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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

As  
Rus

Present:

Lord Privy Seal  
Mr S G Cook  
Mr S J Gomersall  
Mr R Kinchen

The Rt Hon B E Talboys  
HE The Hon L W Gandar  
Mr I L S Stewart  
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

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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

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High Commission, Wellington

HM Embassies:

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Mr Alexander, No.10

PS/Minister for Agriculture, Fisheries and Food

PS/Secretary of State for Trade

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