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Confidential Filing

Visits of the New Zealand Deputy Prime Minister, Mr Brian Talboys.

NEW ZEALAND

November 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~27.11.79~~							
~~12.12.79~~							
~~14.12.79~~							
~~14.5.80~~							
~~16.5.80~~							
2.10.80							

PREM 19/318

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File

DSG

New Zealand

cc: MAFF

CO

Master

Euro Pdt; CAP; PE 6

10 DOWNING STREET

From the Private Secretary

2 October 1980

CALL BY MR. TALBOYS

The Deputy Prime Minister of New Zealand, Mr. Brian Talboys, called on the Prime Minister this morning. The appointment had been arranged before the meeting of the Agriculture Council earlier this week. Since agreement was reached on a sheepmeat regime and on imports of butter from New Zealand for this year at the Agriculture Council, much of the original purpose of Mr. Talboys' call had disappeared.

As it was, the only point of substance raised by Mr. Talboys was a request for confirmation that the British Government would back the Commission's proposal for tackling the question of access for New Zealand butter from 1981 onwards. The Prime Minister gave that assurance. Mr. Talboys said that his Government welcomed the move to fixed levies achieved in the butter agreement for this year. If in addition agreement could be reached for future years on quantities and on the duration of the agreement, the basis would have been laid for a broader trading relationship between New Zealand and the Community. This was something the New Zealand Government were very anxious to see.

I am sending copies of this letter to Garth Waters (Ministry of Agriculture, Fisheries and Food) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

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cc. Franklin C.O.

Foreign and Commonwealth Office

London SW1A 2AH

1 October 1980

Dear Michael,

Mr Talboys Call on the Prime Minister

I enclose a brief on EC/New Zealand relations (cleared with the MAFF) for the Prime Minister's talks with Mr Talboys on 2 October.

Mr Talboys arrives in London on 2 October. Apart from his call on the Prime Minister he will also see Mr Walker (on 2 October) and Lord Carrington on 3 October. Lord Carrington will also host a lunch for Mr Talboys on 3 October. Following his visit to London Mr Talboys will visit Dublin on 6 October before going on to other EC capitals.

The Iran/Iraq conflict caused Mr Talboys to cancel a planned visit to the Baghdad Trade Fair, and his visit to London is therefore a little sooner than expected.

New Zealand House here told us that Mr Talboys will concentrate on EC/New Zealand relations in his talks with the Prime Minister and on foreign affairs when he sees Lord Carrington. Nevertheless the situation in Iran/Iraq will be at the forefront of his mind, especially as the New Zealanders have considerable commercial interests in both countries. They signed a lamb contract with Iran in October 1979 worth about NZ$100m (£41.6m) in 1980 and increasing in the following three years. They have contracted to supply 70,000 tonnes of lamb to Iran in 1981, and 30,000 tonnes to Iraq. Together these total over 25% of New Zealand's lamb production.

In case the talks range wider the Prime Minister may wish to bear the following in mind:

Vanuatu

The New Zealanders were helpful and understanding on our handling of Vanuatu Independence. We enjoyed close and regular contact at all levels.

Sporting Contacts with South Africa

Despite strong opposition from the NZ Government, the trade unions, churches etc, the New Zealand Rugby Football Union has invited the Springboks to New Zealand in 1981. Mr Talboys has strongly condemned this invitation, in accordance with the Gleneagles Agreement.

New Zealand Politics

The Social Credit Party captured their second seat at a recent by-election, reducing the New Zealand Government's

/overall

overall majority to six. The next General Election is due in November 1981.

Yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

VISIT BY MR TALBOYS: 2/3 OCTOBER
EC/NEW ZEALAND RELATIONS

POINTS TO MAKE

1. Satisfactory that Voluntary Restraint Arrangement (VRA) for sheepmeat and revised arrangements for 1980 butter imports have finally been settled. Sheepmeat regime will now come into effect on 20 October.

2. Obstructionism by the French tiresome but their position was becoming untenable.

3. Satisfactory outcome due in large measure to negotiating skill of New Zealand Government.

4. UK will now press hard for rapid and satisfactory settlement of outstanding issue of post-1980 access for butter. Rest of Community must be brought to recognise vital importance of this for future relationship with New Zealand. Germans already taking a helpful line. But worrying that so many other Member States seem prepared to support French-led attack on Commission proposals.

5. We shall be raising this at Foreign Affairs Council on 7 October as well as arguing the New Zealand case hard in the Agriculture Council. Important UK and New Zealand officials should maintain close contact.

6. (If Mr Talboys expresses anxiety about the possibility that exports of butter from New Zealand will have to stop on 1 January 1981 in the absence of an agreement). Even the French have not suggested this. Such an outcome would be unacceptable to the UK as well as to New Zealand.

BACKGROUND

Sheepmeat

7. The Agriculture Council on 30 September finally agreed a Voluntary Restraint Arrangement (VRA) with New Zealand the terms of which were virtually unchanged from those negotiated by

/Gundelach

Gundelach with Mr Muldoon in July. The New Zealanders had already indicated that they would probably accept the Commission's offer of a 10% tariff instead of the 8% which Mr Muldoon originally insisted on. In addition they agreed during the Council itself (after consulting Mr Talboys) to accept an extension to 31 March 1984 of the period during which the French market would be protected against imports of sheepmeat from New Zealand. This paved the way for the French to drop their objections on other aspects of the VRA and in addition for the French reserve on revised arrangements for 1980 butter to be lifted.

Butter: 1980

8. The 30 September Agriculture Council also endorsed a "gentlemen's agreement" between New Zealand and the Commission under which New Zealand is to be allowed a substantial increase in the price she receives for butter in return for a reduction in access from 115,000 tonnes to 95,000 tonnes. The French had earlier appeared to accept this at the July Agriculture Council (on condition that it did not constitute a precedent for post-1980) but subsequently blocked for three months the necessary reduction in the Community levy.

Butter: post-1980

9. The Commission have proposed a further progressive reduction in quantities to 90,000 tonnes in 1984. But this would be coupled with provision for ongoing access at the same level thereafter, the right to market throughout the Community (instead of just in the UK), and the replacement of the present variable levy system by a fixed levy, a change which we estimate would be worth £15 million to New Zealand in a full year. The French have concentrated their attack on the principle of open-ended access and on over-generosity to New Zealand. On both points they have attracted varying degrees of support from Ireland, Belgium, Denmark, the Netherlands and Italy. The French are more extreme in arguing that no decision can be taken beyond 1981 at this juncture. They have suggested as a fall-back that in the absence of agreement this year the present arrangements should simply be rolled forward into 1981. The UK together with the FRG has argued that it is clear a long

/term

term arrangement is needed and that, if total consumption falls, the EC position would be adequately protected by the review clause in the Commission's proposed regulation. On the price arrangements we have pointed out that the present variable levy has caused instability in the UK butter market with the New Zealand share fluctuating widely from month to month, that this instability is detrimental to the interests of Community producers, and that it would be perpetuated by the minimum selling price which the French and their allies want instead of the fixed levy.

10. In a scrutiny debate on 25 July the Government accepted an opposition amendment calling for "permanent access" and "a quota for 1984 of not less than 90,000 tonnes", as proposed by the Commission.

11. The New Zealand Government are becoming increasingly anxious that there should be an early as well as a satisfactory decision. The subject has not as yet been discussed in the Agriculture Council though it is likely to be on the agenda for 20-21 October. Meanwhile at the Foreign Affairs Council on 7 October we intend to take the opportunity provided by the Marlia Report (the periodic report by the Presidency on work in the other specialist Councils) to emphasise the need for fair treatment for New Zealand.

Foreign and Commonwealth Office
1 October 1980

New Zealand

Reference .....

NOTE OF A MEETING BETWEEN THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD AND THE DEPUTY PRIME MINISTER OF NEW ZEALAND: LONDON - 16 MAY 1980

Ps [illegible] 20/5

Present:

Minister of Agriculture, Fisheries and Food
Mr J H V Davies - MAFF
Mr Parkhouse - MAFF
Mr Waters - MAFF

Mr Talboys, Deputy Prime Minister of New Zealand
Mr Gandar, New Zealand High Commissioner, London
Mr Thompson, New Zealand High Commission, London
Mr Ansell, New Zealand Ambassador, Brussels
Mr Woodfield, New Zealand MFA

Mutton and Lamb

1. Mr Talboys began by asking whether the British Government now in principle accepted intervention as a necessary part of a Community mutton and lamb régime. He had learned from his meeting with the Lord Privy Seal that the Foreign and Commonwealth Office did accept the principle.

2. Mr Walker replied that it was understandable that the Foreign Office, having followed the negotiations, judged that they might lead to the acceptance of intervention in the mutton and lamb régime. At the farm Ministers Council that took place in Luxembourg concurrently with the European Council, Mr Gundelach himself seemed to be countenancing not only intervention but export restitutions. In his last meeting with Mr Walker on 13 May, however, Mr Gundelach had assured him that he would not propose export restitutions as part of the mutton and lamb régime. Unless the régime explicitly provided for them, Mr Gundelach had said, they could not be made available. Mr Walker said that he would be asking Mr Gundelach to put that in writing since Mr Gundelach's assurances were not to be believed lightly.

