



From the Secretary of State

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The Rt Hon Francis Pym MC MP
 Secretary of State for
 Foreign and Commonwealth Affairs
 Foreign and Commonwealth Office
 Downing Street
 London
 SW1A 2AL

Prime Minister

Content will then general
 approach to the November
 GATT meeting, subject to the
 views of OD (E) colleagues?

A.F.C. 4/6

Yes
 M.I.

17 June 1982

Dear Francis,

THE GATT MINISTERIAL MEETING

The Contracting Parties to the General Agreement on Tariffs and Trade (GATT) are to meet in November 1982 at Ministerial level for the first time since 1973, as was decided last year in the framework of the Ottawa Economic Summit. This will be an important meeting, as the open multilateral trading system based on the principles of the GATT is under greater pressure than ever before. This was recognised at the Versailles Summit, where the declaration referred to the importance of resisting this pressure and strengthening the open world trading system as embodied in the GATT.

The EC Foreign Affairs Council is expected to receive shortly a first Communication from the Commission which will reflect the degree of progress so far achieved for the GATT Ministerial meeting. In preparation for this stage, officials have been developing United Kingdom positions on the various points expected to come up (both in the Cabinet Office machinery and in an Inter-Departmental Group on the GATT Ministerial Meeting under Department of Trade chairmanship), under the overall direction of the Minister for Trade, who will attend the meeting. The attached agreed note represents a distillation of the results so far.

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I recommend this note, so far as it goes, to my colleagues. I should warn, however, that it can only deal with the position as it has so far evolved. Although the bureaucratic preparatory machinery in Geneva has laboured mightily, it has not so far defined in any clear way what exactly will be the key policy issues Ministers will need to decide upon in the autumn or to delineate the possible trade-offs. It is difficult to discuss how far it will be possible in the preparatory work to elaborate or settle substantive (as distinct from procedural) Ministerial decisions. It is possible, however, to forecast what some of the key issues will be:-

- (a) the use of safeguard measures (paragraphs 8-13) was intended, during the Tokyo Round, to be regulated by a detailed agreement or code of the type that was then agreed for standards and technical regulations, Government procurement and other topics. When these negotiations broke down in the Summer of 1979, EC intransigence was generally blamed by developing countries. The issue is very contentious within the EC as it lays bare fundamental divergences between open market and protectionist approaches to trade policy. The issue has acquired an exaggerated political importance beyond its economic significance, so there is no doubt that unless at least a substantial interim agreement can be reached on this topic this year, many voices will assert that the Ministerial Meeting has failed.

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- (b) on agriculture (paragraphs 15-16), traditional agricultural exporters are in full cry against the CAP; the EC is accordingly on the defensive. The Commission seem to be showing some signs of tactical flexibility. Although the Community will have little room for manoeuvre, a frontal clash may be avoided.
- (c) two aspects of policy in relation to developing countries (paragraphs 17-19) will be important. It is becoming widely accepted in developed countries that policies have to be devised to persuade newly industrialising countries (NICs) over a period to adapt to the GATT disciplines as operated by developed countries. The particular language used for this in the late 1970s ("graduation") is increasingly seen as politically counter-productive, and alternative approaches are being looked at in the OECD and elsewhere. but they may not be ready by November and in any case the Ministerial Meeting is probably not the best place to advance policies that involve accentuating distinctions between developed countries. Secondly, the numerous Ministers from poorer developing countries will come with expectations that will be impossible to satisfy to any considerable degree. But it would be most unwise to send them away completely empty handed, six months before UNCTAD VI. In addition to the limited possibilities on tropical products, and whatever angles of interest to them can be developed on other topics, I understand that some tentative consideration is being given to strengthening the GATT Secretariat's technical assistance to developing countries. This is, we believe,

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of greater help to them than many more ambitious, political and expensive programmes in other bodies; if this idea develops, we may need to pay our share, perhaps a few hundred thousand pounds per annum. We shall naturally be in touch with the Treasury and ODA if this idea develops.

- (d) there are the United States issues (paragraphs 21-29). They have devised a set of topics rather remote from from usual GATT business but responsive to their own domestic concerns, and are forcing them forward with characteristic insensitivity? The topics include trade in services, investment issues, trade in high technology products and counterfeiting. For the good of United Kingdom/United States trade relations generally we should avoid being unnecessarily negative about these ideas, and indeed some of them may reflect specific United Kingdom interests, eg trade in services and counterfeiting. But we should also ensure that it is, as far as possible, the United States which pays any price that has to be paid in GATT, especially to developing countries, for getting some of them on the table.

only very important to us.

