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IMPERIAL PREFERENCES

A Study of New Zealand's Great Power Relationships from 1949 to 1963

A Thesis Presented in Partial Fulfilment of the Requirement for the Degree of
Master of Arts in History at Massey University

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ABBREVIATIONS

AMDA	Anglo Malayan Defence Agreement
ANZAM	Australia, New Zealand, and Malaya
ANZUS	Australia, New Zealand, United States
ASEAN	Association of Southeast Asian Nations
CAP	Common Agricultural Policy
CSR	Commonwealth Strategic Reserve
DRV	Democratic Republic of Vietnam
EEC	European Economic Community
EFTA	European Free Trade Area
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
MCP	Malayan Communist Party
MEC	Middle East Command
MEDO	Middle East Defence Organisation
NATO	North Atlantic Treaty Organisation
NSA	Non-Sterling Area
PL	Pathet Lao
RAF	Royal Air Force
RAN	Royal Australian Navy
RLG	Royal Laotian Government
RNZAF	Royal New Zealand Air Force
RNZN	Royal New Zealand Navy
RSA	Rest of the Sterling Area
SEACDT	South East Asian Collective Defence Treaty
SEATO	South East Asian Treaty Organisation
SAS	Special Air Service
UK	United Kingdom
UN	United Nations
US	United States
USSR	Union of Soviet Socialist Republics

PREFACE

This year is the fiftieth anniversary of the signing of the treaty that led to the formation of the Southeast Asia Treaty Organisation or SEATO. As such, it is an opportune time to review aspects of New Zealand's membership of this organisation. This task is all the more timely, because this year has also seen the Prime Minister of New Zealand sign a Non-Aggression Pact with ASEAN in the capital of Laos. Helen Clark is following in the footsteps of her Labour predecessor Walter Nash, who defied SEATO and the US over the matter of armed intervention in Laos. This thesis examines the changing defence relationships of New Zealand with the UK and the US during the 1950s, and seeks to explain the circumstances of Nash's disagreement with our largest ally.

I wish to thank the staff of the Auckland University Library and the Massey University Library and the staff of the National Archives. Thanks to John Mills of the Ministry of Foreign Affairs and Trade for his assistance and to Bruce Brown and Tom Larkin for their interviews. I also wish to convey my thanks to Adam Claasen for his guidance and to Marilyn Lewis for her proofreading. My major thanks and appreciation goes to Ester Lewis.

CHAPTER I – INTRODUCTION

Research Questions

This thesis analyses New Zealand's defence relationships with the United Kingdom (UK) and the United States (US) in the 1950s. While New Zealand's primary defence ties shifted from Britain to America during this period, it retained links of a secondary nature with the UK. It is argued that these secondary connections remained more popular than those with the US. Consequently New Zealand found it easier to work with the UK in defence matters than the US. This can be explained by both shared strategic interests, and by an important economic relationship between the two countries. The relationship with the US was more problematic and seemed to involve a movement away from New Zealand's perceived national interests. This work shows the movement from the UK to the US by an examination of New Zealand's defence arrangements in the Middle East, Malaya and the wider Southeast Asia. There are three aspects of this movement to be discussed. Firstly, how did the national interests that New Zealand aimed to defend change over the 1950s? In the early post-war years New Zealand believed that its greatest threat lay in challenges to the prosperity and position of the British Commonwealth and so it was prepared to enter into arrangements for its defence in an area quite a long way from its own territory. From the mid 1950s, the threat of Communism in Asia became the biggest threat to New Zealand. Although the UK remained an important military and trading partner, New Zealand abandoned the notion of Commonwealth defence and forged closer ties with the US. Secondly, to what extent was New Zealand decision-making responsible for the changing defence relationships or were they merely imposed on it by its allies? The assumption of new responsibilities was usually preceded by a period of lobbying by one or both of the allies and New Zealand was poorly equipped to form independent opinions

on foreign policy. Finally it is proposed to introduce an example of allied pressure on New Zealand in an area that New Zealand believed was not within its interests. Although the conditions in Malaya and Laos were quite different, the one was accepted easily in New Zealand and the other met with an unusual level of opposition.

This study focuses on aspects of the relationship involving forward planning and preparation through alliances and negotiations. There is not any direct mention of the Korean War. Although this is an important example of co-operation between New Zealand and its Great Power allies in the 1950s in Southeast Asia, it happened quite quickly. It served to show the strength of the relationship between the allies but it did not reveal the detailed level of national interest and concern, which the likes of SEATO (Southeast Asian Treaty Organisation) did. However the effect of the Korean War on New Zealand exports is covered in Chapter 4. Another big omission is the relationship with Australia throughout the various arrangements, which are traced in this thesis. They too, were involved in Middle East commitments which were ultimately switched to Malaya. Likewise they were an early part of the arrangements which developed into SEATO. In many respects their position was similar to New Zealand except for Laos where they were less inclined to resist the US position. However, Australia did not have the historic or actual status of a Great Power in the 1950s. This investigation is directed at the problems that a small country such as New Zealand has had with its much larger military allies. Future topics for research could include a comparison of New Zealand's participation in Confrontation against Indonesia and in South Vietnam in the 1960s. This would be a parallel to the comparison of Malaya and Laos in the 1950s. There do not seem to be many post war histories of the British Commonwealth. This could include topics such as New Zealand links with the overseas interests of the UK; for instance Indochina. It could also include New Zealand links with other Commonwealth members within a Commonwealth framework, for instance the Colombo Plan.

Primary Source Material

An attempt has been made to gather material from as wide a range of sources as possible. Given that the period in question is now forty to fifty years old, a considerable amount of primary source material is available in the form of published books. *British Documents on the End of Empire* is a series that publishes documents from British government sources on the End of Empire. Other volumes reproduce speeches and documents relating to public events. There are also a wide variety of biographies and autobiographies on political and military figures, which provide a useful if slightly confused commentary on events. American sources have a similar depth. The *Foreign Relations of the United States* series is published by statute soon after the events, and accesses all documents whose secrecy cannot be justified. There are also volumes publishing public statements and documents and many useful autobiographies and biographies. Presumably by reason of resources, New Zealand does not have the same number of published documents but there are a wide range of documents available at the National Archives. The *External Affairs Review* published by the Department of External Affairs was a very useful source of background information. I had no trouble in finding Department staff prepared to discuss their recollections of this period and help put it into context.

Historiographical Summary

Middle East

There has not been much written on New Zealand's commitment to the Middle East, from a New Zealand perspective. Two theses in 1974 and 2003 touch on the subject with a discussion of the conscription referendum that was the political precursor to the foreign policy decision.¹ Malcolm Templeton's topic in 1994

¹ Donald Kinnell, 'Conscription, the Korean War, and ANZUS: Debate in the Wairarapa', Research Exercise for BA (Hons), Massey University, 2003 and D.N. Verran, 'The 1949 Conscription Referendum: Causes, Campaign and Effects', Research Essay in History, University of Auckland, 1974.

covers the Suez Crisis in 1956 but his introduction covers the New Zealand commitment to the Middle East.² He argued that the Suez Crisis was a manifestation of the shift in power that had already occurred between the UK and the US. New Zealand had withdrawn from the Middle East, but they had been slow to appreciate this change. Many books view post-war Middle East security from the British perspective. Ritchie Ovendale's book in 1985 covers a number of Cold War topics as well as the Middle East. It analyses the role that the white Commonwealth countries played in British attempts to construct a credible defence of the Middle East.³ In 1990, David Devereux wrote about British policy towards the Middle East and sets this in the context of relative British decline from 1948 to 1956.⁴ Both made extensive use of British archives that threw a new light on New Zealand history.

Malaya

A number of writers have investigated New Zealand's 1955 deployment of troops to Malaya. Their studies can be divided into those who have studied the state of New Zealand's relationship with the UK and the US, and those who have focused New Zealand's attitudes towards its Asian neighbours. Amongst the former, W.K. Jackson examined the relationship between New Zealand and the UK in 1969, and found that ties remained strong until the mid 1950s when developments such as Suez and the British movement towards the European Economic Community (EEC), caused New Zealand to move towards the US.⁵ In the course of this movement, New Zealand also became more dependent upon Australia who was further along the same path.⁶ In 1991, C.T.M. Koh wrote that New Zealand worked so closely with the UK and the US in Asia, that its own interests were ignored.⁷ He observed that New Zealand's lack of diplomatic resources made it difficult to formulate independent policies. New Zealand's

² Malcolm Templeton, *Ties of Blood and Empire. New Zealand's Involvement in Middle East Defence and the Suez Crisis. 1947-57*, Auckland: Auckland University Press, 1994.

³ Ritchie Ovendale, *The English-Speaking Alliance Britain, the United States, the Dominions, and the Cold War. 1945-1951*, London: George Allen & Unwin, 1985.

⁴ David R. Devereux, *The Formulation of British Defence Policy Towards the Middle East, 1948-1956*, London: Macmillan, 1990.

⁵ W.K. Jackson, *New Zealand Foreign Policy, 1954-1964*, Paper Delivered at University of Otago 4th Residential School on New Zealand Foreign Policy, 1969, pp. 1-9.

⁶ *ibid.*, p. 19.

⁷ C.T.M. Koh, 'First Line of Defence: New Zealand's Forward Defence Policy in Malaya/Singapore in the 1950s', Dissertation in History, University of Otago, 1991.

initial approach to the UK in Malaya was frustrated by British decline in the late 1950s and the subsequent movement to the US involved a viewpoint not always to New Zealand's liking.

Other writers have looked at the nature of New Zealand's relationships with its Asian neighbours and analysed its defence relationships from the perspective of these nations. Kelvin Ratnam examined the foreign policy of Malaysia from 1957 to 1969 in 1982, and identified a progression from embryonic to assertive to consolidation.⁸ Although the British would have liked Malaya to join SEATO, it was unwilling to do this for fear of antagonising the Chinese section of its population. Malaya was allied to the British through the Anglo Malayan Defence Agreement (AMDA) and officially maintained a position of non-alignment. In 1971, Yeow Mau Lim was critical of New Zealand's acceptance of the domino theory of Communist domination of Southeast Asia and concluded that it was a flawed model for interpreting the insurgencies of the 1950s and 1960s.⁹ He studied the history of the Malaysian Communist Party and concluded that many of its greatest successes came in the 1930s fighting against Japanese aggression. Because New Zealand entered Asia in a position of dependence on the UK and the US, it failed to interpret the nationalistic nature of the struggle in Malaya.

Christopher Pugsley wrote *From Emergency to Confrontation in 2003. The New Zealand Armed Forces in Malaya and Borneo. 1949-1966*.¹⁰ This was an account of New Zealand forces fighting in the Malayan Emergency and the Confrontation against Indonesian forces. It was largely a book of operational military details although there was also some coverage of the political background behind the deployments. Part 1 on the Emergency covers the deployment of Special Air Service (SAS) troops and then an infantry battalion to combat the insurgents of the Malayan Communist Party. There is also a section on the exercises in which New Zealand troops prepared for possible SEATO deployment.

⁸ Kelvin J. Ratnam, 'Malaysia's Foreign Policy: The Identification of Some of its Determinants. 1957-1977', MA Thesis in International Politics, Victoria University, 1982.

⁹ Yeow Mau Lim, 'The Malayan Emergency and New Zealand's Relations with Malaya/Malaysia', Long Essay in History, University of Auckland, 1971.

¹⁰ Christopher Pugsley, *From Emergency to Confrontation. The New Zealand Armed Forces in Malaya and Borneo. 1949-1966*, Oxford: Oxford University Press, 2003.

Trade

Most economic histories of Commonwealth nations deal with the history of that particular country and do not give much consideration to its history of trading relations with another country or group of countries. Even in the case of British history, the role of the Sterling Area has often been marginalized or misinterpreted. Catherine Schenk challenged these ideas in 1994, to emphasise the significance of Commonwealth trade to British businesses and policymakers in the 1950s.¹¹ In 1993 P.J. Cain and A.G. Hopkins wrote a history of the City of London examining the extent to which the British Commonwealth was directed to serve the interests of the British trade in invisibles.¹² The 2002 book by John Singleton and Paul Robertson about trade the UK, New Zealand and Australia asserts that trade in goods was equally a part of British policy as finance.¹³ M.A. McKinnon wrote a thesis in 1981 on the diplomacy of economic relations between New Zealand and Britain from 1939 to 1954, and concluded that New Zealand was prepared to sacrifice the terms of the open market to develop the British trade.¹⁴

Southeast Asia

The material on Southeast Asia deals with the question of New Zealand's foreign policy independence from its allies. In 1978 D.J. McCraw explained that New Zealand was more tolerant of questionable tactics in Malaya than in Indochina, because it valued the presence of the British in the region.¹⁵ Grant Hooper analysed three episodes in New Zealand foreign affairs in 1998, and concluded that alliance maintenance was the most noteworthy factor driving foreign policy in Southeast Asia.¹⁶ In 1993, Brook Barrington traced the alliances and treaties that New Zealand joined in the post-war years to secure the presence of both the

¹¹ Catherine Schenk, *Britain and the Sterling Area. From Devaluation to Convertibility in the 1950s*, London: Routledge. LSE, 1994.

¹² P.J. Cain and A.G. Hopkins, *British Imperialism: Crisis and Deconstruction. 1914-1990*, London: Longman, 1993.

¹³ John Singleton and Paul L. Robertson, *Economic Relations Between Britain and Australasia. 1945-1970*, Basingstoke: Palgrave, 2002.

¹⁴ M. A. McKinnon, 'The Impact of War: A Diplomatic History of New Zealand's Economic Relations with Britain, 1939-1954', Doctor of Philosophy in History, Victoria University, 1981.

¹⁵ D.J. McCraw, 'Objectives and Priorities in New Zealand's Foreign Policy in Asia 1949-75: A Study of the Issue of Recognition of the People's Republic of China and of Security Policies in Southeast Asia', PhD Thesis in Political Studies, University of Otago, 1978.

¹⁶ Grant Winston Hooper, 'New Zealand and Indochina: Aspects of Involvement', Thesis for MPhil, University of Waikato, 1998.

US and the UK in Southeast Asia and described the potential for strain where New Zealand was forced to choose between its two allies.¹⁷ The South East Asian Collective Defence Treaty (SEACDT) is the subject of Mark Pearson's book in 1989, which concluded that SEATO was successful for New Zealand in uniting its major allies, even if by its own standards it was not successful.¹⁸ In 1993, Timothy N. Castle wrote from a US point of view of the events in Laos. He was a serviceman and was sympathetic towards US military activities in the region.¹⁹

Conclusion

Although several books and theses have traced the development of New Zealand defence diplomacy in either the Middle East or Southeast Asia, few outside of the textbooks have taken a longer view and done both. Such an analysis is important because it shows how New Zealand's foreign policy developed over the decade from membership in the global Commonwealth, to a more independent member of Southeast Asian defence agreements. Secondly, there have not been many post-war studies of New Zealand relations with the UK. The immediate post-war period has been covered, as have aspects of the trading relationship but there is not much that analyses New Zealand's response to the British military decline of the 1950s. This thesis attempts to take the long view with regard to the military alliances that New Zealand was a party to. It is argued that through all of the episodes that New Zealand passed through in the 1950s, there are common features that characterise its dealings with its Great Power allies.

¹⁷ Brook Barrington, 'New Zealand and the Search for Security 1944-1954: A Modest and Moderate Collaboration', PhD Thesis in History, University of Auckland, 1993.

¹⁸ Mark Pearson, *Paper Tiger: New Zealand's Part in SEATO, 1954-1977*, Wellington: New Zealand Institute of International Affairs, 1989.

¹⁹ Timothy N. Castle, *At War in the Shadow of Vietnam. US Military Aid to the Royal Lao Government. 1955-1975*, New York: Columbia University Press, 1993.

Organisation of Thesis

This paper considers the state of New Zealand's traditional defence and economic links with the UK and compares this to its growing defence links with the US in the Asian region. Chapter Two examines New Zealand's commitment to send troops to the Middle East in the event of general war against the Soviet Union. This region was ostensibly of interest to New Zealand because of the trade routes that passed through the Suez Canal. New Zealand's actions were motivated by its interest in the prosperity of the Commonwealth as a whole. In Chapter Three the movement of New Zealand's wartime commitment to Malaya is discussed. As the threat of Asian Communism grew and the strength of British power declined, New Zealand began to consider its own interests as distinct from those of the Commonwealth. The Malayan commitment was remarkable because it involved a significant deployment of troops during peacetime. Given the march of technology and New Zealand's limited resources, it was seen as the only way to make a decisive impact in any Asian conflict. It was also meant to demonstrate solidarity with the American effort in the region. Chapter Four turns to the economic relationship of New Zealand with both the UK and the US. Britain had long been the major market for New Zealand's agricultural exports and the source of much of its imports. During this period both the imports and exports of this trade came under pressure. In the late 1940s and early 1950s, the Commonwealth trading bloc (or Sterling Area) was riven by two balance of payments crises. These were largely the result of the weakness of the British economy after the Second World War. Commonwealth countries were exhorted to substitute their imports from America and Europe with Commonwealth products. New Zealand did do this in the first crisis, but followed a more independent line in the second by preferring its own development needs. From the mid 1950s New Zealand's exports to the UK ran into trouble. The Churchill government dismantled several preferential agreements with New Zealand in favour of British consumers. As the preponderance of international trade began to move away from raw materials towards manufactures, so the UK began to favour its trade with Europe and culminating in an application to join the EEC in

1961. Although this was unsuccessful, New Zealand understood that notice had been served. Exports to the US remained steady at about 10% of total exports throughout the 1950s. This was a valued trade and most important for wool and meat exports. It was not a major market due to high levels of protectionism by the American government.

Chapter Five switches to New Zealand's search for a Pacific Pact along the lines of the North Atlantic Treaty Organisation (NATO) in Europe. As China was over-run by the Communists in 1949 and the Vietminh gained the upper hand in Indochina, New Zealand became more concerned about the possible threat from Asia. New Zealand remained interested in a British presence but knew that America was now the key to safety in the event of a major conflict. New Zealand entered the ANZUS (Australia New Zealand United States) treaty with the US in the early 1950s but was never entirely comfortable with the guarantee that this represented. In addition, New Zealand entered allied military discussions on Indochina and ultimately the Southeast Asian Collective Defence Treaty. Chapter Six traces New Zealand's performance in the SEACDT with particular regard to Laos. The Americans maintained a very strong presence in Laos to counter Communist elements threatening to destabilise the government. New Zealand disagreed with the American approach in Indochina. It judged that a military solution to the spread of Communism had been discredited by the past failures of the French and that economic and social measures should be given a greater prominence in the struggle against Communism. This conflict of views came to a head in 1959 when Prime Minister Walter Nash refused to sanction the military plan of SEATO for intervening in Laos against Communist insurgents. The final chapter ends with a summary of the final themes of the Thesis. It examines New Zealand's relationships with the UK in a decade of change for both, and how New Zealand managed the transition to an American dominated security relationship.

This thesis is a study of International Relations. It attempts to analyse the political and economic context in which defence relationships were made between New Zealand and its allies. The period chosen is from 1949 to 1963. This goes from the first Commonwealth balance of payments crisis to the French

veto of the first British application to join the EEC. It covers the defence commitments to the Middle East and Malaya, and New Zealand's membership of SEATO. The political aspects include the struggle to deal with the new American security relationship. The material is largely presented in chronological form although it is always grouped by topic within a chapter. Often the perspective of the major allies is placed first in a chapter, followed by the New Zealand view of events. This has provided an international perspective on the events that New Zealand was concerned with. The progression of events is described using a mixture of official documents, conferences, speeches and political decisions. While acknowledging the place of important individuals this study attempts to explain change and to answer the opening questions with reference to underlying economic, social, strategic and technological changes.

CHAPTER II – NEW ZEALAND’S COMMITMENT TO THE MIDDLE EAST

The major defence relationship for New Zealand in the late 1940s was with the British. This chapter explains the reasons for New Zealand’s gradual movement away from these links. New Zealand’s identity was closely tied to that of the whole British Commonwealth. Any economic or military threat to the Commonwealth was also a threat to New Zealand. The first section discusses the British belief that their military position in the Middle East had to be held for economic and military reasons. If the Middle East were lost to the Union of Soviet Socialist Republics (USSR), it would cost the West access to key raw materials and large trading markets. It would also mean a large military defeat for the UK. On the other hand, successfully holding the Middle East would afford the British a measure of prestige and influence which was important for the maintenance of their international trade and for their own alliance with the US. For a period, New Zealand agreed with this appraisal of world affairs and was prepared to back it with military guarantees to the British in the Middle East. But gradually New Zealand’s position began to change. The British, although a strong military country still, were no longer a great power. This was demonstrated by their attempts to build a Middle Eastern alliance. In addition, New Zealand’s attachment to the Commonwealth depended on the maintenance of security in its own region. As the danger of Communism in Southeast Asia grew, security in the Pacific was no longer assured and New Zealand wanted to move its armed forces away from their Middle Eastern commitment.

British Search for Middle Eastern Partners

Middle Eastern oil was a significant defence objective because of its economic importance. It was a key objective of the Allies to prevent the Middle East from falling to the USSR. The Truman Administration gave the highest priority to the

defence of Western Europe, the Mediterranean, the Middle East, and Japan in its global planning.²⁰ In March 1947, the Middle East figured in a list of three basic war objectives for the UK. This ranked third in importance after the defence of the UK and the maintenance of sea communications.²¹ The Middle East was both a location from which to resist a Soviet offensive and a source of raw materials and²² the supply of petroleum was considered vital to the progress of the British industry that would soon grind to a halt without adequate supplies of it. The Americans knew how the British viewed the supply of oil. US Secretary of Defence James Forrestal was briefed by the State Department on UK policy. The British believed that “the fall of the Middle East [to the USSR] would virtually mean the end of England as a power”.²³ But, British control of the Middle East faced great challenges.

Britain was faced with the twin constraints of Middle Eastern nationalism and the burden of their own levels of defence spending. In the early 1950s, the British share of Iranian oil was cut significantly due to the temporary nationalisation of the Abadan oil refinery in Iran. The same spirit drove Egyptian insistence that the UK should cease its occupation of the Suez Canal Base without any extension of terms. At home, the British economy had been sorely taxed during the war years and now it struggled to maintain the cost of the defence posture inherited from the North African campaign. There was an urgent need to cut back overseas defence spending. Officials began to question Britain’s need to hold the Middle East by military force at all. A Foreign Office minute by the Paymaster General to Prime Minister Winston Churchill in 1951 questioned the need for a large commitment in the Middle East.²⁴ It argued that without India, the UK could

²⁰ President Harry S. Truman, President of the United States (1945-53) refer *Undiplomatic Dialogue. Letters between Carl Berendsen and Alister McIntosh. 1943-52*, Ian McGibbon (ed.), Auckland: Auckland University Press, 1993, p. xviii.

²¹ ‘CAB 131/4, DO (47) 23. ‘The Defence of the Commonwealth’: Memorandum by the Chiefs of Staff for the Cabinet Defence Committee on the general requirements for survival in a future war. 7 March 1947’ in *British Documents on the End of Empire. Series B Volume 4. Egypt and the Defence of the Middle East. Part I 1945-1949*, John Kent (ed.), London: HMSO, 1998, p. 221.

²² John Lewis Gaddis, *Strategies of Containment. A Critical Appraisal of Post-war American National Security Policy*, New York: Oxford University Press, 1982, p. 60.

²³ Walter Millis (ed.), *The Forrestal Diaries. The Inner History of the Cold War*, London: Cassell, 1952, p. 328.

²⁴ Winston Churchill was Leader of the Conservative Opposition (1945-51), Prime Minister (1951-55) refer Anthony Eden, *The Memoirs of the Rt Hon. Sir Anthony Eden K.G. P.C. M.C. The Full Circle*, London: Cassell, 1960.

leave the Suez Canal to international supervision. Furthermore, the increasing number of American oil contracts in the region meant that there should be more scope to include the Americans in the defence of the region.²⁵ In 1947 President Harry Truman had signalled a new determination to resist Communism with a doctrine, which was to bear his name.²⁶ The Truman Doctrine stated that

At the present moment in world history nearly every nation must choose between alternative ways of life ... One way of life is based upon the will of the majority, and is distinguished by free institutions, representative government ... and freedom from political oppression. The second way of life is based upon the will of a minority forcibly imposed upon the majority. It relies upon terror and oppression ... it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures.²⁷

President Harry Truman's speech was made in the context of the Greek and Turkish struggle against Communist forces. Some in Whitehall began to think that the same principle might also apply to bolster the difficult British position in the Middle East.

After the Second World War, there was a debate in the British establishment over Middle Eastern policy. In 1947, Field Marshall Bernard Montgomery prepared a paper on Western strategy in a major war, in which he stressed the importance of holding the Middle East.²⁸ Subsequently, Montgomery and the Chiefs of Staff informed Prime Minister Clement Attlee that they would resign rather than give way over this issue.²⁹ Attlee had been arguing that Britain was simply unable to afford the continued cost of a Middle East commitment. In any case, Britain

²⁵ 'PREM 11/208. [Middle East Policy]: minute by Lord Cherwell to Mr Churchill. 8 November 1951' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, pp. 110-11.

²⁶ Henry Kissinger, *Diplomacy*, London: Simon & Schuster, 1995, pp. 452-3.

²⁷ Thomas G. Paterson, *Major Problems in American Foreign Policy Volume II: Since 1914*, 3rd ed., Lexington, Massachusetts: D C Heath, 1989, p. 298.

²⁸ Montgomery was Chief of the Imperial General Staff (1946-48), Chairman of Western Europe Commanders-in-Chief Committee (1948-51), Deputy Supreme Allied Commander Europe (1951-58) refer Ian McGibbon (ed.), *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Wellington: Victoria University Press, 1999, p. 19.

²⁹ B. L. Montgomery, *The Memoirs of Field-Marshal The Viscount Montgomery of Alamein, K.G.*, London: Collins, 1958, pp. 435-6.

would be unlikely to succeed against the USSR in the event of a war.³⁰ He reasoned that the Allies had been denied access to the Eastern Mediterranean for parts of the Second World War, yet they had been victorious in the end. The views of the Chiefs of Staff prevailed but there remained doubts about the capability of the British to hold the Middle East against a determined attack by the USSR. It was estimated that the Soviet Union could have ten to fifteen divisions in Egypt within four months.³¹ In 1948, the British Chiefs of Staff stated that they could hold the Middle East if the US could get reinforcements to them in time.³² It was at this time that negotiations began with New Zealand about the sort of force that it could provide in the event of war, and the speed with which it could be brought to the Middle East. An American report in 1951 concluded that although the UK had primary responsibility for the Middle Eastern area, it lacked the resources and manpower to defend it successfully.³³ In order to reinforce the British position, speed would be decisive. Troops would need to be ready immediately, which would require peacetime training by the Commonwealth nations who had agreed to provide support.

The UK tried to conceal their weakening position in the Middle East in order to maintain the status quo with both their allies and their enemies. Britain was very conscious of the value of intangible factors such as prestige in the administration of its overseas territories. The discharge of military responsibilities was also considered an important part of the special relationship with the Americans. The British felt that it was important to demonstrate that they were a viable alliance partner in order to be sure of American support when it was required. In 1952, Anthony Eden wrote a memorandum to the Cabinet in his capacity as Secretary

³⁰ British Prime Minister and First Lord of the Treasury (1945-51), Minister of Defence (1945-46) refer Ian McGibbon (ed.), *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Wellington: Victoria University Press, 1999, p. 11.

³¹ C.J. Bartlett, *The Long Retreat. A Short History of British Defence Policy. 1945-70*, London: Macmillan, 1972, p. 81. Estimates presented to Cairo in June/July 1950 by Sir William Slim, the Chief of Imperial General Staff

³² 'Conversation with Mr Winston Churchill. 12 November 1948' in Forrestal, p. 490.

³³ 'S/P-NSC Files: Lot 61 D 167: "Eastern Mediterranean and the Middle East". Memorandum by the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (McGhee) to the Secretary of State' in *Foreign Relations of the United States 1951. Volume V. The Near East and Africa*, William Z. Slany (General Editor), Washington: US Government Printing Office, 1982, p. 4.

of State for Foreign Affairs.³⁴ He examined the possibility of scaling back overseas obligations and concluded that care must be taken to avoid harming the world position of the UK and the advantages that flow from that position. He was also concerned that a hasty withdrawal by British forces might lead to a vacuum, which would be filled by the USSR. If the Middle East were to be lost in this fashion, it was likely that Western assets would be liquidated and that the general balance of payments position of the major Western economies would deteriorate.³⁵ The Middle East was now also a considerable market for Western exports. The victory of Communist forces in China removed a vast market from the reach of Western producers. One of the features of the British global withdrawal from empire in the 1950s, were their attempts to establish regional military alliances to cover their retreat. These new groupings could help share the load and allow Britain to continue to exercise a global role through the leadership of these organisations. The US was generally reluctant to get involved for fear of appearing to prop up British colonies.³⁶ In the Middle East, there were attempts to establish a Middle East Defence Organisation and in the Far East there was ANZAM (The agreement between Australia, New Zealand and the UK for the defence of Malaya. From the initials of Australia New Zealand and Malaya) and the Anglo Malayan Defence Agreement (AMDA). In each case New Zealand was encouraged to participate in order to help cover the British retreat.

Initial attempts by the UK to create a defence organisation foundered over disagreements with Egypt over the future of the Suez Canal military base. Britain proposed a military alliance along the lines of the North Atlantic Treaty Organisation (NATO) called the Middle East Command (MEC). Initial membership was to include Australia, New Zealand, South Africa, the US,

³⁴ British Secretary of State for Foreign Affairs (1951-54), Prime Minister (1955-57) refer Anthony Eden, *The Memoirs of the Rt Hon. Sir Anthony Eden K.G. P.C. M.C. The Full Circle*, London: Cassell, 1960.

³⁵ 'CAB 129/53, C(52) 202. "British Overseas Obligations": Cabinet Memorandum by Mr Eden. 18 June 1952' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, pp. 4-5.

³⁶ 'CAB 129/53, C(52) 202. "British Overseas Obligations": Cabinet Memorandum by Mr Eden. 18 June 1952' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, p. 11.

France, Turkey and Greece.³⁷ Britain was initially wary of Egyptian involvement. But by the end of 1951, Britain decided that this might be an inducement for the Egyptians to settle over the disputed canal base. The proposal was that Egypt be given membership of the MEC and that the British garrison would remain in the canal base.³⁸ Cairo rejected the offer and repudiated the 1936 Pact upon which the British occupied the Canal Zone. A pact, which had not been due to expire until 1956.³⁹ The diplomatic impasse led to civil strife and by December there were pitched battles in the Canal Zone between British troops and Egyptian civilians. In January, the British garrison was placed onto a war footing. The following month the Egyptians announced their intention to begin negotiations with the UK over the Canal Base, but ominously for the Western Allies, they also concluded a barter economic agreement with the USSR. These events were quite a blow to British attempts to organise a military alliance in the region and to the reputation of the British as a great power. In November, the UK, the US, France and Turkey reaffirmed the basic principles of the MEC by way of a formal declaration to restore the confidence of Middle Eastern members who were now wavering.

Yet American support for British plans had begun to waiver. In May 1952, the State Department concluded that British forces would be incapable of resisting Soviet aggression and that "such strength as is at present assured to the UK from the Dominions is not only too little but would probably arrive too late".⁴⁰ Following discussions between London and Washington, the MEC was replaced by the Middle East Defence Organisation (MEDO). The Americans wanted to ensure that Arab states and Egypt in particular, were given equal status in the drafting of defensive arrangements for the Middle East. The British decided to invite the new military ruler of Egypt (General Mohammed Neguib) to join the MEDO, and they attempted to link this to the continued tenure of the Suez base. The new Republican administration of President Dwight Eisenhower was totally unwilling to support this kind of connection and relations between the two allies

³⁷ Malcolm Templeton, *Ties of Blood and Empire. New Zealand's Involvement in Middle East Defence and the Suez Crisis. 1947-57*, Auckland: Auckland University Press, 1994, p. 12.

³⁸ *ibid.*, p. 13.

³⁹ *NZPD*, 295(1951), p. 344 (Holland)

⁴⁰ Templeton, p. 21.

deteriorated.⁴¹ Eventually British priorities began to change.⁴² In February 1953, Secretary of State for Foreign Affairs Anthony Eden told the Cabinet that military domination was no longer an appropriate means of maintaining the British position in the Middle East and that a new approach would have to be made to Egypt. In the following year the British agreed with the Egyptians that all UK forces were to leave Egypt, but with rights to return should war break out.⁴³ At the Commonwealth Prime Ministers' meeting in June 1953, Winston Churchill played down the importance of the Middle East.⁴⁴ His statements were made in the context of a changing strategic assessment of the region. The development of nuclear weapons reduced the possibility that the USSR would invade Egypt, and had also made the giant British canal base obsolete. In any case, failing British influence in the area meant that the initiative had finally passed to the Americans. Washington now abandoned the concept of MEDO and started work on a new grouping called the Northern Tier. This consisted of Turkey, Iraq, Syria, Iran and Pakistan. Unlike British proposals, it placed first priority on resisting any Soviet advance as soon as possible, and regarded Egypt and the Canal as of secondary importance.⁴⁵ In his book, David Devereux concluded that ultimately, British plans foundered because they were unable to attract the membership of Middle Eastern states or of the US. The new US approach was more concerned with the broader question of Middle Eastern security and not just the support of British territories. The Americans moved away from a single regional agreement towards a series of bilateral arrangements with individual Arab states.⁴⁶ Although British negotiations with Middle Eastern countries had proven unsuccessful, its approaches to New Zealand had been met with enthusiasm and commitment.

