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THE WORLD BANK
Washington, D.C.

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McNamara Files

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Contacts with member countries: New Zealand - Correspondence 01

Folder 1.3

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WBG Archives**

NEW ZEALAND

NEW ZEALAND

1. 10/3/68 R.D. Muldoon, Minister of Finance
N.R. Davis, Secretary to the Treasury
N.V. Lough, Assistant Secretary to the Treasury
C.H. Terry, Counselor, Embassy

- 7/18/69 James M. Crawford, Mercantile Manager, Canterbury Farmers Cooperative
(Aspen - Association, Timaru
Eisen. Ex.)

2. 10/2/69 R.D. Muldoon, Minister of Finance
H.G. Lang, Secretary to the Treasury
Ambassador P. Frank Corner
J.W.P. Cook, Economic Counselor, Embassy

- 5/20-22/70 Representatives and Observers at the OECD Meeting:
(Paris) Paul Gabites, Ambassador to France
B. H. Brooks, 1st Secretary, Economic

3. 9/28/71 R.D. Muldoon, Minister of Finance
N.V. Lough, Deputy Secretary to the Treasury
S.A. McLeod, Assistant Secretary to the Treasury

- 12/3/71 (Meeting of the Consultative Group on International Agricultural Research)
E.A. Woodfield, Counsellor(Commercial), Embassy of New Zealand

4. 9/25/72 R. D. Muldoon, Deputy Prime Minister and Minister of Finance
H. G. Lang, Secretary to the Treasury
L. White, Ambassador to the U.S.
W. P. Cook, Counselor (Economic), New Zealand Embassy
R. L. Knight, Executive Director

5. 9/26/73 W. E. Rowling, Minister of Finance
(Nairobi) S. A. McLeod, Executive Director

6. 2/7-10/74 RMcN Notes (*Filed in RMcN office*)
(New Zealand)

7. " Meeting with Finance Minister and Cabinet Economic Committee
Mr. W. E. Rowling, Minister of Finance
Mr. H. J. Lang, Secretary of the Treasury
Mr. W. W. Freer, Minister of Trade and Industry
Mr. J. A. Walding, Minister of Overseas Trade

- " Meeting with Aid Officials
Mr. J. A. Walding, Minister of Overseas Trade
Mr. D. K. McDowell, Director, External Aid Division, Foreign Affairs
Mr. D. A. Smyth, International Financial Institutions, Treasury
Mr. M. Cameron, Director of Advisory Services, Ministry of Agriculture
Mr. L. V. Castle, Reader in Economics, Victoria University, Wellington

2/7-10/74

(New Zealand)

Also Met

Rt. Hon. Norman Kirk, The Prime Minister

At Lunch on February 8

W. E. Rowling, Minister of Finance

W. W. Free, Minister of Trade and Industry

J. A. Walding, Minister of Overseas Trade

H. G. Lang, Secretary to the Treasury

N. V. Lough, Deputy Secretary to the Treasury

A. R. Low, Governor of the Reserve Bank

R. L. Knight, Chief Cashier of the Reserve Bank

D. K. McDowell, Director, External Aid, Ministry of Foreign Aff.

M. Norrish, Deputy Secretary of Min of Foreign Affairs

Dr. A. T. Johns, Director General of Agriculture

B. H. Smith, General Manager of the Bank of NZ

Prof. R. Q. Quentin-Baxter, President of the Institute of
International Affairs

J. Belich, President of the United Nations Association

Prof. J. W. Rowe, Chairman of Volunteer Service Abroad

Mr. L. V. Castle, Reader in Economics, Victoria University

Prof. F. W. Holmes, Money and Finance Chair, Victoria Univ.

8. 6/9/79

R.D. Muldoon, Chairman, Bank/Fund Annual Meeting 1979

Mr. de Larosiere



Mr. McNamara - to see, please.
RBS 10/29

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Records

DATE: October 14, 1968

FROM: Jochen Kraske *JK***DECLASSIFIED****MAY 08 2013**SUBJECT: NEW ZEALAND: Meeting of Delegation with Mr. McNamara**WBG ARCHIVES**

The Minister of Finance, Mr. R.D. Muldoon, met Mr. McNamara on October 3. The Minister was accompanied by Messrs. N.R. Davis, Secretary to the Treasury, N.V. Lough, Assistant Secretary to the Treasury, C.H. Terry, Counselor from the Embassy, J.O. Stone, Executive Director and A.W. Young, Alternate Executive Director. Messrs. Knapp, Goodman and Kraske were present at the meeting.

