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subject was filed on: - Euro PD: CAP: 125.

NOTE OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF NEW ZEALAND, MR. R. D. MULDOON AT 1950, WEDNESDAY 11 JUNE

**PRIME MINISTER'S  
PERSONAL MESSAGE**

Prime Minister: Hello Bob. Margaret Thatcher. How are you Bob?  
Alright?

**SERIAL No. T 125/80**

Mr. Muldoon: Oh yes, I just got back to New Zealand late last night.

Prime Minister: Yes.

Mr. Muldoon: I thought I should ring you at this stage about this lamb question because we are not making very much progress at officials level with the Commission and what is worrying me is that the thing might go off the boil. We will take a long time I believe to make any progress with the officials at the Commission. We have asked Commissioner Gundelach to come to New Zealand. He indicated that he would be prepared to do so but we haven't had a reply on that and it may be some time and I thought in the context of the various meetings you are going to have I should bring you up to date with where we are.

Prime Minister: Yes please do.

Mr. Muldoon: The three issues on which we are making very little progress are the three important ones. Intervention and restitution - the Commission officials say to us that this is a matter of the rules of the Community, they can't be bent and they've just got to take their normal course. Now that of course both presentationally and in fact is an impossible situation. Intervention in that any lamb can be bought in at any time, which is not what we had in mind at all and restitution of course can be subsidised into third markets.

Prime Minister: But it is not really what my understanding of what Peter Walker agreed, which was that before any lamb was sold out of intervention you indeed must not only be consulted but part of the negotiation about the prices it was sold at and where it was sold.

Mr. Muldoon: That's right. That's really exactly as I understood it but the officials in the Agricultural Commissioners Department in

/ Brussels

Brussels have ...

Prime Minister: They are being rigid...

Mr. Muldoon: ...they will, this simply can't be done. That's the present state of play. The other issue is the question of the levy which now really becomes a duty. It's really a tax now because if we have voluntary restraint it's no longer a protective duty it's simply ..

Prime Minister: .. a tax, yes.

Mr. Muldoon: .. and our provision was to say that we believed that the thing should be abolished, it no longer serves any purpose other than that of a tax. The Commission has responded by saying that they are prepared to agree to a reduction of 5 per cent. Now, we are so far apart on this that it is going to become simply a negotiating situation where we meet somewhere in the middle at about 10 per cent. They have already discussed with us some time ago the possibility of reducing it to 8 per cent, and the importance of it now is that they agree, as does your Ministry of Agriculture man, that we will very likely be given a slight reduction both on the British market and on third markets as production builds up somewhat. We don't think it will build up very much but if it builds up by 10 per cent, say, there will be a price reduction which will be reflected in third markets as well - they are very directly linked. That's been agreed with the British officials and our own officials but with the Commission they are proving to be very reluctant to move on the levy. It becomes a budgetary matter of course - I mean, there is money involved, so one can understand their attitude, but those are the three issues on which we are so far apart that it seems to me that at officials level we are not going to make much movement.

Prime Minister: That is the three issues... one moment Bob, that was the export rebates, export restitution and they are being difficult about that, and also they are being difficult about the level of the tariff, and the third one was what?

/ Mr. Muldoon:

Mr. Muldoon: The third one was intervention, the actual buying in of lamb.

Prime Minister: The actual buying in at any time of the year.

Mr. Muldoon: Yes.

Prime Minister: Whereas we were.... in France.

Mr. Muldoon: That's right. What we were talking about was a very limited intervention both regionally and seasonally.

Prime Minister: But none in Britain, but only buying in during the season which did not affect you.

Mr. Muldoon: That's right.

Prime Minister: Well, look, Peter Walker heard about this and also his office got onto Gundelach this morning and spoke to Gundelach in the terms in which you have been speaking and Gundelach said he was quite prepared to go to New Zealand and would like to do so to negotiate with you and if need be with the other members of the Cabinet. I understand that he thinks that talks between officials often run into difficulties but there was a Commission meeting this morning and he has now got the Commission's approval to come to New Zealand for talks.

Mr. Muldoon: I see.

Prime Minister: I am not sure whether he has to get any other permissions, I don't think so. But he is now fully expecting, with the Commission's approval, to come to New Zealand, to discuss the matter with you and any ordinary members of the New Zealand Cabinet. He thinks it's far better to do direct negotiation than to do it between officials which he said has a habit of running into the sand, because none of them have the requisite authority. I think that will be very much better Rob. In the meantime, I will see what I can do this weekend on these three points.

/ Mr. Muldoon

Mr. Muldoon: Good. I had a very helpful meeting with President Giscard in Paris. He was quite forthcoming although not well-briefed on the detail.

Prime Minister: Oh, forthcoming in what way?

Mr. Muldoon: Well, he accepted that the New Zealand lamb got caught up with this more or less by accident and that whatever was done should not damage our position.

Prime Minister: Well, thank goodness for that. In the end it depends what is done in detail, Rob, you know it's not a question of general settlement, it's detailed amounts and levies.

Mr. Muldoon : Of course.

Prime Minister: Alright, well I'll have a word this weekend with my colleagues. I don't think Gundelach will be there, but I'll try and have a word with one or two other people too. And as I say, he told Peter Walker today, Gundelach, that he positively was coming to New Zealand and he thought that was the best way to do it. And that, I must say also, that he saw no insuperable difficulties in the situation, but he had found previously that often that talks between officials did run into difficulties which did not occur when he got talking to people with authority to act.

Mr. Muldoon: Yes. Well that sounds helpful.

Prime Minister: Well, we have to look after this vital subject. Alright Rob, anything else..?

Mr. Muldoon: Thank you very much. That's helpful. I thought I should keep you ...

Prime Minister: Oh, I am very grateful, I am very grateful because we're going there tomorrow....

Mr. Muldoon: .... I don't want the thing to be dragged out until it becomes just a nuisance.

/ Prime Minister

Prime Minister: You must get it settled...

Mr. Muldoon: .... try and get it tidy while it's still an issue.

Prime Minister: ...settled... settled to your total satisfaction.  
Well that's what we are after.

Mr. Muldoon: Good.

Prime Minister: Alright Rob. Thank you very much for phoning.  
Good to talk to you.

Mr. Muldoon: Goodbye.

Prime Minister: Goodbye.