



From the Minister for Trade

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Rt Hon Sir Geoffrey Howe QC MP  
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5 December 1984

*Dear Geoffrey,*

GATT CONTRACTING PARTIES MEETING: 26-30 NOVEMBER

You may be interested to have a brief report on this session which represented the formal culmination of the two-year work programme commissioned by the GATT Ministerial meeting of November 1982. The session was at senior official level: the UK delegation was led by Mr Roy Williams of DTI.

2 The initial auguries were unpromising. Substantive progress since November 1982 had been meagre. The US delegation arrived in belligerent mood dropping vague threats that, if the multi-lateral framework of GATT could not produce "results" on items like trade in services, agriculture, the control of counterfeiting and trade in high technology items, the US would turn to bilateral or "plurilateral" negotiations outside GATT. Doubts were even expressed about the US contribution to the GATT budget. (I am struck by the irony of the US position taken at the same time as they were introducing import restraints on steel pipes and tubes, selectivity against the EC and almost certainly in breach of GATT rules.) For their part, the developing countries produced a litany of complaint about protectionist actions by the industrialised countries and demanded progress on a number of their preferred items in the 1982 work programme (textiles, removal of non GATT-legitimate protective measures etc) as a pre-condition for considering a new GATT round. In addition, they announced that the focus of such a new round would have to be the enlargement of access for developing countries' exports to the markets of developed countries - and that services could not be included.





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3 These confrontational positions could have produced a damaging stand-off along North-South lines. This would have undermined the GATT's credibility as a forum for dealing with practical trade issues and accentuated the (regrettably already emerging) tendency towards UNCTAD-isation. In the event, however, three days of intense negotiation produced agreement on procedures for future discussion which will at least keep a number of important issues alive in GATT. The European Community can take the credit for playing an important mediating role (and for keeping the Americans on board the multilateral process for the time being). Solutions on the substance of major issues are still some way off - and will probably have to await a new GATT round. In the meantime, the way will be prepared by a continuation of the 1982 work programme.

4 As regards the individual items, UK objectives were broadly secured. We did not expect to make great progress at this stage towards the liberalisation of trade in services. We wanted agreement to establish a working party as a first step towards GATT involvement. The developing countries opposed this: but in the end they moved from their initial position to the extent of accepting some formalisation of analytical work in GATT, the involvement of the Secretariat and a timetable for a report to the Contracting Parties. Bearing in mind developing country reticence about services and the fact that the 1982 Ministerial meeting came close to breakdown over this issue, this outcome is satisfactory. Despite their rhetoric, the Americans probably think the same. But there is, of course, no agreement yet as to actual negotiations on services within GATT.

5 The agreement reached before the session to take the work on agricultural trade a stage further was confirmed despite French threats to unpick it if they did not get their way on other things. It remains to be seen whether the will exists to subject agriculture to true GATT disciplines. We also made some progress on restraining trade in counterfeit goods. Against strong developing country opposition, it was agreed to carry out a study in GATT on how such trade could be contained.

6 There was general agreement that the safeguards issue should not be addressed until there was a better prospect of consensus. This was, of course, very welcome to us. A very mild text on the effects of fluctuating exchange rates on trade was adopted - in part to pacify the French. And the issue of trade in high technology items was remitted for further discussion.





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7 This session was not in a position to make any specific moves towards the launch of a new GATT round. The European Community cautioned against inflexible expressions of position as regards the contents of such a round - and looked forward to a growing degree of agreement on the elements for a balanced negotiation. The EC also called for a GATT meeting at senior official level in the course of 1985 to assess the extent to which a consensus had emerged to start a new round and to consider the question of objectives and timing. This call was supported by the US and Japan. The task of persuading the developing countries to join in this general strategy will be carried forward at informal GATT meetings early in the New Year.

8 All in all, the meeting of the Contracting Parties came out pretty well. But US frustration with the operation of GATT and excessive developing country demands for one-sided concessions will continue to strain the fabric of the multilateral trading system.

9 I am sending a copy of this minute to the Prime Minister, the other members of OD(E), Michael Jopling and to Sir Robert Armstrong.

A handwritten signature, possibly 'ms', written in dark ink.

PAUL CHANNON

A handwritten signature, possibly 'PC', written in dark ink.



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