1. Recent Economic Developments

Mr. McNamara asked the Minister of Finance about recent economic developments in New Zealand. He said he was very much concerned about the inefficiency of New Zealand's industry which had been the result of the high degree of protection. However, the discussions of the National Conference on development seemed to be encouraging. The Minister of Finance replied that his Government was most grateful for the Bank's assistance in evaluating the problems confronting the economy of New Zealand. He would feel however that the competitiveness of New Zealand's industry was perhaps somewhat underrated. Following the devaluation exports of manufacturing goods had substantially increased during the first half of 1968 which would seem to prove this point. Undoubtedly, there was still much to be done to bring the economy back on a sound footing and the Government was determined to take the necessary measures. Even though for political reasons the Government would have to move slowly, he was confident that the political climate was favorable to economic requirements.

2. IDA Membership

Mr. McNamara emphasized the importance of New Zealand joining IDA. He pointed out that New Zealand's membership was important not so much because of her capital subscription but because of the moral encouragement New Zealand could give the cause of development assistance by joining IDA at this particular time. Mr. Muldoon said he saw that IDA was being neglected by some of the more important Part I countries and he did not see why New Zealand should be called upon to save the situation. Mr. McNamara replied that this was hardly a proper argument and that on the contrary New Zealand's support was so important because of the problems encountered with other Part I countries.

Mr. Muldoon felt that even though the balance of payments on current account had improved somewhat, New Zealand was still not out of the woods. Wool prices are still extremely low and attempts to increase the exports of dairy products are frustrated by the high level of tariffs on agricultural imports in the potential export markets. In these circumstances, and in view of the commitments made to the ADB, New Zealand was unable to join IDA in the foreseeable future.

President has seen

3. Resumption of Bank Lending

The Minister referred to the statement made by Mr. Woods at the last Annual Meeting and enquired whether the Bank could now consider further lending to New Zealand. Mr. McNamara said that he had read the record of the meeting with Mr. Woods carefully and asked whether the Government had made any attempts to borrow from other sources. The Minister replied that he had been able to borrow some funds in Germany and that New Zealand was about to go back to the German market with another issue. However, this would appear to be the only source of capital at this time and was hardly sufficient to meet the substantial requirements of long-term capital over the next ten years, the period included in the perspective of the National Development Conference. Mr. McNamara said that he would take the same position as Mr. Woods; the Bank might be prepared to resume lending to New Zealand provided that he could be convinced that New Zealand was making every effort to obtain money from other sources. He mentioned for an example, the availability of capital in middle eastern countries and referred to the Bank's recent borrowings in these countries.

cc: Messrs. McNamara
Knapp
Cargill
Goodman
Street
Kochav

JKraske:vcm/pep
IBRD

Files

September 19, 1967

Gordon M. Street

New Zealand - Meeting with Delegation on September 13

The New Zealand delegation met with Mr. Woods on September 13 at 3:00 p.m.

Present for New Zealand were

The Hon. R.D. Muldoon
Mr. A.R. Low
Mr. M.R. Davis
Mr. M.W. Lough
Mr. J.O. Stone
Ambassador F.H. Corner

Present for the Bank were

Messrs. Woods, Knapp, Cargill, Goodman, Kochav, Street.

Topics discussed were

(1) Membership in IDA

The Minister stated that the Government had the very best intentions to join IDA and, in fact, the necessary legislative action had been taken but the present balance of payments difficulties ruled out further action at this time. He could not predict when New Zealand's external position would improve sufficiently to permit New Zealand to join IDA because the improvement, he believed, depended to a large extent on the acceptance of New Zealand's products in the world's markets. He went on to explain that New Zealand had joined the Asian Development Bank despite the unfavorable balance of payments situation because the amount involved is smaller and because of ADB's special regional character in New Zealand's part of the world.

Mr. Woods explained that any contribution would be welcomed, both from new members or increased contributions from old members, particularly as the replenishment now under consideration envisages the U.S. reducing the relative size of its participation. Mr. Woods, appreciative of the Minister's problems, agreed that it was for the Minister to decide when New Zealand could afford to join. He pointed out that IDA is interested now in commitments rather than cash and actual payment might be spread over New Zealand's fiscal years 1969-70 if New Zealand should decide to join.

