



From: R Q Braithwaite

Date: 6 June 1988

 Copies: Sir J Fretwell
 Mr Wicks
 Sir G Littler
 Mr Richardson
 Miss Spencer
 Sir D Hannay

Private Secretary

TORONTO SUMMIT: FOURTH SHERPA MEETING: TRADE & AGRICULTURE

1. The discussion amongst the Political Directors on East-West relations and terrorism seems to have gone reasonably well (Sir J Fretwell will be reporting separately). The Sherpas did alright on drugs. But they made little progress on the main economic issues, or on the shape and content of the eventual draft communique. Mr Wicks will be minuting to the Prime Minister, and will copy his minute to the Secretary of State and the Chancellor. In this minute, I concentrate on the issues of trade and agriculture, and on how we might further our objectives on both.

2. The focus of the Sherpas' discussion was a redraft of the Canadian "Thematic Paper" which we had worked over in Paris two weeks earlier. The redraft was clumsily worded. It reflected inadequately points made at our previous meeting. It was insufficiently related to the shape of the eventual communique. And it remained excessively dominated by the ambitions of the Canadian Sherpa, Mrs Ostry, that the Summit should be seen to give a big shove to the Uruguay Round negotiations especially on agriculture. Since neither the Americans nor the Europeans were prepared to budge on the key issues, Mrs Ostry's ambitions were frustrated. The Canadians did not even succeed in producing a clean text of the "Thematic Paper" before we left Toronto. They will send us yet another version shortly. It is unlikely to be a satisfactory basis for the discussion by Heads of State and Government. But this could be to our advantage (see below).

3. On trade the dispute was between the Commission and the Americans, and centred on the issue known in the jargon as "globality". The Americans and the Canadians wanted the "Thematic Paper" to list a number of areas on which progress should be chalked up at the "Mid-Term Meeting" of the Uruguay Round in Montreal in December. These areas included intellectual property, investment measures, and other services. The Community (minus ourselves) has always insisted that progress in December must be made equally on all issues (= "globality"). This is intended to ensure that agriculture is not singled out, and language with that implication is enshrined in the 1986 Punta del Este Declaration. The Commission, French and Germans resisted change with noise and passion. The Canadians accepted a minimal text. This is less of a disaster than it seems, because the issue of "globality" will solve itself during the horsedealing at the "Mid-Term Meeting".

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4. On agriculture the passion and acrimony were even greater. The Commission Sherpa, Lamy, attacked the Americans furiously for rubbishing the Community's February reforms, for violating their Punta del Este undertaking by putting set-aside wheatlands back into production, and for refusing even to discuss modifications to their unrealistic "zero/2000" proposals. The US White House Sub-Sherpa, Danzansky, responded calmly and sensibly, but made it very clear that the Americans were wholly unwilling to engage in any serious negotiation or to budge from their present position. There was no serious discussion of texts for the "Thematic Paper", and the Canadians were left with the unenviable task of devising language for the next version which will not send everyone through the roof again.

Prospects

in the past the Sherpas have always managed to put some kind of agreed text to their principals in advance. The intransigence this year reflects a general fear (which the Americans -Danzansky - share) that verbal concessions at the Summit will be exploited by others in the real negotiations in Geneva and the "Mid-Term Meeting". But the fluid situation may actually be an advantage. If the chemistry is right, Ministers at Toronto might have ^{the} constructive discussion about getting the negotiations on trade and agriculture moving which their instruction-bound officials so signally failed to have this weekend. Mitterrand will have had his election. Kohl admitted to Mulroney last week that there must be early movement on agriculture. President Reagan may be more sensitive than his officials to the need to move from rhetoric to negotiation. The Prime Minister could have a key role in persuading him. This, rather than fiddling with communique language, should be our main aim at Toronto.

6. I believe our own freedom of manoeuvre has been preserved:

- I have left the Commission and our three Community partners in no doubt that the Prime Minister and her colleagues will, as always, say what they think at the Summit - on trade and agriculture as well as on other subjects. Of course (I added) they will also take proper account of Community positions, not least because of the personal contribution they have made to them.
- We decided that, in the circumstances of this weekend, there was no point in circulating the bits of draft communique language which we had in our pockets. But the Canadians have already asked me privately for help in revising their texts. I have slipped them some words on dispute settlement in the GATT (on which the Prime Minister expressed interest), and I may have further opportunities over the next days.

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7. In conclusion, a messy situation, but one not without possibilities. I shall be in touch with Mr Wicks and Sir G Littler and submit again when things are clearer.

A handwritten signature in black ink, consisting of a stylized 'R' followed by a large, sweeping 'B'.

R Q Braithwaite⁷

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