3. Mr Walker continued by saying that the present Commission proposals were not acceptable. They would result in intervention purchases which would produce 65,000 tonnes of frozen mutton and lamb in public stores in the United Kingdom and 35,000 tonnes in France. Variants on these proposals, which sought to confine intervention to France alone would not prevent mutton and lamb from going into intervention, thereby displacing normal consumption on traditional patterns of trade. In Mr Walker's opinion, the British Government could not tolerate British mutton and lamb going into intervention stores. Proposals were now being floated for limited forms of intervention confined to France and Mr Walker could not categorically reject these proposals because he would have no support in so doing from other Member States.

4. Asked by Mr Talboys whether he now saw some form of intervention as part of the régime, Mr Walker said that he did not want intervention in any form. However, President Giscard had insisted that there should be intervention in France, and France would therefore not agree to a régime that did not provide for intervention. Mr Walker could, of course, refuse to accept any régime that did include intervention. However, in the context of the solution of the British budget problem, the Prime Minister would have to make a judgement about what could be accepted. If it could be seen that there would be no intervention in the United Kingdom, and that the position of New Zealand was totally protected, some form of intervention might be admissible. Mr Walker suggested that New Zealand was in a good position to strike a deal with the Community at the moment provided that it negotiated adroitly in the coming week.

5. Pressed to explain how, in the light of his experience of the working of the Council, Mr Walker thought that the Council of Ministers could give reliable assurances to New Zealand, he said that he could envisage the framework of a deal. If New Zealand were offered a cut in the tariff against her in return for assurances that there would be no export refunds, and that there would be no British lamb going into intervention, and that intervention would exist only for certain types of French lamb and then only under certain conditions, a deal could be done, though it would have to be tightly tied up. The Commission knew that President Giscard was now hooked on getting intervention buying for mutton and lamb in the Community régime. The Commission knew too that they would have to buy off New Zealand and the United Kingdom before they could grant intervention buying as part of the mutton and lamb régime.

6. Mr Talboys said that Mr Ertl had told them that he acknowledged that it was financially and commercially crazy to introduce intervention buying of mutton and lamb. But he had said it was politically necessary. He had said that there would have to be intervention and therefore there would have to be export refunds; accordingly New Zealand would have to be harmed. Mr Walker replied that Mr Ertl's comments showed that France and Germany had reached an understanding that there would have to be intervention. Mr Walker thought that there would be a mutton and lamb régime now because the other eight Member States had agreed to one. He could not tell whether he would be able to separate mutton and lamb and fish from the budget negotiations. Ideally he would like to separate mutton and lamb and fish from the budget negotiations. He had succeeded in getting mutton detached from the price package at the Luxembourg Council, but he could not be certain that he could get it detached from the budget negotiations.

7. Mr Talboys replied that the New Zealand Government and public appreciated the achievement of Mr Walker in opposing the

proposals for a mutton and lamb régime; and that they understood that there would already be a Regulation had not Mr Walker's efforts been so vigorous. Mr Talboys would be seeing Mr Gundelach again in a week's time after visiting Amsterdam, Paris and Copenhagen. Mr Walker suggested that Mr Talboys should bring himself up to date with Mr Gundelach's thinking at that point. He was susceptible to frequent changes of mind. He had assured Mr Walker in London that he was not going to propose export restitutions. At the same time in Brussels his spokesman was ambiguous on the point. Mr Walker suggested that Mr Talboys should press the Dutch hard for support. He noted that the Special Committee for Agriculture would be discussing mutton and lamb again on 19/20 May and considering a report from the Working Group which had met earlier. He promised to keep the New Zealanders in touch with developments at the Special Committee.

8. Mr Walker suggested that the New Zealanders should make themselves available for urgent negotiations with Mr Gundelach in the coming week. In his opinion, every other Member State wanted an end to the argument. If New Zealand opposed intervention as such it would get nowhere because the Commission itself had proposed, and eight other Member States had accepted, the need for intervention at the Luxembourg Council.

9. Mr Talboys said that the New Zealand Government feared that intervention, once accepted in principle - even if of limited application in France - would ultimately be extended. He said that Mr Walker could well imagine the political reaction that there would be in New Zealand after all the assurances that had been given on this point. After her experience with dairy products and the Community, New Zealand was deeply concerned for her mutton and lamb exports. Mr Walker repeated that he thought a deal was available that would suit the interests of the United Kingdom and New Zealand. Asked whether the deal would be between New Zealand and the Community, Mr Walker said that Mr Gundelach had assured him that he could do a deal which was good for New Zealand. Mr Gundelach would need to be pinned, but a deal could bring improvements in the price that New Zealand got for her lamb on the Community market.

10. Mr Talboys said that price improvements were always welcome to farmers, but threats to their market were not. He asked whether Mr Walker envisaged that there could be a limitation on the areas of disposal in any agreement and whether it would be for a finite period of time. Mr Woodfield asked whether the deal would be locked into the mutton and lamb Regulation. Mr Walker replied in the affirmative to all these points. The deal would have a finite period because at the end of a transitional period there would be a common reference price for mutton and lamb. He advised the New Zealanders that the best time to influence Mr Gundelach was before he decided what to put to the Council of Ministers scheduled for 28/29 May.

11. In passing, Mr Walker mentioned that there was growing antipathy to New Zealand amongst British farmers. Scottish farmers in particular were beginning to represent New Zealand lamb as the cause of their problems. The responsible NFU leadership was not raising complaints about lamb, but it would be worth the New Zealanders' while to work on them. The National Farmers' Union was very concerned, said Mr Walker, about New Zealand lamb arriving late on our market at times when British lamb marketing was beginning. Sheep farmers had had the best lambing for years, but prices had tumbled to levels 20p/kilo below the guaranteed price. Mr Talboys said that New Zealand feared that British farmers would come to see New Zealand lamb as the threat; and that New Zealand could see that there would be pressure for intervention to be extended once it had been accepted in France.

Dairy Products

12. Mr Walker said that he would expect the question of post-1980 access for New Zealand butter to be taken at the June Council if agricultural prices etc were settled in May. That was the forecast of Mr Gundelach too. The key to that issue would be with France and Ireland. Access arrangements should, in Mr Walker's opinion, have been made long ago, but it would be best to keep them out of the price fixing because New Zealand would be squeezed badly if the issues were linked.

ACTION

As you know, the Minister took the Deputy Prime Minister to meet the British Prime Minister after his meeting. I would be grateful if you would submit a letter for the Minister to send to Mr Gundelach seeking the assurances that the Minister referred to in his meeting with Mr Talboys. I shall advise the Minister to clear its terms with the Foreign Office and with No 10.

G R WATERS
Principal Private Secretary
16 May 1980

Mr J H V Davies + 1

cc Miss Rabagliati
Mr Steel
Mr Sadowski
Mrs Brock
Mrs Archer
Mr Wilson
Mr Andrews
Mr Parkhouse
Mr Mordue
Mr Edwards
Mr Wilkes
Mr Hadley
Mr Alexander - No 10
PS/SS Scotland
PS/SS Wales
PS/SS Northern Ireland
PS/Lord Privy Seal
PS/ Cabinet Secretary
Mr Pooley - UKREP Brussels
Mr Dawes

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Ag Rms

CALL BY THE RT HON B E TALBOYS, DEPUTY PRIME MINISTER OF NEW ZEALAND, ON THE LORD PRIVY SEAL: 10.30 AM ON 16 MAY

Present:

Lord Privy Seal	The Rt Hon B E Talboys
Mr S G Cook	HE The Hon L W Gandar
Mr S J Gomersall	Mr I L S Stewart
Mr R Kinchen	Mr G Ansell
	Mr E A Woodfield
	Mr C J Elder

1. Mr Talboys said the New Zealand Government were gravely concerned that the Commission had tabled proposals on sheepmeat which provided for intervention. All previous experience suggested that any regime involving intervention would create surpluses which would in turn create demands for export restitutions. This would be very damaging to New Zealand. Intervention would really create more problems than it would solve. It would force up prices to consumers, depress demand and stimulate production. The New Zealand sheep rearing industry accounted for 40% of total export earnings. Meat and wool production was integrated and future viability depended on maintaining present volumes. New Zealand was immensely grateful for Britain's stand so far. But Mr Talboys said he frankly wondered whether other Member States really appreciated the implications of intervention. Since Tito's funeral he had seen Marcora, Gundelach, Lavens and Ertl. He would also be going on to see the French (though neither François-Poncet nor Mehaignerie was available). Ertl had said he was totally against intervention. It was a bad policy and would harm New Zealand. But the Germans would not oppose it. It would be politically impossible to stand out against it. Marcora in contrast had suggested he would try to help by separating out the various elements in the Commission's proposals. Mr Talboys said it was unacceptable for New Zealand's interests to be sacrificed for the sake of European unity.

