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FILE TITLE: <i>RELATIONS</i>		SERIES <i>ST LUCIA</i>
PART BEGINS: <i>28-5-97</i>		PART: <i>1</i>
PART ENDS: <i>18 JUNE 1999</i>	CAB ONE:	

**LABOUR
ADMINISTRATION**

Part closed

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PART

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DATE CLOSED	7 JUNE 2001
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Series : **ST LUCIA**

File Title : **Relations**

Part : **1**

Date	From	To	Subject	Class	Secret
28/05/1997	FCO	FA/APS	change of govt in St Lucia:draft message of congrats from the PM	C	0
05/05/1999		PM	(H) Letter from PM of St Lucia: Caribbean rum industry	U	0
24/05/1999	FA/APS	DTI	Caribbean rum industry: Letter from the Prime Minister of St Lucia	C	0
10/06/1999	DTI	FA/APS	Caribbean Rum Industry: Letters from the PM of Barbados and St Lu	C	0
18/06/1999	PM		letter re Caribbean rum industry - to Kenny D Anthony MP - Prime Min	U	0



10 DOWNING STREET
LONDON SW1A 2AA

DCO A6

cc BAC st Lucia
FCO
CO
DTI

SUBJECT
MASTER

Filed on:

THE PRIME MINISTER

18 June 1999

Dear Prime Minister,

Thank you for your letter of 5 May about the Caribbean rum industry. Owen Arthur has also written to me about this.

I am of course very conscious of the difficulties facing some of the Caribbean economies. The UK has always been sympathetic and supportive and is currently considering a range of options for assisting the long term development of the region. This is, however, an area where we act together with our partners in the EU, and where the EU has to be mindful of its wider obligations. We must ensure that arrangements take account of the EU's commitments under the Lomé Convention, as well as the WTO rules and other agreements to which the EU is a signatory.

We will ask the EU Presidency to consult all the parties concerned to see what can be done to help the ACP rum suppliers meet successfully the challenges of greater trade liberalisation. You may know that Owen Arthur has also written to Joschka Fischer, the President of the European Council. I will ensure that you get a copy of his response.

I am writing in similar terms to Owen Arthur.

*Yours sincerely
Tony Blair*

The Hon Dr Kenny D Anthony MP

me/

The Rt Hon Stephen Byers MP
Secretary of State for Trade and Industry



Secretary of State
Department of
Trade and Industry

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Philip Barton Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Ⓣ - two letters

10 June 1999

Dear Philip

e: JS
- JPs
AC

**CARIBBEAN RUM INDUSTRY: LETTERS FROM THE PRIME
MINISTERS OF BARBADOS AND ST LUCIA**

Thank you for your letters of 19 and 24 May enclosing copies of ones from the Prime Ministers of Barbados and St Lucia to the Prime Minister about the Caribbean rum industry. This correspondence is the latest in a campaign by the Caribbean to draw attention to the difficulties facing their rum industry after 2003, when EU trade in white spirits is liberalised, although the recent unfavourable WTO ruling on bananas may have persuaded the Prime Ministers of these Caribbean states to write now. Prime Minister Owen Arthur has written in similar terms to Fischer, as President of the European Council, while the Minister of Trade and Industry of Trinidad and Tobago wrote on 14 May to Brian Wilson here.

The ACP rum producers currently enjoy duty free quotas for imports of rum to the EU. These quotas (which form part of a protocol attached to the Lome Convention) are set to be abolished next year. However, in March 1997 the EU and US concluded a bilateral Agreement to phase out tariffs on imports of white spirits - gin, vodka, rum etc. - by 2003. WTO rules require both the EU and the US to extend the tariff concessions approved under the deal to other WTO

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dti

Department of Trade and Industry



members on a Most Favoured Nation basis. In this way, the EU market for these products will be opened to world-wide competition from that date. Following pressure from the Caribbean states however, a compromise was struck with the US under which 'traditional' (i.e. dark rum) would be excluded from the Agreement, as would 'non-traditional' (white rum) below a specified price level. These exemptions cover the low value bulk products which form the mainstay of the Caribbean industry.

The ACP countries are concerned that the elimination of tariffs on white spirits will enable larger and more efficient producers, including Mexico, Brazil and Cuba, to dominate the EU market for these products. The ACPs have put forward a number of proposals designed to give their industry a measure of protection from direct competition from these and other countries, while they complete the transition from low-value commodity products to high value branded ones. These include the possibility of indexing the duty on low value products in line with inflation for a limited period after 2003.

