

PREM 19/1588

① P.M.'s BRIEFS FOR VISIT OF MR MULDOON, PM of NEW ZEALAND  
21.9.79

② P.M.'s briefing for visit of Mr. Muldoon on 31.5.80 on file

③ P.M.'s briefing for dinner for Mr. Muldoon on 18.6.81

④ P.M.'s briefing for visit of Mr. Muldoon on 19.5.82.

⑤ P.M.'s briefing for visit by Muldoon on 11.5.83.

⑥ P.M.'s briefing for visit of Mr. Muldoon on 15.5.84

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⑦ P.M.'s briefing for visit of Mr. Lange on 30.9.84 at Chequers.

⑧ AM briefing for Mr. Lange 4/3/85

E. R.

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MONDAY 4 MARCH

NEW ZEALAND PRIME MINISTER

1030

No. 10

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Foreign and Commonwealth Office

London SW1A 2AH

1 March 1985

Prime Minister

CDP  
1/3.

Dear Charles,

Visit of New Zealand Prime Minister

[In hot box]

I enclose briefing for Mr Lange's call on the Prime Minister at 10.30 am on Monday 4 March. The Cabinet Office are briefing separately on the problem of intelligence links with New Zealand.

We are following up the news that Mr Hawke has called for an emergency ANZUS meeting and will ensure that the telegraphic report, for which our High Commission in Canberra has been asked, reaches you as quickly as possible.

Mr Lange's policies on defence and disarmament matters were clearly set out in a characteristic speech which he gave at a seminar run by the Institute of Policy Studies in Wellington on 22 February. I attach a copy, with significant points highlighted. He is speaking at the Oxford Union this evening. We are arranging for the text to be sent to you as soon as it is available.

I am sending a copy of this letter and brief to Richard Mottram.

Yours ever,

L V Appleyard

(L V Appleyard)  
Private Secretary

C D Powell Esq  
10 Downing Street

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CALL BY MR DAVID LANGE, PRIME MINISTER OF NEW ZEALAND, MONDAY,  
4 MARCH 1985

THIS IS A COPY. THE ORIGINAL IS  
RETAINED UNDER SECTION 3 (4)  
OF THE PUBLIC RECORDS ACT

1. Our Objectives

Short Term

- (i) to restate UK policy on ship visits; and
- (ii) to prevent a disagreement about nuclear deterrence in the South Pacific from damaging broader Western interests.

Long Term

To persuade New Zealand to revert to former policies.

2. Arguments to Use

- (i) Regret differences with close friend on such an important issue; the need for a nuclear deterrent to contain the Soviet threat.
- (ii) Wish to dampen public controversy. Our conversation confidential.
- (iii) Western nations face common threat. Members of Alliances cannot pick and choose. Nuclear deterrence has brought stability, 40 years of peace in Europe in whose <sup>past</sup> conflicts many New Zealanders have given their lives.
- (iv) Aware of US restrictions on defence  co-operation. No wish to see dispute extend into other fields and damage trade or joint Western position in South East Asia and South Pacific.
- (v) But have to tell you that New Zealand ban would rule out RN visits.
- (vi) Understand Mr Hawke calling for emergency meeting of ANZUS Council. Britain cannot mediate. Two areas where we might elucidate issues: the role of the nuclear deterrent in ensuring stability, the Western approach to disarmament.



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- (vii) Chief of General Staff (CGS) planning to visit New Zealand next month. Evidence of our wish to maintain dialogue and our defence co-operation.
- (viii) [If raised] UK attaches importance to New Zealand contract for A4 aircraft update. Confident that British bid deserves to win avionics element.

4. His Objectives

To convince British Government that present NZ policy is irreversible, neither anti-Western nor damaging to NATO, but appropriate for New Zealand's unique geographical position and is a constructive policy for keeping nuclear weapons out of South Pacific.

5. Your Response

- (i) Soviet capability does not stop at NATO boundaries; development of Soviet Pacific fleet and activities at Cam Ranh Bay evidence of need for worldwide vigilance.
- (ii) Dangerous to make optimistic assumptions about Soviet intentions in event of conflict. Prudent to base defence policy on knowledge of hostile power's capability.
- (iii) Soviet messages of support demonstrate wedge-driving. Russians could raise the low level of their current activity in South Pacific.
- (iv) Declaratory measures such as South Pacific Nuclear Free Zone would not provide security when it is most needed - in a crisis.

6. Press Line

Question of ship visits discussed. Prime Minister explained Britain's policy. Nature of discussion between Commonwealth Prime Ministers confidential. Not for Britain to mediate in dispute within ANZUS but anxious to do what we can to help towards solution of current differences.

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7. Background

Mr Lange has come to London at his own initiative. Lady Young paid a welcoming call on him on 27 February. Mr Lange had a audience with The Queen on 1 March. He spoke at the Oxford Union the same day to the motion "This House believes that nuclear weapons are morally indefensible".

In February New Zealand rejected a US request for a warship visit since they were unable to confirm that the ship was definitely not nuclear armed. The Americans have unilaterally cancelled ANZUS and multinational exercises including one involving the UK.

They have denied moves to impose economic sanctions.

We are partners with New Zealand and Australia in the Five Power Defence Arrangements which provide for consultations in the event of a threat to Malaysia or Singapore.

<sup>k</sup>UN/NZ bilateral defence co-operation. Considerable number of NZ personnel train in UK - 250 in 1983/84: two places at RCDS for 1985: 40 exchange officers per year in each direction: £100,000 last year on Defence Policy Fund assistance for training at UK establishments. Number of bilateral and Five Power Defence Arrangements exercises on regular basis. Chiefs of Staff <sup>PP</sup> of UK/NZ/Australia meet (BRITANZ) approximately every 18 months: last meeting November 1984. Chief of General Staff plans visit in April/May: Mr Stanley in September.

Defence Sales. The New Zealand Government are about to award a significant (£50m) contract for updating their A4 (Skyhawk) military aircraft. GEC/Marconi are running neck and neck against US competition for the avionics order. NZ Government may wish to place order with Americans as an indication of commitment to relations with US - and to ensure supply of US air defence missiles. Order important to GEC/Marconi since six other Air Forces likely to follow NZ choice.

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/Nuclear



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Nuclear Free Zones. We are opposed to creation of total nuclear free zones into which the Soviet Union can still target weapons. But we have to accept the policies of eg Canada, Australia, Denmark and Norway which prohibit the stationing of nuclear weapons on national territory in peace time. These policies, however, are not an obstacle to ship visits.

South Pacific. New Zealand Governments, both National and Labour, concentrate some 80% of their aid in the South Pacific. They have urged us to maintain our network of six diplomatic missions in the islands and an aid programme (now running at about £15 million) because they fear that others, such as the Russians, would move <sup>in</sup> if we left.

Public opinion in New Zealand is running strongly in favour of the nuclear warships ban. Americans regarded as bullies, expressions of resentment even from prominent right-wing establishment figures. Simultaneously there is overwhelming public support for ANZUS, on the basis that New Zealand has the right to determine its own policy on nuclear ship visits. The Government has played on patriotic feelings by portraying Mr McLay, the Leader of the Opposition, as an American lackey.

South Pacific Department  
Foreign and Commonwealth Office

1 March 1985

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SPEECH NOTES

RT HON DAVID LANGE  
PRIME MINISTER  
MINISTER OF FOREIGN AFFAIRS

SEMINAR ON DISARMAMENT AND SECURITY

TIME: 7.40 pm  
DATE: Friday, 22 February 1985  
VENUE: Lecture Room 5, Hugh McKenzie, VUW

1.

I am pleased to have the opportunity tonight to talk to you about disarmament and security. Tomorrow you will look in detail at a range of international arms control and disarmament issues. Tonight I want to talk about a number of issues that I think are particularly important for New Zealand.

There is a strong and growing belief in New Zealand that nuclear weapons expose us all to the risk of annihilation. The Government shares that view. An end to the nuclear arms race is essential to the security of all countries - those that have nuclear weapons and those that do not.

Every new development in nuclear weapons seems to open up a more alarming and potentially de-stabilising prospect than the last.

Nobody who thinks about it can fail to be deeply worried by the way in which nuclear weapons states continue their intense competition to develop and deploy ever more deadly weapons. Deterrence is one thing; its apparently endless expansion is quite another. The number of nuclear weapons and their technological sophistication long ago passed beyond any sensible limit. There are enough weapons already in existence to destroy every part of the world several times over. Yet, while progress on measures of arms control is painfully slow, the ingenuity of those who design weapons systems seems unlimited. It is not only weapons; it is also new environments. The possibility of an arms race in outer space now clearly exists. It is thoroughly disquieting. It is very much to be hoped that the new and most welcome bilateral arms control talks between the United States and the Soviet Union - talks which encompass space weaponry - will prevent the expansion of rivalry into that area.

Another recent development has had a particular impact on opinion in New Zealand.

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Over the past two or three years a new body of scientific work has developed. It suggests that the global climatic and long-term biological consequences of a nuclear war are likely to be much worse than had previously been thought. The awesome immediate destruction that would be brought about by nuclear weapons has been known for a long time. What has not been appreciated until recently is that, even if only a fraction of existing nuclear arsenals were involved, a nuclear war would have even more far reaching effects. Smoke and dust would prevent the sun's warmth from reaching the earth's surface. Temperatures could fall drastically for weeks or months on end.

There is another dimension to this. It is that all countries, whether or not they are directly involved in a nuclear exchange, would undoubtedly suffer. A nuclear winter would not respect borders or hemispheres.

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(A) We in New Zealand, who seem so far from the trouble spots of the world, would most likely feel its icy chill. The possibility exists that that winter could be so severe as to extinguish the human species.

What we have been told about a nuclear winter has added to strongly held beliefs in New Zealand that the present state of affairs cannot be allowed to continue. That the New Zealand Government should play its part was the clear message at the last election. It is the message contained in the literally thousands of letters that people in all walks of life have sent - and continue to send - to me and my colleagues. It is shown by the vigour of the numerous peace groups in New Zealand. It is reflected by the number of local bodies which have declared themselves nuclear-free as a symbol of their opposition to nuclear weaponry. Over 90 of them, covering two-thirds of our population, have declared themselves nuclear-free.

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Many responsible people think that nuclear weapons threaten us rather than protect us. Many feel that far from bringing protection, nuclear weapons and the nuclear arms race are the single biggest threat to their security. They are not alone in this assessment. The Final Document of the First Special Session on Disarmament, adopted by consensus by the member countries of the United Nations in 1978, makes the same assessment. It declared that "the accumulation of weapons, particularly nuclear weapons, today constitutes much more a threat than a protection for the future of mankind".

The Government has responded to the ground swell of opinion in New Zealand. It is committed to doing all it can to play its part in the process of disarmament.

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The principle which shapes my view of arms control between the nuclear powers and which guides my actions as Prime Minister of New Zealand is that stated by the Secretary of Defence in his address to the Otago University Foreign Policy School in 1983. It is the principle that a disarmament or arms control measure must meet the essential requirement that the security of all the countries concerned is undiminished.

Over the years the United States and the Soviet Union have worked themselves into an extraordinarily difficult and dangerous position with regard to nuclear weapons and security. Moving away from that position, while simultaneously preserving a sense of security, will take a good deal of time and it will be difficult to achieve. An essential condition for progress in this direction is full acceptance of the collective judgement made by the United Nations that the arms race does not bring security but rather reduces it.

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In resuming their bilateral arms control talks - previously broken off by the Soviet Union to the dismay of the rest of the world - the United States and the Soviet Union appear to have endorsed that judgement. They have spoken of the ultimate goal of the complete elimination of nuclear weapons. There is hope there. We must do what we can to nourish it.

New Zealand does not have nuclear weapons. We never have had them and we want no part of them in the future. There is a limit to what small countries like ourselves can achieve. But that does not excuse us from action. We cannot hide our heads in the sand. Quite apart from the moral imperative, simple self-interest dictates that we should seek to eliminate the risks inherent in the present situation.

Within our region we have sought and achieved the acceleration of work on a South Pacific Nuclear-Free Zone.

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The idea of such a zone has been around for over a decade. The current proposal was first put forward by Australia in 1983. Last August, at the South Pacific Forum meeting in Tuvalu, all the Heads of Government in the region agreed to establish a zone as soon as possible. They also agreed on the overall principles that should shape it.

Detailed work on drafting a treaty is proceeding rapidly. Our aim is that it will be far enough advanced for South Pacific leaders to consider a complete text in August at the next Forum meeting in Rarotonga. Officials have met several times - most recently at the beginning of this month - to work out the details. These discussions have been productive and the overall shape of a treaty is now clear.

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The key principle of the Zone is that it will prohibit the possession, stationing, testing or use of any nuclear explosive device in the South Pacific region.

This will be a real advance on the present situation. At the moment all the countries in the region - except two - have adhered to the Non-Proliferation Treaty. But this treaty does not prevent the nuclear weapons states from stationing weapons under their control in a third country. A South Pacific Nuclear-Free Zone will involve a legally binding commitment by Forum countries not to allow such stationing on their territories. It will significantly reduce the possibility of a direct confrontation in the region between the nuclear weapons states. By so doing it will enhance the security of the region and the common security of us all.

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New Zealand cannot, of course, establish a regional zone by itself. Whatever is endorsed in Rarotonga must, in every aspect, have the full support of all Forum countries. Forum countries have different views on the arrangements that will best serve to maintain their security. This is reflected in their different approaches to such questions as access to their ports and air fields by vessels and aircraft of other countries. For this reason, the South Pacific Nuclear-Free Zone will not touch upon port visits. Whether such visits take place will be up to each country in the region to decide for itself.

If it is to be fully effective, the Zone must attract the support of the nuclear weapons states. For that reason, the Zone treaty will be constructed in such a way that - as is the case with the Treaty of Tlateloco and the Latin American zone - the nuclear weapons states will be able formally to associate themselves with it.

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They will be invited, as they were in the case of Latin America, to accept a solemn and binding understanding not to use or threaten to use nuclear weapons against this region. That, too, will enhance the security of every country in the region.

Another important feature of the zone is that it will serve to bring further pressure to bear on France to halt its activities at Mururoa.

This Government has made clear to the French authorities its total rejection and condemnation of their programme of nuclear testing in the South Pacific. All the independent countries of the region, and several Latin American states, have conveyed the same message to Paris. Yet despite this clear and unequivocal response, France continues to ignore regional sentiment and carries on testing.

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If the tests are as safe and as non-polluting as France claims, then I see no reason why they cannot be carried out off the coast of France.

The final point I need to make about the South Pacific Nuclear-Free Zone is that international law imposes limits on it. In particular, neither New Zealand nor anybody else has the right to restrict the passage of ships on the high seas. So the zone cannot stop nuclear warships from entering or passing through the South Pacific region.

In the wider international arena New Zealand is exerting its influence in support of arms control and disarmament. In speaking to the United Nations General Assembly last September and in my discussions in New York with the foreign Ministers of the five nuclear weapons states, I made as strong a plea as I could for progress in this field. I will carry the same message when I speak to the United Nations Conference on Disarmament in Geneva in a fortnight's time.

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But our effort is not limited to urging the states most directly involved to do better. Where we are able, we make a practical contribution to disarmament, by supporting measures that we think may yield some concrete and useful result. That is why we share with Australia the responsibility for promoting a United Nations resolution calling for a comprehensive test ban.

Such a ban has been properly described as the most important single step in the arms control process. The United Nations Secretary-General has spoken of it, in his statement on disarmament questions last December, as "the litmus test of the real willingness to pursue nuclear disarmament".

A comprehensive test ban would make a major contribution to arms control.

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Since new weapons designs could no longer be tested, a comprehensive test ban would inhibit their development. At the same time, a comprehensive test ban would reinforce the Non-Proliferation Treaty by preventing non-nuclear weapons states from testing any device that they might develop.

When a test ban is put in place, it will need to be verified. That is fundamental. So, along with other countries, we are working towards the establishment of an international seismic detection system. This would pick up the tell-tale seismic traces of nuclear explosions. We have the seismic expertise. New Zealand's location would fill a gap in a world-wide system. So, we are working on it. It is not spectacular. But it is a solid, pragmatic contribution towards disarmament.

So, too, is our support for the non-proliferation regime and the Non-Proliferation Treaty.

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We believe that the balance of interests embodied in the Treaty is sound. It contributes both to halting the spread of nuclear weapons and to bringing an end to those already in existence. The Treaty is to be reviewed later this year. New Zealand will work hard to make sure that review is successful and that the non-proliferation regime is strengthened by it.

The Government has acted promptly and decisively to give practical effect to its commitment to disarmament and arms control.

Our policy - which is essentially that no nuclear weapons will come into New Zealand - is clear and consistent. We will stand by it.

That policy has prompted considerable debate about New Zealand's security arrangements and in particular the ANZUS alliance. I once again restate this point:

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U Our policy is neither anti-American nor anti-alliance. It is simply anti-nuclear.

(A) NB The best assessment of the Government's military advisers is that there is no explicit military threat to New Zealand or to immediate New Zealand interests. There is however in the considered view of those advisers an increased potential for intrusion into the South Pacific by outside powers. New Zealand's first priority in terms of its security is to safeguard its own interests in its own region.

In terms of conventional forces, the Government proposes to maintain the capacity needed to make an independent effective contribution to low intensity operations of the kind likely to arise in the Pacific.

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It does so in the recognition, expressed in successive defence reviews, that our more limited national interests are not and will not always be identical with those of our larger partners. The United States over recent years has made it clear that its capacities are limited and that it expects its regional allies to look after regional security problems.

In terms of nuclear weaponry, the security of the South Pacific is best served by the creation of the South Pacific Nuclear Free Zone.

For a very long time now, dating back to the period before ANZUS, New Zealand has subscribed to the concept of collective security. It would have been very surprising if this had not been the case. Small countries such as ourselves with limited military means at their disposal must look beyond their own resources to guard their interests.

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In the absence of an effective collective security system within the United Nations, we have formed alliances. That must be a constant in any New Zealand government's foreign and defence policies. It has not been altered for my Government by the judgements we make about the acceptability of nuclear weapons in New Zealand. It will not change in the future. Our commitment to ANZUS and to the broader Western community remains firm. The ANZUS defence partnership reflects the fundamental and enduring common interests we share with Australia and the United States. The ANZUS alliance has proved resilient and dynamic, adapting successfully to meeting changing circumstances. ANZUS continues to serve New Zealand's interests well.

Let me take this opportunity to deal with a few misconceptions about our anti-nuclear policy. Some critics claim that we are seeking to enjoy the benefits, without sharing the risks, of alliance membership.

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Others say that we are somehow not pulling our weight in the alliance by refusing to admit nuclear weapons to New Zealand.

From New Zealand's perspective, ANZUS has always been an alliance resting on conventional defence co-operation. In this, we have certainly always pulled our weight. The Government intends to carry on doing so. Our willingness to participate in conventional defence co-operation will continue.

New Zealand cannot however be defended by nuclear weapons. We do not wish to be defended by nuclear weapons. The United States and many of the allies of the United States carry the burden of knowing that the deterrent which defends them will also destroy them and all the rest of us if it is ever used. No nation should carry that burden. It is a burden to be diminished by the process of arms control negotiations leading to responsible and verifiable agreements.

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Such is the importance and permanence of the community of interests New Zealand shares with its friends and allies, the United States and Australia, that I am confident that we ANZUS partners can make whatever adjustment proves necessary in our defence co-operation to maintain the integrity of each member's respective positions.

More generally, as an integral member of the Western community, New Zealand is determined to carry on playing its part in upholding Western values and principles. Our major role in helping to underpin the security of the South Pacific testifies to this.

It has been argued that New Zealand has weakened the bargaining position of the Western alliance by its action in demonstrating a positive commitment to the control of nuclear weapons.

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That argument derives from the view that successful arms control negotiations depend on one side gaining or maintaining a clear advantage over the other. The New Zealand Government holds that it is the relentlessly competitive element among the nuclear powers which has made the word deterrent a synonym for escalation. We reject that element, as the United Nations has rejected it. We ask the nuclear powers to reject it.

The first duty of any government is to have regard to the security of its country and citizens. In pursuit of that goal my Government will continue to do two things. At the national, regional and global level we shall play our full part in limiting the risks posed by nuclear weapons. We shall also continue to make a full contribution to the conventional operations of the ANZUS alliance.

MEETING WITH MR. LANGE

1. A change in New Zealand's vote on Falklands at the UN would be taken very seriously - particularly at a time when the Argentine position on normalisation of relations seems to be hardening, and this year's Resolution seems likely to be worse than last year's.
2. Hope that we can reach accommodation on nuclear ships visits, on same basis as we do with Australia and Scandinavia. Otherwise may preclude all naval visits.
3. Done our best for you on access for butter. Guaranteed until 1988, though quantities fixed only until 1986. Will press hard for continued access after 1988.
4. Propose talks between senior officials on defence/disarmament issues. Soviet threat in no way diminished.
5. Grateful for statement on Hong Kong.
6. Explain aim to try to shorten CHOGM meetings. Preferred dates for next one 18-21 October, 1985.
7. Nice words about Mr. Young as High Commissioner. Look forward to welcoming Mr. Walding as his successor.

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Foreign and Commonwealth Office

London SW1A 2AH

27 September 1984

Dear Charles,

Visit of New Zealand Prime Minister to Chequers: 30 September

I attach a brief for the Prime Minister's talks with Mr Lange on Sunday 30 September.

The Prime Minister last met Mr Lange in January when he was Leader of the Opposition. He has come to London from the United Nations General Assembly where he had talks with the Foreign Secretary on 25 September as reported in the enclosed telno 903 from UKMis New York. Mr Lange is going on to Delhi where New Zealand will reopen the diplomatic mission which Sir Robert Muldoon closed.

In speaking to Mr Lange the Prime Minister will no doubt have in mind as a first priority the establishment of a personal relationship with an important Commonwealth colleague. There is scope for this within the subjects that Mr Lange wishes to raise: New Zealand - European Community relations, East-West, disarmament and the place for Britain in New Zealand's economy.

In the two months that he has been in office Mr Lange has consolidated his standing in New Zealand but has retained a margin of manoeuvre on critical issues both at home and abroad. He comes here at a formative stage in which he is searching for practical and effective ways of implementing the policies on which his Party was returned to power with a large majority. Domestically, Mr Lange has contained a difficult situation with a 20% devaluation of the New Zealand dollar and a successful summit conference of employers, unions and government. Abroad, while promoting Labour Party policies he has noted that his ideas have received a mixed reception from leaders in other countries. Mr Lange has generally been careful not to commit himself to precipitate action.

Two aspects of the New Zealand Labour Government's international approach cause particular concern to us and to close friends and allies, Australia and the USA: the intention to change New Zealand's vote on the Argentine resolution from

/a negative

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a negative vote to one of abstention, and the dissociation of New Zealand from nuclear deterrence by moving the country further away from the protective umbrella of the United States. It is reported that a private members' bill, which has been supported by a Government Minister, may shortly be introduced in New Zealand declaring the country to be nuclear free.

The Prime Minister may wish to explore her New Zealand colleague's personal position on these issues. She could suggest that senior officials of both governments might usefully discuss defence/disarmament and explore the feasibility of resting New Zealand's defence solely on conventional forces.

/ I also enclose personality notes on Mr Lange, and on two members of his Party, Mr O'Flynn and Mr Norrish.

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

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VISIT BY NEW ZEALAND PRIME MINISTER TO CHEQUERS, SUNDAY,  
30 SEPTEMBER

POINTS TO MAKE

Bilateral

1. Welcome early opportunity for wide-ranging exchange. Bring some issues into deeper and sharper focus.
2. Maintain pattern of frequent Ministerial visits in both directions.

Trade

3. Each of us having difficulty in holding onto established share of the other's market. Important to keep the trading links going. Glad that President of British Overseas Trade Board currently in New Zealand with team of businessmen.

New Zealand/EC

4. Continued butter access achieved until 1988. Britain committed to ensuring access thereafter. We strongly opposed Commission's sale of international butter stocks.

[If raised] : Recent criticism of sheepmeat regime nothing new within the European Community.

Falklands

5. The issue is self-determination for a small island people. A New Zealand move to abstention would be a large and unwelcome signal.

Hong Kong

6. Grateful for your statement.\*

East-West Relations

7. Soviets immobile on disarmament. Soviet Pacific fleet now largest of four Soviet fleets. Need for Western unity in South Pacific.

\*Subject to confirmation

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#### Disarmament

8. Glad you gave prominence in General Assembly speech to need for adequate verification. Important that the Comprehensive Test Ban resolution that New Zealand and Australia will table at General Assembly stresses the need for verification solutions.

9. UK policy to support principle of nuclear free zones such as South Pacific if:

- nuclear weapons are not already part of region's security
- balance of security in region is maintained
- all states in region agree

Welcome recognition by South Pacific Forum of need to uphold freedom of navigation and overflight, and of the freedom of individual states to allow nuclear ships' visits.

#### Nuclear Ships Visits

10. Sir Geoffrey Howe spoke to you in New York of our concerns and fear that New Zealand action could have a catalytic effect. Our senior officials might review question of how far defence policy can be based solely on conventional forces.

#### Security of Small States

11. Aim is prevention rather than cure. Commonwealth state study could form basis for effective Commonwealth and Western policy. Important that larger countries help in particular regions.

12. In South Pacific the immediate problem is the viability of island governments and economies. Aid programmes might be refined to provide better support.

#### Commonwealth Heads of Government Meeting

13. Our preferred dates for 1985 meeting in Bahamas are 17/18-21 October.

South Pacific Department  
FCO

September 1984

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VISIT BY NEW ZEALAND PRIME MINISTER TO CHEQUERS, SUNDAY,  
30 SEPTEMBER

ESSENTIAL FACTS

1.

UK Trade with New Zealand (£m)

	1980	1981	1982	1983*	Jan-July 1983	Jan-July 1984
UK Exports to NZ	250	235	323	286	154.7	202.4
UK Imports fm NZ	415	427	539	486	319.3	294.7

Source: Overseas Trade Statistics of the UK

\* Twelve months ended December

2. UK/New Zealand trade has fluctuated in recent years: increased by about £100 million in each direction in 1982, compared with 1981. Recession produced lower 1983 figures, but exports January to July 1984 showed increase of 33% over same period in 1983.

NZ/EC Relations arrangements

3. Community's ~~for~~ continued import of butter on special terms, provides for 78,000 tonnes annually for 1984/86; but quantities for 1987/88 will only be determined in 1986 by Council on basis of a Commission report and proposal. New Zealand (and UK) would have preferred fixed quantities for five years. Arrangements provide for a decision on prolongation after 1 January 1989.

Mr Lange wrote to Prime Minister about Commission's decision to sell off - at discount and with normal rates of export refund - some 300,000 tonnes of butter intervention stocks, New Zealanders fear for their competitiveness, UK strongly opposed these measures but was outvoted. New Zealanders may suggest lobbying Commission to drop measures: unlikely to succeed.

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4. Some EC members recently criticised voluntary restraint arrangements regulating New Zealand (and others) under sheepmeat supplies: minimum import prices and lower VRA quantities; proposals now appear shelved. Under VRA, New Zealand may send up to 245,000 tonnes annually into the EC. New Zealanders agreement to VRA's "sensitive area" provisions (France and Ireland) depends on Community honouring butter arrangement.

#### Falklands

5. New Zealand seeks to move to an abstention on Argentine resolution, and to join Australians and Canadians in this position. Labour Party may be anxious both to show it has a different approach from that of Sir Robert Muldoon and to emphasise the role of United Nations in resolution of disputes.

#### East/West Relations

6. Russians remain intransigent, seeking to divide West and worry public opinion. Encouraging that Gromyko has seen Schultz and Reagan, but Soviet initial reaction to Reagan's speech disappointingly dismissive. Major improvement in 1985 cannot be taken for granted. Western cohesion, patience, consistency essential. South Pacific - Soviet Pacific fleet now largest of four Soviet fleets, with extensive facilities at Cam Ranh Bay. Evidence of Soviet interest in South Pacific presence if opportunity arose. West must show resolution and unity in defence of interests.

#### Disarmament

7. The New Zealand Labour Party wishes to wash its hands of anything nuclear. The Government's position on disarmament was set out by Mr Lange this week in speeches to the General Assembly and the Foreign Policy Association in New York. In the latter he said:

"The Security Alliance we call ANZUS. For a third of a century, from the days when the perceived threat was different and the alliance was clearly a conventional defensive association, we have shared a commitment to the

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protection of the Pacific. We are not about to turn our backs on long standing friendships because of our nuclear policies. Let me stress this point for our nuclear allies. Our policies are not anti-ally. They are not anti-alliances. They are anti-nuclear. They arise from deeply-felt sentiments held by a majority of our people.

"There is one specific aspect of this which I notice was referred to in the invitation to attend this function. That is, my Government's policy about visits by nuclear-powered or nuclear-armed ships to New Zealand ports. This matter I am discussing privately with the Secretary of State, Mr Shultz. I do not propose to make any lengthy public comment on it at this stage.

"Let me just say this, we want to have nothing to do with nuclear weapons. I don't believe that any apology need be made for that. Our alliance with the United States is a factor in our assessment of our interests. It will take time to work out exactly what our interests require. We are a firm ally. We shall remain a firm ally."

8. New Zealand's principal aim in disarmament is to stop nuclear weapons testing. Australia and New Zealand will, as before, table a joint CTB resolution at UNGA this year. Our preference is for a resolution we and US can both support. Our aim on French nuclear testing in the Pacific is to avoid being drawn into controversy. France does not participate in present work of Conference on Disarmament (NZ is not a member) on a comprehensive nuclear test ban (CTB).

9. The proposal for South Pacific nuclear free zone stems from regional concern over French nuclear testing at Mururoa, and possible Japanese nuclear waste dumping. Idea championed by smaller island states of region, but proposal has been given new impetus following election of Labour Governments in both Australia and New Zealand.

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/South Pacific



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South Pacific Forum agreed in Tuvalu on 28/29 August that region should become nuclear free zone. Member countries will set up working party to draft treaty for discussion at 1985 Forum meeting.

#### Nuclear Ships' Visits

10. Mr Lange's government not prepared to accept visits by nuclear powered or nuclear armed vessels. Most such visits are by ships of US whose policy, like ours, is neither to confirm nor deny presence of nuclear weapons anywhere any time. Americans have told New Zealanders, so far in vain, that implementation would threaten ANZUS viability. Australians have also intervened unsuccessfully.

11. Ministers have agreed to US request for supporting action. Our High Commissioner in Wellington spoke on 7 September to Foreign Ministry officials in accordance with instructions in our telno 220 (attached). Mr Lange told High Commissioner on 27 September he was actively considering reply. He appreciated our bilateral and unpublicised approach, but thought UK/US policy "out-dated". He was impressed when told of possible catalytic effect of NZ policy. Sir G Howe raised matter with Mr Lange in New York this week (UKMis telegram No 903).

#### Security of Small States

12. Muldoon government attached priority to helping small South Pacific states, and established Ready Reaction Force. Lange Government has not expressed views (but Labour Party Conference this month called for abolition of Ready Reaction Force).

13. None of nine Commonwealth States in South Pacific currently faces significant external or internal threat. All are members, with Australia and New Zealand, of South Pacific Forum (concerned with regional political and economic issues).

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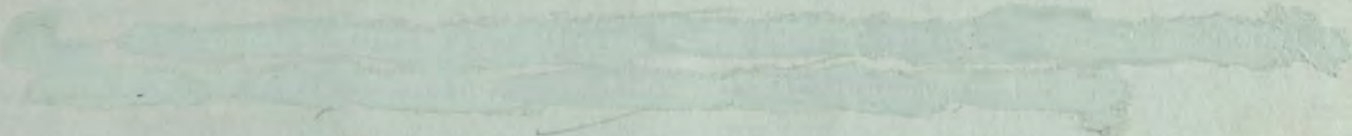
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Commonwealth Heads of Government meetings

14. Prime Minister has informed Sir L Pindling (Bahamas) and Mr Ramphal of preference for 17/18 to 21 October 1985. Results of lobbying other Commonwealth Governments about these dates indicate: 19 in favour, 8 (including, then, New Zealand) did not object but would go along with a consensus, 4 against. Dates proposed do not, however, fall within a period of parliamentary recess in New Zealand. [On the length of CHOGM, we believe that Sir R Muldoon thought his absence of six days at New Delhi was too long.] Mr Ramphal is writing soon to Commonwealth Heads of Government suggesting dates for the 1985 CHOGM. We hope 17/18 to 21 October 1985 will prove generally acceptable, and that potential clash with Tanzanian election date (which could prevent President Nyerere's last ever attendance) might be avoided.



South Pacific Department

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TO PRIORITY WELLINGTON

TELEGRAM NUMBER 220 OF 6 SEPTEMBER

INFO ROUTINE CANBERRA, WASHINGTON, MODUK (DS5, DS11)

SHIPS VISITS TO NEW ZEALAND.

1. MINISTERS HAVE AGREED TO A REQUEST FROM THE AMERICANS THAT WE SHOULD LEND SOME SUPPORT TO THEIR (AND AUSTRALIAN) EFFORTS TO TRY TO PERSUADE THE NEW ZEALAND GOVERNMENT TO REVERSE ITS POLICY OF BANNING NUCLEAR POWERED AND NUCLEAR ARMED SHIPS FROM ITS PORTS AND WATERS. WE DO NOT WANT THIS TO BECOME A MAJOR ISSUE IN UK/NEW ZEALAND RELATIONS AND WE HAVE TAKEN ACCOUNT OF THE JUDGEMENT IN PARAGRAPH 6 OF YOUR TELEGRAM NO. 264. NONETHELESS WE INTEND USING APPROPRIATE CONTACTS, EG MY DISCUSSIONS WITH MR LANGE IN NEW YORK ON 25 SEPTEMBER, THE LATTER'S VISIT TO LONDON AT THE END OF THE MONTH, AND LADY YOUNG'S VISIT TO NEW ZEALAND IN OCTOBER, TO PURSUE THE MATTER GENTLY. WE ALSO SEE ADVANTAGE IN YOUR MENTIONING OUR CONCERN IN THE MEANTIME TO MR LANGE OR ANOTHER APPROPRIATE SENIOR NEW ZEALAND MINISTER. YOU SHOULD NOT, HOWEVER, MAKE IT THE SUBJECT OF A SPECIAL CALL. IT IS ALSO IMPORTANT NOT TO CREATE ANY IMPRESSION OF AMERICAN ORCHESTRATION AGAINST WELLINGTON.

11

2. IN SPEAKING, YOU SHOULD DRAW ON THE FOLLOWING:-

I) GRATEFUL FOR CLARIFICATION OF NEW ZEALAND'S PLANS TO BAN VISITS BY NUCLEAR POWERED AND NUCLEAR ARMED SHIPS. WHAT WOULD BE THE IMPLICATIONS FOR VISITS BY RN VESSELS?

II) IF THE PLANS ENTAILED GOING BEYOND GENERAL STATEMENTS ABOUT THE UNDESIRABILITY OF NUCLEAR WEAPONS TO SPECIFIC QUESTIONS ABOUT THEIR PRESENCE, VISITS BY ALL RN VESSELS WOULD EFFECTIVELY BE RULED OUT BECAUSE OF OUR LONG STANDING POLICY NEITHER TO CONFIRM NOR DENY THE PRESENCE OF NUCLEAR WEAPONS IN ANY PLACE AT ANY TIME. WE CANNOT BREACH THIS BECAUSE OF WIDER SECURITY CONSIDERATIONS:

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III) NUCLEAR POWERED RN VESSELS RARELY VISIT THE PACIFIC BUT WE WOULD REGRET A BAN ON THEM. IF SUCH A VESSEL WERE IN A POSITION TO VISIT WE HOPE THAT THE NEW ZEALAND GOVERNMENT COULD ACCEPT A STATEMENT VOUCHING FOR ITS SAFETY:

IV) A BAN MAY HAVE ADVERSE IMPLICATIONS FOR ANZUS AND COULD ENCOURAGE OTHER WESTERN COUNTRIES TO TAKE A SIMILAR LINE. THIS COULD AFFECT WESTERN UNITY AND WOULD UNDOUBTEDLY PLEASE THE RUSSIANS. A BAN WOULD THUS HAVE A DE-STABILISING EFFECT AND WOULD NOT BRING PEACEFUL DISARMAMENT ANY CLOSER:

V) WE GREATLY VALUE THE FRIENDLY RELATIONS BETWEEN OUR NAVIES AND THE OCCASIONAL VISITS BY RN SHIPS TO NEW ZEALAND, SUCH AS THOSE OF INVINCIBLE AND ACCOMPANYING SHIPS LAST NOVEMBER. WE HOPE THAT A SOLUTION CAN BE FOUND SO THAT RN (AND US NAVY) SHIPS CAN CONTINUE TO VISIT.

3. WE ARE CONFIRMING TO THE AMERICAN EMBASSY HERE THAT WE SHALL USE APPROPRIATE SENIOR CONTACTS WITH THE NEW ZEALAND GOVERNMENT TO PURSUE THIS QUESTION. WASHINGTON MAY WISH ALSO TO INFORM STATE DEPARTMENT OF THIS BUT SHOULD NOT, AT THIS STAGE, GIVE DETAILS OF THE LINE WE ARE TAKING. IF ASKED, CANBERRA MAY SPEAK SIMILARLY TO THE AUSTRALIANS.

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BRASILIA.

FOLLOWING FROM PRIVATE SECRETARY FOR PRIVATE OFFICE

SECRETARY OF STATE'S BILATERAL WITH MR LANGE

SUMMARY

1. LANGE MADE NO COMMITMENT ON THE NEW ZEALAND VOTE ON THE FALKLANDS BUT TOOK OUR ARGUMENTS ON BOARD. ON NUCLEAR SHIPS VISITS, LANGE GAVE NOTHING AWAY BUT SEEMED OPEN TO THE IDEA OF AN ACCOMMODATION. LANGE CONGRATULATED THE UK ON THE HONG KONG AGREEMENT, AND EXPRESSED APPRECIATION OF OUR HELP IN THE EC.

DETAIL

2. THE SECRETARY OF STATE HAD A BILATERAL MEETING WITH MR LANGE IN THE MARGINS OF UNGA TODAY.

HONG KONG

3. THE SECRETARY OF STATE HANDED OVER HIS PERSONAL MESSAGE TO MR LANGE ABOUT HONG KONG. MR LANGE SAID THAT HE HAD BEEN VERY IMPRESSED BY THE AGREEMENT WHICH WAS A REMARKABLE ACHIEVEMENT. HIS GOVERNMENT WOULD CERTAINLY THINK OF MAKING A SUPPORTIVE STATEMENT.

EC

4. MR LANGE SAID THAT HE RECOGNISED THAT BRITAIN HAD BEEN VERY ACTIVE IN THE COMMUNITY ON NEW ZEALAND'S BEHALF. MR JOPLING HAD WORKED HARD. MR LANGE ADDED THAT NEW ZEALAND AGRICULTURE HAD RECEIVED ANOTHER BLOW RECENTLY WHEN THE UNITED STATES, WITH ITS GIFTS TO JAMAICA, HAD VIRTUALLY ELIMINATED AN IMPORTANT NEW ZEALAND MARKET.

