



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

Prime Minister.

Mr Walker's Comments
on Mr Muldoon's

letter.

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PRIME MINISTER

I know you have received a letter from Mr Muldoon concerning the agreement on sheepmeat.

I do think that, by any standards, the New Zealanders have been offered a very good deal in terms of trade off between quantities and tariff cut. And while we have not yet seen all the details of the rest of the package, Mr Muldoon describes it as fair and reasonable. The very tough negotiating stance which he adopted, on your advice, has contributed to this outcome.

The New Zealand Government had informed me earlier in the year that they would probably, in the coming years, be sending less lamb to Britain than in the past because of their development of other markets. They have however now obtained an agreement which gives them a guarantee of their recent volume of sendings accompanied by a halving of their tariff.

I think Mr Gundelach will have considerable difficulty in persuading some other member countries of the justification for halving the tariff whilst retaining the volume of exports. The French made it clear at the beginning of the negotiations that they thought a reduction in the tariff from 20% to 18% would be appropriate in return for a guarantee of keeping to existing quantities. Whilst I am quite prepared to repeat the New Zealand arguments to the Council of Ministers for having a further reduction down to 8%. I am concerned that argument on this point will make it easier for the French to obstruct other aspects of the package which have been agreed. I think it would be totally wrong for us not to support the agreement made by Mr Gundelach and to try to persuade all the other member countries to do so.

As Sir Brian Hayes pointed out to Mr Muldoon at your meeting at Chequers on 31 May, during the main marketing season for New Zealand lamb in the United Kingdom there is likely under the Community regime to be an incentive for British producers to sell in the French market to which they will have access. This would strengthen United Kingdom prices in such periods and so give New Zealand a price advantage. There are therefore no grounds on this count for a greater tariff reduction and if the present tariff is balanced I consider, as I have indicated above, that what is proposed would be a very good deal for New Zealand.

I hasten to add that if we threw away the whole of the benefits to our sheep farmers of the sheepmeat regime because the New Zealand Government were not happy to agree to a halving of their

/tariff in return for ...

tariff in return for restraining their exports to recent levels, British farmers would be totally outraged and become very anti-New Zealand in their attitudes.

The other fact is that if, as a result of the sticking to the 8% position on behalf of New Zealand, the sheepmeat regime did not come into operation, the position for New Zealand would be that she would have to continue with the 20% tariff and we would have to throw away a substantial benefit from the Community to an important part of British agriculture. In fact both of us would be substantial losers.

I am copying this to the Foreign Secretary, Chancellor of the Exchequer, Secretary of State for Trade and Michael Franklin.

Peter Walker
for

PETER WALKER
18 July 1980

Approved by the Minister
and signed in his absence