

# **The Price of Collective Security: State-sponsored Anti-communism in New Zealand during the Cold War.**

**Dr Aaron Fox  
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'The people of our countries must realize that if we are to retain our high standards of living, then we must give up something to make sure that the remainder will remain secure',

Prime Minister Sidney G. Holland, 6 February 1951<sup>1</sup>

## **Introduction**

A remarkable feature of New Zealand's Cold War experience was the alacrity with which the government responded to the collective fear amongst western democracies after 1945 of the international threat posed by the growth of Soviet influence, and the more invidious threat of domestic communist infiltration and subversion. Government responses to threats both real and imagined posed by 'communists' – generally, members of the New Zealand Communist Party and communist sympathisers – were implacable rather than hysterical. New Zealand was remarkably free of the public inquiries into domestic espionage, such as those held in Canada in 1946, or Australia in 1954, public trials of Soviet spies such as those held in the United Kingdom and the United States from 1946, or the anti-communist show trials orchestrated by American Senator Joseph McCarthy between 1950 and 1954. It is wrong, nonetheless, to assume that anti-communism did not manifest itself in New Zealand during the Cold War. Instead, institutional anti-communist paranoia after 1945 evolved from tolerance, through confrontation, to the officially-sanctioned purging of the Public Service (particularly the diplomatic service and defence science agencies) and active counter-espionage (the identification and neutralisation of spies and traitors).

The price which New Zealand was required to pay in order to retain its international security clearance, and thereby remain an effective member of the western liberal-democratic capitalist alliance, was the inevitable victimisation of individual civil servants. Half a century later, the price of this Faustian pact has yet to be calculated. This chapter explores New Zealand's domestic experience of the early Cold War period, and how, as a member of the western alliance, the government was prepared to sacrifice or blight the careers of known communist party members and communist sympathisers within the Public Service in the interest of collective international security.

The legacy of state-sponsored anti-communism in New Zealand during the Cold War is still not fully understood, for there is a paucity of scholarly analysis of the topic. This chapter seeks to survey the history and effects of the purge of communist party members from, and the neutralisation of suspected communists in, the Public Service from the late 1940s through to the 1960s, and to place these activities within the wider context of the western alliance during the early Cold War period. In order to better understand what happened, a case study has been included, based on newly-declassified archival material of the evidence assembled over a forty-year period by western intelligence agencies against an individual New Zealander who, while never a member of the Communist Party of New Zealand, was nevertheless accused of involvement in subversive activities, by reason of his association with known communists, and in espionage on behalf of the Soviet Union: diplomat, economist and Soviet apologist Dr William Ball Sutch.

## **Post-war New Zealand – tolerant liberalism?**

Russophobia is not a new phenomenon in New Zealand, with the imagined threat of invasion posed by Imperial Russia exacerbated by distance and isolation to a national fear of

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<sup>1</sup> Quoted in R. G. Scott, *151 Days*, p. 13. Extracted from a special bulletin of the United States Embassy, Wellington, reporting a press interview with Holland in Washington on 6 February 1951.

morbid proportions, resulting in the extensive anti-Russian military defences which were erected in the latter half of the nineteenth century. The threat to New Zealand posed by Russia was not perceived to diminish with the 1917 Bolshevik Revolution, although distance and isolation from the Soviet Union meant that the perceived threat remained domestic, rather than international, following the foundation of the Communist Party of New Zealand (CPNZ) in 1921. Prime Minister W. F. Massey emphasised – some suggest exaggerated – the threat posed to New Zealand by Bolshevism during the 1920s, and Alexander Trapeznik has demonstrated the strength and depth of the links which were forged between the CPNZ and the Soviet Union after 1921, whereby the policies of the CPNZ were directed and financed from Moscow. No wonder, then that the attention of successive governments was focussed on the monitoring and suppression of the activities of both the CPNZ and known communist sympathisers.<sup>2</sup> Official anti-Soviet paranoia peaked in the early 1930s, then eased in the mid-1940s when both New Zealand and the USSR were part of the Grand Alliance against Nazi Germany and Imperial Japan.<sup>3</sup> Formal diplomatic relations were established between the Soviet Union and New Zealand in 1944, with legations opened in both Moscow and Wellington.<sup>4</sup>

In the aftermath of the Second World War, traditional Russophobia was replaced by a generic fear of international communism centred on Moscow, resulting as much from antipathy to domestic communist influence as from the growing international confrontation between the eastern and western blocs.<sup>5</sup> James Belich has speculated that public anti-communist witch hunts, such as those conducted by Senator Joseph McCarthy in the United States from 1950, were ‘not easy in New Zealand in 1949’, due to a lingering desire by the first Labour administration for ‘gradual but real socialism’, while Michael King observed only a ‘minor outbreak’ of ‘something resembling McCarthyism’.<sup>6</sup> Such a ready dismissal of the significance of communism in post-war New Zealand ignores the fact that the increasingly anti-communist sentiments of Labour Prime Minister Peter Fraser and others after 1945 ultimately resulted in an implacable government response to the perceived communist threat.<sup>7</sup> Rather than a series of public McCarthy-style show-trials, there developed instead a distinctive version of the Soviet-style purges of the 1930s (the “Yezhovschina”). In the New Zealand context, this became a systematic purge of the Public Service, prompted by fears of communist penetration of the most sensitive areas of New Zealand’s diplomatic service and defence science agencies.<sup>8</sup>

Towards the end of the Second World War, communist party membership or communist associations posed no threat to the careers of New Zealanders in senior public service. The possibility that Dr William Sutch’s known left-wing political leanings might be incompatible with his work in 1943 as a commissioned officer in the New Zealand Army was rejected by the Security Intelligence Bureau, and no objection was raised to either his future promotion or to him having access to classified information.<sup>9</sup> Ian Milner, a New Zealand academic resident in Melbourne, had been kept under surveillance by the intelligence services of the United States, New Zealand and

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<sup>2</sup> J. Belich, *Paradise Reforged. A History of the New Zealanders From the 1880s to the Year 2000*, Auckland, 2001, pp. 303-304. Alexander Trapeznik, ‘Grandfather, Parents and Little Brother’: A Study of Centre-Periphery Relations’ Trapeznik, A, and Fox, A. P. (eds), *Lenin’s Legacy Down Under. New Zealand’s Cold War*, Dunedin, 2004, pp. 62-72.

<sup>3</sup> A. C. Wilson, ‘Defining the ‘Red Menace’: Russophobia and New Zealand-Russian relations from the Tsars to Stalin’, in Trapeznik and Fox (eds.), *Lenin’s Legacy Down Under*, pp. 99-113.

<sup>4</sup> M. Templeton (ed.) *An Eye, An Ear and A Voice. 50 Years in New Zealand’s External Relations 1943-1993*, Wellington, 1993, p. 100; M. Templeton, *Top Hats are Not Being Taken. A Short History of the New Zealand Legation in Moscow, 1944-1950*, Wellington, 1989, Chapter IV.

<sup>5</sup> Wilson, ‘Defining the ‘Red Menace’’, pp. 113-114.; A. C. Wilson, *New Zealand and the Soviet Union 1950-1991. A Brittle Relationship*, Wellington, 2004 pp. 17-23.

<sup>6</sup> Belich, *Paradise Reforged*, p. 304; M. King, *The Penguin History of NZ*, Auckland, 2003, p. 412. C. Andrew and O. Gordievsky, *KGB. The Inside Story of its Foreign Operations from Lenin to Gorbachev*, London, 1990, p. 315. Joseph McCarthy initiated communist witch hunt within US State Department with his announcement on 9 February 1950 that he possessed a list of 205 communists in the State Department

<sup>7</sup> Belich, *Paradise Reforged*, p. 304. See also J. Thorn, *Peter Fraser. New Zealand’s Wartime Prime Minister*, London, 1952, p. 262; M. Bassett and M. King, *Tomorrow Comes The Song. A Life of Peter Fraser*, Auckland, 2000, p. 192.