2. The Lord Privy Seal said that the ideas put forward by the Commission in Luxembourg had been unacceptable in a number of respects. But since then there had been some improvement. It was helpful that the Commission proposal now on the table omitted any provision for export restitutions. While we realised that the New Zealanders were opposed to intervention in principle the price level seemed to us to be the most important factor. The problem was that the French had succeeded in linking sheepmeat with the UK budget problem. Giscard had now boxed himself into a corner by setting a deadline of 31 May for agreement on yet another linked issue, CAP prices.

3. Mr Talboys asked if the British Government might be prepared to make concessions on intervention. The Lord Privy Seal said they would fight hard to avoid doing so. While the UK might be forced to show some flexibility, we should do our utmost to safeguard New Zealand's interests. Mr Talboys said this filled him with alarm. The New Zealand Government had agreed reluctantly to negotiate voluntary restraints because they were given to understand that this was a necessary condition for ensuring agreement on a light internal regime. Any intervention threatened to distort sophisticated marketing arrangements built up over more than a

/century

century. Basically New Zealand sold its sheepmeat wherever the best price could be achieved but strenuous efforts had already been made to diversify into other markets apart from the UK. Nonetheless 200,000 tonnes still came to Britain every year (out of total exports of 300,000 tonnes) and there was often pressure from the British meat trade for increased supplies. In February Lord Carrington had suggested that there would be value in having discussions on butter take place in parallel in both the Foreign Affairs and Agriculture Councils. Would it help if Foreign Ministers could also consider the sheepmeat question? They would be able to take into account the effect of Community policies on the ability of New Zealand to contribute to the economic development of the South Pacific. The Lord Privy Seal said that Haferkamp had been impressed by what he had seen in New Zealand. He had a full appreciation of the importance of allowing continued access for butter and sheepmeat. While he was not the most influential of Commissioners he was undoubtedly an ally and had assured the Lord Privy Seal privately that he would put EC/Australia and EC/New Zealand relations on the agenda for one of the forthcoming meetings of the Foreign Affairs Council.

4. The meeting concluded with a brief discussion of Afghanistan.

Copies to:
PS
PS/LPS
PS/Mr Blaker
PS/PUS
Sir D Maitland
Lord Bridges
Mr Bullard
Mr Hannay
Mr Fergusson
Mr Murray
Mr J Moberly
ECD(E)
ECD(I)
SPD
MED
UKREP Brussels
High Commission, Wellington
HM Embassies:
Paris
Bonn
Rome
Mr Alexander, No.10
PS/Minister for Agriculture, Fisheries and Food
PS/Secretary of State for Trade

VLB

FILE

New Zealand

cc HMT
MAFF
CO

16 May 1980

Call by Mr. Brian Talboys

The Deputy Prime Minister of New Zealand, Mr. Brian Talboys, called on the Prime Minister this morning. I enclose a record of their discussion.

I am sending copies of this letter and its enclosure to John Wiggins (H.M. Treasury), Garth Waters (Ministry of Agriculture, Fisheries and Food) and David Wright (Cabinet Office).

MICHAEL ALEXANDER

G. G. H. Walden, Esq.,
Foreign and Commonwealth Office.

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Copied to Master
Euro Pol: CAP: PT 5.

SUBJECT

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE DEPUTY PRIME MINISTER OF NEW ZEALAND, MR. BRIAN TALBOYS, AT 10 DOWNING STREET ON 16 MAY 1980 AT 1230

Present: Prime Minister
Minister of Agriculture
Mr. Michael Franklin
Mr. Michael Alexander
Mr. Brian Talboys
H.E. The Hon. L.W. Gandar
Mr. I.L.G. Stewart

* * * * * * * * * *

After Mr. Talboys had referred to his earlier discussions with Mr. Gundelach, Herr Haferkamp and Herr Ertl, Mr. Walker described the present position. He said that the Germans had agreed to back a sheep meat regime including intervention and all the other members of the Community had accepted a regime including intervention as inevitable although they were well aware of the defects of such a regime. However German officials were supporting British officials in their efforts to secure improvements in the new proposals made by the Commission at Luxembourg. The crucial period of negotiation would be in the following week, at the end of which Mr. Gundelach would have to put forward proposals for consideration by the Agricultural Council. It would be essential for Mr. Talboys to apply maximum pressure to Mr. Gundelach in this period. British officials would, of course, be doing the same. Both the Commission and the French Government were extremely anxious to secure agreement on the outstanding agricultural issues, including the price package, by the end of the month. They might therefore be prepared to make concessions to the UK view point in this period. Mr. Walker said that he believed it would be possible to secure agreement on a regime which would represent an acceptable deal for both New Zealand and the United Kingdom. However judgement would have to be reserved until the end of the month when the place of the sheep meat agreement in the overall package of agreements could be seen.

Mr. Talboys underlined the importance of the sheep meat regime in the New Zealand economy. At present it produced 40% of all New Zealand's foreign exchange. The industry had been developed to serve the British market. The New Zealand Government had made strenous efforts to find alternative markets but the psychology and economics of the operation were still based on full access to the UK market.

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/ The New Zealand

The New Zealand Government was concerned lest the introduction of intervention should create a "creature" which would grow and grow. Herr Ertl had admitted that this was a danger. However Herr Ertl had also said, when asked point blank, that the Federal Republic would not oppose the establishment of a sheep meat regime which included intervention. Mr. Walker agreed about the lunacy of intervention. However he thought it possible to envisage a scheme under which there would be intervention in only one particular region, for a limited period in the year and for specific grades of sheep meat. In the UK there would be a scheme based on variable premia designed to prevent UK lamb going into intervention elsewhere and intended to maintain a viable market. The political reality was that it would be impossible to persuade the French to abandon intervention. There was no certainty that whatever regime was negotiated would be acceptable. But clearly the British Government would be in difficulty if other aspects of the total package were reasonable and the only obstacle was the introduction of localised intervention in one product.

The Prime Minister asked why the French were so insistent on intervention. Surely the interests of the French sheep farmer could be safeguarded in other ways. Mr. Walker said that the French Government were publicly committed to intervention and could not now escape from the commitment. He had himself tried repeatedly to get across the drawbacks of intervention. But the issue was very sensitive politically in France. The Government had to take account of the views of M. Chirac and the Gaullists. Mr. Franklin said that there was a deep-rooted objection among French farmers to subsidies. Subsidies were likened to charity. The farmers wished to get the price out of the market.

Mr. Talboys said that this was also a sensitive issue in New Zealand. The introduction of a sheep meat regime including intervention would have enormous psychological implications in the country. A considerable political investment had been made in the assurances that New Zealand had received in the past about UK opposition to such a regime. The Prime Minister recalled that she and Mr. Walker had opposed such a system from the beginning. Mr. Talboys acknowledged the point and said there was a tremendous

/ feeling

feeling of gratitude in New Zealand for the line taken by HMG. He asked whether the negotiation of a sheep meat regime was inseparable from the other issues at present under discussion in the Community. The Prime Minister said that she did not know the answer. But she knew that the pressures on her to reach agreement would be enormous.

The Prime Minister asked whether more could not be done to bring home to the other members of the Community the disadvantages of the present proposal. How should the New Zealand Government best get across its case? Mr. Walker said that he had personally taken every member of the Community through the Commission's proposal in order to demonstrate to them how unsatisfactory it was. All except the French and the Irish had taken the point. He intended to maintain the pressure during the following week. The Prime Minister said that Mr. Talboys should play the political card as hard as possible. He should stress the contribution which New Zealand had made to the defence of Europe in the past. He should also stress the importance of New Zealand's position in the Pacific at present. He should continue to underline the absurdity of intervention while making the point that he had no desire to deny the French sheep farmer a decent standard of living. Mr. Talboys indicated that he would act as the Prime Minister proposed. He suggested that the problems of New Zealand butter and lamb might be discussed in the Council of Foreign Ministers at some stage. Taken together the two products represented virtually the entire New Zealand economy.

Mr. Walker repeated that the following week would be crucial. By Tuesday more would be known about the Commission's detailed position. Mr. Gundelach would probably decide what new proposals to put forward on Thursday. Pressure on him should be maintained. Mr. Talboys, taking note, said that his mandate from his Government was to express New Zealand's total opposition to a regime of the kind at present under discussion. He had no mandate to accept the sort of regime outlined earlier by Mr. Walker. The Prime Minister wondered whether the other members of the Community were so desperate to secure agreement on the agricultural prices package that they would be prepared to treat sheep meat separately. Her own position was that she was not prepared to sacrifice the interests of the

/ fishing

fishing industry or to accept a permanently damaging sheep meat regime in order to resolve the budget problem. But this was of course a matter on which the Government as a whole would have to reach a judgement. Referring to the question of Mr. Talboy's mandate, Mr. Walker suggested that it did not prevent Mr. Talboys from listening to what the Commission had to propose even if his own position was one of total opposition. The Prime Minister agreeing with Mr. Walker said that Mr. Talboys should be careful to avoid any suggestion that ~~the~~ proposals including intervention could satisfy New Zealand's interests. He should make his position plain publicly.

