

PRIME MINISTER

INTERNATIONAL COCOA AGREEMENT

The attached letter from Mr. Jopling proposes that we accept the principle of UK membership of the International Cocoa Agreement.

I would rather go into this a little more deeply. The same arguments were used in the Tin agreement. If there is no financial responsibility - what is in the agreement? not

Against our expectations, the producers have collapsed and accepted most of our conditions for membership. The price range is satisfactory to the trade. No borrowing is permitted. There is no question of financial responsibility upon governments if the agreement folds.

A clear majority in the European Community - including the Germans and Dutch who would in normal circumstances be the most likely to support a free market approach - are in favour of membership. So we could be outvoted if we opposed.

On the other hand, we have just agreed a deregulatory approach to commodity agreements, with the aim of avoiding them so far as possible. It is a bit illogical that our first act after reaching this decision should be to agree to join an agreement. But negotiations on the Cocoa Agreement were already virtually over by the time the new policy was agreed.

Most or possibly all of your colleagues concerned are likely to agree to, or acquiesce in, membership.

Agree that we should join the Agreement, if this is the unanimous view of your colleagues?

CDP

C.D. POWELL19 September 1986



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
LONDON SW1

1. *[Signature]*
2. *[Signature]*
/8 September 1986

Paul
INTERNATIONAL COCOA AGREEMENT 1986

When I wrote to you on 11 August I suggested that a decision on UK (and EC) participation in the new Cocoa Agreement should be considered when the prospects for its entry into force became clearer. Matters have clarified during the meeting of the International Cocoa Council in London which finished last week.

Two important points emerged at this meeting. First, using its powers under the outgoing Agreement, the Council has established a bridging arrangement which maintains its financial resources in being while holding the market intervention provisions in suspension until 31 January 1987 at the latest. The bridging arrangement will cease when the provisions for entry into force for the new Agreement (ie when members representing 80% of exports and 60% of imports have signed and agreed to provisional application) are satisfied or on 31 January 1987 whichever is the later. This means that we have a few months during which, for example, any necessary constitutional procedures can be satisfied, which meets a need of several potential members including the UK. Second, and crucial to our participation, several leading producers have already signed and agreed to provisional application and others, including the Ivory Coast, have formally declared they will do so shortly.

In the margins of the Cocoa Council, a meeting was held of the relevant EC Council Working Group. It considered a formal Commission proposal that before 1 October the Community and its member states should sign the new Agreement and notify its/their intention to apply it provisionally. It became clear that most other member states are satisfied that the new Agreement conforms with the Community's Mandate agreed in 1984, and are convinced of the political advantages of joining. Even the Germans and Dutch our traditional allies in these negotiations, seem to have concluded the political advantage now lies with embracing the new Agreement with enthusiasm. Only Belgium apart from ourselves hesitates about signature. However, some other member states, while believing that the Community and they must join, have constitutional procedures

/which preclude

which preclude their accepting provisional application before 1 October. Hence there is at present no qualified majority for the present Commission proposal. Discussion will resume in COREPER on 18 September and there will be the opportunity of a further discussion on 25 September which would allow a decision to be taken before 1 October.

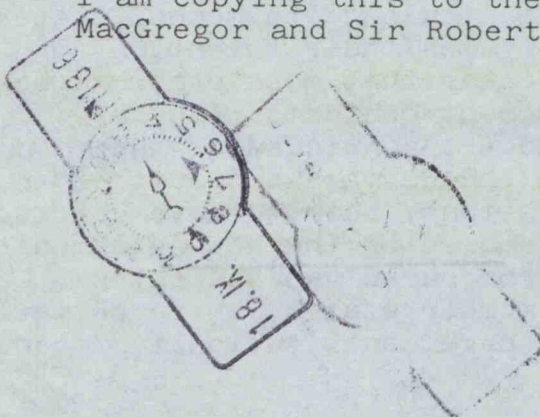
← Unfortunately there are signs that the Commission intend to try to use the discussions in the EC on the Cocoa Agreement to extend Community competence in International Agreements in a way that would be unacceptable to us, according to our long-established position. We must, of course, resist this firmly.