⁴¹ *ibid.*, pp. 22-25.

⁴² 'FO 371/102807, no 250. [Evacuation from Egypt]: Memorandum by Mr Amery for Mr Eden on the implications of evacuation and British requirements in Egypt. 16 March 1953' in *British Documents on the End of Empire. Series B Volume 4. Egypt and the Defence of the Middle East. Part III. 1953-1956*, John Kent (ed.), London: HMSO, 1998, p. 21.

⁴³ Anglo-Egyptian Agreement on Suez Canal Base, *External Affairs Review*, 4:7 (1954), pp. 36-7.

⁴⁴ Templeton, p. 29.

⁴⁵ *ibid.*, pp. 30-1.

⁴⁶ Devereux, pp. 43-74.

New Zealand – UK Diplomacy Over the Middle East

By the late 1940s, Britain realised that it would need Commonwealth assistance in the Middle East and decided to approach New Zealand, Australia and South Africa about the defence of the Middle East. Each had fought in that region during the Second World War and each had a strategic interest in the Middle East. Australia and New Zealand had trading routes to the UK passing through the Suez Canal. For South Africa, this region represented the gateway to Africa.⁴⁷ They were correct in assuming that New Zealand would come to the aid of the UK. Up until this point in time, New Zealand had viewed its own security and that of the British Commonwealth as largely the same thing. In September 1948, Prime Minister Peter Fraser⁴⁸ had spoken to the House of Representatives and declared that Britain was at the centre of the Commonwealth and that New Zealand was at the frontiers.⁴⁹ The period in question for this thesis marks the end of this sort of unquestioning loyalty by the New Zealand government, but at this stage those sentiments remained strong. The deteriorating security situation in the South East Asian region began to make New Zealand think in regional rather than imperial terms.⁵⁰

From 1947 to 1949, the New Zealand government used the issue of conscription to test the mood of the nation. The mood of the country was positive believing that the good of New Zealand was closely associated with the good of the

⁴⁷ Devereux, p. 77.

⁴⁸ Labour Prime Minister (1940–49), Minister of External Affairs and Island Territories (1943–49) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946–1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 23.

⁴⁹ 'Review of the International Situation 1948. Extracts from a Statement by the Rt Hon Peter Fraser in the House of Representatives, 28 September 1948' in *New Zealand Foreign Policy: Statements and Documents 1943–1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, p. 180.

⁵⁰ A distinction needs to be made between official thinking and popular sentiment. Amongst policy-making circles, the reputation of the United Kingdom had been in decline for some time. Going back to the 1930s, the United Kingdom had lost the awe that it had previously commanded, and events such as Greece and Crete during World War II, and Palestine and Suez only served to reinforce this trend. (Interview with Tom Larkin, 2 July 2004, Formerly Department of External Affairs) Amongst the general population, strong regard for Britain remained, with fond memories of co-operation during the war and with many of the New Zealand population having been born there.

Commonwealth. In 1947, Field Marshall Bernard Montgomery visited New Zealand as part of a tour to Australia and New Zealand.⁵¹ In talks with the government he suggested that New Zealand ought not to overburden its economy with excessive military obligations and that it ought to introduce a system of conscription in order to obtain the number of personnel that would be required for Commonwealth defence. It was thought necessary for at least part of the armed forces to be able to mobilise quickly which would require a pool of trained reserves to draw upon at any particular time.⁵² Both the UK and the US had retained national service from the war years, and both were revising these schemes in 1948.⁵³ During the same year, it was revealed that the Cabinet of the Fraser government had been considering National Service and the National Party announced its full support of conscription. Although the subsequent National government was somewhat more pragmatic than the administration of Peter Fraser, there was a bipartisan approach to foreign policy at this time, which applied to the proposed Middle Eastern planning. In October, Fraser departed for London and the Prime Ministers' Conference, preferring to assess the situation in this context before making up his mind.⁵⁴ Fraser returned to New Zealand from the Conference and began to push for conscription. It is likely that he had come to this decision before going to London, but had used these meetings as an excuse.⁵⁵ In Parliament, Fraser emphasised the need to fight wherever the Commonwealth was under threat, whether that be Europe or the Middle East. He also stressed the training aspect of the call-up so that a force could be moved quickly into place should the need arise. He was no doubt thinking of the long time that it had taken to assemble the expeditionary force for Egypt in the Second World War.⁵⁶ The issue was put to a referendum in August 1949, and the vote was a clear affirmation with 78% in favour.⁵⁷

⁵¹ B. L. Montgomery, *The Memoirs of Field-Marshal The Viscount Montgomery of Alamein*, K.G., London: Collins, 1958, p. 456.

⁵² *NZPD*, 280(1948), pp. 603-4 (Jones)

⁵³ Verran, p. 8.

⁵⁴ *ibid.*, pp. 9-13.

⁵⁵ *ibid.*, p. 17-19.

⁵⁶ *NZPD*, 285(1949), pp. 91-3 (Fraser)

⁵⁷ Verran, p. 49.

The British continued to persuade New Zealand to make commitments to the defence of the Middle East, and shortly after the referendum the government agreed. At the conference, British Foreign Secretary Ernest Bevin raised the issue of Commonwealth Defence co-operation.⁵⁸ At the meeting it became obvious that a common defence policy would not be possible because of the big differences in outlook between the Western 'white' dominions, and the non-aligned Asian dominions. It was decided that Britain would pursue individual negotiations with nations on a bilateral basis rather than attempt a common policy. From this conference until 1949, the UK continued defence discussions with the Dominions in this manner. In November 1948, the British Chiefs of Staff decided that New Zealand should see to its own safety first in the case of war. However, as there was so little danger, it could probably send most of its troops to the Middle East.⁵⁹ Later in 1951, the British Chiefs of Staff supported negotiations for a tripartite alliance between Australia, New Zealand and the US. Part of the reason for the ANZUS alliance was to provide American security for Australia and New Zealand so that they could make a contribution to security in the Middle East.⁶⁰ In continuing discussions, the British suggested that New Zealand could provide a force of one infantry division, one armoured brigade, one artillery regiment and nine squadrons of aircraft. New Zealand was more enthusiastic about the Commonwealth than were the other Dominions and proved more receptive to these requests in spite of its small population.⁶¹ In August, the New Zealand and Australian military had met with British planners in Melbourne to try and secure their agreement to commit forces to the Middle East.⁶² The British explained their strategies in the case of a general war against the USSR. The Allied offensive was to be based on airpower. The airbases in the UK, the Middle East and Japan were essential for defence and counterattack. In addition to these were the main support areas, which had to be held. They were the US,

⁵⁸ Ernest Bevin. Secretary of State for Foreign Affairs (1945-51) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 12.

⁵⁹ Devereux, p. 77.

⁶⁰ Ovendale, p. 233.

⁶¹ Devereux, pp. 77-8.

⁶² 'DEFE 4/23, COS 102 (49)4, annex. "Middle East strategy and defence policy": Report by the JPS to the COS, 11 July 1949. (JP(49)59). Appendix "A". 15 July 1949' in *British Documents on the End of Empire. Series B Volume 4. Egypt and the Defence of the Middle East. Part I. 1945-1949*, John Kent (ed.), London: HMSO, 1998, p. 339.

Canada, Australia, New Zealand, South Africa and Argentina.⁶³ The following month, Prime Minister Clement Attlee sent a message to Wellington, emphasising the significance of a New Zealand role in the Middle East. Shortly afterwards, the New Zealand government agreed to send troops to the Middle East and to institute a program of conscription to this end.⁶⁴

However at the same time that New Zealand agreed to assist in the Middle East, Communist activity in the Indochina was focusing attention closer to home. British lobbying continued in the New Year to counter the increasing anxiety of New Zealand and Australia about Communist sponsored unrest in Southeast Asia. In June 1949, the opening speech to the New Zealand Parliament welcomed the conclusion of NATO and wondered if a similar arrangement might be established in the Pacific.⁶⁵ Even as New Zealand was attempting to help secure the British Commonwealth through Middle Eastern commitments, there was a growing realisation that New Zealand security had more to do with events within the Asian region. Later in 1955, Prime Minister Sidney Holland was to inform the House of requests that he had made at Conferences of Commonwealth Prime Ministers in 1951 and 1953. He stated that it did not seem reasonable for New Zealand to have forces in the Middle East when there were problems much closer in Asia.⁶⁶ On these occasions, Field Marshall Sir John Harding the Chief of Imperial General Staff,⁶⁷ advised him that the time was not right for a move because of the problems at the Suez base.⁶⁸

Throughout the Colombo Conference in January 1950, there was a large amount of pressure applied by the British on New Zealand and Australia to define the

⁶³ Ovendale, pp. 119-121.

⁶⁴ Devereux, p. 78.

⁶⁵ 'Extracts from the Speech from the Throne at the Opening of Parliament, 28 June 1949. NZPD, 285(1949), pp. 2-3', *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, p. 195.

⁶⁶ National Politician. Prime Minister (1949-57), Minister of Finance (1949-54) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 16.

⁶⁷ Chief of Imperial General Staff refer Anthony Eden, *The Memoirs of the Rt Hon. Sir Anthony Eden K.G. P.C. M.C.. The Full Circle*, London: Cassell, 1960, p. 221.

⁶⁸ 'Review of the International Situation 1955. Extracts from a Statement by the Rt Hon. S.G. Holland in the House of Representatives. 24 March 1955' in *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, p. 393.

scale of their commitments. Both countries were conscious of the need to spend their scarce defence resources in the most effective manner possible.⁶⁹ British pressure came from the realisation that their responsibilities were beyond their abilities to discharge. In June 1950, the British Chiefs of Staff issued a paper on global strategy concluding that the UK alone could not hold the Middle East. They would need help from either the US or the Commonwealth. Later that year the Chiefs of Staff from both the UK and the US met in Washington. The British were told that the Americans could not spare forces in war to reinforce them and that the Middle East was a British responsibility.⁷⁰ By that time, military representatives from Australia and New Zealand were meeting with British officers to plan the deployment of troops in the case of war. In early 1951, Commonwealth Prime Ministers met in London. The military and political significance of Egypt was made very clear by a number of speakers. Talks between the Americans and the British had established the Far East as the responsibility of the former and the Middle East of the latter.⁷¹ Sir William Slim the Chief of Imperial General Staff, had estimated that the USSR would have twelve divisions in Egypt after four months and that the UK would have six divisions to meet this threat. (Similar to the estimates noted on page 17). Therefore, one division from each of South Africa, Australia and New Zealand would greatly help.⁷² British Secretary of State for Defence Shinwell urged the Commonwealth leaders to consider peacetime contributions for the moral reinforcement of the Allied position⁷³ and the advantages of training and co-ordination.⁷⁴

New Zealand supported British attempts to establish political agreements with Middle Eastern nations. In early April 1950, British defence planners concluded that in order to properly defend Egypt it was essential to reach an early

⁶⁹ Devereux, pp. 78-9.

⁷⁰ Ovendale, pp. 123-25.

⁷¹ 'The Middle East and the Defence of Africa. 9/85/8. 6 January 1951' in NA: Agency: EA, Series: 1, Accession: W2619, Item Reference: 153/31/6/Pt 1, Item Description: Commonwealth Conferences, January 1951. Documents and Minutes, p. 2.

⁷² Ovendale, pp. 127-8.

⁷³ British Cabinet Minister. Secretary of State for Defence (1950-51) refer *British Documents on the End of Empire. Series A Volume 2 The Labour Government and the End of Empire. 1945 – 1951. Part I High Policy and Administration*, Ronald Hyam (ed.), London: HMSO, 1992, p. xix.

⁷⁴ Ovendale, p. 128.

settlement with Egypt over the Canal Base issue.⁷⁵ At the Prime Ministers' Conference in London, Foreign Secretary Ernest Bevin outlined the problems that the UK was having in securing a military base in the region. They were negotiating with Egypt so that a withdrawal from the Suez Canal base might be accompanied by the right to re-occupy it on the outbreak of war in the region. In the meantime, allied weapons and equipment were to be maintained by Egyptian contractors. This was an important point for New Zealand, as its commitments to the British covered manpower and not much in the way of equipment. Prime Minister Sidney Holland expressed his doubts at the meeting whether the Egyptians would properly maintain the equipment.⁷⁶

New Zealand agreed to provide aircraft to the Middle East in peacetime. In June 1951, the Commonwealth Defence Ministers met in London. The British MEC was discussed and it was agreed that Commonwealth nations would be represented in this organisation. New Zealand gave this meeting a guarantee that it would provide forces to a Middle Eastern campaign.⁷⁷ Secretary of State for Defence Shinwell further urged the provision of peacetime forces.⁷⁸ Following the meeting, British Chief of Air Staff Sir John Slessor contacted the Commonwealth Air ministries individually.⁷⁹ He emphasised the value of a peacetime commitment of aircrew over the next two years whilst the Royal Air Force (RAF) operations in the Middle East were reorganised. Shortly afterwards, Shinwell wrote to the Commonwealth defence ministries along the same lines.⁸⁰ In April of the following year, Holland announced the decision to station the Number 14 Vampire Squadron in the Middle East.⁸¹ The military plans of the UK for the region, placed a significant emphasis on airpower in terms of both attack and counter-attack. This sort of force was also seen as an easy way for the

⁷⁵ 'DEFE 5/20, COS (50) 141 annex. "Review of the Strategic Problem in the Middle East": Memorandum by the British Defence Co-ordination Committee, Middle East for the Chiefs of Staff Committee. 28 April 1950' in *British Documents on the End of Empire. Series B Volume 4. Egypt and the Defence of the Middle East. Part II. 1949-1953*, John Kent (ed.), London: HMSO, 1998, pp. 24-5.

⁷⁶ Ovendale, pp. 129-30.

⁷⁷ Devereux, p. 89.

⁷⁸ Ovendale, p. 137.

⁷⁹ Slessor was British Chief of Air Staff

⁸⁰ Devereux, p. 89.

⁸¹ 'Middle East Security. Statement by the Rt Hon. S.G. Holland. 12 April 1952' in *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, p. 293.

Commonwealth nations to make a show of solidarity with Britain at a time when negotiations with Egypt were at a difficult stage.

New Zealand supported attempts by the UK to establish a defence understanding with Middle Eastern nations. This was important in two regards. Firstly an agreement of this kind was necessary in order to organise the military defence of the area. It was not going to be possible to defend Egypt against the USSR if Egypt refused to have any British military presence on its territory or if it refused to accept the Allied threat assessments. Secondly, it was a matter of confidence building among all its allies and potential partners. If the British could not organise a political alliance during peacetime, then it was unlikely to prove a successful leader in war. However, New Zealand did not consider that Egypt was a reliable ally and opposed any major participation by Egypt in the MEC. British policymakers had anticipated that an invitation to Egypt might be resisted by Commonwealth nations, but that a careful explanation of the position ought to win them over.⁸² In August, New Zealand had laid a complaint with the Egyptian government regarding the restrictions it had placed on shipping in the Suez Canal. It stated that much of the overseas trade upon which the New Zealand economy relied, travelled through the Suez Canal and that the government was considering a complaint to the United Nations (UN) over the matter.⁸³ The restrictions placed upon shipping in the Canal were part of the worsening relations between Egypt and the UK, and New Zealand's protest was chiefly made to support the UK and not for any real economic reasons. Prime Minister Sidney Holland made a statement to Parliament criticising the Egyptian stance and supporting the UK without reservation.⁸⁴ However New Zealand's support for the British position was not blind. Earlier in the year, officials of the New Zealand Foreign Affairs Department had expressed doubts over the suitability of the British to lead this sort of organisation and wondered whether the US might

⁸² 'DEFE 5/33, COS(51)537, annex. [Egypt's position in the proposed Middle East Command and the role of the United Kingdom land and air forces]: Chiefs of Staff Committee memorandum' in *British Documents on the End of Empire. Series B Volume 4. Egypt and the Defence of the Middle East. Part II. 1949-1953*, John Kent (ed.), London: HMSO, 1998, pp. 211-13.

⁸³ Suez Canal Shipping – Statement by the Minister of External Affairs, *External Affairs Review*, Volume 6 (1951), p. 2.

⁸⁴ *NZPD*, 295(1951), p. 344 (Holland)

be better placed to do this.⁸⁵ New Zealand gradually became disillusioned by the UK's lack of success in securing its position in the Middle East. Despite the Declaration of Principles (see page 19), it was now clear that new tactics must be employed in order to revive plans for a military alliance. The UK proposed a conference to establish the MEC. Holland had growing reservations about the competence of the British and the organisation they were attempting to create. For instance, Turkey was supposed to be given an important role and yet they were already involved in NATO. It seemed to stretch credibility to call them both European and Middle Eastern. He thought it highly suspect to give positions of responsibility to nations such as Egypt and Iran who had, or were, causing the Alliance many problems.⁸⁶

In the face of increasing Commonwealth doubts, the British consented to New Zealand requests to revise its wartime commitment. New Zealand did not have any diplomatic posts in the Middle East and was slow to appreciate the deterioration of relations between the British and the Americans.⁸⁷ Planning discussions between New Zealand and the United Kingdom carried on into 1953. In the face of continued Australian and New Zealand concerns about Asian Communism, the UK conceded that they could prepare plans for deployment in both the Middle East and South East Asia. Sir John Harding visited in November 1953 and found that both nations had doubts about the British ability to hold the Middle East.⁸⁸ A Foreign Office memorandum in March 1953, discussed the implications of withdrawal from Egypt and, amongst other things, it concluded that evacuation would mean the end of the Commonwealth as an independent force in the world. Despite its doubts, New Zealand had made the most definite commitments to support the British position of all the Dominions, and had actually done so in a number of diplomatic situations. The British adopted a pragmatic attitude and decided that Allied support was worthwhile in whichever location it could be found. In discussions between the UK, Australia and New Zealand in October 1954, it was decided that the situation in South East Asia was more serious than that in the Middle East and that New Zealand's wartime

⁸⁵ Templeton, p. 13.

⁸⁶ *ibid.*, pp. 19-20.

⁸⁷ *ibid.*, p. 26.

⁸⁸ Devereux, p. 93.

commitment ought to be transferred to Malaya. New Zealand's air force squadron was moved to Malaya shortly afterwards.

This chapter has shown how New Zealand finished the 1940s with a high regard for the military strength and economic future of the Commonwealth, and its own place in it. It was ready to commit a relatively large numbers of troops to fight in the Middle East under British direction as it had already done twice before in the previous forty years. Yet by the mid 1950s, New Zealand had moved its military commitment to Southeast Asia and the Americans now provided its primary security guarantee. This was partly due to a lack of confidence in the British. It was generally believed that the UK would not be able to defeat the USSR, and they had certainly been unable to attract local support for a defence organisation. On the other hand, the military significance of the Middle East had changed with the development of atomic weapons and the British settlement with Egypt. This episode in the Middle East helps to illustrate the changing nature of New Zealand's national interests. From being a component part of a global political organisation, New Zealand now began to view its security situation in more selfish terms. It started to see itself as a sovereign and individual entity with interests that might be different from other parts of the Commonwealth. It also began to view the judgement and capabilities of the British in more critical terms. Just how independent New Zealand's decision to move to Malaya was, is hard to discern. In the end it was probably the UK bowing to the inevitable and harnessing the adjusted New Zealand interests, just as they had harnessed the old ones. New Zealand's commitment to Malaya allowed it to retain its ties with the UK but it also helped to introduce a new era of co-operation with the US.

CHAPTER III – NEW ZEALAND IN MALAYA

The previous chapter described the final episode in which New Zealand regarded the British as its primary defence partner, with its defence agreements in the Middle East. Chapter five will explain the process where New Zealand entered into the ANZUS and SEACDT treaties. New Zealand entered these treaties to counter the rising threat from Asia and they meant that the US became its major ally. This chapter introduces a new phase in which New Zealand ceased to regard the UK as its most important defence partner. Nevertheless, it still regarded Britain as an important military ally and crucially, one in whose judgement it trusted. The arrangement to have New Zealand forces in Malaya served the interests of both New Zealand and the UK. From New Zealand's point of view Malaya had a number of advantages. It was an important strategic defensive point against the spread of Communism, a New Zealand deployment helped to retain a British presence in Southeast Asia, and Malaya was an important part of the Sterling Area that was important for New Zealand trade. From the British point of view, the New Zealand deployment, allowed them to reduce the number of their own troops in Malaya that could then be deployed elsewhere. Both countries were able to use their troops in Malaya to reinforce their commitment to SEATO and their US ally. But all that was in the future. New Zealand's first involvement in Malaya started soon after the Second World War, with a low profile presence to defend maritime shipping lanes.

Early New Zealand Involvement in Malaya – 1949-1955

In the immediate post-war years, New Zealand foreign policy was focused elsewhere and Malaya occupied only a small part of its planning. New Zealand still considered itself to be part of the global Commonwealth, and so in many respects, the focus of its international affairs lay beyond the Asia-Pacific region

and on the likes of the Middle East and Europe. This was particularly the case with the administration of Fraser, which spent a considerable amount of time working on the UN Charter. Southeast Asia was considered unstable, but not out of the control of the European powers who had returned to reclaim their old positions of authority. New Zealand became involved in Malayan defence in 1949.⁸⁹ By this stage, Britain was being stretched to the limit in order to maintain their overseas military obligations. They viewed New Zealand and Australia as the ideal nations to replace their own forces in Malaya. New Zealand's objectives were somewhat more limited. It wanted to conduct maritime and air patrols to protect its trade and communications routes, which passed through this area.⁹⁰ ANZAM was a secret defence group formed in 1949. New Zealand, Australia and the UK came together to co-ordinate their defence planning strategies for the region. Initially these arrangements were only concerned with air and sea patrols, but gradually they came to provide assistance to British security on the Malayan mainland.⁹¹

New Zealand's involvement in Malaya increased from 1949 to 1955 because of the growing Communist threat. In September 1949, Prime Minister Peter Fraser agreed to send a flight of Dakota aircraft from the Number 41 (Transport) Squadron of the Royal New Zealand Air Force (RNZAF) to Hong Kong if required by the British to defend the colony from the Communist Chinese government. Four Mosquito fighter-bombers and three Royal New Zealand Navy (RNZN) frigates were included in the same offer.⁹² The Dakotas of Number 41 Squadron actually went to Hong Kong where they performed courier duties. During this period, Regular Army officers were attached to British units in Malaya and Hong Kong to provide the New Zealand officers with wider experience.⁹³ The RNZAF were not involved in the fighting in Malaya, but they continued to provide a valuable role running supplies from Singapore until the middle of 1951.⁹⁴ In June 1951, the squadron returned to New Zealand where its

⁸⁹ There had been some assistance to the British in Malaya during the Second World War.

⁹⁰ Christopher Pugsley, *From Emergency to Confrontation. The New Zealand Armed Forces in Malaya and Borneo. 1949-1966*, Oxford: Oxford University Press, 2003, p. 342.

⁹¹ *ibid.*, p. 8.

⁹² *ibid.*, p. 11.

⁹³ *ibid.*, p. 11.

⁹⁴ Annual Report, Department of External Affairs, *AJHR*, 1951, A.1, pp.13-18, 26.

Dakota aircraft were to be replaced by Bristol freighters and Hastings aircraft. In fact, they did not return to Malaya, but went to the Middle East and were based in Cyprus. This was considered a more prestigious posting as New Zealand's plans for a general war were at that time, focused on the Middle East.⁹⁵ In October, Minister of Defence Thomas Macdonald⁹⁶ announced that the New Zealand army was to assist the Fijian military to provide a battalion for service in Malaya.⁹⁷ New Zealand was to provide the Commanding Officer, other officers and the Non-Commissioned Officers for this deployment. This was an extension of the role that New Zealand was already providing for Fijian forces in Fiji.⁹⁸ Under the ANZAM arrangements, the RNZN was to co-operate with the Royal Australian Navy (RAN) to protect the sea-lanes in the ANZAM area. In the event of a general war, the RNZN had committed to provide one cruiser and three frigates to protect the Australian aircraft carriers in the ANZAM task force.⁹⁹ By 1954, New Zealand had raised this commitment to two cruisers and two to three frigates to the ANZAM area in a general war. By 1957, defence and budget reviews combined to reduce the commitment to one frigate and one cruiser. By then it had been decided that New Zealand's most effective assistance would be army or air force personnel and equipment. Throughout the Malayan Emergency, RNZN ships visited Malaya whilst away from station in Korea, but they had very little to do with the Emergency itself.¹⁰⁰ In October 1955, an ANZAM maritime exercise was held off the coast of Darwin in conjunction with vessels from the RAN and the Royal Navy.¹⁰¹ Although the ANZAM arrangements involved military planning and exercises, they did not involve a large commitment from New Zealand. The UK were happy to accept this small sea and air role while they assumed responsibility for Emergency operations on land, in the run up to

⁹⁵ Pugsley, pp. 21-2.

⁹⁶ National Politician. Minister of Defence (1949-57), Minister of Civil Aviation (1950-54), Minister of External Affairs (1954-57), High Commissioner in London (1961-68), Ambassador to the EEC (1961-67) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 18.

⁹⁷ Fiji Battalion for service in Malaya – Statement by the Minister of Defence, *External Affairs Review*, Volume 8 (1951), p. 4.

⁹⁸ Pugsley, pp. 22-23.

⁹⁹ In a general war, it was the army and air force, which would be deployed to the Middle East at this stage.

¹⁰⁰ Pugsley, p. 38-47.

¹⁰¹ ANZAM Maritime Exercise: Statement of Minister of Defence, *External Affairs Review*, 5:5 (1955), p. 3.

independence. By the mid 1950s, the Emergency was largely over, and the British sought New Zealand assistance for external defence of the new Malay state.

Emergency – 1950-1955

The British were determined to see out the newly developed constitutional process in Malaya, and not be defeated by the insurgency. In 1954, British Secretary of State for Foreign Affairs Anthony Eden told US Secretary of State John F. Dulles¹⁰² that the UK was determined to remain in Malaya, even as it seemed that the French cause in Indochina was lost.¹⁰³ A British cabinet memorandum in 1951 had identified the significance of winning the support of the Chinese population, from whom the insurgents were drawing their support. The British authorities decided to re-house the large population of Chinese squatters and immigrants, so that they could be protected from communist coercion and control.¹⁰⁴ The memo noted that although force might have been necessary against the Chinese population of Malaya supporting the Malaysian Communist Party (MCP), it should not be done until the safety of these people could be guaranteed, and it should not be done in a manner that would alienate Chinese populations elsewhere in Asia.¹⁰⁵ Despite having different strategic priorities in the region, the US did support the efforts of the British to eradicate Communism in Malaya. In the case of a general war, they planned to assist UN

¹⁰² John Foster Dulles. United States Secretary of State (1953-59) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 14.

¹⁰³ Anthony Eden, *The Memoirs of the Rt Hon. Sir Anthony Eden K.G. P.C. M.C. The Full Circle*, London: Cassell, 1960, p. 96.

¹⁰⁴ 'CAB 129/48, C(51)26. "The situation in Malaya": Cabinet memorandum by Mr Lyttelton. 20 November 1951' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, pp. 369-372.

¹⁰⁵ 'CAB 128/23, CC 10(51)2. "Malaya": Cabinet Conclusions. 22 November 1951' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, pp. 373-74.

or British forces.¹⁰⁶ Dulles' predecessor as US Secretary of State, Dean Acheson¹⁰⁷ had also expressed support for the efforts of the UK to defeat Communism in Malaya.¹⁰⁸ In the event, the British were successful against the Malayan insurgents. For the year ended March 1953, the New Zealand Ministry of External Affairs concluded that the worst of the Malayan Emergency was now over.¹⁰⁹ In that same month, the British abolished Emergency Regulations. In mid 1954, the Governor General in Malaya announced that Communist numbers were now down from 6,000 to 2,000.¹¹⁰

New Zealand politicians made a number of speeches on Malaya expressing sympathy with the British position. In 1950, Minister of External Affairs Frederick Doidge addressed parliament on the subject of the increasing threat to the Asian region from Communist forces.¹¹¹ Now that China was a Communist country, it was expected that all the Communist groups in the region would receive assistance from the Chinese government. Malaya and Indochina were tying up the resources of European powers already stretched thin by their efforts to resist Communism in Europe. In Malaya, where there was no public support for the MCP, it was taking 100,000 troops to deal with 3,000 rebels.¹¹² In 1952, Member of Parliament Leon Gotz defended the political position of the British in a speech to the New Zealand Parliament. The terrorists in Malaya were not fighting for independence, because the UK was preparing to give the country its independence. Furthermore, Indonesia and Burma, who were already independent, were still facing similar resistance. The real problem was the small bands of the MCP who were trying to hold up constitutional development.¹¹³

¹⁰⁶ 'S/S-NSC files, lot 63 D351, NSC124 Series. Report to the NSC by the Executive Secretary (Lay) and in 1953/1954. 13 February 1952' in *Foreign Relations of the United States 1952-1954. Volume I. General: Economic and Political Matters*, William Z. Slany (General Editor), Washington: US Government Printing Office, 1983, p. 51.

¹⁰⁷ American Secretary of State (1949-53) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 11.

¹⁰⁸ Chronology, *External Affairs Review*, Volume 13 (1952), p. 18.

¹⁰⁹ Annual Report, Department of External Affairs, *AJHR*, 1953, A.1, pp. 8-26.

¹¹⁰ Security in South East Asia, *External Affairs Review*, 4:5 (1954), pp. 17-18.

¹¹¹ National Cabinet Minister. Minister of External Affairs and Island Territories (1949-51) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 14.

¹¹² *NZPD*, 291(1951), p. 2138 (Doidge)

¹¹³ *NZPD*, 297(1952), p. 374 (Gotz)

The British also had plans to defend Malaya from external attack and sought the assistance of its Australasian allies to maintain these strategies post-independence. British strategy for an invasion through Thailand, involved an invasion of southern Thailand to hold a line across the entire Malayan peninsula at a town called Songkhla. British policy endeavoured to prevent a Communist government coming to power in Thailand. If that should happen, there were similar plans to invade southern Thailand.¹¹⁴ British plans for Southeast Asia differed from those of the Americans. The Americans did everything possible to halt the perceived advance of Communism at Indochina.¹¹⁵ On the other hand, the British made plans for the possible defeat of Thailand (and Indochina) so that they could defend Malaya. The British did acknowledge that if Indochina were lost to Communists, this would make things very difficult for them in Malaya. Ultimately, all of Southeast Asia would probably be lost to Communism.¹¹⁶ The external defensive position of Malaya remained unstable in the mid 1950s. Although the Geneva Agreements bought peace to Indochina, it was widely believed that the government of North Vietnam would soon attack the government of the south, and that Laos and Cambodia might also fall to Communist forces. In the light of this assessment, the Western powers formed the SEACDT to contain the spread of Communism. The British welcomed the completion of the Defence Treaty, but they worried that it could become theoretical and not very practical. Aiming to establish something more concrete, they decided that the first step must be to get New Zealand and Australia firmly committed to the defence of Malaya. Discussions were already underway by late

¹¹⁴ 'PREM 8/1406/2, DO(51)16, "Preparations for the defence of Malaya": Chiefs of Staff note for Cabinet Defence Committee on the plan to occupy Songkhla in the event of Thailand falling to Communists. 23 February 1951' in A.J. Stockwell (ed.), *British Documents on the End of Empire. Series B Volume 3. Malaya Part III. The Alliance Route to Independence. 1953-1957*, London: HMSO, 1995, p. 277.

¹¹⁵ The US Joint Chiefs of Staff considered Songkhla to be the last line of defence for Malaya. They believed it would not be possible to defend Malaya if the rest of the South East Asian mainland was in enemy hands. '790.5/4-1455. Memorandum from the Director of the Policy Division in the Office of Foreign Military Affairs, Department of Defence (Sullivan) to the Counselor of the Department of State (MacArthur). 14 April 1955' in *Foreign Relations of the United States 1955-1957. Volume XXI. East Asian Security; Cambodia; Laos*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1990, p. 84.

¹¹⁶ 'PREM 11/645. [Security Situation in Indochina]: minute by Mr Head and Sir Winston Churchill. 30 April 1953 to 2 May 1953' in A.J. Stockwell (ed.), *British Documents on the End of Empire. Series B Volume 3. Malaya Part III. The Alliance Route to Independence. 1953-1957*, London: HMSO, 1995, p. 177.

1954, and it was hoped that the New Zealand and Australia might make a decision at the Commonwealth Prime Ministers' Conference in the new year.¹¹⁷

New Zealand's Move to Malaya – 1953-1955

The decision to move New Zealand's main wartime contribution from the Middle East to Malaya came after negotiations with British military officials. At the military planning meetings in Melbourne in late 1953 (see page 23), the British Chiefs of Staff recommended that the entire Australian commitment in a general war be switched from the Middle East to Malaya. However it was suggested that New Zealand move just its air-force commitment to Malaya, and keep its army in the Middle East. Although New Zealand wanted to move its defence obligations to Malaya, the proposal that New Zealand split its forces was unacceptable to Prime Minister Sidney Holland, and he terminated it when officials reported back to him. One year later Holland met British Commissioner-General for Southeast Asia Malcolm MacDonald¹¹⁸, where it was suggested that New Zealand might send its ground forces to Malaya as part of the Commonwealth Strategic Reserve (CSR).¹¹⁹ Holland made no commitment at that time, but he was subsequently authorised by Cabinet to do so at the next Commonwealth Prime Ministers' Conference.