<sup>8</sup> Andrew and Gordievsky, *KGB*, pp 103-114. Named after Nikolai Yezhov, head of the NKVD from 1936 to 1938. Such a comparison between New Zealand’s treatment of CPNZ members within the Public Service and the Soviet Union is not new – see, for instance, the article ‘New Zealand’s own M.V.D.’, *Salient*, 19 July 1957, based in turn upon W. J. Scott, ‘Civil Liberties in New Zealand’, *Landfall*, Volume Ten, Number One, March 1956, pp. 35-42.

<sup>9</sup> ‘William Ball Sutch’, Security Intelligence Bureau report dated 15 April 1943, Document 4, William Ball Sutch Papers, SIS release June 2008.

Australia by reason of his communist associations, and yet this proved to be no barrier to his appointment as a temporary officer with the Australian Department of External Affairs, Canberra, in February 1945.<sup>10</sup> Similarly, Desmond (Paddy) Costello, serving in the New Zealand Legation in Moscow in March 1945, was assured that British suspicions of his 'undesirable communist activities' did not give rise to any official concerns about his employment by the New Zealand External Affairs Service.<sup>11</sup>

Political debate in New Zealand in the years immediately following the Second World War concerned two competing visions for the future of the nation – a capitalist liberal-social democracy or the classless social and economic system promoted by the CPNZ. For left-wing commentators, New Zealand emerged from the war an 'essentially capitalistic economy, upon which the state has imposed a far-reaching, but largely negative, system of regulations, controls, prohibitions.'<sup>12</sup> However, the actions of the Fraser government in easing wartime regulations, such as the replacement of the Waterfront Control Commission by the Waterfront Industry Commission in July 1946, offered the prospect of a liberal post-war social democracy with material progress and an end to industrial unrest.<sup>13</sup>

The creation in October 1946 of a three member Public Service Commission (PSC), chaired by Dr R. M. Campbell, suggested the satisfactory resolution of grievances relating to conditions of service within the Public Service.<sup>14</sup> Dr Campbell already enjoyed a reputation as a radical; between 1931 and 1935 he had served as an economic adviser to the Rt Hon J. G. Coates, the Minister of Finance – part of Coates' 'brains trust' which included Dr Sutch from 1933 – while retaining close links with the Labour Party.<sup>15</sup> From 1935, he served in the New Zealand High Commission in London, while remaining a staunch advocate of the establishment by the Savage administration in New Zealand of a system of democratic socialism.<sup>16</sup> In late 1946, Campbell was charged with ensuring 'efficiency and economy' in the Public Service, but he was soon challenged by such 'thoughtful leftists' as Jack Lewin, the National President of the Public Service Association, and a critic of the Fraser administration.<sup>17</sup>

The competing visions for post-war New Zealand, epitomised by Campbell and Lewin, soon lead to renewed industrial unrest, within both the Public Service and the communist-dominated trade union movement in general. In New Zealand, when played out against the developing international geo-political confrontation which became the Cold War, the challenge posed to western democracies by international communism quickly became inextricably linked with the threat of domestic communism.

### **Red-Baiting: Communist Challenges and Government Responses**

The first serious post-war public service industrial conflict over the payment of overtime in mental hospitals was effectively defused by Prime Minister Fraser in March 1947.<sup>18</sup> Further industrial problems on the waterfront, with the Auckland Carpenters' Union, and with freezing workers and miners, however, forced Fraser to consider more direct action against communists

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<sup>10</sup> A. P. Fox, 'The Pedigree of Truth: Western Intelligence Agencies *versus* Ian Frank George Milner and William Ball Sutch', in Trapeznik and Fox (eds.), *Lenin's Legacy Down Under*, pp. 117-119.

<sup>11</sup> A. D. McIntosh, Wellington, letter to D. P. Costello, Moscow, dated 22 March 1945, reproduced in G. Hunt, *Spies and Revolutionaries. A History of New Zealand Subversion*, Auckland, 2007, p. 185.

<sup>12</sup> R. S. Parker, *The Australian Quarterly*, March 1941, p. 30, quoted in W. B. Sutch, *The Quest for Security in New Zealand*, Harmondsworth, Middlesex, 1942, p. 125.

<sup>13</sup> King, *Penguin History of New Zealand*, pp. 411-412; T. Bramble, (ed.), *Never a white flag. The Memoirs of Jock Barnes*, Wellington, 1998, pp. 79, 241; Thorne, *Peter Fraser*, pp. 254-255.

<sup>14</sup> J. J. Hunn, *Not Only Affairs of State*, Palmerston North, 1982, pp. 55-58; H. Roth, *Remedy For Present Evils. A History of the New Zealand Public Service Association from 1890*, Wellington, 1987, pp. 116-118; K. Sinclair, *Walter Nash*, Auckland, 1976, p. 276.

<sup>15</sup> Hunn, *Not Only Affairs of State*, p. 55; Roth, *Remedy For Present Evils*, p. 117; Sinclair, *Walter Nash*, pp. 80, 100; King, *Penguin History of NZ*, p. 353; Jack Shallcross, 'W. B. Sutch', in J. L. Robson and J. Shallcross (eds.), *Spirit of an Age. New Zealand in the Seventies. Essays in honour of W. B. Sutch*, Wellington, 1975, pp. 4-5; G. H. Scholefield (ed.), *Who's Who in NZ*, 5<sup>th</sup> Edition, Wellington, 1951, p. 41.

<sup>16</sup> V. O'Sullivan, *Long Journey to the Border. A Life of John Mulgan*, Auckland, 2003, pp. 164, 198.

<sup>17</sup> Sinclair, *Walter Nash*, p. 269; R. G. Scott, *A Radical Writer's Life*, Auckland, 2004, pp. 132-133.

<sup>18</sup> Hunn, *Not Only Affairs of State*, pp. 57-58; Roth, *Remedy For Present Evils*, pp. 117-118. Sinclair, *Walter Nash*, p. 274. See also Wilson, *New Zealand and the Soviet Union*, p. 22; Hunt, *Spies and Revolutionaries*, p. 154

within the labour movement.<sup>19</sup> The April 1947 naval 'technical mutiny without violence' in Auckland prompted the first demonstration of the government's resolve. The dispute over pay and conditions of service became inflamed to the point of confrontation, with naval personnel walking off the base. Fraser ensured the swift and uncompromising treatment of the mutineers: dismissal from service, forfeiture of pay, accrued leave and benefits, and an effective ban on the further employment of the dismissed personnel in government service.<sup>20</sup>

International developments may have served to further harden the government's response to the naval mutineers. The announcement in March 1947 of the American Truman Doctrine (the 'Containment' of the Soviet Union and the threat of international communism), followed by the creation in September 1947 of a Soviet Bloc in Eastern Europe behind the Zhdanov Line signalled the first geopolitical moves in the emerging Cold War and the division of the world into what Stalin described as 'Two Camps'.<sup>21</sup> Andrei Zhdanov's announcement of the 'two camps' thesis also signalled that the Soviet Union had resumed control of the international communist movement, since his speech was delivered at the inaugural conference of the Communist Information Bureau (Cominform), an organisation designed to 'reorganize the general staff of the world revolution'.<sup>22</sup> In the New Zealand context, the Fraser Government's role in the western alliance, and the adherence by the CPNZ to edicts from Moscow, meant that the relationship between the government and the CPNZ rapidly deteriorated.<sup>23</sup>

George Kennan, the charge d'affaires at the United States Embassy, Moscow, in his insightful Long Telegram of February 1946, had already warned Washington that 'At bottom of Kremlin's neurotic view of world affairs is traditional and instinctive Russian sense of insecurity'.<sup>24</sup> This neurosis now spread to the west, for as the Cold War developed, the governments of both the United States of America and Great Britain began to identify, investigate and dismiss public servants now considered a security risk by reason of their political beliefs. United States President Harry S. Truman initially resisted the concept that Soviet spies were operating in America, but by mid-1946 he had approved wiretapping and bugging operations against individuals suspected of 'subversive activities' up to and including espionage. In March 1947, having already pronounced the 'Truman Doctrine', Truman further girded the loins of the Federal Government in preparation for the Cold War. Executive Order 9835 instituted an 'Employee Loyalty Programme' for the over two million Federal employees, so as to provide the United States with 'maximum protection... against infiltration of disloyal persons into the ranks of its employees'. Truman was not so much concerned about the Communist Party of America taking control of the United States as he was 'against a person, whose loyalty is not to the government of the United States, holding a government job'. Initially intended as a Civil Service Commission task, the investigation of 'loyalty' soon passed to the Federal Bureau of Investigation (FBI).<sup>25</sup>

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<sup>19</sup> Bassett and King, *Tomorrow Comes the Song*, pp. 320-321.

