

A03503

MR ALEXANDER

La. Ant - 18/11

Prime Minister.

*A. Agree line at para 5 below.
B. Agree Smith message to Mr Muldoon
(Flag A)*

New Zealand Butter: Post 1980 Access

Flag B. The Agriculture Council next week will be discussing the Commission's proposals for Community access for New Zealand butter after 1980. One of the fundamental issues to be decided is the duration of any new arrangement. The Minister of Agriculture's letter of 6 November to the Foreign Secretary sets out the present position in the negotiations. The Commission have proposed degressive imports leading to permanent access for 90,000 tonnes per year in 1984 and thereafter. Member states are unwilling to agree to permanency (even with provision for a review) but generally could settle for a 3 or 4 year extension. France, however, argues that there is no legal basis for access and wants a 1 or 2 year arrangement. The Minister of Agriculture recommends that we should be prepared to settle on a 3 year agreement provided that there is a firm commitment to extension thereafter and provided that New Zealand can accept.

Flag C. 2. When the Prime Minister saw Mr Talboys on 2 October, she assured him that the Government would back the Commission's proposal. Mr Muldoon, the New Zealand Prime Minister, has now written to her asking for support in persuading Giscard d'Estaing to change his position. You have asked the FCO for advice on a reply, but since Mr Muldoon's letter to Giscard asks him to join other member states in a 3 to 5 year arrangement it seems *Flag D.* reasonable to conclude that the New Zealanders would be content with what the Minister of Agriculture proposes.

3. Holding out for a longer term arrangement is unlikely to change other member states' views and would risk getting the discussions linked to the next agricultural price fixing. A one year 'interim' solution would have a similar disadvantage in relation to the restructuring exercise. A two year solution would be extremely difficult to sell to Parliament in the light of the resolution accepted by the Government referring to permanent access for not less than 90,000 tonnes and carries some risk of linkage with budget restructuring as well. A 3 or 4 year arrangement could be defended in the House provided that it included some continuing commitment.



4. The Minister of Agriculture's letter does not discuss what quantities we might settle for. In view of the Prime Minister's undertaking to Mr Talboys and the Commons resolution, any arrangement leading to a provision for the import of less than 90,000 tonnes in any year would be open to severe criticism unless other elements of the agreement (unexpectedly) provided offsetting advantages.

5. The Prime Minister might indicate to the Minister of Agriculture that she agrees with the line he proposes to take next week, subject to confirmation from New Zealand that this is acceptable and on the understanding that the figure for quantities does not go below 90,000 tonnes. If, as seems likely, agreement cannot be reached in the Agriculture Council, we shall need to consider whether or not this is a matter which the Prime Minister should be advised to raise at the European Council on 1 and 2 December.

ROBERT ARMSTRONG

7 November 1980