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Foreign and Commonwealth Office

London SW1A 2AH

16 February 1984

Dear John,

Visit of New Zealand Prime Minister

/ I enclose briefing for the Prime Minister's talk  
/ with Sir Robert Muldoon on 20 February at 10.00 am,  
together with a personality note.

Sir Robert, who was last here in May, will be coming to London via Dublin following the OECD Conference on longer term Economic Performance. He goes on to Washington where he will have talks with President Reagan.

Sir Robert will also be calling on the Foreign Secretary (on 17 February); Mr Lawson and Mr MacGregor (vice Mr Jopling, currently in New Zealand). His programme also includes an investiture at the Palace and engagements with the Institute of Directors.

The New Zealand High Commission have told us that, when he sees the Prime Minister, Sir Robert will wish to discuss economic issues relating to the European Communities (Brief No 2) such as access for butter and sheepmeat. He also wishes to talk about international trade and payments problems (Brief No 3), including the Commonwealth study, and prospects for the London Summit in June. He may also refer to sporting contacts with the South Africans (Brief No 6) in the light of the possible decision by the English Rugby Football Union to tour South Africa.

Sir Robert's National Party Government will be facing a general election this year (the New Zealand Parliament's three-year term expires in November). He remains the dominant figure on the political scene and over the central question of managing the economy the Opposition have yet to show that they can mount an effective challenge to Mr Muldoon.

/We understand

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We understand that Mr Muldoon proposes to be accompanied by the New Zealand High Commissioner, Mr Gerald Hensley (Head of the Prime Minister's Department); Mr E A Woodfield (Deputy Secretary, Department of Trade and Industry) and Mr T Groser (Prime Minister's Department).

*Yours ever,*

*Peter Ricketts*

(P F Ricketts)  
Private Secretary

A J Coles Esq  
10 Downing Street

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TALKS WITH SIR ROBERT MULDOON

MONDAY 20 FEBRUARY

1000 AT NO. 10



INDEX

<u>Brief No:</u>	<u>Subject</u>
1.	UK/New Zealand bilateral relations.
2.	European Community issues.
3.	International Economic and Financial issues.
4.	South Pacific regional issues.
5.	Security of small states.
6.	Sporting contacts with South Africa.
7.	Personality note: Rt. Hon. Sir Robert Muldoon.



VISIT BY NEW ZEALAND PRIME MINISTER  
UK/NEW ZEALAND BILATERAL RELATIONS

POINTS TO MAKE

1. Good to see members of our Governments travelling in both directions. Lord Hailsham, Mr Baker and Mr Jopling (currently in New Zealand) British visitors to New Zealand in 1984.

UK/NEW ZEALAND TRADE

2. Welcome effort to revitalise trading and investment links, the visit of a New Zealand High Level Trade Mission in October 1983.

3. UK has expertise to offer in information technology (visit of Mr Baker to New Zealand earlier this month).

4. Note that while steel contract went to Japanese and not Davy McKee, British firms later won railway electrification contracts.

DEFENCE SALES

5. Anxious to maintain our position with a valued customer.





VISIT BY NEW ZEALAND PRIME MINISTER  
UK/NEW ZEALAND BILATERAL RELATIONS

ESSENTIAL FACTS

1. Anglo/New Zealand relations are close and in good repair. Robust support that New Zealand Government gave during the Falklands crisis enjoyed strong public support.
2. Regular bilateral contacts at all levels. Lord Chancellor attended Speaker's Conference in Wellington in January; Mr Baker just back from New Zealand; Mr Jopling now there. New Zealand Ministers, Messrs Birch (Energy) and Bolger (Labour), have visited UK this year as has Mr Lange (Opposition Leader). Mrs Sue Wood (President, National Party) and Major-General Williams (NZ CGS) are on the point of arriving.

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. Continues to maintain an edge over Labour Party (and small Social Credit) opposition. A new New Zealand Party may attract National Party votes, but the Labour Party will have to overcome internal bickering if it is to make the most of the opportunity.

NEW ZEALAND/UNITED KINGDOM TRADE

4. Trade Statistics (£m)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1982</u>	<u>1983*</u>
UK exports to NZ	312	250	235	323	322	286
UK imports from NZ	416	415	427	539	539	486

\*provisional

5. New Zealand has traditionally enjoyed 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.
6. The UK's percentage share of New Zealand's trade has diminished steadily. We now account for less than 10% of NZ's imports compared with 56% in 1953, and our share of her exports has fallen at a similar rate.





