

New Yalta in the South Pacific: the case of New Zealand

by Allen Douglas

On Aug. 25, the Soviet Union's top "Asia hand," Deputy Foreign Minister Mikhail Kapitsa, opened a several-day visit to New Zealand by stating that the Soviets are now prepared to sign formal protocols for a "nuclear-free Pacific" with New Zealand and other South Pacific nations. Kapitsa's statement and high-profile visit came on the heels of the earlier announcement by U.S. Secretary of State George Shultz in San Francisco on Aug. 11, that the ANZUS mutual defense pact among Australia, New Zealand, and the United States in effect since 1951, no longer holds, and that New Zealand, in particular, is now "outside the U.S. security umbrella."

Kapitsa is deployed by the Soviet military high command to prepare the Asian theater for the Soviets' global showdown with the West, the context for his New Zealand visit. Together with Australia, for which New Zealand is the "back door," the country sits astride the naval choke points from the Persian Gulf/Indian Ocean to the Pacific. It is also a potential staging area to monitor the United States's most crucial SDI testing facility, Kwajalein Atoll in Micronesia, and the three crucial U.S.-Australian joint base facilities in Australia.

The Kapitsa announcement is the outcome of a policy of systematic sabotage of the ANZUS alliance, pursued by the Socialist International's New Zealand Labor Party under Prime Minister David Lange, beginning with Lange's announcement in early 1985 that U.S. nuclear-armed ships would not be allowed in New Zealand's harbors. This was escalated through the New Zealand Labor government's proposal of the Soviet-designed "nuclear free zone" concept at meetings of the 14-nation South Pacific Forum.

However, the situation at present has deteriorated far beyond "neutrality," toward an emerging role for New Zealand as a staging base for Soviet operations in the Pacific. Not only does the Soviet Union have agents of influence at the highest levels in the New Zealand government, but the evidence is emerging that the Soviets themselves had a role in the election which ended the previous National Party government of Sir Robert Muldoon and brought in the Labor Party, led by a one-time lawyer for the Moscow-funded Socialist Unity Party, David Lange.

Gordon Dryden

In 1970, New Zealand citizen and long-time agent of the Third Department of the KGB's Foreign Division, Gordon

Dryden, stationed in Moscow under cover as a representative of the New Zealand Meat Marketing Board, was put through a special course in mass communications by the KGB. He was then sent back to New Zealand to set up a pro-Soviet network in the New Zealand media, a network which for the past 15 years has increasingly dominated that media. Referred to by intelligence specialists as "the Gordon Dryden network," this circle also reaches into the current government. Looking at KGB agent Dryden, much of the evil besetting both New Zealand and ANZUS in the past few years, comes clearly into view.

After an earlier career as a Labor Party activist, Dryden joined the New Zealand Communist Party, served from 1953 to 1956 as the editor of the CP's paper, *The People's Voice*, and then rejoined the Labor Party in 1957, as a "public relations consultant" to the Labor leadership. According to evidence in more than one nation's intelligence files, Dryden's personal case officer for most of his career has been the notorious KGB agent, Vitali Yevgennevich Lui, a.k.a. Viktor Louis, a leading KGB strategist for Asia, and top official for the KGB Foreign Division's Third Department (covering the U.K., Scandinavia, Australia, and New Zealand). He began his own career as an informer in the New Zealand embassy in Moscow. Louis's specialty of *dezinformatsiya* is reflected in his protégé, Dryden.

After his 1970 Moscow courses, Dryden's first New Zealand media venture was the Independent Television Corp., financed by several apparently conservative "captains of industry": Sir James Fletcher, the father of Hugh Fletcher, co-chairman of New Zealand's multi-billion dollar Fletcher Challenge company; Sir James Doig, chairman of UEB, a paper company; Sir James Wattie of Watties Industries, processed food; and most importantly, Sir Ron Trotter, now co-director of Fletcher Challenge, and an adviser to the Lange government.

