

NOTE OF A MEETING BETWEEN THE MINISTER OF AGRICULTURE,
FISHERIES AND FOOD AND THE DEPUTY PRIME MINISTER OF NEW
ZEALAND: LONDON - 16 MAY 1980

As per [signature] 27/5

Present:

Minister of Agriculture,
Fisheries and Food
Mr J H V Davies - MAFF
Mr Parkhouse - MAFF
Mr Waters - MAFF

Mr Talboys, Deputy Prime Minister
of New Zealand
Mr Gandar, New Zealand High
Commissioner, London
Mr Thompson, New Zealand High
Commission, London
Mr Ansell, New Zealand Ambassador,
Brussels
Mr Woodfield, New Zealand MFA

Mutton and Lamb

1. Mr Talboys began by asking whether the British Government now in principle accepted intervention as a necessary part of a Community mutton and lamb régime. He had learned from his meeting with the Lord Privy Seal that the Foreign and Commonwealth Office did accept the principle.

2. Mr Walker replied that it was understandable that the Foreign Office, having followed the negotiations, judged that they might lead to the acceptance of intervention in the mutton and lamb régime. At the farm Ministers Council that took place in Luxembourg concurrently with the European Council, Mr Gundelach himself seemed to be countenancing not only intervention but export restitutions. In his last meeting with Mr Walker on 13 May, however, Mr Gundelach had assured him that he would not propose export restitutions as part of the mutton and lamb régime. Unless the régime explicitly provided for them, Mr Gundelach had said, they could not be made available. Mr Walker said that he would be asking Mr Gundelach to put that in writing since Mr Gundelach's assurances were not to be believed lightly.

3. Mr Walker continued by saying that the present Commission proposals were not acceptable. They would result in intervention purchases which would produce 65,000 tonnes of frozen mutton and lamb in public stores in the United Kingdom and 35,000 tonnes in France. Variants on these proposals, which sought to confine intervention to France alone would not prevent mutton and lamb from going into intervention, thereby displacing normal consumption on traditional patterns of trade. In Mr Walker's opinion, the British Government could not tolerate British mutton and lamb going into intervention stores. Proposals were now being floated for limited forms of intervention confined to France and Mr Walker could not categorically reject these proposals because he would have no support in so doing from other Member States.

4. Asked by Mr Talboys whether he now saw some form of intervention as part of the régime, Mr Walker said that he did not want intervention in any form. However, President Giscard had insisted that there should be intervention in France, and France would therefore not agree to a régime that did not provide for intervention. Mr Walker could, of course, refuse to accept any régime that did include intervention. However, in the context of the solution of the British budget problem, the Prime Minister would have to make a judgement about what could be accepted. If it could be seen that there would be no intervention in the United Kingdom, and that the position of New Zealand was totally protected, some form of intervention might be admissible. Mr Walker suggested that New Zealand was in a good position to strike a deal with the Community at the moment provided that it negotiated adroitly in the coming week.

5. Pressed to explain how, in the light of his experience of the working of the Council, Mr Walker thought that the Council of Ministers could give reliable assurances to New Zealand, he said that he could envisage the framework of a deal. If New Zealand were offered a cut in the tariff against her in return for assurances that there would be no export refunds, and that there would be no British lamb going into intervention, and that intervention would exist only for certain types of French lamb and then only under certain conditions, a deal could be done, though it would have to be tightly tied up. The Commission knew that President Giscard was now hooked on getting intervention buying for mutton and lamb in the Community régime. The Commission knew too that they would have to buy off New Zealand and the United Kingdom before they could grant intervention buying as part of the mutton and lamb régime.

6. Mr Talboys said that Mr Ertl had told them that he acknowledged that it was financially and commercially crazy to introduce intervention buying of mutton and lamb. But he had said it was politically necessary. He had said that there would have to be intervention and therefore there would have to be export refunds; accordingly New Zealand would have to be harmed. Mr Walker replied that Mr Ertl's comments showed that France and Germany had reached an understanding that there would have to be intervention. Mr Walker thought that there would be a mutton and lamb régime now because the other eight Member States had agreed to one. He could not tell whether he would be able to separate mutton and lamb and fish from the budget negotiations. Ideally he would like to separate mutton and lamb and fish from the budget negotiations. He had succeeded in getting mutton detached from the price package at the Luxembourg Council, but he could not be certain that he could get it detached from the budget negotiations.