This is of course a Community competence issue, and we will have to discuss the options for assistance with our EU partners. Clearly we want to be as helpful as we can, and those Member States which have interests in this region including France are likely to be broadly sympathetic. But our room for manoeuvre is limited, given the likely US resistance to any proposals amending the Agreement. US exports of rum to the EU are significant, and it is very doubtful that they will go along with any further moves which place their own producers, principally Bacardi, at a disadvantage. Moreover, the UK drinks industry may also oppose. They had been campaigning for the elimination of duties on spirits, and warmly welcomed the Agreement when it was signed two years ago.

DfID have been in touch with the Caribbean rum producers' association, and are examining the role DfID can play in helping the traditional commodity industries of the Caribbean remain viable under changing global trading arrangements. The rum producers may also be able to access European funding for marketing development. We will need to explore this with them and the Commission.

In the circumstances, it would be better for a substantive reply to issue from Fischer. The FCO, who agree with this line, have asked the Presidency for the response to be discussed at Working Group level.



I enclose a draft reply for the Prime Minister's signature. We can expect the relevant Caribbean Heads of Government to raise this issue with the Foreign Secretary at the Rio Summit later this month.

I am copying this letter and enclosure to Anthony Smith (DfID), Andrew Patrick (FCO), James Papps (HMT), Katrina Williams (MAFF) and Sebastian Wood (Cabinet Office).

*Yours
Chris*

CHRISTOPHER WOOLARD
Private Secretary



The Hon Dr Kenny D Anthony MP
Prime Minister
Saint Lucia

Thank you ~~very~~ ^{much} for your letter of 5 May about the Caribbean rum industry.
~~Prime Minister~~ Arthur has also written to me about this.

I am of course very conscious of the difficulties facing some of the Caribbean economies. The UK has always been sympathetic and supportive, and is currently considering a range of options for assisting the long term development of the region. ~~But~~ ^{however,} this is an area where we act together with our partners in the EU, and where the EU has to be mindful of its wider obligations. We must ensure that arrangements take account of the EU's commitments under the Lomé Convention, as well as to the WTO rules and other agreements to which the EU is a signatory. ~~In relation to the rum industry,~~ ^{we} will ask the EU Presidency to ~~engage in consultations with~~ all the parties concerned to see what can be done to help the ACP rum suppliers meet successfully the challenges of greater trade liberalisation. You may know that ~~Prime Minister~~ ^{Arthur} has also written to ~~Joschka Fischer,~~ ^{Over} the President of the European Council. I will ensure that you get a copy of his response.

I am writing in similar terms to ~~Prime Minister~~ ^{Over} Arthur.

DCO FILE



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

No Ack 24 May 1999

**CARIBBEAN RUM INDUSTRY:
LETTER FROM THE PRIME MINISTER OF ST LUCIA**

Kenny Anthony has written to the Prime Minister about the difficulties facing the Caribbean rum industry. A copy of his letter is enclosed. This is similar to the letter the Prime Minister has recently received from Owen Arthur. Please could we have a draft reply for the Prime Minister to send, as soon as possible.

I am copying this letter and enclosure to Anthony Smith (Department for International Development), Andrew Patrick (Foreign and Commonwealth Office), James Papps (HM Treasury) and Sebastian Wood (Cabinet Office).

PHILIP BARTON

Chris Woolard Esq
Department of Trade and Industry

GR
21/5

PM/DTI/PB



SUBJECT
MASTER

Filed on:

Prime Minister
Saint Lucia

5th May, 1999

The Rt. Hon Tony Blair, MP
Prime Minister of the United Kingdom
Of Great Britain & Northern Ireland
10 Downing Street
LONDON SW1A 2AA

Dear Prime Minister

I write to you on the subject of the likely demise of the Caribbean rum industry by 2003 if special transitional measures are not put in place for this industry before the end of 1999.

After twenty years during which the Caribbean rum industry had been subject to quotas in Europe under successive Lomé Conventions, the industry had hoped to have had a transitional period during which it could move out of low value commodity bulk rum, to which the quota system effectively confined it, into higher value branded products. However, the sudden liberalization between 2000 and 2003 of the EU rum market, as a result of the March 1997 unilateral decision by the EU and US to remove almost all remaining barriers to the trade in white spirits, has left the industry in the region facing ruin unless new mechanisms and an integrated package of measures can be agreed by EU member states.

