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From the Secretary of State

Mike Pattison Esq
Private Secretary
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London, SW1

23rd December 1981

Dear Mike,

Your letter of 17 December to John Halliday asks for brief notes covering the main Departmental activities and achievements. ... I attach such notes covering the Department of Trade, and a ... separate note covering the work of ECGD.

Yours Sincerely,

Jonathan Rees

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Private Secretary

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DEPARTMENT OF TRADE

1 Services to Exporters The Department (with the BOTB) has continued to provide a wide range of export services. During 1981 the Department assisted 2,500 participants in over 150 missions to overseas markets; helped over 6000 individual visitors; supported participation by over 7000 exhibitors at more than 300 fairs and exhibitions overseas; and dealt with over 100,000 enquiries from UK exporters.

2 Overseas Ministerial Visits Recognising that the increasing importance to our exporters of state-influenced trade and major capital projects argues for an increased political input, the Government appointed for the first time a separate Minister for Trade. Thus in addition to overseas visits by Cabinet Ministers including the PM, Foreign Secretary and Trade Secretary, Peter Rees and his predecessor (Cecil Parkinson), have travelled more widely and intensively in support of Britain's commercial interests in the last 2½ years than the representatives of any previous administration. It has also become increasingly common for leading industrialists to accompany Ministers on these visits as a useful means of 'opening doors' for exporters.

3 Major Projects A new Projects and Export Policy Division has been created to provide a single focus for co-ordinating the support provided by the Government for industry in pursuing capital projects overseas. While it is not possible to provide a comprehensive total including many of the smaller project successes, it is estimated that firm orders for overseas projects valued at £10 million or more in which the Government has had some involvement have totalled over £5 billion during the last 18 months, with the British content worth about half that total. That compares very favourably with our record in winning large overseas projects at any time in the recent past and will be an important boost to manufacturing employment. (List of major projects won in Annex).

4 Aerospace Exports Our aerospace exports look set to reach a new record level of £2.75 billion this year, while the recent £5-600

million order from the United States for the Hawk jet trainer could generate further giant orders for the industry.

5 International trade issues (a) The UK is pressing for the negotiation of an effective MFA III to control imports of low-cost textiles. (b) The UK is joining in pressure on Japan to open up its own market for manufactures and to control more effectively Japanese penetration of specific product areas (cars, light commercial vehicles, machine tools, consumer electronics, etc). (c) We are continuing to make clear to the United States the problems caused by their claims to extraterritorial jurisdiction. We (and the Commission) have also been impressing on the USA the serious dangers of disruption of transatlantic steel trade threatened by pressures for action against allegedly dumped imports.

6 Competition Measures to strengthen Monopolies and Mergers Commission scrutiny of nationalised industries and the follow-up announced 30 November. Efficiency audits of CEGB and Severn Trent Water Authority published; during 1982 MMC will report on bus undertakings and NCB. Decision taken to end retailing of gas appliances by British Gas. MMC have completed first investigation into an anti-competitive practice (Raleigh Bicycles). Competition in the supply of spectacles and contact lenses to be reviewed by the Director General of Fair Trading. MMC proposals on surcharges in use of credit cards not allowed.

7 Consumers Action during 1981 includes: distribution of a consumer education pack to all secondary schools; greater protection in dealings with estate agents; green papers on streamlining and improving nationalised industries consumers' councils, and on requiring VAT-inclusive pricing in restaurants and hotels; campaigns to reduce hazards caused by blocked flues and fireworks. From 1 January origin marking will be required for most textiles, clothing, footwear, cutlery and domestic electrical appliances. Consultations are starting on making existing consumer safety legislation more effective.

8 Companies Companies Act 1981 makes wide-ranging changes including: reducing burdens particularly on small firms (abolishing Registry of Business Names, greatly reducing accounts information required by Registrar of Companies, easier company names registration procedures); measures to help control and expansion of businesses and discourage fraud; better consumer information about business ownership.

9 Insurance Much work has gone into the draft EC directive on the free provision of non-life insurance, but some major issues and a large number of lesser ones remain for 1982.

10 Copyright and trade marks Green paper on copyright published last July. Negotiations on a Community trade mark system are expected to begin in 1982. Further action will be taken to promote London as the site of the Community Trade Mark Office.

11 Films Funding of the National Film Finance Corporation has been restructured so that it is now independent of Government finance. Burden of quota regulations being reduced. For 1982 it is proposed to make operation of the exhibition levy fairer.

12 Tourism Support continues mainly by financial aid to the British Tourist Authority and the English Tourist Board.

13 Marine Co-ordinated inspection of ships by North Sea states, to ensure safer and cleaner seas, will come to fruition on 26 January. A team to deal with accidents causing or threatening large-scale chemical pollution is being set up. Computer-assisted radar surveillance to improve safety in the English Channel will come into full operation during 1982.