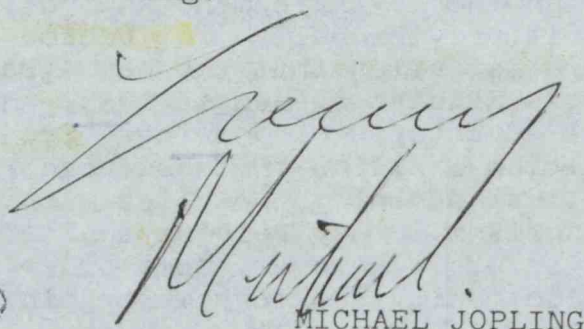
3 We need now to face the central question of potential EC and UK membership. We are all agreed that the main aims in our negotiating mandate have been met; those areas where we have placed reservations are essentially of a secondary order and for us to refuse to join as a result would lack all credibility. Further, I believe that opinion in the Community is such that it is clear we would in any event be forced to join at an early date. The Commission and other member states will be conscious that the EC was one of the dominant parties to the negotiations, and are therefore likely to be very keen to secure signature by the EC and member states before 1 October, since from that date the only option is to accede which they may consider implies a lesser status in the Agreement. I would expect all this to be confirmed during the COREPER discussions on 18/25 September.

I, therefore, suggest we should now accept the principle of UK membership. Accordingly, we should state as much at COREPER and say that we can agree to signature by the EC and member states before 1 October, but make it clear that we cannot accept provisional application before that date by the UK for constitutional reasons. Our Parliamentary procedures will take some weeks to complete. Equally we could not accept provisional application by the EC since this would clearly also prejudice our constitutional position. It would then be up to the Commission to bring forward a revised proposal for a decision on signature only. I suggest that while we should be prepared to enter into an informal understanding on provisional application by the UK and EC before 31 January 1987 we could not accept any formal EC instrument until our Parliamentary procedures were completed.

There remains the question of the UK's reserves on specific points. Here I agree with Janet Young that we should record our principal disappointments (on the level of consumer participation and the buffer stock related adjustment) in a statement for the Council minutes.

I am copying this to the Prime Minister, Geoffrey Howe, John MacGregor and Sir Robert Armstrong.




MICHAEL JOPLING



Secretary of State for Trade and Industry

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23 September 1986

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The Rt Hon Michael Jopling MP
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and Food
Ministry of Agriculture, Fisheries
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Whitehall Place
LONDON
SW1

John Pithers

BF // *CF*
Await Chief Secy's
comment - re
Min to me + FCS
with
20R 23/6
request if required

INTERNATIONAL COCOA AGREEMENT 1986

Thank you for your letter of 18 August in which you consider the question of UK membership of the new international cocoa agreement. Although you have not dealt directly with the specific points on the new agreement that I made in my letter to you of 22 August, I share your view that we must now address the question of potential EC/UK membership.

I am disappointed that we were not able to muster enough support in the Community for our opposition to the agreement and agree with you that in practice we now have no practical option but to join it. This clearly has implications for the forthcoming renegotiation of the natural rubber agreement, where we have even fewer allies. It also seems to me to have important implications for our general policy on commodities on which we have just reached agreement. While I understand the reasons for hurrying and the limitations on our own freedom of action, it will sit very badly with our wish to further a deregulatory approach if we appear to be rushing into a new commodity agreement in the company of the Community. This is particularly so, since, as we saw at the recent UNCTAD Trade and Department Board, the Commission and some member states have been heralding the new agreement enthusiastically as "a new type of commodity agreement".

I certainly agree with you that we should record our principal disappointments on the specifics of the new agreement which would

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include such things as price level, price adjustment and the level of consumer participation. But I also think we need now to go further and register our underlying reservations about instruments such as this which interfere with the working of the free market. It seems to me that something on these lines is now necessary if we are to preserve our credibility in the various international discussions that will take place this autumn on commodities in which we will be presenting more openly our deregulatory approach.

I recognise that coming out more openly with our real views on the cocoa agreement at this stage may have repercussions on the credibility of the line we agreed to take in the renegotiation of the natural rubber agreement ie. basically the same tactics as we followed on cocoa, trying to destroy the agreement from within by pressing proposals which would prevent agreement. This is unfortunate but I believe we must accept this risk if we are to maintain our overall policy objectives.

Clearly it is for you to decide how best to achieve this in the discussions in the Community but my officials stand ready to help with the drafting of a text.

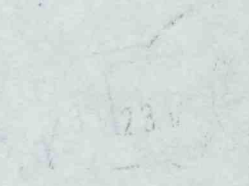
I have now seen Geoffrey Howe's response to you in his minute of 22 September and note that he shares my view that a more forthcoming statement of our position would be appropriate.

