

2^e PARTIE/PART 2

CUBA

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*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

SECRET

[Ottawa], February 6, 1951

CUBA AND EMPIRE PREFERENCE ON SUGAR; TORQUAY TARIFF NEGOTIATIONS

This matter was discussed today in the Interdepartmental Committee on External Trade Policy. Mr. Abbott will probably raise it in Cabinet tomorrow.

2. Some three weeks ago Mr. Hector McKinnon reported from Torquay to Mr. Abbott that the Cubans were demanding elimination or at least some reduction in our Empire preference on sugar. This preference of approximately a cent a pound means that virtually all Canadian imported sugar comes from Empire sources and the great bulk of it from the British West Indies.

3. The question was reviewed by officials who concluded that the cent-a-pound preference had little economic advantage for Canada. Canadians were paying an extra cent for their sugar; on the other hand the advantages which Canada had obtained in exchange for the preference — advantages for Canadian exports in the West Indies and other Empire markets — had been largely wiped out by the dollar-saving import restrictions of the sterling area. On the other hand Canada cannot reduce the preference without getting the concurrence of the Empire countries concerned who would certainly raise objections. The United Kingdom has been faced with grave economic and political difficulties in the British West Indies in recent years. The Canadian preference is working in a way that helps the United Kingdom to ensure steady sales of West India sugar in Canada at prices nearly one cent above the Cuban price. West Indian production is likely to remain relatively inefficient and the extra cent is considered valuable.

4. Accordingly Mr. Abbott sent instructions back to McKinnon to say that Canada was not willing to open the whole question of Empire preference on sugar at this time. It was pointed out that the Torquay negotiations were drawing to a close. The hope was held out that we would be willing to bargain on a broader basis at a later date.

5. However, the Cubans have refused to take no for an answer and they have considerable reason on their side. They might claim that Canada was refusing to bargain in good faith under the GATT in which all members are bound to pursue the objective of lowered tariffs and preferences. They have asked us for sugar concessions before and have been refused. They can point out that the sugar policy of the United Kingdom is designed not merely to maintain but actually to expand