



10 DOWNING STREET

CC (G77)

JEM

Handwritten initials

118/81

Original filed

THE PRIME MINISTER

4 February 1981

My dear Prime Minister,

Overseas Aid, May 79
Renegotiation of
the Lome Convention
Closure of Tate & Lyle

Thank you for your letter of 22 January about the closure of the Tate & Lyle cane sugar refinery at Liverpool.

I am sure you will understand that this decision was a commercial one for the company to take. It would not be appropriate for the Government to seek to persuade them to alter their decision. But I can assure you that the closure of the refinery will have no effect on the Community commitment to access for ACP sugar to the Community market.

The commitment under the Sugar Protocol to the Lome Convention is that the Community as a whole will purchase and import specific quantities of sugar from the ACP producers at guaranteed prices. There are no conditions or qualifications attached to that commitment. The commitment is for an indefinite period, subject only to the proviso that the conditions for implementing the guarantee "shall be re-examined before the end of the seventh year of their application", that is before the end of February 1982. And if any ACP sugar cannot be marketed in the Community, the Protocol effectively requires the Community to buy it into intervention at at least the guaranteed price. As Mr Walker and his predecessors have repeatedly made clear to the Commonwealth ACP producers, their exports to the Community cannot be affected by the level of beet sugar production in the Community.

The Sugar Protocol is an obligation to which the United Kingdom is and will remain fully committed. We are fully aware of the importance of the Protocol for the Commonwealth ACP producers.

/But

But I would point out that that obligation does not rest solely upon the United Kingdom. The commitment was undertaken by the European Community in 1975 when the first Lome Convention was negotiated. It is true that the United Kingdom made satisfactory access for sugar from those Commonwealth sugar producers who subsequently became associated with the Community through the Lome Convention on condition of our accession to the Community. But under the Lome Sugar Protocol which put that commitment into practice, access is guaranteed to the Community as a whole, and not solely to the United Kingdom.

In practice the United Kingdom has up to now taken most (but not all) of the ACP sugar exported to the Community. I see no reason why this should not continue. It is true that one of the problems which Tate and Lyle have had to face is the contraction of the United Kingdom market from 2.6 to 2.3 million tonnes over the past seven years. But Mr Walker has made it clear that he is prepared to accept a reduction in the UK production quota under European Community arrangements to 1.15 million tonnes. If this substantial reduction is agreed, sugar surpluses in the United Kingdom will occur only occasionally, and are not likely to exceed 100,000 tonnes. Small amounts of this sort can be stored and carried over to the following year under Community arrangements.

You may have noted that Tate and Lyle have said that they are prepared to continue to buy the same amount of ACP raw sugar as hitherto, and that they will try to find a market elsewhere in the Community for the sugar that they cannot refine themselves. The detailed arrangements are of course for the company and the sugar exporters to negotiate. But it seems to me a helpful offer.

Yours sincerely
Raymond De la Haye

Dr The Rt Hon Sir Seewoosagur Ramgoolam, GCMG MLA

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FRAME DEVELOPMENT
FM FCO 051208Z FEB 81
TO IMMEDIATE PORT LOUIS
TELEGRAM NUMBER 22 OF 5 FEB
INFO SAVING UKREP BRUSSELS
YOUR TELNO.26 : CLOSURE OF TATE AND LYLE SUGAR REFINERY
1. FOLLOWING IS TEXT OF PRIME MINISTER'S REPLY TO RAMGOOLAM'S
LETTER OF 22 JANUARY (ALREADY COPIED TO YOU):
MY DEAR PRIME MINISTER,

THANK YOU FOR YOUR LETTER OF 22 JANUARY ABOUT THE CLOSURE OF
THE TATE AND LYLE CANE SUGAR REFINERY AT LIVERPOOL.

I AM SURE YOU WILL UNDERSTAND THAT THIS DECISION WAS A
COMMERCIAL ONE FOR THE COMPANY TO TAKE. IT WOULD NOT BE APPROPRI-
ATE FOR THE GOVERNMENT TO SEEK TO PERSUADE THEM TO ALTER THEIR
DECISION. BUT I CAN ASSURE YOU THAT THE CLOSURE OF THE REFINERY
WILL HAVE NO EFFECT ON THE COMMUNITY COMMITMENT TO ACCESS FOR ACP
SUGAR TO THE COMMUNITY MARKET.