In 1972, the Labor Government, under anti-communist Prime Minister Norman Kirk, pulled Dryden's license, but he hosted talk shows throughout the 1970s, and by 1978 he was granted a license for Radio Pacific, a pro-Soviet conduit through which he ran several disinformation operations. The most notorious of his 1970s operations was an interview with an alleged deserter from the Vietnam War. The "deserter" claimed to have seen American troops massacring peaceful

villagers in Vietnam, which Americans were allegedly then fired on by outraged New Zealand troops. This caused such a furor that New Zealand pulled its battalion out of Vietnam. Only later did it emerge that there was no “deserter,” and no massacre—Dryden made it all up.

Dryden’s media network

The following are some of the more prominent members of the KGB’s “Gordon Dryden network” active in New Zealand’s media:

Gordon McLauchlan: number-two at Radio Pacific under Dryden, McLauchlan now hosts the nation’s most prominent televised current-affairs program, the “Weekend” program.

David Beatson: number-three at Radio Pacific, Beatson is now editor of *The Listener*, New Zealand’s largest circulation magazine (300,000 of a total population of 3.2 million).

Bruce Slane a.k.a. Bruce Christopher: Slane is Chairman of New Zealand’s Broadcasting Tribunal, which determines who gets, and who does not get, a license. Because of his quasi-judicial post, Slane tries to appear “straight,” belied by a series of left-wing articles he penned for the *Auckland Star* under the name Bruce Christopher. It was Slane who gave Dryden his Radio Pacific license.

Don Milne: Milne has been the deputy editor, *de facto* editor, for six to seven years of New Zealand’s largest newspaper, the *New Zealand Herald*.

The Dryden network has spent the last 15 years preparing the population of New Zealand for the sorts of “deals” which Mikhail Kapitsa is now offering. And where has New Zealand’s Secret Intelligence Service (SIS) been during all this? The answer was revealed recently in an Australian court case, when the British government admitted that British spymaster Sir Roger Hollis functioned as a KGB “double” throughout his career. It was Hollis, who, in 1957, set up New Zealand’s SIS.

Bob Jones, Soviet agent of influence

The destruction of the ANZUS Alliance, the creation of a nuclear-free zone in the South Pacific, and the dramatic Soviet advances in the area overall, would have been impossible without the election of New Zealand’s Labor Party in 1984. This election in turn was secured by two men: one, a real-estate speculator, boxing promoter, and get-rich-quick propagandist named Bob Jones, and the second, Jones’ collaborator, the KGB’s Gordon Dryden.

Formerly a supporter of the National Party and its leader, pre-1984 Prime Minister Sir Robert Muldoon, Jones split from the National Party and put up \$1 million of his own money to found the radical free-enterprise New Zealand Party. Capitalizing on increasing problems in New Zealand’s economy after the 1973 oil embargo, the New Zealand Party polled some 12% of the vote in the 1984 national elections,

mostly drawn, as expected, from the National Party. This ensured the election of Lange and Labor. As Jones himself put it, “I mean we won them [Labor] the election last time. We split the bloody votes and we handed them a whole heap of seats.”

For most of the New Zealand Party’s effective life-span, a year or so, the *de facto* second-in-command, as well as the reported author of most of its platform, was none other than Gordon Dryden. Within two months of the election, Jones himself popped up as an official patron of the New Zealand-U.S.S.R. Friendship Society, a position he maintains to this day. He enraged his New Zealand Party followers by proposing to disband the Party immediately after the election, its job, in his mind at least, having been successfully completed.

Though less well-known than the radical “free-enterprise” deregulation aspects of its platform, the New Zealand Party reflected the pro-Soviet leanings of Jones and Dryden, in the following platform proposals: 1) that the ANZUS Pact be scrapped, 2) that marijuana be legalized (the Soviets today command major portions of the world’s \$500 billion narcotics traffic, a major source of funds for their terrorist operations), and 3) that New Zealand’s defense forces be cut by 90%.