The discussion ended at 1310.

16 May 1980

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

Michael Alexander Esq
Private Secretary
10 Downing Street
London SW1

15 May 1980

Dear Michael,

PRIME MINISTER'S MEETING WITH MR TALBOYS - 16 MAY 1980

In preparation for the Prime Minister's meeting with Mr Talboys
--- at 12.30 tomorrow I attach briefing that has been approved by my Minister. The briefing on mutton has been prepared in consultation with the Foreign Office who are content with it. The contingency brief on butter does no more than rehearse the factual situation and take the line that Ministers have been taking with the New Zealanders about negotiations for the continuation of access for New Zealand butter after the end of this year.

I am copying my letter and its enclosures to Paul Lever (FCO), John Wiggins (Treasury), Godfrey Robson (Scottish Office), John Craig (Welsh Office), R Harrington (Northern Ireland Office) and David Wright (Cabinet Office).

Yours sincerely
Geoff Waters

G R WATERS
Principal Private Secretary

BRIEF FOR THE PRIME MINISTER'S MEETING WITH MR TALBOYS:
16 MAY 1980

POINTS TO MAKE

SHEEPMEAT

1. Share your concern about revised Commission proposals. I know you have been discussing these in detail with Peter Walker.

2. Intervention not necessary for sheepmeat and at level proposed could create serious disruption especially in the longer term. Even if mainly in autumn with possibility of Member States deciding not to intervene problems will arise. Will continue to expose shortcomings of proposals and in particular of intervention price proposed.

3. Share your opposition to export refunds. These are not included in the proposals and we are determined to resist them.

4. You have security of GATT binding if choose not to conclude Voluntary Restraint Arrangements (VRAs). But I favour VRAs in the right context because they could provide a basis on which the Community and third country suppliers could work together with greater certainty as well as giving New Zealand producers the benefit of a tarriff cut.

5. Gundelach understands that New Zealand's agreement to a voluntary restraint arrangement depends on the nature of the Community's internal regime. New Zealand should keep him up to the mark.

BACKGROUND NOTE

SHEEPMEAT

1. Mr Talboys has been touring European capitals expressing concern about the Commission's revised proposals for an intervention based regime and the possibility that export restitutions might be proposed to facilitate the disposal of intervention stocks either now or in the future. He has indicated that these could jeopardise the conclusion of voluntary restraint agreements.

2. As a result of these talks Mr Talboys knows that the other Member States see it as a political issue which must be solved in the context of the Budget and are prepared in that context to agree to high priced intervention arrangements which several of them would certainly not accept in isolation. Gundelach made it clear to him that intervention cannot be avoided if the French are to be satisfied. He has, however, tried to soothe Mr Talboys by arguing that the intervention proposed is limited and that he would not be proposing export refunds. They will be meeting again on 23 May before Mr Talboys returns to New Zealand and before the next Agriculture Council on 28/29 May. The first session of the voluntary restraint negotiations has however been deferred until after the Council.

3. The Commission has now circulated a revised formal proposal incorporating intervention arrangements on the lines broadly agreed by other Member States in Luxembourg. The basic price and the Continental intervention price would be at the levels (345 ECU/100kg and 293 ECU/100kg) favoured by the French. The UK and Irish intervention price would be 25 ECU lower, which is much more than the export cost from those countries to the Continent and could result in large quantities going over to France to increase intervention there. It has been accepted at technical level that intervention could be optional (when the price conditions occurred) but this does not remove the risk of exports into intervention. Premium proposals remain

unchanged and do not offer the UK a fair share of maximum receipts in either the first year or the longer term. Export refunds are not proposed, but the Commission do not seem prepared to make a firm commitment on this point for the future. Anyway under the present proposals the Commission could, with the approval of the Management Committee (which operates on majority voting) dispose of intervention stocks at low prices on world markets. Since the Commission's proposals offer no advantages at all to the UK (the major producer and consumer) the Minister of Agriculture is considering the possibility of seeking a variable premium (FEOGA-financed) in the UK as part of a package involving intervention and will be consulting his Ministerial colleagues.

4. Mr Gundelach visited the Minister of Agriculture on 13 May and confirmed that he was not proposing export refunds. Mr Gundelach said he would not finalise the sheepmeat regulations until he was assured of the agreement of the New Zealand authorities. The Minister of Agriculture is proposing to write to Mr Gundelach seeking assurances about the New Zealand interest and about export refunds in particular.

5. New Zealand sends over half the sheepmeat she produces to the UK (some 200,000 tonnes worth about £170m) and about 7% to other Member States. She supplies about half of UK consumption. Sheepmeat and wool account for nearly a third of New Zealand's export earnings.

MR TALBOYS' MEETING WITH THE PRIME MINISTER - 16 MAY 1980

CONTINGENCY BRIEF ON ACCESS FOR NEW ZEALAND BUTTER TO THE EEC

1. 1980 position

New Zealand has the right to export 115,000 tonnes of butter to the UK in 1980. 40,000 tonnes have been imported in the first four months of the year, and, earlier in the year, sales held up well at about 2,000 tonnes a week but have recently declined to about 1,500 tonnes. It is possible therefore that New Zealand will have difficulty in selling her full entitlement this year. Because of this, and because the New Zealanders are already holding stocks of about 70,000 tonnes in the UK, some carried forward from last year, with an entitlement to bring in a further 75,000 tonnes, the Commission is likely to propose to the Council that New Zealand's quota for 1980 should be cut by 20,000 tonnes. New Zealand is naturally opposed to this reduction but might be prepared to accept it if accompanied by satisfactory longer term arrangements for access.

2. Post-1980 position

The Commission are reported to have agreed on proposals which would give New Zealand an entitlement of 100,000 tonnes in 1981, declining to 90,000 tonnes in 1985, and subsequent years. The proposals would also allow a higher take-home price through improved levy arrangements. With New Zealand's agreement we are pressing for early consideration of post-1980 arrangements in both the Foreign Affairs and Agriculture Councils.

3. Although the Commission's proposals are not generous in terms of quantities, the higher price resulting from the improved

levy arrangements, and the proposal to continue access arrangements after 1985 make a package which New Zealand Ministers have said they could live with.

4. There has so far been no attempt to link access for New Zealand butter with the price package or the budget problem.

5. Line to take

If the subject is raised, the Prime Minister is advised to agree that early consideration should be given in both Foreign Affairs and Agriculture Councils, and say that we shall keep the New Zealanders closely in touch with progress.

New Zealand

File

ds

10 DOWNING STREET

From the Private Secretary

14 May 1980

Visit of Mr. Talboys

As you know, it has been agreed that the Deputy Prime Minister of New Zealand, Mr. Talboys, should call on the Prime Minister at 1230 on Friday 16 May. Your Minister will be accompanying him.

I should be grateful if you could let me have a brief by close of play tomorrow. No doubt in preparing it you will consult Paul Lever (FCO) to whom I am sending a copy of this letter. I am also sending copies to John Wiggins (HM Treasury) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Garth Waters, Esq.,
Ministry of Agriculture, Fisheries and Food.

ds

cc Eurs Pol: CAP: PE4

(1)

Prime Minister

Agree text of telegrams attached?

Yes

PM/80/35

PRIME MINISTER

European Council: New Zealand Interest in a Possible Concession on Sheepmeat

1. As you know, one of the points on which we may have to show some flexibility at the European Council is the inclusion of a limited element of intervention in the proposed sheepmeat regime. This is something to which the New Zealanders will be strongly opposed.

2. They fear that any form of intervention would be the thin end of a wedge leading to the development of more elaborate intervention agreements, which would lead in time to increased prices, reduced demand and a drop in New Zealand's exports of lamb. They also fear that the Community would be tempted in addition to extend export restrictions to sheepmeat, thus damaging New Zealand's prospect in third markets as well.

3. There is, of course, no prospect of our conceding all that the French request at the European Council. But we have to recognise the real New Zealand concern about conceding the principle of intervention, even on a limited scale. They have made their views on this clear to us many times, and spoke strongly on the issue to Willie Whitelaw when he paid an official visit to Wellington last week. We therefore have to recognise that any concession by us at the European Council is likely to provoke a critical reaction in New Zealand.

4. One possibility would be to leave the New Zealand Government in ignorance of our position until we see whether it does in fact prove necessary to give some ground over intervention at the European Council itself. I believe, however, that events will move too fast for us to be sure of being the first to break any unwelcome news there may be to the New Zealanders.

5. I therefore favour taking the New Zealanders into our

 /confidence

confidence and, subject to your approval, would like to send a message to Talboys in the terms of the attached draft. I would instruct our High Commissioner to deliver this on the morning of Monday 28 April (which corresponds to the evening of Sunday 27 April European time).

6. I am sending copies of this minute to the Members of OD(e), to Willie Whitelaw, and to Sir R Armstrong.

C

(CARRINGTON)

Foreign and Commonwealth Office
25 April 1980

D 107991 400,000 7/76 904953

XY 42

File No. .....

