

CC 10
PC
(4)



Foreign and Commonwealth Office

London SW1A 2AH

28 March 1985

Prime Minister
CDP
28/3

From The Minister of State

The Rt Hon Paul Channon MP
Minister for Trade
Department of Trade and Industry
1 Victoria Street
LONDON SW1H 0ET

The matter takes
on a new urgency
in view of the votes
in the U.S.
Congress
on Monday
not

Dear Minister,

PROPOSED NEW GATT ROUND

In Geoffrey Howe's absence in Lisbon I am replying to your letter of 21 March, about the discussion at the March Foreign Affairs Council on a new round of multilateral trade negotiations.

I agree that the outcome was the best that could have been achieved in the circumstances. The German attitude on agriculture made an already difficult hand even more tricky. Yet the Council's statement was pretty good on services; on Japan; graduation of the newly industrialised countries and the trade and finance link, and, in spite of its shortcomings, the text represented a clear step towards what seems already to be thought of as "the Brussels Round". As you say, agriculture is clearly going to be a difficult issue within the Community, and it was good that you were able to toughen up the language to avoid it being construed as a retreat from the EC's commitments on the work of the GATT Committee on Trade in Agriculture.

Clearly the 19 March text will not be the end of the process within the Community, but it is probably a sufficient basis for discussion of the new round which will now continue at the European Council, the OECD Ministerial, the IMF Committee meetings, and the Bonn Summit. The Americans, as reports of De Clercq's visit to Washington show, are not fully satisfied. That is no surprise. Both the US Trade Representative's office and the Department of Agriculture interpret the Community line as negative on the two key issues of agriculture and timing. On the other hand there are voices in the Administration prepared at least to regard the outcome as a glass half-full.

/At



At the Sherpas meeting last weekend, I understand that the US side, while acknowledging that the text was not as bad as they had feared, did stress that it was insufficient because it failed to commit the Community to launch the new round by a specific date. The meeting agreed that, given the divergence of view (on which the Frenchman insisted, resting pat on the Council text) it would be premature to try to draft any language on this aspect for the Bonn Summit. This will be left for their meeting at the end of April, after the OECD Ministerial.

Subsequent discussion at senior official level in Paris to prepare the OECD Ministerial did, however, seem to show that, whether or not everyone is formally committed to a new round, the bandwagon is in a sense already rolling; preparatory negotiations have already begun. No-one called in question that there will be a new round, although the content and timing are still not clear. The French did not try to impede discussion. It would be wrong to minimise the difficulties ahead on this issue: there is still a problem of pace. We shall have a tricky hand to play between now and the Bonn Summit. But I believe that our tactics should be to play down the controversy over the date for the formal launch: it is essentially secondary. The Americans, Canadians and Japanese will continue to give it a higher priority than it deserves, because they believe that setting a date is the main if not only way to bring in the reluctant LDCs and NICs. I suggest that our line should rather be:

- (a) to argue that we need the round as soon as possible, both to head off political pressures for protectionism or alternative approaches in the US and in order to achieve our own aims (on services, graduation, etc); but
- (b) to continue to stress that trying to rush the fixing of a date both risks having the opposite effect on the LDCs and NICs from that which the advocates of that course intend, and is really unnecessary since work towards a new round is already engaged. A decision on a date is not needed until the ad hoc senior officials meeting of the GATT, for which the Community has called, is held in a few months;

/(c)



- (c) to stress that what is important is to make progress towards agreement on the content of the new round, drawing the LDCs and NICs as much into the discussion as we can.

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

Yours sincerely,

Pinow Amaldson

for Malcolm Rifkind
(approved by Mr Rifkind and
signed in his absence by his
Assistant Private Secretary)

Trade Ptg

Nar Tany Barnes

28 MAR 1985

12 1 2 3 4 5
6 7 8 9



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5144

GTN 215

(Switchboard) 215 7877

From the Minister for Trade

Malcolm Rifkind MP
Minister of State
Foreign and Commonwealth Office
LONDON
SW1A 2AH

cc to
pc
Prime Minister
M&A 10/4

4 April 1985

Dear Malcolm

mt

NEW GATT ROUND

Thank you for your reply of 28 March to my letter of 21 March.

