'A Country in Which I Have Long Had a Close Interest':

New Zealand's Relations with Japan in the 1950s

A Thesis presented in partial fulfilment of the requirements for
the degree of Master of Arts in History at Massey University

Andrew Duke
2003-2004

Acknowledgements

This thesis would not have been possible without the help of many. The supervisor of this work, Dr James Watson, deserves many thanks for his patience, encouragement, and his uncanny ability to trim down bloated drafts. Thanks are also due to Dr Kerry Taylor for his guidance and support, during a sometimes difficult year. I greatly appreciate the close assistance I have received from both over the past several years at Massey.

The people who gave graciously of their time to talk to me about their experiences of the 1950s deserve special thanks. David Atkins, Malcolm Craig, Rex Cunninghame, Richard Hampton, Sir George Laking, Noel Lough, Rod Miller, Colin Murray, Charles Paul, and Doug Zohrab. Your involvement led this research in sometimes unexpected, but rewarding, directions.

Generous funding by Massey University and the Ministry of Foreign Affairs and Trade made it possible to give this research my undivided attention. Staff at the Alexander Turnbull Library and Archives New Zealand were polite and helpful in fulfilling my many requests.

Finally, I would like to say thank you to my family and friends for their tolerance and good humour when I was going on about my latest research discovery.

Contents

List of Illustrations

List of Abbreviations

AJHR	*Appendices to the Journals of the New Zealand House of Representatives*
ANZUS	Australia, New Zealand and the United States (Tripartate Security Treaty) 1951
CCEP	Cabinet Committee on Economic Policy
CRO	Commonwealth Relations Office (United Kingdom)
DNZER	*Documents on New Zealand Foreign Policy*
EA	Department of External Affairs, External Affairs Archives New Zealand series classification
EOL	Exchange of letters
GATT	General Agreement on Trade and Tariffs
IC	Department of Industries and Commerce, Industries and Commerce Archives New Zealand series classification
IMTFE	International Military Tribunal for the Far East
MFA	Ministry of Foreign Affairs (Japan, also known as the Gaimusho)
MFN	Most Favoured Nation treatment (a convention of international trade treaties where a contracting party undertakes to give another contracting nation terms and conditions no less favourable than those applied currently, or to be applied in the future, to other nations).
MITI	Ministry of International Trade and Industry (Japan)
MP	Member of Parliament
NDT	Non-discriminatory treatment
NZ	New Zealand
NZIIA	New Zealand Institute of International Affairs
NZMF	New Zealand Manufacturers' Federation
NZPD	*New Zealand Parliamentary Debates*
OCEP	Officials' Committee on Economic Policy
PM	Prime Minister
Pt	Part (Archives New Zealand file classification)
SCAP	Supreme Commander of the Allied Powers (Pacific)
SECRO	Secretary of State for Commonwealth Relations (United Kingdom)
UK	United Kingdom
UNRRA	United Nations Relief and Rehabilitation Agency
US/USA	United States of America

Introduction

This thesis examines New Zealand's relations with Japan during the 1950s, and their development from the conditions of war, to a state of relative normalcy. Particular emphasis has been given to developments in the area of trade, and the factors that influenced New Zealand's policy in the area. The wider time frame dates from about 1947, with the establishment of New Zealand's first representation in Tokyo, to New Zealand's acceptance of a full GATT trading relationship with Japan in 1962. Within this frame, the thesis is centred on two sets of trade negotiations between New Zealand and Japan. That in 1954 failed for a variety of reasons. The second, in 1958, succeeded, due to significant changes in the factors that had influenced the 1954 talks.

There is a variety of secondary literature dealing with New Zealand-Japan relations in the twentieth century, and enough division of opinion and variance in argument to warrant further investigation. Tom Larkin was the first author to deal substantively with the topic, and provides an overview of post war relations to 1968, though not dealing with the specific details of the period 1954-1958. Larkin argued that there was a degree of enthusiasm on New Zealand's part to improve relations with Japan, stating there was a 'clear desire on both sides for closer ties',[1] and that each country '...consciously sought to draw near the other...'[2] Larkin suggested that fear of resurgent Japanese militarism partially determined New Zealand's attitude to the process of making peace with Japan, but that in 1951 the country was '...probably even more sensitive to the possibility of danger of from the communist world...', and the danger of Japan coming into the communist orbit.[3] However, after this early preoccupation with the political, Larkin argues that economic growth and trade opportunities were '...principally responsible for the transformation of relations, and the vast expansion of contacts...'[4] Larkin's argument was that New Zealand's motives for improving relations with Japan in the early 1950s were political, but later

---

[1] Tom Larkin, *New Zealand and Japan in the Post War World*, Wellington: New Zealand Institute of International Affairs, 1969, p. 8.

[2] Ibid., p. 13. Larkin later commented that the period 1951-61 was marked '...most of all, by a positive decision on New Zealand's part to commit itself to the pursuit of friendly relations with Japan.' Larkin, 'The Place, Directions and Future Needs of New Zealand Relations with Japan', in *New Zealand & Japan – The Papers of the Sixteenth Foreign Policy School University of Otago 1981*, Dunedin: University of Otago, 1981, p. 90.

[3] Ibid., p. 6.

[4] Ibid., p. 7.

in the 1950s became economic. Nearly all subsequent work by other authors accepts this 'two periods' argument, albeit with chronological deviations. The idea is also referred to as determining New Zealand's external relations more generally, by two former Secretaries of Foreign Affairs, Sir George Laking, and Graham Ansell.[5]

Ann Trotter also suggested that in the early 1950s New Zealand's attitudes were security centred, based upon fear of resurgent militarism in Japan.[6] Trade was of little importance during this time, Trotter said, although the building blocks for later improvements were laid.[7] Trotter agreed with Larkin that the 1950s heralded a phase of new relations after a period of post-war limbo, not without setbacks, but with general enthusiasm on New Zealand's part. She stated, for example, that trade with Japan grew in 1952, '...despite psychological and commercial obstacles'.[8] Trotter blamed the failure of New Zealand's 1954 trade negotiations with Japan on pressure from Britain, and a looming election that caused the Government to decide 'caution' would prevail.[9] The eventual success of the 1958 negotiations Trotter ascribed largely to New Zealand's increasingly unstable economic position, both in relation to short-term balance of payments problems, and long-term issues of reliance on the British market.[10] Trotter accepted the division of the 1950s into two periods, and stated that by 1956 '...security from Japan had ceased to be the significant issue', replaced by an emphasis on economics and trade.[11]

John Singleton disputed Trotter's proposition that New Zealand enthusiastically improved its relations with Japan during the 1950s, arguing instead that the change

---

[5] Sir George Laking, 'George Laking', in *An Eye, an Ear, and a Voice*, Malcolm Templeton (ed.), Wellington: Ministry of Foreign Affairs, 1993, p. 51 and Graham Ansell, 'Graham Ansell', in ibid., p. 152. The idea of two distinct 'political' and 'economic' periods, or policies, is also referred to by Keith Jackson, *New Zealand Foreign Policy*, paper delivered at the University of Otago Fourth Residential School on Foreign Policy, May 1969, p. 1.

[6] Ann Trotter, *New Zealand and Japan 1945-52 – The Occupation and the Peace Treaty*, London: Athlone Press, 1990, p. 3. Malcolm McKinnon makes the same argument, based on Trotter's work, stating that 'Through the post-war years New Zealand's diplomats and politicians sought to ensure that Japan did not return to a position where it could make war in the Pacific.' McKinnon, *Independence and Foreign Policy – New Zealand in the World Since 1935*, Auckland: AUP, 1993, p. 52.

[7] Trotter, *New Zealand and Japan 1945-52*, p. 183.

[8] Ann Trotter, 'From Suspicion to Growing Partnership: New Zealand and Japan', in *New Zealand in World Affairs*, Malcolm McKinnon (ed.), Wellington: New Zealand Institute of International Affairs, 1991, p.

[9] Ibid., p. 202.

[10] Ibid., p. 205-206.

[11] Ibid., p. 204.

was a 'regrettable necessity', as New Zealand's British market became less accessible. In the short term, balance of payments and specific commodity issues forced a slow approach to Japan in order to be conciliatory to Britain.[12] Thus the 1954 negotiations failed, Singleton said, largely due to New Zealand's desire to protect domestic industry and 'appease' Britain. Caution, Singleton stated, '...would be Wellington's watchword'.[13] Other obstacles to closer ties were New Zealand's balance of payments problems, and Japanese inflexibility over concessions in agricultural products.[14] In the long term, however, New Zealand had no choice but to diversify her markets, after failing to extract concessions from Britain. Thus the successful 1958 negotiations were, Singleton suggested, due to the Government then being more anxious about the economy.[15]

David Horsley accepted the two periods assessment, but argued more strongly than others that domestic political factors, mainly the need to safeguard domestic industry, dominated relations in the early 1950s.[16] Horsley emphasised the other dimension of the security factor, that of the fear of Japan turning communist, and the role this played in driving the Government to consider closer links with Japan.[17] More so than others, Horsley argued that the Government's perception of public opinion played a large role in determining the course of relations over the whole of the period.[18] Horsley assessed the 1954 failure as being due largely to a change of policy by the

---

[12] John Singleton, 'New Zealand's Economic Relations with Japan in the 1950s', *Australian Economic History Review*, March 1997 (37:1), p. 2. Ian McGibbon takes a similar line, stating that 'The Japanese were not to be trusted. No reliance would be placed upon their promises of good faith or peaceful intentions.' McGibbon, *New Zealand and the Korean War Volume I – Politics and Diplomacy*, Auckland: Oxford University Press, in association with the Historical Branch, Department of Internal Affairs, 1992, p. 22 McGibbon also deals with this in relation to the 'two periods' argument – that New Zealand got closer to Japan in the early 1950s out of political fears, and in the later 1950s out of fear of Japan economically. Ian McGibbon, 'New Zealand Perceptions of Japan 1945-1965', in *Japan and New Zealand 150 Years*, Roger Peren (ed.), Palmerston North: The New Zealand Centre for Japanese Studies, Massey University, Palmerston North, on behalf of the Ministry of Foreign Affairs, Tokyo in Association with the Historical Branch, Department of Internal Affairs, 1999, p. 135.

[13] Ibid., p. 5. Singleton makes the similar arguments about British influence in 'New Zealand, Britain and the Survival of the Ottawa Agreement 1945-77', *Australian Journal of Politics and History*, 43:2, 1997, p. 171.

[14] Singleton, 'New Zealand's Economic Relations with Japan', p. 2.

[15] Ibid., p. 9.

[16] David W. Horsley, 'New Zealand and Japan Trade Relations 1928-1958', MA Thesis in History, University of Canterbury, 1990, p. 178.

[17] Ibid., p. 189.

[18] Ibid., p. 135.

Japanese government, and New Zealand's domestic considerations.[19] By 1958, New Zealand's economic difficulties were such, said Horsley, that a trade agreement with Japan was almost a necessity.[20]

Barry McCaul argued that fear of resurgent Japanese militarism was central to Government attitudes until the mid-1950s,[21] and that from 1954 onwards, economics became central to the relationship.[22] In this, McCaul followed the two periods line, but took a position between Trotter and Singleton on the issue of 'enthusiasm' for Japan, and stated that the Government changed from a negative policy '...that regarded closer relations and trade with Japan as a duty rather than a worthwhile goal in its own right',[23] to a positive policy that '...recognised that Japan could offer much to the world'.[24] McCaul's thesis was written before departmental files were available and thus treats the specifics of 1954 and 1958 superficially. He did assert, however, that 1954 failed because 'Other markets existed for New Zealand, and the then present pattern of trade with Japan was satisfactory.'[25] The 1958 success McCaul attributed to the new Labour Government becoming 'convinced Japan was a friend',[26] and of the potential value of the Japanese market.[27]

Sharon Harvey addressed the 'third dimension', or cultural sphere, of New Zealand-Japan post-war relations.[28] Harvey's central concern is the failure of New Zealanders to develop the cultural and linguistic skills to deal with the Japanese, despite the increasing importance of the relationship since the 1950s.[29] Because New Zealand in the 1950s and afterwards possessed little understanding of the Japanese, when

---

[19] Ibid., p. 188. Leslie Castle, an officer of the Department of External Affairs at the time, and an important figure in formulating economic policy towards Japan, stated that negotiations failed due to 'bitter opposition from some quarters in New Zealand', referring to the actions of manufacturers opposed to increased trade with Japan. L.V. Castle & I. McDougall, *Japan as a Market for New Zealand Exports of Meat and Dairy Products*, Research Paper No. 14, New Zealand Institute of Economic Research, 1969, p. 8.

[20] Ibid., p. 209.

[21] Barry Quentin McCaul, 'New Zealand and Japan 1952 to 1969 – An Assessment of New Zealand Government Attitudes', MA Thesis in Political Science, University of Canterbury, 1970, p. 24.

[22] Ibid., p. 158.

[23] Ibid., p. 57.

[24] Ibid., p. 157.

[25] Ibid., p. 61.

[26] Ibid., p. 43.

[27] Ibid., p. 69.

[28] The first and second dimensions being economics and politics, respectively.

[29] Sharon Harvey, 'The Third Dimension – Cultural Relations between New Zealand and Japan in the Post-War Period', MA Thesis in History, University of Auckland, 1988, ii.

problems with Japan arose, New Zealand was poorly equipped to deal with them.[30] Harvey endorsed the two periods approach,[31] and emphasised the role of economics as a motive for improving relations.[32] Harvey implied that New Zealand's diplomatic efforts were directed towards a short term interest in economics, rather than in the consideration of long term political and cultural links.[33] Such an attitude intersects with Singleton's argument that any 'enthusiasm' for Japan was illusory. The Government, Harvey said, failed to anticipate the long term importance of Japan to New Zealand economically, and were unwilling to see Japan as 'different' from other trading partners.[34] However, Harvey concluded by saying that the lack of cultural understanding did not hinder developments in the late 1950s and early 1960s, as trade was then limited, and political issues were addressed multilaterally rather than bilaterally.[35]

This research explores a number of issues and questions emerging from these authors. Some earlier conclusions have been borne out here, but others now appear less valid than previously. A key question of this research was New Zealand's motivation for the improving links between 1947 and 1962. The argument that the 1950s can, generally, be divided into two periods, one political and one economic, still seems valid. However, it seems there was rarely any balance between political and economic motives. The political predominated almost completely until about 1956, and the economic came to the fore thereafter.

There is inconsistency in existing work over the extent to which the political motivation centred on security from Japanese militarism, or fear of Japan turning communist. Authors have, for example, been unable to decide whether ANZUS was more the result of fear of Japan militarism, or fear of Communism. McCaul and Trotter lean towards militarism, Singleton and Horsley towards Communism.[36]

---

[30] Ibid., p. 30.
[31] Ibid., p. 18.
[32] Ibid., p. 2.
[33] Ibid., p. 8 & 18.
[34] Ibid., pp. 39-40.
[35] Ibid., p. 246.
[36] A variety of others take either position, sometimes both. Ian McGibbon argues that Japanese capacity for rearmament, 'perhaps impelled by a desire for revenge was not discounted; and most New Zealanders were unprepared to rely for protection upon geographical isolation alone.' McGibbon, 'The Defence of New Zealand 1945-57', in *New Zealand in World Affairs Vol I*, F.L.W.

Larkin's comment that the movement between the two was a 'smooth and imperceptible shift of position', is apt, given the difficulties in drawing any definitive division.[37] But there was an increasing fear that Japan might turn communist, especially under the influence of trade with communist China. A larger Allied policy of ensuring Japanese prosperity through diverting her trade to Western countries developed, and New Zealand felt she ought to do her part by increasing trade with Japan.

Over the whole period, fears of the 'Red Menace' outweighed fears of the 'Yellow Peril', and this communism argument was essentially the Government's sole motivation during the 1954 negotiations. Yet this argument was based on a somewhat shallow rhetoric, and difficulties during the negotiations revealed a fundamental split in the official advice the Government received. Fear of communism was in the end not enough to secure agreement. There were a variety of reasons for this.

This thesis argues that the explanations of British pressure advanced by Trotter, Singleton and Horsley are over-stated. This is not to say such considerations did not influence the Government at all, but that British policy was so inconsistent and so opposed by some high-level officials, that its real influence on the decision may be questioned. Horsley's explanation of a change in Japanese policy only tells part of the story. The suggestion by Trotter and Singleton that 'caution' prevailed obscures the fact that the New Zealand's indecisiveness effectively wrecked the agreement long before the Japanese changed their policy. This thesis maintains that the hesitancy was linked overwhelmingly to government fears of the effects of increased Japanese competition on domestic industry, and a related concern about possible public criticism of agreement with Japan. These factors have not been given the emphasis they warrant.

Wood (ed.), Wellington: Price Milburn for the New Zealand Institute of International Affairs, 19XX, p. 45. Elsewhere he similarly states that the capacity of Japan to '...rapidly restore its offensive power perhaps impelled by a desire for revenge was not discounted.' McGibbon, *New Zealand and the Korean War Volume*, p. 22. David McIntyre agrees that ANZUS was a 'guarantee' given to New Zealand for its support of a 'soft' peace with Japan, but also that 'the wider context' was provided by the Cold War. McIntyre, *Background to the ANZUS Pact – Policy-Making, Strategy, and Diplomacy, 1945-55*, Christchurch: Canterbury University Press, 1995, p . 1. See also McIntyre, 'From Dual Dependency to Nuclear Free', in *The Oxford History of New Zealand*, 2nd edn, Geoffrey Rice (ed.), Auckland: OUP, 1992, p. 528.

[37] Larkin, *New Zealand and Japan in the Post War World*, p. 6.

Several other factors were involved that have received minimal coverage previously. The divide in opinion between departments played a crucial role in causing the Government to hesitate, and there were long-term issues affecting the roles of the departments concerned that have not been explored. The 1954 process was also hindered by the inexperience of both parties in dealing with each other, and to some extent New Zealand's lack of expertise in Japanese methods of operation. This resulted in occasional misunderstandings and confusion that did not help the progress of negotiations.

Additionally, existing literature mentions to differing degrees the influence of other Commonwealth countries on New Zealand's policy. However, this discussion is confined to Australia's influence in 1958. In 1954 New Zealand was influenced to a considerable extent by the actions of not only Australia, then in a similar position to New Zealand, but also Canada, whose successful agreement with Japan made them a more relevant example. Other research has also shown that in the early 1950s Australia was actually influenced by New Zealand's approach to Japan, which supports, at least to some degree, the 'enthusiasm' suggested by Larkin and Trotter.

Many of these factors began to change after 1954. The communism argument was discredited, and ceased to be of much significance. In its place trade for its own sake was now the motive for further links with Japan. Trade between the two countries increased between 1954 and 1958, meaning New Zealand had the incentive of protecting a small but profitable niche, and a potentially greatly expanded market, from Japanese pressure and Australian competition. This became increasingly important as developments in Europe meant that the British market could no longer be taken for granted. Therefore in 1958 New Zealand had a more compelling motive to reach an agreement.

The other factors that had adversely affected the 1954 negotiations had also changed by now. Advice from officials was no longer split, making a cohesive policy much easier to pursue. Britain again pressured New Zealand, but was largely ignored. Concerns over domestic industry and public opinion were again in evidence, but had lessened to the degree where even a Labour government, traditionally suspicious of

increased trade with Japan, moved forward with a trade agreement. Influence from other Commonwealth countries was again prominent, but this time Canada took a back seat as New Zealand observed Australia's successful trade agreement with Japan. Between 1954 and 1958 New Zealand had also developed greater experience in dealing with Japan, helped considerably by visits by Japanese politicians to New Zealand, and vice versa. In 1958 there was no confusion or misunderstandings. As a result of all these factors, the process moved more smoothly towards a successful conclusion.

Various sources have been used in this research. At Archives New Zealand, a number of files from the Departments of External Affairs, (EA) Industries and Commerce, (IC) and others have been have been used, covering a range of issues from trade negotiations, to state visits and wider political issues. At the Alexander Turnbull Library the personal papers of a number of persons important to the development of relations have been used. The papers of Alister McIntosh, Secretary of External Affairs for the entire period covered, have been useful. Correspondence between McIntosh and officers in New Zealand and abroad, especially those in Japan, was particularly helpful in identifying background issues not recorded in departmental files. Interviews with several people involved in the development of New Zealand-Japan relations, both in Wellington and Tokyo, have been conducted. These have given insights into some of the trends in the paper record, as well as illuminating others.

Chapter I - Overview

The 1954 and 1958 trade negotiations between New Zealand and Japan were critical pivots in relations between the two countries during the 1950s. This chapter outlines those events, while a more detailed analysis of the factors influencing them is provided in the subsequent chapters. The build up to the 1954 negotiations was slow, and the negotiations often difficult, though not enough to preclude an agreement. However, delays to ratification by both sides occurred, and by the time the decision was made to move forward, the agreement had gone stale and was not enacted. Yet the issue of trade with Japan remained on the domestic agenda, and it was clear that the Japanese had not abandoned the idea of an agreement. The process of interdepartmental deliberation, low-level talks and ultimately full negotiations leading to an agreement in September 1958 was just as fraught as the 1954 process. The 1958 process was complicated further by the election of December 1957, bringing to power the Labour Party, traditionally suspicious of increasing trade with Japan. But after less than six months all previous political and departmental doubt over a trade agreement disappeared. The picture that therefore emerges is not of an early deliberate decision, followed by gradual progress towards an inevitable goal, but one of incremental shifts back and forward, and rapidly shifting policy positions.

The initiative for the 1954 talks came from the Japanese as early as November 1951. New Zealand's Trade Representative in Tokyo, Bill Challis, reported a Japanese suggestion of exchanging diplomatic representatives, opening a Japanese Legation in Wellington, and 'exchanging information about contemplated Japan-New Zealand trade... either in the form of a Trade Arrangement or merely as an "Exchange of Information" to assist both Governments to plan trade...'[1] The response to this, both from Challis and from the Departments of External Affairs and Industries and Commerce in Wellington was cool.[2] The questions of representation were followed up, but no reply was made regarding trade discussions.[3]

---

[1] Trade Representative, Tokyo (Bill Challis) – Secretary EA (Alister McIntosh), 8 November 1951, EA W2619 64/12/2 Pt 2.

[2] Lloyd White (EA) – Secretary IC (P.B. Marshall), 3 December1951, Secretary IC – Secretary EA, 7 December 1951, Deputy Secretary EA (Foss Shanahan) – Head of Mission, Tokyo, 20 December 1951, EA W1784 58/12/2 Pt 4.

[3] Minister EA (Clifton Webb) & Minister IC (Jack Watts) – Cabinet, 16 November 1951, EA W2619 64/12/2 Pt 2.

There were further interdepartmental discussions over trade policy towards Japan, but no further action was taken until another overture from the Japanese Ministry of Foreign Affairs.[4] This, rather inauspiciously, came on ANZAC Day 1952, and inquired as to whether New Zealand would give most favoured nation [MFN] treatment to Japanese goods in view of Article 12 of the Peace Treaty.[5] Discussion continued throughout 1952 without substantive results or a reply to the Japanese.[6] The whole issue of trade with Japan came before Cabinet in March 1953, and the conclusion reached was that New Zealand should aim at 'assisting Japan to live and trade on reasonable terms with the free world'.[7] But the matter was left again until the issue of Japanese accession to the GATT brought it back to the fore. The Cabinet Committee on Economic Policy [CCEP] decided in August that New Zealand could not support the Japanese application, but that Japan should be invited to bilateral discussions 'for a limited most favoured nation arrangement outside of GATT'. The question was raised with the Japanese GATT delegate in Geneva in September, and the Japanese were formally invited to talks in December.[8]

The ground was prepared when the Minister of Industries and Commerce, Jack Watts, made a public statement in February that 'it is necessary that our trading relations with [Japan] should be on a sound basis.'[9] A departmental working party convened by Customs, also with officials from External Affairs, Industries and Commerce, and Treasury, was set up to consider the question further. It formed New Zealand's delegation to the negotiations.[10] Preliminary talks were held in Wellington at the end of March 1954, and enough common ground was found for the Japanese to be invited back for full talks in June.

---

[4] Also known as the Gaimusho.

[5] Japanese Ministry of Foreign Affairs – NZ Legation Tokyo, 25 April 1952, EA W1784 58/12/2 Pt 5. Article 12 declared Japan's readiness to negotiate to place trade, maritime and commercial relations 'on a stable and friendly basis'. It also provided that Japan would extend MFN treatment to the Allied powers, to the extent that it was reciprocated. (Robin Kay [ed.], *DNZER Vol III*, p. 1185-86)

[6] 'Trading Relations with Japan', External Affairs, Industries and Commerce, Treasury discussions, 20 May 1952, T 1 61/6/20/1. Acting Secretary IC (Gordon Hope) – Secretary EA, 28 November 1952, EA W1784 58/12/2 Pt 5. Acting Permanent Head Prime Minister's Dept (Shanahan) – Acting Prime Minister (Holyoake), 12 December 1952, ibid.

[7] CCEP 53:2, 'NZ's Trade Policy towards Japan', 19 March 1953, EA I 35/29/5 Pt 1, p. 3.

[8] CCEP 54:2, 'Trading Relations with Japan', 26 August 1953, EA I 35/29/6 Pt 1, p. 1.

[9] *Dominion*, 3 February 1954, EA W2619 58/12/2 Pt 6

[10] Comptroller of Customs (Peter Johnsen) – Minister of Customs (Charles Bowden), 19 March 1954, C W2358 955/000/1 Pt 1.

The June talks stretched into July, and, despite growing disagreement within the CCEP,[11] an agreement apparently satisfactory to both parties was reached..[12] However, Cabinet decided to defer approval of the agreement till the end of 1954 at the earliest.[13] The Japanese were not pleased with this non-decision.[14]

The Secretary of Industries and Commerce and the Comptroller of Customs eventually agreed that the latter would consult with the UK Government about the agreement during a Commonwealth meeting in October.[15] A note was received from the Japanese shortly afterwards seeking confirmation the agreement would be approved by New Zealand 'as soon as circumstances permit'.[16] Following consultations with the UK, which seemed to confirm the agreement should go ahead,[17] the Japanese asked again in January 1955 whether New Zealand intended to proceed, and were told informally in February that matters were 'still under consideration'.[18] Cabinet eventually approved the agreement in April. Challis was instructed to approach the Japanese for better terms, but inform them of New Zealand's acceptance even if those better terms could not be secured.[19]

The attitude of the Japanese, however, had changed. After discussions with the Japanese Chargé d'Affaires in Wellington, External Affairs was concerned that the Japanese thought New Zealand would offer active support to their GATT application.[20] Challis reported back that the Japanese 'do not seem unduly concerned at this stage at least'.[21] But at the end of July the Japanese had still not been informed

---

[11] Minutes of the Ninth Meeting of the CCEP, 30 June 1954, ibid.
[12] MinAgriculture – Cabinet, 5 August 1954, on Cabinet Paper 54:623, AAFD 807 77a.
[13] Secretary to the Cabinet (Shanahan) – Holyoake, Minister of Customs, Minister EA, Secretary EA, Secretary IC, Comptroller of Customs, Secretary to Treasury, 17 August 1954, MS-Papers-1403-432/3.
[14] Chargé, Tokyo – Minister EA, 24 August 1954, C W2358 955/000/1 Pt 1. See also Shanahan's notes of a meeting between himself, Bowden, and the Japanese Chargé, Seuchi Shima, 23 August 1954, ibid.
[15] Secretary IC – Chairman CCEP, 3 September 1954, and Comptroller of Customs – Minister of Customs, 8 September 1954, ibid.
[16] *Note Verbale*, Gaimusho – NZ Legation Tokyo, 8 October 1954, EA W2619 58/12/2 Pt 7.
[17] Lloyd White – Secretary EA, 19 October 1954 & Johnsen – Minister of Customs, 21 October 1954, ibid.
[18] NZ Delegate to GATT – Minister EA, 26 January 1955 & reply 14 February 1955, ibid.
[19] Secretary EA – Chargé, Tokyo, 19 April 1955, T 1 61/6/20/1.
[20] Minister EA – Chargé, Tokyo & Deputy Secretary EA – Minister IC, 20 May 1955, EA W2619 40/12/1 Pt 8.
[21] Chargé, Tokyo – Minister EA, 1 June 1955, ibid.

of Cabinet's approval,[22] and during August rumours began to circulate that the Japanese would 'retaliate' against countries invoking Article XXXV of GATT against Japan by increasing tariff rates on imports from those countries.[23] Challis confirmed this, reporting that '... the Japanese consider circumstances have altered since it [the agreement] was drafted and temporarily shelved consideration of it until matters arising from [their] GATT entry have been dealt with.'[24]

Japan replied belatedly to a New Zealand note enquiring as to the apparent contradiction between the draft agreement and the threat of 'retaliation'. The substance of their late, evasive reply was sufficient to indicate Japan was not interested in a trade agreement, at least in the immediate future.[25] The decision was made not to notify the Japanese that Cabinet had approved the arrangement, and the matter lapsed.[26] This collapse following such an investment of time and resources by both parties was a serious setback to relations between the two countries. By the time the subject of a trade agreement was broached again, the tortuous approaches had to start all over again, in circumstances far less favourable to New Zealand.

The Japanese tentatively revived the idea of a trade agreement in May 1956, when a Ministry of International Trade and Industry [MITI] official told New Zealand's Minister in Tokyo, John Reid, that he expected renewed talks after the Japanese had concluded their trade agreement with Australia. It was intimated that the initiative for talks lay with New Zealand, and Reid advised further probing of the Japanese attitude before 'taking the problem to [a] higher level here'.[27] Reid reported in July that Japan hoped to raise the possibility of a trade agreement following the conclusion of unrelated negotiations with Britain.[28] In November the Trade Commissioner in Tokyo, John S. Scott, reported on a meeting with MITI officials, the Japanese

---

[22] Les Castle – Secretary EA, 20 July 1955, ibid.

[23] Secretary EA – Minister EA, 9 August 1955, ibid. New Zealand's policy on Japanese accession to GATT was that it 'would not oppose' it. However, New Zealand along with 13 others including Britain and Australia, proposed to invoke Article XXXV, which meant that if Japan gained entry, the provisions of GATT would still not apply to trading relations between the two countries. Japan's threat of 'retaliation' was aimed in the main at Britain, and New Zealand appears to have been caught up more by accident than design.

[24] Chargé, Tokyo – Secretary EA, 12 August 1955, EA W2619 40/12/1 Pt 8.

[25] EA - Gaimusho, 18 August 1955 & Gaimusho – EA, 7 October 1955, ibid.

[26] 'Notes for Prime Minister', 12 May 1956, EA I 59/2/173 Pt 1, p. 2.

[27] Minister, Tokyo (John Reid) – Secretary EA, 30 May 1956 & Trade Commissioner, Tokyo (John S. Scott) – Secretary IC (P.B. Marshall), EA W2619 40/12/1 Pt 8.

[28] Minister, Tokyo – Secretary EA, 12 July 1956, T 1 61/6/20/1.

reiterating that they would approach New Zealand for 'similar [most favoured nation] treatment' following the conclusion of the Australian agreement.[29]

The Australian negotiations dragged on, and the Japanese again suggested in March 1957 it would be 'New Zealand's turn' afterwards.[30] The chief Japanese negotiator in Australia, Ushiba, paid a brief visit to New Zealand in June, before which interdepartmental discussions were held to establish a common line. It was decided that New Zealand would proceed along the lines of 1954, with a limited most favoured nation [MFN] agreement rather than the full MFN agreement Japan had concluded with Australia.[31] The discussions with Ushiba focussed on MFN treatment. The Japanese wanted a full MFN agreement, but the Comptroller of Customs, Peter Johnsen, who led the New Zealand delegation, said this was not possible, and that 'the next move was over to the Japanese government'.[32] Ushiba stated afterwards that he expected full negotiations before November,[33] but the Japanese Ambassador, Shimadzu, was subsequently informed by the Deputy Secretary of External Affairs, George Laking, that although the Government preferred not to have negotiations till December, limited preparatory talks could continue in the meantime.[34]

Scott was told in August to proceed with preparatory talks, with no full talks till after the election. It was confirmed to him that New Zealand could not offer full MFN terms.[35] Scott and Reid both reported in early October that MITI were adamant on full MFN status, and that the matter was an issue of prestige for the Japanese government. Scott suggested New Zealand 'had little to lose' not having an agreement at that stage, while Reid noted that if Japanese insistence on full MFN were absolute, and New Zealand were convinced it was impossible, 'it would be most unfortunate to allow the negotiations even to commence.'[36] These dual

---

[29] Trade Commissioner, Tokyo – Secretary IC, 24 November 1956, C W1218 22/230/1.
[30] Trade Commissioner, Tokyo – Secretary IC, 14 March 1957, IC W2072 B8 162/1/6 Pt 1.
[31] 'Notes of Interdepartmental Meeting', 19 June 1957, T 1 61/6/20/1.
[32] 'Informal Discussions', 20 June 1957, EA W2619 40/12/2 Pt 2.
[33] *Evening Post*, 9 July 1957, EA W2619 40/12/1 Pt 8.
[34] George Laking, file note, 10 July 1957, T 1 61/6/20/1 & Laking, file note, 12 July 1957, EA W2619 40/12/1 Pt 8.
[35] Acting Secretary IC (Alan Atkinson) – Trade Commissioner, Tokyo, 14 August 1957, ibid.
[36] Trade Commissioner, Tokyo – Acting Secretary IC, 3 Oct 1957, ibid & Minister, Tokyo – Secretary EA, 3 Oct 1957, EA W2619 40/12/1 Pt 8.

communications continued, Scott reiterating that MITI and the Japanese Ministry of Finance were insistent on full MFN treatment, the more conciliatory Gaimusho expressing doubts as to whether it could convince them otherwise. Reid, however, reported the opposite - that the Gaimusho believed they would be able convince their comrades to proceed on a limited MFN treatment basis. [37]

In Wellington External Affairs told Customs and Industries and Commerce that the Japanese knew full MFN treatment was 'no possibility politically', and the decision on whether to proceed was up to them.[38] McIntosh met with the Acting Secretary of Industries and Commerce, Alan Atkinson, and the Comptroller of Customs, the three agreeing that it was best to defer further negotiations, as full MFN treatment appeared 'most unlikely', and as the Government had dispersed to fight an election it was not possible to seek reconfirmation.[39] The latter two then attempted to convince McIntosh that negotiations ought to be delayed beyond the start of 1958. McIntosh told Reid that if full MFN treatment were a prerequisite for an agreement, New Zealand would have to defer 'for at least a year.'[40] Cabinet, McIntosh was told, 'agreed generally' with his assessment.[41]

However, at the same time Scott reported that while the Japanese would request full MFN status as a formality, MITI and the Ministry of Finance had been 'converted' to the Gaimusho view, and would accept limited MFN status.[42] This was not made known to the deliberating Chief Executives. Reid, incredulous, replied to McIntosh's deferral letter, reiterated the altered Japanese position, and asked for authority to approach the Gaimusho asking for negotiations early in 1958 to put the matter beyond confusion.[43] Laking confirmed New Zealand could proceed on the basis of limited

---

[37] Trade Commissioner, Tokyo – Assistant Secretary IC, 12 Oct 1957, ibid & Minister, Tokyo – Secretary EA 15 Oct 1957, ibid.
[38] Bill Green (EA) – Comptroller of Customs (E.S. Gale), Acting Secretary IC, 22 Oct 1957, IC W2006 114/1/1 Pt 2.
[39] Acting Secretary IC – Secretary EA, 24 Oct 1957, ibid.
[40] Comptroller of Customs – Secretary EA, 1 November 1957, EA W2619 40/12/1 Pt 8 & Secretary EA – Minister, Tokyo, 14 November 1957, ibid.
[41] Secretary of Cabinet (R.L. Hutchens) – Secretary EA, 19 November 1957, ibid.
[42] Trade Commissioner, Tokyo – Assistant Secretary IC, 8 November 1957, IC W2006 114/1/1 Pt 2.
[43] Minister, Tokyo – Secretary EA, 20 November 1957 & 21 November 1957, EA W2619 40/12/1 Pt 8.

MFN status, but McIntosh had to relay to Reid that the imminent election made it impossible to secure ministerial authority for such action.[44]

It now at least appeared as if the trade agreement finally had departmental and political approval on both sides to go forward. Unfortunately, the meticulously assembled consensus evaporated less than a week later, when National lost the election. The suspicion of the Labour Party and particularly the new Prime Minister, Walter Nash, to any increase of trade with Japan was well known,[45] and to make matters worse the Japanese Prime Minister, Kishi, arrived the day after the election for the first such visit by a Japanese premier. Increasing the awkwardness of the situation, Nash was immediately reported as saying that 'The Labour government would not be interested in a trade agreement with Japan.'[46]

McIntosh told Reid that the newspaper report 'does not correctly report the statement of the views of Mr Nash'. Reid was instructed to inform Kishi that New Zealand was ready to discuss anything that would be 'mutually advantageous and that would further develop trade relations between New Zealand and Japan'.[47] The report did not cause serious damage with the Japanese, who Reid said 'appreciated that the Labour government may have a somewhat different approach to trade negotiations'.[48] But despite undampened Japanese enthusiasm, New Zealand officials were downbeat. Jim Moriarty, later the chief architect of the 1958 negotiations, wrote to Reid that 'I would not be too hopeful about the outcome of trade talks in any near future'.[49] In a memorandum at the end of 1957 McIntosh said that for various reasons, 'an early approach by the Japanese would not be appropriate at the present time.'[50] And in

---

[44] Deputy Secretary EA – Comptroller of Customs, Acting Secretary IC, 25 November 1957, IC W2006 114/1/1 Pt 2 & Secretary EA – Minister, Tokyo, 25/11/57, EA W2619 40/12/1 Pt 8.
[45] David Horsley, 'New Zealand and Japan Trade Relations 1928-1958', MA thesis, University of Canterbury, 1990, p. 6, 122-123, 135, 197.
[46] *New Zealand Herald*, 3 December 1957, p. 14.
[47] Minister, Tokyo – Minister EA, 4 December 1957, IC W2006 114/1/4 Pt 1 & Minister EA – Minister, Tokyo, 4 December 1957, EA W2619 40/12/1 Pt 8.
[48] Minister, Tokyo – Secretary EA, 19 December 1957, EA W2619 40/12/1 Pt 8.
[49] Moriarty – Reid, 12 December 1957, MS-Papers-77-193.
[50] Secretary EA – Minister, Tokyo (unsent), 31 December 1957, EA W2619 40/12/1 Pt 8.

early 1958 both Moriarty and Atkinson playing down the chances of early negotiations.[51]

The first sign of change came in March, when Scott reported pressure on the Gaimusho by the Japanese Ministry of Agriculture and Forestry, and vague threats by the latter against New Zealand's Japanese market, aimed at securing a resumption of even low-level talks. Scott endorsed such talks as potentially 'valuable', with Reid adding that New Zealand had 'everything to gain' by helping her 'friends' in the Gaimusho.[52] Atkinson advised the Minister, Philip Holloway, that New Zealand should take the initiative in full negotiations, rather than with low-level talks, a position also endorsed by Moriarty.[53]

Holloway having secured Cabinet's informal approval for full negotiations, Moriarty told Scott in mid-April to inform the Japanese that New Zealand was ready for official talks in July.[54] The change of policy was so rapid that neither Reid nor anyone in External Affairs in Wellington knew what was going on. Laking wrote to Reid that 'The new and vigorous trade promotion policy initiated by Holloway and Moriarty is causing us some temporary difficulty...'[55] There were brief interdepartmental discussions in mid-May,[56] followed immediately by Holloway's formal recommendation of negotiations to Cabinet.[57] After what was by previous standards very brief deliberation, Cabinet endorsed Holloway's decision at the start of June.[58] Full MFN treatment for Japan was at this stage still understood to be unacceptable.[59]

Initial talks were held in Tokyo at the start of July, Scott and Reid's impression was that Japan was still 'most anxious' to secure full MFN status, though she would settle

---

[51] Treasury (Moriarty) – Secretary EA, 31 January 1958, IC W2006 114/1/1 Pt 4 & Acting Secretary IC – Industries and Commerce Director of Overseas Trade (A.W. Broadbent), 10 March 1958, IC W2006 114/1 Pt 4.

[52] Trade Commissioner, Tokyo – Acting Secretary IC, 19 March 1958, IC W2006 114/1 Pt 4 & Minister, Tokyo – Secretary EA, 20 March 1958, EA W2619 40/12/2 Pt 1.

[53] Acting Secretary IC – Minister IC (Philip Holloway), 28 March 1958, IC W2006 114/1 Pt 4. Moriarty – Minister IC, 3 April 1958, ibid.

[54] Moriarty – Trade Commissioner, Tokyo 14 April 1958, EA W2619 40/12/2 Pt 1.

[55] Deputy Secretary EA – Minister, Tokyo, 30 April 1958, ibid.

[56] Patrick Millen (EA) – McIntosh & Laking, 15 May 1958, ibid.

[57] Minister IC – Cabinet, 15 May 1958, IC 22 W1837 22/47B.

[58] Secretary to Cabinet (Hutchens) – PM, Minister IC, Minister EA, MinFinance, MinCust, 4 June 1958, ibid.

[59] A.W. Broadbent, file note, 4 June 1958, IC W2006 114/1/1 Pt 3 & Acting Secretary IC – Minister, Tokyo, 4 June 1958, IC W2006 114/1 Pt 4.

for less.[60] This prompted External Affairs to reconsider their MFN position, Laking writing to Nash that 'it should be made clear to the negotiating officials that, in the last resort, the Government would concede full MFN treatment...', an approach Nash agreed to.[61] The Japanese delegation arrived in Wellington only a few days later, for two months of negotiations. After Moriarty had repeatedly dodged the Japanese questions about full MFN treatment,[62] Laking endorsed his assessment that New Zealand could not expect to meet its goals without conceding it.[63] This concession worked in New Zealand's favour, and when the minutiae were being thrashed out in late August, the leader of the Japanese delegation, Seki, stated that 'the reason Japan had been prepared to go so far to meet New Zealand's requests was because New Zealand had offered full MFN treatment and Japan had not expected that'.[64] The agreement was signed in Wellington on 9 September,[65] the countersigning and exchange of instruments taking place in Tokyo in late November.[66] The successful agreement paved the way for expansion of trade. When New Zealand revoked Article XXXV in 1962, accepting full GATT obligations to Japan, it was the logical continuation of the process started in 1958.

---

[60] Trade Commissioner, Tokyo – Acting Secretary IC, 4 July 1958, ibid.
[61] Deputy Secretary EA – Prime Minister, 17 July 1958, EA W2619 40/12/2 Pt 1 & Laking, file note, 18 July 1958, ibid.
[62] Minutes of the Third Meeting, 24 July 1958, AAEG 6956 B3 26/2/4, p. 2.
[63] Minutes of the Officials' Committee on Economic Policy [OCEP], 30 July 1958, IC W2006 114/1/1 Pt 4, p. 2.
[64] Minutes of the Fifteenth Meeting, 20 August 1958, AAEG 6956 B3 26/2/4, p. 3. Seki Morisaburo, was Japan's Consul General in Sydney.
[65] *AJHR* 1958, A17a, 'Agreement on Commerce between New Zealand and Japan', p. 21.
[66] First Secretary, Tokyo (Rex Cunninghame) – Secretary EA, 26 November 1958, AAEG 6956 B3, TKY 26/2/4 Pt 3.

Chapter II – Yellow Peril or Red Menace?

This chapter charts the development of one of the more important factors in pushing New Zealand closer to Japan, the fear of her becoming communist. It starts with a brief summary of how New Zealand's thinking shifted from fear of renewed Japanese militarism to the fear that nascent democracy in Japan would be threatened by communism. Following this is an examination of the existing literature on this topic. The development of the policy whereby New Zealand sought to help prevent communism taking hold in Japan by increasing trade with her will then be addressed in detail. This account runs from the birth of the policy in the late 1940s to its zenith in 1954, and its decline in importance thereafter.

In the immediate post-war period, New Zealand's policy towards Japan was aimed at ensuring that Japan would never again be in a position to threaten New Zealand militarily. However, increasing tension between the communist block and the Western group of nations in the late 1940s made it difficult to maintain a punitive policy. Soviet actions in Eastern Europe contributed to a growing fear of communist expansionism. Closer to home, communist forces won the Chinese civil war in 1949, and the Korean War erupted in 1950, reinforcing the perception of a communist threat. Part of the American response was to attempt to revive Japan as a democratised bastion against communist aggression in Asia.

This was reflected in a lenient US sponsored Japanese peace treaty. In the early 1950s the Japanese economy was supported by direct American aid and Korean War expenditure, although it remained in a parlous state, deprived of raw materials from its former colonies, and cut off from its former markets in mainland Asia. It was perceived in the US, and increasingly in other Western countries, including New Zealand, that Western markets should be opened to Japanese goods. The alternative was seen to be leaving the Japanese to trade with Communist China, which would draw them into the communist political orbit. A communist Japan was seen as an even worse security headache than a remilitarised Japan. However, these ideas were slower to develop in New Zealand than elsewhere, and were never as strong a part of foreign policy as in the USA. The political motive to trade was, however, still the

predominant influence pushing New Zealand towards closer links with Japan in the first half of the 1950s.