Holland prepared the New Zealand public for this change by stressing the increasing instability of Asia and the need to support the British defence effort. In January, the Prime Minister made a broadcast on his way to the Conference in order to prepare the public for the expected result. The emphasis of this conference was to be on political and military affairs, and not the economic issues that had dominated earlier meetings. Holland outlined the nature of the Communist threat in the Asian region, where the Western allies had just signed

¹¹⁷ 'CO 1030/67 no 12. [Trend of events in South East Asia]: letter (reply) from Sir Anthony Eden to Mr Head. 13 December 1954' in A.J. Stockwell (ed.), *British Documents on the End of Empire. Series B Volume 3. Malaya Part III. The Alliance Route to Independence. 1953-1957*, London: HMSO, 1995, p. 82.

¹¹⁸ British Commissioner-General for Southeast Asia

¹¹⁹ Pugsley, p. 10.

the SEACDT to guarantee peace in Indochina. He observed that New Zealand was a signatory to the SEACDT and that it made no sense to split New Zealand's commitments between the Middle East and Asia. With the growing instability of Asia, it made more sense to move the entire commitment to that region. He stressed the enormous responsibilities that the British carried worldwide and the need for New Zealand to assist them where possible.¹²⁰ In February, Holland made a statement in London describing the discussions conducted between the ANZAM partners about Malaya. It was concluded that although Malaya was an important territory in terms of the defence of Australasia, an undue part of its defence burden had remained with Britain. Therefore, New Zealand would transfer its bomber squadron from Cyprus to Malaya to assist the British defence effort. A further announcement would be forthcoming on Holland's return to New Zealand.¹²¹ Britain was only just beginning to emerge from quite serious economic problems and a withdrawal from overseas engagements was what the Chancellor of the Exchequer had been recommending for some time. The UK wanted to conceal the connection between the state of its economy and its changing military posture worldwide. London believed that it might suffer a loss of reputation with its allies otherwise.¹²² New Zealand valued the presence of Britain in Asia and knew that it had to play an increased role to retain that presence. The following day, Minister of Defence Thomas Macdonald announced that the air-force movements had been under discussion by the government for some time. The need for their presence in the Middle East was now reduced following the conclusion of the Anglo-Egyptian Treaty.¹²³

Prime Minister Sidney Holland returned to New Zealand and delivered an important foreign policy declaration to Parliament on 24 March 1955. His statement revealed the extent to which the movement to Asia was dependent on

¹²⁰ Conference of Commonwealth Prime Ministers: Broadcast by Prime Minister, *External Affairs Review*, 5:1,2 (1955), pp. 2-4.

¹²¹ 'Commonwealth Prime Ministers' Conference 1955. Extracts from a statement by the Rt Hon. S.G. Holland, London, 8 February 1955' in *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, p. 382.

¹²² 'CAB 134/1315, PR 3(56)2, 4&5. [Defence Policy]: Cabinet Review Committee minutes. 9 June 1956' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, pp. 86-9.

¹²³ Statement by Minister of Defence, *External Affairs Review*, 5:1,2 (1955), p. 15.

the changing conditions in the Middle East. The Conference had listened to military planners explain major changes which had taken place in strategic thinking. The British had concluded that the development of the hydrogen bomb with its huge destructive capacity had made the prospect of general war unlikely and had reduced the need to maintain large-scale conventional forces. The possibility of a general war fought by conventional means had been central to the continued British military presence in the Middle East. Intelligence reports indicated that the USSR was no longer as willing to go to war as it had been.¹²⁴ Not only was the immense destructive power of these weapons a deterrent to any major conflict between the superpowers, but also they meant that if a conflict should occur, large concentrations of conventional troops would represent an easy target. By way of illustration, Holland explained that whereas the bomb that had been dropped on Hiroshima was equivalent to 20,000 tons of TNT, the latest hydrogen bombs were equivalent to five to twenty million tons of TNT. This meant that the danger of Communist aggression against the Middle East was no longer as severe as it once had been. It also meant that the large expeditionary force that New Zealand had been planning to deploy was based on outdated concepts.¹²⁵ Holland went on to reveal that in the previous two Commonwealth Prime Ministers' Meetings, he had actually requested that New Zealand's contribution in general war be transferred to Malaya. (See page 24). On both of those two occasions, the British had insisted that the time was not right for such a move, because of the volatile political situation in the Middle East. Now that the strategic and political situation in this region had improved, New Zealand was being asked by the British to transfer to Malaya.

The unusual feature of the Malayan deployment was that it would begin in peacetime. By way of context, Malaya was described by Holland as the last place that New Zealand forces could make stand, before Communist forces reached Australasia itself. The idea was to mount a forward defence in peacetime, so that any enemy would be stopped before they reached the shores of New Zealand. So

¹²⁴ 'CAB 154/1315, PR(56)3. "The Future of the United Kingdom in World Affairs": Memorandum by officials of the Treasury, Foreign Office and Ministry of Defence for Cabinet Policy Review Committee. 1 June 1956' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, p. 61.

¹²⁵ *NZPD*, 305(1955), pp. 13-19 (Holland)

in addition to the commitment of troops in time of general war, Holland agreed to send two frigates, two air force squadrons and a SAS squadron immediately.¹²⁶ In May, the Number 41 Squadron of Bristol Freighters flew to Singapore to operate as medium range transport for the CSR.¹²⁷ In the same month, Vampire aircraft from Number 14 Squadron conducted the first strike mission of the RNZAF since World War II, against targets in Malaya. They were also part of the CSR. Their primary role was to defend Singapore, although they took on an anti-bandit role as well.¹²⁸ Holland accepted Admiralty advice to buy a reconditioned cruiser rather than two frigates, which New Zealand defence officials had recommended.¹²⁹ The *Royalist* fitted in to the Commonwealth Far East fleet well, but was too big for the frigate navy that New Zealand planners envisaged.¹³⁰ This level of commitment during peacetime was a big step for New Zealand and was quite an escalation from the earlier role of maritime surveillance. Undoubtedly, it was taken in response to British pressure and Holland's calculation that a continued British presence in the region required such an action. The British hoped to encourage New Zealand and Australia to take the lead in promoting stability and security in the region, whilst it reduced their own military burden.¹³¹

The Commonwealth allies were also anxious to use the CSR to reinforce their SEATO commitment although the US was less certain about this. A memorandum prepared by the British Chiefs of Staff emphasised the role that defence in Malaya would have in building their strategic relationship with the Americans. In order to protect the American guarantee of aid against an external attack on Malaya, it was considered vital that the Commonwealth demonstrate a certain capability to defend itself. To this end, it was hoped that while the CSR being created for the defence of Malaya, it might also be available for use in the

¹²⁶ Foreign Affairs Debate: Speech in House of Representatives by Prime Minister, *External Affairs Review*, 5:3 (1955), p. 14.

¹²⁷ Pugsley, p. 55.

¹²⁸ *ibid.*, pp. 67-8.

¹²⁹ *NZPD*, 305(1955), p. 22 (Holland)

¹³⁰ Pugsley, p. 347.

¹³¹ 'CAB 154/1315, PR(56)3. "The Future of the United Kingdom in World Affairs": Memorandum by officials of the Treasury, Foreign Office and Ministry of Defence for Cabinet Policy Review Committee. 1 June 1956' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, p. 73.

SEACDT.¹³² In April 1955, Malcolm MacDonald the British Commissioner-General for Southeast Asia welcomed the New Zealand and Australian contributions to their new strategic role in Malaya. He stated that this “represents a Commonwealth contribution to the implementation of the Manila Treaty”.¹³³ The exact nature of the relationship between the CSR and SEACDT was never clearly spelt out. The Commonwealth nations hoped that this deployment to Southeast Asia would be viewed in a positive light in Washington, but the Americans seemed a little reticent. On the conclusion of the SEACDT in 1954, Dulles connected the deployment of Australian troops in Malaya with the Article II requirement of the SEACDT that each nation maintain its own defences. However, the same statement encouraged the process of independence for colonial territories in order to blunt the attacks of Communism.¹³⁴ The Australians wanted assurance of American support for the Commonwealth position in Malaya before making a definite commitment there. In particular, they asked that the Americans provide political support should it be necessary to invade Southern Thailand to defend Malaya at Songkhla. The US feared that such an assurance would provide a propaganda coup to the Communists. They did not want SEATO to be connected with colonial Malaya. Neither did they want to jeopardise their relationship with Thailand with whom they were trying to contain Communism further north in Indochina.¹³⁵ In his thesis D.J. McCraw noted the extent to which the New Zealand deployment was publicly justified with reference to Commonwealth tradition. Much mention was made of helping the UK with its heavy load of responsibilities worldwide. There was little mention of helping Malaya move towards independence nor of any links that the

¹³² ‘CAB 131/14, D(54)41. “Defence in South-East Asia”: Memorandum by the Chiefs of Staff for Cabinet Defence Committee. 3 December 1954’ in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, pp. 191-92.

¹³³ Summary, *External Affairs Review*, 5:4 (1955), p. 10.

¹³⁴ ‘Statement by the Secretary of State at Manila. 6 September 1954’ in *American Foreign Policy. 1950-1955. Basic Documents Volume I*, Department of State, Washington DC: US Government Printing Office, 1957, pp. 917-18.

¹³⁵ ‘Embassy Files: Lot 59 F45, Defence of Malaya. Letter from the Counsellor of the Department of State (MacArthur) to the Ambassador in Thailand (Peurifoy). 6 April 1955’ in *Foreign Relations of the United States 1955-1957. Volume XXI. East Asian Security; Cambodia; Laos*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1990, pp. 77-78.

CSR might have with the SEACDT.¹³⁶ New Zealand agreed to assume responsibilities in Malaya in the expectation of reinforcing the British position. In fact, the British were re-organising their global military obligations and hoped that New Zealand forces could replace some of their own.

British Preparations for Independence – 1955-1957

The entry of New Zealand into the CSR was made alongside British assurances that they would not be reducing the numbers of their own troops in Malaya, and yet all the indicators pointed to this. New Zealand's deployment of an SAS squadron was smaller than London had hoped for and was soon met with requests to send a more substantial contribution. Whitehall records reveal that the strain over commitment worldwide, was forcing the British military establishment to re-consider the number of troops it maintained abroad, and how it might pass some of this load to others.

The UK had decided to give Malaya its independence through a series of constitutional steps designed to create a government that was democratic and friendly to British interests. In February 1955, the Secretary of State for Colonies Lennox-Boyd outlined a number of conditions that would need to be fulfilled before they would leave.¹³⁷ The Emergency must be finished, it must be clear that self-government would not lead to strife between Chinese and Malays, there must be a stable economy and administration, and there must be an agreement over measures to resist external attack.¹³⁸ By this stage, Emergency operations against Communist insurgents were largely complete. The few remaining MCP fighters had reduced their offensive operations and had withdrawn into the deep

¹³⁶ D.J. McCraw, 'Objectives and Priorities in New Zealand's Foreign Policy in Asia 1949-75: A Study of the Issue of Recognition of the People's Republic of China and of Security Policies in Southeast Asia', PhD Thesis in Political Studies, University of Otago, 1978, pp. 322-24.

¹³⁷ British Cabinet Minister. Secretary of State for Colonies.

¹³⁸ 'FO 371/116915, no 12. "UK aims in Malaya, and means by which they might be achieved, with special reference to defence": Memorandum by Mr Lennox-Boyd. February 1955' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, pp. 379-80.

jungle in the hope of outlasting the colonial administration.¹³⁹ The Commonwealth forces were proving quite successful even in this sort of terrain, but it came at considerable cost of men and resources.¹⁴⁰ In July 1955 elections were held¹⁴¹ and Malaya received independence in August 1957.¹⁴²

New Zealand and Australia avoided making any defence agreements with the new Malayan government, instead dealing with their major allies. By February 1955, the British proposals for the external defence of Malaya had complete support from New Zealand but Australia was taking a more cautious position. The Australians wanted to be sure of American plans before entering too closely into these arrangements. In the case of a Chinese attack on Malaya, the US planned to attack Chinese ports and communications centres to limit their deployment of troops, and the Commonwealth Brigade in Malaya would deal with any remnant.¹⁴³ The British began negotiations with Malaya prior to independence to secure a defence agreement with the newly independent Malayan state. They wanted to ensure that Communist forces would not be able to de-stabilise the newly independent government. In February 1956, defence talks were held in London between Britain and Malaya. It was agreed that following independence, Malaya would allow the British to maintain forces in Malaya to fulfil its Commonwealth and international obligations and to assist Malaya with its external defence.¹⁴⁴ The British were unsure of the Cold War alignment of the new government. During talks with the British, the Malaysian politician Tunku Rahman assured them that they could trust him. Defence sources in the UK felt that whatever his intentions were at that time, he would most likely face considerable pressure in the future to take a more cautious view. In short, Malaya's accession to SEATO on independence could not be

¹³⁹ Annual Report, Department of External Affairs, *AJHR*, 1955, A.1, p. 27.

¹⁴⁰ *NZPD*, 305(1955), pp. 50-55 (MacDonald)

¹⁴¹ Annual Report, Department of External Affairs, *AJHR*, 1956, A.1, p. 20.

¹⁴² Pugsley, p. 124.

¹⁴³ 'Conference Files: Lot 60 D627, CF 427. Telegram from the Embassy in the United Kingdom to the Department of State. 11 February 1955' in *Foreign Relations of the United States 1955-1957. Volume XXI. East Asian Security; Cambodia; Laos*, John P Glennon (Editor in Chief), Washington: US Government Printing Office, 1990, p. 33.

¹⁴⁴ 'United Kingdom/Malaya Defence Discussions. 15 February 1956' in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 253/3/5/1/Pt 1, Item Description: UK/Malaya Defence Agreement. General.

guaranteed.¹⁴⁵ New Zealand and Australia were reluctant to join the AMDA. This was not considered to be a normal defence treaty in the sense that it also facilitated the devolution of powers from the UK to Malaya. There was also uncertainty about how Malaya might use its new powers.¹⁴⁶ New Zealand decided not to become a direct party to the treaty, but to become associated with it in 1959 by means of agreement with the UK.¹⁴⁷ To New Zealand, the Malayan deployment served to maintain its relationship with Britain. If Britain left Malaya, then New Zealand was in a position to do the same.¹⁴⁸

Both the British and the Americans sought to encourage New Zealand and Australia to make a greater commitment to Southeast Asian security. British Cabinet minutes in October reveal that the CSR had been primarily established in order to reduce the load for the UK in a time of declining British resources, and in an area of importance to New Zealand and Australia.¹⁴⁹ The meeting decided that the security situation in Malaya had now got to the point where the British could safely remove some of their troops. It was commented that the confidence of New Zealand and Australia would be dented by such a move and that unless the Commonwealth allies were briefed sufficiently, they might seek to make reductions of their own.¹⁵⁰ The Americans understood that the British were seeking a greater Commonwealth contribution and viewed SEATO as the logical area for New Zealand and Australia to make up for British force reductions. British officials had told the American Embassy in London that they considered one of the main advantages of SEATO to be opportunity to get New Zealand and Australia committed to Southeast Asia.¹⁵¹ A National Security Council policy

¹⁴⁵ 'DEFE 7/496, no 6. Minute from S H Parker to his Minister. 29 June 1956' in *British Documents on the End of Empire. Series B Volume 3. Malaya Part III. The Alliance Route to Independence. 1953-1957*, A.J. Stockwell (ed.), London: HMSO, 1995, p. 289.

¹⁴⁶ 'Memorandum from the Secretary of Defence (Australia). 8 December 1955' in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 253/3/5/1/Pt 1, Item Description: UK/Malaya Defence Agreement. General.

¹⁴⁷ Annual Report, Department of External Affairs, *AJHR*, 1958, A.1, pp. 9-25.

¹⁴⁸ McCraw, p. 329.

¹⁴⁹ 'CAB 131/17, DC7(56)2. "Malaya: Reduction of the Army Garrison": Cabinet Defence Committee minutes. 2 October 1956' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, pp. 198-99.

¹⁵⁰ *ibid.*, p. 198.

¹⁵¹ 'Telegram from the Embassy in the United Kingdom to the Department of State. 790.5/2-2157. London. 21 February 1957' in *Foreign Relations of the United States 1955-1957. Volume*

note in 1957 shows that American thinking was following the same lines. As the capacity of European powers in the Far East declined, the Americans judged it to be in their own interests if New Zealand and Australia expanded their interests in Asia.¹⁵² Both the UK and the US were anxious to either trim back their overseas commitments, but without providing a gap for the Communists to fill.

By early 1957, the internal situation in Malaya was showing certain signs of improvement and both the UK and New Zealand began to reorganise their forces. At the SEATO Council Meeting in March, Minister of Defence Thomas Macdonald declared that the improvement in Malayan security was cause for "considerable satisfaction".¹⁵³ In the same month, the Malaysian Prime Minister Tunku Rahman announced that the UK had agreed to cut its forces in Malaya in half.¹⁵⁴ In April, the British government prepared a Defence Review, which proposed the withdrawal of troops from Jordan and Korea, the end of Compulsory Military Service by the end of 1960 and the development of missiles and atomic bombs.¹⁵⁵ British foreign relations were to be conducted on the basis of a mobile professional army with modern weapons and not on the basis of occupation as in the past. In August 1956, Prime Minister Sidney Holland issued a statement to the effect that New Zealand had been asked by the UK to increase the size of their army contribution to Malaya.¹⁵⁶ The British were returning to the request they had made in 1955 to provide an infantry battalion and an SAS squadron. The Tunku Rahman¹⁵⁷ predicted that any increase in New Zealand forces would be met with a decrease in British forces.¹⁵⁸ Up until this time, the deployment consisted of an SAS squadron. It was now proposed that a full infantry battalion be sent to Malaya to replace them. This was now possible

XXI. *East Asian Security; Cambodia; Laos*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1990, p. 285.

¹⁵² 'S/S-NSC Files: Lot 63 D351, NSC 5713. Note by the Executive Secretary to the NSC on long range US Policy interests in Australia and New Zealand. 23 August 1957' in *Foreign Relations of the United States 1955-1957. Volume XXI. East Asian Security; Cambodia; Laos*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1990, p. 371.

¹⁵³ '396.1-CA/3-1257. Telegram from the Delegation at the SEATO Council Meeting to the Department of State. 12 March 1957' in *Foreign Relations of the United States 1955-1957. Volume XXI. East Asian Security; Cambodia; Laos*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1990, p. 314.

¹⁵⁴ Chronology, *External Affairs Review*, 7:3 (1957), p. 51.

¹⁵⁵ Chronology, *External Affairs Review*, 7:4 (1957), p. 29.

¹⁵⁶ Speech by Prime Minister, *External Affairs Review*, 6:8 (1956), pp. 7-10.

¹⁵⁷ Prime Minister of Malaya

¹⁵⁸ Chronology, *External Affairs Review*, 6:8 (1956), p. 72.

because of the return of New Zealand troops from Korea.¹⁵⁹ In July, Thomas Macdonald announced the decision of the government to send the battalion to Malaya as part of the CSR. The unit in question was the 1st New Zealand Regiment and it became the first Regular Unit in the New Zealand Army. The 28th Commonwealth Infantry Brigade, to which it was attached in Malaya, would now comprise three infantry battalions, one artillery regiment and supporting units from New Zealand, Australia and the UK.¹⁶⁰ The decision was justified in terms of the need to have forces in theatre quickly. The CSR could also act as “a fire brigade role in the case of Communist aggression anywhere else in the area”.¹⁶¹ In 1957, SEATO established the Military Planning Office in response to Asian doubts over its resolve. Although the SEACDT had not required any forward deployments, these planners asked for the allocation of specific units to their proposals. The 28th Brigade and two SEATO units were nominated for this purpose in the early 1960s. As the New Zealand deployment to Malaya increased, the government began to view this increasingly as a means of demonstrating solidarity with its SEATO allies.

SEATO Training – 1958-1962

The new Malayan government was not hostile to the West, but it did have some misgivings about supporting SEATO activities. The Tunku Rahman was opposed to troops based in Malaya moving to Indochina on missions in support of SEATO. Malaya had not joined SEATO on its independence, preferring to keep a low-profile non-aligned stance together with its alliance with the UK. It did not want to antagonise its own Chinese population or attract the attention of the Communist powers that were supporting insurgency in Indochina. This posed quite a problem for New Zealand. If its CSR battalion had been posted to Indochina as part of a SEATO deployment, it could not have gone back to

¹⁵⁹ ‘Review of Defence Policy. Extracts from a Government White Paper. 12 June 1957’ in *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, pp. 474-75.

¹⁶⁰ Pugsley, p. 124.

¹⁶¹ Speech by Minister of External Affairs on his return from London Conference of Commonwealth Prime Ministers, *External Affairs Review*, 7:7 (1957), pp. 25-6.

Malaya. The Malayan commitment would have to have been filled by a new battalion from New Zealand. New Zealand had just undergone a change in defence structure, and there was some doubt whether it had the resources to raise another battalion at that time.¹⁶² In the end, the Tunku Rahman compromised and allowed deployment if it left from a third country.¹⁶³ This episode showed that the CSR was dependent on Malayan goodwill whatever the terms of the AMDA.¹⁶⁴

In 1959, the new government of Prime Minister Walter Nash instituted a far-reaching defence review to fit the needs of the defence commitments. The army was to be based around a Regular Brigade Group comprising three battalions and conscription would cease. The old system had relied on a core Regular army staff to train a large number of conscripts who would be ready to form a division sized expeditionary force if needed. The 1958 Review did away with the conscripts and expanded the Regular core to create a professional and mobile force considered more suitable for deployments to Southeast Asia. The 1st New Zealand Regiment already in Malaya was a Regular unit, and this was to set the pattern for the future.¹⁶⁵ Although New Zealand was still theoretically committed to a division in case of a general war, in reality it would now only be able to provide a smaller force that would fit within a Commonwealth division.¹⁶⁶ The National government of Prime Minister Keith Holyoake conducted another Defence Review in 1961, prompted by difficult economic conditions.¹⁶⁷ The full Regular Brigade concept was cut back to just two battalions with the remainder of the Brigade to be provided by selective national

¹⁶² Interview with Bruce Brown, 30 June 2004, Formerly Department of External Affairs

¹⁶³ External Affairs received news of a meeting between Duncan Sandys (the Commonwealth Secretary) and the Tunku. It appeared that earlier reports that Malaya was unwilling for British forces in Malaya to operate on SEATO tasks were purely for home consumption. The Tunku said that he would not object to forces leaving from Malaya if they had to. Refer NA: 'Letter from Secretary of External Affairs to Prime Minister. 1 April 1961' in NA: Agency: EA, Series: 1, Accession: W2668, Item Reference: 120/2/2/Pt 4, Item Description: SEATO Council Meetings, 1959-61.

¹⁶⁴ Pugsley, p. 174.

¹⁶⁵ *ibid.*, p. 125.

¹⁶⁶ *ibid.*, p. 164.

¹⁶⁷ Holyoake was Deputy Prime Minister and Minister of Agriculture, Marketing, and Scientific Research (1949-57), Prime Minister and Minister of Maori Affairs (1957), Prime Minister (1960-72) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 16.

service. At this point, the commitment to provide a full division to Malaya was withdrawn.¹⁶⁸

Despite the reluctance of the Nash government to become involved in the fighting in Indochina, New Zealand forces would have been amongst the first to enter the country if SEATO had decided to intervene. On the 27 October 1959, the 2nd New Zealand Regiment sailed for Malaya to replace 1st NZ Regiment.¹⁶⁹ In July 1960, the Malayan Emergency had officially ended and the new regiment was sent to barracks and occupied with training for likely SEATO scenarios. Unlike the Communist insurgents that they had been facing in the Malayan jungle, this would have probably involved fighting regular troops. By the early 1960s New Zealand had declared¹⁷⁰ forces to SEATO plans through the CSR.¹⁷¹ Although Prime Minister Walter Nash was opposed to the use of New Zealand forces in 1959, a subsequent and more serious crisis in 1961 drew a different response from Prime Minister Keith Holyoake. He agreed to preparations for SEATO Plan 5, which was designed to counter an insurgency force within Laos. In May 1961, the 28th Brigade was actually mobilised by local commanders in Malaya due to the serious nature of events in Laos. Neither the UK nor New Zealand governments were aware of this, and the British quickly shut it down once it was known. The Commonwealth Brigade conducted another two exercises that year for SEATO contingencies.¹⁷² At the end of October 1961, the 1st New Zealand Regiment replaced the 2nd New Zealand Regiment.¹⁷³ They were based at the new base in Terandak that New Zealand had helped to build. This was considered necessary in order to retain the confidence of the Australians and the British as allied partners. The main focus of the Commonwealth Brigade was training for SEATO operations. In 1962, training began with exercise RED ANGEL. This was based around SEATO Plan 5 and consisted of a study of doctrine should the Brigade go to Savannakhet in Laos.

¹⁶⁸ Pugsley, pp. 176-77.

¹⁶⁹ *ibid.*, p. 165.

¹⁷⁰ The US had done the same with their Marine Task Force 116 based in Okinawa.

¹⁷¹ Pugsley, pp. 169-73. By the 1960s, SEATO did require the commitment of forces to its plans if not literally the Forward Defence of the Commonwealth allies. Unease about SEATO resolve amongst its Asian members had led to the creation of the Military Planning Office in 1957.

¹⁷² *ibid.*, pp. 174-77.

¹⁷³ *ibid.*, p. 76.

Exercises also practised SEATO Plan 4, which was considered more likely as the Communist forces in Laos appeared to be gaining the upper hand. This plan was designed to protect Thailand from attacks across the Mekong River by Vietminh and Chinese forces.¹⁷⁴ The situation in Laos deteriorated again in May 1962. This time troops from SEATO were deployed, but it was the US Task Force 116. They were posted to Udorn, in Thailand, which is close to the Laotian border. New Zealand sent the 1st Ranger SAS Squadron from New Zealand to Thailand. This was a political move designed to do as little as possible and there was some disappointment amongst the soldiers in Malaya who had trained hard for an occasion like this. In the end the situation passed without serious incident. As well as the SAS, New Zealand sent three Bristol transport aircraft. These planes spent three months ferrying food and supplies from Bangkok to the Americans in Udorn. They also delivered rations to Joint US Military Assistance Groups training Thai forces in remote locations.¹⁷⁵

The New Zealand deployment to Malaya demonstrated that continued co-operation with the British was possible despite the changes that New Zealand was making. In the early 1950s, the considerable ties that New Zealand had with the Commonwealth led to its commitment to military obligations in the Middle East. The rise of Communism during the same decade caused New Zealand to withdraw from the Middle East and shift its defence obligations to Malaya in Southeast Asia. This new deployment was also made in alliance with the British who occupied Malaya as a territory. This proposal to shift was a combination of New Zealand requests to change, and British delaying tactics while they felt the time was not yet right. It is clear that Holland had asked the British on a number of occasions to shift New Zealand forces to face the threat of Communism in Southeast Asia. This did not finally happen however, until the British position in the Middle East was secure and the British in turn, had requested that New Zealand shift to Malaya. The New Zealand deployment in Malaya was unusual in that it required a significant commitment of troops during peacetime. This was an attempt by New Zealand to ensure a rapid response despite its own distance from Southeast Asia. It was also the mark of an inexperienced post-colonial regime in

¹⁷⁴ *ibid.*, pp. 178-83.

¹⁷⁵ *ibid.*, pp. 185-88.

Malaya, which was prepared to tolerate this type of arrangement. Despite this involving the despatch of troops during peacetime, there was very little opposition in New Zealand. This thesis argues that this was because of shared strategic and economic concerns relations with Britain. For New Zealand, Malaya was a clear strategic point for the defence of the nation. American concerns about Indochina always seemed too far for New Zealand to worry about. Likewise, the UK had a substantial defence interest in Malaya to protect their overseas investments and to supervise the progression to independence. In macroeconomic terms, Malaya was a an important member of the Sterling Area trading network within which New Zealand conducted much of its trade. Malayan rubber earned the Sterling Area much needed foreign currency and assisted the post-war recovery of the British economy. Even by the end of the 1950s, this economy was buying a large proportion of New Zealand exports. The following chapter examines the trading ties that New Zealand had with both the UK and the US.

CHAPTER IV – TRADING PARTNERS

One of the aims of this thesis is to highlight the ease with which New Zealand was able to co-operate with the UK in defence matters compared with its difficulty co-operating with SEATO and the US. The previous chapter showed that a peacetime deployment to Malaya met with minimal opposition in New Zealand. Chapter six will show that the prospect of a small deployment to Laos was sufficient for Prime Minister Walter Nash to risk a disagreement with the US. This chapter argues that this is partly due to the nature of the economic ties between New Zealand and its two allies. New Zealand had an important trading relationship with the UK and so it had a strong incentive to ensure that defence links remained successful. Ties between defence and trade with the UK fell into two categories. Firstly, the British economy suffered two balance of payments crises from 1949 to 1953 and it was in New Zealand's interests to assist its recovery in order to protect its greatest export market. In this sense, deploying its own troops overseas, allowed the British to repatriate some of their own troops and reduce the government's military expenditures. Also, the choice of Malaya as the place to assist the British was a key one because of the important role Malaya played in earning foreign currency for the Sterling Area. The first two sections of this chapter deal with the Sterling Area and the balance of payments Crises. Secondly, New Zealand defence ties could also be used as leverage over trade disputes. Towards the end of the 1950s, the UK moved away from Commonwealth trade and towards Europe. New Zealand's defence commitments to the British were a factor in gaining concessions from the British during trade negotiations. Sections three to five deal with New Zealand trade with Britain during the 1950s. New Zealand did not always put the interests of the UK ahead of its own. During the second balance of payments crisis, it cut British imports rather than dollar imports, in order to improve its external account as easily as possible. In the late 1950s, it engaged in some hard bargaining with the UK over British preferences in the New Zealand market. These episodes illustrate the same trend as defence where New Zealand interests were developing a more independent flavour over the decade. Nevertheless, throughout the 1950s, trading

links remained strong and continued to exercise an influence on defence. The final section shows that New Zealand trade with America did not follow the same pattern as defence. Although the US came to represent the major security guarantee for New Zealand, the level of American trade was not as great. In its attempts to promote a new trading order, the US weakened the Commonwealth trading links that New Zealand depended on. These initiatives hurt New Zealand's traditional trading markets without providing an adequate alternative. Nevertheless, the US occupied a solid if not spectacular position amongst New Zealand's trading partners in the 1950s.

Finance

United Kingdom and the Sterling Area – 1949-1957

The Sterling Area was a voluntary cooperative of nations who pooled their foreign exchange reserves in London for the mutual benefit of all members. Following the Second World War, the countries of the Sterling Area had four main characteristics: exchange rates pegged to the Sterling, fixed exchange rates with the non-Sterling Area (NSA),¹⁷⁶ unrestricted capital transactions with the UK, and national reserves kept in British sterling. Members of the Sterling Area were able to access foreign currency reserves beyond their own immediate earnings capacity, because all of them kept their reserves jointly in London. In order to defend a fixed value of their currencies and defend the common reserves, Commonwealth financial authorities were required to ensure that imports did not exceed exports. If this was the case, reserves would be drawn down to meet the shortfall. Transactions within the Sterling Area were carried on without restriction. Transactions with countries outside of the Sterling Area meant drawing the relevant foreign currency (often the US dollar) from the central reserve. In the post-war period, international trading conditions were dominated by a shortage of US dollars, and members of the Sterling area were encouraged to trade with one another to conserve foreign currency. The pre-war

¹⁷⁶ Description given to the rest of the world outside the Sterling Area.

pattern of trade was that the rest of the Sterling Area (RSA)¹⁷⁷ would export raw materials to the NSA and earn a surplus. This was particularly true for the likes of colonies such as Malaya and the Gold Coast with valuable exports of raw materials. The UK would export its manufactures to the RSA and earn a surplus. This surplus with the RSA would enable the UK to finance its deficit with the NSA.¹⁷⁸ Unfortunately, the post-war period was characterised by an excess of imports over exports in the Sterling Area, which caused a series of balance of payments crises.

The post-war recovery of Britain was assisted by the capacity of the Commonwealth to generate foreign exchange earnings. In their book P.J. Cain and A.G. Hopkins argued that the UK financial community wanted to restore the position of Sterling as an international currency in the post-war years.¹⁷⁹ This would have required the restoration of Sterling to full convertibility with other currencies. They were unable to do this until the late 1950s because of the balance of payments crises. British policymakers viewed the Commonwealth as an important factor in the recovery of Britain and the restoration of Sterling convertibility. Although India was granted independence soon after the war, there was a revival in the British administration of other areas of the Commonwealth, such as Malaya and parts of Africa for about a decade after the War.¹⁸⁰ Even the US appreciated this value of the colonies in supplying the UK with raw materials and earning foreign currency.

In 1949, the Finance Ministers of the Commonwealth countries met together to discuss the falling reserves of the Sterling Area. Short-term correction, such as reducing exports from the NSA, would cause economic contraction. Discussions on longer-term recovery centred on boosting the dollar earnings of the Sterling Area. Countries such as Malaya were congratulated for their success in doing

¹⁷⁷ Description given to the entire Sterling Area but not including Britain.

¹⁷⁸ Schenk, pp. 54-55.

¹⁷⁹ P.J. Cain and A.G. Hopkins, *British Imperialism: Crisis and Deconstruction. 1914-1990*, London: Longman, 1993, p. 274.

¹⁸⁰ Cain and Hopkins, pp. 277-281.

this.¹⁸¹ Three months after the Commonwealth meeting (and to the surprise of many of its participants), the UK government devalued the pound in an attempt to boost exports from the Sterling Area, and reduce imports to it. Because the countries of the Sterling Area all had their currencies pegged to the Sterling, they were all forced to devalue their currencies at the same time.

