

**EXECUTIVE SECRETARIAT**  
Routing Slip

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SUSPENSE \_\_\_\_\_

Date

Remarks:

*[Signature]*  
Executive Secretary

11/15/82

Date



OFFICE OF THE SECRETARY OF THE TREASURY  
WASHINGTON, D.C. 20220

Executive Registry

87-13045

November 15, 1982

UNCLASSIFIED

MEMORANDUM FOR THE VICE PRESIDENT  
THE SECRETARY OF STATE  
THE SECRETARY OF DEFENSE  
THE SECRETARY OF AGRICULTURE  
THE SECRETARY OF COMMERCE  
THE DIRECTOR, OFFICE OF MANAGEMENT  
AND BUDGET  
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS  
ASSISTANT TO THE PRESIDENT FOR  
NATIONAL SECURITY AFFAIRS  
ASSISTANT TO THE PRESIDENT FOR  
POLICY DEVELOPMENT  
UNITED STATES TRADE REPRESENTATIVE  
DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT Senior Interdepartmental Group on International  
Economic Policy (SIG-IEP)

Attached is a status report on the GATT Ministerial by Ambassador Brock for discussion at the SIG-IEP meeting to be held on Tuesday, November 16, at 1:30 p.m., in the Roosevelt Room (White House). There will also be consideration of follow-up on the pipeline.

Attendance will be principal, plus one.

*David E. Pickford*  
David E. Pickford  
Executive Secretary

Attachment

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GATT MINISTERIAL -- CURRENT STATUS

The upcoming GATT Ministerial has taken on increasing significance as a result of current trade frictions. Not only are we faced with a global economic recession, but this difficult situation has been exacerbated by bilateral tensions such as those resulting from the pipeline sanctions, European Community agricultural subsidies, and an increasing number of safeguard actions being taken outside of GATT. This situation has required the United States to reaffirm its commitment to ensure that the upcoming Ministerial provides an opportunity to confront the problems facing the trading system.

In the current situation, an unsuccessful Ministerial could open the door to increased protectionism, bilateralism, and a general deterioration of the multilateral trading system. If the Ministerial does not produce concrete results to improve the trading system, it will threaten the maintenance of GATT as the cornerstone of U.S. trade policy.

Between July and the end of October, the Preparatory Committee for the Ministerial met continuously in Geneva. The preparations are now being handled by the GATT Council. We are now in a crucial stage of negotiations on the decisions to be considered by the trade ministers. Unfortunately, many countries are allowing short-term bilateral problems to overshadow the longer-term considerations vital to the multilateral trade system.

As you know, it appears that the final Ministerial document will contain three components, a political statement, decisions to improve the current operation of the trading system, and the establishment of a future work program. The political statement will be a common assessment of the problems facing the international trading system and a commitment to avoid restrictive actions and to further trade liberalization. The United States has met with mixed success in seeking agreement on the breadth and strength of the political statement to be made. To date, the Japanese and the Swiss have been supportive and committed to the U.S. position. Australia has had overly ambitious expectations for the Ministerial and has to date been unwilling to compromise. The European Community has insisted on characterizing the Ministerial as primarily a stock-taking exercise, an approach we feel is defeatist and an abrogation of Ministerial responsibility. Brazil and India are unwilling to discuss any liberalization in the face of the current economic conditions, and as leaders of the less developed countries, are blocking progress.

The second component to the Ministerial, improvements in the current operation of the trading system, encompasses safeguards, dispute settlement, and agriculture. We have now heightened our focus on these as immediate concerns to the trading system. The primary problem in the negotiation of a Safeguards Code is the issue of selectivity. The EC and the LDCs have not been forthcoming on the issue of consensual selectivity. We believe that the LDCs could be persuaded to join the U.S. position if the EC did so. The primary issue in the agricultural sector is subsidies. The EC has found it difficult to support any

-2-

rollback of agricultural subsidies because these subsidies form the backbone of the Common Agricultural Policy (CAP) price support program. The primary problems in the area of dispute settlement are the mechanics of the panel work, and the lack of political will among parties to disputes to accept panel reports and recommendations.

In order to ensure the continuation of the GATT system, the U.S. feels it is essential that the Ministerial address developing country concerns. To date, the U.S. proposal for North/South negotiations has not received the degree of support hoped for, although we are continuing our efforts to persuade other countries. Finally, in order to remain relevant, the GATT must branch out into new areas. The increasing significance of world trade in services makes it imperative that GATT rules be developed for this sector of international trade. A future work program in the GATT should also address trade in high technology products and trade-related performance requirements as issues of growing importance.

If we can resolve our conflicts on the agenda with the European Community, Brazil, and India, I believe we can move ahead. I have impressed upon these countries the need for us to address the contentious issues flexibly, and with a view to resolving differences. I will be devoting much of my time to working with these countries in a renewed commitment to putting aside current trade problems and ensuring that we take full advantage of this opportunity to retain and improve the GATT.

8