It was frequently difficult in New Zealand's case to detect where fear of the 'Yellow Peril' ended and fear of the 'Red Menace' began. A number of views on the topic have been advanced.[1] Barry McCaul stated that doubt about the renunciation of Japan's militaristic past 'was central to the Crown's political attitudes towards Japan until the mid fifties'.[2] Policy was shaped by the belief that Japan should never again threaten New Zealand either through resurgent militarism or through the accession to power of communism.[3] McCaul argued that general shifts in New Zealand's foreign policy from the mid 1950s when we became more interested in the Asian region, caused a re-evaluation of Japan policy, the result being that New Zealand sought to develop closer relations politically and economically, in part to counter the threat of communism.[4] By the time of the 1958 trade agreement, McCaul maintained, New Zealand had realised the danger of isolating Japan, which might contribute to the possible rise of militarism or communism.[5]

Tom Larkin argued that there was a degree of enthusiasm in New Zealand for improving relations in the early 1950s. There was on both sides, Larkin claimed, a desire to 'transcend the difficulties of the past', and a recognition of the 'considerable identity of purpose' between the two in international affairs.[6] Larkin noted the difficulty in assessing a clean break between New Zealand's fear of militarism and fear of communism, stressing the 'smooth, imperceptible shift of position'. He also suggested that New Zealand retained a 'restrictive' and 'punitive' policy towards Japan that persisted after the US had changed its own policy.[7] Ann Trotter remarked that New Zealanders remained suspicious of Japanese intentions, despite the United States quickly ceasing to see Japan as a threat. New Zealand's security policy

---

[1] See introduction pp. 5-6, footnote 36 for examples of this, in relation to whether the ANZUS alliance was more a response to fears of Japanese militarism or international communism.
[2] Barry Quentin McCaul, 'New Zealand and Japan 1952 to 1969 – An Assessment of New Zealand Government Attitudes', MA Thesis in Political Science, University of Canterbury, 1970, p. 21-22.
[3] Ibid, p. 26.
[4] Ibid., p. 35.
[5] Ibid., p. 157.
[6] Tom Larkin, 'Japan: Changing Problems', in John Henderson et al, *Beyond New Zealand – The Foreign Policy of a Small State*, Auckland: Methuen, 1980, p. 190.
[7] Tom Larkin, *New Zealand and Japan in the Post War World*, Wellington: NZIIA, 1969, p. 6.

towards Japan in the early 1950s was, Trotter said, aimed at restricting Japanese militarism rather than international communism.[8] Trotter later asserted that fear of militarism persisted until 1954,[9] but that from about 1956 onwards trade with Japan was projected as a means of securing Japan from communism.[10]

John Singleton noted that during the 1954 trade negotiations New Zealand's political motives were important. 'New markets would have to be found for the Japanese, otherwise their commitment to democracy might falter.'[11] There was, Singleton wrote, little enthusiasm for closer relations with Japan.[12] David Horsley noted the prominence of political motives in the period around the signing of the peace treaty with Japan, both in terms of fear of recurring militarism and communism.[13] ANZUS, Horsley said, was 'a response to the threat of communism, and the link to trade with Japan was direct'. It was also, however, an attempt to limit the recurrence of militarism.[14]

This chapter will argue that the political motive evolved over a shorter period than existing literature suggests. There was certainly overlap between fears of the 'Yellow Peril' and the 'Red Menace', as pointed out by Larkin. It is fair to say that the two were, and could never be, fully separated. But the fear of communism did become paramount after the peace treaty took effect, by mid 1953. This chapter argues that major doubts about militarism faded more quickly than suggested by McCaul, Trotter and Horsley, and were relatively unimportant by the mid 1950s. The transition from fears of militarism to fears of communism occurred earlier than argued by McCaul and Trotter, but even this had become less significant than they assert was the case by 1956 or 1958. Political motives were more than 'important' in the 1954 trade negotiations. They were essentially the major point in favour of concluding an agreement. Rather than suggesting that the communism policy rose to prominence

---

[8] Ann Trotter, *New Zealand and Japan 1945-52 – The Occupation and the Peace Treaty*, London: Athlone Press, 1990, p. 3 & 158.
[9] Ann Trotter, 'From Suspicion to Growing Partnership: New Zealand and Japan', in *New Zealand in World Affairs*, Malcolm McKinnon (ed.), Wellington: NZIIA, 1991, pp. 195-199.
[10] Ibid., pp. 203-204.
[11] John Singleton, 'New Zealand's Economic Relations with Japan in the 1950s', *Australian Economic History Review*, March 1997 (37:1), pp. 4-5.
[12] Ibid., p. 2.
[13] David W. Horsley, 'New Zealand and Japan Trade Relations 1928-1958', MA Thesis in History, University of Canterbury, 1990, p. 156.
[14] Ibid., p. 157.

after 1956, this chapter will argue that there was a marked decline in its emphasis around the mid 1950s.

To a degree, this position supports that of Larkin. There was some 'identity of purpose' between the two countries that manifested itself in New Zealand proposing increased trade to help secure Japan from communism. However, it is questionable whether this constituted any real 'enthusiasm' for the idea that New Zealand trading with Japan would help save her from communism. This suggests that the rhetoric of the 'communist threat' had been substituted for a lack of any substantive New Zealand interest in Japan. The ultimate failure to secure tangible advances in trade relations in 1954 supports Singleton's argument that there was little enthusiasm for an agreement with Japan, in the first half of the 1950s.

An embryonic policy advocating trade with Japan to help to secure her against communism existed before the peace treaty, even before the establishment of a communist regime in China. The idea was hatched around the same time the US began altering their policy in Japan, but was slow in development and acceptance. In 1946 New Zealand's Ambassador in Washington, Carl Berendsen, told an American audience, that it would be 20 years before 'Japan could reasonably be expected to resume her place among the peace loving nations.'[15] However, by the start of 1948, growing intelligence from various sources detailed the increasing activity of the Japanese Communist Party, and the changing US policy in the occupation of Japan.[16]

For External Affairs the position was reinforced in 1949 by two major reports by staff members returning from Japan. The first was by Harold Evans, who had spent three years assisting the New Zealand judge Northcroft on the IMTFE. Evans summed up how the international situation had changed since 1945, and how Japan's future prospects were correspondingly different. The scenario was, Evans said, now one where the US felt compelled to revive Japan, making her 'militarily and economically strong and internally stable' against the perceived Soviet threat. By the end of the occupation, Japan would likely be a country of some account in the world. Evans was

---

[15] *Sydney Morning Herald*, 1 March 1946, A 1838/325 3103/11/175 Pt 1.
[16] See various reports, papers, and clippings dating from the start of 1948 on AAEG 950 B432A 268/7/9 Pt 1.

sceptical about General MacArthur's claims of having successfully 'democratised' the Japanese, and suggested much that was written should be 'completely discounted'.[17] The changing circumstances required a rethink of New Zealand's policy:

> During the period of Japan's humiliation and weakness... other countries have been able to carry on their affairs almost as if she did not exist. There has been no normal intercourse with her, and as far as... New Zealand and Australia are concerned, very little trade in comparison with the past. This period is, I believe, fast coming to an end and Japan's neighbours must soon decide whether they will restore normal commercial and other "friendly" relations with her.[18]

Evans thought that in view of the new US policy, it was in New Zealand's best interests to change her tune as well. Evans realised that the war was still fresh in memories, and did not deny there were risks involved in reengaging with Japan. But these were outweighed by the long-term risks of doing nothing, either in the form of a communist or vengeful Japan.[19]

Similar conclusions were reached by Rod Miller, a Japanese linguist returning from a stint with Jayforce. Miller expected the deteriorating situation for the Nationalists in China would result in communism growing stronger in Japan.[20] 'Future trend within Japan itself should favour the growth of the Communist Party. The task facing any future Japanese Government is not a pleasant one.'[21] Like Evans, Miller was sceptical of democratisation. 'The quickness of perception and cooperation of the Japanese people have given SCAP much gratification; but less partial observers are inclined to be dubious about the permanence of the change.'[22] Miller concluded that a communist or fascist Japan was a choice 'which we in New Zealand cannot view with equanimity'.[23] These two reports represent the earliest New Zealand articulation of the belief that Japan was threatened by communism, mixed with a lingering fear of

---

[17] Harold Evans, 'Report on Japan', 7 February 1949, A 1838/325 3103/11/175 Pt 1, pp. 18-19.
[18] Ibid., p. 20.
[19] Ibid., p. 22.
[20] Rod Miller, 'Communism in Japan', 10 March 1949, AAEG 950 B432A 268/7/9 Pt 1, p. 1.
[21] Ibid., pp. 21-22.
[22] Ibid., p. 20.
[23] Ibid., p. 23.

Japanese militarism, and arguing that in line with US policy, New Zealand had to make changes.

In April 1949 McIntosh reported to the Minister of Finance, Walter Nash, that the issue of MFN treatment for Japan would be raised by the UK at a forthcoming Commonwealth meeting. McIntosh also recorded approaches from the US government, requesting that New Zealand grant Japan MFN treatment. That this would have 'little practical significance' was, McIntosh said, 'all the more reason in view of the importance that they attach to it, why New Zealand should be prepared to give it'.[24] Shortly afterwards McIntosh asked the head of External Affairs' economic section, Lloyd White, to examine New Zealand's trade policy towards Japan 'in the light of recent evidence concerning economic policy in Japan generally'. White reported that the USA was keen to defray the massive cost of supporting the Japanese economy by promoting Japanese exports, and had suggested that other countries could assist by offering Japan MFN treatment. White pondered: 'Our present policy is not, therefore, designed to assist in promoting Japanese exports. The question is, should it be?'[25] These communications, while never referring to communism, carry the clear implication that the US policy of reviving Japan as a partner against communism in Asia had gained attention in New Zealand. This was certainly the case for the Prime Minister, Peter Fraser, who warned of the danger in 'resuscitating a menace in trying to prohibit another menace'.[26] Other parliamentary speakers had not yet articulated any link between New Zealand's policy towards Japan and the threat of communism there. Nevertheless, these communications represent the earliest roots of New Zealand's policy of trading with Japan in order to help secure her from communism.

The issue lay largely dormant till late 1950, when the President of the Federated Farmers, W. N. Perry, publicly suggested that it would benefit New Zealand to 'trade with Japan and establish political relationships with her', to counter the threat of communism in Asia.[27] This led Cabinet to consider the issue. A tentative line was taken, but prominence was given to a report from the New Zealand representative in

---

[24] Secretary EA – Minister of Finance, 4 April 1949, EA W1784 58/12/2 Pt 2.
[25] Lloyd White – McIntosh, Shanahan, Rod Miller & Rex Cunninghame, 26 May 1949, EA W1784 58/12/2 Pt 2.
[26] *NZPD*, Vol 287, 1949, p. 2062.
[27] *Evening Post*, 12 September 1950, IC W2006 114/1 Pt 1.

Tokyo, Bill Challis, which commented that Japan was the most stable nation in Asia, and that '...the policy of the Western democracies is clearly to keep her that way as a counter to the frightening spread of communism.'[28] A letter was prepared for Perry stating that the Government was closely watching developments in Japanese domestic affairs and external relations, 'so that our trade policy may be kept in accord with these developments.'[29] However, Cabinet eventually decided not to send the letter because, as White commented, it would have committed the government to a definite policy line.[30] This was something the Government was at this point unwilling to do. While no commitments were made, the development of policy was clearly being influenced to an increasing degree by the communism factor.

The nature of the concern over security from Japan continued to shift subtly in the lead up the Peace Treaty. By February 1951 New Zealand had, reluctantly, conceded that a degree of Japanese rearmament was inevitable.[31] The Secretaries of External Affairs and of Industries and Commerce wrote to their Ministers in May urging the establishment of proper diplomatic representation in Japan, because of the importance of 'democratic countries [taking] prompt steps to establish friendly relations with Japan'.[32] Meanwhile, White continued to develop Japanese trade policy, telling the Deputy Secretary of External Affairs, Foss Shanahan, he wanted to 'put the problem squarely before the government'. White favoured taking steps to facilitate Japan's trade with New Zealand 'and with other non-communist countries'. Making one of the first explicit links between trade with Japan and communism, White declared that 'If Japan is frustrated in her trade with non-communist countries, she will have every incentive to come to an arrangement with Russia and China [that] could soon lead to a political tie up.'[33]

Change continued throughout 1951, but the transition from fears of militarism to fears of communism was still far from absolute, and policy remained ambiguous. New Zealand's delegate to the San Francisco Peace Conference, Carl Berendsen, noted New Zealand's concerns over Japanese rearmament and a possible repeat of Japanese

---

[28] Extract from undated Challis report, EA W1784 58/12/2 Pt 3.
[29] Minister IC (Bowden) – W.N. Perry, (draft letter) September 1950, ibid.
[30] Lloyd White – Director Overseas Trade, IC (Robert Gray), 7 August 1950, ibid.
[31] Brief for NZ Delegation to Commonwealth Meeting, February 1951, EA W2619 268/6/1 Pt 2.
[32] Secretary EA & Secretary IC – Minister EA & Minister IC, 16 May 1951, EA W2619 64/12/2 Pt 2.
[33] White – Shanahan, 17 May 1951, EA W1784 58/12/2 Pt 3.

aggression towards New Zealand.[34] Speech notes prepared by External Affairs for the Prime Minister, Sidney Holland, in September stated that New Zealand wanted security from Japanese militarism, but that long-term restrictions on rearmament were not acceptable to the governments concerned because of the threat from 'Communist imperialism'.[35] White further emphasised the link between trade and security, stating that 'if expansion [of trade] on a peaceful basis is not permitted we may be in danger of driving Japan into more unpleasant forms of expansion'.[36] White's views were endorsed by Shanahan, and agreed upon in general in discussions with Industries and Commerce, Customs, and Treasury. Industries and Commerce agreed, at least in principle, that they 'fully recognised' the importance of ensuring Japan was able to re-enter world trade.[37]

Cabinet finally appeared ready to test the waters of public opinion during the parliamentary debate on the Japanese Peace Treaty in October 1951. The Minister of External Affairs, Clifton Webb, stated that with ANZUS as a guarantee against Japanese militarism, New Zealand had to accept a degree of Japanese rearmament. To do otherwise would create a 'fertile seed bed for communism'. Unless New Zealand did its part towards assisting Japan to raise her standards of living, she would be driven into the arms of the communists.[38] The Minister of Industries and Commerce, Jack Watts, also chipped in. Japan's 84 million 'skilled, industrious and obedient people' could not be allowed to fall under Soviet sway. The solution was to keep Japan's economy sound by trading with her. It was, Watts said, a gamble, but if it was not done, 'then there is no gamble at all as to Japan's position and our position. The result will be an absolute certainty'.[39] These speeches mark the birth of the policy of publicly linking trade with communism, and set the course of New Zealand's relations with Japan till around 1957. Its language declared the similarities between New Zealand and Japan as two countries that had to 'trade to live',

---

[34] Berendsen's Statement at San Francisco, 6 September 1951, in *New Zealand Foreign Policy Statements and Documents 1943-57*, Wellington: Ministry of Foreign Affairs, 1972, pp. 256-57.
[35] Speech Notes for Prime Minister – Tripartite Security Treaty, 1 September 1951, MS-PAPERS 6759-057.
[36] White, file note, 28 September 1951, EA W1784 58/12/2 Pt 4.
[37] Unsigned file Note, IC, 9 October 1951, ibid. For other examples of IC, at least partially, endorsing the communism approach see Gray – Secretary IC, 20 July 1951, unsigned file note, IC, October 1951,
[38] *NZPD*, Volume 295, pp. 196-7.
[39] *NZPD*, Vol 295, pp. 244-246.

ominously emphasised the massive population of Japan, and linked the two factors to a possible spread of communism. This public line remained virtually unchanged over the lifespan of the communism argument, although it often seemed little more than rhetoric.[40]

Rod Miller described this rhetoric to the author as a 'mantra', which came to be used to describe New Zealand-Japan relations in the absence of any real substantive interest. It repeated the same elements – Japan had to trade to live, to support her huge population, and to deny Japan this trade would lead her to communism.[41] The roots of the eventual failure of the communism argument can be seen in this mantra. Trade with Japan was ultimately something New Zealand felt obliged to promote to demonstrate that it was helping to fight communism, rather than because of substantive interest in Japan or an intense desire to increase trade with her. In virtually every speech by a government speaker on the topic between 1953 and the end of 1956, the reason advanced for trading with Japan was some variation of the mantra.[42] Real enthusiasm for Japan in New Zealand was not running rampant.

The new policy was slow to be put into action. The Deputy Secretary of Industries and Commerce, Jim Stokes, told Challis that there was difficulty in reconciling the theoretical political grounds to 'practical considerations' and policy was not yet 'completely clarified'.[43] Lloyd White wrote in early 1952 that trade policy had not so far been influenced 'to any great extent' by political considerations.[44] External Affairs continued to push for the political motive to be taken into account, noting at an interdepartmental meeting after Japan's ANZAC Day approach that unless Japan could find a market in the West, she would be left in a 'most unenviable position'.[45] Industries and Commerce apparently agreed, stating that it appeared necessary to reach an understanding with Japan because of 'the wider political implications if we

---

[40] Horsley, p. 178 & McCaul, p. 57 also point this out.
[41] Rod Miller, P.B. Marshall, Jim Stokes, 'Trade with Japan', 22 November 1951, EA W1784 58/12/2 Pt 4. Interview with Rod Miller, 22 July 2003.
[42] A selection of the dozens of possible examples will suffice. *NZPD* 1953, p. 182 (Bowden). *NZPD* 1954, p. 1004 (Bowden), p. 1856 (Watts). *NZPD* 1955, p. 57 (McDonald), p. 59 (Skinner), p. 75 (Rae), p. 84 (Shand), p. 111 (Halstead), p. 138 (Mason). *NZPD* 1956, p. 665 & 894 (Holland), p. 931 (Eyre), p. 1191 (Roy).
[43] Deputy Secretary IC – NZ Trade Representative, Tokyo, 29 October 1951, IC W2006 114/1 Pt 1.
[44] White – Les Castle (Economic Section, EA), annotated extract from *Japan News*, 1 March 1952, EA W1784 58/12/2 Pt 5, and White – Secretary EA, 24 April 1952, ibid.
[45] Interdepartmental Meeting, 20 May 1952, T 1 61/6/20/1.

were to refuse Japan the right of foreign trade'.[46] Officially, the government still recognized the desirability of increasing trade, 'as part of the general policy of cultivating friendly relations with Japan in the context of the Peace Treaty'.[47]

However, information coming from Japan reflected a reluctance to move forward quickly. Even before the official establishment of the Legation in Tokyo, two of the issues Challis reported on were the development of democracy, and the level of communist activity. The two streams of reporting revealed both the fear of militarism and the fear of communism, and the changing emphases are reflected in the reports. Challis wrote to McIntosh in late 1951 that the 'disarming vista of the moment is no guarantee that the roots of feudalism do not flourish strongly close under the surface'.[48] McIntosh replied that Japan's economic and military recovery might not only weaken, but perhaps destroy the democratic reforms undertaken by the occupation.[49] The emphasis on democratisation in the correspondence ends in 1952, the same time as the stress on communism starts, further evidence that concern over militarism was being slowly overtaken by concern over communism. This was reflected in the priorities for reporting that McIntosh gave Challis after the office became a Legation. Foremost was Japan's foreign relations, particularly those with the US, USSR, and communist China. Second came domestic Japanese politics, concerned with issues such as administration, constitutional developments, and internal security. At this stage, issues relating to the Japanese economy and trade ranked a distant third.[50] Challis noted ominous newspaper reports of communist demonstrations in Japan, one bearing the headline 'Riots may be prelude to communist bid for Japan', another reporting a turn out of three million to May Day 'riots'.[51] Soon afterwards Challis reported that '...it would be folly of the first order to underestimate the capacity for mischief of the Communist movement here'.[52] However, some ambiguity persisted. In early 1953 an article in the *External Affairs Review* on the make up of Japanese politics suggested that continuing factionalism in

---

[46] File note, Director Overseas Trade Division, Industries and Commerce (A.W. Broadbent), 26 September 1952, IC W2006 114/1/1 Pt 4.
[47] Brief for NZ Delegation visiting Korea, October 1952, EA W1784 58/12/2 Pt 5.
[48] NZ Trade Representative – Secretary EA, 13 November 1951, EA W2619 268/7/3 Pt 3.
[49] Secretary EA – NZ Trade Representative, 11 December 1951, ibid.
[50] Secretary EA – Chargé, Tokyo, 26 September 1952, EA W2619 64/12/2 Pt 2
[51] *Evening Post*, 23 February 1952 & 2 May 1952, EA W2619 268/4/9 Pt 1.
[52] Chargé, Tokyo – Secretary EA, 8 May 1952, EA W2619 268/4/9 Pt 1.

Japanese politics might give the communists or ultra-nationalists an opportunity to subvert the democratic system.[53] Webb made a speech with similar sentiments in Ottawa shortly after the Peace Treaty entered effect.

> ...the peoples of New Zealand and Australia are suspicious of any 'honourable' intentions by the Japanese. One of the conditions under which Australia and New Zealand agreed to enter the Japanese Peace Treaty was that we should have some security of attack from the Japanese and more likely the Communist forces from the mainland of Asia...[54]

The whole issue of trade with Japan was brought to the fore in March 1953, when the Cabinet Committee on Economic Policy [CCEP] reviewed economic and trade policy towards Japan.[55] This proved critical in solidifying the communism policy championed by External Affairs, and led directly to the 1954 trade negotiations. It was at this point that the decision was taken that New Zealand's trade links with Japan would effectively be governed by the fear of the threat of communism. The CCEP's findings warrant quoting at length:

> Politically, there is an overriding need to admit Japan on reasonable terms into friendly relationships with the West... A denial to the Japanese of the opportunity for the establishment of expanded trade relationships with the Western World could eventually force the Japanese into a close trade relationship with Communist countries... The decision to effect a peace of reconciliation having been made, nothing would be more certain to invite a catastrophe than to hark back now to the alternative repressive policy. It would be disastrous to allow Japan to rearm, while at the same time giving her 85 million

---

[53] 'Development of Japanese Political Parties 1932-53', *External Affairs Review*, March 1953, p. 50. The article is uncredited, but was actually a departmental report prepared by Rex Cunninghame for EA.

[54] *Ottawa Evening Citizen*, 28 October 1952, EA W2619 268/3/2 Pt 1.

[55] Noel Lough recalled that were three levels to the decision making process, the Cabinet Committee, Officials' Committee, and Working Party on Economic Policy. The OCEP and Working Party were both chaired by Treasury, and consisted of members from the other interested departments. The Secretary to the Treasury sent the OCEP report to the CCEP, who met with selected officials present. There was no requirement for the OCEP to be in complete agreement, and reports sent to the CCEP reflected any divisions, the final decisions being left for Ministers. Interview with Noel Lough 11 December 2003.

> people, dependent for their livelihood on international trade, a justifiable sense of economic grievance. An economic policy which undermined the political decision already made would increase its risks and bring us the worst of both worlds.[56]

The CCEP continued by emphasising the danger of a Japan hostile to the West, and the importance of Japan as the 'most valuable prize' for communism in Asia. The loss of Japan to communism would 'undermine, and perhaps even eliminate' Western influence in Asia. Foreshadowing other major changes in New Zealand's foreign policy, the CCEP argued that 'The Western powers can no longer play the decisive role in Asia which they played in the last century, and have a growing need for friends among the Asian nations.'[57] The CCEP concluded by asserting that New Zealand, first and foremost, 'should aim at the broad policy of assisting Japan to live and trade on reasonable terms with the free world'.[58] The issues of trading with Japan and communism had become too prominent to leave shelved any longer. Though it appeared the Government had finally fully committed to a policy it was still hesitant.

In an economic report not long afterwards, Challis noted that Japan's commercial relations with her new allies '...can have done little to convince her of the value of an unqualified commitment to the West'.[59] The Government delayed, while Challis warned of the threat of 'violent [communist] revolution'.[60] The Government was stirred into action by the impending problem of Japanese accession to GATT later in 1953. Weighing the matter up, the CCEP suggested in favour of acceptance that it was 'in line with New Zealand's political and strategic interests' to accept Japan in GATT.[61] There were other factors that made this unpalatable, but having decided that active opposition to Japanese entry would contradict the agreed policy, it was decided to make a bilateral arrangement with the Japanese outside of GATT.[62] It was significant that the New Zealand Government had, on its own initiative, proposed talks with the Japanese. But it was probably more significant that despite the strength

---

[56] CCEP 53:2, 'NZ's Trade Policy towards Japan', 19 March 1953, EA I 35/29/5 Pt 1, p. 3.
[57] 'Japan – Note on Political and Strategic Considerations', ibid.
[58] CCEP 53:2, p. 3.
[59] Chargé, Tokyo – Secretary EA, 21 May 1953, EA W2619 268/5/3 Pt 4.
[60] Chargé, Tokyo – Secretary EA, 24 February 1954, EA W2619 268/4/9 Pt 1.
[61] CCEP 54:2, 'Trading Relations with Japan', 26 August 1953, EA I 35/29/6 Pt 1, p. 3.
[62] CCEP 54:13, 'Trading Relations with Japan', 22 March 1954, ibid., p. 1.

of the previous endorsement of the communism policy, other negative factors were still considered to outweigh it in considering the GATT issue.

Following the preliminary negotiations in March 1954, McIntosh wrote to the Cabinet Ministers concerned, again reiterating the political motive as the major consideration in favour of increasing trade with Japan.[63] This continued into the negotiations proper in June-July, the suggestion being made at a CCEP meeting that while New Zealand might achieve her aims with minimum concessions, a more generous approach might have advantages from a wider point of view. Some agreement, it was said, 'must be reached as part of the general objective of keeping Japan on the side of the West...'[64] However, it became apparent during the negotiations that Japan was unable to offer the trading concessions New Zealand desired. This would prove the acid test of the policy. In the absence of economic benefits to New Zealand, would the communism policy prove sufficient to secure an agreement? The negotiating team and CCEP decided that it was. 'On balance, therefore, while we receive no immediate benefits in the form of increased exports... it would entail no sacrifice on our part... Political considerations... are a most important factor'.[65]

An agreement with the Japanese was initialled in July. The decision to continue marked the apex of the communism argument. That New Zealand continued despite the lack of economic benefits showed the overwhelming importance of the political motive at that point. Amidst growing acrimony, the Minister of External Affairs, Clifton Webb, again pointed out 'the political desirability' of increasing trade between Japan and the West.[66] The Comptroller of Customs and leader of New Zealand's delegation, Peter Johnsen, reported to the Chairman of the CCEP, Keith Holyoake, that the agreement reached was the best available, given Japan's limited negotiating posture, 'and the desirability for political as well as economic reasons, of helping to restore Japan to her place in the community of trading nations'.[67] Johnsen also wrote to his own Minister: 'Japan, to us in New Zealand, is not a remote country

---

[63] Secretary EA – Minister EA (Webb), Minister IC (Watts), Minister of Customs (Bowden), Minister of Agriculture (Holyoake), April 1954, EA W2619 58/12/2 Pt 6.
[64] CCEP, Minutes of the Eight Meeting, 23 June 1954, C W2358 955/000/1 Pt 1, p. 1.
[65] Minutes of Meeting, 29 June 1954, ibid., p. 3.
[66] CCEP, Minutes of the Tenth Meeting, 29 July 1954, T 1 61/6/20/1.
[67] Comptroller of Customs (Peter Johnsen) – Chairman CCEP (Holyoake), July 1954, C W2358 955/000/1 Pt 1, p. 3.

in the Far East – she is in our near north... Stated bluntly, and in the plainest terms, it is in our interests to have a friendly Japan – a Japan whose political and economic relations are primarily with the countries who share our conception of democracy'.[68]

Jim Stokes, writing the minority report for Industries and Commerce, stated that the basis for the agreement was 'primarily political', and conceded too much, 'even on the assumption that external political grounds are considered to be over-riding'.[69] Holyoake endorsed the agreement to Cabinet,[70] and was personally responsible for redrafting the press release supposed to accompany Cabinet's acceptance of the agreement. In its seventh draft, the press release barely hinted at any political motive.[71] Holyoake returned it to External Affairs, instructing that it 'should emphasise also the political importance of establishing good trade relations with Japan'.[72]

Despite this support, Cabinet deferred acceptance of the agreement. It was at this point that the communism argument began its slow decline. Having failed to achieve immediate results, it was overtaken by events, and became little more than an afterthought by 1957. Its decline was just as piecemeal as its rise. Johnsen still described the political consideration as 'supreme' in September.[73] Laking wrote from Washington in December 1954 that the State Department believed there was 'little grounds for optimism' on the Japanese economy, as rapid population growth was outstripping the rate of economic growth.[74] But Challis reported at the start of 1955 that the communists were 'in no position to challenge by force' the Japanese authorities.[75]

When the draft agreement was again considered by the Cabinet Committee in April 1955, the same arguments were heard. The CCEP recommended that 'The main immediate advantage of completing the arrangements is that by removing a source of

---

[68] Comptroller of Customs – Minister of Customs (Bowden), 2 August, ibid..
[69] Deputy Secretary IC (Stokes) – Chairman CCEP, 28 July, T 1 61/6/20/1, p. 2.
[70] Chairman CCEP – Cabinet, 6 August 1954, AAFD 807 77a.
[71] Seventh Draft of Press Release, 28 July 1954, C W2358 955/000/1 Pt 1.
[72] Holyoake – Castle, 5 August 1954, ibid.
[73] Comptroller of Customs – Minister of Customs, 8 September 1954, ibid., p.3.
[74] Counselor, NZ Embassy Washington (Laking) – Secretary EA, 17 December 1954, EA W2619 268/5/1 Pt 12.
[75] Chargé, Tokyo – Secretary EA, 24 January 1955, EA W2619 268/4/9 Pt 1.

friction in the economic sphere we thereby assist the wider political and very important objective of harmonious relations with Japan.'[76] This time, Cabinet approved. A brief prepared for Holland not long afterwards by External Affairs emphasised politics: 'It is clearly in New Zealand's interests to make every effort to maintain Japan within the non-Communist world... New Zealand's economic policy should be formed with due recognition to her broader political policy'.[77] At the end of 1955, External Affairs could still publicly report that New Zealand was 'aware' of the importance of maintaining Japan's economic stability, and that we 'sympathised' with Japan's case for increased trade.[78] That the arrangement was not successfully concluded despite Cabinet approval was not indicative of any particular weakness in the communism argument, but perhaps that other factors had intervened to make agreement impossible.

The period following the failure was a quiet one for New Zealand and Japan. Challis' interest in Japanese communism lessened, as he forwarded British Foreign Office briefs with decreasing comment. These themselves became increasingly marginal.[79] It was indicative of the declining importance of the fear of communism as an influence that by 1956 Challis stopped reporting on it completely.[80] In mid 1956 McIntosh pondered Holland's speech at a Commonwealth Prime Ministers' Conference: 'The Prime Minister spoke today on Japan, encouraging greater interest and friendliness, and increased trade. Everybody agreed in theory but of course in actual practice trade raises too many difficulties to bear easy contemplation.'[81] The Secretary of Industries and Commerce, P.B. Marshall, noted towards the end of 1956 that the 1954 agreement had been drafted in Japan's favour, as it was at the time 'felt necessary to make some gesture towards Japan'. Marshall clearly no longer felt this was the case. New Zealand needed some other reason to develop links with Japan.

---

[76] Cabinet Committee on Economic and Financial Policy, 'Trade Relations with Japan', 5 April 1955, T 1 61/6/20/1.

[77] Notes on the Japanese Trade Problem for the Prime Minister, 1 May 1955, EA W2619 40/12/1 Pt 8. It was noted in the *External Affairs Review* of January 1955, p. 40, that the new Japanese Cabinet would seek closer relations with Russia and Communist China.

[78] Annual Report of the Department of EA, A1, *AJHR* 1955, p. 18.

[79] One profiled the Japanese Communist Party leader, Tokuda, who had been arrested for starting a riot in a Kyoto brothel. He was, according to the Foreign Office, a 'sensualist of no small prowess', whose licentiousness was 'famous'. Chargé, Tokyo – Secretary EA, 7 July 1955, EA W2619 268/4/9 Pt 1.

[80] Chargé, Tokyo – Secretary EA, 21 February 1956, ibid.

[81] McIntosh – Tom McDonald, 4 July 1956, MS-Papers-6759-307.

From this point it becomes more difficult to trace changes in the political motive. This suggests that far from becoming more important, as McCaul and Trotter argued, it became less so. The 'mantra' of trade and communism was utilised less often. From 1957 discussion documents and minutes speak increasingly of the importance of the economic motive for trade with Japan, fear of communism being relegated to the background, if mentioned at all.[82] In their 1957 report, External Affairs made no attempt in their discussion of Japan to link trade and communism.[83] Also by 1957 a change was noticeable in the treatment of the issue of trade with Japan by government speakers in Parliament. Associating trade with the threat of communism became less frequent, and was increasingly justified on other grounds, principally economic.[84] In 1958, both Government and Opposition emphasised the economic benefits to be had from trading with Japan.[85] Communism was mentioned only in passing in briefings for the 1958 negotiations, and warranted only an oblique reference during the negotiations proper.[86] This was far from the ringing endorsements of 1953 and 1954. In 1958 External Affairs again publicly discussed trade with Japan without any reference to communism.[87]

By 1957 and 1958 major changes in New Zealand's foreign policy were underway. Since 1945 foreign policy had emphasised security, but there was an increasing emphasis on expansion and diversification of New Zealand's export markets. It was accompanied by a gradual drift away from Britain and Europe, towards America and Asia, what has been called a growing 'Pacific Consciousness'. These trends have been noted by two former Secretaries of Foreign Affairs, Sir George Laking and Graham Ansell, and by other authors.[88] Fear of communism was no longer such a

---

[82] Gray – Minister IC, 13 May 1957 & Scott – Secretary IC, 3 October 1957, IC W2006 114/1/1 Pt 2. These both note there was no point in reviving a trade arrangement, as there was no economic benefit to New Zealand.

[83] EA Annual Report, A1, *AJHR* 1957, pp. 32-33.

[84] Associations with communism: *NZPD* 1957, p. 883 (Lake), p. 2228 & 1884 (Harker). Economic associations: *NZPD* 1957, p. 1885-87 (Halstead), p. 2739 (Walsh), p. 2727 (Lake).

[85] A few examples: *NZPD* 1958, p. 390 (Holloway), p. 408 (Roy), p. 377 (George), p. 789 (Hayman).

[86] Minutes of the Third Meeting, 24 July 1958, AAEG 6956 B3 26/2/4, p.2

[87] EA Annual Report, A1, *AJHR* 1958, p. 13.

[88] Sir George Laking, 'in *An Eye, an Ear, and a Voice*, Malcolm Templeton (ed.), Wellington: Ministry of Foreign Affairs, 1993, p. 43 & 51. Graham Ansell, 'Graham Ansell', in ibid., p. 152. See also Keith Jackson, *New Zealand Foreign Policy*, paper delivered at the University of Otago Fourth Residential School on Foreign Policy, May 1969, p. 1. Sir Alister McIntosh, 'The Origins of the Department of External Affairs and the Formulation of an Independent Foreign Policy', in *New*

strong motivating factor. New Zealand increasingly looked to other considerations in the development of links with Japan. More and more after 1957 this meant trade not as a means to an end, but as an end in itself. By 1963 the then Prime Minister, Keith Holyoake, wrote to the Ambassador in Tokyo that: 'Internal political developments are perhaps not now of such immediate concern to New Zealand as they were in the post-war occupation years'.[89]

This chapter has shown how the major influence in relations between New Zealand and Japan in the early 1950s was New Zealand's concerns over security. Initially this meant security from Japan, but gradually it changed to security for Japan. A policy of trading with Japan was projected as a means of helping to guarantee this. This policy had its roots in the late 1940s, far earlier than has previously been argued. However, it developed slowly and did not become prominent until 1953 when it became the almost sole consideration in favour of concluding a trade agreement with Japan. It did not become more important after 1956, but in fact had begun to decrease in importance by that stage, and was almost an irrelevancy by the time of the 1958 negotiations. The eventual failure of the policy to advance trade relations between the two countries can be attributed both to its own inherent weakness, and to other factors. The policy was embraced reluctantly by the decision makers and always seen as an obligation, rather than useful in itself. The rhetoric it involved subsequently became a rather hollow mantra, a stand-in for the real substance of and interest in New Zealand-Japan relations that was, despite the best efforts of its champions, still lacking in the first half of the 1950s.

Zealand in World Affairs Vol I, Wellington: Price Milburn for the NZIIA, 1977, pp. 30-33. For the development of 'Pacific Consciousness' see Trotter, *New Zealand & Japan 1945-52*, p. 276. Keith Jackson, 'The Pacific Rim', in Henderson et al, *Beyond New Zealand*, p. 152-154. Bernard Gordon, *New Zealand Becomes a Pacific Power*, Chicago: Chicago University Press, 1960, p. 256.

[89] Keith Holyoake – Edward Taylor, 20 February 1963, AAEG 6956 B1 TKY 2/2/1B Pt 1.

Chapter III – Trade for Trade's Sake?

This chapter covers trade as an issue in pushing New Zealand towards Japan. The argument that trading with Japan would help secure her from communism was important through the early 1950s, waning after the collapse of the draft trade agreement in 1955. As it declined, however, trade with Japan slowly became valued in its own right. A number of factors contributed to this trend. The failure of the communism argument left a void in the rationale for New Zealand's relations with Japan, and trade eventually came to fill it. Moreover, in the mid 1950s New Zealand's exports to Japan had increased, most notably with an explosion in sales of frozen beef in 1957. New Zealand's growing interest in the Japanese market gave Japan leverage to pressure New Zealand to conclude a trade agreement, and New Zealand a market worth protecting by formalising arrangements. These factors had been lacking in 1954.

Additionally, by 1957 New Zealand's British market faced growing disruption. Combined with a serious balance of payments problem, this led to a policy of export market diversification. Japan was, as New Zealand's Tokyo representatives had pointed out since the 1940s, a market of significant potential. But until about 1957, interest in Wellington was patchy, and was tempered by a strong reluctance to accept reciprocity in trade. New Zealand saw the potential in the Japanese market, but was not generally willing to consider significant increases of imports to balance this. Officials and politicians slowly accepted the need for two-way trade if New Zealand was to expand her markets in Japan, and this led to the successful trade agreement of 1958.

Various views have been advanced on the influence of New Zealand's developing trade with Japan in changing relations between the two. Barry McCaul argued that by around 1953 New Zealand was starting to value trade with Japan 'for its own advantages and not because of necessity'. This coincided, McCaul said, with the end of the bulk purchase arrangements with Britain, giving New Zealand the opportunity to develop markets elsewhere.[1] Ann Trotter suggested that in the period after the Peace Treaty development of trade links was 'not a priority', and Japan was not seen

[1] McCaul, 'New Zealand and Japan', p. 60.

as a trading partner 'likely to be essential to New Zealand'.[2] The interest of the Government and External Affairs in Japan, Trotter said, was not motivated by trade.[3] Like McCaul, Trotter noted New Zealand's changing attitudes towards trade around the time of the ending of the bulk purchase arrangements.[4] Trotter saw changes in the British market in the late 1950s as influencing New Zealand's attitudes to trade with Japan.[5]

This is a point emphasised by John Singleton, who pinpointed it as the major factor in increased trade.[6] This was, Singleton said, not something that New Zealand did with enthusiasm, but out of 'regrettable necessity', as the British market threatened to become less accessible.[7] David Horsley also argued that New Zealand was pushed from Britain rather than pulled towards trade with Japan.[8] Horsley also briefly addressed New Zealand's desire to protect the growing Japanese market, in the face of pressure from the Japanese,[9] and the interaction between the Government and private enterprise in growing the Japanese market.[10]

This chapter argues that while valued in its own right by some officials around 1954, trade with Japan was then seen as a duty rather than a worthwhile goal in itself by the Government as a whole. This persisted till around 1958. The extent to which the termination of the bulk purchase agreements marked any major immediate change is also debatable. At this stage the communism argument remained predominant. The issue of the slowly developing acceptance of a need for reciprocity of trade is something not really addressed by the literature. Claims that trade was a low priority in 1952-53 are warranted, but it is somewhat misleading to say it did not motivate officials or politicians at all in this period. There was some consideration of the issues, even if it did reach a dead end.

---

[2] Trotter, *New Zealand and Japan 1945-52*, p. 177.
[3] Trotter, 'From Suspicion to Growing Partnership', p. 197.
[4] Ibid., p. 198.
[5] Ibid., p. 207.
[6] Singleton, 'The Survival of the Ottawa Agreement', p. 171 & 'New Zealand's Economic Relations with Japan', passim.
[7] Ibid., p. 1.
[8] Horsley, 'New Zealand and Japan', p. 223.
[9] Ibid., p. 200 & 209.
[10] Ibid., p. 196.

British conditions were certainly a factor in increased trade with Japan. However in 1958 New Zealand was motivated as least as much by a short term concern to protect her existing Japanese market, as a long-term concern to diversify markets more generally.

Despite the predominance of the communism argument in the early 1950s, there was sporadic interest in developing a Japanese market for purely economic reasons. An interdepartmental committee was set up in 1948 to study the economic aspects of the Japanese settlement. It concluded that Allied policy should allow Japan to secure her 'peaceful needs', defined as the standard of living prevailing in Japan during 1930-34.[11] To 'play our part', New Zealand's trade with Japan should be developed by 1950 to the point where New Zealand imported £1 million worth of Japanese goods annually, and sold £950,000 worth to Japan. The committee noted that given New Zealand's commitment to supplying the British market under the bulk purchase agreements, exporting to Japan would depend on Britain's need.[12]

Also in 1948 came the first signs of intermittent departmental interest in trade with Japan. In April 1948 Industries and Commerce proposed an agreement with SCAP that would enable Japanese purchases of New Zealand wool, 'and possibly other products', to the value of New Zealand's purchases from Japan.[13] External Affairs told Challis shortly afterwards that the Government was prepared to take 'active measures' to increase private trade between New Zealand and Japan, including increasing allocations of import licences from £190,000 to £210,000, and considering authorising purchases of commodities 'to meet New Zealand's essential needs'. Any arrangement Challis could secure with SCAP, however, was temporary pending a comprehensive trade agreement between SCAP and the Sterling Area.[14] At this point New Zealand's attitudes to trade with Japan were largely directed by the goals of the Sterling Area. SCAP could convert sterling into dollars, and it was feared that if Sterling Area trade with Japan increased, Japan might convert her sterling surplus to

---

[11] 'Committee on Economic Aspects of the Japanese Settlement', 1948, IC 16/11, p. 2.
[12] Ibid., p. 10.
[13] Acting Secretary IC (Stokes) – Minister IC (Nordmeyer), 14 April 1948, EA W1784 58/12/2 Pt 2..
[14] Secretary EA – NZ Trade Representative, Tokyo (Challis), 22 April 1948, ibid.

dollars, exacerbating the Sterling Area's own dollar shortage.[15] Challis wrote enthusiastically that the initiatives served a useful purpose in 'exploring every avenue of getting trade moving, and in establishing our desire to establish trade relations'.[16] When External Affairs began examining Japanese trade policy in 1949, the issue was still dominated by the Sterling Area's dollar shortage.

By 1950 Challis was concerned at what he saw as the slow approach of the New Zealand government, writing to Industries and Commerce that 'If we sit and wait for the business to come to us, to a large extent we shall wait in vain.' The lack of direct shipping links, and the limited promotion and marketing of New Zealand goods in Japan were the main problems.[17] When Cabinet considered a response to the statements of the President of Federated Farmers, W.N. Perry, in August 1950, export potential was raised along with the issue of communism. Industries and Commerce stated that they had given 'all possible encouragement' to the re-establishment of exports to Japan, given that 'the widest possible demand for our produce is desirable to ensure maximum benefits to New Zealand in the long term'.[18]

At the same time Cabinet considered another report from Challis which stated that 'Japan presents a splendid potential market for New Zealand produce'. Challis added that increased trade would not result from appropriate government policy alone, but also the interest of the commercial community. What was needed, Challis thought, was a policy that made produce available to develop the market, to act as an incentive to business.[19] Colin Murray, who was with Challis in Japan between 1947 and 1953 remembered that although there was some interest from New Zealand business in Japan, little was achievable due to problems such as the lack of shipping.[20] Another of Challis' colleagues, Charles Paul, noted that there was little interest in Japan from New Zealand business in the early 1950s. There was generally a lack of 'export awareness' on the part of New Zealand business.[21] Malcolm Craig, a staff member in

---

[15] CCEP 53:2, 'NZ's Trade Policy towards Japan', 19 March 1953, EA I 35/29/5 Pt 1, p. 2 & Trotter, 'From Suspicion to Growing Partnership', p. 197.
[16] Trade Representative, Tokyo – Secretary IC (G.W. Clinkard), 23 April 1948, ibid.
[17] Interview with Colin Murray, 16 January 2004. Challis – Bob Gray (IC), 6 July 1950, EA W1784 58/12/2 Pt 3.
[18] Minister IC –Cabinet, Annex II, 4 August 1950, ibid.
[19] Extract from Challis report, ibid.
[20] Interview with Colin Murray, 16 January 2004.
[21] Interview with Charles Paul, 20 August 2003.

Tokyo later in the 1950s, also noted a lack of interest from business in New Zealand.[22] This started an unfortunate cycle. Japan was a potentially lucrative market, but business was unwilling to invest in the absence of a clear government policy or adequate incentives. But the Government had no compelling reason to act as long as New Zealand had no substantial market in Japan. Both seemingly expected the other to act first.

Moreover, in the Perry discussions, there was no detailed consideration of the possibility of imports from Japan as the co-requisite to exports to Japan. This possibility was even advanced as one of the reasons why extreme caution should be taken.[23] Despite Cabinet shelving immediate consideration of two-way trade with Japan, Challis continued to agitate from Tokyo. He wrote to the Secretary of Industries and Commerce in October 1950 recording the 'singular lack of interest', by New Zealand wool exporters, and the problems caused by lack of direct shipping between New Zealand and Japan.[24]

When advocating the establishment of diplomatic representation in mid 1951, External Affairs and Industries and Commerce noted not only the importance of 'watching' Japan on security grounds but, as a notably lower priority, the potential of the Japanese market. 'Of all the countries in the East, Japan offers the best prospects for development of trade with New Zealand, both as a market for our exports and as a source of reasonably cheap and prompt supplier of scarce commodities.'[25] These statements were made in the context of the Korean War, when New Zealand was forced to import quantities of Japanese steel and other strategic materials due to their unavailability elsewhere. The policy was still to import from Japan strictly essential goods, and unobtainable from traditional suppliers. When Industries and Commerce reconsidered the issue several months later, it was concluded that decontrolling Japanese imports could be dangerous due to balance of payments problems, but that

---

[22] Interview with Malcolm Craig, 11 November 2003.
[23] Lloyd White – Bob Gray, 7 August 1950, EA W1784 58/12/2 Pt 3.
[24] Trade Representative, Tokyo – Secretary IC, 25 October 1950, ibid. Challis records similar sentiments in Trade Representative, Tokyo – Secretary IC, 24 August 1950 & 27 September 1950, ibid.
[25] Secretary EA & Secretary IC – Minister EA & Minister IC, 16 May 1951, EA W2619 64/12/2 Pt 2. White meanwhile reiterated the potential of Japan as an export market, but saw possibilities for imports of 'essential goods' only. White – Shanahan, 17 May 1951, EA W1784 58/12/2 Pt 3.

there could be benefits to the consumer from Japanese imports. It was argued that New Zealand should oppose Japanese entry to GATT, oppose giving Japan MFN treatment, but conclude a bilateral limited MFN agreement with her.[26]

External Affairs argued that not increasing imports from Japan was 'unwise', on political and economic grounds. Economic circumstances were 'unusually favourable' for liberalisation of imports from Japan, and the time was ripe to review the 'essential goods' policy.[27] External Affairs at this point wanted expansion of two-way trade mainly for political reasons. Industries and Commerce, however, was focussed largely on the directly economic motivations to trade with Japan, but these were still lacking to a degree that significant increases in Japanese imports were not countenanced.

Challis continued lobbying throughout 1951, requesting diversion of milk powder to fill a gap in the Japanese market. It presented, Challis said, 'a unique opportunity to seize a long term large scale market'.[28] Increased production to meet the Japanese demand was arranged,[29] but American dumping on the Japanese market ruined any immediate possibilities for New Zealand.[30] Challis retained the belief that New Zealand's long-term interests would be served by diversifying her markets.[31] However, the Secretary of Industries and Commerce, P.B. Marshall, asserted that 'There would not appear to be any [economic] advantage to us in a change from the status quo.'[32] External Affairs persisted though, and Foss Shanahan argued that it was important to develop markets other than in Britain, particularly if the prices were good and stable in the long term.[33]

---

[26] Bill Sutch (IC) – Jim Stokes, Bob Gray, 25 September 1951, IC W2006 114/1 Pt 1.
[27] Deputy Secretary EA (Shanahan) – Secretary IC (P.B. Marshall), 27 September 1951, ibid.
[28] Trade Representative, Tokyo – Minister EA, 8 November 1951, EA W1784 58/12/2 Pt 4.
[29] Amalgamated Dairies Ltd – Trade Representative, Tokyo, 13 November 1951, ibid.
[30] Challis later reported that US dumping had 'destroyed' New Zealand's developing market. Chargé, Tokyo – Secretary IC, 7 January 1953, EA W2619 58/12/2 Pt 6.
[31] Trade Representative, Tokyo – Secretary IC, 5 December 1951, EA W1784 58/12/2 Pt 4.
[32] Secretary IC – Secretary EA, 7 December 1951, ibid.
[33] Shanahan – Trade Representative, Tokyo, 20 December 1951, ibid.

