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MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
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Prime Minister.

From the Minister

The Rt Hon Sir Geoffrey Howe QC MP
The Secretary of State for Foreign Affairs
Foreign and Commonwealth Office
Downing Street
LONDON SW1A 2AL

A.F.C. 7.12

7 December 1983

NEW ZEALAND BUTTER QUOTA

Next week's Agriculture Council on 12 and 13 December is the last before the end of the current New Zealand butter quota period. I shall, of course, press firmly for a satisfactory decision by the Council on the post-1983 arrangements for New Zealand butter. However, not much progress has been made in previous Council discussions on this subject and the positions taken up by the French and Irish suggest that, especially given the outcome of the European Council this week, the chances of a satisfactory outcome on New Zealand next week are slim. Moreover, the French are likely to continue to block agreement so that the eventual decision has to be taken under their Presidency.

If in practice no agreement is reached there will be no immediate interruption of New Zealand supplies on to the UK market because she has sufficient butter in stock to supply normal needs for about 3 months; nor would she be prevented from importing butter into bond. However, any failure to extend the special arrangements for debonding a New Zealand quota at special reduced rates of levy would, for the first time since our accession, create a legal hiatus in the special arrangements which would be seized on by the French and others as an important step towards dispensing with the special arrangements.

A similar situation was reached at the end of 1980 and 1982 as a result of blockage of the New Zealand negotiations by the French and the Council then agreed to a series of "rollover" regulations on a month by month basis to bridge the gap until agreement could

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be reached. On the first occasion the regulations provided monthly pro rata quantities based on the previous year's (1980) quota. On the second the 1983 quantity had already been agreed in principle and only the implementation of this decision was blocked by the French.

If next week's Council fails to reach a decision on the New Zealand quota for 1984 and beyond, I shall seek a rollover provision based upon the 1983 quantity of 87,000 tonnes, if possible leaving the initiative to putting this forward to the Commission. But the Commission and most other Member States are likely to argue that a "rollover" should be based on a lower quantity. We shall have to decide, in consultation with the New Zealand Government, whether a "rollover" based on 83,000 tonnes (the Commission's proposal for 1984) would be better than no agreement if these are the alternatives. I would not, of course, want to accept a short-term agreement based on a quantity of less than 83,000 tonnes unless the New Zealand Government were to indicate very clearly that they were in favour of this.

There is a further possibility that, in an attempt to put pressure on us following the outcome of the European Council, the French will block even a rollover regulation. In these circumstances we should have to consider whether to acquiesce in a legal hiatus, whether to press the Commission to take some action independent of the Council or whether the UK should take some form of unilateral action. The choice of option here would I think be very much influenced by our broader tactics following up the summit meeting and would, I suggest be a matter for inter-Departmental consideration after the Agricultural Council.

I am sending copies of this letter to the Prime Minister, our colleagues on OD(E) and Sir Robert Armstrong.

James Eames
M. Jopling

MICHAEL JOPLING

17 DEC 1983