inadequately with their interest. It would, be a mistake for the Community, or for that matter the UK independently, to take matters that far unless of course vital interests were at stake. The French Trade Minister's speech today seemed in fact to have represented a tactical retreat in that he left his options open. On the other side of the fence it is quite possible that if none of their major concerns are met - on agriculture the NIC's and services - the US could end by refusing to go along with the conclusions of the meeting. If they did so, and if our own major concerns were also not met, we should have to consider our position very carefully. But I hope things do not come to that. An outcome in which the major trading nations in formal session publicly disagreed over the rules governing trade would be very serious for GATT.

I am sending copies of this to other Members of Cabinet and to Sir Robert Armstrong.

pp LORD COCKFIELD

Approved by the Secretary of State & signed in his absence.

Department of Trade
1 Victoria Street
LONDON SW1
24 November 1982

MFJ

25 November 1982

GATT Ministerial Meeting

The Prime Minister has noted the contents of Lord Cockfield's minute of 24 November.

AJC

John Rhodes Esq
Department of Trade

GATT MINISTERIAL MEETING

POINTS TO MAKE

AGRICULTURE

The Community has agreed to participate in a wide study of agricultural trade policies. Despite our reservations about the CAP, we agreed with the EC that a further demand that we should agree to a new round of negotiations as well was unfair and unnecessary.

NEWLY INDUSTRIALISING COUNTRIES

A study of trade between developed and developing countries gives us the chance to pursue our concerns multilaterally. This is a welcome step forward and meets one of our objectives for the GATT Ministerial Meeting. Nobody pretends it is the whole answer.

DISPUTE PROCEDURE

We wanted the existing system tightened up and have achieved this.

UNFAIR TRADE (JAPAN, SPAIN ETC)

We said we would use the meeting to convey our concern and we did. But we never expected it to provide a universal panacea. We shall continue to pursue the problem with the EC and bilaterally.

BACKGROUND

The outcome of the meeting is more satisfactory than seemed possible at several stages during the negotiations. EC persistence injected a substantial amount of realism into the Ministerial Declaration, notably on the ceasefire. US concerns on agriculture looked like producing a major confrontation. However, they modified their stance a little, while the EC accepted a wide ranging study. On services, the UK and US worked intensively to get agreement in what proved to be a successful collaboration. The EC also achieved its objective of getting a study on trade between developed and developing countries which can be used as the vehicle for pressing concerns about unfair market access.

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DEPARTMENT OF TRADE

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Press briefing

November 1982

GATT MINISTERIAL MEETING

A meeting of the trade ministers from the 88 nations which are signatories of GATT (the General Agreement on Tariffs and Trade) takes place in Geneva from 24 to 27 November 1982. This is the first such meeting for ten years.

You are free to draw on the attached information as background to the importance of international trade to the United Kingdom.

This paper also contains details of areas where restrictions on imports into the UK exist.

THE VALUE OF TRADE TO THE UK

In 1981 the UK had a current account surplus of £6 billion. In 1980 the surplus was £2.9 billion, a turnround on the deficit of £0.9 billion in 1979. This was mainly accounted for by the movement in the visible trade balance from a deficit of £3.4 billion in 1979 to a surplus of £1.2 billion in 1980 and £3.0 billion in 1981.

UK TRADE IN 1981

£ billion, BOP Basis

	CREDITS	DEBITS	BALANCE
Goods of which:	51.1	48.1	+3.0
Manufactures	35.0	30.2	+4.7
Oil (including oil products)	9.1	6.1	+3.1
Services	16.8	12.8	+4.0
Goods and Services	67.9	60.9	+7.0
Goods and Invisibles (ie services, interest, profits and dividends, and transfers)	80.4	74.4	+6.0

THE IMPORTANCE OF EXPORTS TO THE UK ECONOMY

UK exports of goods and services as a proportion of GDP are higher than those of any other major industrialised nation.

EXPORTS OF GOODS AND SERVICES AS A PERCENTAGE OF GDP AT MARKET PRICES

	1965	1970	1975	1980
UK	20	24	27	28
USA	5	5½	8½	10
FR Germany	18	21	25	27
France	14	16	20	22
Italy	16	18	23	25
Japan	11	11	13	14

EXPORTS PER HEAD

UK exports of goods and services per capita are roughly twice those of Japan, but less than those of Germany and France.

EXPORTS OF GOODS AND SERVICES PER CAPITA
1980

	Goods and Services	of which Goods
	£	£
UK	1140	850
USA	490	410
F R Germany	1540	1320
France	1170	not available
Italy	750	590
Japan	540	470

EXPORTS TO DEVELOPED AND DEVELOPING COUNTRIES

The newly industrialised countries took 12 per cent of UK exports in 1980. In general, the UK has deficits on trade in manufactured goods with other developed countries, and surpluses with developing countries.