(2) Release of 9% Bank Subscription

Mr. Woods pointed out that practically all the high-income level countries had released their capital subscriptions on a convertible basis and that in this respect New Zealand's position was exceptional. He suggested that New Zealand consider releasing its subscription in tranches over a five-year period. The Minister indicated that the present balance of payments difficulties precluded consideration of the matter for the present.

(3) Resumption of Bank Lending

In reply to the Minister's question as to whether New Zealand was still eligible for Bank loans, Mr. Woods noted that New Zealand was on a border line case. As it is not a poor country, an outright affirmative answer is impossible. However, he could not answer with an outright negative as New Zealand is in many respects a developing country. He explained that if New Zealand were not able to obtain money on reasonable terms from commercial markets to finance a reasonable development program, the Bank would consider lending to New Zealand, although at present time New Zealand does not have a high priority on the Bank's lending list. He emphasized that the Bank would have to be convinced that New Zealand was making every possible effort to obtain as much as possible from the capital markets and that it was making every effort to cut back its program. The Bank would keep an open mind and review the situation from time to time. In this connection it was agreed that the report of the recent mission to New Zealand would be reviewed to see whether a case could be made for Bank lending, but it would be difficult.

The Minister argued that, despite the most determined efforts to borrow in the capital markets of the world, the capital inflow was not sufficient for the country needs, particularly as, unlike other high-income countries, the import of private capital is very limited. He concluded by saying that he had no specific proposals for Bank loans at this time, but appreciated Mr. Woods' statement that further lending to New Zealand would be considered and that the Bank would keep an open mind in this matter.

cc: Mr. Woods,
Mr. Knapp,
Mr. Cargill/Mr. Goodman,
Mr. Kochav

2

OFFICE MEMORANDUM

TO: File

DATE: October 3, 1969

FROM: O. J. McDiarmid *ojm*SUBJECT: Mr. McNamara's Meeting with the New Zealand Delegation

Those present:

New Zealand: Mr. R.D. Muldoon, Minister of Finance
 Mr. H.G. Lang, Secretary to the Treasury
 Ambassador E. and P. Frank Corner, New Zealand Embassy
 Mr. John O. Stone, Executive Director
 Mr. A.W. Young, Alternate Executive Director
 Mr. J.W.P. Cook, Economic Counselor, New Zealand Embassy

Bank: Mr. McNamara
 Mr. Knapp
 Mr. Goodman
 Mr. McDiarmid

Mr. Muldoon opened the discussion by making the same points on the importance of the resumption of Bank lending to New Zealand's economic development program which he had made in our Departmental meeting on October 1. (A copy of the minutes of the Departmental meeting is attached). The Minister said that the program had been "sold" to all sectors of the economy at the National Development Conference in May, and the policies being followed were in line with the recommendations of the Kochav Mission. The capital requirement of \$30-\$50 million of lending from sources other than the private capital markets was supported by our 1969 economic report. He said that in the discussion that he had had with Mr. McNamara last year and the meetings between Mr. Woods and the New Zealand Delegations at the Annual Meetings of the previous years, there had been no indication from the Bank side that New Zealand was not eligible to borrow. In the course of the meeting, the Minister made this point several times. He contended that the high per capita income of New Zealand had never been mentioned as a bar to Bank lending.^{1/}

1/ Our records of these previous meetings tend to support Mr. Muldoon on this point, though Mr. Woods did say at the 1967 meeting that lending to New Zealand was rather low among the Bank's priorities. The points that were stressed at previous meetings were whether (a) New Zealand was undertaking a sound program aimed at restructuring its economy to escape from its difficult balance of payments situation; and (b) the private capital markets could provide adequately for the country's required net capital inflow. If the Bank were convinced on these two points, the resumption of Bank lending might be considered.

President has seen

Mr. McNamara said that he was rather surprised at this since it seemed quite obvious that the Bank did not lend to its more affluent members, mentioning the U.S. as an example.