I am copying this to the Prime Minister, Geoffrey Howe, John MacGregor and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'P. Channon'.

PAUL CHANNON

A large, stylized handwritten signature in dark ink, appearing to be 'Paul'.



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cc PC



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Michael Jopling MP
Minister for Agriculture, Fisheries and Food
Ministry of Agriculture, Fisheries and Food
Whitehall Place
London
SW1A 2HH

23 September 1986

*Dear Minister,**with CDP***RENEGOTIATION OF THE COCOA AGREEMENT 1986**

I have seen your letter of 18 September to Paul Channon.

I regret that it was not apparently possible to get further movement from our EC partners and that we are now left with little choice but to sign the Cocoa Agreement as it stands.

But I strongly support a deferral of the provisional application for as long as possible. It would certainly have been unwise, given susceptibilities about tin, to have tried to rush through our own Parliamentary procedures for ratification during the recess. Equally, we do not want to enhance the status of this agreement by appearing to make special arrangements to put it through. Attempts by the Commission to take advantage of this situation to enhance Community competence must certainly be resisted.

I also support your suggestion that our withdrawal of further objections should be associated with a statement of regret that our partners would not support us to the full. However, I would be prepared to see us go further and state briefly that our objection to the Cocoa Agreement is confined not to points of detail but extends to the methods of intervention in markets by which it operates. We are looking for opportunities to move to a more open position on deregulation (Mr Norgrove's letter of 8 September refers). I believe this occasion is a good one and should not be missed.

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I am copying this letter to the Prime Minister,
Geoffrey Howe, Paul Channon and Sir Robert Armstrong.

Yours sincerely,

John MacGregor

JOHN MacGREGOR

*(Approved by the Chief Secretary and
signed in his absence)*



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From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

The Rt Hon Paul Channon MP
Secretary of State for Trade & Industry
1 Victoria Street
LONDON SW1

24 September 1986

INTERNATIONAL COCOA AGREEMENT 1986

Thank you for your letter of 23 September. I have also seen Geoffrey Howe's and John MacGregor's comments. I note that we are now agreed that in COREPER on 25 September we should acquiesce in UK and EC signature of the new Agreement before 1 October, while resisting provisional application until our necessary Parliamentary procedures have been completed in the usual way. We are also agreed that in lifting our reserves we should make a statement for the minutes making clear our disappointment on the major cocoa issues concerned. I suggest we leave officials to draft a suitable text.

You raise the question of how we can now register our underlying position and in particular our preference for a deregulatory approach. I agree that a well-publicised general statement of our position could be useful. However, for several reasons I do not believe that it would best advance our case to make such a statement in the context of discussions on cocoa. We agreed a negotiating mandate on cocoa which took account both of our views on deregulation and of the stage that the cocoa negotiations had reached and the need for the UK to be seen to take a coherent line in international negotiations. Consequently, in the cocoa negotiations we consistently took a very hard line, but obviously on the basis that if our demands were met we would be prepared to co-operate in a new Agreement. To make a statement of the sort you suggest in the cocoa context could give the impression that we had negotiated in bad faith and were peeved because, unexpectedly, our demands had been met and our ploy of wrecking the negotiations had failed. This may not be far from the truth but it is hardly something we would wish to advertise. The unfortunate impression created would be sure to distract attention from the important points in our general deregulatory approach which we wish others to take on board. In any case however ingenious our wording there must be some apparent incongruity in making a fundamental statement of disapproval while at the same time apparently accepting the very thing disapproved on in a specific instance. Further there is the

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point that the timing of the EC discussions on cocoa are such that a statement could only be made in COREPER and although we could ask for it to be recorded in the Council minutes, this would hardly make the impact we would like among other Ministers.

I suggest that the best course is for us to proceed as already agreed on cocoa, but to make our overall position on deregulation clear separately. In the Community the best course would be to make a formal statement in the Council itself setting out our views. (We would of course need to explain incidentally how this fitted in with our position on cocoa). It would seem this would best be done by you or perhaps by Lynda Chalker in the Foreign Affairs Council. I hope we can proceed accordingly by taking advantage of a suitable occasion in the next few months.

I am copying this letter to the Prime Minister, Geoffrey Howe, John MacGregor and Sir Robert Armstrong.

MICHAEL JOPLING