



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

PRIME MINISTER

TRADE POLICY: STANDSTILL AND ROLLBACK

Norman Tebbit's minute of 18 November suggested the line we should take at this month's Foreign Affairs Council on the Community's proposals for implementing the Williamsburg commitment on rolling-back protectionism.

2. I welcome the suggestion that we should support the advancement of the Tokyo Round tariff cuts without its being conditional on the EEC first achieving 2 per cent growth. I agree also that we should support some liberalisation of imports from the LDC's, though what the Commission seems likely to propose will not be of any great significance particularly since I understand textiles are to be excluded.

3. If I have any criticism, it is that rollback is proceeding too slowly and that the UK has so far taken too much of a back-seat. The Commission's proposals are extremely modest in scale - for example, advancing the Tokyo Round tariff cuts will reduce the Community tariff by a mere 0.3 per cent on average. I believe at the next stage something more ambitious is required if progress toward the mutual removal of restrictions envisaged at Williamsburg is not to run out of steam.

4. It is not just that we have a strong interest in less protectionism for the sake of maintaining the momentum of world recovery: we also have much to gain from a more liberal trading regime, from

/the point



the point of view both of our exports and of competition at home. Although there are circumstances where temporary protection can be justified, particularly where the social costs of an industry in rapid decline, such as textiles, seem excessive, too often protection of one industry is at the expense of other industries. Although several of our industries have come to rely on voluntary restraint arrangements and other "grey area" measures, I believe we must be particularly careful about extending these further, and in stage two of the rollback exercise be prepared in principle to discuss their gradual dismantling.

5. Of course, I am well conscious of the domestic political dimension to all this and of the need to get our trading partners to reduce their barriers to our exports. The best way to get them to do so is bound to vary from case to case. Where our trading partners impose greater restraints on our exports than we do on theirs (eg Spain on cars), we must make clear to them the need for greater reciprocity, using every possible means to secure it.

6. One side-benefit of a more generous attitude to roll-back would be that we would be in a better position at next year's Summit when this subject is bound to be high on the agenda.

7. It would be helpful if Norman could bring forward a paper for discussion, perhaps in E(S), on our strategy towards trade liberalisation. This would enable us to clarify our views on the second stage of roll-back generally, on the next round of negotiations on safeguards in the GATT following the recent breakdown, and on the Japanese proposal for a new round of multilateral trade negotiations.

8. I am sending copies of this minute to members of E(S) Committee and to Sir Robert Armstrong.

J. Lewis

pp. N.L.
25 November 1983

(Approved by the Chancellor; signed in his absence in Brussels.)

Trade : Non tariff barriers A3

29 NOV 1983

12 3 4 5 6 7 8 9

COMPTON

A