



Reference

New Zealand High Commission

New Zealand House
Haymarket
London SW1Y 4TQ
Telephone: 01-930 8422 Ext:
Telex: 24368

6 June 1979

Mr Bryan Cartledge
Prime Minister's Office
No. 10 Downing St
SW1

Dear Bryan,

I have attached for your information, a copy of the text of a letter we have passed today to the Minister of Agriculture from the New Zealand Deputy Prime Minister, regarding certain confidential "understandings" Mr Talboys reached with Mr Gundelach during the latter's recent visit to New Zealand. I have sent copies also to Michael Franklin and John Fretwell.

Kind regards,

Brian

(B. J. Lynch)
Deputy High Commissioner

6 June 1979

Rt. Hon. Peter Walker, MBE,
Minister of Agriculture, Fisheries and Food,
Ministry of Agriculture, Fisheries and Food,
Whitehall Place,
London.
SW1A 2HH

I have been asked by Brian Talboys to pass the following message to you as a matter of urgency:

"Dear Minister,

I was glad to receive an account from our High Commissioner of his recent call on you and to gain an outline of your views on our current agricultural trade preoccupations with the Community. Sir Douglas told me that his discussion with you included reference to Commissioner Gundelach's recent visit to New Zealand, and it is about the exchanges that I had with Mr Gundelach that I am writing to you now.

You already know of our general satisfaction with the visit and the broad coverage of our talks, which covered not only arrangements governing our access for butter, both present and future, but also the question of a sheepmeats regime and the effects on our trade of Community Veterinary Legislation (the Third Country Veterinary Directive). In our talks it was possible to narrow the areas of concern to us in some contexts to a quite encouraging degree. In others, of course, the same could not be said. I am acutely aware moreover that what the Commission proposes - regardless of the extent to which it goes in meeting our minimum concerns - is not the end of the story. Nevertheless it remains of fundamental importance to get the best possible recommendations from the Commission into the Council arena.

Mr Gundelach will tell you of his thinking on handling our butter and lamb preoccupations in the light of his talks here, in terms of scenario and timing as well as substance. When he concluded our talks I agreed to his request that what passed between us should be treated as confidential to him and myself, and this need-to-know approach has been diligently applied at our end. But the Commissioner is aware of the traditional frankness on such issues in our dealings with you, and does not, I know, intend this to be circumscribed in any self-defeating way. So on a strictly personal basis, and for your own information, I want to note that our talks here with Mr Gundelach produced some mutual understandings which can be summed up as follows.

On future arrangements for butter, Gundelach was insistent that there had to be an early drop in the figures but that thereafter the degression could flatten out and from 1985 on could remain stable although subject to review. He was prepared to advocate a figure of 90,000 tonnes for 1985 and beyond. He also was prepared to support a significant early increase in our take-home returns eventually reaching a proportion of the order of 75 percent of the intervention price. The concession that we would, he felt, have to make involves particularly our agreement to very substantial reductions, of the order of 10,000 tonnes, of our sendings in both 1979 and 1980. He would also envisage our agreeing to arrangements for a regular pattern of debonding supplies to the British market.

What did cause particular difficulties was Mr Gundelach's view that it was virtually inescapable to build into his proposals some limitation of New Zealand supplies to a specified percentage of the British market. Such an arrangement would of course undercut any quantitative assurance that might be agreed, and we did our best to wean him off the idea. One alternative we discussed which would still have serious potential dangers although in a slightly less stark form than the percentage concept, was an arrangement for consultation and, if appropriate, a review if the volume of consumption declined substantially because of unforeseen circumstances. We would hope nevertheless that the uncertainty represented by a variable ceiling would be removed, and that the entitlement figures agreed will be firm.

On sheepmeats, you will know that New Zealand has been fundamentally concerned about the prospect of a Community regulation because of the danger that over time a regulation could lead to a controlled market and pressure for import controls. I should say, first, that Mr Gundelach's visit has not laid completely to rest our fears in this regard and we remain sure that when a regulation is discussed and possibly agreed, the protection of New Zealand's interests will depend very much on the continued support of the British Government and its continuing opposition to any measures which could threaten New Zealand's vital sheepmeat exports to Britain.

Mr Gundelach did raise with us the possibility that New Zealand might agree to restrain its sheepmeat exports to an agreed level based on exports over a recent representative period and with provision to take account of new Community members such as Greece. This would, he felt, be a significant contribution towards resolution of Community discussions on sheepmeat. In exchange, New Zealand would benefit by a reduction in the Community's common external tariff to perhaps 8 percent. The present tariff of 20 percent is a very heavy burden on New Zealand and we are most anxious to see it removed or reduced. I expressed a readiness to consider an arrangement along these lines.

I appreciate that the foregoing is confined to the principal features of some very thorough exchanges we had here on different aspects of our trade interests with the Community. But as I know you and Mr Gundelach will have a number of other concerns to discuss and the occasion may not lend itself to any very detailed exchanges about issues related to New Zealand I judged it best not to put to you too long a presentation of our concerns at this early stage.

The Prime Minister would no doubt be interested in any observations you can offer on your meeting with the Commissioner when he sees you at luncheon next week and I myself hope we shall have an opportunity before long for a fuller exchange about our mutual concerns.

With best wishes,

Yours sincerely,

Brian Talboys
Deputy Prime Minister"

High Commissioner

7 JUN 1979

