

Statement on Negotiations for the Renewal of the
Multifibre Arrangement

Peter Rees' statement is attached. This allowed Members such as Richard Wainwright and Ken Woolmer to express their concern about the loss of jobs in the textile industry, which Mr Rees acknowledged to be 150,000 in the last 18 months. But the statement was simply a broad description of the mandate given to the Commission, not of the outcome of the negotiations with suppliers, and Mr Rees was not heavily criticised for the stance the Government had taken. He rightly took the credit for introducing the concept of a "surge mechanism" into the Commission's mandate to guard against suppliers' accumulating under-used quotas; and the Opposition did not question Anthony Grant's statement that the Government's position was much tougher on the low cost suppliers than the previous Government's. John Smith, who opened for the Opposition, praised Mr Rees for his grasp of this very technical subject.

I will not go into the detailed questions that were raised; in most cases Mr Rees avoided being drawn too far, on the grounds that this would prejudice the Commission's negotiations with suppliers.

WPSH

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24 November, 1981



STATEMENT ON NEGOTIATIONS FOR THE RENEWAL OF THE
MULTI-FIBRE ARRANGEMENT

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position to state the broad Community position clearly, especially since other participants - notably the US and the developing countries - had put forward formal proposals.

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- I The depressed state of the Community's market and the very low rate of growth forecast over the next years. The House will know that this has been estimated at about 1% on average.
- II That import penetration in clothing and textiles is much higher in the Community than in any other major importing country. Accordingly, the Community could agree only to small overall growth rates.
- III The Community's intention to seek a surge mechanism which would guard against a threat presented by underutilised quotas. I can tell the House that the UK was instrumental in introducing this concept into the Community position.

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IV The difficulties caused to the Community industry in the past as a result of reductions in demand during periods of recession when supplying countries' quotas continued to grow. The House will be glad to know that the Community has decided that special provisions should be negotiated with supplying countries to try to mitigate such problems in the future. The House will recall that this is something which the Government has been seeking for some time, and I believe the mechanism now agreed will go some way towards meeting the industry's concerns in this area.

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VI Furthermore, the ability of the dominant suppliers to use the flexibility provisions to augment their quotas in particular years will also be reduced. These flexibility provisions enable supplying countries, within specific limits, to anticipate a following year's quota; carry over from a previous year's quota; or transfer quota from one



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7 Mr Speaker, I have, given a short summary of the Community's position on important areas of the renegotiation. In general, the Government is content with the position agreed by the Community. I would not wish to pretend, Mr Speaker, that the UK has obtained satisfaction to every single point which we have raised. But I believe that no essential British interests have been compromised. As I have already said, Mr Speaker, certain essential elements still have to be reconciled - in particular the overall approach to low-cost imports which is a subject upon which I know hon. Members have strong views. The actual quotas for individual MFA countries will have to be hammered out in detail in the course of bilateral negotiations during next year. I believe that the groundwork has now been laid for a new Arrangement which will be tough, provide the UK industry with the trading climate it needs to plan for the future, while taking account of all the interests represented in the House.



NOTES FOR SUPPLEMEN TARIES.

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The UK, along with a number of other countries is very concerned at the overhang which exists in present quotas, and which use of 1982 access would perpetuate. But use of 1980 actual imports would simply not be negotiable.

The surge mechanism proposed is designed to deal with both these concerns. It allows exporting countries to retain notional access based on 1982 quotas. But it sets a level for underutilised quotas based on actual trade in the year before.

We are concerned at the potential for artificial increases in imports in 1982 and the question of rises in 1986, and have told Commission to look at ways of dealing with these two problems.

2. Recession clause

The UK has pressed all along for some form of recession mechanism to be included in the EC negotiating position. This we have achieved, and while it may not fulfil completely the automaticity which we and industry were seeking, it does allow for ways of substantially reducing cess in a recession.

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Further discussion in December in the light of determining overall global ceilings. The UK will still be pressing to get growth overall as close as possible to expected consumption growth(1%). Obviously will vary according to product and size of quota.

