

GR 1200
CONFIDENTIAL
FM WASHINGTON 180030Z NOV 82
TO PRIORITY FCO
TELEGRAM NUMBER 3742 OF 17 NOVEMBER 1982
INFO PRIORITY UKREP BRUSSELS AND UKMIS GENEVA

CONFIDENTIAL

USA
2

ms

VISIT TO WASHINGTON BY LORD COCKFIELD, SECRETARY OF STATE FOR TRADE.

1. LORD COCKFIELD, ACCOMPANIED BY LADY COCKFIELD, PAID A HIGHLY SUCCESSFUL VISIT TO WASHINGTON FROM 14-17 NOVEMBER. IN THE COURSE OF A STRENUOUS PROGRAMME, WHICH INCLUDED CALLS ON KEY FIGURES IN THE ADMINISTRATION, A SPEECH, WHICH WAS VERY WELL RECEIVED, TO THE INTERNATIONAL INSTITUTE FOR ECONOMICS AND INTERVIEWS WITH THE MEDIA, HE ACHIEVED HIS BASIC OBJECTIVES OF GETTING TO KNOW HIS OPPOSITE NUMBERS AND SETTING OUT CLEARLY THE BASIC BRITISH STANDPOINT OVER THE BROAD RANGE OF CONTEMPORARY AND CONTROVERSIAL SUBJECTS. I AM QUITE SURE THAT HIS AMERICAN OPPOSITE NUMBERS APPRECIATED THE LUCIDITY AND FIRMNESS WITH WHICH LORD COCKFIELD SET OUT HIS OWN VIEWS AND THE COURTESY WITH WHICH HE LISTENED TO THEIRS.
2. IN HIS CALL ON DARRELL TRENT, DEPUTY SECRETARY FOR TRANSPORTATION, THE MAIN DISCUSSION WAS OF BAA USER CHARGES. THE SECRETARY OF STATE EXPLAINED DISADVANTAGES OF ARBITRATION IN OUR VIEW: EXPENSE, DELAY AND DANGER OF POLITICISATION. TRENT SAID THAT AN INTERAGENCY DECISION HAD BEEN TAKEN TO SEEK ARBITRATION, BUT THE DETAILS (ESPECIALLY FINANCIAL APPROPRIATIONS) REMAINED TO BE SETTLED. THE ADMINISTRATION WAS UNDER PRESSURE FROM CONGRESS AS WELL AS THE AIRLINES. DISCUSSION ALSO COVERED RECENT AGREEMENT ON AIR TRAFFIC RIGHTS: AND SHIPPING ISSUES, ON WHICH VIEWS WERE VERY CLOSE.
3. IN DISCUSSION WITH ECKES, CHAIRMAN OF THE INTERNATIONAL TRADE COMMISSION (ITC), LORD COCKFIELD EXPRESSED CONCERN THAT THE ITC HAD APPLIED AN EXTREME TEXT OF MATERIAL INJURY IN THE STEEL CASES. ECKES REPLIED THAT THE COMMISSION WAS BOUND BY THE LAW AND CONGRESSIONAL INTENT WHICH WERE CONSISTENT WITH THE GATT SUBSIDIES CODE.
4. AT STATE DEPARTMENT, LORD COCKFIELD SAW WALLIS, UNDER SECRETARY FOR ECONOMIC AFFAIRS. DISCUSSION COVERED PIPELINE AND EXTRATERRITORIALITY, STEEL, PROSPECTS FOR GATT MINISTERIAL MEETING, AND JAPAN. LORD COCKFIELD ALSO RAISED BAA USER CHARGES. WALLIS WAS UNBRIEFED ON THIS BUT PROMISED TO LOOK INTO IT.
5. IN HIS CALL ON SECRETARY OF COMMERCE BALDRIGE LORD COCKFIELD EXPRESSED SATISFACTION THAT THE STEEL DISPUTE HAD BEEN SETTLED. HE REPEATED HOWEVER HIS CONCERN FOR THE FUTURE THAT THE US WAS APPLYING AN EXTREME INTERPRETATION OF SUBSIDY AND MATERIAL INJURY. SECRETARY BALDRIGE EXPRESSED HIS SYMPATHETIC UNDERSTANDING OF THE RESTRUCTURING TASK CARRIED OUT BY BSC. THE ADMINISTRATION'S ROOM TO MANOEUVRE HAD BEEN UNDERMINED BY THE SHARP INCREASE IN STEEL SHIPMENTS FROM EUROPE IN THE FIRST QUARTER OF 1982.