It follows from its general shape that the GATT Ministerial Meeting is unlikely to offer major opportunities to pursue our specific preoccupations on trade with Japan. Nevertheless, work on safeguards and on services touches these preoccupations and could produce results which are helpful to our efforts to redress the present gross imbalance in our trade with Japan.

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Finally, I should draw colleagues' attention to a point on the wider context of this meeting. It is correctly argued that it is not modelled on the last Ministerial Meeting in 1973 in Tokyo, which launched the Tokyo Round of Multilateral Trade Negotiations. This is clearly right - for instance, the staged tariff cutting process then agreed will still have over four years to run. On the other hand there are some pressing issues which may require to be addressed in formal, if limited, negotiations before these custs are over. Leading candidates might be trade with NICs (see paragraph 18 of the note) and agricultural trade. Further, do we want to face UNCTAD VI with no GATT negotiations even on the horizon? At this stage we should, I suggest, be careful to avoid excluding too much, and keep open minds about what we might consider in the autumn in the way of limited negotiations, or talks about negotiations, after the Ministerial Meeting.

If you and colleagues are content with these orientations, we will be guided by them in the initial round of discussions in the Community, and I will make further recommendations in due course when the main points for decision are clearer.

I am sending copies of this letter to the Prime Minister, to the members of OD(E) and to Sir Robert Armstrong.

*Yours,
Arthur*

LORD COCKFIELD

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THE GATT MINISTERIAL MEETING

Note by Officials

The Contracting Parties to the General Agreement on Tariffs and Trade (GATT) are to meet at Ministerial level for the first time since the Tokyo Round of Multilateral Trade Negotiations was launched in 1973, in November in Geneva. This note presents to Ministers in summary form the main issues that are expected to arise, as a basis for consideration of the overall UK stance towards the meeting. It is not intended to duplicate the much more detailed notes that have been prepared by the Departments concerned on the individual topics and considered by the Interdepartmental Group on the GATT Ministerial Meeting under Department of Trade chairmanship.*

2 The preparatory process for the Ministerial Meeting is still at a relatively early stage in Geneva. A Preparatory Committee was established in December 1981 but only recently have attempts started to marshal the wide range of possible topics that have been suggested for Ministerial attention in a way that will be manageable for a meeting of Ministers lasting only some four days.

3 At present it appears that the issues will be grouped under three broad headings:

- (a) a political declaration, of which the centre-piece will clearly be a re-affirmed determination to resist protectionism.
- (b) a group of decisions to be taken by Ministers. This implies a group of substantial problems on which there has been sufficient progress that Ministers can settle a final outcome, or can lay down sufficiently settled guidelines that final decisions can be reached in short order. The importance of this category is that without either progress on outstanding problems, or a plausible

*The papers of this Group are available on request from International Trade Policy Division, Department of Trade, to any Department not represented on the Interdepartmental Group.

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appearance of it, the protestations in the political declaration of commitment to the open trading system and resistance to protectionism will, in current circumstances, seem exceedingly hollow.

- (c) problems which it can be agreed that the GATT needs to tackle in its work programme for the new few years.

The Community Dimension

4 The vast majority of questions addressed in the GATT are part of the common commercial policy of the European Community and hence fall under the exclusive external competence of the Community under Article 113 EEC. The pattern in the GATT is that, after establishment of a common position within the Community, the Commission alone speaks for the Community. This is broadly how the Community will approach the GATT Ministerial Meeting. But

- (a) it has been agreed that, whatever the formal position, the Ministers of the Member States will be entitled to speak. Given the divergences in the approaches to trade policy currently reigning in the different Member States of the Community, this may lead to a somewhat variegated Community approach.
- (b) trade in services, unlike trade in goods, is a topic on which external competence is divided between the Community and the Member States (and in investment matters it lies almost entirely with Member States) and it is therefore legitimate for the Member States to speak with more distinctive voices.

5 The Community preparatory process at Ministerial level is only just beginning. The latest indications are that the Commission hopes to put a Communication to the Council shortly, but not in time to be discussed at the 21/22 June Foreign Affairs Council. There will then be an oral Commission presentation by Vice-President Haferkamp, and a first Ministerial discussion. A more substantial discussion of the Commission Communication is expected in July.

