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CGPC

RESTRICTED

D/N to see (when they are all in, I will show the PM) CDP.

FCS/86/223

MINISTER OF AGRICULTURE, FISHERIES AND FOOD

International Cocoa Agreement 1986 (ICCA)

WILL REQUEST IF REQUIRED

1. Thank you for sending me a copy of your letter of 18 September to Paul Channon about the International Cocoa Agreement.

2. I agree that we should now accept the principle of UK membership of the Agreement, and that we should state our willingness to sign before 1 October. Although there are a number of procedural difficulties to be resolved before the way is clear for signature by the Community and its member states, our reservations on the detail of the new Agreement are not shared by a blocking minority of member states. There is nothing to be gained from insisting on these reservations any further, and if we tried to do so we could reach the point where our partners held the UK responsible for any delay in their own and the Community's signature of the Agreement.

3. I am glad to note however that we can be confident of securing our objective of ensuring that member states are given time to complete normal constitutional procedures before the Community notifies provisional application of the Agreement. Thanks partly to our own lobbying in capitals and with the Commission, the majority of member states opposed the Commission's proposal for the Community to notify provisional application even if some member states were unable to do so. As a result, the Commission conceded this point at COREPER on 18 September and will now probably bring forward a proposal for signature only.

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4. The question arises how UK membership of the new ICCA is consistent with the deregulatory approach to commodity policy recently endorsed by Ministers. It would have been desirable to avoid a new Cocoa Agreement altogether. But the officials' review acknowledged that renegotiation of this Agreement had already begun and that we were negotiating within a Community position. The review also set out the minimum requirements we should need in any such price stabilising agreement. Our negotiators on cocoa were able to persuade the Community to insist on virtually all these requirements which in turn, rather unexpectedly, were accepted by the negotiating conference. This is a first step towards recognition of the importance of ensuring financial probity and following market trends in commodity matters.

5. In order to promote deregulation, and to convey to our EC partners and others our opposition in principle to this type of instrument, I suggest that we should do more than state our reservations about certain of the ICCA's provisions for the minutes of the Council of Ministers. Both in the Community, and as appropriate elsewhere, we should let it be known that despite our readiness to join the Cocoa Agreement, we have fundamental reservations about the wisdom and practicality of seeking to regulate commodity trade and that we question the value of the market intervention approach to solving the problems faced by primary producers. We are, however, prepared to join the 1986 Cocoa Agreement because it satisfies the economic, financial and other criteria that we believe essential to the viability of instruments of this kind.

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6. I am copying this letter to the Prime Minister, Paul Channon, John Macgregor and Sir Robert Armstrong.

CRBudd (Private Secretary)

PP (GEOFFREY HOWE)
(Approved by the
Foreign Secretary and
signed in his absence)

Foreign and Commonwealth Office

22 September 1986