

FROM: T Richardson, ERD

DATE: 19 June 1988

cc: PS/Secretary of State
Sir R Braithwaite

PS/No. 10

1. I understand that the Prime Minister asked:-
 - (a) whether wheat was covered by the US/Canada Free Trade Agreement;
 - (b) what tropical products of developing countries were we and other industrialised countries keeping out?
2. The briefs available here do not cover these points, but I have spoken to the Canadian and EC delegations, and what they tell me sounds right.

Wheat

3. Under the US/Canada Agreement, all agricultural tariffs will be eliminated over a 10 year period. There will be special arrangements for wheat, where the Canadians have long-established import restrictions dating back to the 1940s. They have agreed to eliminate import licences on US wheat if and when the level of US support for wheat falls to the Canadian level of support. The respective support levels will be measured by the OECD's PSE - the first time that the PSE has been incorporated in an international agreement. At present, I understand, US support is \$50 a ton higher than Canadian support.

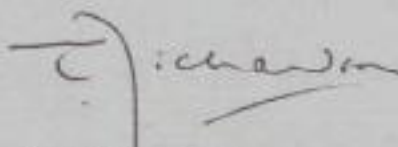
Tropical Products

4. The US produces sugar and citrus in competition with developing country producers, and maintains high tariffs in these areas. Canada permits duty-free entry for tropical producers. The EC does likewise for beverages (coffee, tea, cocoa, etc), though countries like Germany and Denmark maintain internal consumption taxes on chocolate and cocoa. There are EC tariffs on tropical fruits because (as in the US) some EC members produce citrus.

5. The EC has made the only serious negotiating offer in this area at Geneva. It has offered to reduce (not eliminate)

consumption taxes on beverages, and to reduce tariffs on tropical fruits.

6. The Punta del Este declaration specifically singled out tropical products as an area where early progress might be feasible. This is relevant to our objective at the Mid-Term meeting in Montreal this December of achieving early results where possible (as again provided for by the Punta declaration), since tropical products is one of the very few areas of interest to developing countries that could be ripe for concrete market opening decisions by early December.

A handwritten signature in cursive script, appearing to read 'T. Richardson', with a long horizontal stroke extending to the right.

T Richardson