<sup>20</sup> T. Frame and K. Baker, *Mutiny! Naval Insurrections in Australia and New Zealand*, St Leonards, NSW, 2000, Chapter 13 'Mutiny in New Zealand'.

<sup>21</sup> Wilson, *New Zealand and the Soviet Union*, pp. 20-21; V. Zabok and C. Pleshakov, *Inside the Kremlin's Cold War. From Stalin to Khrushchev*, Cambridge, Massachusetts, 1996, pp. 127, 130-133; J. Ulrich, *Journey Towards World Peace. A History of the New Zealand Peace Council. Half a Century in the Cause of Peace*, Wellington, 1998, p. 20.

<sup>22</sup> <http://www.time.com/time/magazine/article/0,9171,824184,00.html>; P. Deery, 'Communism, Security and the Cold War', in R. Fitzgerald and R. Nile (eds.), *Battlers and Stirrers: Journal of Australian Studies* No 55, St Lucia, 1997, p. 163.

<sup>23</sup> See, for instance, E. Locke, 'Looking for Answers', *Landfall*, Volume Twelve, Number Four, December 1958, pp. 342-345.

<sup>24</sup> J. Kennan, Charge d'Affairs, US Embassy, Moscow, to Secretary of State, Washington DC, 861.00/2 - 2246: Telegram dated 22 February 1946, available on-line at: <http://www.gwu.edu/~nsarchiv/coldwar/documents/episode-1/kennan.htm>.

<sup>25</sup> B. Alper, 'David from Down Under', in Robson and Shallcross (eds.), *Spirit of an Age*, pp. 281-219. Amongst those US State Department employees who were dismissed on the basis of being a disloyal and a security risk was John Service, who had served in China during the Second World War, was arrested in 1945 on charges of violating the Espionage Act through having passed copies of his own Foreign Service reports to the editor of *Amerasia*. While Service was not indicted by a grand jury, his loyalty and security rating remained in question during his posting to Wellington as the First Secretary of the United States Legation, and following his return to Washington DC in 1948, his loyalty continued to be investigated until he was removed from 'the rolls of the Department of State' in December 1951. Service successfully appealed the dismissal, returning to work at the State Department in 1957, retiring in 1962. See, for instance, U.S. Supreme Court *Service v. Dulles*, 354 U.S. 363 (1957), decided on 17 June 1957 available on-line at: <http://supreme.justia.com/us/354/363/case.html>; and listing of John Stewart Service and Charles Edward Rhetts Papers, Harry S. Truman Library and Museum, available on-line at: <http://www.trumanlibrary.org/hstpaper/servicerhetts.htm>. See also J. Kifner, 'John Service, a Purged "China Hand" Dies at 89', *New York Times*, 4 February 1999, available on-line at:

Also in March 1947, British Prime Minister Clement Atlee established a government working party to investigate 'subversive activities', bolstered by the protest by the Chiefs of Staff about Soviet espionage in the United Kingdom and the necessity to 'blacklist' communists out of government employ. In March 1948, it was decided that known communists and fascists were to be removed from work 'vital to the security of the state'. The parliamentary debate which followed Atlee's announcement included the observation that this was 'a very difficult problem of government', and the Prime Minister agreed that the results of the Positive Vetting process carried out by Britain's Security Service (MI5) would be moderated by a tribunal. The purge of communists in government employ was apparently 'very limited', leading to the expansion of the blacklisting programme from 1950. Unfortunately, as Nigel West has noted, the early British vetting and blacklisting procedure patently failed to identify individuals who were later discovered to be spies.<sup>26</sup> Similarly, Soviet double agent 'Kim' Philby later damned the counter-espionage work of the FBI as having been 'more conspicuous for failure than for success'.<sup>27</sup>

In October 1947, in response to a parliamentary question regarding Truman's decision to dismiss 'security risks' from Federal service, Fraser was dismissive of the possibility of such a policy being applied in New Zealand. He further advised the House that there existed no security risks, although 'should any misguided person at any time meet the classification [of being a 'security risk'], his case would receive immediate attention'.<sup>28</sup> As the year came to an end, the communist domination of the trade union movement prompted an increasingly extreme anti-communist response from Fraser, who, as Keith Sinclair observed, was 'psychologically... ready for an anti-communist crusade'.<sup>29</sup> Furthermore, the Soviet subjugation of new democracies in Eastern Europe not only alarmed the Fraser administration, but even gave some local communists pause for thought.<sup>30</sup>

At Mangakino, a new town created to house workers employed on hydro-electric construction projects along the Waikato River, the activities of the local branch of the CPNZ caused much consternation to the project engineers.<sup>31</sup> Tunneller and communist Les Clapham had been employed on the Maraetai power project in 1947 on the orders of Bob Semple, Minister of Works, in response to pressure from the Workers' Union. Clapham also published the *Mangakino Spark*, the 'lively little news-sheet' of the Mangakino Branch of the CPNZ, and agitated amongst the workforce.<sup>32</sup> Clapham's activities on the Maraetai power scheme caused the project engineers much consternation as well as to the government, which promoted Mangakino as a model planned urban development where married workers lived rent-free.<sup>33</sup> A plan to transfer Clapham to Auckland led to a one month strike in March 1948. Semple now railed about a 'trial of strength between Communism and the Government' and the attempt by 'a Communist clique to secure control of one of the nation's biggest public works'. The matter was

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<http://query.nytimes.com/gst/fullpage.html?res=9801E2DE1E38F937A35751C0A96F958260&sec=&spon=&pagewanted=all>.

<sup>26</sup> S. Rimington, *Open Secret. The Autobiography of the Former Director-General of MI5*, London, 2002, p. 89; D. Leigh, *The Wilson Plot. The Intelligence Services and the Discrediting of a Prime Minister*, London, 1989, pp. 27-30, 41-43; Nigel West, *The Circus*, pp. 66-67, 70-71, 210-220, 272, 304-306; C. Pincher, *Their Trade is Treachery*, New York, revised edition 1982, pp. 56-57; Andrew and Gordievsky, *KGB*, p. 683.

<sup>27</sup> H. A. R. 'Kim' Philby, *My Secret War*, London, 1968, p. 123. Philby was justifiably pleased that amongst the Soviet spies whom Hoover and the FBI failed to detect was Philby himself!

<sup>28</sup> See H. Roth, *Remedy For Present Evils*, p. 121, regarding the New Zealand Parliamentary Debate of 22 Oct 1947.

<sup>29</sup> Sinclair, *Walter Nash*, p. 274. See also Wilson, *New Zealand and the Soviet Union*, p. 22; Hunt, *Spies and Revolutionaries*, p. 154

<sup>30</sup> Zabok and Pleshakov, *Inside the Kremlin's Cold War*, pp. 130-133; H. Roth, *Trade Unions in New Zealand Past and Present*, Wellington, 1973, p. 68; M. Parker, *The SIS. The New Zealand Security Intelligence Service*, Palmerston North, 1979, pp. 9-10; S. W. Scott, *Rebel In A Wrong Cause*, Auckland, 1960, pp. 153. Note G. Kennan's Long Telegram (<http://www.gwu.edu/~nsarchiv/coldwar/documents/episode-1/kennan.htm>) Part 1 (a) quoting Stalin's 1927 speech to workers, in which Stalin described two centres of world significance.

<sup>31</sup> Martin, *People, Politics and Power Stations*, pp. 151-152.