The devaluation dealt with the immediate crisis but it was not sufficient to correct the underlying economic problems. A Cabinet report presented in October 1951 by the Chancellor of the Exchequer Richard Butler, outlined the growing nature of the problem. For the year ending 1951, the UK balance of payments was in a deficit of £472 million compared with a surplus of £221 million the previous year. The forecast for 1952 was estimated to be a deficit of £540 million with a loss of reserves of £750 million. Total reserves in June 1951 were only £1,381 million. These losses were a result of the Sterling Area buying less than it sold. The British loss of the Iranian oil facility in Abadan and the actions of currency speculators were aggravating the situation. Butler advocated taking fairly strong action in order to restore public confidence in the Sterling.¹⁸² In 1952, the balance of payments of the Sterling Area had begun to reach dangerous proportions and the UK called a Commonwealth conference in London to discuss this.¹⁸³ The Final Communiqué summarised the issues that the Ministers had examined. The US dollar and gold reserves of the Sterling Area were falling quickly as imports exceeded exports. Individual governments were exhorted to cut imports with the aim of each being in balance with the NSA by the second half of 1952. In the long term, governments would have to give regard to the question of boosting productive capacity and export volumes to the NSA. This might require development capital from the NSA, which was most likely to be the US. This was an acknowledgement that British capital could, or would, no longer satisfy all Commonwealth investment requirements. The ultimate aim was

¹⁸¹ 'Commonwealth Finance Ministers' Meeting, 1949. Final Communiqué, 18 July 1949' in *Documents and Speeches on British Commonwealth Affairs. 1931-1952. Volume II*, Nicholas Mansergh (ed.), London: Oxford University Press, 1953, pp. 1020-21.

¹⁸² 'CAB 129/48, C(51)1. "The Economic Position: Analysis and Remedies": Cabinet Memorandum by Mr Butler. 31 October 1951' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldworthy (ed.), London: HMSO, 1994, pp. 1-4.

¹⁸³ Chronology, *External Affairs Review*, Volume 11 (1952), p. 39.

to establish sufficient reserves in order to make the British Sterling convertible and to restore investor confidence in the currency. Secretary of State for Colonies Lyttelton followed this sombre meeting with a series of telegrams to Commonwealth financial authorities to reinforce the message. In January, he reminded them of the benefits they enjoyed through their membership of the Sterling Area. He pointed out that although the RSA was currently in surplus with the UK and the dollar area as a whole, they were still in deficit with the countries of Europe and that imports from this area must be controlled in order to correct the balance of payments crisis.¹⁸⁴ Two days later, Lyttelton asked the colonial authorities to limit imports from NSA in the second half of 1952, to 1951 levels.¹⁸⁵ In March, another telegram revealed that the financial situation had deteriorated even further since the conference in January. American aid to Britain was below expectations, commodity prices had fallen and it was anticipated that French repayments of gold would be late. In light of this, Colonial governments were asked not only for a balanced external account as agreed in January, but also for a balance of payments surplus.¹⁸⁶

Britain had assumed financial commitments that it could not support. The Americans had provided \$300 million in aid to the British in early 1952. They had noticed that UK reserves were falling at an alarming rate, and were concerned that economic problems would put an end to the military burdens that the British had assumed in the post-war era.¹⁸⁷ In May, Richard Butler prepared a paper to investigate some of the underlying causes of the recurring balance of

¹⁸⁴ 'CO 537/7674, no 5. "Commonwealth Finance Ministers' Conference": outward circular telegram no 6 from Mr Lyttelton to governors on the need to improve the colonial balance of payments' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, pp. 27-8.

¹⁸⁵ 'CO 537/7674, no 9. "Commonwealth finance discussions": outward circular telegram no 9 from Mr Lyttelton to governors on plans for reducing colonial imports' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, p. 29.

¹⁸⁶ 'CO 537/7674, no 83. "Commonwealth finance meeting on sterling area": outward circular telegram no 24 from Mr Lyttelton to governors on need for further reductions in colonial imports' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, pp. 20-30.

¹⁸⁷ '700.5 MSP/3-1952. Memorandum by Leonard H. Price of the Office of Mutual Security Affairs to the Consultant to the Secretary of State (Cowan). 19 March 1952' in *Foreign Relations of the United States 1952-1954. Volume XII. East Asia and the Pacific*, John P. Glennon (Editor in Chief) Washington: US Government Printing Office, 1984, p. 474.

payments problems. He noted that the British current account was weaker in 1952 than it had been before the war. British terms of trade had decreased significantly since 1938, with the country having suffered capital losses during the war equivalent to one quarter of national wealth. Gold reserves were now a much smaller proportion of external transactions than they had been at that time. In addition, the country had assumed much larger commitments than had previously been the case. Spending on social services and transport had increased under the post-war Labour government, defence spending had risen from 5% to 10% of the national product, and there were now large debt repayments to the US, Canada and India.¹⁸⁸

Finally the financial news began to improve and the impact of the import controls had the desired effect on the balance of payments. In June, Butler announced that there had been a slower decline in British gold and dollar reserves in the second quarter of the 1952-year, compared to the previous two quarters.¹⁸⁹ In August, it was announced that the reserves of the whole Sterling Area had grown by \$31 million during July.¹⁹⁰ Commonwealth Financial leaders met in December and were encouraged by news of further improvements in the external account of both the UK and the Sterling Area. Therefore, the conference was able to consider long-term measures to boost economic growth to avoid further crises in future.¹⁹¹ Governments were encouraged to follow anti-inflationary policies. The effect of inflation was to stimulate imports and consume production that might otherwise be used for exporting. The Conference aimed to have the Sterling Area in balance by the end of 1952 and be building reserves throughout 1953. Commonwealth nations were encouraged to pursue economic development by boosting domestic savings and encouraging foreign investment. In turn, this would increase exports. The conference also reviewed Imperial Preferences¹⁹² which had long boosted trade within the Commonwealth,

¹⁸⁸ 'CAB 129/52, C(52)166. "Economic policy: Cabinet Memorandum by Mr Butler. 17 May 1952' in *British Documents on the End of Empire. Series A Volume 3. The Conservative Government and the End of Empire. 1951-1957*, David Goldsworthy (ed.), London: HMSO, 1994, pp. 30-32.

¹⁸⁹ Chronology, *External Affairs Review*, 2:7 (1952), p. 41.

¹⁹⁰ Chronology, *External Affairs Review*, 2:9 (1952), p.25.

¹⁹¹ Commonwealth Economic Conference: Final Communiqué, *External Affairs Review*, 2:13 (1952), pp. 23-31.

¹⁹² To be discussed in the section on trade below.

but which were now prohibited by GATT (General Agreement on Tariffs and Trade) as a restrictive trade practise. The conference decided not to challenge the GATT restrictions, but did decide to seek discriminatory duty free exports to the UK market. These Commonwealth conferences were always careful to state their belief that these preferential trading practices could be justified on the grounds that boosting Commonwealth trade and economies would in turn, have a beneficial effect on the rest of the world.

Changing patterns of trade resulted in a change of British priorities from the Commonwealth towards Europe. Its own economy was now considerably stronger than it had been at the beginning of the 1950s. Through the prudent economic management of the entire Sterling Area it had been able to survive economic crises and return to healthy levels of reserves. By the mid 1950s trends were moving against the economic ties between Britain and its colonies. The Korean War commodity boom in 1952, marked the end of a long period of good returns for raw materials, and the foreign exchange earnings of Britain's colonies had begun to decline in relative terms.¹⁹³ Trade between the advanced industrial countries was now increasing to eclipse the trading value of the Commonwealth. Britain joined the European Free Trade Area (EFTA) in 1959 and began to investigate membership of the EEC in 1961.¹⁹⁴ However, the nations of the Sterling Area still held large currency reserves in London. These balances had to be managed in an orderly way in order to protect the value of Sterling. In the past, Britain had possessed sufficient military strength to control colonies by force and ensure the prudent use of these reserves. By the mid 1950s the UK was clearly unable to do this any longer and so policymakers adopted a new approach. This period saw many former colonies granted constitutions and home rule under the leadership of friendly governments. In 1957, Prime Minister Harold Macmillan cut defence spending in order to balance the budget and restore the viability of the Sterling.¹⁹⁵ For the British the Sterling Area represented a means to rebuild their shattered economy after the war and the prospect of a trade in invisibles through a strong currency. New Zealand viewed

¹⁹³ Cain and Hopkins, pp. 286-87.

¹⁹⁴ *ibid.*, p. 287.

¹⁹⁵ *ibid.*, pp. 288-90.

the Sterling Area as a means of securing access to its prime export market and to provide some shelter from the fluctuations of the prices on the global commodities markets.

New Zealand Balance of Payments – 1949-1954

New Zealand was a fairly willing member of the Sterling Area because of the way that it facilitated its trade with the UK. The operation of the Sterling Area meant that a small trading nation such as New Zealand, had access to foreign currencies over and above its own capacity to earn them. It was provided with access to the central pool of foreign exchange currency to pay for its NSA imports and deposited the returns from its exports in the same place. With all the countries of the Sterling Area pooling their foreign exchange earnings, a smaller amount of foreign currency was required than if each had acted alone.¹⁹⁶ As a rule, the UK exported its manufactures to the US to earn dollars. New Zealand conducted a large part of its trade (both imports and exports) with the UK and was discouraged from importing from the US wherever possible.¹⁹⁷ During the balance of payments crises of this period, the members of the Sterling Area were encouraged to make cuts to the value of their imports from the NSA in order to assist the Sterling Area return to a balanced external account.

While the system worked well in theory, in reality the Sterling Area had developed some structural flaws. The Evening Post wrote an article in October 1949 to explain the causes of these balance of payments' deficits and the continuing benefits of Sterling Area membership to New Zealand. The long-term problems were a result of war damage, loss of the overseas investments of the Sterling Area during the war, and falling terms of trade and productivity. New Zealand had contributed towards this deficit. The paper reminded its readers that without membership, New Zealand would have only had its own hard currency with which to trade, and in that case the post-war restrictions would have been

¹⁹⁶ John Singleton and Paul L. Robertson, *Economic Relations Between Britain and Australasia. 1945-1970*, Basingstoke: Palgrave, 2002, p. 42.

¹⁹⁷ *ibid.*, p. 43.

more severe.¹⁹⁸ From the late 1940s until the mid 1950s the members of the Sterling Area were required to take a series of contractionary measures that were not always in their own best interests, in order to keep the system running smoothly. Towards the end of that time, short-term efforts to control balance of payments deficits had proven successful and the Commonwealth financial authorities were able to consider longer-term measures to correct the underlying problems of the Sterling Area. For New Zealand the significance of this period lies in the examination of the continuing benefits of a system that required a considerable sacrifice of the country's freedom to trade.

New Zealand hoped that the devaluation of the Sterling would strengthen the UK economy with which it did so much trade. The devaluation of the pound sterling in late 1949 followed a meeting of Commonwealth Finance Ministers in July of that year. Prime Minister Walter Nash addressed Parliament and explained that this adjustment would make imports from dollar areas more expensive as well as any imports from the Sterling Area relying on those imports for their manufacture. He concluded that such a step was in the best interests of the UK and the Sterling Area as decisive action had been required to halt the slide in Commonwealth reserves.¹⁹⁹ New Zealand kept its currency at parity with the British Sterling and so it devalued to the US dollar by the same amount as the UK had done.²⁰⁰ At the time, the High Commission in London reported to Wellington that they expected that British exports to the US would rise in the wake of the devaluation. However, because the deficit of the first six months of 1949 was \$1,000 million and British exports to the US were \$350 million, exports actually needed to increase threefold.²⁰¹ New Zealand benefited from its

¹⁹⁸ "'Discipline Can Narrow Hard Currency Gap", *Evening Post*, 6 October 1949' in NA: Agency: EA, Series: 1, Item Reference: 154/7/2/Pt 2, Item Description: Monetary and Financial Policy – Sterling. 1949 – 1957.

¹⁹⁹ 'Extract from a statement by the Minister of Finance, the Rt Hon. W. Nash in the House of Representatives, 20 September 1949 on the effects of devaluation in New Zealand' in *Documents and Speeches on British Commonwealth Affairs. 1931-1952. Volume II*, Nicholas Mansergh (ed.), London: Oxford University Press, 1953, pp. 1027-28.

²⁰⁰ 'Notes on the devaluation of the Pound. Effects on the United Kingdom and New Zealand. 18 October 1949' in NA: Agency: EA, Series: 1, Item Reference: 154/7/2/Pt 2, Item Description: Monetary and Financial Policy – Sterling. 1949 – 1957, p. 9.

²⁰¹ 'Report on Devaluation and United Kingdom exports. From New Zealand High Commissioner in London to Minister of External Affairs. 5 October 1949' in NA: Agency: EA, Series: 1, Item Reference: 154/7/2/Pt 2, Item Description: Monetary and Financial Policy – Sterling. 1949 – 1957, pp. 1-2.

trade with the UK and also the financial arrangements which membership of the Sterling Area afforded it. The devaluation of 1949 was an attempt by the British authorities to clear some pressing financial problems. The measures adopted had both a direct and indirect impact on New Zealand.

Towards the end of 1949, it was decided to hold another conference of Commonwealth Finance Ministers to review progress since the previous meeting in July and to consider the effects of the Sterling's devaluation. For New Zealand, achievement of the agreed reductions in imports was not going to be easy. Imports from the NSA for the year ended June 1950, were to be a 25% reduction on the year ended June 1948. However imports from dollar areas were already low after restrictions in that year.²⁰² Newspapers published articles that anticipated the likely direction of discussions at the conference in Colombo early the following year. It was primarily to be a meeting of Prime Ministers and Foreign Ministers, but there would be an economic component added to it. It was expected to cover the Sterling Area's dollar position and to review the effects of the devaluation on member nations' attempts to reduce imports.²⁰³ Last minute reports suggested that the talks would consider longer-term measures to restore prosperity to the Sterling Area such as the disposal of the sterling balances. These were debts owed by the UK to other members of the Sterling Area and which had been built up during the war years. India had the highest outstanding balances.²⁰⁴ The conference began with a summary of events since the last meeting. Finance Ministers had met and agreed to reduce dollar imports to 75% of 1948 levels. With hindsight it was clear that not all of these reductions had been met, although the devaluation of the pound had been successful in increasing exports.²⁰⁵ The estimated total gold and dollar deficit for the Sterling

²⁰² Telegram from Ministry of External Affairs (Wellington) to New Zealand High Commissioner in London. Number 1729. 14 November 1949' in NA: Agency: EA, Series: 1, Item Reference: 154/7/2/Pt 2, Item Description: Monetary and Financial Policy – Sterling. 1949 – 1957.

²⁰³ "'Commonwealth Experts to Discuss Trade", Southern Cross, 14 December 1949' in NA: Agency: EA, Series: 1, Item Reference: 153/28/3/Pt 1, Item Description: Conferences. Conference of Commonwealth Foreign Ministers, Ceylon 1950. Economic Discussions. 1949-1950.

²⁰⁴ "'Other Matters for Discussion", Southern Cross, 10 January 1950' in NA: Agency: EA, Series: 1, Item Reference: 153/28/3/Pt 1, Item Description: Conferences. Conference of Commonwealth Foreign Ministers, Ceylon 1950. Economic Discussions. 1949-1950.

²⁰⁵ 'Commonwealth Meeting on Foreign Affairs. Official Discussions on Economic Affairs. – Monday 9 January 1950' in NA: Agency: EA, Series: 1, Item Reference: 153/28/3/Pt 1, Item

Area for the year ended June 1950 was \$995 million. This was higher than hoped for, however it was lower than the year ended June 1949.²⁰⁶ Another session touched on the sterling balances. These were the amounts owing by the UK to members of the Commonwealth, notably India and Pakistan. Members of the Sterling Area held their sterling reserves centrally in London. During the war, the British government had been unable to pay the Commonwealth fully for all of their exports. These sterling balances had grown up as liabilities of the British government to the Commonwealth. As members of the Commonwealth, nations pledged to use these balances according to agreed protocols. When countries such as India became independent, it was important to secure agreement on the speed at which these balances would be drawn down. At the conference, Finance Minister Hassan of Pakistan objected to the way that British financial talks with Canada and the US had viewed the balances as burdens to the UK. He observed that this ignored the need of Pakistan to use these funds for development purposes.²⁰⁷ After the conference, officials drafted a summary for Prime Minister and Minister of Finance Sidney Holland concluding that all parts of the Sterling Area must continue their efforts to exercise trading discipline. Governments must cut dollar imports and raise dollar exports.²⁰⁸ Membership of the Sterling Area represented a constraint on the trading patterns of the nation. National had just won the 1949 election promising not to make any spending cuts but the government soon realised that the deficit needed urgent action. Holland made a statement to the House to that effect.²⁰⁹

Description: Conferences. Conference of Commonwealth Foreign Ministers, Ceylon 1950. Economic Discussions. 1949-1950.

²⁰⁶ 'Commonwealth Meeting on Foreign Affairs. Official Discussions on Economic Affairs. Wednesday 11 January 1950, PM' in NA: Agency: EA, Series: 1, Item Reference: 153/28/3/Pt 1, Item Description: Conferences. Conference of Commonwealth Foreign Ministers, Ceylon 1950. Economic Discussions. 1949-1950.

²⁰⁷ 'Commonwealth Meeting on Foreign Affairs. Official Discussions on Economic Affairs. Wednesday 11 January 1950, AM' in NA: Agency: EA, Series: 1, Item Reference: 153/28/3/Pt 1, Item Description: Conferences. Conference of Commonwealth Foreign Ministers, Ceylon 1950. Economic Discussions. 1949-1950.

²⁰⁸ 'Memorandum for the Hon. Minister of Finance from the Assistant Secretary to the Treasury. Sterling Area Economic Discussions at Colombo. January 1950. 30 January 1950' in NA: Agency: EA, Series: 1, Item Reference: 153/28/3/Pt 1, Item Description: Conferences. Conference of Commonwealth Foreign Ministers, Ceylon 1950. Economic Discussions. 1949-1950.

²⁰⁹ 'McIntosh to Berendsen. 1 February 1950' in *Undiplomatic Dialogue. Letters between Carl Berendsen and Alistair McIntosh. 1943-52*, Ian McGibbon (ed.), Auckland: Auckland University Press, 1993, p. 207.

During 1951, the New Zealand government was caught out by a sudden fluctuation of the economy. The British economy was struggling to meet its commitments and was partly responsible for the balance of payments crises of the Sterling Area. However New Zealand was earning a balance of payments surplus due to US stockpiling of wool during the Korean War. The national wool cheque had been rising steadily over the past few years. It rose from £12 million in 1939, to £47 million in 1949, to £70-£80 million in 1950 and an estimated £150 million in 1951 due to exceptional demand from the US.²¹⁰ Nevertheless, in the following year, wool prices quickly fell again. In an August sale, prices dropped by 65%. Even then prices were comparable with that of the year ended 1950. It was just that in the year ended 1951, prices had risen by an unusual amount.²¹¹ During this period, New Zealand had gambled on an extensive period of high export returns. New Zealand had relaxed its strict import controls and had bought goods from the NSA for development purposes.

At about this time, the balance of payments situation of the entire Sterling Area deteriorated for the second time, but this time the New Zealand and Australian external accounts were a lot worse than they had been before.²¹² A series of messages from the financial authorities in the UK indicated that the Sterling Area was headed for trouble again. Initially the Chancellor of the Exchequer wrote to Commonwealth governments requesting a September meeting.²¹³ Shortly afterwards when it was clear that this would not be possible, the Chancellor wrote again, warning that the latest estimates for the year ended June 1952 were now revising the Balance of Payment deficit figures for the Sterling Area, upwards. This was due to increased imports, a fall in the value of commodity exports to the dollar area and increased deficits to non-dollar NSA countries. All this did not take into account the worst-case scenario in Iran which would see the

²¹⁰ 'McIntosh to Berendsen. 24 November 1950' in *Undiplomatic Dialogue. Letters between Carl Berendsen and Alistair McIntosh. 1943-52*, Ian McGibbon (ed.), Auckland: Auckland University Press, 1993, p. 246.

²¹¹ 'McIntosh to Berendsen. 16 August 1951' in *Undiplomatic Dialogue. Letters between Carl Berendsen and Alistair McIntosh. 1943-52*, Ian McGibbon (ed.), Auckland: Auckland University Press, 1993, pp. 273-75.

²¹² Singleton and Robertson, p. 101.

²¹³ 'Letter to Prime Minister (Holland) from A. F. Morley. 4 July 1951' in NA: Agency: EA, Series: 1, Item Reference: 153/34/1/Pt 1, Item Description: Conferences. Meeting of Commonwealth Finance Ministers. January 1952. General. 1951-1952.

oil revenues of the Abadan facility lost to the Sterling Area entirely.²¹⁴ A report from Foreign Affairs' staff in London set out some of the main issues. Much of the current Sterling Area problem was due to the problems of the UK, which in turn was due to the post-war defence commitments that they had shouldered. In October 1951, a new Conservative administration came to power in the UK.²¹⁵ Correspondence from London revealed the exasperation of the new Cabinet team upon discovering the true financial state of the country. Butler turned his attention to the balance of payments of the UK itself, before turning to consider the RSA. In November, Butler sent advance notice of his domestic plans to Commonwealth authorities. Contrary to expectations, the deficit at that time was still getting worse due to increased capital flows caused by falling investor confidence and increased imports from Europe. Richard Butler was shortly to announce to the Commons, a range of measures designed to correct this. They included restricting the housing program to redirect investment funding, a review of all government administration expenditure, a cut back of all import licences, retain food rationing and to slow down strategic stockpiling.

Butler planned to meet with Commonwealth colleagues in January to discuss the Sterling Area.²¹⁶ A further message outlined an agenda for the Commonwealth conference in January and urged Commonwealth leaders to implement measures immediately and not wait for the meeting. It was estimated that for the year ended 1952, the total Sterling Area deficit with the NSA would be £770 million of which £540 million would be the responsibility of the UK.²¹⁷ The Conference itself placed a series of dire statistics and estimates before the Commonwealth authorities along the lines of Butler's messages. Of note for New Zealand, was an estimated £43 million balance of payments deficit in the year ended 1952.

²¹⁴ 'Letter from the Chancellor of the Exchequer and conveyed by the United Kingdom High Commissioner in Wellington. 31 July 1951' in NA: Agency: EA, Series: 1, Item Reference: 153/34/1/Pt 1, Item Description: Conferences. Meeting of Commonwealth Finance Ministers. January 1952. General. 1951-1952.

²¹⁵ Alistair Horne, *Macmillan. 1894-1956. Volume I of the Official Biography*, London: Macmillan, 1988, p. 332.

²¹⁶ 'Message from the Chancellor of the Exchequer through the High Commission of the United Kingdom, Wellington. 7 November 1951' in NA: Agency: EA, Series: 1, Item Reference: 153/34/1/Pt 1, Item Description: Conferences. Meeting of Commonwealth Finance Ministers. January 1952. General. 1951-1952.

²¹⁷ 'Message from the Chancellor of the Exchequer to the Finance Minister. 7 December 1951' in NA: Agency: EA, Series: 1, Item Reference: 153/34/1/Pt 1, Item Description: Conferences. Meeting of Commonwealth Finance Ministers. January 1952. General. 1951-1952.

This comprised of a £16 million deficit with the dollar area, a £21 million surplus with other NSA and a £48 million deficit with sterling countries.²¹⁸ For New Zealand (and also Australia) the easiest solution to its balance of payments problems was to reduce imports from the Sterling Area, however this was completely counter to the recovery plan of the UK. New Zealand assured the meeting that its proposed anti-inflationary measures should cut the value of its imports from the NSA and thereby contribute to the corporate aims of the Sterling Area. The conference concluded that the root cause of the Sterling Area balance of payments problems was insufficient investment capital to boost production and therefore expand exports to the NSA. Ultimately, access to American investment would require sterling convertibility, but this would require a secure balance of payments position and a reasonable level of reserves. It was decided that the UK surpluses would be allocated to building up reserves and approaches would be made to the US for assistance with the International Monetary Fund and the World Bank. New Zealand and Australia had been quite critical of the UK at this conference for having no long term plan for dealing with the Sterling problems.²¹⁹

New Zealand took a more independent approach to the second financial crisis. Following the conference, the balance of payments continued to fall and the Chancellor of the Exchequer Richard Butler sent messages to the Ministers of Finance encouraging them to set targets greater than those agreed in January. He emphasised that although the UK portion of the deficit was significant, they could not solve the problem alone. Commonwealth members would now have to aim for a surplus vis-à-vis the NSA and not just balance.²²⁰ The New Zealand and Australian response to this crisis was different from that of 1949. In the earlier crisis, New Zealand had been in moderate deficit and Australia had been in overall surplus, but this time both faced a more significant deficit on the

²¹⁸ 'Meeting of Commonwealth Finance Ministers. 12 January 1952' in NA: Agency: EA, Series: 1, Item Reference: 153/34/1/Pt 1, Item Description: Conferences. Meeting of Commonwealth Finance Ministers. January 1952. General. 1951-1952, p. 2.

²¹⁹ Singleton and Robertson, p. 101.

²²⁰ 'Message from the Chancellor of the Exchequer to the Minister of Finance. 5 March 1952' in NA: Agency: EA, Series: 1, Item Reference: 154/7/2/Pt 2, Item Description: Monetary and Financial Policy – Sterling. 1949 – 1957.

external account.²²¹ The *Evening Post* reported that New Zealand and Australia had seriously run down their sterling balances in response to shrinkage in export earnings. New Zealand's balances were now £30 million, amounting to about one third of the total that had existed nine months prior.²²² In the face of the worsening economic figures, New Zealand applied further import controls. In March, it was announced that all import licences from scheduled countries (the US, Canada and Japan) were cancelled in order to reduce imports from those countries.²²³ In April, the New Zealand government controversially introduced an exchange allocation scheme whereby importers were only given 80% of their 1950 allocation of foreign exchange.²²⁴ Australia made similar cuts. This measure remained in place until September 1954 and included imports from the Sterling Area. This hit British exports of textiles and automobiles for which New Zealand was an important market. Not only was this a snub to Britain itself, but to cut imports from the Sterling Area was a rejection of the recovery plan for the whole area. In the first quarter of the year ending 1953, New Zealand imports were half the amount that they had been in the first quarter of the year ending 1952.²²⁵ New Zealand reduced these import controls after the crisis but the combined actions of New Zealand and Australia had changed the British attitude towards Commonwealth trade.²²⁶

²²¹ New Zealand had a surplus of £1 million in 1948, a deficit of £6 million in 1949 and a surplus of £14.5 million in 1950. 'Sterling Crisis. London Conference. Prime Minister's Report' in NA: Agency: EA, Series: 1, Item Reference: 154/7/2/Pt 2, Item Description: Monetary and Financial Policy – Sterling. 1949 – 1957.

²²² "'Dramatic Fall. Dominions Sterling Funds", *Evening Post*, 4 March 1952' in NA: Agency: EA, Series: 1, Item Reference: 154/7/2/Pt 2, Item Description: Monetary and Financial Policy – Sterling. 1949 – 1957.

²²³ Chronology, *External Affairs Review*, Volume 13 (1952), pp. 19-20.

²²⁴ Schenk, p. 75.

²²⁵ *ibid.*, pp. 82-3.

²²⁶ Singleton and Robertson, p. 104.

Trade

Declining British Trade – 1950-1958

Trade in primary produce with the UK remained the most significant part of New Zealand's international commerce for the 1950s. In 1951, the UK took 66% of New Zealand's exports amounting to a value of £121,684,964.²²⁷ In that year, 41% of all exports were wool, 20% was butter and 16% was frozen meat.²²⁸ Despite the distance between the two countries, trade had grown because of the complementary nature of their economies and because of New Zealand support during the war years.²²⁹ Over many years, the New Zealand economy had adapted itself towards the production of agricultural products for which there had long been a ready market in the UK. In the post-war years, New Zealand products had been an important means of supply for the British economy as it rebuilt its own economy and that of the Sterling Area. This had been a mutually beneficial relationship built upon the close ties developed in other spheres of activity between the two countries. In October 1952, New Zealand and the UK signed an agreement allowing New Zealand to sell its entire export surplus in the British market.²³⁰ The British Minister of Agriculture called for long term dairy contracts to be established.²³¹

By the mid 1950s this relationship began to change as the new Churchill administration of 1953 favoured domestic consumers. Long term contracts between the British government and New Zealand suppliers were cancelled and supplies were admitted from the NSA. The new government was determined to force prices down and end the rationing of the wartime era.²³² British policy aimed to develop the British agricultural industry to the point where it was producing 60% of the pre-war level of consumption by 1956. It was claimed that

²²⁷ The Official Yearbook. 1951-1952, Wellington: Government Printer, 1952, p. 221.

²²⁸ *ibid.*, p. 233.

²²⁹ Malcolm McKinnon, 'Trading in Difficulties? New Zealand in the World Economy', in *New Zealand in World Affairs. Volume II 1957-1972*, Malcolm McKinnon (ed.), Wellington: New Zealand Institute of International Affairs, 1991, p. 147.

²³⁰ Chronology, *External Affairs Review*, Volume 12 (1952), p. 24.

²³¹ Singleton and Robertson, p. 109.

²³² *ibid.*, p. 109.

such a policy would reduce the import bill from the NSA. The UK became more self-sufficient in cereals, meat and cheese by the late 1950s, but it was still importing 90% of its butter requirements.²³³ New Zealand had produced large amounts of agricultural produce during the war, but now the industrialised countries of Europe and America were starting to restore their own agricultural capacity for political and strategic reasons. In 1954, US farm surplus figures had reached 373.5 million pounds of butter, 385.8 million pounds of cheese and 284.5 million pounds of skim milk powder.²³⁴ Quantities of this sort were regarded with apprehension given the increasingly liberal import policies of the UK. The following year, the House was told that the US had been dumping dairy produce on the London market since the beginning of that year. Even the British Ministry of Food had been offloading its stockpiles at cheap prices. European suppliers were increasing the amount of their production.²³⁵ The flooding of the British market had a dramatic impact on New Zealand exports. The Annual Report for the Ministry of External Affairs for the year ended March 1957 summarised the events of the year and asserted that these surpluses were the result of government policies designed to protect agricultural producers in industrialised countries. In recent years New Zealand had laid complaints with both the US and Canada about this and in March, New Zealand sent a trade mission to the UK to present its concerns to the British government.²³⁶ By the end of 1957, the *Financial Times* described the situation as critical for New Zealand. The deterioration in prices had gone from merely an industrial concern to become a national concern given the reliance of the New Zealand economy on the export of primary products. The delegation to Britain was expected to request that the UK authorities use their anti-dumping powers. The British market was receiving large supplies of dairy produce from European producers and it was believed that they were price-cutting.²³⁷ The response from the British government was not promising. They told the delegation that no immediate action was possible, but they did advise the New Zealanders on the best means of

²³³ *ibid.*, pp. 108-9.

²³⁴ *NZPD*, 303(1954), p. 887 (Carr)

²³⁵ *NZPD*, 305(1955), p. 166 (Davey)

²³⁶ Annual Report, Department of External Affairs, *AJHR*, 1957, A.1, pp. 61-62.

²³⁷ "London Talks Critical for New Zealand Dairy Industry", *The Financial Times*, 20 November 1957' in NA: Agency: T, Series: 1, Item Reference: 61/3/21/2/57, Item Description: Discussions with United Kingdom Government on Agricultural Policy. 1957.

preparing a lawsuit under British anti-dumping legislation. It would require proving that there had been material damage inflicted on the New Zealand industry.²³⁸

In November 1957, the Labour Party won the general election under the leadership of Walter Nash. Once in power, they discovered that the state of the public purse was a lot worse than they had imagined on the campaign trail. As with the Holland government before him, he had promised the voters much, and now realised that little of that would be possible. In quite a short space of time, exports had fallen and imports had risen, creating a balance of payments crisis. On Christmas Eve, Nash addressed the nation by radio. From September to December the trade deficit had moved from £4 million to £30 million with an equivalent drop in reserves to pay for it.²³⁹ Nash proposed a forced reduction in imports by restricting foreign exchange to importers of food and raw materials for production. The new administration believed that there was under-utilised productive capacity in New Zealand and hoped to use this in order to get out of the trade deficit.²⁴⁰ Beyond these steps, the government made advances to London on the issue of dumping, prepared a fiscally strict budget in the New Year and secured international loans to cover the deficit. In February the government lodged a claim with the British government to have anti-dumping duties imposed on butter imports to the UK from certain European countries. Exports of butter to the UK from Finland, Ireland, Sweden and Argentina had risen from 8,341 tons in 1955 to 61,117 tons in 1957. These countries were selling produce in the UK for lower prices than they were in their own economies and so New Zealand applied for anti-dumping duties.²⁴¹ Whilst this action produced some response from the UK, it was not as much as hoped for.²⁴² Mid way through the year, Finance Minister Arnold Nordmeyer delivered his famous

²³⁸ 'Telegram from the New Zealand High Commissioner in London to the Ministry of External Affairs in Wellington. Number 1835. 3 December 1957' in NA: Agency: T, Series: 1, Item Reference: 61/3/21/2/57, Item Description: Discussions with United Kingdom Government on Agricultural Policy. 1957.

²³⁹ Keith Sinclair, *Walter Nash*, Dunedin: Auckland University Press, 1976, p. 307.

²⁴⁰ Radio Address by Mr Nash, *External Affairs Review*, 8:1 (1958), p. 19.

²⁴¹ Statement by Minister of Agriculture, *External Affairs Review*, 8:2 (1958), p. 25.

²⁴² Statement by Deputy Prime Minister, *External Affairs Review*, 8:5 (1958), p. 28.