Department .....

Drafted by
(Block Capitals) .....

Tel. Extn. .....

OUTWARD

TELEGRAM

Security Classification
CONFIDENTIAL
Precedence
IMMEDIATE
DESKBY 262130Z ..... Z

FOR COMMS. DEPT. USE	Despatched	(Date) ..... (Time) ..... Z	POSTBY ..... Z

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(Time of Origin) ..... Z (G.M.T.)

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[TEXT]

EUROPEAN COUNCIL: POSSIBLE CONCESSIONS ON SHEEPMEAT

1. Please deliver the following personal message from me to Mr Talboys as soon as possible on the morning of Monday 28 April.

Begins:

Since I wrote to you on 2 April it has become less likely that there will be any discussion of post-1980 access for New Zealand butter at the European Council. However, as you know, the internal regime for sheepmeat will be one of a number of issues, including, amongst other things, CAP prices and the Common Fisheries Policy, which some of our Community partners want to have settled in parallel with the UK budget contribution. We of course believe that our case for more equitable treatment

CONFIDENTIAL

/on

on the budget stands on its own. But, given the attitude of other Member States, it would be unrealistic to expect to have it resolved in isolation. We have therefore indicated that we too are ready to see progress made in parallel on the various outstanding issues.

So far as sheepmeat is concerned we have to recognise that the French are likely to be unyielding in their insistence that, for there to be progress on an internal regulation, it must include some element of intervention. Other Member States are prepared to acquiesce in this. As you know, we have consistently opposed intervention and we continue to think it unnecessary. But it would be less than frank of me not to tell you that we may be forced to show some flexibility on this point if, in the light of developments, this is ~~seems to be~~ essential in order to secure a successful outcome to the European Council as a whole.

I do of course appreciate your concern that even 'light' intervention would, potentially, be damaging for New Zealand. Willie Whitelaw tells me you repeated your anxieties on this score when you saw him in Wellington recently. As you know, while we do not believe that a 'light' intervention regime would materially damage your interests, we too are conscious of the danger that there might in time be pressure to develop such a regime into something more elaborate and more expensive. This would threaten our interests as well as yours and we would resist it. Our objective at the

WRITTEN IN THIS MARGIN

Council will be to avoid, if at all possible, any concessions on intervention and only to give ground in the last resort and subject to strict conditions, if we judge this essential to secure an overall budget settlement. It is of particular importance that knowledge of this possibility should be restricted to as few people as possible. A leak in advance of any concession being made would be damaging to both our interests.

After the Council I shall make sure you receive as soon as possible an immediate authoritative account of what has taken place.

Ends

New Zealand MODBA (UR) 2

OFFICE OF THE DEPUTY PRIME MINISTER

WELLINGTON, NEW ZEALAND

AT LONDON

14 December 1979

cc 18.

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London, SW1.

Prime Minister
I f.y.
Rmds 14/XII

My Dear Prime Minister,

I was very glad to have the opportunity to meet and have a discussion with you last Wednesday. I am well aware of the many demands there are on your time, particularly at the present, and I am for that reason the more grateful that you were able to spare the time for us to review together matters of importance to both our Governments.

It was most useful to have your assessment of how the lamb issue is likely to develop, and to hear from you where the British Government stands on this and the other question of paramount concern to New Zealand, that of butter imports after 1980. I will be reporting on my discussions to the Prime Minister when I return to New Zealand, and I know that your views will, as always, carry a great deal of weight with him.

May I thank you also for the courteous and welcoming reception which I and the members of my party have received from other Ministers in your Government during our stay, and express the hope that it will not be too long before we again have the opportunity of welcoming you in New Zealand.

Yours sincerely,

Brian Talboys

N. Zealand.

JS

CC710
CD

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary 12 December 1979

As you know, the Deputy Prime Minister of New Zealand, Mr. Brian Talboys, called on the Prime Minister this afternoon. I enclose a copy of the record of their discussion.

I am sending a copy of this letter, and its enclosure, to George Walden (Foreign and Commonwealth Office) and Martin Vile (Cabinet Office), Stuart Hampson (Department of Trade) and Tony Battishill (HM Treasury).

M. O'D. B. ALEXANDER

Garth Waters, Esq.,
Ministry of Agriculture, Fisheries and Food.

New Zealand.

CONFIDENTIAL

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE DEPUTY PRIME MINISTER OF NEW ZEALAND, MR. BRIAN TALBOYS, AT 10 DOWNING STREET ON WEDNESDAY 12 DECEMBER 1979 AT 1500 HOURS

Present:-

Prime Minister	Rt. Hon. Brian Talboys
HE Sir Harold Smedley	HE. The Hon. L.W. Gandar
Mr. M.J.E. Fretwell	Mr. I.L.G. Stewart
Mr. M.O'D.B. Alexander	

Sheepmeat

Mr. Talboys reminded the Prime Minister that when Mr. Muldoon had seen her earlier in the autumn, he had raised the possibility of excluding New Zealand lamb from the operation of a Community sheepmeat regime. The Prime Minister said that we had gone into this possibility with care and had concluded that it was not a runner. It would not be possible to separate out part of the market. Mr. Talboys accepted this.

Mr. Talboys then referred to the mandate agreed by the Council of Ministers in Brussels the previous evening for the Community's negotiation with non-Member countries on voluntary restraints. Mr. Walker had said in the past that the Community's present arrangements would only be changed if the New Zealand Government thought that such a change would be to their benefit. However New Zealand now seemed to be faced with Hobson's choice. Those who did not enter into a voluntary restraints agreement could, through the operation of a safeguard clause, have a quota imposed on them. In the event that the quota was imposed, the supplying country would get no benefit from the reduced tariff.

/Mr. Talboys

cc Europ PS - CAP
Master Set

CONFIDENTIAL

Mr. Talboys said that he had also been alarmed by the appearance in one of the Commission's drafts of a reference to provision for restitution of exports of lamb from the Community. He found this incredible since the Community was at present only 60 per cent self-sufficient. Suspicions had been aroused that the effect that steps the Commission had in mind would be so to alter the price and to encourage production that the Community would move to a position where it would be an exporter. Mr. Fretwell said that he did not think anyone supposed that the Community would try to reach a position of self-sufficiency in sheepmeat. The Prime Minister noted the possibility that if French sheepmeat were to be sold into intervention it might subsequently be exported under subsidy.

Mr. Talboys said that if nothing else, it looked as though one consequence of the proposed new arrangements would be very severe distortion of the market. He hoped that Mr. Walker would be prepared to make the point that under no circumstances would deconsolidation of the GATT binding be permitted. He was also unhappy about the reference in the negotiating mandate to "traditional presentations". This meant that New Zealand exporters would be inhibited in exploiting new technology, e.g. where the export of chilled lamb was concerned. His Government would like it to be understood that there should be no increase in the tariff and no other impediment placed in the way of the lamb trade unless there was voluntary agreement to it. Finally, although New Zealand had developed a lamb market on the continent, the negotiating mandate did not seem to make adequate provision for New Zeland's share in the future growth of that market.

The Prime Minister said that she was not sufficently familiar with the details of the subject to give Mr. Talboys an absolute assurance on the question of unbinding.The negotiating mandate itself seemed to go some way in that direction and Mr. Talboys could be assured that Britain would fight alongside New Zealand in resisting unbinding. Mr. Fretwell pointed out that it was always dangerous to use the word never. But New Zealand was in

/a good position

a good position to argue for tariff reductions in return for restraint. Mr. Talboys repeated his concern about the implied threat in the mandate that if New Zealand did not agree to accept voluntary restraint, the Community might seek to unbind the 20 per cent duty. But he expressed his gratitude for what the Prime Minister had said. The Prime Minister said that Britain would seek to ensure that the binding was as absolute as possible.

The Prime Minister said that Britain would also seek to ensure that the limitation of exports to "traditional quantities" should not preclude growth if the European market as a whole were to grow. This seemed to be envisaged in the second paragraph of the negotiating mandate even though she recognised that this did not go as far as New Zealand would like. Britain would also seek toensure that the reference to"traditional presentations" did not exclude negotiation on chilled lamb or any other form of lamb that became available as the result of new technology. The Prime Minister asked Mr. Talboys whether he was content that the restraint levels should be determined by reference to the last three year period. Mr. Talboys himself indicated that he had no difficulty with this although Mr. Gandar said that New Zealand was reserving its position.

Butter

Mr. Talboys said that Mr. Gundelach had told him that he would be proposing that New Zealand's quota for butter exports to the Community should be reduced by stages from next year's figure of 115,000 tonnes to a figure of 90,000 tonnes in 1985. Mr. Talboys said that he accepted there must be a reduction in New Zealand's exports but the proposed reduction was excessive. He would be asking Mr. Walker to write to Gundelach proposing that the 1985 figure should be 100,000 tonnes rather than 90,000 tonnes. The figure was important since, according to Mr. Gundelach, the 1985 figure was likely to constitute a plateau at which New Zealand exports to the Communtiy would remain. Since the figure put forward by Mr. Gundelach would certainly be a ceiling as far as the Community was concerned but might not be a floor, it would be important that it should be as high as

possible. New Zealand's position would be very difficult if the figure ended up at a level lower than 90,000 tonnes. Given the scale of butter production within the Community the difference in the two figures would make little difference within the EEC. It would however make a very great difference to New Zealand.