Mr. McNamara said that we had three basic problems in resuming lending to New Zealand. These are: (1) the amount being asked, \$30-\$50 million per annum, would mean a range of \$10 to over \$15 per capita (New Zealand's population is about 2.8 million). The concessional element in Bank lending was now well over 20 percent so that the grant to New Zealand would be roughly \$3 per capita as compared with, e.g. 50 cents per capita in the case of India. (2) New Zealand's per capita GNP is now about \$1,650. Mr. McNamara referred to the issues that have been raised in connection with a loan to Ireland, a country of less than \$1,000 per capita. He also mentioned Spain, which has about half of New Zealand's per capita income. We are prepared to lend to Spain only to accomplish institutional reforms. We regard Spain as a marginal borrower. (3) New Zealand was given permission to borrow to refinance a £15 million maturity in the London market in the last quarter of 1968 and could have borrowed in Germany in July of 1969. She had not done so. Mr. McNamara said that although the reasons which prompted the Government to make these decisions might have been sound ones from its standpoint (the reasons given by New Zealand were market instability in the U.K. and the exchange risk in Germany), they made it very difficult for him to conclude that New Zealand was making full use of its creditworthiness in the private markets, a basic condition for Bank lending.

Mr. Muldoon did not attempt to argue the point about the concessional element in Bank lending. On the second point, he repeated that income level had not been cited before as a barrier. On the third point, he said that, while official permission had been received to borrow in London last November, he felt that the British authorities would prefer that New Zealand not enter the market at that particular juncture and New Zealand valued very highly continuing cooperation from the United Kingdom in connection with future refinancing operations as well as with the common market problem, etc. Mr. Stone recalled that at the time the London issue would have come up was precisely the period of acute sterling crisis involving the Basle arrangements to relieve the pressure on sterling. Apropos the German issue, the New Zealand Government did intend to float two issues a year in Germany of about DM 100 million each and they regarded the decision not to borrow in July as a postponement, not a planned reduction in their issues in the German market. Mr. McNamara said that he was not persuaded by these points, particularly since the Bank had made a large issue in the German market at precisely the time that the New Zealand Government had made its decision to postpone. The Bank had been willing to take the exchange risk.

A note on the concept of the concessional element in Bank loans is

Mr. Muldoon then addressed himself to the possible objections to New Zealand's borrowing from the Bank which might come from the U.S., Germany and other capital-supplying countries. He cited the protectionist policies in these countries which were reducing New Zealand's export earnings and felt that because of these policies they would be in a poor position to object to Bank lending. As for the U.S. Administration, he had discussed the matter with Deputy Under-Secretary of State for Economic Affairs Samuels, who had given him to understand that the U.S. was not prepared to say that they would oppose Bank lending to New Zealand but had rather given some indications in the opposite direction. He was prepared to talk to the Germans if Mr. McNamara thought it desirable. Referring back to the trade point, the Minister cited the recent action by New Zealand in reducing its quantitative import restrictions so that they now apply to 40 percent (previously 50 percent) of New Zealand's private sector imports. Mr. Knapp endeavored to clarify the eligibility point by mentioning that in the final analysis, creditworthiness and economic performance were the ultimate tests but that a country's income level and attitude towards private market borrowing clearly had to be taken into account by the Bank.

Mr. McNamara then reverted back to the amount and mentioned \$6 to \$10 million a year, asking what the New Zealand reaction would be to such a range of Bank lending. Mr. Muldoon said of course they would have no alternative but to accept. Mr. McNamara then queried the basis for their \$30-\$50 million range and wondered how firm their capital requirements estimate could be if they were now prepared to take \$6-\$10 million. The Bank would have to study the situation further to see what effect such a reduction in capital inflow would have on New Zealand's economic objectives. He asked Mr. Goodman if he had any reaction to this problem, and Mr. Goodman asked Mr. McDiarmid to comment. Mr. McDiarmid said that New Zealand's total net capital inflow requirement as estimated by the Bank mission was \$140 million per annum plus \$70 million per annum of debt repayment over the next five years. Of this total gross capital inflow of \$210 million, we had projected, perhaps optimistically, that the Government might raise \$80-\$90 million in the private capital markets and that about \$80 million might come in in the form of private foreign investment. Thus the amount being requested from the Bank was somewhat marginal being, say, 14 to 20 percent of gross requirements. If Bank lending were in the order of \$10 million rather than \$30 million per annum, this would mean a reduction in New Zealand's net capital inflow availability of roughly 14 percent. Mr. McNamara said that it was the effect of this marginal reduction that he wished to have analyzed.

