

Trade
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Prime Minister

A.J.C. 20/12.

FCS/82/211


MINISTER FOR TRADE

GATT Ministerial Meeting

1. Thank you for your letter of 6 December. The GATT Ministerial clearly represented a considerable feat of endurance. It was, I think, important for the UK to have been represented throughout at Ministerial level along with the US and the other 'heavyweights' in the Community. I note the kind things you have to say about the performance of the official team. I shall ensure that Peter Marshall and his staff at UKMIS Geneva are made aware of your generous tribute.

2. If I may say so, I think you are to be complimented for the skill with which you played the UK hand. I have been particularly impressed by the obviously genuine expressions of appreciation for the British role which we have had from the Americans and Germans. Your task was far from being an easy one, given, in particular, the UK position as a committed Member of the Community but, nonetheless, one known to have reservations about important aspects of the current operation of the CAP. In the circumstances your informal contacts with the Commonwealth - both developed and developing - and with Brock and Lambsdorff were clearly instrumental in ensuring that the UK emerged from a rather messy negotiation with a significantly better mark than the bare pass which the Americans awarded the meeting as a whole. It is unhelpful

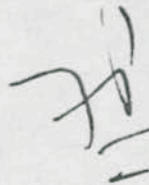
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that the Ministerial should have provided the developing countries with an opportunity to bring more of the working methods of UNCTAD into the GATT. This suggests we should perhaps adopt a 'wait and see' attitude to the possibility of another Ministerial meeting.

3. On the substance of the outcome I can only endorse your assessment. Objectively, it was about as good as anyone could reasonably have expected. It may not do much to help the US Administration resist growing protectionist pressures in Congress. But it should not do anything to weaken their hand either. Given the over-ambitious objectives they set initially, this in itself should perhaps be seen as something of an achievement. The fact that it did, eventually, prove possible for them to secure an agreement on services was obviously a factor of capital importance. Here again, I understand you played a key role in resisting French obstructiveness and ensuring that the Commission retained a mandate from the Council which enabled them to give the US some useful support.

4. I am copying this letter to the Prime Minister, to Members of OD(E) and to Sir Robert Armstrong.



(FRANCIS PYM)

Foreign and Commonwealth Office
17 December, 1982

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From the
Minister for Trade

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Prime Minister
Mr. Lees' report is still
worth reading.

A.J.C. 7/12

The Rt Hon Francis Pym Esq MC MP
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
London SW1

6 December 1982

Stan Francis

GATT MINISTERIAL MEETING

I represented the United Kingdom at the GATT Ministerial Meeting in Geneva from the 24th to the 29th November. In the event, the Meeting proved more testing than even the most realistic and experienced participants (including the United Kingdom) had expected. I attach as an annex to this letter, the main conclusions reached, with my comments.

We had three objectives at the Meeting: not to compromise any essential British interests; to maintain a European Community position; to preserve the GATT and, if possible, to advance work in certain specified fields.

As regards the first objective, we have, through the Community, preserved the right to take selective, safeguard action.

As regards the second objective, in spite of interminable, and not always harmonious, meetings of the Ministerial Council of the Community, which started in Brussels on the 22nd of November and which continued at Geneva intermittently throughout the Ministerial Council itself, the Community presented a united front to the outside world and did not end up isolated. A powerful British/German/Dutch axis developed intent on preserving the GATT and this axis managed to outflank the French whose motives and objectives, as articulated by M. Jobert, were rather obscure and almost certainly not helpful. I did not judge it appropriate either in the Ministerial Council or in the rest of the Conference to take a high profile on the question of the CAP. Nor, incidentally, did Count Lambsdorff.

I did, however, make it clear to Ambassador Brock and to Mr Anthony who appeared initially to be attempting to isolate the Community on agricultural issues, that the pressure from outside would probably retard, rather than accelerate, internal moves to reform the CAP. I also pointed out that an agricultural war, based on subsidised exports, would almost certainly do most damage to New Zealand, and other small producers.



As regards the GATT itself, the negotiations were based on a discussion document which was a synthesis propounded by the Indian Ambassador prior to the Meeting of the various positions taken up by the Contracting Parties. The developing countries, led so far as I can judge, by Colombia, Brazil and India attempted to argue that this document was inviolable, even though various questions, such as Services and disputes settlement, were not adequately covered by it. However by Saturday it had been appreciated by developing countries that a breakdown was likely and negotiations then started in earnest.

The ultimate question then became how far reservations by any major signatory would provoke a number of similar reservations by other signatories and so discredit the outcome. After lengthy Community negotiations, a major reservation on agriculture was entered by the Community. It was not, however, recorded until after the general acceptance of the declaration by the Meeting. The other reservations entered were mainly on the question of trade in Services by certain developing countries who challenged the GATT's competence in this field but were prepared, so far as I could judge, to accept further work .

