CONFIDENTIAL

Prime Minister

spare copy

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

SECRETARY OF STATE FOR TRADE

ECONOMISTS' REPORT ON SUPPORT FOR CAPITAL GOODS FOR EXPORT

Since my minute of 13 December, with which I forwarded to the Prime Minister the agreed interdepartmental economists' report, we have had some useful exchanges on the arguments for and against export credit subsidies. In parallel, our officials have cooperated in working out new operating guidelines for ECGD, which I have now sent to the Prime Minister with my minute of 28 March.

2. These guidelines reflect a good deal of the thinking, and some of the specific suggestions, in the economists' report. The issue is an important one, and the existence of the report is already widely-known from slanted press reports. I believe that discussion between Government and industry would benefit from full exposure of the arguments. It can only be a matter of time before we are required to make the report available, eg to a Select Committee or to the committee of enquiry which you are proposing to set up into ECGD's future status. I think that we would do better to take the initiative, and publish it now. I hope you agree.

3. I do not envisage our giving the report any special publicity. It would be sufficient to lay a copy in the

/House of Commons

House of Commons Library and announce that fact in a written PQ. Obviously the announcement would need to make clear that the report was simply a background paper; we could also add such a disclaimer to all published copies.

5. I also think that it would be best not to publish paragraph 31 of the report, which is the only part of the report which contains policy recommendations. Without this paragraph the paper is a background to policy rather than advice to Ministers. Since it contains some calculations relating to particular projects, you may feel that it would also be right to remove Annex 1, or at least such information in it as would enable specific projects to be identified. I would welcome your advice on that.

4. Copies of this minute go to the Prime Minister, Patrick Jenkin, Francis Pym, and Sir Robert Armstrong.

G.H.
29 March 1983

3.3 RESTRICTED

CCNO 2

Prime Minister

MCS 9/5

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

6 May 1983

The Rt. Hon. Lord Cockfield
Secretary of State for Trade

Dear Arthur

ECONOMISTS' REPORT ON SUPPORT OF CAPITAL GOODS EXPORT

attached Thank you for your letter of 29 April.

Of course there is always a risk that the report will be misinterpreted, especially by those with a vested interest in perpetuating export credit subsidies eg those exporters who produce the 5 per cent of exports which stand to benefit from cheap credit. My own belief is that publication of the full report, properly handled, would not lend itself so easily to the kind of slanted and superficial treatment which we saw in the national press earlier this year when news of the report's existence first leaked. I believe those who have the interests of British industry as a whole at heart would appreciate the force of the report's argument that, within a given macro-economic framework of monetary and PSBR constraints, the cost of export credit subsidies has to be borne by the rest of industry, through for example, higher taxes or the exchange rate.

There is another point. The existence of the report is of course widely known; indeed I understand that your own Department (off their own bat) provided copies of the report some time ago to members of the Overseas Projects Board of the BOTB. We are already under some pressure to publish, and this is likely to increase - for example as a result of a discussion which has been arranged next week at the Treasury between officials of interested departments and representatives of NEDO, at which the subject for discussion will be the value to the UK economy of large mechanical and electrical engineering export projects. It can only be a matter of time before we are faced with demands to publish, perhaps in Parliament, which we would find it difficult to refuse.

In the light of your letter I will not press my proposal for immediate publication. But I think we must plan for the possibility that we may be forced to publish in the near future. I am therefore asking my officials to get in touch with yours to agree on the editorial changes which would be necessary in a published version.

Copies of this letter go to the other recipients of yours.

Yours

GEOFFREY HOWE

Trade Non tariff barriers

Pt 3

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

CE DNO

RESTRICTED

2

Prime Minister

The Chancellor will not agree at all with X

MCS 3/5

From the Secretary of State

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

29 April 1983

Dear Chancellor,

ECONOMISTS' REPORT ON SUPPORT OF CAPITAL GOODS FOR EXPORT

Thank you for your minute of 29 March proposing that a copy of the above paper should be laid in the Library of the House of Commons.

There are a number of points of detail which could be pursued at an official level. But leaving that on one side, I really do wonder whether the interests of Government would be well served by the publication of this report. It is a myopic document and will be widely interpreted as an attempt by the Treasury to pull the rug out from under British industry just as the economy is beginning to recover. X

We do not live in a world peopled by economists. We are, on the contrary, fighting for national survival in a jungle inhabited by people who set no store by the rules of the game. I would think that the paper would be greeted with dismay if not with anger by the industry. I, therefore, seriously doubt the wisdom of stirring up of such a hornets' nest as an opening gambit in a run-up to an Election.

TRADE: Non-Tariff barriers Pt 3

RESTRICTED

From the Secretary of State

Copies of this letter go to the Prime Minister, Patrick Jenkin, Francis Pym and Sir Robert Armstrong.

Yours sincerely,

for LORD COCKFIELD
(Approved by the Secretary of State
and signed in his absence)

cc NO

2 MPs. Prime Minister

MES 13/4

FCS/83/74

file being used as back-up for ChEx meeting

CHANCELLOR OF THE EXCHEQUER

Economist's Report on Support for Capital Goods for Export

1. Thank you for copying to me your minute of 29 March to Arthur Cockfield. Subject to the views of other recipients of your minute, I agree that the report (minus paragraph 31 and possibly Annex 1) should be published as a background paper.

2. I am copying this to the Prime Minister, Patrick Jenkin, Arthur Cockfield, and Sir Robert Armstrong.

(FRANCIS PYM)

Foreign and Commonwealth Office

13 April, 1983

TRADE
Non Tariff barrier
pt 3