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PRIME MINISTER

ACP SUGAR

1. I am concerned about the situation we are getting ourselves into following recent correspondence between myself and Peter Walker, resting with the latter's letter of today.
2. I have discussed this with Peter Carrington, following a further telephone conversation I had this afternoon with Peter Walker, and he has asked me to minute to you to say that it is clear to us that if at tomorrow's Agriculture Council Peter Walker sticks to the line he recommends in his letter there will be no possibility of agreement on a revised mandate for the Commission in their negotiations with the ACP. There will be no possibility of an agreement because at this stage all we are going to be able to get is an undertaking that the cane refiners, ie Tate and Lyle, will get some compensation this year (perhaps 4 mecu, perhaps a bit less). We shall not get anything concrete for subsequent years now, though we should be able to get a form of words providing for 'review' of the arrangements during the remaining 4 years of the life of the current 5 year internal sugar regime.
3. If there is no agreement in the Agriculture Council tomorrow, a meeting of the Joint EC/ACP Council (at ministerial level) cannot be avoided in the near future (the ACP are pressing hard for a meeting before the end of the year, ie during our Presidency). At that meeting it will be the UK, and the UK alone, which will bear the responsibility, in ACP eyes, of failure by the Community to improve its offer on the guaranteed minimum price for ACP sugar to 8.5%, in line with the increase given this year to the Community beet producers. I cannot predict what the ACP would do after that.

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But there must be a real possibility of some direct retaliation (cf Indonesia) against our own commercial interests, whether trade or investments, by at least some of the ACP countries concerned. Peter Carrington is firmly of the view that that is not a risk worth taking in order to have the certainty of about 15 mecu (on the basis of current sugar prices) over 5 years for Tate and Lyle, as compared with the certainty of 4 mecu (or something near it) for this year and the chance of in the end securing something similar also in future years.

4. Peter Walker's meeting takes place in Brussels tomorrow. If you agree with the point that I have made an urgent message can no doubt be delivered to his people before the Council starts.

5. I am sending copies of this minute to other members of OD(E), to Patrick Jenkin, and to Sir Robert Armstrong. John Biffen and Patrick Jenkin, in particular, may have views.

*P.A.*

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