## DEFENCE SALES

7. New Zealand's current expenditure of £40-50m 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 in the future find political and military advantages in equipment standardization between the two countries. But there are still strong traditional British ties with New Zealand, a small but established market for defence equipment.

8. Only one major sale of naval equipment over past two years, covering: HMS BACHANTE in 1982 and HMS DIDO in July 1983, with MOU for ships' in-service support; 3 WASP helicopters and further equipment, stores and armaments (MK 46 torpedoes). Vosper Ship Repairers now refitting HMS DIDO, and Westlands will refurbish the WASPs. No major contracts currently under negotiation; but several naval opportunities exist for UK companies.

9. New Zealand and Australia plan to cooperate on submarine replacement. Australia is planning to replace its 6 Oberon submarines and is currently evaluating tenders from UK (VSEL as shipbuilder, Plessey and Ferranti as combat system specialists), France, Germany, Holland, Sweden and Italy. Final contract expected in 1985/86. New Zealand Navy might follow Australian lead.

10. Army: Delivery of 26 Scorpion tanks now complete (drive shaft problems overcome). 240 Land-Rovers already in service out of contract for 578 vehicles. New family of small arms will, and low level air defence equipment (principal contenders are Stinger and Javelin) may, be required in about 1985-6; likely that New Zealand Army will follow Australians' lead.

11. New Zealand Air Force has been considering modernisation or replacement of its remaining 12 ageing A4 aircraft. Recent NZ Defence White Paper announced decision to modernise. Several UK companies (BAe, Marconi and Racal Avionics jointly, and Ferranti) have submitted proposals which are currently being evaluated.





## 12. DEFENCE ISSUES

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.

Foreign and Commonwealth Office  
South Pacific Department  
February 1984





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BRIEF NO: 2

VISIT BY NEW ZEALAND PRIME MINISTER

EUROPEAN COMMUNITY ISSUES

POINTS TO MAKE

POST-STUTTGART NEGOTIATIONS

1. Britain prepared to consider increase in own resources if better control exercised over Community expenditure and if financial burden is equitably shared.
2. Some progress on overall guideline for Community spending. Important that Commission, Council and Parliament bind themselves.
3. We are seeking lasting solution to Community's budgetary imbalance. Important to tackle both revenue and expenditure sides.
4. Failure to agree 1983 refund to UK would bring about major Community crisis.
5. We and French have put forward new proposals for completion of internal market and greater industrial collaboration.

NZ/EC RELATIONS

6. Will continue to give you our firm support in pressing for fair arrangements for New Zealand butter. Have resisted French linkage with sheepmeat issue, which is plain blackmail.
7. Important for you to press your case in other European capitals.
8. [If raised]. Will support your efforts for adequate and continuing access for sheepmeat to essential Community markets. Any progress with Commission?

European Community Department (Internal)  
Foreign and Commonwealth Office  
February 1984

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BRIEF NO: 2

VISIT BY NEW ZEALAND PRIME MINISTER

EUROPEAN COMMUNITY ISSUES

ESSENTIAL FACTS

POST-STUTTGART NEGOTIATIONS

1. Community Heads of Government decided in June last year on major negotiation to relaunch the Community. The negotiation was provoked by rapid approach of the 1% ceiling. The majority of our partners are seeking an increase in the ceiling, which can only be agreed by unanimity and with the approval of national Parliaments.

2. We have seen negotiation as a major opportunity for the Community to set itself on a sound basis and have said we will be prepared to consider an increase in own resources on two conditions:

- (i) provided that the Community takes steps to control the growth of agricultural and other expenditure and
- (ii) provided this is accompanied by measures to ensure an equitable sharing of financial burden.

Control of Expenditure

3. CAP spending grew by 30% last year. CAP now takes up nearly 65% of the budget. Milk production is at 125% of consumption. Cannot resolve these issues by uneconomic disposal of surpluses involving disruption of world markets. Nor can we take other action damaging to our trading partners eg the proposed Oils and Fats Tax or unilateral action to curb imports of cereal substitutes.

4. We need a two-fold approach:

- (i) a financial guideline to ensure that agricultural expenditure rises at a rate markedly lower than Community own resources base; and

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(ii) specific measures, such as rigorous price restraint and guarantee thresholds for products in surplus, or likely to be in surplus.

