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10 DOWNING STREET

THE PRIME MINISTER

4 February 1981

**PRIME MINISTER'S**

**PERSONAL MESSAGE**

**SERIAL No. T 19/81**

Dear Prime Minister,

Thank you for your letter of 26 January about the closure of the Tate and Lyle cane sugar refinery at Liverpool.

I am sure you will understand that this was a commercial decision for the company to take. But there is no question of the closure of the refinery having any effect on the European Community's commitment to access for ACP sugar to the Community market.

The Sugar Protocol to the Lome Convention is an obligation to which the United Kingdom is and will remain fully committed. We are aware of its importance for Fiji and of the efforts Fiji has made each year since 1975 to ensure that its full quota was delivered. But 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 indeed true that the United Kingdom insisted on satisfactory access for sugar exports from those Commonwealth countries who subsequently became associated with the Community through the Lome Convention as one condition of our accession to the Community. But under the Lome Sugar Protocol which implements that commitment, access is guaranteed to the Community as a whole, and not solely to the United Kingdom.

As Mr Walker and previous Ministers of Agriculture have made clear to Commonwealth ACP sugar producers, the commitment to access for ACP sugar exports to the Community is not affected by the level of beet sugar production in the Community. The commitment under the

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Sugar Protocol is that the Community 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.

In practice of course the United Kingdom has up to now taken most (but not all) of the ACP sugar exported to the Community. There seems to be no reason why this should not continue.

As far as production of beet sugar in the United Kingdom is concerned, Mr Walker has made it clear that the United Kingdom is prepared to accept a cut in quota proportionately larger than those for other Member States. It must be remembered that Tate and Lyle has had to face a contraction of the United Kingdom market from 2.6 to 2.3 million tonnes since 1973. But if the proposed quota of 1.15 million tonnes is agreed, the United Kingdom will only occasionally produce a surplus. This is not likely to exceed 100,000 tonnes. Small amounts of this sort can be stored and carried over until the following year under Community arrangements.

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 small amount of 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,

(sgd) Margaret Thatcher

The Rt Hon Ratu Sir Kamisese Mara KBE