This pattern continued largely unchanged throughout 1952. Challis remained convinced of the worth of the Japanese market,[34] but there was still little consideration of reciprocity in trade. At a Commonwealth meeting in January, Holland said the Government had kept control over Japanese imports by retaining Japan as a scheduled country.[35] If Japan were not 'scheduled', then some automatic exemptions from import licensing would apply.[36] Challis recorded that there was still great scope for the development of trade that was 'mutually rewarding'.[37] A government document declared the desirability of a 'reasonable level' of two-way trade in the interests of diversifying New Zealand's markets, but added that any early liberalisation of imports from Japan was unlikely.[38] At the end of 1952 regular shipping between Japan and New Zealand was established, prompting further consideration of reciprocal trade. The Japanese were purchasing more from New Zealand because of the direct link, but the shipping could be reduced unless the ships were back-loaded with goods at the Japanese end. This, Lloyd White wrote, 'poses an interesting policy problem'.[39] Shanahan asked that the Government 'carefully examine' the issue when policy was reviewed, in light of the 'valuable effect' of Japanese purchases on export industries.[40]

When Cabinet reviewed policy in March 1953 it noted that Japan could become a valuable long-term market, but import licensing in the face of another Sterling Area dollar shortage had reduced Japanese sales to New Zealand to virtually zero. Meanwhile Commonwealth representatives had convinced the Japanese Government to buy more from the Sterling Area, and as a result of the lop-sided trade Japan's sterling reserves were now all but exhausted. The CCEP advised it would be in New Zealand's interests to increase purchases from Japan as soon as possible, by easing import restrictions on Japanese goods. However, this should be accomplished within

---

[34] Chargé, Tokyo – Dairy Products Marketing Commission (W. Marshall), 17 June 1952, Chargé, Tokyo – Secretary IC, 11 August 1952, EA W1784 58/12/2 Pt 5. Notably, Challis also foreshadowed the potential for exports to Japan of wood and coal, two commodities that started to become important in the 1960s. Chargé, Tokyo – Secretary IC, 30 December 1952, ibid.

[35] Trade with Japan, Prime Minister's Brief, 1 January 1952, EA W1784 58/12/2 Pt 4.

[36] Lloyd White – Shanahan, 17 May 1951, EA W1784 58/12/2 Pt 3.

[37] New Zealand Trade Supplement in *Japan News*, 26 January 1952, ibid. Ann Trotter quotes this ('From Suspicion to Growing Partnership, p. 198) in a manner that is perhaps unfair to Challis' point of view.

[38] Brief for NZ Delegation visiting Korea, October 1952, EA W1784 58/12/2 Pt 5. This was, presumably, an External Affairs paper, but bears no mark.

[39] Acting Secretary IC (Hope) – Secretary EA (annotated by White), 28 November 1952, ibid.

[40] Shanahan – Acting Prime Minister (Holyoake), 12 December 1952, ibid.

the existing policy of confining purchases to 'essentials and near essentials'.[41] There was still reluctance to consider any significant increase in Japanese imports, and long-term policy considerations remained dominated by the communism argument.[42]

In May 1953 the range of Japanese goods eligible to enter to New Zealand was somewhat expanded.[43] The situation improved again in October, when Japan was considered for essential goods that were also being licensed from North America, and other goods not made in New Zealand, where there was a 'special reason'.[44] The 'broad objective' of these changes was claimed to be to give Japan the opportunity to reduce her trade imbalance with New Zealand.[45] Challis reported that the moves were 'timely' to protect the niche market New Zealand had developed. But fears about Japan's sterling reserves proved true, and foreign exchange allocations revealed a 'large reduction' in planned imports from the Sterling Area. 'We are going to lose our Japanese market in some of the new lines which we have recently developed...' It was important, Challis said, 'that our own policies should not strangle it while it is in the touchy development stage'.[46]

The decision to negotiate bilaterally with the Japanese was a start in this direction, but Jack Watts' announcement of the talks still indicated reluctance to change positions. New Zealand's trade with Japan was, Watts said, important because of Japan's 'substantial purchases' of New Zealand's products, and it was therefore necessary that trade relations should be on a 'sound' basis.[47] Exactly what 'sound' meant was not clear, but did not extend to an acceptance of reciprocal trade. In fact, despite the 1953 liberalisation, economic motives remained subservient to the communism argument. When debating the possibility of a mutual limited MFN agreement with Japan in March 1954, the CCEP concluded that such an agreement would give 'immediate and real benefits' to Japan, while 'it may be argued that we would get nothing in return'. Nonetheless, while 'the main purpose' of concluding an arrangement with Japan was 'the political aspect', the CCEP also wished 'to ensure

---

[41] CCEP 53:2, 'NZ's Trade Policy towards Japan', 19 March 1953, EA I 35/29/5 Pt 1, pp. 1-2.
[42] Ibid., p. 3.
[43] *Dominion*, 22 May 1953, EA W1784 58/12/2 Pt 5.
[44] Industries and Commerce – Japanese Legation (draft), 29 October 1953, EA W2619 58/12/2 Pt 6.
[45] Review of the Activities of the Board of Trade, 30 June 1954, C W2661 50/7, p. 17.
[46] Challis – McIntosh, 5 November 1953, MS-Papers-6759-245, p. 4.
[47] *Dominion*, 3 February 1954, EA W2619 58/12/2 Pt 6.

Japan will continue to purchase our primary products or, at least, will not discriminate against us...'[48] McIntosh pushed the Ministers responsible for the talks to include consideration of exchange controls and other quantitative restrictions, as well as limited MFN tariff treatment. The former were more significant barriers to Japanese imports. New Zealand's exports were already being undermined by Japan's lack of foreign exchange, and Argentinean competition, after that country reached an agreement with Japan.[49]

The trade negotiations in June 1954 mark one of the turning points in New Zealand's motivation to trade with Japan. In the face of trading concessions deemed inadequate by New Zealand's delegation, the decision was made on political grounds to proceed with the agreement anyway. Towards the end of the negotiations the leader of the New Zealand delegation and Comptroller of Customs, Peter Johnsen, intimated as much. After it became obvious Japan could not offer substantial concessions, Johnsen asked the Japanese why, when Japan 'had very little to offer of a practical nature', New Zealand should bother to continue.[50] The leader of the Japanese delegation, Sunobe Ryozo, replied that the Japanese realised they 'were unable to give much in return', but that Japan's external financial position made immediate concessions impossible. Sunobe asked whether New Zealand could accept the 'unbalanced position' for now, to assist Japan. He dangled the carrot of more concessions later, when he said the whole position 'could be reviewed at the end of the year... and as soon as the balance of payments position permitted, any liberalisation of import policy would accrue to New Zealand on a basis not less favourable than that given to other countries'.[51]

Johnsen recorded privately that 'Primarily the matter appears to hinge on whether the offers which Japan can make under existing conditions can be regarded as adequate compensation for concessions which New Zealand is in a position to offer.'[52] Japan

---

[48] CCEP 54:13, 'Trading Relations with Japan', 22 March 1954, EA I 35/29/6 Pt 1, p. 3.
[49] Secretary EA – Minister EA, Minister of Agriculture, Minister of Customs, Minister IC, March 1954, EA W2619 58/12/2 Pt 6. Marshall later wrote to Challis, 27 April 1954, IC W2006 114/1/1 Pt 2, bemoaning Argentinean expansion into New Zealand's market.
[50] Minutes of the Fifth Meeting, 28 June 1954, C W2358 955/000/1 Pt 1, p. 3.
[51] Ibid., p. 4.
[52] Confidential Negotiations with Japan, 29 June 1954, C W2358 955/000/1 Pt 1, p. 1.

could offer New Zealand 'only the treatment which our products now enjoy'.[53] Therefore from the point of view of 'practical and immediate benefits' the agreement appeared to be 'unbalanced in favour of Japan'.[54] There were, however, 'other important aspects to be considered'. One was to benefit the New Zealand consumer through increased competition. Another was to help Japan replenish her sterling balance so she could buy more from New Zealand. This seems to represent willingness, at least on the part of some of the officials involved, to encourage reciprocal trade. The communism argument though, remained 'a most important factor'. Johnsen and the CCEP recommended to Cabinet that the agreement be concluded.[55]

Watts, who had earlier privately indicated concern that the draft agreement offered 'very little',[56] merely announced that trade relations with Japan were being kept 'steadily under review', in the interests of helping preserve Japan from communism.[57] When Johnsen reported to Holyoake, he emphasised the political importance of the agreement over the economic,[58] while noting the importance of allowing for the development of reciprocal trade.[59] On the other hand, Industries and Commerce's representative, Jim Stokes, stressed that the agreement offered 'virtually nothing' in return for New Zealand's concessions.[60] Shanahan, in his capacity as Secretary of Cabinet, explained that the communism argument was paramount in favour of proceeding, but also noted that it was necessary 'to some degree' to balance trade between the two countries. With the agreement deferred, this would be accomplished by means of extra import licences for Japanese goods.[61]

This decision marks something of a watershed in terms of policy. The communism argument was mooted as the major point in favour, but was insufficient to convince Cabinet. A concern to balance trade was, ostensibly, a consideration. But this too

---

[53] Ibid., p. 2.
[54] Ibid., p. 3.
[55] Ibid., p. 3 & Minutes of the Ninth Meeting of the CCEP, 30 June 1954, T 1 61/1/8 Pt 2, pp. 2-3.
[56] Ibid., p. 2.
[57] *Dominion*, 6 July 1954, EA W2619 58/12/2 Pt 7.
[58] Comptroller of Customs – Chairman CCEP, July 1954, C W2358 955/000/1 Pt 1, p. 3.
[59] Comptroller of Customs – Minister of Customs, 2 August 1954, ibid, p. 2.
[60] Deputy Secretary IC – Chairman CCEP, 28 July, T 1 61/6/20/1, p. 1.
[61] Secretary of Cabinet (Shanahan) – Minister of Agriculture (Holyoake), 17 August 1954, MS-Papers-1624-042/4, p. 1.

had inadequate strength to secure approval. Yet the desire to balance trade, if only in the interest of consolidating and protecting New Zealand's export market, was to prove critical in 1958.

P.B. Marshall asked Challis at the end of 1954 what progress he had made in investigating new lines that New Zealand could export to Japan. There was no mention of possibilities in the other direction.[62] Challis, somewhat annoyed by Cabinet's procrastination, told Marshall that it would be incorrect to attribute New Zealand's declining share of the market to Japanese actions. The continued delays in getting the agreement ratified were also not the fault of the Japanese. The problem was, Challis said, the 'unsatisfactory relative levels of New Zealand buying from Japan and the Japanese Government's cognizance of this fact'.[63] When Cabinet did approve the arrangement in April 1955, little had changed. The arrangements were economically, 'of greater advantage to Japan than New Zealand'.[64] Cabinet asked Challis to attempt to secure more concessions from the Japanese in the light of their improved balance of payments situation, but if they could not be won, to inform the Japanese Government of New Zealand's acceptance anyway.[65] This indicates that while in the intervening period New Zealand had become more interested in trade, the communism argument was still paramount.

Meanwhile, a seminal Industries and Commerce document from mid-1955 indicated a new emphasis on the need for reciprocal trade. Japan, it reported, could be a useful market. But Japanese trade policies meant New Zealand 'will need to adopt a policy of reciprocity in our dealings with this market... New Zealand's policy regarding trade between the two countries will be directed towards an increasing flow of trade in both directions...' [66] This came too late to save the 1954 agreement. But growing acceptance of the need to accept Japanese imports to expand New Zealand's market accompanied the increasing decay of the communism argument. McIntosh picked up on this to some extent when discussing Sidney Holland's projected visit to Japan at

---

[62] Secretary IC – Chargé, Tokyo, 16 December 1954, IC W2006 114/1/4 Pt 1.
[63] Chargé, Tokyo – Secretary IC, 3 February 1955, EA W2619 58/12/2 Pt 7.
[64] Cabinet Committee on Economic and Financial Policy, 'Trade Relations with Japan', 5 April 1955, T 1 61/6/20/1.
[65] Secretary EA – Chargé, Tokyo, 19 April 1954, EA W2619 40/12/1 Pt 8.
[66] New Zealand's Trade Relations with Japan, Trade Relations Section Industries and Commerce, (unsigned), 27 June 1955, IC W2006 114/1/4 Pt 1.

the start of 1955. He told Challis of the 'educative' effect on Holland of witnessing first hand Japan's economic revival.[67] When the visit was again mooted in early 1956, McIntosh's intent had crystallised: 'Whether he [Holland] likes it or not, he should be confronted with the facts of Japan's industrial recovery and its manifest economic destiny'.[68]

Holland's trip to Japan seems to have had an effect on him, but not exactly in the way McIntosh had anticipated. Speaking at a Commonwealth Prime Minister's Meeting after leaving Japan, Holland was 'determined to make a splash over Japan'. Ignoring the speech prepared for him, Holland spoke from his own notes, 'the purport of which he had obviously forgotten'. After urging the admission of Japan to the United Nations, much to the 'bewildered indignation' of the other prime ministers, who had understood the topic would be addressed jointly, Holland 'urged that we should all be friendly to Japan and send goodwill missions, [but] he was not very forthcoming about the prospect of giving them any trade'.[69] Other than Holland's visit, which in spite of McIntosh's cynicism was an event of considerable importance in New Zealand/Japan relations, 1956 was a quiet year. Influences on policy continued to meander through a transition zone from the communism argument to an acceptance of reciprocal trade for its own benefits. 1957 would prove to be the critical turning point.

By 1957 New Zealand was increasingly dissatisfied with the Ottawa Agreement that governed trade relations with Britain. Jack Watts, now Minister of Finance and Chairman of the CCEP, reported in January that Ottawa was no longer effective in protecting New Zealand's UK market for meat. Imperial preferences, meanwhile, had become of correspondingly greater value to the UK. If Ottawa could not be revised in New Zealand's favour, Watts was prepared to consider withdrawing preferences 'in order to give ourselves greater bargaining power with other

---

[67] McIntosh – Challis, 18 January 1955, MS-Papers-6759-245.

[68] McIntosh – Challis, 31 January 1956, MS-Papers-6759-246. See also McIntosh – Challis, 16 April 1956, ibid. & McIntosh – Guy Scholefield, 2 June 1956, MS-Papers-6759-397.

[69] McIntosh – John Reid, 13 July 1956, MS-Papers-6759-332. McIntosh gave a similar account to Tom MacDonald, 4 July 1956, MS-Papers-6759-307, adding that he thought the Conference had been terrible, 'but most people by a process of reasoning unfathomable to me, seem to find the good points in it'.

countries'.[70] Japan was not mentioned in particular, but outside of Western Europe was one of the few countries that had potential. In May Holyoake visited Britain, trying to re-negotiate access for New Zealand's exports, but the mission was largely a failure.[71]

Policy towards Japan, however, was about to be decisively influenced by events outside of government control. During the 1956-57 season New Zealand's exports of frozen beef to Japan exploded, as Japan became New Zealand's second best beef customer almost overnight.[72] For the year ended 31 October 1957, New Zealand shipped 14,545 tons of beef to Japan. The previous year's total had been 45 tons.[73] The growth of this market had a marked influence on New Zealand's attitude. Whatever the previous rhetoric about what *could* be done, there was now a shining example of what *had* been done. The market for other commodities had also grown, though less spectacularly. The desire to consolidate and expand New Zealand's market for beef and other goods became a dominant consideration in dealing with Japan. In May, Industries and Commerce reported that New Zealand's main exports of wool, hides and skins had no difficulty gaining entry to the Japanese market. The Trade Commissioner in Tokyo, John S. Scott, felt that unless there was 'some major change in Japan's policy which might adversely affect New Zealand's trade', there would be 'little advantage' gained from a trade agreement.[74] Less than a month afterwards though, Scott had information that MITI would exclude New Zealand tallow from foreign exchange allocations until a trade pact was negotiated between the two countries.[75] Suddenly, New Zealand's exports were threatened by Japanese pressure, pressure aimed at gaining a measure of reciprocal trade.

There was, however, little headway when Ushiba visited for brief talks in June. The Japanese asked for full MFN treatment, and New Zealand offered limited MFN treatment. Peter Johnsen, again leading for New Zealand, stated that we preferred a 'positive' agreement, whereby a specific list of goods would be given MFN treatment, rather than a 'negative' agreement, whereby full MFN treatment was

---

[70] Minister of Finance – Cabinet, 14 January 1957, T 1 61/3/21 Pt 1.
[71] McCaul, p. 65.
[72] *Evening Post*, 26 July 1957, EA W2619 40/76/1 Pt 2.
[73] John S. Scott, 'Japan as a Market for New Zealand Meat', in *Export News*, 20 December 1957.
[74] Bob Gray (IC) – Minister IC (Eric Halstead), 13 May 1957, IC W2006 114/1/1 Pt 2.
[75] Gray – Minister IC, 27 May 1957, ibid.

granted, with a list of exceptions appended. Johnsen also argued that while Australia's decision to invoke Article XXXV of GATT against the Japanese had been political not economic, the reverse was true for New Zealand.[76] The Japanese were not impressed by either of these arguments. Though New Zealand had been prompted to consider the need for an understanding with Japan by the MITI threat, officials still needed increased motivation before completing the policy turn.

In July Meat and Dairy Board missions went to Japan to survey market possibilities, and shipping between New Zealand and Japan increased.[77] Meanwhile, the Japanese Minister in Wellington, Shimadzu Hisanaga, met with the Deputy Secretary of External Affairs, George Laking, who told him preliminary talks were acceptable to the Government.[78] August 1957 marks another development in the acceptance of reciprocal trade. The effects of the expanding beef market were now being felt. The Acting Secretary of Industries and Commerce, Alan Atkinson, argued the need for two-way trade to his Minister. 'There is a possibility of an expanding market for New Zealand, as witness our growing beef trade... [but we must] make provision for increased imports from Japan both as a means to stimulate reciprocal export trade'.[79] The Minister of Industries and Commerce, Eric Halstead, stated in Parliament that 'It is clearly in the interests of New Zealand and Japan to promote mutual trade.'[80] Interestingly, one of the Labour Party's most vehement critics of reciprocal trade was Philip Holloway, who later had to make a hasty turnaround when he became Minister of Industries and Commerce himself.[81]

Scott reported in October that New Zealand could take the 'calculated risk' of not making an agreement with Japan, but that it was 'impossible to predict what action might be taken on licensing of imports from New Zealand if there was a real desire to force conclusion of an agreement'.[82] New Zealand's Minister in Tokyo, John Reid, added that the matter was one of prestige for the Japanese Government, and

---

[76] Notes of Discussions with Japanese Officials, 20 June 1957, T 1 61/6/20/1, pp. 1-2.
[77] *Evening Post*, 4 July 1957, EA W2619 40/12/1 Pt 8.
[78] Deputy Secretary EA (Laking) – Minister IC, Comptroller of Customs, Acting Secretary IC (Alan Atkinson), 10 July 1957, ibid.
[79] Acting Secretary IC – Minister IC, 6 August 1957, IC W2006 114/1/1 Pt 2.
[80] *NZPD*, 1957, p. 1886.
[81] See, for example, *NZPD*, 1957, p. 1884 & p. 2732.
[82] Commercial Secretary (Scott) – Acting Secretary IC, 3 October 1957, EA W2619 40/12/1 Pt 8.

particularly the Prime Minister, Kishi.[83] Shimadzu helpfully clarified things when he publicly assured a 'large and constant' beef market, provided Japan could earn sufficient foreign exchange from selling her own exports to buy it.[84] Kishi's visit to New Zealand in December 1957 coincided with Labour's electoral victory, but also with the announcement of a new refrigerated shipping service between New Zealand and Japan.[85] By now the Japanese pressure was being taken very seriously. The Japanese Legation timed the release of trade figures to emphasise the massive growth in the beef market.[86] Notes prepared for Holyoake's discussions with Kishi stated that rather than risk offending the Japanese and threaten an 'important' market for meat, New Zealand should perhaps negotiate in the interim on the terms of the 1954 agreement until more information was available.[87]

Direct Japanese pressure and the increasing value of the Japanese market to New Zealand perhaps underscored the rapid pace of Japanese economic recovery since the end of the occupation. The issue for the Japanese Government was not one solely of prestige, but of finding outlets for an increasing array of products. This was another factor that had changed from 1954 in New Zealand's estimation. Then, the Japanese economy had still been struggling. By 1958 the Japanese 'economic miracle' was, if not in full swing, then certainly gathering momentum. This development was something that caught New Zealanders, even those in Tokyo, somewhat by surprise. Rod Miller and Colin Murray witnessed first hand the devastation inflicted on Japan during the war. For Miller in Japan in the late 1940s, the notion that the Japanese could do more than pull themselves out of the rubble seemed fanciful. Murray had travelled through the ruins of Hiroshima by train, over uneven tracks at walking speed, and had seen the destruction inflicted on Japanese industry elsewhere.[88] Charles Paul had been similarly unable to envisage the progress that Japan would make, but recalled improving circumstances by the time he left Tokyo in 1957. When he arrived in 1958 David Atkins had similar expectations, but had an eye-opening

---

[83] Minister, Tokyo (Reid) – Secretary EA, 3 October 1957, ibid.
[84] *Christchurch Press*, 6 November 1957, IC W2006 114/1/1 Pt 2.
[85] *Evening Post*, 20 November 1957, EA W2619 40/12/1 Pt 8.
[86] 'Japan Today', Japanese Legation in New Zealand, 4 December 1957, EA W2619 40/12/1 Pt 8. The booklet was marked by an anonymous External Affairs staffer 'One would imagine that this release was carefully timed.'
[87] Mr Kishi: Notes for Discussion, 29 November 1957, EA 1 59/3/26 Pt 1, p. 9.
[88] Interview with Rod Miller, 22 July 2003 & Colin Murray – Author, 13 November 2003.

experience when visiting shipyards in Yokohama, and Toyota and Matsushita plants elsewhere that exhibited advanced production techniques and a highly skilled and dedicated workforce.[89] From the late 1950s onwards New Zealand's representatives in Tokyo all noted a quickening economic recovery and expansion. Though in 1958 New Zealand represented a small market for Japan, it was a potentially profitable niche. Taken together with the aim of rehabilitating Japan's reputation internationally, an accord with New Zealand assumed greater importance for Japan than it had previously, or arguably than it has since.

Nevertheless, the advent of the second Labour Government shelved any immediate consideration of a trade agreement. Officials in Wellington continued to feel the heat, however. Laking wrote to the Comptroller of Customs and to Atkinson, asking them to bring to the attention of their Ministers the growing importance of the beef trade and Japanese hints that frozen meat imports might be curtailed. It was threatened that frozen meat might be taken off the automatic approval system and put on fund allocation. This meant the Japanese could limit the amount of foreign exchange available to buy New Zealand beef, allowing a drastic limiting of the trade.[90] Officials from the Japanese Legation bluntly said that unless Japan got an agreement allowing better treatment for her imports, New Zealand 'would probably lose our developing trade in meat', because Japan had no sterling to buy it.[91] But in the short term, as McIntosh wrote to Reid before Christmas, 'I don't know when we can expect to get any clarification about trade policy towards Japan, but I am sure there is no desire to give any immediate thought to the problem'.[92] The problem was, as McIntosh explained, that the new Government had other urgent issues, notably a balance of payments crisis, the creation of a European free trade area, and trade with the UK.[93] Ironically, while pressing problems at the end of 1957 militated against an early resumption of talks with Japan, it was when these problems became much worse during 1958 that an agreement with Japan suddenly assumed high priority.

---

[89] Interviews with Charles Paul, 20 August 2003 & David Atkins, 15 October 2003.
[90] Deputy Secretary EA – Comptroller of Customs, Acting Secretary IC, 10 December 1957, EA W2619 40/12/1 Pt 8.
[91] Bob Gray (IC), meeting with Oda, file note. 19 December 1957, IC W2006 114/1/1 Pt 2.
[92] McIntosh – Reid, 24 December 1957, MS-Papers-77-193.
[93] Secretary EA – Minister, Tokyo, 31 December 1957, EA W2619 40/12/1 Pt 8.

The Prime Minister, Walter Nash, met with his Australian counterpart, Bob Menzies, in February. His brief painted something of a rosy picture of New Zealand's attitude to reciprocal trade, and suggested imports from Japan had increased 'with the progressive relaxation of restrictions by New Zealand'. Exports to Japan had fluctuated, but 1957 showed a 'spectacular' increase.[94] Japanese trade policy now favoured liberalisation, on the basis that exports had to be increased in order to allow for more imports, like New Zealand beef. If New Zealand was given greater opportunity to compete in Japan, 'total trade should increase to the benefit of both countries'.[95] But a feeling that other matters took priority persisted, and the Japanese were told that full talks would have to wait till after the Ottawa renegotiations.[96]

This posture became increasingly untenable as Japanese pressure continued to mount during March. Scott again reported Japanese pressure on sales of beef. It was most important, Scott said, 'that our expanded export trade should be protected'. The Japanese Ministry of Foreign Affairs was playing good cop to MITI's bad cop, and both Scott and Reid feared that if New Zealand continued to delay talks, the MFA would be unable to withstand MITI pressure to limit imports from New Zealand.[97] Japanese pressure was noted by the press, as was Nash's failure to find other potential markets during his trip to South East Asia.[98] A succession of departmental documents made the case for pushing ahead. One Industries and Commerce paper argued that following the demonstrable useful results of trade with Japan in 1957, the further development of the market rested on New Zealand's receiving favourable treatment from Japan.[99] Another Industries and Commerce document argued in favour of increased trade with Japan on the grounds of market diversification, and protection of the existing market. A rather frail rider was attached to this. Because Japan had curtailed trade with Communist China, New Zealand had, it was said, a 'moral obligation' to trade with her.[100] The communism argument by now carried almost no weight – the priorities were market protection and diversification.

---

[94] Discussions with Menzies, Existing Trade, EA 1 59/2/176 Pt 1, pp. 1-2.
[95] Ibid., Possibilities for Expansion, p. 1.
[96] A.W. Broadbent – Acting Secretary IC, 10 March 1958, IC W2006 114/1 Pt 4.
[97] Trade Commissioner, Tokyo – Acting Secretary IC, 19 March 1958, ibid. & Minister, Tokyo – Secretary EA, 20 March 1958, EA W2619 40/12/2 Pt 1.
[98] *Evening Post*, 24 March 1958, EA W2619 40/76/1 Pt 2 & *Dominion*, 25 March 1958, ibid.
[99] New Zealand's Trade with ECAFE Countries, IC, March 1958, ibid.
[100] That NZ Should Strive to Increase Trade with Japan, March 1958, IC W2006 114/1 Pt 4.

The Japanese pressure convinced Atkinson it was time to move forward. At the end of March he summed the problem up: 'The need to expand our overseas trade is, under existing conditions, very real, and the developments which have taken place in recent times in our trade with Japan are of considerable importance. But we cannot assume that the recent success in regard to meat exports will continue.'[101] Atkinson urged the new Minister of Industries and Commerce, Philip Holloway, to take the initiative with the Japanese, and soon, in the interest of protecting the market.[102] Jim Moriarty, later the leader of New Zealand's negotiating team, added that frozen meat had now indeed been placed on fund allocation by the Japanese.[103] Atkinson and Moriarty did not use the communism argument, or even the desire to further expand the Japanese market, but the need to *protect* New Zealand's existing market.

Moriarty proposed talks with Japan at the end of July. This was despite Ottawa talks continuing till at least mid June, major negotiations with Australia in June/July, the Commonwealth Trade and Economic Conference in September, a possible revision of a trade agreement with Canada, and proposed talks with India.[104] The Ottawa discussions scheduled to start in April were, for New Zealand, designed to reduce commitments to the UK on preference margins, with the primary objective of 'increasing New Zealand's bargaining power in seeking access to exports in supplementary markets'.[105] By now Scott had abandoned all talk of 'calculated risks', and urged an early resumption of talks in the interests of protecting exports.[106]

In May Holloway recommended to Cabinet the prompt opening of negotiations with the Japanese.[107] The accompanying paper noted that because of the move towards less liberal treatment of beef, as well as wool, 'and because Japanese statements show New Zealand cannot expect more favourable treatment without reciprocal treatment, it is evident that we should endeavour to establish a more favourable trading climate

---

[101] Acting Secretary IC – Secretary Public Service Commission, 25 March 1958, IC W2006 114/1 Pt 4.
[102] Acting Secretary IC – Minister IC (Holloway), 28 March 1958, ibid.
[103] Jim Moriarty – Minister IC, 3 April 1958, ibid.
[104] Moriarty – Commercial Secretary, 14 April 1958, EA W2619 40/12/2 Pt 1.
[105] Prime Minister's Brief, UK – NZ Trade, 26 April 1958, EA 1 59/2/176 Pt 1.
[106] Trade Commissioner, Tokyo – Acting Secretary IC, 29 April 1958, EA W2619 40/12/2 Pt 1.
[107] Minister IC – Cabinet, 15 May 1958, IC 22 W1837 22/47B.

with Japan as soon as possible'.[108] While Cabinet was considering this, the other important elements of Japanese pressure, business initiative, and worries over Ottawa remained. Reid told Laking that further delay would embarrass New Zealand's 'undoubted friends' in the Gaimusho and MITI.[109] Prompted by a private initiative, Moriarty suggested to Holloway the possibility of New Zealand exporting logs to Japan.[110] The CCEP even sanctioned a barter deal, whereby logs could be exchanged for import licences on Japanese goods, to half the value of the logs. Dozens of earlier private requests for similar deals had been turned down as being contrary to market forces.[111] This deal was, the CCEP decided, an 'exception'. [112]

The Ottawa negotiations were not going well. The British, feeling New Zealand would not abrogate the agreement, were not offering major concessions. The situation was so serious that Laking suggested abrogation might be less damaging than the conditions being offered by the UK.[113] All these factors persuaded Cabinet to authorise new negotiations with Japan. It was a decision made 'in accordance with the policy of diversifying export trade'.[114] It was accepted that New Zealand could not consolidate, let alone diversify her Japanese market without allowing reciprocity in the trade. Holloway could now tell Parliament that a trade agreement was a 'natural development', and would be beneficial to both countries.[115]

Moriarty announced New Zealand's major requests of Japan at the first meeting of the two delegations. These were non-discriminatory treatment in import licensing, quantitative restrictions, and exchange allocation; an assurance no further commodities would be put on fund allocation; guaranteed entry for a 'substantial' tonnage of frozen meat; the total fund allocation for wool to be open to New Zealand, bound (frozen) rates of duty on some items; and the ability to compete in the milk

---

[108] Proposals for Trade and Payments Agreement with Japan, 15 May 1958, EA W2619 40/12/2 Pt 1.
[109] John Reid – George Laking, 22 May 1958, MS-Papers-77-193.
[110] Moriarty – Minister IC, 20 May 1958, IC W2006 114/1/1 Pt 4.
[111] The Reserve Bank Governor, T.C. Russell, complained to Atkinson about this, but Atkinson's reply was unrepentant. It was, he said, a unique opportunity that New Zealand had got the better of. 17 July & 7 August 1958, ibid.
[112] CCEP Minutes, 30 May 1958, ibid., p. 3.
[113] Ibid., p. 4.
[114] Secretary of Cabinet (R.L. Hutchens) – PM, Minister EA, Minister IC, Minister of Finance, Minister of Customs, 4 June 1958, IC 22 W1837 22/47B.
[115] *NZPD*, 1958, p. 390.

powder market.[116] Because the Japanese MFN tariff was the same as their general tariff, MFN treatment would not give New Zealand major benefits. As Moriarty told the leader of the Japanese delegation, Seki Morisaburo, 'the basis of New Zealand's requests was, therefore, to get access to the Japanese market'.[117] After several meetings between the teams, the Officials' Committee on Economic Policy [OCEP] met to discuss progress. This seemed satisfactory. Moriarty had still not made clear that New Zealand was willing to concede full MFN treatment, and the Japanese were probing to see what sort of concessions they could get.[118] McIntosh spelled out the reason New Zealand had eventually agreed to sacrifice the previously sacred MFN cow: 'The situation here politically, and externally politically and economically could not be very much worse. The whole administration is paralysed and I cannot now see the Government running its full three years.' The latest Ottawa discussions had in the interim, 'failed completely'.[119]

By mid August New Zealand had started to push for concessions, with considerably more vigour than in 1954. Moriarty asked for a global allocation of frozen meat of 12,000 tons per annum, of which New Zealand expected the 'major' share of not less than 7500 tons.[120] Seki evaded commitment here, to the OCEP's frustration. In view of the Japanese offers amounting to 'very little', it was suggested the delegation should 'take up any Japanese initiative for deferment'.[121] Probably fortunately for New Zealand, there was no such initiative. After reiterating the meat 'request', Moriarty announced that freezing of the tariff on wool was a 'top priority', without which any agreement would be 'completely unsatisfactory'.[122] Seki argued that Japan had difficulties accepting publication of the 7500 ton figure, and asked whether it could be covered by a confidential minute.[123]

Moreover, Seki thought it was 'extremely difficult' for Japan to give a watertight commitment on wool. Given that this was the 'only outstanding problem of any

---

[116] Trade Commissioner, Tokyo – Acting Secretary IC, 21 July 1958, EA W2619 40/12/2 Pt 2.
[117] Minutes of the Fourth Meeting, 25 July 1958, AAEG 6956 B3 26/2/4, p. 4
[118] Minutes of the Officials' Committee [OCEP], 30 July 1958, EA W2619 40/12/2 Pt 2, p. 2.
[119] McIntosh – Lloyd White, 8 August 1958, MS-Papers-6759-374.
[120] Minutes of the Tenth Meeting, 14 August 1958, AAEG 6956 B3 26/2/4, p. 2.
[121] Minutes of the OCEP, 15 August 1958, EA W2619 40/12/2 Pt 2, p. 2.
[122] Minutes of the Twelfth Meeting, 15 August 1958, AAEG 6956 B3 26/2/4, p. 1.
[123] Minutes of the Fourteenth Meeting, 19 August 1958, ibid., pp. 1-2.

substance', he could not see the practical benefit of insisting on a tight commitment.[124] New Zealand could, however, and Moriarty reported to Holloway and Nash that if the duty on wool were frozen, there would be a 'reasonable balance' in the agreement.[125] Seki proposed a compromise that would bind wool duties for two years, instead of the three requested.[126] This was unacceptable to the OCEP. Japan was asked to bind the duty on coarser wools for three years, and extend the meat clause from three years to the duration of the agreement, as well as having the figures published.[127] Moriarty moved aggressively at the next meeting, telling Seki that 'unless something was obtained on wool and meat they [the OCEP] could not see a reasonable balance of concessions in the agreement for New Zealand'. There were two alternatives. New Zealand would accept the Japanese wool proposal and insist on publication of the meat figures, or accept non-publication of meat figures and insist their wool proposal be accepted. The Japanese baulked at this, but Moriarty said that if the Japanese Government had difficulty accepting it, it was not New Zealand's problem.[128]

With the talks on a knife-edge, the Japanese blinked first and accepted the earlier proposal.[129] Moriarty informed Holloway that the broad objectives of securing the 'best possible conditions for maintaining and expanding New Zealand's trade in meat and wool' had been met. The objective of establishing formal trade relations in a way leading to withdrawal of Article XXXV of GATT within three years had also been met.[130] In fact, the acceptance of mutual MFN treatment, albeit with lists of excluded goods, amounted to defacto GATT treatment anyway. Cabinet quickly accepted the agreement. There would be no deferrals this time. Nevertheless, despite negotiating from a far more aggressive posture, New Zealand had achieved far better results than in 1954. There were several factors that combined to push New Zealand harder in 1958 than in 1954. In 1954 the communism argument was essentially the major point

---

[124] Minutes of the Fifteenth Meeting, 20 August 1958, ibid., p. 3.
[125] Moriarty – Minister IC, Minister EA, 20 August 1958, EA W2619 40/12/2 Pt 2, p. 3.
[126] Minutes of the Sixteenth Meeting, 22 August 1958, AAEG 6956 B3 26/2/4, p. 3.
[127] Minutes of the OCEP, EA W2619 40/12/2 Pt 2, p. 2.
[128] Minutes of the Seventeenth Meeting, 25 August 1958, AAEG 6956 B3 26/2/4, pp. 1-2. The External Affairs representative on the delegation, Jack Shepherd, later commented that 'once or twice it looked as if the talks would break down'. Jack Shepherd – Rex Cunninghame, 24 September 1958, AAEG 6956 B3 TKY 26/2/4 Pt 3.
[129] Minutes of the Nineteenth Meeting, 28 August 1958, 'Confidential Agreed Minutes' & 'Exchange of Notes Relating to the Importation of NZ Wool into Japan', ibid.
[130] Moriarty – Minister IC, 1 September 1958, IC 22 W1837 22/47A, p. 4.

in favour of an agreement. New Zealand had little concrete interest in the Japanese market to protect, and Wellington was still for the most part not interested in reciprocal trade. By 1958 the communism argument was comatose, and the unexpected beef market meant New Zealand had something worth protecting in Japan. Coupled with concerted pressure from Japan and disturbing trading problems with Britain, New Zealand had little choice but to forge ahead. In the interest of protecting and diversifying markets, the mantra of communism was replaced by something far more substantial.

Moriarty wrote to Scott after the talks confident that the agreement offered 'a solid foundation on which to build expanded trade'.[131] Events during 1959 seemed to confirm this. Walter Nash visited Japan in early 1959, ostensibly for the purposes of furthering trade.[132] Nash's trade discussions with the Japanese focused on the potential for sales of lumber and coal, and stabilising the 'disorderly' beef market.[133] At the same time ewe mutton experienced similar market growth as beef had previously. It increased from 4 tons in 1958, to 3574 tons in 1959, to nearly 16,000 tons in 1960.[134] When Japan wanted to send a delegation to review the performance of the trade agreement in May 1959, it was seen as being a good opportunity to talk with a representative from the protectionist Japanese Ministry of Agriculture and Forestry. Nash, whose comments on New Zealand's trade with Japan over the past 30 years had rarely been complimentary, said 'We should welcome them'.[135] Leading the review for New Zealand, Moriarty enthusiastically reported the 'great interest shown by New Zealand businessmen', and a 'ready acceptance of Japanese goods in New Zealand'.[136] In view of the shared EEC market access problems faced by New Zealand and Japan, New Zealand proposed a co-operative front against the 'discriminatory' EEC trade policy at GATT.[137]

---

[131] Moriarty – Commercial Secretary, 9 October 1958, ibid. Staff in Tokyo at this time noted the growing trade, and importance of that trade, around this time.

[132] Prime Minister's Visit to Japan – Trade with Japan (EA), 11 February 1959, EA 1 59/2/180 Pt 1, p. 2. Nash stated 'There are many indications that the Agreement has aroused lively interest in both countries in the expansion of reciprocal trade'.

[133] NZ Ambassador, Tokyo (Reid), - Minister EA, 17 February 1959, EA 1 59/2/180 Pt 1.

[134] McCaul, p. 77.

[135] Minister IC – Prime Minister, 25 May 1959, IC W2006 114/1/1 Pt 4.

[136] Trade Talks, Record of Meeting, 29 June 1959, IC 22 W1837 22/47A, p. 2.

[137] Ibid., pp. 14-16.

Britain's moves towards the EEC continued to loom ominously for New Zealand, and as the diversification of markets became more important, the expansion of the Japanese market became an increasingly critical issue. The revised New Zealand/UK trade arrangement in November 1958, which reduced the UK's margins of preference, had given further room to manoeuvre with the Japanese. Again demonstrating the complete turn around from the early 1950s, Nash declared publicly that 'Trade, to be beneficial, must be mutually advantageous, and I am confident that there is great scope for the further development of two-way trade between New Zealand and Japan.'[138] By 1960 exports to Japan had increased by 20 percent on 1958, and Japan was New Zealand's sixth best customer.[139]

National was again in power with the approaching end of the three year period within which New Zealand had promised to reconsider the application of Article XXXV, and the OCEP concluded that dropping it early, especially ahead of other Commonwealth countries, 'might result in valuable trading concessions'.[140] This policy was adopted, and the new Minister of Industries and Commerce, and Overseas Trade, John Marshall, went to Japan in early 1962 to seal the deal. Marshall told the Minister of Agriculture and Forestry, Kono, the importance to New Zealand of trade with Japan was increasing. Marshall had, he said, 'persuaded' Cabinet to drop Article XXXV if 'definite assurances' on New Zealand's wool and meat were received. There were more discussions about the possibilities for the log trade.[141] Marshall also had talks with the Prime Minister, Ikeda, about their common problems with the EEC.[142]

The Japanese agreed to the proposals immediately. Marshall told Holyoake that New Zealand's initiative had been welcomed, and that the revised trade agreement 'should establish a sound basis for our future trading relations'.[143] The fact that New Zealand was the first country to drop Article XXXV was subsequently referred to by the

---

[138] New Zealand's Trade Relations with Japan, Speech by Nash, 8 September 1959, NASH 69/0360-0447.
[139] Department of Industries and Commerce, Annual Report 1960, *AJHR*, H44, p. 52.
[140] Chairman OCEP (E.L. Greensmith), 11 August 1961, AAEG 6956 B3, TKY 26/2/4 Pt 3, p. 1.
[141] Discussions between Marshall and Kono, 1 March 1962, AAEG 6956 B3 TKY 26/1/1, p. 1.
[142] Discussions between Marshall and Ikeda, 28 February 1962, ibid.
[143] Marshall – Holyoake, 2 March 1962, AAEG 6956 B3, TKY 26/2/4 Pt 3.

Japanese as a point in our favour in other negotiations.[144] Marshall later commented in Parliament that 'to create an atmosphere of good trade relations, some reciprocity is obviously desirable, and efforts are being made in that direction'.[145] When the revised agreement was ratified in Wellington in October, the Acting Minister of External Affairs, David Seath, stated that the Government had a special interest in furthering trade between the two countries, particularly when 'many well established patterns of trade are being disrupted'.[146] Also around this time came some of the first hints of the tourism between the two countries that has marked recent times.[147]

By 1963 New Zealand-Japan economic relations seemed to have attained a degree of normalcy. An agreement to avoid double taxation was signed that year, indicating a will to remove possible impediments to trade. The idea of such an agreement had been in circulation since 1951, but it was only now that its provisions became important enough to put into practice.[148] Holyoake stated that the Agreement rounded off the 'firm foundations' of the trading relationship established in 1958, and spoke of the 'closeness of the links' between the two countries.[149] The extent of the transformation in New Zealand's motives to deal with Japan was apparent at the time of Ikeda's visit here in late 1963. Shanahan told Holyoake he assumed that because time was short, discussions would be directed to economic and trade questions, rather than political questions.[150]

In the late 1940s and early 1950s New Zealand's links with Japan had been dominated by the mantra of forestalling communism, in lieu of anything substantial in the relationship. Interest from Wellington in trade was irregular, and there was little interest in reciprocity. Between the mid 1950s and 1963 a major shift had occurred. New Zealand now looked to Japan for the tangible benefits of trade. Two reasons forced this reconsideration. Firstly, the unexpected expansion of exports to Japan

---

[144] The importance of this move was noted by NZ's Ambassador to Japan from 1965-69, John V. Scott. (First Secretary, Australian High Commission, Wellington – Australian Secretary EA, 15 January 1963, A 1838/2 759/3/8 Pt 1. See also Trotter, 'From Suspicion to Growing Partnership', p. 210)

[145] *NZPD*, 1962, pp. 1620.

[146] Ratification of Trade Agreement, 2 October 1962, AAEG 6956 B3, TKY 26/2/4 Pt 3.

[147] Counsellor, Tokyo (R.Q. Quentin Baxter) – Secretary EA, 26 July 1962, ABHS 950 W4627 B1445 58/12/1 Pt 2.

[148] See Shanahan – Challis, 11 May 1951, AAEG 6956 B3 TKY 26/1/1 & Commissioner of the IRD – Secretary EA, 3 June 1959, AAEG 6956 B4 TKY 26/2/5 Pt 1.

[149] *External Affairs Review*, January 1963 (13:1), p. 20.

[150] Deputy Secretary EA – PM, 30 September 1963, MS-Papers-1403-131/1.

gave a tangible interest that was worth protecting. Secondly, from 1957 onwards it became apparent that New Zealand would have to diversify her markets as conditions in Britain became less favourable. Japan was one of the outlets with the greatest potential. Combined with domestic economic problems and determined pressure from Japan, this required action from New Zealand. The resulting arrangements were almost exclusively concerned with trade, but they formed the foundation for the subsequent expansion in New Zealand's economic, political, and cultural links with Japan.

Chapter IV – External Influences

The policies of New Zealand's friends and allies towards Japan played an influential part in the development of New Zealand's relations with Japan. Although the communism argument was founded in a need to help implement a US policy initiative, there was little significant contact with US representatives. The role of Britain was more noteworthy, but also far more complicated, and will be addressed in the following chapter. The most powerful influences were two other Commonwealth countries, Canada and Australia. New Zealand observed the behaviour of both and adapted her policy accordingly. Canadian influence proved more persuasive in the early 1950s, especially in the lead up to the 1954 negotiations. New Zealand's interest in Australian actions came to the fore in the later 1950s, and was especially noteworthy in the 1958 negotiations.

The impact of other countries on New Zealand's approach to trade with Japan has very limited coverage in the literature. Barry McCaul noted that Australia's Trade Agreement with Japan in 1957 gave her an advantage over New Zealand in the Japanese market. Therefore New Zealand's desire to negotiate with Japan in 1958 was born partially out of the desire to restore commercial parity with the Australians.[1] John Singleton underlined this, and stated that 'New Zealand could not afford to let its rival gain a privileged position in the Japanese market'.[2] David Horsley briefly addressed another aspect of Australian influence, and noted that New Zealand observed the hostile reaction of Australian manufacturers. He also pointed out the eventual similarity of the Australian and New Zealand agreements with Japan.[3] However, the positive influence of Canada and the role of indirect US influence on New Zealand have not been addressed in the literature.

Canada was an important factor in New Zealand's moves to negotiate with Japan in 1954, and a guiding force during the negotiations themselves. Canada may not initially seem the most likely of countries to influence New Zealand so strongly, but she exercised a prominent role among New Zealand's friends in that period.

---

[1] Barry McCaul, 'New Zealand and Japan', p. 71.
[2] John Singleton, 'New Zealand's Economic Relations with Japan', p. 14. See also pp. 9-10. A similar point is developed by Sharon Harvey, 'The Third Dimension', p. 2.
[3] David Horsley, 'New Zealand and Japan', p. 206 & 214.