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The Commission has pointed repeatedly to the EC's position as the largest importer, both in absolute and relative terms, of low-cost textiles in the world, and the special problems this causes.

We cannot, however, put much more than moral pressure on those developed countries which take less.

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The Community has agreed the principle that - within the limited scope available, and strictly within the global ceilings - more generous treatment be given to the poorer, smaller suppliers.

Equally, the Community has made it clear to the more developed exporting countries (NICs) that the Community will take particular account of the openness of their markets to EC textile exports when determining the treatment given them.



6. Extension of number of sensitive products

A number of countries have proposed additions to Group I (the group of - at present - 8 most sensitive categories). Discussions are continuing at a technical level. But the removal of any products from Group I has already been rejected.

7. Fraud

The Commission's statements (and the draft EC protocol of extension to be tabled next week) include the principle that fraudulent imports will be credited in full against the appropriate quota of their true country of origin. One can mention here the scrupulous enforcement of regulations against fraud in Hong Kong.

8. Basket extractor mechanism

The UK has achieved one of its major aims in obtaining agreement within the EC to a more automatic basket extractor mechanism, allowing a quicker setting of new quotas on the basis of more realistic trigger levels.

9. Flexibility

The Community has already resolved to tighten up the use of flexibility for dominant suppliers under MFA bilaterals. The recession mechanism will also include the possibility of a waiver of all flexibility for dominant suppliers in a recession.

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The UK position is clear. Any special quotas for OP which may be agreed must be within existing quotas and within the global ceiling. We will maintain this position in discussion on the Commission's draft regulation in December.

11. Price clause

The bilaterals with state-trading countries already include a price clause and the EC has already made clear its intention to include one in bilaterals under the next MFA. Price clause not appropriate for other MFA suppliers.

12. Social clause

Government consider any clause which links acceptance of imports strictly to social conditions in the Third World would effectively bar almost all imports from the Third World. But Community draft protocol to be presented this week will contain a clause designed to encourage the spread of the benefits of development to as wide as possible a section of the population in the countries involved.



13. "Bilateral link"

The EC has made it clear that it will require a broad understanding on the content of future bilaterals before agreeing to sign the next KPA - and in slightly greater detail with the dominant suppliers. This is not an attempt to put the cart before the horse, but simply to allow both sides to reach a clearer understanding of what they are letting themselves in for next year.



BACKGROUND

WORKING OF RECESSION AND SURGE CLAUSES

1. Recession clause

The Community's agreed proposal is for

- i) A review clause, allowing for negotiation of reductions in quotas and flexibility for all suppliers in a recession; and
- ii) For dominant suppliers a suspension (based on the proposals in the US draft protocol) of flexibility in a recession [unilaterally].

[The actual details of, eg. when to trigger the mechanism will be resolved later].

2. Surge clause

The Commission proposal is at present for a mechanism which

- i) Allows the supplier country national access in 1983 onwards based on 1982 quotas.

But, where

- ii) a quota is more than 50% utilised;
- iii) is large enough to make up 1% of total Community access; and
- iv) imports rise above the previous year's actual imports by 10% of the current year's quota.

The Community would then negotiate with the supplier a set of effectively new quotas which would bring the acceptable level of imports in any one year gradually up to the national access granted for 1986.

It is agreed Community policy that the surge mechanism will apply not only on a (global) Community basis, but also to each separate Member State.

Multi-fibre Arrangement

3.30 pm

The Minister for Trade (Mr. Peter Rees): With permission, I should like to make a statement on negotiations for the renewal of the multi-fibre arrangement. My right hon. Friend the Lord Privy Seal reported to the House on 18 November on the Foreign Affairs Council on 16 and 17 November, including a parallel session, which he chaired, on the Community's negotiating position for the final round of talks in Geneva on the renewal of the multi-fibre arrangement.

