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FCO TELSNOs 1046 AND 1068: TORONTO ECONOMIC SUMMIT: TRADE AND AGRICULTURE

1. THE OUTCOME OF THE TORONTO SUMMIT ON TRADE AND AGRICULTURE WAS SATISFACTORY. IT ENDORSED THE IMPORTANCE OF MAINTAINING THE MOMENTUM OF THE URUGUAY ROUND NEGOTIATIONS AND SET THE FRAMEWORK FOR THE PREPARATION FOR THE MID-TERM MEETING (MTM) IN MONTREAL IN DECEMBER.

2. THE COMMUNIQUE (BY BAG TO SOME POSTS) CONFIRMS PUNTA DEL ESTE COMMITMENTS, REPRESENTS A USEFUL ADVANCE ON THE OECD MINISTERIAL COMMUNIQUE IN MAY, AND MORE FIRMLY ESTABLISHES THE POSSIBILITY OF SOME CONCRETE RESULTS BEING AGREED AT MONTREAL. IN PARTICULAR, IT:

- REAFFIRMS THE IMPORTANCE OF A SUCCESSFUL URUGUAY ROUND, AND THE PUNTA LANGUAGE ON STANDSTILL AND ROLLBACK AND EARLY AGREEMENTS WHERE POSSIBLE (TWICE) (PARA 14).
- EMPHASISES THE IMPORTANCE OF THE MTM FOR THE SUCCESS OF THE ROUND, AND THE NEED THEN TO REGISTER TANGIBLE PROGRESS. IT CALLS FOR THE GREATEST POSSIBLE ADVANCE IN ALL AREAS, WITH DECISIONS WHERE APPROPRIATE, AND ADOPTION OF A FRAMEWORK APPROACH ON ALL ISSUES. (PARA 19).
- WELCOMES PROGRESS TOWARDS COMPLETION OF THE SINGLE EUROPEAN MARKET (AND THE US/CANADA FREE TRADE AGREEMENT), WHICH SHOULD SUPPORT THE OPEN, MULTILATERAL TRADING SYSTEM. (PARA 15).
- INCORPORATES A UK-INSPIRED PARAGRAPH (PARA 16) ON STRENGTHENING THE GATT SYSTEM AND IMPROVED DISPUTE

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SETTLEMENT PROCEDURES (ONE OF OUR KEY OBJECTIVES).

- ENCOURAGES THE NEWLY INDUSTRIALISING ECONOMIES (NIES) TO UNDERTAKE INCREASED COMMITMENTS WITHIN GATT (INTEGRATION). (PARA 17).

- RESTATES THE NEED TO MAKE AGRICULTURE MORE RESPONSIVE TO MARKET SIGNALS, AND EMPHASISES THE IMPORTANCE OF THE MTM. IT SUPPORTS EFFORTS TO ADOPT A FRAMEWORK APPROACH INCLUDING SHORT TERM ELEMENTS IN LINE WITH THE LONGER TERM GOAL OF REDUCING ALL FORMS OF SUPPORT AFFECTING AGRICULTURAL TRADE (PARA 18).

- EXPLICITLY RECOGNISES THE USEFULNESS OF A PSE-TYPE MEASURING DEVICE (PARA 18) (FOR THE FIRST TIME: THE OECD COMMUNIQUE REFERRED ONLY TO THE CONTINUATION OF WORK ON PSES WITHIN OECD).

3. WHAT THE COMMUNIQUE DOES NOT, AND COULD NOT DO, IS TO GUARANTEE THAT SPECIFIC RESULTS IN PARTICULAR FIELDS WILL BE ACHIEVED OVER THE NEXT MONTHS. IN MANY AREAS OF THE NEGOTIATION, RELATIVELY LITTLE PROGRESS HAS BEEN MADE, AND ON A NUMBER OF ISSUES FURTHER ADVANCE WILL DEPEND UPON THE WILLINGNESS OF THE MAIN PLAYERS TO MOVE FROM ENTRENCHED POSITIONS. THE DEVELOPING COUNTRIES IN PARTICULAR ARE LIKELY TO MAINTAIN A DEFENSIVE POSTURE UNTIL THEY ARE PERSUADED OF THE BENEFITS OF THE NEGOTIATIONS TO THEM. THE OUTCOME AT MONTREAL MUST THEREFORE STILL REMAIN UNCERTAIN. NEVERTHELESS, THE RECOGNITION (PARA 19) THAT DECISIONS CAN, WHERE APPROPRIATE, BE TAKEN BY THE TIME OF THE MTM ESTABLISHES FOR THE FIRST TIME A LINK BETWEEN THE MTM AND THE PUNTA LANGUAGE ON EARLY RESULTS.

IT ALSO REINFORCES ARGUMENTS AGAINST A NARROW INTERPRETATION OF GLOBALITY (IE PROGRESS IN ALL SECTORS AT THE PACE OF THE SLOWEST). THE PARAGRAPH IS OF GENERAL APPLICATION BUT COMES AFTER THE PARAGRAPH ON AGRICULTURE AND SHOULD (WE THINK) BE READ AS INCLUDING AGRICULTURE. SIMILARLY THE DISCUSSION OF SHORT TERM ELEMENTS IN PARA 18 IS IN THE MTM CONTEXT (THOUGH NOT SPECIFICALLY LINKED TO IT). WE WELCOME THE PUBLIC MESSAGE TO THE NEGOTIATORS TO GET ON WITH THE JOB.