As described by the *New Zealand Herald* in a March 31, 1984 article, “Red Paper Day for New Zealand Party,” the Soviets could not contain their glee at the Jones-Dryden creation: “The Soviet Union Communist Party newspaper has published two half-page articles about the New Zealand Party. Mr. Robert Jones . . . said that a few weeks ago he met a bloke from *Pravda* and representatives from the Soviet Embassy in Wellington. . . . ‘I had a few entertaining hours with the Embassy and *Pravda* staff. They endorsed everything we were saying. . . .’ Mr. Jones said he told them the New Zealand Party was the only party of peace in this country and would hope to change any hatred toward the Soviet Union.”

More recently, Jones commented on the final demise of ANZUS, “I am very happy. . . . But you have these older people who tend to be right-wing and conservative, particularly those people who fought in the war; they think in fairly right-wing and militaristic terms and are convinced the Russians are coming. . . . It’s a laughable proposition, the suggestion of the Soviet Union having aspirations in the South Pacific. Quite frankly, it’s viewed as a laughable proposition them having aspirations anywhere.” This outlook fits another of Jones’ beliefs: “I do believe each to his own. I believe people should be free to commit suicide and so on.”

The destruction of New Zealand’s economy

Though Jones formed his party for the sole purpose of bringing in Labor, he was dead serious in his economic philosophy. The apparent contradiction of the Labor Party’s adoption of Jones’ “right-wing” deregulatory program is easily explained: When most of the independent farmers and

manufacturers have been bankrupted by Labor's programs, the cartelized control over New Zealand's economy will be in the hands of Labor fellow-travellers such as Jones and Sir Ron Trotter of Fletcher Challenge.

Jones' KGB crony Gordon Dryden spelled out how this is proceeding, in a letter to the *Auckland Star*, April 16, 1984: "You misrepresented an important speech by New Zealand Party leader Bob Jones. In fairness, what he said . . . was 'Our most successful and fastest growing corporations are those that for all their rationalizing justifications, are engaged in commercial pirating, in the simple acquisition of other companies, of asset stripping, and asset accumulation. I am chairman of just such a company, which on an initial \$10 million capital base a mere 18 months ago, has already acquired a net \$35 million in assets. I am a close personal friend of the so-called king of takeovers, Ron Brierley, and also of many others, such as Bruce Judge . . . and various other sharebrokers who are all succeeding in this grossly distorted investment climate. And I am speaking for them all when I say, that this is not the way we would wish things to be. . . . We would all much prefer a healthy, rational economy, in a mercenary sense."

As usual, Jones was lying. Throughout his campaign, he propagandized for precisely this sort of "grossly distorted investment climate," through the total deregulation of New Zealand's economy, the lifting of interest rates, the float of the New Zealand dollar, and the stripping of production incentives in agriculture or manufacturing, in favor of the hot-money speculative takeovers he described above. Perhaps it was not accidental that Labor Finance Minister Roger Douglas, who wrote a book in 1980 calling for this sort of radical deregulation, entitled it, *There Has To Be A Better Way*. Not only are Jones-crony Dryden and Douglas personal friends—"they club together, they are both from South Auckland," as one New Zealand source put it—but the name of Douglas' book is the personal trademark, the constant refrain with which Dryden used to end all his pro-Soviet radio broadcasts: "There has to be a better way."

The Dryden-Douglas "better way" has resulted in the following: 1) interest rates, kept down by the Muldoon government to 8% for first mortgages, and 11% for other borrowing, reached over 20% before falling back slightly, and for hire-purchase (buying on time) of consumer durables and farm equipment, are presently at 27%, down from a high of 32%; 2) the tax system has been radically overhauled, with a marked bias against producers; 3) all dirigist forms of encouragement of industry and agriculture, which had helped make tiny New Zealand a world power in agriculture products, with the highest living standard in the world, and more recently had begun to result in a flourishing manufacturing sector, have been stripped away. This includes export subsidies, protective tariffs, etc.; financial sector, removal of exchange controls, granting New Zealand companies rights to borrow "offshore," etc.