In closing the discussion Mr. Muldoon said that he hoped that the Bank would not base its conclusion on the two decisions taken by his Government not to borrow in London and Germany at a particular time and under unusual circumstances. He referred to New Zealand's own aid program (which New Zealand authorities estimate at over one percent of GNP)

and to the fact that this is entirely grant-aid given on an untied basis. Reference was also made to Mr. McNamara's suggestion of last year that New Zealand might try the oil countries for loans, and Mr. Muldoon said that they had done this but did not elaborate.^{1/} The Minister expressed his willingness to remain on in Washington for a week or so if this would help in resolving the issue. Mr. McNamara indicated that further economic analysis was required to define the effect on the New Zealand program of the level of Bank lending which had been discussed.

Attachments.

cc: Messrs. Goodman/Fontein/Street
Kraske
Asanuma

OJMcDiarmid:ke

^{1/} The Kuwait Investment Board in London is now concentrating on short-term loans. I was told in Frankfurt that some oil money was being invested in German issues.

3

OFFICE MEMORANDUM

TO: Files

DATE: October 5, 1971

FROM: Bengt G. Sandberg

SUBJECT: NEW ZEALAND - Mr. McNamara's Meeting with Mr. Muldoon on September 28, 1971

Mr. McNamara met with Mr. Muldoon, Minister of Finance of New Zealand, on September 28. Mr. Muldoon was accompanied by Messrs. N.V. Lough, Deputy Principal Secretary; McLeod, Assistant Secretary, both from the Treasury; and Knight, Executive Director of the Bank. Sir Denis Rickett and Messrs. Goodman and Sandberg were also present.

In response to a question from Mr. McNamara, Mr. Muldoon said that New Zealand had now passed the peak of inflationary pressure. It was still too early to say whether the measures taken by the Government would be successful but the signs were good. The situation of over employment had eased and winter unemployment was higher than last year although still only about one-half of one percent of the labor force. Certain powerful key labor unions were due to start negotiations soon and the outcome of these negotiations would be crucial to the success of the stabilization program.

On the external side, the Minister felt that the situation was better than New Zealand could have expected. The current account was at present in slight surplus and the external reserves were at record levels. The U.K. agreement with the EEC was good except for butter prices, which would be frozen at present levels for the full adjustment period. The agreed volume of butter imports was adequate.

The diversification of New Zealand's economy and its exports was going rather well. Industrial exports were expanding, as were receipts from tourism and forestry exports. The Government was firmly committed to removing quantitative import controls over the next five years and to rely exclusively on tariffs thereafter. The idea was to unfreeze the economy and increase competition.

Despite this comfortable picture the Minister felt that the New Zealand economy was vulnerable. The terms of trade had been dropping rapidly and were now at depression levels. New Zealand was also slipping down the league table in terms of per capita GNP growth. In short it had to move fast in order to stay in the same place. The assistance extended by the Bank was particularly welcome in this situation.

Mr. McNamara after expressing appreciation for New Zealand's contribution to IDA enquired about the possibilities of full New Zealand membership. Mr. Muldoon said that the vulnerable position of New Zealand and uncertainties created by the falling terms of trade made the Government reluctant to undertake major new external capital commitments at least until the effects of U.K.'s entry into the EEC could make themselves felt. The need for New Zealand to pick up in full its share of previous replenishments was the greatest difficulty in this situation. Mr. McNamara pointed out that the impact of contributions to

President has seen

IDA was spread over a number of years in terms of actual drawdowns. He promised to provide the Minister with estimates of the probable impact on New Zealand and Mr. Muldoon said that he would consider New Zealand's position in the light of these. The present situation, he felt, was a little embarrassing for New Zealand, even though New Zealand did support ADB and provided assistance to its South Pacific neighbors. He for his part would like to see New Zealand as a full member of IDA.

Mr. Muldoon agreed with Mr. McNamara that the lending program was proceeding well. As far as the DFCNZ was concerned there were technical problems to iron out but it should not be impossible to solve them. Mr. McNamara expressed the hope that the loan would be "on the books" by the end of this year and asked Mr. Goodman to let him know if problems arose that might prevent this.

Cleared with & cc: Mr. Goodman
cc: Mr. McNamara (2)
Sir Denis Rickett
Mr. Knapp
Mr. Cope
Mr. Powell
Mr. Fontein
Mr. Street

BGSandberg:vmk

4

October 18, 1972

MEMORANDUM FOR THE RECORD

SUBJECT: NEW ZEALAND - Meeting with Delegation on September 25, 1972
4 p.m.

