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FRAME AGRICULTURE

FRAME EXTERNAL

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TO IMMEDIATE FCO

TELEGRAM NUMBER 231 OF 22 JULY

INFO IMMEDIATE UKREP BRUSSELS PARIS WELLINGTON PRIORITY CANBERRA

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN BONN

FOLLOWING FROM UKREP BRUSSELS

COUNCIL OF MINISTERS (AGRICULTURE) 22 JULY 1980

SHEEPMEAT

SUMMARY

1. GUNDELACH PRESENTED HIS REPORT IN TERMS OF AN AGREEMENT ALREADY CONCLUDED BUT WITH A FOOTNOTE ON THE TARIFF LEVEL. THE UK ALONE ARGUED FOR 8 PER CENT. THE COMMISSION COULD NOT RECOMMEND A FIGURE BELOW 10 PER CENT. FRANCE ALONE MAINTAINED SUBSTANTIAL RESERVES, INCLUDING 15 PER CENT TARIFF. THE UK DEMONSTRATED THAT FRANCE COULD AFFORD DELAY BY CONTINUING ILLEGAL PRODUCER PROTECTION. REPEATED CHALLENGES TO FRANCE TO STOP DELAYING OR LIFT ILLEGAL BARRIERS WENT UNANSWERED, BUT THE TACTIC GREATLY REDUCED CREDIBILITY OF THEIR ARGUMENTS FOR DELAY, AND THE OUTCOME REDUCED THEIR CAPACITY TO IMPOSE IT. FRANCE OFFERED NO CHALLENGE TO A CHAIRMAN'S SUMMARY THAT 1 OCTOBER SHOULD BE THE DATE ON WHICH THE REGIME SHOULD BE IMPLEMENTED, COUNCIL TAKING NOTE THAT THE COMMISSION RECOMMENDED THE DATE AND EXPRESSED TOTAL CONFIDENCE THAT THEY COULD BY THEN COMPLETE VRA NEGOTIATIONS.

2. TERMS OF NEW ZEALAND AGREEMENT ARE TO BE EXAMINED URGENTLY BY THE SPECIAL COMMITTEE, REPORTING TO THE COUNCIL ON 29 SEPTEMBER. IF FRANCE HOLD OUT, THEY SHOULD BE ISOLATED. BEST OUTCOME IS COMMISSION MANDATE TO CONFIRME TERMS OF AGREEMENT TO NEW ZEALAND BUT WITH 10 PER CENT TARIFF. THEN UP TO NEW ZEALAND WHETHER TO ACCEPT.

DETAIL

3. COMMISSION(GUNDELACH) OUTLINED THE AGREEMENT REACHED WITH NEW ZEALAND. HE WAS "TOTALLY CONVINCED" THAT IT WAS WITHIN THE COUNCIL MANDATE ON VRAS. HE DESCRIBED THE DETAILS. ALTHOUGH MR MULDOON HAD STUCK AT AN 8 PER CENT DUTY AND GUNDELACH AT 10 PER CENT, GUNDELACH DID NOT THINK THIS WOULD BE A BREAKING POINT FOR NEW ZEALAND. AFTER YESTERDAY'S DISCUSSION IN THE 113 GROUP HE HAD TOLD NEW ZEALAND THAT AGREEMENT BELOW 10 PER CENT WAS IMPOSSIBLE.

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/ THE TEXT

THE TEXT ON EXPORT REFUNDS FULLY ACCORDED WITH THE MAY COUNCIL DECISION.

4. GUNDELACH SPOKE ELOQUENTLY ABOUT THE POLITICAL SIGNIFICANCE OF NEW ZEALAND TO THE COMMUNITY, THE STRATEGIC IMPORTANCE OF MAINTAINING "THE PRESENCE OF WESTERN EUROPE IN THE SOUTH PACIFIC" AND THE VERY REAL CONCESSIONS SHE HAD MADE IN THESE NEGOTIATIONS.

5. THE AGREEMENT WAS WARMLY WELCOMED BY ITALY, GERMANY, DENMARK AND THE BENELUX. IRELAND (MCSHARRY) CALLED FOR EXPERT CONSIDERATION AND NETHERLANDS (BRAKS) HAD SOME HESITATION ON THE PROPOSED LEVEL OF DUTY. BUT, PREDICTABLY, THE MAJOR OBJECTIONS CAME FROM FRANCE (MEHAIGNERIE) WHO CALLED FOR A TOTALLY UNREALISTIC DUTY OF 15 PER CENT, OBJECTED TO THE FORMULATION ON EXPORT REFUNDS AND WANTED MORE DETAIL ON MEASURES TO PREVENT SWITCHING FROM FROZEN TO CHILLED, AND ON HOW IMPORTS OF NEW ZEALAND LAMB IN FRANCE AND IRELAND WOULD BE RESTRICTED. THEY ALSO REPEATEDLY EMPHASISED THAT THERE COULD BE NO IMPLEMENTATION OF THE INTERNAL REGIME UNTIL SATISFACTORY VRAS WERE CONCLUDED WITH ALL SUPPLIERS.