The net result is that the productive sector is getting slaughtered, while the growth industries are corporate raiding, asset stripping, stock speculation (the stock index almost doubled in the last 12 months), and the burgeoning paper-shuffling "financial services" firms feeding off Hong Kong and other hot money. Over the coming year, it is estimated as many as 15,000-20,000 of New Zealand's 65,000 farmers, who produce 60% of the export earnings of the country, will be forced off the land altogether, or into some form of tenant-style farming.

The Trust in the South Pacific

The businessmen backing Dryden, Lange, Douglas et al. have a very specific pedigree, one which predates the Bolshevik Revolution. Already then, certain financial circles in the West sponsored "socialists" as a battering ram against the sovereign nation states and cultural heritage of Western civilization, to which values they were philosophically opposed. These Western circles, such as the Harrimans, the Morgans, and the Round Table circles of Lord Milner in Britain, who not only financed the Bolsheviks originally, but later made fortunes in joint partnership with the Soviets at the expense of their own countries, became known as "the Trust."

It is the Trust which is now negotiating the New Yalta deal to the advantage of the Soviets, and Dryden-funder and Soviet business-partner, Sir Ron Trotter of New Zealand's second-largest corporation, Fletcher Challenge, which produces 10% of New Zealand's export earnings and employs over 22,000 people, is precisely such an agent of the Trust.

Appointed by Prime Minister Lange to head the Business Industrial Roundtable, Trotter is a fanatical exponent of the Dryden-Jones policies now being implemented by Finance Minister Douglas. His support is not surprising. While interest rates of 20% to 30% are bankrupting honest entrepreneurs, Trotter's Fletcher Challenge simply goes offshore to borrow what it needs, for instance, for Hong Kong, a financial center built entirely on its role as the world's central laundromat for drug money (see the bestseller, *Dope, Inc.*). With the borrowed hot money, Trotter can leverage his holdings into takeovers, etc., while closing down actual productive industry, such as the 1,500-person Tasman Pulp and Paper Mill in Kawerau he will be shutting on Sept. 4. Curiously, Trotter's first major takeover was Crown Zellerbach of Canada, a company under investigation by U.S. Customs officials in the late 1970s for possible involvement in the narcotics trade.

Meanwhile, back at home, two of Fletcher Challenge's subsidiaries, Wrightson NMA and Dalgety Crown, hold a monopoly in the "stock and station" field—the sales and hire-purchase agreements for the equipment, seed, etc. needed by New Zealand's farmers. Wrightson and Dalgety not only hold chattel mortgages—titles to equipment sold at loan-shark rates of 28-32%—but hold the largest number of mortgages on farmland itself.

While some argue that Fletcher Challenge would not

want to purposely bankrupt the farmers whose mortgages they hold, the situation looks entirely different if Trotter has a buyer to whom he can unload the mortgages. And he does. Under the Lange government, the state-owned Rural Bank has recently begun a major expansion program to buy up mortgages, which should warm the hearts not only of Trotter, but of the Soviets as well. As pro-Marxist Justice Minister Geoffrey Palmer, a supporter of the Soviets' terrorist ANC in South Africa, reportedly stated on radio on New Zealand's Waitangi Day last year, "There is no place in New Zealand for the private ownership of land." Palmer, later questioned about this outrageous statement, allegedly threatened that "there would be trouble" were his remarks to be publicly quoted.

But Fletcher Challenge is not only active in agriculture. In 1985, a cocktail party was held in Wellington. Leading figures from the Soviet embassy and from the Soviets' extensive deepsea fishing fleet active off New Zealand, clinked their glasses with executives of Fletcher Challenge, to toast the sixth year of a very profitable partnership. Under the terms of the joint ventures begun in 1979, Fletcher Challenge, which does not have its own fleet, in effect hires Soviet ships to fish in the deep waters off New Zealand.