Overall UK Objective

6 The prolonged recession has resulted in a period of strong and increasing protectionist pressures. So far the temptation to react to these by protectionist measures has been largely, but not wholly, resisted. Particular current tensions in the developed world are between the US and the EC on steel and agriculture, and between both and Japan. Pressure to prove the relevance of the GATT to the trade problems of developing countries will increase as UNCTAD VI (May 1983) approaches. UK interests lie in the maintenance of an open trading system and from our point of view it is therefore very important that the Ministerial meeting should show that these protectionist tendencies can be controlled. This means that we should work for a political declaration and a set of decisions on specific issues which, taken together, can be seen as an adequate response to this need. For this purpose we should try to avoid excessive advance expectations developing, and try to facilitate a successful outcome in deciding on where to put our weight in the EC, and on what adjustments to our own policies on specific points may be tolerable.

Specific Topics

7 This note now turns to consider briefly in turn the main subjects the Ministerial Meeting may be called upon to address. It is a mixture of major outstanding problems from the 1970s with new problems that, notably, the Americans are trying to put on the GATT agenda for the 1980s. Many other topics of much importance in the GATT are to some extent in a siding because they were the subject of agreements in the Tokyo Round. The relation of these topics to the Ministerial Meeting is considered in more detail in para 14 below.

Safeguards

8 Article XIX of GATT provides for emergency action, notwithstanding GATT commitments, where sharp increases in imports cause or threaten serious injury to domestic industry. As protectionist pressures have increased since the early 1970s, problems over when it is justifiable to invoke Article XIX and over measures which, though not formally based on Article XIX, have a similar protective effect, have become

of much greater importance. This problem is of the first importance for two groups of trading partners. The developing countries have seen their access to developed country markets in textiles and clothing, manufactures in which they have a substantial competitive advantage, heavily restricted through successive phases of the Multi-Fibre Arrangement, effectively an alternative to massive recourse to Article XIX measures, and fear the same could happen in other sectors as their competitiveness improves. Then there are smaller developed countries who cannot force negotiated measures having a safeguard effect on supplier countries, and fear the diversionary effect on their markets if large trading partners force such measures on Japan and other very competitive suppliers, notably in East Asia.

9 Safeguards were, undoubtedly, the great negotiating failure of the Tokyo Round of Multilateral Trade Negotiations (MTNs). The negotiations failed largely because the European Community, with the UK in a leading role at that time (1978), attached itself firmly to the concept of selectivity and the need for explicit recognition of its legitimacy. Selectivity is the idea that emergency safeguard action can be taken against the particular supplier of the surge of imports which is threatening serious injury to domestic industry and not against all suppliers, that is on a Most Favoured Nation (MFN) basis. Despite our argument that selective action was likely to be less restrictive than MFN action, the developing countries (understandably) took the view that this idea was primarily aimed at them and in 1979 in the conclusion at the Tokyo Round, and at UNCTAD V, committed themselves firmly against it. Nevertheless, viewing safeguard actions and actions with a safeguard effect as a whole, it is clear that in recent years there has de facto been a trend towards selective action.

10 Another element is "discipline". The idea that there should be more closely defined criteria on when it is legitimate to invoke Article XIX: how sharp the increase in imports ought to be, what constitutes serious injury to a domestic industry and so on. It is also argued that safeguard measures should only be taken for a limited

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time and that they should be degressive: their protective effect should diminish over time. And some seek to link the safeguard issue with structural adjustment, the idea that domestic industry which cannot compete internationally, particularly with developing country competition, should be phased out rather than permanently sustained by protective measures.

11 An element that has developed more recently is "transparency": measures having a safeguard effect, as well as formal Article XIX measures, should be on the table in the GATT and be open for (at least) consultation and discussion. Some of the measures are negotiated between industries and hence are not formally the responsibility of governments, though governments often have an important role behind the scenes in the negotiations. It seems less than sensible that measures having important trade effects, and described in the press in more or less detail, should be quite outside the multilateral framework. It is important to assess how far greater openness about such "grey area" measures in the GATT might diminish the willingness of East Asian suppliers to reach such arrangements. If this happened to a significant extent we might more often be faced with a clear decision whether or not to invoke Article XIX to protect a threatened sector.