Rum distillers in the ACP Caribbean receive no subsidies. This is in stark contrast to the fact that 87% of global production of alcohol is subsidized. Most are only viable because the volume of rum distilled for export enables their plants to have the throughput necessary to operate efficiently. Thus, the export market is a critical component in the survival of the industry in the Caribbean.

Page 2
5th May, 1999

The net effect of the March 1997 EU/US agreement was to open the EU market with almost immediate effect to all rum producers. As a result, the rum industry in the Caribbean will by 2003, find itself competing in Europe against heavily subsidized producers from third countries.

In other words, the Caribbean rum industry will not successfully transit the period to the introduction of whatever new trade arrangements are agreed between the EU and the ACP unless viable transitional measures are put in place now.

Rum is one of the industries that underpins economies in the region and it is one of the few agro-industrially based export industries in the Caribbean. It is the fourth largest non-service sector earner of foreign currency for the region after sugar, bauxite/alumina and bananas. Ownership of the industry is mainly in the hands of Caribbean nationals. The industry employs over 10,000 people. Rum exports to Europe earn the region over US\$167 million (1996) of foreign exchange annually and account for 7.5% of all Caribbean exports to the EU. The rum industry is also a major contributor to domestic duties and taxes.

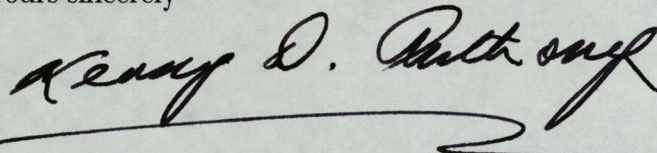
Secure measures that ensure the industry's long term viability are now essential. If the industry is to survive and maintain a place as a traditional supplier to the EU market, the unique nature of its products and traditional origin need to be promoted. The industry in the Caribbean, therefore, needs practical support and a clear understanding of future arrangements not later than the end of 1999.

/The economic

Page 3
5th May, 1999

The economic uncertainty that now faces the Caribbean region over the future of its banana industry will be further heightened if swift action is not taken to find a way around the likely collapse of the region's rum industry as a result of the EU and US decision of 1997. May I therefore ask you and your Government to give the highest possible consideration to the question of how we might work together to try and resolve this new problem that faces our region.

Yours sincerely

A handwritten signature in cursive script that reads "Kenny D. Anthony". The signature is written in black ink and is positioned above a horizontal line.

.....
KENNY D. ANTHONY
Prime Minister

cc: JSH



Foreign &
Commonwealth
Office

London SW1A 2AH

Tell FM to send.

28 May 1997

file - told Flo to issue as
amended with no
signed original.

PM
29/5

Dear Philip,

Change of Government in St Lucia: Draft Message of
Congratulations from the Prime Minister

General elections were held in St Lucia on 23 May, when the ruling United Workers Party (UWP) was routed by the St Lucia Labour Party (SLP). The UWP had been in power since 1964, with a short break between 1979 and 1982. Dr Kenny Anthony, leader of the SLP, was sworn in as Prime Minister on 24 May.

The SLP won 16 of the 17 seats with only Louis George, ex Deputy Prime Minister, retaining his seat. The former Prime Minister, Dr Vaughan Lewis, lost his seat by 47 votes. Although the official count has yet to be announced the SLP are thought to have gained around two thirds of the votes cast.

... I attach a draft message of congratulations from the Prime Minister.

Yours ever

Fiona

(Fiona Mylchreest)
Private Secretary

Philip Barton Esa
10 Downing Street

DRAFT LETTER FROM THE PRIME MINISTER TO
DR KENNY ANTHONY

~~May I extend my~~ Congratulations ~~to you~~ on your convincing ~~× ×~~
victory in the St Lucia General Election. We both have the
task of shaping our countries' futures after a long period in
opposition and I wish you every success in your endeavours.
Britain's historic links with the Caribbean, and St Lucia in
particular, are of great importance to me and I hope we can
work closely together to strengthen our ties in the years
ahead.

I look forward to seeing you at the Commonwealth Heads of
Government Meeting in Edinburgh this Autumn.

TONY BLAIR

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