CONFIDENTIAL

16-

6. IN WELCOMING THE LIFTING OF THE PIPELINE SANCTIONS LORD COCKFIELD SAID THAT THE PROBLEM OF EXTRATERRITORIAL JURISDICTION REMAINED AND HE HOPED THAT TALKS COULD BE UNDERTAKEN ON THIS. SECRETARY BALDRIGE EXPRESSED HIS SUPPORT IN PRINCIPLE.

7. LORD COCKFIELD EXPLAINED HIS GREAT CONCERN ABOUT THE IMBALANCE OF TRADE WITH JAPAN AND URGED THAT THE US SHOULD SUPPORT THE EC'S ARTICLE XXIII ACTION IN THE GATT. SECRETARY BALDRIGE SAID THAT THE US HAD BEEN INITIALLY RESERVED ABOUT THIS. HOWEVER THEY HAD TALKED TO THE JAPANESE FOR TWO YEARS AND THEY NOW NEEDED ACTION. HE WOULD ENCOURAGE THE ADMINISTRATION TO LOOK AGAIN AT ARTICLE XXIII.

8. IN DISCUSSION OF THE GATT MINISTERIAL BALDRIGE REFERRED TO TRADE IN SERVICES AND LORD COCKFIELD EXPRESSED SUPPORT FOR THE US IN SEEKING AN EFFECTIVE WORK PROGRAMME ON SERVICES. MORE GENERALLY IT WAS DIFFICULT TO FORECAST THE OUTCOME OF THE MINISTERIAL. UNREASONABLE EXPECTATIONS MIGHT BE ONE CAUSE OF PERCEIVED FAILURE. A WORTHWHILE OUTCOME WOULD BE ENDORSEMENT OF FREE TRADE BUT THIS MUST INCLUDE SOLUTIONS TO SPECIFIC PROBLEMS WHICH WERE PUTTING THE SYSTEM UNDER STRAIN. SOME WAY MUST BE FOUND OF BRINGING THE NEWLY INDUSTRIALISED COUNTRIES TO ASSUME GREATER OBLIGATIONS UNDER THE GATT. BALDRIGE SUGGESTED THAT A REASONABLE OUTCOME WOULD BE CONFIRMATION OF GENERAL PRINCIPLES, STRENGTHENING OF SAFEGUARDS, STUDY OF SERVICES AND AN AGREEMENT TO MEET AGAIN IN TWO YEARS' TIME. THIS WOULD BUILD SOME HOPE FOR THE FUTURE.

9. IN HIS CALL ON AMBASSADOR BROCK, LORD COCKFIELD REPEATED HIS CONCERNS ABOUT THE STEEL CASES AND ABOUT EXTRATERRITORIAL JURISDICTION. BROCK SAID THAT AN INTER-DEPARTMENTAL GROUP ATTENDED BY REGAN, BALDRIGE AND HIMSELF AMONG OTHERS HAD JUST MET FOR A FIRST EXCHANGE ON HOW TO CARRY FORWARD INTERNATIONAL DISCUSSION ON EXTRATERRITORIALITY. THE AMERICANS HAD THEIR CONCERNS TOO (VREDELING). BROCK ALSO LOOKED FORWARD TO DISCUSSIONS ON SUBSIDIES.

10. ON THE GATT MINISTERIAL, LORD COCKFIELD EXPRESSED DISAPPOINTMENT ABOUT THE CURRENT POSITION ON SERVICES AND HIS SUPPORT FOR THE US EFFORT TO MOVE THIS. HIS GENERAL POSITION ON THE MINISTERIAL HAD BEEN SET OUT IN THE HOUSE OF LORDS ON 20 OCTOBER. BROCK SAID THAT SERVICES WAS A BOTTOM LINE ISSUE FOR THE US IN EVALUATING THE SUCCESS OR THE FAILURE OF THE MINISTERIAL.

