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10 DOWNING STREET

From the Private Secretary

11 June 1980

Sean Gault,

Telephone Conversation with the
Prime Minister of New Zealand

As arranged, the Prime Minister spoke on the telephone with Mr. Muldoon this evening.

Mr. Muldoon said that the negotiations on lamb were not making much progress. He was afraid they might go off the boil and that it would take a long time to reach conclusions. He had asked Commissioner Gundelach to come to New Zealand but expected that it might be a little while before he replied. The particular points about which the New Zealand Government was concerned were:-

- a) Intervention;
- b) Restitution

On both these points the Commission were taking the line that the rules of the Community could not be bent. They were, for instance, arguing that under the intervention proposals, lamb could be bought in at any time. This was impossible for New Zealand:

- c) The Levy.

The New Zealand Government took the view that in the situation where there was a voluntary restraint agreement, a levy or tariff was simply a tax. In their view it should be abolished. The Commission had offered a reduction of 5 per cent in the existing tariff. The likelihood was that after argument, a compromise setting the level of the tariff at, say, 10 per cent would emerge. (Mr. Muldoon's tone made it clear how unwelcome this would be to New Zealand)

As regards price, Mr. Muldoon anticipated that there would be a price reduction as production built up in the United Kingdom. A price reduction had been agreed between the UK and New Zealand officials but here again the Commission were proving very reluctant to move.

/The Prime Minister

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The Prime Minister said that her understanding was that before any lamb could be exported, the New Zealand Government were to be consulted as to where and at what price it should be sold. For the rest, Mr. Walker had spoken to Commissioner Gundelach earlier in the day and had established that the Commissioner was very willing to go to New Zealand to negotiate with Mr. Muldoon and with other members of his Cabinet. He had the approval of the Commission for the visit. In talking to Mr. Walker, Commissioner Gundelach had said that negotiations of this kind had a habit of running into the sand when conducted by officials and it very often became necessary to raise them to the political level. He saw no insuperable difficulties in the negotiations. The Prime Minister added that she herself would see what she could do in Venice in the next two days.

Mr. Muldoon said that what the Prime Minister had said sounded very helpful. He added that President Giscard had been relatively forthcoming when he had seen him in Paris recently. He had said that New Zealand lamb had been caught up in the Community sheepmeat problem by accident and that whatever was done to sort out the Community's problem should not damage New Zealand's position. The Prime Minister said that this was fine as far as it went, but it was the detail that mattered. It would be essential to keep on top of the problem and to ensure that it was settled to New Zealand satisfaction.

I am sending copies of this letter to Paul Lever (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

James Sweeney

Richard Alexander

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

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