FALKLANDS

5. MR LANGE TOOK THE INITIATIVE TO RAISE THE FALKLANDS. HE SAID THAT HE HAD HAD A DISCUSSION WITH OUR HIGH COMMISSIONER IN WELLINGTON BEFORE HE LEFT. HE WAS AWARE OF OUR CONCERN THAT IF HE CONVEYED TO PRESIDENT ALFONSIN AN INDICATION OF A POSSIBLE CHANGE OF STANCE (IN FAVOUR OF ABSTENTION) THIS WOULD ENCOURAGE HIM IN HIS CAUSE. MR LANGE HAD GIVEN THE HIGH COMMISSIONER HIS ASSURANCES THAT HE WOULD NOT GIVE ANY INDICATION TO ALFONSIN AND WANTED TO REPEAT THEM NOW TO THE SECRETARY OF STATE.

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6. THE SECRETARY OF STATE SAID FIRMLY THAT HE WOULD BE VERY CONCERNED AT ANY CHANGE IN NEW ZEALAND'S VOTE. THE PRIME MINISTER WOULD WANT TO RAISE THIS WITH MR LANGE AT THE WEEKEND. A CHANGE OF VOTE BY ONE OF OUR CLOSEST ALLIES WOULD BE VERY DAMAGING. WE WERE KEEN TO HOLD THE PRESENT POSITION. THERE HAD BEEN SOME ENCOURAGING SIGNS OF PROGRESS WITH ONE OR TWO COUNTRIES THINKING OF MOVING IN OUR FAVOUR. THE PRESENT POSITION PROVIDED THE ONLY POSSIBLE FOUNDATION TO START A PROCESS OF GRADUAL NORMALISATION. WE COULD NOT NEGOTIATE ABOUT SOVEREIGNTY BUT WERE PREPARED TO MOVE TOWARDS NORMALISATION ACROSS A WIDE RANGE OF ISSUES. IT WAS NOTEWORTHY THAT PRESIDENT ALFONSIN IN HIS SPEECH MENTIONED SELF-DETERMINATION IN OTHER SECTIONS BUT POINTEDLY FAILED TO MENTION IT IN THE SECTION ON THE FALKLANDS. THE SECRETARY OF STATE EXPLAINED IN DETAIL THE CAREFUL PREPARATIONS WHICH WE HAD MADE FOR THE BERNE TALKS AND THE WAY IN WHICH THE ARGENTINES HAD ACTED COMPLETELY CONTRARY TO WHAT HAD BEEN AGREED. THE SECRETARY OF STATE CONCLUDED THAT WE WOULD TAKE A SERIOUS VIEW OF ANY CHANGE IN THE NEW ZEALAND POSITION.

7. SIR JOHN THOMSON ADDED THAT, WHILE MR LANGE'S ASSURANCE THAT HE WOULD NOT GIVE ANY INDICATION TO PRESIDENT ALFONSIN WAS OF SOME VALUE, THE MAIN POINT WAS THE NEW ZEALAND POSITION ON THE VOTE ITSELF. THE ARGENTINE RESOLUTION WAS EVEN LESS SATISFACTORY THIS YEAR THAN PREVIOUSLY AND A CHANGE BY NEW ZEALAND NOW WOULD BE A VERY LARGE SIGNAL.

8. MR LANGE COMMENTED THAT WHAT SEEMED TO BE THE PROBLEM WAS A POSSIBLE CHANGE OF VOTE BY NEW ZEALAND RATHER THAN THE VOTE ITSELF. IF NEW ZEALAND HAD ABSTAINED IN THE FIRST PLACE, AND WAS GOING TO ABSTAIN AGAIN THIS TIME, PRESUMABLY THERE WOULD BE LESS OF A PROBLEM. ONE OF MR LANGE'S OFFICIALS ADDED THAT NEW ZEALAND HAD GOT INTERESTS WHICH IT WOULD LIKE TO DEVELOP WITH ARGENTINA NOW THAT DIPLOMATIC RELATIONS HAD BEEN RESTORED. SIR JOHN THOMSON SAID THAT THE NEW ZEALANDERS HAD ALREADY GOT A RESTORATION OF RELATIONS WITHOUT HAVING TO PAY FOR IT, SO THAT THEY OWED THE ARGENTINES NOTHING ON THAT SCORE. THE SECRETARY OF STATE EXPLAINED THAT THERE COULD BE NO NEGOTIATIONS ON SOVEREIGNTY IN VIEW OF THE ARGENTINE INVASION OF THE ISLANDS, BUT WE HAD TAKEN THE INITIATIVE TO TRY TO NORMALISE RELATIONS IN OTHER IMPORTANT AREAS. HE REPEATED THAT A CHANGE OF VOTE BY NEW ZEALAND WOULD BE TAKEN VERY SERIOUSLY.

#### NUCLEAR NAVAL VISITS

9. AFTER A BRIEF EXCHANGE ON THE PEACE MOVEMENTS IN BOTH COUNTRIES, IN WHICH THE SECRETARY OF STATE EMPHASIED THE BRITISH GOVERNMENT'S FIRM COMMITMENT TO PROGRESS ON ARMS CONTROL, THE SECRETARY OF STATE RAISED THE QUESTION OF NUCLEAR SHIPS VISITS.

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10. MR LANGE SAID THAT THE ISSUE HAD NOT BEEN RAISED IN THE UK CONTEXT SINCE THERE HAD BEEN NO RECENT VISITS OF SHIPS WHICH WOULD FALL INTO THAT CATEGORY. THE PROBLEM HAD ARISEN WITH THE UNITED STATES, THOUGH HE UNDERSTOOD THAT THE BRITISH POSITION ON DISCLOSURE WAS SIMILAR TO THAT OF THE UNITED STATES. HE WONDERED WHETHER WE COULD NOT ORGANISE A VISIT TO NEW ZEALAND BY AN OBVIOUSLY NON-NUCLEAR VESSEL, JUST TO CONFIRM NEW ZEALAND'S INTEREST IN NAVAL VISITS.

11. THE SECRETARY OF STATE EXPLAINED THAT THERE WAS A DIFFERENCE BETWEEN NUCLEAR-PROPELLED VESSELS AND VESSELS WHICH MIGHT CARRY NUCLEAR WEAPONS. ON THE FIRST THERE WAS GENERALLY NO PROBLEM ON VISITS TO PORTS. BUT IT WAS CLEARLY IMPOSSIBLE FOR US TO CONFIRM OR DENY WHETHER THE VESSELS WERE CARRYING NUCLEAR WEAPONS SINCE THIS WOULD HAVE OBVIOUS STRATEGIC IMPLICATIONS. WE HAD MANAGED TO REACH AN ACCOMMODATION WITH THE AUSTRALIANS, SCANDINAVIAN COUNTRIES AND CANADA AND VERY MUCH HOPED THAT SUCH AN ACCOMMODATION WOULD BE POSSIBLE WITH NEW ZEALAND. IF THE PROBLEM GOT OUT OF HAND IT COULD THREATEN THE EFFECTIVENESS OF THE DETERRENT.

12. MR LANGE SAID THAT NEW ZEALAND, AS A SMALL COUNTRY IN THE PACIFIC, DID NOT FEEL THAT THE NUCLEAR DETERRENT WAS RELEVANT TO ITS DEFENCE, SINCE IT WAS DOUBTFUL WHETHER, IN THE EVENT, THE DETERRENT WOULD BE INVOKED. NEW ZEALAND THOUGHT THAT CONVENTIONAL DEFENCE WAS MUCH MORE RELEVANT TO HER NEEDS. THE SECRETARY OF STATE EXPLAINED THE BASIS FOR A FLEXIBLE RESPONSE, AND CONCLUDED BY SAYING THAT IF WE DID NOT SOLVE THE PROBLEM OF NUCLEAR SHIPS VISITS THIS MIGHT PRECLUDE ROYAL NAVAL VISITS AS A WHOLE TO NEW ZEALAND. HE REPEATED THAT WE HAD REACHED ACCOMMODATIONS WITH OTHER COUNTRIES AND HOPED THAT WE COULD REACH SIMILAR ARRANGEMENTS WITH NEW ZEALAND.

COMMENT

13. AT FIRST MR LANGE SEEMED NOT TO HAVE GRASPED THE FULL IMPORTANCE OF OUR RELATIONS OF A CHANGE OF VOTE ON THE FALKLANDS. ALTHOUGH HE GAVE NO COMMITMENT, HE APPEARED TO HAVE BEEN SHAKEN BY THE GROWING REALISATION OF THE EFFECT ON OUR RELATIONS WHICH A CHANGE IN NEW ZEALAND'S VOTE WOULD HAVE. SIMILARLY, ON NUCLEAR SHIPS VISITS. HE SHOWED SOME INTEREST IN THE IDEA OF AN ACCOMMODATION OF A KIND WHICH HAD BEEN REACHED WITH OTHER COUNTRIES. HE MAY WELL BE OPEN TO FURTHER PERSUASION ON THESE TWO POINTS WHEN HE SEES THE PRIME MINISTER AT THE WEEKEND. THE SECRETARY OF STATE FOUND HIM INTELLIGENT, OPEN AND PERCEPTIVE, STILL RELATIVELY INEXPERIENCED BUT APPARENTLY PREPARED TO LEARN.

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LANGE (pronounced Longey), DAVID MP

(Labour, Mangere)

Prime Minister and Foreign Minister of New Zealand, since July 1984

Leader of the New Zealand Labour Party, since February 1983

Born 1942. LLM at Auckland with First Class honours in criminal law, criminal behaviour and medico-legal problems. Before his election to Parliament was a tutor and lecturer at the Auckland Law and Medical School.

Joined the Labour Party in 1963 and first stood for Parliament in 1975. He was elected in March 1977 at a by-election caused by the resignation of the former Labour Minister of Agriculture, Colin Moyle.

A rousing, witty, orator, who once weighed 26 stone (in February 1982 he underwent an operation to help him to lose weight). Opinion polls from time to time showed him to be more popular than his then leader, Bill Rowling, and he only narrowly failed to replace him as leader in late 1980. His star then waned somewhat and he was, for a time, no longer regarded as the automatic successor to Mr Rowling although remaining the favourite. He was elected Leader of the Party in February 1983. Almost immediately, he made a mark by having the party accept choice of opposition spokesmen by the leader rather than by caucus election. Differences between him and the left wing, especially on nuclear matters, in mid-1983, did not prevent him for leading the party to a convincing win in the snap general election of July 1984. He concentrated attention on the economy, and struck a chord in the New Zealand electorate which Sir R Muldoon could no longer do. He also avoided (unlike Muldoon) personal polemics in the campaign.

He visited Britain as a sponsored visitor in 1981 and January 1984 when he met the Prime Minister and Secretary of State.

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Married, three children; his wife has relatives in Newark,  
UK. —

South Pacific Department  
August 1984

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HON F D (FRANK) O'FLYNN QC MP

(LABOUR, ISLAND BAY)

MINISTER OF STATE, MINISTER OF DEFENCE, MINISTER IN CHARGE OF WAR PENSIONS, MINISTER IN CHARGE OF REHABILITATION, DEPUTY MINISTER OF FOREIGN AFFAIRS AND ASSOCIATE MINISTER OF OVERSEAS TRADE AND INDUSTRY. RANKS NO 9 IN CABINET.

BORN IN GREYMOUTH 1918. SERVED IN THE RNZAF DURING WORLD WAR 2. BARRISTER SINCE 1954 (QUEENS COUNSEL). A TRUSTEE OF THE NORMAN KIRK MEMORIAL TRUST FUND AND PAST PRESIDENT OF THE ST THOMAS MORE SOCIETY (OF CATHOLIC LAWYERS).

ELECTED MEMBER FOR KAPITI 1972. LOST THE SEAT IN 1975. WELLINGTON CITY COUNCIL 1977 AND MP FOR ISLAND BAY SINCE 1978. OPPOSITION SPOKESMAN ON HEALTH 1978-82.

MARRIED, FOUR GROWN CHILDREN. A PRACTISING CATHOLIC. HAS MODERATE VIEWS ON NORTHERN IRELAND (PROTESTANT MOTHER). NOT AN AUTOMATIC SUPPORTER OF BRITISH OR US POLICIES AND INTERESTS VIS-A-VIS THIRD COUNTRIES. A CRITIC OF MULDOON'S POLICY OF TOTAL SUPPORT FOR BRITAIN AT THE TIME OF THE FALKLANDS. BASICALLY A NEW-ZEALAND-FIRSTER WITH JUST A WHIFF OF THE ISOLATIONIST ABOUT HIM.

NORRISH, MERVYN (MERV)

Secretary of Foreign Affairs.

Born 1926 Ashburton. First Class honours degree in French, Canterbury University. Joined Ministry of Foreign Affairs in 1949 and served in Wellington, Paris and New York before being appointed in June 1967 Ambassador to Belgium and Head of the New Zealand Mission to the European Communities. Deputy High Commissioner, London, 1972-73. Deputy Secretary of Foreign Affairs 1973. New Zealand Ambassador in Washington 1978. Secretary of Foreign Affairs 1980.

Norrish is one of the ablest New Zealand diplomats of his generation as his appointment as Number 1 in the Ministry of Foreign Affairs at the age of 53 suggests. He became much involved in the EEC negotiations and ably assisted the then Deputy Prime Minister, Jack Marshall, in discussions leading to the Luxembourg Protocol.

Norrish is amiable, relaxed, possesses abundant common sense and is friendly to the UK.

Married with two children. His wife, Françoise, of French extraction, is charming and personable. Both interested in modern painting.

E. R.

MEETING WITH

SIR ROBERT MULDOON

NEW ZEALAND PRIME MINISTER

AT 1730 HOURS

ON 15 MAY 1984



ROBERT MULDOON

1. EC/ New Zealand
2. International Economic and Financial Issues
3. Security of Small States
4. South Pacific Regional Issues
5. Olympic Games
6. Sporting Contacts with South Africa
7. UK/New Zealand bilateral relations



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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

EC/NEW ZEALAND

POINTS TO MAKE

Butter

1. We have done our best with the Irish. As Geoffrey Howe has told Warren Cooper, he spoke to Barry at the April Foreign Affairs Council, and we lobbied extensively in Dublin (and in other EC capitals) in advance of the 7-8 May Agriculture Council. But so far they have proved obdurate. Geoffrey Howe spoke to Barry again yesterday in Brussels to reiterate our dismay at Ireland's indefensible behaviour.

2. Fully support your efforts to hold out for the full 5-year arrangement proposed by the Commission. Michael Jopling firmly resisted calls for compromise solution at Agriculture Council on 7 May.

3. Irish tell us that they assured Warren Cooper that they were well-disposed to New Zealand, could not for domestic political reasons agree to five years' quantities but sought New Zealand trust in Irish good faith and assurance that they would agree to the Commission's figures when the time came in any situation short of the failure of the super-levy system. Take it you were not impressed?

4. You as well as we must keep pressure up during breathing space provided by 2 month roll-over, and hope Irish will crack. Let us keep in touch.

/Post-Stuttgart

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Post-Stuttgart negotiations

5.     i) Considerable progress at March European Council: outline agreement reached on all issues including budget imbalances.
- ii) Unable to reach agreement on notional figure for 1983 reliefs which would establish parameters of the budget system.
- iii) UK working for agreement by June European Council. Not much room for manoeuvre. Any further move must be the final one to clinch a settlement.
- iv) Problem complicated by threat of £1.5 billion overspending mostly on agriculture in 1984. We are not alone in pressing for savings to meet the shortfall. I have made clear we could anyway not consider agreeing to any financing of the shortfall while other issues remain to be resolved.
- v) Still our aim to resolve these issues so that Community can focus on new policies, external relations etc.

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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

## ESSENTIAL FACTS

1. Commission propose a five year arrangement for New Zealand butter imports post-1983, starting at 83,000 tonnes and reducing by 2,000 tonnes annually to 75,000 tonnes in 1988. New Zealand prepared to accept these figures, though less than she (or we) wanted, in order to get agreement to a full five year arrangement.
2. Despite agreement in March on their partial exemption from the milk super levy arrangements, the Irish show no sign of moving from their veto on these proposals. They have instead offered a nominally 5-year arrangement, but with quantities fixed only for the first two. They claim that they need to see how the super levy affects them before accepting anything more.
3. The UK, with strong Dutch support, firmly resisted the Irish and other member states' compromise formulas at the May Agriculture Council, holding out for agreement to the Commission's original proposal, which the Commission themselves continue to maintain. In the absence of agreement, Community agreed to a further 2 month "roll over" arrangement until 31 July of a pro rata proportion of the 83,000 tonnes for 1984 in the Commission proposal.
4. Sir Geoffrey Howe intends to speak to Mr Barry in the margins of the Foreign Affairs Council on 14 May to make clear our dismay at continued Irish intransigence and to press the Irish to think again carefully during the 2 month breathing space provided by the roll over arrangement.
5. New Zealand is Community's principal supplier of sheepmeat, mainly to UK. Under a voluntary restraint arrangement due for

/renewal

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renewal on 1 April, New Zealand can send up to 245,500 tonnes a year, but limits sendings to "sensitive areas" ie. France and Ireland. New Zealand has agreed terms for renewal of VRA with Commission including prolonging "sensitive area" provisions for France, but is not prepared to sign the renewal until agreement on butter is reached.

Foreign and Commonwealth Office  
Economic Community Departments (E + I)  
May 1984

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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

INTERNATIONAL ECONOMIC AND FINANCIAL ISSUES

POINTS TO MAKE

International Monetary Issues

1. Do not believe in global intervention. Solutions should keep free market and not hobble it.
2. Flexible, pragmatic approach to resolving issues has worked well so far and should continue to do so. Should work for practical improvements to specific problems.
3. We do not believe problems will go away by themselves. Continued concerns about debt problems - bunching of maturities in 1986-87, doubts about political and social sustainability of adjustment effort by debtors. May have to look at mechanism to alleviate this problem within free market framework.
4. Sustained growth and expectation of increase in world trade will help by, eg, allowing debtor countries to rebuild confidence in their creditworthiness. But a lasting solution requires firm adjustment by debtors to retain confidence of banks and other creditors.
5. Recognise importance of lower interest rates: have made the point to the Americans about effect of continuing and large federal deficit on interest rates. May also wish to look at other mechanisms eg extending grace periods.
6. Want to see Commonwealth Consultative Group reflect this pragmatic, flexible line. Hope that group can achieve modest practical improvements within framework of existing institutions (IMF, GATT, IBRD, etc). Group should focus on possible areas of positive progress. More consistent with approach outlined in New Delhi statement on economic action.

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London Economic Summit

7. Looking forward to relaxed, workmanlike Summit, building on progress at Williamsburg. Discussion will centre on consolidating recovery; developing country issues, international debt in medium-term context and strengthening the international trade and financial systems. As hosts, will meet need to keep non-participants informed of proceedings.

8. Expect to see endorsement of present strategy, including appropriate balance between prudent monetary and fiscal policy. US may well face criticism over size of deficit. Essential to curb budget deficits and inflation. Need to support the international financial institutions. Summit should express recognition of and consider possible solutions to developing countries' problem, particularly debt. On protectionism, hope to see realistic and balanced outcome on need to halt and rollback protectionism. Must show we are prepared to resist protectionism.

IDA

9. [If raised] Bretton Woods institutions help in maintaining stability in the world. The need to get IDA 7th Replenishment in place now becoming urgent. \$ 9 billion not enough to meet needs of poorest countries. UK remains ready to join with others in supplementary financing on an equitable burden-sharing basis.

New Zealand Economy

10. Now that freeze has ended, how worried is New Zealand Government about resurgence of inflationary pressure?

11. UK experience shows that reducing budget deficit helps create conditions for sustained growth at low levels of inflation. Hard to see that New Zealand budget deficit of 9.5% of GDP for current fiscal year is compatible with restoring non-inflationary growth. How quickly will deficit be reduced in coming years?

Economic Relations Department  
Foreign and Commonwealth Office  
May 1984

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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

INTERNATIONAL ECONOMIC AND FINANCIAL ISSUES

## ESSENTIAL FACTS

1. Sir Robert Muldoon is likely to focus on EC issues (see separate brief) and the international trade and payments problems. The latter will include international monetary issues with particular reference to the Commonwealth report "Towards a New Bretton Woods" and prospects for the London Economic Summit. Personal Representatives are meeting in London for the fourth time on 20-21 May to discuss possible themes for the Summit. These will include those covered in points 2-9 below.

Consolidating Recovery

2. OECD sees growth in 1984 picking up to 3.75%. Growth of 4-5% expected in US and Japan but only 1.5% in Europe. Consumer price inflation in major countries has fallen from over 12% in 1980 to 4.5% in year to December 1983.

3. US Federal Budget for fiscal year 1985 foresees 1985 budget deficit of \$180 billion or 4.6% of GNP. (1984: \$184 billion = 5.2% of GNP). Even with the Budget proposals deficit still estimated to remain at about \$180 billion over next 3 years. This remains a source of concern.

4. Although US interest rates have fallen from their record 1982 levels, they continue to edge up. Three month certificate of deposit rate now 11.1%, longer term rates about 12-13%. US dollar climbed to record effective exchange rate on 12 January. Although it subsequently eased slightly, it is now close to the record rate and has been consistently above its 1983 average. US merchandise trade deficit was \$69.4 billion in 1983. The size of the US trade deficit suggests that some depreciation of the dollar can be expected.

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Debt Problems

5. Adjustment efforts by some debtor countries have been very successful (eg Mexico). In others (eg Brazil), the level required will be politically and socially difficult in view of forecast net outflows of financial resources. 1983 saw rescheduling of unprecedented sums, although rate of bank lending fell considerably. World economic recovery is beginning to benefit debtor nations in terms of commodity prices and increased trade. With the forecast resurgence of world trade in 1984, less developed countries' exports should grow. But import cutbacks will require adjustment effort to be sustained in medium-term. On particular countries, UK's overall contribution to Brazil stands comparison with all other major creditors except US, despite small UK market share. Short-term cover and existing medium-term offers still open. UK exposure in Nigeria twice as large as in Brazil: against delicate political background most important that an IMF agreement is reached soon. But a programme is unlikely to be in place before the summer. Have stressed necessity of achieving such an agreement. Meanwhile are pursuing possibility of tripartite meeting of UK, French Presidency of Paris Club and Nigerians as a first step towards dealing with Nigeria's officially guaranteed debt.

International Financial Issues

6. G10 Deputies met in March to begin discussion of a four-part agenda agreed by Ministers. It would be unrealistic to expect an early conclusion to the exercise, but it would be helpful if a progress report were available for the Economic Summit in June. Summit will need to give positive indication that G10 work is taking adequate account of the economic problems of developing countries.

7. Sir Robert Muldoon was at the forefront of calls for an international monetary conference (IMC) at the 1982 Commonwealth Finance Ministers' Meeting (CFMM) in London. The Working Group of experts set up there to look into the question presented its report "Towards a new Bretton Woods" to the 1983 CFMM and CHOGM. Whilst commending much of the report's analysis, the UK was unable to support its central recommendation for an IMC.

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8. UK and New Zealand are both represented on the eight-country Consultative Group set up at CHOGM to promote consensus on the issues covered by the New Delhi Statement on Economic Action, including those raised by this report. The group has met twice at official level. Sir R Muldoon will attend its second Ministerial level meeting during his visit to the UK. This meeting will consider a list of issues and of procedural options to determine the future course of the CGG's work. The list of issues is wide-ranging; the procedural options encompassed ideas for various groupings, one of which was seen as a possible forerunner for negotiations. As at the 1982 CFMM, there continues to be a clear distinction between the aspirationists and those who want to see practical improvements to the international economic system. At the April meeting of officials the Indians and Zimbabweans argued for the establishment of a process to discuss a wide-ranging list of international economic issues in fulfilment, they claimed, of the CHOGM mandate. New Zealand came down firmly on alternate sides of the fence.

#### Trade

9. OECD Ministerial and Williamsburg Economic Summit in May 1983 made commitments to halt and reverse protectionism. Will be important to register progress at London Economic Summit. Subject will be of particular interest following Japanese proposal for a new GATT round. There are likely to be considerable differences of view, with the French wanting to minimise any commitment and the FRG and Japan being prepared to go much further.
10. Agreement in January on a \$9 billion IDA7 (compared with \$12 billion IDA6 covering 1981-3) reflected US refusal to contribute more than a 25% share of \$750 million p.a. IDA Management have been given a mandate to discuss ways of supplementing the \$9 billion. HMG have announced their intention (27 January) to participate in supplementary funding arrangements on the basis of fair burden sharing among donors, and subject to negotiation of satisfactory detailed arrangements. We believe New Zealand might have made a slightly better contribution to IDA7 but we understand they would be prepared to join in supplementary funding if all others did.

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11. Adoption of resolutions on IDA7 and Selective Capital Increase (SCI) for World Bank have been delayed. Both represent a package deal whereby Japan assumes UK's second place ranking and contributes generously to IDA7. The US have objected to Board discussion of the SCI resolution. They have linked it to Japanese movement on liberalisation of her capital markets (claiming that she should act more responsibly if moving to second place in Bank ranking). We do not accept this linkage and have made representations to the US. Agreement required soon if interruption in IDA lending from 1 July is to be avoided.

OECD Ministerial Meeting

12. Sir R Muldoon will attend the OECD Ministerial meeting in Paris on 17-18 May.

New Zealand: Economy

13. A combination of a freeze on most wages and restrictions on price rises, introduced in June 1982 and ended last February, has succeeded in bringing inflation down from a peak of 17% (consumer prices) in the second quarter of 1982 to around 5% now. The Government is determined to maintain the reduction in real wages (which amounted to around 5% in the first twelve months of the freeze).

14. The large budget deficits which New Zealand has run throughout the period since the first oil price rise have been financed by large-scale overseas as well as domestic borrowing. One result has been a large increase in the burden of overseas debt service, which required (when repayments are included) over 12% of export earnings in the fiscal year ending last March. Despite this constraint and the growing budgetary costs of servicing debt, the Government's last budget, in July 1983, allowed for an enormous increase in the deficit, from 5.5% of GDP in 1982/83 to 9.5% in 1983/84. This reflects among other things the full-year effect of tax cuts introduced during 1982/83 in order to bolster real incomes during the freeze and the Government's persistence in a policy of large-scale public investment designed to reduce import dependence.

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15. This expansionary fiscal policy has prevented GDP from falling by the large margin which the cut in real wages would otherwise have dictated: OECD estimates suggest that output rose by 0.5% in 1982/83 and will have fallen by only about the same amount in 1983/84. Unemployment has nonetheless risen to around 80,000 out of a workforce of 1.4 million. But the budget deficit may well impose strains on monetary policy and on inflationary expectations which will hinder the resumption of growth and the continued control of inflation now that the freeze has expired. If the Government adheres to its stated policy of monetary restraint, the burden of debt and debt servicing is likely to rise further and real interest rates, which have already risen sharply, are unlikely to fall.
16. Export earnings, dependent as always on the vagaries of lamb, wool and dairy markets, have grown in the past two years whilst imports have been depressed in line with domestic demand. As a result the trade surplus has increased. The current account deficit, which more than tripled in two years to \$NZ 1,850 million (6% of GDP) in 1982, has fallen significantly but is still large and under pressure from growing debt interest payments. The large public investment projects may improve medium-term balance of payments prospects but in the next few years if domestic growth resumes and budget deficits remain high the balance of payments could emerge as a major constraint.

Economic Relations Department  
Foreign and Commonwealth Office

May 1984

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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

## SECURITY OF SMALL STATES

## POINTS TO MAKE

1. Agreed at CHOGM that the Commonwealth Secretary-General should study the special security needs of small states. The Grenada episode demonstrated their vulnerability to bids for power by small unrepresentative groups. Problem chiefly relevant to Commonwealth states in the Caribbean, South Pacific and Indian Ocean. The Commonwealth provides an excellent context within which to pursue this problem. Intend to submit a paper analysing the problem as contribution to the Secretary-General's study.
2. Increasing interest in the UK in this problem. (FAC to undertake an inquiry this summer.) We have been studying the issues involved and how HMG might help, but have not yet reached conclusions. However, the policy emphasis should certainly be on prevention rather than cure and on helping the states to help themselves. This points to the importance of assistance of a non-military nature (aid and training).
3. Regional self-help is the concept we shall promote: either strengthening of existing regional economic and security arrangements, or the establishment of new ones.
4. Very interested in New Zealand's views on the nature of the problem and potential remedies. There have already been exchanges between officials. We should keep in touch as thinking develops.

Planning Staff  
Foreign and Commonwealth Office  
May 1984

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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

## SECURITY OF SMALL STATES

## ESSENTIAL FACTS

1. At their meeting in New Delhi in November, Commonwealth Heads of Government invited the Secretary General to undertake a study, 'drawing as necessary on the resources and experience of Commonwealth countries, of the special needs of [small] states consonant with the right to sovereignty and territorial integrity that they shared with all nations'. The Commonwealth Secretariat hope to complete the study by mid-1985.
2. The Foreign and Commonwealth Secretary considered an analysis of this question by FCO officials at an Office Meeting on 12 April. It was broadly agreed that:
  - (a) UK policy should focus on ex-UK dependencies in the Caribbean, South Pacific and Indian Ocean.
  - (b) The policy emphasis should be on prevention rather than cure and on regional self-help.
  - (c) The potential means of improving the security of small states range from increased bilateral efforts in the fields of diplomacy, aid, military and police training, information and cultural links to regional economic co-operation and regional security arrangements.
  - (d) HMG's profile should be high enough to demonstrate the UK's active interest in avoiding instability in small states, but not so high as to create exaggerated expectations of the UK's ability to help.

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(e) HMG should seek to continue the process of gradually transferring the leading role in particular regions to other major Western countries. The Caribbean should receive priority for continuing UK assistance, but UK help to the South Pacific states should not be abandoned.

(f) The next steps would be to submit an analytical paper to the Commonwealth Secretary General and to prepare a paper for collective Ministerial consideration.

3. The New Zealand High Commission were subsequently briefed on the latest stage in our thinking. New Zealand's own thinking is at an embryonic stage, but New Zealand officials have expressed interest in HMG's views. The Foreign and Commonwealth Secretary touched on the subject on 1 May when the New Zealand Foreign Minister, Mr Warren Cooper, called.

4. The main problem areas are likely to be the extent to which outside states might legitimately intervene in the case of internal subversion (as opposed to external attack); and whether security agreements need to be guaranteed by larger states (eg Australia, New Zealand and others in the South Pacific). The extent to which HMG and other Western Governments are prepared to devote extra resources to bilateral assistance designed to increase the security of small states will also need to be decided.

5. New Zealand regards the promotion of security and stable development in the South Pacific as one of the main objectives of its defence policy. In its 1983 Defence Review, the New Zealand Government announced that it proposed to establish a "Ready Reaction Force" of around 1,000 men to support this policy. New Zealand is also a member of two multilateral security arrangements:

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- (a) the 1951 ANZUS Treaty, under which Australia, New Zealand and the US agreed to consult in the event of threats against them in the Pacific;
- (b) the 1971 Five Power Defence Arrangement, under which the UK, Australia, New Zealand, Malaysia and Singapore agreed to consult on measures to be taken in the event of an attack against Malaysia or Singapore.

Planning Staff  
Foreign and Commonwealth Office  
May 1984

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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

SOUTH PACIFIC REGIONAL ISSUES

POINTS TO MAKE

1. Share with New Zealand interest in retaining goodwill of South Pacific for the West, and in excluding influence of hostile powers.
2. Appreciative of New Zealand action. Eighty per cent of New Zealand's aid is concentrated on the region.
3. Record of Western policies to-date has been positive. But no reason to relax our guard. British policy is to maintain aid programmes in the region, with adjustments as independence settlements drawn down, and a network of diplomatic missions.
4. No wish to see issues of nuclear testing, nuclear weapon free zones, (or status of French dependent territories, eg New Caledonia) impose strains on the region's attachment to the West.
5. [if raised] Grateful to your officials for keeping us informed on Single Regional Organisation proposals: look forward to receiving proposals from Ministerial Committee later this year. Glad to see on present thinking scope for Metropolitan powers (Britain, USA and France) would not be diminished. SRO may offer advantage as regards security: greater resilience of a region attached to the West.

Foreign and Commonwealth Office  
South Pacific Department  
May 1984



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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

SOUTH PACIFIC REGIONAL ISSUES

ESSENTIAL FACTS

GENERAL

1. We share an interest with New Zealand in maintaining good relations across the South Pacific and in retaining the goodwill of the islanders towards the West. Like New Zealand we work through a network of diplomatic missions in the region, an aid programme and membership of the South Pacific Commission.

UK AID

2. Unlike the USA and France, each of which has large commitments to non-self governing territories, Britain is a major aid donor with commitments spread over a range of independent territories, eg Vanuatu, Solomon Islands, Tuvalu. As generous independence settlements are drawn down over next two or three years, there will be a fall of about 25% in our total aid disbursements to South Pacific. But this is simply a consequence of timing of islands' independence. After change has been absorbed, we shall still be running programmes which will be significant in per capita terms. Establishment of British Development Division in the Pacific illustrates our commitment.

3. Current bilateral Pacific aid framework allocations and predictions are:

<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>	<u>1987/88</u>
£20.64m	£19.58m	£15.74m	£14.64m

/Provisions

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Provisions include budgetary aid for Kiribati, Tuvalu and Vanuatu (likely to continue for some years). Manpower: about 325 supplemented staff (OSAS) and 69 fully-funded (TCOs). United Kingdom contributes substantially to multilateral aid in Pacific - particularly through European Development Fund (our share of Lome: £15 million) and Asian Development Bank (over £3 million in each of last three years). World Bank group and the UN agencies (to which UK contributes) also finance projects in the region).

#### NUCLEAR TESTING IN THE PACIFIC

4. Nuclear testing in Pacific is a matter for French Government. We hope the visit of independent scientists to Mururoa has allayed South Pacific countries' fears. French Government have denied reports of radiation from Mururoa. We are satisfied there is no evidence of radiation leaks caused directly by venting from an underground nuclear test on Mururoa. As nuclear weapon state, dependent on nuclear deterrent for its security, we understand reasons for French tests. Nevertheless our policy is to seek an adequately verifiable Comprehensive Test Ban, to which we hope France will adhere.

#### SOUTH PACIFIC NUCLEAR FREE ZONE [if raised]

5. We support principle of Nuclear Weapon Free Zones provided all countries in region agree on proposal and region's security balance is not affected. We welcome South Pacific Forum decision to refer proposal for further consideration. We hope they will take into account all possible implications, including the legitimate Alliance and defence requirements of member states.

#### COMPREHENSIVE NUCLEAR TEST BAN (CTB)

6. We sympathise with widespread wishes to achieve early test ban. But the need to resolve verification first (detection and identification of low yield nuclear tests as distinct from natural seismic phenomena) cannot be sidestepped. Further work required. UK will continue to contribute fully to work on

/verification

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verification at Geneva Conference on Disarmament.

SELF-DETERMINATION: FRENCH TERRITORIES

7. New Caledonia. A French overseas territory, giving France the unenviable distinction of being the region's only remaining colonial power. (Colonial status of American Samoa and Pitcairn not contentious issues.) Demands from minority Melanesian (Kanak) community for early independence on terms that favour them are threatening law and order. French colons, and other ethnic groups (Vietnamese, Polynesian, Chinese) form about 70% of the total population and oppose Independence.
8. French Secretary of State for Overseas Territories, Georges Lemoine paid third visit to New Caledonia in early April to discuss draft revised statute for territory presented to New Caledonia assembly last November. Draft provides for greater local powers and referendum in five years' time on self-determination (which would not exclude independence if all so wished). Draft criticised by Independence Front as delaying too long the act of self-determination, and by colons for going too far.
9. South Pacific Governments' attitudes reflected in 13th South Pacific Forum's Canberra communique. This declared support for independence in accordance with expressed wishes of the people, and welcomed French Government's intention to move to an act of self-determination in which independence option is included. New Zealand supports independence for New Caledonia at earliest possible moment, subject to acceptable constitutional arrangements; but does not want to antagonise France over questions of access to the European Community Market or see French aid withdrawn from the region.
10. French Polynesia. This is the other South Pacific French overseas territory: five island groups. Following developments

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in New Caledonia, Pacific island states may turn their attention to French Polynesia. French policy is largely determined by commitment to large French community (as in New Caledonia) and the islands' importance as nuclear tests site.

SINGLE REGIONAL ORGANISATION (SRO) [if raised]

11. Possibility of merging South Pacific Commission and South Pacific Forum has long been debated. Ministerial Committee comprising Foreign Ministers of PNG, Fiji, Tonga and New Zealand currently researching establishment of SRO. Committee likely to visit Paris, London and Washington after Forum meeting in August. Australian PM Mr Hawke, as Chairman of last Forum meeting, wrote to the Prime Minister to tell her of Committee's plans. These have been welcomed.

12. Initiative for reform must rest with regional governments. We hope to support moves reflecting wishes of all governments concerned whilst retaining right to comment on management of funds we contribute. SRO could strengthen region's capacity to resist external pressure. But we could not encourage formation of a body which might serve as focus of opposition to French and American activities in region.

Foreign and Commonwealth Office  
South Pacific Department  
May 1984

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BRIEF NO: 5

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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

OLYMPIC GAMES

POINTS TO MAKE [If Raised]

1. Regret Soviet decision to withdraw; hope efforts of International and US Olympic authorities will make Russians reconsider. But withdrawal by other Eastern European countries indicates a wider political purpose than the technical, organisational and administrative issues indicated in Soviet statement.

Cultural Relations Department  
Foreign and Commonwealth Office

May 1984

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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

OLYMPIC GAMES

ESSENTIAL FACTS

1. In a statement made on 8 May 1984, distributed by TASS, the Soviet National Olympic Committee (NOC) made a strong attack on the US attitude towards and arrangements for the Games. Specifically the statement said that the American side 'does not intend to ensure the security of all athletes, to respect their rights and human dignity, and create normal conditions for holding the Games'. The statement went on to say that 'in these circumstances the NOC of the USSR is compelled to declare that participation of Soviet sportsmen in the 23rd Olympiad in Los Angeles is impossible'.
2. The Soviet boycott seems to result from a combination of factors. Memories of the humiliation suffered by the USSR as a result of the boycott of the 1980 Moscow Games undoubtedly linger in the minds of the present Soviet leadership. It is widely accepted also among the Olympic community that the Los Angeles Games are open to technical objections under the Olympic Charter. Taken at face value, however, the Soviet statement leaves open the possibility of participation by their athletes if the US authorities were to meet the Soviet complaints.
3. To the extent that the Soviet complaints are on technical grounds they should be directed primarily to the International Olympic Committee and to the Los Angeles Olympic Organising Committee (LAOOC). The President of the LAOOC accordingly intends going to Moscow within the next few days to discuss Soviet objections. We understand from the Embassy in Washington that the State Department privately believe that the Soviet decision is unlikely to be reversed.