Mr. McNamara met with the New Zealand delegation on September 25, 1972 at 4 p.m. Present were:

For the New Zealanders:

Mr. R.D. Muldoon, Deputy Prime Minister and Minister of Finance
Mr. H.G. Lang, Secretary to the Treasury
Mr. L. White, Ambassador to the U.S.
Mr. W.P. Cook, Counselor (Economic), New Zealand Embassy
Mr. R.L. Knight, Executive Director

For the Bank

Sir Denis Rickett
Mr. Goodman
Mr. Sandberg

Mr. Muldoon said that his Government now had inflation under reasonable control; the rate was down to about four percent per year. Unemployment was running at about one percent of the labor force and the foreign exchange reserves were at their highest level ever. The drive to diversify exports was going quite well and exports of manufacturers had quintupled over the last five years. However, New Zealand still had a long way to go before such exports could replace any substantial part of its agricultural exports. As far as the latter were concerned, New Zealand was selling all it was producing at reasonably good prices. With respect to the effect of Britain's entry into the EEC the Minister felt that it would take fully two years before these could be adequately determined. Much would depend on the content of the common agricultural policy. For the moment the Government was still in a state of mild apprehension.

Mr. Muldoon agreed with Mr. McNamara's observation that there were signs of change in Europe both as far as agricultural production and policy was concerned. Over a generation or so it seemed likely that many products would no longer be produced in Europe, the number of farmers would decline drastically and the political reasons for present agricultural policies would disappear.

Mr. McNamara noted that the Third Replenishment of IDA had been completed on the previous Friday at 6 p.m., 15 months late. Only 21 months remained which was exactly the time that had originally been allowed for the

President has seen

negotiations of the Third Replenishment. There was, therefore, not a day to lose in starting to think about the Fourth Replenishment. The timetable he had in mind would include appointment of deputies before the end of the year to discuss the many problems involved. It would be of great help if the number of members of IDA could be increased and Mr. McNamara, therefore, hoped that New Zealand would consider joining IDA this time.

Mr. Muldoon said that as far as New Zealand was concerned the period was too short. There were elections coming up and nothing much would be done in New Zealand before the end of the year. Then there were all the problems that he had mentioned in previous years, particularly those connected with Britain's entry into the Common Market and the unsettled international monetary situation, which made it difficult for his Government to make long-term commitments. In these circumstances, New Zealand had to follow policies of extreme restraint in order to build up its reserves. Nevertheless New Zealand gave full support to the ADB because it felt that it had a special responsibility in Asia.

Mr. McNamara said he did not envisage that many hard and fast decisions would be taken by the end of the year. He had only suggested that the discussion of the issues had to start soon. Mr. McNamara also pointed out that the balance of payments effects of participation in the Fourth Replenishment would be greatly delayed and would, in fact, hardly be noticed. He thought that membership in IDA was in the interest of both IDA and New Zealand and appealed to Mr. Muldoon to help in the very difficult negotiations and promised to arrange the timetable to make it as easy as possible for New Zealand to participate.

Mr. Muldoon reiterated that New Zealand wanted to do its share but there were serious difficulties. The New Zealand Government would, of course, consider the proposal.

In conclusion Mr. Muldoon invited Mr. McNamara to visit New Zealand at a suitable time.


Bengt G. Sandberg

P.S. Following the meeting Mr. McNamara indicated to Mr. Goodman that he would be reluctant to present another loan for New Zealand to the Executive Directors unless New Zealand joined IDA. However, he did not want these two matters to be linked explicitly.

cc: Messrs. McNamara
Knapp
Ljungh

cc: Messrs. Cargill
Goodman
Sir Denis Rickett

5.

MEMORANDUM FOR THE RECORD

NEW ZEALAND - Discussions with Part I Countries

The New Zealand Minister of Finance, Mr. Rowling, called on Mr. McNamara on Wednesday, September 26, at 3 p.m. He was accompanied by Mr. McLeod, Executive Director for New Zealand. I was also present.

Mr. McNamara thanked the Minister for the contribution which New Zealand proposed to make to the Fourth Replenishment of IDA as a Part I country.

Mr. Rowling said that this was in line with New Zealand aid policy which was to raise their Official Development Assistance to 0.7% of GNP by 1975-76. New Zealand aid had for some time past been at a low level. The Prime Minister was fully convinced of the need for an increase.