<sup>32</sup> *Ibid.*, p. 153. That *Iskra* (*Spark*) had also been the name of the newspaper founded by V. I. Lenin in 1900 as the organ of the Russian Social Democratic Labour Party, which worked towards the overthrow of autocracy in Imperial Russia, would probably have come as no surprise to the Maraetai power project's engineers.

<sup>33</sup> H. Roth and J. Hammond, *Toil and Trouble. The Struggle for a Better Life in New Zealand*, Auckland, 1981, p. 142. See Bassett and King, *Tomorrow Comes the Song*, pp. 334-335 regarding the problems which faced the idealists of 1935 when Labour's social engineering was obviously no longer working by the late 1940s; Martin, *People, Politics and Power Stations*, pp. 151-153; C. Hasman, *Mangakino in Perspective: The Story of a Hydro Town with an Introduction from Turangi*, Turangi, 1975, p. 44.

decided by a three-man tribunal which confirmed the decision to transfer Clapham away from Mangakino, Semple stating that the retention of Clapham would have provided communists with 'a legal licence to pursue their evil way'.<sup>34</sup> The Mangakino workforce responded by installing in Clapham's place D. Ross, another communist, as a full-time union employee not subject to transfer or dismissal by the project engineers. Relations between workers and project managers remained strained into the mid-1950s, with Ministry of Works officials classifying the union executive as consisting 'wholly of avowed or alleged communists and/or fellow travellers'.<sup>35</sup>

### Securing the Western Alliance

In March 1948, Sir Percy Sillitoe, the Director of MI5, visited New Zealand to alert the government to the need to establish a counter-espionage and counter-subversion intelligence service akin to MI5.<sup>36</sup> Faced with the growing international communist threat highlighted by the Malayan Emergency, the work of MI5 was clearly developing a commonwealth rather than purely domestic focus. Sillitoe also conveyed specific – and alarming – information on the extent of communist subversion throughout the Commonwealth and the Western Alliance.<sup>37</sup> The separate defections of three Soviet intelligence agents in 1945 served to alert the west to the fact that the 'communist menace', previously confined to trade unions and domestic communist parties, had now extended to the active acquisition by the Soviet Union of defence, scientific and technological information by any means and at all costs.<sup>38</sup> Investigations by western intelligence agencies revealed the degree to which Soviet intelligence operations in the United States, Canada and the United Kingdom had compromised western nuclear weapons programmes, and resulted in the apprehension of a number of atomic spies, including Dr Alan Nunn May (arrested in 1946), and Klaus Fuchs and Julius and Ethel Rosenberg (all arrested in 1950), and in the counter-defections of others, including Bruno Pontecorvo and diplomat Donald Maclean (both of whom defected in 1950).<sup>39</sup> Cracks quickly appeared in the western military nuclear alliance with the establishment of the United States Energy Commission in August 1946, whereby American anti-communist paranoia was matched by suspicion of America's emerging western nuclear ally, thereby denying the United Kingdom fresh nuclear intelligence. It was ironic, therefore, that this only served to place the British atomic bomb project behind that of the Soviet Union, which was constructing its own weapon with the benefit of information already provided by atomic spies operating in the United Kingdom and the United States.<sup>40</sup> Nuclear cooperation was quickly re-established in December 1947, with New Zealand included in the joint American-British Commonwealth information sharing arrangements.<sup>41</sup>

It was a top secret decryption operation, eventually code-named 'Venona', which revealed the true extent of the Soviet spy rings operating in the United States, the United

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<sup>34</sup> Martin, *People, Politics and Power Stations*, p. 153; Roth, *Trade Unions in New Zealand*, p. 68. Roth and Hammond, *Toil and Trouble*, p. 142; Hasman, *Mangakino in Perspective*, pp. 43-45.

<sup>35</sup> Hasman, *Mangakino in Perspective*, pp. 45-51; Roth, *Trade Unions in New Zealand*, p. 68.

<sup>36</sup> S. Butterworth, *More Than Law and Order. Policing a Changing Society, 1945-1992. The History of Policing in New Zealand, Volume Five*, Dunedin, 2005, p. 42; Parker, *SIS*, pp. 9, 13-14; I. McGibbon, *New Zealand and the Korean War. Volume I Politics and Diplomacy*, Auckland, 1992, p. 307; Hunt, *Spies and Revolutionaries*, pp. 155-162.

<sup>37</sup> Andrew and Gordievsky, *KGB*, p. 684.

<sup>38</sup> See, for instance, 'Backgrounder No. 5 - A Historical Perspective on CSIS', revised January 2001, available on-line at: <http://www.csis.gc.ca/nwsrm/bckgrndrs/bckgrndr05-eng.asp>; P. Deery, 'Scientific Freedom and Post-war Politics: Australia 1945-1955', *Historical Records of Australian Science*, Vol. 13 No. 1 (2000), pp. 9-10.

<sup>39</sup> Andrew and Gordievsky, *KGB*, pp. 304-305. See also Embassy of Canada, Washington DC to Department of External Affairs, Ottawa, Memorandum on 'Reaction Outside of Canada to the Investigation concerning Breaches of the Official Secrets Act', undated but circa June 1946, particularly paragraph 16 regarding a typical (but unidentified) New Zealand newspaper editorial which noted that Mackenzie King, the Canadian Prime Minister 'had every right to check up on "unauthorized talk" by public servants, and concluded that in both the Canadian enquiry and the Soviet reaction thereto that additional evidence might be found that "as a neighbour, Soviet Russia (was) exceedingly had to live with in the post-war world".' Available on-line at: [http://www.historyofrights.com/PDF/external\\_affairs\\_report\\_7\\_aug.pdf](http://www.historyofrights.com/PDF/external_affairs_report_7_aug.pdf). A Cabinet Directive issued in 1948 formalised security screening of Canadian public servants, see G. D. Smith, 'The Canadian Government Security Screening Program', *Commentary* No. 76 (Fall 1999), available on-line at: <http://www.csis.gc.ca/pblctns/cmmntr/cm76-eng.asp>.

<sup>40</sup> Andrew and Gordievsky, *KGB*, pp. 310-314.

<sup>41</sup> R. Galbraith, *DSIR. Making Science Work for New Zealand. Themes from the History of the Department of Scientific and Industrial Research, 1926-1992*, Wellington, 1998, pp. 150-151.

Kingdom and elsewhere in the Commonwealth. The joint British Commonwealth and American operation, commenced in 1943 to intercept and decode significant portions of Soviet Intelligence Service communications between Moscow and Soviet embassies in Europe, North and South America, and Australia, was by 1948 starting to produce messages in clear.<sup>42</sup> The Venona decrypts quickly alerted both Washington and London to the unpleasant fact that a concerted and forceful western response was now required in order to halt the flow of classified information to Moscow.

Sillitoe visited Australia in February 1948, armed with evidence from the Venona decrypts of the existence of a Soviet spy ring in Australia which included contacts in the Department of External Affairs and the Security Service.<sup>43</sup> Amongst the Australian diplomatic staff mentioned in the message traffic between Moscow and the Soviet Intelligence Residency, Canberra in 1945 and 1946 was New Zealander Ian Milner. Of particular concern to the Australians was a cable from Canberra to Moscow dated 19 March 1946 which revealed that two classified British post-hostilities planning documents had been passed to the Soviets for copying and transmission to Moscow.<sup>44</sup> Later investigations revealed that the numbered copies of both documents had been supplied to Milner on 8 March 1946, leading the 1954 Royal Commission on Espionage to conclude that Milner's access to classified documents while in Canberra 'gave rise to grave suspicions as to the use he made of them'.<sup>45</sup> Milner was never interviewed about his appearance in the Venona decrypts, for in 1947, he had moved to New York to become a Political Affairs Officer with the United Nations, and then in July 1950 he crossed to Czechoslovakia with his wife, defending his reputation from behind the 'Iron Curtain' until his death in 1991.<sup>46</sup>

Sillitoe's news confirmed the Australian government's worst fears, since the reduction in the flow of information from the American Government had already been noted. The Venona decrypts clearly required swift action by the Australians in order to avoid further embargoes on the provision of classified defence material, particularly defence science information from the United States Government. The Australian Federal Government therefore moved quickly to form the Australian Security Intelligence Organisation (ASIO), charged with the identification and

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<sup>42</sup> Introductory History of Venona and Guide to the Translations available on-line at: <http://www.nsa.gov/docs/venona/monographs/monograph-1.html>; Venona Historical Monograph #3: The 1944-45 New York and Washington D.C.-Moscow KGB Message available on-line at: <http://www.nsa.gov/docs/venona/monographs/monograph-3.html>; Venona Historical Monograph #4: The KGB in San Francisco and Mexico City and the GRU in New York and Washington D.C. available on-line at: <http://www.nsa.gov/docs/venona/monographs/monograph-4.html>; Venona Historical Monograph #5: The KGB and GRU in Europe, South America, and Australia: <http://www.nsa.gov/docs/venona/monographs/monograph-5.html>. See also D. Ball and D. Horner, *Breaking the Codes. Australia's KGB network, 1944-1950*, St Leonards, NSW, 1998, Chapter 10.