12 The current UK position is broadly as follows:

- (a) Selectivity; in 1978 the EC was led into a relatively protectionist position because it espoused selectivity (on which the UK took the lead); formally the EC remains committed to the June 1978 mandate which proved un-negotiable in the Tokyo Round. Since 1979 the UK has been working to detach itself and EC from this point without damaging our substantive position and ability to protect UK industry where necessary, and the present Government has not committed itself

to selectivity as an important trade policy objective. Firm recommitment to selectivity by the EC or the UK would now be seen as protectionist in intention, so we should leave time and practice to establish that selectivity happens in the real world, and not press for multilateral acceptance of its legitimacy.

- (b) Discipline; we cannot accept that safeguard or equivalent measures should be subject to phasing out in a fixed timetable or to fixed criteria for the application of Article XIX. However the principle of degressivity, measures diminishing in protective effect over time, is more attractive and should encourage industry to think in terms of re-adjusting.
- (c) Transparency; offers scope for real progress. It seems desirable to get international credit for discussing, without commitment, arrangements already substantially public.

13 Safeguards is a point where many countries feel it is important to reach some agreement, even if relatively unsatisfactory, to avoid major contention and disruption at the Ministerial Meeting itself. So there may be an intensive effort to make progress on it before November. As the negotiations develop the issues will be put to Ministers for decisions. To secure agreement we may need to go further than we would ideally like, but we have to bear in mind that the negative impact of publicised failure on safeguards at Ministerial level would be very serious for the open trading system as a whole. We should not find ourselves too exposed if we aim to keep in the middle in the Community; the French and often the Belgians, Irish and Italians will find themselves in more difficulty than we do.

Tokyo Round Agreements on non-tariff barriers

14 In the Tokyo Round, agreements ("Codes") were concluded on several major types of non-tariff barriers. These agreements clarified and amplified the application of the various provisions of the General Agreement to differing types of non-tariff barrier to trade. The agreements covered Technical Barriers to Trade, Government Procurement, Subsidies and Countervailing Duties, Anti-dumping Duties, Customs Valuation, Import Licensing Procedures and Trade in Civil Aircraft, together with the Arrangement Regarding Bovine Meat and the International Dairy Arrangement. For technical reasons to do with the difficulty of amending the text of

the GATT these agreements are in the form of separate agreements more or less closely linked to particular provisions of the GATT. Each is under the management of a Committee of Signatories, which has the power to amend its Agreement. Developing countries have, by and large, been reluctant to accede to these agreements in spite of considerable efforts to incorporate attractive treatment for them. Therefore the development of obligations in these agreements is effectively under the control of the Committees of Signatories in which developing countries are less influential than they are in the GATT as a whole. We wish to prevent the Ministerial Meeting interfering too much in relation to topics covered by these agreements; otherwise non-signatory developing countries will get the advantage of being able to control the development of the GATT on these points without undertaking the corresponding obligations. To avoid the Ministerial Meeting becoming the occasion for developing country pressure on the Committees of Signatories, efforts are being made in the various Committees of Signatories to develop some generally acceptable propositions in relation to their subject matter which Ministers can be asked to endorse. So far these efforts range from proposals to amend the text of one Agreement (Customs Valuation), to cover certain developments since its inception, to preparation of detailed reviews of the work of Committees of Signatories which Ministers could be invited to note with satisfaction. It seems essential to maintain the general developed country policy of encouraging more developing countries to accede to the various agreements, although particular caution will be needed in relation to the Government Procurement Agreement, as in this case accession of more developing countries may lead, in time, to greater competition in our domestic markets without, in practice, corresponding opportunities for our own exporters.

Agriculture

15 Agriculture will be a major topic in the framework of the Ministerial Meeting. Relatively little progress on agricultural questions was made in the Tokyo Round, and indignation against the CAP among traditional agricultural exporters such as Argentina, Australia and New Zealand has not diminished, and in the United States has strengthened. This reflects increased domestic agricultural problems and concern

at growing surpluses in the Community will damage prospects for them on world markets. The EC will therefore inevitably be on the defensive. A row over agriculture at the GATT Ministerial Meeting would not contribute to a constructive outcome on other aspects of the discussions.