Mr. McNamara thought that in time Official Development Assistance would improve and some of the bigger nations who lagged behind would begin to feel isolated.

Mr. Rowling said that for New Zealand to pass from being a borrower to being a lender was a substantial change. Some concern had been expressed in the Bank at the decision of the new government not to proceed with some of the loans which had been negotiated. Mr. McNamara said that he had never been very anxious to make them. He asked what the impact had been on New Zealand of UK membership in the Common Market. Mr. Rowling said that the effect had been masked by the boom in commodity prices. New Zealand exports of dairy products depended largely on the British market but loss of part of their market there had been offset by improved sales of meat and wool. Wool prices were dangerously high, particularly for cross-bred wool which New Zealand exported. There might have been some on-selling of New Zealand wool to China from Japan. The price had risen 150% in the last 18 months and farm incomes were high. New Zealand meat was being sold on a large scale in Japan and Latin America. The New Zealand livestock industry was prosperous and they were giving technical assistance to African countries such as Tanzania.

Mr. McNamara thought this was the right trend. It seemed to him that world meat consumption was bound to go up in the future. Mr. Rowling thought that New Zealand meat consumption of sheep meat (i.e. lamb) per head was as high as anywhere in the world.

President has seen

Exports had been doing very well to the Middle Eastern and Mediterranean countries. Greece, for example, was one of their best customers.



D. H. F. Rickett
Vice President

September 28, 1973



VISIT TO NEW ZEALAND
OF
MR ROBERT McNAMARA
PRESIDENT OF THE WORLD BANK,
AND
MRS McNAMARA

1974

Thursday,
7 February

10.40p.m. Mr Robert McNamara, Mrs McNamara and accompanying officials arrive at Auckland International Airport by Air New Zealand Flight TE547 from Nandi.

Met by -

Hon. Dr A.M. Finlay, Q.C.

11.00p.m. Leave by car

11.30p.m. Arrive Hotel Inter-Continental

Stay Hotel INTER-CONTINENTAL

Friday,
8 February

AUCKLAND - WELLINGTON

7.10 a.m. Leave by car

7.40 a.m. Arrive Auckland International Airport

8.00 a.m. Leave by NAC Flight 443

9.00 a.m. Arrive Wellington International Airport

Met by -

Mr H.G. Lang - Secretary to the Treasury

9.15 a.m. Leave by car

9.35 a.m. Arrive James Cook Hotel

Stay JAMES COOK HOTEL

10.20 a.m. Leave by car

9:35 hr James Cook Hotel
 Friday, 12:40 hr
8 February (cont'd)

- 10.25 a.m. Arrive Parliament Buildings
- 10.30 a.m. Call on Hon.W.E. Rowling, Minister of Finance
- 11.00 a.m. Mr Robert McNamara has discussions with the Cabinet Economic Committee
- 12.00 noon Leave by car
- 12.05 p.m. Arrive James Cook Hotel
- 12.40 p.m. Leave by car
- 12.45 p.m. Mr Robert McNamara and accompanying officials are guests of honour at a luncheon given for
- 1.00 p.m. by Hon. W.E. Rowling in the Josephine Room, First Floor, Hotel Waterloo.
- 2.30 p.m. Leave by car
- 2.35 p.m. Arrive James Cook Hotel
- 3.00 - 4.00 p.m. Meeting with Aid Officials - Chart Room - James Cook Hotel
- 4.25 p.m. Leave by car
- 4.30 p.m. Mr Robert McNamara addresses a joint meeting of the New Zealand Association of Economics and the New Zealand Institute of International Affairs in the Conference Room, Wool House, Featherston Street.
- 5.30 p.m. News Media Conference in the Wool Board Boardroom
- 6.15 p.m. Leave by car
- 6.20 p.m. Arrive James Cook Hotel

WELLINGTON - AUCKLAND

- 7.55 p.m. Leave by car
- 8.15 p.m. Arrive Wellington International Airport
- 8.35 p.m. Leave by NAC Flight 470
- 9.35 p.m. Arrive Auckland International Airport

Friday,
8 February (cont'd)

9.45 p.m. Leave by car
10.15 p.m. Arrive Hotel Inter-Continental
Stay HOTEL INTER-CONTINENTAL