UK TRADE PERFORMANCE IN MANUFACTURES BY AREA
OTS BASIS
Exports/Imports Ratio%

	1970	1979	1980	1981	Balance 1981 £bn
European Community	131	80	88	81	-3.0
Rest of Western Europe	120	77	97	88	-0.6
North America	83	89	73	79	-1.1
Other Developed Countries	310	115	108	103	+0.1
Oil Exporting Countries	1063	1230	932	1512	+4.9
Other Developing Countries	236	194	205	186	+2.3
Centrally Planned	229	185	213	172	+0.3
Total Trade in Manufactures	149	104	111	109	+2.9

WHAT THE UK EXPORTS AND IMPORTS

Historically, the United Kingdom has been a net importer of food and raw materials and a net exporter of manufactured goods. In the early post-war years, food and beverages, and basic materials, each accounted for nearly two-fifths of imports, and manufactured goods for about four-fifths of exports. In recent years, although manufactured goods are still responsible for the bulk of exports, the import pattern has changed dramatically with food and raw materials together accounting for a third of arrivals. A major change has occurred in manufactured imports which have grown from 18 per cent of the total import bill in 1950 to over 60 per cent in 1981.

UK EXPORTS BY COMMODITY

	Percentages					
	1965	1970	1975	1980	1981	
					%	£bn
Food, Beverages and Tobacco	7	6	7	7	7	3.6
Basic Materials	4	3	3	3	2½	1.3
Fuels	3	3	4	14	19	9.6
Manufactures of which:	83	84	82	74	68	34.9
Semi	34	34	30	30	26	13.3
Finished	49	50	51	44	42	21.6
Miscellaneous	4	3	4	3	3	1.5
TOTAL	100	100	100	100	100	50.8

OTS Basis

UK IMPORTS BY COMMODITY

	Percentages					
	1965	1970	1975	1980	1981	
					%	£bn
Food, Beverages and Tobacco	30	22	18	12	13	6.5
Basic Materials	19	16	10	8	8	4.0
Fuels	11	10	18	14	14	7.3
Manufactures of which:	39	50	52	63	62	32.1
Semi	24	27	24	27	24	12.6
Finished	15	23	28	36	38	19.5
Miscellaneous	1	1	2	3	3	1.5
TOTAL	100	100	100	100	100	51.3

OTS Basis

GEOGRAPHICAL STRUCTURE OF UK TRADE

Historically, the lion's share of UK trade was with the Commonwealth, with its traditional ties and tariff preference. In 1950, about 40 per cent of British trade was with Commonwealth countries and around 30 per cent with Europe. Now, as Commonwealth preferences have been eroded the UK share is close to what might be expected on economic grounds, and with entry to the European Community, this pattern has been reversed with the Commonwealth responsible for less than 15 per cent and Europe over a half. The seventies saw the emergence of the oil-exporting countries as a major market for the United Kingdom's exports. In value terms, UK exports are currently running at about twice the level of imports from these countries.

UK EXPORTS OF GOODS BY AREA — BOP Basis

	1965	1970	1975	1980	1981	
	Percentages				%	£bn
European Community	26	30	32	43	41	20.9
Rest of Western Europe	15	16	11	14	13	6.5
North America	15	15	12	11	14	7.1
Other Developed	15	12	9½	5½	5½	2.9
TOTAL DEVELOPED	72	73	69	74	73	37.4
Oil exporting	5½	6	12	10	12	6.0
Other developing and centrally planned	23	21	19	16	15	7.7
TOTAL	100	100	100	100	100	51.1

UK IMPORTS OF GOODS BY AREA — BOP Basis

	1965	1970	1975	1980	1981	
	Percentages				%	£bn
European Community	25	28	39	43	43	20.8
Rest of Western Europe	12	16	14	15	16	7.5
North America	20	21	13	15	15	7.1
Other Developed	12	10	8	6	6½	3.2
TOTAL DEVELOPED	69	75	74	79	80	38.6
Oil exporting	9	7½	13	8½	7	3.5
Other developing and centrally planned	22	18	13	12	12	6.0
TOTAL	100	100	100	100	100	48.1

BRITAIN's TOP 20 TRADING PARTNERS IN 1981

	Exports to	£m	% of Total Exports		Imports from	£m	% of Total Exports
1	USA and Dependencies	6269.6	12.3	1	USA and Dependencies	6080.6	11.9
2	F R Germany	5518.0	10.8	2	F R Germany	5944.0	11.6
3	Netherlands	4019.6	7.9	3	France	3958.1	7.7
4	France	3626.2	7.1	4	Netherlands	3902.1	7.6
5	Ireland	2813.7	5.5	5	Belgium/Luxembourg	2452.2	4.8
6	Belgium/Luxembourg	2092.0	4.1	6	Italy	2337.7	4.6
7	Italy	1742.6	3.4	7	Japan	2203.1	4.3
8	Sweden	1602.5	3.1	8	Norway	1942.4	3.8
9	Switzerland	1458.7	2.9	9	Saudi Arabia	1895.1	3.7
10	Nigeria	1428.2	2.8	10	Irish Republic	1782.1	3.5
11	South Africa	1218.8	2.4	11	Switzerland	1708.0	3.3
12	Saudi Arabia	1133.4	2.2	12	Sweden	1533.9	3.0
13	Denmark	1056.2	2.1	13	Canada	1509.9	2.9
14	Norway	877.0	1.7	14	Denmark	1179.1	2.3
15	Australia	862.0	1.7	15	Hong Kong	897.3	1.8
16	Canada	847.3	1.7	16	Finland	846.3	1.7
17	Spain	741.3	1.5	17	Spain	791.8	1.5
18	India	639.1	1.3	18	South Africa	652.0	1.3
19	Iraq	624.0	1.2	19	Kuwait	476.0	0.9
20	Japan	620.0	1.2	20	New Zealand	428.4	0.8