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4. Other Eastern European countries are now following the Soviet lead which indicates a wider political purpose in East/West relations. If this becomes apparent our aim will be to limit the damage.





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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

SPORTING CONTACTS WITH SOUTH AFRICA

POINTS TO MAKE [if raised]


1. British Government is fully committed to the Commonwealth Statement on Apartheid. Acted accordingly on English Rugby Union (RFU) tour of South Africa.
2. Disappointed that RFU decided to go to South Africa (tour starts on 19 May); cannot prevent their going.
3. English Commonwealth Games Council fulfilled their obligations under Commonwealth Games Federation's Code of Conduct. Some countries suggesting that England be banned from Commonwealth Games in Edinburgh in 1986; no justification for this.

Whitbread Round The World Yacht Race 1985/86: First Leg UK to Cape Town

4. Hope that Commonwealth Games will not be further endangered by anti-Apartheid protests stemming from the Cape Town connection. We are considering carefully whether South African landfall rules out a British Armed Forces entry.

Foreign and Commonwealth Office  
Cultural Relations Department  
May 1984

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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

SPORTING CONTACTS WITH SOUTH AFRICA

ESSENTIAL FACTS

The Commonwealth Statement on Apartheid in Sport

1. Re-affirmed at New Delhi in November 1983. Government's support frequently reiterated both in and out of Parliament.

UK Policy towards Sporting Contacts with South Africa

2. Based on Commonwealth Statement. We attempt to dissuade but do not prevent. This is similar to New Zealand policy.

Tour of South Africa by English Rugby Football Union (RFU)

3. We have urged the RFU not to go but there are no signs of their relenting. Tour start on 19 May. First Test on 2 June, when South African Prime Minister is due to call on Prime Minister.

4. Government have fulfilled their 'Gleneagles' obligations. The English Commonwealth Games Council have written to the RFU and Government expressing disapproval of the tour thereby fulfilling their obligations under the Commonwealth Games Federation's Code of Conduct. There are no reasonable grounds to justify exclusion of the English team from Commonwealth Games in Edinburgh in 1986.

5. New Zealand Rugby authorities are also due to consider sending their national team to South Africa in 1985.

/Whitbread

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Whitbread Round The World Yacht Race 1985/86

6. Race due to start from England in September 1985 calling at Cape Town en route to New Zealand. There were demonstrations in New Zealand against the South African landfall at the time of the last Race in 1981. We are considering whether a British Service yacht and crew may enter the 1985 Race.

Foreign and Commonwealth Office  
Cultural Relations Department  
May 1984

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CALL BY NEW ZEALAND PRIME MINISTER, 15 MAY 1984

## UK/NEW ZEALAND BILATERAL RELATIONS

## ESSENTIAL FACTS

1. Anglo/New Zealand relations are close and in good repair. New Zealand moves to restore relations with Argentina will not prejudice our own.
2. Regular bilateral contacts at all levels. Lord Chancellor attended Speaker's Conference in Wellington in January; Mr Baker was in New Zealand in January and Mr Jopling in February. New Zealand Ministers, Messrs Birch (Energy), Bolger (Labour) and Falloon (Statistics) have visited UK this year as have Mr Lange (Opposition Leader), Mrs Sue Wood (President, National Party) and Major-General Williams (NZ CGS). Sir R Muldoon himself was here in February and the Foreign Minister Mr Cooper called on the Secretary of State on 1 May.

New Zealand Internal

3. Sir R Muldoon's National Party Government was elected to third consecutive term of office in 1981, has majority of one, and must face another general election before the end of the year. Until end of April, National had maintained an edge over Labour Party (and small Social Credit) opposition. Labour have now moved to 3% lead in opinion polls (though Sir R Muldoon is still personally ahead of Mr Lange). A new third party, the New Zealand Party, is complicating electoral calculations. It is uncertain how far it will attract support at the expense of of one or other of the two main parties.

New Zealand/United Kingdom Trade4. Trade Statistics (£m)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983*</u>
UK exports to NZ	312	250	235	322	286
UK imports from NZ	416	415	427	539	486

\*provisional



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5. New Zealand traditionally enjoys a surplus on visible trade with the UK, outweighed by a large deficit on invisibles which leaves the current account firmly in the UK's favour. The UK's percentage share of New Zealand's trade has diminished steadily. We now account for less than 10% of New Zealand's imports compared with 56% in 1953, and our share of her exports has fallen at a similar rate.

6. Contracts totalling more than £35 m have been awarded Hawker Siddeley for the first stages of the electrification of New Zealand's North Island trunk railway. Lord Jellicoe will lead a high-level trade mission to New Zealand in September this year, following up last year's successful visit by a similar New Zealand delegation.

7. New Zealand Government announced in mid-April undertaking to move from import licensing to tariff-based system of protection. No timetable, but to be achieved over about 5 years.

#### Defence Sales

8. New Zealand's current expenditure of £40-50 m per year on defence equipment is severe limitation on amount of new equipment she can purchase. Despite recent separate purchases, Australia and New Zealand may find political and military advantage in future mutual equipment standardization. However, still strong traditional British ties with New Zealand, a small but established market for defence equipment.

9. Only one major sale of naval equipment over past two years: principally HMS Bachante in 1982 and HMS Dido in 1983. No major contracts currently under negotiation, but naval opportunities for UK companies include New Zealand and Australian plan to cooperate on submarine replacement. New Zealand may go for surface ship replacement if submarine option not followed. Possible army requirement (1985-6) of low level air defence equipment. Recent NZ Defence White Paper announced decision to modernise RNZ Air Force's 12 ageing A4 aircraft. Several UK companies' proposals are currently being evaluated.

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Defence Issues

10. New Zealand continues to support the Five Power Defence Arrangements (FPDA) as a stabilising influence in the region and maintains an infantry battalion stationed in Singapore. Until recently its withdrawal was under consideration but whether or not as a result of US pressure, New Zealand have officially recognised the need to retain the battalion in Singapore albeit at a reduced strength, at least for the time being. Attempts continue to improve the operational effectiveness of the Integrated Air Defence System.

South Pacific Department  
Foreign and Commonwealth Office

May 1984

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MULDOON, RT HON SIR ROBERT ("ROB") DAVID, GCMG (1984) CH (1977) MP

(National, Tamaki)

Prime Minister and Minister of Finance

Born Auckland 1921. A third-generation New Zealander of Ulster stock. Educated at Mt Albert Grammar School, Auckland. Served in the ranks of the New Zealand Infantry during the war in the Pacific, Middle East and Italy, then qualified as a Cost Accountant. (He is a past President of the New Zealand Institute of Cost Accountants and a Fellow of the Institute of Cost and Management Accountants, London.) Became Member of Parliament 1960 and immediately formed a ginger group with Duncan MacIntyre and Peter Gordon (collectively called "Young Turks"). Parliamentary Under-Secretary to the Minister of Finance 1964-67. Minister of Finance 1967-72. Deputy Prime Minister 1972. He became Leader of the Opposition in July 1974 when the National Party opted for his aggressive leadership rather than the quieter style of Sir Jack Marshall. The 1975 election was a personal triumph for him and he remarkably, if narrowly, retained power in the 1978 and 1981 elections. A regular visitor to London, as well as other European capitals.

As Minister of Finance he made a considerable success of his portfolio and has chosen to continue to hold this office as Prime Minister. He is also Minister in Charge of the Legislative and Audit Departments and Minister in Charge of the New Zealand Security Intelligence Service.

He has won a reputation for energy, ability and hard work. He is particularly competent in public appearances, especially on television. His style of leadership is hard-hitting and pugnacious. Not everyone finds this attractive but New Zealanders saw Sir Robert as someone who could offer decisive leadership at a time when the traditional easy going life style in New Zealand was threatened by a world economic crisis.

He is a keen gardener. The first volume of his autobiography "The Rise and Fall of a Young Turk" appeared in 1974, the second "Muldoon" in 1977, and the third "My Way" in 1981. Lady Muldoon (Thea) is pleasant and friendly and has shed much of her earlier shyness but she still lives very much in her husband's shadow. They have a grown-up family of one son and two daughters.

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B. R.

LUNCH FOR PRIME MINISTER MULDOON  
OF NEW ZEALAND, 1300 HRS,  
WEDNESDAY, 11 MAY, 10 DOWNING STREET

1983



LIST OF BRIEFS

1. New Zealand/EC Relations
2. New Zealand Internal, UK-NZ Bilateral Relations and Pacific Matters
3. International Economic Situation
- 3A. East/West Economic Relations
4. Mr Muldoon's Proposals for a New Bretton Woods
5. The Commonwealth Games Federation Code of Conduct
6. Commonwealth Matters
7. Arab/Israel and Lebanon
8. Falklands
9. East-West Relations including Poland
10. Iran/Iraq
11. UK/NZ Trade
12. French Nuclear Tests at Mururoa

## VISIT BY NEW ZEALAND PRIME MINISTER

EC/NEW ZEALAND RELATIONS

## POINTS TO MAKE (if raised)

Butter: post-1983 access

1. UK supports New Zealand access as strongly as ever. But serious difficulties ahead; Community dairy surplus still rising, and recent European Parliament resolution calling for immediate end to New Zealand access will have encouraged New Zealand's opponents.
2. UK and New Zealand must start thinking seriously about what to aim for and how. On past form, Commission proposal will be crucial because of traditional splits among Member States. Discussions with Member States probably best kept to generalities at this stage: shared political interests, common interest in stable world dairy market. Important to lobby Commission at high level (Thorn, Haferkamp, Dalsager).

Increase in dairy export refunds

3. A regrettable decision, which we voted against, not least because of the effect on relations with New Zealand, as well as the US.

Sheepmeat: voluntary restraint arrangements (VRA's)

4. UK is arguing strongly in Community against French request for denunciation of VRAs which we regard as a binding international commitment. Do not believe French will attract much support.
5. May be helpful if New Zealand could give French and Irish some private assurance that they accept continuation of the 'sensitive area' arrangements.

CAP price fixing

6. UK has consistently pressed for price restraint and effective action to curb cost of surplus production. This year Commission have shown welcome firmness of purpose in sticking to their proposals. So tolerable outcome is on the cards. This would be clear signal to US that Community was taking world situation seriously and should strengthen hand of moderates in Washington.

EC/US

7. Agricultural dispute seems to be cooling down at present. US no doubt want to avoid a public row before Williamsburg, and most recent discussions (3 May) had some progress. No serious attempts have been made by French to mobilise the Community for a trade war, but risk still there. UK and EC partners very conscious that New Zealand and other agricultural exporters would suffer. Helpful if New Zealand could make clear to US what effect on them would be.

European Community Department (External)  
May 1983



BRIEF NO: 1

## VISIT BY NEW ZEALAND PRIME MINISTER

## EC/NEW ZEALAND RELATIONS

## ESSENTIAL FACTS

1. Mr Muldoon is seeing Mr Walker on 18 May. Detailed discussion of agricultural topics can be left to that meeting.

Butter: post-1983 access

2. The current arrangements for access for New Zealand butter run out at the end of 1983. Post-1983 arrangements are due to be considered by 1 August. But a solution acceptable to New Zealand will be very difficult to negotiate. Apart from the existing EC dairy surplus and 10 March European Parliament resolution, even the UK is expected to be self-sufficient in butter fat by 1984. The French and Irish (as well as UK farmers) are bound to latch on to this.

Butter: increase in export refunds

3. On 29 April a Commission proposal to increase dairy export refunds by about 10% was adopted. There were reasonable technical grounds for the increase, and the EC's market share had dropped. But we (and the Netherlands) voted against on the grounds that:

(i) the increase would worsen relations with New Zealand and the US;

(ii) the world market would see it as a panic measure, and prices would fall;

(iii) so the Community would not increase sales, but the cost of exports would rise.

This is exactly what will happen if (as is likely) the New Zealanders reduce their own price in retaliation.

/Sheepmeat

Sheepmeat

4. The EC's Voluntary Restraint Agreements (VRAs) with its main sheepmeat suppliers (including New Zealand) run until 31 March 1984 and remain in force thereafter unless denounced at one year's notice. They allow the EC to restrict access to 'traditional quantities' in return for a reduced duty of 10% (compared with the normal 20%). 'Sensitive area' provisions further limiting imports into France and Ireland also expire on 31 March 1984 unless extended by agreement even if the VRAs remain in force.

5. The French have proposed that the EC should denounce the VRAs. They claim that expiry of the 'sensitive area' provisions would lead to an increase in costs for the Community. Their eventual objective appears to be to restrict EC sheepmeat imports. This would jeopardise our supplies of New Zealand lamb and have a serious effect on EC relations with all the suppliers. The French have so far attracted no support except from the Irish, though there are signs that the Commission is weakening.

CAP price fixing

6. The Commission have proposed price increases averaging about 4% for 1983/4, and despite pressures from some Member States they have made no substantial changes to their proposals. An outcome at that level, though not ideal, would represent a step in the right direction.

7. No agreement has yet been reached. The Agriculture Council meets again on 16/17 May.

EC/US

8. EC/US discussions aimed at reaching an accommodation on agricultural exports and avoiding a trade war in agriculture have now begun to make some progress. After their 'shot across the bows' of a large subsidised sale of wheat flour to Egypt, the US have refrained from further provocative sales, and appeared to take a more constructive line at the most recent talks (3 May). They may now judge that they have got nearly all they can out of the Community.

European Community Department (External)

May 1983

## VISIT BY NEW ZEALAND PRIME MINISTER

NEW ZEALAND INTERNAL, UK-NZ BILATERAL RELATIONS AND PACIFIC MATTERS

## POINTS TO MAKE

New Zealand

1. Links between our two countries very close. Frequent visits of Mr Muldoon important factor.
2. Visit of Prince and Princess of Wales to New Zealand went well.
3. New Zealand quick to establish good relations with new government in Australia. Both will maintain the impetus given by the Agreement on Closer Economic Relations.

Pacific

4. We wish to preserve our good relations across the South Pacific, and the islands' pro-Western attitude.
5. Will do this through our regional network of diplomatic representation.
6. Will continue also our development presence. Our regional aid programme about £21 million a year though future aid levels likely to reduce gradually. Also contribute over £6 million a year to Pacific through multilateral agencies.



7. The Russians ready to exploit any vacuum created by withdrawal or reduction of interest by metropolitan Governments.

Matthew and Hunter Islands [if raised]

8. We responded to enquiry from Prime Minister Lini of Vanuatu in 1980 by saying British records indicate Islands are part of New Caledonia. Sovereignty is a matter for France and Vanuatu.



## VISIT BY NEW ZEALAND PRIME MINISTER

## NEW ZEALAND INTERNAL, UK-NZ BILATERAL RELATIONS AND PACIFIC MATTERS

## ESSENTIAL FACTS

New Zealand

1. Mr Muldoon's National Party was returned in the November 1981 elections, but with an overall majority of only 1 over Labour Party (and 2 Social Credit members). But this is workable in New Zealand terms. Mr Muldoon is also Minister of Finance; since the election, he also seems to have taken closer control of foreign affairs, with Mr Cooper, concentrating on foreign trade issues.
2. Following a period of depression, the New Zealand economy expanded rapidly in the 1981/82 period. However, unemployment at 5.8% is the highest in New Zealand's history. Inflation was 12.4% for the March 1983 year.

Anglo/NZ Relations

3. Anglo/New Zealand relations are very good. New Zealand Government's robust support during the Falklands crisis reflected in New Zealand public opinion. Regular bilateral contacts at all levels. Mr Muldoon visited London in May 1982 and again for the Commonwealth Finance Ministers' meeting in September. Lord Carrington visited New Zealand in September 1981; Mr Buchanan-Smith in February 1981; and Mr Atkins in March 1982. Mr Cooper (New Zealand Minister of Foreign Affairs and Overseas





Trade) visited London in March and September 1982. Lord Belstead visited New Zealand in October 1982.

#### Pacific

4. Prime British interest is for continued development of Western relationship with the islands, maintenance of political stability, and frustration of Soviet efforts to gain influence. Hence our regional aid programme - large per capita terms - and our network of small missions (6) with multiple accreditations that cover also our commercial interests in French territories - New Caledonia and French Polynesia - and UN Trust Territories.

5. We welcome New Zealand, Australian and Japanese presence in the region, as contributing to stability and economic development.

#### South Pacific Commission

6. We will remain members. Will maintain our financial contributions (almost £240,000 a year) so long as we retain a say in budgetary affairs of SPC or any successor organisation. Future of SPC - whether merged with South Pacific Bureau for Economic Cooperation (SPEC), or replaced by one Single Regional Organisation (SRO) - is primarily for regional members to decide.

#### Trends and Areas of Concern

7. Melanesian States, Vanuatu in particular, need watching:
- (i) issue of decolonisation (of French territories);
  - (ii) (French) nuclear testing;
  - (iii) (US and Japanese plans for) dumping of nuclear waste;
  - (iv) perceived East-West rivalry in the region (in terms of Soviet and American naval fleets);



- (v) Non Aligned Movement (NAM) influence: Vanuatu joined NAM March 1983; Papua New Guinea had observer status at NAM Summit March 1983.

UK (and the West) has interest in maintenance of (at least) parity on (iv) but has no standing in decolonisation and nuclear issues. With South Pacific Forum increasingly critical of (i), (ii), (iii), our interests in maintaining good pro-Western relationship overall subjected to some strain. We may have to exercise influence in responding to these challenges.

8. USSR trying since mid-1970s to gain foothold in region, though unsuccessful so far. Soviet oceanographic and fisheries research ships are active in the region, though proposals to conduct marine surveys in some island waters were refused, as were Soviet aid offers in return for shore-based facilities for their fishing fleet. But Soviet needs for new fishing grounds will make unexploited areas of South Pacific more attractive. If poorer island states face crises of frustrated expectations - economic in particular - their vulnerability to Soviet advances likely to grow.

#### China

9. We have not so far identified any particular Chinese interest in the South Pacific. However, with the visit in April of the Chinese Prime Minister to New Zealand (and Australia) the Chinese may now be paying more attention to the area.

#### French Policy in South Pacific

10. France seen as the only remaining colonial power in the region. (Continued colonial status of American Samoa not a contentious issue.) While Mitterrand Government appears slightly



more sensitive to regional views, retention of nuclear testing site at Muroroa (French Polynesia) is central to France's policy of maintaining an independent nuclear strike capability. The value of the nickel deposits in New Caledonia and the pressure to maintain the status quo exerted by the large expatriate French community there are additional reasons why French will be reluctant to relinquish control.

11. In New Caledonia, organised opposition to continuing French colonisation becoming increasingly violent. French Government now proposing Statute of Autonomy, and Secretary for Overseas Territories will visit Noumea in May to discuss this with local political groups, which include French colons and francophiles opposed to independence.

#### United States Policy in South Pacific

12. US activity concentrated on Pacific rim, with loose security blanket over Pacific basin. Part exception to this are US-administered Trust Territories in North West Pacific, where US apply concept of "strategic denial". Through ANZUS alliance, Australian/New Zealand role is central to defence of US and Western interest in South Pacific.

13. But US's distant attitude risks unawareness of threatening trends: eg. Vanuatu on regional East-West balance; islands' strong disappointment with US attitude to LOS. Could rebound against our interests in long term if US did not show greater sensitivity.

#### Matthew and Hunter Islands

14. These two uninhabited (probably uninhabitable) volcanic islands lie halfway between Vanuatu and New Caledonia. Most



British and other record indicated islands formed part of French territory of New Caledonia. But following Fiji-France agreement (December 1982) on demarcation of Fiji-New Caledonia maritime boundaries, Vanuatu protested at implication that Matthew and Hunter belonged to New Caledonia. UK is on record as being content with French view (expressed formally in 1965 and 1980) that islands are part of New Caledonia.

South Pacific Department  
Foreign and Commonwealth Office  
May 1983

## VISIT BY NEW ZEALAND PRIME MINISTER

## INTERNATIONAL ECONOMIC SITUATION

POINTS TO MAKE

- i. Encouraging signs of a recovery this year but right to remain cautious.
- ii. Lower oil prices may adversely affect some oil exporting debtors but should on balance, improve growth and reduce inflation.
- iii. Policies need to sustain recovery but should resist calls for excessive reflation. With sound financial policies those countries with lower inflation should have greater room for growth.
- iv. Major countries should pursue convergent policies to achieve non-inflationary growth. Only way to exchange rate stability.
- v. Important to resist drift into protectionism in all its forms which would impoverish us all. Developing countries in particular need access to markets.

ESSENTIAL FACTS

Signs of the modest growth of about 2 per cent growth forecast for the major economies are accumulating. In the US much of the first quarter increase in GDP may be due to lower destocking. But industrial production and housing starts have continued rising. In Europe and especially in Germany, business confidence is turning round. World trade is set to recover.

2. Non oil developing countries (NODC's) are likely to grow by around 2-2½ per cent this year after growth of only about 1½ per cent in 1982. Some oil exporters may face short term difficulties due to the falling oil price but on balance lower prices should increase activity.

3. The year-on-year rate of inflation has fallen faster than expected. For the major countries it has come down from 12 per cent on average in 1980 to under 5 per cent this February. Some further fall is likely but thereafter higher activity may push inflation up somewhat.



4. Nominal interest rates fell markedly late in 1982. In the US rates were flat in the early part of this year, with three month rates around  $8\frac{1}{2}$  per cent. Rates rose to above 9 per cent in March although they have subsequently fallen back. Elsewhere interest rates recently have generally fallen. Real interest rates remain clearly positive.
5. Current account imbalances among the industrialised countries are likely to widen in 1983 as the US deficit may increase to over \$20 billion and the German and Japanese surpluses increase.
6. NODC's adjustment last year cut imports reducing their current account deficit from \$100 bn to \$90 bn. It may fall again this year as export earnings recover. Net new bank lending to NODCs contracted sharply last year - 9 per cent growth compared to over 20 per cent in previous years - and may not build up again in 1983.
7. Most major debtors (Mexico, Brazil and Argentina) are now implementing IMF programmes, though some financing difficulties still persist. The  $47\frac{1}{2}$  per cent increase in IMF quotas (from SDR 61 billion to SDR 90 billion) together with the extra GAB resources should enable the Fund to fulfill its role effectively. The arguments for a new SDR allocation need to be carefully considered.
8. A mechanism has now evolved, particularly for Latin American debtor countries, with the IMF giving a positive lead to the commercial banks by making its own support conditional on the provision of parallel assistance by the banks. But there are signs that commercial banks may become increasingly unwilling to commit new funds to problem countries and also of a growing reluctance to use the established machinery of the Paris Club for the multilateral negotiation of the rescheduling of official debt (eg Mexico, Brazil, Yugoslavia) which could cause problems in the future. A number of generalised solutions to the problem of sovereign debt have been proposed - however these invariably involve a risk to public finance and substitute public sector decisions for the working of the market. So it seems best to stick with the existing institutions and the case by case approach.



9. Exchange rates have remained volatile as the EMS realignment has demonstrated. After its depreciation at the end of 1982 the dollar has strengthened recently. The yen remains undervalued despite its strong appreciation earlier.
10. Experience with monetary policy last year was affected by institutional distortions and shifting liquidity demands, especially in the US. Monetary growth in many countries was at the top end or above target ranges. In the US the Fed has announced higher targets for 1983 partly reflecting the continuing impact of distortions but emphasised its counter-inflationary objectives. The Fed has expressed concern over the rapid monetary growth so far this year but despite some recent slowdown growth remains above target.
11. As regards fiscal policy, despite restraint general government budget deficits have increased from 2 per cent of GDP to over 4 per cent in 1982, mostly due to the recession. With only a modest recovery in prospect deficits may not fall this year. Only Japan and the UK have achieved a reduction in their deficits. The US Administration's budget proposals are intended to reduce the Federal deficit from  $6\frac{1}{2}$  per cent of GDP now to  $3\frac{1}{2}$  per cent by fiscal year 1986. These deficits are historically high and depend on rapid growth. Congress has recently passed a jobs bill and a social security bill but has yet to agree on the main budget measures. So far the Administration has not yet completely satisfied concern over its future fiscal stance.

HM Treasury

May 1983



## VISIT BY NEW ZEALAND PRIME MINISTER

EAST/WEST ECONOMIC RELATIONS

## POINTS TO MAKE

1. Pleased that approval given at IEA/OECD Ministerials to studies on East/West Trade and Financial Relations and Energy Security. Completion of these studies, and recommendations for future work, should help eliminate areas of disagreement in western conduct of our economic relations with the East.
2. Conclusion of OECD and IEA studies important for Williamsburg, where we can review overall progress in all the work. If there is general satisfaction at the achievements so far, we would not expect disagreements at the Summit over East/West Economic Relations.

Trade Relations and Exports Department  
May 1983





VISIT BY NEW ZEALAND PRIME MINISTER

EAST/WEST ECONOMIC RELATIONS

ESSENTIAL FACTS

1. Discussion of East/West Economic Relations (EWER) at OECD Ministerial meeting of 9/10 May focussed on Secretary General's paper on Economic and Financial situation in Eastern Europe and USSR, and recent trends in East/West trade. Approval given to conclusions advocating that EWER be governed by 'normal economic and commercial considerations', with minimum government intervention. Recommended follow-up work calls for regular review of balance of advantage of trade, financial, and credit relations with East.
2. On Sunday 8 May IEA Energy Ministers (including Mr Lawson) met under chairmanship of New Zealand Energy Minister, Mr Birch, to endorse Energy Security Study. This concludes that OECD countries should continue efforts to improve energy security by conservation and increased indigenous production and recommends contingency plans against oil and gas supply interruptions, mainly in Europe. None of this presents the UK with major difficulties. Earlier contentious suggestion that no country should be dependant on one source for more than 30% of its gas supplies has been dropped.
3. Of the other EWER follow-up studies, that in NATO on Security aspects will be submitted to the NATO Council on 18 May. Its anodyne conclusions involve no new departures and accept that East/West trade contributes to constructive East/West relations provided it is consistent with Allied security concerns, is on commercially sound and financially prudent terms, and is mutually advantageous. Work in COCOM on review of strategic criteria and on Other High Technology is a longer term process and will continue after Williamsburg.
4. New Zealanders have been kept abreast of these developments and are aware of difficulties over EWER in run-in to



Williamsburg. With this in mind, Mr Muldoon may ask about current prospects for the Summit. With two EWER studies completed and agreed by Ministers, and satisfactory progress elsewhere, a useful dossier should be available for consideration there, and it is to be hoped that the Americans will be satisfied with taking stock of progress to date.

Trade Relations and Exports Department  
May 1983



## VISIT BY NEW ZEALAND PRIME MINISTER

## MR MULDOON'S PROPOSALS FOR A NEW BRETTON WOODS

POINTS TO MAKE

1. Interested to have seen your ideas on need for new Bretton Woods Conference.
2. As you will know from Prime Minister's replies, do not at present see need for major structural reforms. Believe in evolution of present system in response to circumstances. Much has already been achieved.

ESSENTIAL FACTS

3. Mr Muldoon first made his call for a new Bretton Woods Conference at the Commonwealth Finance Ministers Meeting in London in August 1982. He returned to this theme at a Commonwealth Regional Heads of Government Meeting in Suva in the Autumn. He again raised the issue at a meeting in Switzerland earlier this year.
4. The Prime Minister has twice written to Mr Muldoon to say that the UK does not share Mr Muldoon's view of the need for such a conference. In the second of these letters the Prime Minister referred to the measures which have already been taken to cope with current problems (eg the agreement to increase the IMF's quotas under the 8th review; the expanded General Arrangements to Borrow). The New Zealand High Commission sent the Secretary of State a copy of Mr Muldoon's speech in Switzerland, to which the Secretary of State replied in similar terms to the Prime Minister's letters.

Economic Relations Department

4 May 1983



BRIEF NO: 5

VISIT BY NEW ZEALAND PRIME MINISTER

THE COMMONWEALTH GAMES FEDERATION CODE OF CONDUCT

POINTS TO MAKE (only if raised)

1. The Code of Conduct is a matter between Commonwealth Games Federation and its member national Commonwealth Games Associations.
2. The Code does not affect the 'Gleneagles Agreement' between Commonwealth Heads of Government. HMG's commitment to the Agreement has been repeatedly affirmed inside and outside Parliament.
3. 'Gleneagles Agreement' almost certain to be discussed at Heads of Government Meeting in New Delhi. Hope discussions can be kept low-key and sensible.
4. Hope that Commonwealth Games Federation will use its new powers wisely and that Commonwealth Games Associations will not be penalised in the event of sporting contacts with South Africa over which they have no control.
5. Hope that any action under code will not jeopardise 1986 Edinburgh Commonwealth Games.



BRIEF NO: 5

VISIT BY NEW ZEALAND PRIME MINISTER

THE COMMONWEALTH GAMES FEDERATION (CGF) CODE OF CONDUCT

ESSENTIAL FACTS

1. After the Springbok rugby tour of New Zealand in 1981, there was a danger that some African and Caribbean Commonwealth Games Associations (CGAs) would boycott the 1982 Brisbane Commonwealth Games if New Zealand participated. In May 1982 the Commonwealth Games Federation (CGF) agreed that New Zealand's CGA should be allowed to participate, but also decided to revise its constitution and to draft a Code of Conduct which together would allow for the exclusion from the Games of member associations from countries which continued to have or to sanction sporting links with South Africa.
2. The Code of Conduct was adopted by the CGF when it met during the Brisbane Games. The English and New Zealand Associations abstained. The other six British\* Associations, however, agreed to the proposals.
3. In March this year the Commonwealth Games Council of England (CGCE) confirmed that it could not accept the Code in its entirety and that it would be proposing amendments. The CGCE does not oppose the principle of discouraging sporting contacts with South Africa, but it regards certain of the Code's requirements as unacceptable and unrealistic, particularly a requirement to take action in connection with contacts with South Africa in non-Commonwealth Games sports. It also considers it unreasonable that the Code of Conduct should place obligations under the Gleneagles Agreement on CGA's who themselves are not parties to the Agreement.
4. The CGCE's amendments will be considered by the

/CGF



- 2 -

CGF General Assembly when it next meets, in Los Angeles at the 1984 Olympic Games. However, despite HMG's clear commitment to meet the legitimate wishes of those objecting to sporting contacts with South Africa, failure at Los Angeles to overcome the CGCE's reservations could jeopardise the next Commonwealth Games due to be held in Edinburgh in 1986.

- \* Scotland
- Wales
- N Ireland
- Isle of Man
- Jersey
- Guernsey



BRIEF NO: 6

## VISIT BY NEW ZEALAND PRIME MINISTER

## COMMONWEALTH MATTERS

## POINTS TO MAKE

CHOGM

1. I look forward to the Commonwealth Heads of Government Meeting in November, and hope to see you there.
2. Sonny Ramphal plans to remind us all before then of the need to be informal, spontaneous and frank in our discussions. I welcome this, and hope we can all support him.
3. Important that agenda, communiqué and speeches should all be kept short. I would particularly welcome more restricted sessions (Heads of Government and Secretary-General only).
4. I would hope that more efficient conduct of business might enable the meetings to be shorter; but most of our colleagues do not seem to share this view.

DefensiveATTITUDE OF NEW AUSTRALIAN GOVERNMENT TO COMMONWEALTH

5. I have seen reports that Mr Hayden [Australian Foreign Minister] has expressed doubts about effectiveness of Commonwealth regional meetings. But he made no criticism of the Commonwealth as such, and endorsed the CHOGM planned for Papua New Guinea in 1984.

Commonwealth Coordination Department  
May 1983



## VISIT BY NEW ZEALAND PRIME MINISTER

## COMMONWEALTH MATTERS

## ESSENTIAL FACTS

CHOGM

1. The 1983 CHOGM will take place in New Delhi from 23 to 30 November. The Queen, as Head of the Commonwealth, will be in New Delhi during the opening stages of the meeting following a State Visit to India.
2. The Prime Minister considered that, at the 1981 CHOGM in Melbourne, there were too many prepared speeches and too little spontaneous, informal discussion. A number of her colleagues shared this view; and the Commonwealth Secretary-General, Mr Ramphal, discussed the problem informally during 1982 with a number of senior Heads of Government. As a result, Mr Ramphal circulated to all Commonwealth Governments in October 1982 a paper aimed at helping CHOGMs to achieve 'informality, spontaneous dialogue and frank exchange of views'. This was discussed, and generally welcomed, at a Meeting of Senior Commonwealth Officials in Tanzania in December 1982. The New Zealand delegation was however the only one which implicitly supported our own suggestion that CHOGMs should be shorter than the present 7-8 days (they suggested six days).

NEW ZEALAND AND THE COMMONWEALTH

3. New Zealand is important as one of the older members of the Commonwealth, particularly within the Asia/Pacific region. In this context New Zealand has generally proved a useful ally, not least during the Falklands crisis. Mr Muldoon has however had some brushes with the Commonwealth, and with Mr Ramphal. Following the Springbok tour of New Zealand in 1981, the Commonwealth Finance Ministers' meeting was moved at the last moment from Auckland to Nassau. (Please see

/separate





separate brief for Commonwealth implications of New Zealand's policy on sporting links with South Africa.) Mr Muldoon played a rather controversial rôle at the 1981 CHOGM in Melbourne, making provocative press statements and leaving the meeting slightly early.

4. Mr Muldoon played a major rôle at the Commonwealth Finance Ministers' Meeting in London in August 1982 (please see separate brief on ''International Economic Situation'').

5. Mr Muldoon has in the past been unenthusiastic about meetings of Commonwealth Regional Heads of Government (CHOGRMs). He may therefore welcome recent reports that Mr Hayden, the Australian Foreign Minister, also doubts their value and plans that their future should be discussed at the next CHOGRM, to be held in Papua New Guinea in 1984.

Commonwealth Coordination Department  
May 1983



BRIEF NO: 7

VISIT BY NEW ZEALAND PRIME MINISTER

ARAB/ISRAEL AND LEBANON

Points to Make

1. Firm support for Mr Shultz's efforts to secure early agreement on withdrawal of foreign forces from Lebanon. Success would help restore US credibility.
2. Arab/Israel. Concerned at stalemate following break down of Jordan/PLO talks. Major effort from US needed to get process moving again.
3. Ten will continue to encourage moderation and realism on both sides.



BRIEF NO: 7

## VISIT BY NEW ZEALAND PRIME MINISTER

## ARAB/ISRAEL AND LEBANON

Essential Facts

1. New Zealand attitudes to the Arab/Israel dispute are similar to those of the Ten, (for instance they accept the principle of Palestinian self-determination). But they tend to keep a low profile in the area. New Zealand supplies two helicopters and about 35 men to the Sinai Multinational Force and Observers (MFO). The UK contribution is an HQ unit comprising 37 men. The force continues to operate smoothly.
2. Lebanon. As of 5 May, difficult security issues remain to be resolved on the Israel/Lebanon negotiations: particularly the Israeli demand that Haddad should be given command of the Lebanese Southern Brigade and the requirement for joint supervisory patrols. Syria's role is also crucial. She has been preparing for a round of hard bargaining by staking out extreme positions, eg that Syrian troops will not withdraw if Israel makes gains in the negotiation.
3. Arab/Israel. The US focus has shifted to Lebanon. King Hussein will not take the initiative without a clear move forward from the PLO. Recent meetings at the PLO Executive Committee and the Fatah Central Committee have left Arafat room to resume talks with Jordan, but his interests are better served by conducting talks than by concluding them.



## VISIT BY NEW ZEALAND PRIME MINISTER

## FALKLAND ISLANDS

## POINTS TO MAKE

New Zealand Support

1. Grateful for staunch New Zealand support throughout crisis and in aftermath.

Negotiations

2. No question of negotiations on sovereignty with Argentina as if nothing had happened.

NAM Summit

3. Disappointing. Failed to condemn Argentine aggression. Offensive reference to British military presence as destabilising influence in the region.

Argentine Next of Kin Visit

4. Will place no obstacle in the way of bona fide group of Argentine relatives which meets our conditions and is prepared to travel under arrangements made and supervised by ICRC.

Falkland Islands Department  
May 1983

VISIT OF NEW ZEALAND PRIME MINISTER

EAST/WEST RELATIONS INCLUDING POLAND

POINTS TO MAKE

EAST/WEST POLITICAL

1. Despite change of style, no evidence yet of any essential change in Soviet policy. Main objective of new leadership - to undermine 'double decision' and drive wedges in NATO Alliance, largely by manipulation of public opinion.
2. Believe it essential to keep focus on Soviet actions, not words. Key issues remain military build-up, Afghanistan, Poland and human rights.
3. Keynote of HMG's approach to Soviet Union hard-headed dialogue. Mr Pym made clear to Gromyko (at Brezhnev's funeral) that more constructive relationship is available, if Soviet leadership adopt new approach. During recent visit to Moscow Mr Rifkind pulled no punches on our policy on key issues. Russians unyielding on international questions, but showed some defensiveness over Afghanistan.

POLAND

4. Riots of 1 May further evidence of unresolved political crisis in Poland. Papal visit will be important indicator of chances of reconciliation but without genuine concessions from the regime (which seem unlikely) political and economic instability will continue.
5. Continue to assess with partners effects of suspension of martial law and implications for Western policy. No



changes envisaged at present but will wish to look at this again in aftermath of Papal visit and any developments to lift martial law.

Rescheduling (If raised)

6. Withholding of rescheduling an important political gesture; equally necessary however to call Poles to account for their debt. Are looking carefully at this with all Western Creditor Governments involved in interests of arriving at an acceptable political and financial basis for reopening rescheduling negotiations. Western unity on this issue remains a priority.

AFGHANISTAN

7. International concern undiminished after almost three and a half years. Essential to maintain pressure on Soviet Union, and public awareness of the issue.

UN Mediation Effort

8. Cordovez must adhere to principles of UN resolutions. Look to Soviet Union to show genuine willingness to withdraw.

CSCE

9. Objective remains a substantial and balanced concluding document covering all areas of Final Act. Madrid Conference at crucial stage. Prospects seem reasonably good for an agreed outcome providing for a Conference on Disarmament in Europe and new commitments in humanitarian field.

EASTERN EUROPEAN AND SOVIET DEPARTMENT  
MAY 1983

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BRIEF NO: 9

VISIT OF NEW ZEALAND PRIME MINISTER

EAST/WEST RELATIONS INCLUDING POLAND

ESSENTIAL FACTS

EAST/WEST POLITICAL

1. In his first major foreign policy speeches (notably his 22 November Central Committee Speech) Andropov said that he was looking for less confrontational relationship with the West but that Soviet Union was not prepared to make any unilateral concessions 'in order to pay for this'.
2. Main East/West contacts this year so far have been Gromyko/Bonn in January; Cheysson/Moscow and Tikhonov/Athens in February; Belgian Foreign Minister/Moscow in April. With exception of Tikhonov's visit to Greece, Western interlocutors maintained businesslike tone and used meetings to articulate Western concerns.

