

File in Venice



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

Prime Minister (2)

CONFIDENTIAL

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Pmt - 13/6

PRIME MINISTER

13 June 1980

*Prime Minister*

SHEEPMEAT AND NEW ZEALAND

I understand that you were unhappy with the line taken in the brief which the Foreign and Commonwealth Office supplied for your conversation on Wednesday with the Prime Minister of New Zealand. I had not seen this brief, which I understand had to be prepared at short notice, and now that I have done so I share your own disquiet.

In particular I think the line suggested on export refunds was far too weak. We have set up a situation in which New Zealand has the opportunity to negotiate an understanding which should effectively limit the use of export refunds to insignificant proportions. Gundelach assured Brian Talboys, as he had assured me, that the Council Declaration, whereby implementation of refunds must not prejudice the agreements being negotiated with third country suppliers, gives New Zealand an effective veto over export refunds distinct from its power of veto over the proposed sheepmeat regime as a whole. New Zealand will not of course want to use this veto to block the whole regime: but it sets up a strong negotiating <sup>position</sup> for her and I am sure she will make good use of it.

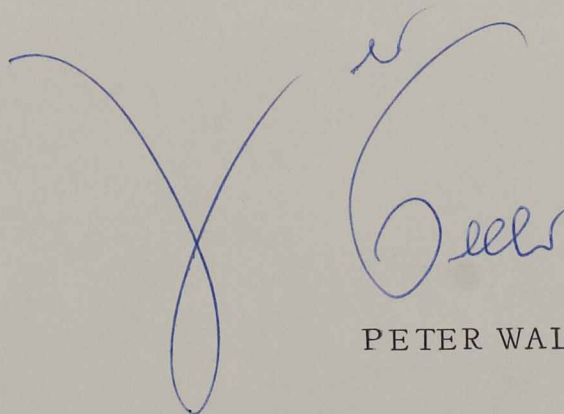
As you know we have made it very clear to the New Zealanders that we are entirely at their service in this negotiation and my officials have kept in the closest possible touch with them. They have not sought to involve us as actual participants in the negotiation, though they know we are very much at

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their service. They clearly and understandably take the view that to involve us overtly could stir up other member countries against whatever comes out of the talks, and they prefer to use us simply as advisers. I am also sure they are right to raise the negotiation to the political level at this stage and I am glad that Gundelach is ready to go to New Zealand. That is the only way to settle matters satisfactorily.

Finally, I believe you were surprised by Bob Muldoon's reference to the possibility of intervention in other member countries outside the July-December season. The regulation does indeed make provision for this, but only if a serious market situation arises and then only under Management Committee procedure. This means it can only happen if the Commission proposes it (and not too many countries object to it), and I know the Commission will be extremely reluctant to do so. It is in any case very unlikely to happen, simply because this is the season when marketings are light and prices usually high. And if prices were to fall catastrophically and intervention were to be introduced temporarily in France, the way the deficiency payment system will operate here will immediately put a stop to our exports and so firm up the French market above intervention levels. So it is in no sense a real threat, and the Commission have made this clear to New Zealand.

I am sending a copy of this letter to Peter Carrington.

A handwritten signature in blue ink, appearing to read 'Peter Walker', with a large, stylized flourish extending from the 'P'.

PETER WALKER