New Zealand would also be seeking urgent reconsideration of the butter price. At present New Zealand was getting 50 per cent of the intervention price. Mr. Gundelach had it in mind to suggest that the price should be set at 65 per cent of the intervention price next year if New Zealand sendings were reduced and at 75 per cent of the intervention price in 1981 if there were still further reductions in sendings. Mr. Talboys said that if New Zealand could get a fixed and reasonable relationship between the New Zealand price and the intervention price it would remove a source of constant irritation in New Zealand's relations with the Community. New Zealand would be well content with the 75 per cent figure.

The Prime Minister said that we would certainly support New Zealand in asking for a higher quota for New Zealand exports.

The meeting ended at 1535.

12 December 1979

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

From the Minister

12 December 1979

PRIME MINISTER

You will have seen from the telegrams that the Council of Agriculture Ministers agreed late last night on a mandate to the Commission to open negotiations with third countries on voluntary restraint on their export to the Community of mutton and lamb. I enclose a copy of the final text and of an accompanying entry which has been recorded in the Council minutes.

We kept in close touch with the New Zealanders when the mandate was being negotiated. Brian Talboys was very concerned about some aspects of the draft circulated on Monday but we succeeded in getting a number of significant improvements and I hope that, when you see him later today, he will acknowledge that it represents a good outcome from their point of view. It provides for sendings at traditional levels, and in return for agreement to the voluntary restraint arrangements the Community undertakes not to use the safeguard clause or to seek the unbind in the GATT the 20% duty applicable to imports of mutton and lamb.

In particular, paragraph 3 of the mandate was specifically included to meet Gundelach's wish to have the Council authority to give third countries which reach agreement with the Community an assurance that there will be no question of pursuing the possibility of renegotiating the GATT-bound 20% tariff. The French attempted to modify the wording to introduce the threat that unbinding the tariff would be likely to follow if voluntary agreements were not reached. We rejected this out of hand and had the support of all of the other members of the council.

/There will ....

There will obviously be aspects of the mandate on which the New Zealanders want to negotiate, for example, they want some flexibility for switching between the broad categories referred to. In fact, we have created a situation in which New Zealand is free to agree to anything they want to agree and if they decide on no change their present position is totally protected.

I am sending copies to Peter Carrington, John Nott and John Biffen.

Yours ever

PETER WALKER

Draft decision of the Council concerning the negotiation of autolimitation arrangements with non-member countries for live sheep and mutton and lamb

The Commission shall be authorized to seek autolimitation arrangements with non-member countries supplying live sheep and fresh, chilled and frozen mutton and lamb on the basis of the following elements:

1. the non-member countries undertake to limit their exports of live sheep and mutton and lamb to the Community to the level of traditional quantities and presentations. The Commission will take account, for this purpose, of the trade figures relating to the last three-year period, taking account of the practice established under GATT

2. the quantities which are subject to the arrangements may be modified to take into account the evolution of ~~the consumption~~ of (the Community market in) mutton and lamb ~~in the Community~~.

3. as long as the non-member countries agree to limit their exports under the conditions set out in paragraph 1, the Community will undertake not to seek to unbind the 20% duty applicable to fresh, chilled and frozen mutton and lamb

4. the customs duties applicable shall be set autonomously at a reduced level to be negotiated

5. the Community undertakes not to have recourse to the safeguard clause with regard to countries which have subscribed to the arrangements and provided that exports from such countries do not exceed the quantities agreed

6. however, the Commission shall be authorized to establish with non-member countries import licensing (or alternative procedures for monitoring the volume of supplies), it being understood that the Commission shall reserve the possibility of suspending imports from any non-member country which exceeds the agreed quantity

7. the quantities and the modalities negotiated by virtue of paragraphs 1, 2 and 4 may be rediscussed with the countries concerned at the time of the accession of new Member States to the Community

8. the arrangements will be subject to further negotiation within the six months preceding the date of expiring (if so decided by the Council) of the regulation on the common organization of the market in mutton and lamb

ANNEX

ENTRY IN THE COUNCIL MINUTES

1. Measures with regard to non-signatory countries

If in accordance with the negotiating directive agreements are reached with non-member countries supplying a substantial part of Community imports of live sheep, mutton and lamb, then as regards imports of live sheep or mutton and lamb from non-member countries which have not subscribed to the agreements, the Community will invoke the safeguard clause and suspend imports as soon as the quantities imported would exceed those which the Comummunity would be prepared to accept under the autolimitation arrangements envisaged.

2. Minor imports

The Commission will not necessarily seek to reach agreements with non-member countries whose exports of the products in question are negligible. The relevant regulation, however, will lay down the means of monitoring these imports in order to apply any directives approved by the Council to such imports and, if necessary, the measures set out in paragraph 1 above.

3. Yugoslavie

The Commission states that the quantities which it will propose for allocation to Yugoslavia will take account of the need to grant to that country a concession consistent with the package of concessions which it has proposed, or will propose, to make to that country under the current bilateral negotiations.

4. The Commission states that it understands presentation to refer to the three broad categories -

ad point 1 in the minutes.

live sheep, fresh qnd chilled mutton and lamb and frozen mutton and lamb

90,000. 115,000. 120,000

over 5 years.

100,000

N.2. [illegible] 1 [illegible] [illegible]

Price : 50% [illegible] [illegible]

Proposed — 65% → [illegible]
75%

Foreign and Commonwealth Office

London SW1A 2AH

10 December 1979

Dear Michael,

Call by the New Zealand Deputy Prime Minister

As requested in your letter of 27 November, I attach briefing for the Prime Minister's talks with Mr Talboys on 12 December consisting of a brief on EEC/New Zealand relations (cleared with the Cabinet Office and with the Minister of Agriculture, Fisheries and Food) and a personality note.

Mr Talboys was here last in January 1979. On this occasion London will be his last but one stop (he goes on to Dublin) on a tour of all Community capitals. Like his earlier visits to Europe, this one is essentially a lobbying exercise in New Zealand's butter and lamb interests. He is due to discuss these matters with Mr Walker on the morning of 13 December. In Lord Carrington's absence, Mr Talboys will be calling on the Lord Privy Seal at noon on 13 December, after which the Lord Privy Seal is giving a lunch for him. Mr Nott will also be entertaining Mr Talboys to lunch in the latter's capacity as Minister of Overseas Trade.

On EEC/New Zealand relations, Mr Talboys' main objective in London will be to obtain reassurances, which he can quote at home, that we remain determined in the aftermath of the Dublin Summit to secure solutions acceptable to New Zealand on New Zealand's exports of butter and lamb to the British market. The Prime Minister may wish to affirm that this is indeed the case, although we do not underestimate the difficulties that lie ahead.

If the opportunity arises, the Prime Minister could renew her thanks for the New Zealand Government's interest and practical help over Rhodesia. Mr Muldoon has given us strong support in public. We are very grateful for the New Zealand Government's agreement to participate in the Commonwealth Monitoring Force.

New Zealand is reported to have signed a lamb contract with Iran in October worth about NZ$100m next year, and much more in the following three years. If, before the Prime Minister's meeting with Mr Talboys, the Americans take decisions which could have implications for New Zealand's trade, we shall provide a separate brief.

/The New Zealand

The New Zealand Government opposed our de-recognition of the Pol Pot regime because of the likely effect on ASEAN. But after an exchange of messages between Mr Talboys and Lord Carrington (attached), Mr Talboys indicated that he understood our reasons and the background.

Our High Commissioner in Wellington, Sir Harold Smedley, will be home on leave and will be available to attend the meeting if the Prime Minister so wishes.

I am sending a copy of this letter to Garth Waters (MAFF) and Martin Vile (Cabinet Office).

Yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O' D B Alexander Esq
10 Downing Street
LONDON

VISIT OF MR TALBOYS: DECEMBER 1979

NEW ZEALAND/EEC RELATIONS

POINTS TO MAKE

1. There will be very tough negotiations on the Community budget in the first quarter of 1980. We aim to keep other issues separate but some member states will try to establish links.

2. UK remains determined to ensure continued access for New Zealand sheepmeat and butter at acceptable levels. But this will not be easy. The French are likely to be difficult on both.

3. The UK are ready to negotiate constructively for a common organisation for sheepmeat but will insist that there must be continued and fully adequate access for New Zealand.

4. Voluntary restraint agreements with third country suppliers appear to be the best way of dealing with pressures for measures to protect the stability of the Community sheepmeat market and this would also offer New Zealand the possibility of negotiating a tariff cut.