Mr Rifkind's visit to Moscow (25-26 April)

3. Main interlocutor First Deputy Foreign Minister, Kornienko. Atmosphere reasonably friendly but plain speaking on both sides. On INF, Russians took emphatic line on inclusion of British and French systems.

POLAND

4. Protest demonstrations in at least 20 cities in Poland on 1 May and further protest actions in factories on 3 May (anniversary of Poland's pre-war constitution). One man believed to have died in street clashes in Nowa Huta on 1 May. Polish authorities have reiterated intention of

CONFIDENTIAL



proceeding with Papal visit and have hinted that they may lift martial law soon but Solidarity have warned of possible further clashes if Government continue to ignore their demands. Pope reported to be seeking an amnesty for political prisoners before his visit; but major concessions from Government unlikely.

5. EC and NATO reactions to developments in Poland cautious. Recent discussions in Ten, have revealed willingness to review policy and consider modifications in light of outcome of Papal visit. US also currently reviewing policy towards Poland.

#### Rescheduling (Not for Use)

6. Ten agreed on 12/13 April to press US to agree that rescheduling should be separated from other policy questions on Poland so that negotiation with Poles could be reopened on this issue. But Americans remain reluctant to contemplate early movement and a gradualist approach still required in order to preserve unity.

#### AFGHANISTAN

##### UN Mediation Effort

7. Second round of indirect talks between Pakistan and Karmal regime held in Geneva, 11-22 April, led by Diego Cordovez, Secretary-General's personal representative. Talks were based on Cordovez's draft agreement covering withdrawal of Soviet troops, guarantees of non-interference, and conditions for return of refugees.

8. (Information not to be volunteered) Cordovez met Mr Hurd in London on 26 April. Gave few details of Geneva talks, but appeared optimistic and remains convinced that the Russians wish to withdraw. However, Mr Rifkind's





talks in Moscow on 25 April showed no sign of change in the Soviet position. UN talks scheduled to resume on 16 June.

#### New Zealand Position

9. New Zealand has voted for all four UNGA resolutions on Afghanistan, and supported European Council proposals of 30 June 1981 for international conference on Afghanistan.

#### Situation in Afghanistan

10. Soviet troops number about 105,000. Fighting has picked up again after the winter. Russians using more brutal tactics with severe impact on civilians, but resistance morale remains high. Despite increased security, fifth anniversary of Communist (Saur) Revolution on 27 April marked by resistance attacks in Kabul itself.

#### CSCE

11. No direct New Zealand interest in CSCE process. However, Mr Muldoon may ask about Madrid Follow-up meeting.

12. Should be clear soon whether a satisfactory outcome can be achieved. If agreement not reached on substantial and balanced concluding document, alternative may be short Belgrade-type document merely namely place and time of Third Follow-Up Meeting.

EASTERN EUROPEAN AND SOVIET DEPARTMENT  
MAY 1983

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## VISIT BY NEW ZEALAND PRIME MINISTER

IRAN/IRAQ

## POINTS TO MAKE

Military Situation

1. There is virtual stalemate. Iranian attacks in February and April achieved no territorial gains. Fighting took place on Iranian territory. Iranians are therefore likely to try again.

Attack on Dezful

2. By any judgment this was an indiscriminate attack on civilian targets. Such action most unlikely to undermine Iranian determination or to contribute to a settlement.

Oil Slick

3. Problem serious but greatly exaggerated by press. Iraq is the obstacle to capping the leaking wells.

Mediation

4. Regular mediators are in the wings. Kuwaitis, with support of GCC states, have urged the Secretary-General to raise the matter with the Security Council. Such an approach is unlikely to bring the prospects of a settlement nearer. We have been in touch with all parties at New York in an attempt to explore means of invoking UN machinery. Iranians need careful handling if realistic progress is to be made.

Gulf countries' approaches to Permanent Members of Security Council

5. Kuwaitis in the lead. Fallacy is to suppose that action by Security Council will at present juncture put effective pressure on Iran. Later on, time may be ripe. But any settlement likely to require more concessions to Iranian viewpoint than Gulf Arabs currently envisage.



### Military Situation

1. Iranian attacks in February and April were different in kind but both equally unsuccessful. In February, the attack was led by Revolutionary Guards, in April by the army. Fighting on both occasions took place on Iranian territory and losses were heavy, particularly for the Iranians. But the casualties, while worrying for Tehran, bear more heavily on Baghdad. In the April fighting there was a disproportionate number of officers killed on the Iraqi side.
2. Publicly Iraqis have registered satisfaction at their ability to contain the two Iranian attacks. The Iranians on the other hand have tried to portray the fighting in April as successful, but it is difficult for them fully to disguise their lack of success.

### Attack on Dezful

3. On 10 April the Iraqis launched three ground-to-ground missiles against the Iranian town of Dezful. Two fell wide but one hit the crowded sector of the old city. There are differing reports of casualties but it seems clear that a large number of people were killed or injured and that the devastation to the city was considerable. The Iranians have protested to the United Nations and to the European Community. Rafsanjani, Speaker of the Majlis, warned that if Iraq continued indiscriminate attacks against civilian targets, Iran might be compelled to use its artillery along the border on similar targets in Iraq. He claimed that some 2 million Iraqis would be affected but added that Iran did not wish to engage in this sort of war.

### Oil Slick

4. Such reports as we have had suggest that the threat posed by the oil slick has been grossly exaggerated in the western press. Much of the oil is breaking up and is unlikely to threaten the Gulf States in the short term. Negotiations among the members of the

/Regional

Regional Organisation for the Protection of the Maritime Environment (ROPME) in Kuwait have failed to produce an agreement to cap the wells. Iraq has insisted on terms which it knows will be unacceptable to Iran. In the meantime Iran has offered to help Gulf States whose desalination plants might be affected by the slick.

#### Mediation

5. The Islamic Conference, UN Secretary General's personal representative (Olaf Palme) and the Non-Aligned Movement efforts are in abeyance. Even the Algerians are keeping their heads down. The GCC States led by Kuwait are urging the UN Secretary-General to bring the matter before the Security Council with the objective of seeking to impose a settlement and to exert sanctions on the party which refused to abide by the Security Council's ruling. We do not believe that such an initiative will bring the prospects of a peaceful settlement closer. Iran will not accept being treated equally with Iraq believing herself to be the victim of aggression in 1980 and of inhuman acts (rocket attack against Dezful) even now. Iran might be prepared to accept a role for the Security Council were it to condemn Iraq on both counts. Given Iraq's refusal to accept a Security Council ruling, and the fact that no consensus exists for sanctions, the exercise would merely emphasise the impotence of the United Nations to no advantage. The association of the Secretary-General with such an exercise might effectively rule him out from playing a useful role when the time is right.

6. We have been in touch with the permanent representatives of all parties in an effort to see how the UN machinery might be adapted to less public diplomacy. It is too early to say whether anything might come from this.

#### New Zealand's relations with Iran and Iraq

7. The Iranian market is of great importance to New Zealand; 50% of her meat exports are sold there, previously in exchange for oil but more recently on a cash basis. New Zealand's Foreign Minister visited Tehran in late 1982. New Zealand has no strong political or commercial links with Iraq.

Middle East Department  
May 1983



VISIT BY NEW ZEALAND PRIME MINISTER

UK/NEW ZEALAND TRADE

POINTS TO MAKE

1. The Prime Minister could indicate interest in the current programme of major projects in New Zealand, particularly in the North Island railway electrification project and the second stage of the NZ steel expansion programme.
2. The Prime Minister could emphasise the UK's special expertise in information technology and the current interest in the New Zealand market.
3. We accept that we have no right to the vehicles preference, but if they are to be removed could this be done over an extended period? (5 to 10 years?)
4. Removal of the preferences would help the Japanese to further increase their hold on the market (already over 75%). Would this be in New Zealand's interest?



## VISIT BY NEW ZEALAND PRIME MINISTER

## UK/NEW ZEALAND TRADE

## ESSENTIAL FACTS

1 Trade Statistics (£m)

	1978	1979	1980	1981	1982*
UK Exports to New Zealand	268	312	250	235	323
UK Imports from New Zealand	434	416	415	427	539

Source: Overseas Trade Statistics of the UK

\* Provisional figures.

2 New Zealand traditionally has a large surplus on visible trade with the UK, outweighed by a large deficit on invisibles. The current account balance is thus usually in the UK's favour.

3 Our principal exports to New Zealand are road vehicles and agricultural machinery and our main imports from New Zealand are meat, butter and wool. Trade between the UK and New Zealand increased by approximately £100 million in each direction in 1982 compared with 1981. This is encouraging and reflects greater sales effort by British companies in this market. New Zealand's main trading partners, apart from the UK, are Australia, the USA and Japan.

## 4 CLOSER ECONOMIC RELATIONS (CER)

The CER agreement between New Zealand and Australia took effect on 1 January this year and its detailed final text was signed with the new Australian Labour government on 28 March. The aim of CER is to achieve a more genuine free trade area than that which existed under the New Zealand/Australia Free Trade



Agreement (NAFTA). CER is likely to harden competition against British exports to New Zealand, particularly by liberalising the import licensing system as it affects Australian goods. (At the moment, about 20% of New Zealand's total imports are subject to import licensing).

5 The Secretary of State for Trade visited New Zealand in September last year, when he met Mr Duncan McIntyre the acting Prime Minister. (Mr Muldoon was overseas at the time).

6 The Wellington Chamber of Commerce are planning to send a high-level mission to the UK in October this year, drawn from the whole of New Zealand. This is in response to an invitation made by Sir David Steel, President of the London Chamber of Commerce, during the London Chamber's mission to New Zealand last October.

#### 7 ANZTAC/CBI SEMINAR

The Australia/New Zealand Trade Advisory Committee (ANZTAC) and the CBI are proposing to hold a major seminar on New Zealand in London on 13 October. It is hoped that the seminar can be combined with the visit of the Wellington Chamber.

#### 8 MAJOR PROJECTS

As part of its economic strategy the New Zealand Government has adopted a "think big" policy, involving major projects aimed at increased industrialisation and greater use of the country's natural resources.

The need to reduce dependence on imported oil is a major reason for this programme, and energy projects therefore feature prominently. The estimated cost of the major projects (proposed and authorised) for this decade exceeds NZ \$7,000 million. There is British interest in a number of these projects, of which two could usefully be mentioned in discussion with Mr Muldoon. These are:



i) Electrification of the North Island Main Trunk Railway Line

Tender documents have just been issued to registered tenderers (28 March) for the first major stage of this project. Tenders close mid-August and the New Zealand Railways Corporation hopes to place orders by the end of 1983. We understand that both GEC Transportation Projects Ltd and Hawker Siddeley Rail Projects are proposing to submit bids; however they are likely to face strong competition, particularly from the Japanese, but also from the USA and Sweden. Transmark Ltd are already involved in the supply of signalling equipment for this project.


ii) NZ Steel Expansion Project

Davy McKee (Stockton) Ltd are working as project managers for Stage I of this development. Davy McKee (Sheffield) Ltd are hoping to win the contract to act as main contractors for Stage 2 of the development. They are one of only five firms who have been invited to tender for this contract. Of the other companies two are German and two are Japanese. The total value of the contract is NZ \$450 million (about £190 million) of which the UK value would be about £100 million, if Davy McKee were successful in their bid.

9.0 INFORMATION TECHNOLOGY

There has been much interest in viewdata (videotex) of late in New Zealand, and the BHC Wellington has suggested a number of visits to the UK by local influential people to see the technology and discuss it with (notably) GEC Computers, who hold the marketing rights for British Telecom/Prestel. Key aspects appear to be interest in farming/agricultural applications, and in home banking/shopping using viewdata's interactive capabilities. The French - our leading opposition in overseas markets for this type of equipment - are also active in New Zealand.





10. ICL are actively pursuing a contract to supply software to the NZ Health Service.

11 VEHICLE PREFERENCES

Following the termination of the UK-New Zealand Trade Agreement on our accession to the EC, the New Zealand Government phased out most of our preferences in stages ending in July 1977. However, the preferences have, until now, remained on motor vehicles and parts. In a report published last week the Industries Development Commission (IDC) have recommended that the New Zealand Government remove these preferences; the IDC have made this recommendation despite receiving representations, from the British High Commission and the Society of Motor Manufacturers and Traders, in favour of retention of the preferences.

12 UK sales of vehicles to New Zealand have fallen drastically between 1977 and 1982, though the total market has increased. For cars the UK share has fallen from 44% to 10%, and for commercial vehicles the corresponding fall has been from 45% to 7%; in each case the beneficiaries have been the Japanese. Removal of the preferences would encourage this trend, and could mean virtual elimination of the UK from the New Zealand vehicle market.

13 In the past, vehicles and vehicle components have been the UK's largest single class of export to New Zealand. The collapse in our share of the market therefore has disturbing implications for the future pattern of trade.

# TE MARAE

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Vol. 4 No. 6 April 1983

## British-built tanker to help get New Zealand "off the OPEC hook"

Built on time and to the most exacting specifications in a Scottish shipyard, a coastal tanker with a key role to play in New Zealand's energy development programme was launched last month.

Mrs Rosa Birch, wife of the Minister of Energy, Mr Bill Birch, christened the ship *Tarihiko*. The name is a combination of Maori words which mean literally "carrier of energy".

And that is just what the *Tarihiko* is. When she enters service early next year she will convey liquefied petroleum gas from Port Taranaki to the South Island.

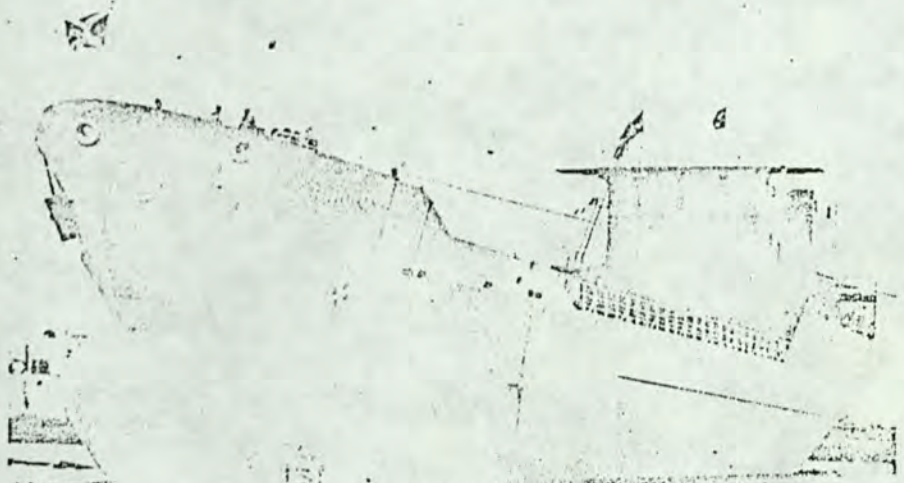
The ship was built in Troon, Ayrshire, by Ferguson-Ailsa Ltd, a subsidiary of British Shipbuilders, for Liquigas Ltd, a company formed two years ago to distribute LPG from the Taranaki gasfields of Maui (offshore) and Kapuni (onshore) throughout the North and South Islands.

The 1,511-tonne deadweight vessel will carry the LPG in three pressurised cylinders, each with a capacity of 350 tonnes. Built at a cost of £7 million, the ship is part of a £45 million capital investment which is aimed to contribute some 110,000 tonnes of LPG, principally as an automotive fuel, to New Zealand's energy requirements by 1989.

With limited distribution facilities at present, LPG usage is of the order of 30,000 tonnes. The planned expansion is one of a number of energy development projects which are intended, in Mr Birch's words, "to get New Zealand off the OPEC hook".

New Zealand, with almost no indigenous liquid fuels, was hit badly by the oil shocks of the 1970s. Under current programmes which also include a plant, already under construction, to convert natural gas into methanol, and from methanol into petroleum, New Zealand intends to be 50 per cent self-sufficient in transport fuels by the end of 1986.

In his address following the *Tarihiko*'s launching at Troon, Mr Birch said how fitting it was that she was to make her first commercial run to Dunedin, "the Edinburgh of the South".



It was equally fitting, representing as she did some of the finest aspects of Scotland's great engineering reputation, that she should be servicing the city that was the first in New Zealand to develop a significant engineering industry.

Mr Birch said it was a great satisfaction to New Zealand that the contract had been won and had been carried out so efficiently by a British shipyard. Ferguson-Ailsa Ltd's work had been fully up to the standard expected of British industry.

The continuance of New Zealand's strong and long-standing links with Britain were heavily dependant on trade movements in both directions.

"Just as we are delighted when British shipbuilders win our orders," he said, "so is our ability to pay dependant on Britain continuing to purchase our farm and export products.

"I am equally sure that whenever the price, performance and circumstances permit, New Zealand will continue to have a strong preference for buying British."

The chairman of Liquigas Ltd, Sir George Chapman, echoed this theme when proposing a toast to the shipbuilders. *Tarihiko*, he said, was a symbol of the warm and continuing relationship between New Zealand and the United Kingdom.

The decision of Liquigas to award the contract to the Ailsa shipbuilding yard had been more than justified by the efficient and rapid manner in which the work had been progressed — right on time — with arrival in New Zealand only six months away.

The reception which followed the launching was hosted by the chairman of British Shipbuilders, Sir Robert Atkinson.



VISIT BY NEW ZEALAND PRIME MINISTER

FRENCH NUCLEAR TESTS AT MURUROA

POINTS TO MAKE

1. French testing in Pacific is a matter for the French Government.
2. As a nuclear weapon state, dependent for its security on a nuclear deterrent, Britain understands the reasons for French tests.
3. Nevertheless it is our policy to seek a comprehensive test ban to which we hope France will adhere.
4. Reports of radiation from Mururoa have been denied by the French Government. We are satisfied that there is no evidence of radiation leaks caused directly by venting from an underground nuclear test on Mururoa.

## VISIT BY NEW ZEALAND PRIME MINISTER

## FRENCH NUCLEAR TESTS AT MURUROA

## ESSENTIAL FACTS

Background

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OF THE PUBLIC RECORDS ACT

1. the French conducted a nuclear test at Mururoa on Tuesday 19 April. There has been no public announcement, but there have been protests from Australia, New Zealand and Fiji.
2. Our aim is to avoid being drawn into controversy which might damage our relations either with states in the area or with France.
3. There have been frequent accusations that French testing has resulted in leakage of radiation and the destruction of the fabric of Mururoa. The French have denied these. We believe there have been two isolated incidents involving radioactivity. The first in 1979 was confined to a laboratory. The second in March 1981 involved the break-up of bitumen used to confine debris from a test carried out some years ago. A clean-up has rendered the area safe. Venting of radiation into the atmosphere or sea outside French territorial limits would be contrary to the Partial Test Ban Treaty of 1963. France has not acceded to this Treaty but abides by its provisions.
4. France has not supported efforts to achieve a Comprehensive Test Ban. Britain is participating in the working group at the Committee on Disarmament in Geneva which is discussing verification aspects of a comprehensive ban. The main problem is the inadequacy of current seismic techniques to guarantee certainty that a ban could not be circumvented.



5. France is not bound by the unratified Threshold Test Ban Treaty between the United States and the Soviet Union which imposes an upper limit of 150 kilotons on nuclear tests. However there are indications that the French, like Britain, abide by the limit.

MULDOON, RT HON ROBERT (" ROB" ) DAVID, CH (1977) MP

(National, Tamaki)

Prime Minister and Minister of Finance

Born Auckland 1921. A third-generation New Zealander of Ulster stock. Educated at Mt Albert Grammar School, Auckland. Served in the ranks of the New Zealand Infantry during the war in the Pacific, Middle East and Italy, then qualified as a Cost Accountant. (He is a past President of the New Zealand Institute of Cost Accountants and a Fellow of the Institute of Cost and Management Accountants, London). Became Member of Parliament 1960 and immediately formed a ginger group with Duncan MacIntyre and Peter Gordon (collectively called " Young Turks" ). Parliamentary Under-Secretary to the Minister of Finance 1964-67. Minister of Finance 1967-72. Deputy Prime Minister 1972. He became Leader of the Opposition in July 1974 when the National Party opted for his aggressive leadership rather than the quieter style of Sir Jack Marshall. He became Prime Minister in 1975 and was re-elected in 1978 and 1981.

As Minister of Finance he made a considerable success of his portfolio and has chosen to continue to hold this office as Prime Minister. He is also Minister in Charge of the Legislative and Audit Departments and Minister in Charge of the New Zealand Security Intelligence Service..

He has won a reputation for energy, ability and hard work. He is particularly competent in public appearances, especially on television. His style of leadership is hard-hitting and pugnacious. Not everyone finds this attractive but New Zealanders saw Mr Muldoon as someone who could offer decisive leadership at a time when the traditional easy-going life-style in New Zealand was threatened by a world economic crisis.

He is a keen gardener. The first volume of his autobiography " The Rise and Fall of a Young Turk" appeared in 1974, the second " Muldoon" in 1977 and third " My Way" in 1981.

Is married with a grown-up family of one son and two daughters.

PRIME MINISTER'S LUNCH FOR MR MULDOON, 11 MAY

Notes for possible after-lunch remarks by Prime Minister

Always a pleasure to see a good friend of long standing. A friend in need is a friend indeed and we shall not forget the staunch support New Zealand gave us during the difficult days of the Falklands crisis last year.

We value New Zealand's presence in the Pacific area. Her strong interest in the region is a factor for stability and economic development in the area. The smaller Pacific states look to New Zealand. We acknowledge her commitment to the defence of Western values in the world at large.

The very warm reception given to the Prince and Princess of Wales in New Zealand last month was shown by television to millions in this country. I am delighted that this visit was such a success.

The differences in season mean that the British Lions travel to New Zealand as your cricketers prepare to come here. I understand that you may be back in London later this summer when we can talk about these and other events.

E. R.

VISIT OF MR. MULDOON

TO LONDON

WEDNESDAY 19 MAY 1982





VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

LIST OF BRIEFS

- (1) Falklands - New Zealand Response
- (2) New Zealand Internal and UK-NZ Relations
- (3) Sporting Contacts
- (4) UK/New Zealand Air Services
- (5) UK-New Zealand Trade
- (6) Defence Sales
- (7) New Zealand - European Community Relations
- (8) Commonwealth Matters
- (9) East/West Relations, including Poland
- (10) MFO/New Zealand Participation
- (11) Iran/Iraq

PRIME MINISTER'S DINNER FOR MR MULDOON: 19 MAY

Notes for possible after-dinner remarks by Prime Minister

Always pleased to see such a good friend of long standing. New Zealand shown its friendship handsomely in last few weeks in crisis over Falklands. We welcome the steadfastness you have shown over the important issues raised. It is in such circumstances that one truly finds who one's friends are.

Our relationship with New Zealand is an enduring one. This is an historic year in our relations, the hundredth anniversary of the first refrigerated shipment of New Zealand lamb to Britain. The nature of the relationship between Britain and New Zealand has, of course, changed much over the years, but it has matured and, I think, strengthened with the changes. Certainly, we in Britain know that New Zealand shares with us solid values. These values have shown themselves in the issues over the Falklands. And we share the values, and the approach, to other international matters, both in the political and the economic spheres.

I hear that you have been taking a close interest in football - with a round ball - while you are here. No doubt you will also be taking close interest in New Zealand's team at the World Cup. I would like to take this opportunity of wishing them all the best but I hope this sentiment will not be misinterpreted in Scotland. [New Zealand meet Scotland in first series of matches.]

VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

FALKLANDS - NEW ZEALAND RESPONSE

BRIEF NO 1

POINTS TO MAKE

1. Deeply grateful for New Zealand's prompt and robust support.
2. Prompt response not gone unnoticed by the people of Britain. Continued support much appreciated.

South Pacific Department

17 May 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

FALKLANDS - NEW ZEALAND RESPONSE

BRIEF NO 1

ESSENTIAL FACTS

1. Very robust support for UK by New Zealand Government. Mr Muldoon issued very positive statement on 3 April condemning Argentine action.
2. New Zealand Government subsequently took the following measures:-
  - Made statement in Security Council, 3 April
  - Broke diplomatic relations; banned Argentine airlines, 5 April
  - Banned imports and exports; banned sales of arms and military material; suspended export guarantees for new transactions, 13 April
3. Neither of the two RN frigates (HMS Dido and HMS Bacchante) we are selling to RNZN have yet been sent on the Task Force. However, we are delaying handover of HMS Bacchante to fill gaps elsewhere, and possibly to send later (see Brief No 6 ).
4. Some RNZN personnel on exchange were on ships now in Task Force, but they were taken off before the ships sailed south.

South Pacific Department  
17 May 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

NEW ZEALAND INTERNAL AND UK-NZ BILATERAL RELATIONS

BRIEF NO 2

POINTS TO MAKE

Anglo-NZ Relations

1. Greatly appreciate close links between our two countries and New Zealand's firm contribution to Western consensus on international issues.

2. Will you be here again in August for the Commonwealth Finance Ministers' meeting?

British in Pacific

3. Recent Heads of Mission Conference in Wellington very useful. Enabled us to consider our future role in Pacific. Opening of ODA Development Division in Suva in July shows our continuing commitment to the region.

French in Pacific

4. How do you see future French role in Pacific, particularly in light of Ratu Mara's recent mission to Paris?

Fiji

5. How do you rate Ratu Mara's chances of success in the forthcoming elections? What if he loses?

CER (Closer Economic Relations) with Australia

6. How is CER developing?

VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

NEW ZEALAND INTERNAL AND UK - NZ BILATERAL RELATIONS

Brief No 2

Essential Facts

NEW ZEALAND

1. Mr Muldoon's National Party was returned in last November's elections but with an overall majority of only 1 over Labour Party (and 2 Social Credit members). However this majority is workable in New Zealand terms. Mr Muldoon is also Minister of Finance; since the election he also seems to have taken closer control of foreign affairs, with Mr Cooper concentrating on Foreign Trade issues.
2. New Zealand economy remains depressed. Unemployment level, 5.7%, is the highest in New Zealand's history. Inflation is around 15.5% and expected to rise.

Anglo/NZ Relations

3. Anglo/New Zealand relations are very good. New Zealand Government's robust support over the Falklands crisis reflected in New Zealand public opinion. Regular bilateral contacts at all levels. Mr Muldoon visited London in June 1981 and again for the Royal Wedding. We assume that he will visit London again in August for the Commonwealth Finance Ministers' meeting but no announcement has yet been made. Lord Carrington visited New Zealand in September last year; Mr Buchanan-Smith in February and Mr Atkins in March this year. Mr Cooper (New Zealand Minister of Foreign Affairs and Overseas Trade) visited London in March and some other Ministers are visiting during May.

British Presence in the Pacific

4. Mr Muldoon is keen that we retain our presence in the South  
/Pacific.

Pacific. We maintain 8 resident missions in the Pacific. Our aid to the area amounts to about £24 million per annum, though this high level reflects generous independence settlements, and cannot be maintained. A Development Division will be established in Suva this summer. Mr Atkins chaired a Heads of Mission Conference in Wellington in March. This Conference was a useful opportunity to consider our future role in the Pacific and also to impress upon the New Zealanders our continuing interest in the region.

#### The French in the Pacific

5. France retains two territories in the Pacific: New Caledonia and French Polynesia. Ratu Mara led a South Pacific Forum delegation to Paris earlier this year to discuss the future of New Caledonia and French nuclear testing on Muroroa. There was no movement on the question of testing. We understand that independence for New Caledonia was not mentioned by the French who seem to have concentrated on giving the Mission a full briefing on their future plans for the cultural and social development of New Caledonia. This appears, at the moment, at least, to have taken the sting out of Pacific hostility on this issue and to have satisfied Forum honour.

#### Fiji

6. General Elections are due in July 1982. Racial balance of approximately 44% Fijian, 49% Indians is reflected in the political parties. A win for the Indian Party (National Federation Party) over Ratu Mara's Alliance Party might lead to racial disturbances. Some observers have even speculated on the possibility of intervention by the Fijian-dominated Defence Forces in this event.

#### NZ/Australian Relations

7. The trans-Tasman relationship is of overriding importance to New Zealand. Both countries have agreed that they should maximise the combined effectiveness of their defence capabilities and explore broad areas of cooperation where the two countries can work more

/closely

closely together. Mr Muldoon and Mr Fraser agreed in March 1980 to study the prospects for a "Closer Economic Relationship" (CER) between New Zealand and Australia. The agreement is scheduled to come into effect on 1 January 1983, but progress has been slow because of New Zealand's problems with its highly protected industries and also because of personal animosity between Mr Muldoon and Mr Fraser.

South Pacific Department  
Foreign and Commonwealth Office  
17 May 1982



VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

SPORTING CONTACTS WITH SOUTH AFRICA

BRIEF NO 3

POINTS TO MAKE

1. Continue to support Gleneagles Agreement.
2. But, like New Zealand, such support must be limited to discouragement or advice, in accordance with our laws.
3. Glad that question of attendance at the Brisbane Games seems to have been resolved by Commonwealth Games Federation. Hope that Games can go on without incident. But revision of Federation's Constitution could cause problems for future Games. We shall have to study its implications when the Federation has agreed a new text.

Cultural Relations Department  
Foreign and Commonwealth Office  
May 1982

VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

SPORTING CONTACTS WITH SOUTH AFRICA

BRIEF NO 3

ESSENTIAL FACTS

Gleneagles Agreement

1. We have made clear our commitment to the Gleneagles Agreement and will continue to discourage sporting contacts with South Africa.

2. But in a free society, Government action is limited to the giving of advice and discouragement; the decision whether to go to South Africa or anywhere else is ultimately one for the individuals concerned. We sympathise with New Zealand's position on Gleneagles. It is essentially the same as ours.

Commonwealth Games: Brisbane: 20 September to 9 October 1982

3. A special General Assembly meeting of the Commonwealth Games Federation was held in London on 5 May. The objective of the meeting was to permit New Zealand to attend the Brisbane Games without provoking an African boycott. In this it was successful, unless some African countries change their attitudes in the meantime. But the meeting set up a drafting group to consider a text to amend the Commonwealth Games Constitution to allow for exclusion of member countries which continued to have sporting links with South Africa. This proposal, if implemented could present problems for the next Games, due to be held in Edinburgh in 1986 since it is likely that some British individuals and teams will continue to travel to South Africa, despite advice not to go.

4. The British delegations at the meeting deliberately kept a low profile. Behind the scenes, however, they worked with the Commonwealth Secretariat and some other delegations, to secure the desired result. They had previously decided that, should New Zealand be unfairly excluded from Brisbane, all seven British

/teams

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teams would boycott. This decision would have been made if necessary at the 5 May meeting. The New Zealanders were aware of the decision and British tactics.

Cultural Relations Department  
Foreign and Commonwealth Office  
May 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

UK/NEW ZEALAND AIR SERVICES

BRIEF NO 4

POINTS TO MAKE

1. To let Air New Zealand (ANZ) into Heathrow would breach our long-standing policy not to let new airlines into Heathrow. If we let ANZ in, we could not resist the claims - possibly legal claims - of the many other airlines hitherto excluded from Heathrow, and the result would be intolerable congestion.
2. It makes no difference that ANZ aircraft were flown into Heathrow in the past by British Airways. ANZ would still be a new airline at Heathrow. Other overseas airlines have advanced similar arguments and been refused.
3. We do not accept New Zealand objections to Gatwick as being valid. It is less congested; charges to airlines are lower than at Heathrow; and onward connections to Europe out of Gatwick are improving all the time. In terms of international passengers, Gatwick is now the fourth biggest airport in the world.
4. The memorandum signed by UK and New Zealand officials last December makes the start of the ANZ service to London conditional on agreement between ANZ and Cathay Pacific on the joint operation of a service between Auckland and Hong Kong. We must stick to this understanding. We do not think that Cathay Pacific have been holding out for unreasonable conditions: they want to make the service a success. But we are worried by reports that ANZ want to put the basic fare up by 70%.
5. In any case, we hope that the problems of the Hong Kong-Auckland route will be settled at a meeting between ANZ and Cathay Pacific starting on 19 May.

Department of Trade

17 May 1982

VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

UK/NEW ZEALAND AIR SERVICES

BRIEF NO 4

ESSENTIAL FACTS

British Airways have for many years operated services to New Zealand and Air New Zealand now wish to commence services to London in August.

The Hong Kong-Auckland route

Arrangements for the new services were agreed in Wellington last December and embodied in a Memorandum of Understanding between the two Governments; the text of a formal Air Services Agreement was negotiated at the same time, but has not yet been signed. Air New Zealand had wanted to discontinue its unprofitable services between New Zealand and Hong Kong when it started its new London service, not only to cut its losses but also to divert traffic at present travelling to London via Hong Kong on to its own new services to London via Los Angeles. The United Kingdom throughout the negotiations insisted on the maintenance of a Hong Kong-New Zealand service as an important link between two parts of the Commonwealth which was considered important by us and the Hong Kong Government and which Cathay Pacific Airways (the private UK owned airline based in Hong Kong) believed they could operate at a profit: we were however ready to see a joint service operated by Cathay Pacific together with Air New Zealand if that was what the New Zealand Government wanted.

It was thus agreed between the two Governments last December that Air New Zealand would only commence services to London when a commercial agreement between Air New Zealand and Cathay Pacific for services between Hong Kong and Auckland had been concluded and approved by the two Governments. The two airlines have experienced considerable difficulty in reaching agreement. Cathay Pacific Airways have told the Department of Trade that Air New Zealand are imposing unreasonable conditions requiring the use of their own aircraft and crews for a long period in the early days of the service, and have sought a prohibitive 70% increase in the basic excursion fare which would destroy the economics of the

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operation. We believe that Cathay Pacific are not for their part imposing unreasonable conditions: this would not be in their interest, whereas unfortunately it is in Air New Zealand's. We also suspect that Air New Zealand have given incorrect accounts of the Cathay Pacific position to the New Zealand Government. Mr Muldoon may therefore argue that Cathay Pacific have been obstructive.

We have some reason to hope that the airlines will at last conclude a commercial agreement when they meet again on 19 May. In the meantime we stand by the December 1981 agreement.

Heathrow or Gatwick

Throughout discussions of Air New Zealand's new services to London, the UK has made it clear that they would not have access to Heathrow Airport. It has been UK policy since 1977, which Department of Trade Ministers endorse and have publicly restated, that no airline which is not already operating scheduled international passenger services to Heathrow is allowed to start services there. There have been no exceptions to this rule. Air New Zealand would be a new operator: although until 1980 their aircraft were used at Heathrow, this was under an agreement with British Airways for equipment interchange at Los Angeles and the services were operated by British Airways with British Airways crews, not by Air New Zealand. To discriminate in favour of Air New Zealand by giving them a special dispensation would undermine our airports policy both generally and because other airlines could raise arguments in terms of English domestic law to contest their own exclusion from Heathrow. Since 1977 25 new airlines have started services at Gatwick and operate there successfully: these include Cathay Pacific services between London and Hong Kong. If any significant number of these airlines were to be able to move to Heathrow, the congestion problems would be intolerable.

Air New Zealand have told the Department of Trade privately that, although Mr Muldoon will probably wish to raise the issue of access to Heathrow, he is likely in the end to acquiesce in Air New Zealand going to Gatwick. Air New Zealand themselves do not appear greatly concerned: no doubt they realise that they will not be at any operating disadvantage. It is New Zealand Ministers who think that there is discrimination against their national airline.

Department of Trade  
17 May 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

UK/NZ TRADE

BRIEF NO 5

POINTS TO MAKE

Automotive Preferences

1. Sorry to hear that New Zealand is considering phasing-out the tariff preferences on British motor vehicles. We have always valued this concession. But if it has to be withdrawn, would it be possible for it to be staged over a period of say five years?
2. We believe that the removal of the preference can only benefit the Japanese and enable them to increase further their already large share of the market. (It is already 75-80%.) Would it be in New Zealand's interest for the Japanese to establish thoroughgoing monopoly?

Department of Trade

17 May 1982

VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

UK/NZ TRADE

Brief No 5

ESSENTIAL FACTS

1. New Zealand traditionally has a surplus on visible trade with the UK, outweighed by a large deficit on invisibles. The current account balance is thus usually in the UK's favour.
2. The UK's percentage share of New Zealand's trade has diminished steadily over the years, but we remain its largest customer and second largest supplier. The UK now accounts for 14% of New Zealand's imports (compared with 56% in 1953 and 28% in 1973) and 14% of its exports (67% in 1953 and 27% in 1973). This decline in the relative importance of UK/New Zealand trade is probably due in part to the UK diverting its export effort towards the European market and to New Zealand's increasing tendency to purchase from its Pacific Basin neighbours. Apart from the UK, New Zealand's main trading partners are Australia, the USA and Japan.
3. UK exports to New Zealand in 1980 were 20% lower than in 1979, continuing their decline in volume of the last few years; in addition to the reasons quoted in paragraph 2, this trend can also be attributed to the depressed state of the New Zealand economy. Imports from New Zealand fell very slightly in 1980, owing largely to a decrease in the volume of imports of wool, sheepmeat and butter.

Automotive Preferences

4. Following the termination of the UK-New Zealand trade agreement on our accession to the EC in 1973, the New Zealand government has phased out most of our tariff preferences in four stages ending in July 1977. Until now, they have taken no action over the preferences on motor vehicles and parts. However, on his recent visit to this country Mr Warren Cooper, NZ Foreign Minister and Minister for Overseas Trade mentioned at a meeting with, the then Secretary of State (Trade), Mr Biffen,



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that the Industries Development Commission would be recommending the phasing out of British tariff preferences on vehicles in the next few months and that this would then be discussed at official level. The Secretary of State made no comment on this proposal as he felt that it was not worth making an issue of the proposed withdrawal of preferences, because the UK share had already fallen so low.

5. Currently, import duty is levied at a rate of 20% on most types of vehicle imported from the UK, compared with 55% on competing imports from most other countries.

6. The continued existence of the preferences may be, at least in part, a recognition of the efforts which we have made within the EC to maintain some degree of access for New Zealand agricultural produce. It may also be due to fears of the effect on the New Zealand car market of its increased penetration by the Japanese; removal of the preferences would advance this process.

Vehicle Sales in New Zealand

7. Sales of British vehicles to New Zealand have fallen drastically during the last five years, even though the total market has increased. In percentage terms the UK share was reduced to less than a third last year compared with 1977. The figures for the first three months of this year continue to show a decline in our share of the market.

8. We believe it is in New Zealand's own interests to maintain the existing preferences for as long as possible since without them not only would UK-sourced car kits be effectively excluded from New Zealand but also components, with the result that Japanese suppliers would achieve a monopoly position and be free to put up their prices at will.

9. In the past, vehicles and vehicle components have been the UK's largest single class of export to New Zealand. This collapse in our share of the market therefore has alarming implications for the future pattern of trade.

Department of Trade

17 May 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

DEFENCE SALES

BRIEF NO 6

POINTS TO MAKE (Defensive)

Sale of Ex-RN Warships to New Zealand

1. The Fleet programme has had to be completely revised. Nevertheless we hope that the sales negotiations will soon be concluded.
2. There may be a short delay to permit force levels in the South Atlantic to be maintained. We believe that any delay will be very short and make it unnecessary to take up this generous offer. But we may take it up if circumstances change.
3. We will need to look again at question of supply of torpedoes when crisis is over. However we feel sure that a satisfactory solution can be found.