<sup>43</sup> Ball and Horner, *Breaking the Codes*, pp. 274-275, 280-283; N. West, *VENONA. The Greatest Secret of the Cold War*, London, 1999, p. 95; Deery, 'Communism, Security and the Cold War', pp. 168-169.

<sup>44</sup> 'War Cabinet Documents Obtained by "Klod" through friends in "The Nook": Documents Photographed and Returned (1946) From Canberra to Moscow 19 March 1946', Venona reference: 3/NBF/T2253, available on-line at: [http://www.nsa.gov/docs/venona/docs/Mar46/19\\_Mar\\_1946\\_R5\\_m3\\_p1.gif](http://www.nsa.gov/docs/venona/docs/Mar46/19_Mar_1946_R5_m3_p1.gif); *ibid* p2.gif. See also Ball and Horner, *Breaking the Codes*, p. 261.

<sup>45</sup> A5954/69 item 848/1 'Security of secret defence documents received from United Kingdom Government - Visit of Head of MI5 of the War Office and Report to Prime Minister of United Kingdom 1948', folio 10. For the investigation of the Milner case by the Royal Commission on Espionage, and the associated ASIO interrogation of the Petrovs, see A6119 Item 18 MILNER Ian Frank George Vol. 2; A6119/21 Item 342 Ian Frank George MILNER Vol. 2; A6119/21 Item 343 Ian Frank George MILNER Vol. 3; A6119/87 Item 2020 Ian Frank George MILNER Vol. 4; A6213/1 RCE/H/9 Department of External Affairs Personnel - Case Summaries, folios 18 and 19, all held at the National Archives of Australia (hereafter NAA) Canberra. See also Ball and Horner, *Breaking the Codes*, p. 282; V. O'Sullivan, 'Introduction' to I. F. G. Milner, *Intersecting Lines. The Memoirs of Ian Milner*. Edited and introduced by V. O'Sullivan, Wellington, 1993, p. 28. Note that Fox, 'The Pedigree of Truth', pp. 120-121 is in error in assuming that the numbered post-hostilities planning documents specified in the 19 March 1946 cable were not in Milner's possession in March 1946.

<sup>46</sup> Milner, *Intersecting Lines*, p. 185; Ball and Horner, *Breaking The Codes*, p. 261. Milner detailed his decision to remain in Czechoslovakia because of the 'spa and other treatment' for his wife's rheumatism which offered '... the opportunity to make a complete recovery', when he tendered his resignation to the United Nations at the expiry of his twelve months' leave without pay in 1951. See I. F. G. Milner, Prague, Personal and Confidential Letter to R. Protitch, Principal Director and Executive Officer, Department of Security Council Affairs, United Nations, New York, 30/8/1951. Protitch accepted Milner's explanation without question, and voiced his sadness at losing 'as good a colleague as you have been'. See D. Protitch, New York, letter to I. F. G. Milner, Prague, 4/10/1951. See also Milner's Press Statement of 9 April 1956 which he released in Prague in response to the report of the Royal Commission on Espionage. See also *Evening Star*, 18/2/1971; Milner's letter to the *New Zealand Listener*, 8/11/1971 p. 12; *New Zealand Herald*, 26/9/1984. All items in Milner MS Papers 4567 Folder 52, held at the Alexander Turnbull Library, Wellington.

investigation of the membership and activities of the spy ring. ASIO was also responsible for the implementation of the vetting of Australian civil servants dealing with 'Defence information of a secret nature', and for ensuring the security of defence documents, and the security of buildings within which such documents were housed.<sup>47</sup> Commonwealth scientific and industrial research was also placed under closer federal control with the establishment of the Commonwealth Scientific and Industrial Research Organisation (CSIRO), although responsibility for classified and sensitive fields of research was relocated elsewhere within the government.<sup>48</sup>

In New Zealand, Sillitoe's visit prompted a response which, while it fell short of MI5's expectations, was certainly more substantial than that suggested by Michael King.<sup>49</sup> An Advisory Committee on Security was formed, chaired by Foss Shanahan from the Departments of both the Prime Minister and External Affairs, together with the head of the Police Special Branch and representatives of the PSC, the Department of Industrial and Scientific Research (DSIR) and the Joint Intelligence Committee.<sup>50</sup> While, the committee's recommendation that a small independent Security Service should be formed to replace Special Branch was not acted upon until 1956, when the New Zealand Security Service was formed, a system was developed that saw a division of work between Special Branch and the PSC. Special Branch continued to monitor both communist and fascist subversion, a role in which the police were already long experienced, and to undertake vetting work when requested.<sup>51</sup> Meanwhile, the mandate of the PSC was expanded to permit the removal of known communists (or others working to undermine democracy) from any government department 'involved with secrecy and national security'.<sup>52</sup> While the Public Service Association (PSA) supported the removal of or other such disciplinary action against public servants guilty of illegal acts against the state, it noted the potential for government victimisation or discrimination solely on the basis of political or religious views. Jack Lewin, the President of the PSA, warned a meeting on 12 April 1948 that 'It is a short step from beheading the handful of communists in minor positions to the victimisation of many others who are defined, merely as a justification for slaughter, as crypto-communists, fellow-travellers, anarchists and subversionists'.<sup>53</sup>

On the domestic political front, ongoing industrial unrest in 1948 involving the Carpenters' Union and the Watersiders' Union encouraged Semple to publish his ghost-written tract *Why I Fight Communism*.<sup>54</sup> Prime Minister Peter Fraser, already incensed by the communist takeover of Czechoslovakia, commended Semple's booklet to a 'wide circulation', pointing out as it did the

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<sup>47</sup> Ball and Horner, *Breaking the Codes*, pp. 275-276, 284-294, and Chapters 16 and 17; F. Cain, *The Australian Security Intelligence Organisation: An Unofficial History*, Richmond, Victoria, 1994, p. 40, 48-49; R. Hall, *The Secret State. Australia's Spy Industry*, Stanmore, NSW, 1978, pp. 40-41; Deery, 'Communism, Security and the Cold War', pp. 169-170. See also A5954/69 item 848/1 'Security of secret defence documents received from United Kingdom Government - Visit of Head of MI5 of the War Office and Report to Prime Minister of United Kingdom 1948', folios 70-74, held at the NAA, Canberra.

<sup>48</sup> Galbraith, *DSIR: Making Science Work for New Zealand*, p. 153; Deery, 'Scientific Freedom and Post-war Politics: Australia 1945-1955', pp. 3-4, 14.

<sup>49</sup> King, *Penguin History of New Zealand*, p. 425.

<sup>50</sup> McGibbon, *Korean War Vol. I*, pp. 18-19, 307.