5. New Zealand would be unwise to pursue the idea of separate treatment of the New Zealand /UK lamb trade. It could imply exclusion from the Continental market of New Zealand exports and point towards a special arrangement for New Zealand which could upset the GATT binding.

BACKGROUND

6. While of course sympathetic to UK's position on Community Budget (and on CAP expenditure particularly) Mr Talboys is likely to be concerned about risk that crisis in Britain's relations with the Community could complicate achievement of New Zealand's objectives over sheepmeat and butter. He will be grateful for whatever the Prime Minister can tell him about the wider background.

/7.

7. Mr Talboys (but not Mr Muldoon - see below) privately recognises the advantages to New Zealand in the Commission's proposal for voluntary restraint on New Zealand's lamb exports at around current levels in exchange for substantial tariff reductions. This offers the best prospect of resisting pressures within the Community for new and tighter import controls to protect the stability of the sheepmeat market. The present GATT bound conditions of access - the 20% Community tariff - would remain undisturbed and a tariff reduction as part of a restraint agreement would increase returns to New Zealand farmers.

8. Given the GATT binding, New Zealand is well placed to bargain hard on the terms of a voluntary restraint agreement and one of her objectives would be to obtain provision for participation in any future growth in the EEC sheepmeat market.

9. Mr Muldoon, however, has so far been reluctant to contemplate voluntary restraint and has been toying with the idea of somehow excluding UK/New Zealand lamb trade from the proposed EEC sheepmeat regime. There is no prospect whatsoever of persuading other member states to agree to this. They would insist on our imports from New Zealand being covered by a special arrangement which could imply exclusion of New Zealand exports from the Continental market and could upset the GATT binding.

10. On butter, problem is to agree terms for access for New Zealand after current arrangements expire at end 1980. Commission have been generally helpful and earlier in year circulated outline ideas for providing more lasting access, with some improvement, from New Zealand's point of view, in levy system.

11. On quantities, Mr Muldoon told the Prime Minister in June that New Zealand "could live with" an entitlement of 90,000 tonnes for 1985 and thereafter (cf a 1980 entitlement of 115,000 tonnes). This would also be acceptable to Commission

/and to

and to Germans, but most other member states likely to press for lower figure. New Zealanders' main current concern is that bidding should open higher than 90,000 and they are consequently disappointed that Commissioner Gundelach let slip a reference to 90,000 tonnes at a recent Agricultural Council. The UK has undertaken to open bidding at higher level.

7. Debate on this issue is unlikely to get under way within Community until New Year and seems likely to become caught up in complex of other sensitive issues facing the Community in first part of next year. It would be risky for New Zealand (and for the UK) if the French were in a position to bargain simultaneously over sheepmeat, butter and the budget problem. There are therefore questions to be resolved over the timing and tactical handling of New Zealand's two particular concerns.

Foreign and Commonwealth Office
7 December 1979

STATISTICAL ANNEX

1978 TRADE AND CONSUMPTION: BUTTER AND SHEEPMEAT

BUTTER

Trade (year ending June 1978)	Volume (tonnes)	Value
(a) Total New Zealand exports:	151,000	na
(b) New Zealand exports to UK:	130,000	na
(To UK in calendar year 1978):	(129,968)	(£121.7 million)
(c) Exports to UK as percentage of total:	86.1%	

Note: No New Zealand butter is exported to other EEC countries

Consumption (calendar year 1978)	(tonnes)
(a) Total UK consumption	414,000
(b) New Zealand share of UK consumption:	33%
(c) Total EEC consumption:	1.7 million
(d) New Zealand share of EEC consumption:	8%

SHEEPMEAT

Trade (year ending September 1978)	Volume (tonnes)	Value
(a) Total New Zealand exports:	378,200	na
(b) New Zealand exports to UK:	194,000	
to EEC:	216,000	na
(To UK in calendar year 1978):	(214,000)	(£171.6 million)
(c) Exports to UK as percentage of total:	51.3%	
EEC:	57.2%	

Consumption (calendar year 1978)	(tonnes)
(a) Total UK consumption:	403,000
(b) New Zealand share of UK consumption:	53%
(c) 1978 total EEC consumption:	776,000

Foreign and Commonwealth Office

December 1979

TALBOYS, RT HON BRIAN EDWARD, MP

Deputy Prime Minister of New Zealand since 1975. Also Minister of Foreign Affairs, Minister of Overseas Trade and Minister of National Development.

Born New Zealand 1921. Educated Victoria University, Wellington (BA). Trained in RNZAF during war but invalided out due to illness. Journalist and sheep farmer.

Elected to Parliament 1957. Minister of Agriculture 1962 and Minister of Science 1964. Later Minister of Education. Elected Deputy Leader of the Party in July 1974.

An effective parliamentary performer. On the moderate wing of his Party, his outlook is less parochial than that of some of his colleagues. But his ability to see both sides of a question sometimes shows through in his public remarks to give an appearance of vacillation. His health is suspect.

His wife (Pat) is well educated and interested in international affairs, having served in the Department of External Affairs before her marriage. They have two adopted sons.

PZ 021/1

SEND (11)

For advice on dft. reply pse

cc PS
PS/LPS
PS/Mr Blaker
PS/PUS
Mr Cortazzi
Mr Murray
UND
SAD

15/11

14/XI

NEW ZEALAND HIGH COMMISSION

NEW ZEALAND HOUSE · HAYMARKET · LONDON SW1Y 4TQ
Telephone: 01-930 8422 Telex: 24368

From the High Commissioner
H.E. The Hon L.W. Gandar

13 November 1979

The Rt Hon. The Lord Carrington,
KCMG, MC,
Secretary of State for Foreign
and Commonwealth Affairs,
Foreign and Commonwealth Office,
LONDON.

Dear Lord Carrington,

I have been asked by Brian Talboys, the New Zealand Deputy Prime Minister and Minister of Foreign Affairs, to convey the following message to you regarding Kampuchea:

"I understand your Government is considering an early move to withdraw recognition of Pol Pot and in the light of this I felt you might be interested in the assessment I have made on this question in the light of my talks with ASEAN leaders over the past three weeks.

The principal emphasis was on the value the ASEANs attach to our moral and diplomatic support. The hope was expressed to me that the powers outside the region would allow the countries in the area to formulate their own initiatives and would adopt a supportive role rather than attempt to lead. Clearly they believe that ASEAN can perform more effectively in the international area if it is seen by non-aligned countries to be acting autonomously. The five members of ASEAN do not find it easy to work in concert, as their hesitant handling of their resolution at the United Nations Assembly has demonstrated. They have, however, succeeded so far in maintaining a rather precarious unity, and it must clearly be our aim to help them to maintain and strengthen that unity, which is likely to come under increasing strain as time passes without a political solution being found to the Kampuchean problem. And it seems inevitable that some time will pass: no one sees the possibility of progress towards such a solution until the Vietnamese themselves can be brought to see the necessity for it.

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One of the few bargaining chips the ASEANs have, as they see it, in any future negotiations with Vietnam is the question of recognition of Pol Pot. They made it clear in discussion that it is extremely important to try to maintain the present level of recognition until a stage is reached where useful negotiations might begin.

The New Zealand Government (like the British) has a domestic problem with maintaining support even for the United Nations credentials of the Pol Pot regime, and I made this clear in my talks. These domestic problems will presumably be accentuated if any Western country moves to derecognise Pol Pot in the relatively near future. I have no doubt that it would be damaging to our relations with ASEAN if we were to move on this issue other than in concert with them, and I would judge that it could also weaken their resolve to maintain a unified stand themselves. Lee Kuan Yew said to me that "it is hard enough just keeping up the present political pressure on Vietnam. Recognition of Heng Samrin will wreck the whole thing."

I accept that withdrawal of support for Pol Pot does not necessarily involve recognition of Heng Samrin; and that the normal criteria for recognition can be cited readily in justifying the former move. Nonetheless I make the comment on the basis of my talks that politically the one would be seen as having much the same effect as the other.

I know that you are taking account of ASEAN views but that you face, too, difficult domestic pressures. I hope we may keep in touch on this matter.

Kind regards,

Brian Talboys"

Yours sincerely

Leslie Lander

GRS 290

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TO IMMEDIATE THE HAGUE
TELEGRAM NUMBER 213 OF 4 DECEMBER
INFO PARIS AND WELLINGTON.

WELLINGTON TELEGRAM NO 427 (NOW REPEATED TO YOU AND PARIS):
DE RECOGNITION OF POL POT

1. PLEASE MAKE CONTACT WITH MR TALBOYS IN THE HAGUE AND CONVEY THE FOLLOWING MESSAGE:-

BEGINS

CAMBODIA

THANK YOU FOR WRITING TO ME ABOUT THE IMPLICATIONS OF OUR DERECOGNISING POL POT, IN THE MESSAGE FORWARDED BY YOUR HIGH COMMISSIONER IN LONDON ON 13 NOVEMBER. YOUR VIEWS WERE ESPECIALLY VALUABLE BECAUSE THEY WERE BASED ON RECENT CONVERSATIONS WITH ASEAN LEADERS.

