

PRIME MINISTER

1. I trust the talks will
run into the sand. I don't
believe N.2 wants a regime, neither
do I. And as we want to
change the C.A.P. I can see
little point in
understanding it.
MI

Sheepmeat

You will wish to glance at the attached OD(E) paper on proposals for a common organisation for sheepmeat in the EEC, and at the minutes of the meeting at which the paper was discussed.

The prose is distinctly opaque in places, and you may care to have some background.

Sheepmeat is included in the Treaty of Rome as an agricultural product for which there should be a common organisation of the market. The Community has been discussing a suitable regime for several years. The proposal now under discussion is extremely liberal when compared with the regimes governing other CAP products. There are no variable ^{ies} levels; only the 20% duty. If New Zealand were asked to limit her sendings voluntarily, this would be in exchange for a tariff reduction. The French have been pressing for some form of intervention, but are being resisted by most other members including the UK. Instead of intervention, a system of premia (or deficiency payments) is proposed.

The Minister of Agriculture's memorandum, attached, suggests a system which would involve a net benefit to the UK under the Community budget. This is because we possess almost half the Community sheep flock, which is of course far more than our share of the Community budget contributions. There would be some extra public expenditure as the result of the scheme. The Chief Secretary has accepted this as tolerable in the context of our general strategy on the Community budget, and as an offset to our commitments under our present national

/ scheme.

scheme.

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OD(E) agreed on Thursday that the Minister of Agriculture could indicate readiness to consider Community financing at the next Agriculture Council (on 30 October) provided the French were by then complying in every way with the judgement of the European Court.

Since Mr. Muldoon's return to Wellington, the New Zealand Government has agreed to continue exploratory talks with the Commission. OD(E) also decided on Thursday that the Minister of Agriculture should not concede any changes in the Community's external arrangements which would be unacceptable to New Zealand.

Amis

26 October, 1979.