16 Our best approach is to play a quiet role over the coming months while getting ourselves into the position to contribute, if possible, towards finding some accommodation between the interests of the Community and those of third countries. We have domestic interests which will have to be weighed (eg on exports of processed foodstuffs) though anything the Community as a whole may be ready to accept is unlikely to prejudice us. At this stage the most promising prospect seems to be the establishment of an Agriculture Committee in the GATT. This could have the advantage of providing a formal forum in the GATT where agricultural problems can be discussed. There has been such a forum in the past but not in recent years and its establishment would support the Community position that there are some specific problems and issues to be addressed in agriculture against the position advocated, for instance, by the Australians, that the rules of trade for agriculture should be switched without more ado to those that govern industrial products.

Developing Countries

17 Trade with developing countries throws up two main pressures in relation to the Ministerial Meeting. Developing countries are continuing their traditional pressure for import concessions by developed countries on tropical products (mostly agricultural) and continue to press their full range of grievances against the developed world. On the other hand, the developed countries are keen that newly industrialising countries (NICs) should benefit less from the special status conceded in the GATT to poor developing countries and as their economies strengthen should increasingly be prepared to subject their trade to the regime generally adopted by developed countries. This approach has been labelled "graduation" and has as a matter of principle been resisted by developing countries collectively. The main progress made by developed countries in recent years in persuading NICs to liberalise has been through the exercise of strong bilateral pressure, as by the Americans on the Brazilians. A public multilateral meeting such as the GATT Ministerial Meeting can exert pressure on NICs

ly if sensibly handled, although there is strong pressure on some developed country governments such as our own and the Americans, to be seen to be doing something about the NICs, which are seen by domestic industry in some sectors as major threats.

18 Various approaches are under consideration and may be considered further in the OECD before the GATT Ministerial Meeting. The Secretary-General of the OECD has suggested a new instrument in the GATT, involving commitments by developed countries not to misuse safeguards, to promote structural adjustment, and in return, trade reforms by the NICs which would involve them giving up some at least of the privileges associated with developing country status, the attractions of which will be such that NICs will accede to it even though this involves partly giving up their status as developing countries. Without much subtlety, the Americans proposed publicly (at the OECD Ministerial Meeting on 10/11 May) a GATT negotiating round, in which developed countries would offer concessions to developing countries (on products that would otherwise be forced out of generalised schemes of preference) in exchange for better developed country access to NIC markets. The Community is adopting a cautious approach to this last idea. So far our own thinking has been more limited and, we hope more realistic. We are considering a weighty intergovernmental study in the GATT of trade barriers against the exports from developing countries. The idea would be to ensure that this study covered not only developed countries but the more important NICs, so that attention would be paid not so much to the way NICs barriers affect developed country exports, but the way that NICs barriers impede the exports of poorer developing countries. We have not so far launched this idea within the Community but if the ideas coming from the Americans and the OECD Secretariat turn out unrealistic, its moment may come. At the same time, if the American ideas make headway we should work with them while seeking to make them more realistic, and our idea of a study might pave the way for the US ideas.

19 On tropical products, the EC's import regime already compares favourably with those of other developed countries, and the scope for further liberalisation is limited. But the UK ought to be able to contemplate further movement in this area with greater equanimity than some of our partners. Officials are examining the possibilities in detail. UK advocacy of a modest gesture on tropical products should give a boost to our standing with developing countries even if the practical effects are marginal.

Tariffs

20 Tariffs are not expected to figure to a large extent. The cuts agreed in the Tokyo Round are phased and will not be completed until 1987. The Ministerial Meeting may be asked to note the complicated technical negotiations that will be needed in GATT following the expected adoption of a new Harmonised System of tariff nomenclature. The wider implications of this for the UK are being studied, and will be reported to Ministers, separately.

American Priorities

21 It is striking how different from recent GATT priorities the American priority list for the GATT Ministerial Meeting is. The US priorities, announced as far back as last autumn, in addition to agriculture, are trade in services, trade-related investment issues and trade in high technology products. In addition we have some interest in a secondary American objective, counterfeiting. These points are dealt with below.

Services

22 Political pressure on the US Administration to make progress in the Framework of the GATT Ministerial Meeting on trade in services is strong. The Americans now accept privately that the most they can hope for this year is a commitment for the GATT to launch a substantial study programme. So far they have converted the Germans and the Japanese to this approach and we are also sympathetic to it, although we feel that the speed with which the Americans are taking service issues from the OECD to the GATT is ill-judged, given the more protective approach of developing countries. Many developing countries do not see trade in services as a priority for the GATT, and at the international level UNCTAD probably has a better juridical claim to the topic. The Community is prepared to agree to the launch by the Ministerial Meeting of preliminary work for negotiations on trade in services in the GATT, but the fundamental views of the various Member States are divergent. Our interest here is to be seen as sympathetic to the American approach while ensuring that the price which will have to be paid to developing countries to get the issue on to the GATT Agenda is paid primarily by the US.