THE COMMITMENT UNDER THE SUGAR PROTOCOL TO THE LOME CONVENTION
IS THAT THE COMMUNITY AS A WHOLE WILL PURCHASE AND IMPORT SPECIFIC
QUANTITIES OF SUGAR FROM THE ACP PRODUCERS AT GUARANTEED PRICES.
THERE ARE NO CONDITIONS OR QUALIFICATIONS ATTACHED TO THAT
COMMITMENT. THE COMMITMENT IS FOR AN INDEFINITE PERIOD, SUBJECT
ONLY TO THE PROVISIO THAT THE CONDITIONS FOR IMPLEMENTING THE
GUARANTEE 'SHALL BE RE-EXAMINED BEFORE THE END OF THE SEVENTH
YEAR OF THEIR APPLICATION', THAT IS BEFORE THE END OF FEBRUARY
1982. AND IF ANY ACP SUGAR CANNOT BE MARKETED IN THE COMMUNITY,
THE PROTOCOL EFFECTIVELY REQUIRES THE COMMUNITY TO BUY IT INTO
INTERVENTION AT AT LEAST THE GUARANTEED PRICE. AS MR WALKER AND
HIS PREDECESSORS HAVE REPEATEDLY MADE CLEAR TO THE COMMONWEALTH
ACP PRODUCERS, THEIR EXPORTS TO THE COMMUNITY CANNOT BE AFFECTED
BY THE LEVEL OF BEET SUGAR PRODUCTION IN THE COMMUNITY.

THE SUGAR PROTOCOL IS AN OBLIGATION TO WHICH THE UNITED
KINGDOM IS AND WILL REMAIN FULLY COMMITTED. WE ARE FULLY AWARE OF

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THE IMPORTANCE OF THE PROTOCOL FOR THE COMMONWEALTH ACP PRODUCERS. BUT I WOULD POINT OUT THAT THAT OBLIGATION DOES NOT REST SOLELY UPON THE UNITED KINGDOM. THE COMMITMENT WAS UNDERTAKEN BY THE EUROPEAN COMMUNITY IN 1975 WHEN THE FIRST LOME CONVENTION WAS NEGOTIATED. IT IS TRUE THAT THE UNITED KINGDOM MADE SATISFACTORY ACCESS FOR SUGAR FROM THOSE COMMONWEALTH SUGAR PRODUCERS WHO SUBSEQUENTLY BECAME ASSOCIATED WITH THE COMMUNITY THROUGH THE LOME CONVENTION ONE CONDITION OF OUR ACCESSION TO THE COMMUNITY. BUT UNDER THE LOME SUGAR PROTOCOL WHICH PUT THAT COMMITMENT INTO PRACTICE, ACCESS IS GUARANTEED TO THE COMMUNITY AS A WHOLE, AND NOT SOLELY TO THE UNITED KINGDOM.

IN PRACTICE THE UNITED KINGDOM HAS UP TO NOW TAKEN MOST (BUT NOT ALL) OF THE ACP SUGAR EXPORTED TO THE COMMUNITY. I SEE NO REASON WHY THIS SHOULD NOT CONTINUE. IT IS TRUE THAT ONE OF THE PROBLEMS WHICH TATE AND LYLE HAVE HAD TO FACE IS THE CONTRACTION OF THE UNITED KINGDOM MARKET FROM 2.6 TO 2.3 MILLION TONNES OVER THE PAST SEVEN YEARS. BUT MR WALKER HAS MADE IT CLEAR THAT HE IS PREPARED TO ACCEPT A REDUCTION IN THE UK PRODUCTION QUOTA UNDER EUROPEAN COMMUNITY ARRANGEMENTS TO 1.15 MILLION TONNES. IF THIS SUBSTANTIAL REDUCTION IS AGREED, SUGAR SURPLUSES IN THE UNITED KINGDOM WILL OCCUR ONLY OCCASIONALLY, AND ARE NOT LIKELY TO EXCEED 100,000 TONNES. SMALL AMOUNTS OF THIS SORT CAN BE STORED AND CARRIED OVER TO THE FOLLOWING YEAR UNDER COMMUNITY ARRANGEMENTS.

YOU MAY HAVE NOTED THAT TATE AND LYLE HAVE SAID THAT THEY ARE PREPARED TO CONTINUE TO BUY THE SAME AMOUNT OF ACP RAW SUGAR AS HITHERTO, AND THAT THEY WILL TRY TO FIND A MARKET ELSEWHERE IN THE COMMUNITY FOR THE SUGAR THAT THEY CANNOT REFINER THEMSELVES. THE DETAILED ARRANGEMENTS ARE OF COURSE FOR THE COMPANY AND THE SUGAR EXPORTERS TO NEGOTIATE. BUT IT SEEMS TO ME A HELPFUL OFFER.

YOURS SINCERELY
MARGARET THATCHER

2. ORIGINAL WILL BE HANDED TO RAMGOOLAM'S PARTY ON ARRIVAL IN LONDON. PLEASE DELIVER TEXT TO HIS OFFICE BEFORE HIS DEPARTURE.
CARRINGTON

DIST:

COPY TO:

FRAME DEVELOPMENT
ECD(E)
EAD

MR ROBERTS SUGAR DIV, MAFF.

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