11. THE SECRETARY OF STATE ASKED BROCK ABOUT JAPAN AND THE US VIEW OF ARTICLE XXIII ACTION. BROCK REPLIED THAT THERE HAD BEEN NO PROGRESS IN BILATERAL DISCUSSIONS WITH JAPAN, THE AMERICANS WERE THEREFORE NO LONGER WORRIED THAT THE JAPANESE WOULD RESENT THE US AND EUROPEANS QUOTE GANGLING UP UNQUOTE AGAINST THEM. WHILST HE WAS NOT SURE WHETHER THE US WOULD TAKE THE ARTICLE XXIII ROUTE OR SOME METHODS OF ITS OWN, HE WOULD CERTAINLY EXPLORE THE GATT OPTION. IT WOULD BE EASIER FOR THE US TO JOIN IN IF THERE WAS SUPPORT FROM SOME ASEAN COUNTRIES, SO AVOIDING A WHITE-YELLOW CONFRONTATION.

12. LORD COCKFIELD ASKED ABOUT PROTECTIONISM IN THE UNITED STATES. BROCK SAID THAT THE MID-TERM ELECTIONS HAD ADDED BETWEEN 20 TO 40 VOTES IN FAVOUR OF DOMESTIC CONTENT LEGISLATION. THE US FACED A RISING DEFICIT AND A PERSISTING HIGH DOLLAR. THE DOMESTIC CONSTITUENCY FOR FREE TRADE WOULD BE OVERWHELMED IF THE GATT MINISTERIAL FAILED, IF JAPAN WERE NOT DEALT WITH AND IF THE AGRICULTURAL PROBLEMS WITH EUROPE CONTINUED. HE WAS ESPECIALLY BITTER ABOUT FRANCE IN THE LATTER CONTEXT. THERE WAS AGREEMENT IN THE ADMINISTRATION ON FINDING WAYS OF DEALING WITH EUROPEAN AGRICULTURAL SUBSIDIES. LORD COCKFIELD REFERRED TO THE HEAVY US SURPLUS IN AGRICULTURAL TRADE WITH THE COMMUNITY. HE ADDED THAT THE UK HAD SERIOUS RESERVATIONS ABOUT CERTAIN ASPECTS OF THE CAP. BROCK REMARKED THAT THE FRENCH IN PARTICULAR WERE EXPOSED TO US COUNTER-ACTION IN THIRD MARKETS. WERE IT NOT DIFFICULT TO FIND AN INSTRUMENT WHICH WOULD NOT DAMAGE AUSTRALIA AND NEW ZEALAND, THE US WOULD ALREADY HAVE ACTED. LORD COCKFIELD POINTED OUT THAT THE ISSUES WERE CLOUDED BY DISAGREEMENT OVER BASIC FACTS. OECD FIGURES, FOR EXAMPLE SUGGESTED THAT OFFICIAL EXPENDITURE ON AGRICULTURE WAS MUCH THE SAME IN THE US. AS IN EUROPE THE UK WOULD SUPPORT THE US IN SEEKING A STUDY IN THE GATT.

13. LORD COCKFIELD EXPRESSED STRONG DISAPPOINTMENT THAT CONGRESS HAD OVERRIDEN THE PRESIDENT'S VETO ON THE MANUFACTURING CLAUSE. BROCK DESCRIBED THIS AS A RIDICULOUS AND UNNECESSARY LAW WHICH WOULD BE CHANGED SOME DAY.

14. THE SECRETARY OF STATE ALSO GAVE A SPEECH TO THE INTERNATIONAL INSTITUTE FOR ECONOMICS. THIS WAS WELL RECEIVED BY AN INFLUENTIAL AND PROFESSIONAL AUDIENCE AND WAS FAVOURABLY REPORTED IN THE WASHINGTON POST. HE ALSO HELD A DISCUSSION OF INTERNATIONAL ECONOMIC ISSUES AT THE BROOKINGS INSTITUTION, GAVE AN INTERVIEW TO NATIONAL PUBLIC RADIO AND HAD A MEETING WITH LOCAL REPRESENTATIVES OF THE BRITISH PRESS.

15. ALL IN ALL A VALUABLE VISIT WHICH HAS ADMIRABLY REINFORCED OUR WORK HERE.

FCO PLEASE PASS TO PS MINISTER FOR TRADE.

WRIGHT

STANDARD
NAD
TRED

COPIES TO
PS/MINISTER FOR TRADE

COPIES SENT TO
No. 10 DOWNING STREET

3

CONFIDENTIAL