Investment Issues

23 The Americans worry that intervention by governments in inter-

regional direct investment and incentives for it, linked with performance requirements on such matters are minimum local content and export levels, significantly distort the flows of both investment and trade and tend to undermine the benefits of trade liberalisation.

24 Work on investment is already under way in OECD, the IMF/World Bank and the United Nations. The OECD instruments are the Code of Liberalisation of Capital Movements and the Declaration on International Investment and Multinational Enterprises. Arising from work on investment in developing countries the World Bank, under heavy US pressure, has been considering the impact of incentives and performance requirements on investment and trade decisions on a narrow sectoral basis. In the UN there have been negotiations since 1977 (under developing country - Soviet Bloc pressure) for a code of conduct on transnational corporations: transfer pricing and other issues are under discussion in UNCTAD and there seems little useful purpose to be served in bringing them into the GATT.

25 However the Americans seem over-ready to assume that regional problems they have with Canada and Mexico reflect distortions at the global level and have ideas of developing a "GATT for investment" which we regard as over-ambitious and in some respects potentially harmful to UK interests. UK industrial policy lays considerable stress on the value of inward investment. Although there are superficial attractions in action to restrain international competitive bidding through incentives, the introduction of new rules could leave us worse off in terms of our ability to attract investment, particularly as such restrictions would be likely to bite harder on the UK, with its relatively open and centralised system of incentives, than on others. Trade related performance requirements have not been a prominent feature of our incentive arrangements but there has been some increase in their use - Nissan is a prominent current example. Even if these could be treated in isolation (which is not likely), we would need to think carefully before agreeing to measures which would limit our freedom of action for what could be very uncertain benefits.

26 Bilateral agreements on investment in which LDCs are often prepared to be more forthcoming than in public negotiations at the UN, offer a better approach to the problem of fair treatment. But there is a risk that the US initiative could undermine useful results already emerging from such agreements.

27 Bringing investment issues into the GATT on a broad front is strongly resisted by developing countries and, for obvious reasons, by the Canadians. Given this, it may be that neither we nor the Community need to take a prominent position in opposing the American ideas; our objective should be to limit GATT involvement in investment issues to investigation of specific complaints on infringement of GATT provisions. A US complaint of this type against Canada is already being processed in the GATT machinery.

High Technology

28 Alleged problems distinctive to trade in high technology products have been a high priority for the Americans for many months. But they have been very slow to define what they mean. Recently they have suggested that because of the unique characteristics of trade in high technology products, distortions of trade may exist in areas not so far considered by GATT, such as "industry targetting" and Government-financed R & D. They also consider that these problems may not be satisfactorily addressed where they fall under existing GATT agreements such as the Government Procurement Agreement and the Agreement on Technical Barriers to Trade. They propose a work programme to examine the problems, barriers and disincentives to see how they are tackled under existing GATT agreements, and whether revisions or new agreements are needed to deal with the unique problems of this sector, and so on. It is premature to take a final position until we have a clearer view of what the Americans' underlying concerns are, but we can take the line that they have not yet established that there are problems unique to the high technology sector sufficient to justify such an elaborate programme. The US approach is certainly not one that will commend itself to developing countries.

Counterfeiting

29 Since about 1978 the Americans have been trying to get a GATT agreement on measures to combat commercial counterfeiting. The Community has in principle supported this idea, but has considerable administrative difficulties reflecting the varying roles of Customs and judicial authorities in the different Member States. The Americans are pressing for there to be an agreement in the GATT in time to be endorsed by Ministers in November. This is likely to cause difficulty with developing countries who are not keen on the subject and argue that it is properly the preserve of the World Intellectual Property Organisation (WIPO). Domestically a GATT agreement on counterfeiting would be welcome

to industrial interests though they are under no illusion that the type of text likely to be agreed will lead to a major improvement in anti-counterfeiting measures in other countries. If the Americans can get an agreement negotiated this year we should support this, but should be careful to avoid paying a significant price to developing countries for their acquiescence.