During the Meeting, negotiations on behalf of the Community were conducted by Commissioner Haferkamp, ably assisted by Sir Roy Denman. Haferkamp did not prove to be an inadequate negotiator. He seemed to retain the goodwill and trust of other parties in spite of the - at times - very difficult negotiating brief given to him by the Council of Ministers. I was not able to judge the quality of the Canadian Chairman of the Meeting, Mr MacEachern. He had admittedly a very difficult task in attempting to reconcile the positions of all signatories. I suspect however that he can be criticised for not having moved the Meeting at an earlier stage from the repetition of prepared positions to serious negotiations on selected problems. He deserves however a measure of sympathy for having undertaken the thankless task and carrying it through to a conclusion.

Two others of the Dramatis Personae deserve special mention. Doug Anthony left before the conclusion of the Meeting and put in a note of dissent from the overall conclusions, which was circulated to many signatories before negotiations had been concluded. He had throughout made agriculture the centre piece of the Australian position - directing himself at the CAP - and proved quite intransigent, due presumably to domestic pressures. He cancelled one bilateral meeting arranged with myself and declined an invitation to dinner. So it proved impossible to have a prolonged discussion with him on GATT issues.

Ambassador Brock had ill-advisedly built up public expectations in the USA prior to the Meeting and suffered from the disadvantage of being accompanied for part of the Meeting by a number



of very protectionist senators. He seemed near to despair at points during the Meeting, but at the conclusion he considered, I think, that he had secured just sufficient - particularly in the fields of trade in services - to return home with some credit. I made a particular point of seeing him at various stages of the meeting and I explained the United Kingdom and the Community's position, which he seemed to appreciate. Whether these efforts and those of Lambsdorff will set the tone for a constructive visit by Shultz and Block to Brussels remains to be seen.

I also made a point of attending the Commonwealth Ministers Meeting convened by Sonny Ramphal the day before the formal opening of the Meeting and seeing several of the Commonwealth Ministers again, in particular my Indian counterpart, Shivraj Patil, during the Meeting itself. No solid identity of view emerged, but I hope that the United Kingdom and the Community's position was better appreciated as a result.

The outcome of the Meeting was modest. The GATT has survived not, I believe, discredited and a small work programme has been set in hand to take it further in several areas. Against the background of a world recession and with acute domestic pressures in each country this should not be underestimated. For the future, I suspect that a gap of nine years between meetings is too much and only serves to raise public expectations. On the other hand an annual meeting would serve to devalue the process. I am giving thought to this question. In view of the dealines built into some of the GATT work programmes, I suspect that another meeting within two or three years would be appropriate. Such a meeting would need to have a much shorter agenda and to be mounted on a different basis.

It will be important to ensure that UNCTAD does not supersede GATT as a forum for trade discussions. At several points Lambsdorff confided to me that the Meeting had "the smell of UNCTAD". Equally it will be important so far as our relations with the developing world are concerned not to appear to devalue UNCTAD.

In conclusion, I would like to pay a special tribute to Peter Marshall and to the joint team from your and my department who worked tirelessly, and with imagination and humour - very often into the early hours of the morning - during the meeting itself and during the months of preparation that preceded it.

I am copying this to the Prime Minister, members of (C) and Sir Robert Armstrong.

Peter Rees



Services

Agreement to a study of trade in services, one of our main aims, proved harder to secure than we had expected, despite successful lobbying of the Brazilians by the US, who were our main allies, and to a lesser extent by the UK. We also made intensive efforts with the Commonwealth, where India was a formidable opponent of the proposal. In the end we managed to secure agreement to a study, on reasonably satisfactory, if not ideal terms.

Agriculture

From the outset the US made clear that it was looking for solutions to agricultural problems and regularly threatened to abandon the meeting if it did not get its way. EC resistance to this was led by the French, who were bellicose throughout, though with support from the Italians, Irish, Belgians and Greeks. In the event, although the US moderated their demands a little, the EC had to dissociate itself from a commitment to a round of agricultural liberalisations to follow the agriculture study, which was agreed.

Dispute Settlement

A modest outcome was achieved with existing procedures being reinforced.

Newly Industrialised Countries

On the question of unfair market access, we achieved agreement on a study on trade between developed and developing countries, which was our objective. I also referred to this problem in strong terms in my own speech to the meeting. None of this will in itself solve the problem as we have recognised all along. We should pocket the GATT development as a useful step and continue to press our concerns with the EC and bilaterally.

Japan

There is a reference in the Ministerial Declaration, but it is not one which will be immediately intelligible to the man in the street. It was never realistic to expect that Japan would agree to go along with any explicit reference to its trading practices in a multilaterally negotiated text, and our ability, even as part of the EC, to steam roller through such an objective was always non-existent. Japan played a very skilful low key hand, following the US lead. We must now concentrate on pressing home the Article XXIII attack.

