



From the Secretary of State

Prime Minister

A.S. Co. 1/12

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John Coles Esq
Private Secretary to the Prime Minister
10 Downing Street
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1 December 1982

Dear John,

EUROPEAN COUNCIL: THE GATT MINISTERIAL MEETING

1 This letter supplements the brief on "Community Relations with other Industrialised Countries" which was completed before the outcome of the GATT Ministerial Meeting was known.

2 First, the GATT meeting itself, though it came close to failure, managed to produce a realistic declaration and commitment to useful studies, notably on services and trade between the developed and developing countries. The outcome could have been much worse. The EC was seen as unhelpfully intransigent, but in fact its attitudes were no more entrenched than those of the United States or some of the developing countries. Any follow-up should be a matter for the Foreign Affairs Council, not Heads of Government.

3 EC/United States relations came under strain on agriculture because of the United States' insistence on getting their way on agricultural subsidies. In the end, however, they compromised, a study being agreed, but the EC declining to commit itself to a further round of negotiations on trade in agriculture. This outcome served the purpose of this meeting. However, the underlying disagreements, particularly over the effects of the CAP, remain. It is not yet clear to what extent the compromise will satisfy United States hawks. In my view they are likely to be critical. It will therefore remain important for the EC to work to avoid an all-out confrontation on this issue. We ourselves of course have a very considerable stake in the matter as the CAP also lies at the heart of the Budgetary problem.

4 If relations were strained on agriculture, EC/United States relations on services were harmonious, largely as a result of United Kingdom efforts to keep the EC position open. Whether this success will be enough to satisfy United States domestic concerns is still uncertain, but the United States has certainly avoided failure on this issue.

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5 Unsurprisingly, since this was a multilateral negotiation, and not a gathering of like minds, the reference to Japan in the Ministerial document is veiled. This makes it all the more important for the EC to continue to press Japan bilaterally to do something to reduce their trade surplus.

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

Yours sincerely,
John Rhodes

JOHN RHODES
Private Secretary

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