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10 DOWNING STREET

From the Private Secretary

10 October 1983

Dear John,

VISIT OF NEW ZEALAND MINISTER FOR FOREIGN AFFAIRS AND
OVERSEAS TRADE

Thank you for your letter of 7 October. Mr. Cooper called on the Prime Minister this afternoon. He was accompanied by the New Zealand High Commissioner and Mr. Woodfield of the New Zealand Department of Trade and Industry. Mr. Donald was also present.

The discussion, which lasted for 30 minutes, was largely of a general nature. Mr. Cooper said that his call earlier in the day on the Secretary General of GATT had not led him to be encouraged about the prospects of trade liberalisation. The Prime Minister said that in her view the most we might be able to achieve at present was to prevent increased protectionism.

As regards New Zealand's EC quota for butter, Mr. Cooper explained that on his last visit to Europe in February he had urged that the quota should be maintained at 87,000 tonnes. Later the Commission had proposed 80,000 tonnes reducing by 2,000 tonnes in each of the succeeding four years. Partly as a result of intervention by the Foreign and Commonwealth Secretary, partly because of a result of New Zealand's own efforts, the Commission had then proposed an initial quota of 83,000 tonnes reducing by 2,000 tonnes each year to 75,000 tonnes in 1988. Over the next fortnight he would attempt to persuade the Commission to raise the proposed quota to 85,000 tonnes, again reducing by 2,000 tonnes a year. The Prime Minister said that we would continue to give New Zealand our support. Mr. Cooper commented that everybody in New Zealand was both aware of this problem and aware of the constant support which New Zealand received from the United Kingdom. If New Zealand could retain a five year arrangement without a review, they could accept a reduction in the initial quota from 87,000 to 85,000 tonnes. Given the problems within the Community about the budget and the CAP it was unrealistic to ask for more. The market provided by the Community for New Zealand butter and sheepmeat was the cornerstone of the New Zealand economy. New Zealand would be running a deficit of about 9.5% of GDP this year. This was due partly to the high cost of Government services; partly to the poor return on agricultural products and partly to the need to import capital for oil and gas expansion.

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As regards sheepmeat, Iraq had previously been a good market but was ceasing to be so. 100,000 tonnes of lamb had been sold this year to Iran. Under New Zealand's Voluntary Restraint Arrangement with the EC, 245,500 tonnes were sold to European countries. The Commission were now suggesting that the agreement be renegotiated to lower the import level and to impose a minimum import price. But if the minimum import price was set at too high a level, European consumers would look elsewhere.

Mr. Cooper congratulated the Prime Minister on her first Administration, the success of the Falklands campaign and her re-election. He also brought greetings from Mr. Muldoon. The Prime Minister said that she looked forward to seeing Mr. Muldoon in Delhi.

Mr. Cooper then raised the question of Hong Kong whence the New Zealand Minister of Justice had just returned. He wondered whether in the present circumstances Hong Kong capital might move to Taiwan and whether in turn that might make China more disposed to agree on reasonable arrangements for the future. The Prime Minister said that we should be having an important round of talks with the Chinese later this month. We should have a better idea of the prospects after that.

At the end of the discussion the Prime Minister referred to the Glenbrook Steel Plant Contract. Davy's bid provided for a large measure of New Zealand content. Mr. Cooper said that he had looked at this in some detail and, for the Prime Minister's confidential information, could tell her that there was a gap between the two bidders of something like 100 million dollars. Work was being done to reduce the gap but clearly, while it remained anything like this size, it would be very difficult to decide in favour of the British firm. New Zealand would certainly like to help because of Britain's consistent support in the European Community but with a gap of this size it was not possible to do so. He stressed that this was confidential information which had not been given to the firms concerned.

I am copying this letter to Callum McCarthy (Department of Trade and Industry) and Robert Lawson (Ministry of Agriculture, Fisheries and Food).

You are

for

John Holmes, Esq.,
Foreign and Commonwealth Office.

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