<sup>51</sup> Parker, *SIS*, p. 15; Butterworth, *More Than Law and Order*, pp. 42-43; Scott, *Radical Writer's Life*, p. 135. See also Hugh Price, *The Plot to Subvert Wartime New Zealand. A true story of an impudent hoax that convulsed New Zealand in the darkest days of World War II, and that the Commissioner of Police declared 'beyond comprehension'. A hoax, moreover, that expanded to challenge the rule of law in the Dominion*, Wellington, 2006, which recounts the case of Sydney Gordon Ross Case who claimed knowledge of an extensive fifth column sabotage plot to assist an attempted invasion of New Zealand and the inept investigation into Ross's hoax by Major Kenneth Folkes, a British officer seconded to New Zealand in February 1941 as the Director of the Security Intelligence Bureau. The actions of Major Folkes in inflating Ross's imaginings 'to fuel his own much bigger and more elaborate plans' for wider powers of investigation and detention resulted in the New Zealand Chiefs of staff having no confidence in Folkes' abilities, and he was released from his position in February 1943. Five years later, and any lingering skepticism in Wellington about the capabilities of the British security services, and the value of security advice tendered by British experts, were clearly dispelled by Sillitoe's evidence of the extent of international communist subversion.

<sup>52</sup> Galbraith, *DSIR. Making Science Work for New Zealand*, p. 153; Wilson, *New Zealand and the Soviet Union*, pp. 23, 203.

<sup>53</sup> Roth, *Remedy For Present Evils*, p. 121.

<sup>54</sup> Roth, *Trade Unions in New Zealand*, p. 68; Bramble, (ed.), *Never a white flag. The Memoirs of Jock Barnes*, pp. 106-107; C. Bollinger, *Against the Wind. The Story of the New Zealand Seamen's Union*, Wellington, 1968, pp. 216-217. See also Scott, *Rebel In A Wrong Cause*, pp. 153, 160 - 'Sid' Scott considered that the 1948 strike by the Carpenters' Union was 'ill advised'; and Roth, *Remedy For Present Evils*, p. 121, in which he states that the pamphlet was written for Semple by an unnamed journalist.



'dangers of Russian based, dominated, and directed Communism which has become a menace to democratic civilisation'.<sup>55</sup> Fraser further explained his ever-hardening attitude to communism in an interview published in a San Francisco newspaper in May 1948, in which he declared that the policy of the Labour Government was the 'very antithesis of the Communist policy of revolution, based on hatred, inhumanity and intolerance'.<sup>56</sup> Angus McLagan, a former member of the CPNZ, but now the Minister of Labour, reinforced Fraser's view at the 1948 Federation of Labour Conference, heralding the orderly progress from capitalism to socialism, assisted by the Fraser administration.<sup>57</sup> This was certainly no sign that the government's anti-communism was waning; indeed, McLagan deregistered the vexatious and communist-dominated Auckland Carpenters' Union the following year.<sup>58</sup>

### Communist Subversion

Official fears of the possible communist subversion of the Public Service came to a head in December 1948, in the midst of a wage dispute with the PSA over pay parity with the private sector. Lewin, the PSA President, was an aggressive and blunt negotiator whose statement that the government was declaring war on the Public Service was misinterpreted by Prime Minister Fraser as a threat to declare war on the government.<sup>59</sup> A satchel belonging to film maker Cecil Holmes, both an active member of the CPNZ and the PSA's shop steward for the National Film Unit, was stolen from the back of his car. The contents of the satchel included Holmes' correspondence with Lewin regarding the prospect of a stop-work meeting. The letters clearly struck a raw nerve within official anti-communist circles. With Fraser overseas, Fintan Patrick Walsh, an early member of the CPNZ who had later recanted his communist sympathies and had become, instead, a leading anti-communist figure within the Federation of Labour, instructed that the documents be prepared for publication. A superior political bully, Walsh forced the hand of Acting Prime Minister Walter Nash, a moderate voice within the anti-communist Cabinet.<sup>60</sup> The Holmes material was leaked for reproduction in the Wellington morning newspaper the *Dominion*, in a clear attempt to demonstrate communist agitation within the Public Service, and the PSA in particular, thereby smearing Lewin's reputation.<sup>61</sup> Holmes' career in the Public Service was over, despite a Supreme Court ruling in May 1949 that his dismissal by the PSC was unfair, and he departed for Australia in November 1949.<sup>62</sup> Lewin's own government career barely survived the affair, his dismissal by the PSC prevented only by the intercession of Fraser himself, who evidently still made a distinction between members of the CPNZ (such as Holmes) and those with radical tendencies (such as Lewin).<sup>63</sup>

<sup>55</sup> Bob Semple, *Why I Fight Communism*, Hutcheson, Bowman and Stewart Limited, Wellington, 1948, p. 1; M. Spencer, *The Incoming Tide. Sir William Sullivan and the 1951 Waterfront Dispute*, Wellington, 1998, pp. 107-109; Bassett and King, *Tomorrow Comes the Song*, p. 328.

<sup>56</sup> Thorn, *Fraser*, p. 262.

<sup>57</sup> Roth, *Trade Unions in New Zealand*, p. 69.

<sup>58</sup> Hunt, *Spies and Revolutionaries*, p. 153. Belich, *Paradise Reforged*, p. 304, places the opposite interpretation on McLagan's comments, but it is clear that McLagan's promotion of socialism should not be taken to suggest that he retained any lingering support for communism. See also Scott, *Radical Writer's Life*, p. 135.

<sup>59</sup> Sinclair, *Walter Nash*, p. 276. Hunt, *Spies and Revolutionaries*, p. 151; Roth, *Remedy For Present Evils*, p. 123.

<sup>60</sup> G. Hunt, *Black Prince. The Biography of Fintan Patrick Walsh*, Auckland, 2004, pp. 141-142.

<sup>61</sup> C. Holmes, *One Man's Way. On the road with a rebel reporter, film-maker and adventurer*, Ringwood, Victoria, 1986, pp. 32-33; Roth, *Trade Unions in New Zealand*, p. 69; Bassett and King, *Tomorrow Comes The Song*, p. 336; Scott, *Radical Writer's Life*, pp. 136-137; Keith Sinclair, *Walter Nash*, pp. 276-277; King, *Penguin History of New Zealand*, p. 428; Roth, *Remedy For Present Evils*, pp. 214-125.

<sup>62</sup> Holmes, pp 34-36; Hunt, *Black Prince*, p. 142. Bassett and King, *Tomorrow Comes The Song*, p. 336; King, *Penguin History of New Zealand*, p. 428; Redmer Yska, *All Shook Up. The Flash Bodgie and the Rise of the New Zealand Teenager in the Fifties*, Auckland, 1993, pp. 16-20. Note the irony that, once in Australia, Holmes became an associate of Michael Bialoguski, who later gained notoriety as the middle man for the defection of Vladimir Petrov in 1954. Holmes, *One Man's Way*, p. 40; Hall, *Secret State*, pp. 45-46; Cain, *ASIO*, pp. 120-122. See also M. Bialoguski, *The Petrov Story*, Melbourne, 1955.

<sup>63</sup> Sinclair, *Walter Nash*, p. 277; King, *Penguin History of New Zealand*, p. 429. Hunt *Spies and Revolutionaries*, pp. 151-153, Roth, *Remedy For Present Evils*, p. 125. Curiously, Dick Scott, who circa 1948 was the publicity officer for the Public Service Association, and the editor of the PSA Journal, as well as a known communist, relates how Lewin defied Fraser when the latter objected to Scott's employment by the PSA. Scott, *Radical' Writer's Life*, pp. 128-129, 130-131, 134.

