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MR NORGROVE 8 May 1986

INTERNATIONAL NATURAL RUBBER AGREEMENT

None of the four options in the official paper are attractive. Unilateral withdrawal from either the negotiations or the agreement runs into punitive legal problems. Agreement from EC partners to annul the negotiating mandate seems unlikely, whilst any toughening of the negotiating resolve (but not the mandate itself) is likely to seep away under the consensus pressure to achieve an agreement.

In fact, if there is to be a rubber agreement, then the present agreement is not too bad: provided its terms are honoured the maximum further cost to the UK is only £2½m. The trick is to ensure they are honoured. Likewise the EC negotiating mandate if honoured is not too bad, inter alia, it wants economic provisions that take account of market realities - ie realistic pricing.

This suggests that a fifth option may be not to annul the EC negotiating mandate but rather to clarify it. In the light of the tin collapse it should surely be easier to gain binding EC agreement to amend the negotiating mandate. The amendment should state:

- **the buffer stock manager will never be permitted to exceed his authority,**
- **that our maximum liability will be a further £2½m, and**
- **that pricing be realistic.**

With these constraints the agreement is likely to collapse of its own accord.

Peter Warry

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