Saturday,
9 February

AUCKLAND - HAMILTON - WAIRAKEI - ROTORUA

9.30 a.m. Mr Robert McNamara has discussions with the Prime Minister, Rt. Hon. Norman Kirk in the Hotel Inter-Continental
10.30 a.m. Leave by car
12.00 noon Arrive Hamilton
12.30 p.m. Lunch at DB Glenview
2.00 p.m. Leave by car, en route visiting Mr C. Ker's farm at Te Kowhai
4.30 p.m. Arrive Wairakei
Visit Geothermal Fields Developed and Investigation Areas
5.30 p.m. Leave by car
6.30 p.m. Arrive Rotorua
Stay D.B. ROTORUA HOTEL
~~7.00 p.m. Interview with NZBC~~
Dine at Hotel
Evening Free from official engagements.

Sunday,
10 February

ROTORUA - AUCKLAND

8.00 a.m. Visit Maori Arts & Crafts Centre
8.45 a.m. Leave by car
12.00 noon Arrive DB Mangere
Lunch at Hotel
1.30 p.m. Leave by car
1.45 p.m. Arrive Auckland International Airport
2.30 p.m. Leave by Air New Zealand Flight TE365 for Sydney.



MEMORANDUM FOR THE RECORD

New Zealand: Meeting with Finance Minister and Cabinet Economic Committee, February 8, 1974

Present: Messrs. W.E. Rowling, Minister of Finance, H.J. Lang, Secretary of Treasury, and later, Ministers Freer, Walding, and Connelly, Mr. McNamara Mr. W. Clark

Mr. Rowling expressed concern at the IDA vote. Mr. McNamara analyzed the causes and outlined plans for U.S. legislation.

On the energy situation, Mr. McNamara said that the impact on balance of payments of LDCs may be \$10 billion in 1974 and \$1 billion for India alone. Oil producers have given little thought to the problem and are focusing on bilateral and regional schemes. Mr. McNamara outlined his communications with Arab countries, Mr. Benjenk's trips and the offers of assistance made by the Bank. He said he would be going to Egypt to discuss reconstruction.

Minister Rowling had not given much thought to necessary action but strongly supported the leadership of the Bank and the IMF. Minister Rowling asked about the possibility of collusion on other commodities. Mr. McNamara said that, economically, it would not seem possible or justified. Politically, it may be.

Enter the Cabinet Economic Committee.

Mr. McNamara said he was in New Zealand to receive guidance as to how the Bank can be more effective.

Minister Rowling asked about the Bank's rural sector emphasis. Mr. McNamara said New Zealand can help technically and financially as he had seen in Fiji and madagascar. He responded favorably to the suggestion by Minister Freer for projects with New Zealand technical assistance and Bank financing. He emphasized, however, the need for more multilaterally directed funds.

The discussion went on to the subjects of the likelihood of Arab assistance to LDCs and the merits of multilateral aid, particularly that of the Bank. Mr. McNamara emphasized the advantages of multilateral institutions and the technical quality of the Bank.

AL
March 1, 1974

President has seen

MEMORANDUM FOR THE RECORD

New Zealand: Meeting with Aid Officials, February 8, 1974

Present: Messrs. McNamara, Walding, Minister of Overseas Trade, McDowell, Director, External Aid Division, Ministry of Foreign Affairs, Smyth, International Financial Institutions Division, The Treasury, Cameron, Director of Advisory Services, Ministry of Agriculture and Fisheries, Castle and Bealy

Topics discussed were:

1. Merits of multilateral versus bilateral aid.
2. Participation of New Zealand in Bank projects. Mr. McNamara invited New Zealand to cooperate with the Bank as are the Nordic countries, Kuwait, etc. Specifically, New Zealand can give technical assistance and joint financing in agricultural projects where it possesses expertise. He strongly supported New Zealand's participation in the CGIAR, particularly in livestock.
3. Strategies for rural education.
4. Specific measures to increase small-farmer productivity.
5. Bank activities in the Pacific region. Mr. McNamara said that the Bank would not be able to do very small projects in very small countries. Here it would rely on bilateral aid and regional institutions. However, it would be possible for the Bank to finance regional projects or larger programs for the Pacific area.

At the end of the meeting, Minister Walding asked that someone from the Bank stop in Wellington to discuss cooperation, particularly under (2) above. He ~~ske~~ asked that we write him in advance.

AL
March 4, 1974

President has seen

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