The last year of the Fraser administration saw official anti-communist activity become ever more sophisticated. A propaganda campaign mounted by the Prime Minister's Information Section served to highlight the perils of communism, to furnish anti-communist material in local and national newspapers, to manipulate opposition to organisations such as the peace movement suspected of being communist 'fronts', and to control the content of government-produced newsreels and radio news broadcasts.<sup>64</sup> Local authorities further assisted the campaign by the use of by-laws to prevent communists holding public street-corner meetings.<sup>65</sup> Ongoing industrial confrontations with the Carpenters' Union and the Watersiders' Union played into the government's hands, highlighting the perceived threat posed by communist-dominated trade union movement.<sup>66</sup> The disputes also highlighted the bipartisan nature of the official political response to communism. Robert Muldoon, the Chairman of the Young Nationals, called for the deportation of anyone who owed their allegiance to a foreign power, for they had therefore forfeited their rights as a British citizen.<sup>67</sup> Similarly, William Spencer, an Opposition Member of Parliament, speaking at a public meeting at Mangakino in April 1949, called for 'communist wreckers' to be packed off to Russia.<sup>68</sup>

### Neutralising the Internal Communist Threat

The public anti-communist crusade was matched by the joint work of Special Branch and the PSC in neutralising the potential threat posed to national security by known CPNZ members in government employment.<sup>69</sup> George Fraser, for instance, a communist pamphleteer who worked in the Information Section of the Prime Minister's Department, was transferred by the PSC to the Department of Agriculture in March 1949, and thence to the Department of Education in September 1949. He subsequently left the Public Service to pursue a successful career in the private sector.<sup>70</sup> Dr Reuel A. Lochore, who had undertaken surveillance of non-British immigrants during the Second World War, was in 1949 placed in charge of the vetting and surveillance of the staff of both the Prime Minister's Department and External Affairs.<sup>71</sup>

The work continued following the election of Sidney Holland's National administration in December 1949, anti-communism being as much a tenet of National policy as it had been of the outgoing Labour government.<sup>72</sup> The advent of the McCarthyist era in the United States in February 1950 was not replicated in New Zealand for, with the British-style system of neutralising communists within the Public Service already in operation, there was no need for distasteful public show trials.<sup>73</sup> The PSC removed Gilbert Deynzer, another communist, from defence-related work as a technician in the Radio Laboratory of the Department of Scientific and Industrial Research. His dismissal by the PSC was later upheld by the Court of Appeal.<sup>74</sup> Holland himself took the anti-communist crusade to the centre of world communism in June 1950 when the New Zealand Legation in Moscow was closed, while the outbreak of hostilities in Korea that same

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<sup>64</sup> Yska, *All Shook Up*, p. 23; R. Yska, 'Spies, Lies and Red Herrings', in D. Grant (ed.), *The Big Blue. Snapshots of the 1951 Waterfront Lockout*, Christchurch, 2004, pp. 26-29; Belich, *Paradise Reforged*, p. 298.

<sup>65</sup> Scott, *Radical Writer's Life*, p. 131; Scott, 'Civil Liberties in New Zealand', pp. 38-39.

<sup>66</sup> Roth, *Trade Unions in New Zealand*, pp. 70-71; Hunt, *Black Prince*, pp. 143-4, 147; Bassett and King, *Tomorrow Comes The Song*, p. 336-337. Hunt, *Spies and Revolutionaries*, p. 154.

<sup>67</sup> B. Gustafson, *His Way. A Biography of Robert Muldoon*, Auckland, 2000, p. 48. Curiously, six other speakers at the Young Nationals March 1949 seminar on communism, 'with particular reference to freedom of speech and freedom of assembly', argued that communist methods had no place in the New Zealand fight against communism.

<sup>68</sup> Spencer, *Incoming Tide*, p. 133.

<sup>69</sup> Roth, *Remedy For Present Evils*, p.121; Butterworth, *More Than Law and Order*, pp. 42-43.

<sup>70</sup> G. Fraser, *Both Eyes Open. A Memoir*, Dunedin, 1990, pp. 85-90

<sup>71</sup> M. King, *Tread Softly For You Tread On My Life. New and Collected Writings*, Auckland, 2001, pp. 69-70; F. Turnovsky, *Fifty Years in New Zealand*, Wellington, 1990, pp. 85, 89-95.

<sup>72</sup> Scott, *Radical Writer's Life*, p. 140; Yska, *All Shook Up*, pp. 25-30, McGibbon, *New Zealand and the Korean War Vol. I*, p. 305; Parker, *SIS*, pp. 16-19.

<sup>73</sup> King, *Penguin History of New Zealand*, p. 429; Belich, *Paradise Reforged*, p. 304; McGibbon, *New Zealand and the Korean War Vol. I*, p. 305.

<sup>74</sup> Butterworth, *More Than Law and Order*, pp. 43, 51, 306; Galbraith, *DSIR*, p.153; Wilson, *New Zealand and the Soviet Union*, p. 203; Scott, 'Propaganda War', in Grant (ed.), *The Big Blue*, p. 35.

month faced the government with the very real regional communist threat posed by the recently-declared People's Republic of China, and communist insurgencies throughout South East Asia.<sup>75</sup>

Further industrial unrest between the government and the Workers' Union during 1950 culminated in a strike in February 1951 which seriously delayed further hydro-electric construction.<sup>76</sup> It was on the waterfront, however, that Holland and his government met the trade union movement head on, quickly assuming emergency powers to control and repress the protracted five month waterfront strike which commenced in February 1951.<sup>77</sup> The government's information section, now transferred to the Publicity Division of the Department of Tourism, orchestrated the anti-strike (and, by extension, anti-communist) propaganda campaign which was waged by the media.<sup>78</sup>

Public servants supported the waterfront strike at the potential peril of their careers. Jack Lewin, for instance, was accused of having co-authored a pamphlet with Jock Barnes, the President of the Waterside Workers' Union, and a coordinated anti-Lewin campaign within the PSA now saw him relinquish the presidency.<sup>79</sup> Dr Sutch, newly returned from the United Nations in New York, and now working in the Department of Industries and Commerce, not only wrote and spoke in support of the watersiders, but regularly contributed to the striking workers' fund and proudly displayed and shared his collection of illegal strike material.<sup>80</sup> While these activities did not pose an immediate threat to his public service career (Dr Campbell and his fellow PSC members apparently distinguishing between the threats posed to national security by card-carrying CPNZ members and those merely with left-wing political predilections), they were noted on his security file, the contents of which were shared with the US Government.<sup>81</sup>

Following the 1951 defections of British Foreign Office spies Donald Maclean and Guy Burgess, the US Joint Chiefs of Staff attempted to assess the extent of the material they had betrayed to Moscow. The Chiefs of Staff concluded that all '... US/UK/Canadian planning on atomic energy, US/UK post-war planning and policy in Europe... All UK and possibly some US diplomatic codes and ciphers in existence prior to May 15, 1951 are in possession of the Soviets and of no further use'.<sup>82</sup> While the damage to western diplomatic and defence secrets had therefore already been done (even the Venona operation had been compromised to the Soviets), the internal security agencies of the United Kingdom, the United States and France were stimulated to even greater efforts. In March 1951, a Tripartite Security Working Group was formed to produce a standard system of Positive Vetting to include the identification of covert 'security risks'.<sup>83</sup>

Not even the United Nations was immune from the drive to identify and remove security risks from the public service. By the middle of 1952, the existing 'informal arrangement' whereby Trygve Lie, the Secretary-General of the United Nations, was advised by the US State Department if 'adverse security information' was available regarding American employees at the UN was considered 'inadequate'. American public opinion, fuelled by Senator McCarthy's allegations about 'a nest of communists' within the UN, and the refusal by certain employees in the American Secretariat of the UN to answer questions posed by US investigators led Lie's resignation in November 1952 and to President Truman issuing Executive Order 10422 on 9 January 1953.<sup>84</sup> Truman directed that the results of the security vetting of all US citizens

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<sup>75</sup> Templeton, *Top Hats are Not Being Taken*, Chapter X; Hunt, *Spies and Revolutionaries*, pp. 188-191; McGibbon, *NZ and the Korean War Vol. I*, Chapter 8. Despite the closure of the New Zealand Legation in Moscow, the Soviet Legation in Wellington remained open, complete with its resident Soviet intelligence officer.

<sup>76</sup> Martin, *People, Politics and Power Stations*, p. 153; Hasman, *Mangakino in Perspective*, pp. 48-50.

<sup>77</sup> Belich, *Paradise Reforged*, p. 301; N. Woods, 'Setting the Scene' in Grant (ed.) *The Big Blue*, p. 17; Spencer, *Incoming Tide*, pp. 172-207; Bramble, (ed.), *Never a white flag. The Memoirs of Jock Barnes*, pp. 165-170.

