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# NEW ZEALAND HIGH COMMISSION

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From the High Commissioner  
H.E. The Hon W. L. Young

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5 January 1983

*A very good article*

Prime Minister  
Well argued and well written.  
A & C. 5/1

*Dear Prime Minister*

I enclose with this letter a copy in advance of an article which Mr Muldoon has written at the invitation of the Editor of The Times. We now understand from The Times that the article is expected to be published in their edition of tomorrow, 6 January.

*With Best Wishes  
Yours sincerely  
Bill Young*

The Rt. Hon. Margaret Thatcher, MP  
Prime Minister,  
10 Downing Street,  
Whitehall,  
LONDON SW1.

NEW ZEALAND, GREAT BRITAIN  
AND THE EUROPEAN COMMUNITY

By the Right Honourable Robert Muldoon, CH  
Prime Minister of New Zealand

A year or two ago someone wrote to an English newspaper about the benefits of belonging to the European Community. They were, he said, like flying saucers: a lot of people talked about them, precious few could claim to have actually seen them, and those who did were generally disbelieved.

That may be a jaundiced view of Britain in Europe. But ten years on, it seems a pretty fair summation of what Britain's membership has meant for its relationship with "third countries" such as New Zealand. That our bilateral relationship is alive, and indeed remarkably healthy, is a tribute to hard work and immense goodwill on both sides. It owes little to Britain's entry into the Community: it has been maintained in spite of that fact, not because of it.

The most obvious, and the greatest, impact upon New Zealand has been in the field of trade. Since the repeal of the Corn Laws in 1846 Britain had consistently maintained a "cheap food" policy, freely allowing entry to its market from wherever agricultural goods could be produced most cheaply. In 1973 it overnight became a member of a fiercely protectionist grouping, already more than self-sufficient in many of the goods New Zealand produces most efficiently, and looking to the British market to absorb some of that excess. Inevitably, New Zealand's access to its traditional market was severely circumscribed. There can be no doubt that our economy has suffered as a result.

A measure of the degree of adjustment required of New Zealand is the level of entry permitted our major food exports now, compared with traditional sendings. Butter has fallen from a

a historical level around 170,000 tonnes to 92,000 tonnes in 1982 (and the prospect of 87,000 tonnes in 1983). Cheese has gone from about 70,000 tonnes annually to a GATT quota of 9,500 tonnes for the whole Community. Lamb is subject to "voluntary" restraint at 245,500 tonnes, in a market which has in the past absorbed quantities in excess of 300,000 tonnes a year from us.

It has never been New Zealand's wish to remain in an outmoded colonial relationship with the United Kingdom. Long before the decision was made which finally led to British EC membership in 1973, New Zealand had been actively seeking new markets for its primary products. Its success is reflected in the falling share of total exports directed to Britain - from 53 per cent in 1960 to 36 per cent in 1970 (before Community membership) to 14 per cent last year. That dramatic reduction has not been achieved without pain, and New Zealand would regard its present level of trade as an irreducible minimum. Markets simply do not exist elsewhere for the residual quantities of primary exports sold on the United Kingdom market.

Behind the difficulties Britain's EC membership has created for New Zealand is the Community's Common Agricultural Policy. That is the system which guarantees European farmers unrealistically high prices for their produce, and excludes efficient third country producers in order to prevent the operation of free market forces undermining that price structure. How the Community chooses to support its farmers, and at what level, is none of my business as long as the policies adopted affect only the Community. It becomes my business when those policies impinge directly on the economic interests of the country whose Government I lead, and this the CAP does in a variety of ways.

It is, from our point of view, unfortunate that the operation of Community preference has sharply reduced our scope to sell in what was formerly our major market. It is doubly unfortunate that very high internal prices are reducing consumption of

commodities such as butter to the point where there is not much of a market for anyone, including British farmers. But what is most damaging for New Zealand, in its process of continuing adjustment, is the Community's practice of subsidising exports. Surpluses created by the CAP are dumped on the international market with the aid of massive subsidies, to compete with the efficiently produced goods upon which we depend for our livelihood.

The Community has now reached the stage where 40 per cent of its total budget goes on the subsidies required to export its surpluses. Its agricultural exports increased by 164 per cent between 1973 and 1980, and now exceed those of the United States. If the Soviet market is excluded, it is the largest exporter of sugar, it is the largest exporter of beef after Australia, and it pre-empted New Zealand as the single largest exporter of dairy products in the world. Is it any wonder that I am occasionally less than temperate in my comments on the system that makes this possible?

Ten years of continuous stresses and strains associated with a difficult trading relationship might have been expected to produce a coolness in other areas, too. Paradoxically, they have not. Our peoples are too similar and our shared experience too long for a rift easily to open.

That our attitudes remain essentially alike was never more plain to me than in observing the reaction of the New Zealand people to Britain's sternest test of recent years, the Argentinian invasion of the Falkland Islands. We were no less unanimous than you in our reaction to the invasion. We were no less resolved in our determination that it was necessary to act in some way to counter that misuse of force. Common stock and common traditions are a powerful rallying force.