5. We have made some progress on issue of an overall guideline for Community spending, including agricultural spending. Major issue for us is to ensure that all three institutions responsible for the budget (Commission, Council and Parliament) bind themselves to observe the guideline, ie, it must be incorporated in the Community's budgetary procedures.

#### Budget Imbalances

6. UK ranks seventh in the EC in terms of <sup>per head</sup> GDP/~~but~~, together with the FRG (the wealthiest Member State) is the only net contributor to the budget (£1200 million in 1982 out of a total EC budget of £14 billion).

7. UK has had ad hoc rebates amounting to two-thirds of our net contribution between 1980 and 1983. But problems remains largely because UK, as net importer of food-stuffs, does not gain as much as other Member States from CAP. Nor, as was originally promised, have payments under the Regional and Social Funds compensated for the gap.

8. We now seek lasting solution, ie, one that will last as long as the problem it is designed to correct. This must take full account of our budget burden, ie excess levies and duties as well as inadequate receipts. It should also be implemented on the revenue side of the budget, ie in future excess contributions in one year would be deducted from VAT contributions in the next. This would get away from the artificiality of present refunds and annual haggling with the Parliament. Principal argument continues to centre on duration of budget mechanism and on the amount of our reliefs. We have made clear there can be no settlement unless we get a lasting settlement.

#### 1983 refunds

9. Problem is complicated by fact that bulk of our refunds for 1983 (£435 million) is due to be paid by the end of March (ie, end of UK financial year). European Parliament has arbitrarily and

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/unilaterally





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unilaterally classified sum as reserve expenditure, which can only be released with the Parliament's agreement. They are linking their willingness to release the money to progress at the March European Council. We have made clear that failure to pay the money would bring a major Community crisis and that the UK would need to take steps to safeguard its position.

New Policies

10. UK not solely preoccupied with above issues though they do have major ramifications including for EC's relations with trading partners. But we also look to the future development of the Community and have put forward major proposals for new policies all of them cost-effective and many of them cost-free, particularly for completion of the Internal Market in goods and services. In addition, French have put forward proposals for greater industrial collaboration on Community-wide basis or among groupings of Community Member States. This proposal is attractive provided it is not protectionist in intent. There are clear advantages for Community in collective action, eg in new technologies.

NZ/EC RELATIONS

11. Commission has proposed a 5 year arrangement for New Zealand butter imports post- 1983, starting at 83,000 tonnes reducing by 2,000 tonnes annually to 75,000 tonnes in 1988 - less than New Zealand (or we) wanted, but too much for the French and Irish. In the absence of agreement to this proposal, Community agreed on 13 December to an interim arrangement for January/February of 13,833 tonnes (one-sixth of 83,000).

12. Agriculture Ministers on 6/7 February still unable to agree to Commission proposal. French in particular will not agree on butter until new sensitive area provisions in the arrangements for New Zealand sheepmeat imports (see below) have been agreed. Further Council discussion on 27/28 February.

13. New Zealand is Community's principal supplier of sheepmeat (mainly to the UK). Under voluntary restraint arrangements due for renewal by 1 April 1984, New Zealand can send up to 245,500





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tonnes a year but limits sendings to 'sensitive areas' ie France and Ireland. [Not for Use] We have heard unofficially that New Zealand has agreed the terms for renewal of the VRA with Commission including prolonging 'sensitive area' provisions for France - including a 14% annual increase in the limit on sendings - and Ireland, in return for continued Community access at present levels, and new concessions to New Zealand on imports of chilled lamb. But we are not supposed to know this - should not show knowledge to Sir R Muldoon.

European Community Department (Internal)  
Foreign and Commonwealth Office  
February 1984

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BRIEF NO: 3

VISIT BY NEW ZEALAND PRIME MINISTER

INTERNATIONAL ECONOMIC AND FINANCIAL ISSUES  
POINTS TO MAKE

INTERNATIONAL MONETARY CONFERENCE

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 will 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 1986-1987, 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. Sustainable 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 aim to come up with ideas which can be discussed further.

LONDON ECONOMIC SUMMIT

7. Looking forward to relaxed, workmanlike Summit, building on progress at Williamsburg. Interest will probably centre on consolidating recovery; developing country issues; international

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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 come under pressure 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. IDA 7th Replenishment of \$9 billion not enough to meet needs of poorest countries. UK will therefore join with others in seeing what move can be done by way of supplementary financing. Naturally hope New Zealand will also agree to do more for IDA.