4. THE UK AIM ON AGRICULTURE IS MTM AGREEMENT ON A CLEAR FRAMEWORK FOR LONG TERM REFORM AND SPECIFIC EARLY ACTIONS CONSISTENT WITH THE LONG TERM OBJECTIVES. THE US HAVE SHOWN WELCOME SIGNS OF FLEXIBILITY OVER THEIR INSISTENCE ON A

COMMITMENT TO ELIMINATION OF ALL TRADE DISTORTING SUPPORT BY THE YEAR 2000 AS A PRECONDITION FOR DISCUSSING SHORT TERM MEASURES. BUT IT IS CLEAR THAT THEY HAVE NOT MODIFIED THEIR ULTIMATE GOAL. THEY WILL OPPOSE (AS THE UK WOULD) ANY AGREEMENT ON SHORT TERM MEASURES THAT DOES NOT ALSO ADDRESS THE LONG TERM. IN THE NEAR FUTURE, IT MAY BE DIFFICULT TO PERSUADE THE EC TO GO BEYOND THE REFORMS AGREED IN BRUSSELS IN FEBRUARY, BUT THE EC TOO HAS COMMITTED ITSELF TO LONG TERM GOALS. THE EC MUST NOW BUILD ON ITS OWN SHORT TERM PROPOSALS IN LINE WITH THE LONG TERM GOAL OF REDUCING ALL MEASURES THAT (DIRECTLY OR INDIRECTLY) AFFECT TRADE. TABLING OF THE CAIRNS GROUP PAPER ON QUOTE DOWNPAYMENT UNQUOTE AT THE JULY AGRICULTURAL NEGOTIATING GROUP SHOULD BE HELPFUL IN FOCUSING ATTENTION CONSTRUCTIVELY ON THIS ISSUE.

5. IN SPEAKING TO YOUR CONTACTS, PLEASE DRAW ON THE FOLLOWING.

LINE TO TAKE

TRADE

- THE SUMMIT COMMUNIQUE GIVES A FIRM MESSAGE TO THE GATT NEGOTIATORS BY REAFFIRMING COMMITMENTS MADE AT PUNTA DEL ESTE (IN PARTICULAR THE NEED TO RESIST NEW PROTECTIONIST MEASURES AND PROGRESSIVELY TO REDUCE THE PRESENT BARRIERS TO TRADE), AND EMPHASISING THE IMPORTANCE OF THE MTM, AT WHICH DECISIONS CAN BE TAKEN IF APPROPRIATE.

- THE SUMMIT ENDORSES OUR VIEW THAT TANGIBLE PROGRESS MUST BE REGISTERED ON ALL ISSUES BY THE TIME OF THE MTM. THIS OPENS THE WAY FOR CONCRETE MTM PROGRESS ON ISSUES SUCH AS DISPUTE SETTLEMENT, FUNCTIONING OF THE GATT SYSTEM AND TROPICAL PRODUCTS, AND THE ESTABLISHMENT OF NEGOTIATING FRAMEWORKS IN OTHER AREAS (NEW ISSUES SUCH AS SERVICES, AS WELL AS AGRICULTURE).

- WE ATTACH GREAT IMPORTANCE TO THE STRENGTHENING OF THE GATT SYSTEM ITSELF, AND IN PARTICULAR TO IMPROVING DISPUTE SETTLEMENT PROCEDURES TO ENSURE THAT TRADE DISPUTES ARE RESOLVED SPEEDILY, EFFECTIVELY AND EQUITABLY. THE COMMUNIQUE USEFULLY EMPHASISES THESE ELEMENTS.

- BY REFERRING TO THE NEED FOR NEWLY-INDUSTRIALISED ECONOMIES TO ACCEPT MORE FULLY THEIR GATT OBLIGATIONS, THE COMMUNIQUE REFLECTS OUR COMMITMENT TO THEIR INTEGRATION IN THE GATT ROUND.

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AGRICULTURE

- THE COMMUNIQUE UNDERLINES THE NEED FOR THE FARMING SECTOR TO BECOME MORE RESPONSIVE TO MARKET SIGNALS - OUR UNDERLYING OBJECTIVE IN TACKLING AGRICULTURAL DISTORTIONS.

- THE COMMUNIQUE USEFULLY LINKS SHORT TERM STEPS WITH LONGER TERM GOALS IN THE FRAMEWORK APPROACH OUTLINED IN THE OECD MINISTERIAL COMMUNIQUE. IT DEFINES THE LONG TERM GOAL IN HELPFUL BUT NOT OVER PRECISE TERMS: THE REDUCTION OF ALL SUBSIDIES AND OTHER MEASURES DIRECTLY AND INDIRECTLY AFFECTING AGRICULTURE TRADE, WITH THE OBJECTIVE OF MAKING AGRICULTURE MORE RESPONSIVE TO MARKET SIGNALS. IT USEFULLY CALLS FOR ADOPTION OF THE FRAMEWORK APPROACH AT THE MTM, WHERE THE UK OBJECTIVE IS FOR AGREEMENT ON BOTH LONG TERM AND EARLY SHORTER TERM ACTION. THE COMMITMENT TO TAKE EARLY DECISIONS WHERE APPROPRIATE AT THE MTM WILL BE HELPFUL IN THIS CONTEXT.

- FOR THE FIRST TIME THE USE IN GATT OF A QUOTE DEVICE FOR THE MEASUREMENT OF SUPPORT AND PROTECTION UNQUOTE IS EXPLICITLY ENDORSED BY SUMMIT LEADERS. WE BELIEVE THE USE OF A PSE-TYPE MEASURE WILL BE USEFUL IN DEFINING BOTH THE SHORT AND LONG TERM ELEMENTS OF ANY PACKAGE, AND IN PROVIDING THE LINK BETWEEN THEM.

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