Black Budget.²⁴³ He promised to meet the challenge of declining balance of payments with measures that would spread the burden across the community. He proposed taxes across a broad field.²⁴⁴ Income taxes were raised by a significant amount, duties on alcohol and tobacco were doubled and the tax on petrol was increased by almost the same rate.²⁴⁵ The following month loans totalling £30 million were announced to Parliament as an additional measure to cover the shortfall created by the trade deficit.²⁴⁶ The rather reluctant British attitude towards New Zealand trading issues continued. In August 1958, the New Zealand High Commission in London advised that a New Zealand complaint against Dutch butter dumping in the UK might be unsuccessful due to sensitive British trade talks being conducted with the Europeans. In any anti-dumping case, the UK was required to consider its own national interest and the High Commission in London considered it was probably not worth pressing the point in this instance.²⁴⁷ At the end of 1958, Prime Minister Walter Nash feared that British prices might return to the low levels seen at the beginning of the year. He warned Deputy Prime Minister and Minister for Agriculture Clarence Skinner who was negotiating in the UK, that New Zealand producers were suffering material damage.²⁴⁸ If the butter price fell lower, New Zealand balance of payments would suffer and so would New Zealand purchases from the UK.²⁴⁹ New Zealand's trading problems were partially due to the declining terms of its trade with Britain. Both National and Labour governments in New Zealand attempted to renegotiate terms with the UK.

²⁴³ Nordmeyer was Labour Cabinet Minister. Minister of Finance (1957-60) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 20.

²⁴⁴ 'The 'Black Budget' 1958. Mr Nordmeyer's speech. 26 June 1958' in W.D. McIntyre & W.J. Gardner (eds), *Speeches and Documents on New Zealand History*, Oxford: Clarendon Press, 1971, p. 434.

²⁴⁵ Sinclair, p. 310.

²⁴⁶ A £20 million loan from London and a £10 million loan from Australia. *NZPD*, 316(1958), p.352 (Nash)

²⁴⁷ 'Memorandum to Secretary of Industries and Commerce from the Commercial Counsellor in London. Butter Dumping, Netherlands. 29 August 1958' in NA: Agency: T, Series: 1, Item Reference: 61/7/1/1, Item Description: World Butter Market. New Zealand – United Kingdom Negotiations. July 1958 – December 1960.

²⁴⁸ Skinner was Labour Cabinet Minister. Deputy Prime Minister, Minister of Agriculture, Lands and Rehabilitation (1957-60) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 22.

²⁴⁹ 'Telegram from Nash in Wellington to Skinner. Number 1423. 15 December 1958' in NA: Agency: T, Series: 1, Item Reference: 61/7/1/1, Item Description: World Butter Market. New Zealand – United Kingdom Negotiations. July 1958 – December 1960.

Trade Negotiations with Britain – 1956-1958

The Ottawa Agreement of 1932 governed the trading relationship between New Zealand and the UK. It established a system of trading preferences whereby Commonwealth nations would always favour their trade with each other, compared with their trade with other nations. In a speech following the signing of the Agreement, Prime Minister Coates had declared that the tariff preferences granted by New Zealand to the UK, covered most of New Zealand imports from Britain.²⁵⁰ He pledged to go further and to reduce duty on British imports and to increase tariffs on imports from third parties in some cases, in order to increase the margin of preference for British goods. He hoped that in return, the British would increase preferences already granted on its imports from the Empire. He concluded that preferences were a good way to increase the amount of Empire trade.²⁵¹ The Ottawa Agreements came from the Depression era and were an attempt to shield the nations of the British Empire from the uncertain prices of the global economy and boost trading volumes. But by the early 1950s, the benefits of this system for New Zealand were beginning to erode. Under the 1932 Agreement, New Zealand gave British exports 20% ad valorem on many items.²⁵² These were related to monetary figures and kept their value over time. In contrast, the UK tariff preferences to New Zealand were expressed in weight and lost their value to the extent of price inflation. New Zealand privileges had been further eroded by the expansion of British domestic agricultural production.²⁵³ The preferences granted to the UK had actually hindered the expansion of the New Zealand economy, which had now grown to the point where it outstripped the capacity of the British market to buy its produce. Preferences also meant that New Zealand industry was supplied with expensive British imports,²⁵⁴ and they limited the terms that New Zealand could offer to

²⁵⁰ Coates was Reform Prime Minister (1925-28) refer Michael King, *The Penguin History of New Zealand*, Auckland: Penguin, 2003, p. 530.

²⁵¹ 'Imperial Economic Conference at Ottawa, 1932. Coates' Speech' in *Documents and Speeches on British Commonwealth Affairs. 1931-1952. Volume I*, Nicholas Mansergh (ed.), London: Oxford University Press, 1953, pp. 127-28.

²⁵² An ad valorem tax is calculated as a certain percentage of selling price. G. R. Hawke, *Economics for Historians*, Cambridge: Cambridge University Press, 1980, p. 229.

²⁵³ Sinclair, p. 313.

²⁵⁴ *ibid.*, p. 313.

new trading partners.²⁵⁵ For these reasons, New Zealand came to believe that the trading system based on the Ottawa Agreement was in need of revision. In their book, John Singleton and Paul Robertson argued that the UK for its part was happy with these preferences and wanted to use them to build up Commonwealth trade in the post-war years.²⁵⁶ However, they became increasingly frustrated as Australia and then New Zealand demanded revisions to this system. Ultimately the changing patterns of world trade drew them away from the Commonwealth towards a closer relationship with Europe.

From the mid 1950s, New Zealand began to review its trading relationship with the UK. In 1956, New Zealand became increasingly concerned about Argentine meat exports to the UK. The government conducted a trade review concluding that the preference margins on British exports should be reduced in compensation.²⁵⁷ The government decided to give negotiations a chance. In January, Prime Minister Sidney Holland announced that the deputy Prime Minister Keith Holyoake would lead a delegation to the UK in order to discuss the fall in the prices of New Zealand's primary produce exports.²⁵⁸ An article in the *Dominion* described the increasingly divergent interests between the two countries were making negotiations more difficult. New Zealand was going to ask for quotas to limit the amount of foreign produce sold in the UK. But even then it was known that quotas would be unacceptable to the UK for whom the cost of living was a sensitive political issue.²⁵⁹ On his arrival in the UK, Holyoake described the problems that New Zealand was facing in the British market and said that the system of mutual preferences between New Zealand and Britain had to be adjusted as it had moved away from New Zealand's favour. For New Zealand, the stakes were high as the UK took 89% of its butter, 85% of its

²⁵⁵ Malcolm McKinnon, 'Trading in Difficulties? New Zealand in the World Economy', in *New Zealand in World Affairs. Volume II 1957-1972*, Malcolm McKinnon (ed.), Wellington: New Zealand Institute of International Affairs, 1991, pp. 156-57.

²⁵⁶ Singleton and Robertson, pp. 99-100.

²⁵⁷ *ibid.*, p. 116.

²⁵⁸ Sale of Primary Products – Mission to the United Kingdom: Statement by the Prime Minister, *External Affairs Review*, 7:1 (1957), p. 4.

²⁵⁹ "Complex Problems face Trade Mission to UK", *Dominion*, 27 February 1957' in NA: Agency: T, Series: 1, Item Reference: 61/5/2/Pt 2, Item Description: European Customs Union. January 1957 – March 1957.

meat and 65% of its cheese.²⁶⁰ The talks in April resulted in an amendment to the Ottawa Agreement. Both countries stood ready to consult with the other each year in November, should there be any concerns about the state of agricultural production and trade. The UK agreed to admit New Zealand dairy products without limit for ten years. However, they would not impose import restrictions on third parties arguing that their international commitments would not allow this. They did encourage New Zealand to take advantage of their anti-dumping legislation and provided a thorough explanation of the process.²⁶¹ At the end of May, Holland issued a statement to describe what had been achieved by these talks. Although some amendments had been made, it was noted that a general review might be necessary at some time in the future.²⁶² In hindsight, it is obvious that although Holyoake asked for revised quotas on meat and revised Ottawa preferences, he came back with little to show for his trouble.²⁶³ The first round of November consultations took place in the same year and emphasised dairy products.²⁶⁴ These meetings provided a further opportunity for New Zealand to express its concerns over the extent of foreign dumping in the British market. The British promised to consider New Zealand views when they came to formulate their policy.

By the end of 1957, New Zealand terms of trade were deteriorating significantly in the British market and the new Labour government was determined to amend the Ottawa Agreement as Australia had done in 1957. A Treasury paper concluded that the 1957 talks had failed to limit foreign supplies of meat to the British market. The only way to restore balance to trade with the UK would be to

²⁶⁰ Trade Mission to the UK, *External Affairs Review*, 7:4 (1957), pp. 22-23.

²⁶¹ 'Trade Discussions between the Government of New Zealand and the Government of the United Kingdom of Great Britain and Northern Ireland London. 8 April 1957 – 29 May 1957' in NA: Agency: T, Series: 1, Item Reference: 61/3/21/2/57, Item Description: Discussions with United Kingdom Government on Agricultural Policy. 1957.

²⁶² Trade Mission to the UK: Statement by Prime Minister, *External Affairs Review*, 7:5 (1957), p. 15.

²⁶³ Sinclair, p. 313.

²⁶⁴ 'Consultations with the United Kingdom Government on Agricultural Policy – November 1957. Notes prepared by Treasury for the meeting with Primary Producer Representatives on 1 October 1957. 27 September 1957' in NA: Agency: T, Series: 1, Item Reference: 61/3/21/2/57, Item Description: Discussions with United Kingdom Government on Agricultural Policy. 1957.

reduce British preferences on exports to New Zealand.²⁶⁵ In January 1958, Prime Minister Harold Macmillan visited New Zealand as part of a tour of the Commonwealth.²⁶⁶ Both the Prime Minister and his wife enjoyed New Zealand as it reminded them of home in the middle of quite a long global tour.²⁶⁷ Nash and Macmillan got on very well together,²⁶⁸ and they agreed that some adjustment to the Ottawa Agreements should be negotiated before the next Commonwealth Economic conference.²⁶⁹ Clarence Skinner and some officials were sent to London to confer with their British counterparts. The UK was prepared to reduce tariff preferences if New Zealand would guarantee not to restrict British imports. In July, Nash sent a personal message to Macmillan and said that their proposal would still hinder New Zealand's attempts to develop new markets, and he threatened to terminate the Ottawa Agreement outright. Finally in September, officials reached an agreement whereby preference margins on British exports to New Zealand were reduced.²⁷⁰ If the Ottawa Agreement had been terminated, it would have hurt New Zealand more than the UK but the British were concerned about the flow on effects that it would have had, in negotiations with India and Pakistan.²⁷¹ In the end, New Zealand was still not able to get the level of reductions in British preferences that it would have liked, but it could not afford to push too hard with the issues such as dumping and European integration being ever-present.²⁷²

²⁶⁵ 'New Zealand's Trade Relations with the United Kingdom 12 December 1957' in NA: Agency: T, Series: I, Item Reference: 61/3/25, Item Description: UK NZ Trade Negotiations – 1958. May 1957 – April 1958.

²⁶⁶ Harold Macmillan was British Politician. Minister for Housing and Local Government (1951-54), Minister for Defence (1954-55), Secretary of State for Foreign Affairs (1955), Chancellor of the Exchequer (1955-57), Prime Minister (1957-63) refer *Unofficial Channels. Letters between Alistair McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 18.

²⁶⁷ Alistair Horne, Macmillan. 1894-1956. Volume I of the Official Biography, London: Macmillan, 1988, p. 86.

²⁶⁸ 'Corner to McIntosh 6 June 1958' in *Unofficial Channels. Letters between Alistair McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999. p. 254.

²⁶⁹ Sinclair, p. 315.

²⁷⁰ *ibid.*, pp. 315-17

²⁷¹ Singleton and Robertson, p. 121.

²⁷² *ibid.*, p. 122

Britain's Negotiations with the EEC – 1956-1963

Britain had remained largely aloof from the process of European political and economic integration for a decade after the war. It had concentrated on its trade with the Commonwealth and its ties with the US. From the mid 1950s, Britain began to move towards Europe, attracted by the growth in world trade amongst industrialised countries. British ties with the Commonwealth remained strong, and the Macmillan government endeavoured to secure this trade in its negotiations with its European partners. It tried to reassure its Commonwealth allies that this process would secure their futures. From as far back as 1949 Britain had been concerned about reconciling participation in Europe with its Imperial Preferences. Suggestions included a single customs union for Europe and the Commonwealth, two separate customs unions with the UK in both, and the extension of Imperial Preferences to Europe.²⁷³

Britain stayed out of the mainstream of European economic integration, to preserve its ties to the Commonwealth. In June 1955, the six members of the European Coal and Steel Community (France, West Germany, the Netherlands, Italy, Belgium and Luxembourg) launched plans to form a customs union or Common Market.²⁷⁴ The UK was invited to join, but decided not to for fear of its impact upon Commonwealth trade and the Sterling Area.²⁷⁵ To Britain, the Customs Union meant accepting a common tariff with Europe and against the rest of the world. This was not just decreasing Imperial Preferences, but getting rid of them altogether.²⁷⁶ In September 1956, the UK countered with its own proposal for economic integration. Often known simply as Plan G, it was to be a free trade area (FTA) in industrial products only. This was designed to appeal to both the Europeans and the Commonwealth. The UK was worried lest Germany be left to assert predominance over Europe at British expense.²⁷⁷ In September

²⁷³ 'Telegram from the New Zealand High Commissioner in London to the Ministry of External Affairs in Wellington 14 November 1947' in NA: Agency: T, Series: 1, Item Reference: 61/5/2/Pt 1, Item Description: European Customs Union. August 1947 – January 1957.

²⁷⁴ Singleton and Robertson, p. 151.

²⁷⁵ *ibid.*, p. 152.

²⁷⁶ "'British Pledges on a Common European Market', Times, 23 October 1956' in NA: Agency: T, Series: 1, Item Reference: 61/5/2/Pt 1, Item Description: European Customs Union. August 1947 – January 1957.

²⁷⁷ Singleton and Robertson, pp. 152-154.

1956, Macmillan sent a message to Commonwealth Finance Ministers explaining that the FTA was a good middle point between German domination of Europe and their giving up on the Commonwealth.²⁷⁸ On the whole, the New Zealand attitude at this stage was one of cautious support. Later that month, the Commonwealth Finance Ministers met in Washington. Minister of Industries and Commerce Jack Watts indicated that New Zealand accepted that anything that would help the UK economy would also boost Commonwealth trade.²⁷⁹ But he also said that New Zealand wanted to ensure that the FTA was not enlarged to include agricultural products.²⁸⁰ This might lead to restrictions on New Zealand agricultural exports to Britain and continental Europe. In October, Holland welcomed proposals to join a partial FTA and stated that New Zealand wanted to increase its European trade.²⁸¹ The New Zealand cabinet expressed its understanding of this move which would strengthen the UK and therefore New Zealand, but was concerned that no encroachment should occur on Imperial Preferences.²⁸² There was not universal support for the FTA in New Zealand. Economic pundits forecast that British manufacturing would probably become more specialised in the wider European environment, requiring New Zealand importers to be more flexible.²⁸³ There were also some indicators of trouble ahead. Denmark in particular, was unhappy about the exclusion of agriculture from the FTA and showed signs of moving away to the Common Market if its demands were not met. At this stage, the UK would not give in to these requests, knowing the likely reaction of the Commonwealth. However, the British

²⁷⁸ *ibid.*, p. 155

²⁷⁹ Watts was National Cabinet Minister. Minister of Health (1949-51), Minister of Industries and Commerce (1950-54) refer McGibbon, Ian, (ed.), *Undiplomatic Dialogue. Letters between Carl Berendsen and Alistair McIntosh. 1943-52*, Auckland: Auckland University Press, 1993, p. xviii.

²⁸⁰ 'Meeting of Commonwealth Finance Ministers 29 September 1956' in NA: Agency: T, Series: 1, Item Reference: 61/5/2/Pt 1, Item Description: European Customs Union. August 1947 – January 1957.

²⁸¹ "'Move in Europe For Free Trade welcomed by New Zealand Premier", *Financial Times*, 6 October 1956' in NA: Agency: T, Series: 1, Item Reference: 61/5/2/Pt 1, Item Description: European Customs Union. August 1947 – January 1957.

²⁸² 'Cablegram from New Zealand Government to the New Zealand High Commissioner in London Number 2405 17 October 1956' in NA: Agency: T, Series: 1, Item Reference: 61/5/2/Pt 1, Item Description: European Customs Union. August 1947 – January 1957.

²⁸³ "'FTA in Europe", *New Zealand Herald*, 28 November 1956' in NA: Agency: T, Series: 1, Item Reference: 61/5/2/Pt 1, Item Description: European Customs Union. August 1947 – January 1957.

bargaining position was fairly weak even though New Zealand and Australia were not yet aware of this.²⁸⁴

From the beginning of 1957, New Zealand began to show a more accommodating attitude towards the question of agriculture in the FTA. A paper prepared by the Industries and Commerce Department concluded that New Zealand would be likely to benefit from European growth, because its scale and industrial nature would likely spur the demand for New Zealand agricultural products.²⁸⁵ A recent conference of the Organisation for European Economic Cooperation had revealed to New Zealand officials the strength of European support for the inclusion of agriculture in the FTA.²⁸⁶ New Zealand began to consider the possibility of allowing agriculture into the FTA and forming some sort of association directly with this European grouping. In July, New Zealand asked the UK to consider this.²⁸⁷ The British were not in favour of this because they did not want to split the Commonwealth and because the presence of agriculture in the FTA would harm their own producers.²⁸⁸ New Zealand raised the matter at the Commonwealth Finance Ministers' meeting in September 1957, but in the end the discussions to establish the FTA died out without result in November 1958.²⁸⁹ After this, New Zealand considered associate membership of the Common Market with the possibility of extending British preferences to Europe, or scrapping the Ottawa Agreement altogether in the interests of securing a deal. The British warned New Zealand at the Commonwealth Meeting in September 1959, not to negotiate with the EEC because of their much greater bargaining power.²⁹⁰ After the collapse of the FTA, the UK proposed an alternative EFTA including Sweden, Norway, Denmark, Portugal, Switzerland and Austria. In the course of the negotiations, Britain granted small agricultural

²⁸⁴ Singleton and Robertson, pp. 157-58.

²⁸⁵ 'The Proposal for a European Customs Union and Free Trade Area 18 February 1957' in NA: Agency: T, Series: 1, Item Reference: 61/5/2/Pt 2, Item Description: European Customs Union. January 1957 – March 1957.

²⁸⁶ 'New Zealand's Policy on the FTA' in NA: Agency: T, Series: 1, Item Reference: 61/5/2/Pt 2, Item Description: European Customs Union. January 1957 – March 1957.

²⁸⁷ New Zealand and Australia were not given a seat at the negotiations in Europe. Neither at this point nor later when the United Kingdom was negotiating to enter the EEC. Discussions were conducted by the British.

²⁸⁸ Singleton and Robertson, pp. 159-60.

²⁸⁹ *ibid.*, pp. 160-62.

²⁹⁰ *ibid.*, pp. 162-63.

concessions to Denmark (over cheese). This was taken as a bad sign by New Zealand, which was starting to doubt the commitment of the British to consider them in its deals with Europe.²⁹¹

As British attempts to create their own European trading community failed, they finally considered an application to join the EEC. By the end of 1960, the British Cabinet had started to discuss the terms with which they might approach the Six (as the EEC were known). In September, they conceded that the common external tariff could not be ruled out.²⁹² The US was relieved that Britain was drawing close to Europe and warned Prime Minister Harold Macmillan not to press the Europeans too hard for the sake of the Commonwealth. The Common Agricultural Policy (CAP) would have to be accepted in full.²⁹³ In June 1961, the British decided to hold a round of bilateral consultations with Commonwealth governments before deciding whether to approach the EEC for membership. Macmillan told the House of Commons that the Commonwealth consultations were a precursor to negotiations over Europe, implying that the actual signing of any agreement would still be a long way off.²⁹⁴ The following month, Minister of Defence Duncan Sandys arrived in New Zealand to hold discussions with the government about British intentions.²⁹⁵ There followed a fairly blunt exchange of views in which New Zealand expressed general support for European integration, but stressed that the development of the New Zealand economy over many years had been geared towards the supply of agricultural produce to the UK and that it would face “grave consequences” if this market were to disappear. New Zealand ministers stressed that only unrestricted duty free access for New Zealand goods would suffice. Sandys replied that New Zealand production was now outstripping the capacity of the British market to absorb it, so that even without

²⁹¹ *ibid.*, p. 164.

²⁹² *ibid.*, p. 167.

²⁹³ *ibid.*, p. 169.

²⁹⁴ ‘Commonwealth consultation: Statement by the Prime Minister, the Rt Hon. Harold Macmillan, in the House of Commons, 13 June 1961’ in *Documents and Speeches on Commonwealth Affairs. 1952-1962*, Nicholas Mansergh (ed.), London: Oxford University Press, 1963, p. 630.

²⁹⁵ Duncan Sandys was British Cabinet Minister. Minister of Supply (1951-54), Minister of Housing and Local Government (1954-57), Minister of Defence (1957-60), Minister of Aviation (1959-60), Secretary of State for Commonwealth Relations (1960-64), Secretary of State for the Colonies (1962-64) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 21.

European integration, New Zealand would have to find new markets. Nevertheless, he promised that Britain would secure “special arrangements” for New Zealand as it negotiated with the Europeans.²⁹⁶ Sandys suggested that comparable outlets might be an alternative negotiating stance but Marshall rejected this.²⁹⁷ Comparable markets meant that the rest of the EEC would take up any reduction in trade with the UK. No doubt this was considered an unreliable fall back position for New Zealand Ministers.²⁹⁸ On his return to the UK, Sandys reported to the Cabinet “New Zealand would be utterly ruined if Britain joined the Common Market without far reaching arrangements to maintain an outlet for New Zealand lamb and butter”.²⁹⁹ In July 1961, Macmillan announced that the UK would apply for entry to the EEC.³⁰⁰ Macmillan addressed the House of Commons on this matter and conceded that although relations with the Commonwealth had been close for many years, underlying trading patterns were now starting to change. European commercial strength now meant that the UK could no longer best serve the Commonwealth or itself, by staying apart from Europe. The complementary nature of the Commonwealth was eroding in the face of the industrialisation of former colonies and agricultural production of Britain.³⁰¹

The British did not commence negotiations with the EEC until early 1962, and negotiations lasted for a year. At the same time, the European CAP moved to its second stage of implementation. The CAP was a mechanism to determine the level of agricultural protection for any given commodity exported to the EEC, and was to take force progressively from July 1962 to December 1969.³⁰² Neither

²⁹⁶ ‘New Zealand: Joint Statement issued in Wellington. 6 July 1961’ in *Documents and Speeches on Commonwealth Affairs. 1952-1962*, Nicholas Mansergh (ed.), London: Oxford University Press, 1963, p. 637.

²⁹⁷ Marshall was National Cabinet Minister. Minister of Health (1951-54), Attorney General and Minister of Justice (1954-57), Deputy Prime Minister, Minister of Industries and Commerce and Overseas Trade (1960-72), Prime Minister (1972) refer *Unofficial Channels. Letters between Alistair McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 18.

²⁹⁸ Singleton and Robertson, p. 171.

²⁹⁹ *ibid.*, p. 174

³⁰⁰ Annual Report, Department of External Affairs, *AJHR*, 1962, A.1, p. 50.

³⁰¹ ‘The decision to open formal negotiations: extracts from statements by the Prime Minister, the Rt Hon. Harold Macmillan, in the House of Commons. 2 August 1961’ in *Documents and Speeches on Commonwealth Affairs. 1952-1962*, Nicholas Mansergh (ed.), London: Oxford University Press, 1963, pp. 649-50.

³⁰² EEC Agreement on the CAP, *External Affairs Review*, 12:1 (1962), p. 23.

New Zealand nor Australia took part in the British negotiations with the EEC, despite the economic issues that were at stake for them. Instead, they conferred with the UK regarding the state of negotiations over preferences. This must have been a nerve-wracking process. Mid year, Prime Minister Keith Holyoake issued a statement on the Common Market declaring that the whole basis of New Zealand's economy was at stake with the Britain's negotiations to join Europe. There was no clear picture emerging as to how New Zealand's interests were to be protected.³⁰³ The British opening position was to request a period of ten to twelve years transition period, before the full effects of the CAP applied to them. As Britain came closer to full implementation of the CAP, comparable outlets would be found in the EEC for Commonwealth producers. Gradually these would be replaced by a series of global commodity agreements managing the trade of particular products.³⁰⁴ British assurances regarding commodity agreements were very vague, and New Zealand and Australia hoped that the US might provide a guarantee.³⁰⁵ At the Anglo-American summit in April, President John F. Kennedy told Prime Minister Harold Macmillan that preferences might have to be tolerated during a transitional phase for the sake of the Commonwealth, but in the long term, their interests would be protected by global agreements.³⁰⁶ There was little support amongst the Americans or Europeans for comparable outlets and by mid year, Britain had all but dropped it as a proposition.³⁰⁷ It now emerged that New Zealand was to receive a better deal than the other Dominions due to the extent of its trade with the UK, but by the end of the year details were still meagre.³⁰⁸ Then in January 1963, the French vetoed the British application and New Zealand gave a sigh of relief. Trade was now secure in the short term and New Zealand had an opportunity to secure new markets before Britain made another application. Trade with the UK remained an important aspect of New Zealand foreign policy decision-making. Even at this time, there were still concessions to be won from the UK.³⁰⁹ Although France

³⁰³ 'New Zealand and the Common Market – Statement by the Prime Minister 5 May 1962' in *New Zealand and the Common Market: Statement by Prime Minister*, *External Affairs Review*, 12:5 (1962), p. 22.

³⁰⁴ Singleton and Robertson, p. 175.

³⁰⁵ *ibid.*, p. 179

³⁰⁶ Singleton and Robertson., p. 180.

³⁰⁷ *ibid.*, p. 182.

³⁰⁸ *ibid.*, p. 184.

³⁰⁹ Interview with Bruce Brown, 30 June 2004, Formerly Department of External Affairs

had provided a reprieve to New Zealand for the loss of its major export market, trade leaders knew that new markets would have to be found. New Zealand's second biggest trading partner was the US who had averaged about ten percent of New Zealand's exports during the 1950s. Efforts to expand this trade were frustrated by protectionist measures in Washington.

American Trade 1950-1960

During the 1950s, the US was New Zealand's second biggest trading partner after the UK. Exports to the US in 1949 were £5.5m and imports were £11.0m.³¹⁰ By 1958, exports were £36.5m and imports were £17.1m.³¹¹ These figures were well down on those of the UK who was the principal market for New Zealand products during this period. In 1950, the UK took 66% of total imports (US took 10%) and in 1960 this figure was still 53% (13% for the US).³¹² New Zealand imports from the US consisted of machinery, vehicles, tobacco and petroleum products. During the early 1950s, wool was the primary export earner. American stockpiling during the Korean War bought large returns to sheep farmers. After 1951, wool sales were adversely affected by American tariffs. Meat sales did well from the mid 1950s onwards. By the late 1950s, beef and veal sales to the US were greater than those to the UK.³¹³ The US was also a source of foreign investment in New Zealand. In 1951 it provided 9.6% of direct foreign investment (UK 88.4%), in 1956 5.3% (UK 85.5%) and in 1961 6.9% (UK 60.4%).³¹⁴

Growth in New Zealand's trade with the US was frustrated by protectionism in Washington. After the Second World War, the Americans made several proposals to liberalise world trade such as GATT. GATT was designed to reduce

³¹⁰ Census and Statistics Department, *The Official Yearbook 1950*, Wellington: Government Printer, 1951, p. 943.

³¹¹ Census and Statistics Department, *The Official Yearbook 1960*, Wellington: Government Printer, 1960, p. 297

³¹² *ibid.*, p. 319.

³¹³ Trevor R. Reese, *Australia, New Zealand and the United States*, Wellington: Oxford University Press, 1969, p. 230.

³¹⁴ Stephen Hoadley, *New Zealand United States Relations. Friends No Longer Allies*, Wellington: New Zealand Institute of International Affairs, 2000, p. 132.

boundaries to international trade on a multilateral basis. The trouble with GATT from the New Zealand point of view was that it would erode the special trading arrangements that New Zealand had with the UK, while at the same time unduly favouring American producers and traders. The US passed the Defence Production Act in 1951 that allowed them to restrict imports of primary products. This in turn, caused some other exporting nations to dump produce on New Zealand's market in the UK because they could not sell to the US.³¹⁵ On several occasions during the 1950s, the New Zealand and Australian governments threatened to withdraw from GATT, but the reality was that an imperfect regulation of international trade was better than no regulation at all. In 1954, the US government rejected a wool duty on imports because it recognised that New Zealand and Australia might leave GATT.³¹⁶ In 1953, Prime Minister Sidney Holland visited the US for talks in which trade was discussed. Washington insisted that a powerful agricultural lobby in Congress tied its hands.³¹⁷ The US engaged in considerable amounts of dumping of agricultural products. They argued that it was possible to do this in a manner that would not damage New Zealand's established markets. New Zealand disagreed with this and made numerous representations to Washington on the subject.³¹⁸

During the early 1950s, the British economy and the Sterling Area faced serious problems. Much of this was due to the levels of British spending during the war, and later on military and welfare programs. New Zealand accepted the discipline of reduced imports from the non-Sterling Area in order to improve the fortunes of this economic community. Later in the decade, it faced the challenge of losing this market because of the British wish to expand its economic ties with Europe. There were sour moments when New Zealand cut British imports during the second balance of payments crisis, and when New Zealand was unable to renegotiate the Ottawa Agreement as much as it would have liked. Nevertheless, by the end of the decade, trading ties still remained strong between the two countries. Trade with America remained relatively constant throughout the decade. At an average of 10% per annum, the US was a valued trading partner,

³¹⁵ Reese, pp. 232-33.

³¹⁶ Singleton and Robertson, p. 136.

³¹⁷ Reese, p. 233.

³¹⁸ *ibid.*, pp. 234-35.

but efforts to expand the trade met with continued frustration because of protectionist measures by Washington. Actions such as dumping of agricultural produce threatened to derail New Zealand's trade with third parties, notably the UK. This thesis argues that these trading links had an effect on the foreign policy of the New Zealand government. In the case of Britain, these links enhanced defence links that remained strong despite their diminishing over the decade. In the case of the US, frustration over trading matters was joined to a sense of unease over strategic priorities. The final two chapters develop New Zealand's growing defence relationship with the US.

CHAPTER V – THE SEARCH FOR A PACIFIC PACT

This chapter looks at the process by which the US became the major ally of New Zealand and why this happened. The intention is to show over this chapter and the next that, while the US became New Zealand's major defence partner during the 1950s, the new relationship was never as close as that with the British due to the lack of shared interests. The previous chapter helped to develop this argument by showing that even though trade with the UK went through large changes during the 1950s, by decade's end it was still very important to New Zealand. On the other hand, US trade was valued by New Zealand, but it never reached the levels of British trade. This chapter begins with the declining military position of the French in Indochina and the Conference that was called in Geneva to find a solution. In an attempt to reinforce the Geneva Agreements, the Western allies drew up a plan of collective action in case it was required. This was to form the basis of the South East Asian Collective Defence Treaty (SEACDT). The relationship of New Zealand and the US had a positive start in 1954. Both countries shared scepticism of the Geneva Agreements and the need to move quickly to reinforce them with a military alliance. Nevertheless, New Zealand often felt more comfortable working with the UK and saw the inclusion of both allies in the SEACDT as one of its major attractions.

Indochina and the Geneva Conference – 1950-1954

As noted above, France faced resolute opposition to its attempts to restore colonial rule to Indochina after the Second World War. In 1950, France recognised Laos, Cambodia and South Vietnam as independent states within the French Union. But conflict with the Vietminh continued and intensified as they

were reinforced by Communist China.³¹⁹ The French claimed that Chinese aid to the Vietminh at the beginning of 1952 amounted to 4,000 tonnes of equipment.³²⁰ The Chinese themselves claimed to have moved 15,000 men to Indochina in order to assist the Vietminh.³²¹ At the end of 1951, French forces conducted a major offensive in the Tonkin Delta region and early the following year, French Union forces announced the defeat of the Vietminh 98th Regiment.³²² But by the middle of that year French forces were forced to withdraw from Badon and My-Hoa in central Vietnam,³²³ and a year later the Vietminh invaded Laos. By March 1954, the Vietminh had begun an assault on the fortress of Dien Bien Phu and victory over the French was close at hand.³²⁴ The French had suffered these setbacks despite considerable sums of American aid. By 1952, the US was paying one third of the costs of the war in Vietnam³²⁵ and the following year Secretary of State John F. Dulles confirmed that supplies had been sent to the defenders of Laos.

New Zealand policy (indeed that of the West in general) towards the conflict with Asian Communism was somewhat ambiguous. In September 1952, New Zealand Minister of External Affairs Thomas Webb announced that a quantity of arms and ammunition of lend-lease origin had been transferred to the French for use in Indochina.³²⁶ These items had come from the US whose approval was obtained for the transfer.³²⁷ Webb's statement indicated that Indochina was considered to be of direct significance to New Zealand, and that its retention from Communist hands was to be of utmost importance. Yet there was not to be any further direct intervention in Indochina by New Zealand for a decade, and by

³¹⁹ Foreign Office, *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, London: Her Majesty's Stationery Office, 1965, pp. 10-11.

³²⁰ Chronology, *External Affairs Review*, Volume 11 (1952), p. 41.

³²¹ Chronology, *External Affairs Review*, Volume 13 (1952), p. 22.

³²² Chronology, *External Affairs Review*, 2:5 (1952), p. 14.

