



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

From the Minister

PRIME MINISTER

Brian Talboys

You are seeing Brian Talboys next Wednesday. You may recall that during his visit in September, Muldoon floated the idea of separating the New Zealand/UK lamb trade from a Community sheepmeat regime. The serious risks in pursuing this emerged in subsequent discussion we had with New Zealand officials but I gather that Muldoon would like to have the views of UK Ministers before discarding his idea.

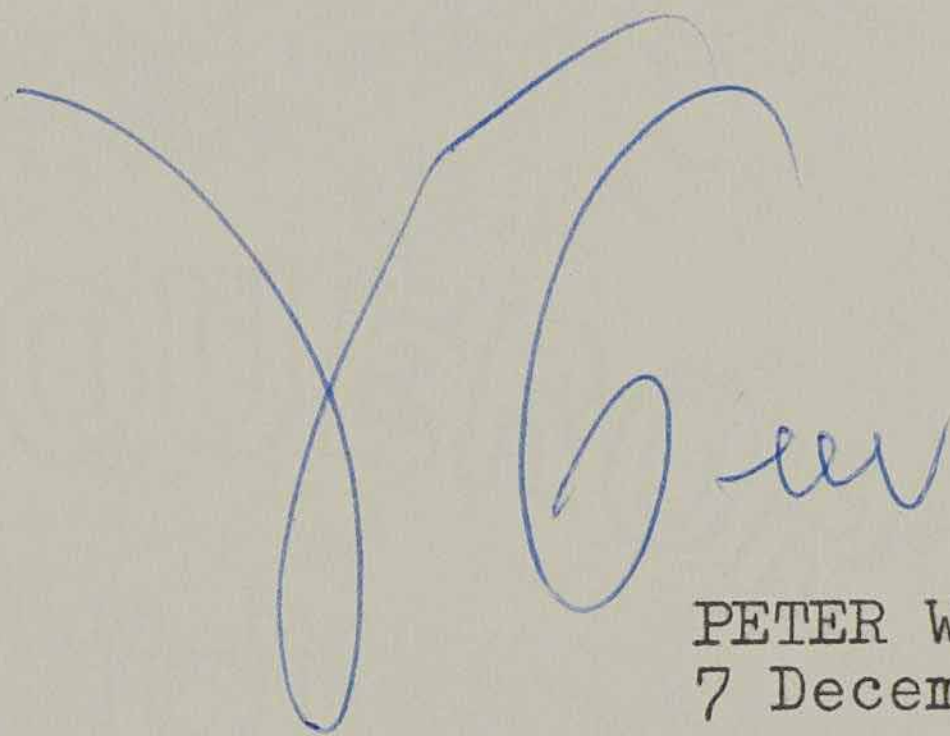
Any Community regime is bound to cover sheepmeat imports as well as Community production. New Zealand's access is protected by the GATT binding of the Community 20% tariff. The majority of other member countries and the Commission have fully supported our complete rejection of any interference with this binding as regards frozen lamb and favour voluntary arrangements with third country suppliers, including New Zealand, as the right way to preserve the stability of the Community sheepmeat market.

There is no prospect of the rest of the Community agreeing simply to exclude our lamb imports from New Zealand from Community sheepmeat arrangements. Were the Muldoon idea pursued it would inevitably lead to a special arrangement, could imply the exclusion from the Continental market of New Zealand exports, and could upset the GATT binding. Exclusive arrangements of this kind have dangers, as our experience with butter under Protocol 18 of the Act of Accession shows. All this would be welcomed by the French.

I think it is important to point out to Talboys the serious risks involved in Muldoon's suggestion. I am sure New Zealand would better serve her own interests by holding firmly to the GATT binding while exploring a purely voluntary restraint agreement with the Community.

I attach a background note about sheepmeat developments in
the Community.

I am copying this to the Foreign Secretary, Sir Robert Armstrong,
and Michael Franklin.

A handwritten signature in blue ink, consisting of a large, stylized 'P' followed by 'Walker' in a cursive script.

PETER WALKER
7 December 1979

SHEEPMEAT

Background Note

1. New Zealand sends over half the sheepmeat she produces to the UK (214,000 tonnes in 1978 valued at £172 million) and about 7% to other Member States. She therefore supplies about one-half of UK consumption and one-third of the EEC consumption. Sheepmeat and wool together account for nearly a third of New Zealand's export earnings.
2. The Community tariff on frozen, fresh and chilled sheepmeat is bound in the GATT at 20%. In 1976-79 the Community imported some 275,000 tonnes of sheepmeat, 92% frozen, 2% fresh and chilled and 6% carcass equivalent of live sheep.
3. The Commission proposals tabled in April 1978 provided for a light market-related regime. No change was proposed to the GATT bound tariff, but the New Zealanders expressed concern about the safeguard clause and the provision for import licensing. The French are very exercised about the possibility of New Zealand imports undermining their market, directly or indirectly, by releasing UK production for export. They therefore pressed for unbinding of the tariff. Other Member States felt that the Commission's proposals would not sufficiently protect the stability of the market. As a result, the Commission introduced the idea of voluntary restraint agreements under which exporting countries would restrict quantities of sendings to the level of the last 3 years in exchange for an, as yet, unspecified tariff cut.
4. The Agriculture Council endorsed the idea of voluntary restraint in principle, although the French are still arguing for unbinding the tariff on fresh and chilled sheepmeat if voluntary restraint fails. Discussion is now concentrating on the safeguard arrangements to apply when the agreed quantities are exceeded. The UK, with the support of the Germans and others, is determined that any such arrangements should not contravene the GATT.

5. Further discussion of voluntary restraint arrangements and also of premium arrangements and market support through private storage is expected at the Agriculture Council on 10/11 December. The UK will continue to argue that internal support arrangements must be fair to the UK, not place a further net burden on the UK taxpayer or perpetuate illegal discrimination. We shall continue to oppose public intervention.

6. The French are still only permitting very limited imports of UK sheepmeat for freezing and storage. The Commission have now issued a Reasoned Opinion giving France until 12 December to comply, after which further Court proceedings can be expected.



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