OECD CONFERENCE ON LONGER TERM ECONOMIC PERFORMANCE

10. [If raised]. Longer-term focus was right and useful. OECD Ministerial in May will be appropriate forum to give full consideration to short-term policies to develop and broaden recovery.

NEW ZEALAND ECONOMY

11. Reduction of inflation achieved through freeze is impressive. Will freeze continue beyond this month? If freeze is not to continue, how worried is New Zealand Government about resurgence of inflationary pressure?

12. 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  
February 1984

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BRIEF NO: 3

VISIT BY NEW ZEALAND PRIME MINISTER

INTERNATIONAL ECONOMIC AND FINANCIAL ISSUES  
ESSENTIAL FACTS

1. Sir Robert Muldoon has indicated that during his calls on the Prime Minister and Secretary of State he proposes to focus on EC economic issues (see separate briefs) 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 second time on 17-19 February 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 edged up again last year. Three-month interbank rate now 9½%, longer term rates about 12%. US dollar climbed to record effective exchange rate on 12 January. It has subsequently eased slightly, but is still well 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, less developed countries' exports should grow rapidly. But import cutbacks will require 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 Paris Club-style meeting of creditors.

#### INTERNATIONAL FINANCIAL ISSUES

6. G10 Deputies will meet in March to begin discussing 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. Its first meeting last month at senior official level, concentrated on procedures. The Commonwealth Secretariat is now producing papers on the main immediate issues for discussion at future meetings. Three more meetings are scheduled (one, on 14-15 May, at Ministerial level) culminating in the presentation of the Group's report to the 1984 CFMM in Toronto. Proposals to use Sir R Muldoon's London visit as focus for second discussion likely to fail because other countries' Ministers, as well as the Chancellor, are unable to attend. A call on the Chancellor is being arranged. Some differences of approach within Group are becoming apparent. Indians see it as a forum for wide-ranging discussion on north/south lines, whilst UK and Canada see its work as a more limited and practical operation. Others, including New Zealand, undecided or somewhere in between.

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.

IDA

10. The outcome of a meeting in Washington on 14 January was a seventh replenishment (IDA 7) totalling only US \$9 billion. That compares with \$12 billion agreed for IDA 6 covering 1981-83. The \$9 billion was disappointing and was dictated entirely by the USA's decision to contribute only \$750 a year, with a share of 25% (27% and \$1,080 a year under IDA 6).

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11. All donors other than the USA were prepared to contribute to a \$12 billion IDA 7, with a US share of 25%, as they considered the needs of the poorest countries could not be met by \$9 billion. IDA Management has therefore given a mandate to discuss ways of supplementing the \$9 billion. On 27 January, HMG announced their intention to participate in supplementary funding arrangements on the basis of fair burden sharing among donors, and subject to negotiation of satisfactory detailed arrangements. We hope that all other donors will be decided to join in, and that the United States will do so later.

OECD CONFERENCE ON LONGER TERM ECONOMIC PERFORMANCE

12. Sir R Muldoon will have attended the OECD Conference on longer-term economic performance in Paris on 13-14 February. Chief Secretary, Treasury, will have represented UK, making substantive contribution to public expenditure debate. The main themes of the conference are:

- the conflicting budgetary pressures on governments
- problems of unemployment, investment and new technology
- interaction of national and international policies, especially of trade issues.

NEW ZEALAND: ECONOMY

13. A combination of a freeze on most wages and restrictions on price rises, introduced in June 1982 and due to expire later this month, 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 has expressed its determination to maintain the reduction in real wages (which amounted to around 5% in the first twelve months of the freeze) after this month; it is possible that the freeze will be extended in modified form.

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,

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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 the current year. 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.

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 fall by only about the same amount in the current year. 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 once the freeze expires. 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 1850 m (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  
February 1984

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VISIT BY NEW ZEALAND PRIME MINISTER

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 <sup>are</sup> 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.





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BRIEF NO: 4

VISIT BY NEW ZEALAND PRIME MINISTER

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>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>
£23.36m	£20.64m	£18.62m	£15 m

Provisions include budgetary aid for Kiribati, Tuvalu and Vanuatu (likely to continue for some years). Manpower: about 325 supplemented staff (OSAS) and 60 fully-funded (TCOs). United Kingdom contributes substantially to multilateral aid

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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 at Geneva Committee on Disarmament.

