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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.

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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

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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
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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.

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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 Trade

4. 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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