The greatest concern I have now when I consider British membership of the Community is the possibility that what we do hold in common may be eroded with the passage of time. It is not to be expected that those who profit most from the new system will

long cling to the old values. Already the British dairy farmers, with whom we co-operated when the market dictated price, are seeking to exclude New Zealand imports as an inconvenient reminder of that former condition. I fully expect that the UK sheep industry will follow suit as it gears production to the high new guaranteed price levels. How long then can the British Government resist the pressures of its own producers, added to the voices of those who see, wrongly, the maintenance of old friendships as incompatible with new alliances?

We are grateful for Britain's advocacy in the councils of the Community and are aware of the problems encountered there. I must express the hope that Britain will continue to fight the case for a more enlightened attitude towards agricultural production and marketing in Europe, and for a more broadly based recognition of the European Community's international responsibilities. It is important to New Zealand because the Community's decisions will have a profound effect on our future economic condition, and on our relationship with the Community as a whole. Most of all, it is important because it will increasingly set the tone for our dealings with the country which gave us our nationhood, and with which we will spare no effort to maintain the strongest possible ties.

In the wider perspective I find it distressing that the major Western allies, which have so much in common in terms of democratic systems, individual freedoms and shared perceptions of world security problems are squabbling amongst themselves on the trade front. Retreat into a protectionist laager, especially during current times, recessionary times, is patently the wrong thing to do if the world economy is to be turned round. All our societies bear to this day the scars from the injuries inflicted by that course in the 1930s.

If the European Community should move any further down this path it will damage not only individual member states but also

the Western alliance and the entire developing world. If wise counsels do not prevail it is, I fear, inevitable that New Zealand's traditional trade relations with the Community will change and diminish through the 1980s. Without at least stability, and preferably, growth in trade, the heart will have been knocked out of the relationship.

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6 January 1983

The Prime Minister has asked me to thank you for your letter of 5 January enclosing an advance copy of the article which the Prime Minister of New Zealand has written for the Times and which appears in today's edition. Mrs. Thatcher read the article with interest.

JOHN COLES

His Excellency The Hon. W.L. Young

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RECORD OF CALL BY THE NEW ZEALAND DEPUTY HIGH COMMISSIONER ON  
MR HANNAY, 21 OCTOBER 1982

Present: Mr D H Hannay Mr B M Brown  
Mr J T Morrison

1. Mr Brown began by saying that, when he had requested the appointment, it had been in the expectation of having to discuss further tactics to secure an acceptable quota for New Zealand butter imports into the UK for 1983. In the light of the agreement on 87,000 tonnes and levy adjustment reached at the Agriculture Council on 19 October, however, he was in the happy position of being able to deliver a copy of the statement made by the New Zealand Minister of Foreign Affairs and Overseas Trade welcoming the decision and paying tribute to the efforts of Mr Peter Walker and Mr Alick Buchanan-Smith.
2. Mr Hannay agreed that the decision had come unexpectedly early. Despite the reduced quantity, it would come as welcome news to the New Zealand dairy industry which could now plan for 1983 with confidence. Mr Hannay explained the confusion which had followed in Brussels after the Agriculture Council in the light of Mme Cresson's subsequent remarks to the press about linking New Zealand butter to Community measures for surplus butter disposal. Agreement at the Council had clearly been reached on 87,000 tonnes without any formal reservation in Council by Mme Cresson. In summing up, the Presidency had said that delegations should consider the redrafted text of the Regulation, which would then go as an 'A' point to an early Council (presumably Foreign Affairs) next week. However, New Zealand butter could now be caught up in the failure of the Commission to agree on a package of measures for butter disposal at its meeting on 20 October. Mr Kofoed, the Danish President of the Agriculture Council, had claimed to M. Thorn that a butter package, including New Zealand and sales to Russia, had been reached in bilaterals with Agriculture Ministers in Luxembourg. This description of the outcome of the Council was disputed by British Ministers and by Mr Dalsager but his departure for Australasia now meant that the Commission might not return to the subject for two weeks. Mr Hannay suspected that the removal from the Commission's package by M. Villain of proposals to curb Community milk production was a French ploy which had backfired, inasmuch as the removal had unbalanced the package and had had the effect of preventing Commission proposals being made for export sales, which was what the French were after. There was now some doubt about when the Presidency would put forward the New Zealand butter decision as an 'A' point.
3. Making clear that he was thinking aloud and would want to discuss tacts with Mr Andrews in MAFF before Mr Brown reported to Wellington, Mr Hannay said that there might be merit in adopting

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a cautious approach and not pressing for the 'A' point to come to the Foreign Affairs Council where the French, in their present mood, would undoubtedly block it and be more likely to make an issue of it than at any other Council. If that resulted in casting doubt on the agreement reached at the Agriculture Council, this could lead to adverse press and Parliamentary speculation in New Zealand and the UK.

4. In Mr Hannay's opinion, the practical implications for New Zealand were assured; the 87,000 tonnes would be formally approved. The French could delay but could not afford now to try to stop the Regulation and it was probably best in the circumstances to generate the least possible excitement.

5. Mr Brown was surprised that things were so confused in Brussels. He was uncertain how Wellington would want it played. He doubted himself whether they would be prepared to accept delay.

European Community  
Department (External)

21 October 1982

Enrico Pet., COP, P410

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