Conclusions

30 This conspectus of the specific issues illustrates that agreement on specific decisions by Ministers and a work programme for the future in the GATT will not be easy. So our objective within the Community should be to steer it in ways that are helpful both to the UK's own objectives and enable it to make a constructive contribution in Geneva.

14 June 1982



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

30 June 1982

Lord Cockfield
Secretary of State for Trade
1 Victoria Street
London SW1

N. S. P. R.

A. J. C. 4/2

f.a.

Dear Arthur,

GATT MINISTERIAL MEETING

I was interested to read your letter to Francis Pym on 17 June, with the attached note by officials, and can sympathise with your difficulty in making firm recommendations on our line at this relatively early stage. I am broadly content with the line suggested on the various issues but there are one or two points of particular interest to me on which I should like to comment.

2 The first relates to the developing countries, in particular the newly industrialising countries (NICs). The domestic pressure to which you refer for us to be seen to be doing something about the privileged position which some of these countries enjoy is very real. I can see the difficulties which you mentioned about advancing in public policies which would accentuate distinctions between developing countries; at the same time I feel we must take the opportunity of this high level meeting to increase pressures on the NICs to take on more of the standard GATT obligations accepted by developed countries. I would, therefore, hope that we can use the American initiative mentioned in paragraph 18 of the paper by officials, however ineptly it has been put forward, to focus attention on this point.

3 My second comment concerns Japan and your suggestion that the work on safeguards envisaged could produce useful results in relation to the current imbalance in our trade with Japan. As you know, there is very strong pressure from industry that the Community should take a much tougher line over this imbalance. None of us have much expectation that the Article XXIII procedure will make for significant changes in the short term. I therefore consider it important that we should not be led into accepting any new agreement or code on safeguards which might damage the voluntary restraint agreements we have with Japan



which help to limit the extent of the imbalance in certain key sectors like vehicles. We have already seen evidence in the reaction of the Japanese Government to moves towards greater transparency in GATT in relation to VRAs that they are very nervous about greater international scrutiny and control of the existing arrangements. Since there does not seem to be any prospect of negotiating tougher safeguard arrangements, I think we need to work out with some care the negotiating position which we will wish to see the Community take, so that we do not weaken the defences we have against a surge in Japanese imports in the name of transparency.

4 Another reason for concern about the position on safeguards is the possibility, however remote, that the current bilateral negotiations under the MFA will fail and that the Community will then have to withdraw from the Arrangement. In this event the Community would need to have the "massive recourse to Article XIX measures" mentioned in paragraph 8 of the paper as the alternative to the MFA. It does therefore seem to me that we need to be very cautious about changes in relation to the existing arrangements on safeguards, whatever pressure we may come under to make progress in this area. I trust that there will be further opportunity for Departments to consider safeguards before any firm decisions are made on the UK line.

5 More generally, and in parallel with the point I made above about the NICs, I feel we must maintain our efforts to get changes in existing Japanese trading practices. Industries currently threatened or being hit by Japanese imports are looking to us to use every opportunity - and the GATT Ministerial Meeting may provide such an opportunity - to bring much more effective pressure on Japan to take steps to liberalise her own import policy and play fair in international trade.

Yours
Peter

130 JUN 1982

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me

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

24 June 1982

The Rt Hon Lord Cockfield
Secretary of State for Trade

Dear AM

Thank you for sending me a copy of your letter to Francis Pym of 17 June about the GATT Ministerial meeting.

I am content with the approach which you outline.

Copies of this letter go to the other recipients of yours.

[Handwritten signature]

GEOFFREY HOWE





RM

Trade

10 DOWNING STREET

From the Private Secretary

21 June, 1982

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Chan
MHFF
Ind
Trade
AG
m/s FCO
RTA

THE GATT MINISTERIAL MEETING

The Prime Minister read over the weekend your Secretary of State's letter of 17 June on this subject. Subject to the views of OD(E) colleagues, she is content with the general approach which Lord Cockfield describes.

On page 4 of his minute, Lord Cockfield refers to certain topics on which the United States is laying emphasis. Mrs Thatcher has commented that these topics (trade in services, investment issues, trade in high technology products and counterfeiting) are all very important to us.

I am sending copies of this letter to the members of OD(E) and to Sir Robert Armstrong.

A. J. COLES

J Rhodes, Esq
Department of Trade

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