But from all evidence, fish was by no means the only, or perhaps even the major, catch the Soviets were after. A leading figure in New Zealand's fishing industry noted that, in general, New Zealanders had a preference for joint ventures with the Japanese, not only "because the Russians are reluctant to offer ships for charter," but also because "the Russians are bloody useless fishermen. They're the worst in the world. Their figures here are an absolute joke. They're ridiculous. A proper commercial operation would not survive on their ability to catch fish."

Asked if something else were going on, for example, espionage, which might help explain the terrible figures, the source replied, "Well, when you see ships with a crew of 80, where a corresponding Kiwi [New Zealand] ship or Japanese ship would have 35, and where you have this 80, this might include 12 radio operators. . . . They did have down here at one time a maintenance vessel, which was a maintenance type support vessel. We looked it up in *Jane's [Fighting Ships]* and in fact it was listed as a submarine support vessel!" The Soviets recently requested permission to build a dock in the port of Nelson to service their "fishing fleet," and then maybe an air strip to fly in and out the spare crews of their "fishing fleets." For the moment, the project has been turned down, perhaps a little too bold even for Lange.

Meanwhile, to the extent the Soviets are actually fishing, they are granted fuel subsidies and other "incentives" by the Labor government, which favors their fishing at the expense of local fishermen. As in the case of the farmers, it will soon be financially more advantageous for the fisherman to work for the state fishing fleet than to have his own business.

Though Fletcher may be the most egregious in terms of

its ties to the Soviets, it is by no means the only asset stripper or speculative operator in town. One of the others whom Jones bragged about as his close friend was Ron Brierley of Brierley Investments, a "financial services" speculative paper empire. Brierley has just been appointed a director of the Bank of New Zealand, sitting next to another Labor appointee, the communist labor-leader Rob Campbell.

Jones himself now runs the 19th-largest company in New Zealand, Robert Jones Investments, with operations in Australia, Canada, the United States, and elsewhere. His rags-to-riches tale began when the Australian Mutual Provident insurance company just happened to need a building that Jones just happened to own. From a net worth in the tens of thousands of dollars, Jones was catapulted overnight into the millions, and his career ever since has been richly lubricated by borrowings from the insurance companies, the major commercial property owners in New Zealand.

Curiously, AMP, whose board is interlocked with Fletcher Challenge, happens to be the chief shareholder in the *New Zealand Herald*, whose *de facto* editor is Dryden network member Don Milne. When asked about the relations between Trotter, Brierley, and Jones, and who else they might be tied to, one New Zealand financial insider stated, "Well, being such a small place . . . the business is so interrelated in New Zealand. They have these interlocking directorships. There's probably 150 people, maybe, who basically run the country, anything that really matters. I know some guys that would be on maybe 20 boards. You wonder how the hell they can do the job well for any of them. But a lot of it's just cementing relationships between companies."

Asked if the other 147 or so individuals would be united in support for Lange as Jones, Trotter, Brierley, etc., are, he commented, "As far as the business community goes, Lange is basically irrelevant. Roger Douglas is running the place. Make no mistake about that. He is doing anything in this country that has any real meaning. . . . Lange's more of a sideshow. He keeps the rabble amused, while Douglas, Preble [associate finance minister], and Caygil [minister of trade and industry] get on with actually running the place." In addition to Douglas, friend of KGB agent Dryden, and to Preble, another leftist, he could have added Mike Moore, the minister of overseas trade, an early supporter of the communist youth movement in Christchurch, or maybe another Douglas assistant, Trevor DeCleene, a close friend of Bob Jones.

But fortunately, it looks as if Lange, Douglas, and their gang of fellow travellers may be in for some rough sailing. A high-level committee of inquiry on defense, headed by a former secretary of foreign affairs, Frank Corner, has just released a report strongly critical of Lange's sabotage of the ANZUS alliance. The committee's findings, that a majority of New Zealanders have no wish to be "neutral" or "non-aligned," are bolstered by recent polls showing a solid majority of New Zealanders to be pro-ANZUS.