McIntosh told Walter Nash when he became Prime Minister that New Zealand's post in Ottawa 'could be one of the most useful of all our posts'. New Zealand and Canada, he said, 'have tended to think on parallel lines on many foreign policy issues'.[4] A former Secretary of Foreign Affairs, Frank Corner, noted the rapport between McIntosh and his Canadian counterpart, and said that the Canadian influence 'later helped us to maintain those elements which have given New Zealand foreign policy much of its uniqueness and have enabled it over the years to steer a course clear of Britain, the United States, and Australia'.[5] Both McIntosh and Corner emphasised the close contacts between New Zealand and Canadian officials, and the useful exchanges of information between them. Also, because New Zealand had limited overseas posts in the 1950s, we relied upon reports from the Canadians and others for intelligence gathering in regions where we were unrepresented. New Zealand's Deputy High Commissioner in Ottawa in the early 1960s, Rex Cunninghame, noted that during his time in Ottawa, New Zealand utilised Canadian reports on areas where New Zealand was unrepresented, such as Africa and the Middle East.[6]

Canadian influence in relation to Japan began quite early. In March 1950 New Zealand's Official Secretary in Ottawa informed McIntosh that the Canadians had approved the re-establishment of Japanese trade and consular offices, and that Canadian External Affairs was promoting a policy of engaging the Japanese.[7] In response to Japan's ANZAC Day overture inquiring as to possibilities of resumption of trade under Article 12 of the Peace Treaty, External Affairs asked their posts in Canada, as well as Australia and Britain, what position the governments of those countries had adopted.[8] It transpired that while the reactions of Britain and Australia were noncommittal, Canada was going ahead with bilateral trade negotiations.[9] The High Commission in Ottawa further reported that the Canadian government was weighing up the need to protect their Japanese export market, already important for

---

[4] McIntosh – Nash, 23 December 1957, MS-Papers-6759-438.
[5] Frank Corner, 'Frank Corner', in *An Eye, An Ear, And a Voice*, Malcolm Templeton (ed.), Wellington: Ministry of Foreign Affairs, 1993, pp. 87-88.
[6] Interview with Rex Cunninghame, 10 September 2003.
[7] Official Secretary, Ottawa (A.R. Perry) – Secretary EA, 27 March 1950, IC W2006 114/1 Pt 1.
[8] Secretary EA – Official Secretaries, Ottawa, Canberra, London, 4 July 1952, T 1 61/6/20/1.
[9] Jack Shepherd (Canberra) – Lloyd White, 29 July 1952, Noel McIvor (London) – Lloyd White, 25 July 1952, & Ray Perry (Ottawa) – Lloyd White, 1 August 1952, EA W1784 58/12/2 Pt 5.

Canada, with the need to protect Canadian industry from the possible effects of increased Japanese competition.[10]

Around the time of the CCEP's first reconsideration of Japanese trade policy in March 1953 there was an increasing flow of information from the High Commission in Ottawa. Shanahan wrote that this 'very interesting information' on the Canadian position 'will certainly be useful in the formulation of New Zealand's policy'.[11] When the CCEP reconsidered Japanese trade policy in late 1953, it was repeated that while the British and Australians remained uncommitted, Canada was already negotiating with Japan 'both on political and economic grounds'.[12] Shortly afterwards External Affairs requested details of the proposed Canada/Japan agreement 'urgently', along with any relevant information of the Canadian negotiating experience. External Affairs was also keen to avoid undermining the Canadian position by making more favourable concessions to Japan.[13] The Canadians were forthcoming, and it was reported to Wellington that the negotiations centred on Canada granting Japan full MFN treatment, in return for an 'escape clause' to protect Canadian industry should Japanese competition become a problem, and non-discrimination in imports between countries in the Dollar or Sterling Areas.[14]

The similarities of the Canadian and New Zealand concerns to balance export markets with domestic industry were reflected in New Zealand eventually seeking the same two major concessions from the Japanese in 1954. The Trade Commissioner in Ottawa[15] reported a 'flood of protests from various Canadian manufacturers and labour groups', at the agreement with Japan. Ottawa had accepted the Japanese government's promise to prevent pre-war trading practices, subject to the escape clause in the agreement.[16] New Zealand observed Canada to see how Japan might be

---

[10] Official Secretary, Ottawa – Secretary EA, 7 October 1952, T 1 61/6/20/1.
[11] Shanahan – Secretary IC, 24 March 1953, EA 1 104/4/8/37 Pt 1.
[12] CCEP (53):17, 24 August 1953, EA 1 35/29/5 Pt 1.
[13] Minister EA – High Commissioner, Ottawa, 27 November 1953, EA W2619 58/12/2 Pt 6.
[14] High Commissioner, Ottawa – Minister EA, 1 December 1953, ibid.
[15] At this time the 'regular' diplomatic staff at an overseas post were External Affairs employees, with the Trade Commissioners and their associates employed by Industries and Commerce.
[16] Trade Commissioner, Ottawa (N.S. Mountain) – Secretary IC, 26 November 1953, IC W2006 114/1/1 Pt 2.

approached, and any potential problems overcome. The Trade Commissioner promised to send the text of the completed Canadian agreement as soon as possible.[17]

It was confirmed in April 1954 that the Canadian agreement included reciprocal full MFN treatment, an escape clause for Canadian industry that allowed for 'emergency valuation' of duties on Japanese goods, and the continuation of the agreement in the event of Japan's accession to the GATT.[18] Challis thereafter emphasised to the Japanese New Zealand's desire for any agreement between the two to continue after Japan's admission to GATT, along the same lines as the Canadian agreement.[19] External Affairs modelled their approach on the Canadian experience, and argued that on the basis of Canada having received non-discriminatory treatment (NDT) in import licensing and foreign exchange allocation on several specific goods, New Zealand should expect similar treatment, bearing in mind that unlike Canada, New Zealand would not accord Japan full MFN treatment.[20]

The linkage with Canada was most explicit during New Zealand's negotiations with Japan in June 1954. After early meetings Japan claimed to be unable to offer complete NDT to specific New Zealand exports due to Tokyo's foreign exchange control system. They offered instead NDT on specific exports in relation to similar goods from elsewhere in the Sterling Area. The New Zealand delegation was unconvinced. Peter Johnsen wrote that it was obvious that 'this is not in fact correct, for in their Trade Agreement with Canada, concluded only recently, they have made such provision covering a limited range of Canadian products'.[21] The implication was that if Canada had got such treatment, New Zealand expected something similar. It was made clear to the Japanese that NDT on New Zealand's main items of interest was an 'essential feature' of any agreement,[22] the CCEP having already concluded privately that without NDT there was 'no basis for a satisfactory agreement'.[23]

---

[17] Trade Commissioner, Ottawa – Secretary IC, 9 February 1954, ibid.
[18] Commercial Counsellor, Ottawa, (L.S. Glass) – Secretary IC, 13 April 1954, IC W2006 114/1/1 Pt 2.
[19] Chargé, Tokyo – Secretary EA, Secretary IC, Comptroller of Customs, Secretary to Treasury, 14 April 1954, C W2358 955/000/1 Pt 1.
[20] Les Castle – Shanahan, 21 April 1954, EA W2619 58/12/2 Pt 6.
[21] Minutes of the First Meeting, 21 June 1954, C W2358 955/000/1 Pt 1.
[22] Minutes of the Second Meeting, 24 June 1954, ibid.
[23] CCEP Eighth Meeting, 23 June 1954, ibid.

In the face of this insistence the Japanese claimed that their inability to grant NDT was due to bilateral agreements with other countries. The Japanese delegation revealed confidentially that the NDT granted to Canada was subject to agreed exceptions, related to these other bilateral arrangements.[24] From here the New Zealand officials dropped all mention of NDT. If Canada had not obtained complete NDT, then New Zealand would not expect it either. It was after the failure to secure the concessions New Zealand thought had been granted to Canada that the minutes speak of there being little economic benefit to New Zealand in the agreement. Nevertheless, in the draft agreement presented to Cabinet there remained strong similarities with the Canadian agreement, most notably in the escape clause for New Zealand industry, strongly modelled on the 'emergency valuation' provided for in the Canadian agreement.[25] When he endorsed the draft to Holyoake, Johnsen wrote that it was 'worth noting' that Canada had recently concluded an agreement with Japan that offered far more liberal treatment to Japanese imports than that contemplated by New Zealand.[26]

However, both the communism argument and the example set by Canada proved inadequate to secure Cabinet's approval. As with the communism argument, the Canadian example gradually counted for less. The actual agreement became less relevant, and simultaneously New Zealand was also becoming more interested in Australia's on-going negotiations with Japan. New Zealand did, however, continue to monitor the effects of the agreement on Canadian industry. Officials reported with some interest a minor but reoccurring dispute between Japan and Canada over Japanese trading practices after 1959.[27] The Canadian experience was mentioned only in passing in relation to New Zealand's 1958 negotiations.[28]

---

[24] Minutes of the Fifth Meeting, 29 June 1954, ibid.
[25] P.B. Marshall – Holyoake, 3 September 1954, ibid.
[26] Johnsen – Holyoake, 4 July 1954, ibid.
[27] Ambassador, Tokyo – Secretary EA, 30 July 1959 & 18 August 1959, NZ High Commissioner, Ottawa (Shanahan) – Secretary EA, 3 March 1960 & 16 May 1960, Ambassador, Tokyo – Secretary EA, 7 March 1961, ABHS 950 W4627 B2283 104/202/100/1 Pt 1.
[28] In late 1957 Industries and Commerce inquired as to the long term results of the agreement on Canada, 'both from a buyer's and a seller's point of view'. The Trade Commissioner replied that despite initially noisy protest, Canada had experienced no problems, and had not reverted to use of the escape clause. Assistant Secretary IC (Gordon Hope) – Trade Commissioner, Ottawa (Mountain), 9 October 1957 & Trade Commissioner – Assistant Secretary IC, 1 November 1957, IC W2006 114/1/1 Pt 2.

The role of the USA as an influence on New Zealand's Japan policy was a curious one. Despite New Zealand increasing post-war proximity to the US, there appeared to have been only isolated American interest in our policy towards Japan, and limited direct interest by New Zealand in American thoughts on our policy. Although the communism argument was obviously heavily influenced by the US, New Zealand seems to have absorbed this without direct input from Washington. Britain and the Old Commonwealth were also strongly anti-communist, and it may be that this exercised a greater direct pull on New Zealand than the US did. During initial talks in 1948 about giving Japan MFN treatment, the US does appear to have been briefly interested in New Zealand's attitude. In mid 1948 the US wanted the matter considered at a European Recovery Programme, and then a GATT meeting. New Zealand took a line with other Commonwealth countries that the Far Eastern Commission was the appropriate place to discuss it.[29] At this stage proposals were still vague, and there was suggestion clarification of US proposals would be useful.[30] Early in 1949 Shanahan and others from External Affairs met with the US Minister in Wellington, Robert Scotten. Shanahan reported that although MFN was now 'a meaningless gesture', it was one to which the US attached 'considerable importance'. In view of this, the grant of MFN should not be discounted by New Zealand.[31]

Shanahan requested further information from the Americans, information that was not forthcoming, despite repeated requests. When Scotten did reply, he was not very informative.[32] Both parties apparently lost interest, and this was the closest the US ever came to directly influencing New Zealand's policy. McIntosh reported further 'informal approaches' by US representatives,[33] but given the lengthy gestation of the communism argument, it would not appear that these consisted of 'pressure' in the conventional sense. In 1954 there was apparently interest in the course of New Zealand's negotiations with Japan from the US Embassy – in Canberra. This consisted of 'speculating whether the action of both Canada and New Zealand... may

---

[29] SECRO – Minister EA, 26 June 1948, Permanent Head PM's Dept (McIntosh) – Comptroller of Customs (D.G. Sawers), 5 July 1948, McIntosh – Sawers, 12 August 1948, AAEG 950 B361b 268/5/47 Pt 1.
[30] Director of Marketing, Wellington (L.C. Webb) – Secretary EA, 22 November 1948, ibid.
[31] Shanahan, file note, 21 February 1949, ibid.
[32] US Minister, Wellington – Secretary EA, 15 March 1949, ibid.
[33] Secretary EA – Minister of Finance, 4 April 1949, EA W1784 58/12/2 Pt 2.

indicate a more general trend within the Commonwealth'.[34] If US representatives in Wellington expressed similar interest, it was not apparently recorded in External Affairs files.

In mid-1955 Shanahan met with the Counsellor from the US Embassy, who expressed 'surprise' at New Zealand's decision to invoke Article XXXV against Japan.[35] This does not appear to have caused any concern amongst officials in Wellington. But New Zealand apparently felt the need to explain herself to the US after the collapse of the draft agreement, and oddly chose to do this in an ANZUS Council Meeting. In terms designed to shift any blame for the failure from New Zealand, the meeting was told Japan had become more interested in GATT than bilateral agreements.[36] In late 1961 the US Embassy asked External Affairs whether New Zealand might be willing to take the Commonwealth lead and drop Article XXXV first.[37] New Zealand politely declined this request, despite later doing so anyway. These lonely incidents scarcely represent substantial influence from the US, or a great deal of attention by New Zealand to American concerns. This is something of an oddity, given the amount of surviving documentation on exchanges with the US during the Peace Treaty and ANZUS debate. Rod Miller commented that official exchanges with the US about Japan afterwards were 'reasonably frequent and extremely valuable', so it appears official files may be sketchy on this aspect after 1952.[38]

The declining importance of the Canadian example from the mid 1950s was matched by growing interest in the example being set by Australia. Australian influence had an added dimension to that of the Canadian. The latter was based largely in observation of the actions and consequences for Canada of agreement with the Japanese as a possible template. With Australia, there was a more direct fear after 1957 that it would gain ground in the Japanese market at the expense of New Zealand. Fear of Australian competition existed earlier. As early as 1948 External Affairs noted, without comment, that the Australian government was paying the expenses for

---

[34] Official Secretary Canberra, (Helen Hampton) – Secretary EA, 22 July 1954, EA W2619 58/12/2 Pt 7.
[35] Shanahan, file note, 19 May 1955, EA W2619 40/12/1 Pt 8.
[36] ANZUS Council Meeting, NZ's Trade with Japan, 24 September 1955, ibid.
[37] B.L. Bolt (EA) – Ambassador, Tokyo (Reid), 25 August 1961, AAEG 6956 B3, TKY 26/2/4 Pt 3.
[38] Rod Miller – Author, 3 February 2004. Given the otherwise comprehensive nature of the files, perhaps the appropriate records have simply not been located.

a SCAP wool buyer to visit there and that he might attempt to make a similar arrangement with the New Zealand government.[39] Challis expressed fear during 1950 that New Zealand had failed to keep pace with Australian moves to develop the Japanese market for wool, and noted the lack of interest from New Zealand exporters in comparison with their Australian counterparts.[40] White also expressed concern that Australian actions might be clearing the way for a future arrangement with Japan.[41]

However, this concern over Australian competition in wool was detached in the early 1950s. During this period Australia was still hesitant in relation to Japan, and it was Canada that provided the example of how to forge ahead. New Zealand did keep an eye on the Australians though, and during 1953 some interesting parallels between the Australian and New Zealand experiences became apparent. These indicate both why Australian influence was more limited in the early 1950s, and why it eventually came to play a more important role. The Australian Cabinet, like their New Zealand counterparts, treated the issue of trade with Japan very delicately. Also like New Zealand, it was a question of reconciling the potential of Japanese exports with the desire to protect Australia's own industry. Additionally, there was also departmental conflict in Australia, with the protectionist Trade and Customs taking the role of New Zealand's Industries and Commerce, and Commerce and Agriculture playing the part of New Zealand's External Affairs.[42] Towards the end of 1953 New Zealand's representatives reported from Canberra that the Australian government now had the issue of trade with Japan under serious consideration, and that Australian External Affairs expected a more liberal policy shortly.[43]

This came to nothing in the short term, and by the time of New Zealand's June 1954 negotiations, some Australian officials expressed regret that Australia had not advanced as far.[44] The CCEP commented that Australia had done 'very little' to develop trade with Japan, and that New Zealand's position was 'somewhat different',

---

[39] Hunter Wade (EA) – Secretary EA, 23 April 1948, EA W1784 58/12/2 Pt 2.
[40] Chargé, Tokyo – Secretary IC, 23 November 1950, EA W1784 58/12/2 Pt 3. See also Challis – Bob Gray (IC), 6 July 1950 & Extract from Challis Report in Minister IC – Cabinet, 4 August 1950, ibid.
[41] Comptroller of Customs – Secretary IC, 20 June 1951, EA W1784 58/12/2 Pt 3.
[42] High Commissioner, Canberra – Minister EA, 4 February 1953, EA W1784 58/12/2 Pt 5 & Official Secretary, Canberra (Jack Shepherd) – Secretary EA, 4 June 1953, C W1218 22/230/1.
[43] Official Secretary, Canberra (T.P. Davin) – Secretary EA, 30 November 1953, C W1218 22/230/1.
[44] Official Secretary, Canberra (Hampton) – Secretary EA, 28 May 1954, EA W2619 58/12/2 Pt 6.

especially in terms of public attitudes towards Japan. These were perceived as much more hostile across the Tasman, due to Australia's greater involvement fighting the Japanese in the Pacific during World War II.[45] A process of mutual influence seemed at work, as the Australians requested more information on New Zealand's talks, and were apparently interested in perusing a limited MFN agreement 'along [the] same lines as those recently concluded by New Zealand'.[46] An Australian historian has stated that New Zealand and Canadian moves were a 'serious worry' for the Australian government, and a major impetus propelling them towards Japan.[47] Following New Zealand deferral, however, the Australians cooled to the idea. It was still reported that Australian officials were 'particularly interested' in studying New Zealand's agreement, but that Australian thinking was 'very fluid'.[48] The Australian Cabinet was now 'holding its horses'.[49]

In this area, as in others, 1955 and 1956 were relatively quiet for New Zealand if not Australia. In late 1955 Australia decided to enter formal negotiations with the Japanese.[50] The Secretary of Industries and Commerce, P.B. Marshall, told Challis that any arrangements Australia made 'may well affect the attitude of New Zealand in regard to plans for a trade agreement with Japan'.[51] The Australian situation changed in early 1956, when the departments at odds over trade policy were amalgamated. This has been seen as an important development in securing a more liberal policy towards Japan, though New Zealand's representatives noted at the time that the merged department initially had trouble forming cohesive policy.[52] Elsewhere, Sidney Holland finally confirmed his visit to Japan. McIntosh claimed a degree of Australian influence in his decision: 'What has clinched the visit to Japan is an

---

[45] CCEP Ninth Meeting, 30 June 1954, C W2358 955/000/1 Pt 1.
[46] High Commissioner, Canberra – Minister EA, 16 July 1954, EA W2619 58/12/2 Pt 7 & Official Secretary, Canberra (Hampton) – Secretary EA, 22 July 1954, ibid.
[47] Alan Rix, *Coming to Terms – The Politics of Australia's Trade with Japan 1945-57*, Sydney: Allen & Unwin, 1986, p. 197.
[48] Official Secretary, Canberra (Davin) – Secretary EA, 31 August 1954, C W2358 955/000/1 Pt 1.
[49] Official Secretary, Canberra (Hampton) – Secretary EA, 15 September 1954, EA W2619 58/12/2 Pt 7 & Notes of Discussions with Australian Officials, 15 September 1954, C W2358 955/000/1 Pt 1.
[50] Official Secretary, Canberra (Hampton) – Secretary EA, 21 November 1955, C W1218 22/230/1.
[51] Marshall – Challis, 28 November 1955, IC W2006 114/1/1 Pt 2.
[52] Rix, p. 202 & Official Secretary, (Hampton) – Secretary EA, 18 April 1956, C W1218 22/230/1.

intimation from Challis that [the Australian Prime Minister] Menzies is likely to visit there and Holland is anxious to get in first. I wonder if he will?'[53]

There followed a break until New Zealand's economic interests in pursuing an agreement with the Japanese began to mount. Industries and Commerce reported in mid 1957 that Australia's negotiations with Japan had been long and difficult, and that it was possible no agreement would be reached.[54] Shortly afterwards, though, Australia did reach an agreement with Japan. This allowed for reciprocal full MFN treatment with a list of exceptions, safeguards for domestic industry, and a freezing of duties on Australian wool entering Japan, in exchange for Australian 'reconsideration' of the application of Article XXXV within three years.[55] The full text of the agreement arrived in time to figure in the departmental discussions prior to Ushiba's visit to New Zealand in June 1957. These concluded that New Zealand could not offer full MFN treatment as Australia had.[56] Nevertheless, the Acting Secretary of Industries and Commerce, Alan Atkinson, informed the Minister of Industries and Commerce that New Zealand's approach would take into account many of the same considerations as Australia's had. Moreover, 'we would not wish to see Australia gain a [commercial] advantage over New Zealand'.[57] This was the first time that a link was made between an agreement with Japan and trade rivalry with Australia. In the context of New Zealand's other economic problems, it became an issue of considerable concern. Industries and Commerce instructed the Trade Commissioner, John S. Scott, to go ahead with preliminary talks in Tokyo, as it was 'concerned lest New Zealand products should be left at a disadvantage in relation to Australian products, even in the interim. [You] will let us know if our products are experiencing any special difficulties'.[58]

In discussions with Australian officials, Industries and Commerce were informed that the Australian government was 'not inclined to view seriously' the unrest amongst their manufacturers at the Japanese agreement, and that it was convinced it had

---

[53] McIntosh – Shanahan, 30 January 1956, MS-Papers-6759-343. See also McIntosh – Challis, 31 January 1956, MS-Papers-6759-246.
[54] Bob Gray (IC) – Minister IC, 13 May 1957, IC W2006 114/1/1 Pt 2.
[55] High Commissioner, Canberra – Secretary EA, 19 June 1957, EA W2619 40/12/1 Pt 8.
[56] Notes of Interdepartmental Meeting, 19 June 1957, ibid.
[57] Acting Secretary IC (Atkinson) – Minister IC (Halstead), 6 August 1957, IC W2006 114/1/1 Pt 2.
[58] Assistant Secretary IC (Gordon Hope) – Trade Commissioner, Tokyo (Scott), 14 August 1957, ibid.

adequate safeguards to deal with the effects of Japanese competition.[59] In late 1957, however, the Comptroller of Customs asked McIntosh to delay further negotiations on the grounds of the negative publicity emanating from Australia.[60] This was the last sign of hesitation. In early 1958 Walter Nash held discussions with Bob Menzies on a variety of topics, including Australia's trade with Japan. A number of questions were posed, including the effects of agreement with Japan on Australian industry, whether Australia had needed to invoke the agreement's escape clauses, and whether the Japanese government had honoured their promises to ensure 'fair trade' by their exporters.[61] New Zealand was still at least as much concerned with observing the effects of agreement on Australia, as with Australia's potential as a trade rival.[62]

Scott reiterated from Tokyo that New Zealand faced problems with Australian competition. On a more basic level, New Zealand simply had no protection against fluctuations in Japanese import policy that Australia's formal agreement gave her.[63] Moriarty reported to Holloway in April that despite adverse publicity from Australian manufacturers, they had been unable to show damage resulting from Japanese competition. The safeguards were interesting for New Zealand, Moriarty said, and as Australia had also increased her exports to Japan, there was no reason why New Zealand might not do the same.[64] When Holloway made his submissions to Cabinet in May, he recommended an agreement 'on similar lines' to the Australian one, i.e. with reciprocal full MFN treatment.[65] One of the reasons for doing this was said to be 'The more advantageous position of Australia which has a trade agreement with Japan'.[66]

During the negotiations proper, recourse to the Australian example was often made. At an early meeting, Moriarty claimed New Zealand could not rescind Article XXXV immediately, but would undertake to review the position in three years, 'much the

---

[59] A.W. Broadbent (IC), file note, 28 August 1957, ibid.
[60] Comptroller of Customs (E.S. Gale) – Secretary EA, 1 November 1957, EA W2619 40/12/1 Pt 8.
[61] PM's Brief, Discussions with Menzies, Trade with Japan, 25 February 1958, EA 1 59/2/176 Pt 1.
[62] The inverse also appeared to be true, Australian officials in Wellington sending extensive reporting on progress between New Zealand and Japan back to Canberra. (see various correspondence on A 1838/2 759/3/8 Pt 1)
[63] Trade Commissioner, Tokyo – Acting Secretary IC, 19 March 1958, IC W2006 114/1 Pt 4.
[64] Moriarty – Minister IC, 24 April 1958, IC W2006 114/1/1 Pt 2.
[65] Minister IC – Cabinet, IC 22 W1837 22/47B.
[66] Brief for Trade Talks, Paper C3, 18 July 1958, EA W2619 40/12/2 Pt 1, p. 3.

same as Australia did'. Commenting on the necessity of safeguards for New Zealand's industry, Moriarty added that the Japanese would note the similarity between this request and the corresponding section of the Australian agreement.[67] Later Japanese claims to be unable to meet New Zealand's requests on wool duties due to commitments made in the Australian agreement were rubbished by Henry Lang. Moriarty also pointed out that wool was no less important to New Zealand than Australia, and that it would be 'unreasonable' to expect New Zealand to expect lesser treatment than Australia.[68] The issue of parity with Australia became a sticking point. New Zealand's insistence on frozen wool duties, and her bargaining posture generally, were almost completely based upon an expectation of getting equivalent concessions to the Australians.

In what was politely termed a 'general discussion' over the possible ramifications for the Australian agreement if Japan were to concede to New Zealand's demands, New Zealand contended that if Japan were to impose duties on Australian wool in retaliation for Australian activation of the escape clauses, their agreement would have to be terminated before those wool duties could be increased. The Japanese delegation was understandably perplexed at being told what they could and could not do under the terms of their own agreement with another country.[69] That New Zealand was able to claim confidently such things reflected a fairly intricate understanding of the Australian agreement, and indicated the degree to which the Australian example had captured the imagination of New Zealand's delegation. In sending the draft agreement to John Reid in Tokyo for translation and double checking, McIntosh commented that 'Many parts of the proposed agreement and accompanying notes follow closely the corresponding provisions of the Japanese Trade Agreements with Canada and Australia... The Japanese texts of those agreements will prove a useful comparison.'[70] An Australian official in Wellington similarly noted that New Zealand and Australia's agreements were 'almost identical'.[71] It was later publicly noted that

---

[67] Minutes of the Third Meeting, 24 July 1958, AAEG 6956 B3 26/2/4, p. 3.
[68] Minutes of the Eleventh Meeting, 15 August 1958, ibid., p. 4.
[69] Minutes of the Fifteenth Meeting, 20 August 1958, ibid., p. 5.
[70] Secretary EA – Ambassador, Tokyo, 22 August 1958, ibid.
[71] Australian High Commission, Wellington – Australian Secretary EA, 11 September 1958, A 1838/2 759/3/8 Pt 1.

judging by Australia's experience, New Zealand would not be forced to invoke the provisions of the agreement dealing with Japanese trading practices.[72]

Australian influence did not end with in 1958, although after this point it became much more explicitly a matter of fear of Australian trade rivalry. In preparation for his visit to Japan in 1959, Walter Nash was further informed of the successful operation of the Australian agreement, both in promoting exports and preserving Australian industry.[73] On the question of Article XXXV, it was thought New Zealand should wait to observe the results of her own agreement before proceeding, but that we should avoid getting too far down the queue of countries, especially within the Commonwealth.[74] Mutual influence was again in evidence in 1962 when preparations for J.R. Marshall's visit to Japan were underway. The Japanese embassy in Wellington had apparently communicated to Tokyo that Marshall was unlikely to propose revocation of Article XXXV, as it was felt New Zealand would not move on this before Australia did.

Jack Shepherd, previously External Affairs' delegate to the 1958 talks, was now Deputy High Commissioner in Canberra. He reported that Australian External Affairs had concluded that Australia should withdraw Article XXXV, and that it was worried New Zealand might do so first 'and reap a substantial reward in terms of Japanese goodwill'. Shepherd studiously evaded Australian enquiries as to what New Zealand's position was, and proposed that, provided the Japanese would pay a reasonable price, 'New Zealand should endeavour to beat the Australians to the draw by withdrawing Article XXXV as early as possible'.[75] Whether or not as a result of Shepherd's cunning ploy, New Zealand did drop Article XXXV first, and for once New Zealand was ahead of Australia.[76] When External Affairs was preparing for

---

[72] *Export News*, October 1958, NASH 69/0360-0447, p. 3.
[73] PM's Visit to Japan, Trade with Japan, 11 February 1959, EA 1 59/2/180 Pt 1, p. 5.
[74] PM's Visit to Japan, Article XXXV, 11 February 1959, ibid., p. 2.
[75] Jack Shepherd – Secretary EA, Ambassador, Tokyo, 26 February 1962, AAEG 6956 B3, TKY 26/2/4 Pt 3.
[76] Correspondence on the Australian files has New Zealand officials denying a change was imminent, even after Marshall had sealed the deal in Tokyo, and suggests either inadequate communication, or deliberate concealment. Australian High Commission, Wellington, file note, 1 March 1962, AHCW – Australian Secretary EA, 12 March 1962, A 1838/2 759/3/8 Pt 1.

Holyoake's visit to Japan in 1965, talks on closer government and business links were proposed, an area in which 'we have lagged behind [Australia]'.[77]

In another area, New Zealand continued to have concerns over Australian competition. In 1960 Scott complained from Tokyo that Japanese businessmen faced lengthy delays in gaining entry to New Zealand, and that there was a danger they might get the impression Australia was friendlier.[78] This problem was ongoing, and before the matter was satisfactorily resolved in 1964, it was again reported that 'comparisons were made between the somewhat restrictive policy of New Zealand and the more liberal policy followed by Australia'.[79]

This chapter has shown how New Zealand's policy on trade with Japan was influenced by the example of her friends and allies. This was not, as might have been expected, largely a matter of American or British influence, but of Canadian and Australian influence. The example set by Canada was important in shaping New Zealand's decision to proceed with negotiations in 1954, and the posture it followed during those negotiations. Following the eventual failure of those talks, Canada assumed less importance, and the running was taken up by Australia. While the influence of Canada had been largely a passive one, where New Zealand simply observed the process and considered what might or might not be appropriate to follow, it was a more active process with Australia, based on a fear of Australia gaining a competitive edge in the Japanese market.

---

[77] Unsigned memo to Lloyd White, 4 February 1965, EA 1 59/2/205 Pt 1, p. 2.
[78] Trade Commissioner, Tokyo – Secretary IC (Sutch), 23 March 1960, IC W1705 45/3/1 Pt 1.
[79] J.H. Patel (IC), file note, 8 April 1964, ibid.

Chapter V – The British

The United Kingdom's role in influencing New Zealand's policy towards Japan was mixed. The UK Government sometimes pressured New Zealand not to liberalise trade with Japan, but at other times appeared indifferent, or actually encouraged more liberal treatment for Japanese goods. There was also pressure from UK manufacturers around the 1954 and 1958 negotiations. New Zealand's attitude to this pressure was equally divided. A desire to preserve the existing patterns of New Zealand's trade was frequently evident, but New Zealand's response to actual British pressure varied. Some officials, fearing retaliation, favoured acquiescence to protect New Zealand's interests in the British market. Others wanted to disregard the pressure, arguing that Britain's trading interests here would not be seriously affected. To an extent British pressure was responsible for Cabinet's deferral of the 1954 agreement, but given that Cabinet approved the agreement in 1955 regardless, there is a danger of overstating the British influence. In 1958 New Zealand faced more concerted opposition from British manufacturers to granting concessions for the Japanese. However, by this time New Zealand attached less weight to the opinion of the British, and their remonstrations were largely ignored.

Existing literature has addressed the topic of British influence to some degree. Barry McCaul argued that the 1954 agreement failed because New Zealand's existing British centred pattern of trade was 'satisfactory', and the British market too important to risk endangering by making concessions to the Japanese.[1] Ann Trotter noted that New Zealand considered the effects of concessions to the Japanese on trade with Britain, and also emphasised the role of British protest in stalling the 1954 agreement.[2] Trotter also suggested it was the late 1950s before New Zealand's attitudes towards Britain in the area of Japan began to change.[3] John Singleton similarly argued that New Zealand's short-term attitude towards increased trade with Japan was constrained by considerations for the British market, but that in the long

---

[1] McCaul, 'New Zealand and Japan', pp. 61-63.

[2] Trotter, 'From Suspicion to Growing Partnership', p. 198 & 201. Bruce Brown makes a similar argument, citing Trotter in support. Bruce Brown, ' "Foreign Policy is Trade": Trade is Foreign Policy', in *Fifty Years of New Zealand Foreign Policy Making*, Dunedin: University of Otago Press, 1993, p. 92.

[3] Trotter, 'New Zealand and Japan', p. 6.

term this position became untenable.[4] The failure of the 1954 agreement was, Singleton said, due in large part to opposition from the British.[5] David Horsley likewise wrote that Britain was a 'determining factor' in trade relations with Japan, and even suggested that New Zealand got the idea for an agreement with Japan from negotiations Britain was having with her at the time.[6]

These arguments collectively assume the role of Britain was a purely negative one, especially in relation to the 1954 agreement, and that British influence declined during the later 1950s. While British pressure played some role in Cabinet's deferral of the 1954 agreement, it was not all negative, nor was it the predominant factor. Additionally, while New Zealand gave less heed to the British in 1957 and 1958, this does not mean the pressure was absent. While this chapter will argue a less crucial role for Britain, it does not argue that New Zealand disregarded the British position.

New Zealand's policy prior to 1953 was certainly swayed to a significant degree by the British position. When the Government developed the 'essential goods' policy in relation to Japanese imports in 1948 these concessions were still subject to several considerations. One was the prospect of supply by the UK.[7] New Zealand also supported the UK position in relation to American requests for GATT to consider issues of most favoured nation treatment for Japan. Although domestic industry was said to be protected by import licensing, competition from Japanese goods would affect the industries of countries such as the UK, 'where the maintenance of high living standards is essential to our own economic well being'.[8] Privately though, some officials wondered whether the UK's focus on protecting the Lancashire cotton industry should be the crux of the Japan 'problem'.[9] Nevertheless, a pattern was established that held for most of the 1950s. In any discussion of the possible negatives of increased trade with Japan, the main concerns were always some variation on the effects on domestic industry and existing trade patterns. It is notable,

---

[4] John Singleton, 'New Zealand's Economic Relations with Japan', p. 2.
[5] Ibid., p. 8. See also Singleton, 'The Survival of the Ottawa Agreement', p. 171.
[6] David Horsley, 'New Zealand and Japan', x & 181.
[7] Minister EA – SECRO, 9 June 1948, EA W1784 58/12/2 Pt 2.
[8] Minister EA – NZ High Commissioner, London, 13 August 1948, ibid. See also Comptroller of Customs – McIntosh, 12 August 1948, AAEG 950 B361b 268/5/47 Pt 1.
[9] McIntosh – Shanahan, 30 October 1948 & Director of Marketing (L.C. Webb) – Secretary EA, 22 November 1948, Ray Perry – Shanahan, 2 March 1949, AAEG 950 B361b 268/5/47 Pt 1. John Singleton has addressed Lancashire cotton more directly in his aforementioned articles.

however, that worries about domestic industry always took precedence over the possible effect on Britain.

External Affairs argued that increasing trade with Japan depended on the extent to which it could damage domestic industry and 'the interests of the UK and other regular suppliers to the New Zealand market'.[10] It was later spelled out more clearly: 'New Zealand's policy will give full weight to the need to protect... the interests of other suppliers to the New Zealand market, especially UK suppliers'.[11] Industries and Commerce also thought that increased trade should be subject to domestic industry and Commonwealth trade.[12] When Jack Watts spoke in Parliament about the trade provisions of the Peace Treaty, he made it clear that although he favoured 'bold' action, domestic industry and the interests of Britain would be paramount concerns.[13] Similarly, the development of the 'mantra' paid lip service to the reasons for closer links, while emphasising it should not come at the expense of domestic industry and Commonwealth trade.[14]

The desire to protect existing patterns of trade, as well a foreshadowing of the changes to come, was illustrated when Industries and Commerce wanted import licences for Japanese textiles cut by 50 percent of their 1951 level for 1952, 'due to increased supply from the UK'. External Affairs thought that as there were no domestic industries to protect in this case, the matter was purely a question of UK interests against those of Japan. It was noted by both that after the UK had informed New Zealand that they could not meet textile demand, and New Zealand replied that she would instead buy from Japan and the USA, 'the UK people then bestirred themselves and expressed alarm... at the introduction of Japanese competition. In consequence, the offers of supplies from the UK have increased in recent months.'[15] As was expected, the Government cut licences on Japanese textiles by 50 percent. Lloyd White suggested that the announcement of the cuts should refer to the

---

[10] Lloyd White – Shanahan, 17 May 1951, EA W1784 58/12/2 Pt 3.
[11] Lloyd White, file note, 28 September 1951, EA W1784 58/12/2 Pt 4.
[12] Bill Sutch – Jim Stokes, 25 September 1951 & Bob Gray – P.B. Marshall, 28 September 1951, IC W2006 114/1 Pt 1.
[13] *NZPD*, Vol. 295, pp. 244-46.
[14] P.B. Marshall, Rod Miller, Jim Stokes, 'Trade with Japan', 22 November 1951, IC W2006 114/1 Pt 1.
[15] Lloyd White – McIntosh/Shanahan, 16 October 1951, EA W1784 58/12/2 Pt 4.

improved supply from the UK in the short term. The accompanying 'mantra' press release should refer to the long term and the reasons in favour of expanded trade with Japan.[16] There were other hints that considerations for the British would not prevail indefinitely. During the discussions surrounding the establishment of full diplomatic representation in Tokyo, the problems of continuing to rely on British diplomatic channels were noted: 'UK interests in Japan, both commercial and security, increasingly tend to diverge from ours.'[17]

In early 1952 Challis was interviewed by the Japanese press, and stated that taking into account New Zealand's existing trade links with Britain, there was still scope for a very considerable increase in trade with Japan.[18] The interdepartmental discussions in May 1952 were not a radical departure, with domestic industry and British interests remaining the major stated impediments to growth of trade with Japan.[19] It was a 'long established policy' to maintain preference for UK and Commonwealth goods, External Affairs said later in 1952.[20] At the same time though, it was established that the UK had no substantive policy of its own relating to trade with Japan, and that from New Zealand's point of view, Japanese accession to GATT could damage Commonwealth trade, but would not seriously affect domestic industry.[21]

The CCEP's March 1953 review concluded that New Zealand's policy on Japanese entry to GATT should consider domestic industry and the interests of Commonwealth countries.[22] Yet in its recommendations British interests were again clearly subordinated to those of domestic industry.[23] Around this time, but apparently by coincidence, came the first instance of British pressure on New Zealand. The muddled fashion in which it was delivered would typify other British efforts to influence directly New Zealand's relations with Japan. Foss Shanahan recorded a visit from a Miss Haydon of the UK High Commission in Wellington: 'She had been

---

[16] Lloyd White, file note, 20 November 1951, ibid.
[17] Secretary EA & Secretary IC – Minister EA & Minister IC, 16 May 1951, EA W2619 64/12/2 Pt 2.
[18] *Japan News*, New Zealand Trade Supplement, 26 January 1952, EA W1784 58/12/2 Pt 4.
[19] Interdepartmental Meeting, 20 May 1952, T 1 61/6/20/1. See also Secretary of External Affairs – High Commissioners, Canberra, London, Ottawa, September 1952, ibid.
[20] 'NZ Delegation to Korea' (EA), October 1952, EA W1784 58/12/2 Pt 5.
[21] Noel McIvor (NZ High Commissioner's Office, London) – Lloyd White, 25 July 1952, EA W1784 58/12/2 Pt 5 & A.W. Broadbent (IC) – Secretary IC (P.B. Marshall), 26 September 1952, IC W2006 114/1/1 Pt 4.
[22] CCEP (53):2, 19 March 1953, EA 1 35/29/5 Pt 1, p. 3.
[23] Ibid., p. 4.

instructed to say that the UK Government hoped that, if New Zealand decided to liberalise their import policies, they would have regard to the needs of UK industries for developing markets.' Shanahan explained that issue was under review by the CCEP, and launched into a policy discussion that evidently bewildered Miss Haydon, who 'said she was not sure and could not add anything to the message quoted above'.[24] It is not clear why the UK Government or High Commission would, in 1953, send a junior, female member of staff to deliver a message that was considered of any importance. The episode appears to have been disregarded as an anomaly,[25] but indicated to both New Zealand and British officials the sort of issues that were being dealt with.

The CCEP became less conciliatory towards British interests later in 1953. While it was said that protection for domestic industry was desirable, 'the case for protecting the New Zealand market for other suppliers such as the UK is weaker, since such protection means we pay higher prices'. The CCEP thought that the margin between the MFN tariff and imperial preference was sufficient, and that the UK 'should be prepared to face competition on this basis'.[26] External Affairs expected British resistance, Shanahan writing to the other departmental heads that 'There will certainly be pressure from certain lobbies – more particularly from representatives of the UK manufacturers... This has to be accepted.'[27] The Secretary of Industries and Commerce, P.B. Marshall, meanwhile voiced concerns about the effects of dubious Japanese trading practices on domestic industry and British interests.[28] Marshall also received odd communications from the UK High Commission, informing him that 'I heard from a colleague in Tokyo that a Japanese delegation is coming to New Zealand. I expect this is already known to you, but I thought I would let you know...'[29] Additionally, Lloyd White, who was now posted in London, reported British requests to see the list of Japanese goods to which New Zealand planned to

---

[24] Shanahan, file note, 17 March 1953, IC W2006 114/1/4 Pt 1.
[25] During the June 1954 negotiations, New Zealand's officials repeatedly claimed they had received 'no formal representations' from the British on trade with Japan. (CCEP Eighth Meeting, 23 June 1954, C W2358 955/000/1 Pt 1, p. 3 & 'Confidential Negotiations with Japan', 29 June 1954, ibid., p. 3.)
[26] CCEP (53:17), 24 August 1953, EA 1 35/29/5 Pt 1, p. 4.
[27] Shanahan – Comptroller of Customs, Secretary to the Treasury, Secretary IC, 24 November 1953, EA W2619 58/12/2 Pt 6.
[28] Secretary IC (P.B. Marshall) – Secretary Board of Trade (R.F. Wilson), 1 April 1954, ibid.
[29] Roger Willmot (UK Senior Trade Commissioner, Wellington) – P.B. Marshall, 2 April 1954, IC W2006 114/1/1 Pt 2.

grant MFN treatment. The UK authorities, White said, 'did not appear to have received much reporting on this subject from their High Commissioner's office in Wellington'.[30] The High Commission in Wellington and Whitehall frequently appear to have not been on the same page.

This confusion was evident on one critical occasion, when the High Commission communicated to External Affairs the results of a major UK Government policy review on Japan. Its impact on New Zealand's decision makers warrants quoting it at length:

> A major aim is to prevent the formation of a close association or alliance between China and Japan. In order to carry out this aim the UK Government are prepared to play their part in preventing the economic distress which might foster Communism in Japan by maintaining as high a level of trade between Japan and the Sterling Area as is consistent with the national interest [and] to take whatever opportunities occur to effect a change in the climate of UK public opinion towards Japan so as to bring it into closer accord with the overriding requirements of the national policy and interest... The cooperation of the New Zealand Government in the policy outlined would, of course, be welcomed.[31]

The UK Government sent similar letters to Australia, Canada, and South Africa. Its influence on New Zealand's policy was notable. Here there was what appeared to be a definitive statement of policy direct from London, and New Zealand thereafter took this as the bottom line on Britain's position. The document appears in the files of all the concerned departments, and was subsequently appended to the CCEP and Cabinet papers prepared for the June 1954 negotiations. New Zealand went into those talks on the assumption that the British Government would accept the results. This became

---

[30] Lloyd White (Official Secretary, London) – Secretary EA, 12 May 1954, EA W2619 58/12/2 Pt 6.

[31] First Secretary, UK High Commission (C.M. MacLehose) – Secretary EA, 10 June 1954. This letter was reproduced on various files, the original is on ABHS 950 W4627 B 4263 268/3/10 Pt 1. The UK took a prototypic position along these lines after the fall of Nationalist China in 1949, stating in a position paper that 'The success of the Communists in China has clearly enhanced the importance of Japan to the Western Powers... The degree of Japan's dependence on trade with China may have important consequences within Japan.' Implications of a Communist Success in China, 30 September 1949, EA W2619 440/4/3 Pt 1, p. 13

more important as other pressures mounted against the agreement, including disquiet amongst some UK manufacturers. The President of the UK Manufacturers' Association, G.E. Stock, proclaimed in the press that the public should be reminded of New Zealand's existing trade with the UK. The UK, he said, 'has 40 times as much reason to ask for a more liberal [trade] patronage than has Japan'.[32]

The CCEP clearly laid out New Zealand's priorities during the negotiations: Domestic industry should be the primary consideration, and it was 'not considered that items should be excluded [from the list of Japanese goods granted MFN treatment] merely because the liberalised treatment of imports from Japan may affect exporters in other Commonwealth countries. Few items could be found for negotiation were that considered to be paramount'.[33] The CCEP agreed with the UK Government's policy statement as a 'guiding principle'.[34] When the negotiations drew to a close, it was said 'UK industry may be affected to some degree ... but it would seem from the communication referred to above that the UK Government is prepared to accept this'.[35] Nevertheless, New Zealand was willing to offer protection to British textile manufacturers by excluding cotton piece goods from the MFN treatment list. Japan was not happy with this, and insisted that the UK's existing preferential tariff should be sufficient protection.[36]

However, events took an unexpected turn with a British intervention. The Commonwealth Relations Office in London informed Lloyd White that the UK would be 'sorry to see' MFN treatment granted on certain classes of goods, including machinery, machine tools, and surgical, dental and scientific instruments. Another request was made to see the entire MFN schedule.[37] Incredibly, the CRO waited till after the negotiations with Japan had finished before they told White this. The UK's position immediately became confused, and New Zealand's officials divided. Some thought that the 'sorry to see' letter 'might not represent the considered views of the UK Ministers, having regard to the previous communication setting out the UK's general policy'. The Industries and Commerce member, Jim Stokes, argued that the

---

[32] *Dominion*, 15 June 1954, EA W2619 58/12/2 Pt 6.
[33] Negotiations with Japan, CCEP, 23 June 1954, C W2358 955/000/1 Pt 1.
[34] CCEP Eighth Meeting, 23 June 1954, ibid., p. 3.
[35] Minutes of the Fifth Meeting, 29 June 1954, ibid., p. 3.
[36] Minutes of the Third Meeting, 25 June 1954, ibid., p. 1.
[37] J. Thomson (CRO, London) – Lloyd White, 13 July 1954, ibid.

agreement did not take sufficient account of UK interests. There had been, he said, no analysis of the effect the agreement would have on the UK's trade in New Zealand. Others thought that no substantial diversion of trade from Britain was likely given Japan's uncompetitiveness in a number of areas, and the preferential tariff.[38] In the light of the importance now being attached to it, it is unclear why there had not previously been any analysis of the effects of increased trade with Japan on British interests.