In view of the importance of this subject for many United Kingdom interests, and, in particular, the United Kingdom textile and clothing industries, I will, Mr. Speaker, with permission, supplement what my right hon. Friend told the House and, particularly, report on subsequent events in the GATT textiles committee in Geneva.

On 17 November, the Council decided that it would be necessary to give further consideration to the question of overall import ceilings for sensitive products particularly. This embraces the all-important question of imports of low-cost textiles and clothing from the preferential countries. The House will be aware that the Government place the greatest importance on acceptance by the Community of such an overall approach.

The Council had in mind, however, that the final round of negotiations on the renewal of the MFA was to start in Geneva on 18 November. The Council wished the Commission to be able to participate in these negotiations from the beginning and to be in a position to state the broad Community position clearly, especially since other participants, notably the United States and the developing countries, had put forward formal proposals. On this basis the Commission made a full statement in Geneva on 20 November. I have placed a copy of this statement in the Library. Within the next day or two, I expect the Commission to table a full draft protocol of extension for the MFA in Geneva, essentially a formal expression of the Community's requirements in a renewed MFA.

I should like to summarise for the House the main points of the Commission's statement. The first is the depressed state of the Community's market and the very low rate of growth forecast over the next years. The House will know that this has been estimated at about 1 per cent. on average. Secondly, import penetration in clothing and textiles is much higher in the Community than in any other major importing country. Accordingly, the Community would agree only to small overall growth rates.

Third is the Community's intention to seek a surge mechanism which would guard against a threat presented by under-utilised quotas. I can tell the House that the United Kingdom was instrumental in introducing this concept into the Community position.

Fourthly, difficulties caused to the Community industry in the past as a result of reductions in demand during periods of recession when supplying countries' quotas continued to grow. The House will be glad to know that the Community has decided that special provisions should be negotiated with supplying countries to try to mitigate such problems in the future. The House will recall that this is something that the Government have been seeking for

some time, and I believe the mechanism now agreed will go some way towards meeting the industry's concerns in this area.

Fifthly, the Community's statement made clear that we shall be looking very closely at our trade with a few dominant suppliers, including Hong Kong. In particular, the Community will seek "adjustments"—I am afraid that I cannot be more specific on this point—in these suppliers' quotas, possibly with existing access being replaced in part by an element of outward processing quotas. I emphasise that what can finally be achieved in this field, is clearly a matter of negotiation.

Furthermore, and sixthly, the ability of the dominant suppliers to use the flexibility provisions to augment their quotas in particular years will also be reduced. These flexibility provisions enable supplying countries, within specific limits, to anticipate a following year's quota, carry over from a previous year's quota, or transfer quota from one product to another. We expect to negotiate substantial reductions in the ability of the dominant suppliers to use these provisions.

I have given a short summary of the Community's position on important areas of the renegotiation. In general, the Government are content with the position agreed by the Community. I would not wish to pretend, that the United Kingdom has obtained satisfaction on every single point which we have raised, but I believe that no essential British interests have been compromised.

As I have already said, certain essential elements still have to be reconciled—in particular the overall approach to low-cost imports which is a subject upon which I know hon. Members have strong views. The actual quotas for individual MFA countries will have to be hammered out in detail in the course of bilateral negotiations during next year. I believe that the groundwork has now been laid for a new arrangement which will be tough, indeed, in many respects, tougher than the current MFA, and which will provide the United Kingdom industry with the trading climate it needs to plan for the future, while taking account of all the interests represented in the House.

Mr. John Smith (Lanarkshire, North): I thank the Minister for making the statement; it has been requested on a number of occasions in the House. When is the statement to be placed in the Library? It was not available when I inquired a short time ago. Has not the Minister rather delicately obscured the fact that no agreement has been reached in the EEC on the single most important part of these negotiations—the agreement that there should be an overall limit, a global limit, on imports admitted to the EEC? Does not the delicate phrasing conceal the fact that no agreement has yet been reached? Can the Minister say when agreement will be reached? Will he report back to the House on the matter?