Ministry of Defence

17 May 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

DEFENCE SALES

BRIEF NO 6

ESSENTIAL FACTS

Sale of Ex-RN Warships to New Zealand

1. MOD has been negotiating the sale of 2 RN warships (BACCHANTE, DIDO) to New Zealand. Negotiations are at an advanced stage: £4m has already been paid over and final documents are almost ready for signature. The New Zealand High Commission is aware that MOD may shortly propose deferring the handover of BACCHANTE (negotiated for 16 September 1982) to permit her to complete a deployment to the South Atlantic.
2. The Royal New Zealand Navy would not want the handover to be delayed more than 2 weeks, because of the disruption a longer delay would cause in their dockyard where BACCHANTE is to be refitted. In fact, it should just be possible to accommodate them on this. But so keen are they to avoid a longer delay that they might wish to propose that a Royal New Zealand Navy ship should fill a gap in other RN commitments caused by the deployment of the Task Force, permitting BACCHANTE to be handed over on time.
3. Such an offer would be typically generous. There are however complications. The most suitable commitment in geographical terms for the Royal New Zealand Navy to assume would be the Gulf deployment, but there might be difficulty about accepting UK Command and Control and Rules of Engagement. NATO commitments might not be suitable. An appropriate national commitment would therefore have to be sought, possibly in UK waters. In any case we believe we should be able to keep any delay to the handover to BACCHANTE to a few weeks.
4. While it should be possible to arrange the deferment, another problem has just arisen of which the New Zealanders have just been told. Partly because of the deployment to the South Atlantic, the Royal Navy has reviewed its holdings of

/MK 46

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MK 46 torpedoes which form an important part of the BACCHANTE/DIDO sales package; the Royal Navy believes it may now prove difficult to go through with this element of the sale. The situation is under urgent review, and it is hoped to find a solution satisfactory to the New Zealanders.

Ministry of Defence

17 May 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

NEW ZEALAND - EUROPEAN COMMUNITY RELATIONS

BRIEF NO 7

POINTS TO MAKE

Budget/CAP Reform

1. Much activity as negotiations reach crucial stage. Considerable pressure on us to let farm price package go through. But direct impact of cost of CAP on our net budget contribution requires that we must continue to insist on a solution to budget problems on basis of 30 May Mandate.

2. In some respects farm price package furthers cause of CAP reform - e.g. lower than average price increases for such products in surplus (e.g. cereals), introduction of production thresholds. But there have been limits on how far we could press for greater CAP reform in current price fixing in view of our overriding budgetary objectives. CAP reform a continuing process.

Butter

3. You can count on our support during EC consideration of 1983 tonnage (on which Commission are likely to make proposals after CAP prices settlement) and on post-1983 arrangements.

Sheepmeat (if raised)

4. Glad that 'clawback' arrangements are not threatening New Zealand sales to UK or to third countries.

/EC

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EC/New Zealand Long-term Trade Agreement (if raised)

5. Willing to explore New Zealand ideas. We support development of EC/New Zealand cooperation, but not clear how formal agreement would help over substance of problem with agricultural products since French would likely insist that access be regressive and finite.

European Community Department

(External)

14 May 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

NEW ZEALAND - EUROPEAN COMMUNITY RELATIONS

BRIEF NO 7

## ESSENTIAL FACTS

Budget/CAP Reform

1. New Zealand's main interest in the restructuring negotiations is in reform of the CAP. She wants a reduction in the overall level of support for Community farmers, so as to improve both her opportunities in Community markets and her ability to compete with Community exports to third countries. Mr Muldoon will be looking for our opposition to any pressure for increased protectionism or greater subsidisation of exports. He may also emphasise his concern that changes in the CAP should not affect the Community's obligation to long-term preferential access for New Zealand butter or the arrangements for continued supply of New Zealand lamb concluded in 1980 as part of the sheepmeat regime.

Butter

2. Protocol No 18 to the UK Accession Treaty guaranteed access for New Zealand butter and cheese up to 1977 at fixed (but degressive) quotas and committed Community to adopt 'appropriate measures to ensure the maintenance after 31 December 1977 of exceptional arrangements in respect of imports of butter from New Zealand ....'. Two subsequent Community agreements provided for 1978-1980 and then 1981-83 access. The second agreement allows 94,000 tonnes in 1982, with quantities for 1983 to be determined by 1 October 1982 and post-1983 arrangements to be considered before 1 August 1983. New Zealand Government were satisfied with this agreement. M. Thorn, during recent visit to Wellington, apparently told Mr Muldoon that Commission would make a proposal for the 1983 tonnage this summer as

/soon

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soon as price fixing and 30 May mandate were settled.

Mr Buchanan-Smith took similar line on timing of Community discussion during his recent visit to New Zealand.

Sheepmeat

3. EC sheepmeat regime (October 1980) established VRA with New Zealand (quantities 6 per cent above 1977-79 ceilings and tariff rates halved) which runs to March 1984.

4. EC internal arrangements allow deficiency payments (sheep premiums) to be paid to sheep breeders and fatteners. Exports however subject to charge equal to the deficiency payment ('clawback') which makes exporting uneconomic. UK succeeded in exempting exports to third countries from clawback until end of 1981/82 marketing year, and pressed unsuccessfully for exemption also for exports to other Member States. We are currently pressing for clawback exemptions for third country exports to be extended into 1982/83 marketing year.

5. Earlier last year clawback worried New Zealanders on two counts:

(a) exemption from clawback on exports to third countries might lead UK to compete with them in these markets (though quantities involved are relatively small - currently about 4,000 tonnes pa);

(b) clawback could prevent meat being exported from UK to other Member States; its retention on UK market would depress our price and reduce demand for, and return on, New Zealand exports to UK.

/However

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However the drop in sterling in the latter half of 1981 alleviated these problems. UK exports to the EC ended the year only 12 per cent down. New Zealand exports to the UK dropped from around 200,000 tonnes to 155,000 tonnes in 1981 but this largely due to New Zealand expansion into lucrative Middle East market. But Iran stopped payments in November 1981 and New Zealanders now want to send more than full VRA quantity (about 245,000 tonnes) to Europe this year. Perhaps as much as 200,000 tonnes would be destined for the UK (though, formally, the New Zealanders have so far suggested only 180,000 tonnes). Quantities of this size will need handling with great care if the market is not to be distorted.

EC/New Zealand Long-term Trade Agreement

6. Mr Muldoon suggested this to Prime Minister in June 1981. M. Thorn argued during his recent visit to Wellington that a long-term agreement would be inappropriate at present time and Mr Muldoon subsequently told press he had accepted this advice. But Thorn may have raised hopes that Community would consider such an agreement in the future. Such hopes need to be discouraged. Main New Zealand wish is to negotiate permanent access for sheepmeat and butter and thus avoiding need for periodic renegotiation. They might offer preferential concessions to EC industrial exports in return. But this would cause difficulties in GATT with the Americans, with whom EC informally agreed in 1973 not to extend its preferential trading areas. It would moreover generalise in favour of the whole Community the preferences which New Zealand continues

/to

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to grant the UK on motor vehicles and parts. French in any case unlikely to agree to unrestricted access for sheepmeat and butter. Only precedent for an EC agreement with a developed third country outside Europe is the EC/Canada Agreement of 1976 which contains no provision for preferential trade access in either direction.

European Community Department  
(External)

14 May, 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

COMMONWEALTH MATTERS

Brief No 8

POINTS TO MAKE

Commonwealth

1. Commonwealth morale and confidence is high. Response over Falkland Islands crisis very gratifying; that from old Commonwealth particularly magnificent. NZ response outstanding. You will have received my message and perhaps seen appreciative references in Parliamentary statements. But welcome opportunity to thank you in person for NZ support. Essential to keep pressure on Argentina. Confident Commonwealth will continue, united, to defend hallowed principles.

Commonwealth Games

2. Also glad threatened boycott of Commonwealth Games averted. Due in no small measure to conciliatory attitude of NZ delegation at Commonwealth Games Federation. Also active lobbying by Secretary General, Australia and UK.

Commonwealth Heads of Government Meetings 1981 and 1983

3. Good to see you in Melbourne. CHGM serves useful purpose. But as numbers grow meetings become too stylised. Insufficient scope for real debate. Eight days is too long. Believe you may agree? Opportunity to air criticisms at CSOM (November). Could our officials discuss? Hope for better things at Delhi CHGM. Understand no dates yet fixed. But (proposed) end November 1983 possible date for Elections here and in Australia.

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Commonwealth Finance Ministers' Meeting

4. Understand that normal (although not sacrosanct) for PM of host country either to open meeting or to offer hospitality. Regret I am unable to do either. Chancellor will be chairing and hosting reception.

Succession to the Crown Bill

5. Measure totally inappropriate for Private Member's Bill. Glad you told Mr English that this was a Government matter. Any such legislation in Commonwealth would have to be agreed fully amongst Commonwealth Realms before adoption. Do you see UN Convention on Discrimination against Women as problem here?

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Commonwealth Co-ordination Department  
Foreign and Commonwealth Office  
17 May 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

BRIEF NO 8 : COMMONWEALTH MATTERS

ESSENTIAL FACTS

Commonwealth general

1. Morale has fluctuated since Lusaka CHGM (1979) boosted by Zimbabwe independence and Uganda elections (1980) but impaired by Springbok tour of NZ and resultant change of venue of Commonwealth Finance Ministers' meeting from Auckland to Nassau (1981). State of Commonwealth good at present. Almost unanimous response over Falklands. Old Commonwealth particularly robust: banned imports, stopped export credits and sales of military equipment. NZ also banned imports, landings by Argentine aircraft, broke off diplomatic relations. Mr Fraser and Mr Muldoon particularly supportive with messages to PM and telephone call (Mr Fraser). Some anxiety that Commonwealth solidarity may suffer if force used with consequent heavy casualties.

Commonwealth Games

2. Brisbane Games (30 September to 9 October) jeopardised by some African countries' threat to boycott unless NZ were excluded on account of Springbok tour of NZ 1981. But boycott averted at Commonwealth Games Federation Meeting (5 May) due to intensive lobbying by Commonwealth Secretary-General, Australia and UK, and suitably penitent attitude of NZ. But Australia still apprehensive. (Substantive briefing in Brief No 3.)

Commonwealth Heads of Government Meeting  
1981 and 1983

3. Melbourne 1981 meeting generally balanced and moderate. But 'Old Commonwealth' had criticisms. Mrs Gandhi (next Chairman, Delhi 1983) understood to share misgivings. Commonwealth Senior Officials Meeting (November 1982) opportunity for like-minded to press for change. Dates for 1983 CHGM not

/yet

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yet circulated for approval by Heads of Government. Indians considering 23-30 November. But conscious of possible clash with British and Australian elections.

Commonwealth Finance Ministers' Meeting (CFMM)

4. Meetings traditionally held before IMF/IBRD meetings. This year in London (Lancaster House) 30-31 August, Bank Holiday weekend. Has been traditional for PM of host country to open Commonwealth Finance Ministers' Meeting and/or offer hospitality. But at last two meetings in London (1968 and 1972), PMs for various reasons were not involved. (Other exceptions Canada (1978) and Malta (1979).) Decided that as PM not expected to be in London she would not be involved. Chancellor will chair and offer hospitality.

Succession to the Crown

5. Mr Michael English MP recently introduced Private Member's Bill to open the Succession to the first-born child, whether male or female. Bill has substantial Commonwealth implications principally for the 17 Realms; subject not considered appropriate for Private Member's Bill. Bill has been down for consideration more than once in House but was not reached and, given the Government's attitude to it, is unlikely to be reached hereafter. The present provisions for Succession may necessitate a reservation by HMG when ratifying UN Convention on Discrimination against Women. Ratification, including possible reservations on this and other matters, is still under consideration by British and NZ Governments. Mr Muldoon responded to a letter addressed to him by Mr English by saying that it would not be appropriate to comment except upon approach by British Government. Informal consultation has been initiated between officials.

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

EAST/WEST RELATIONS, INCLUDING POLAND  
BRIEF NO 9

POINTS TO MAKE

US/Soviet Relations

1. Welcome Reagan's 9 May speech. Gives West initiative in East/West relations and helpful with public opinion on eve of President's European visit. Despite initial Soviet press criticism of Reagan's START proposals probably to be expected, considered Soviet reaction may prove less negative.

East/West Prospects

2. Next few months particularly significant. Possible Haig/Gromyko and Reagan/Brezhnev meetings, resumption of INF negotiations and possible START talks between them, likely to determine East/West climate for remainder of Reagan's current term. If Polish situation does not deteriorate, some progress may be possible. Important that Allies give maximum support to enable Reagan to build on 9 May speech and retain political and propaganda initiative.

Poland

3. Recent demonstrations have revealed underlying resistance to regimes policies. Jaruzelski's dilemma remains: if he relaxes his grip, popular opposition will spread; but by itself martial law can provide no lasting solution to Poland's political and economic problems.

Western Policy

4. Western measures beginning to bite. Important should maintain firm and united Western line. Welcome recent relaxation of martial law but not far reaching enough to warrant any change of policy at present.

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Economic Assistance (If raised)

5. No question of providing new credits to Poland. Question of rescheduling of 1982 official debt repayments remains under review.

Polish Refugees (If raised)

6. Believe Western statements have helped deter Polish Government's attempts to force detainees to choose between imprisonment and exile. Will keep up pressure.

7. Aware of Austrian request for assistance in resettling large numbers of Poles in Austria. Will respond as sympathetically as possible. Will need to take account however in our response of other and more pressing demands on our resources including those thrown up by Falklands crisis.

WP. SD2 ABE



VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

EAST/WEST RELATIONS, INCLUDING POLAND

BRIEF NO 9

## ESSENTIAL FACTS

President Reagan's 9 May Speech (Extracts at Annex A)

1. On 9 May, President Reagan delivered a major speech at Eureka College, Illinois, calling for the beginning of START negotiations, if possible by the end of June. The President said American negotiators would be looking in the first phase for reductions of at least a third in the strategic nuclear arsenals of both sides, with the aim of establishing equal ceilings under which not more than half of either side's warheads could be land-based. Initial Tass commentaries are critical claiming it is permeated with 'an aggressive spirit' and condemning the President's allegations of Soviet misbehaviour (chemical weapons, involvement in conflicts in Africa, Central America, etc). Tass has also alleged that his START proposals are unfair because they call for greater sacrifices by the Russians than by the Americans, though this criticism was qualified by a general welcome for American readiness to resume negotiations on strategic weapons.

2. In the same speech the President also put forward a 5-point programme for East/West relations. The latter consisted of: military balance, economic security, regional stability, arms reduction and dialogue. The Russians are unlikely to find much that is attractive in the package, but they will be well aware that it is a well judged initiative coming on the eve of the President's visit to Europe and his attendance at the NATO Summit next month.

Summitry

3. President Reagan has made it clear that he is prepared to hold a Summit meeting with President Brezhnev later this year, as long as it is carefully prepared, has the prospect of a successful outcome, and fits into the overall context of US/Soviet relations. The likely venue and timing for such a meeting is a European neutral country (Austria, Finland, Ireland and Switzerland have all been mooted), next October. Haig and Gromyko have already met, most recently

in January this year and there is a possibility that they will meet again in June, in New York, in the margins of the UN Special Session on Disarmament.

#### Poland

##### New Zealand Attitude

4. New Zealand Government have supported Western policy towards Poland and have taken a number of political measures including the imposition of travel restrictions upon Polish diplomats. New Zealand has also agreed to take additional Polish refugees in 1982 (including 100 from Austria).

##### Situation In Poland

5. Mass unofficial demonstrations occurred in Warsaw and other Polish cities on 1, 3 and 4 May in support of Solidarity and in protest against martial law. 2269 people were arrested and a further 211 interned. Demonstrations followed the announcement by the Polish Government on 28 April of some relaxations to martial law including the release of 1,000 detainees. Fundamentals of martial law however remain, including detention of some 2,000 people and a number of restrictions have been reimposed following the recent disturbances. Solidarity have called for a 15 minute general strike on 13 May, exactly five months after the imposition of martial law.

##### Western Policy

6. Copy of statement of Heads of Government and State of Ten on Poland on 31 March at Annex B.

##### Economic Assistance

7. Agreement to reschedule 1981 commercial debts with the Banks signed on 6 April. Meeting of Creditor Governments not including New Zealand on 18 March agreed there should be no change in present policy to suspend credits and 1982 rescheduling negotiations "for the time being". But our present refusal to reschedule is hurting us and benefitting the Poles (who are obtaining de facto 100% relief). May

soon be necessary to reappraise decision in consultation with partners.

Polish Refugees

8. Polish Government announced on 3 March that Poles in detention would be given permission to emigrate from Poland from 15 March. This decision was criticised by the UK, US, French and Swedish Governments and subsequently condemned by European Council on 31 March (Annex B). Discussions now underway on a possible similar reference to be made in NATO Foreign Ministers Communique on 17/18 May.

WP. SD2 ABG



Amex A

EXCERPTS

PRESIDENT REAGAN'S COMMENCEMENT ADDRESS

EUREKA COLLEGE, ILLINOIS  
May 9, 1982

GRADUATION DAY IS CALLED "COMMENCEMENT" AND PROPERLY SO BECAUSE IT IS BOTH A RECOGNITION OF COMPLETION AND OF BEGINNING. I WOULD LIKE TO TALK WITH YOU ABOUT THIS NEW PHASE; THE SOCIETY IN WHICH YOU ARE NOW GOING TO TAKE YOUR PLACE AS FULL-TIME PARTICIPANTS. YOU ARE NO LONGER OBSERVERS, YOU WILL BE CALLED UPON TO MAKE DECISIONS AND EXPRESS YOUR VIEWS ON GLOBAL EVENTS BECAUSE THOSE EVENTS WILL AFFECT YOUR LIFE.

I'VE SPOKEN OF SIMILARITIES, AND THE 1930'S LIKE THE 1930'S MAY BE ONE OF THOSE, A CRUCIAL JUNCTURE IN HISTORY THAT WILL DETERMINE THE DIRECTION OF THE FUTURE.

IN ABOUT A MONTH I WILL MEET IN EUROPE WITH THE LEADERS OF NATIONS WHO ARE OUR CLOSEST FRIENDS AND ALLIES. AT VERSAILLES, LEADERS OF THE INDUSTRIAL POWERS OF THE WORLD WILL SEEK BETTER WAYS TO MEET TODAY'S ECONOMIC CHALLENGES. IN BONN I WILL JOIN MY COLLEAGUES FROM THE ATLANTIC ALLIANCE NATIONS TO RENEW THOSE TIES WHICH HAVE BEEN THE FOUNDATION OF WESTERN, FREE-WORLD DEFENSE FOR 37 YEARS. THERE WILL ALSO BE MEETINGS IN ROME AND LONDON.

THESE MEETINGS ARE SIGNIFICANT FOR A SIMPLE YET IMPORTANT REASON. OUR OWN NATION'S FATE IS DIRECTLY LINKED TO THAT OF OUR SISTER DEMOCRACIES IN WESTERN EUROPE. THE VALUES FOR WHICH AMERICAN AND ALL DEMOCRATIC NATIONS STAND REPRESENT THE CULMINATION OF WESTERN CULTURE. ANDREI SAKHAROV, THE DISTINGUISHED NOBEL LAUREATE AND COURAGEOUS SOVIET HUMAN RIGHTS ADVOCATE, HAS WRITTEN IN A MESSAGE SMUGGLED TO FREEDOM, "...I BELIEVE IN WESTERN MAN, I HAVE FAITH IN HIS MIND, WHICH IS PRACTICAL AND EFFICIENT AND AT THE SAME TIME ASPIRES TO GREAT GOALS. I HAVE FAITH IN HIS GOOD INTENTIONS AND HIS DECISIVENESS."

THIS GLORIOUS TRADITION REQUIRES A PARTNERSHIP TO PRESERVE AND PROTECT IT. ONLY AS PARTNERS CAN WE HOPE TO ACHIEVE THE GOAL OF A PEACEFUL COMMUNITY OF NATIONS. ONLY AS PARTNERS CAN WE DEFEND THE VALUES OF DEMOCRACY AND HUMAN DIGNITY WE HOLD SO DEAR.

THERE IS A SINGLE, MAJOR ISSUE IN OUR PARTNERSHIP WHICH WILL UNDERLIE THE DISCUSSIONS THAT I WILL HAVE WITH EUROPEAN LEADERS: THE FUTURE OF WESTERN RELATIONS WITH THE SOVIET UNION. HOW SHOULD WE DEAL WITH THE SOVIET UNION IN THE YEARS AHEAD? WHAT FRAMEWORK SHOULD GUIDE OUR CONDUCT AND POLICIES TOWARD IT? WHAT CAN WE REALISTICALLY EXPECT FROM A WORLD POWER OF SUCH DEEP FEARS, HOSTILITIES, AND EXTERNAL AMBITIONS?

I BELIEVE THE UNITY OF THE WEST IS THE FOUNDATION FOR ANY SUCCESSFUL RELATIONSHIP WITH THE EAST. WITHOUT WESTERN UNITY, WE WILL SQUANDER OUR ENERGIES IN BICKERING WHILE THE SOVIETS CONTINUE AS THEY PLEASE. WITH UNITY, WE HAVE THE STRENGTH TO MODERATE SOVIET BEHAVIOR. WE HAVE DONE SO IN THE PAST AND WE CAN DO SO AGAIN.

OUR CHALLENGE IS TO ESTABLISH A FRAMEWORK IN WHICH SOUND EAST-WEST RELATIONS WILL ENDURE. I AM OPTIMISTIC WE CAN BUILD A MORE CONSTRUCTIVE RELATIONSHIP WITH THE SOVIET UNION. TO DO SO, HOWEVER, WE MUST UNDERSTAND THE NATURE OF THE SOVIET SYSTEM AND THE LESSONS OF THE PAST.

THE SOVIET UNION IS A HUGE EMPIRE RULED BY AN ELITE THAT HOLDS ALL POWER AND ALL PRIVILEGE. THEY HOLD IT TIGHTLY BECAUSE -- AS WE HAVE SEEN IN POLAND -- THEY FEAR WHAT MIGHT HAPPEN IF EVEN THE SMALLEST AMOUNT OF CONTROL SLIPS FROM THEIR GRASP. THEY FEAR THE INFECTIOUSNESS OF EVEN A LITTLE FREEDOM AND BECAUSE OF THIS IN MANY WAYS THEIR SYSTEM HAS FAILED. THE SOVIET EMPIRE IS FALTERING BECAUSE RIGID, CENTRALIZED CONTROL HAS DESTROYED INCENTIVES FOR INNOVATION, EFFICIENCY AND INDIVIDUAL ACHIEVEMENT. SPIRITUALLY, THERE IS A SENSE OF MALAISE AND RESENTMENT.

BUT IN THE MIDST OF SOCIAL AND ECONOMIC PROBLEMS, THE SOVIET DICTATORSHIP HAS FORGED THE LARGEST ARMED FORCE IN THE WORLD. IT HAS DONE SO BY PREEMPTING THE HUMAN NEEDS OF ITS PEOPLE, AND, IN THE END, THIS COURSE WILL UNDERMINE THE FOUNDATIONS OF THE SOVIET SYSTEM. HARRY TRUMAN WAS RIGHT WHEN HE SAID OF THE SOVIETS THAT, "WHEN YOU TRY TO CONQUER OTHER PEOPLE OR EXTEND YOURSELF OVER VAST AREAS YOU CANNOT WIN IN THE LONG RUN..."

YET SOVIET AGGRESSIVENESS HAS GROWN AS SOVIET MILITARY POWER HAS INCREASED. TO COMPENSATE, WE MUST LEARN FROM THE LESSONS OF THE PAST. WHEN THE WEST HAS STOOD FIRM AND UNIFIED, THE SOVIET UNION HAS TAKEN HEED. FOR 35 YEARS WESTERN EUROPE HAS LIVED FREE DESPITE THE SHADOW OF SOVIET MILITARY MIGHT. THROUGH UNITY, YOU WILL REMEMBER FROM YOUR MODERN HISTORY COURSES, THE WEST SECURED THE WITHDRAWAL OF OCCUPATION FORCES FROM AUSTRIA AND THE RECOGNITION OF ITS RIGHTS IN BERLIN.

OTHER WESTERN POLICIES HAVE NOT BEEN SUCCESSFUL. EAST-WEST TRADE WAS EXPANDED IN THE HOPE OF PROVIDING INCENTIVES FOR SOVIET RESTRAINT, BUT THE SOVIETS EXPLOITED THE BENEFITS OF TRADE WITHOUT MODERATING THEIR BEHAVIOR. DESPITE A DECADE OF AMBITIOUS ARMS CONTROL EFFORTS, THE SOVIET BUILDUP CONTINUES. AND DESPITE ITS SIGNATURE OF THE

HELSINKI AGREEMENTS ON HUMAN RIGHTS, THE SOVIET UNION HAS NOT RELAXED ITS HOLD ON ITS OWN PEOPLE OR THOSE OF EASTERN EUROPE.

DURING THE 1970'S SOME OF US FORGOT THE WARNING OF PRESIDENT KENNEDY WHO SAID THAT THE SOVIETS "HAVE OFFERED TO TRADE US AN APPLE FOR AN ORCHARD. WE DON'T DO THAT IN THIS COUNTRY." WELL, WE CAME PERILOUSLY CLOSE TO DOING JUST THAT.

IF EAST-WEST RELATIONS IN THE DETENTE ERA IN EUROPE HAVE YIELDED DISAPPOINTMENT, DETENTE OUTSIDE OF EUROPE HAS YIELDED A SEVERE DISILLUSIONMENT FOR THOSE WHO EXPECTED A MODERATION OF SOVIET BEHAVIOR. THE SOVIET UNION CONTINUES TO SUPPORT VIETNAM IN ITS OCCUPATION OF KAMPUCHEA AND ITS MASSIVE MILITARY PRESENCE IN LAOS. IT IS ENGAGED IN A WAR OF AGGRESSION AGAINST AFGHANISTAN. SOVIET PROXY FORCES HAVE BROUGHT INSTABILITY AND CONFLICT TO AFRICA AND CENTRAL AMERICA.

WE ARE NOW APPROACHING AN EXTREMELY IMPORTANT PHASE IN EAST-WEST RELATIONS AS THE CURRENT SOVIET LEADERSHIP IS SUCCEEDED BY A NEW GENERATION. BOTH THE CURRENT AND THE NEW SOVIET LEADERSHIP SHOULD REALIZE AGGRESSIVE POLICIES WILL MEET A FIRM WESTERN RESPONSE. ON THE OTHER HAND, A SOVIET LEADERSHIP DEVOTED TO IMPROVING ITS PEOPLE'S LIVES, RATHER THAN EXPANDING ITS ARMED CONQUESTS, WILL FIND A SYMPATHETIC PARTNER IN THE WEST. THE WEST WILL RESPOND WITH EXPANDED TRADE AND OTHER FORMS OF COOPERATION. BUT ALL THIS DEPENDS ON SOVIET ACTIONS. STANDING IN THE ATHENIAN MARKETPLACE 2,000 YEARS AGO, DEMOSTHENES SAID: "WHAT SANE MAN WOULD LET ANOTHER MAN'S WORDS RATHER THAN HIS DEEDS PROCLAIM WHO IS AT PEACE AND WHO IS AT WAR WITH HIM?"

PEACE IS NOT THE ABSENCE OF CONFLICT, BUT THE ABILITY TO COPE WITH CONFLICT BY PEACEFUL MEANS. I BELIEVE WE CAN COPE. I BELIEVE THAT THE WEST CAN FASHION A REALISTIC, DURABLE POLICY THAT WILL PROTECT OUR INTERESTS AND KEEP THE PEACE, NOT JUST FOR THIS GENERATION, BUT FOR YOUR CHILDREN AND GRANDCHILDREN.

I BELIEVE SUCH A POLICY CONSISTS OF FIVE POINTS: MILITARY BALANCE, ECONOMIC SECURITY, REGIONAL STABILITY, ARMS REDUCTIONS, AND DIALOGUE. THESE ARE THE MEANS BY WHICH WE CAN SEEK PEACE WITH THE SOVIET UNION IN THE YEARS AHEAD. TODAY, I WANT TO SET OUT THIS FIVE-POINT PROGRAM TO GUIDE THE FUTURE OF EAST-WEST RELATIONS.

FIRST, A SOUND EAST-WEST MILITARY BALANCE IS ABSOLUTELY ESSENTIAL. LAST WEEK NATO PUBLISHED A COMPREHENSIVE COMPARISON OF ITS FORCES WITH THOSE OF THE WARSAW PACT. ITS MESSAGE IS CLEAR: DURING THE PAST DECADE, THE SOVIET UNION HAS BUILT UP ITS FORCES ACROSS THE BOARD. DURING THAT SAME PERIOD THE DEFENSE EXPENDITURES OF THE UNITED STATES DECLINED IN REAL TERMS. THE U.S. HAS ALREADY UNDERTAKEN STEPS TO RECOVER FROM THAT DECADE OF NEGLECT. AND I SHOULD ADD THAT THE EXPENDITURES OF OUR EUROPEAN ALLIES HAVE INCREASED SLOWLY BUT STEADILY, SOMETHING WE OFTEN FAIL TO RECOGNIZE HERE AT HOME.

THE SECOND POINT ON WHICH WE MUST REACH CONSENSUS WITH OUR ALLIES DEALS WITH ECONOMIC SECURITY. CONSULTATIONS ARE UNDERWAY AMONG WESTERN NATIONS ON THE TRANSFER OF MILITARILY SIGNIFICANT TECHNOLOGY AND THE EXTENSION OF FINANCIAL CREDITS

TO THE EAST, AS WELL AS ON THE QUESTION OF ENERGY DEPENDENCE ON THE EAST. WE RECOGNIZE THAT SOME OF OUR ALLIES' ECONOMIC REQUIREMENTS ARE DISTINCT FROM OUR OWN. BUT THE SOVIETS MUST NOT HAVE ACCESS TO WESTERN TECHNOLOGY WITH MILITARY APPLICATIONS, AND WE MUST NOT SUBSIDIZE THE SOVIET ECONOMY. THE SOVIET UNION MUST MAKE THE DIFFICULT CHOICES BROUGHT ON BY ITS MILITARY BUDGETS AND ECONOMIC SHORTCOMINGS.

THE THIRD ELEMENT IS REGIONAL STABILITY WITH PEACEFUL CHANGE. LAST YEAR IN A SPEECH IN PHILADELPHIA AND IN THE SUMMIT MEETINGS IN CANCUN, I OUTLINED THE BASIC AMERICAN PLAN TO ASSIST THE DEVELOPING WORLD. THESE PRINCIPLES FOR ECONOMIC DEVELOPMENT REMAIN THE FOUNDATION OF OUR APPROACH. THEY REPRESENT NO THREAT TO THE SOVIET UNION. YET IN MANY AREAS OF THE DEVELOPING WORLD WE FIND THAT SOVIET ARMS AND SOVIET-SUPPORTED TROOPS ARE ATTEMPTING TO DESTABILIZE SOCIETIES AND EXTEND MOSCOW'S INFLUENCE.

HIGH ON OUR AGENDA MUST BE PROGRESS TOWARD PEACE IN AFGHANISTAN. THE UNITED STATES IS PREPARED TO ENGAGE IN A SERIOUS EFFORT TO NEGOTIATE AN END TO THE CONFLICT CAUSED BY THE SOVIET INVASION OF THAT COUNTRY. WE ARE READY TO COOPERATE IN AN INTERNATIONAL EFFORT TO RESOLVE THIS PROBLEM, TO SECURE A FULL SOVIET WITHDRAWAL FROM AFGHANISTAN, AND TO ENSURE SELF-DETERMINATION FOR THE AFGHAN PEOPLE.

IN SOUTHERN AFRICA, WORKING CLOSELY WITH OUR WESTERN ALLIES AND THE AFRICAN STATES, WE HAVE MADE REAL PROGRESS TOWARD INDEPENDENCE FROM NAMIBIA. THESE NEGOTIATIONS, IF SUCCESSFUL, WILL RESULT IN PEACEFUL AND SECURE CONDITIONS THROUGHOUT SOUTHERN AFRICA. THE SIMULTANEOUS WITHDRAWAL OF CUBAN FORCES FROM ANGOLA IS ESSENTIAL TO ACHIEVING NAMIBIAN INDEPENDENCE, AS WELL AS CREATING LONG-RANGE PROSPECTS FOR PEACE IN THE REGION.

CENTRAL AMERICA ALSO HAS BECOME A DANGEROUS POINT OF TENSION IN EAST-WEST RELATIONS. THE SOVIET UNION CANNOT ESCAPE RESPONSIBILITY FOR THE VIOLENCE AND SUFFERING IN THE REGION CAUSED BY ITS SUPPORT FOR CUBAN ACTIVITIES IN CENTRAL AMERICA, AND ITS ACCELERATED TRANSFER OF ADVANCED MILITARY EQUIPMENT TO CUBA.

HOWEVER, IT WAS IN EASTERN EUROPE THAT THE HOPES OF THE 1970'S WERE GREATEST, AND IT IS THERE THAT THEY HAVE BEEN MOST BITTERLY DISAPPOINTED. THERE WAS HOPE THAT THE PEOPLE OF POLAND COULD DEVELOP A FREER SOCIETY. BUT THE SOVIET UNION HAS REFUSED TO ALLOW THE PEOPLE OF POLAND TO DECIDE THEIR OWN FATE, JUST AS IT REFUSED TO ALLOW THE PEOPLE OF HUNGARY TO DECIDE THEIRS IN 1956, OR THE PEOPLE OF CZECHOSLOVAKIA IN 1968.

IF MARTIAL LAW IN POLAND IS LIFTED; IF ALL THE POLITICAL PRISONERS ARE RELEASED, AND IF A DIALOGUE IS RESTORED WITH SOLIDARITY UNION, THE UNITED STATES IS PREPARED TO JOIN IN A PROGRAM OF ECONOMIC SUPPORT. WATER CANNONS AND CLUBS AGAINST THE POLISH PEOPLE ARE HARDLY THE KIND OF DIALOGUE THAT GIVES US HOPES. IT IS UP TO THE SOVIETS AND THEIR CLIENT REGIMES TO SHOW GOOD FAITH BY CONCRETE ACTIONS.

THE FOURTH POINT IS ARMS REDUCTIONS. I KNOW THAT THIS WEIGHS HEAVILY ON MANY OF YOUR MINDS. IN OUR 1931 PRISM, WE QUOTED CARL SANDBURG, WHO IN HIS OWN BEAUTIFUL WAY QUOTED THE MOTHER PRAIRIE, SAYING, "HAVE YOU SEEN A RED SUN-SET DRIP OVER ONE OF MY CORNFIELDS, THE SHORE OF NIGHT STARS, THE WAVE LINES OF DAWN UP A WHEAT VALLEY?" WHAT AN IDYLIC SCENE THAT PAINTS IN OUR MINDS -- AND WHAT A NIGHT-MARISH

PROSPECT THAT A HUGE MUSHROOM CLOUD MIGHT SOMEDAY DESTROY SUCH BEAUTY. MY DUTY AS PRESIDENT IS TO ENSURE THAT THE ULTIMATE NIGHTMARE NEVER OCCURS, THAT THE PRAIRIES AND THE CITIES AND THE PEOPLE WHO INHABIT THEM REMAIN FREE AND UNTOUCHED BY NUCLEAR CONFLICT.

I WISH MORE THAN ANYTHING THERE WERE A SIMPLE POLICY THAT WOULD ELIMINATE THE NUCLEAR DANGER. BUT THERE ARE ONLY DIFFICULT POLICY CHOICES THROUGH WHICH WE CAN ACHIEVE A STABLE NUCLEAR BALANCE AT THE LOWEST POSSIBLE LEVEL.

I DO NOT DOUBT THAT THE SOVIET PEOPLE, AND, YES, THE SOVIET LEADERS HAVE AN OVERRIDING INTEREST IN PREVENTING THE USE OF NUCLEAR WEAPONS. THE SOVIET UNION WITHIN THE MEMORY OF ITS LEADERS HAS KNOWN THE DEVASTATION OF TOTAL CONVENTIONAL WAR, AND KNOWS THAT NUCLEAR WAR WOULD BE EVEN MORE CALAMITOUS. YET, SO FAR, THE SOVIET UNION HAS USED ARMS CONTROL NEGOTIATIONS PRIMARILY AS AN INSTRUMENT TO RESTRICT U.S. DEFENSE PROGRAMS AND, IN CONJUNCTION WITH THEIR OWN ARMS BUILDUP, A MEANS TO ENHANCE SOVIET POWER AND PRESTIGE.

UNFORTUNATELY, FOR SOME TIME SUSPICIONS HAVE GROWN THAT THE SOVIET UNION HAS NOT BEEN LIVING UP TO ITS OBLIGATIONS UNDER EXISTING ARMS CONTROL TREATIES. THERE IS CONCLUSIVE EVIDENCE THE SOVIET UNION HAS PROVIDED TOXINS TO THE LAOTIANS AND VIETNAMESE FOR USE AGAINST DEFENSELESS VILLAGERS IN SOUTHEAST ASIA. AND THE SOVIETS THEMSELVES ARE EMPLOYING CHEMICAL WEAPONS ON THE FREEDOM FIGHTERS IN AFGHANISTAN.

WE MUST ESTABLISH FIRM CRITERIA FOR ARMS CONTROL IN THE 1980'S. IF WE ARE TO SECURE GENUINE AND LASTING RESTRAINT ON SOVIET MILITARY PROGRAMS THROUGH ARMS CONTROL, WE MUST SEEK AGREEMENTS WHICH ARE VERIFIABLE, EQUITABLE, AND MILITARILY SIGNIFICANT. AGREEMENTS THAT PROVIDE ONLY THE APPEARANCE OF ARMS CONTROL BREED DANGEROUS ILLUSIONS.

LAST NOVEMBER I COMMITTED THE UNITED STATES TO SEEK SIGNIFICANT REDUCTIONS ON NUCLEAR AND CONVENTIONAL FORCES.

IN GENEVA, WE HAVE SINCE PROPOSED LIMITS ON U.S. AND SOVIET INTERMEDIATE RANGE MISSILES, INCLUDING THE COMPLETE ELIMINATION OF THE MOST THREATENING SYSTEMS ON BOTH SIDES. IN VIENNA, WE ARE NEGOTIATING, TOGETHER WITH OUR ALLIES, FOR REDUCTIONS OF CONVENTIONAL FORCES IN EUROPE.

IN THE 40-NATION COMMITTEE ON DISARMAMENT, THE UNITED STATES SEEKS A TOTAL BAN ON ALL CHEMICAL WEAPONS.

SINCE THE FIRST DAYS OF MY ADMINISTRATION, WE HAVE BEEN WORKING ON OUR APPROACH TO THE CRUCIAL ISSUE OF STRATEGIC ARMS CONTROL NEGOTIATIONS WITH THE SOVIET UNION.

