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EUROPEAN COUNCIL, LUXEMBOURG

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NEW ZEALAND BUTTER

Brief by the Foreign and Commonwealth Office and
the Ministry of Agriculture, Fisheries and Food

OBJECTIVE

1. To limit discussion, avoid linkage with the Community Budget, and avoid any outcome which could prejudice subsequent consideration in the Agriculture and Foreign Affairs Councils.
POINTS TO MAKE (If subject raised by others)
2. Discussion at European Council premature. Commission proposals not yet tabled and will need first to be considered in the appropriate Council machinery.
3. (If necessary) Continued access to Community market vital for New Zealand. Against Community's interest to damage economy of a western ally and trading partner which plays a helpful stabilising role internationally, and particularly in South Pacific.
4. (If necessary) Surplus production in the Community not a reason for damaging New Zealand. Community's increase in butter production in two years (180,000 tonnes) much larger than current New Zealand quota (115,000 tonnes).
5. (If others make a link with CAP prices) The case for continued access stands on its own merits. Must recognise need for satisfactory arrangements after 1980 (cf Brief No.4, paragraphs 6 and 16(4)).

/BACKGROUND

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6. If others raise this subject they will probably add it to the package of issues which they are trying to link with the problem of the UK contribution to the Community budget. They may argue that access for New Zealand butter is a major reason for the large expenditure from the budget on the milk regime, and/or seek to maintain that an end to New Zealand access is for them as important politically as is a better net budgetary position for the UK. While we should not let such arguments go unchallenged we should aim to avoid detailed discussion.

7. HMG is committed to achieving satisfactory terms for New Zealand. Commission proposals when they emerge are likely to provide for a further progressive reduction in quota levels down to 90,000 tonnes in 1985 (compared with 115,000 tonnes in 1979 and 165,000 tonnes in 1973) coupled with an improvement from New Zealand's point of view in the operation of the levy system. It is important that discussion in Foreign Affairs and Agriculture Councils should not be prejudiced either by unhelpful language in the conclusions of the European Council, or by what might subsequently be construed by others as tacit acceptance of unhelpful statements which others have made.

8. If it is necessary to include a reference to New Zealand in any conclusion by the European Council on wider CAP related issues this must cover the need for a satisfactory arrangement for access after 1980 (cf Brief No. 4, paragraph 16(4)).

9. Statistics on the New Zealand economy, on the EC-New Zealand Trade balance and on the Community butter market are at Annex 1.

FOREIGN & COMMONWEALTH OFFICE
MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

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NEW ZEALAND ECONOMY AND NEW ZEALAND/EC TRADE

1. NEW ZEALAND: GROWTH IN REAL GNP PER CAPITA

YEAR ENDED JUNE

	<u>Per Cent</u>
76	-1.01
77	-1.60
78	-3.10

2. NEW ZEALAND TRADE YEAR ENDED JUNE 1978 NZ \$ million

EXPORTS -	All destinations	3101
	To EC	951

Of which butter:

	All destinations	207
	To EC	185

IMPORTS	All sources	3001
	From EC	799

CURRENT ACCOUNT BALANCE AFTER
INVISIBLES (1979)

	With EC	-174
	With UK	-153

3. COMMUNITY BUTTER PRODUCTION AND CONSUMPTION '000 tonnes

	<u>Production</u>	<u>Consumption</u>
1977	1,802	1,679
1978	1,958	1,685
1979	1,980 (prov)	1,689

4. NEW ZEALAND BUTTER QUOTA '000 tonnes

1978	125
1979	120
1980	115