I am in substantial agreement with what you say. On the arguments for and against fixing a target date for the new GATT Round, I agree that there are points to be made on both sides, and that controversy should be played down. The Americans, however, have made clear to us the help which an agreed date would give them, in containing their own domestic protectionist pressures; and in that task we do, of course, have an interest in helping them.

I am therefore proposing, subject to any unexpected sensitivities displayed by our Community partners, to speak at the OECD Ministerial on the lines of the brief agreed between our officials. This envisages my expressing sympathy with the point that a target date would help to concentrate minds, stimulate thinking on the construction of a balanced agenda, and provide a spur for LDCs who do not want to be left out.

I am copying this letter to the recipients of yours.

PAUL CHANNON

Trade Pt 4

NON-Tariff Barriers

①

Handwritten notes, possibly including "spread" and "market".

NO 7 1985

11 12 1 2 3 4 5
6 7 8 9 10



From the Minister for Trade

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5144

GTN 215

(Switchboard) 215 7877

CONFIDENTIAL

The Rt Sir Geoffrey Howe QC MP
 Secretary of State for
 Foreign and Commonwealth Affairs
 Foreign and Commonwealth Office
 Downing Street
 LONDON
 SW1A 2AL

21 March 1985

PROPOSED NEW GATT ROUND

Norman Tebbit wrote to you on 4 March about the line we should take at the Foreign Affairs Council (Trade Ministers) on the question of a new round of multilateral trade negotiations. You and other colleagues might like to know what emerged, although you may by now have seen the reporting telegrams.

I think that, on the whole, we can be well satisfied with the Council declaration that was finally agreed, although the negotiations were difficult and at times I thought that we would not secure an acceptable text. The Council committed itself to "participate in the launching of a new Round" and to enlisting "the support of its trading partners . . . with the objective that a broad consensus on subject matter and participation should be secured at the earliest possible date". Thus the Community accept that there is a need for a Round and will actively advocate its launch. This is a significant step forward from the previous position and means that the Community can play a positive role both at the forthcoming meeting of OECD Ministers and at the Bonn Summit.

We obtained positive language on the inclusion of services in a GATT Round and on the need for "a better balance of rights and obligations as between all Contracting Parties", which is of course a reference to our objective of graduating the newly industrialised countries. We also obtained a strong paragraph on the pressing need for Japan to do much more to bring her import propensity into line with that of other major trading partners.

The agreed paragraph on finance, which we thought would be a major problem, came out satisfactorily weak and will be a disappointment to the French and those in the Commission (including Delors) who wanted a tight link between reform of the international monetary system and trade.



The main difficulty, which took up most of the Council's time, was the passage on agriculture. The French, the Commission and all the other Member States, except for the Dutch, were determined to leave nothing to chance; they pressed hard for language that came perilously close to renegeing on the Community's acceptance of the Report of the GATT Committee on Agriculture, which was approved last November. We managed to get a few useful improvements to the text (including a specific reference to the GATT decision of last November) but by the late evening of Tuesday, my Dutch colleague (who was magnificent throughout) and I were totally isolated. We were faced with the choice of accepting a less than wholly satisfactory text on agriculture or no declaration. I concluded that there was no prospect at a later meeting of moving the majority, and that to leave with no declaration would risk unravelling the whole package.

The difficulty we had in agreeing Community positions on some of the main subjects that will be included in the GATT Round and which are prime objectives for the UK, notably agriculture and services, augurs badly for the future. It is clearly going to be very difficult to agree Community positions that are acceptable to us and which are negotiable with other Members of the GATT. I was also disturbed at the amount of prior consultation and co-ordination of positions that took place between the French and the Germans. The start of the meeting was delayed by half an hour waiting for the French and Germans to appear. Herr Bangemann's various interventions on agriculture and, more surprisingly, in support of French pressure to set pre-conditions for the formal launch of a Round, were distinctly unhelpful.