THE STUDY AND ANALYSIS REQUIRED HAS BEEN COMPLEX AND DIFFICULT. IT HAD TO BE UNDERTAKEN DELIBERATELY, THOROUGHLY AND CORRECTLY.

WE HAVE LAID A SOLID BASIS FOR THESE NEGOTIATIONS, WE ARE CONSULTING WITH CONGRESSIONAL LEADERS AND WITH OUR ALLIES, AND WE ARE NOW READY TO PROCEED.

THE MAIN THREAT TO PEACE POSED BY NUCLEAR WEAPONS TODAY IS THE GROWING INSTABILITY OF THE NUCLEAR BALANCE. THIS IS DUE TO THE INCREASINGLY DESTRUCTIVE POTENTIAL OF THE MASSIVE SOVIET BUILDUP IN ITS BALLISTIC MISSILE FORCE.



THEREFORE, OUR GOAL IS TO ENHANCE DETERRENCE AND ACHIEVE STABILITY THROUGH SIGNIFICANT REDUCTIONS IN THE MOST DESTABILIZING NUCLEAR SYSTEMS, BALLISTIC MISSILES, AND ESPECIALLY INTERCONTINENTAL BALLISTIC MISSILES, WHILE MAINTAINING A NUCLEAR CAPABILITY SUFFICIENT TO DETER CONFLICT, UNDERWRITE OUR NATIONAL SECURITY AND MEET OUR COMMITMENT TO ALLIES AND FRIENDS.

FOR THE IMMEDIATE FUTURE, I AM ASKING MY START NEGOTIATING TEAM TO PROPOSE TO THEIR SOVIET COUNTERPARTS A PRACTICAL, PHASED REDUCTION PLAN. THE FOCUS OF OUR EFFORTS WILL BE TO REDUCE SIGNIFICANTLY THE MOST DESTABILIZING SYSTEMS -- BALLISTIC MISSILES -- THE NUMBER OF WARHEADS THEY CARRY, AND THEIR OVERALL DESTRUCTIVE POTENTIAL.

AT THE END OF THE FIRST PHASE OF THE START REDUCTIONS, I EXPECT BALLISTIC MISSILE WARHEADS -- THE MOST SERIOUS THREAT WE FACE -- TO BE REDUCED TO EQUAL CEILINGS AT LEAST A THIRD BELOW CURRENT LEVELS. TO ENHANCE STABILITY, I WOULD ASK THAT NO MORE THAN HALF OF THOSE WARHEADS BE LAND-BASED. I HOPE THAT THESE WARHEAD REDUCTIONS, AS WELL AS SIGNIFICANT REDUCTIONS IN MISSILES THEMSELVES, COULD BE ACHIEVED AS RAPIDLY AS POSSIBLE.

IN A SECOND PHASE, WE WILL SEEK TO ACHIEVE AN EQUAL CEILING ON OTHER ELEMENTS OF OUR STRATEGIC NUCLEAR FORCES, INCLUDING LIMITS ON BALLISTIC MISSILE THROW-WEIGHT AT LESS THAN CURRENT AMERICAN LEVELS. IN BOTH PHASES, WE SHALL INSIST ON VERIFICATION PROCEDURES TO INSURE COMPLIANCE WITH THE AGREEMENT.

THE MONUMENTAL TASK OF REDUCING AND RESHAPING OUR STRATEGIC FORCES TO ENHANCE STABILITY WILL TAKE MANY YEARS OF CONCENTRATED EFFORT. BUT I BELIEVE THAT IT WILL BE POSSIBLE TO REDUCE THE RISKS OF WAR BY REMOVING THE INSTABILITIES THAT NOW EXIST AND BY DISMANTLING THE NUCLEAR MENACE.

I HAVE WRITTEN TO PRESIDENT BREZHNEV AND DIRECTED SECRETARY HAIG TO APPROACH THE SOVIET GOVERNMENT CONCERNING THE INITIATION OF FORMAL NEGOTIATIONS ON THE REDUCTION OF STRATEGIC NUCLEAR ARMS -- START -- AT THE EARLIEST OPPORTUNITY. WE HOPE NEGOTIATIONS WILL BEGIN BY THE END OF JUNE.

WE WILL NEGOTIATE SERIOUSLY, IN GOOD FAITH, AND CAREFULLY CONSIDER ALL PROPOSALS MADE BY THE SOVIET UNION. IF THEY APPROACH THESE NEGOTIATIONS IN THE SAME SPIRIT, I AM CONFIDENT THAT TOGETHER WE CAN ACHIEVE AN AGREEMENT OF ENDURING VALUE THAT REDUCES THE NUMBER OF NUCLEAR WEAPONS, HALTS THE GROWTH IN STRATEGIC FORCES, AND OPENS THE WAY TO EVEN MORE FAR-REACHING STEPS IN THE FUTURE.

I HOPE THE COMMENCEMENT TODAY WILL ALSO MARK THE COMMENCEMENT OF A NEW ERA -- IN BOTH SENSES OF THE WORD A NEW START -- TOWARD A MORE PEACEFUL, MORE SECURE WORLD.

THE FIFTH AND FINAL POINT I PROPOSE FOR EAST-WEST RELATIONS IS DIALOGUE. I HAVE ALWAYS BELIEVED THAT PROBLEMS CAN BE SOLVED WHEN PEOPLE TALK TO EACH OTHER INSTEAD OF ABOUT EACH OTHER. I HAVE ALREADY EXPRESSED MY OWN DESIRE TO MEET WITH PRESIDENT BREZHNEV IN NEW YORK NEXT MONTH. IF THIS CANNOT BE DONE, I WOULD HOPE WE COULD ARRANGE A FUTURE MEETING WHERE POSITIVE RESULTS CAN BE ANTICIPATED. AND WHEN WE SIT DOWN, I WILL TELL PRESIDENT BREZHNEV THAT THE UNITED STATES IS READY TO BUILD A NEW UNDERSTANDING BASED UPON THE PRINCIPLES I HAVE OUTLINED TODAY. I WILL TELL HIM THAT HIS GOVERNMENT AND HIS PEOPLE HAVE NOTHING

TO FEAR FROM THE UNITED STATES. THE FREE NATIONS LIVING AT PEACE IN THE WORLD COMMUNITY CAN VOUCH FOR THE FACT THAT WE SEEK ONLY HARMONY. AND I WILL ASK PRESIDENT BREZHNEV WHY OUR TWO NATIONS CANNOT PRACTICE MUTUAL RESTRAINT. WHY CAN'T OUR PEOPLES ENJOY THE BENEFITS THAT WOULD FLOW FROM REAL COOPERATION? WHY CAN'T WE REDUCE THE NUMBER OF HORRENDOUS WEAPONS?

PERHAPS I SHOULD ALSO SPEAK TO HIM OF THIS SCHOOL AND THE YOUNG GRADUATES WHO ARE LEAVING IT TODAY -- OF YOUR HOPES FOR THE FUTUR, OF YOUR DEEP DESIRE FOR PEACE, AND YET YOUR STRONG COMMITMENT TO DEFEND YOUR VALUES IF THREATENED. PERHAPS IF HE COULD SOMEDAY ATTEND SUCH A CEREMONY AS THIS, HE WOULD BETTER UNDERSTAND AMERICA. IN THE ONLY SYSTEM HE KNOWS, YOU WOULD BE HERE BY THE DECISION OF GOVERNMENT AND ON THIS DAY THE GOVERNMENT WOULD BE REPRESENTED HERE TELLING MANY OF YOU WHERE YOU WERE GOING TO WORK AFTER YOUR GRADUATION.

BUT AS WE GO TO EUROPE FOR THE TALKS AND AS WE PROCEED ON THE IMPORTANT CHALLENGES FACING THIS COUNTRY, I WANT YOU TO KNOW I WILL BE THINKING OF YOU, AND EUREKA AND WHAT YOU REPRESENT. IN ONE OF MY YEARBOOKS I REMEMBER READING THAT, "THE WORK OF THE PRAIRIE IS TO BE THE SOIL FOR THE GROWTH OF A STRONG WESTERN CULTURE." I BELIEVE EUREKA IS FULFILLING THAT WORK. YOU, THE MEMBERS OF THE 1982 GRADUATING CLASS, ARE THIS YEAR'S HARVEST.

EUREKA IS AN INSTITUTION AND YOU AS INDIVIDUALS ARE SUSTAINING THE BEST OF WESTERN MAN'S IDEALS. AS A FELLOW GRADUATE AND IN THE OFFICE I HOLD, I WILL DO MY BEST TO UPHOLD THESE SAME IDEALS.

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# OFFICIAL TEXT

May 10, 1982

INTERNATIONAL COMMUNICATION AGENCY, U.S. EMBASSY, 55/56 UPPER BROOK STREET, LONDON W1A 2LH

TEXT: BURT TESTIMONY ON CHEMICAL WARFARE  
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WASHINGTON -- THE UNITED STATES AND ITS ALLIES ARE PRESSING FOR PROGRESS TOWARD A COMPLETE BAN ON THE PRODUCTION AND STOCKPILING OF CHEMICAL WEAPONS, SAYS RICHARD BURT, DIRECTOR OF POLITICAL-MILITARY AFFAIRS AT THE STATE DEPARTMENT.

IN TESTIMONY MAY 6 BEFORE THE SENATE APPROPRIATIONS COMMITTEE, BURT ALSO MADE THESE POINTS:

-- THE PRINCIPAL PROBLEM IN ACHIEVING SUCH A BAN IS ONE OF VERIFICATION ISSUES WITH THE SOVIET UNION.

-- AN EFFECTIVE CHEMICAL WARFARE RETALIATORY CAPABILITY IS AN ESSENTIAL PART OF THE U.S. AND NATO DETERRENT TO POTENTIAL SOVIET USE OF SUCH WEAPONS.

-- U.S. CHEMICAL WEAPONS WILL NEVER BE USED EXCEPT IN RESPONSE TO SUCH A CHEMICAL ATTACK.

-- THERE HAS BEEN NO DECISION ON FORWARD DEPLOYMENT OF BINARY CHEMICAL WEAPONS AND NONE IS NOW UNDER CONSIDERATION.

FOLLOWING IS THE TEXT OF THE BURT TESTIMONY:

MODERNIZATION OF AMERICA'S CHEMICAL WEAPONS CAPABILITY IS A DIFFICULT AND IMPORTANT DECISION WHICH THE UNITED STATES HAS UNDERTAKEN ONLY RELUCTANTLY AND AFTER LONG AND PAINSTAKING EXAMINATION.

THE NATO ALLIANCE RELIES ON A DETERRENT STRATEGY. THIS STRATEGY IS DESIGNED TO PREVENT WAR BY INSURING THAT ANY POTENTIAL AGGRESSOR MUST RECOGNIZE THAT HE CANNOT SECURE AN ADVANTAGE THROUGH THE INITIATION OF CONFLICT AT ANY LEVEL. IMPLEMENTATION OF THIS STRATEGY REQUIRES THE ALLIANCE TO MAINTAIN A CONTINUUM OF FORCES, RUNNING FROM CONVENTIONAL SMALL ARMS THROUGH STRATEGIC NUCLEAR WEAPONS.

NATO HAS LONG RECOGNIZED THAT AN ESSENTIAL PART OF THIS CONTINUUM OF DETERRENCE IS AN EFFECTIVE CHEMICAL WARFARE RETALIATORY CAPABILITY. THE CAPABILITY WHICH THE U.S. HAS MAINTAINED IN THIS FIELD IS EXPLICITLY DESIGNED TO DETER CHEMICAL WARFARE AGAINST THE UNITED STATES OR ITS ALLIES. U.S. CHEMICAL WEAPONS WILL NEVER BE USED EXCEPT IN RESPONSE TO SUCH A CHEMICAL ATTACK.

THE REQUIREMENTS OF DETERRENCE ALSO UNDERLIE U.S. DEFENSE POSTURE OUTSIDE EUROPE. THIS SAME RETALIATORY CHEMICAL

WEAPONS CAPABILITY WILL ENABLE THE UNITED STATES TO DETER THE USE OF CHEMICAL WEAPONS AGAINST OUR ALLIES IN OTHER AREAS.

THE UNITED STATES HAS KEPT ITS ALLIES FULLY INFORMED OF ITS DECISIONS OVER THE PAST SEVERAL YEARS TO BEGIN MODERNIZATION OF ITS CHEMICAL WARFARE CAPABILITIES. LAST YEAR WE INFORMED THEM OF THE ADMINISTRATION'S DECISION TO SEEK FUNDING FOR THE FACILITY IN PINE BLUFF. THIS YEAR, WE INFORMED THEM OF OUR DECISION TO SEEK FUNDING FOR PRODUCTION. NO ALLIED GOVERNMENT HAS EXPRESSED OPPOSITION TO THESE STEPS.

WE HAVE INFORMED OUR ALLIES, AS WE HAVE INFORMED THE CONGRESS, THAT THERE HAS BEEN NO DECISION ON FORWARD DEPLOYMENT OF BINARY CHEMICAL WEAPONS AND NONE IS NOW UNDER CONSIDERATION. GIVEN THE FACT THAT IT WILL BE SEVERAL YEARS BEFORE PRODUCTION BEGINS AND STOCKPILES ARE ACCUMULATED, NO SUCH CONSIDERATION IS LIKELY FOR SOME TIME TO COME. WE HAVE, HOWEVER, PROMISED TO CONSULT FULLY WITH ANY ALLIES CONCERNED BEFORE ANY DEPLOYMENT DECISIONS WERE MADE.

WE HAVE NOT FELT IT NECESSARY, DESIRABLE, OR APPROPRIATE TO POSE TO ALLIES HYPOTHETICAL QUESTIONS ABOUT HOW THEY MIGHT REACT TO THE POSSIBILITY OF FORWARD DEPLOYMENT. NO GOVERNMENT WISHES TO FORMULATE POLICY ON ISSUES WHICH REQUIRE NO CURRENT DECISION. IN ANY CASE, UNDER THE DEMOCRATIC SYSTEMS OF US AND OUR ALLIES, NO CURRENT WESTERN GOVERNMENT COULD OR WOULD WISH TO BIND ITS SUCCESSORS ON SUCH AN ISSUE.

OUR ALLIES, LIKE OURSELVES, ARE COMMITTED TO SEEKING THROUGH ARMS CONTROL A COMPLETE BAN ON THE PRODUCTION AND STOCKPILING OF CHEMICAL WEAPONS. THEY HAVE EXPRESSED THIS COMMITMENT TO US. WITH US, THEY ARE PRESSING FOR PROGRESS TOWARDS SUCH AN AGREEMENT IN THE COMMITTEE ON DISARMAMENT IN GENEVA. THEY AGREE WITH US THAT THE PRINCIPAL HURDLE TO BE OVERCOME IN CONCLUDING SUCH A BAN IS THAT OF VERIFICATION, AND THE NEED TO EFFECTIVELY ASSURE COMPLIANCE WITH A CHEMICAL WEAPONS PROHIBITION.

TO DATE, DESPITE SEVERAL YEARS OF BILATERAL AND MULTILATERAL DISCUSSIONS, THE SOVIET UNION HAS PROVED UNWILLING TO CONSIDER SERIOUSLY, LET ALONE ACCEPT THE SORT OF VERIFICATION PROVISIONS WHICH WE, OUR ALLIES, AND OTHER MEMBERS OF THE INTERNATIONAL COMMUNITY BELIEVE TO BE ESSENTIAL. THIS IS A TECHNICALLY COMPLEX AREA, AND RAPID PROGRESS WILL BE DIFFICULT. HOWEVER, WE BELIEVE THE ABSENCE OF THE U.S. MODERNIZATION PROGRAM WILL REDUCE THE SOVIET UNION'S INCENTIVES TO MOVE IN THIS CRITICAL AREA, THUS MAKING AN EFFECTIVE BAN ON CHEMICAL WEAPONS MORE DIFFICULT STILL.

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Prime Minister Janner and Mr M [redacted] Annex B:  
19 May

## II. EAST-WEST RELATIONS.

(a) The Heads of State and of Government noted that the situation in Poland continued to place a strain on East-West relations, and thus to affect the relations of the Ten with Poland and the U.S.S.R., which bore a clear responsibility in this situation.

The Ten recalled their earlier statements on the grave consequences of the present situation in Poland for security and cooperation in Europe, and for East-West relations as a whole. They renewed their call to the Polish authorities with the minimum delay to end the state of martial law, release those arrested and resume a genuine dialogue with the Church and Solidarity.

The Ten also noted with concern the recent statements of the Polish authorities on the possibility of the departure of detainees from the country. The Ten rejected any attempt to place pressure on those concerned. They would interpret such a policy as a further deterioration of the situation in Poland, and a grave breach of fundamental human rights.

(The Greek delegation has reserved its position on the section of the first sentence which indicates that the Polish situation affects the relations of the Ten with the U.S.S.R.)

VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

MFO/NEW ZEALAND PARTICIPATION

BRIEF NO 10

POINT TO MAKE

1. Glad that we are both participating in MFO. Important for such peace-keeping efforts to have broad international support.

Near East and North Africa Department  
Foreign and Commonwealth Office  
17 May 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

MFO/NEW ZEALAND PARTICIPATION

BRIEF NO 10

ESSENTIAL FACTS

1. New Zealand is combining its participation in the MFO with Australia; together they are contributing 12 helicopters (2 from New Zealand) and 200 support personnel (35 from New Zealand). The New Zealanders have followed the European line closely in their approach both to the MFO and to the Arab/Israel question in general.

Near East and North Africa Department  
Foreign and Commonwealth Office  
17 May 1982

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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

IRAN/IRAQ

BRIEF NO 11

POINTS TO MAKE

State of the War

1. Iranian victories have hardened attitudes. They may now want to see President Saddam Hussein topple before they are ready to consider ceasefire and negotiated settlement. Danger that Iranian troops may cross frontier in Basra region. Full scale invasion of Iraq does not look likely at this stage but military situation is fluid.

Role by West: Mediation

2. Believe that West has very limited role to play. Have no leverage in Tehran and our intervention might make matters worse because it could encourage false hopes in Baghdad, and confirms Iranian belief that we are trying to bail Iraq out, and thus cut across efforts of existing mediators.

Middle East Department  
Foreign and Commonwealth Office

17 May 1982



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VISIT BY NEW ZEALAND PRIME MINISTER: 14-22 MAY

IRAN/IRAQ  
BRIEF NO 11

ESSENTIAL FACTS

State of the War

1. Iraq suffered a major defeat in the largest battle of the 20 month old war in late March at Shush. A second Iranian offensive, which began on 30 April, has broken up the last remaining major concentration of Iraqi forces in southern Iran. Only Khorramshahr remains and this could fall quickly. The Iranians are only 12 km from Basra, and might be tempted to cross the border in that area. (A full scale invasion of Iraq does not look likely). Iranian utterances are ambiguous though their Foreign Minister declared on 11 May that Iran had no territorial ambitions. An Iranian incursion into Iraqi territory would be disastrous for President Hussein, and could lead to his downfall.

Regional Implications

2. The prospects of an Iranian victory is causing anxiety in the Gulf and Saudi Arabia. Faced by what they see as the threat from Iranian subversion, they have no option but to continue to support Iraq, whom they also distrust but who seems the lesser of two evils. Syria's decision to close the transit pipeline, which carries Iraqi oil, and her borders has caused a further split in Arab world: Syria, Libya and South Yemen support Iran: the Gulf States, Saudi Arabia, Jordan and latterly, Egypt, support Iraq.

/Mediation

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Mediation

3. The Non-Aligned Movement, the Islamic Conference and the UN Secretary General's Special Representative, Mr Olaf Palme, have at various times in recent months made fresh attempts to mediate. Iraq is and has been keen to negotiate but the Iranians have consistently refused to do so while Iraqi troops remain on Iranian soil. Iran has now begun to insist on Saddam Hussein's overthrow as a necessary condition for peace.

The West's Role

4. Any attempt by the West to intervene would need careful consideration. It could be viewed with suspicion by Tehran and might encourage the Soviet Union to exploit the situation to their advantage. We are discussing with our partners in the Ten, a Dutch proposal that we should issue an appeal for peace, coupled with an offer of aid to both countries for reconstruction. This would be intended as a gesture of our willingness to help. Bringing the issue before the UN Security Council would not be helpful at this stage - it would anger Iran (the UN declined to discuss Iraq's invasion of Iran in September 1980) and carry the threat of polarisation with the Soviet Union ostentatiously supporting Iran in the face of a US/Saudi led confirmation of Arab and Western States.

Middle East Department  
Foreign and Commonwealth Office  
17 May 1982

CONFIDENTIAL



MULDOON, RT HON ROBERT (" ROB" ) DAVID, CH (1977) MP

(National, Tamaki)

Prime Minister and Minister of Finance

Born Auckland 1921. A third-generation New Zealander of Ulster stock. Educated at Mt Albert Grammar School, Auckland. Served in the ranks of the New Zealand Infantry during the war in the Pacific, Middle East and Italy, then qualified as a Cost Accountant. (He is a past President of the New Zealand Institute of Cost Accountants and a Fellow of the Institute of Cost and Management Accountants, London). Became Member of Parliament 1960 and immediately formed a ginger group with Duncan MacIntyre and Peter Gordon (collectively called " Young Turks" ). Parliamentary Under-Secretary to the Minister of Finance 1964-67. Minister of Finance 1967-72. Deputy Prime Minister 1972, He became Leader of the Opposition in July 1974 when the National Party opted for his aggressive leadership rather than the quieter style of Sir Jack Marshall. He became Prime Minister in 1975 and was re-elected in 1978 and 1981.

As Minister of Finance he made a considerable success of his portfolio and has chosen to continue to hold this office as Prime Minister. He is also Minister in Charge of the Legislative and Audit Departments and Minister in Charge of the New Zealand Security Intelligence Service..

He has won a reputation for energy, ability and hard work. He is particularly competent in public appearances, especially on television. His style of leadership is hard-hitting and pugnacious. Not everyone finds this attractive but New Zealanders saw Mr Muldoon as someone who could offer decisive leadership at a time when the traditional easy-going life-style in New Zealand was threatened by a world economic crisis.

He is a keen gardener. The first volume of his autobiography " The Rise and Fall of a Young Turk" appeared in 1974, the second " Muldoon" in 1977 and third " My Way" in 1981.

Is married with a grown-up family of one son and two daughters.



HE THE HON LESLIE WALTER GANDAR

New Zealand High Commissioner in London

Born Wellington 1919

Educated Victoria University, Wellington (BSc)

Served in the RNZAF and RAF in Britain and the Middle East, 1940-44. Since the war he has built up from scratch an 830-acre sheep farm at Colyton, Wellington Province, which he was reluctant to leave.

Long association with Massey University (Chancellor 1970-75). Closely involved in Local Government before entering Parliament in 1966. Minister of Science, Mines, Electricity and Energy Resources, February-December 1972. Minister of Education, Science and Technology from December 1975 until he lost his seat in the 1978 General Election.

Intelligent, humane and serious-minded. A good conversationalist. Interested in music, cricket and Maori culture. Said to have learnt the Maori language while a Minister and has taken up Maori wood carving.

Fellow of the New Zealand Institute of Agricultural Science and Fellow of the Institute of Physics.

Mrs Gandar was a good scholar, taking her degree at an unusually early age. Played an active part in her husband's political career. They have five grown-up children.



BROWN, Bruce Macdonald

Deputy High Commissioner, New Zealand High Commission, London since April 1981

Born Wellington, 24 January 1930

MA Victoria University of Wellington

- 1954-57 - Private Secretary to Leader of Opposition, Walter Nash
- 1957-59 - Private Secretary to Prime Minister
- 1961-62 - First Secretary, New Zealand High Commission, Malaysia
- 1963-66 - First Secretary, New Zealand Mission to the UN
- 1967 - Deputy Permanent Representative to the UN
- 1968 - Head of Admin Division, Ministry of Foreign Affairs
- 1969-71 - Director New Zealand Institute of International Affairs
- 1972-74 - Deputy High Commissioner, Canberra
- 1975-78 - Ambassador to Iran
- 1979-81 - Assistant Secretary, Administration and Planning Questions, Ministry of Foreign Affairs

Member of New Zealand Delegations to 10th and 13th Meetings of Columbo Plan in 1958 and 1961, and member at 18th and 21st Sessions of UN General Assembly and 5th Special Session 1963-67. Security Council 1966.

Publications: The Rise of New Zealand Labour; The United Nations; historical contributions to Encyclopaedia of New Zealand; various articles and reviews. Whilst on secondment as Director of Foreign Affairs Institute, he was offered the task of writing the official biography of Walter Nash, whose Private Secretary he was for seven years, but he decided instead to return to the Ministry of Foreign Affairs.

Victoria University of Wellington Boxing Blue.

Married Edith Irene Raynor in 1953: 2 sons and 1 daughter.

DINNER FOR NEW ZEALAND PRIME MINISTER

THURSDAY 18 JUNE 1981.

2000 HOURS

N.10.

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PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE 1981

BRIEF NO (i): NEW ZEALAND/EC RELATIONS

POINTS TO MAKE

RESTRUCTURING/CAP REFORM

1. Major task of UK Presidency. There will be preliminary discussion of Commission report at European Council on 29-30 June. But conclusions likely to be purely procedural. We are aiming for major decisions at November European Council.
2. Reform of CAP will have to play important contributory part in any solution. This should be helpful to New Zealand.
3. We are well aware of New Zealand's interests. We will oppose any attempts to overturn existing commitments or to steer reform towards greater protectionism against imports or increased subsidisation of exports.

BUTTER

4. Glad we reached satisfactory agreement for 1981-83. You can count on our support over 1983 quantities and on post 1983 arrangements.

Foreign and Commonwealth Office

9 June, 1981

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PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE

BRIEF NO (i): NEW ZEALAND/EC RELATIONS

ESSENTIAL FACTS

RESTRUCTURING/CAP REFORM

1. New Zealand's main interest in the restructuring negotiations is in the prospect for reform of the CAP. Any reform which reduces the overall level of support for Community farmers will be welcome to New Zealand both in terms of her opportunities in Community markets and her ability to compete with Community exports to third countries. At the same time, Mr Muldoon will no doubt wish to emphasise his concern that changes in the CAP should not involve overturning the Community's obligation to long-term preferential access for New Zealand butter or the arrangements for continued supply of New Zealand lamb concluded last year as part of the sheepmeat regime. More generally, he may want to be assured that we will oppose any pressure for increased protectionism or any move towards a more dynamic policy involving greater subsidisation of exports.

2. The Commission's report on restructuring is unlikely to appear until after Mr Muldoon's visit is over.

BUTTER

3. Agriculture Council agreed arrangements for post 1980 access on 1 April: 94,000 tonnes for 1981; 92,000 tonnes for 1982; 1983 quantity to be determined by 1 October 1982; arrangements after 1983 to be considered before 1 August 1983. Satisfactory for both UK and New Zealand. Mr Muldoon sent Prime Minister message of thanks on 9 April.

Foreign and Commonwealth Office

9 June, 1981

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PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE

BRIEF NO (ii): WORLD ECONOMIC PROSPECTS; RELATIONS WITH DEVELOPING COUNTRIES

POINTS TO MAKE

World Economic Prospects

1. Recession relatively shortlived in US but deeper and more prolonged than expected in Europe.

Firm monetary and fiscal policies need to be maintained despite the recession; inflation falling in most countries, but only slowly, and progress has been patchy.

Fiscal policy must be brought into better balance with monetary policy so interest rates are not put under excessive pressure.

Relations with Developing Countries

2. (If raised) Unproductive to continue preparatory discussions on Global Negotiations without Americans, or to put pressure on them for a definite response before Mexico Summit.

Foreign and Commonwealth Office

10 June 1981

PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE

BRIEF NO (ii)

WORLD ECONOMIC PROSPECTS; RELATIONS WITH DEVELOPING COUNTRIES:  
ESSENTIAL FACTS

1. Prospects for growth this year gloomier now than expected at the beginning of the year. Positive growth in US and Japan likely to be balanced by falls in GNP in most European countries.
2. Recession last year short and deep in US - GNP fell 9.9 per cent (ar) in Q2 1980. But activity recovered very quickly and GNP fell only slightly in 1980 as a whole. Surprisingly buoyant all round growth in Q1 1981 (8.4 per cent ar) now slowing down but no signs of a recession. GNP continued to fall in the main European economies in H2 1980. Some probably suffered a further decline in Q1 1981. A pick up from now on unlikely to prevent a fall in GNP for a year as a whole. Japanese growth slowed in the second half of 1980 but moderate GNP growth is still likely this year.
3. The oil market remains very weak because of depressed demand. Saudi hopes of price unification are a little closer. The price of Saudi crude should increase by \$2 a barrel this month. Some other countries have announced cuts in their prices.
4. Consumer price inflation has fallen back from 13.75 per cent in Q2 1980 to 9.7 per cent in April in the major industrial countries. But progress has been patchy. UK has done best. Price increases slightly accelerated recently in France, Germany and Canada.
5. Unemployment is rising in Europe and Japan but levelling off in US and Canada. Rate of unemployment over 10 per cent in UK and Belgium. Over 7.5 per cent in US, France and Italy. Five per cent in Germany and just over 2 per cent in Japan.

6. Over two-thirds of record OECD current deficit in 1980 accounted for by Germany, Japan, France and Italy. US current account in approximate balance. UK had a large surplus. Smaller countries have had severe current account problems. This year's expected fall in OPEC surplus will help US and Japan - not most LDCs or small OECD countries. New Zealand's current account deficit of about 4 per cent of GNP in 1980 is likely to deteriorate this year.

7. The level and volatility of international interest rates, which in general have tended to rise over the last few months, are causing many countries considerable concern. There has been a tendency to blame excessive reliance on and the implementation of monetary policy in the US. US rates fluctuated widely in 1980. They peaked at over 20 per cent at the end of the year, moved back to 13.5 per cent in March and are now around 20 per cent again. The recent rise has carried the dollar from strength to strength against other currencies. In order to resist currency depreciation, which would fuel domestic inflation, most governments have unwillingly followed the US example and jacked up their rates. American efforts to reduce inflation ought to be supported, even if the process is painful for others as well as them. But it is important to ensure that fiscal policy supports monetary policy so that interest rates are not put under excessive pressure.

8. Policy remains restrictive everywhere except France following Mitterrand's election. Money supply targets have been lowered in US, Canada and Germany. Most Governments are aiming to offset at least partially the effects of the recession on budget deficits by discretionary action.

9. New Zealand economy is overwhelmingly dependent upon agricultural exports. She therefore shares Australian concern at the growth of industrialised country protectionism in this sphere.

Inflation rose steeply in 1980, partly due to rising oil costs. New Zealand is not well endowed with mineral resources but has deposits of coal and gas. The impact of oil price rises should be better contained this year, and by the late 80s New Zealand hopes to be 50 per cent self-sufficient in automotive fuels.

10. Preparations for Global Negotiations are currently stalled. The Americans announced in May that they would take no further part in preliminary discussions until after the Mexico Summit. The President of the General Assembly will decide this month whether to attempt to continue without the US, or to adjourn discussions until the General Assembly reconvenes in October.

11. New Zealand has never been a candidate for participation at Mexico Summit, but may take an interest in Australia's attempt to secure an invitation.

12. New Zealand subscribes to the Australian view that 'North/South' issues should figure prominently at the Commonwealth Heads of Government Meeting in Melbourne. They believe that issues to be discussed at Melbourne should include energy as well as recycling, the future of the International Financial Institutions and trade liberalisation (with particular reference to commodities).

Foreign and Commonwealth Office

10 June 1981

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PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE

BRIEF NO (iii): COMMONWEALTH HEADS OF GOVERNMENT MEETING (CHGM).  
POINTS TO MAKE

GENERAL

1. Looking forward to CHGM (Melbourne, 30 September - 7 October).  
Australians seem to have arrangements well in hand.

PROSPECTS FOR CHGM

2. Could be very useful meeting. Relief to have a CHGM no  
longer dominated by Rhodesia problem; and we hope this year's will  
have a better balance.

3. Much however depends on Commonwealth reaction to Springbok  
tour of New Zealand (during Commonwealth Finance Ministers'  
Meeting in Auckland, 21-23 September: see brief no (iv)). Have  
heard reports that Nigerians want venue changed if tour goes ahead.  
Your views? Have you plans for damage limitation (re both meetings)?  
Can we help?

UK VIEWS ON CHGM AGENDA (IF RAISED)

4. Commonwealth Secretary General's suggestions only just  
received (in recent circular letter); but on expected lines.  
North/South issues and Southern African matters will obviously  
receive particular attention. Have not at this stage decided  
whether we shall be putting forward any new suggestions for  
agenda - but (agree with you that) important to take account of  
(especially) Pacific view that, with Rhodesian problem solved,  
CHGM series should give more time to subjects of greater interest  
to non-African countries. In any case, worth encouraging Pacific  
voices.

POSSIBLE UK INITIATIVES (IF RAISED)

5. Early days yet and nothing concrete in mind, but looking at  
one or two ideas. Major problem is lack of funds for any new  
projects at a period when we are having to make substantial cuts

in all government budgets.

NZ VIEWS ON AGENDA (IF RAISED)

6. Have seen recent NZ aide memoire. Causes us no difficulties.

Any more recent thoughts?

POSSIBLE NEW ZEALAND INITIATIVES

7. Are you considering any initiatives? (Within framework of our financial constraints) can we help?

Foreign and Commonwealth Office

10 June 1981

PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE

BRIEF NO (iii)

COMMONWEALTH HEADS OF GOVERNMENT MEETING (CHGM): ESSENTIAL FACTS  
PROSPECTS FOR CHGM

1. Nigerian High Commissioner said at Commonwealth Southern African Committee on 10 June that if, after 'a reasonable time' the New Zealand Government had done nothing to prevent the Springbok tour to New Zealand, his government would request the venue of Commonwealth Finance Ministers' Meeting (CFMM) to be changed. This view was supported by several African and Caribbean High Commissioners. The New Zealand High Commissioner reminded the meeting of his government's efforts to prevent the tour, and said he would report what had been said to his own government. The Chairman said that the matter would be re-considered when the Committee met again on 6 July.

UK VIEWS ON AGENDA

2. Mr Ramphal's (circular) letter (of 27 May: copy at Annex A) not yet considered fully. Proposals seem unexceptionable, drawing particular attention to: current political tensions, including Southern Africa; North/South Issues; and Commonwealth functional cooperation. On latter, major UK problem is lack of funds; difficult to endorse any proposal, of which there are a number\* foreshadowed in Mr Ramphal's letter, which would result in increased UK expenditure. (We contribute to Commonwealth organisations, including Commonwealth Fund for Technical Cooperation (CFTC), at flat rate of 30%).

[Examples\*: increased subscriptions to CFTC, Commonwealth Foundation,

/Commonwealth

Commonwealth Youth Programme; additional Secretariat responsibilities for Human Rights, 'student mobility', Commonwealth Arts, media].

POSSIBLE UK INITIATIVES

3. Toying with several ideas, on eg NWICO (for possible declaration by CHGM upholding democratic principles in NWICO context) and Namibia (for possible Commonwealth seminar (not to be revealed) on an independent Namibia's economic future).

NZ VIEWS ON AGENDA

4. NZ ideas known from visit in April of two senior NZ officials (Mr I L G Stewart, Deputy Secretary MFA and Mr T Hannah, Head of MFA's European Department) who inter alia discussed CHGM prospects in FCO; and from NZ aide memoire (copy annexed at B) then passed to FCO by Australian High Commission. At that stage NZ Government: (a) 'supported identification of North/South issues' as CHGM's 'main concern', and (b) emphasised need to make CHGM 'relevant to the small Pacific states'. NZ also stressed special education needs and Southern African issues.

POSSIBLE NZ INITIATIVES

5. Not yet known (and perhaps helpful to know) if NZ Government planning initiatives.

FOREIGN AND COMMONWEALTH OFFICE

10 JUNE 1981



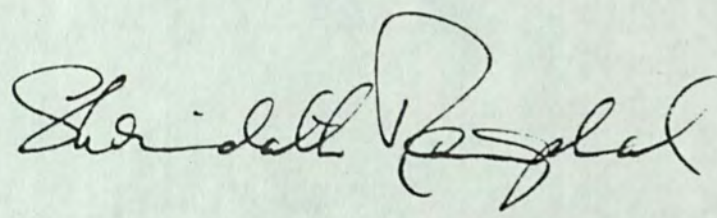
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~~TREAT AS  
Covering SECRET~~ CONFIDENTIAL

C.152/11/4

27 May 1981

I attach a message to your Head of Government on the subject of the agenda for the next Commonwealth Heads of Government Meeting in Melbourne from 30 September to 7 October 1981 together with an extra copy. I should be grateful if you would ensure that this is transmitted to your Head of Government as quickly as possible.



---

Shridath S Ramphal

043

Trial as  
~~CONFIDENTIAL~~  
~~SECRET~~

C.152/11/4

27 May 1981

As preparations enter their final phase for the Commonwealth Heads of Government Meeting in Melbourne from 30 September to 7 October 1981, I write to seek your views on the subjects which you would like to see discussed and to offer some preliminary ideas for your consideration.

I do so against a background in which the Commonwealth's established capacity for consensus building is perhaps more widely recognised and valued than ever before - and not just by member Governments but by the international community as a whole. Significantly, Melbourne will be the first major consultation at the highest level of 'North' and 'South' anywhere in the world since Lusaka. The challenge to the Commonwealth to improve the prospects for global harmony through its unique facility for direct and informal discussion between Heads of Government could hardly be more pointed than at this moment of acute difficulty for many countries and with the larger crises of the '80s looming ahead. In responding to that challenge, Heads of Government will, I am sure, be reinforced by recollections of the achievements of Lusaka and of Commonwealth roles since then.

On the political front it clearly is a time of unusual danger. The decline of détente, the acceleration of the arms race, the hardening of the policies of the superpowers across the board, the persistence of such areas of tension as Afghanistan and Kampuchea and the emergence of new flashpoints cannot but be matters of grave concern.

...2/.

And, as the set-back to the SALT process and the UN Conference on the Law of the Sea illustrate, there is the danger of an unravelling process which could further aggravate political tensions and difficulties. Some Commonwealth countries feel directly affected by particular situations, but a worsening of the political climate and threats to peace affect all nations. Heads of Government will no doubt wish to consider these developments in their review of the world political situation while recognising that, in a world in which issues become ever more closely inter-linked, they are not without relevance for development and international economic co-operation generally.

Zimbabwe's independence after long years of travail was a source of particular pride and satisfaction to the Commonwealth. Its presence at Melbourne will be a reminder of the unfinished business of Southern Africa. After years of patient negotiation, Namibia's progress to independence and Commonwealth membership has now suffered a major set-back; while much will obviously depend on events over the next few months, the situation inevitably occasions grave concern. Within South Africa, apartheid continues to constitute an affront to the world community, undermining the prospects for peace and stability of the entire region. Recalling the Lusaka Declaration on Racism and Racial Prejudice, and the earlier and more particular Gleneagles Agreement, Heads of Government will, I am sure, wish to consider urgent ways and means of shaping events towards internationally agreed objectives. And a similar wish will certainly obtain in relation to the situation in Cyprus which has continued to defy resolution.