THE LIKELY EFFECT OF OUR ACTION ON ASEAN WAS A MATTER TO WHICH WE GAVE MUCH THOUGHT, BUT WE HAVE HAD TO MOVE BECAUSE OF PARLIAMENTARY OPINION AND THE GENERAL REVULSION IN THIS COUNTRY AGAINST POL POT. WE HAVE STRESSED TO ASEAN LEADERS THAT OUR MOVE DERIVES ESSENTIALLY FROM THE FACT THAT POL POT'S GOVERNMENT NO LONGER FULFILS OUR REQUIREMENTS FOR RECOGNITION, AND THAT OUR DECISION SHOULD BE REGARDED AS A TECHNICAL STEP AND NOT AS A MOVE TOWARDS HENG SAMRIN.

IN THE AFTERMATH OF ASEAN'S SUCCESS IN THE UN GENERAL ASSEMBLY, I HOPE THAT THESE FIVE GOVERNMENTS WILL NOT REACT BADLY, ESPECIALLY AS WE SHALL BE REITERATING EVEN MORE STRONGLY OUR SUPPORT PARTICULARLY FOR THAILAND, AND SHALL MAKE CLEAR THAT WE REMAIN FIRMLY OPPOSED TO VIETNAMESE AGGRESSION AND THE PUPPET HENG SAMRIN REGIME.

SIR HAROLD SMEDLEY WILL BE MAKING THESE, AND FURTHER POINTS IN WELLINGTON, YOUR HIGH COMMISSION IN LONDON ARE ALREADY AWARE OF THE BACKGROUND TO OUR THINKING, BUT I THOUGHT I SHOULD LET YOU HAVE THIS PERSONAL NOTE, AS YOU WILL NOT BE IN WELLINGTON. LIKE YOU, I LOOK FORWARD TO KEEPING IN TOUCH ON THIS AND OTHER MATTERS CONCERNING SOUTH EAST ASIA.

ENDS

2. IF THE OPPORTUNITY OCCURS FOR YOU TO DISCUSS THE ISSUE WITH MR TALBOYS, YOU SHOULD BE GUIDED BY MY TELEGRAM UNDER REFERENCE AND THE ARGUMENTS IN TELEGRAM NO 333.

CARRINGTON

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PLANNING STAFF
LEGAL ADVS.
PS
PS/LPS
PS/MR HURD
PS/MR RIDLEY
PS/MR BLAKER
PS/PUS
SIR A DUFF
MR CORTAZZI
MR BULLARD
MR MURRAY
MR FERGUSSON
LORD N G LENNOX

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TO ROUTINE FCO
TELEGRAM NUMBER 414 OF Ø4 DECEMBER
INFO ROUTINE WELLINGTON

YOUR TELNO 213: DERECOGNITION OF POL POT

1. MR TALBOYS WAS MOST GRATEFUL FOR YOUR MESSAGE. HE UNDERSTOOD YOUR REASONS AND THE BACKGROUND.

TAYLOR

[COPIES SENT TO NO 10 DOWNING STREET]

F I L E S

SEAD	PS/MR HURD
UND	PS/MR BLAKER
FED	PS/MR RIDLEY
SPD	PS/PUS
NEWS D	SIR A DUFF
OID	MR BULLARD
PLANNING STAFF	MR CORTAZZI
LEGAL ADVISERS	LORD N G LENNOX
PS	MR FERGUSSON
PS/LPS	MR MURRAY

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

From the Minister

PRIME MINISTER

You are seeing Brian Talboys next Wednesday. You may recall that during his visit in September, Muldoon floated the idea of separating the New Zealand/UK lamb trade from a Community sheepmeat regime. The serious risks in pursuing this emerged in subsequent discussion we had with New Zealand officials but I gather that Muldoon would like to have the views of UK Ministers before discarding his idea.

Any Community regime is bound to cover sheepmeat imports as well as Community production. New Zealand's access is protected by the GATT binding of the Community 20% tariff. The majority of other member countries and the Commission have fully supported our complete rejection of any interference with this binding as regards frozen lamb and favour voluntary arrangements with third country suppliers, including New Zealand, as the right way to preserve the stability of the Community sheepmeat market.

There is no prospect of the rest of the Community agreeing simply to exclude our lamb imports from New Zealand from Community sheepmeat arrangements. Were the Muldoon idea pursued it would inevitably lead to a special arrangement, could imply the exclusion from the Continental market of New Zealand exports, and could upset the GATT binding. Exclusive arrangements of this kind have dangers, as our experience with butter under Protocol 18 of the Act of Accession shows. All this would be welcomed by the French.

I think it is important to point out to Talboys the serious risks involved in Muldoon's suggestion. I am sure New Zealand would better serve her own interests by holding firmly to the GATT binding while exploring a purely voluntary restraint agreement with the Community.

I attach a background note about sheepmeat developments in the Community.

I am copying this to the Foreign Secretary, Sir Robert Armstrong, and Michael Franklin.

PETER WALKER
7 December 1979

SHEEPMEAT

Background Note

1. New Zealand sends over half the sheepmeat she produces to the UK (214,000 tonnes in 1978 valued at £172 million) and about 7% to other Member States. She therefore supplies about one-half of UK consumption and one-third of the EEC consumption. Sheepmeat and wool together account for nearly a third of New Zealand's export earnings.

2. The Community tariff on frozen, fresh and chilled sheepmeat is bound in the GATT at 20%. In 1976-79 the Community imported some 275,000 tonnes of sheepmeat, 92% frozen, 2% fresh and chilled and 6% carcase equivalent of live sheep.

3. The Commission proposals tabled in April 1978 provided for a light market-related regime. No change was proposed to the GATT bound tariff, but the New Zealanders expressed concern about the safeguard clause and the provision for import licensing. The French are very exercised about the possibility of New Zealand imports undermining their market, directly or indirectly, by releasing UK production for export. They therefore pressed for unbinding of the tariff. Other Member States felt that the Commission's proposals would not sufficiently protect the stability of the market. As a result, the Commission introduced the idea of voluntary restraint agreements under which exporting countries would restrict quantities of sendings to the level of the last 3 years in exchange for an, as yet, unspecified tariff cut.

4. The Agriculture Council endorsed the idea of voluntary restraint in principle, although the French are still arguing for unbinding the tariff on fresh and chilled sheepmeat if voluntary restraint fails. Discussion is now concentrating on the safeguard arrangements to apply when the agreed quantities are exceeded. The UK, with the support of the Germans and others, is determined that any such arrangements should not contravene the GATT.

5. Further discussion of voluntary restraint arrangements and also of premium arrangements and market support through private storage is expected at the Agriculture Council on 10/11 December. The UK will continue to argue that internal support arrangements must be fair to the UK, not place a further net burden on the UK taxpayer or perpetuate illegal discrimination. We shall continue to oppose public intervention.

6. The French are still only permitting very limited imports of UK sheepmeat for freezing and storage. The Commission have now issued a Reasoned Opinion giving France until 12 December to comply, after which further Court proceedings can be expected.

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10 DOWNING STREET

From the Private Secretary

27 November 1979

Mr. Brian Talboys

The Prime Minister has agreed to see the Deputy Prime Minister of New Zealand, Mr. Talboys, for 30 minutes on Wednesday 12 December. I should be grateful if you could arrange for briefing to reach me by close of play on Monday 10 December.

I am sending a copy of this letter to Garth Waters (MAFF) and Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

vb

27 November 1979

The Prime Minister has asked me to thank you for your letter to her of 22 November about Mr. Talboys' visit to London.

The Prime Minister would be happy to see Mr. Talboys here at No. 10 at 1500 on Wednesday 12 December. I fear that her diary is extremely crowded at present and she would not be able to continue her discussion with Mr. Talboys for moretthan 30 minutes.

M.A.

His Excellency The Hon. L.W. Gandar

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From the High Commissioner
H.E.The Hon L.W. Gandar

22 November 1979

Prime Minister
Mr Talboys will be seeing Sir I Gilmour & Mr Walker. There is no real need for you to see him as well. But if you feel you would like to, he could be fitted in on 12 Dec (Wed) for 30 minutes.
15.00 - 15.30

Agreed

23/XI

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London SW1

Dear Prime Minister,

As you may know, the New Zealand Deputy Prime Minister, Brian Talboys, is currently visiting all EEC capitals to press our case on lamb and butter. The background to his visit is the discussion now going on within the Community, that will lead to important decisions on both these products which could have a significant impact on New Zealand's livelihood. Mr Talboys is scheduled to be in London on 12th and 13th December, and again on the morning of 15th December after a visit to Dublin. He has expressed a keen interest to call on you at some point during his time in London, to let you know of the conclusions he will have formed following his discussions elsewhere, knowing the sympathetic concern you have shown in these matters of such vital interest to New Zealand's well being.

Mr Talboys is aware of the many pressures on your time and understands that it could be difficult for you to fit in a call from him, but if you were able to spare 15 - 30 minutes to see him, this would be much appreciated by my Government.

Yours sincerely

Leslie Gandar.