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RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE DEPUTY PRIME MINISTER OF NEW ZEALAND, MR. BRIAN TALBOYS, AT 10 DOWNING STREET ON WEDNESDAY 12 DECEMBER 1979 AT 1500 HOURS

Present:-

Prime Minister	Rt. Hon. Brian Talboys
HE Sir Harold Smedley	HE. The Hon. L.W. Gandar
Mr. M.J.E. Fretwell	Mr. I.L.G. Stewart
Mr. M.O'D.B. Alexander	

Sheepmeat

Mr. Talboys reminded the Prime Minister that when Mr. Muldoon had seen her earlier in the autumn, he had raised the possibility of excluding New Zealand lamb from the operation of a Community sheepmeat regime. The Prime Minister said that we had gone into this possibility with care and had concluded that it was not a runner. It would not be possible to separate out part of the market. Mr. Talboys accepted this.

Mr. Talboys then referred to the mandate agreed by the Council of Ministers in Brussels the previous evening for the Community 's negotiation with non-Member countries on voluntary restraints. Mr. Walker had said in the past that the Community's present arrangements would only be changed if the New Zealand Government thought that such a change would be to their benefit. However New Zealand now seemed to be faced with Hobson's choice. Those who did not enter into a voluntary restraints agreement could, through the operation of a safeguard clause, have a quota imposed on them. In the event that the quota was imposed, the supplying country would get no benefit from the reduced tariff.

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Mr. Talboys said that he had also been alarmed by the appearance in one of the Commission's drafts of a reference to provision for restitution of exports of lamb from the Community. He found this incredible since the Community was at present only 60 per cent self-sufficient. Suspicions had been aroused that the effect that steps the Commission had in mind would be so to alter the price and to encourage production that the Community would move to a position where it would be an exporter. Mr. Fretwell said that he did not think anyone supposed that the Community would try to reach a position of self-sufficiency in sheepmeat. The Prime Minister noted the possibility that if French sheepmeat were to be sold into intervention it might subsequently be exported under subsidy.

Mr. Talboys said that if nothing else, it looked as though one consequence of the proposed new arrangements would be very severe distortion of the market. He hoped that Mr. Walker would be prepared to make the point that under no circumstances would deconsolidation of the GATT binding be permitted. He was also unhappy about the reference in the negotiating mandate to "traditional presentations". This meant that New Zealand exporters would be inhibited in exploiting new technology, e.g. where the export of chilled lamb was concerned. His Government would like it to be understood that there should be no increase in the tariff and no other impediment placed in the way of the lamb trade unless there was voluntary agreement to it. Finally, although New Zealand had developed a lamb market on the continent, the negotiating mandate did not seem to make adequate provision for New Zeland's share in the future growth of that market.

The Prime Minister said that she was not sufficently familiar with the details of the subject to give Mr. Talboys an absolute assurance on the question of unbinding. The negotiating mandate itself seemed to go some way in that direction and Mr. Talboys could be assured that Britain would fight alongside New Zealand in resisting unbinding. Mr. Fretwell pointed out that it was always dangerous to use the word never. But New Zealand was in

/a good position

a good position to argue for tariff reductions in return for restraint. Mr. Talboys repeated his concern about the implied threat in the mandate that if New Zealand did not agree to accept voluntary restraint, the Community might seek to unbind the 20 per cent duty. But he expressed his gratitude for what the Prime Minister had said. The Prime Minister said that Britain would seek to ensure that the binding was as absolute as possible.

The Prime Minister said that Britain would also seek to ensure that the limitation of exports to "traditional quantities" should not preclude growth if the European market as a whole were to grow. This seemed to be envisaged in the second paragraph of the negotiating mandate even though she recognised that this did not go as far as New Zealand would like. Britain would also seek to ensure that the reference to "traditional presentations" did not exclude negotiation on chilled lamb or any other form of lamb that became available as the result of new technology. The Prime Minister asked Mr. Talboys whether he was content that the restraint levels should be determined by reference to the last three year period. Mr. Talboys himself indicated that he had no difficulty with this although Mr. Gandar said that New Zealand was reserving its position.

Butter

Mr. Talboys said that Mr. Gundelach had told him that he would be proposing that New Zealand's quota for butter exports to the Community should be reduced by stages from next year's figure of 115,000 tonnes to a figure of 90,000 tonnes in 1985. Mr. Talboys said that he accepted there must be a reduction in New Zealand's exports but the proposed reduction was excessive. He would be asking Mr. Walker to write to Gundelach proposing that the 1985 figure should be 100,000 tonnes rather than 90,000 tonnes. The figure was important since, according to Mr. Gundelach, the 1985 figure was likely to constitute a plateau at which New Zealand exports to the Communtiy would remain. Since the figure put forward by Mr. Gundelach would certainly be a ceiling as far as the Community was concerned but might not be a floor, it would be important that it should be as high as possible. New Zealand's position would be very difficult if the figure ended up at a level lower than 90,000 tonnes. Given the scale of butter production within the Community the difference in the two figures would make little difference within the EEC. It would however make a very great difference to New Zealand.

New Zealand would also be seeking urgent reconsideration of the butter price. At present New Zealand was getting 50 per cent of the intervention price. Mr. Gundelach had it in mind to suggest that the price should be set at 65 per cent of the intervention price next year if New Zealand sendings were reduced and at 75 per cent of the intervention price in 1981 if there were still further reductions in sendings. Mr. Talboys said that if New Zealand could get a fixed and reasonable relationship between the New Zealand price and the intervention price it would remove a source of constant irritation in New Zealand's relations with the Community. New Zealand would be well content with the 75 per cent figure.

The Prime Minister said that we would certainly support New Zealand in asking for a higher quota for New Zealand exports.

The meeting ended at 1535.

12 December 1979