In written submissions to the CCEP chairman, Keith Holyoake, the polarisation was obvious. The Comptroller of Customs and leader of the New Zealand delegation to the talks, Peter Johnsen, advised that in the absence of textiles, the goods mentioned in the 'sorry to see' letter constituted 'the real core of the agreement'. If New Zealand conceded to British wishes, a useful agreement would be 'virtually impossible'. The appropriate time to show the UK authorities the MFN list was, Johnsen said, after the agreement had been approved by Cabinet. [39] On the other hand, the Deputy Secretary of Industries and Commerce, Jim Stokes, advised Holyoake that the agreement would 'place in jeopardy New Zealand's future share of reasonable prices in the UK market'. Given that the UK had protested on 'mere conjecture' the real scope of the concessions New Zealand proposed to make to Japan were, when revealed, 'likely to damage not only our import and export trade with the UK, but also our political relationship'.[40] The other departments represented on the CCEP agreed with Johnsen's line, External Affairs telling Challis that the British requests would 'knock the heart out of the agreement'.[41] Treasury also felt that Stokes' position was an 'exaggeration', and maintained that the earlier policy statement should take precedence: 'The UK invited us to liberalise'.[42]

Holyoake agreed with Treasury. In his recommendations to Cabinet, he dismissed British concerns: 'For various reasons, however, it is not considered that we should defer to the UK's wishes in this matter.' The UK would, Holyoake said, retain the preferential tariff rates, and already accorded de facto MFN treatment to Japanese

---

[38] CCEP, Minutes of the Tenth Meeting, 29 July 1954, C W2358 955/000/1 Pt 1, pp. 1-2.
[39] Peter Johnsen – Holyoake, July 1954, C W2358 955/000/1 Pt 1, p. 4.
[40] Jim Stokes – Holyoake, 28 July 1954, EA W2619 40/12/2 Pt 1.
[41] Shanahan – Challis, 23 July 1954, EA W2619 58/12/2 Pt 7.
[42] Deputy Secretary to the Treasury (E.L. Greensmith), annotated copy of Stokes – Holyoake, 28 July 1954, T 1 61/6/20/1.

goods herself. Moreover, New Zealand had considered British sensitivities by excluding textiles from the MFN list. Holyoake went on that the UK had agreed that British dependencies should be permitted to import freely from Japan, and had stated that she would welcome New Zealand's cooperation in preventing the economic distress which might foster communism in Japan.[43] Cabinet, however, deferred approval of the agreement. It is not clear to what extent this resulted from British interventions. Holyoake was told that because Australia, New Zealand, and the UK had taken a common line on trade with Japan, they should be consulted at a Commonwealth meeting in October. However, any suggestion of a common line was an obvious fallacy, and Cabinet also concluded that 'it did not appear' that the concessions offered to Japan, already granted to several European countries, 'should have any significant effect on UK exports to this market'.[44]

Following the deferral, Challis asked for the reasons behind it. He assumed the looming election was to blame, but added: 'No doubt you share my view that it would be unfortunate if Japan were left with the impression that the decision not to proceed as arranged is the result of a suggestion from London.'[45] McIntosh at least felt that the decision was related to the election, not Britain. Shanahan, however, later reported that from his discussions with the Japanese Foreign Ministry that they 'tended to blame the UK' for the failure.[46] The UK having assisted in the sabotage of its own policy, now requested a formal response to the initial letter detailing the policy review. The reply prepared by External Affairs had a hollow ring:

> The New Zealand authorities agree that a close association of Japan with Communist China might endanger the interests of the Commonwealth and the Free World. We fully recognise that a policy of bolstering Western influence... may involve some concessions from the Commonwealth side, particularly in the economic sphere. It is apparent, however, that proper weight must be given to overriding political and strategic considerations.[47]

---

[43] Holyoake – Cabinet, Cabinet Paper 54:623, 6 August 1954, AAFD 807 77a.
[44] Secretary of Cabinet (Shanahan) – Holyoake, 17 August, 1954, MS-Papers-1403-432/3.
[45] Chargé, Tokyo, - Minister EA, 27 August 1954, C W2358 955/000/1 Pt 1.
[46] Shanahan – McIntosh, 21 September 1954, EA W2619 58/12/2 Pt 7
[47] J.V Wilson – First Secretary, UK High Commission (C.M. MacLehose), 23 September 1954, ABHS 950 W4627 B4263 268/3/10 Pt 1. Charles Craw, who drafted the above, advised McIntosh and Wilson that 'in spite of our experience with the trade agreement' a reply should be sent along the

Previously scheduled talks with the Australians clarified the inconsistent British stance on trade with Japan. Australian External Affairs suggested the British wanted to have their cake and eat it, making concessions to the Japanese themselves, but unwilling to see Australia and New Zealand do likewise. 'This was perhaps a little unfair, and the UK should be prepared to face up to the implications of modifications which Australia and New Zealand thought desirable in the interests of Japan.'[48]

Following the deferral, departmental discussions continued. P.B. Marshall asked Holyoake to add a safeguard clause for Commonwealth exporters in addition to that for domestic industry. Marshall also wanted the text of the draft agreement taken to London by Johnsen in October for the 'urgent comment' of the British.[49] Johnsen maintained that any 'Commonwealth clause' would be for the benefit of Britain alone, and she would then have no justification to complain about the grant of MFN treatment to *any* items.[50] In any event, Johnsen went to London and along with Lloyd White met with officials from the UK Board of Trade and the Commonwealth Relations Office. The result was again rather unexpected.

The Board of Trade official, A.E. Percival, explained that from the UK's point of view, 'it would be preferable if the agreement were effective as soon as practicable'. If it was left till after the forthcoming session of GATT, UK manufacturers would assume it was the result of GATT, and would criticise the British Government for participating in a GATT that weakened the position of UK exporters. Percival also stated that New Zealand had adopted a 'very cautious approach' in grants of MFN treatment to Japan, and that safeguards for Commonwealth exporters were unnecessary.[51] When questioned by Johnsen as to the inconsistency in UK policy, Percival replied that the 'sorry to see' letter 'followed the usual policy of taking steps along that line as a precautionary measure'. He was satisfied that New Zealand

---

lines suggested. Such was the state of affairs surrounding the agreement that, despite the reply being 'completely innocuous', Craw thought it should be shown to the Minister before being despatched. Craw – Wilson/McIntosh, 22 September 1954, ibid

[48] Official Secretary, Canberra (T.P. Davin) – Secretary EA, 31 August 1954, C W2358 955/000/1 Pt 1.

[49] Secretary IC – Acting Minister IC (Holyoake), 3 September 1954, ibid.

[50] Comptroller of Customs – Minister of Customs (Bowden), 8 September 1954, ibid.

[51] Official Secretary London (Lloyd White) – Secretary EA, 19 October 1954, EA W2619 58/12/2 Pt 7.

should not now take steps to change the MFN list.[52] Percival did ask to see the list, but was satisfied with Johnsen's contention that the UK could not be seen to have influenced the process.[53]

In any case, it was too late for New Zealand to complete the agreement before the election, and the matter was left pending the GATT session, where the discussion of Japan's accession would figure prominently, the outcome possibly affecting the status of the draft agreement. British proposals on Japanese accession would allow the contracting parties to conclude bilateral arrangements that had the effect of limiting GATT obligations to Japan. The idea foundered when neither Japan nor the USA found it acceptable.[54] After the failure External Affairs was informed by the UK Trade Commissioner that his Government did not have sufficient information to 'form any definite opinion', and that the New Zealand Government should not refer to any consultation that had taken place when announcing a successful agreement.[55] However, it was *when* not *if* the agreement was announced, which indicated that the British Government now considered the matter a foregone conclusion. Given that it would necessitate them seeing the contents of the MFN list, the New Zealand Government ruled out a formal request for British views.[56]

The High Commissioner's office made further unsuccessful attempts to get the details in early 1955, while External Affairs became increasingly impatient to have the agreement approved as quickly as possible, now that the British GATT proposals had failed.[57] When the CCEP reconsidered the agreement in April 1955, the British insistence on having full details meant that they were ignored. At this stage, even P.B. Marshall accepted to the agreement going ahead.[58] By August 1955 Japan had secured entry to GATT, with Britain, New Zealand, and twelve others applying Article XXXV to avoid GATT obligations.[59] Japan was now more interested in this

---

[52] Comptroller of Customs – Minister Customs (Bowden), 21 October 1954, C W2358 955/000/1 Pt 1.
[53] A.E. Percival, file note, 18 October 1954, T 1 61/6/20/1.
[54] Secretary EA – Ministers, Secretaries, December 1954, EA W2619 58/12/2 Pt 7.
[55] UK Trade Commissioner, Wellington (Ian Gray) – Minister EA, 14 December 1954, T 1 61/6/20/1.
[56] Brief for Commonwealth Prime Ministers' Conference, January 1955, EA W2619 58/12/2 Pt 7.
[57] UK Trade Commissioner, Wellington – Secretary EA, 15 March 1955 & Les Castle, file note, 1 April 1955, EA W2619 40/12/1 Pt 8.
[58] CCEP Minutes, 5 April 1955, T 1 61/6/20/1.
[59] Economic Report, NZ Legation Tokyo, August 1955, EA W2619 268/5/49 Pt 1, p. 1.

than a year old bilateral agreement with New Zealand.[60] Ironically, the UK was now reportedly interested in an agreement with Japan, P.B. Marshall telling Challis that any arrangement the UK reached would affect New Zealand's position.[61] Looking back on the fiasco in late 1956, Britain does not seem to have been the dominant consideration; Marshall cited the reasons for the agreement's failure as the lack of tangible economic benefit to New Zealand, and the threat to domestic industry. Britain did not warrant a mention.[62]

This perhaps reflected the changes slowly occurring in New Zealand's security and trading relationships. From 1957 signs appeared that the British market would become less accessible, and that New Zealand may have to look elsewhere to sell her exports. This gradually led to lessened importance being attached to UK views on the possibility of New Zealand increasing trade with Japan. At the start of 1957 the Minister of Finance, Jack Watts, raised the possibility of withdrawing Britain's preferential margins in the New Zealand market to get bargaining power with other countries, if Britain would not agree to substantial revision of the Ottawa Agreement.[63] Yet New Zealand was still happy to offer some protection to British textile manufacturers, the UK Trade Commissioner expressing his appreciation 'of a slow rather than a quick transition to Japanese textile sources'.[64]

British requests to see the 1954 MFN list continued, and became more trenchant. The UK High Commissioner wrote to the Minister of Industries and Commerce, Eric Halstead, in late 1957 that 'we are particularly concerned that no abrupt changes should be introduced which might expose our trade to disruptive competition. I am sure that you will share this concern and... will have due regard for our interests'. Halstead replied that he appreciated British concerns, but that New Zealand was being 'forced' to seek new markets. He politely rebuffed British offers of consultations if New Zealand would share details of the 1954 agreement.[65] Meanwhile, pressure from

---

[60] Chargé, Tokyo – Minister EA, 19 August 1955, EA W2619 40/12/1 Pt 8.
[61] Secretary EA – Minister EA, Minister IC, Minister of Finance, 15 November 1955 & P.B. Marshall – Challis, 28 November 1955, IC W2006 114/1/1 Pt 2.
[62] Secretary IC – Minister IC, 24 September 1956, IC 22 W1837 22/47B.
[63] Minister of Finance – Cabinet, 14 January 1957, T 1 61/3/21 Pt 1.
[64] Assistant Secretary IC, (Bill Sutch) – Minister IC (Eric Halstead), 14 June 1957, IC W2006 114/1/1 Pt 2.
[65] UK High Commissioner, Wellington (George Mallaby) – Minister IC, 24 September 1957 & Halstead – Mallaby, 9 October 1957, EA W2619 40/12/1 Pt 8.

British manufacturers began to mount. Woollen textile exporters asked Halstead not to grant MFN treatment to Japan on woollen textiles, and said 'it would seem appropriate' that no decision was taken until after forthcoming Commonwealth talks.[66] The UK Trade Commissioner forwarded 'without comment' a note from the British Man-Made Fibres Federation requesting that New Zealand exclude all textiles from any MFN agreement.[67]

It was decided after Labour came to power in December 1957 that negotiations with the UK, amongst other things, took precedence over new talks with Japan. Even the previously enthusiastic External Affairs thought these might be held back 'at least a year'.[68] Industries and Commerce now took the lead in furthering talks. The Acting Secretary, Alan Atkinson, at first thought talks with the Japanese should be held back till after the Ottawa negotiations. But after reports from Tokyo he decided that the two sets of talks could be held concurrently, provided the Japanese set could be kept under wraps.[69] Privately, New Zealand was now committed to reducing Britain's preferences to secure leverage in other markets.[70] Cabinet concluded in May that domestic industry and British interests were still the main hindrances to trade with Japan, but the priority issue was obvious. Several pages were devoted to domestic industry, mention of Britain limited to a single sentence.[71] The attitude of the UK Government was said to be 'intractable', but there was still debate over the timing and announcement of talks with Japan. Several draft Cabinet Papers were circulated, proposing talks either in July 1958, or after the conclusion of negotiations with Britain. Public announcement of the talks would be either when they were approaching finality, or after negotiations with Britain were finished.[72]

---

[66] Chairman UK Wool Textile Delegation (Walter Ward) & Chairman UK Wool Export Group (P. Behrens) – Minister IC, 18 October 1957, IC W2006 114/1/1 Pt 2.

[67] UK Trade Commissioner, Wellington (Denzil Bryan) – Acting Secretary IC (Atkinson), 21 November 1957, ibid. Other UK groups made similar requests, for example the UK Cotton Board, Mervyn Browne – Alan Atkinson, 28 November 1957, ibid) and the British Pottery Manufacturers' Federation, Denzil Bryan – Atkinson, 5 February 1958, IC W2006 114/1/1 Pt 4

[68] Secretary EA – Minister, Tokyo (Reid) – 14 November 1957, EA W2619 40/12/1 Pt 8. See also McIntosh – Reid, 31 December 1957, ibid.

[69] Atkinson – Broadbent, 10 March 1958, J.S. Scott – Atkinson, 19 March 1958, Atkinson – Minister IC, 28 March 1958, IC W2006 114/1 Pt 4.

[70] Brief for Prime Minister, UK-NZ Trade Summary, 26 April 1958, EA 1 59/2/176 Pt 1, p. 4.

[71] Minister IC (Holloway) – Cabinet, Paper F, 15 May 1958, EA W2619 40/12/2 Pt 1, p. 1.

[72] Draft Cabinet Paper II, 15 May 1958, ibid., p. 2.

In a startling role reversal it was Industries and Commerce that now proposed concealing talks with Japan. External Affairs and Customs expressed concern at the 'violent' reaction of Britain to the prospect of talks, and doubted that both sets of talks could carry on at the same time.[73] While Britain played hardball over Ottawa, officials emphasised to Tokyo the importance of the proposed talks being kept confidential.[74] Unfortunately for New Zealand, the Japanese propensity to leak showed no signs of abating, and reports of the planned negotiations appeared in the Japanese press in early July.[75] Nevertheless, even the Anglophile Walter Nash agreed that New Zealand should concede full MFN treatment to the Japanese if it was necessary, bearing in mind the considerations of domestic industry and British interests.[76]

On New Zealand's part, the negotiations reflected both concern for British interests, and increasing alienation from her. Moriarty told the Japanese that New Zealand was seeking to lower British preferences in the still on-going Ottawa negotiations, but also noted that New Zealand wanted to avoid any substantial disruption of existing trade patterns.[77] New Zealand was still ready to protect the interests of British textile exporters, the Japanese accepting that these were a 'very sensitive item'.[78] During one meeting, Moriarty claimed that moving away from established sources of supply would be a problem but, of all the countries to name in this regard, mentioned Germany.[79] Moriarty attacked further leakage by the Japanese, but this no longer appeared to be a major concern, as the OCEP reported that the UK 'have indicated that they do not wish to be consulted and presumably will not complain provided the agreement keeps within international rules'.[80] Yet when the talks appeared in danger of breakdown over meat and wool, it was argued that New Zealand could not allow Japanese entry into the market, 'at the expense of the UK' without substantial concessions.[81] In the end though, it was obvious that New Zealand was taking less account of British interests. Moriarty reported at length to Holloway on safeguards

---

[73] Patrick Millen (EA) – McIntosh/Laking, 15 May 1958, ibid.
[74] Minister EA – Minister, Tokyo, 10 June 1958, IC W2006 114/1 Pt 4.
[75] Extract from Tokyo Summary of Political Events, July 1958, EA W2619 40/12/2 Pt 1.
[76] George Laking, file note, 18 July 1958, IC W2006 114/1/1 Pt 4.
[77] Minutes of the Fourth Meeting, 25 July 1958, AAEG 6956 B3 26/2/4, pp. 3-5.
[78] Patrick Millen, file note, 25 July 1958, EA W2619 40/12/2 Pt 2
[79] Minutes of the Fifth Meeting, 28 July 1958, AAEG 6956 B3 26/2/4, p. 6.
[80] OCEP Minutes, 29 July 1958, EA W2619 40/12/2 Pt 2, p. 2.
[81] OCEP Minutes, 25 August 1958, ibid., p. 2.

for domestic industry, but reduced British interests to a vague rider. Walter Nash did the same when announcing the terms of the agreement to Parliament: 'There is also provision that necessary action may be taken to avoid sudden or serious disruption of the pattern of New Zealand's imports.'[82]

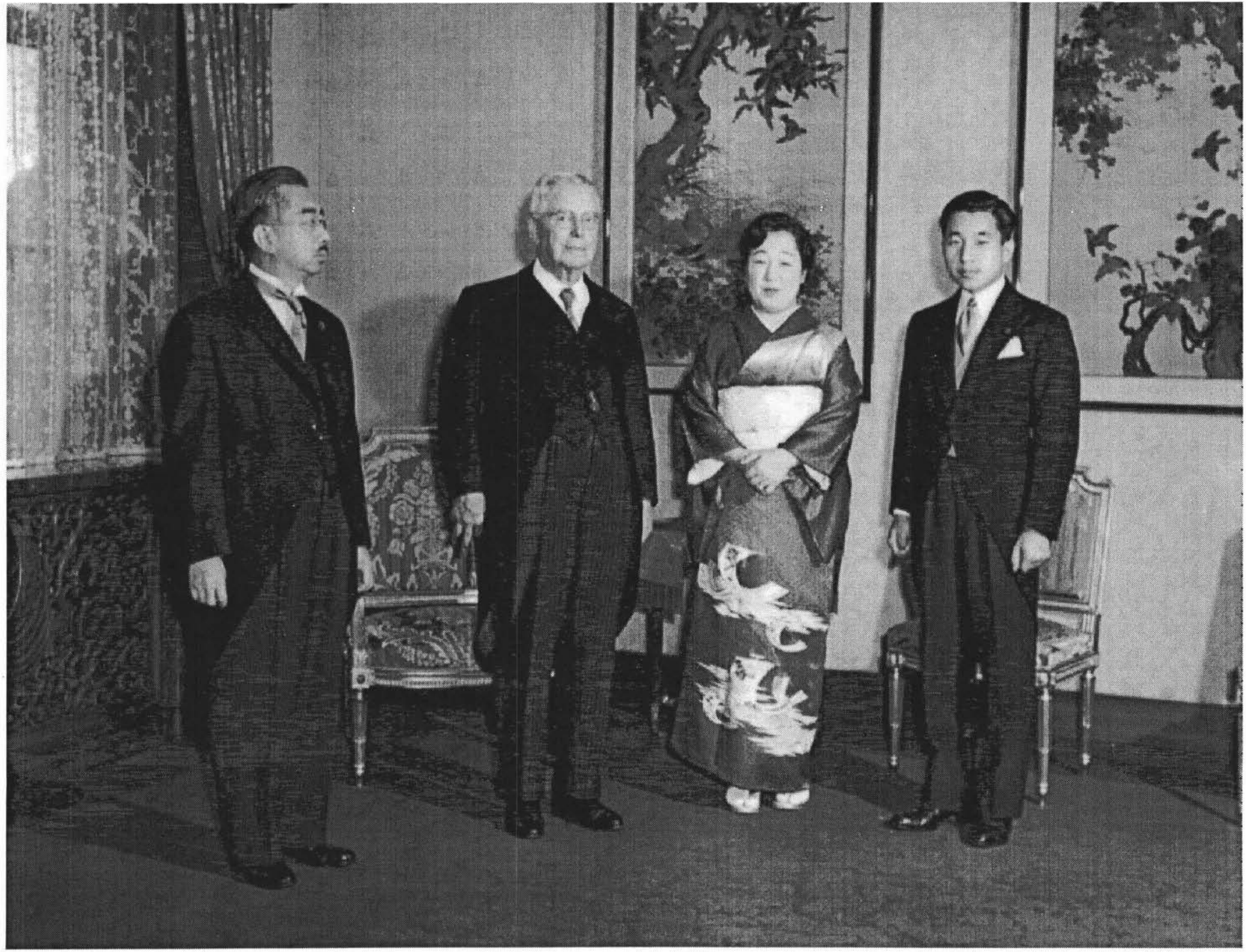
After 1958, as the British market became less certain, New Zealand paid correspondingly less heed to British interests in the market here. After Duncan Sandys visited New Zealand in 1961 to inform the Government that Britain would seek EEC membership, Challis summed up the situation: 'In the absence these past 15 years of a deliberate policy to broaden economic relationships, just such a kick in the backside was needed. That comforting umbilical cord has been around too long for our own good.'[83] By the time of Jack Marshall's visit to Tokyo in 1962, Britain scarcely warranted a mention, other than in discussion of the problems New Zealand was having in that market.[84] Marshall went as far as to say that the EEC 'emphasised the need for an expansion of Australian, New Zealand, and Japanese trading together'.[85]

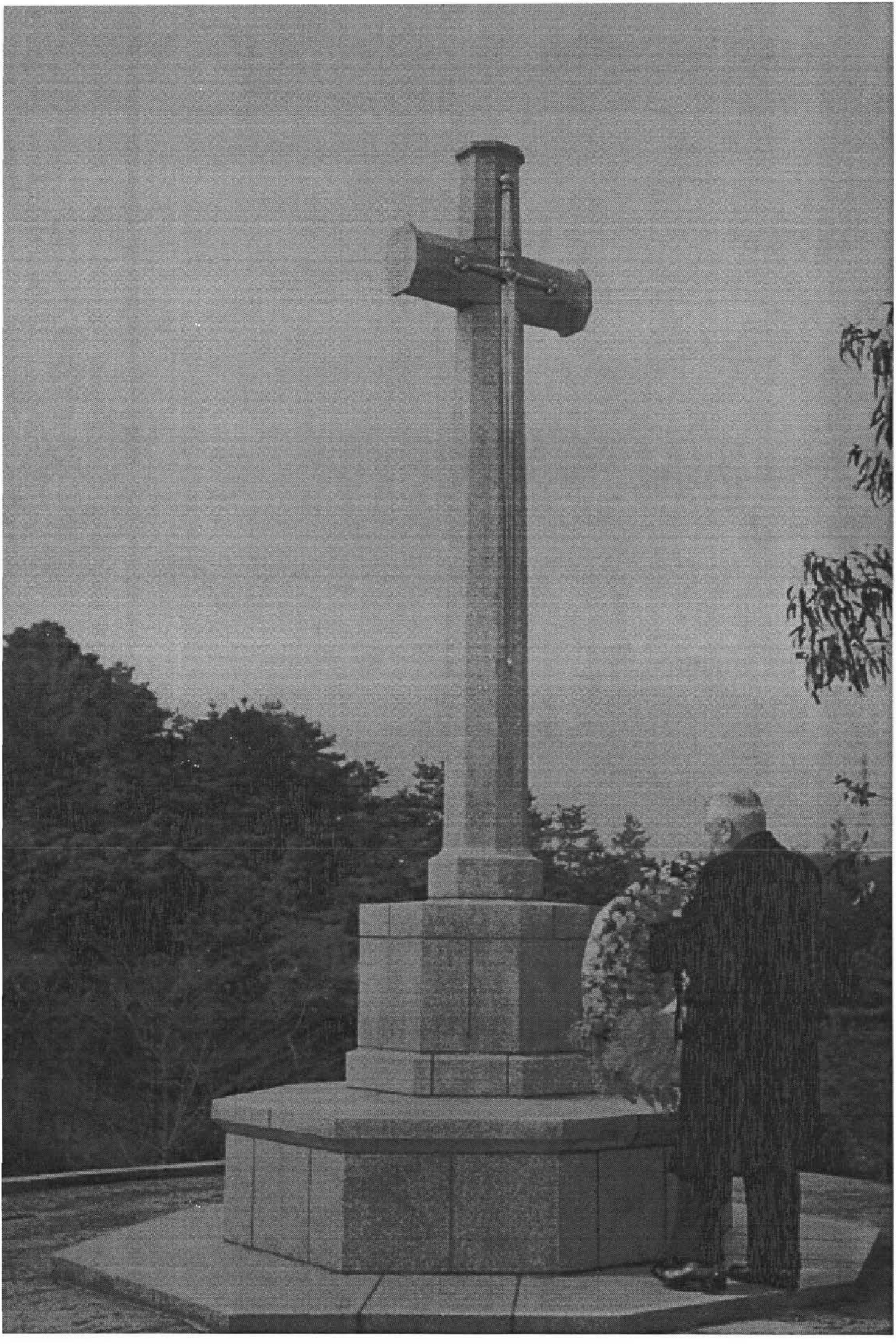
In summary, this chapter has shown how Britain influenced the development of New Zealand's Japan policy, both in the form of our concern for British interests, and the UK's attempts to directly influence policy. These interventions were not, as has been suggested, purely a negative force, nor was New Zealand's response to them one dimensional. There was significant debate over the level to which New Zealand should accommodate Britain, and even during the process of the 1954 negotiations with Japan, concerns over the effect on Britain were ultimately set aside. During the later 1950s and early 1960s as the British market started to become uncertain, New Zealand paid even less attention to British interests. Although still notably shielding British textiles, New Zealand was far less disposed to yield to British pressure than previously.

---

[82] Moriarty – Minister IC, 1 September 1958, IC 22 W1837 22/47A & *NZPD*, Vol. 318, p. 1615.
[83] Challis – McIntosh, 11 August 1961, MS-Papers-6759-247.
[84] Discussions between Marshall and Japanese Prime Minister, Ikeda, 28 February 1962, AAEG 6956 B3 TKY 26/1/1, p. 2.
[85] Discussions between Marshall and Japanese Minister of ITI, Sato, 1 March 1962, ibid, p. 2.


JAPAN AIR LINES
704
OKINAWA
HONG KONG
JAPAN AIR LINES





Chapter VI – Domestic Politics

This thesis has so far addressed mainly factors that pushed New Zealand to develop links with Japan. The focus now shifts to factors that constrained closer links with Japan. Foremost among these were domestic political considerations. There were two closely linked aspects to this. Throughout the period the government was concerned about adverse public reaction to developing relations with Japan. This was frequently seen as politically dangerous and, especially when elections were imminent, critical Japan related decisions were delayed to avoid possible controversy. The extent to which New Zealand was prepared to cooperate with Japan was largely dictated by the Government's fear of negative reaction. Tied to this was concern about the effects of increased competition from Japanese imports on New Zealand's own industries. In any debate over trade policy, the protection of domestic industry was invariably the first argument against an increase of trade with Japan.

Given the consistent opposition from the Labour Party and other groups, the National Government had good reason to be concerned. Negative public and domestic industry opinion needs to be understood in the context of recent history. Japanese conduct during the war was fresh in the memories of New Zealanders, and the prospect of the Japanese being rearmed naturally aroused suspicion, as did potentially increased trade. Trade was further complicated by the pre-war experience, when the Japanese acquired a reputation for shady trading practices involving large amounts of cheaply produced goods that disrupted existing trading patterns. Unlike some of the other influences on New Zealand's Japanese policy, the issues of public opinion and domestic industry remained strong from start to finish, only really beginning to fade around 1962. Because of the inseparability of the issues, this chapter will cover both.

Existing literature has addressed these issues to some degree, although perhaps without giving recognition to their consistent primacy in determining policy, throughout the period. The convergence and mutual influence of public opinion and domestic industry has also been under-acknowledged. Barry McCaul noted briefly that in the early 1950s developing relations between New Zealand and Japan were influenced by concerns over domestic industry, and that fear of adverse public

reaction influenced Cabinet's decision to defer in 1954.[1] Ann Trotter likewise noted that fears for domestic industry were prominent in the early 1950s, and wrote that 'Rapid expansion of trade with Japan might disrupt domestic industry...'[2] Like McCaul, Trotter suggested that public opinion played a role in the deferral in 1954, as the Government worried that Labour's criticism would hurt their re-election chances.[3] The same was true of the Government's stalling in the lead up to the 1957 election, Trotter said.[4]

John Singleton followed the same pattern. He argued that in the early 1950s New Zealand 'had to bear in mind the consequences for local manufacturers', of increased trade with Japan, and that the 1954 deferral was influenced by this and fears over public reaction.[5] Singleton also suggested that by 1962, the feared 'flood of cheap goods' had not eventuated, and New Zealand was less uneasy about its domestic industry.[6] David Horsley argued that fears for domestic industry were a consistent thread in trade relations with Japan between 1928 and 1958, and that domestic economic issues were an 'overriding factor' in foreign relations more generally.[7] Horsley also said that the National Government was sympathetic to increased trade with Japan, 'as long as there was not a public reaction to such a policy'.[8]

Concerns over public reaction stretch back to the first post-war contacts. In 1948 the issue of Japanese nationals visiting New Zealand with SCAP trade missions arose. Challis informed SCAP that this was not acceptable, but External Affairs considered whether this policy should continue, or whether the question should be avoided 'to ensure that it will not arise in any way which entails publicity'. It was suggested that Challis should in future act 'in such a way as to imply that, while we can see no real reason for Japanese to come, we are prepared to consider each case on its merits'.[9] At the same time External Affairs and Customs considered whether the issue of most

---

[1] McCaul, p. 57 & pp. 25-26.
[2] Trotter, 'From Suspicion to Growing Partnership', p. 198 & 200.
[3] Ibid., p. 202.
[4] Ibid., p. 205.
[5] John Singleton, 'New Zealand's Economic Relations with Japan', pp. 4-6 & 8-9.
[6] Ibid., p. 12
[7] David Horsley, p. 6 & 58.
[8] Ibid., p. 135.
[9] Denis Dunlop (EA) – McIntosh, 4 August 1948 & Laking – McIntosh, 6 August 1948, EA W1784 58/12/2 Pt 2.

favoured nation treatment for Japan should be raised at an impending GATT meeting. It was decided it should not, as 'Politically we feel that the proposition is most unwise and would be unacceptable to public opinion.'[10] When dealing with approaches about MFN treatment in 1949, McIntosh informed the Americans that it would entail political difficulties, because of Japan's conduct in the war.[11]

Nerves over public opinion were apparent in the establishment of New Zealand's diplomatic representation in Japan. Challis and Colin Murray had represented New Zealand since 1947 on most matters, but lacked diplomatic accreditation. Cabinet approved the establishment of a Legation with Challis as Chargé d'Affaires in November 1951.[12] When Challis informed the Japanese, they were 'dissuaded with difficulty' from making an immediate press release.[13] The Secretaries of External Affairs and Industries and Commerce did not feel 'that any publicity is either necessary or desirable at this stage'.[14] Ironically, it took advice from the UK High Commissioner in Wellington that publicity was 'advisable and unavoidable' before New Zealand agreed to Japanese requests.[15] Even in this seemingly uncontroversial area New Zealand had prevaricated for fear of the possible public reaction.

In the meantime, the Government considered its response to the calls of the President of the Federated Farmers, W.N. Perry, for greater political and trade links with Japan. Lloyd White commented that caution should be taken, as any reply to Perry might 'lead to further publicity leading to the stirring up of controversy amongst those who may not be fully in agreement with the Government's policy... manufacturers might start getting alarmed that the eventual result of this policy will be increased imports from Japan'.[16] This was one of the first links made between public opinion and domestic industry. The Minister of Industries and Commerce also advised Cabinet

---

[10] Minister EA – NZ High Commissioner, London, 13 August 1948, ibid. The Comptroller of Customs similarly commented that 'to proclaim Japan a most favoured nation when peace has not yet been concluded, when the war-time conduct of the Japanese is still a fresh memory, and when New Zealand so recently stood in very real danger of Japanese conquest, would be to invite severe criticism of the Government.' Comptroller of Customs – McIntosh, 12 August 1948, AAEG 950 B361b 268/5/47 Pt 1.

[11] Secretary EA – Minister of Finance (Nash), 4 April 1949, ibid.

[12] This process is discussed more fully in Chapter VIII.

[13] Extract, Challis Report, 15 December 1951, ibid.

[14] Secretary EA & Secretary IC – Challis, 20 December 1951, ibid.

[15] UK High Commissioner, Wellington (A.F. Morley) – Deputy Secretary EA (Shanahan), 31 December 1951, ibid.

[16] Lloyd White – Bob Gray (IC), 7 August 1950, EA W1784 58/12/2 Pt 3.

that any public statements on the Perry matter should not give undue prominence to Japan as an export market.[17]

In the lead up to the signing of the Peace Treaty it became apparent that the Americans favoured a 'soft' peace. The New Zealand government was uneasy over this, and the New Zealand public apparently largely hostile or indifferent. A number of groups expressed their opposition to the terms of the proposed treaty. One wrote to the Prime Minister that 'we consider it nothing short of an insult... that our country should be a party to a Treaty which would allow for the re-arming of Japan, which is still under the leadership of the same people who were responsible for the war and the atrocities committed against New Zealand sons'.[18] A petition was organised asking the Government to reconsider its policy, and ensure adequate safeguards against rearmament.[19] On the issue of trade, the New Zealand Manufacturer's Federation [NZMF] was a vocal opponent of increased trade with Japan. At one NZMF meeting, the President of the Garments Federation suggested that there were 'many people in the country who'll want to trade with Japan, and the hell with the rest of us'.[20] The NZMF President spoke of the 'dangerous' implications of Japanese accession to the GATT, and that New Zealand had to safeguard its own industry over helping the Japanese economy recover.[21]

On the other hand, a former Japanese POW whose son was killed at Singapore wrote that 'along with other prisoners who suffered we have all along realised that Japan would have to be recognised and traded with after the war. The Treaty is not perfect by any means, but your Government need not have any qualms about the signing, I do not see where any safe amendments can be made in it.'[22] The Federation of Labour

---

[17] Minister IC (Bowden) – Cabinet, 4 August 1950, ibid.

[18] President of the Auckland Womens' Union (Mrs R. Smith) – Holland, 22 August 1951, ABHS 950 W4627 B 1966 102/9/49 Pt 1. The file contains many similar communications from groups including the Wellington Peace Council, Greymouth Housewives' Union, the Student Congress, and the Federation of Labour.

[19] *Dominion*, 29 November 1951, ABHS 950 W4627 B 1966 102/9/49 Pt 1. The petition attracted over 2000 signatures, but no action was ever taken, as, conveniently, the Peace Treaty had been ratified before the Government could consider it. Secretary of Internal Affairs – Secretary EA, 28 July 1952, ibid.

[20] *Evening Post*, 31 October 1951, EA W1784 58/12/2 Pt 4.

[21] *Evening Post*, 7 November 1951, ibid.

[22] Mr N.M. Clark – Keith Holyoake, 13 October 1951, EA W2619 40/76/1 Pt 2.

also eventually came out in support of some Japanese rearmament.[23] To further confuse matters the PSA President, J.P. Lewin, decried the *lack* of public interest and general apathy in the treaty making process.[24] Rod Miller also suggested that prior to his posting to Tokyo in 1952 there was 'astonishingly little' public debate over the Treaty and ANZUS.[25] While it is not easy to accurately measure public opinion, it is fair to say that in post-war New Zealand, Japan was widely regarded with suspicion.

Whatever the actual level of interest was, Labour was not shy in attacking the Government's policy during 1951. Arnold Nordmeyer found Holland's statements over the re-arming of Japan 'seriously disturbing'.[26] The Deputy Labour Leader, Gerry Skinner, claimed that there was £6 million worth of Japanese goods already in New Zealand warehouses.[27] Various other accusations from Labour regarding dumping of Japanese goods made the issue a sideshow during the 1951 election, otherwise dominated by the waterside confrontation.[28] Labour got little mileage from Japan in the 1951 election, but this did not stop the tactic being deployed again in the 1954 and 1957 general elections. Their continuing suspicion was summed up by an incident involving Walter Nash during 1952. The Chairman of the Japanese Social Democracy Party, Suzuki Mosaburo, wrote to Nash apologising for Japan's conduct during the war. He continued: 'In [the] face of [a] warlike atmosphere in and around Japan, working people in Japan are thinking that it is time to make their own efforts to realise the friendly relationship between New Zealand and Japan.' Suzuki asked whether his Party might send a delegate to visit New Zealand, one having already been sent to Britain.[29] In Nash's absence, the matter was dealt with by his subordinates, and the Labour National Executive eventually decided 'that the time is not opportune for a representative... to come to this country'.[30]

In 1951, as it was to be in 1954 and 1957, the Government was forced onto the defensive over the issue. In early 1951 the Minister of Industries and Commerce,

---

[23] *Dominion*, 25 October 1951, ABHS 950 W4627 B 1966 102/9/49 Pt 1.
[24] *Dominion*, 16 October 1951, ibid.
[25] Interview with Rod Miller, 22 July 2003.
[26] *Southern Cross*, 15 February 1951, EA W2619 268/6/1 Pt 2.
[27] *Evening Post*, 29 August 1951, EA W1784 58/12/2 Pt 4.
[28] *Evening Post*, 27 September 1951, ibid.
[29] Suzuki – Nash, 1 January 1952, NASH 69/0360-0447.
[30] National Secretary, Labour Party (A.J. McDonald) – Private Secretary to Leader of the Opposition (G.H. Datson), 5 March 1952, ibid.

Jack Watts, was forced to deny any change was planned in the restrictive licensing regime on Japanese goods.[31] Watts later accused Labour of attempting to cloud the issue during the election campaign, and assured Parliament that the concerns of domestic industry would be taken into account.[32] Jack Marshall, then Minister in charge of Publicity and Information, asked Watts in late 1951 for a publicity campaign designed to dispel rumours as more Japanese goods were imported. The subject was, Marshall said, 'one which has a strong emotional element... and unless some explanatory information is forthcoming from the Government, much unthinking and uninformed criticism can be expected'.[33] However, Watts replied with a proposal for a slightly scaled down programme, and added that 'I do not think we should be too worried by protests and resolutions, and so forth about Japanese goods'.[34]

External Affairs and Industries and Commerce were pushed into active consideration of the problems. External Affairs normally limited itself to acknowledgement of letters received from the public about Japanese rearmament. But in September 1951, Shanahan was asked by one of his staff for permission to write a full reply, on the grounds that the letter received 'reflects a fairly widespread view which is based upon all sorts of misinformation emanating from the Communist party and allied organisations. A reply... may provide a salutary corrective'.[35] Shanahan agreed. Meanwhile, Lloyd White reported on the trade provisions of the Peace Treaty, commenting that whether or not more favourable treatment were accorded to Japanese imports, there would need to be safeguards 'against the worst dangers of Japanese competition'.[36] Industries and Commerce thought that although there should be no commitment to granting Japan MFN treatment, restrictions on trade should not extend beyond what was necessary to control threats to domestic industry.[37]

By November the Prime Minister's Department had requested a statement to serve as 'counter-propaganda' to pressure from Communists and trade unions. White was also

---

[31] *Evening Post*, 3 March 1951, EA W1784 58/12/2 Pt 3.
[32] *NZPD*, Vol. 295, p. 244-246.
[33] Minister in charge of Publicity and Information (Marshall) – Minister IC (Watts), 13 November 1951, IC W2006 114/1 Pt 1.
[34] Watts – Holyoake, 10 December 1951, ibid.
[35] Charles Craw (EA) – Shanahan, 11 September 1951, ABHS 950 W4627 B 1966 102/9/49 Pt 1.
[36] White – Shanahan, 17 May 1951, EA W1784 58/12/2 Pt 3.
[37] Bob Gray (IC) - Secretary IC (P.B. Marshall), 20 July 1951, IC W2006 114/1 Pt 1. Gray reiterated this line in another memo to Marshall, 28 September 1951, ibid.

faced with the prospect of cuts in textile import licences that affected Japan, at the same time as the counter-propaganda was to be deployed, which 'should serve to confuse the issues sufficiently, and distract attention from earlier Government statements that if New Zealand cut down trade with Japan this would be a policy that suited the Communists'.[38] At the end of 1951, External Affairs and Industries and Commerce agreed on a policy line confirming the centrality that New Zealand's policy would give to the protection of domestic industry.[39] The response to the request for counter propaganda was the statement prepared by P.B Marshall, Jim Stokes, and Rod Miller that represented the birth of the 'mantra'. While it emphasised the need to trade with Japan to help keep her free of communism, it also stated that the Government would retain control over MFN treatment to ensure the protection of 'our standard of living as well as our own industries'.[40]

The attitude throughout this early period was summed up by one brief that stated New Zealand's attitude towards trade with Japan 'must be cautious because of widespread public memory of pre-war Japanese competition and Japanese trading practices. New Zealand must take reasonable steps to avoid damage to local industries'.[41] This attitude carried into the CCEP's review in March 1953. The main point advanced in opposition to increased trade was that domestic industry might be vulnerable to Japanese competition, although it was maintained that the economic risk 'should not be exaggerated'.[42] The CCEP reiterated later in 1953 that 'reasonable protection' of domestic industry was desirable.[43] When the bilateral approach was being pondered, the Australians requested confirmation that New Zealand intended to proceed. Confirmation could not be given, and it was requested the Australians make no public reference to New Zealand's intentions before negotiations began.[44] In November, Customs suggested that Japan should be allowed to take the initiative, as the

---

[38] White – McIntosh, 16 November 1951, EA W1784 58/12/2 Pt 4. P.B. Marshall similarly reported to Watts that this would be a useful to combat propaganda from Communists and Trade Unions. Secretary IC – Minister IC, 22 November 1951, IC W2006 114/1 Pt 1.
[39] 'Trade with Japan', interdepartmental statement, 28 September 1951, EA W1784 58/12/2 Pt 4.
[40] 'Trade with Japan', draft press release, 22 November 1951, IC W2006 114/1 Pt 1.
[41] 'NZ Delegation to Korea' (EA), October 1952, EA W1784 58/12/2 Pt 5.
[42] CCEP (53):2, 19 March 1953, EA 1 35/29/5 Pt 1, p. 3.
[43] CCEP (53):17, 24 August 1953, ibid., p. 4.
[44] Minister EA – High Commissioner, Canberra, 15 September 1953, EA W1784 58/12/2 Pt 5.

Government could then claim it was Japan rather than New Zealand that had sought the trade talks. External Affairs disagreed.[45]

The pattern continued into the June 1954 negotiations. A Board of Trade report noted the difficulties in assessing the likely volume of Japanese imports should restrictions be loosened, but also maintained that the fears of some manufacturers that they would not survive without import licensing had not been fulfilled when such licensing had been eased.[46] The CCEP, however, decided shortly into the talks that 'the interests of domestic manufacturers and producers should be the primary consideration'.[47] Unnamed 'Ministers' on the CCEP were said to be 'doubtful' about possible public reaction to an agreement, and suggested it might be best to move slowly, and try to measure public opinion on the matter.[48]

The November general election was clearly a concern for New Zealand officials. The Japanese delegation was told that New Zealand could not sign the agreement formally until after the election, because 'publicity in connection with the Agreement could be an embarrassment at this time'. The Japanese were also warned not to submit the Agreement to the Diet for approval before then, 'in view of the publicity it would provoke'.[49] Meeting with the Japanese Chargé, Shima, and leader of the Japanese delegation, Sunobe, Shanahan recorded that he had been warned of the danger of 'leakage' from Japan after the negotiations were complete. The Japanese were naturally anxious for the agreement to enter operation as quickly as possible, and pointed out their concessions on New Zealand made goods. This they thought 'would make the arrangements even more acceptable to public opinion here'.[50]

The fairly innocuous press release prepared as a public opinion barometer mentioned that the negotiations had been conducted with domestic industry in mind, but it still provoked complaints from the Industries and Commerce representative on the New

---

[45] Deputy Secretary EA (Shanahan) – Secretary IC (P.B. Marshall), 24 November 1953, EA W2619 58/12/2 Pt 6

[46] Review of the Activities of the Board of Trade, 30 June 1954, C W2661 50/7, p. 18 & 22.

[47] CCEP, Eighth Meeting, 23 June 1954, C W2358 955.000./1 Pt 1, p. 1.

[48] CCEP, Ninth Meeting, 30 June 1954, ibid., p. 2. The Ministers then on the CCEP were Holyoake, Marshall, Bowden, Sullivan, and Watts. From their subsequent positions, one can speculate that Watts was probably the most cautious of the 'Ministers' involved, the first three possibly less so.

[49] Minutes of the Fifth Meeting, 2 July 1954, ibid., p. 1.

[50] Shanahan, file note, 2 July 1954, EA W2619 58/12/2 Pt 7.

Zealand delegation, Jim Stokes, who said it would cause 'protests'. Shanahan said he expected this.[51] Stokes fought against the proposed agreement, but his minority report to the CCEP Chairman, Holyoake, made no mention of domestic industry, and it appears his concerns were largely in other areas.[52] By now, Labour had asked questions about the ramifications of the agreement for domestic industry.[53] The Minister of Customs, in response to an apparent leak, was forced to admit that the terms of the agreement would be announced shortly.[54] Following Cabinet's decision to defer approval of the agreement, Shima met with Shanahan: 'Mr Shima then asked whether the decision was related in any way to the question of the elections... it was admitted that this had some relevance'.[55] Challis, facing Japanese enquiries in Tokyo, also asked about the elections, and conveyed Japanese irritation at New Zealand's 'abrupt' press announcement of the deferral. He was given the same answer as Shima regarding the elections, and was informed that Wellington 'felt it was necessary to make some statement of position because of the considerable interest of certain sections of the public in this question'.[56]

Labour having made trade with Japan an election issue, the Government felt it could not allow further silence, or misinformation, to proliferate. Phil Holloway attacked government policy on Japan during the campaign and claimed Auckland manufacturers of childrenswear had already been forced to close due to Japanese competition. 'We will never be a party to any agreement which will lower the standards of living in this country'. This speech appeared in the *Evening Post* under the headline 'Growing Flood of Asiatic Goods'.[57] Watts accused Holloway of scare tactics, and denied any manufacturers were forced to close.[58] External Affairs believed that despite Holloway's speeches and the Government's concern, trade with Japan had 'not really become an issue in the election campaign'.[59]

---

[51] Shanahan – Les Castle (EA), 23 July 1954, ibid.
[52] CCEP, Tenth Meeting, 29 July 1954, C W2358 955.000./1 Pt 1, p. 5. Here Stokes suggested that the Japanese were feigning uncompetitiveness in certain lines to gain access to markets.
[53] *Evening Post*, 6 August 1954, EA W2619 58/12/2 Pt 7.
[54] *Dominion*, 7 August 1954, C W2358 955/000/1 Pt 1.
[55] Shanahan – Bowden, 20 August, ibid.
[56] Minister EA – Chargé, Tokyo, 27 August 1954, EA W2619 58/12/2 Pt 7.
[57] *Evening Post*, 21 October 1954, ibid.
[58] *Evening Post*, 22 October 1954, ibid.
[59] Les Castle – Shanahan, 29 October 1954, ibid.