I notice that a statement has been made in Geneva which will be followed by a protocol. Will the agreement—or lack of agreement—on this subject be ready before the protocol is submitted?

On quotas, the Minister referred to an anti-surge mechanism. Does not this confirm that growth will be on the basis of existing quotas and not on existing levels of imports which, in some cases, are much lower than existing quotas? If this were not the case, there would be no need for an anti-surge provision to be introduced into the structure of the agreement.

November to put this right, but that it should be put right immediately, either by increasing this year's Christmas bonus or at least by introducing an Easter bonus to make good the shortfall?

The Prime Minister: The shortfall will be made good at the next uprating, which will take place next November. The hon. Gentleman will recall that there was a shortfall in the November 1978 uprating. That was made good by the Conservative Government in November 1979.

Mr. Ennals: Does the Prime Minister accept that never before have a Government consciously reduced the amount payable to pensioners below even the Government's own expectations and that now, for a whole year, the figure will be roughly 3 per cent. less than the actual rate of inflation? Does she agree that that is a deplorable situation for elderly people?

The Prime Minister: I do not accept the figure of 3 per cent. I think that 2 per cent. is more accurate. I should point out that the uprating effective from November 1978 was based upon an underestimate of 1.9 per cent.

Engagements

Q4. **Mr. Chapman** asked the Prime Minister if she will list her official engagements for Tuesday 24 November.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Chapman: Will my right hon. Friend take a little more time today to consider the increasing unfairness of the rating system, notwithstanding supplementary rates? Will she recognise that there is increasing impatience on the Conservative Benches for the consultation paper on alternatives to the domestic rating system? May I tempt her to be a little more forthcoming and to agree that that

consultation paper should be a short, quick step towards radically reforming the rating system by a Bill in this Parliament?

The Prime Minister: I know of my hon. Friend's very particular interest in this subject, and he knows that I share his views, as do the Government, about the unfairness of the rating system. The Green Paper to which he refers should be available next month. We shall then enter a period of consultation. The speed of that will determine whether we can bring forward a Bill, as I believe would be advisable if it is possible, during the present Parliament.

Mr. Race: Will the Prime Minister confirm or deny the stories in the national newspapers earlier this week that the Government are to cut the real value of unemployment benefit? Given that the Government have already made a 5 per cent. cut in the recent past, does she agree that a further reduction in the real purchasing power of the unemployed is totally unjustifiable?

The Prime Minister: I neither confirm nor deny any such stories as are prevalent in the newspapers at the moment. A full statement will be made in due course.

Mr. Farr: Can I assure my right hon. Friend if she wants to make an announcement that domestic rates will be abolished in the lifetime of this Parliament, such an announcement would be received throughout the country with great and overwhelming support?

The Prime Minister: I hope that my hon. Friend is correct. I would have to make clear that the revenue that comes from the rating system, both domestic rates and industrial and commercial rates, would have to be replaced by revenue from elsewhere. *[Interruption.]* One cannot have expenditure not covered by taxation. Only an Opposition of the irresponsibility of the present one would suggest that one could. The difficulty is deciding what taxation should be levied to cover the loss of income from the rating system.



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From the
Minister for Trade

Mike Pattison Esq
Private Secretary
10 Downing Street
LONDON SW1

24 November 1981

Dear Mike,

STATEMENT ON NEGOTIATIONS FOR THE RENEWAL OF THE MULTIFIBRE
ARRANGEMENT

I enclose a copy of the statement that my Minister intends to make in the House this afternoon about the negotiations for the renewal of the Multifibre Arrangement. This statement gives details of the Community's opening statement at the GATT Textile Committee last week and generally brings the House up to date with the present state of negotiations.

Copies of this letter and its attachment go to the Private Secretaries to the Lord President, Members of OD(E), Secretaries of State for Industry, Scotland, Wales and Northern Ireland, the Chief Whip and Sir Robert Armstrong.

Yours ever,

Nick McInnes

N McINNES
Private Secretary to the
Minister for Trade (PETER REES)



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