On the economic side, I am keenly aware of the opportunity which the Melbourne Meeting presents to focus upon the crisis which affects the world economy in general and the developing countries in particular and to consider what measures Commonwealth countries, individually and collectively, might take in the context of broader international action to help improve the situation. The timing of the Melbourne discussions - after the Ottawa Summit of the major industrialised nations (in July) and prior to the summit of world leaders of both industrialised and developing countries in Mexico (later in October) - invests Melbourne with added significance.

Since Heads of Government last met in Lusaka two years ago, the international economic situation has unquestionably deteriorated, manifesting itself in massive economic problems and enlarging poverty and instability in the developing 'South' and rising unemployment and falling output in the industrialised 'North'. At such a time when the need for sustained action at the global level has never been greater, individual Governments are tending to turn

inwards, and negotiations on the form and substance of that action remain painfully deadlocked.

At Lusaka, Heads of Government agreed on a study by an independent group of experts with a view to identifying specific measures to reduce or eliminate as a matter of urgency constraints on structural change and economic growth in both developed and developing countries. The Report of the Expert Group led by Professor Arndt of Australia ('The World Economic Crisis'), was circulated to the 11th Special Session of the United Nations last year and has received much attention. With appropriate updating, which the Secretariat will provide, the Report provides an eminently suitable starting point for the discussions at Melbourne. In the context of prevailing conditions in the world economy, food, energy, trade and financial flows would seem to emerge as critical issues for attention.

As in the past, the Commonwealth, by virtue of its special capacity to view the world situation from both North and South can lend a much needed impetus to the processes of global negotiation. By helping to point the way forward, Commonwealth leaders can contribute to progress at the Mexico Summit and in the 'Global Round'. I would welcome your thoughts on how Melbourne might best serve these purposes.

Finally, there is the important area of functional co-operation. The Commonwealth's capacity to contribute to wider global issues is of course rooted in and sustained by practical co-operation between Commonwealth countries themselves. Past Heads of Government meetings have successively enlarged the scope of such endeavours particularly in the field of development. It was in this spirit that Lusaka initiated a programme of industrial co-operation and already gratifying progress has been made in initiating new industrial projects in a number of countries. In this vein and responsive to current needs, I venture to suggest a few areas of special emphasis at Melbourne. These involve, in the main, not the initiation of new programmes but the strengthening of existing ones:

- I have mentioned 'food' as one of the global issues to which Heads of Government might pay particular attention. I know it is high among the concerns of many leaders. There may well be important practical ways in which the Commonwealth can respond to these concerns and the needs they reflect. Enhanced co-operation in food production in particular can be of immense value to many Commonwealth countries facing serious food deficits and the prospect of major global food shortages. At their recent meeting in Dacca, Commonwealth Agricultural Ministers urged an enlarged Commonwealth role in

this area including measures to harness Commonwealth experience and skills in a manner that could yield practical results. I propose, therefore, to submit for consideration some specific proposals in this respect.

- Heads of Government of the Asia-Pacific region held their second meeting in September 1980 in New Delhi and the evolution of this important regional initiative will be of interest to the Commonwealth as a whole, as will other efforts at regional co-operation involving Commonwealth countries - one of which, the Southern Africa Development Co-ordination Conference (SADCC) emerged since Lusaka.
- Lusaka gave emphasis to special programmes of assistance to our island developing and specially disadvantaged member countries, a theme which was pursued further at the regional meeting in New Delhi. Commonwealth work in this area has been essentially pioneering and it requires reinforcement. It would be particularly helpful to consider how bilateral and multilateral programmes may be strengthened and given greater momentum, responsive to the wishes of the countries concerned.

There will be need, too, to review or carry forward a number of specific decisions that were taken at Lusaka or at subsequent Ministerial Meetings:

- Heads of Government will have before them the Report of the Working Party on Human Rights which seeks to respond to its mandate in this important but sensitive area.
- Heads of Government will also have before them a Report of the Commonwealth Committee on Communication and the Media as well as a Report on the proposal for a Commonwealth Film and Television Institute.
- The ongoing work and resource problems of the Commonwealth Youth Programme and the Commonwealth Foundation will require close attention if they are to continue to fulfil the purposes for which they were established.

At their meeting in Sri Lanka in August 1980, Commonwealth Education Ministers requested me to convene a Consultative Group to examine ways in which student mobility between Commonwealth countries could be maintained and fostered. The Group's recommendations are now before Education Ministers but in view of the urgency and importance of the matter, Heads of Government may wish to give some attention to it at Melbourne.

Underpinning all these activities, and indeed the Secretariat's entire operational capability in the field of development, is the Commonwealth Fund for Technical Co-operation. Despite impressive achievements, it is a matter of major concern that the last two years have seen a decline in real terms in the Fund's resources and a corresponding diminution in its capacity to meet the needs of member countries. That this should have happened during a period of sustained Commonwealth achievement on the world stage is all the more disquieting. I very much hope that at Melbourne Heads of Government will attach importance to reversing this trend and will consider favourably the Report of the Working Party on CFTC Resources set up by Finance Ministers last September. I cannot emphasise too strongly the intimate link between the fortunes of the Fund and the elan of the Commonwealth connection, which will be weakened if the Fund declines. The amounts involved are relatively small but the returns are of disproportionate value and significance. For the major contributors to the Fund it is much less a question of additional resources than of priorities within existing development assistance programmes. Melbourne will offer an opportunity to respond in priority terms to what the Commonwealth relationship both needs and deserves.

Separately, a more general question has been raised about the possibility of greater co-operation in the cultural sphere. The Commonwealth Institute hopes Heads of Government will take note of its work and consider ways in which it could be of greater service to Governments; and the recently formed Commonwealth Arts Organisation seeks official support. I would welcome your guidance.

As I indicated earlier, these are preliminary thoughts on the broad contents of the agenda, based on my assessment of the current concerns of Commonwealth Governments. I assume Heads of Government will wish the agenda's actual format to follow the successful pattern of recent Meetings, with broad and flexible headings under which specific topics can be inscribed.

I shall be grateful to have your views, if possible by mid-July, along with an indication whether it will be your intention to present any papers to the Meeting. In the light of the responses I receive, I hope to be able to circulate an annotated draft agenda in the first week of August.

Meanwhile, having just returned from Canberra, I am glad to be able to report to you on the excellence of the arrangements for the Meeting, and how much effort and care the Australian Government has devoted to them. You are assured of a warm welcome and of facilities designed to make your consultations as productive as possible.

With deep respect,

Shridath S Ramphal

AIDE MEMOIRE

New Zealand officials and Ministers have been giving thought to the shape of the agenda for the next Commonwealth Heads of Government Meeting and the following views are advanced for discussion with the Secretariat and with the host Government.

There are two main points we would wish to make at this stage:

(I) New Zealand supports the identification of North/South issues as the main concern of this year's CHOGM. The Brandt Report called attention in a very clear way to the nature of the problems and the urgent need to come to grips with them. Yet the Global Negotiations planned in the United Nations framework have not yet got under way and there can be little ground for optimism that progress will in fact be made this year. The Secretary-General has argued that the active involvement of political leaders is needed to move out of the present impasse and while, as he says, the Commonwealth cannot negotiate for the world, it can help the world negotiate. In supporting discussion of North/South issues as the main concern for the Melbourne meeting we look forward to a clear articulation of a Commonwealth commitment to progress in the dialogue which could in turn have an influence on international negotiations.

Within the complex of North/South issues the energy question may offer potentially the most productive area for intra-Commonwealth discussion. Apart from the four or five oil producers in the Commonwealth, the economies of both developed and developing members have been damaged by the successive oil crises of the 1970s. It should be possible in the CHOGM setting to have more relaxed discussions on such questions than in more universal or regional bodies. Other issues to be addressed are recycling, the role and future of international financial institutions, the liberalisation of international trade in particular commodities, the Common Fund and food aid and security.

(II) New Zealand would also emphasise the need to make the CHOGM meeting relevant for the small Pacific states. We wish to help ensure that they are not forgotten in discussion or deterred from participation in exchanges by concentration on issues remote from their concerns. Their interests need to be accommodated under each of the main agenda headings. CHOGM is one of the few global forums in which most independent Pacific Island countries participate and it provides them with an opportunity to make their concerns known to a broadly based group. The North/South item provides an opportunity for them to advance the special economic problems of small island states which they share with some Commonwealth members in the Caribbean and Indian Ocean. (Some reference might be made to the case being made in the United Nations for LLDC status for Tonga, Tuvalu and Kiribati.)



Prime Minister Muldoon has already indicated (via a letter from the High Commissioner to the Secretary-General) his view that the special education needs and problems of small states is a topic meriting discussion at Melbourne under the agenda heading of Functional Cooperation. Further consideration and discussion with Island leaders may suggest some other specific topics.

As regards other matters for discussion at Melbourne we consider there will be a need to pay close attention to Southern African issues. Namibia will certainly figure in the discussion and there may be some follow-up to the Zimbabwe Donors' Conference and to the Geneva United Nations meeting in April on the African refugee problem. In the light of various developments, including those in connection with the English Cricket Tour of the West Indies, it is foreseen that the question of sporting contacts with South Africa may also be raised.

Providing there is no sharp deterioration in some other aspect of international relations the New Zealand authorities consider that the remaining areas of main interest at Melbourne are likely to include the question of great power activity in the Indian Ocean and the related problem of Afghanistan where there are some fairly sharp divergences of approach amongst Commonwealth countries. Middle East issues and the Iran/Iraq war can also be expected to figure although in less depth. Depending on developments in the South East Asia area, some members may also wish to raise the situation in Kampuchea.

PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE

BRIEF NO (IV) SPORTING CONTACTS WITH SOUTH AFRICA  
POINTS TO MAKE

Springbok Tour of New Zealand

1. Sympathise with position of New Zealand Government. Similar to our own. Done all they can to persuade the New Zealand Rugby Football Union (NZRFU) to cancel the tour.

Renegotiation of Gleneagles Agreement: Commonwealth Heads of Government Meeting

2. Gleneagles Agreement certain to be discussed at Melbourne. Sonny Ramphal seems relaxed, but understand Nigerians and Abraham Ordia may be seeking to tighten it. Want to avoid modification. Hope it can be discussed informally and acrimonious debate avoided.

3. We already discourage sporting contacts. But our sports bodies are independent. So are our sportsmen. We cannot stop them visiting South Africa or any other country, as witness the Moscow Olympics.

United Nations Blacklist

4. Every country has a right to refuse entry to non-nationals. But our own traditions of individual freedom lead us to deplore a blacklist of this nature. It is not binding. We shall not apply it though others will. Too early to know how it will work out.

Commonwealth Games: Brisbane: 1982

5. Illogical and unjust to boycott Commonwealth Games in response to ill-considered actions by one group of sportsmen whose sport, rugby, will not even be represented at Brisbane. We will do what we can to minimise damage to Games.

Irish Rugby Football Union (IRFU) Tour of South Africa

6. Did all we could. Supported Irish Government's efforts. Our Minister for Sport wrote to President of IRFU advising Union to reconsider and to advise potential participants from Northern Ireland of our concern

/Initiative

Initiative by South African Government to relax Apartheid in Sport

7. We welcome any move by South Africa to normalise sport. But it will not soften African attitudes: they want the abolition of Apartheid in general, not just in sport.

Trawl of Likely Attitudes of other Commonwealth Governments if Gleneagles Discussed at CHGM, Melbourne

8. We have copied to the New Zealand High Commission the replies already received from our posts and will be preparing a summary for Mr Stewart of NZMFA when the exercise is completed.

Defensive

9. Commonwealth Finance Ministers' Meeting: Auckland 22-23 September

Have heard reports that if Springbok tour of New Zealand goes ahead Nigeria may propose change of venue for Finance Ministers. What can we do to help minimise the damage? Suggestion that consideration of sporting contacts with South Africa be shelved until CHGM might save Finance Ministers meeting. But atmosphere for CHGM itself might be soured, and prospects of considering sporting contacts informally at Canberra rather than at Melbourne reduced.

Foreign and Commonwealth Office

8 June 1981

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PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE

BRIEF NO (IV)

SPORTING CONTACTS WITH SOUTH AFRICA: ESSENTIAL FACTS

1. The New Zealand Rugby Football Union (NZRFU) have invited a South African rugby team (Springboks) to tour New Zealand during July/September 1981. Despite intense pressure the NZRFU have remained adamant that the tour will take place. Although sensitive to the issue the New Zealand Government have refused to withhold visas from the Springboks. Given our own policy on sporting contacts with South Africa we are not in the position to urge New Zealand Government to do more. They have told the NZRFU that if the tour goes ahead the Government grant (of about £5,000 each year for the development of rugby in secondary schools) will be withheld. In this they have gone further than we were prepared to go in response to the 1980 British Lion's tour of South Africa.

Renegotiation of Gleneagles Agreement: Commonwealth Heads of Government Meeting (CHOGM)

2. Recent actions by the Nigerian and Guyanese authorities have focussed attention on the Gleneagles Agreement and raised questions about its interpretation. Four Caribbean Governments have already indicated their intention of raising Agreement at CHOGM with a view to securing its more effective implementation. It would be unrealistic to expect support for a move to relax it. It may be difficult to prevent it being discussed in open session rather than at the informal weekend which is what we would prefer.

United Nations Blacklist

3. On 15 May 1981 the UN Special Committee Against Apartheid published a Report which includes a "register" covering the period 1 September 1980 to 31 March 1981. The Register contains three lists:-

- (i) A list of sports exchanges with South Africa;
- (ii) A list of sportsmen and women who participated in sports events in South Africa;
- (iii) A list of promoters and administrators who have been active in collaboration with 'apartheid sport'.

4. Britons feature prominently throughout and the Sports Council Chairman (Mr Richard Jeeps) together with one other member (Mr Bill Hicks) are included in the third section of the register. Commonwealth Games, Brisbane, 30 September to 10 October 1982

5. If the Springbok tour of New Zealand takes place there could be an African boycott of the Brisbane Games, unless the New Zealanders stay away. But a recent visit to Australia by Mr Abraham Ordia, the President of the Supreme Council for Sport in Africa went very well. The Australians handled the visit skilfully and Mr Ordia did not close the door completely on a compromise. During his visit he praised Mr Fraser and Australia for their support in the battle against apartheid in sport. The Australians, as hosts, are particularly anxious that there should be no disruptions.

Irish Rugby Football Union (IRFU) Tour of South Africa

6. The IRFU decided on 2 January to undertake a short tour of South Africa in May. The Union is responsible for rugby for the whole of Ireland and it was inevitable that some Northern Ireland players would be selected. Both we and the Irish Government made every effort to persuade IRFU to call off the tour but it went ahead as planned. Most critical comment has been directed towards the Republic, but they have also been praised for the strength of their attempts at discouragement.

Initiative by South African Government to relax Apartheid in Sport

7. Dr Viljoen, Minister of National Education, stated on 22 May 1981 that the South African Government had decided in principle to

amend certain apartheid legislation to exclude sport. Although this could take time it was hoped the decisions would confirm both in South Africa and abroad that the Government regarded multi-racial sport and the removal of obstructive measures as a matter of concern.

8. We welcome proposed changes as a step in the right direction. But our policy will remain unaltered resting as it does on 'Gleneagles'. A majority of Commonwealth governments will continue to take the view that "normal sport is impossible in an abnormal society".

Trawl by our High Commissions on likely attitude to CHGM Melbourne

9. We have asked our posts to ascertain discreetly the views of Commonwealth governments on discussion of the Gleneagles Agreement at Melbourne. We are sharing the results with New Zealand and have offered, through the High Commission in Canberra, to share them also with Australia.

Future British Sporting Contacts with South Africa

10. There is only one definite rugby contact expected in the foreseeable future: the Welsh Academicals are intending to tour South Africa for three weeks in late July/August 1981. Mr Monro has written to the President of the Welsh Rugby Union but the tour will go ahead.

Foreign and Commonwealth Office

8 June 1981

CONFIDENTIAL

PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE 1981

BRIEF NO (V): ELECTION OF PRESIDENT MITTERRAND

Points to Make

General

1. Stability of Fifth Republic demonstrated by smooth accession of Socialist President. French surprised but clearly pleased by their boldness. Expect victory of Left at legislative elections.
2. Expect to continue working normally with new French administration at all levels and in all fields. Successful meeting between Lord Carrington and M Cheysson. What impressions has New Zealand received?

Foreign Policy

3. No basic changes expected in French foreign policy though the approach to some issues may be different, eg Southern Africa/Namibia.

Communist Participation (if raised)

4. Electoral pact between Socialist and Communist parties means that, depending on outcome of legislative elections, limited Communist participation in future government cannot be excluded but no Socialist commitment to this option as yet. If there is Communist participation, unlikely to be in sensitive areas and French method of government should ensure that Communist Ministers have little or no influence on matters of sensitivity to allies. Prospect is certainly unwelcome but Mitterrand's hand will only be made harder to play if allies speak out.

FOREIGN AND COMMONWEALTH OFFICE

10 June 1981

CONFIDENTIAL

PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE 1981

BRIEF NO (V)

ELECTION OF PRESIDENT MITTERRAND

Essential Facts

1. The French legislative elections will be held on 14 and 21 June. President Mitterrand has said that the present interim government will be replaced by one reflecting the allocation of seats in the National Assembly. A Socialist Party (PS) electoral arrangement with the Communists (PCF) is intended to ensure that the weaker candidate steps down in favour of the stronger for the second round. In reaching this agreement with the PCF, the PS have made no commitment to include Communist Ministers in the next government, but some (perhaps three) Communists may be appointed, in less important Ministries in areas where PS and PCF policies are similar, unless PS can put together a majority of the Left in Parliament without the help of the PCF, or Communists can be compensated for their support in some other way. We assume that Communists will not obtain portfolios in security, defence and foreign affairs fields.

2. There is no practical alternative to dealing normally with the French Government, even if it contains Communist Ministers. To suggest otherwise, especially in public, would only weaken President Mitterrand's freedom of manoeuvre: he might even feel obliged to appoint Communists in order to

/avoid



avoid suggestions that he had succumbed to foreign pressure.. It will therefore be in our interests and those of our Allies, to refrain from such suggestions and public speculation on the consequences. In the event of Communist Ministers being appointed, we might have to revise our attitudes if it seemed that they were in fact being given access to sensitive material.

3. It is clear that the new French administration will continue to assert France's independence and to maintain her present defence posture and attitudes to the NATO Alliance. Similarly, the French will continue vigorously to pursue their national interest in the European Community. However, first contacts with the new administration, notably the Secretary of State's talks on 28 May with M Cheysson, have shown a French willingness to take a fresh look at areas where France and the UK could cooperate to their mutual benefit.

4. The economic problems which the French government formed after the legislative elections will have to face are daunting in aggregate. Some of them, particularly an accelerating inflation rate, will have been wished on themselves by the new government through political choice (especially by raising the minimum wage and if the 35 hour week is introduced as forecast). The short term prospects are for a much bigger trade deficit and considerably higher levels of inflation than previously foreseen, a significant squeeze on corporate

/profit

profit margins (affecting small to medium size businesses disproportionately), a consequent drop in investment, a traumatized stock exchange, a budget deficit twice as large as planned for the current year and a currency needing constant support both from within and without, especially as President Mitterrand will do everything he can to keep the franc within the EMS at its present parity until the legislative elections are over.

5. The pace and amplitude of the probable deterioration will depend upon the nexus of political and economic developments in France and their repercussions on external confidence. For the moment there is a pause while everyone waits for the elections. President Mitterrand and senior Ministers in the present government appear to be basically realistic and moderate in intention but their hands may be forced by political and economic events. The greatest danger would be posed by a major sustained run on the franc and rapidly deteriorating balance of payments figures which could create a situation where the hands of the protectionist, nationalising left-wing of the Socialist Party would be strengthened. However, the Ministers primarily concerned appear to be staunch advocates of an open market system and would be expected to resist such pressure to the best extent possible. It may be that the post-election situation will still not be clear-cut either way and that the prevailing uncertainty will persist for some time to come.

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PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE 1981

BRIEF NUMBER (vi)

US FOREIGN POLICY:

POINTS TO MAKE:

None

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PRIME MINISTER'S DINNER WITH MR MULDOON: 18 JUNE 1981

BRIEF NUMBER vi

US FOREIGN POLICY: ESSENTIAL FACTS

1. No coherent foreign policy has yet emerged; but the central theme is the arrest and removal of Soviet and proxy advances in the third world. In a speech on 5 May, Secretary of State Haig described the four major points in the Administration's approach to foreign policy as an insistence on reciprocity and restraint in East/West relations; determination to strengthen the Alliance; a constructive role in the third world and a firm resolve to strengthen the US economy and defences. A number of the more extreme standpoints adopted by the Republicans prior to office have been modified. Others (eg deemphasis on human rights) have been largely retained.
2. Potential trans-Atlantic difficulties over particular problems such as approaches to detente, arms control, Arab/Israel and Southern African questions still remain. The US decision to review UNLOSC at the eleventh hour was not well received, nor was the lack of consultation over the grain embargo decision. Nonetheless, the evidence points to greater warmth between the US and her major European allies than at the end of the Carter Administration. The Germans and French (as well as UK) have paid successful high level visits to Washington.
3. In the Middle East the Administration is still considering the way forward: the differences of view between the US and the EC over the European initiative have yet to be resolved; problems have surrounded the US decision to supply AWACS for Saudi Arabia; and the US - in the person of special presidential envoy Philip Habib - are heavily (and constructively) involved in the Lebanon crisis. A coherent policy on Southern Africa has also yet to be formulated and there is considerable Allied (as well as Black African) anxiety about alleged US softness towards the South Africans. Deputy Secretary of State Clark's visit to Southern Africa this week will be important. On arms control,

.../there

there is relief among the allies that the Americans have at last set the ball rolling for a dialogue with the Russians (meetings in Washington between Mr Eagleburger and the Minister in the Soviet Embassy in Washington).

4. Relations with the UK are traditionally close and President Reagan and the Prime Minister have a broad common outlook. The US Administration recognises that HMG is fully committed to a strong NATO defence despite the problems of the British economy and speculative press reports about defence cuts arising from the British Defence Review. Mr Nott's visit to the USA on 20/21 June should put this into perspective for the Americans.

5. President Reagan has made good relations with his neighbours Mexico and Canada a priority aim. President Lopez Portillo was the first foreign leader he visited as President-elect and the two presidents met at Camp David on 8 June for further talks. President Reagan's first overseas visit was to Canada where he succeeded in injecting greater warmth into US/Canadian relations.

6. Despite the legacy of Republican commitment to the Taiwan lobby (The Taiwan Relations Act) the US have reassured Peking that the US wants normal relations with China. Secretary of State Haig visited China from 14 to 16 June. The Administration also attach important to their relationship with Japan. During Premier Suzuki's visit to Washington the US sought to strengthen the defence relationship, in the hope of obtaining a greater Japanese contribution.

NORTH AMERICA DEPARTMENT

11 June 1981



PRIME MINISTER'S LUNCH WITH MR MULDOON: 21 SEPTEMBER 1979

BRIEF NO 1: STEERING BRIEF

1. UK OBJECTIVES

To reinforce Mr Muldoon's helpful stance on Rhodesia.

2. TACTICAL HANDLING

No tactical problems. No serious bilateral issues.

3. SUMMARY OF BRIEFS

Rhodesia (Brief No 2): Developments. Prospects. Thanks.

New Zealand/EEC relations (Brief No 3): General reassurance.

British policy in the South Pacific (Brief No 4): No withdrawal.

We may scale down representation eventually.

British immigration rules and nationality law (Brief No 5): New Zealand's interests fully considered.

Civil Aviation (Brief No 6): Awaiting New Zealand reaction to our cheap fares counter-proposals.

Sporting contacts with South Africa (Brief No 7): We have discouraged proposed Barbarians' tour.

Foreign and Commonwealth Office

14 September 1979

.../NEW ZEALAND STATISTICS



NEW ZEALAND: STATISTICS

1. Population and Land Area

(a) Land Area	268,676	km <sup>2</sup>
(b) Population (1978)	3.11	mill
(c) Population growth rate (1970-1977)	1.4	% p.a.

2. Economic

(i) Gross National Product

	<u>1977</u>	
(a) Total	13,760	US \$ m
(b) Growth Rate (1970-1976)	3.53	% p.a.
(c) Position in Total GNP League Table	50th	(of 146)
(d) Per Capita	4,370	US \$
(e) Position in Per Capital League Table	24th	(of 146)

(ii) Balance of Payments

	<u>1977</u>	<u>1978</u>	US \$ mill
Exports fob	3,096	3,624	
Imports fob	-2,825	-2,991	
Invisibles and Transfers (net)	-901	-1,028	

Current Account	-630	-395
Capital Account	-15	-19
Balancing Item	47	-30

Overall Balance	-598	-444
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(iii) Foreign Trade

(a) Main Exports

Commodities:

Wool	22.5	17.4	
Lamb and Mutton	14.8	12.2	
Butter	7.2	7.1	
Beef	13.0	9.4	

(b) Main Export Markets

UK	23.7	13.8	
USA	15.7	14.9	
Japan	15.4	13.8	
Australia	8.3	11.8	

(c) Major Sources of Imports

Australia	24.6	20.8	
UK	21.0	15.8	
USA	12.1	14.4	
Japan	13.3	13.1	

(d) UK Trade with New Zealand

Total value of exports	167.3	268.2	
Real growth of exports (five years ending)	n.a.	-8.9	% p.a.
Position in UK's export League Table	21st	27th	(of 152)



PRIME MINISTER'S LUNCH WITH MR MULDOON: 21 SEPTEMBER 1979

BRIEF NO 2 : RHODESIA

Points to make

Developments at Conference. Prospects. Thanks for support.

Essential Facts

Mr Muldoon has been helpful throughout. Copies of an exchange of messages between him and the Prime Minister, and of a message he addressed to Conference delegates, are attached.

FOREIGN AND COMMONWEALTH OFFICE

14 September 1979





Text of Message from the Prime Minister to Mr Muldoon, 13 August 1979

I know that you share my view that the agreement we reached at Lusaka over Rhodesia was a tremendous achievement in establishing a new basis for progress towards a peaceful solution. I am most grateful to you for your consistent support. We are determined to press ahead, and to maintain the momentum we have gained. In accordance with the terms of that agreement we are now inviting Bishop Muzorewa and the leaders of the Patriotic Front to attend a Constitutional Conference in London on 10 September. This is only the first stage in a process that is bound to be difficult, and we shall need all the help and support our friends and allies can give us. I am sure that I can count on yours.

Text of Message from Mr Muldoon to the Prime Minister, 16 August 1979

Thank you for the message which your High Commission sent me on 14 August. I am very much aware of the great difficulties in bringing about a settlement in Rhodesia, but there can be no doubt of the importance of the achievement in Lusaka in agreeing on the framework within which the effort should be made.

I will of course continue to support you as you work towards a peaceful solution to the conflict. I would be glad to be kept up with the play for, as I am sure you know, I want to be as helpful and constructive as I can.



Message from Mr Muldoon to delegates to the Constitutional Conference,  
5 September 1979

I write to you on the eve of what is undoubtedly the most important Conference in the history of your country. I have been encouraged to do so by the discussions that took place last month at the Commonwealth Heads of Government Meeting in Lusaka. That Meeting, at which differences were expected to be acute, showed what can be done when there is a will and a spirit of co-operation.

The road to a peaceful settlement is now open to you. It is for you - each and all - to make your contribution to the final stage and to lead your country into independence, peace and stability. I do not minimise the difficulties that lie ahead of you. But I hope that you will keep in mind at all times that the fate of millions of your men, women and children, now and in the future, lies in your hands - and in your hands alone. The prize of independence and of peace is great.

I look forward to the day when your country will be welcomed by the Commonwealth and the international community. I wish you all well.



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PRIME MINISTER'S LUNCH WITH MR MULDOON: 21 SEPTEMBER 1979

BRIEF NO 3 : NEW ZEALAND/EEC RELATIONS

POINTS TO MAKE

Confirm continuing UK support for New Zealand's interests over butter and sheepmeat. Few developments since Mr Muldoon was in London on 11 June. Detailed points will have been discussed with Mr Walker.

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 21 SEPTEMBER 1979

BRIEF NO 3: NEW ZEALAND/EEC RELATIONS

BACKGROUND

1. Main issues are still post-1980 butter access and implications for New Zealand of an EEC sheepmeat regime. We do not expect that Mr Muldoon will wish to discuss these in detail with the Prime Minister - he will have done so with Mr Walker immediately before the lunch.
  
2. On butter, the only development since Mr Muldoon's discussion with the Prime Minister on 11 June is that the Commission have produced a report setting out in general terms their ideas on providing more lasting access and suggesting an improvement, from New Zealand's point of view, in the levy system. However, they have still not proposed specific figures and the debate in the Council of Ministers, which is likely to be protracted, has not yet begun. New Zealand's present entitlement for 1980 is 115,000 tonnes and Mr Muldoon told the Prime Minister that at the end of the day New Zealand "could live with" an entitlement of 90,000 tonnes for 1985 and thereafter.
  
3. On sheepmeat, consensus on a CAP regime still seems some way ahead, although discussions may be given further impetus by the now imminent judgement by the European Court on the question of French import controls. The New Zealanders remain suspicious that any regime may in time evolve in a way detrimental to them; for the time being, however, they appear to accept that the Commission's proposals for third country trade (voluntary restraint in return for tariff reduction) represent a good basis for negotiating an arrangement which would protect their interests.

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[not for use]

4. In Brussels the UK has sought to amend the Commission's proposal in the interests of UK producers and consumers, and of New Zealand. If, as expected, the Court rules against the French controls, the French will be in real difficulty and we may be able to exploit this as a lever to induce them to move on issues of concern to us. If, on the other hand, we tried to oppose a regime of any kind, we should run into difficulties with the EEC Treaty and we should deprive ourselves of this leverage. Apart from the merits of the particular issue, therefore, there is a tactical advantage in continuing with detailed consideration of the Commission's proposal.

Foreign and Commonwealth Office  
18 September 1979

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 21 SEPTEMBER 1979

BRIEF NO 4 : BRITISH POLICY IN THE SOUTH PACIFIC

POINTS TO MAKE

1. Aware of New Zealand Government's wish that we continue to take a close interest in the region.
2. No intention of withdrawing, but cannot exclude possible scaling down of our representation at some future stage.

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 21 SEPTEMBER 1979

BRIEF NO 4 : BRITISH POLICY IN THE SOUTH PACIFIC  
BACKGROUND (Can all be used in confidence)

Mr Muldoon's worries

1. Mr Muldoon hopes we will not totally withdraw our diplomatic representation from the island countries. He is worried about risks of instability, given inexperience and gullibility of leaders such as Mr Lauti (Prime Minister of Tuvalu). Mr Muldoon would like to see a British High Commissioner resident in Tuvalu. Since speaking to the Prime Minister in Lusaka, Mr Muldoon has been briefed on her behalf by our High Commissioner in Wellington.

Present British involvement

2. We have resident High Commissioners in Fiji, Kiribati, Papua New Guinea, Solomon Islands and Tonga. Those in Fiji and New Zealand are also accredited to Nauru and Tuvalu, and to Western Samoa, respectively. We hope to establish a small resident mission in the New Hebrides on independence, which we and the French are planning for the first half of 1980 (Mr Blaker and a French Minister are due to attend a Constitutional Conference in the New Hebrides on 17-19 September). After that, Pitcairn will be our only colonial responsibility in the region.

3. Plans to establish a Development Division in Fiji have been suspended. But this will not reduce our substantial aid to former British dependencies to which we are committed under independence settlements.

Tuvalu

4. We see no special cause for alarm in the unorthodox financial activity of Mr Lauti. We are sure that a resident British High Commissioner could not do much to restrain him. We could not justify appointing one (Tuvalu's population is only 9,000). Mr Lauti has told us he is satisfied with our non-resident representation.

Foreign and Commonwealth Office  
14 September 1979



PRIME MINISTER'S LUNCH WITH MR MULDOON: 21 SEPTEMBER 1979

BRIEF NO 5 : POSSIBLE CHANGES IN BRITISH IMMIGRATION  
RULES AND NATIONALITY LAW

POINTS TO MAKE

IMMIGRATION

1. Objective is to curb abuses, mainly from the Indian sub-continent. Effect on New Zealand will be minimal.

NATIONALITY

2. New, more simplified law needed. Some restrictions likely on dual nationality acquired voluntarily.





PRIME MINISTER'S LUNCH WITH MR MULDOON: 21 SEPTEMBER 1979

BRIEF NO 5 : POSSIBLE CHANGES IN BRITISH IMMIGRATION  
RULES AND NATIONALITY LAW

BACKGROUND (ALL OF WHICH MAY BE TOLD TO MR MULDOON IN CONFIDENCE)

#### IMMIGRATION

1. Government intends to tighten up on immigration in the interests of good race relations. Plans to lay new rules before Parliament shortly. New Zealand Government were concerned at proposal to stop present concession which facilitates immigration of person with a UK-born grandparent. Home Secretary has now decided to recommend to his colleagues that this concession be retained.

#### Working Holidaymakers

2. Maximum period of stay will be reduced from 5 to 2 years limited to young people between 17 and 25.

#### Husbands and Male Fiancés

3. Current rules allowing entry for husbands and fiancés will be tightened to preclude marriages of convenience.

#### NATIONALITY

4. HMG will present a bill on a new nationality law during the present session. Essential feature is that citizenship will reflect the individual right of entry and abode in UK.

#### Citizenship by Descent (ie at birth overseas)

5. Transmission of citizenship will be through both male and female line for one generation only.

Foreign and Commonwealth Office

14 September 1979



PRIME MINISTER'S LUNCH WITH MR MULDOON: 21 SEPTEMBER 1979

BRIEF NO 6 : CIVIL AVIATION

POINTS TO MAKE

1. We understand the domestic pressure on New Zealand Government for lower fares. We too want cheaper air fares between our two countries, but we must bear in mind the effect on third countries' interests. Hope New Zealand Government will be able to reply soon to our proposal on new fares package.



PRIME MINISTER'S LUNCH WITH MR MULDOON: 21 SEPTEMBER 1979

BRIEF NO 6 : CIVIL AVIATION

BACKGROUND

New Zealand's Problem

1. Cheaper air fares, exclusive to BA and Qantas, introduced on the UK/Australia trunk route in February 1979 in line with Australia's International Civil Aviation Policy (ICAP) have attracted UK/New Zealand traffic to BA and Qantas at the expense of Air New Zealand (ANZ). The New Zealand Government are pressing for similar cheaper fares on the whole UK/New Zealand route.

Air New Zealand's Position

2. Air New Zealand do not fly all the way to London (this is their choice - we would let them). Air New Zealand only fly as far as Singapore, Hong Kong and Los Angeles. The New Zealand Government have suggested an ICAP-type cheap fare to London on the change-over route via Los Angeles only and on BA's direct service. But this would discriminate against Singapore (Singapore International Airlines fly to New Zealand) and would be difficult for us as well as the New Zealanders to defend.

3. We have proposed an alternative package to the New Zealand Government in which there would be new lower fares on the change-over routes via Los Angeles, Hong Kong and Singapore and also on British Airways' direct service. But because change-over routes have higher costs, fares on these routes should be higher than on the direct route. We are still awaiting an official reply from New Zealand. Meanwhile both BA and ANZ are continuing talks at airline level.

FOREIGN & COMMONWEALTH OFFICE

13 September 1979



PRIME MINISTER'S LUNCH WITH MR MULDOON : 21 SEPTEMBER 1979

BRIEF NO 7 : SPORTING CONTACTS WITH SOUTH AFRICA  
PROPOSED BARBARIANS' TOUR OF UNITED KINGDOM

POINTS TO MAKE (DEFENSIVE)

1. The Government accepts the Gleneagles Agreement and discourages sporting contacts with South Africa.
2. The Minister for Sport has told the organisers of the Barbarians tour that he regards it as ill advised and in breach of the Agreement.
3. South Africans do not require visas to enter the United Kingdom.
4. It would not be appropriate to prohibit the entry of individuals as not conducive to the public good.
5. No Government funds are involved.

FOREIGN & COMMONWEALTH OFFICE

14 September 1979



PRIME MINISTER'S LUNCH WITH MR MULDOON : 21 SEPTEMBER 1979  
BRIEF NO 7 : SPORTING CONTACTS WITH SOUTH AFRICA  
PROPOSED BARBARIANS' TOUR OF UNITED KINGDOM

BACKGROUND

BARBARIANS

1. Committee of Home Rugby Unions has invited South African Barbarians club to tour Britain in October. Minister for Sport has publicly expressed Government's concern. Committee stands by invitation despite Minister for Sport's request to reconsider.

IRELAND

2. Irish Foreign Minister has issued strong statement against proposed tour of Ireland.

FRANCE

3. Springbok rugby tour of France was due in October. But French recently introduced visa requirement for South Africans and intend to refuse Springbok visas. French Foreign Minister has also publicly condemned tour.

OLYMPICS

4. Rugby not an Olympic sport. Rugby Unions not affiliated to the British Olympic Association. It is for the International Olympic Committee to decide which countries should participate in the Games.

UK POLICY

5. We discourage sports links with South Africa and withhold grants.

HOME SECRETARY'S POWERS (NOT TO BE DISCLOSED)

6. Home Secretary has powers to prohibit entry into Britain of individuals whose presence would not be conducive to the public good. Powers have not been used to prevent entry of sportsmen; Ministers have decided that their use on this occasion is inappropriate.

FOREIGN & COMMONWEALTH OFFICE

14 September 1979

PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE

LIST OF BRIEFS ATTACHED

BRIEF NUMBER

- |    |  |
|----|--|
| 1  | Steering Brief                                   |
| 2  | New Zealand/EEC Relations                        |
| 3  | World Economic Situation and<br>The Tokyo Summit |
| 4  | Commonwealth Heads of Government<br>Meeting      |
| 5  | The South Pacific                                |
| 6  | China/Indo-China and ASEAN                       |
| 7  | Rhodesia   |
| 8  | Southern Africa                                  |
| 9  | Civil Aviation                                   |
| 10 | Sporting Contacts with South Africa              |
| 11 | Personality Notes                                |

Foreign and Commonwealth Office

6 June 1979

CONFIDENTIAL

PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE  
BRIEF NO 1: STEERING BRIEF

INTRODUCTION

1. This is Mr Muldoon's fourth visit for bilateral talks since he became Prime Minister in December 1975. He will arrive late on 10 June from Washington after talks with the World Bank and the IMF, of which he is Chairman. From London he goes early on 12 June to Paris for the OECD meeting. After lunching with the Prime Minister he will have talks with Mr Ramphal, and later an audience of The Queen.
2. Our links with New Zealand remain strong and diverse. We are still her most important trading partner. In 1978 we took 21% of her exports, worth £434m, and sold her goods worth £268m. (We could lose up to 30% of our export trade but for tariff preferences covering vehicles and spares.) Our invisible earnings are also substantial. 75,000 New Zealanders (out of a population of 3 million) visited Britain last year. We consult closely in the political and intelligence fields. Some defence links are maintained: staff talks, training exchanges, secondments and ship visits. As our own direct Pacific involvement declines, New Zealand's contribution to regional stability becomes more important.