6. MR WALKER (UK) SAID THAT NO AGREEMENT WAS ACCEPTABLE TO UK UNLESS IT WAS ACCEPTABLE TO NEW ZEALAND. HE CONGRATULATED GUNDELACH ON A VERY SUCCESSFUL NEGOTIATION BUT ARGUED STRONGLY FOR AN 8 PER CENT DUTY. NEW ZEALAND HAD NO OTHER STABLE MARKETS FOR ITS LAMB EXPORTS BUT WOULD IN FUTURE BE UNABLE TO INCREASE ITS SENDINGS TO THE COMMUNITY. SHE ALSO FACED THE PROSPECT OF LOWER PRICES IN THE COMMUNITY WHEN THE SHEEPMEAT REGIME WAS IN OPERATION, AND HEAVILY BUREAUCRATIC PROCEDURES. SUCH A COUNTERPART CONCESSION WAS IN THESE CIRCUMSTANCES VERY FULLY JUSTIFIED.

7. HE THEN VIGOROUSLY EXPOSED THE CREDIBILITY OF THE FRENCH OBJECTIONS TO THE AGREEMENT, WHICH GAVE THEM A VETO OVER THE INTRODUCTION OF A REGIME WHICH IT APPEARED THEY NOW SAW AS LESS FAVOURABLE TO THEM THAN THEIR EXISTING ILLEGAL CONTROLS; WHILST THEY MAINTAINED THESE THEIR PRODUCERS WERE SHIELDED FROM THE UNCERTAINTY FACED BY ALL OTHERS ABOUT WHETHER THE NEW REGIME WOULD BE IN OPERATION IN TIME FOR THE AUTUMN LAMB SALES. REPEATED CHALLENGES TO MEHAIGNERIE TO DEMONSTRATE THE GENUINENESS OF HIS OBJECTIONS TO THE NEW ZEALAND AGREEMENT BY DISMANTLING HIS ILLEGAL CONTROLS, AND PUTTING HIS OWN PRODUCERS ON A PAR WITH OTHERS, WHILE HE CONSIDERED IT FURTHER ELICITED NO RESPONSE.

8. MR WALKER'S SUGGESTION THAT THE COUNCIL SHOULD NOW AGREE FIRMLY AND FINALLY ON 1 OCTOBER AS THE STARTING DATE FOR THE NEW REGIME, THOUGH PICKED UP AND DEVELOPED VIGOROUSLY BY GUNDELACH, WAS INADEQUATELY PRESSED BY THE CHAIR (NEY). THERE WAS VERY USEFUL SUPPORT FROM ITALY AND DENMARK; GERMANY (ROHR) QUIBBLED UNHELPFULLY. MR WALKER STRESSED THAT IT WAS INTOLERABLE THAT THE UK

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PRODUCERS SHOULD FACE CONTINUING AND VERY DAMAGING UNCERTAINTY ABOUT THE START OF THE REGIME WHEN FRENCH PRODUCERS WERE SHIELDED FROM ALL UNCERTAINTY THROUGH ILLEGAL CONTROLS. GUNDELACH AFFIRMED IN UNEQUIVOCAL TERMS THAT THERE WAS NO DIFFICULTY ENVISAGED IN COMPLETING AGREEMENT ON VRAS IN SEPTEMBER, THUS ENABLING INTERNAL AND EXTERNAL REGIMES TO BE IMPLEMENTED TOGETHER AS ENVISAGED IN THE DRAFT REGULATION.

9. SUMMING UP, THE CHAIR (NEY) SAID THAT THE SCA WOULD CONSIDER URGENTLY THE DETAIL OF THE AGREEMENT WHILE THE COMMISSION COMPLETED ITS OUTSTANDING VRA NEGOTIATIONS AS QUICKLY AS POSSIBLE IN THE EXPECTATION OF AGREEMENT BY COUNCIL ON 29 SEPTEMBER ON ALL INTERNAL AND EXTERNAL ASPECTS OF THE REGIME AND ITS ENTRY INTO FORCE ON 1 OCTOBER. NO CHALLENGE FROM FRANCE.

10. DECISION ON WHETHER SCA WILL MEET NEXT WEEK TO BE TAKEN ON FRIDAY, FOLLOWING BILATERAL CONTACTS. COMMISSION HOPEFUL OF CONCESSIONS BY FRANCE BEFORE THEN.

FCO ADVANCE TO:

FCO - PS/SOFS, PS/LPS, PS/PUS, HANNAY FITZHERBERT SPRECKLEY
FAULKNER BUDD

CAB - FRANKLIN WALSH

DOT - VINALL

MAFF - PS/MIN, PS/PS DAVIES ANDREWS MRS PICKERING G WILSON EDWARDS
MISS S BROWN HADLEY

TSY - ROBERTS

DAFS - GRAMOND

DANI - JACK

WOAD (CARDIFF) - J I DAVIES

WOAD (ABERYSTWYTH) - RICHARDS

FCO PASS SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN BONN

HARRISON

[ADVANCED AND REPEATED AS REQUESTED]

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FRAME EXTERNAL

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