Following the failure of the 1954 agreement, domestic industry became less of an immediate concern. But during the quiet phase of 1955-56, public opinion continued to worry the government. The Japanese Minister of Welfare, Kawasaki, visited New Zealand in late 1955. The arrangements for this visit were protracted, and when Holland was finally ready to announce it, Challis was instructed to ask the Japanese not to delay confirmation, as further postponement 'would probably embarrass us'.[60] When Kawasaki invited Holland to Japan in return, the Prime Minister procrastinated and the Japanese issued a statement proclaiming the Prime Minister would visit early in 1956. This was much to Holland's embarrassment, and he was forced to issue a denial of any imminent trip.[61] As with the question of initiative for the 1954 negotiations, the Government was reluctant to take the lead in the reciprocal raising of the status of the Chargé d'Affaires to that of Minister, McIntosh asking Challis whether the Japanese might make the first move.[62]

At the end of 1956 a proposed visit by a Japanese rugby team to New Zealand, accompanied by Princess Chichibu, Emperor Hirohito's sister-in-law, was shelved at Holland's request for fear of the public reaction. Challis commented: 'I have heard that there were a few typical New Zealand rumblings after the Prime Minister's Japanese visit. Obviously we must not press too hard, and I find the Prime Minister's reaction perfectly understandable.'[63] Problems surrounding possible blowback from Japanese visitors continued in 1957. Holland had invited the Japanese Prime Minister to New Zealand, and Kishi was planning an overseas tour in November. However, it was stressed that a visit anytime before the general election at the end of 1957 would be unsuitable for New Zealand. McIntosh wrote to Reid, now Minister in Tokyo, that: 'The visit of the Japanese Prime Minister around election time is not likely to be very popular.'[64]

The timing of new trade negotiations also had to be fitted around the election to avoid possible embarrassment for the Government.[65] Despite being told it was impossible,

---

[60] Minister EA – Chargé, Tokyo, 30 September 1955, EA 1 59/3/180 Pt 1.
[61] Prime Minister's Private Secretary (Ken Sleight) – Secretary EA, 19 October 1955, MS-Papers-1624-041/5
[62] McIntosh – Challis, 31 January 1956, MS-Papers- 6759-246.
[63] Challis – McIntosh, 17 November 1956, ibid.
[64] McIntosh – Reid, 22 May 1957, EA 1 59/3/26 Pt 1.
[65] Interdepartmental Meeting, 19 June 1957, EA W2619 40/12/1 Pt 8.

Ushiba told the press upon his return to Japan from his visit in June 1957 that he expected full negotiations before November. The Deputy Secretary of External Affairs, George Laking, had to reiterate to the Japanese Minister, Shimadzu, that the Government 'would prefer not to have discussion reopened before the end of November'.[66] Incredibly, a MITI spokesman then stated that negotiations would be opened in September, to be completed before Kishi's visit in November. The Minister of Industries and Commerce, Eric Halstead, was forced to deny any such plan.[67] External Affairs then had to invent a pretext for refusing a visit from ten Japanese Diet members near the election: 'It was considered that there had been rather too many official visitors from Japan to New Zealand recently... It was suggested, therefore, that we might use Mr Kishi's visit to discourage the Japanese parliamentarians'.[68] New Zealand also continued to stall of the question of upgrading diplomatic representation. Reid reported overtures as to whether New Zealand might take the initiative in raising the status of the Legation to an Embassy, and had told the Japanese that there was 'no likelihood whatever of Wellington taking the initiative'. It now seemed as if Kishi might do so himself during his visit.[69]

As trade negotiations once more loomed, concerns about domestic industry again rose. The NZMF told Halstead that although they were aware of the necessity of diversifying markets, trade with Japan remained 'fraught with serious problems' for domestic industry.[70] Holloway again attacked the government, suggesting it was not necessary to have an even balance of trade with all countries.[71] Dealing with the reply to the NZMF, the Acting Secretary of Industries and Commerce, Alan Atkinson, told Halstead that 'While it is undoubtedly essential that New Zealand industry should be protected from Japanese imports it may be inevitable that some segments of New Zealand industry will be affected to some degree.'[72] This was the first indication that New Zealand might make concessions in the area of domestic industry, but the issue

---

[66] *Evening Post*, 9 July 1957 & Laking – Minister Industries and Commerce (Halstead), Comptroller of Customs (Johnsen), Acting Secretary IC (Atkinson), ibid.
[67] *Dominion*, 12 August 1957, ibid.
[68] Extract from Section Heads' Meeting, 29 July 1957, EA 1 59/3/26 Pt 1.
[69] Minister, Tokyo – Secretary EA, 15 October 1957, ibid. The process was completed, Reid becoming New Zealand's first Ambassador to Japan, in June 1958. Allan Watt – John Reid, 11 June 1958, MS-Papers-77-193.
[70] General Secretary NZMF (A.R. Dellow) – Minister IC, 1 August 1957, IC W2006 114/1/1 Pt 2.
[71] *Dominion*, 22 August 1957, ibid.
[72] Acting Secretary IC – Minister IC, 13 September 1957, ibid.

continued to provoke bitter controversy. The Canterbury Manufacturers Association claimed that if concessions were made, 'Japan could point the gun at our heads figuratively, just as it once did actually.' The Canterbury Federated Farmers responded that it did not think it was in New Zealand's interests for 'overprotected local industries to shut out, by overlarge tariffs or embargoes, goods from Japan'.[73] The NZMF then stated that any agreement should be confined to limited MFN, with safeguards for domestic industry.[74] Domestic industry remained a priority for the Government. Malcolm Craig, then Assistant Trade Commissioner, recalled that one of his major lines of non-export related work in Tokyo at the time was dealing with enquiries from Customs. Invoices sent from Japanese exporters to New Zealand were referred back to Craig, who checked the prices quoted in New Zealand were similar to those being quoted in Japan.[75]

Holloway continued to stir the pot, with National appearing ineffective in rebutting his claims that a trade agreement would damage domestic industry.[76] McIntosh told Reid that extra 'political difficulties' had arisen in the form of negative press from Australian manufacturers over that country's agreement with Japan. 'Various statements have been published widely in the press in New Zealand prophesying the doom of certain Australian manufacturing industries.'[77] In Tokyo, the Trade Commissioner, John S. Scott, was assured the Japanese government stood ready to control excessive imports if voluntary controls failed.[78] After Kishi's visit at the start of December, the new Prime Minister, Walter Nash, was forced to explain his statement that New Zealand 'would not be interested in a trade agreement with Japan'. He told Kishi his comments had been misreported, and that New Zealand was still interested in a 'mutually advantageous' arrangement, 'provided that the position

---

[73] Mr J.R. Madden for the CMF, *Press*, 24 September & Mr A.C. Wright for the FF, *Evening Post*, 26 September 1957, ibid.
[74] Mr G.W. Lane for the NZMF, 2 October 1957, ibid.
[75] Interview with Malcolm Craig, 11 November 2003. Colin Murray similarly recalled that Customs enquiries began to intrude on time needed for trade work between 1963-66. Colin Murray – Author, 7 February 2004.
[76] *Evening Post*, 2 October 1957, EA W2619 40/12/1 Pt 8.
[77] Secretary EA – Minister, Tokyo, 14 November 1957, ibid.
[78] Trade Commissioner, Tokyo – Gordon Hope (IC), 8 November 1957, ibid.

of New Zealand manufacturers was not undermined'.[79] Moriarty judged Kishi's visit a success, on that grounds that it had attracted so little publicity.[80]

Nevertheless, moves towards fresh talks stalled after Labour's election. In April, Jim Moriarty wanted to push forward, after ensuring that New Zealand's existing legislative protections against dumping were sound, to 'help meet in advance some of the criticism we might expect to meet if we moved into active negotiations'.[81] The Cabinet briefing papers for the negotiations emphasised that provisions were required permitting 'appropriate action to safeguard New Zealand from actual or threatened serious injury from Japanese exports'.[82] The New Zealand delegation to the talks met with NZMF representatives, who were split. The official position was that the NZMF was opposed to full MFN treatment, and that there was concern about trade practices and harm to domestic industry. Some present, however, thought economic conditions were such that New Zealand had no alternative but to conclude a full agreement.[83]

If this represented a chink in the armour of the domestic industry argument, it was at that point only a chink, and New Zealand's delegation did negotiate with domestic industry in mind. Moriarty declared in his opening statement that one of the stumbling blocks in previous talks was the fear that Japan's 'low cost industries' might damage local manufacturers.[84] The position was made crystal clear: safeguards for domestic industry were a 'fundamental starting point [and] pre-requisite for any agreement'.[85] The draft agreement of early August reflected this, with provisions for consultations over possibly damaging imports, also allowing New Zealand to independently limit Japanese imports should it be necessary.[86] *Export News*, Industries and Commerce's official publication, gave heavy exposure to the guarantees for domestic industry that the agreement eventually secured: 'No agreement with Japan could be accepted unless it contained adequate safeguards for New Zealand's own industry.'[87]

---

[79] Secretary of External Affairs – Minister, Tokyo, 4 December 1957, EA W2619 40/12/1 Pt 8.
[80] Jim Moriarty – John Reid, 12 December 1957, MS-Papers-77-193.
[81] Jim Moriarty – Trade Commissioner, Tokyo, 14 April 1958, ibid.
[82] Minister IC (Holloway) – Cabinet, 15 May 1958, IC 22 W1837 22/47B.
[83] Meeting between NZ Delegation and NZMF, 21 July 1958, IC W2006 114/1/1 Pt 3.
[84] Opening Statement by Moriarty, 22 July 1958, AAEG 6956 B3 26/2/4, p. 7.
[85] Minutes of the Third Meeting, 24 July 1958, ibid., p. 2.
[86] First Draft Agreed Minutes, 4 August 1958, ibid., p. 1.
[87] *Export News*, October 1958, NASH 69/0360-0447, p. 2.

Nervousness over public opinion was also ongoing in the haggling over concessions. Henry Lang warned the Japanese that although 'the atmosphere of the present was favourable to concluding an arrangement... If negotiations dragged on the situation in New Zealand with become unfavourable for concluding an Agreement'.[88] On the issue of the meat figures, Japan was told that New Zealand required publication of specific figures, rather than just mention of 'substantial' amounts.[89] The OCEP thought it was a 'presentational' problem. If the figures were unpublished, then the Government would be unable to 'show substantial gains for New Zealand primary industries'.[90] When the Japanese wanted to send a trade mission after the conclusion of the agreement, they were told by Industries and Commerce that it might be unwise given the existing import restrictions due to the balance of payments crisis. The public 'might be critical of a show of Japanese goods at a time when shortages were beginning to pinch'.[91] Moriarty concluded though that he was 'more than gratified at the reasonable reception which it [the agreement] has received in New Zealand. We have had very few complaints even from manufacturers...'[92]

The 1958 agreement represented a turning point in terms of domestic industry and public opinion. Both were still a major consideration in New Zealand's relations with Japan, but once the first difficult steps had been taken, it was subsequently more difficult to appeal to them in the same terms as previously. There remained anxiety about aspects of Japanese trading practices. Shortly after the agreement was signed, and stretching into late 1959, the Wool Board had concerns about the Japanese registering non-woollen textiles at the Patent Office under various names including the word 'wool'. New Zealand, and other Commonwealth countries, were worried this would damage their brands. After no progress was reached with the Japanese Foreign Ministry by late 1959, they resorted to joint action through the International

---

[88] Minutes of the Eighth Meeting, 4 August 1958, AAEG 6956 B3 26/2/4, p. 3. Patrick Millen of EA's Economic Division, assisting with the negotiations, had earlier written that 'A very pleasing feature of the discussions is the complete absence of adverse comment in the press and Parliament. On the contrary it has been uniformly favourable.' Millen – Ambassador, Tokyo, 30 July 1958, EA W2619 40/12/2 Pt 2.

[89] Minutes of the Sixteenth Meeting, 22 August 1958, AAEG 6956 B3 26/2/4, p. 5.

[90] OCEP Minutes, 25 August 1958, EA W2619 40/12/2 Pt 2, p. 1.

[91] A.W. Broadbent (IC), file note, 29 October 1958, IC W2006 114/1 Pt 4.

[92] Moriarty – Trade Commissioner, Tokyo, 9 October 1958, AAEG 6956 B3, TKY 26/2/4 Pt 3.

Wool Secretariat.[93] The NZMF also expressed continued unease over Japanese competition, requesting that Industries and Commerce set up advisory panels to monitor specific industries, along the lines of action taken in Australia. The new Secretary of Industries and Commerce, Bill Sutch, thought that such measures were unnecessary, but given the NZMF's sensitivity, 'it might be useful for the manufacturers to nominate a small group to maintain liaison with the Department'.[94]

There was also a minor controversy involving a visiting Japanese trade mission just before Walter Nash's visit to Japan in February 1959. The leader of the mission was reported as having made some less than tactful remarks about the quality and price of some New Zealand goods he had seen.[95] Manufacturers were predictably annoyed, the Secretary of the Canterbury Manufacturer's Federation telling Nash that 'there has been a tremendous amount of publicity... and there is an uncertainty amongst industry generally on the question of trade with Japan'. Rumours also circulated that cuts in import restrictions on certain classes of goods were being planned to coincide with Nash's visit to Japan.[96] However, such events seemed to pass without causing huge difficulty for the government, and there was no sign of cheap Japanese goods flooding into New Zealand.

The OCEP did note, though, when reconsidering the application of Article XXXV, that revocation might result in 'excessive imports of low cost products'.[97] Yet by the time of Jack Marshall's visit in Tokyo, there had not been a sniff of such activity, and the Japanese had proven themselves willing to accommodate New Zealand's concerns. Marshall now spoke not of a flood of cheap goods, but 'quality inexpensive commodities'. He also stated that the major reason for the Government's decision to cancel the proposed Nelson Cotton Mill was that 'Japan and India were better able to produce cotton than New Zealand was ever likely to be... It had been the Government's view that it would be better if New Zealand produced lamb, mutton,

---

[93] General Manager, NZ Wool Board (J.D. Fraser) – Acting Secretary IC (Atkinson), 19 August 1958, ABHS W2647 950 B2342 104/268/45 Pt 1. This file contains numerous other correspondence on the same topic.
[94] General Secretary NZMF (A.R. Dellow) – Secretary IC (Sutch), 7 April 1959, IC W2006 114/1/1 Pt 4 & Sutch – Dellow, 14 September 1959, ibid.
[95] *The Press*, 12 February 1959, NASH 2445/0321.
[96] Secretary CMF (R.L. Alston) – Walter Nash, 18 February 1959, ibid.
[97] Chairman OCEP (E.L. Greensmith), 11 Aug 1961, AAEG 6956 B3 TKY 26/2/4 Pt 3, p. 1.

butter and cheese while Japan produced cotton.'[98] The matter remained sensitive in some quarters though. Marshall told the Japanese Minister of Agriculture and Forestry, Kono, that he had managed to secure the agreement of Cabinet to dropping Article XXXV, but the deal had to be completed while he was in Japan. 'Once I return there will probably be more opposition within New Zealand.' Some fears for public opinion were still present: '... it would be embarrassing if this matter were made public [as] if it is reported that I have put forward propositions such as these, fresh opposition will again arise'.[99] Article XXXV was replaced with reciprocal arrangements for consultation in the event of 'excessive and damaging imports'.[100]

This chapter has shown how Government concerns about the impact of Japanese competition on domestic industry, and apprehension about the public's reaction were the prime factors in slowing the growth of links with Japan. Both were consistently prominent throughout the whole of the 1950s, only beginning to lessen in importance after 1958. Although there was lingering hesitancy from some quarters, by 1962 the Government was clearly more confident in public opinion, and convinced Japan had no malicious intent in her desire to renew trading links.

---

[98] Discussions between Marshall and Minister of Foreign Affairs (Kosaka), 1 March 1963, ibid., p. 2.

[99] Discussions between Marshall and Minister of Agriculture and Forestry (Kono), 1 March 1962, ibid., p.3. Japan still had the capacity to raise temperatures in New Zealand. Some interesting circumstances arose in 1958 when the Japanese requested reduced sentences for remaining war criminals, on parole since 1956. New Zealand favoured a Canadian proposal that would relax parole conditions as informally as possible, without terminating the sentences. This, it was said 'would secure what all apparently desire, with the minimum formality and publicity'. Brief for Prime Minister, 15 January 1958, ABHS 950 W4627 B1445 58/12/1 Pt 2. In 1961 a Miss Y.F. Bremner wrote to the then Prime Minister: 'Mr Holyoake please don't ever let us forget Singapore and Pearl Harbour. They have a population of 93 million and must spread somewhere. They have tried to take this country once and will I am afraid try again if it suits them.' 28 February 1961, ABHS 950 W4627 B1445 58/12/1 Pt 2.

[100] Minister EA – High Commissioners, Canberra, London, Ottawa; Ambassadors, Tokyo, Washington, 16 March 1963, ibid.

Chapter VII – The 'Fiery Furnace'

In the post-war period a number of government departments vied for influence over New Zealand's trade policy. This rivalry arose particularly in connection with Japan. The consequent lack of a cohesive Japanese trade policy had serious consequences, and was the main immediate cause for the failure of the 1954 negotiations. Greater harmony between the participating departments was a significant aid to the successful completion of the 1958 agreement. The principal combatants were External Affairs, which favoured liberalisation of overseas trade, and Industries and Commerce which favoured continuing protection of domestic industry. Others such as Treasury and Customs had supporting roles, and generally also supported liberalisation.[1] But the issues in relation to Japan centred on the rivalry between External Affairs and Industries and Commerce. At its heart, this was a question of responsibility for the formulation and implementation of overseas trade policy. In theory machinery existed to coordinate departmental interests at the official and ministerial level. But as Foss Shanahan put it: 'Notwithstanding the existence of this machinery the results in practice are not as good as they should be.'[2]

Departmental conflict is covered briefly by existing literature, without reference to its lasting nature, the long-term issues affecting both External Affairs and Industries and Commerce, or the involvement of Customs and Treasury. Ann Trotter wrote of the tension between External Affairs and Industries and Commerce in the immediate lead up to and aftermath of the 1954 negotiations, without addressing its direct role in their failure.[3] John Singleton addressed the objections of Industries and Commerce to the 1954 agreement more directly.[4] Both skirt around the reversal of departmental positions in 1958, Singleton writing of Industries and Commerce's 'acceptance' of the necessity of agreement with Japan.[5] This hardly does justice to the dramatic shift of

---

[1] Treasury was at odds with the protectionism advocated by Industries and Commerce. See Brian Easton, 'Henry Lang', in *The Nationbuilders*, Auckland: Auckland University Press, 2001, pp. 259-260 & Malcolm McKinnon, *Treasury – The New Zealand Treasury 1840 – 2000*, Auckland: AUP in Association with the Ministry of Culture and Heritage, 2003, pp. 255-56.

[2] Shanahan, 'Overseas Trade', submission to the Royal Commission on the Public Service, March 1962, MS-Papers-6759-193, p. 3.

[3] Ann Trotter, 'From Suspicion to Growing Partnership', pp. 199-200 & 202.

[4] John Singleton, 'New Zealand's Economic Relations with Japan', p. 8.

[5] Trotter, p. 207 & Singleton, p. 10.

positions, and Industries and Commerce's active promotion of an agreement with Japan.

Long-term structural issues in both External Affairs and Industries and Commerce, influenced the development of the argument between the two over trade with Japan. A comparison may be drawn with the Australian situation. Australian departments had similar disputes over Japanese trade policy, but while in New Zealand External Affairs was the advocate of increased trade with Japan, Australian External Affairs has been described as 'impotent' and 'not to any great extent involved in the decisions on trade policy'. The details of commercial policy and practice were, apparently, not something that Australian External Affairs was, or wanted to be, skilled in.[6] It was quite the opposite for External Affairs in Wellington. From the late 1940s the Department set about building up its economic expertise. Sir George Laking wrote that it was when Lloyd White arrived in 1949 that External Affairs 'found a footing' in the economic area.[7] Given the prominence of trade in the New Zealand/Japan relationship, and External Affairs' subsequent promotion of closer trade relations, these moves had important consequences.

This growing interest in trade policy increasingly brought External Affairs into conflict with Industries and Commerce. At the time the issue of trade with Japan was becoming important, External Affairs' Economic Division, headed by Lloyd White, was still taking its first steps. It was significant enough by 1954 to play a major role in proceedings, but Industries and Commerce, 'the administering Department'[8] still had the ear of Government, and it was their advice that proved most influential. As Laking has said, economic questions were then dominated by other departments, staffed with officers who had been through Wellington's 'fiery furnace', and who were not about to start educating new boys.[9] Reflecting the alliances that did start to build, External Affairs' economic expansion was carried out in cooperation with Treasury. In fact, for most of the 1950s External Affairs relied upon Treasury for the human capital to develop in the economic sphere. The Department's early economic

---

[6] Alan Rix, *Coming to Terms – The Politics of Australia's Trade with Japan 1945-57*, Sydney: Allen & Unwin, 1986, p. 108, 143, 198.
[7] Sir George Laking, 'George Laking', in *An Eye, an Ear and a Voice*, p. 43.
[8] White – McIntosh, 24 April 1952, EA W1784 58/12/2 Pt 5.
[9] Laking, 'George Laking', p. 43.

specialists, such Lloyd White and Les Castle, had transferred from Treasury. Others such as Henry Lang and Noel Lough were seconded to External Affairs to work as economic specialists in London and Washington. Noel Lough recalled the situation with qualified economic staff was at the time so bad that even Treasury itself was undermanned.[10]

When considering a replacement for the London job in 1954, McIntosh was faced with 'the inevitable squabble interdepartmentally'. Treasury and Industries and Commerce both wanted the job for their own people, and although McIntosh thought Lloyd White was the most suitable candidate, 'to let him go would be the ruin of our Economic Section'.[11] White was sent to London anyway. Given his major role in the development of External Affairs' Japanese trade policy, he was undoubtedly missed during the 1954 negotiations. External Affairs struggled to maintain momentum in the economic area, with the posting of Foss Shanahan to Bangkok in 1955 another blow.[12] While Les Castle took over the senior economic job in Wellington, McIntosh was luckless in finding a junior.[13] The problem was only temporarily resolved by an agreement with Treasury to pool economic staff and share overseas posts.[14] It was a short term solution, one White hoped would not prevent recruitment of economically qualified people, 'when they can be found'.[15]

External Affairs' standing in the economic area had solidified somewhat by 1958 with the development of its own specialists such as Jack Shepherd and Patrick Millen. However, one of George Laking's priorities when he returned to New Zealand in 1957 was to strengthen the arrangement with Treasury and, if possible, keep Henry Lang or Noel Lough seconded, or even transferred to External Affairs. 'We can't poach in Treasury reserves but I might suggest to [Jim] Moriarty that his own interests would be advanced by strengthening our economic section.' It was Laking and

---

[10] New staff were recruited literally as they finished study at University. Interview with Noel Lough, 11 December 2003.
[11] McIntosh – Fred Doidge, 19 January 1954, MS-Papers-6759-271.
[12] Rex Cunninghame remembered that there were two distinct dimensions, though not factions, to External Affairs. One on the one hand, some such as Shanahan were involved in the nitty gritty of matters such as defence and trade, while on the other some such as J.V. Wilson were concerned with wider scale observation and intelligence gathering.
[13] McIntosh – Lloyd White, 20 June 1955, MS-Papers-6759-373.
[14] McIntosh – White, 15 August 1955, ibid.
[15] White – McIntosh, 5 September, ibid.

Shepherd, McIntosh said, who largely handled the 1958 Japanese negotiations for External Affairs.[16] With the continuing prominence of trade in the New Zealand/Japan relationship, and the other external economic problems facing the country in 1958, the decision to develop economic know-how now appeared one of foresight. As McIntosh reported when the 1958 talks with Japan got underway, 'The only important work the Department is doing now is in connection with economic activity.' Nevertheless, McIntosh still wanted Lloyd White back in New Zealand if George Laking was to be posted to London, and stated bluntly that 'if we are to keep our [economic] standing when [Bill] Sutch is appointed to Industries and Commerce it is essential that we should have a most senior person available to handle that side'.[17]

External Affairs' growing economic stature led to friction with Industries and Commerce, which was considered top-dog in the area of trade policy.[18] Yet the issue of who had ultimate responsible for trade policy was predictably murky. The External Affairs Act of 1943 described the responsibilities of the Department as being, amongst other things, to advise the government on all issues of foreign policy, act as a channel of communication with foreign governments, and assist in negotiating treaties and international agreements.[19] While it now seems obvious that trade and foreign policies are inextricably linked, this was not necessarily so in post-war New Zealand. The Act was sufficiently vague to allow External Affairs to have input into trade policy, without giving them a deciding vote.

Industries and Commerce, later renamed the Department of Trade and Industry, had existed since the beginning of the century, and was responsible for the overseas trade promotion service. However, there was no legislation governing the Department's functions. This was a recipe for confusion, and the 1956 Industries and Commerce

---

[16] McIntosh – John Reid, 12 September 1958, MS-Papers-77-193.

[17] McIntosh – White, 4 July 1958, MS-Papers-6759-374. One commentator referred to the 'ever mounting flood' in the Economic Division around this time. J.G. McArthur – Patrick Millen, 26 August 1958, EA W2619 327/2/13/10 Pt 1.

[18] By the 1960s EA had attained a measure of parity with IC. A 1962 extract from the *New Zealand Herald* stated that in recent times other Departments had been the main source of trade negotiators. But the wider problems posed by the European Common Market meant negotiators needed a wider armoury of skills than purely technical knowledge of trade: 'In such circumstances it is natural that the Department of EA should be increasingly called upon.' The *Herald* also said that IC had suffered staff shortages, losing many promising youngsters to private employment, and overloading senior staff. *New Zealand Herald*, undated, MS-Papers-6759-193.

[19] Alister McIntosh, 'The Origins of the Department of External Affairs', p. 28.

Act only made matters worse. It unhelpfully described the functions of the Department as being to promote the development of industry and commerce, and New Zealand's export trade. Industries and Commerce was empowered to maintain the overseas trade service, and 'Participate in negotiations and conferences relating to trade or commerce between New Zealand and other countries'.[20] This was hardly conducive to clarifying where responsibility for trade policy ultimately lay. The Act also highlighted a dilemma for Industries and Commerce; how to reconcile the growth and liberalisation of overseas trade with the growth and protection of domestic industry.

This problem has been referred to by several commentators. Malcolm Craig, who served with Industries and Commerce in Tokyo and later became Assistant Secretary of Trade and Industry, noted that there had been potential and actual conflict.[21] The former Secretary of External Affairs, Sir George Laking, suggested Industries and Commerce 'lacked a clear focus for its actions'.[22] In a 1962 submission, Foss Shanahan argued that Industries and Commerce should not be responsible both for the development of local industry and the promotion of overseas trade, as 'there is a potential, if not actual, conflict in many areas between the demands of overseas trade and the needs of industrial development'. Shanahan thought Industries and Commerce's overseas trade functions would be best split off into a separate department, or amalgamated with an existing one. Significantly, Shanahan highlighted a 'notable case' of this conflict between promoting exports and domestic industry in 'the history of the Trade Agreement between New Zealand and Japan'.[23] The ill-defined responsibilities, coupled with External Affairs' increasing assertiveness, made trade with Japan a minefield.

Interdepartmental disagreement over the trade with Japan dated back to the first considerations of the issue. As early as 1949, the Secretary of Industries and

---

[20] *NZ Statutes*, 1956 Vol. I, pp. 370-71.
[21] Interview with Malcolm Craig, 11 November 2003.
[22] Sir George Laking, 'George Laking', in *An Eye, an Ear and a Voice*, p. 44.
[23] Shanahan, submission to the Royal Commission, MS-Papers-6759-193, pp. 1-2. It was 30 years later before this suggestion was taken up, the trade functions of Trade and Industry being combined with the Ministry of Foreign Affairs to form the Ministry of External Relations and Trade in 1988. It was renamed the Ministry of Foreign Affairs and Trade in 1993. Shanahan did not suggest trade functions should be merged with External Affairs, nominating Agriculture as the most likely candidate.

Commerce expressed concern to McIntosh about the consequences of more liberal treatment for Japanese goods.[24] It was around this time White first investigated the economic side of relations with Japan, something External Affairs had not previously considered. It was this that prompted him to ask if New Zealand's policy should now perhaps promote Japanese exports.[25] White subsequently attempted to 'put the problem squarely before the Government', and suggested some bilateral arrangement would be necessary, whatever position New Zealand adopted on the issue of Japanese accession to GATT.[26] During this time External Affairs and Industries and Commerce agreed on some Japanese issues, taking a joint line to Cabinet on possible responses to the calls from Federated Farmers for closer links with Japan, and better support for New Zealand's representatives in Tokyo.[27] The two also agreed on the need for publicity to counter Communists and trade unions, the result of which was the collaborative 'mantra' release.[28]

This accord did not last very long. At meetings in late 1951, the four departments agreed on a policy line to take to Cabinet in the light of the impending Peace Treaty. Industries and Commerce, however, prepared their own paper that took a more restrictive line, to the annoyance of External Affairs: 'it has not been prepared in consultation with the other Departments... as has normally been the case'.[29] Industries and Commerce was also told that 'it would be unwise both on political and economic grounds to recommend the adoption of a policy as restrictive as that discussed in your draft'.[30] The head of Industries and Commerce's Overseas Trade Division, Bob Gray, was unable to agree completely with his own Department's line,[31] but nevertheless dismissed External Affairs' criticism, saying that it did not give weight to Japan's past actions and New Zealand's long-term trade patterns: 'External are not in a position to give a really informed opinion on trade. Their opinion should be offered so that the political consideration can be taken into account

---

[24] Secretary IC (G.W. Clinkard) – Secretary EA, 2 May 1949, EA W1784 58/12/2 Pt 2.
[25] White – McIntosh/Shanahan/Rex Cunninghame/Rod Miller, 26 May 1949, ibid.
[26] White – Shanahan, 17 May 1951, EA W1784 58/12/2 Pt 3.
[27] White – Bob Gray (IC), 7 August 1950, EA W1784 58/12/2 Pt 3. Tokyo support: Stokes – Shanahan, 10 October 1950, Shanahan – Stokes, 16 October 1950, & Secretary EA/Secretary IC – Cabinet, 16 May 1951, EA W2619 64/12/2 Pt 2
[28] White – McIntosh, 16 November 1951 & Secretary IC (Marshall) – Minister IC (Watts), 22 November 1951, EA W1784 58/12/2 Pt 4.
[29] White, file note, 10 October 1951, EA W1784 58/12/2 Pt 4.
[30] Shanahan – Secretary IC (P.B. Marshall), 27 September 1951, IC W2006 114/1 Pt 1
[31] Bob Gray – Secretary IC, 28 September 1951, ibid.

and given proper weight when we offer Cabinet a trade policy. Not that trade in the present circumstances should be subsiding to politics.'[32]

As well as indicating the degree to which External Affairs' Economic Division was still in relative infancy, this highlighted the differing viewpoints on offer. External Affairs emphasised the political arguments for trade with Japan, while Industries and Commerce emphasised that increased trade should be subject to the interests of domestic industry. The two camps stayed divided on these lines through the 1954 talks, the situation well summed up by another former Secretary of Foreign Affairs, Graham Ansell:

> I recall a seminal confrontation, of which I made the notes, between representatives of Industries and Commerce, External Affairs and Treasury, as to whether it might be tolerable for New Zealand to trade with Japan. The thought was totally abhorrent to the Industries and Commerce spokesman, who sternly put it to the rest of us that the outcome of such trade could be the availability of cheap shirts! To his everlasting credit, the Treasury spokesman responded, after a pause, that he wouldn't say 'no' to some cheap shirts. But he didn't get any.[33]

There was no more agreement on the specific issue of whether to support Japanese admission to GATT. External Affairs again emphasised the 'over-riding need' to keep Japan on side with the West.[34] On the other hand, Industries and Commerce, 'was concerned with the economic effects of Japanese competition' and was 'inclined to take a negative attitude in the interests of caution'. Because of this, McIntosh said, 'it was difficult to say what would be the final attitude of the New Zealand Government'.[35] In the end, External Affairs thought New Zealand should not actively oppose Japan entering GATT, but could defer a decision on whether to actively support the Japanese application, or invoke Article XXXV. Industries and Commerce thought New Zealand should actively oppose Japanese accession, and invoke Article

---

[32] Bob Gray, file note, October 1951, ibid.
[33] Graham Ansell, 'Graham Ansell', in *An Eye, an Ear and a Voice*, p. 152.
[34] Secretary EA – Minister EA (Webb), 31 July 1952, EA 1 104/4/8/37 Pt 1.
[35] McIntosh, file note, 7 August 1952, ibid.

XXXV if Japan was granted entry. External Affairs opposed a 'snub' to Japan by following this 'highly dangerous' course.[36]

The issue was no closer to resolution in 1953. New Zealand's Trade Commissioner in Ottawa, N.S. Mountain, had been reporting on the Canadian attitude towards trade with Japan. Shanahan asked the Secretary of Industries and Commerce, P.B. Marshall, to get Mountain's coverage on the Canadian attitude to Japanese entry to GATT.[37] He meanwhile reported to External Affairs' man in Ottawa, Ray Perry, that 'fundamental division of opinion' would not allow any firm recommendation to Cabinet. Moreover, he asked Perry to conduct his own enquiries, as he suspected Marshall had deliberately omitted to mention the GATT matter to Mountain: 'I suspect that Industries and Commerce may not be very forthcoming on the matter, and we want to be in the strongest position possible when the time comes to hammer out a policy for recommending to the Government.'[38]

The attitudes of the other departments started to become clearer at this point. Shanahan told Perry that External Affairs' policy also had the broad support of Treasury, while White noted that 'we are still somewhat in the hands of the Customs and Industries and Commerce Departments who are trying to stall progress on the subject at every opportunity'.[39] He later added that External Affairs' 'constant pressure' was forcing Customs and Industries and Commerce into a more liberal position, but did not think External Affairs' position on GATT would prevail, and that bilateral negotiations with Japan would be the likely outcome.[40] Customs feared the domestic political implications of New Zealand taking the initiative in talks, but were eventually convinced otherwise by External Affairs.[41] The attitude of Customs, however, changed drastically when the pro-trade Peter Johnsen was made Comptroller in 1954. In moves that strengthened External Affairs' position, Customs was made convenor of the working party set up to consider the 1954 talks, and Johnsen headed New Zealand's delegation to the talks.

---

[36] Secretary EA – Minister EA, 11 August 1952, ibid.
[37] Shanahan – Secretary IC, 24 March 1953, ibid.
[38] Shanahan – Ray Perry, 24 March 1953, ibid.
[39] White – Shanahan, 17 April 1953, EA W1784 58/12/2 Pt 5.
[40] White – Shanahan/Les Castle, 10 September 1953 & White – Jack Shepherd, 26 August 1953, ibid.
[41] Secretary EA – Secretary IC, Secretary to the Treasury (Ashwin), Comptroller of Customs (Sawers), 24 November 1953, EA W2619 58/12/2 Pt 6.

Differences between the two camps re-emerged during the talks. After it became obvious Japan could not offer substantial trading concessions, and the agreement became largely a political one, the disparity manifested itself openly. External Affairs, Customs and Treasury supported the agreement as it stood, but Industries and Commerce became increasingly doubtful once the potential trading benefits diminished. While Johnsen reported to Keith Holyoake that New Zealand's concessions were 'no sacrifice', Jim Stokes described them as 'very extensive'.[42] The Minister of Industries and Commerce, Jack Watts, also expressed doubts and thought New Zealand was getting 'very little'.[43] Unnamed individuals responded that Stokes' objections 'seemed to be based upon the assumption that trade with Japan was undesirable – indeed more undesirable than that with any other country with whom we had entered into GATT relationships'.[44]

External Affairs and Treasury tried to minimise the damage from Industries and Commerce's objections, refuting Stokes' claims that the agreement would seriously damage trade with Britain.[45] Shanahan complained that Cabinet had been persuaded 'in some degree' by the objections of Industries and Commerce to defer the agreement. These objections, Shanahan thought, 'were not well considered and, in any case, the time for them to have made this sort of intervention was... not after we have, at our invitation, brought the Japanese down here for discussions'.[46] Opposition from Industries and Commerce continued when the matter was revisited in early 1955, and apparently even after Cabinet had approved the agreement.[47] Growing frustrated, Shanahan argued against further postponement, and said that in view of the 'unsatisfactory delays' which had plagued the whole process, 'I doubt the validity of this reasoning'.[48] McIntosh voiced similar complaints to the Minister,[49] but in the end was left to ponder External Affairs' 'rather unequal position' vis-à-vis Industries and Commerce.[50]

---

[42] Johnsen – Holyoake, July 1954 & Stokes – Holyoake, 29 July 1954, C W2358 955/000/1 Pt 1.
[43] CCEP Ninth Meeting, 30 June 1954, ibid., p. 2.
[44] CCEP Tenth Meeting, 29 July 1954, ibid., p. 2.
[45] Les Castle – Holyoake/ Charles Bowden, 13 August 1954, EA W2619 58/12/2 Pt 7.
[46] Shanahan – Bowden, 17 August 1954, ibid.
[47] Les Castle, file note, 1 April 1955 & Castle – McIntosh, 20 July 1955, EA W2619 40/12/1 Pt 8.
[48] Shanahan – McIntosh, 20 July 1955, EA W2619 40/12/1 Pt 8.
[49] Secretary EA – Minister EA, 9 August 1955, ibid.
[50] Shanahan – McIntosh, 11 October 1955, MS-Papers-6759-342.

By the time talks were revived in mid 1957 changes were in the wind. Jim Moriarty took over as Treasury's spokesman in interdepartmental discussions, and P.B. Marshall and Jim Stokes both departed from Industries and Commerce. Alan Atkinson, with no history in the Department, was made Acting Secretary in mid 1957, Moriarty later joining him as Assistant Secretary, taking responsibility for trade with Japan. The appointment of Atkinson was somewhat mysterious. In early 1957 McIntosh expressed concern at what he saw as the inevitable appointment of Bill Sutch as Secretary. 'The consequences of such an appointment I leave to your imagination... The potential difficulties of reconciling his external economic policy with our external economic policy conjures up, for want of a better phrase, a ruddy vision.'[51] Whether by coincidence or not, Sutch was not appointed until almost immediately after the talks with Japan ended. In the meantime the way was paved for a dramatic policy change from Industries and Commerce.

Both Departments agreed that the initiative for further talks was with the Japanese, and that granting full MFN treatment would not be possible.[52] Atkinson, along with the new Comptroller of Customs, also argued that talks should be delayed beyond early 1958.[53] By 1958 the Departments were again jostling for influence. Moriarty, then still at Treasury, told McIntosh that, given New Zealand's balance of payments problems, new talks with Japan were not advisable.[54] At the end of March, and seemingly prompted by Moriarty, Atkinson broke the mould and suggested to his Minister, Phil Holloway, that New Zealand take the initiative in new talks as soon as possible. Moriarty, now transferred to Industries and Commerce, endorsed Atkinson's position. This marked a seemingly overnight transformation of Industries and Commerce's position. From being the most strident sceptic of increased trade with Japan, Industries and Commerce was now its most vocal advocate. The break took External Affairs by surprise, and George Laking commented:

---

[51] McIntosh – Shanahan, 7 March 1957, MS-Papers-6759-343.
[52] Interdepartmental Discussions, 20 June 1957, T 1 61/6/20/1 & Trade Commissioner, Tokyo – Assistant Secretary IC (Gordon Hope), 25 July 1957, IC W2006 114/1/1 Pt 2.
[53] Comptroller of Customs (E.S. Gale) – Secretary EA, 1 November 1957, EA W2619 40/12/1 Pt 8.
[54] Moriarty – Secretary EA, 31 January 1958, IC W2006 114/1/1 Pt 4.

> The new and vigorous trade promotion policy initiated by Holloway and Moriarty is causing us some temporary difficulty. In fact, I was not aware that any decision had been taken on the subject of our future trading relations with Japan. We have drawn the attention of the Industries and Commerce Department to the existence of the External Affairs Act, as well as certain long standing administrative arrangements about consultation among Departments. We have also suggested that it seems to us somewhat off for you [John Reid] to learn of a policy decision this way.[55]

External Affairs was now put in the unfamiliar position of arguing against the early talks and full MFN treatment favoured by Industries and Commerce. They argued this on the basis of the busy negotiating schedule, and continued concerns about the reaction of domestic industry. Both External Affairs and Customs felt talks with Japan could not be carried out at the same time as sensitive talks with Britain.[56] Cabinet thought otherwise, and the negotiations were scheduled for July 1958. But as with Peter Johnsen in 1954, External Affairs found somebody they could work with in Jim Moriarty. It was he and Laking that, just before the arrival of the Japanese, convinced Walter Nash that New Zealand should concede full MFN in the last resort.[57] Both Departments went into the negotiations with an agreed point of view, and similar expectations of costs and benefits. Unlike in 1954, there was no fundamental division of opinion, and there were consequently no surprises during the talks. There is again a comparison with the Australian situation, where the amalgamation of the two feuding departments apparently led to a more balanced policy, and contributed to the successful Australian agreement with Japan.[58] In New Zealand, the two Departments were not fused, but the harmony between them over Japan contributed markedly to the successful agreement in 1958.

Another interesting point raised by Shanahan in his 1962 submission was the fear that disputes in Wellington would taint cooperation between staff from various departments in overseas posts: 'Coordination of policy in Wellington on questions

---

[55] Deputy Secretary EA – Minister, Tokyo (Reid), EA W2619 40/12/2 Pt 1.
[56] Patrick Millen (EA) – McIntosh/Laking, 15 May 1958, ibid.
[57] Laking, file note, 18 July 1958, IC W2006 114/1/1 Pt 4.
[58] Alan Rix, *Coming to Terms*, p. 203.

affecting our overseas trade interests is very important to the efficient functioning of our missions overseas.'[59] However, in the case in Tokyo the staff of the two departments co-existed without serious problems. There were, however, interesting dynamics at work that illustrated the potential for things to go wrong. One situation involved the head of New Zealand's mission in Japan between 1947 and 1956, Bill Challis.

The appointment of Challis and Colin Murray as New Zealand's first representatives to Japan in 1947 was an Industries and Commerce initiative. Both men had worked for the Department before going to Asia. When the call came, Challis was with UNRAA in China, and Murray was already in Japan with J-Force. When New Zealand's mission was upgraded to a Legation, Challis was retained as Chargé d'Affaires, to the chagrin of some in External Affairs. John Reid, the career External Affairs officer who succeeded Challis as Head of Mission commented: 'If I were cynical I would probably say the Prime Minister and Challis were right and he should have been left forever as any good Trade Commissioner has a right to expect'.[60] Frank Corner complained that External Affairs had 'submit[ted] to a junior Industries and Commerce man heading an important post in Japan, and we contemplate a similar unfortunate arrangement for Singapore'.[61] This reflected an occasional External Affairs gripe. The Tokyo post was in some ways a prototype for the further expansion of representation. The arrangement with Challis and Murray blazing a trail with trade work, with full diplomatic representation following later, created a template for the establishment of other overseas posts.

There was continued stress over the tendency for posts to be established on the basis of trade. Challis had enquired in 1955 as to the possibility of starting diplomatic representation in India 'in the same way as we did it here [Tokyo], by adding acting diplomatic status and duties to the Trade Commissioner to get the diplomatic mission started'.[62] McIntosh was keen, but said that Industries and Commerce had blocked

---

[59] Shanahan, submission to the Royal Commission, MS-Papers-6759-193, p. 3.
[60] John Reid – McIntosh, 2 July 1956, MS-Papers-6759-3332.
[61] Frank Corner – McIntosh, 12 April 1954, in *Unofficial Channels*, p. 163.
[62] Challis – McIntosh, 27 July 1955, MS-Papers-6759-247 & McIntosh – Laking, 17 June 1956, MS-Papers-6759-295

Challis moving from Tokyo.[63] McIntosh was not always so eager when the process was out of his control. When Industries and Commerce was 'bent' on extending their network of overseas posts in the early 1960s: 'I know perfectly well that we are going to have a rash of these Industries and Commerce outfits which will all have to be given diplomatic status for them to function at all.'[64] Nevertheless, the Tokyo model was subsequently used in setting up a number of other overseas posts in Asia, Latin America and the Middle East.[65]

After becoming Chargé, Challis remained technically an employee of Industries and Commerce, despite now also answering to McIntosh. Challis became increasingly frustrated with what he saw as the inaction of his own Department on trade with Japan, writing a tirade to P.B. Marshall in early 1953: 'I believe that it is a mistake to formulate and adopt at the highest level, a broadminded and farsighted Peace Treaty, and then allow it to be disavowed and scuttled at the Departmental level, for short term and expedient reasons.'[66] Such views increasingly led Challis to sympathise with External Affairs. He later recalled that after his survey of Asian trade possibilities in 1951 'with the exception of External no-one was much interested', and also alleged that Industries and Commerce had 'deliberately thwarted' the 1954 negotiations.[67] Though McIntosh had some private reservations about Challis, he was thought highly enough of to be invited to join External Affairs and front representation in South East Asia under Foss Shanahan. Unfortunately, Challis fell out with Shanahan, and disagreements broke out over the terms of his transfer, the Prime Minister even attempting to intervene on his behalf during his visit to Japan.[68]

---

[63] McIntosh – Shanahan, 10 February 1956, MS-Papers-6759-343 & McIntosh – White, 11 November 1955, MS-Papers-6759-373.

[64] McIntosh – Laking, 9 January 1962, in *Unofficial Channels*, p. 292. Challis himself later acknowledged problems with the system after receiving complaints from Industries and Commerce when serving as a dual role 'Commissioner' in Singapore: 'I liked Jakarta, where I was resented by no-one but the Indonesians and the occasional shell-fire had a more honest sound than squalid interdepartmental crossfire.' Challis – McIntosh, 26 March 1966, MS-Papers-6759-250.

[65] One interesting example of this was Malcolm Craig of Trade and Industry, who became New Zealand's first Chargé d'Affaires in Baghdad in 1975, assisted by a Foreign Affairs officer. The pair were sent in on the back of then growing trade links with Iraq, consisting of sales of three top dressing aircraft, a contract for sales of lamb, and the involvement of New Zealand negotiators in setting up a major infrastructure project. Within six weeks of his arrival, two of the planes had crashed, the lamb contract had been cancelled, and the negotiators had been ordered out of the country. In Craig's words: 'That was a great start.'

[66] Challis – P.B. Marshall, 2 April 1953, IC W2006 114/1/4 Pt 1.

[67] Challis – McIntosh, 11 August 1961, MS-Papers-6759-248.

[68] McIntosh – George Laking, 21 December 1955, MS-Papers-6759-294.

Frustrated, Challis crossed the line in his complaints, and was told by McIntosh, 'I have been trying to strike the line between expressing sympathy and telling you not to be an ass'.[69] Challis did end up with External Affairs in Bangkok. This was the only real 'incident' relating to staff in Tokyo, and may partially be attributed to Challis' character; he seems to have been lively, ebullient, and extremely confident in his own abilities.[70] Nevertheless, it highlighted the potential for interdepartmental relations to turn sour if personal relations broke down.

