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From the Private Secretary

8 September 1986

UK COMMODITY POLICY

The Prime Minister has seen Mr. Channon's minute of 30 June and the report by officials about UK commodity policy circulated then, and the subsequent correspondence.

The Prime Minister agrees that the UK should now adopt the deregulatory approach described in the report by officials. We should take a firm line on future commodity agreements, aiming to avoid any further commitments. We should, in the Prime Minister's view, only go along with proposals for further study groups and the like if that is necessary to avoid more extensive commitments.

The Prime Minister is concerned that too low key and private a presentation of the policy could lead in practice to a reversal of the actual decision to go for a deregulatory approach. Her own preference is for more rather than less openness about the UK's position: no one should be surprised or aggrieved by it, bearing in mind our experience of the collapse of the international tin agreement. She has noted that further work is to be done to prepare for future international meetings and that this will provide an opportunity to discuss the presentation in greater detail if necessary.

The Prime Minister is very doubtful about the need for further proposals to help developing countries in this area. But if there were to be any they would need to be judged against the principles underlying the deregulatory approach and should not involve new expenditure commitments.

Generally, the Prime Minister suggests that the collapse of the international tin agreement has shaken confidence in commodity agreements amongst consumers and producers alike, as the surprising degree of movement in the renegotiation of the cocoa agreement illustrated, and we should take every possible advantage of this in the coming months to try to move our Community partners towards our own position.

VC

I am sending a copy of this letter to the Private Secretaries to members of E(A), the Foreign Secretary, the Attorney General, the Governor of the Bank of England and Sir Robert Armstrong.

(DAVID NORGROVE)

Michael Gilbertson, Esq.,
Department of Trade and Industry.