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Foreign and Commonwealth Office

London SW1A 2AH

8 June 1979

Dean Bryan

Visit of New Zealand Prime Minister: EEC/New Zealand

Since the briefing for Mr Muldoon's lunch with the Prime Minister on 11 June was prepared, the Minister for Agriculture, Fisheries and Food has received a letter from the New Zealand Deputy Prime Minister, Mr Talboys, giving (in strict confidence) further details of the discussions in Wellington between the New Zealand Government and Commissioner Gundelach at the end of May.

On butter Mr Gundelach told the New Zealanders that while there would have to be an early drop in the level of New Zealand sendings he was prepared to advocate their stabilisation from 1985 onwards at a level of 90,000 tonnes, subject to review. This would, however, be accompanied by reductions of 10,000 tonnes in New Zealand's current entitlements for 1979 and 1980 (120,000 and 115,000 tonnes respectively).

No 1
Mr Gundelach also wished to limit New Zealand supplies to a specified percentage of the British market. The New Zealanders are particularly concerned about this proposal since it might undermine the value of any quantitative assurances. If necessary, they would prefer to see a review clause linked to the eventuality of a substantial decline in the volume of British consumption because of unforeseen circumstances, although even this would leave them feeling uneasy.

On sheepmeat Mr Talboys said that the New Zealanders would be prepared to consider an arrangement proposed by Commissioner Gundelach whereby in return for voluntary restraint at an agreed level based on recent exports, New Zealand would benefit from a reduction in the Community's external tariff from the present 20% to around 8%.

Advance contact with a member of Mr Muldoon's party has confirmed an impression of qualified New Zealand optimism about their future arrangements with the Community. Mr Muldoon's officials say that they expect him to ask the Prime Minister to support vigorously Commissioner Gundelach's proposals on both butter and sheepmeat once they are tabled. The Prime Minister may wish to say that our position in detail can only be made clear once the Commission proposals see the light of day; it

/remains

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remains to be seen whether in fact they turn out to be as satisfactory as those outlined in Wellington by Mr Gundelach.

I am copying this letter to John Chilcot (Home Office), Garth Waters (MAFF), and to Martin Vile (Cabinet Office).

Yours ever,
J S Wall

J S Wall
Private Secretary

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Foreign and Commonwealth Office

London SW1A 2AH

8 June 1979

Dear Mr Cartledge,

Visit to London by the Prime Minister of New Zealand: 11 June

enclosed in folder

As requested in your letter of 16 May, I enclose briefing (3 sets) for the Prime Minister's discussion with Mr Muldoon over lunch on 11 June.

Mr Muldoon is always very careful to cultivate the press, and may talk to them frankly about his conversation with the Prime Minister if he sees no reason why he should not. But we are confident that he will respect confidentiality where he sees the need, or when asked.

I am sending copies of this letter and briefing (2 sets each) to John Chilcot (Home Office), Garth Walters (MAFF), and Martin Vile (Cabinet Office).

*Yours aw,
Steph. Wall*

P.P (J S Wall)

B G Cartledge Esq
10 Downing Street



From the Secretary of State

B Cartledge Esq
10 Downing Street
LONDON
SW1

7 June 1979

Dear Bryan

PRIME MINISTER'S LUNCH WITH MR MULDOON

I attach a copy of this Department's brief for Mrs Thatcher's lunch with Mr Muldoon on Monday 11 June. I am aware that this topic was not included in the FCO's original list, but they have been informed of its submission and copies have been circulated to their Ministers and to Sir Harold Smedley, our High Commissioner in New Zealand, whom I believe is attending the lunch.

I am copying this letter (with enclosures) to the Private Secretaries of the Foreign and Commonwealth Secretary, the Home Secretary and the Minister for Agriculture, Fisheries and Food.

Yours sincerely

Hugh Bartlett

H W BARTLETT
Private Secretary

Encs.



NEW ZEALAND COMPENSATION TRADING

LINE TO TAKE

We readily recognise New Zealand's need to find alternative markets for her exports, particularly if she is to pay for major public sector purchases. Nonetheless we have been somewhat disquieted to learn that, on the instructions of the New Zealand Government, recent public sector calls to tender have advised tenderers to submit reciprocal trade proposals - over and above local content. While reciprocal trading facilities are a familiar feature of the open market, their pursuit as a matter of Government policy could lead to the kind of bilateralism which both our Governments have striven to avoid in world trade. I believe it would be useful if we agreed that our officials should discuss this matter together.

BACKGROUND

This arises out of three recent cases where New Zealand public authorities issuing advice to tenderers have formally intimated that consideration will be given to reciprocal trade arrangements offered by the tenderers. The High Commissioner believes Mr Muldoon to be the instigator in formalising a tendency encouraged by the New Zealand Government for some years past. Given the pattern of our trading relationships with New Zealand it is not easy for our exporters to secure extra trade on the UK market; if orders are found in third world markets they could well be in competition with direct trading from New Zealand at prices favourable to nobody except New Zealand's customers; insofar as the technique steers New Zealand orders to suppliers whose prices, quality and deliveries are not competitive in their own right this could be a two edged sword for the New Zealanders themselves. It certainly will not make it easier for us to argue New Zealand's case in Brussels.



HMG's attitude to compensation trading outside the specialised field of defence has tended to leave the matter to commercial judgement. The distinguishing factor in the present circumstances is the public emergence of a formal Government policy in Wellington.