But overseas posts, Tokyo at least, were not contaminated as Shanahan had feared. None of the former Tokyo staff interviewed during this research recalled any problems between the departments in Japan. The tension was acknowledged as existing generally, or in Wellington specifically, but does not seem to have manifested itself in Tokyo. There were occasional breakdowns in communication, but these occurred around the same time as Industries and Commerce's reversal in 1958, and were even more prevalent in Wellington, as evidenced by the communications between George Laking and John Reid. As Ambassador, Reid had no problems with the Industries and Commerce officers under his leadership in Tokyo: 'I agree that the methods adopted by the Industries and Commerce Department are not very helpful to cooperation between the two Departments, but I can assure you that at this end [John S.] Scott has kept me fully informed and discussed all steps prior to his taking any action.'[71] Rex Cunninghame, who worked with Reid in Tokyo and Ottawa, recalled that he was typically laid back and relaxed; certainly he does not seem to have been unduly bothered by conflict in Wellington.[72] To some extent the chances of conflict in Tokyo were limited by the small size of the post; it started out with two representative staff, was enlarged to three in 1952, and had reached five by the end of the decade. There simply were not the numbers of people available to have any decent bickering. Charles Paul recalled that with people living in each others pockets, there were bound to be occasional tiffs, but that on the

---

[69] McIntosh – Challis, 7 April 1956, MS-Papers-6759-246.

[70] Those who worked with Challis in Tokyo agreed that his skills in cultivating contacts and in being generally a smooth operator were an asset for a new post. For New Zealand he was, Colin Murray commented, the right man in the right place at the right time.

[71] Reid – Laking, 22 May 1958, MS-Papers-77-193. When Scott later suffered a heart attack, Reid told McIntosh that he had the confidence of the business community and officials, and should serve another term in Tokyo when he had recovered. Reid – McIntosh, 13 November 1958, ibid.

[72] Interview with Rex Cunninghame, 10 September 2003.

whole relations were friendly. David Atkins remembered that, in an unfamiliar environment, the staff and their dependents became almost like an extended family.[73]

To conclude, this chapter has shown that conflict between the pro-liberalisation External Affairs and the protectionist Industries and Commerce between 1949 and 1955 was of considerable importance in the development, or lack of development, in New Zealand's relations with Japan. The absence of a single decisive policy and the single-mindedness of both camps, was the main immediate cause of Cabinet's deferral of the 1954 agreement. The abrupt change in 1958 of Industries and Commerce's policy caught even External Affairs by surprise, but the new found accord between the two was undoubtedly of great assistance in securing the successful 1958 agreement. Despite the example of Bill Challis serving to highlight the potential for problems, his situation was unique, and difficulties in Wellington were not mirrored in Tokyo, and the staff there co-existed admirably given the issues at home.

[73] Interviews with Charles Paul, 20 August 2003 & David Atkins, 15 October 2003.

Chapter VIII – Other Influences

Several subsidiary factors influenced the development of New Zealand-Japan relations between the late 1940s and early 1960s. This chapter will address them, their interconnection, and how they lessened over the period. The problems revolved around New Zealand's inexperience in dealing directly with Japan, and an associated lack of funding for the diplomatic service. These problems were manifested in several ways. New Zealand began the period with a young Foreign Service, and limited expertise in Japanese language and culture. A lack of funding also contributed to the hesitant development of Japan expertise. The upshot of this was that the 1954 negotiations suffered from inexperience of the two countries in dealing with each other. These problems were slowly overcome by gaining of experience, and by more rapid remedies such as the exchange of state visitors. The earlier problems sporadically resurfaced during the late 1950s, but as resourcing and experience of mutual dealings steadily increased, they became less significant.

Existing literature partially covers some aspects of these topics. Little has been directly written on the resourcing of the diplomatic service and nothing in relation to Japan specifically. Sharon Harvey addressed gaps in knowledge and mutual understanding in her work on New Zealand-Japan cultural relations since the war. She argued that cultural links represented a less important 'third dimension' to the first and second dimensions of economics and politics. Also, the 'steps taken to build a larger New Zealand profile in Japan and to give New Zealanders the essential cultural and linguistic tools to create advantages for themselves within the relationship have been halting and insufficient'.[1] The problem was in business as well as Government,[2] and first manifested itself in the 1950s. By implication the argument is that relations were 'built on the sand' of trade. A low profile and limited experience and knowledge of Japan meant New Zealand was 'ill-equipped to maximize its interests as bilateral dealings expanded'.[3]

---

[1] Sharon Harvey, 'The Third Dimension – Cultural Relations Between New Zealand and Japan in the Post-War Period', MA Thesis in History, Auckland University, 1988, ii.
[2] Ibid., pp. 4-10.
[3] Ibid., p. 38. Similarly, see Ann Trotter, 'An Evolving Relationship – New Zealand and Japan', in *New Zealand in World Affairs, Vol III*, Wellington: NZIIA, 1999, p. 205.

Harvey concluded, however, that this lack of 'cultural cushioning' did not hinder the overall relationship to any significant degree in the 1950s and 1960s.[4] This does not account for problems encountered during the 1954 trade negotiations, or the on-going lack of knowledge and awareness that Harvey maintains persisted into the 1980s. Several authors have briefly reported that state visits were important, without detailed explanation. McCaul suggested Holland's visit to Japan in 1956 'swept away' many previous preconceptions.[5] Trotter also argued that 1956 was an important year, in part because of Holland's visit.[6] Tom Larkin noted that after the Japanese Prime Minister, Kishi, visited in 1957, 'it was clear most New Zealanders now looked towards Japan without hostility and with growing curiosity'.[7]

This chapter argues that a lack of expertise on and awareness of Japan slowed the development of links, and occasionally caused problems directly, but also, that the issues were tempered by a small, but slowly growing, group of people with knowledge and experience of Japan. The 1954 talks were affected by a lack of mutual understanding, but, as with the beginning of state visits, provided important experience in dealing with the Japanese. While funding problems persisted, especially for the 'pioneer' Tokyo post, initiatives such as visits lessened the problem by the end of the 1950s.

Its recent establishment and unfamiliar location complicated the status of the Tokyo post. In the late 1940s a formal Foreign Service was still in its youth. When representatives were first sent to Tokyo in May 1947, New Zealand's experience was limited to representation with the 'Old Commonwealth', and wartime allies. Japan and New Zealand shared neither language, culture nor history. Moving into the

---

[4] Ibid., p. 246.

[5] McCaul, 'New Zealand and Japan', p. 32.

[6] Trotter, 'From Suspicion to Growing Partnership', p. 205. Similarly, Bruce Brown wrote that Holland's visit gave impetus to bilateral links. Bruce Brown, ' "Foreign Policy is Trade": Trade is Foreign Policy – Some Principal New Zealand Trade Problems since the Second World War', in *Fifty Years of New Zealand Foreign Policy Making*, Ann Trotter (ed.), Dunedin: Otago University Press, 1993, p. 91. Ian McGibbon wrote that the Holland visit bolstered relations. Ian McGibbon, 'Perceptions of Japan 1945-65', in *Japan and New Zealand – 150 Years*, Roger Peren (ed.), Palmerston North: NZ Centre for Japan Studies, Massey University, on behalf of the Ministry of Foreign Affairs, Tokyo, in Association with the Historical Branch, Department of Internal Affairs, 1999, p. 136. See also Maarten Wevers, *Japan – Its Future and New Zealand*, Wellington: Victoria University Press for the Institute of Policy Studies, 1988, p. 115.

[7] Tom Larkin, 'Japan – Changing Problems', in *Beyond New Zealand*, p. 190. See also Larkin, 'New Zealand and Japan in the Post-War World', pp. 8-9.

1950s, New Zealand was 'pioneering' representation in an unfamiliar region. From Wellington the process tended towards the arbitrary. In August 1946 McIntosh and P.B. Marshall agreed it was still 'premature' to send a Trade Representative to Tokyo.[8] By November, Cabinet had agreed in principle to the appointment of a representative from Industries and Commerce.[9] The US expressed disappointment that there would be no political representative, but External Affairs explained that it was having difficulty meeting even existing representation demands.[10] Nevertheless, the Tokyo office was opened in May 1947, headed by Bill Challis, who had been working for UNRRA in China, and Colin Murray, already in Japan with Jayforce. Challis was given the title of Temporary Trade Representative, in the expectation of a year's trial.[11] The office gradually became a permanent fixture, and was upgraded to a Legation in 1952. Far from being just a trade office, the post was called on to do whatever was necessary in New Zealand's interests. Colin Murray recalled having a wide variety of duties, and he and Challis acting as jacks of all trades. Tasks included some consular duties, liaising with SCAP, assisting businessmen from either country, and dealing with reparations and restitution.[12]

Colin Murray recalled some of the difficulties of the early days in Japan. With accommodation in short supply, he and Challis initially worked in Empire House, the headquarters of the British Commonwealth Forces in Japan, and were billeted in the requisitioned Marunouchi Hotel.[13] For 18 months the office had to borrow an English language type-writer from the adjoining Australian office. Communication with New Zealand was difficult, and perhaps the greatest problem faced early on. Sending cables was time consuming and extremely expensive. There was no direct shipping between the two countries, and transhipping through Australia proved difficult. Prior

---

[8] Secretary IC – Secretary EA, 15 August 1946, EA W1784 58/12/2 Pt 1b.
[9] Tom Davin (EA) – Harold Evans (Tokyo), 22 November 1946, ibid.
[10] Counsellor, Washington (Guy Powles) – Secretary EA, 24 February 1947, ibid.
[11] The 'pioneering' status of the post was reflected somewhat in the marital status of its staff. Both Murray and Challis were then single, as were Rod Miller and Charles Paul when they arrived in 1952. Charles Paul recalled that as an unattached man, he represented something of a 'cheap hire'. Similarly, the initial appointment of two men already in Asia was partially down to convenience, it would have taken much longer to appoint somebody from New Zealand. Colin Murray – Author, 10 November 2003.
[12] Colin Murray – Author, 13 November 2003. At one stage Murray was called to deal with a stowaway from the South Pacific on a Japanese ship.
[13] Murray was initially unable to use the Marunouchi. He had come straight from Jayforce to Tokyo and had no civilian clothes. No room could be found on ships traveling via Australia, so a suitcase eventually arrived from New Zealand via the mail DC3.

to the establishment of a QANTAS service to Sydney, airmail was sent via an RNZAF DC3 that took two weeks to make the round trip.[14] Some of these problems were ongoing. In 1953 McIntosh recorded 'a hell of a row' with the Minister over the cost of cables from Tokyo. 'Ministers just don't see the need for cabling on External Affairs matters, with the result that out activities are badly circumscribed. I agree that unless you know the background you can't extract information at your end...'[15]

Colin Murray and Charles Paul remembered personal financial difficulties. There were no set allowances for overseas officers, and such matters were dealt with, or not, as they arose. Prices rose rapidly in post-war Japan and services previously free or cheap to occupation forces increased in cost. When the pair had been in the Marunouchi for three years the situation came to a head. Challis told Industries and Commerce that 'The financial problem which faces both Murray and me is a serious one. It is not simply a case that the present figures are slightly on the low side... there is a substantial gap between incomes and the minimum which we need to live on. I regret to say that both Murray and I have had to dig deep into our personal capital to keep going.'[16] External Affairs and Industries and Commerce agreed that increased support was warranted, but nothing had been done by the time Challis complained again, a year later.[17] McIntosh noted ruefully that budget cuts meant 'I do not like the prospects of our doing anything for Challis in Tokyo'.[18]

It has been suggested that the upgrading to a Legation was 'prompt',[19] but it appears to have been anything but that. External Affairs discussed the issue as early as March 1950, arguing that full representation in Tokyo would serve the supervision of Japan after the occupation, though it was also suggested that 'these are not questions that need to be faced at present'.[20] Challis told Wellington shortly afterwards that a lack

---

[14] Interview with Colin Murray, 16 January 2004. The office sent two copies of every mail, one by air and a confirming copy by sea. This explains the occasional appearance of two originals of the same letter on departmental files.

[15] McIntosh – Frank Corner, 9 January 1953, in *Unofficial Channels*, p. 118.

[16] Challis – Secretary IC, 25 September 1950, EA W2619 64/12/2 Pt 2. Colin Murray recalled one occasion when his pay was insufficient to cover the Hotel bill. Challis told him to draw a cheque in advance for £250, and tell Wellington later, as it would 'stir the buggers up'. Interview with Colin Murray, 16 January 2004.

[17] Stokes – Shanahan, 10 October 1950 & Challis – Secretary IC, 6 September 1951, ibid.

[18] McIntosh – Fred Doidge, October 1951, MS-Papers-6759-271.

[19] Ann Trotter, 'From Suspicion to Growing Partnership', p. 195.

[20] Establishment of a NZ Diplomatic Post in Asia, 9 March 1950, MS-Papers-6759-445, p. 3.

of diplomatic accreditation limited his access to SCAP and Japanese officials. In mid 1951 both External Affairs and Industries and Commerce endorsed the establishment of full diplomatic representation, referring to the inadequacy of reliance on British channels, and the conviction that 'we must be in a position to know constantly what Japan is doing'.[21] Challis' problems worsened by late 1951, as he reported on the ceremonial recognition of the signing of the Peace Treaty, and added that 'New Zealand was not invited of course'.[22] Cabinet continued to delay, for reasons of cost and public opinion, but approved a Legation with Challis as Chargé d'Affaires in November 1951.[23]

With the requisition of the Marunouchi ending with the Occupation, Murray and Challis were forced to find new accommodation. External Affairs and Industries and Commerce advised Cabinet that Challis should be authorised to find suitable premises.[24] New Zealand had as its share from the sale of German assets in Japan some blocked yen, that had to be used in Japan. This money bought the land for New Zealand's first Legation.[25] By the end of 1952 McIntosh said he would not be surprised 'if we weren't asked to consider closing Tokyo altogether, that is, so far as External Affairs is concerned.' Although McIntosh had no doubt Challis and Industries and Commerce could make a case for retention of a trade connection, 'I am by no means certain that I would be equally successful'.[26] McIntosh was perhaps being pessimistic: such moves would have rendered effective representation

---

[21] Secretary EA & Secretary IC – Minister EA & Minister IC, 16 May 1951, EA W2619 64/12/2 Pt 2.

[22] Challis – Shanahan, 14 September 1951, ibid.

[23] Despite successfully lobbying Cabinet for an upgrade of status, McIntosh still had to persuade his Minister to approve the posting of an External Affairs officer to handle political reporting and consular duties. It was almost another year before Rod Miller was despatched. McIntosh – Challis, 4 January 1952 & 26 September 1952, MS-Papers-6759-245.

[24] Minister EA & Minister IC – Cabinet, 16 November 1951, EA W2619 64/12/2 Pt 2. Other such details needed to be arranged at the same time, Challis requesting the use of ciphers from New Zealand and the purchase of an office car. Challis, Monthly Reports, December 1947 & April 1948, A 1838/278 480/39/1 Pt 1.

[25] The Legation proved a good investment, but there were unanticipated problems as the post became less 'frontier'. It was designed with the needs of three single men in mind, and rotation of staff caused problems. When Rex Cunninghame arrived in 1955 he was both the first New Zealand diplomat to bring his wife to the country, and the first to have a child born there. Accommodation proved insufficient for the increased population, Cunninghame having some difficulty finding adequate housing elsewhere. When John Reid arrived in 1956, he experienced similar problems, being told by Shanahan that the post was 'a first class bachelor mission'. Shanahan – Reid, 20 August 1956, MS-Papers-77-193. See also Reid – McIntosh, 2 July 1956, MS-Papers-6759-332.

[26] McIntosh – Challis, 4 December 1952, ibid.

untenable, and having finally agreed to a Legation, even a stingy Government would have been loath to downgrade it, given Japan's increasing importance.[27]

Nevertheless, financial stringencies continued. A 1953 External Affairs paper spelled out the difficulties: 'Governments will of course look to the question of expense, but we should not, even in purely Departmental planning, seek to make the sky the limit... It is a question of our selecting priorities among objectives, all of which may be absolutely desirable.'[28] But by the end of 1953 the pressure had temporarily eased.[29] Challis greeted a review of allowances with relief: 'it has taken a big worry from us that we can now hold our own'. Construction of the new Legation was also well underway.[30]

The lack of a common language was always a potential issue, and was slow in being remedied. McIntosh recognised early the importance of New Zealand acquiring training in Asian affairs and languages. Rex Cunninghame had learnt Japanese in England, and was in Japan immediately following the cessation of hostilities and again with the Far East Commission in 1946. Where one might quite reasonably expect mutual suspicion and misgivings, his first impressions of Japan set an enduring positive tone. A Japanese man that Cunninghame met later recalled their meeting:

> One day late in autumn I was waiting alone for an electric train in the gathering dusk of Gora Station. A foreign naval officer approached me with a puzzled air and asked whether there was an inn nearby... In those days when the Occupation had just begun, Japanese did not dare give a foreign soldier lodging overnight... I imagined that this officer had been politely turned away at every inn. For my part, however, I admired the officer's courage to seek lodging with the Japanese who had so recently been his enemy. At the same time his confidence in the Japanese made me rejoice. I thought that my mother would be overjoyed to entertain this foreigner at her

---

[27] Interviews with Rod Miller and Charles Paul.
[28] 'NZ Foreign Service – The Next Steps', 21 May 1953, MS-Papers-6759-445, p. 1. When the Legation needed a typist, McIntosh joked that the Government would seriously consider whether to send one, or instead use the money to appoint a new Governor of the Reserve Bank. McIntosh – Challis, 27 May 1953, MS-Papers-6759-245.
[29] Interviews with Charles Paul and Rod Miller.
[30] Challis – McIntosh, 5 November 1953, ibid.

> home in Gora... On the way to my house, the lieutenant startled me by bursting into fluent Japanese. Probably he had grown impatient with my English... Mother warmly welcomed the first Briton she had met in several years as if he were a son returning from a long voyage. The officer was deeply affected by her reception, quite unexpected in the land of a former enemy.[31]

Other veterans of service in Japan recalled similarly positive first encounters. Cunninghame joined External Affairs on his return to New Zealand in 1946, heading the Far Eastern Division. Rod Miller also learnt Japanese and served with Jayforce. Miller stated that knowledge of the local language when serving abroad was a highly desirable, if not essential, tool.[32] Miller joined Cunninghame in the Far Eastern Division on his return to New Zealand in 1948. McIntosh recruited the two at least in part because of their specialised knowledge. He told Challis in 1952 that 'If we are to play even the most minor part in Pacific affairs, we should have people in the Department who can read and speak some of the principal Oriental languages. These two chaps are the nucleus for Oriental studies in this place...'[33] Challis wondered whether both could be posted to Japan at once, as the future importance of Asia to New Zealand meant that 'your staff should get its training and experience as soon as possible... although it would be impossible to argue that we must have both of them, they would not run out of work, for a certainty.'[34] McIntosh's reply typified the problems he faced in Wellington. There was 'not a hope' of this happening.[35] McIntosh continued to agitate for incentives for those learning 'difficult' languages, but the issue was sidelined.[36]

A lack of mutual understanding and experience in dealing with each other led to misunderstandings between the two countries, notably during the 1954 negotiations.

---

[31] Tsuneyuki Kimura, *The Unofficial Diplomats*, Tokyo: Daiichi Shokan, 1948, p. 69-72.
[32] Interview with Rod Miller, 22 July 2003.
[33] McIntosh – Challis, 24 September 1952, MS-Papers-6759-245.
[34] Challis – McIntosh, 18 October 1952, ibid.
[35] McIntosh – Challis, 4 December 1952, ibid.
[36] McIntosh – Challis, 27 May 1953, ibid. When in Canberra in 1948 Rex Cunninghame had enquired with Australian External Affairs over the state of their Chinese language training, which Canberra told him was in a relatively advanced state. Australian Secretary EA – Australian Official Secretary, Wellington, 15 July 1948, A 1838/336 370/1/5 Pt 1. If any initiative was taken in Wellington, then pressures of budget combined with the fall of Nationalist China meant it was also sidelined.

There was some confusion, possibly wilful ignorance on the part of the Japanese as to New Zealand's attitude towards their entry to GATT. The CCEP decided in 1953 that New Zealand could not support entry, but this and exactly what concessions New Zealand would offer became confused. Shima made clear from the outset of the talks that Japan wanted New Zealand to support their full entry to GATT, and hoped any bilateral agreement 'will prove to be a step forward in that direction'.[37] The response was that New Zealand 'does not oppose' Japan entering GATT.[38] Not opposing did not mean active support, and the position appears to have become confused.[39] There was also confusion about the two parts of the agreement, and when each would take effect. The proposed agreement was comprised of the limited MFN tariff arrangement, and an exchange of letters [EOL] on import and foreign exchange control. The Japanese negotiators claimed Japan would be unable to implement the tariff arrangement immediately, but would like mutual implementation of the EOL immediately. New Zealand replied that it wanted both to enter force together.[40]

Matters were further complicated by the issue of confidentiality. Secrecy during negotiations was apparently not standard Japanese practice. Whatever assurances were given by the Japanese negotiators in Wellington, details were invariably leaked by the Japanese Ministry of Foreign Affairs, or Gaimusho, in Tokyo. Challis was aware of this tendency in 1951, and said that 'It is very difficult to keep even confidential matters from the press here as leakages of information from Japanese Government Departments are routine.'[41] In 1954 Shanahan commented that leakage in Tokyo occurred on a 'quite disconcerting basis'.[42] This was a problem for New Zealand's officials attempting to minimise publicity to limit possible criticism. Shanahan's fears proved well founded as reports appeared in the local press that an agreement had been reached even before the Japanese delegation left New Zealand.[43]

---

[37] Statement by Shima at the First Meeting, 21 June 1954, C W2358 955/000/1 Pt 1.
[38] Minutes of the Second Meeting, 24 June 1954, ibid., p. 2.
[39] As this position was enough to confuse Australian officials in Wellington, one can only guess how the Japanese interpreted the move. Assistant Australian Secretary EA, file note, 17 June 1955, A 1838/2 759/3/8 Pt 1.
[40] Points for Discussion, 23 June 1954, ibid.
[41] Extract, Challis Report, 15 December 1951, EA W2619 64/12/2 Pt 2.
[42] Shanahan, file note, 2 July 1954, EA W2619 58/12/2 Pt 7
[43] *Dominion*, 27 July 1954, ibid. & *Evening Post*, 3 August 1954, C W2358 955/000/1 Pt 1.

The CCEP had meanwhile agreed that the EOL should enter force immediately.[44] The Japanese were led to expect this, as a later note made clear. 'As the New Zealand authorities are aware, it was understood at the time of the initialling that the letter on import licensing policy would be officially exchanged and put into effect within a few weeks.'[45] But Cabinet deferred approval of both elements of the agreement. Challis was told this was to avoid raising questions about the limited MFN agreement, 'which we would prefer to avoid at this time'.[46] Shanahan named similarly murky 'political difficulties' for not enacting the EOL.[47] Shima met with Shanahan, and the Minister of Customs, Charles Bowden.

> Mr Shima stated that what his Government would find most difficult to understand was our refusal to agree to the EOL... This merely indicated an intention to take certain action... He reminded me that the discussions here had been arranged on the initiative of the New Zealand Government and that naturally the Japanese Government expected that some benefit would flow to both parties. I had no adequate rejoinder to this.[48]

In later conversation with Shanahan, Shima 'dropped his ordinary Oriental attitude and told me he was very annoyed about developments and felt that his Government would feel the same way'.[49] Shima was right. Challis reported from Tokyo that the 'Japanese are somewhat offended by your decision not to proceed as arranged.'[50] The official note made clear Japanese annoyance at the manner in which they had learned of the deferral. 'The Japanese Government cannot conceal their surprise at the abruptness with which the press statement was issued by the New Zealand Government without giving any advance notice to the Japanese Government, and cannot but feel a great disappointment to learn that both arrangements have been formally shelved.' The New Zealand Government, following much agonising over leaks, had attempted to pre-empt further seepage with its own press release. The Japanese head learned of the deferral from this rather than directly from the source.

---

[44] CCEP Ninth Meeting, 30 June 1954, pp. 2-3.
[45] Gaimusho – New Zealand Legation, Tokyo, 8 October 1954, EA W2619 58/12/2 Pt 7.
[46] Minister EA – Chargé, Tokyo, 19 August 1954.
[47] Shanahan – Minister of Customs (Bowden), 23 August 1954, ibid.
[48] Shanahan, file note, 20 August 1954, ibid.
[49] Shanahan – Bowden, 23 August 1954, C W2358 955/000/1 Pt 1.
[50] Chargé, Tokyo – Minister EA, 24 August 1954, EA W2619 58/12/2 Pt 7.

While Challis attempted damage control in Tokyo, Rex Cunninghame tried to assist Shima in Wellington. Cunninghame thought the Gaimusho would blame Shima personally for the failure, and that 'The impression the Japanese and Mr Shima may have of this department; and the impression the Japanese Foreign Office may have of Mr Shima may be distorted unless something is done.'[51] McIntosh accepted this judgment and asked Challis to take appropriate action.[52] Looking back, Cunninghame recalled that because of his previous experience in Japan, he was confident in his forecast of their reaction. While normally only common sense was needed, 'Some feeling for the way foreign people live and feel does make a reasonable difference, and can be important in certain situations.'[53] The issue of mutual understanding is evidently a very finely balanced one. Elsewhere, Cunninghame wrote that 'you would be making a great mistake if you dismissed as airy, fairy irrelevancies the whole matter of Japanese ways of thinking and feeling', but added that 'normal sensitivity, normal instinctive feeling in particular as to how the other man may be thinking, is all that is really necessary'.[54]

Despite these efforts, the result of these misunderstandings was that the Japanese were offended, and bilateral links faltered. There was residual suspicion of the Japanese at high levels, with even the outwardly most liberal of thinkers expressing reservations. Shanahan wrote of an encounter with a Japanese official in Singapore: 'There [in Wellington] they are much more careful than they are here in South East Asia. Their presumption is very nearly intolerable... I wrote, of course, to him and others explaining that I had functions like the Lord High Executioner.'[55] McIntosh was 'Sorry you had trouble with the arrogant Japanese. You know my opinion of the gentlemen, and all my fundamental distrust of our policy towards them... We shall have good cause to try to invoke ANZUS against them yet!'[56] There is no suggestion

---

[51] Cunninghame – McIntosh, 27 August 1954, ibid.
[52] McIntosh – Challis, 9 September 1954, ibid.
[53] Interview with Rex Cunninghame, 10 September 2003.
[54] Rex Cunninghame, 'The Japanese Psyche – Are the Japanese Really Unique?', in *Consider Japan – Papers from a Seminar conducted by the Japan Centre of Christchurch*, Agricultural Economic Research Unit Lincoln College, January 1984, p. 8.
[55] Shanahan – McIntosh, 24 August 1955, MS-Papers-6759-342.
[56] McIntosh – Shanahan, 2 September 1955, ibid.

such personal views ever influenced policy direction, but such remarks are worth considering in the overall picture of how Japan was understood.

John Reid wrote of his 'Japanese adventure'[57] shortly after arriving in Tokyo. Japan was, he said, a place where

> ...the barriers to understanding take more surmounting than they do elsewhere. It is essentially a place where one must move slowly towards any stage of intimacy and where a good deal of background knowledge is necessary to achieve results. In Indonesia and India where I have had some experience, the centuries of European rule have imposed a way of thinking we can follow and to which we can adjust. That has not happened in Japan and many of the basic approaches are utterly different from ours.[58]

Yet following 1954 things slowly began to improve. While the Japanese took umbrage at the turn of events, ruffled feathers were effectively smoothed by the successful visits of Kawasaki to New Zealand and Holland to Japan. The two countries gradually developed a greater appreciation of the way the other operated. One important element of this was state visits.[59]

For both countries these visits were a valuable introduction in dealing with each other, and served as a partial antidote to the misunderstanding that sometimes existed. More generally, they had concentrated the minds of officials and politicians in both capitals on bilateral issues.[60] Visits also had important symbolic value, as a post-war jumpstart for public links, and for New Zealand as a guide to what the public found acceptable.[61] Holland's trip to Japan was a long time in the planning.[62] During 1953 Challis and McIntosh discussed the possibility of the latter visiting Japan with

---

[57] Reid – Guy Powles, 16 July 1956, MS-Papers-77-193.
[58] Reid – P.B. Marshall, 9 August 1956, ibid..
[59] The pattern has persisted to the present day, the Japanese Prime Minister, Junichiro Koizumi, briefly visiting Wellington earlier in 2003.
[60] Interview with Rod Miller, 22 July 2003.
[61] Interview with Rex Cunninghame, 10 September 2003.
[62] In 1952 the National MPs Tom Macdonald and Eric Halstead, and the Labour MP Gerry Skinner travelled to Korea, briefly also visiting Japan in the process. There is scant information available on this. Shanahan – McIntosh, 28 October 1952, MS-Papers-6759-342 & Interview with Colin Murray, 16 January 2004.

Holland.[63] At the end of 1954 it was suggested that Holland might return from a Commonwealth Prime Ministers' conference via Japan. Holland 'flirted' with the idea,[64] and the trip was seemingly on at the start of 1955. McIntosh wrote somewhat cynically to Challis that the Prime Minister would not want to do 'any serious discussing or work. He is essentially... a tourist. He likes going around shopping and having a look at places of entertainment, but, of course, maintaining a façade of doing something'.[65] The visit did not eventuate, ostensibly because the timing was inconvenient for the Japanese in the lead up to elections.[66]

Despite this setback, the Japanese approached Challis later in 1955 with a proposal for the Japanese Minister of Welfare, Hideki Kawasaki, to visit New Zealand to study the social welfare system. The Gaimusho preferred an officially sanctioned visit to avoid questions of 'junket' trips at home. Challis commented 'As in other countries, the politicians here have little hesitation in undertaking trips at public expense which combine a measure of official fact-finding and sightseeing generally.'[67] Holland was 'quite agreeable' to Kawasaki coming as a state guest.[68] The visit apparently carried much deeper significance for the Japanese than a mere junket. The Prime Minister, Hatoyama, asked Challis to convey his 'deep appreciation... at the friendly manner in which the New Zealand Government has extended a welcome'. The Japanese were pleased that New Zealand had created the first opportunity for a Japanese Minister to visit, and hoped Holland would pay a return visit.[69]

The press said the visit was mainly to study social welfare, but that trade matters might be discussed informally if the opportunity arose.[70] While trade did not arise, the visit was judged a success by both sides in terms of goodwill. From Tokyo Challis reported: 'it was a happy thought of the New Zealand Government to extend Mr Kawasaki the courtesy of being a guest of State, and the gesture has been widely

---

[63] Challis – McIntosh, 5 November 1953 & McIntosh – Challis, 10 December 1953, MS-Papers-6759-245.
[64] McIntosh – Laking, 14 & 21 December 1954, MS-Papers-6759-294.
[65] McIntosh – Challis, 18 January 1955, MS-Papers-6759-245.
[66] Denis Dunlop (EA) – Charles Craw/J.V. Wilson, 11 October 1955, ABHS 950 W4627 B1445 58/12/1 Pt 2. One might speculate that given the breakdown of the 1954 trade talks, there was more to this decision than elections.
[67] Chargé, Tokyo – Secretary EA, 21 July 1955, EA 1 59/3/180 Pt 1.
[68] Secretary EA – Chargé, Tokyo, 3 August 1955, ibid.
[69] Challis – J.V. Wilson, 13 October 1955, ibid.
[70] *Dominion*, 14 October 1955, ibid.

and favourably received in this country'.[71] From New Zealand's point of view the visit was also a success. Rex Cunninghame recalled it as being a useful icebreaker, and Holland accepted Kawasaki's invitation of a return trip.[72] However, there was one aspect that reflected New Zealand's inexperience in dealing with Japan. It was common practice for Japanese dignitaries to come bearing gifts for their hosts. Omiyage or 'honourable gifts' were brought by Kawasaki, as Challis had informed Wellington they would be.[73] Kawasaki presented Holland with gifts from Hatoyama, a cloisonné cigarette and ashtray, but there was no reciprocation.[74] There is no indication this caused offence, but it was something that New Zealand officials learned from for subsequent visits.

Holland's return trip was frequently delayed, but was the product of careful planning by both governments. Challis conferred with the Japanese on an itinerary six months before the trip, the Gaimusho setting out 'essential' visits with the Emperor, sightseeing in the cultural capital of Japan, Kyoto, and a performance at a Kabuki theatre. Challis also planned visits to various centres of industry, in line with McIntosh's intention to 'educate' Holland about Japanese economic strength. Gifts received extensive attention. Challis thought paua shell items might be suitable for high-level Japanese, and travelling rugs and bound volumes of New Zealand scenery for local Governors and Mayors.[75] Rex Cunninghame further suggested that some signed photos of Holland would not go astray for minor dignitaries.[76] A greenstone tiki from the Dominion Museum in a carved wooden box was selected as a gift for the Emperor. McIntosh wrote to the Museum Director, 'As you will appreciate, the type of present which the Prime Minister will have to take... is of some significance. While the gift should be symbolic, it must have some intrinsic value, and a genuine Maori artefact in a semi-precious stone appears to be ideal for the purpose. I feel sure the gift will be appreciated.'[77]

---

[71] Chargé, Tokyo – Secretary EA, 15 November 1955, EA 1 59/3/180 Pt 1.
[72] Hideki Kawasaki – Holland, 19 October 1955, MS-Papers-1624-041/5.
[73] External Affairs, Visit of Mr Kawasaki, 14 October 1955, MS-Papers-1624-041/5.
[74] Press Statement, 19 October 1955, EA 1 59/2/173 Pt 1.
[75] Challis – McIntosh, 16 February 1956, EA 1 59/3/180 Pt 1, pp. 1-3.
[76] Rex Cunninghame, file note, 20 April 1956, ibid.
[77] McIntosh – Dr R.A. Falla, 14 May 1956, ibid.

Although notes prepared for Holland indicated that trade was an issue New Zealand wanted to discuss, the visit was seen primarily as a goodwill trip, and substantive negotiations were not expected.[78] This was reflected in the somewhat superficial speeches and interviews during the trip. Holland had been asked for a television interview, and was sent several questions in advance, Rod Miller preparing responses for guidance. By and large the interview was typical 'mantra' fare. Comparisons were drawn between Japan and New Zealand geographically, and the dependence of both on foreign trade. There were though two telling statements that reflected the gaps still to be bridged: 'there are profound differences between our two countries [of] history, social and political development, religion and culture. They often tend to be barriers to understanding, [and] distract the foreign visitor attempting to form a clear impression'. One question asked what Holland's impressions of Japan were. The prepared response summed up the continued ambiguity of relations with Japan, and the effects of the war. Japan was, it was suggested Holland might reply, 'A country in which I have long had a close interest.'[79]

The visit was an unqualified success. Even the previously unconvinced McIntosh told the Australian Ambassador in Tokyo that he had arrived sceptical of post-war developments, but left 'a little less worried', and reassured that a re-armed Japan would not again threaten the region.[80] Holland himself was obviously impressed. As he was climbing into the plane to leave, the band started into 'Auld Lang Syne', and Holland climbed back down to shake the bandmaster's hand. After the trip Holland went on to a Commonwealth meeting where, much to the annoyance of the other prime ministers, he came out in support of Japan's application to join the UN, and spoke of the importance of forging closer links with Japan.[81] The Japanese were delighted.[82] Despite McIntosh's concerns about Holland, Challis reported that the impression he left was 'of a vigorous and sincere personality, anxious to be friendly'.[83] A report by the Canadian Ambassador in Tokyo summed up the effects of

---

[78] Notes for Prime Minister, 12 May 1956, ibid., p. 2.
[79] Rod Miller, file note, 21 May 1956, ibid.
[80] Australian Ambassador, Tokyo – Australian Secretary EA, 7 June 1956, A 1838/325 3103/11/175 Pt 1.
[81] McIntosh – Challis, 21 July 1956, MS-Papers-6759-246.
[82] Minister, Tokyo – Minister EA, 24 July 1956, EA 1 59/2/173 Pt 1.
[83] Challis – McIntosh, 23 June 1956, MS-Papers-6759-246. Challis himself felt the pressure of Holland's visit, and his nine years 'pioneering'. McIntosh, with his own problems, wrote to Challis that 'One of the things I might do if we have the time while I am in Tokyo is to buy one of the

the visit: 'It would be premature to expect too much from this new pattern of contacts, but they are necessary preliminaries to the development of better Japan-Australasian relations and, one would hope, a greater degree of mutual understanding and cooperation.'[84]

The language issue also resurfaced positively. David Atkins, who had previously learnt French and Latin, remembered being called into McIntosh's office in late 1956, and asked whether he thought he could learn Japanese. The plan was for Atkins to go to Japan, study full-time for up to two years, and work in the Legation thereafter. Atkins was keen, but had wait over a month for ministerial approval, as there was no precedent for sending a language student anywhere, let alone Japan. With atypical enthusiasm, McIntosh told Reid the good news. 'I feel sure that he is the type of chap who, if he takes to Japan, will be prepared to become a specialist and render excellent service to the Department.'[85] Atkins noted that his posting marked a growing External Affairs interest in Japan, and a recognition it was important to keep a Japanese speaker in Tokyo. He had around 20 months of training, the last 12 months of which was on an individual basis at the Japanese Language School of the State Department's Foreign Service Institute. Atkins was immersed in the language, and boarded with a Japanese family.[86] When Doug Zohrab arrived in 1959 he was the first External Affairs officer without some grounding in the Japanese language.

His experience illustrated an interesting aspect of the language 'problem'. Having only conversational Japanese was never a problem for Zohrab professionally. This was because officers in the Gaimusho largely spoke good English. In this respect, as Zohrab put it, the language issue, 'was not a severe handicap'.[87] But while the Gaimusho may not have presented serious language difficulties, this was not always the case outside Tokyo. David Atkins recalled accompanying Reid on visits outside of the city as an interpreter, and also travelled with a touring All Black Colts side in

---

appropriate swords for committing hari kari... New Zealand is not, I'm afraid, terribly interested in having an active External Affairs policy or Department – and it certainly doesn't feel like paying adequately for it'. Challis replied that among his collection of swords, he already selected one for himself 'which I keep very sharp' McIntosh – Challis, 19 April 1956, MS-Papers-6759-246 & Challis – McIntosh, 10 May 1956, ibid.

[84] Canadian Ambassador, Tokyo – Canadian Secretary EA, 12 June 1956, EA 1 59/2/173 Pt 1, p. 4.

[85] McIntosh – Reid, 11 January 1957, MS-Papers-77-193.

[86] Interview with David Atkins, 15 October 2003.

[87] Interview with Doug Zohrab, 15 October 2003.

the same capacity.[88] Despite the user friendliness of the Gaimusho, the language issue did not die. After David Atkins, it was eight years before another language student, Ross Craig, was sent to Tokyo. After that the process became more regular, but a 1972 Ministry of Foreign Affairs report indicated on-going concern in areas outside of dealings with the Gaimusho, and called for greater efforts in language training for officers sent to Tokyo. 'The meagreness of our competence in Japanese creates problems on less formal occasions... In social contacts with an official or business contact a working knowledge of Japanese pays dividends'.[89]

More major problems arose for the Industries and Commerce officers who were dealing with MITI or individual Japanese firms and businessmen, frequently outside of the capital. Colin Murray noted the majority of Japanese officials and business contacts did not speak English or were hesitant to do so. The war had caused a gap in the teaching and speaking of English, and consequently some Japanese could read English, but their spoken English was poor. Malcolm Craig also found his lack of Japanese 'a major problem', which limited opportunities to get to know the Japanese and make contacts. It was such an issue that he took Japanese lessons in his spare time. After three years he could maintain fluent small talk, but was not able to follow all the technical details of trade deals. Craig later became Assistant Secretary of Trade and Industry in charge of overseas trade. It was his experience in Japan that made him an enthusiastic supporter of language training for Trade and Industry officers being sent overseas.

The Industries and Commerce officers had other problems. Rex Cunninghame recalled that around the mid 1950s there was no serious shortage of resources on the External Affairs side in Tokyo, but there was always need for more Industries and Commerce officers to handle the expanding volume of trade work. J.S. Scott, appointed Trade Commissioner in late 1956, requested further assistance in November 1957. 'If the trade promotion work I judge as necessary is not in fact done, New Zealand is the loser but the reflection is on me personally – no-one will really

---

[88] Atkins' expertise was also put to practical use during visits by New Zealand frigates to Japan, particularly to ports away from the capital. David Atkins – Author, 5 February 2004.

[89] Ministry of Foreign Affairs, 'New Zealand's Relations with Japan', 31 May 1972, AAEG 6956 B3 TKY 26/1/1, pp. 26-27.

stop to consider the particular conditions under which I must operate.'[90] Six months later, the Acting Secretary of Industries and Commerce, Alan Atkinson, endorsed Scott's requests, telling the Public Service Commission that the appointment of an assistant was 'an urgent necessity'. Trade work was likely to continue to increase, and given the increasing importance of the Japanese market, 'immediate relief is necessary'.[91]

Malcolm Craig was sent to help Scott in May 1958, but things got worse before they got better. Support for overseas officers was still often inadequate, as Craig's experiences show.[92] Almost immediately Scott suffered a heart attack, leaving Craig on his own with the trade work for the better part of a year. Following the end of his term as Trade Commissioner in Singapore in early 1959, Richard Hampton came to Tokyo to assist. However, when Hampton asked Wellington for financial assistance for Craig, no mercy was shown. Malcolm Craig recalled one memorable instance of his working alone. Sent to Mitsubishi to talk about sales of Paparoa coal, Craig was led into the boardroom. Along one side of the table sat 20 Mitsubishi executives. On the other side sat 23 year old Malcolm Craig, in the country less than six months, and speaking no Japanese.[93]

Despite the outward signs, matters were slowly improving, certainly by the measure of experience dealing with each other. In many ways the Tokyo staff continued to show the way. Rod Miller returned from Tokyo in 1955 to take over as head of the Far Eastern Division, in time to help organise Holland's trip from the Wellington end. Moreover, younger men like David Atkins and Malcolm Craig began being posted to Tokyo. Neither had experienced the war with Japan with the same ferocity as men a few years senior. Both recalled that they had no real preconceptions of Japan before their postings, although this was partially due to an almost complete absence of information. Atkins remembered being able to find only six books on Japan in Wellington, and Craig had similar luck. His knowledge of Japan prior to departure

---

[90] Scott – Minister EA, 27 November 1957. MS-Papers-77-193.
[91] Acting Secretary IC – Secretary of the Public Service Commission, 25 March 1958, IC W2006 114/1 Pt 4
[92] Arriving in Tokyo with heavy suits incompatible with a Tokyo summer, Scott loaned Craig money for clothes and furnishings. With no insurance, Craig was then burgled. Interview with Malcolm Craig, 11 November 2003.
[93] Interview with Malcolm Craig, 11 November 2003.

was 'abysmal'. Nevertheless, both went as relative 'clean slates', and while neither was in a position to advocate major policy changes, it again illustrates the way Japan was understood, and how these perceptions were slowly changing.

Planning meanwhile began for a return visit by Kishi in 1957 as part of his tour of Asia and Australia. Preparations were not without problems. The proposed visit fell near elections in New Zealand, an unhelpful time for a visit.[94] The Gaimusho then announced the visit before it had been confirmed with Wellington. McIntosh explained the problem to the Japanese Minister, Shimadzu. Aside from the elections, 'We half expected Nehru some time after the middle of the year [and] we were threatened with a visit from Diem... Anything after September could be very awkward for us so far as Mr Kishi was concerned.'[95] Matters were complicated further as Holyoake became Prime Minister. He had just enough time to lose the election before Kishi arrived.

As a result Kishi had discussions with the defeated Holyoake, and the incoming Walter Nash. Trade was again the topic of most immediate interest to both sides, but Kishi was not expected to raise any substantive points. The visit was again primarily a good-will measure, but in any event Labour's victory put paid to any immediate prospect of new trade talks. Nash's statement that New Zealand was not interested in a trade agreement did not cause any serious fall out.[96] Kishi made his own faux pas, causing stifled gasps at a state luncheon when he described flying over New Zealand as 'like flying over some vast, beautiful, empty golf course'.[97] These problems though had been out of the control of either New Zealand or Japan, and did not overshadow the goodwill generated. External Affairs believed the election result had overshadowed the visit, there had been only positive press, and Kishi had not encountered any active public hostility, unlike during his visit to Australia. 'As a goodwill measure the Japanese must have felt reasonably satisfied with the results.'[98]

---

[94] Minister, Tokyo – Secretary EA, 18 April 1957, EA 1 59/3/26 Pt 1.
[95] McIntosh – Reid, 22 May 1957, ibid.
[96] Minister, Tokyo – Secretary EA, 5 December 1957, EA W2619 40/12/1 Pt 8.
[97] Bruce Brown, 'Foreign Policy is Trade', p. 91.
[98] Minister EA – Minister, Tokyo, 6 December 1957, EA 1 59/3/26 Pt 1. Moriarty also wrote that 'the visit made rather little public impact – which is probably quite a good result for the time being'. Moriarty – Reid, 12 December 1957, MS-Papers-77-193.

Despite his earlier trepidation, men like Reid began to develop an understanding of the Japanese method of operation. He explained to McIntosh late in 1957 the peculiarly Japanese concept of loss of face, in relation to the possibility of renewed trade negotiations. The Japanese Prime Minister, Kishi, was engaged on a prestige drive on all fronts, 'to an extent that will be difficult to appreciate in New Zealand', and 'If, for example, Japanese insistence on [full] MFN is absolute and New Zealand is convinced that this cannot be conceded, it would be most unfortunate to allow the negotiations even to commence'.[99] External Affairs heeded this, and also the experience of unmet Japanese expectations in 1954: 'It might be better to defer the talks than to bring the Japanese down [to New Zealand] knowing that we would give them less than they wanted.'[100] George Laking reiterated the pitfalls when he, Moriarty, and Holloway secured Nash's agreement to concede full MFN in the last resort, just before the 1958 talks began. 'A similar breakdown of negotiations on this occasion would undoubtedly be very badly received by the Japanese Government and could have a profound influence on our future relations with them'.[101]

Leakage from the Japanese was again in evidence in 1957-58. Despite repeated requests to keep possible talks quiet, the Gaimusho consistently resembled a sieve. Reid informed that any 'confidential' talks would not stay that way for very long.[102] Alan Atkinson stressed to John S. Scott the importance of avoiding publicity.[103] But the news of talks was so efficiently leaked that the Japanese press knew about it before Scott did.[104] When Reid was given the authority to ask for talks, it was under the 'absolutely essential' condition that the proposals 'be held as strictly confidential between the two Governments'.[105] It could hardly have surprised anyone when reports again appeared in the Japanese press.[106] Scott registered his 'strong disapproval' with the Japanese, who assured him it would not happen again.[107] By now the sheer futility of trying to keep anything quiet must have been apparent to Moriarty, who took a different tack during the negotiations. When preliminary

---

[99] Minister, Tokyo – Secretary EA, 3 October 1957, IC W2006 114/1/1 Pt 2.
[100] Extract from Section Heads' Meeting, 7 November 1957, EA W2619 40/12/1 Pt 8.
[101] Laking, file note, 18 July 1958, EA W2619 40/12/2 Pt 1.
[102] Minister, Tokyo – Secretary EA, 5 December 1957, EA W2619 40/12/1 Pt 8.
[103] Acting Secretary IC – Minister IC, 28 March 1958, IC W2006 114/1 Pt 4.
[104] *Mainichi*, 12 April 1958, ibid.
[105] Minister EA – Minister, Tokyo, 10 June 1958, ibid.
[106] Tokyo Summary of Current Events, 9 July 1958, EA W2619 40/12/2 Pt 1.
[107] Scott – Acting Secretary IC, 8 July 1958, IC W2006 114/1 Pt 4.

information on requests and concessions was leaked, he jumped on it heavily, extracting apologies from the Japanese delegation and successfully playing on their feelings of guilt.[108] The OECP convened following yet another disclosure, and decided the New Zealand delegation 'would attack the leak in Tokyo and ask for published figures on meat'.[109] Moriarty had learned from experience with the Japanese, doing what he could to turn a problem into an advantage.