³²³ Chronology, *External Affairs Review*, 2:7 (1952), p. 37.

³²⁴ Chronology, *External Affairs Review*, 4:3 (1954), p. 50.

³²⁵ Chronology, *External Affairs Review*, 2:7 (1952), p. 37.

³²⁶ Webb was Cabinet Minister in National Government. Attorney General and Minister of Justice (1949-54) and Minister of External Affairs and Island Territories (1951-54) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 23.

³²⁷ Transfer of Arms to France – Statement by Minister of External Affairs, *External Affairs Review*, 2:10 (1952), pp. 3-4.

comparison with New Zealand's actions in Korea and Malaya, Webb's sentiments with regard to Indochina were a little hollow. New Zealand policies towards Indochina were somewhat complicated by the combination of its traditional support for the principles of self-determination and the fear that Communist governments would be exploited by others. In the late forties, the government of Prime Minister Peter Fraser had been an ardent supporter of the principles of the UN and self-determination. The New Zealand government's decision to recognise the French sponsored governments of Laos, Cambodia and South Vietnam in 1950 was criticised by some because of these regimes' lack of popular representation. The West reasoned that the Communist alternatives would merely be the tool of the USSR or China, and could therefore not be classed as representative.³²⁸ The New Zealand government regarded the options in Indochina as quite uncertain, and this was reflected in their reluctance to become directly involved.

The US attempted to organise a military rescue of the French, but this was moderated by the British insistence that the Geneva negotiations (described below) be allowed to run their course. In a statement to the Overseas Press Club of America in March 1954, Secretary of State John F. Dulles outlined American measures to support the French in Indochina. Dulles declared that the Communist domination of Indochina was a threat to the free world, which the US proposed to meet by "United Action".³²⁹ The following month, Dulles asked the UK, France, Australia, New Zealand, Thailand and the Philippines to join an ad hoc military coalition, which would rescue the French position. New Zealand gave guarded support to the proposal. It felt no threat from the area but it could not ignore this sort of initiative from a major ally. The UK was reluctant to become involved in military expeditions or even to start planning, for fear that this would prejudice the planned Geneva Conference on Indochina. Later that month, the UK and the US published a communiqué announcing their intention to form a new collective defence alliance in Asia which would seek to resist Communist

³²⁸ D.J. McCraw, 'Objectives and Priorities in New Zealand's Foreign Policy in Asia 1949-75: A Study of the Issue of Recognition of the People's Republic of China and of Security Policies in Southeast Asia', PhD Thesis in Political Studies, University of Otago, 1978, pp. 295-6.

³²⁹ 'Statement by Mr Dulles to the Overseas Press Club of America, 29 March 1954' in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty's Stationery Office, 1965, p. 66.

aggression in the region.³³⁰ Nevertheless, the British Foreign Secretary soon published a paper in which he emphasised the negotiations in Geneva, which were due to begin. He stated that if a settlement were achieved at Geneva, the UK would proceed with the proposed collective defence system in order to provide a guarantee to the settlement. If no settlement were reached, the UK would consider at that time (but not before) what action to take with its allies.³³¹ New Zealand quickly followed the British approach believing it had the sanction of the Americans. However, it was reported in the *New York Times* that New Zealand had joined with the UK in opposition to United Action.³³² In any case, United Action was lost in the movement towards the new collective defence treaty and did not proceed. The US declared that it was willing to act in Indochina but that it could not do it alone. France itself appeared to be reluctant to receive any form of international intervention, and did not invite any.³³³

The Geneva Conference was designed to bring the interested parties to the fighting in Indochina to a diplomatic solution. As conditions in Indochina began to deteriorate for the French in early 1954, a meeting was called in Berlin for the Foreign Ministers of France, the UK, the USSR and the US to discuss the situation in Korea and Vietnam. It was proposed to call a conference in Geneva for the interested parties to meet together and discuss solutions. New Zealand sent an observer to this meeting in Berlin, but not to the talks themselves. New Zealand's policy was to keep a certain distance from the events in Indochina.³³⁴ The Conference on Indochina included representatives from the US, France, the UK, the USSR, the Chinese People's Republic, the Royal Governments of Laos

³³⁰ Mark Pearson, *Paper Tiger: New Zealand's Part in SEATO, 1954-1977*, Wellington: New Zealand Institute of International Affairs, 1989, p. 17.

³³¹ 'Indo-China: Attitude of Her Majesty's Government-paper prepared by the Foreign Secretary, April 1954' in *Documents Relating to British Involvement in the Indo-China Conflict, 1945-1965*, Foreign Office, London: Her Majesty's Stationery Office, 1965, p. 67.

³³² 'Memorandum to the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Acting Secretary of State' in *Foreign Relations of the United States 1952-1954. Volume XII. East Asia and the Pacific*, John P. Glennon, (Editor in Chief), Washington: US Government Printing Office, 1984, p. 434.

³³³ 'US minutes of informal ANZUS meeting' in *Foreign Relations of the United States 1952-1954. Volume XII. East Asia and the Pacific*, John P. Glennon, (Editor in Chief), Washington: US Government Printing Office, 1984, p. 589.

³³⁴ Pearson, p. 16.

and Cambodia, the Democratic Republic of Vietnam (DRV)³³⁵ and the State of Vietnam. The Conference was chaired by both the USSR and the UK in a relationship that would last over a decade. In the years to come, the Co-Chairs (as they were known) would initiate negotiations in order to revive the political processes in Indochina. The Conference appointed a Commission with powers to check the execution of the terms of the Agreements. The Commission members were Canada, Poland and India.³³⁶

Discussions on Indochina began on the very day on which Dien Bien Phu fell to the besieging forces of the Vietminh, which added a sense of urgency to the proceedings.³³⁷ Premier Bidault of France proposed the assembly of all regular forces, the disbandment of all other forces, the return of prisoners and a ceasefire to take place from the date of the signing of the agreement.³³⁸ On 20 July, three ceasefire agreements were signed. The Agreement relating to Laos stipulated that no forces from outside of Laos should enter Laotian territory and that most French forces and all Vietnamese forces should withdraw from that country in the manner prescribed. No new foreign bases were to be established in Laos and no arms and munitions were to be brought into Laos. Until a political settlement could be reached, the forces of the Pathet Lao (PL) were to withdraw to the northeastern provinces of Phongsaly and Sam-Neua.³³⁹ The Pathet Lao were Laotian Communist insurgents supported by the Vietnamese. The Agreement was signed on behalf of the Commander in Chief of the French Union forces in Indochina and by the Democratic Republic of Vietnam's Vice-Minister of National Defence on behalf of the PL and the People's Army of Vietnam.

The following day the Laotian government made two declarations. The first related to the treatment of members of the PL and stated that all Laotian citizens

³³⁵ The DRV was to sign on behalf of the Pathet Lao and the Free Khmer. These were Communist guerrillas in Laos and Cambodia respectively and supported by the DRV.

³³⁶ Foreign Office, *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, London: Her Majesty's Stationery Office, 1965, pp. 13-17.

³³⁷ Annual Report, Department of External Affairs, *AJHR*, 1955, A.1, p. 23.

³³⁸ The French Premier refer Alistair Horne, *Macmillan. 1894-1956. Volume I of the Official Biography*, London: Macmillan, 1988, p. 349.

³³⁹ 'Extracts from the Agreement on the Cessation of Hostilities in Laos, Geneva, 20 July, 1954' in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty's Stationery Office, 1965, pp. 77-78.

should be able to participate in the proposed general elections and that special provision would be made in the government of the provinces of Phongsaly and Sam-Neua to cater for the interests of those who had fought against the government. The second related to the conduct of Laotian foreign policy and stated that Laos would not engage in aggressive policy, or enter a military alliance that was not in conformity with the principles of the UN Charter, or allow the establishment of foreign bases on its territory unless its security was threatened.³⁴⁰ Similar agreements and declarations were made with respect to Cambodia and Vietnam. The French government made two declarations in which it stated its readiness to withdraw its troops from the territories of Indochina and that it respected the “sovereignty, the unity and territorial integrity of Cambodia, Laos and Viet-Nam”.³⁴¹

A Final Declaration was published the same day by all of the members of the Conference. It took the form of a statement of intent, summarising the provisions of the earlier agreements and declarations. The members agreed to consult on any matters referred to them by the Commissioners. In the case of Laos, it was stated that elections would take place during 1955. The US did not participate in this Final Declaration, but issued a declaration of its own stating that it would not disturb the settlement by force.³⁴² New Zealand returned a positive, if distant response to the events in Geneva. The government expressed support for the ceasefire agreements but it shared the US opinion that they would not lead to a lasting solution.³⁴³ It was feared that the settlement would only serve to delay the Vietminh, and give them time to regroup before finishing their conquest of Indochina. In a statement to Parliament, Webb cautioned the House that the

³⁴⁰ ‘Declaration by the Royal Government of Laos, 21 July 1954’ in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty’s Stationery Office, 1965, pp. 78-79.

³⁴¹ ‘Declaration by the Government of the French Republic, 21 July, 1954’ in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty’s Stationery Office, 1965, p. 83.

³⁴² ‘Final Declaration of the Geneva Conference, 21 July 1954’ in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty’s Stationery Office, 1965, pp. 83-5.

³⁴³ Annual Report, Department of External Affairs, *AJHR*, 1955, A.1, p. 23.

ceasefire agreements did not mean that the world could relax.³⁴⁴ So strongly did New Zealand believe this that they had entered into Western security groupings that planned against the possibility of total Communist victory.

From ANZUS to SEATO – 1949-1955

By the late 1940s, the Asian region was torn by a number of conflicts involving Communism. New Zealand floated the prospect of a Pacific Pact similar to NATO in Europe, but the US and the UK did not consider that this was an urgent matter. The Department of External Affairs proposed that Australia, the UK, France, the US and New Zealand might join together with Asian states to form a regional defence grouping.³⁴⁵ In 1949, Prime Minister Fraser replied to questions in Parliament by stating that he would try to form a Pacific Pact if the need arose and that there existed a community of interests between New Zealand and the necessary NATO allies.³⁴⁶ However it appeared that the Allies did not share the concerns of New Zealand. Fraser conceded under further questioning that New Zealand was doing what it could but that it could not force the hand of the US. The US had most of its forces in Europe and as it had control of Japan, did not feel it was under any pressure in the Pacific.³⁴⁷ As late as January 1954, the Senate Committee on Foreign Relations raised the question of a Pacific Pact, or a Pacific NATO with Secretary of State John F. Dulles. He replied that the countries of the Pacific were separated by culture, politics and physical distance to an extent that was not the case in Europe. The Secretary concluded that whilst the development of a Pact would be fortunate, it could not be achieved in the predictable future. The Committee concluded that such a Pact would be a “desirable ultimate objective of US policy in the Pacific”.³⁴⁸ The matter was raised at Commonwealth meetings in 1950 and 1951 but it was never taken up.

³⁴⁴ ‘Statement by Webb in the House of Representatives, 30 September 1954’ in *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, pp. 369-74.

³⁴⁵ Pearson, p. 6.

³⁴⁶ *NZPD*, 285(1949), p. 576 (Fraser)

³⁴⁷ *NZPD*, 287(1949), p. 2062 (Fraser)

³⁴⁸ ‘Report of the Senate Committee on Foreign Relations, January 21, 1954’ in *American Foreign Policy. 1950-1955. Basic Documents Volume I*, Department of State, Washington DC: US Government Printing Office, 1957, p. 911.

Doidge spoke to the House of Representatives at the end of 1950 and described the discussions in the UK, Canada and the US on the subject of a Pacific Pact. He said that to be effective, a pact would have to include these countries as well as India. Although not able to report any progress at that time, he was able to report exploration of the idea, which he believed, would make a positive contribution to New Zealand's security.³⁴⁹ The proposal at the 1950 Commonwealth Foreign Ministers' conference was developed into what became the Colombo Plan. This was a scheme to combat the effects of Communism on Asian populations by the provision of economic aid and assistance with technical training. It was a measure to assist and secure the newly independent nations of Asia, but it did not provide the military alliance that New Zealand was seeking.³⁵⁰

The Communist offensive on the Korean peninsula changed American policy about security in Asia. Earlier American statements that it was preoccupied with Europe and unable to participate in an Asian security system reflected the reality that Communism had largely been contained in Europe thanks to the combined impact of NATO and the Marshall Plan, in the defence and economic spheres respectively. The USSR recognised that expansion in Western Europe would be rebuffed and so was trying to make progress amongst the newly independent nations of Asia who were all anxious to be rid of their ties to the old colonial powers. The US was particularly concerned that Communist activity in Asia might destabilize Japan. The Americans calculated that Japan might be invaded or that with the resources of Asia denied to it, Japan might have to reach some form of accommodation with Communism. America wanted to ensure that Japan, with all of its capacity for production and as a market, was not lost to the Western world. To this end, it sought to conclude a treaty of peace with Japan, so that the occupation could be finished and Japan could begin post-war redevelopment. These plans spread alarm in New Zealand and Australia who had vivid memories of the campaign against the Japanese in the Pacific. They were reluctant to restore Japan to anything like its former industrial strength. In a statement to the House in 1951, Member of Parliament Warren Freer disagreed

³⁴⁹ 'Statement by the Hon. F. W. Doidge in the House of Representatives, 2 November 1950' in *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, p. 234.

³⁵⁰ McCraw, p. 295.

with the proposed Peace Treaty with Japan on the grounds that it allowed that country to bear arms and develop an industrial capacity. He attributed the change in American attitudes to the onset of the Cold War with the USSR, and the huge US capital flows into Japan.³⁵¹ The US was sympathetic to New Zealand and Australian concerns but no doubt quite anxious to protect its investments. In that same year it entered into a tripartite defence agreement with Australia and New Zealand. Under the terms of the ANZUS treaty, an attack on any of the parties in the Pacific bound the other two to come to its aid.³⁵²

ANZUS provided New Zealand with security to pursue defence arrangements in the Middle East, but it was the first time that New Zealand had entered a defence alliance without the UK. It was stated in Parliament that ANZUS gave New Zealand the security “to pursue the other main objects of her external policy”.³⁵³ New Zealand’s defence policy was still based on the possibility of intervention in a global conflict in the Middle East, and ANZUS was viewed as securing the back door while New Zealand was occupied in that region. But ANZUS was not the end of the New Zealand search for security. While an agreement with the Western superpower was very reassuring, there remained a sense in which the strength of the guarantee was not a piece of paper, but rather it was a function of the ongoing relationship between the three countries involved. The following year, Minister of External Affairs Thomas Webb stated “[the Treaty does not express] anything new in the relationship of our countries...it gives formal expression to the realities of that friendship”.³⁵⁴ The other side of this was that New Zealand felt a very real need to continue to earn the security guarantee that it sought. A further problem with ANZUS was the exclusion of the UK who had always played a major role in the defence of New Zealand in the past. This was due to American reluctance to become involved in the defence of British colonial possessions in Southeast Asia.

³⁵¹ NZPD, 295(1951), p. 337 (Freer)

³⁵² NZPD, 295(1951), p. 195 (Webb)

³⁵³ ‘Speech from the Throne at the Opening of Parliament, 25 June 1952’ in *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, p. 294.

³⁵⁴ ‘ANZUS Council Meeting. Statement by Hon. T.C. Webb at opening session. Honolulu, 4 August 1952’ in *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, p. 294.

From the early 1950s, New Zealand had joined Western military planners as they considered developments in Indochina. New Zealand had mixed feelings about this group and its work, but generally it was believed that it would add to, and make up for, the failings of the ANZUS treaty. In February 1952, the US, France and the UK began military staff talks on the situation in Indochina. New Zealand, Australia and Canada attended as observers.³⁵⁵ New Zealand was merely an observer at this stage because its main commitment was to the Middle East.³⁵⁶ In fact, New Zealand had a significant number of troops in Korea, but in terms of planning for a general war, New Zealand was included in the Commonwealth plans for the Middle East. There was a feeling in New Zealand that Indochina was too far away to represent a real threat to its security. New Zealand was anxious to belong to a Pacific Pact, but initially it was unwilling to become closely involved with specific military planning for Indochina. But the risk from Asian Communism and the pressure from its own allies kept growing and so New Zealand attended the Five Power Military Conference in October 1952. The following year this developed into the Five Power Staff Agency and this body continued to meet until 1955.³⁵⁷ The five nations involved were New Zealand, Australia, France, the US and the UK. From the New Zealand perspective, this grouping included the UK making up for the omission of the UK from ANZUS to a certain degree. It started to emerge that the Five Power Staff Agency might develop into a full Pacific Pact more in line with New Zealand's thinking. There were mixed feelings about the Five Power Staff Agency in New Zealand. After discussions with Dulles at the State Department, New Zealand Ambassador to Washington George Laking summarised the proposed planning functions of the Agency with respect to Chinese Communist aggression.³⁵⁸ He was concerned that the mission of the ANZUS alliance might be engulfed by the new structure

³⁵⁵ Chronology, *External Affairs Review*, Volume 11 (1952), p. 37.

³⁵⁶ Brook Barrington, 'New Zealand and the Search for Security 1944-1954: A Modest and Moderate Collaboration', PhD Thesis in History, University of Auckland, 1993, p. 245.

³⁵⁷ *ibid.*, p. 247.

³⁵⁸ George Laking was New Zealand Ambassador in Washington (1949-56), Deputy Secretary of External Affairs (1956-58), High Commissioner to London (1958-60), Ambassador to Washington (1960-66) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 29.

in which all the ANZUS partners were to belong.³⁵⁹ New Zealand newspapers had a different reaction. *The Evening Star* anticipated the possible demise of ANZUS but stated that it was “absurd that long life should be given to the ANZUS Pact in its present circumscribed form”. The *Christchurch Star Sun* found that ANZUS was “inadequate for broader purposes”. One reason for this reservation about ANZUS was the strength of the guarantee that it provided. Using the language of the Monroe Doctrine, it recognised that an armed attack on any party would be dangerous to the peace and safety of each. The action to be taken by each would then be determined by the constitutional processes of each. Contrast this with the language of the North Atlantic Treaty, which considered making an attack on one to be virtually the same thing as an attack on them all.³⁶⁰ Official opinion valued the close co-operation and clear responsibility of the ANZUS treaty. But the papers focused on New Zealand’s intention in seeking the alliance, which had been to work together with as wide a range of partners as possible in the struggle against Communism. From this perspective, ANZUS was too limited and the chance to enter something of a broader nature was welcomed.

Cooperation amongst the allies proved difficult. The British wanted to restrict the scope of planning and the Americans preferred to act independently of the others. The British preferred a fully developed organisation along the lines of NATO with continuing machinery for the co-ordination of defence policies.³⁶¹ However, they were anxious that military planning be restricted to abstract terms and not based on current events. In this way they hoped to keep discussions at a military level without political involvement.³⁶² The British had suggested a Pacific Pact along the lines of NATO. Prime Minister Winston Churchill had raised this with the Eisenhower administration in early 1953 as the allies realised that the events

³⁵⁹ ‘Memorandum on Relations between the Five Power Staff Agency and ANZUS. 1 January 1953’ in NA: Agency: EA, Series: 1, Accession: W4627, Item Reference: 434/5/2/Pt 01, Item Description: Five Power Staff Agency.

³⁶⁰ ‘Report of the Senate Committee on Foreign Relations, 21 January 1954’, *American Foreign Policy. 1950-1955. Basic Documents Volume I*, Department of State, Washington DC: US Government Printing Office, 1957, p. 907.

³⁶¹ ‘Memorandum – Five Power Military Agency in South East Asia. 18 February 1953’ in NA: Agency: EA, Series: 1, Accession: W4627, Item Reference: 434/5/2/Pt 01, Item Description: Five Power Staff Agency, p. 1.

³⁶² ‘Memorandum to Prime Minister from Foss Shanahan. Military Liaison Agency. 9 February 1953’ in NA: Agency: EA, Series: 1, Accession: W4627, Item Reference: 434/5/2/Pt 01, Item Description: Five Power Staff Agency.

in Korea, Malaya and Indochina were probably part of a Kremlin campaign of aggression.³⁶³ The British realised that a Far Eastern strategy was needed in order to counter Communist expansion, but they did not want to unduly inflame the particular situation in Indochina.³⁶⁴ The US was reluctant to become involved in planning. The US Department of Defence was not particularly interested in the Staff Agency. They preferred to establish bilateral relationships with allies with an interest in South East Asia and to keep the overall co-ordinating role to themselves.³⁶⁵ The US did not think it needed allies in the Asian region and thought that it might be able to contain Communism alone.³⁶⁶

Attitudes began to change in 1954 as the French predicament deepened. As mentioned above, the US tried to organise United Action amongst the Western allies in order to meet the rapidly worsening situation in Vietnam. By this time the US had reached the conclusion that it could not act alone in this region. Given that direct intervention was not possible until after the Geneva Conference, the Americans sought to persuade the Staff Agency to make plans in preparation for possible action. This had been a point of difficulty with the British who felt that this sort of activity would undermine the integrity of the negotiations at the Geneva Conference. But by April 1954, the British had agreed to commence immediate planning for the defence of Thailand and Burma should Indochina be lost in military action or during the negotiations at Geneva.³⁶⁷ This represented quite a change in position for the British and it appears that New Zealand and Australia had some part to play in this.³⁶⁸ Although New Zealand

³⁶³ 'Dominion, 'Reported Churchill Proposal for Asian Defence', 14 January 1953' in NA: Agency: EA, Series: 1, Accession: W4627, Item Reference: 434/5/2/Pt 01, Item Description: Five Power Staff Agency.

³⁶⁴ 'Memorandum to Prime Minister from Foss Shanahan. Military Liaison Agency. 9 February 1953' in NA: Agency: EA, Series: 1, Accession: W4627, Item Reference: 434/5/2/Pt 01, Item Description: Five Power Staff Agency.

³⁶⁵ 'Memorandum on Relations between the Five Power Staff Agency and ANZUS. 1 January 1953' in NA: Agency: EA, Series: 1, Accession: W4627, Item Reference: 434/5/2/Pt 01, Item Description: Five Power Staff Agency.

³⁶⁶ 'Letter from New Zealand High Commissioner in London. 20 February 1953' in NA: Agency: EA, Series: 1, Accession: W4627, Item Reference: 434/5/2/Pt 01, Item Description: Five Power Staff Agency.

³⁶⁷ 790.5/5-554: Telegram. The Under Secretary of State (Smith) to the Department of State. 5 May 1954 in *Foreign Relations of the United States 1952-1954. Volume XII. East Asia and the Pacific*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1984.

³⁶⁸ 790.5/5-754: Telegram. The Under Secretary of State (Smith) to the Department of State. 7 May 1954 in *Foreign Relations of the United States 1952-1954. Volume XII. East Asia and the Pacific*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1984.

had preferred not to become involved in the American proposal to send troops to Indochina before the conclusion of the Geneva talks, the government did think it prudent to proceed with defence planning in case those negotiations broke down.³⁶⁹ In April, a British discussion paper prepared by the Foreign Secretary stated that on the conclusion of a settlement, the UK would be prepared to set up a “collective defence in South East Asia”.³⁷⁰ In May, Secretary of State John F. Dulles proposed to follow two courses of action: first, was to continue with the Five Power Staff talks, which would concentrate on military plans for the benefit of all threatened countries; second was to form a collective defensive grouping at a political level including both Western and Asian countries. The first would hand over to the second, at the point when it was judged that the immediate danger had passed. Against the rapidly declining position in Indochina, the US had moved from a more independent stance to one of co-operation and integration with its allies in Asia. The British had moved towards the American position by agreeing to look at planning issues and making the implicit assumption that the Geneva talks might not succeed. All this was good news for New Zealand who shared the American scepticism of any lasting result from the Geneva Conference and even the possibility of trouble before its conclusion. But it also meant that the UK was working together with the US in a reversal of its exclusion from the ANZUS treaty. For New Zealand, the presence of Britain meant a familiar voice in the construction of foreign affairs and one, which would be likely to modify the sometimes-extreme strategic positions of the Americans.

New Zealand did have some reservations about the use of the proposed SEACDT and its likely effect on the existing ANZUS treaty relationship. New Zealand wanted to ensure that the use of forces under the SEACDT would be determined by the needs of the local situation, and not by greater strategic arguments. Essentially, New Zealand was ruling out any case where the local government was unwilling or incapable of meeting the threat of insurgency. In May Minister of External Affairs Thomas Webb said that New Zealand would, provide

³⁶⁹ McCraw, p. 307.

³⁷⁰ ‘Indo-China: Attitude of Her Majesty’s Government-paper prepared by the Foreign Secretary, April 1954’ in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty’s Stationery Office, 1965.

assistance only if the countries in question were already making an attempt to deal with the aggression. In a statement in May in 1954 he said, "No country can be saved from Communism unless its Government and people want to be saved".³⁷¹ New Zealand was anxious to avoid getting involved in programs to defend governments that had no popular support, for strategic or other reasons. The assumption was that a representative and well run government ought to be able to manage the affairs of its own country in such a way as to avoid popular uprising amongst its own population. In the case of a newly independent nation, there may well have been skill and experience deficits, in which case the provisions of the SEATO with regards to economic aid and the Colombo Plan would come into effect. If a government was not well run or not representative, then it ought to be making changes to ensure that these conditions would exist. It should not be attempting to maintain this state of affairs either through force of its own, or through external assistance such as SEATO. Webb stated that military support was not the only type of support available, thus hinting at the importance of combating Communism with a variety of economic and social measures. Insurgency was defined as military activity originating within that same country without outside help. If aggression came from outside of the country, it was more likely that the national government would require assistance to defeat it. This was the sort of problem that New Zealand viewed as suitable for the intervention of SEATO. To this end, Secretary of External Affairs Alister McIntosh evidently believed that Vietnam was lost but that Laos and Cambodia could be saved.³⁷² As well as the use to which the SEACDT might be put, New Zealand wanted to be sure that its existence would not dilute the ANZUS treaty. In the same conversation with the State Department, McIntosh stated that New Zealand valued ANZUS and that it must not be allowed to disappear in the new organisation. Although ANZUS had limitations because of the degree of its guarantee and the breadth of its membership, it was a direct security relationship

³⁷¹"Statement by the Hon. T.C. Webb, 26 May 1954' in *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, pp. 336-37.

³⁷²'790.5/6-2454. Memorandum of Conversation by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor). 24 June 1954' in *Foreign Relations of the United States 1952-1954. Volume XII. East Asia and the Pacific*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1984, p. 572.

with the US and New Zealand was very anxious that this be maintained and not lost in the larger organisation.

Preparations for the SEACDT began before the conclusion of the Geneva talks in order to send a clear message to the Communist negotiators. In July the British and the Americans agreed to establish a study group in Washington for the purposes of designing a South East Asian collective security pact. The aim was to deter Communist aggression by making it clear that it would be met by grave consequences. It was an agreement to enable multi-national co-operation, and efforts were made to draw other nations to it as soon as possible.³⁷³ Australia and New Zealand supported the collective defence arrangement.³⁷⁴ On 13 July the US proposed that if there were no acceptable Geneva settlement, then a Declaration of Intent ought to be published. New Zealand suggested that such a Declaration might be published even before the conclusion of the Geneva talks. The US indicated that they were willing to do so, but that they would be constrained by the UK.³⁷⁵ The draft declaration stated that the governments concerned were creating a collective security arrangement to defend Southeast Asia against Communist aggression.³⁷⁶ The ANZUS Council of 1954 noted that if France were presented with terms at the Geneva Conference that were not acceptable, the consequences for the international security situation would be grave.³⁷⁷ The Western allies were concerned that unless they presented a firm front, the Communist negotiators would make extensive demands at Geneva and that this

³⁷³ 'Conference Files, lot 60 D627, CF 337. Agreed Minute of the Governments of the United Kingdom and the United States. 27 June 1954' in *Foreign Relations of the United States 1952-1954. Volume XII. East Asia and the Pacific*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1984, pp. 580-81.

³⁷⁴ 'Joint Statement, Washington, 30 June 1954' in *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, p. 344.

³⁷⁵ 'Conference Files, lot 60 D627, CF 341. US Minutes of the Fourth Meeting of the Joint United States – United Kingdom Study Group. 13 July 1954' in *Foreign Relations of the United States 1952-1954. Volume XII. East Asia and the Pacific*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1984, p. 619.

³⁷⁶ 'Conference Files, lot 60 D627, CF 341. Draft Declaration on South East Asia and the South Western Pacific. 13 July 1954' in *Foreign Relations of the United States 1952-1954. Volume XII. East Asia and the Pacific*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1984, p. 641.

³⁷⁷ 'Collective Defence in South East Asia: Statement by Representatives of the ANZUS governments at their Informal Consultative Meeting, Washington, 30 June 1954' in *American Foreign Policy. 1950-1955. Basic Documents Volume II*, Department of State, Washington DC: US Government Printing Office, 1957, p. 2333.

could only be met with a military response. However, by the time the talks had finished, New Zealand at least, believed that the terms were reasonable. Wellington was more cautious in its assessment of how events would develop in the future. Webb stated that cessation of hostilities in Indochina had increased the danger in the region and that the Asian Pact was regarded with extreme urgency.³⁷⁸

During the drafting stage of the defence treaty, New Zealand raised concerns over the definitions of insurgency and the breadth of treaty membership, but none of these objections seemed to matter as much as the speed of the treaty's implementation. New Zealand wanted the treaty to be a defensive mechanism limited to operation against external aggression. With regards to the more difficult case of covert hostilities, the parties to the SEACDT were obliged to consult together only on the most appropriate course of action. It was the opinion of Webb (and the New Zealand government) that covert activities were the most dangerous form of attack to deal with, and that they could only be dealt with in non-military terms.³⁷⁹ There is no doubt that New Zealand genuinely favoured the non-military course of action in such cases, but this sort of response did seem a little mute in the face of the likely challenges that could be expected in Indochina. In the end, those drafting the treaty knew that insurgency was a threat, but provisions to counter it were never clearly spelt out.³⁸⁰ A further issue was that of membership. In a speech to the House in July, Webb emphasised the need to bring South East Asian nations into membership of the SEACDT to prevent it from becoming a purely white man's alliance.³⁸¹ This was a fairly important point and one that the British supported. One of the chief criticisms made against SEATO by the Communist Bloc in later years, was that it was merely a front for colonialists and others who shared their interest in the domination of Asian peoples. The British wanted to enlist the likes of India and Ceylon, but this was going to take time. Despite its rhetoric, New Zealand was not prepared to support such a delay. In any case, the alliance relationship that New Zealand was really

³⁷⁸ SEATO: Statement by Minister of External Affairs in the House of Representatives, *External Affairs Review*, 4:7 (1954), pp. 29-31.

³⁷⁹ NZPD, 304(1954), pp. 2100-03 (Webb)

³⁸⁰ Pearson, p. 36.

³⁸¹ Speech by Minister of External Affairs in the House of Representatives, *External Affairs Review*, 4:7 (1954), pp. 19-20.

looking for was that of the US together with the familiar presence of the UK. Webb stated that in SEATO, the relationship with the US is “supplemented with a wider arrangement which includes the UK”.³⁸²

The South East Asian Collective Defence Treaty was signed on 8 September 1954 in Manila. Each Party was to maintain its own capacity to resist attack (Article II). Each Party was to co-operate with the others to develop economic measures to promote economic progress and development (Article III). It was considered that aggression against any Party would endanger the peace and safety of all Parties, who would act to meet the common danger in accordance with their own constitutional procedures. (Article IV).³⁸³ Adjacent to the Articles, was the Protocol to the Treaty extending the cover (but not membership in accordance with the Geneva Agreements) of the treaty to Cambodia, Laos and “free” Vietnam.³⁸⁴ The following year saw the development of the “machinery of co-operation”. The first SEATO Council meeting was held in Bangkok in February 1955. Military advisers were appointed to carry out the planning functions of the treaty and economic experts were appointed to review the economic problems of the SEATO area.³⁸⁵ But there was opposition to the objectives of the new organisation. In April 1955, the Bandung Conference of Afro-Asian countries attacked the Manila Pact for being an organisation that increased international tension.³⁸⁶ These countries were not part of the Communist bloc but were the core of the newly emerging non-aligned movement. They were just the sorts of countries whom the alliance had hoped to interest. The UK especially, had worked hard to get the support of the likes of India and Ceylon.

³⁸² ‘Manila Conference: SEATO. Statement by the Hon. T.C. Webb. 15 September 1954’ in *New Zealand Foreign Policy: Statements and Documents 1943-1957*, Ministry of Foreign Affairs, Wellington: Government Printer, 1972, pp. 368-69.

³⁸³ ‘Text of Treaty. 8 September 1954’ in *American Foreign Policy. 1950-1955. Basic Documents Volume II*, Department of State, Washington DC: US Government Printing Office, 1957, p. 913.

³⁸⁴ ‘Protocol to the Treaty. 8 September 1954’ in *American Foreign Policy. 1950-1955. Basic Documents Volume II*, Department of State, Washington DC: US Government Printing Office, 1957, p. 916.

