



JF4860

ECNO

Prime Minister<sup>1</sup>

Agree X subject to colleagues.  
The quantitative effect of these  
measures is very limited.

CONFIDENTIAL

Yes but

AT

18/11

PRIME MINISTER

ROLLING BACK PROTECTIONISM

1) To increase inputs from the  
present countries probably need  
more liberal. Trade agreement?  
We cannot go back on that and

The Williamsburg Economic Summit agreed "to halt it - would come  
protectionism and as recovery proceeds to reverse it by rolling  
dismantling trade barriers". Similar statements have been  
issued by other international Ministerial meetings.

2) As U.S. is  
recovering fast - how

2 Serious discussion has now begun - in the Community, the  
OECD and the GATT - of how to give effect to the Williamsburg  
commitments to a "standstill" and "rollback" of  
protectionism. At next year's London Economic Summit we  
shall want to point to progress since Williamsburg as a base  
from which to agree on further steps towards freer world  
trade. It may prove desirable to work towards a new  
Ministerial meeting of the GATT and possibly a new round of  
multilateral trade negotiations which Mr Nakasone proposed,  
and President Reagan accepted, during the President's recent  
visit to Japan. A new GATT round has advantages and  
disadvantages for us. We shall need to decide our attitude  
to it carefully over the coming months and before the London  
Summit. There is no point in either a meeting or a new round  
unless we can expect positive results.

Some of the  
specific  
restrictions  
have not been  
removed?

MS

3 The immediate issue concerns the rollback commitment.  
The indications are that rollback will be approached in two



stages, and it is only on the first stage that we need to take decisions now. The second stage will undoubtedly be more difficult, for it is bound to include discussions of voluntary restraint arrangements. I have decided to block an interim compromise reached in Geneva last week because it would have involved some rolling back of our UK and Community restraint arrangements while other more formal measures used by other countries (such as recent US speciality steel measures) would have remained intact.

4 This said, rolling back protectionism accords with our own market approach to world trade provided that rollback is seriously pursued not only by the Community but by other industrial countries and that there is a significant contribution from the developing world, especially the Newly Industrialising Countries. It ought to make some contribution to the development of the recovery: and create a climate in which it will be easier, if not easy, to handle the various international commercial and financial problems which beset us.

5 In the first stage of rollback it seems likely that the action expected of the main developed countries will be confined to:

/- bringing ...



a  $\frac{1}{2}$ % cut  
achieved a  
year early

- bringing forward certain tariff cuts to which we are already all committed as a result of the 1970s Tokyo Round of multilateral trade negotiations, and
- some liberalisation of tariffs and quotas on imports from developing countries, particularly the least developed among them.

↑ includes?  
shown?

- But with free trade

Neither will in itself be of any substantial economic importance. The first of these will be psychologically valuable and the second politically essential. They will be significant as a signal that more liberal trading is again the order of the day, and might be of some presentational value in the context of the debt problem.

6 The Japanese have already announced that they will move in these ways. The USA are also expected to respond positively, but as their election approaches there will be a need to keep them up to the mark. For the Community the Commission has made proposals on the same lines, and will seek a decision at the Foreign Affairs Council on 28 November. I propose to give our strong support to this general approach.

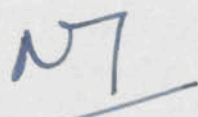


7 If this is agreed, there is only one point of detail on which we need settle a line before the FAC. The Commission proposes that the Community should delay implementation of accelerated tariff cuts until it has reached 2% growth, ie 1985 or even 1986. France, whose recovery from the recession is particularly slow, is making an issue of this; but Germany sees no need to wait before making such a largely symbolic move, and believes the USA and others will refuse to cut their tariffs in advance of the Community.

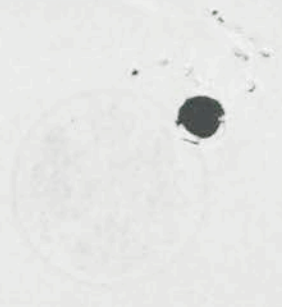
8 I discussed this with Count Lambsdorff in Bonn last week and I believe that the Germans are right that insistence on 2% growth risks aborting this first stage of rollback, and that the Community would be blamed. Paul Channon was told by the Americans that the 2% trigger would not be acceptable in the Congress.

9 I therefore propose that we support moves to bring forward certain tariff cuts as noted in paragraph 5 above and work towards dropping the 2% growth condition.

10 I am copying this minute to the members of E(S) Committee and to Sir Robert Armstrong.

  
NORMAN TEBBIT

18 November 1983



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10 DOWNING STREET

*From the Private Secretary*

21 November, 1983

ROLLING BACK PROTECTIONISM

The Prime Minister has seen your Secretary of State's minute of 18 November and is content with his proposals to bring forward certain tariff cuts and to work towards dropping the 2 per cent growth condition which the Commission is seeking. This is on the understanding that the liberalisation of tariffs and quotas on imports from developing countries does not involve re-opening the agreements on textiles and shoes.

She has also commented that, with the United States economy now growing rapidly, it ought to be possible to remove the restrictions on speciality steels.

I am sending a copy of this letter to the Private Secretaries to members of E(S) and to Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

C. McCarthy, Esq.,  
Department of Trade and Industry

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*HL*