A clutch of initiatives aimed at improving cultural relations followed in the wake of the trade agreement. The first New Zealand recipient of a Japanese Government scholarship, Peter Temm, travelled to Tokyo in November 1958.[110] David Atkins recalled that some of his work after finishing language training related to cultural initiatives. He remembered an increasing amount of mail from Japanese students enquiring about New Zealand, apparently a topic of some fascination.[111] Thereafter reference books about New Zealand, including encyclopaedia and Year Books were provided to libraries and universities, for assiduous Japanese researchers. Films and documentaries about New Zealand were also provided. Around this time Japan was engaged in 'cultural diplomacy', and wished to see cultural relations with New Zealand strengthened.[112] Doug Zohrab also remembered a growing interest in fostering cultural relations, if only because the Japanese placed such emphasis on them. In this regard person to person links were forged through the arts. John S. Scott's wife, Ruth, was also prominently involved in ikebana, the Japanese art of flower arrangement.[113] In 1959 the Japan Society of New Zealand was started in Wellington, Walter Nash speaking at the first meeting.[114] Many years later, Emperor Hirohito honoured the successful Society's founder, Walter Harris, for his work. As Harris said then 'It is a society of ordinary people who help to spread goodwill towards the Japanese people throughout the community.'[115]

---

[108] Minutes of the Sixth Meeting, 30 July 1958, AAEG 6956 B3 26/2/4, p. 2.
[109] Minutes of the OECP, 25 August 1958, EA W2619 40/12/2 Pt 2.
[110] *Export News*, October 1958, NASH 69/0360-0447.
[111] Many of the letters began 'I am a Japanese boy/girl who is interesting in your country'.
[112] External Affairs, Mr Kishi – Notes for Discussion, 29 November 1957, EA 1 59/3/26 Pt 1, p. 15.
[113] Peter Boston, 'Trading Cultures – Ruth Scott in Japan', *150 Years*, p. 149.
[114] Roger Peren, 'Japan Society of New Zealand', in ibid., p. 209. Around the same time a New Zealand Society of Japan was set up by a Dr Kawase, the first Japanese graduate of a New Zealand university, Lincoln in the 1930s, and Doug Kenrick a veteran New Zealand businessman living in Tokyo. David Atkins recalled showing documentary films about New Zealand at meetings of the Society. David Atkins, 5 February 2004.
[115] Quoted in Harvey, 'The Third Dimension', p. 204.

Nash's visit to Japan in 1959 was another boost, although Nash did attempt to shift the emphasis from goodwill to trade. The success of the 1958 trade agreement infused the character of the whole visit.[116] Though Nash cloaked the trip in terms of prospects for trade,[117] McIntosh believed otherwise, asking Reid to include trade talks 'for the look of the thing'. These had to be of a 'very general nature since we have no definite proposals to offer or any particular policy questions to raise'.[118] Reid informed Nash that Kishi wanted to discuss Japan's international policy, trade, and cultural exchanges.[119] Nash 'to his great annoyance', had already been frustrated by Treasury and Cabinet in his attempt to create a £5000 cultural exchange fund from blocked yen.[120] Nash nevertheless pushed the trade angle, outlining New Zealand's position and the potential for sales of coal, in talks until after midnight. The Japanese press was most impressed with Nash's energy, as their own politicians struggled to keep up.[121]

Moriarty accompanied Nash to Japan, and in the aftermath of his talks with Mitsubishi about coal, it was obvious he had no real remit to negotiate, as McIntosh had suggested would be the case.[122] Back in New Zealand, one newspaper tartly remarked that 'The only real excuse for the Prime Minister's visit was a continuation of trade talks; and here it may be argued that the recent treaty can hardly be worth the paper it is written on if it requires discussion between Prime Ministers so soon after its negotiation.'[123] External Affairs warned McIntosh in Japan that there had been 'Little apparent public reaction here to visit, but suggest delicate treatment of even trade subjects, particularly in view of press report that big Japanese firms interested in participating in industrial development in New Zealand.'[124] Nash had in fact already curtly dismissed the possibility of Japanese labour or capital assisting with coal

---

[116] Kishi – Nash, 19 June 1958, EA 1 59/2/180 Pt 1.
[117] *Evening Post*, 23 January 1959, ibid.
[118] McIntosh – Reid, 30 January 1959, MS-Papers-77-193.
[119] Reid – Nash, 18 February 1959, NASH 14/0296.
[120] McIntosh – Reid, 30 January 1959, MS-Papers-77-193.
[121] *Evening Post*, 23 February 1959, EA 1 59/2/180 Pt 2.
[122] Moriarty, file note, 27 February 1959, ibid.
[123] *New Zealand Herald*, 2 March 1959, NASH 14/0296. Oddly, a Mr Gergel of the Soviet Legation in Wellington aired similar questions about the value of the 1958 agreement if new talks were required so soon. Patrick Millen, file note, 18 February 1959, EA 1 59/2/180 Pt 2.
[124] Minister EA – McIntosh, 26 February 1959, EA 1 59/2/180 Pt 2.

production in New Zealand,[125] but nevertheless toned done his subsequent rhetoric on trade. Another vitriolic editorial decried 'fatuous remarks' in the visit joint communiqué that encouraged New Zealanders to learn Japanese as 'a flight of fancy'.[126] Despite the failure to achieve something more concrete, the visit still succeeded in raising goodwill.

Like Holland, Nash left a favourable impression on the Japanese. Rex Cunninghame recalled Nash pulling him aside for a long talk, and being interested in all aspects of Japan.[127] David Atkins remembered Nash wanted to visit a department store in Osaka, although it was not in his official programme. The Gaimusho quickly organised something, and Nash started at the top floor, meeting and greeting his way down. The only problem was that when Tokyo department stores heard about it, they wanted their own prime ministerial visit.[128] Malcolm Craig recalled a farewell party Nash held at the New Zealand Embassy. After the guests had left, Nash took the New Zealand staff and his Japanese minders up to a suite, and one by one named and thanked the Japanese, who were delighted at receiving such recognition. As with Holland, the band played 'Auld Lang Syne' as Nash departed. He had half entered the plane, and turned to wave as the band started up. They continued to play, and Nash continued to wave, each waiting for the other to stop.[129]

The Tokyo staffing situation remained somewhat ad hoc, and the post again suffered growing pains.[130] By 1960 John Reid was overdue for replacement, but had to stay put, the Labour Government having done nothing definitive about the top jobs in London and Washington for three years.[131] Nevertheless, staff numbers in Tokyo continued to expand slowly, putting further stress on the existing accommodation. Passing through in 1963, Challis reported that the Embassy was too small and, in the

---

[125] Press Conference, 20 February 1959, ibid.
[126] *New Zealand Herald*, 2 March 1959, ibid.
[127] Interview with Rex Cunninghame, 10 September 2003.
[128] Interview with David Atkins, 15 October 2003.
[129] When the plane finally took off, the Embassy staff went home and breathed a sigh of relief. Then a phone call. Mr Nash's plane had circled the airport once and landed, due to engine trouble. Mr Nash was being entertained by the Australian Ambassador. Could Mr Reid please return to the airport? David Atkins recalled that the story went around the diplomatic corps as a cautionary tale. It became standard procedure to remain at the airport for a cup of coffee after seeing of visitors in the flight should be delayed at the last minute. Interview with Malcolm Craig, 11 November 2003 & David Atkins – Author, 5 February 2004.
[130] McIntosh – Rex Cunninghame, 14 August & 10 December 1958, MS-Papers-6759-266.
[131] Secretary EA – Prime Minister, 17 December 1960, MS-Papers-6759-445.

absence of adequate funds for maintenance had become 'very seedy'.[132] By now the Ambassador was Edward Taylor, a Government-appointed lawyer with National Party ties. He told the new Prime Minister, Keith Holyoake, that External Affairs staffing was sufficient, but that with John S. Scott's request for another assistant, and the appointment of a Customs officer to deal with import invoicing, 'it is quite impossible... to provide the necessary facilities for the development that I anticipate must take place here. Even as it is, we are faced with an inadequate residence and a Chancery building that is inadequate, ineffective and lacking in security.' Taylor requested the purchase of a fifth of an acre block adjoining the existing half-acre section for £110,000.[133]

In Holyoake's absence, McIntosh agreed that the office 'had reached breaking point'. However, in terms of buildings Tokyo was behind half a dozen posts needing attention, and there was no chance of the Government paying £110,000. He could see no prospect of introducing any sanity to the 'utterly crazy' policy on accommodation for overseas posts.[134] The extra land was not bought. David Atkins recalled that protracted exchanges with Wellington about the design of new embassy buildings comprising both residence and office on a section elsewhere were underway when arrived back in Tokyo in late 1965. It was not until shortly before he returned to Wellington in mid-1969 that a memorable ground-breaking ceremony was performed by Shinto priests at the building site.[135]

In dealing with Japan in the 1950s, New Zealand had contended with an initial a lack of Japanese expertise and a post in Tokyo facing the difficulties of 'pioneering'. There was a more general lack of experience in, and awareness of, dealing with the Japanese. These problems subsequently caused issues during the 1954 trade talks.

---

[132] Challis – McIntosh, 10 June 1963, MS-Papers-6759-249.

[133] Edward Taylor – Holyoake, 29 October 1963, AAEG 6956 B1 TKY 2/2/1B Pt 1. As an example of the price rises in Japan at the time, the original half acre, for which Challis had paid £30,000 in 1951, was now valued at £250,000. Colin Murray recalled also recalled that two further Customs officers were seconded to Tokyo in 1965 to clear a backlog of the work, and establish a method for processing such enquiries in future. Colin Murray – Author, 7 February 2004.

[134] McIntosh – Taylor, 22 November 1963, ibid.

[135] Interview with David Atkins, 15 October 2003. Bizarre incidents followed, as Japanese staff in the Embassy were twice arrested for 'selling' the existing land and buildings to a Tokyo real estate firm. The fraud was uncovered when the first firm saw another real estate group, who had also 'bought' the land, advertising the buildings for rent. Interview with Rod Miller, 22 July 2003 & *NZ Herald*, 30 July 1970, p. 3.)

After that New Zealand built up both experience in dealing with the Japanese, and a greater level of expertise, although the earlier problems lingered to varying degrees. Aided by other remedies such as state visits, and a slowly growing interest in cultural initiatives, the problems had become less important by the beginning of the 1960s.

Conclusion

Between the establishment of representation in Japan in 1947 and Jack Marshall's visit to revoke Article XXXV in 1962, New Zealand-Japan relations underwent an extraordinary transformation, particularly in the area of trade. This provided much of the foundation for the relationship that has developed subsequently. The progress made was not without setbacks, but by the time of Marshall's visit the difficult task of reconstructing links following the war had completed its most arduous phase.

While Ann Trotter and Tom Larkin have argued there was a degree of enthusiasm to the development of relations, this thesis tends more towards the conclusions of John Singleton, who argued progress was largely due to New Zealand's hand being forced by the movement of Britain towards the EEC. In the first instance, as fear of the 'Yellow Peril' began to mix with and was increasingly superseded by fear of the 'Red Menace', it was suggested that it was New Zealand's duty to increase trade with Japan as part of the larger Allied plan to revive a defeated Japan as a democratic bastion against communism in Asia.

The culmination of this communism argument for closer links with Japan was the 1954 trade negotiations. Here, the policy's weakness was revealed. In the absence of adequate trading concessions, doing its 'duty' was not seen as enough by New Zealand. At its core, the policy had always been based on somewhat superficial rhetoric. The position in 1954 was also complicated by other factors. Japan was not yet an important market. There was, therefore, no urgent incentive to reach an agreement. The Government was also heavily influenced by a desire to protect domestic industry from the perceived ill-effects of increased Japanese competition, as can be seen in the reluctance to support Japan's entry to GATT, or concede full MFN treatment during the 1954 talks. Linked to this was continuing concern over possible negative public opinion. Memories of the war were still fresh.

Internally, the Government received conflicting advice from its officials, as the pro-liberalisation faction, led by External Affairs, increasingly clashed with the protectionist Industries and Commerce. Questions of authority over trade policy that existed more generally arose to a peculiar degree in the case of Japan. More

positively, the Government followed closely the example of the successful Canadian agreement with Japan but were, perhaps surprisingly, scarcely influenced by the USA at all. Britain's role was complex, and it is not enough to simply say fear of adverse British reaction contributed to the failure in 1954. The UK's highly inconsistent approach and bungled interventions were seized upon by those already opposing an agreement as a reason why New Zealand should not proceed. Though this alarmed some in Cabinet, fears of British reaction never rang true, and persons at the highest level still openly advocated ignoring British objections. The 1954 talks were also hampered by the problem they were in part aimed at rectifying: New Zealand had limited experience in dealing with Japan, as was illustrated by the misunderstandings over leaks, the lack of language expertise, and the trials of New Zealand's Legation in Tokyo.

However, the failure of the 1954 agreement marked a turning point. By the time of the successful 1958 agreement, all the factors in play had changed. This reflects the 'two phases' argument that has been made about New Zealand's foreign policy in the 1950s more generally. By 1958 the communism argument was moribund, and in spite of the 1954 failure, levels of trade had increased markedly. Japan now represented a profitable niche, and a potentially lucrative future market. The Japanese 'economic miracle' was also now underway, the Japanese economy growing rapidly. These factors could not be ignored; New Zealand had to guard its growing trade interests from threatened Japanese restrictions and Australian competition. This became ever more urgent as long-term reliance on the British market began to become untenable.

Domestic industry and public opinion were still a major concern. However, these worries had lessened to the degree where even a Labour Government felt compelled to offer Japan full MFN treatment, something inconceivable in 1954. Dissenting advice from officials had largely evaporated, and Industries and Commerce was now arguably more enthusiastic than External Affairs in its pursuit of a trade agreement with Japan. New Zealand was again influenced by overseas models, this time more the Australian rather than the earlier Canadian example. Britain again showed an interest in any possible agreement but, especially in the light of Britain-EEC developments, her protestations were largely disregarded. New Zealand even went as

far as attempting to conceal talks with Japan from Britain, in the hopes of securing better terms in negotiations with the latter.

By 1958, and increasingly afterwards, New Zealand's experience in dealing with Japan, and awareness of Japanese methods, had developed to a degree where misunderstandings were a lesser issue. This was also helped by the practice of exchanging state visitors that began in 1955. By now New Zealand's Embassy in Tokyo was well established, and carried out its duties with growing self-assurance. The 1958 agreement had secured a basis for further development in all areas, not just trade.

In 1947 New Zealand seemed distant from Japan. Those responsible for the conduct of New Zealand's foreign policy were faced with the tricky task of picking up the pieces after the conflict of 1941-45. In retrospect, the developments by 1962 were a remarkable achievement. By then, trade relations had been normalised, and trade was steadily growing. Compared to 1947, progress had been made in political and cultural relations. The foundations laid in these areas during the 1950s continued to shape New Zealand-Japan relations into the 1960s and beyond. If Japan was a country in which New Zealand had long had a close interest, it was by 1962 becoming an interest rooted not in the legacy of war, but trade and a growing curiosity.

BIBLIOGRAPHY

PRIMARY SOURCES

INTERVIEWS

The following people were interviewed during 2003 and 2004:

David Atkins	15 October 2003
Malcolm Craig	11 November 2003
Rex Cunninghame	10 September 2003
Noel Lough	11 December 2003
Rod Miller	22 July 2003
Colin Murray	15 January 2004
Charles Paul	20 August 2003
Doug Zohrab	15 October 2003

Correspondence was received from the following:

Dr Richard Hampton
Sir George Laking
Colin Murray

ARCHIVES NEW ZEALAND

DEPARTMENT OF EXTERNAL AFFAIRS

EA 1 35/29/5 Pt 1	– Economic Affairs, CCEP Papers, 1953
EA 1 35/29/6 Pt 1	– Economic Affairs, CCEP Papers, 1954
EA 1 59/2/161 Pt 1	– Clifton Webb's Visit to South East Asia, 1952
EA 1 59/2/173 Pt 1	– Prime Minister's Visit to Japan, 1956
EA 1 59/2/176 Pt 1	– Prime Minister's Visit to South East Asia, 1958
EA 1 59/2/180 Pt 1	– Prime Minister's Visit to Japan, 1959
EA 1 59/3/26 Pt 1	– Visit of the Japanese Prime Minister, 1957
EA 1 59/3/180 Pt 1	– Visit of the Japanese Minister of Welfare, 1955
EA 1 59/2/205 Pt 1	– Prime Minister's Visit to Japan, 1965
EA 1 62/14/1 Pt 1	– Appointment of British Representatives in Japan, 1919-46
EA 1 91/4/24/2 Pt 1	– Claims Against the Japanese, External Debts, 1947-52
EA 1 104/4/8/37 Pt 1	– Japanese Accession to the GATT, 1953-59
EA W1784 58/12/2 Pts 1b -5	– Trade with Japan, 1947-53
EA W2619 8/1/6/1 Pt 2	– Official Allowances for Overseas Posts, 1951-56
EA W2619 32/29/40/1 Pt 1	– Entry into Japan, 1947-53
EA W2619 40/76/1 Pt 2	– Asian Trade Relations, 1951-58
EA W2619 40/12/1 Pt 8	– Japanese Trade Agreement, 1955-57
EA W2619 40/12/2 Pts 1-2	– Japanese Trade Agreement, 1958
EA W2619 58/12/2 Pts 6-7	– Trade with Japan, 1953-55
EA W2619 64/12/2 Pt 2	– Appointment of NZ Representatives in Japan, 1950-56

EA W2619 268/3/2 Pt 1 – Japanese Colonialist and Expansionist Policy, 1952-53
EA W2619 268/4/9 Pt 1 – Japanese Political Affairs, Communism, 1950-1956
EA W2619 268/5/1 Pt 12 – Japanese Economic Affairs, General, 1954-57
EA W2619 268/5/3 Pt 4 – Japanese Economic Affairs, General Reports, 1953-57
EA W2619 268/5/49 Pt 1 – Japanese Economic Affairs, Economic Reports, 1953-55
EA W2619 268/6/1 Pt 2 – Japanese Defence Affairs, General, 1951-52
EA W2619 268/7/3 Pt 3 – Japanese Social Affairs, Democratisation, 1948-1952
EA W2619 327/2/13/10 Pt 1 – Action on European Economic Integration, 1958-59
EA W2619 440/4/3 Pt 1 – Implications of Communist Success in China, 1949

MINISTRY OF FOREIGN AFFAIRS AND TRADE

ABHS 950 W4267 Box 1445 58/12/1 Pt 2 – Relations with Japan, General, 1948-68
ABHS 950 W4627 Box 1966 102/9/49 Pt 1 – Peace Settlement, Public Opinion, 1945-52
ABHS 950 W4627 B 2283 104/202/100/1 Pt 1 – Economic Affairs, Canada and Japan, 1948-71
ABHS 950 W2647 B 2342 104/268/45 Pt 1 – Japanese Trade Practices, 1949-64
ABHS 950 W4627 B 4263 268/3/10 Pt 1 – Japan's Role in Asia, 1950-73

AAEG 950 B 432A 268/7/9 Pt 1 – Japanese Affairs, Communism, 1948-50
AAEG 950 B 361B 358/5/47 Pt 1 – Japanese Affairs, Most Favoured Nation Status, 1948-49
AAEG 6956 B 1 TKY 2/2/1b Pt 1 – Letters between Edward Taylor and Holyoake, 1963-64
AAEG 6956 B 3 TKY 26/1/1 – NZ Embassy Tokyo, NZ/Japan Relations, 1951-72
AAEG 6956 B 3 26/2/4 – NZ Embassy Tokyo, Trade Talks, 1958
AAEG 6956 B 3 TKY 26/2/4 Pt 3 – NZ Embassy Tokyo, Trade Talks, 1958-62
AAEG 6956 B 4 TKY 26/2/5 – NZ Embassy Tokyo, Tax Agreement, 1950-63

DEPARTMENT OF INDUSTRIES AND COMMERCE

IC 16/11 – Economic Aspects of the Japanese Settlement, 1948
IC W1705 45/3/1 Pt 1 – Visits of Japanese Businessmen, 1951-65
IC W1837 22/5/10 – Brief on Trade with Japan, 1954
IC W1837 22/6/14 – Trade with Japan, 1955
IC W1837 22/47A – Japanese Trade Talks, 1958-59
IC W1837 22/47B – Japanese Trade Talks, 1956-58
IC W1837 27/68 – Mr Moriarty's visit to Japan, 1959
IC W1842 B 2035 107/11/7 P1 – GATT, Quantitative Restrictions, Japan, 1952-62
IC W2006 114/1 Pts 1, 4-5 – Japanese Trade Policy, 1950-61
IC W2006 114/1/1 Pts 2-4 – Japanese Trade Negotiations, 1958-9
IC W2006 114/1/4 Pt 1 – Trade with Japan, Miscellaneous Inquiries, 1951-59
IC W2006 114/6/10 Pt 3 – Trade with Japan, Financial, 1959
IC W2072 B 8 162/1/6 Pt 1 – UK Agreements and Negotiations with Japan, 1955-57
IC W3838 107/139/14 – GATT, Japan, 1959-70

WALTER NASH PAPERS

NASH 14/0296 – Visit to Japan, 1959
NASH 69/0360-0447 – Japan, General, 1951-59
NASH 1100/0526-0644 – Balance of Payments, 1957-60

NASH 2445/0321 – Visit of Japanese Trade Mission, 1959
NASH 3110/001 – Photo Album, Visit to Japan, 1959
NASH 3110/002 – Photo Album II, Visit to Japan, 1959

CUSTOMS

C W1218 22/230/1 – Japan and Australia, Commercial Treaty, 1953-57
C W1786 B 110 30/224 Pts 18-19 – Trade with Japan, 1968-72
C W2358 955/000/1 Pt 1 – Japanese Trade Negotiations, 1954
C W2661 50/7 – J.P.D Johnsen Papers, Board of Trade Review, 1954

TREASURY

T 1 61/1/8 Pt 2 – CCEP, 1953-55
T 1 61/3/21 Pt 1 – Review of NZ's Trade Policy, 1956-57
T 1 61/6/20/1 – Japanese Trade Negotiations, 1952-58

CABINET

AAFD 807 77a – Cabinet Meetings (54):38, 1954
AAFD 811/84q 454/1/1 Pt 1 – Japan, General, 1953

NATIONAL ARCHIVES AUSTRALIA

A 1838/2 759/3/8 Pt 1 – Japan's Economic Relations with NZ, 1955-71
A 1838/278 480/39/1 – Japan/NZ Trade Relations, 1948-56
A 1838/325 3103/11/175 Pt 1 – NZ Policy Towards Japan, 1945-66
A 1838/336 370/1/5 Pt 1 – NZ External relations, Japan and the Far East, 1949-67
A 9564/2 227/19 Pt 1 – Japan and NZ, 1951-72

NB: Customs kept records on trade with Japan from the 1930s to 1968 on 30/224 Parts 1-17, according to the coversheets for Pts 18 and 19. Unfortunately, it appears that 1-17 were never transferred to Archives, or have subsequently been lost. As of February 2004, National Archives Australia offers a service on their website (http://www.naa.gov.au) where standard split-pin paper files are digitised and placed on the internet for public viewing. The service is limited to five requests per person per year, but is free of charge. The Australian files used in this research are reproduced in the CD-ROM at the back.

ALEXANDER TURNBULL LIBRARY

ALISTER McINTOSH PAPERS

MS-Papers-6759-057 – Speech Notes on Foreign Affairs, (A21B)
MS-Papers-6759-072 – Papers on Foreign Affairs, (A34A), 1955-56
MS-Papers-6759-104 – Briefing for new Prime Minister, (B22), 1957
MS-Papers-6759-193 – Cabinet Organisation and Canadian Experience (D26), 1962
MS-Papers-6759-245 – Correspondence with Bill Challis, 1950-55
MS-Papers-6759-246 – Bill Challis, 1956-58
MS-Papers-6759-247 – Bill Challis, 1959-60
MS-Papers-6759-248 – Bill Challis, 1960-62
MS-Papers-6759-249 – Bill Challis, 1963
MS-Papers-6759-250 – Bill Challis, 1966
MS-Papers-6759-266 – Rex Cunninghame, 1955-61
MS-Papers-6759-271 – Fred Doidge, 1951-54
MS-Papers-6759-294 – George Laking, 1950-55
MS-Papers-6759-295 – George Laking, 1955-58
MS-Papers-6759-307 – Tom McDonald, 1957-61
MS-Papers-6759-320 – Walter Nash, 1947-66
MS-Papers-6759-332 – John Reid, 1943-56
MS-Papers-6759-333 – John Reid, 1957-59
MS-Papers-6759-334 – John Reid, 1959-60
MS-Papers-6759-335 – John Reid, 1961
MS-Papers-6759-342 – Foss Shanahan, 1946-55
MS-Papers-6759-343 – Foss Shanahan, 1956-58
MS-Papers-6759-348 – Jack Shepherd, 1952-63
MS-Papers-6759-354 – Edward Taylor, 1964
MS-Papers-6759-355 – Bill Sutch, 1945-65
MS-Papers-6759-365 – Clifton Webb, 1952-57
MS-Papers-6759-373 – Lloyd White, 1954-56
MS-Papers-6759-374 – Lloyd White, 1957-60
MS-Papers-6759-397 – Miscellaneous Correspondence, 1956
MS-Papers-6759-438 – Head of Mission Appointments, 1956-60
MS-Papers-6759-445 – Senior Transfers and Appointments, 1951-66

JOHN REID PAPERS

MS-Papers-77-193 – Personal and Official Correspondence, 1956-1961

SIDNEY HOLLAND PAPERS

MS-Papers-1624-041/5 – Japanese Minister of Welfare, Kawasaki's, visit to NZ, 1955
MS-Papers-1624-082/3 – Commonwealth Conference, NZ's Trade Policy, 1952
MS-Papers-1624-083/1 – Economic Talks with Major Groups, 1954
MSX-0901 – Photo Album, Holland's trip to Japan, 1956

JOHN MARSHALL PAPERS

MS-Papers-1403-432/3 – Cabinet Minutes, January-December 1954
MS-Papers-1403-131/1 – Japanese Prime Minister, Ikeda's, visit to NZ, 1963
MS-Papers-1403-71/4 – Document J (alleged wartime collaboration with Japan), 1954

KEITH HOLYOAKE PAPERS

MS-Papers-1814-71/4 – Japanese Prime Minister, Kishi's, visit to NZ, 1957

SECONDARY SOURCES

PUBLISHED PRIMARY SOURCES

Appendices to the Journals of the New Zealand House of Representatives, 1946-1963.

Kay, Robin (ed.), *Documents on New Zealand External Relations, Vol II – The Surrender and Occupation of Japan*, Wellington: Historical Publications Branch, Department of Internal Affairs, 1982.

Kay, Robin (ed.), *Documents on New Zealand External Relations, Vol III – The ANZUS Pact and the Treaty of Peace with Japan*, Wellington: Historical Publications Branch, Department of Internal Affairs, 1985.

McGibbon, Ian (ed.), *Undiplomatic Dialogue – Letters between Carl Berendsen and Alister McIntosh 1943-1952*, Auckland: Auckland University Press in association with MFAT and Historical Branch, Department of Internal Affairs, 1993.

McGibbon, Ian (ed.), *Unofficial Channels – Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner 1944-1966*, Wellington: Victoria University Press in association with MFAT and HB, DIA, 1999.

New Zealand External Affairs Review, 1950-63.

New Zealand Foreign Policy – Statements and Documents 1943-1957, Wellington: Ministry of Foreign Affairs, 1972.

New Zealand Parliamentary Debates, 1946-63.

BOOKS AND ARTICLES

Akaneya, Tatsuo, *The Development of Post War Japanese-Australian Relations and the Impact of Declining American Hegemony*, Canberra: Australia-Japan Research Centre, Australian National University, November 1987.

Brown, Bruce, *New Zealand Foreign Policy in Retrospect*, Wellington: NZIIA, 1970.

Brown, Bruce, 'From Bulk Purchase to Butter Disputes' in *New Zealand and Britain – A Special Relationship in Transition*, Robert Patman (ed.), Palmerston North: Dunmore, 1997, pp. 41-66.

Brown, Bruce, 'From Bulk Purchase to Butter Disputes' in *New Zealand and Britain – A Special Relationship in Transition*, Robert Patman (ed.), Palmerston North: Dunmore, 1997, pp. 41-66.

Castle, Les, & McDougall, I, 'Japan as a Market for New Zealand Exports of Meat and Dairy Products', Research Paper No. 14, New Zealand Institute of Economic Research, 1969.

Clark, Margaret (ed.), *Holyoake's Lieutenants*, Palmerston North: Dunmore, 2003.

Cunninghame, Rex, 'The Japanese Psyche – Are The Japanese Really Unique?', in *Consider Japan – Papers from a Seminar Conducted by the Japan Centre of Christchurch*, Agricultural Economic Research Unit, Lincoln College, Discussion Paper 79, 1984.

Easton, Bruce, *The Nationbuilders*, Auckland: Auckland University Press, 2001.

Gercik, Patricia, *On Track with the Japanese – A Case by Case Approach to Building Successful Relationships*, New York: Kodansha America, 1996.

Gordon, Bernard K., *New Zealand Becomes a Pacific Power*, Chicago: Chicago University Press, 1960.

Gould, John, *The Rake's Progress? The New Zealand Economy Since 1945*, Auckland: Hodder & Stoughton, 1982.

Hawke, Guy, *The Making of New Zealand – An Economic History*, Cambridge: Cambridge University Press, 1985.

Kennaway, Richard, et al (eds), *Beyond New Zealand – The Foreign Policy of a Small State*, Auckland: Methuen, 1988.

Kimuna, Tsuneyuki, *The Unofficial Diplomats*, Tokyo: Daiichi Shokan, 1948. (copy held by Rex Cunninghame)

Jackson, Keith, *New Zealand Foreign Policy 1954-1964*, Paper delivered at the University of Otago Fourth Residential School on New Zealand Foreign Policy, May 1969.

Larkin, Tom, (ed.), *New Zealand's External Relations*, Wellington: New Zealand Institute of Public Administration, 1962.

Larkin, Tom, *New Zealand and Japan in the Post War World*, Wellington: New Zealand Institute of International Affairs, 1969.

Larkin, Tom, 'Japan and New Zealand – Changing Problems', in *Beyond New Zealand*, pp. 189-194.

Larkin, Tom, 'The Place, Directions and Future Needs of New Zealand's Relations with Japan', in *New Zealand and Japan – The Papers of the Sixteenth Foreign Policy School, University of Otago 1987*, Dunedin: Otago University Press, 1987, pp. 90-99.

Marshall, John, *Memoirs Vol I – 1912-60*, Auckland: William Collins, 1983.

McGibbon, Ian, *New Zealand and the Korean War, Volume I – Politics and Diplomacy*, Auckland: Oxford University Press, in association with the Historical Branch, Department of Internal Affairs, 1992.

McIntosh, Alister et al, *New Zealand in World Affairs Vol 1*, Wellington: Price Milburn for the NZIIA, 1977.

McIntyre, W David & Gardner, J.W. (eds), *Speeches and Documents on New Zealand History*, Oxford: Clarendon Press, 1971.

McIntyre, W. David, 'From Dual Dependency to Nuclear Free', in *The Oxford History of New Zealand*, Geoffrey Rice (ed.), 2nd edn, Auckland: Oxford University Press, 1992.

McIntyre, W. David, *Background to the ANZUS Pact – Policy Making, Strategy, and Diplomacy, 1945-58*, Christchurch: University of Canterbury Press, 1995.

McKinnon, Malcolm, *Independence and Foreign Policy – New Zealand in the World Since 1935*, Auckland: Auckland University Press, 1993.

McKinnon, Malcolm, *Treasury – The New Zealand Treasury 1840-2000*, Auckland: Auckland University Press in association with the Ministry of Culture and Heritage, 2003.

Mulgan, Aurelia George, *The Politics of Agriculture in Japan*, London: Routledge, 2000.

New Zealand Foreign Policy 1945-1985 – A Bibliography, Wellington: NZIIA, 1986.

New Zealand and Japan – The Papers of the Sixteenth Foreign Policy School University of Otago 1981, Dunedin: University of Otago Press, 1981.

Peren, Roger (ed.), *Japan and New Zealand – 150 Years*, Palmerston North: The New Zealand Centre for Japan Studies, Massey University, on behalf of the Ministry of Foreign Affairs, Tokyo, in association with the HB, DIA, 1999.

Rix, Alan, *Coming to Terms – The Politics of Australia's Trade with Japan 1945-57*, Sydney: Allen & Unwin, 1986.

Singleton, John, 'New Zealand, Britain, and the Survival of the Ottawa Agreement, 1945-77', *Australian Journal of Politics and History*, (43:2), 1997, pp. 168-178.

Singleton, John, 'New Zealand's Economic Relations with Japan in the 1950s', *Australian Economic History Review*, (37:1), 1997, pp. 1-18.

Spender, Percy, *Exercises in Diplomacy – The ANZUS Treaty and the Colombo Plan*, Sydney: Sydney University Press, 1969.

Sutch, Bill, *Colony or Nation? Economic Crises in New Zealand from the 1860s to the 1960s*, Sydney: Sydney University Press, 1968.

Templeton, Malcolm (ed.), *An Eye, An Ear and a Voice – 50 Years in New Zealand's External Relations 1943-93*, Wellington: MFAT, 1993.

Trotter, Ann, *New Zealand and Japan 1945-52 – The Occupation and the Peace Treaty*, London: Athlone Press, 1990.

Trotter, Ann, 'From Suspicion to Growing Partnership: New Zealand and Japan', in *New Zealand in World Affairs, Vol II 1957-72*, Malcolm McKinnon (ed.), Wellington: NZIIA, 1991.

Trotter, Ann (ed.), *Fifty Years of New Zealand Foreign Policy Making*, Dunedin: Otago University Press, 1993.

Trotter, Ann, 'An Evolving Relationship – New Zealand and Japan', in *New Zealand in World Affairs Vol III, 1972-1990*, Bruce Brown (ed.), Wellington: NZIIA, 2000.

Wevers, Maarten, *Japan – Its Future and New Zealand*, Wellington: Victoria University Press for the Institute of Policy Studies, 1988.

Zhang, Yongjin (ed.), *New Zealand and Asia – Perceptions, Identity, and Engagement*, Auckland: Asia 2000 Foundation of New Zealand, 1999.

UNPUBLISHED THESES AND DISSERTATIONS

Duke, Andrew, '"A Fool's Paradise"? New Zealand's Reaction to the Japanese Threat in 1941-42', BA Hons Dissertation, Massey University, 2002.

Gordon, Alistair, 'The New Zealand Diplomatic Service – A Bureaucratic Elite', MA Thesis in Political Science, University of Canterbury, 1970.

Harvey, Sharon, 'The Third Dimension – Cultural Relations between New Zealand and Japan in the Post-War Period', MA Thesis in History, Auckland University, 1988.

Horsley, David, 'New Zealand and Japan – Trade Relations 1928-1958', MA Thesis in History, University of Canterbury, 1990.

McCaul, Barry Quentin, 'New Zealand and Japan 1952 to 1969 – An Assessment of New Zealand Government Attitudes', MA Thesis in Political Science, University of Canterbury, 1970.

Smith, Daiman, 'Official Attitudes Towards China between 1945 and 1957 – The Development of the Non-Recognition Policy', MA Thesis in History, Massey University, 1997.

Appendix A – Personalities

ATKINS, David Nelson (1931-): Joined EA, 1953; Language Student, Third Secretary, later Second Secretary, Tokyo, 1957-62; First Secretary, Tokyo, 1965-69.

ATKINSON, Leonard Allan (1906-98): Secretary, Public Service Commission, 1944-47; Assistant Commissioner, 1947-54; Member, 1954-58, Acting Secretary IC, August 1957 – September 1958.

BOWDEN, Charles Moore (1886-1972): Minister of IC, 1949-50; Minister of Customs, 1949-54.

CASTLE, Leslie Vincent, (1924-2003): Joined Treasury, 1948-52; transferred to Economic Division, EA, 1952-54; Head Economic Division, 1954-57; EA Representative, Japanese Trade Negotiations, 1954, Economic Counsellor, London, 1957-61, Head Economic Division, 1962.

CHALLIS, Reuben Lionel Grover 'Bill' (1916-1984): Head NZ Reparations and Trade Mission, Tokyo, 1947-51; Head NZ Diplomatic Mission to SCAP, 1951-52; Chargé d'Affaires, 1952-56.

CRAIG, Malcolm Wallace (1935-): Joined IC, 1958; Assistant Trade Commissioner, Tokyo, 1958-61; Trade Commissioner, Bangkok, 1968-72; Chargé d'Affaires, Baghdad, 1975-77; Assistant Secretary of Trade and Industry, 1980-85; Assistant Director-General, Ministry of Agriculture and Fisheries, 1985-93.

CUNNINGHAME, Rex Rainsford (1918-): Allied Translation and Interrogation Section, SCAP HQ, Brisbane, Manilla, 1942-45; British Naval Technical Mission, Japan, 1945; Member NZ Delegation, Far East Commission, Tokyo, 1945-46; Head Eastern Division, EA, 1947-49; Head Information Division, EA, 1952-54; First Secretary, later Counsellor, Tokyo, 1955-59.

DOIDGE, Frederick Widowson (1884-1954): Minister of EA, 1949-51; High Commissioner, London, 1951-54.

HALSTEAD, Eric Henry (1912-91): Minister of IC and of Customs, 1956-57.

HOLLAND, Sidney George (1893-1961): Leader of the Opposition, 1940-49; Minister of Finance, 1949-54; Prime Minister, 1949-57.

HOLLOWAY, Philip North (1917-2003): Labour MP, 1954-60; Minister of IC, 1957-60.

HOLYOAKE, Keith Jacka (1904-83): Minister of Agriculture and Deputy Prime Minister, 1949-57; Chairman CCEP, 1953-57; Minister EA, 1960-72; Prime Minister, 1957, 1960-72.

JOHNSEN, John Peter Douglas, (1897-199?): Assistant Comptroller Customs, 1946-54; Comptroller of Customs, 1954-57; Leader New Zealand Delegation, Japanese trade negotiations, 1954, Member, Board of Trade, 1957-59; Chairman, 1959-62.

LAKING, George Robert (1912-): Joined Prime Minister's Department, 1941; Counsellor, Washington, 1949-54; Minister, 1954-56; Deputy Secretary EA, 1956-58; EA Representative, OCEFP, 1956-58; Secretary EA, 1966-72.

LOUGH, Noel Vernon (1920-): Joined Treasury, 1936; Treasury Representative, Japanese Trade Negotiations, 1954; Seconded to External Affairs, 1955; Economic Counsellor, Washington, 1956-59; transferred back to Treasury, 1959; Secretary, 1978-80.

MACDONALD, Thomas Lachlan (1898-1980): Minister of Defence, 1949-57; Minister EA, 1954-57; High Commissioner, London, 1961-68.

McINTOSH, Alister David (1906-78): Secretary EA, 1943-66; Permanent Head, Prime Minister's Department, 1945-66.

MARSHALL, P.B. 'Val': Secretary IC, 1945, 1950-57.

MARSHALL, John Ross 'Jack': (1912-1988), Minister Tourism and Publicity, 1951-57; Deputy Prime Minister, 1957, 1960-72; Minister IC, 1960-69; Minister Overseas Trade, 1960-72; Prime Minister, 1972.

MILLER, Roderick Macalister (1925-): Japanese Linguist, Jayforce, 1946-48; Far Eastern Division, EA, 1948-52; Second Secretary, Tokyo, 1952-55; Counsellor, 1964-65; Ambassador, 1976-82.

MORIARTY, Michael James 'Jim' (1914-84), Customs, 1934-40; Treasury 1951-53, 55-58; Transferred to IC, 1958; Leader NZ Delegation, Japanese trade negotiations, 1958Assistant Secretary, 1958-65; Secretary of Trade and Industry, 1965-73.

MURRAY, Colin Bruce (1926-), Industries and Commerce, 1943; Jayforce, 1946-47; Assistant Trade Commissioner, Tokyo, 1947-52; First Secretary Commercial, 1963-66; Deputy Commissioner General (Operations), NZ Pavilion EXPO 70, Osaka, 1968-70.

NASH, Walter (1882-1968): Minister of Finance and of Customs, 1935-49; Leader of the Opposition, 1949-57; Minister of EA and Prime Minister, 1957-60.

PAUL, Charles Arnold (1918-): Assistant Trade Commissioner, Sydney, 1947-52; Assistant Trade Commissioner, Tokyo, 1952-57; 61-63.

REID, John Stanhope (1901-1985): Joined EA, 1943; First Secretary, later Counsellor, Washington, 1945-49; Assistant Secretary, 1949-56; Minister, Tokyo, 1956-58; Ambassador, 1958-61; High Commissioner, Ottawa, 1961-64.

SCOTT, John Stuart: Trade Commissioner, Tokyo, 1956-63.

SHANAHAN, Foss, (1910-1964): Deputy Secretary EA, 1943-55; Secretary of Cabinet, 1948-55.

SHEPARD, Jack (1924-98): First Secretary, NZ Commission South East Asia, 1954-58; EA Representative, Japanese Trade Talks, 1958; Head Economic Division, EA, 1958-61; Deputy and Acting High Commissioner, Canberra, 1961-64.

SUTCH, William Ball (1907-75): Secretary-General, NZ Permanent Delegation to the UN, 1948-51; Joined IC, 1951; Secretary; 1958-65.

TAYLOR, Edward Bickmore Ellison 'Ted' (1906-82): Chairman, Canterbury Division of the National Party, 1946-49; Ambassador, Tokyo, 1962-65.

WATTS, Jack Thomas (1909-70): Minister IC, 1950-54; Minister of Finance, 1954-57.

WEBB, Thomas Clifton (1889-1962): Minister EA, 1951-54; High Commissioner, London, 1954-58.

WHITE, George David Lloyd (1918-81): Joined Treasury, 1945; Transferred to EA, 1949; Head Economic Division, 1949-54; Counsellor, London, 1954-56; Counsellor, later Chargé d'Affaires, Washington, 1956-61; Deputy Secretary EA 1964-72.

ZOHRAB, Balfour Douglas (1917-): Joined Prime Minister's Department, 1944; First Secretary, Moscow, 1948-50; First Secretary, London, 1950-51; Counsellor, Paris, 1951-56, Counsellor, Tokyo, 1959-61.

Appendix B – Departmental and Political Heads, 1949 – 1962

Secretary of External Affairs	Minister of External Affairs	Secretary of Industries and Commerce	Minister of Industries and Commerce	Comptroller of Customs	Minister of Customs	Secretary to the Treasury	Minister of Finance
1943 –1966 Alister McIntosh	1943 – 1949 Peter Fraser	1946 – 49 G.W. Clinkard	1947 – 1949 Arnold Nordmeyer	1946 – 1954 D.G. Sawers	1935 – 1949 Walter Nash	1939 – 1955 Bernie Ashwin	1935 – 1949 Walter Nash
	1949 – 51 Fred Doidge	1950 Jim Stokes (Acting)	1949 – 1950 Charles Bowden	1954 – 1957 Peter Johnsen	1949 –1954 Charles Bowden	1955 – 1964 E.L. Greensmith	1949 – 1954 Sid Holland
	1951 – 54 Clifton Webb	1945, 1950 – 1957 P.B. Marshall	1950 – 1954 Jack Watts	1957 – 1958 E.S. Gale	1954 –1956 Dean Eyre		1954 – 1957 Jack Watts
	1954 – 57 Tom MacDonald	1957 – 1958 Alan Atkinson (Acting)	1954 –1956 Dean Eyre	1959 – 1967 J.F. Cummings	1956 – 1957 Eric Halstead		1957 – 1960 Arnold Nordmeyer
	1957 – 60 Walter Nash	1958 – 1965 Bill Sutch	1956 –1957 Eric Halstead		1957 – 1960 Ray Boord		1960 – 1967 Harry Lake
	1960 – 72 Keith Holyoake		1957 – 1960 Philip Holloway		1960 – 1962 J.R. Marshall		
			1960 – 1969 J.R. Marshall				

Appendix C – New Zealand's Representatives in Tokyo, 1947 - 1960s

Heads of Mission

1947 - 56: Bill Challis	- Head Reparations and Trade Mission, 1947-52; Head NZ SCAP Mission, 1951-52; Chargé d'Affaires, 1952-56
1956 - 61: John Reid	- Minister, 1956-58; Ambassador, 1958-61
1962 - 65: Edward Taylor	- Ambassador, 1962-65
1965 - 68: John Vivian Scott	- Ambassador, 1965-68

Commercial Staff

1947 - 53: Colin Murray	- Commercial Attaché, 1947-1952; First Secretary, 1963-66; Deputy Commissioner General (Operations), EXPO 1970
1953 - 57: Charles Paul	- Commercial Attaché, 1952-1957; Second Secretary, 1961-63
1956 - 63: John Stuart Scott	- Commercial Secretary, 1956-60; Commercial Counsellor, 1960-63
1958 - 61: Malcolm Craig	- Commercial Attaché, 1958-61
1959 - 59: Dr Richard Hampton	- Commercial Secretary (relieving), 1959
1963 - 68: John Fenaughty	- Commercial Counsellor, 1963-68

Political Staff

1952 - 55: Rod Miller	- Second Secretary, 1952-55; Counsellor 1964-65; Ambassador, 1976-82
1955 - 59: Rex Cunninghame	- First Secretary, later Counsellor, 1955-59
1957 - 62: David Atkins	- Language student, later Third Secretary, 1957-62; First Secretary, 1965-6
1959 - 61: Doug Zohrab	- Counsellor, 1959-61
1961 - 64: R.Q. Quentin-Baxter	- Counsellor, 1961-64

NB: This list was compiled from various editions of *Who's Who in New Zealand*, *AJHR*s, filed correspondence from Tokyo, and personal reminiscences. Reconstructing an accurate timeline of support staff has proved difficult. Staff from New Zealand during the 1950s included Helen Dahl, Val Anderson, Jean Black, and Zoe Corrigan. Edward Taylor was the only political appointee to the position of Ambassador during this time. He apparently served a short diplomatic apprenticeship as Counsellor, Quentin-Baxter acting as Ambassador in the interim.