³⁸⁵ NZPD, 305(1955), pp.50-55 (MacDonald)

³⁸⁶ ‘670.901/4-755. Memorandum of a Conversation between the British Ambassador (Makins) and the Secretary of State, Department of State. 7 April 1955’ in *Foreign Relations of the United States 1955-1957. Volume XXI. East Asian Security; Cambodia; Laos*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1990, p. 80

New Zealand writers have been largely critical of SEATO accusing it of working against the intents of the Geneva accords, and that it was reluctant to negotiate with its Communist protagonists. New Zealand's motivations have also come in for negative comment. In 1968, Willis Slingsby and H.G. Airey criticised SEATO for its repudiation of the terms of the Geneva Agreements signed just two months in advance of its own creation.³⁸⁷ They alleged that the Geneva Accords bought a settled conclusion to the Franco-Vietnamese fighting of the day, and that the territories of Indochina were ready to hold elections and move forward in a state of international neutrality. They claimed that this was undone when the SEACDT made the territories part of a Western military alliance. They were also judgmental of the trade-off between anti-Communism and national self-determination. Michael Stenson wrote that SEATO was an alliance of Western nations who declined to approach Asian nations directly with their security issues, but instead joined with other like-minded nations in an aggressive security pact.³⁸⁸ Although this ignored the presence of Pakistan, Thailand and the Philippines, it did apply to the likes of China and the DRV who were the principle targets of SEATO. A non-aggression pact had been suggested by Britain in the lead-up to the SEACDT. This was rejected as people remembered the failure of the Locarno Pact prior to the Second World War. Other writers have not been critical of SEATO as such, but they have criticised New Zealand's motivations for being a part of it. Grant Hooper accused New Zealand of "alliance maintenance".³⁸⁹ That is, New Zealand only wanted to develop its relationship with its Western allies and had no interest in the Asian members of the organisation. Its actions as a Treaty partner were certainly geared to maintaining this relationship with the UK and the US, and not towards the territorial integrity of Asian States. I.C. McGibbon notes that the US and the UK had different priorities and objectives in the region as well as different

³⁸⁷ Airey, Willis, *What SEATO Means*, Auckland: Pilgrim Press. and Slingsby, H.G., *New Zealand, SEATO and the War in Vietnam*, Wellington: New Zealand Peace Council and the Committee on Vietnam, 1968.

³⁸⁸ Stenson, Michael, 'The Origins and Significance of 'Forward Defence' in Asia', in *New Zealand in World Affairs. Volume I. 1945-1957*, Wellington: New Zealand Institute of International Affairs, 1977, pp. 177-198.

³⁸⁹ Hooper, Grant Winston, 'New Zealand and Indochina: Aspects of Involvement', Thesis for MPhil, University of Waikato, 1998.

capabilities.³⁹⁰ It suited New Zealand's goals to have these allies together in SEATO so as to modify those aspects of each other's policies, which New Zealand did not like. M. A. McKinnon wrote that New Zealand was not interested in ties with Asia for any reason.³⁹¹ Security ties with Western allies, as poor as they were, seemed to be the main reason. He pointed out that the first diplomatic representation that New Zealand had in Asia was at Singapore. This base was not for trade or culture, but to facilitate the relationship with SEATO and with the British in Malaya.

This chapter has dealt with New Zealand's progression from discussions of a Pacific Pact to ANZUS alliance partner to SEATO alliance partner. It is argued that this is symptomatic of a movement away from primary reliance on the UK for security and towards the US. The alliance with the US occurred because of a shared concern at the spread of Communism in Asia. New Zealand viewed the US as the logical protector following its defeat of Japan in the Second World War, and the US valued the political support that New Zealand provided its programs. Parallel to this development is a change in the way that New Zealand perceived its national interests and the way that these required defending. The accession to ANZUS and SEATO marked the first alliances that New Zealand signed outside of a Commonwealth context. New Zealand was starting to see itself less in terms of a member of the Commonwealth family and more as a sovereign participant in an association of those with equal interests, if not equal status. This point was reinforced by the support that New Zealand gave to the US at the formation of the SEACDT that ran counter to the preferences of the British. The next question is to what extent was New Zealand master of this process, rather than simply being dragged from one position to another. New Zealand's presence on the planning committees on Indochina was fairly unwilling, revealing the uncertainty of the strategic relevance of Indochina for New Zealand governments. Yet, it genuinely shared the concerns of the US for the speedy establishment of an organisation that would remedy the perceived

³⁹⁰ McGibbon, I.C., 'The Defence of New Zealand 1945-1957', in *New Zealand in World Affairs. Volume I. 1945-1957*, Wellington: New Zealand Institute of International Affairs, 1977, pp. 163-65.

³⁹¹ M.A McKinnon., 'From ANZUS to SEATO', in *New Zealand in World Affairs. Volume I. 1945-1957*, Wellington: New Zealand Institute of International Affairs, 1977, p. 141.

weaknesses created by political negotiations over Indochina. It was only as events in that region deteriorated over the 1950s, that the lack of depth in the relationship became apparent in New Zealand's foreign policy actions.

CHAPTER VI – THE CRISIS IN LAOS

This chapter examines the cracks that started to appear in the New Zealand security relationship with the US over the SEATO response to insurgency in Laos. Previous chapters have argued that the 1950s saw the progression of the UK from major ally to secondary ally albeit a valued partner. They retained this valued status due to significant shared strategic and economic ties that persisted through changing times. At the same time, the US formally became New Zealand's major ally with the likes of the ANZUS and SEACDT treaties as discussed in the previous chapter. Initially the relationship with the Americans was good with a shared sense of urgency surrounding the creation of an Asian defence treaty. This chapter looks at the decline of that goodwill over the issue of insurgency in Laos. As the trouble in Laos grew, it became apparent that the US was much more concerned about Indochina than New Zealand was and quite prepared to support governments which New Zealand believed were the source of the problem. Matters came to a head when Prime Minister Walter Nash would not give his approval for the implementation of a SEATO military plan for Laos, should events have required it. Although there were no long-term diplomatic repercussions it was unusual to defy the US (and the UK in this case) in this manner. This thesis argues that relations with the US declined because of a relatively small base of common interests.

This chapter presents the events in Laos in several different layers. The first layer is concerned with Laotian politicians and their attempts to form governments under the new constitution of the Geneva Accords. Just up from the movements of national politicians were the actions of other countries with interests in the security alignment of Laos. The Americans had significant influence in Laos through the provision of economic and military aid to governments of their choosing. From 1960, the USSR became involved by the provision of supplies to the neutralist government of Prince Souvanna Phouma.³⁹² The Thai military were

³⁹² Prince Souvanna Phouma (brother of Prince Phetsarath and Prince Souphanouvong). Returned to Laos from exile in Thailand and became Prime Minister in 1956. Forced from office by the US

involved with American activities at this level. One level up from this covert involvement was the diplomacy carried out in the name of the Geneva Agreement of 1954. These accords had established an International Commission to supervise the obligations that the parties had agreed to. Although the International Commission had been adjourned as far as Laos was concerned (at the Laotian request), the USSR wanted the Commission to be re-instated so that discussions between the original Geneva parties could take place. A second Conference on Laos was convened after a ceasefire had been arranged in 1961. The final level of events concerning Laos was SEATO. Both the US and Thailand were involved in SEATO but in this case, their involvement was open and legal according to international law. SEATO provided the US and Thailand (and all other SEATO members) with legitimacy and the option of introducing large numbers of regular soldiers if required. It also meant that action taken would have to be consistent with the terms of the SEACDT. It was at this level that New Zealand was involved with Laos. Even at this level, the US was still the most important nation, but countries such as the UK and France and even New Zealand, were able to influence the final result. American foreign policy changed under the Kennedy Administration in early 1961 and they began to adopt a policy of Laotian neutralisation.

Events in Laos: 1954 - 1958

The Geneva Agreements had provided a timetable for elections and a means of processing those men who had been insurgents against the Royal Laotian Government (RLG). Actually holding elections proved quite difficult and required extensive negotiations and intervention by the International Commission. The terms of the Agreement provided that the fighting units of the PL were to move to the northeastern provinces of Phongsaly and Sam-Neua

in 1958. Returned to Laos in 1961 to form a Neutralist government in the Plain of Jars. Became Prime Minister of a coalition government in 1962 refer Timothy N. Castle, *At War in the Shadow of Vietnam. US Military Aid to the Royal Lao Government. 1955-1975*, New York: Columbia University Press, 1993, pp. 6-7, 15, 17, 28, 46.

pending a political settlement.³⁹³ Special arrangements in the government of those two provinces, was to be provided by the Royal Administration for the PL.³⁹⁴ It was agreed that elections would take place at some time during 1955 in conformity with the constitution of Laos.³⁹⁵ But conflict arose over the degree of control that the PL was to exercise over those two provinces in the lead-up to the election. The RLG maintained that it should have ultimate authority and that the PL were merely to be granted posts under their supervision. The PL took a different view and claimed full authority pending the results of the election. Elections were held in 1955, but they did not include the two provinces in dispute.³⁹⁶ The new government was led by Prince Souvanna Phouma. In July 1955, the PL began attacks on government forces with the complicity of the Vietminh. The government announced the end of negotiations with the PL and lodged a protest with the International Commission.³⁹⁷ In September, the International Commission proposed that the Laotian parties should: (1) Restore the RLG administration in the two provinces, (2) Hold new elections, (3) Establish and maintain a democratic government, (4) Guarantee against reprisals, (5) Integrate the PL forces into the Royal Laotian Army.³⁹⁸ The newly elected alliance government extended an amnesty to the PL and both sides met in December to discuss a ceasefire.³⁹⁹ By August of the following year, the RLG and the PL had reached provisional terms and by the end of 1957 had concluded a compromise agreement. According to the terms of this settlement the two provinces were to remain under the control of the elected government with PL members holding positions within its administration. The PL forces were to be integrated into the national army or demobilised, PL leaders (including Prince

³⁹³ 'Extracts from the Agreement on the Cessation of Hostilities in Laos, Geneva, 20 July 1954' in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty's Stationery Office, 1965, pp. 77-8.

³⁹⁴ 'Declaration by the Royal Government of Laos, 21 July 1954' in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty's Stationery Office, 1965, p. 78.

³⁹⁵ 'Final Declaration of the Geneva Conference, 21 July 1954' in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty's Stationery Office, 1965, p. 84.

³⁹⁶ Foreign Office, *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, London: Her Majesty's Stationery Office, 1965, p. 24.

³⁹⁷ Chronology, *External Affairs Review*, 5:7 (1955), p. 66.

³⁹⁸ 'Telegram from the New Zealand High Commissioner in Ottawa to the Minister of External Affairs in Wellington. 19 September 1955' in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 2, Item Description: Laos – Political Affairs. General.

³⁹⁹ Summary, *External Affairs Review*, 5:12 (1955), p. 27

Souphanouvong⁴⁰⁰) were to be given offices in the national government, and elections were to be held in May 1958 to include those voters who had missed out in 1957.⁴⁰¹

A new government was elected but eventually the Americans forced it to resign because it included Communists. In March 1958, the Prime Minister of Laos had requested that the International Commission for Laos (established by the Geneva Accords), be terminated as the elections planned by the Geneva Agreement had now been carried out, and the government of Laos was fully independent and capable of running its own affairs. The Commission was not able to terminate because of outstanding obligations to Vietnam, but with regards to Laos it did adjourn in July 1958.⁴⁰² However relations between the various Laotian factions had already begun to deteriorate. The PL made accusations (backed up by the DRV and China) that the RLG were oppressing its members. In turn, the RLG said that the Neo Lao Hak Set⁴⁰³ was committing acts of terrorism with co-operation from DRV forces on the Laotian side of the border.⁴⁰⁴ The new government of 1958 contained a number of Communist representatives to attempt reconciliation. Soon after its election, the US halted economic aid and Souvanna Phouma was forced from office. Phoui Sananikone succeeded in August and appointed a more right wing cabinet without the likes of Souphanouvong and the US resumed its economic aid.⁴⁰⁵ Attempts to integrate PL forces into the army failed. Souphanouvong was jailed and PL forces began

⁴⁰⁰ Prince Souphanouvong (brother of Prince Phetsarath and Prince Souvanna Phouma). Formed the Pathet Lao in 1950 at Vietminh headquarters in Vietnam. Led PL troops in a Vietminh attack on Laos in 1953. Assumed a Cabinet post in the government of Souvanna Phouma in 1957. Dropped from government by the new administration of Sananikone in 1958. Arrested for treason in 1959. Escaped soon after. Becomes Deputy Minister of Souvanna's government in 1962 refer Timothy N. Castle, *At War in the Shadow of Vietnam. US Military Aid to the Royal Lao Government. 1955-1975*, New York: Columbia University Press, 1993, pp. 6-7, 15, 17, 46

⁴⁰¹ Foreign Office, *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, London: Her Majesty's Stationery Office, 1965, p. 24.

⁴⁰² *ibid.*, p. 25.

⁴⁰³ The political arm of the PL.

⁴⁰⁴ Foreign Office, *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, London: Her Majesty's Stationery Office, 1965, p. 25.

⁴⁰⁵ Phoui Sananikone was a pro-west diplomat. Formed a new government in 1958. Removed by coup in 1959 refer Timothy N. Castle, *At War in the Shadow of Vietnam. US Military Aid to the Royal Lao Government. 1955-1975*, New York: Columbia University Press, 1993, pp. 17, 19

fighting the government again.⁴⁰⁶ The failure of Laotian governments to survive was in large part due to the intervention of foreign powers for their own ends.

Outside intervention: 1954 - 1958

The US maintained a strategic interest in Laos, but attempted to stay within the terms of the Geneva agreement. The US believed that Laos was the key to containing the Communist advance in Southeast Asia, with President Dwight Eisenhower describing Laos as the key to the “Domino Theory”. As he recalled in his memoirs, “the fall of Laos to Communism could mean the subsequent fall of Cambodia, South Vietnam, Thailand and Burma. Such a chain of events would open the way to Communist seizure of all Southeast Asia”.⁴⁰⁷ The US believed that it was vital to halt the spread of Communism by means of containment at Indochina. This policy saw the US make large payments in foreign aid to Laotian governments which were neither popular with their own people nor competent rulers, but who would support American foreign policy. Soon after the conclusion of the SEACDT in September 1954, the US government announced their intention to provide financial assistance to help maintain the remaining French forces in Indochina.⁴⁰⁸ Essentially this amounted to military assistance in a way that circumvented the bans of the Geneva Accords. In December, the US confirmed that it would begin supplying financial aid to the governments of Vietnam, Cambodia and Laos to strengthen their defences against the spread of Communism.⁴⁰⁹ In September 1954, Charles Yost became the first US Ambassador to Laos and he assumed responsibility for the US aid budget. Projects included agriculture and education but the largest

⁴⁰⁶ Timothy N. Castle, *At War in the Shadow of Vietnam. US Military Aid to the Royal Lao Government. 1955-1975*, New York: Columbia University Press, 1993, p. 17.

⁴⁰⁷ Dwight D. Eisenhower, *Waging Peace: The White House Years, 1956-1961*, New York: Doubleday, 1965, p. 607

⁴⁰⁸ ‘Direct Aid to the Associated States: Communiqué Regarding Franco-American Conversations, 29 September 1954’ in *American Foreign Policy. 1950-1955. Basic Documents Volume II*, Department of State, Washington DC: US Government Printing Office, 1957, pp. 2400-401.

⁴⁰⁹ ‘Direct Aid to Vietnam, Cambodia, and Laos: Statement by the Department of State, 31 December 1954’ in *American Foreign Policy. 1950-1955. Basic Documents Volume II*, Department of State, Washington DC: US Government Printing Office, 1957, p. 2403.

recipients were the military and internal security services. The embassy staff struggled to administer these programs, but the Eisenhower administration judged that the usual American military assistance structures would contravene the provisions of the Geneva Accords. The following year a Program Evaluations Office was established to manage American aid to Laos. This was staffed by retired military personnel and worked through the authorised French military forces. In late 1958, American plans went one step further with the appointment of Brigadier General Heintges. He organised a more effective system of US military assistance whereby Laos made a public request for increased US military aid and allowed Americans to act as “assistants” to the French military staff training the Royal Lao Army.⁴¹⁰

The PL did receive assistance from Communist countries, but some were more helpful than others. In August 1956, the governments of Laos and China announced jointly that Laos resolved to follow a policy of neutrality and would not form a military alliance nor allow foreign bases other than provided for in the Geneva Agreement.⁴¹¹ At this time, the USSR had conducted a significant review of its foreign policy. Prime Minister Sidney Holland spoke to the House in New Zealand to report on the recent Conference of Commonwealth Prime Ministers.⁴¹² They had examined the threat of expanding Communism from the USSR and had believed that it was still bent on global domination but that it was now pursuing this through economic measures instead of direct military action. It had concluded that it would not be possible to win a global war due to the threat of nuclear weapons and had started to reduce the size of their army.⁴¹³ The DRV support for the PL was minimal from 1954 to 1959 as they were preoccupied with their own problems. The North Vietnamese did provide military training and they encouraged PL personnel to stand for elections. It was envisaged that prominent candidates would seek cabinet posts. But political integration did not work because of US support for the government and a rising fear of the PL.

⁴¹⁰ Castle, pp. 15-18

⁴¹¹ Chronology, *External Affairs Review*, 6:8 (1956), pp. 71.

⁴¹² Holland was National Prime Minister (1949-57), Minister of Finance (1949-54) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 16

⁴¹³ NZPD, 309(1956), pp. 883-7 (Holland)

Attempts to include the Communists in government ended with the arrest of prominent Members of Parliament and the forced disarmament of PL forces.⁴¹⁴ American attempts to weaken the PL were not successful and the government of Laos sought international assistance.

Events in Laos: 1959 - 1962

The government of Phoui struggled to control political and military challenges and appealed to the UN for assistance. In July 1959, the military posts of the RLG in the province of Sam Neua came under Communist attack. Senior PL figures such as Prince Souphanouvong were arrested on security charges and put in prison.⁴¹⁵ In August, Phoui informed the UN about collusion between the PL and forces of the DRV. Thailand assured Laos that its forces were ready if Laos wished to make an appeal to SEATO.⁴¹⁶ By late August, Laotian forces were in serious trouble in the north of the country. Laos appealed to America for increased military aid, and this was duly provided.⁴¹⁷ US aid was largely aimed at building the military forces of the RLG. New Zealand remained sceptical of the value of American aid. The Department of Foreign Affairs believed that America would have a hard time finding additional recruits from amongst the Laotian population. History showed that the French were largely unsuccessful in this regard and by very nature, the Laotian people were peaceable and not warlike. Foreign Affairs also thought that the economic effects of military aid would run counter its political aims.⁴¹⁸ In early September, Laos appealed to the UN for an Emergency Force. The UN Security Council formed a subcommittee to investigate the situation in Laos.⁴¹⁹ The Laotian foreign minister stated that if

⁴¹⁴ P.F. Langer and Joseph J. Zasloff, *North Vietnam and the Pathet Lao: Partners in the Struggle for Laos*, Cambridge: Harvard University Press, 1970, pp. 60-67.

⁴¹⁵ Chronology, *External Affairs Review*, 9:7 (1959), p. 31.

⁴¹⁶ Chronology, *External Affairs Review*, 9:8 (1959),

⁴¹⁷ 'Memorandum from United States Embassy in Wellington. 26 August 1959' in Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 10, Item Description: Laos – Political General.

⁴¹⁸ 'Letter from the Secretary of External Affairs to the Prime Minister. 27 August 1959' in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 10, Item Description: Laos – Political General.

⁴¹⁹ Chronology, *External Affairs Review*, 9:9 (1959), p. 35.

the UN were too slow to act, Laos would have to appeal to SEATO.⁴²⁰ It was not the PL who were the greatest threat to the government. Phoui removed some right wing members of his cabinet amidst growing concern at their strength. In response, there was a coup led by Brigadier Phoumi Nosavan and Kou Abhay was installed as Prime Minister in January 1960.⁴²¹ This administration was short-lived as long scheduled elections were held in April. Prince Somsanith became the new Prime Minister in a result largely influenced by CIA manipulation.⁴²² Nash raised this with Eisenhower on his visit to the White House in June.⁴²³ In May, Prince Souphanouvong had escaped from prison and returned to the Pathet Lao.⁴²⁴

The following two years were marked by a civil war fuelled by superpower rivalry and the local ambition of the DRV. In August 1960, Captain Kong Le of the Royal Laotian army led a coup over the corrupting influence of American aid on the government, and country in general. His programme included a return by Laos to a neutral stance in international affairs. Souvanna Phouma was installed as Prime Minister and General Phoumi fled south to Savannkhet to plan a counterattack.⁴²⁵ Towards the end of the month, it emerged that there were links between the PL and Captain Kong Le.⁴²⁶ The Americans favoured Phoumi as “a

⁴²⁰ ‘New York Times, ‘Statement by Laotian Foreign Minister’, 7 September 1959’ in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 10, Item Description: Laos – Political General.

⁴²¹ Brigadier General Phoumi Nosavan. Leader of the coup, which deposed Phoui in 1959. Led a counter-coup against Kong Le in 1960. Recaptured Vientiane in 1960. Deputy Prime Minister and Defence Minister in the government of Boun Oum in 1961. Deputy Minister in Souvanna’s government in 1962 refer Timothy N. Castle, *At War in the Shadow of Vietnam. US Military Aid to the Royal Lao Government. 1955-1975*, New York: Columbia University Press, 1993, pp. 19, 24, 27

⁴²² Prince Somsanith was an associate of General Phoumi. Prime Minister from April 1960 to August 1960 refer Timothy N. Castle, *At War in the Shadow of Vietnam. US Military Aid to the Royal Lao Government. 1955-1975*, New York: Columbia University Press, 1993, pp. 19, 21

⁴²³ ‘379/6-160. USDel/MC/20. Memorandum of a Conversation, White House. 1 June 1960’ in *Foreign Relations of the United States 1958-1960. Volume XVI. East Asia-Pacific Region; Cambodia; Laos*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1992, p. 186.

⁴²⁴ Timothy N. Castle, *At War in the Shadow of Vietnam. US Military Aid to the Royal Lao Government. 1955-1975*, New York: Columbia University Press, 1993, p. 19.

⁴²⁵ *ibid.*, p. 21.

⁴²⁶ ‘Letter from the Australian Embassy in Washington. 23 August 1960’ in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 16, Item Description: Laos – Political Affairs. General.

man of energy and resource whom the US could not afford to alienate".⁴²⁷ The UK was concerned about the level of American interest in Laotian affairs and warned that the US ought not to impose its own conditions on negotiations. Upsetting any Laotian settlement might lead to civil war.⁴²⁸ In September, Phoumi staged a counter coup with Prince Boun Oum as Prime Minister.⁴²⁹ Souvanna Phouma began negotiations with the PL and, following the cessation of American aid, began to negotiate with the USSR. In November, Phoumi marched on Vientiane, and in the following month the USSR began airlifts of fuel and military equipment to the forces of Kong Le. By mid December, Captain Kong Le had been driven from Vientiane to the Plain of Jars, but the Soviet airlift continued at this new location.⁴³⁰ With hindsight the actions of the USSR in supporting the PL appear quite opportunistic.

It has been argued that First Secretary Nikita Khrushchev was deliberately challenging President John F. Kennedy in Berlin and Southeast Asia so as to keep his attention from Cuba.⁴³¹ Khrushchev expected Kennedy to invade Cuba after the failure of the Bay of Pigs and he had no direct means of defending Cuba. For his part, Kennedy's actions in dealing with Laos were tempered by the need to spare resources for Berlin.⁴³² Various meetings between the superpowers ensued, and by May 1961, a ceasefire had been arranged as a precursor to a new Geneva Conference on Laos. During the Conference itself, the PL tried to exploit the opportunity and take as much territory as possible by force. The continued fighting and the expectation that it might bring gains, made the Laotian factions

⁴²⁷ 'Cablegram from the Australian Embassy in Washington. Number 2474. 30 August 1960' in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 16, Item Description: Laos – Political Affairs. General.

⁴²⁸ 'Telegram from Vientiane to Foreign Office. 25 August 1960' in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 16, Item Description: Laos – Political Affairs. General.

⁴²⁹ Boun Oum headed the alternative government of General Phoumi Nosavan in 1960 and became Prime Minister at the end of the year. Replaced as Prime Minister by Souvanna in 1962 refer Timothy N. Castle, *At War in the Shadow of Vietnam. US Military Aid to the Royal Lao Government. 1955-1975*, New York: Columbia University Press, 1993, pp. 21, 24, 46.

⁴³⁰ Castle, pp. 22-4.

⁴³¹ Nikita Sergeivich Khrushchev. Soviet Politician. Secretary, Central Committee, Communist Party of the Soviet Union (1949-53), First Secretary, Presidium (1953-64), Chairman, Council of Ministers (1958-64) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 17

⁴³² James David Perry, 'The Foreign Policy of John F. Kennedy, 1961', PhD, The George Washington University, 1996, preview.

reluctant to settle. PL gains from 1961 to 1962 were largely made with the help of troops from North Vietnam.⁴³³ In June, the Princes Oum, Souvanna Phouma and Souphanouvong met under the auspices of the Conference and although they did pronounce a government of national unity, they were unable to agree upon the cabinet.⁴³⁴ By May 1962 the fighting had largely died down, but the forces of the PL made one last offensive and captured the town of Nam Tha close to the Thai border. On 15 May the US announced the despatch of troops to Thailand and eight days later, New Zealand made an offer of assistance. (See page 48). The three Princes met again in June and were finally able to agree on the cabinet of a unified provisional government. With a possible superpower confrontation looming in Laos the stakes rose very quickly. The Kennedy administration bought a new approach to the problems of Southeast Asia.

Outside intervention: 1958 – 1962

After the collapse of the Souvanna Phouma government in 1958, the level of US intervention in Laos began to grow. Whilst the American presence had initially been designed to bolster the French effort in accordance with the Geneva Agreement of 1954, the appointment of Brigadier General Heintges marked the emergence of an American program of assistance directly to Laos. Budgets and personnel steadily increased until 1962 in line with the confrontational policies of the Eisenhower period. But the US began to re-evaluate its programs of support to Laos under the Kennedy Administration. Since 1959, American support of anti-Communist governments had been a feature of the Laotian political landscape. From the time of his emergence in the coup of 1959, the Americans had regarded General Phoumi as a key figure. CIA support was significant in the election result of April 1960. The airlifts and tactical advice provided to Phoumi at the end of the year, made the difference in his struggle with the “neutralist” forces of Captain Kong Le and Souvanna Phouma.⁴³⁵

⁴³³ P.F. Langer and Joseph J. Zasloff, *North Vietnam and the Pathet Lao: Partners in the Struggle for Laos*, Cambridge: Harvard University Press, 1970, pp. 73-80.

⁴³⁴ Chronology, *External Affairs Review*, 11:6 (1961), p. 62.

⁴³⁵ *ibid.*, pp. 19-24.

The end of Eisenhower's second term bought a reappraisal of American policy in Indochina. Kennedy was determined that the US should not lose Laos, but he did not think that Laos was the place for a confrontation with Communism.⁴³⁶ In February 1961, the US published a resume of proposals for Laos stating that the country should be a neutral state with no foreign troops, and with no membership in military alliances. SEATO would continue to have an obligation towards the integrity of Laos.⁴³⁷ This represented quite a change from the policies of the Eisenhower administration and a movement towards the principles of the Geneva Agreement of 1954. The previous administration had always taken a confrontational approach towards Communist elements in Laos, and had tried extensively to keep the country in the Western camp. The UK was impressed with the courage of the new administration, which was reversing much of the policy of its predecessors. Messages of full support were sent to the Americans.⁴³⁸ Nevertheless, the immediate situation in Laos was quite dangerous and heading for a possible confrontation with the USSR. Kennedy ordered a contingency force based in Okinawa to alert status. He also authorised the transfer of 16 US Marine Corps helicopters to the CIA for use in operations in Thailand.⁴³⁹ In March, Kennedy met with Prime Minister Harold Macmillan and Soviet Foreign Minister Andrei Gromyko (representing the Co-Chairs of the Geneva Conference) and assured them of his determination to defend Laos but that he preferred to resolve the process through diplomatic means.⁴⁴⁰ The Geneva Conference was called and an agreement was settled between America and the Soviets regarding Laos.⁴⁴¹ In July 1962, the Conference declared that it respected the independence, neutrality and territorial integrity of Laos.⁴⁴² American and Soviet representatives had assured each other that they were

⁴³⁶ *ibid.*, p. 41.

⁴³⁷ 'New Zealand Embassy in Washington to Minister of External Affairs. Number 70. 14 February 1961' in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 26, Item Description: Laos – Political Affairs. General.

⁴³⁸ 'New Zealand High Commissioner in London to Ministry of External Affairs, Wellington. Number 310. 14 February 1961' in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 26, Item Description: Laos – Political Affairs. General.

⁴³⁹ Castle., pp. 29-30.

⁴⁴⁰ Andrei Gromyko was Soviet Foreign Minister

⁴⁴¹ Castle, p. 40.

⁴⁴² 'Declaration of the Neutrality of Laos, Geneva, 23 July 1962' in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty's Stationery Office, 1965, pp. 179-80.

committed to the terms of the Geneva Accords and US Ambassador to the Conference Averill Harriman advised the President to fully comply with the agreements.⁴⁴³ By 7 October, all US military personnel left Laos. The new American approach complemented efforts by the parties to the Geneva Convention to foster the neutralisation of Laos.

Geneva Diplomacy – 1959-1961

As stated above, the parties to the original Geneva Agreement on Laos revived the process in the early 1960s to organise the neutralisation of Laos. As the situation in Laos began to deteriorate from 1959, the Laotian government sought assistance from a number of external agencies and countries such as the UN and the US. Laos did not seek intervention by the parties to the Geneva Conference; rather it was these parties who took the initiative, concerned at the unfolding events. In 1959, the Communist powers alleged that the Laotian government was contravening the terms of the Geneva Agreement and called for the reconvening of the International Commission. Representatives of North Vietnam alleged that US activities in Laos amounted to a breach of the terms of the Geneva Agreement, which required the “cessation of military activities in Laos”. They asked that the Co-Chairmen request the International Commission to investigate these violations.⁴⁴⁴ Initially the UK thought that recalling the Commission for Laos might diminish its sovereignty. However, they decided that if the Laotians were willing to do this, then there would be no problem.⁴⁴⁵ At the end of 1960, Prime Minister Nehru of India suggested reconvening the Commission and the USSR sent a note to the British proposing a new Conference on Laos. The USSR insisted on the sole legitimacy of the Souvanna Phouma’s neutralist

⁴⁴³ Averill Harriman was US Ambassador to the Geneva Conference

⁴⁴⁴ ‘Letter to the Co-Chairmen of the Geneva Conference from M. Pham Van Dong, Hanoi. 4 February 1959’ in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty’s Stationery Office, 1965, p. 139.

⁴⁴⁵ ‘Extracts from the Proceedings of the House of Commons. 8 June 1959’ in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty’s Stationery Office, 1965, p. 135.

government.⁴⁴⁶ New Zealand likewise, believed that Laos ought to be left out of the superpower blocs.⁴⁴⁷ Of all the factions in Laos, New Zealand had most confidence in the Neutralists. This posture seemed most closely to match the disposition of the ordinary Laotian.⁴⁴⁸ In April 1961 the Co-Chairs appealed to the parties in Laos to ceasefire by 12 May so that a Conference could be convened.⁴⁴⁹ The ceasefire was arranged and the Conference duly opened.⁴⁵⁰ The Conference agreed to a Soviet proposal limiting the introduction of foreign troops into Laos.⁴⁵¹ Since the conclusion of the SEACDT, the treaty partners had considered the neutralisation of Laos an implausible option.

SEATO: 1955 - 1959

The SEACDT was drawn up quickly after the Geneva talks, in order to guarantee the integrity of the Associated States and that of Thailand on the border of Laos and Cambodia. The treaty area of the SEACDT also included the British colony of Malaya, which was a matter of significance to New Zealand. Wellington had agreed to assume a role in the external security of Malaya under the auspices of ANZAM and the CSR. New Zealand's motives for joining the SEACDT were to secure the security guarantee of the Americans, and to belong to a military alliance against Communism in Asia including both the US and the UK. There was also an element of coercion from the UK and the US to be involved. On the negative side, New Zealand felt no real attachment to Indochina in terms of strategic importance; it was more concerned about Malaya where its troops were stationed. The political situation in Indochina was also something that New Zealand could not agree with. The notion of supporting an unpopular and incompetent government for strategic reasons remained unpopular in New Zealand across the political spectrum.

⁴⁴⁶ Foreign Office, *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, London: Her Majesty's Stationery Office, 1965, pp. 27-8.

⁴⁴⁷ Annual Report, Department of External Affairs, *AJHR*, 1961, A.1, p. 22.

⁴⁴⁸ Interview with Tom Larkin, 2 July 2004, Formerly Department of External Affairs.

⁴⁴⁹ 'Message from the Co-Chairmen appealing for a Cease-fire. 24 April 1961' in *Documents Relating to British Involvement in the Indo-China Conflict. 1945-1965*, Foreign Office, London: Her Majesty's Stationery Office, 1965, p. 171.

⁴⁵⁰ Chronology, *External Affairs Review*, 11:5 (1961), p. 60.

⁴⁵¹ Chronology, *External Affairs Review*, 11:8 (1961), p. 49.

Throughout the 1950s, a split emerged between the Western members of SEATO on the one hand, and the US and Asian members over the correct way to respond to Communist insurgency. When the SEACDT was created, it was designed to deal with the threat of conventional military action, which is what seemed most likely at the time. After that period however, the possibility of subversive activities grew. From the late 1950s, SEATO began to monitor the extent of covert military activities.⁴⁵² In March 1955, Eisenhower sent a note of some irritation to Prime Minister Winston Churchill over British Communication to the Laotian government. The US and Thailand had encouraged Laos to take a hard line with the Communist rebels on its territory. When Laos had expressed a fear of retribution from China and North Vietnam, the Americans had told them that any external aggression would invite a response from SEATO. However, Britain and France subsequently warned the Laotians that SEATO would not assist them if their own domestic conditions were the cause of this external force. Eisenhower cautioned Churchill that the Communists were getting stronger and that all of Laos could be lost.⁴⁵³ Later in July, the US and the Asian members of SEATO wanted to support the Laotian government with diplomatic measures in the face of continuing skirmishes with the rebels. The UK and France were reluctant to do this for fear of provoking the Communist powers. So SEATO did nothing because of the differences between the allies. The Europeans viewed the Associated States as a buffer zone between East and West but the Americans wanted the Indo-chinese states to take a pro-Western stance. New Zealand supported a neutral role for Indochina and advocated a path of negotiations in order to deal with the Communist rebels.⁴⁵⁴ In 1956, Minister of Foreign Affairs Thomas MacDonald spoke of fears that actions taken by the Laotian government might provoke a response from the Vietminh, and expressed his belief to the US State Department that it was essential to support the International Commission for a peaceful settlement

⁴⁵² Annual Report, Department of External Affairs, *AJHR*, 1958, A.1, pp. 23-4.