South Pacific Department  
Foreign and Commonwealth Office  
February 1984

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BRIEF NO: 5

VISIT BY NEW ZEALAND PRIME MINISTER

SECURITY OF SMALL STATES

POINTS TO MAKE

1. Glad it was 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. The Commonwealth provides an excellent context within which to pursue this problem.
2. We have been studying the issues involved but have not yet reached conclusions. However, the emphasis should certainly be on prevention rather than cure. This points to the importance of assistance of a non-military nature (aid and training).
3. Regional self-help seems to us an appropriate basis for efforts in this field, either through the strengthening of existing regional economic and security arrangements, or the establishment of new ones. Recognise that New Zealand already plays an important and positive role in the South Pacific and South East Asia; welcome establishment of Ready Reaction Force to cope with contingencies in the South Pacific.
4. Our officials can keep in touch on this subject as policies develop.

Planning Staff  
Foreign and Commonwealth Office  
February 1984

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BRIEF NO: 5

VISIT BY NEW ZEALAND PRIME MINISTER

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. FCO Ministers are currently considering an analysis by officials with a view to determining what role the UK should play. This analysis suggests that:
  - (a) the emphasis of any policy should be on prevention rather than cure and on regional self-help;
  - (b) the means of improving the security of small states range from increased bilateral efforts in the fields of diplomacy, aid, training, information and cultural links to regional economic co-operation and regional security arrangements; and
  - (c) the UK already makes an extensive military contribution outside the NATO area and can legitimately look to its allies to bear extra burdens.
3. The analysis identifies as problem areas the extent to which outside states might legitimately intervene in the case of internal subversion (as opposed to external attack); whether security agreements need to be guaranteed by larger states (eg the UK and others in the Gulf and New Zealand and others in the South Pacific); and whether HMG is prepared to devote extra resources to bilateral assistance designed to increase the security of small states.

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4. 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:

- (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 Agreement, 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.

5. Sir R Muldoon is therefore likely to be very receptive to any steps to strengthen the security of small states. His officials have already proposed that the issue be discussed at the annual intelligence meeting between senior UK, Australian and New Zealand officials, due to be held in Wellington in April.

Planning Staff  
Foreign and Commonwealth Office  
February 1984

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BRIEF NO: 6

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VISIT OF PRIME MINISTER OF NEW ZEALAND

SPORTING CONTACTS WITH SOUTH AFRICA

POINTS TO MAKE (IF RAISED)

1. HMG's support for Commonwealth Statement on Apartheid in Sport continues.
2. Support is limited to advice and dissuasion; Government does not have power to prevent people coming and going in pursuit of lawful activities.
3. Hope that national Commonwealth Games Associations will not be penalised under the Commonwealth Games Federation's Code of Conduct in the event of sporting contacts with South Africa, over which they have no control.
4. A decision on 30 March by the English Rugby Football Union to tour South Africa later this year would be regrettable and will provoke controversy. We shall try to head off adverse reactions in Olympic or Commonwealth Games movements.

Foreign and Commonwealth Office  
Cultural Relations Department  
February 1984

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## RESTRICTED

## VISIT OF PRIME MINISTER OF NEW ZEALAND

## SPORTING CONTACTS WITH SOUTH AFRICA

## ESSENTIAL FACTS

1. The Commonwealth Statement on Apartheid in Sport

After the 1976 African-led boycott of the Montreal Olympics, following the New Zealand All Blacks rugby tour of South Africa, feeling ran high, and there was a real danger of a boycott of the 1978 Commonwealth Games in Edmonton by African and Caribbean countries.

2. It was against this background that the Commonwealth Heads of Government Meeting in 1977 agreed the Commonwealth Statement on Apartheid in Sport (often referred to as the 'Gleneagles Agreement'), copy attached.

3. The Government's commitment to the Statement was reiterated at the Commonwealth Heads of Government Meeting in New Delhi in November 1983. The Government's support for the Statement was restated by the Prime Minister in Parliament as recently as 26 January 1984 when she urged the English Rugby Football Union not to send a team to South Africa.

4. UK Policy towards Sporting Contacts with South Africa

Our policy is based on the Commonwealth Statement on Apartheid in Sport. The Government's actions are necessarily limited to advice and efforts to persuade. There is no visa regime between the UK and South Africa and South African passport holders do not require visas or permits to visit this country. Even if South African passport holders required visas, there would be no provision under our immigration rules for refusing them to applicants intending to participate in sporting and other lawful activities.