I am sending copies of this letter and the attached full text of the Council's declaration to the Prime Minister, to Members of OD and to Sir Robert Armstrong.

PAUL CHANNON



**FOREIGN AFFAIRS COUNCIL (TRADE MINISTERS MEETING): 19 MARCH:
DECLARATION ON PROPOSED NEW GATT ROUND**

Suggestions for a new round of multilateral trade negotiations have been the subject of careful international consideration for the past two years. They received particular attention at the meeting of the OECD Ministers in May 1984, at the London Economic Summit in June 1984 and at the meeting of the contracting parties of the GATT in November 1984. Such multilateral negotiations have been a regular feature of the GATT since its inception.

2 The Council recalls that a new Round, while of the utmost importance to a strengthening of the open multilateral trading system and to the expansion of international trade, will not of itself be sufficient to such purposes. Thus the Community, in the perspective of a new Round, and while working to achieve the broad consensus requisite for its launching, will urge that the following separate but related desiderata receive serious parallel consideration. Thus:

a in order to ensure credibility, reaffirmation will be necessary of the international commitments variously accepted at the Williamsburg and London Economic Summits, and at the last meeting of OECD Ministers in Paris and of the GATT contracting parties in Geneva:

- effectively to halt protectionism and resist continuing protectionist pressures (standstill);
- to relax and dismantle progressively trade restrictions as economic recovery proceeds (roll-back);
- to pursue the 1982 GATT Work Programme as complemented by the decisions of the contracting parties in November 1984.

b solutions to imbalances whose origin lies in the monetary and financial areas cannot be found in trade negotiations. Determined concerted action is required to improve the functioning of the international monetary system and the flow of financial and other resources to developing countries. Results in the monetary and financial areas should be sought in parallel with results in the trade field.

3 Despite previous trade rounds, Japan's growth of imports of manufactured goods has nowhere matched her export growth. Like concessions to Japan have not produced like results, and in consequence, an imbalance of benefits currently exists between Japan and her principal partners. It is therefore a pressing political necessity for Japan to bring her import propensity into line with that of other partners, by means of domestic structural and other adjustments as well as by measures at the frontier.

4 As regards negotiations on agriculture in the new Round, the Community is ready to work towards improvements within the existing framework of the rules and disciplines in GATT covering all aspects of trade in agricultural products, both as to imports and as to exports,



taking full account of the specific characteristics and problems in agriculture. The Council is determined that the fundamental objectives and mechanisms both internal and external of the CAP shall not be placed in question.

5 On possible new topics for negotiation, the Council considers that trade in services seems suitable for inclusion. Problems of counterfeit goods and the defence of intellectual property also deserve consideration. Other possible new items should be examined on their merits.

6 The Council affirms the need for reciprocity and a better balance of rights and obligations as between all contracting parties. The Council considers that too selective an approach to individual negotiating points should be avoided. A balanced package of topics for negotiations should be agreed in which all participants will find advantages for themselves. In principle, items should be negotiated and the results implemented in parallel and not in succession.

7 Against this background, and in the light of the desiderata and other relevant considerations mentioned above, the Council considers that a new Round would help to promote world economic recovery and growth and would reinforce the multilateral structures and disciplines of the GATT. Subject to the establishment of an adequate prior international consensus on objectives, participation and timing, the Community declares its readiness to participate in the launching of such a new Round. The Community will accordingly now enlist the support of its trading partners, particularly among the developing countries, to this end. The Community further proposes that the new Round should be inaugurated in Brussels. The Community recognises that a precise date for the formal launching of a new Round cannot be fixed now. A step-by-step approach will best permit solid progress to be made. To initiate the progress the Community renews its proposal of last May for an ad hoc GATT meeting, in the coming months, preferably at the level of senior officials from capitals, to intensify consultations about a new Round and with the objective that a broad consensus on subject matter and participation should be secured at the earliest possible date.