EXPORTS AND JOBS

British manufacturing industry provides about 6 million jobs, and about one quarter of total output is exported.

EXPORTS OF SERVICES

Between 1980 and 1981, Britain's invisible export earnings increased from £24 billion to over £26 billion. Exports of Services in 1981 totalled £17 billion - a 20% volume increase on 1971.

The UK private sector and public corporations have a large surplus on invisibles transactions.

In the last decade, all the main service sectors except shipping grew in real terms. Civil aviation (£2.4 billion in 1981) more than doubled; travel (£3 billion) rose by over a half in real terms); miscellaneous services (£5.2 billion) rose 40%. Financial services (£2 billion) rose more modestly. UK earnings from activities like financial and consultancy services are greater than any other country in the world, including the USA.

UK INVISIBLE CREDITS

	1965	1970	1975	1980	1981
			£ billion		
Private sector and public corporations					
Sea Transport	0.7	1.4	2.7	3.8	3.8
Civil Aviation	0.2	0.3	0.8	2.2	2.4
Travel	0.2	0.4	1.2	3.0	3.0
Financial institutions	0.1	0.4	1.0	1.6	2.0
Other Services	0.5	0.8	2.1	4.8	5.2
TOTAL	1.7	3.4	7.7	15.4	16.3

TEXTILES

Under the Multi-Fibre Arrangement (which is currently being re-negotiated)the imports to the UK of most textiles and clothing are restricted from many developing countries. There are similar voluntary agreements with some other developing countries. The result is that most such imports from all developing countries are restricted.

In 1980 the UK exported textiles to the value of £1,363 million (£945 million more than in 1970). Imports of textiles totalled £1545 million (£1,258 million more than in 1970). Imports from low-cost producers account for only 12% of the UK market, of these 95% are subject to some form of import control.

IMPORT RESTRAINT

Over the last 20 years, both in the UK and other developed market economies, tariffs have been lowered and, additionally, more imports have been admitted duty free. In the UK, for example, in 1960 only 30 per cent of manufactured goods were admitted duty free and these were mainly from the Commonwealth Preference Area. By 1980 this figure had risen to 80 per cent mainly,but not only,as a result of UK membership of the European Community (EC). (In 1980 the EC accounted for 49 per cent of UK imports of manufactured goods.) In addition to the EC many imports from developing countries were admitted duty free under the Generalised System of Preferences and the Lomé Agreement. On the other hand UK accession to the EC meant that most imports from the Commonwealth ceased to be admitted duty free.

Besides tariffs there are a number of other restraints on imports into the UK which affect the following products or sources (in addition to textiles and clothing which is dealt with above).

Agricultural products. Under the Common Agricultural Policy the main temperate imports are subject to mechanisms such as a variable imports levy. Many of the Lomé and GSP concessions are for agricultural products, however, and the EC is a substantial net importer of agricultural products.

Steel products. The Treaty of Paris, which set up the European Coal and Steel Community (ECSC), enables the Community to exercise control over imports from third countries of products falling within the treaty. This control has been exercised in recent years by negotiating voluntary restraint arrangements (VRA's) with the Governments of major exporting countries and by the setting of import reference prices as an aid to anti-dumping.

Japan

Voluntary restraint arrangements cover cars, light commercial vehicles, pottery, cutlery, colour and portable monochrome television sets and music centres.

State trading countries. There are a number of quotas in existence on imports of certain products (eg matches, gloves, footwear, headgear, pottery, TVs, etc) from the state trading countries. There are also a small number of VRA's negotiated on the UK's behalf by the European Commission.

Footwear. There is a quota on non-leather footwear from Taiwan and an inter-industry arrangement covering all footwear from South Korea. There are also voluntary restraints on imports of leather footwear from some Eastern European countries and some formal quantitative restrictions on non-leather footwear from some Eastern countries and China.

Consumer electronics. There are various inter-industry arrangements covering imports of a number of products from Singapore, Thailand, South Korea and Taiwan (in addition to those covering Japan).

Miscellaneous restraints. There are a few restraints which do not fall under the above headings. The most notable ones are those on imports of phosphate fertilizers and on imports of jute.

In 1980, less than 10 per cent of Britain's total imports were subject to some form of non-tariff restraint, with industrial products accounting for about half of these. If imports from the European Community are subtracted, the proportion of imports restrained is still well under 15 per cent.