⁴⁵³ '751J.00/4-955. Message from President Eisenhower to Prime Minister Churchill. 29 March 1955' in *Foreign Relations of the United States 1955-1957. Volume XXI. East Asian Security; Cambodia; Laos*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1990, p.633.

⁴⁵⁴ Mark Pearson, *Paper Tiger: New Zealand's Part in SEATO, 1954-1977*, Wellington: New Zealand Institute of International Affairs, 1989, pp. 76-7.

Generally, New Zealand deferred to the wishes of its major allies but Nash did not compromise over the military support of corrupt governments. Walter Nash was elected as Prime Minister of New Zealand in 1957. His single term Labour administration marked the only interruption of a period of National governments that otherwise lasted from 1949 to 1972. The two decades after the Second World War were marked by a foreign policy consensus in which the two governing political parties of New Zealand presented a similar view of foreign policy without great differences from each other. National tended to take a more pragmatic approach and put greater reliance on alliances such as ANZUS. Labour was more idealistic and emphasised collective security arrangements such as the UN and the British Commonwealth. It tended to follow policies characterised by a greater degree of independence than its National counterparts. Nash is known for the stand that he made in 1959 over the issue of SEATO planning for insurgency in Laos. On this matter, he disagreed with the Americans and the British in a step quite unusual for New Zealand. One of the main attractions of SEATO for New Zealand had been the presence of both these allies in the same organisation in an Asian context. The SEATO insurgency deployment plans, the definition of insurgency, and deciding whether an insurgency had actually happened, were quite narrow legal issues. Underlying them were wider questions about the legitimacy of the Laotian government. In most cases, New Zealand governments were prepared to register their reservations on these issues, but not take the matter any further. In the case of Nash in 1959, he was stubborn and would not back down. The findings of the UN team in November seemed to justify and reinforce his position.

SEATO: 1959 - 1962

Nash believed that the UN was the agency best placed to deal with the crisis in Laos, and that intervention by SEATO would be inappropriate. In August 1959, Nash said that any challenge to the government of Laos would be a serious matter. Should international action be required, he felt that the situation ought to

be referred to the UN. Underlying this was New Zealand's membership of SEATO. Nash knew that New Zealand could well be drawn into a conflict in Indochina should SEATO respond positively to a Laotian request. Nash favoured UN action because they had a wide pool of expertise and resources from which to draw upon. They also had a legitimacy, which SEATO did not have, in that they had no vested interest in the outcome. The UN was also representative of most of the parties to the dispute (excepting China) so that it might have been possible to arrange a multilateral diplomatic solution without resorting to military means at all. In September, Nash stated that because of all the different stories coming from Laos, the most pressing task that needed to be completed was that of a fact-finding agency and that the UN was most suited to do this.⁴⁵⁵

It is worth noting at this stage, that New Zealand's own information gathering capabilities were not extensive. In 1955, Foss Shanahan⁴⁵⁶ had been appointed as Commissioner to Singapore. In 1959, New Zealand was still reliant upon information coming to it from allies such as Australia and the UK on the events happening in Laos. In September of that year, Laos did appeal to the UN for an emergency force and three days later, the UN Security Committee formed a subcommittee to investigate the situation in Laos. On that same day, came reports that Laos was planning an appeal to the Secretary General of SEATO. The UK believed that this ought to be blocked.⁴⁵⁷ New Zealand thought that the question of external aggression was of vital importance and that SEATO ought not to become involved until this had been established. Nash thought that a visit by the Secretary-General of SEATO would be unwise and merely cut across the mission of the UN fact-finding team. In November, the UN team found that the Laotian charges of external aggression were not true although there was

⁴⁵⁵ 'Press Statement – Laos. 3 September 1959' in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 10, Item Description: Laos – Political General.

⁴⁵⁶ Civil Servant. Secretary of the Cabinet (1945-1955), Assistant Secretary of External Affairs (1945-1949), Deputy Secretary of External Affairs (1949-55), New Zealand High Commissioner in Southeast Asia (1955-58) including NZ Representative to SEATO, Ambassador to Thailand, High Commissioner to Malaya, High Commissioner in Canada (1958-61) including Representative at the UN, Deputy Secretary of External Affairs and Prime Minister's Departments (1961-64) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, pp. 28-29.

⁴⁵⁷ 'Telegram from New Zealand Charge d'Affaires (Bangkok) to Ministry of Foreign Affairs. Number 116. 7 September 1959' in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 10, Item Description: Laos – Political General.

definitely assistance by the DRV for the PL. It was further announced that the UN were appointing a Finnish economist named Sakari Tuomioja to advise the Laotian government on development strategies.⁴⁵⁸ The UN subsequently proposed sending teams to Laos to work towards exploiting the natural resources of the countryside and the full integration of tribal minorities.⁴⁵⁹

The Western allies interpreted the events in Laos differently which led to disagreement over SEATO policy. New Zealand believed that the problems of Laos were internal in nature and originated in the unique geography and culture of Laos. The best solution to this would be a political one, which would include some form of accommodation with the PL. This was a tacit admission that it might not be possible to stamp out tension in the countryside for some time to come. New Zealand believed that a military solution would be difficult given the diverse nature of the population and geography of the country, and the fact that many were unwilling to fight. If an alternative solution were necessary, then the UN would be the correct agency to manage this. If Laos were induced to enter a Western military alliance, it would be contrary to the terms of the Geneva Agreement.⁴⁶⁰ New Zealand planned to provide non-military aid to Laos in a variety of ways. In December 1958, New Zealand provided a grant of twenty thousand pounds to Laos, for mobile veterinary dispensaries under the auspices of the Colombo Plan.⁴⁶¹ In May, New Zealand sent five thousand pounds worth of school equipment to Laos.⁴⁶² Following the UN report on the economic development of Laos, New Zealand offered to pay the costs of four agricultural experts.⁴⁶³ New Zealand interpreted the insurgency of the PL as a sign of weakness by the RLG, but the Eisenhower Administration viewed it quite differently. They believed that RLG was not being provocative (as New Zealand thought) but that it was winning the loyalty of the rural population and thus stirring up the PL in response. The State Department believed that the problems

⁴⁵⁸ Summary, *External Affairs Review*, 9:11 (1959), p. 47.

⁴⁵⁹ 'SEATO Council Meeting, May 1960. Summary by Department of External Affairs. 16 May 1960' in NA: Agency: EA, Series: 1, Accession: W2668, Item Reference: 120/2/5/Pt 2, Item Description: SEATO Council NZ Briefs – 1959-1963, p. 3.

⁴⁶⁰ *ibid.*, pp. 5-6.

⁴⁶¹ Statement by Prime Minister, *External Affairs Review*, 8:12 (1958), p. 11.

⁴⁶² The Colombo Plan, *External Affairs Review*, 10:5 (1960), p. 10.

⁴⁶³ Statement by Prime Minister: Support for UN Programme of Aid to Laos, *External Affairs Review*, 10:6 (1960), p. 13.

in Laos came from Communist aggression, even though the UN team had found no evidence of this. They concluded that it was vital not to surrender in the face of this Communist offensive.⁴⁶⁴ In 1959, a paper prepared by a White House staffer concluded that although the evidence was inconclusive, it was probable that North Vietnam was involved in planning and directing attacks of the Communist partisans.⁴⁶⁵ The British queried the very motivation of the Communists and questioned the need for an allied military response. Where the Americans believed that the Communists wanted to take Laos from the West, the British merely believed that they wanted to deny it to the West. This is why they supported the notion of the Associated States as a politically neutral buffer zone, as expressed in the Geneva Agreements.

American pressure to prepare a SEATO intervention force met with acquiescence from most allies, but not New Zealand. The question of whether Laos required the assistance of SEATO was supposed to turn on the existence of aggression from an outside source. According to the SEACDT, aggression from other than an external source required the Parties merely to consult with each other.⁴⁶⁶ Early in 1958, SEATO military plans for use against insurgents were drawn up. In September, the Military Planning Office of SEATO began work on Plan 5 for counter-insurgency in Laos. The New Zealand Ministry of External Affairs stated that to use a SEATO force for this type of plan was unacceptable. The problem was, that the definition of insurgency was never clarified and could have been taken to mean forces of internal Laotian origin.⁴⁶⁷ The Ministry of External Affairs acknowledged that outside interference was probably happening, but they believed that poor government and difficult conditions within the country were the real source of the trouble in Laos. It was felt that intervention along the lines of Plan 5, would only make matters worse. However, in July, Nash was persuaded by his advisers not to reject the plan altogether, but to seek an

⁴⁶⁴ *ibid.*, pp. 4-6.

⁴⁶⁵ 'Eisenhower Library, Whitman File, Eisenhower Diaries. Paper prepared by the Assistant White House Staff Secretary (Eisenhower). 4 August 1959' in *Foreign Relations of the United States 1958-1960. Volume XVI. East Asia-Pacific Region; Cambodia; Laos*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1992, p. 548.

⁴⁶⁶ 'Text of Treaty. 8 September 1954' in *American Foreign Policy. 1950-1955. Basic Documents Volume I*, Department of State, Washington DC: US Government Printing Office, 1957, pp. 913-14.

⁴⁶⁷ Pearson, pp. 65-6.

amendment requiring that proof of external involvement be provided.⁴⁶⁸ Likewise, the UK was unwilling to proceed with the development of a plan that did not require any degree of foreign control over the hostile forces, and it also recommended that the plan be amended to this end.⁴⁶⁹ In September at the SEATO military advisers' meeting, it was announced that the US had declared forces to the plan, which made its use much more likely.⁴⁷⁰ The key moment for the implementation of the plan came when the military advisers requested political guidance for it, as they were required to do. Plans were initially designed for hypothetical scenarios, but as the time approached for their implementation, political guidance had to be given for matters such as the appointment of the Force Commander and Field Force Commander. Later in October, Nash opposed the suggestion that the posts be filled with Thai and American appointees respectively.⁴⁷¹ He felt that an intervention led by officers from these nations would raise suspicions amongst third parties about the motivations of the SEATO intervention. Nash told the ANZUS Council in October that personnel from France and Australia would be more suitable. At the meeting of SEATO Council Representatives in January 1960, it became clear that officers from Thailand and the US would be appointed to the positions of leadership in any SEATO intervention. At this, Nash refused to give his permission for the Council to provide the necessary guidance to the military advisers. He would not even agree to support British compromise effort, to require proof of external aggression and then have the plan be executed.⁴⁷²

In the end, the British found another compromise so that work on the plan could proceed despite Nash's unwillingness to co-operate. All of the other Council Representatives informally replied, and the Military Planning Office proceeded

⁴⁶⁸ *ibid.*, pp. 80-2.

⁴⁶⁹ 'Eleventh SEATO Military Advisors' Meeting. Report by the Joint Planning Staff. 2 September 1959' in NA: Agency: EA, Series: 1, Accession: W2668, Item Reference: 120/5/2/2/Pt 1, Item Description: Military Advisors Conferences, 1958-1961, pp. 2-3.

⁴⁷⁰ 'Telegram from the New Zealand Embassy in Bangkok to the New Zealand Ambassador in Washington. 26 September 1959' in NA: Agency: EA, Series: 1, Accession: W2668, Item Reference: 120/5/2/2/Pt 1, Item Description: Military Advisors Conferences, 1958-1961.

⁴⁷¹ 'PPS Files: Lot 67 D548. US Minutes of the ANZUS Meeting. Department of State. 26 October 1959' in *Foreign Relations of the United States 1958-1960. Volume XVI. East Asia-Pacific Region; Cambodia; Laos*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1992, p. 166.

⁴⁷² Pearson, p. 83.

as though these replies had been formally stated. Walter Nash took the traditional misgivings of New Zealand towards Indochina and applied an uncharacteristic stubbornness with regard to policy. He insisted that these principles find expression in SEATO policy. Holyoake, his successor as Prime Minister, would share the same misgivings, but would ultimately defer to the wishes of the US on another similar but more serious occasion. Although SEATO was not prevented from acting in this case, the episode had revealed divisions amongst the Western allies. By this time, the threat of insurgency was receding, and Laos was moving toward a period of superpower confrontation.

New Zealand did suffer a measure of diplomatic opprobrium for the stand which had been taken, but the UK, France and Australia were all privately supportive.⁴⁷³ Nash had been Prime Minister at a time where there was considerable doubt about foreign intervention in Laos on the side of the PL. From late 1960 onwards, it became increasingly clear, that foreign powers were directing events in that country and by early 1961, it looked as though there might be a superpower confrontation between the Soviets and the Americans. Tension between the superpowers was partly a function of the global struggle between the two of them over matters such as Cuba and Berlin. It seems that North Vietnam took this opportunity to expand its own program of assistance to the PL. Then Prime Minister Keith Holyoake faced a different situation than Nash had in 1959. There is no doubt that the more conservative instincts of Holyoake guided him and ultimately took the day, but he shared Nash's concerns about the quality of government in Laos and the need for a lasting political settlement there.

New Zealand supported the superpower negotiations over Laos and agreed to support an American deployment to Thailand after the DRV and the PL had rejected efforts to make peace. Captain Kong Le's coup in mid 1960 was conducted with the aim of restoring Laos to the neutral position envisaged by the Geneva agreements of 1954. This government was driven from the capital in December by the American backed Phoumi, but they continued to receive Soviet

⁴⁷³ *ibid.*, p. 84.

support at their new base in the countryside. Thus both the Americans and Soviets were supplying rival factions in Laos by air and there was a danger that the two powers might come into contact with serious consequences. At this time, Holyoake declared that he thought the problems in Laos stemmed from the differences between the local political elements and he was not sure that SEATO intervention would be desirable.⁴⁷⁴ He preferred a peaceful settlement and told Secretary of State Dean Rusk⁴⁷⁵ that he would support action against external aggression but not subversion.⁴⁷⁶ The new Kennedy Administration had changed the American policy towards Laos and now favoured a neutral stance for the country. In February 1961, the Department of External Affairs sent a message to all New Zealand diplomatic posts saying “we warmly welcome this change in American policy, agree with its approach and objectives, and shall accord it our full support”.⁴⁷⁷ However, events in Laos continued to get worse. In January the government of Laos had appealed to SEATO to investigate North Vietnamese aggression on its territory. France, the UK and New Zealand were unwilling to conduct a public investigation for fear of further aggravating affairs, and the US rejected a proposal for a secret investigation. A meeting of Council Representatives, agreed to postpone any action until the Soviets had responded to a ceasefire proposal.⁴⁷⁸ The PL made large gains at this time and much of it was due to the presence of troops from the DRV.⁴⁷⁹ A further meeting of the SEATO Council in Bangkok in March, revealed a split between the Western and Asian members of the alliance. Thailand and the Philippines urged strong action to be taken against the PL.⁴⁸⁰ The British noted that the survival of Laos was dependent on external aid, although this was coming from two rival sources.

⁴⁷⁴ Statement by Prime Minister, *External Affairs Review*, 10:12 (1960), p. 17.

⁴⁷⁵ American diplomat. Deputy Under-Secretary of State (1949-50), Assistant Secretary of State for Far Eastern Affairs (1950-52), Secretary of State (1961-69) refer *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner. 1946-1966*, Ian McGibbon (ed.), Wellington: Victoria University Press, 1999, p. 21.

⁴⁷⁶ Grant Winston Hooper, ‘New Zealand and Indochina: Aspects of Involvement’, Thesis for MPhil, University of Waikato, 1998, p. 47.

⁴⁷⁷ ‘Telegram from Secretary of External Affairs to London, Washington, Canberra, Bangkok, Paris, Ottawa. 17 February 1961’ in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 26, Item Description: Laos – Political Affairs. General.

⁴⁷⁸ Pearson, p. 85.

⁴⁷⁹ Langer & Zasloff, pp. 73-80.

⁴⁸⁰ ‘Manawatu Evening Standard, ‘Important Meeting for SEATO’, Thursday 23 March 1961’ in NA: Agency: EA, Series: 1, Accession: W2668, Item Reference: 120/2/2/Pt 4, Item Description: SEATO Council Meetings, 1959-61.

There was a need for a political solution that would provide a neutral Laos.⁴⁸¹ The US had recently moved closer to this position and stated that it would be unwise to take military action while a political settlement still looks possible.⁴⁸² This view carried the day and it was agreed to wait and see what the Soviet response to the ceasefire negotiations would be. Holyoake fully backed the British proposal but declared that New Zealand would be willing to fulfil its SEATO obligations if necessary.⁴⁸³

Preparations continued for a military response.⁴⁸⁴ In April the US called upon SEATO to be ready to give informal guidance to activate the military plan for Laos. Later that month, both the UK and the USSR agreed to a ceasefire. Initial indications from the PL made it look as though they would not support the ceasefire and so New Zealand accepted a proposal to put the Plan 5 forces on alert. Fortunately the PL accepted the ceasefire soon after. This episode was marked by sharp disagreement between the US and the UK over the question of mobilisation. New Zealand had taken what it regarded as an initial step in favour of the US by mobilising, but only because it believed that the UK would ultimately take this course also. In the end, New Zealand was never forced to choose between its two allies.⁴⁸⁵ One year later, the US issued a joint communiqué with Thailand to the effect that the US would support Thailand whether or not it had the backing of the other SEATO allies. They viewed that the defence treaty “obligation is individual as well as collective”.⁴⁸⁶ This was something of a setback to New Zealand, which had always assumed that SEATO was to be governed collectively. It should not have been a surprise however, given the levels of disagreement, which had attached to some of the decision-making regarding intervention in Laos. The Geneva talks produced agreement

⁴⁸¹ ‘Cablegram from the Australian Embassy in Bangkok. 28 March 1961’ in NA: Agency: EA, Series: 1, Accession: W2668, Item Reference: 120/2/2/Pt 4, Item Description: SEATO Council Meetings, 1959-61.

⁴⁸² ‘Manawatu Evening Standard, ‘Important Meeting for SEATO’, Thursday 23 March 1961’ in NA: Agency: EA, Series: 1, Accession: W2668, Item Reference: 120/2/2/Pt 4, Item Description: SEATO Council Meetings, 1959-61.

⁴⁸³ Annual Report, Department of External Affairs, *AJHR*, 1961, A.1, pp. 32-3.

⁴⁸⁴ ‘Telegram from the New Zealand Embassy in Washington to Ministry of External Affairs. Number 193. 30 April 1961’ in NA: Agency: ABHS, Series 950, Accession: W4627, Item Reference: 479/4/1/Pt 30, Item Description: Laos – Political Affairs - General.

⁴⁸⁵ Pearson, pp. 86-7.

⁴⁸⁶ Southeast Asian Defence Treaty. Joint Communiqué issued by Foreign Minister Thanat Khoman and Secretary of State Dean Rusk, *External Affairs Review*, 12:3 (1962), pp. 19-20.

between the US and the USSR, but it was not until June 1962 that the political leaders in Laos were able to construct a political settlement. Outbreaks of fighting continued up until this point and in May the PL captured a town called Nam Tha close to the Thai border. The Americans quickly sent troops to reassure the Thais. Later in the month, New Zealand sent a detachment of SAS troops and two Bristol freighters. It was a token contribution to support an ally and the forces were soon withdrawn.⁴⁸⁷ At the time, Holyoake stressed the dangers of Communism and the importance of acting together with allies.⁴⁸⁸

This chapter has traced the efforts of many individuals and other nations to find a political solution in Laos. The sad story of Laos went on beyond 1962, but for the purposes of New Zealand foreign policy it had by then come to illustrate the lack of shared strategic consensus between New Zealand and the US over the conflict in Indochina. While New Zealand was as anxious as the other treaty partners in SEATO to prevent a Communist takeover in Southeast Asia, it viewed Laotian governments as essentially corrupt and unworthy of military support. This thesis seeks to illustrate the nature of New Zealand's relationship with the British and the Americans by making a comparison of its actions in Malaya and with regard to Laos. Both countries faced destabilising campaigns by local guerrillas that aimed to overthrow the colonial regime in Malaya, and what was considered to be a neo-colonial regime in Laos. Yet while New Zealand was happy to assist British efforts in Malaya, it had deep reservations about involvement in Laos. It is argued that the shared interests of New Zealand with the UK were sufficient to overcome any possible objections to Malaya, but that this was not the case with the US and Laos. This chapter also shows how New Zealand's interests did not remain static during the 1950s, but had changed a great deal. For all the disagreement over Indochina, the Asia Pacific region was clearly the most significant region of the world for New Zealand as this is where it is geographically situated. The old views that had existed in the early 1950s, where local interests might be subordinated to the welfare of the Commonwealth were now much less relevant to the pursuit of foreign policy. This chapter contains an unusual example of New Zealand independence in foreign policy

⁴⁸⁷ Pearson, pp. 92-3.

⁴⁸⁸ Hooper, p. 49.

with the stand that Walter Nash took over the SEATO plan for counter-insurgency in Laos.

CHAPTER VII – CONCLUSION

This thesis has examined the development of New Zealand's security relationships with the US and the UK in the 1950s. This decade was a period of considerable change for New Zealand. The military decline of the British and the rising threat of Communism were important changes in the external security environment that New Zealand faced. As a result, New Zealand's conception of its own interests began to change at the same time. It ceased to view itself as a component part of the British Commonwealth and started to view itself as a sovereign nation of the South Pacific with strategic goals that related more directly to this location. The foregoing chapters have covered the changes that New Zealand faced and the transition that resulted. This decade was a period of considerable change for New Zealand as it moved from primary reliance upon the British to reliance upon the Americans. Although the British lost their status as New Zealand's major ally during this period, New Zealand displayed a continued preference to deal with them. This is because of the wide range of interests between the two countries that survived the changing circumstances of that decade. While New Zealand and the US shared a common enemy, they did not have the same range of shared interests. This is not to say that the relationship between the two countries was in danger of collapse, but it does help to explain the reluctance with which New Zealand appeared to approach its defence commitments with the US. The thesis has sought to address three issues that ran throughout New Zealand's relationship with the US and the UK during this period. The first was the question of how New Zealand's national interests changed during this period. This is an important question because it helps to interpret the new defence relationships that developed over the decade. The movement from the Middle East to Malaya and to Laos was not just a movement from one defence partner to another, nor was it solely motivated by the changing threat in the different geographic locations with which New Zealand was concerned. It was a change in the way in which New Zealand saw itself and considered it should conduct its relationships with the outside world. The second issue regards the extent to which New Zealand itself was responsible for these

changes that happened during this decade. As a small and fairly young country in relative terms, it was difficult for New Zealand to make foreign policy judgements of its own if they differed from those of its major allies. Inevitably it was simpler for New Zealand to defer to the wishes of its defence partners who were larger and better equipped to form opinions on foreign policy issues. Nevertheless, New Zealand politicians were representing a democracy with its own traditions and ways of viewing the world. The third issue regards the comparison between New Zealand's experience in Malaya and in Laos. This was done to investigate an event where an ally tried to persuade New Zealand to do something that it did not believe was in its interests. From a New Zealand point of view, there were similarities between the two cases and yet New Zealand chose to be involved in the one and to reject the other. The choices that New Zealand made in these two cases help to shed light on its priorities in the region.

During the 1950s, the national interests that New Zealand sought to defend changed in a big way. New Zealand began the decade as a loyal member of the Commonwealth prepared to put the interests of the greater Commonwealth ahead of its own. It did this because it equated its own interests with those of the Commonwealth. This was shown by New Zealand's willingness to send a division of soldiers to the Middle East in the event of another general war. The Middle East was an area of British responsibility among the Western allies and New Zealand was helping to maintain the prestige and position of the post-war Commonwealth. New Zealand was simply planning to repeat the actions it had taken during the last two World Wars. The defence of the New Zealand mainland was not totally neglected. One of the reasons for the signing of the ANZUS treaty was to secure the Pacific so that New Zealand troops might be free to assist the British if there was an outbreak of trouble. The same attitude was apparent in trade relations. During the first balance of payments crisis in 1949, New Zealand was prepared to limit its imports of non-sterling purchases in order to assist the external account position of the entire Sterling Area. Imports of American products were replaced by British products or done without. This sort of attitude protected the interests of the Commonwealth, to which New Zealand still looked for its main defence and trading relationships. In the early 1950s, New Zealand's position in the South Pacific was fairly secure and the general

Cold War threat to the Commonwealth was the most pressing danger that New Zealand faced. By the end of the decade, this stance had changed quite significantly. New Zealand started to view the safety of the New Zealand mainland and the level of its own trading receipts as the highest priority. This change reflected the self-reliant perspective of an increasingly independent nation and was a result of a number of events during the decade. Developments such as the Suez Crisis and the Korean War (which are not covered by this thesis) combined to reinforce the declining world position of the British, and the rising position of the Americans. Chapter two covered the inability of the British to secure defence arrangements in the Middle East. Later chapters showed the rising danger of Communism in Southeast Asia that forced New Zealand to seek alliances with the US such as ANZUS and SEATO. These were the first defence alliances that New Zealand had made outside of the Commonwealth sphere and they forced New Zealand to form a more independent view of its interests and how they were to be defended. Instead of an automatic association with other members of the Commonwealth, New Zealand joined with other sovereign nations in order to plan for its defence. These changes in perspective regarding defence policy were matched by a change in economic policy. Chapter four outlined occasions such as the second balance of payments crisis and the trade negotiations in the late 1950s, when New Zealand started to identify the prosperity and progress of its own economy as separate and distinct from that of the Commonwealth as a whole. This is not to say that New Zealand ceased to value its economic links with the UK. These ties remained important, but it viewed itself more as a sovereign nation and less of a Commonwealth member. It is argued by this thesis that the most significant feature of New Zealand's shifting defence alliances during the 1950s was not the move in location or alliance partner, but the movement in New Zealand's view of what ought to be defended. This change of view was the result of a number of differences in the international framework that New Zealand faced.

The next question assesses the extent to which New Zealand was responsible for these changes in its defence relationships over the 1950s, or whether these decisions were taken on its behalf by its allies? New Zealand accepted the judgements of its allies as long as they equated broadly to its own foreign policy

objectives. It was only where New Zealand felt that events were moving outside of this definition that it deferred from the given advice. The determination to commit forces to the Middle East was taken by the New Zealand government in 1951. Throughout that period, there was a steady stream of travellers and telegrams to and from London. The participation of New Zealand forces was clearly a British policy aim and if the British government did not take the final decision, then they were not far from doing it. Nevertheless, it was judged worthwhile for New Zealand to support the Commonwealth and so this did not present a problem. After this, there were further requests to increase the size of the commitment, the speed of its deployment and the nature of forces that might be deployed in peacetime. The choice to leave the Middle East and transfer to Malaya followed a similar pattern. Holland told the House that he had twice requested that the New Zealand commitment be transferred to Southeast Asia before the British relented and in turn, requested that such a transfer should be made to Malaya. The British had been adamant that their Middle East position should be defended as long as possible. The increasing strength of New Zealand's requests and the changed strategic situation of the mid 1950s would have had a bearing on the British response. Thus the transfer did not happen until British permission was given. New Zealand requests were clearly becoming more urgent, and the British move came before there was any opportunity for a split. With their global position, the British were able to harness New Zealand's new set of interests, just as they had the old. New Zealand's subsequent step to enter the military planning agencies that kept watch on Indochina was a step that New Zealand made without much enthusiasm. For New Zealand, Indochina seemed a long distance away and the pro-Communist sentiment of much of the Indo-Chinese population seemed to argue against the success of military intervention. Nevertheless, the allied military planning groups and subsequently the SEATO, bought together both of New Zealand's major defence allies and did provide some guarantee that the spread of Communism would be halted in Asia. The move to initiate military intervention in Laos could not be accepted by New Zealand, as it combined distance and an unworthy beneficiary. New Zealand decided that in this case, the benefits of alliance did not justify an action that it felt uncertain of, and so it made the rare step of disagreeing with the US. New

Zealand was never entirely comfortable with intervention in Southeast Asia, but its relationship with its major allies was the key to its success.

The case of New Zealand's experience with regard to Laos was an example of an ally attempting to persuade New Zealand to do something that it did not consider was in its interests. In this case, SEATO at the behest of the US sought to gain approval from its members to initiate the process necessary to take military action against the insurgents in Laos. It is helpful to compare New Zealand's experiences in Laos and Malaya. On the surface, these two episodes had much in common. They were both campaigns by Western nations against Communist insurgencies in newly (or soon to be) independent countries. Communist propaganda portrayed both the UK and the US as neo-colonialist powers to the chagrin of the Americans. Yet the deployment to Malaya was clearly within the aims of New Zealand foreign policy and involvement in Laos was not. One of the critical factors was success on the battlefield. Many people in Southeast Asia lived in conditions of poverty and saw the programme of the Communist Party as a viable means of self-improvement. New Zealand viewed the slow progress of US military aid (and the French campaigns which had preceded them) as symptomatic of popular sympathy for the Communists that the US was attempting to defeat. As such, the New Zealand government believed that the "only real answer to Communism lies in raising standards of living, advancing education, and encouraging free labour organisations, efficient administration and democratic institutions".⁴⁸⁹ Military action alone would never overcome this sort of situation and if used, would only serve to support corrupt or incompetent governments. On the other hand, the UK had virtually defeated the guerrillas of the MCP by the time New Zealand forces became involved in 1955. Through a mixture of military campaigns against the MCP fighters, and political and economic reforms directed at their most likely supporters, the authorities were able to attack the insurgents and reduce their support networks at the same time. Another important difference between Malaya and Laos was their geographic location relative to New Zealand. Although New Zealand had been quick to enter

⁴⁸⁹ '396.1-MA/3-1258' in *Foreign Relations of the United States 1958-1960. Volume XVI. East Asia-Pacific Region; Cambodia; Laos*, John P. Glennon (Editor in Chief), Washington: US Government Printing Office, 1992, p. 314.

into the SEACDT, they were most concerned about the spread of Communism beyond Indochina and not so much about Indochina itself. New Zealand did not share the American strategic doctrine that Communism had to be stopped at this point. Some within the Labour Party in particular, viewed the situation in Indochina as a nationalist problem that would not spread anywhere else. Indochina was viewed as too far from New Zealand to make significant commitments to. Malaya on the other hand was viewed as a strategically important point for New Zealand defence. It was believed that this would be the last place where a stand could be made to stop an enemy advancing to Australasia. This is interesting because at the beginning of the decade, New Zealand had been willing to commit to a whole division as far away as Egypt. The difference was the ally with whom New Zealand was dealing with. New Zealand valued the presence of both the US and the UK in Southeast Asia as a bulwark against the Communist menace. The Americans had the capability and motivation to remain there regardless of New Zealand actions. The continued presence of the British was not as certain and so the New Zealand deployment there was a factor in keeping a British presence in Southeast Asia. The British were valued by New Zealand in terms of their physical forces, but also in terms of strategy. Often in SEATO debates, New Zealand and Britain would make common cause against American proposals. Finally, the still significant amount of trade that New Zealand was doing with the UK was a justification of the deployment to Malaya. In this regard, the deployment to Malaya meant two things. First, it meant that New Zealand was able to reduce the strain on British budgets by reducing the number of troops that the UK had to maintain in Malaya. By the mid 1950s, the British economy was clear of the immediate balance of payments problems that had troubled it in the early part of the decade, but it still had extensive overseas commitments that needed to be reduced. For New Zealand, any steps taken to help the British economy meant that they were assisting the market that took much of their exports. Second, it meant that New Zealand had leverage in its discussions with the UK on trade matters. In the latter half of the 1950s, New Zealand approached the UK to renegotiate the preferential terms that each received on their mutual trade under the terms of the Ottawa Agreement. New Zealand needed leverage as the value of the preferences that it received had fallen relative to British Preferences.

New Zealand defence alliances changed a great deal during the 1950s. These changes included the locations that New Zealand believed were strategically important for its own defence and main alliance partner with whom it anticipated fighting with. Most important were the changes in national interest that New Zealand wanted to protect. At the outset New Zealand identified with the Commonwealth, and its alliances reflected a desire to assist in the Commonwealth's defence. As the decade wore on, the strength of the Commonwealth began to decline and the risk of Communism in Southeast Asia grew. This caused New Zealand to reassess its goals to the point where it viewed itself more as an independent nation in the Pacific and less of a Commonwealth member. It formed new alliances with the Americans and continued alliances with the British reflected these changes. Much of the initiative for these new security arrangements came from New Zealand's allies. New Zealand made the final decision, but by that stage it had usually been subject to a considerable amount of persuasion by either or both of the US and UK. From the New Zealand perspective, this was not a problem as long as the decision stayed within its own definition of its national interests. In most cases during the 1950s that is what happened. It was only when the US sought to have New Zealand participation in military action in Laos did this system break down. In this case the New Zealand government, and Walter Nash in particular, decided that this was a step beyond New Zealand interests and so co-operation was declined. The thesis demonstrates that New Zealand was able to combine a flexible foreign policy towards its major allies with a grasp of its own national interests.

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