22 MAR 1985

CONFIDENTIAL



CC No
 PE
 NBPM
 CR 15/3

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Geoffrey Howe QC MP
 Secretary of State
 Foreign and Commonwealth Office
 Downing Street
 London
 SW1A 2AL

14 March 1985

Stan Geoffrey

A NEW GATT ROUND

I strongly agree with the general line set out in Norman Tebbit's letter of 4 March and your own reply of 11 March. In particular I agree that we will need to work hard to identify potential concessions to the NIC's, in order to bring them to the negotiating table. I understand that Norman Tebbit is bringing forward his proposals on the MFA in the near future.

Ministers have already agreed the main line of our approach, in the ES discussion last April. It is important that we maintain the momentum towards greater liberalisation which began at Williamsburg. This is an essential complement to our international financial strategy as well as to our internal competition policy.

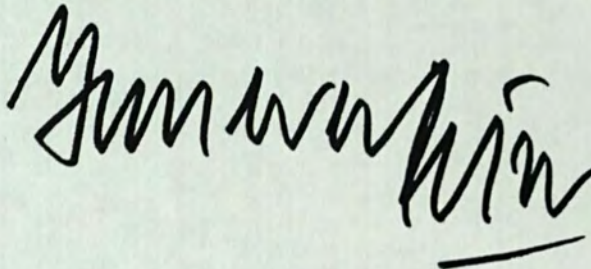
My immediate concern is however with the link which the French (and others) are seeking to establish between trade and finance. Clearly, there is a connection: that is why we have agreed that trade should be on the agenda of the April meetings of the Interim and Development Committees (to which GATT representatives have been invited). The link will be emphasised again at the Bonn Summit and at the OECD Ministerial meeting. But we must continue to insist that all these issues are addressed in the appropriate institutions (IMF, IBRD, GATT, etc), which is where real progress can be made. I am a little disturbed at the recent hints (mentioned in Norman's para 8) that the Community might insist on a World Monetary Conference as a precondition of a new GATT round. I doubt if the French (or indeed the Commission) will get much support for this in the Council. Indeed the Germans (at the Anglo-German Economic Committee this weekend) were robust on this point. But we must watch this one carefully. I am sure that at the Council, you and Paul Channon will be able to avoid being manoeuvred into any such commitment.

CONFIDENTIAL

CONFIDENTIAL

✓ On the more general issues discussed I think there is a good case for putting a higher priority on dealing with Non-Tariff Barriers. The increasing protectionism of recent years has largely come through NTBs. They therefore represent, along with the American frustration at their growing Trade deficit, the most potent threat to the present trading system. There also seems a strong case for supporting the Germans call for a GATT round starting early in 1986, rather than the vague proposals by the Commission which do not include a specific date.

I am copying this letter to the Prime Minister, Norman Tebbit, other OD colleagues and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Peter Rees', written in a cursive style. The signature is positioned above the printed name.

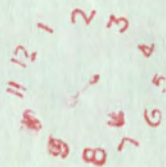
PETER REES

CONFIDENTIAL

Trade Pty

Non-Tariff Barriers

15 MAR 1985



FROM THE PRIVATE SECRETARY

cc/NO
PC



HOUSE OF LORDS,
SW1A 0PW

11th March 1985

NBPM

CD

1/3.

Dear Callaghan,

A New GATT Round

- with LDP

Mr. Tebbit copied to the Lord Chancellor his letter of 4th March to the Foreign Secretary setting out the line which he thinks United Kingdom Ministers should take at the Foreign Affairs Council on 18 and 19 March in considering the launch of a new GATT Round. The Lord Chancellor has asked me to say that he very much supports Mr. Tebbit's approach. In particular, he supports negotiations aimed at further liberalising international trade in services; legal services are making an increasingly healthy contribution to our international balance of trade.

I am copying this letter to the Private Secretaries to the Prime Minister, other OD Ministers and Sir Robert Armstrong.

Yours sincerely,
Richard.

R. C. Stoate

M. C. McCarthy Esq.
Private Secretary to the
Secretary of State for
Trade and Industry
1 Victoria Street
London S.W.1

Trade PT4

Non-Tariff Barriers

SEP 11 1985

LIBRARY