BACKGROUND

3. Mr Muldoon is preoccupied with New Zealand's economic difficulties. Despite some alternative energy resources, including natural gas, the rising oil import bill has hit her hard. The current account balance of payments is still well in the red: NZ\$426m for the year ending March 1979. (This owes much to the increasing deficit on invisibles - a sore point with Mr Muldoon.) The country faces a rising debt repayment bill. Inflation is running at an annual rate of 10% and will rise this year, perhaps to 15%. The 5% unemployment rate, probably an underestimate, is the worst since the 1930s. There is a net emigration loss of 30,000 people a year, including many with high skills. These difficulties aggravate Mr Muldoon's worries about New Zealand's butter and lamb exports to Britain, and his vehement criticism of agricultural protectionism generally. He is particularly bitter about the Japanese. But his "better access or

/no fish"

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no fish" policy towards Japanese fishing in New Zealand's 200-mile zone has gained him no significant trading concessions.

SUBJECTS FOR DISCUSSION

4. In raising New Zealand/EEC relations (Brief No 2), Mr Muldoon will be hoping for reassurance, which he can quote at home, that Britain will be as determined as we have been in the past in defence of New Zealand's interests at Brussels. He will wish to discuss the World Economic Situation and the Tokyo Summit (Brief No 3). Japan has enquired whether there are any topics which New Zealand would like Japan to raise. Mr Muldoon would certainly prefer the Prime Minister to air his worries over agricultural protectionism and, as he sees it, the relatively little progress made for countries like New Zealand in the Multilateral Trade Negotiations. The Commonwealth Heads of Government Meeting (Brief No 4) is also at the forefront of his mind, particularly security and The Queen's safety. Concerned by risks of instability in the South Pacific (Brief No 5), he will probably urge that Britain should continue to take a close interest in regional affairs, both in terms of aid and of regular visits. On China/Indo-China and ASEAN (Brief No 6), Mr Muldoon's Deputy, Mr Talboys, has returned from a visit to China with a vivid impression of the toughness of Chinese policy towards Vietnam. Mr Muldoon may seek to compare notes about the effect on ASEAN of continuous tension in the area. Developments in Rhodesia (Brief No 7) are followed with interest in New Zealand, where traditional sympathies for the white Rhodesians still run deep and are reflected in Mr Muldoon's Cabinet. But he has less interest in other Southern African issues (Brief No 8).

5. Defensive briefing is attached on Civil Aviation (Brief No 9) and Sporting Contacts with South Africa (Brief No 10).

Foreign and Commonwealth Office  
6 June 1979

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PRIME MINISTER'S LUNCH WITH MR MULDOON : 11 JUNE

BRIEF NO2: NEW ZEALAND/EEC RELATIONS

POINTS TO MAKE

General

1. Affirm strong UK support for New Zealand's requirement to maintain access for agricultural produce.
2. Commend New Zealand strategy of quiet persistence and careful cultivation of Commission and Member States.

Butter

3. Negotiations for post-1980 access will be difficult. UK will work closely with New Zealand to secure acceptable terms. Timing important. Avoid tie-up with current CAP price-fixing.
4. Government's general CAP policy will benefit New Zealand indirectly, by reducing dairy surpluses dumped on third markets.

Sheepmeat

5. UK determined to safeguard New Zealand's interests (which largely coincide with those of UK consumers).

Cheese

6. Welcome MTN deal providing for resumption of New Zealand cheese exports to UK.

Foreign and Commonwealth Office

6 June 1979

CONFIDENTIAL

PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE

BRIEF NO.2: NEW ZEALAND/EEC RELATIONS

ESSENTIAL FACTS

General

1. Main purpose of visit - to test strength of new Government's will to defend New Zealand's interests. Main themes - post 1980 butter access and forthcoming EEC sheepmeat regime.
2. New Zealand has political and commercial bargaining power vis-à-vis the UK (British public opinion, maintenance of valuable Commonwealth tariff preferences on automotive products) but little vis-à-vis rest of Community. Quiet persistence and careful cultivation of the Commission and Member States has paid dividends, notably in achieving sympathy in Bonn for New Zealand's concerns. Mr Muldoon personally tempted to emulate more aggressive approach of Australian Prime Minister. But Mr Fraser, with far greater bargaining counters, has achieved little.
3. New Zealanders reasonably encouraged by Commissioner Gundelach's visit in late May. "Very heartening" said Mr Muldoon publicly. But doubts linger.

Butter and Cheese

4. Protocol 18 of UK Act of Accession allowed New Zealand to sell specified and annually declining quantities of butter and cheese to UK without paying full CAP levy. In return New Zealand required to respect a cif price unilaterally determined by Community. Initial arrangements ran until end 1977. Terms of continuation were a major issue in Community during 1974-75 "renegotiation" (notably at 1975 Dublin European Council).
5. Despite UK pressure, special terms and hence access for cheese ceased end 1977. But New Zealand has recently in MTNs negotiated resumed access for small quantities (9,500 tonnes).

6. For butter, current quotas negotiated in 1976 run out end 1980. For planning purposes New Zealanders want early decision in principle about continuation. Want to maintain access as close as possible to 1980 level (115,000 tonnes), but privately say 100,000 tonnes is minimum. In 1975-76 discussions some Member States challenged legal basis for post-1980 access. But Commission accept political imperative and German Minister of Agriculture has privately pledged support for deal acceptable to New Zealand. Other Member States likely to accept necessity for some sort of deal but will play tough in view of EEC milk surplus.

7. Next step - Commission proposal. But not until current price-fixing resolved. Present Commission thinking floated with New Zealanders during Gundelach visit - seven year arrangement, starting at lower levels than 1980 entitlement and declining gently year by year. As compensation a better cif price. But also reduction in 1979-80 entitlements and a "review clause". Initial New Zealand reaction cautious - want to see figures and suspicious of "review clause".

8. No direct UK economic interest in New Zealand access (indirect interest is unspoken quid pro quo of automotive preferences). By combination of cif price and special levies UK pays same foreign exchange price as for Community butter. New Zealand access complicates UK attack on dairy surplus. But political relationship with New Zealand is a major factor.

Sheepmeat

9. Sheep and wool - New Zealand's main export industry (nearly one third of export earnings). UK lamb trade the cornerstone. Wool - a by-product (the reverse of Australia). Mr Muldoon personally more concerned about sheepmeat than butter.

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10. At present no EEC sheepmeat regime. New Zealand frozen lamb enters UK across 20% tariff. But regime probably now imminent - European Court likely to find that French import restrictions against UK (maintained since UK accession) are illegal. Main problem to reconcile French (high) and UK (lower) price levels. UK has given general support to Commission proposals for "light regime" reflecting fact that EEC is only two-thirds self-sufficient in sheepmeat. Commission intend seeking voluntary restraint from New Zealand probably at around present levels with safety-net of safeguard clause. No increase in frontier charges proposed (present tariff is "bound" in the GATT, i.e. New Zealand could claim compensation if it were changed).

11. Publicly, New Zealanders question legal necessity for sheepmeat regime. (We believe pressures are overwhelming). Privately see merit in Commission proposals but fear that even if adopted might in time evolve into classic CAP regime.

12. Main UK interests:-

- (a) Maintenance of access to frozen lamb as relatively cheap component of UK consumer shopping basket;
- (b) Development of fresh meat exports to France.

Also subsidiary interest of UK investment in shipping, banking and insurance related to New Zealand lamb trade.

13. Present prospects - still uncertain. But French now anxious to resolve problem before European Court pronounces. UK shares with France desire for orderly transition to free market. New Zealand's interests unlikely to be adversely affected as far as can be foreseen at present.

Foreign and Commonwealth Office  
6 June 1979

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BRIEF NO 2 : NEW ZEALAND/EEC RELATIONS

STATISTICAL ANNEX

1978 TRADE AND CONSUMPTION : BUTTER AND SHEEPMEAT

BUTTER

<u>Trade</u> (year ending June 1978)	Volume (tonnes)	Value
(a) Total New Zealand exports :	151,000	na
(b) New Zealand exports to UK :	130,000	na
(To UK in calendar year 1978) :	(129,968)	(£121.7 million)
(c) Exports to UK as percentage of total :	86.1%	

Note : No New Zealand butter is exported to other EEC countries

<u>Consumption</u> (calendar year 1978)	(tonnes)
(a) Total UK consumption :	414,000
(b) New Zealand share of UK consumption :	33%
(c) Total EEC consumption :	1.7 million
(d) New Zealand share of EEC consumption :	8%

SHEEPMEAT

<u>Trade</u> (year ending September 1978)	Volume (tonnes)	Value
(a) Total New Zealand exports :	378,200	na
(b) New Zealand exports to UK :	194,000	
to EEC :	216,000	na
(To UK in calendar year 1978) :	(214,000)	(£171.6 million)
(c) Exports to UK as percentage of total :	51.3%	
EEC :	57.2%	

Consumption (calendar 1978)

(a) Total UK consumption :	400,000
(b) New Zealand share of UK consumption :	56.3%

Note : Figures for total EEC consumption in 1978 not yet available.

(c) 1977 total EEC consumption :	755,000
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## NEW ZEALAND COMPENSATION TRADING

### LINE TO TAKE

We readily recognise New Zealand's need to find alternative markets for her exports, particularly if she is to pay for major public sector purchases. Nonetheless we have been somewhat disquieted to learn that, on the instructions of the New Zealand Government, recent public sector calls to tender have advised tenderers to submit reciprocal trade proposals - over and above local content. While reciprocal trading facilities are a familiar feature of the open market, their pursuit as a matter of Government policy could lead to the kind of bilateralism which both our Governments have striven to avoid in world trade. I believe it would be useful if we agreed that our officials should discuss this matter together.

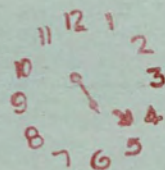
### BACKGROUND

This arises out of three recent cases where New Zealand public authorities issuing advice to tenderers have formally intimated that consideration will be given to reciprocal trade arrangements offered by the tenderers. The High Commissioner believes Mr Muldoon to be the instigator in formalising a tendency encouraged by the New Zealand Government for some years past. Given the pattern of our trading relationships with New Zealand it is not easy for our exporters to secure extra trade on the UK market; if orders are found in third world markets they could well be in competition with direct trading from New Zealand at prices favourable to nobody except New Zealand's customers; insofar as the technique steers New Zealand orders to suppliers whose prices, quality and deliveries are not competitive in their own right this could be a two edged sword for the New Zealanders themselves. It certainly will not make it easier for us to argue New Zealand's case in Brussels.



HMG's attitude to compensation trading outside the specialised field of defence has tended to leave the matter to commercial judgement. The distinguishing factor in the present circumstances is the public emergence of a formal Government policy in Wellington.

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE

BRIEF NO 3 : WORLD ECONOMIC SITUATION AND THE TOKYO SUMMIT

POINTS TO MAKE

GROWTH

1. World economic prospects gloomy. Inflation and unemployment rising. Growth forecasts are being revised downwards as oil prices escalate. Tokyo cannot be a re-run of Bonn.

ENERGY

2. Energy and its impact on the world economy looks like being the major subject for Tokyo. The Summit should give strong political impetus both to short-term oil demand restraints and to the development of long-term energy policies especially effective conservation.

TRADE

3. The main body of the MTNs is out of the way and the OECD Trade Pledge will have been renewed. So trade is unlikely to feature predominantly. But structural adjustment may be discussed.

NORTH/SOUTH DIALOGUE

4. UNCTAD V reached only a limited consensus. In present economic circumstances it would have been unrealistic to expect more. The developing countries will be hardest hit by rising oil prices.

INTERNATIONAL MONETARY QUESTIONS

5. The international currency situation seems to be reasonably stable at the moment. But OPEC surpluses will become a problem again. And Yen depreciation will make it more difficult for the Japanese to reduce their surplus on a long-term basis.

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ESSENTIAL FACTS

ECONOMIC SUMMITS

6. Japanese Prime Minister Ohira will host Fifth Economic Summit in Tokyo on 28/29 June. Previous Summits held in Bonn (July 1978), London (May 1977), Puerto Rico (June 1976) and Rambouillet (November 1975). In addition to Japan the Heads of State and/or Government of the UK, USA, France, Germany, Canada and Italy will also be present with Foreign and Finance Ministers. President of European Commission and President of European Council (President Giscard) will represent European Community for those parts of discussion related to Community matters.

AGENDA

7. No fixed agenda for Economic Summit. In practice discussion likely to revolve around five areas covered at Bonn, ie

- (a) growth
- (b) trade
- (c) energy
- (d) relations with developing countries
- (e) international monetary questions

Preparatory work in hand between Personal Representatives of seven Heads of Government. They met in Washington on 18/19 May and will have final meeting in Paris on 14-16 June. General agreement among Personal Representatives that Tokyo should avoid percentages and targets, that communique should be shorter than usual and that main topic for discussion should be energy and its relationship to world economy. Inconclusive outcome of UNCTAD V and damaging

/effect

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effect of the oil price rise on balance of payments of non-oil developing countries mean that North/South Dialogue also likely to be important topic. Cuts in public expenditure including aid may hamper UK response.

NEW ZEALAND INTEREST

8. Japanese have asked New Zealanders whether there any points that latter would like raised at Tokyo Summit.

Mr Muldoon's main concerns likely to be:

- i) higher oil prices;
- ii) agricultural protectionism.

On i) his concern is shared by all Tokyo Summit participants.

On ii), position is more difficult. We share Mr Muldoon's dislike of CAP, which lies behind his unhappiness over outcome of MTNs and renewal of OECD Trade Pledge (due at OECD Ministerial on 13/14 June). But this is matter of Community competence on which President Giscard and Mr Jenkins will speak for Community. Should nonetheless be ample opportunity to make our concern (and that of New Zealanders) known. Further material on CAP and New Zealand provided in EEC/New Zealand brief. We shall be agreeing to renewal of Trade Pledge for one year and hope New Zealand will do likewise.

Foreign and Commonwealth Office

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE 1979

BRIEF NO 4 : COMMONWEALTH HEADS OF GOVERNMENT MEETING  
POINTS TO MAKE

SECURITY

1. We are keeping the security situation under constant review. We would expect President Kaunda to do all he can to minimise risks; and he has promised to remove guns and missiles from near airports before The Queen's visit. A recent Buckingham Palace reconnaissance provided some reassurances; further reconnaissances, including one by a senior Air Force officer, are to be made in June and July. It would be useful for our two Governments to keep in touch.

AGENDA

2. A. We generally agree with the outline agenda proposed by Mr Ramphal in March, and have no new topics to suggest.

B. We hope Southern Africa will not completely dominate the meeting. Asia/Pacific Heads of Government will no doubt share this hope. Perhaps they can use their influence to this end?

SECRETARY-GENERAL

3. We expect Mr Ramphal will be reappointed. We have reservations about his partisan approach to the North/South Dialogue, but regard him overall as serving the Commonwealth well.

NAURU AND SPECIAL MEMBERSHIP [IF RAISED]

4. We believe Special Membership is worth maintaining; but would go along with any consensus that Nauru should change to full membership. We would not wish to see observer status introduced.

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE 1979

BRIEF NO 4 : COMMONWEALTH HEADS OF GOVERNMENT MEETING:  
ESSENTIAL FACTS

SECURITY

1. Mr Muldoon intends to raise the subject of security with Mr Ramphal - he has The Queen's safety particularly in mind. Regular JIC Assessments are being made (and are received by the New Zealanders).
2. For The Queen's bilateral visit (27-30 July) she is constitutionally dependent solely on British Prime Minister's advice. For presence as Head of the Commonwealth (31 July - 4 August) it is open to other realms to tender advice, although British Prime Minister has ultimate constitutional right to advise as Queen of United Kingdom against attendance at CHGM if judged necessary. The Queen should not receive conflicting advice: useful therefore to consult old Commonwealth Prime Ministers.

AGENDA

3. New Zealand have expressed interest to Mr Ramphal in energy, South East Asia and special problems of small states.

SECRETARY-GENERAL

4. Indians have suggested Mr Ramphal be replaced (by an Indian) July 1980. Latter has therefore told Governments he is available for reappointment. This will come up at CHGM.

NAURU AND SPECIAL MEMBERSHIP

5. Nauru one of two "special" members. This means little or no subscription, and provides all benefits of Commonwealth membership except attendance at CHGMs (thus reducing numbers at meeting and helping informality). Because special membership seems sensible arrangement for very small countries we have supported it. We would not however want to be isolated.

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE

BRIEF NO 5: THE SOUTH PACIFIC

POINTS TO MAKE

GILBERT ISLANDS

1. Confident of majority in today's Parliamentary debate on Kiribati Independence Bill. Cannot agree to separation of Ocean Island in face of adamant opposition from Government of Gilberts. But the guarantees for Banaban rights in the constitution are without precedent, and our offers of money generous. Sure you agree.

NEW HEBRIDES

2. Value of New Zealand Government's consistently constructive attitude to Anglo-French policies in New Hebrides. Prospects for independence in 1980 reasonably good.

FUTURE INVOLVEMENT AND REGIONAL STABILITY

3. Aware of New Zealand Government's concern and their wish for us to continue to take a close interest in the region. Probably enough time for orderly change in Tonga. Russian and Chinese activity needs watching, though the area is probably low in the political priorities of both.

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE

BRIEF NO 5

THE SOUTH PACIFIC: ESSENTIAL FACTS

Introduction

1. Of the 18 South Pacific Island territories (Annex 1) we now have responsibility only for the Gilbert Islands (Kiribati), the New Hebrides (in a condominium with the French) and Pitcairn. We have programmes for substantial aid continuing into the 80s to Fiji, Gilbert Islands, New Hebrides, Solomon Islands and Tuvalu, and small programmes for Tonga, Papua New Guinea and Western Samoa.

GILBERT ISLANDS

2. Committee and Third Reading in the Commons of Kiribati (pronounced Kiribass) Independence Bill on 11 June. Independent on 12 July. Princess Anne will represent The Queen, and Mr Blaker the Government. Our constitutional responsibility for the Banabans' claim for separation of Ocean Island then ceases, but we must expect further representations from them. The British/New Zealand/Australian ex gratia offer of \$A10 million for Banabans remains on table.

NEW HEBRIDES

3. We and French plan independence for the New Hebrides in 1980. Prospects greatly improved by good progress of Government of National Unity, formed in December 1978, in which Anglophones and Francophones equally represented.

FUTURE UK INVOLVEMENT

4. Australia, New Zealand and the United States have voiced fears that after independence of Kiribati and New Hebrides we may turn our back on the South Pacific. We have assured them that aid will continue and that we shall maintain a diplomatic presence.

REGIONAL STABILITY

5. Mr Muldoon concerned by risks of instability. Has had gloomy exchanges with Prime Minister of Western Samoa, Tupuola Efi, who lost Parliamentary majority when three supporters unseated for corrupt

/electoral

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electoral practices. Mr Muldoon also worried by unorthodox financial activity of unsophisticated Tuvalu Prime Minister, Toalipi Lauti. We see no special cause for alarm.

6. New Zealanders see Tonga's semi-feudal government as potentially de-stabilising. We do not see cause for worry at present, though King's gullibility and possibility of sharp economic decline are disturbing.

7. New Zealanders wary of increased Russian and Chinese interest in the region. Russians main interest is fishing, Chinese wish to keep Russians politically out. Region probably not significant to either in terms of global strategy.

8. Regional stability promoted by regular political consultation at Heads of Government level in the South Pacific Forum, of which island states and Australia and New Zealand are members. Last year's Regional Commonwealth Heads of Government Meeting called by Australia in Sydney a success.

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE 1979

BRIEF NO 6 : CHINA/INDO-CHINA AND ASEAN  
(INCLUDING VIETNAMESE REFUGEES)

POINTS TO MAKE

Sino/Vietnamese Relations

1. There is no likelihood of detente while the Vietnamese continue to persecute their Chinese minority and to suppress the pro-Chinese faction in Cambodia. Another round of fighting between China and Vietnam is quite likely, this time with a risk of direct Soviet involvement.

Vietnamese Refugees

2. The number of "boat people" reaching Hong Kong and elsewhere in South-East Asia has reached crisis proportions and an international effort is needed to cope with it.

3. Dr Waldheim's initial response was favourable to my call for a conference under United Nations auspices. Friendly governments have been asked to support the call and to consider urging the Vietnamese to stop their inhuman behaviour. There must be more offers of resettlement places and more money for the United Nations High Commissioner for Refugees. What can you do to help?

Thailand/Cambodia

4. The situation on the Thai/Cambodian border is chaotic. Reports of the Thais' turning back Cambodian refugees are probably true. We are seeing whether others of the Nine will join in pressing the Thais to grant the Cambodians refugee status.

5. The Vietnamese are unlikely to relax their grip on Cambodia. An international conference to neutralize the country does not seem feasible, therefore.

/ASEAN

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ASEAN

6. My conference proposal should commend itself to ASEAN countries. The Thais and Malaysians have been especially hard put to it to cope with the numbers of refugees reaching their shores. The Refugees' Processing Centre that is to be set up on an Indonesian island (for people already accepted for settlement elsewhere) will be too small to do much good.

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE 1979

BRIEF NO 6

INDO-CHINA AND ASEAN  
(INCLUDING VIETNAMESE REFUGEES): ESSENTIAL FACTS

China/Vietnam

1. There was no meeting of minds in the first round of talks after Chinese withdrawal. No date has been fixed for the second round. The Vietnamese wanted to limit discussion to the border, but the Chinese raised wider issues. The Vietnamese are prepared for another Chinese attack and have benefitted from Soviet military resupply.

Indo-Chinese Refugees

2. About 300,000 refugees are awaiting resettlement; over 150,000 of them are Cambodians and Laotians in Thailand. Hong Kong has over 43,000 boat refugees (compared with 5,000 at the beginning of 1979). The Malaysians have 70,000 and the Indonesians 25,000.

3. The Vietnamese policy is to expel their remaining Chinese community (numbering not less than 800,000). But members of the former Vietnamese middle class are among the boat people. Those leaving under the official Government scheme are made to pay dearly in gold.

Resettlement

4. The Americans and Chinese have taken over 200,000 Indo-Chinese refugees each. The French have received over 50,000, Australians 20,000 and Canadians 15,000 for permanent resettlement. Hong Kong has got 15,000. The New Zealanders have accepted

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over 800. The United Kingdom has already taken 1,923 Indo-Chinese. Most recently we have agreed to take over 1,000 from the mv Sibonga (to be offset against the unused part of a quota of 1,500 agreed by the previous Government).

Thailand/Cambodia

5. The Thais have been unwilling to grant refugee status to Cambodians crossing their border, as this would make it more difficult to get rid of them later. But people turned back are liable to be killed by their Khmer Rouge troops. Relations between the Thais and the United Nations High Commissioner for Refugees are strained; we are looking to ways to mend the rift.

6. The Vietnamese are trying to eliminate the last strongholds of the Former Pol Pot Government (which we and most other countries still recognise) in Cambodia, and are seeking recognition for a puppet regime headed by Heng Samrin. There is currently no prospect of an international conference that could succeed in neutralizing Cambodia (and obliging the Vietnamese to withdraw). But the Chinese are keeping Prince Sihanouk in reserve, who could head a government of national union.

ASEAN

7. An ASEAN Refugees' Processing Centre is to be set up on an Indonesian island, for people already accepted for settlement. Its capacity will be limited to about 10,000.

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE

BRIEF NO 7: RHODESIA  
POINTS TO MAKE

THE RHODESIAN ELECTIONS

1. We consider that the elections in Rhodesia have brought about a fundamental change. Lord Boyd has reported that they were as free and fair as was possible in the circumstances.

THE WAY FORWARD

2. Our objective is to bring Rhodesia back to legality with the widest possible international recognition. This will involve full consultations with our friends in the Commonwealth. Much will depend on Bishop Muzorewa's ability to assert his authority. He will need encouragement and guidance. Mr Day has been sent to Salisbury for that purpose. Lord Harlech is about to start his tour of Africa to consult with the African governments principally concerned. We shall have a clearer idea of the possibilities when he has reported.

RHODESIA AND THE COMMONWEALTH HEADS OF GOVERNMENT MEETING

3. We do not want this to degenerate into an acrimonious argument about Rhodesia; nor do we want discussion to focus solely on that subject. We shall be looking to see if there is any constructive contribution the Commonwealth can make. Grateful for the support New Zealand has given us within the Commonwealth.

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE

BRIEF NO 7

RHODESIA: ESSENTIAL FACTS

SITUATION IN RHODESIA

1. Bishop Muzorewa has formed his government. He has retained for himself the key portfolios of Combined Operations and Defence. Mr Ian Smith is Minister without Portfolio. It is encouraging that the moderate Mr David Smith will remain as Minister of Finance (he had been threatening to withdraw from politics because of differences over Mr Ian Smith's continuance in the government and would be a natural successor to him) although Mr Sithole is persisting in his refusal to take up his seats in parliament.

CONSULTATIONS WITH ALLIES AND PARTIES CONCERNED

2. Lord Harlech is about to visit Zambia, Mozambique, Botswana, Tanzania and Nigeria. He may also meet leaders of the Patriotic Front. His purpose will be to find out to what extent they are prepared to accept that fundamental political change has taken place in Rhodesia and what prospect there is of their accepting a settlement based on that change. Mr Luce will visit West African countries, including Liberia - where OAU Foreign Ministers and summit meetings are to take place in July, Zaire and Angola. We have also had discussions with Mr Vance, and keep our other Commonwealth and EEC partners informed.

NEW ZEALAND ATTITUDE ON RHODESIA

3. Mr Muldoon would not be averse to lifting sanctions and recognising Rhodesia fairly promptly and he is under some domestic political pressure to do so. However, he is worried about New Zealand's relations with Africa in the aftermath of trouble with them over sporting contacts with South Africa; and he will be aware of Mr Fraser's concern about the effects.

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5 June 1979

PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE

BRIEF NO 8: SOUTHERN AFRICA

POINTS TO MAKE

SOUTH AFRICAN RELATIONS WITH THE WEST

1. These are at a low ebb. Britain would like to see constructive relationship established with South Africa which we see as the key to stability in the area. The resignation of President Vorster will have implications for the internal political situation which we are studying closely.

UK/SOUTH AFRICAN TRADE

2. British policy is not to interfere with normal civil trade solely because of the characters of other Governments.

UN ARMS EMBARGO

3. Britain will continue to abide by this

NAMIBIA: INITIATIVE OF THE FIVE

4. No justification for giving up. The Five hope to resume negotiations before long. Front Line States still willing to co-operate. We hope Namibia will not cause problems at the Commonwealth Heads of Government Meeting.

FOREIGN AND COMMONWEALTH OFFICE

5 JUNE 1979

## SOUTHERN AFRICA: ESSENTIAL FACTS

New Zealand/South Africa

1. The New Zealand Government takes a fairly tough line towards South Africa although this is tempered by pro-South African sentiments amongst public opinion. South African sporting policy is a subject of considerable interest to New Zealand leaders (see separate brief).

President Vorster

2. Mr Vorster's resignation may have implications for the political stability of South Africa and for the Government's constitutional proposals since these envisaged the changeover to an Executive Presidency to replace the present system.

Southern Pact

3. The South African initiative to establish a regional economic grouping of states is either a device to distract attention from internal problems or a serious attempt to give South Africa an alternative to its previous policy of pursuing a close relationship with the West.

Internal Change

4. The Wiehahn and Riekert reports appear to represent attempts to introduce real change into the labour system in South Africa. However, the Government's implementation of the recommendations in the two reports will be the real test of their sincerity.

Namibia

5. Mr Luce's visit to Southern Africa showed that all concerned want to keep the initiative alive. We are trying to re-invigorate the search for a peaceful settlement, and to build up confidence among the parties. The UN Plan remains the best solution for Namibia. We think that the Five should now appoint a single negotiator. We are consulting our partners about the next moves. Our aim is to show, by when the Security Council meets in mid-June to consider demands for sanctions against South Africa over Namibia, that a resumption of negotiations is imminent.



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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE

BRIEF NO 9 : CIVIL AVIATION  
POINTS TO MAKE

We too want cheaper air fares between our two countries,  
but must bear in mind the effect on third countries' interests.  
Difficult to act as quickly as you want but glad airlines  
are continuing talks.

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE

BRIEF NO 9

CIVIL AVIATION: ESSENTIAL FACTS

New Zealand's Problem

1. Cheaper air fares, exclusive to BA and Qantas, introduced on the UK/Australia trunk route in February 1979 in line with Australia's International Civil Aviation Policy (ICAP) have attracted UK/New Zealand traffic to BA and Qantas and Air New Zealand (ANZ) has suffered. The New Zealand Government are pressing for similar cheaper air fares on the whole UK/New Zealand route.

The ASEAN difficulties

2. The Australians are having an unexpectedly hard time persuading the governments of ASEAN (Singapore, Malaysia, Indonesia, Thailand, Philippines) to accept ICAP, which will tend to stop ASEAN airlines (especially SIA) raiding the UK/Australia trunk route. If we introduced more cheap fares to New Zealand now, it would make an ICAP settlement more difficult to reach. The ICAP cheap fare system is only viable, if the aircraft fly with very high load factors; the system would collapse (say BA and QANTAS) if ASEAN airlines were allowed to compete freely on the full trunk route, and not just on their own sectors of it.

Air New Zealand's position

3. Air New Zealand do not fly all the way to London; the

/nearest

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nearest they get is Los Angeles. The New Zealand Government have suggested an ICAP type cheap fare via Los Angeles and not via Singapore or Hong Kong (to avoid annoying the ASEAN governments). But this would lose BA money, since BA do not fly to New Zealand via Los Angeles.

Airline discussions

4. BA/Air New Zealand talks are taking place this week in New Zealand. But it will be hard to reach agreement until the main ICAP issue is settled.

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PRIME MINISTER'S LUNCH WITH MR MULDOON : 11 JUNE

BRIEF NO 10 : SPORTING CONTACTS WITH SOUTH AFRICA  
POINTS TO MAKE (IF RAISED)

UNITED KINGDOM POLICY

1. At present UK policy is to uphold the Gleneagles Agreement, but we are unlikely to agree to any proposal to put more "teeth" into the Agreement. Moreover we are trying to gather as much up-to-date information as we can about the level of segregation/desegregation in individual sports. It is clear that in some sports a good deal of progress has been made in recent times.

COMMONWEALTH HEADS OF GOVERNMENT MEETING, LUSAKA

2. We believe that there are more important matters to discuss at Lusaka.

Foreign and Commonwealth Office  
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PRIME MINISTER'S LUNCH WITH MR MULDOON : 11 JUNE

BRIEF NO 10 : SPORTING CONTACTS WITH SOUTH AFRICA : ESSENTIAL FACTS

UK POLICY

1. The previous Government publicly denounced such contacts and refused Sports Council grants for international events where South African teams are involved. We cannot prevent teams going to South Africa, or the entry of South African teams to this country. A more permissive or acquiescent policy by Britain would create resentment in black Africa and, probably, difficulties for us at the 1980 Moscow Olympics. It would, moreover, lead to criticism of British attitudes by the black population of South Africa itself at a time when we are trying to build up contacts with them.

GLENEAGLES AGREEMENT (Copy at Annex A)

2. Underlying principles constrain freedom of action by individual Commonwealth countries, but there are loopholes and its requirements generally are not very demanding.

COMMONWEALTH HEADS OF GOVERNMENT MEETING, LUSAKA

3. We may be tackled at Lusaka over six British rugby clubs touring South Africa this summer (four clubs will be in South Africa in early August). These tours were denounced in Parliament on 9 March 1979 (copy at Annex B).

NEW ZEALAND POLICY

4. Since Gleneagles, New Zealand policy has been virtually the same as that of Britain. In contrast to the 1976 Montreal Olympics, only Nigeria boycotted the 1978 Commonwealth Games.

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6 June 1979

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## COMMONWEALTH STATEMENT ON APARTHEID IN SPORT

14 JUNE 1977

The member countries of the Commonwealth, embracing peoples of diverse races, colours, languages and faiths, have long recognized racial prejudice and discrimination as a dangerous sickness and an unmitigated evil and are pledged to use all their efforts to foster human dignity everywhere. At their London meeting, the Heads of Government reaffirmed that apartheid in sports, as in other fields, is an abomination and runs directly counter to the declaration of Commonwealth principles which they made at Singapore on 22 January 1971.

They were conscious that sport is an important means of developing and fostering understanding between the people, and especially between the young people, of all countries. But, they were also aware that, quite apart from other factors, sporting contacts between their nationals and the nationals of countries practising apartheid in sport tend to encourage the belief (however unwarranted) that they are prepared to condone this abhorrent policy or are less than totally committed to the principles embodied in their Singapore declaration. Regretting past misunderstandings and difficulties and recognizing that these were partly the result of inadequate inter-governmental consultations, they agreed that they would seek to remedy this situation in the context of the increased level of understanding now achieved.

They reaffirmed their full support for the international campaign against apartheid and welcomed the efforts of the United Nations to reach universally accepted approaches to the question of sporting contacts within the framework of that campaign.

Mindful of these and other considerations, they accepted it as the urgent duty of each of their Governments vigorously to combat the evil of apartheid by withholding any form of support for, and by taking every practical step to discourage, contact or competition by their nationals with sporting organizations, teams or sportsmen from South Africa or from any other country where sports are organized on the basis of race, colour or ethnic origin.

They fully acknowledged that it was for each Government to determine in accordance with its laws the methods by which it might best discharge these commitments. But they recognized that the effective fulfilment of their commitments was essential to the harmonious development of Commonwealth sport hereafter.

They acknowledged also that the full realization of their objectives involved the understanding, support and active participation of the nationals of their countries and of their national sporting organizations and authorities. As they drew a curtain across the past they issued a collective call for that understanding, support and participation with a view to ensuring that in this matter the peoples and Government of the Commonwealth might help to give a lead to the world.

Heads of Government specially welcomed the belief, unanimously expressed at their meeting, that in the light of their consultations and accord there were unlikely to be future sporting contacts of any significance between Commonwealth countries or their nationals and South Africa while that country continues to pursue the detestable policy of apartheid. On that basis, and having regard to their commitments, they looked forward with satisfaction to the holding of the Commonwealth Games in Edmonton and to the continued strengthening of Commonwealth sport generally.

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visit South Africa this summer at the expense of their South African hosts, and I am also aware that individuals from a number of countries, including the United Kingdom, have been invited to play there at the end of this month. I need hardly say that this causes the Government considerable concern. We have consistently condemned apartheid in sport as in other spheres. Our repugnance is shared by all the Commonwealth countries and finds expression in the Gleneagles agreement of June 1977. In addition COE Sports Ministers meeting in London in April 1978 unanimously adopted a resolution emphasising their similar opposition to racial and other forms of discrimination, and emphasised the responsibility of national and international sports bodies in upholding this principle in their own sports. Governing bodies of sport are fully aware of the contents of the agreements, and the proposed rugby tours of South Africa would be in direct contravention of these collective agreements. Therefore, these tours are very much to be regretted.

Ministers have consequently had meetings with representatives of the English and Welsh rugby unions to emphasise the concern of the Government, and the teams involved have been separately reminded of these policies by their respective unions. The two rugby unions have also been informed in writing of the possible repercussions to sport which could well go beyond the world of rugby, and I know that as governing bodies they accept the Gleneagles Agreement and have ensured that it has been brought to the attention of the clubs concerned.

Of course all our governing bodies of Sport are independent, which means that they must also accept the responsibilities which go with independence. The majority of them recognise this, and I know that all of them disapprove of racial discrimination within their sport. This is a prime factor in our general success in carrying out the spirit of the Commonwealth agreement. But the fact is that the progress achieved by South African sports bodies is quite insufficient to outweigh the fundamental objections to such tours and the danger which certainly exists that clubs taking part will be used to justify an objectionable system.

**South Africa (Sporting Contracts)**

Mr. George asked the Secretary of State for Foreign and Commonwealth Affairs if he will make a statement on his policy on sporting contacts with South Africa, in the light of the plans by a number of British rugby clubs to play in South Africa in the summer.

Mr. Denis Howell: I have been asked to reply.

I understand that three English and three Welsh club teams are planning to

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PRIME MINISTER'S LUNCH WITH MR MULDOON: 11 JUNE

BRIEF NO||: PERSONALITY NOTES

Personality notes are attached on:

The Rt Hon R D Muldoon CH MP

H E The Hon Sir Douglas Carter KCMG

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THE RT HON ROBERT ("ROB") DAVID MULDOON, CH (1977) MP

Prime Minister and Minister of Finance. Also Minister in Charge of the Legislative and Audit Departments, and of the New Zealand Security Intelligence Service.

Born Auckland 1921, a third-generation New Zealander of Ulster stock.

Educated at Mt Albert Grammar School, Auckland. Served in the ranks of the New Zealand Infantry during the war in the Pacific, Middle East and Italy, then qualified as a cost accountant.

Entered Parliament 1960. Parliamentary Under-Secretary to the Minister of Finance 1964-67. Minister of Finance 1967-72. Deputy Prime Minister 1972. Leader of the Opposition July 1974. Prime Minister December 1975. Re-elected November 1978 with a much reduced majority.

A controversial figure, respected, and even feared, rather than liked. Has dominated his Cabinet and the Opposition. Never one to resist the barbed phrase and sharp retort, his abrasive style and instinct for attack sometimes hurt his cause, as over the issue of sporting contacts with South Africa. But he will trim when the need arises. So far this instinct has saved him from any really damaging mistakes.

A keen gardener, specialising in lilies. The first volume of his autobiography "The Rise and Fall of a Young Turk" (containing some barbed comments about leading British politicians) appeared in 1974; the second, "Muldoon", in 1977.

Married. One son and two daughters, all grown up.

Elected Chairman (for 12 months) of the IMF/IBRD Boards of Governors in September 1978.

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HIS EXCELLENCY THE HON SIR DOUGLAS CARTER, KCMG

New Zealand High Commissioner in London since June 1976

Born 1908 in New Zealand and educated there.

A dairy farmer himself, he has been closely associated with agriculture all his life.

Entered Parliament as a National Party MP in 1957. Appointed Parliamentary Under-Secretary for Agriculture in 1966. Promoted to Minister of Agriculture in 1969. Did not stand for re-election at the 1975 general election.

A thoroughly agreeable and well-liked man. Received his present appointment as a reward for long and loyal, rather than outstanding, service to the National Party. Very well-disposed towards Britain.

Married, no children.

He will be succeeded as High Commissioner in mid-July by the Hon L W Gandar, who was Minister of Education, Science and Technology until he lost his seat in the November 1978 election.

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