5. The Government also ensures that no Sports Council funds are used to support UK involvement in sporting events in which South Africa is represented. UK governing bodies of sport are independent of government.





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6. New Zealand Government Attitudes towards Sporting Contacts with South Africa

Action by the New Zealand Government to uphold the Commonwealth Statement is very much in line with UK policy, ie it discourages sporting contacts with South Africa, but does not take measures to prevent them.

7. The Commonwealth Games Federation (CGF) Code of Conduct

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. The 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 an exclusion from the Games of member associations from countries which continued to have or to sanction sporting links with South Africa.

8. The Code of Conduct was adopted by the CGF when it met during the Brisbane Games last October. The English and New Zealand Associations abstained. However, the other six British Associations (Scotland, Wales, Northern Ireland, Isle of Man, Jersey and Guernsey) agreed to the proposals.

9. The English Association is proposing amendments which will be considered by the CGF General Assembly when it next meets, in Los Angeles at the 1984 Olympic Games. Failure at Los Angeles to overcome the English Association's reservations could jeopardise the next Commonwealth Games due to be held in Edinburgh in 1986. The New Zealand CGA seem likely not to maintain their objection to the Code.

10. Proposed tour of South Africa by English Rugby Football Union (RFU)

The RFU have a long standing proposal to tour South Africa in 1984. They are to decide on 30 March whether to go. The Minister for Sport (Mr Neil Macfarlane) and the Prime Minister have urged that the proposed tour be cancelled. If the tour goes ahead there may be attempts to exclude Britain from the Los Angeles Olympic Games later

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this year. (The tour of Wales in January 1984 by a South African Under-19 team at the invitation of the Welsh RFU will add impetus to such a move). The proposed RFU tour of South Africa could also lead to action to remove England from the Commonwealth Games which would wreck the next Games at Edinburgh in 1986.

Foreign and Commonwealth Office  
Cultural Relations Department  
February 1984

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The member countries of the Commonwealth, embracing peoples of diverse races, colours, languages and faiths, have long recognised 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 recognising 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 organisations, 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 organisations 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 Governments 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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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 McIntyre 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.

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 Muldoon as someone who could offer decisive leadership at a time when the traditional easy-going lifestyle 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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10 DOWNING STREET

Adm. M. W.

Talks with Giddens

I spoke to the N.Z.  
H. Commission. They  
want to start the  
talks at 1000  
because of  
Honourable Men.  
Service.

I agreed.  
[I will cancel  
Media]

OK.



E. R.

MRS. RYDER

Sir Robert Muldoon

The above is due to call on the Prime Minister at 1100 on Monday, 20 February for talks. The New Zealanders have a problem in that there may be a memorial service for Keith Holyoake at noon that day.

Could we reschedule Sir Robert Muldoon for 1030 - and put nothing else in the diary until noon, in case the talks run on?

A.F.C.

agreed

CR 91 #

6 January, 1984

Mr. Ryder.

I have told the NZ High Commission. Will you tell the FCO?

Mr. Muldoon  
CR 91



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BF

Foreign and Commonwealth Office

London SW1A 2AH

Mr. Byrd.

CR

30 December 1983

To note.

A.S.C. 3/1

Jon T...

Visit of New Zealand Prime Minister

Thank you for your letter of 12 December about Mr Muldoon's visit to London from 17 to 22 February.

I can now confirm that 1100 hours on Monday 20 February would be a convenient time for Mr Muldoon to attend talks with the Prime Minister. We have also received confirmation that Mr Muldoon will be pleased to host a dinner for the Prime Minister on the evening of 20 February.

Sir Geoffrey Howe will be seeing Mr Muldoon on 17 February.

Yours

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

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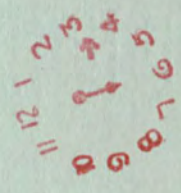


New Zealand : Visits to Britain by NZ PM. May 1979

Post Office Department  
London W1A 2AH



30 DEC 1982







10 DOWNING STREET

*From the Private Secretary*

12 December 1983

New Zealand

We have discussed on the telephone the visit of the New Zealand Prime Minister to London from 17-22 February.

The New Zealand High Commissioner told us recently that Mr. Muldoon would like to invite the Prime Minister to dinner during his stay. The Prime Minister could accept an invitation to dinner on Monday 20 February (any other day would be difficult, if not impossible). I should be grateful if you could convey this information to the New Zealand High Commission.