7. Mr Talboys replied that the New Zealand Government and public appreciated the achievement of Mr Walker in opposing the

proposals for a mutton and lamb régime; and that they understood that there would already be a Regulation had not Mr Walker's efforts been so vigorous. Mr Talboys would be seeing Mr Gundelach again in a week's time after visiting Amsterdam, Paris and Copenhagen. Mr Walker suggested that Mr Talboys should bring himself up to date with Mr Gundelach's thinking at that point. He was susceptible to frequent changes of mind. He had assured Mr Walker in London that he was not going to propose export restitutions. At the same time in Brussels his spokesman was ambiguous on the point. Mr Walker suggested that Mr Talboys should press the Dutch hard for support. He noted that the Special Committee for Agriculture would be discussing mutton and lamb again on 19/20 May and considering a report from the Working Group which had met earlier. He promised to keep the New Zealanders in touch with developments at the Special Committee.

8. Mr Walker suggested that the New Zealanders should make themselves available for urgent negotiations with Mr Gundelach in the coming week. In his opinion, every other Member State wanted an end to the argument. If New Zealand opposed intervention as such it would get nowhere because the Commission itself had proposed, and eight other Member States had accepted, the need for intervention at the Luxembourg Council.

9. Mr Talboys said that the New Zealand Government feared that intervention, once accepted in principle - even if of limited application in France - would ultimately be extended. He said that Mr Walker could well imagine the political reaction that there would be in New Zealand after all the assurances that had been given on this point. After her experience with dairy products and the Community, New Zealand was deeply concerned for her mutton and lamb exports. Mr Walker repeated that he thought a deal was available that would suit the interests of the United Kingdom and New Zealand. Asked whether the deal would be between New Zealand and the Community, Mr Walker said that Mr Gundelach had assured him that he could do a deal which was good for New Zealand. Mr Gundelach would need to be pinned, but a deal could bring improvements in the price that New Zealand got for her lamb on the Community market.

10. Mr Talboys said that price improvements were always welcome to farmers, but threats to their market were not. He asked whether Mr Walker envisaged that there could be a limitation on the areas of disposal in any agreement and whether it would be for a finite period of time. Mr Woodfield asked whether the deal would be locked into the mutton and lamb Regulation. Mr Walker replied in the affirmative to all these points. The deal would have a finite period because at the end of a transitional period there would be a common reference price for mutton and lamb. He advised the New Zealanders that the best time to influence Mr Gundelach was before he decided what to put to the Council of Ministers scheduled for 28/29 May.

11. In passing, Mr Walker mentioned that there was growing antipathy to New Zealand amongst British farmers. Scottish farmers in particular were beginning to represent New Zealand lamb as the cause of their problems. The responsible NFU leadership was not raising complaints about lamb, but it would be worth the New Zealanders' while to work on them. The National Farmers' Union was very concerned, said Mr Walker, about New Zealand lamb arriving late on our market at times when British lamb marketing was beginning. Sheep farmers had had the best lambing for years, but prices had tumbled to levels 20p/kilo below the guaranteed price. Mr Talboys said that New Zealand feared that British farmers would come to see New Zealand lamb as the threat; and that New Zealand could see that there would be pressure for intervention to be extended once it had been accepted in France.

Dairy Products

12. Mr Walker said that he would expect the question of post-1980 access for New Zealand butter to be taken at the June Council if agricultural prices etc were settled in May. That was the forecast of Mr Gundelach too. The key to that issue would be with France and Ireland. Access arrangements should, in Mr Walker's opinion, have been made long ago, but it would be best to keep them out of the price fixing because New Zealand would be squeezed badly if the issues were linked.

ACTION

As you know, the Minister took the Deputy Prime Minister to meet the British Prime Minister after his meeting. I would be grateful if you would submit a letter for the Minister to send to Mr Gundelach seeking the assurances that the Minister referred to in his meeting with Mr Talboys. I shall advise the Minister to clear its terms with the Foreign Office and with No 10.

G R Waters

G R WATERS
Principal Private Secretary
16 May 1980

Mr J H V Davies + 1

cc Miss Rabagliati	Mr Wilkes
Mr Steel	Mr Hadley
Mr Sadowski	Mr Alexander - No 10
Mrs Brock	PS/SS Scotland
Mrs Archer	PS/SS Wales
Mr Wilson	PS/SS Northern Ireland
Mr Andrews	PS/Lord Privy Seal
Mr Parkhouse	PS/ Cabinet Secretary
Mr Mordue	Mr Pooley - UKREP Brussels
Mr Edwards	Mr Dawes

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