14 Aviation The action started to get EC to liberalise the tightly regulated regime for air fares, and to agree a direction on inter-regional air services, will continue in 1982. The programme for capital expenditure on regional airports is the biggest ever.

ANNEX (Department of Trade)

MAJOR PROJECT SUCCESSES

In October one of the world's biggest ever steelworks contracts was awarded to Davy Loewy for a £1¼ billion steel plant project in India. It was the second billion pound overseas project contract awarded to a British company this year - the first went to GEC earlier in the year for building the Castle Peak 'B' power station in Hong Kong.

Another success for the Davy Corporation was sealed by an agreement I signed with President Portillo of Mexico for a £330 million steel mill in Sicartsa. Other notable successes have included a total of more than £500 million of project business won in Nigeria in the last six months alone; a £250 million bank construction contract won by Wimpey in Hong Kong; a £170 million Trans-Pacific cable contract for STC; a £150 million contract for the construction of a university in Oman by Cementation International; a £140 million gas storage contract awarded to Chicago Bridge & Iron Company in Abu Dhabi; contracts worth over £100 million won by John Brown for supplying generators and spares for the Soviet natural gas pipeline project; and a £100 million motorway contract won by Kier International in Iraq.

In addition the Secretary of State for Trade signed a Memorandum of Understanding in the autumn which should eventually provide some £380 million of new orders from Brazil for leading British companies including British shipbuilders, NEI Ltd, Ferranti and GEC.

The Minister for Trade has also signed a similar understanding for a housing programme in Algiers which could bring contracts worth between £600 and £700 million for UK construction companies, while the third such major agreement, signed with the Egyptian Government in May, provides the prospect of contracts worth well over an initial £150 million for the Cairo Wastewater project.

EXPORT CREDITS GUARANTEE DEPARTMENT

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1. Activities and achievements in 1981*

a. General. In 1981 the Export Credits Guarantee Department maintained its support for British companies trading overseas. Overall, the total value of exports insured by ECGD topped £17 million for the first time, an increase of 5 per cent over the previous year. In the same period ECGD's system of bank guarantees and buyer credit loans provided British exporters with some £3.3 billion of credit finance at preferential rates of interest - another record figure.

b. Record Claims Payments. The value of claims paid by ECGD to UK exporters totalled £288 million. This was 9 per cent up on the previous year's record total and reflected the continuing impact of hazardous world trading conditions and the effects of world recession. Of the total over £80 million arose from private buyer defaults and some £180 million from "political" causes, notably the continuing effects of events in Iran and currency transfer delays in a number of third world markets. Despite these large claims payments, ECGD continued to operate its credit insurance service at no net cost to public funds.

c. Growth in ECGD support for capital goods exports and project business. There was a marked increase in the year in the support provided by ECGD in the field of capital goods exports and major project business overseas. In particular, the value of ECGD-backed buyer credit loans - the main financing vehicle for project business - rose by 20 per cent to over £2.2 billion. In the same period the cost of the further support provided by the Government through ECGD to make up the difference between the preferential "Consensus" rates charged by the banks to exporters and current domestic interest rates rose by over £100 million to £461 million. The year also saw the introduction by ECGD of a special facility to enable the Department to act quickly in support of British capital goods exporters to counter any unusually "soft" mixed credit terms offered by their overseas competitors.

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*Unless otherwise stated, figures relate to the financial year ending 31 March 1981.

Finally, in December the Government announced its intention to seek Parliamentary approval to extend for a further year ECGD's cost escalation scheme for capital goods exporters. It is proposed to extend the scheme until March 1983, albeit with a raised minimum contract level; up from £2 million to £5 million.

d. International "Consensus" on Export Credit Terms. The successful outcome of the October meeting of the participants in the international "Consensus" on export credit terms for capital goods ensured the continuance of this important instrument of restraint against the dangers of an export credit "war". A number of changes to the guidelines were agreed, including a 2.25 to 2.5 per cent increase in minimum interest rates for export credit and the introduction of more rigorous requirements for the prior notification of mixed credits. For the UK, the increase in minimum interest rates will produce a substantial public expenditure saving in the cost of supporting these rates.

2. Outlook for 1982

Present indications are that in general the volume of ECGD business is holding up well in 1981/82. In particular, there are signs that the growth in ECGD support for major projects is accelerating. Provisional returns indicate that in the period September to April 1981 the value of new buyer credit signings was - at £2.7 billion - higher than for the whole of 1980/81 and more than double the value recorded for the same six months of 1980. Even allowing for the well-known "lumpiness" of project business, this suggests a continuing record of success for British exporters in the project field, supported by ECGD.