As you know, the Prime Minister does not normally accept return entertainment during visits by overseas Heads of Government. She has often entertained Mr. Muldoon before and on this occasion suggests that, if Mr. Muldoon is agreeable, we should dispense with entertainment at No. 10 since there is little point in having two meals on a private visit of this kind. On the other hand, she would be delighted to see Mr. Muldoon for talks at 1100 hours on Monday 20 February if this would be convenient for him.

JC.

Peter Ricketts, Esq.,  
Foreign and Commonwealth Office.



1100 talk.

PRIME MINISTER

NEW ZEALAND

Mr. Muldoon is coming to London from 17 - 22 February.  
He would like to see you and we can easily fit in talks.

He has said that he would like to entertain you at dinner.  
The only possibility is Monday 20 February. Would you be content,  
on this occasion, to receive entertainment rather than give it?  
You have often entertained Mr. Muldoon before and there is really  
little point in having two meals on a private visit of this kind.

Agree to accept a dinner invitation from Mr. Muldoon for  
Monday 20 February?

A. J. C.

Yes not

9 December 1983



MR. COLLES ✓

VISIT OF MR. MULDOON

You wanted the papers and facts. I have little of either.

I attach a copy of a telegram.

I have nothing much to add, other than that the New Zealand High Commission rang while you were away saying that Mr. Muldoon would like to host a lunch or dinner for the Prime Minister. This is not going to be easy to arrange as the Prime Minister will be at Chequers on 18/19 December and has Questions on Tuesday 21 December, and a dinner that evening. I have both lunch and dinner free on Monday 20 December but it doesn't make much sense for the Prime Minister to entertain Mr. Muldoon to lunch at Downing Street and then to go to the High Commission that evening.

I leave it to you to sort out an either/or situation.

Caroline

No doubt, but how about February which is when he is coming?

A. T. C.  $\frac{5}{12}$



OK.

just insert Feb for December

8 December 1983



*the Codes - No. 10.*

*To me o/r in London pl.*

*A.F.C. 23/11*

VLUK 370

OFDW G 153/22

DD 230400Z NEW DELHI  
PP WELLINGTON  
GGS 176  
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DESKBY 230400Z  
FM FCO 221925Z NOV 83  
TO IMMEDIATE NEW DELHI  
TELEGRAM NUMBER 850 OF 22 NOVEMBER  
INFO PRIORITY WELLINGTON

**IMMEDIATE**

**CLASSIFIED**

~~**CONFIDENTIAL**~~

RECEIVED  
BRITISH CONSUL COMMISSION  
NEW DELHI  
CHANCERY REGISTRY  
23 NOV 1983  
DUPLICATES  
OF LETTER.....  
OF ENCLOSURES.....  
LOCATION.....

FOLLOWING FOR RICKETTS  
FROM BONE

1. NEW ZEALAND HOUSE HAVE TOLD US THAT MR MULDOON WILL BE IN PARIS FOR AN OECD MEETING IN FEBRUARY. HE THEN PROPOSES TO VISIT LONDON FROM FRIDAY 17 FEBRUARY (ARRIVING 1025 AM HEATHROW FROM PARIS) TO WEDNESDAY 22 FEBRUARY (DEPARTING 1015 AM), AND WOULD LIKE TO CALL ON PRIME MINISTER AND FOREIGN AND COMMONWEALTH SECRETARY. MR. MULDOON MAY MENTION THIS TO PRIME MINISTER IN DELHI.
2. IT WOULD BE HELPFUL TO KNOW WHETHER TALKS AND PERHAPS A MEAL WITH PRIME MINISTER WOULD BE POSSIBLE IN THAT PERIOD (EXCEPT LUNCH AND AFTERNOON OF 21 FEBRUARY, WHEN MR MULDOON IS WITH INSTITUTE OF DIRECTORS).
3. THE TIMING IS DIFFICULT FOR THE SECRETARY OF STATE. THE FOREIGN AFFAIRS COUNCIL PRECLUDES APPOINTMENTS ON 20 AND 21 FEBRUARY. IF, AS SEEMS POSSIBLE, POCO MINISTERIAL MEETING IN PARIS ON FRIDAY 17 FEBRUARY DOES NOT MATERIALISE, THE SECRETARY OF STATE COULD SEE MR MULDOON THAT DAY.

HOWE

NNNN