<sup>78</sup> Yska, *All Shook Up*, pp. 26-27; McGibbon, *NZ and the Korean War Vol. I*, pp.306-307.

<sup>79</sup> Roth, *Remedy For Present Evils*, pp. 129-130;

<sup>80</sup> Scott, *Radical Writer, 's Life*, pp. 147-148.

<sup>81</sup> Fox, 'Pedigree of Truth', pp. 127-128. Note that Dick Scott alleges that Bert O'Keefe, a public service commissioner in 1951, while sympathetic to the cause of the watersiders, was also a security agent. See Scott, *Radical Writer's Life*, p. 148.

<sup>82</sup> Andrew and Gordievsky, *KGB*, pp. 322-323.

<sup>83</sup> West, *The Circus*, pp. 70-71; Leigh, *Wilson Plot*, p. 30.

<sup>84</sup> D. M. Johnson, Permanent Canadian Representative to the United Nations, New York to Under-Secretary of State for External Affairs, Ottawa, secret letter number 274 'UNITED NATIONS SECRETARIAT DISMISSALS — HOUSE CLEANING OR WITCH HUNT?' dated 11 June 1952,ref DEA 5475/-H-40, Document 284

employed, or being considered for employment, on the Secretariat of the UN, would henceforth be passed to the Secretary-General, subject to US regulations governing the release of classified information. The Secretary-General acceded to US vetting requirements (including the fingerprinting of employees), announcing the principle that he should not retain on the staff of the United Nations anyone whom he had reasonable grounds to believe was engaging or was likely to engage in subversive activities against any member government.<sup>85</sup>

In New Zealand the existing system for the suppression of anti-communist subversion within the public sector was now formalised by the passage in 1951 of the Public Service Amendment Act, the Police Offences Amendment Act and the Official Secrets Act, and with the use from 1952 of the D (Defence) Notice system to withhold the publication of sensitive material.<sup>86</sup> With an estimated 200 'communists' still in government service as at December 1951, including 50 in the Department of Education, public servants could now be transferred, without right of appeal, in the interests of national security. A three-man review authority was established to prevent unjust transfers 'through malice or carelessness', while an Interdepartmental Committee was formed to coordinate security (particularly the handling of classified material) within government departments.<sup>87</sup> Historian John Beaglehole actively opposed the passage of the Police Offences Amendment Bill which, he considered, confirmed the repressive powers adopted by the government during the waterfront strike while 'whittling away' civil liberties. After brief but intense campaign, the bill was passed in an amended form, while two months later Beaglehole's job with the Historical Branch, Department of Internal Affairs, was terminated – a move which many of his colleagues firmly believed was in response to his opposition to the bill.<sup>88</sup>

In 1952, the left-wing politician Ormond Wilson, when reflecting on the intensity of the anti-communist debate in the United States, observed in New Zealand '... the same hysteria, the same symptom of intolerance and war psychosis, and the same tendency to persecute minorities, are beginning to show themselves... The atmosphere is one in which extremist opinion gains ground, and unorthodoxy is persecuted'.<sup>89</sup> As Ian McGibbon notes, anti-communist intolerance was no longer confined to government circles by 1952, since Sinophile Courtney Archer received official censure for speaking in support of Chinese intervention in the Korean War, while F. P. Walsh, acting on inaccurate advice provided by Special Branch, moved to suppress a supposedly subversive weekly newspaper column by a Canterbury University College lecturer 'Criticus' (Wolfgang Rosenberg). However, by comparison to the United States in this period, the anti-communist debate in New Zealand remained remarkably muted beyond either official or pro-communist circles, for, as the NZ Police recognised, 'the average New Zealander is a straightforward type of person and anything savouring of "spying" and "under cover" work is anathema to him'.<sup>90</sup> A notable exception to the prevailing apathy was the formation in August 1952 of the New Zealand Council for Civil Liberties, presided over by John Beaglehole, which

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Documents on Canadian External Relations, Volume 18, available on-line at: <http://www.dfait.gc.ca/departement/history-histoire/dcer/details-en.asp?intRefId=3780>.

<sup>85</sup> Under-Secretary of State for External Affairs, Ottawa, to Secretary of State for External Affairs, Ottawa, 'CABINET MEMORANDUM ON UN SECRETARIAT PROBLEMS' dated 6 February 1953, ref DEA/5475-H-40, Document 238, *Documents on Canadian External Relations*, Volume 19, available on-line at: <http://www.dfait.gc.ca/departement/history-histoire/dcer/details-en.asp?intRefId=1869>; Executive Order 10422 can be viewed on-line at: [http://www.trumanlibrary.org/whistlestop/study\\_collections/un/large/documents/index.php?documentdate=1953-01-09&documentid=40&studycollectionid=UN&pagenumber=1](http://www.trumanlibrary.org/whistlestop/study_collections/un/large/documents/index.php?documentdate=1953-01-09&documentid=40&studycollectionid=UN&pagenumber=1); for a biography of Trygve Lie, see on-line <http://www.un.org/sq/lie.shtml>. J. V. Wilson, a New Zealand delegate to the United Nations General Assembly in 1953, spoke out against American attempts to interfere with the prerogative of the Secretary-General to appoint staff. See Templeton, Malcolm. 'Wilson, Joseph Vivian 1894 - 1977'. *Dictionary of New Zealand Biography*, updated 22 June 2007, available on-line at <http://www.dnzb.govt.nz/>

<sup>86</sup> Andrew and Gordievsky, *KGB*, p. 308; McGibbon, *NZ and the Korean War Vol. I*, p. 307; Yska, *All Shook Up*, pp.52-53; Wilson, 'Defining the 'Red Menace'', p. 114.

<sup>87</sup> McGibbon, *New Zealand and the Korean War, Vol. I*, pp. 307-308; Butterworth, *More Than Law and Order*, pp. 42-45.

<sup>88</sup> T. Beaglehole, *A Life of J. C. Beaglehole: New Zealand Scholar*, Wellington, 2006, pp. 427-430.

<sup>89</sup> I. McGibbon, *New Zealand and the Korean War, Vol. I*, pp. 305-306.

<sup>90</sup> *Ibid*, p. 306; Butterworth, *More Than Law and Order*, p. 43. S. Elworthy, *Ritual Song of Defiance. A Social History of Students at the University of Otago*, Dunedin, 1990, p. 84 notes the 'political apathy or conservatism which marked student politics at the University of Otago in the post-Second World War period. See also the Editorial in the *Press* 29 January 2009 which concluded that, with regards to the case of Wolfgang Rosenberg, 'McCarthyism has never formed much of New Zealand's mindset'.

took up the difficult task of championing cases of discrimination by reason of their political beliefs. Beaglehole's activities and associates were carefully noted on his Special Branch file.<sup>91</sup>

Public servants continued to fall foul of Special Branch, including June Joblin, a Department of Industries and Commerce typist who in April 1953 was warned not to continue to cut stencils for *Newsquote*, a fortnightly news digest produced between September 1952 and September 1953 by three Victoria University post-graduate students. Although *Newsquote* was comprised solely of extracts from American news sources with no editorial comment, the news digest was assessed by Special Branch as being anti-American (and therefore pro-communist). Of the three *Newsquote* editors, Don Brown had his employment within a large public accountancy firm terminated following a visit from Special Branch officers, the second, Doug Foy, a known communist, had already been moved from his Treasury position to the Valuation Department, before resigning from the Public Service, while the third, Hugh Price, was still considered a 'security risk' at the end of 1953 when he unsuccessfully applied for a temporary position in the Public Service.<sup>92</sup>

While the relentless purging of the Public Service continued apace, blighting further promising careers by reason of suspected communist affiliations, some senior officials nonetheless managed to protect their staff.<sup>93</sup> Logan Bell, for instance, a known communist, was retained in the Wildlife Branch of the Department of Internal Affairs by Under-Secretary Joe Heenan. Heenan was clearly not alarmed by Bell's vociferous communism, and his work on New Zealand's island wildlife sanctuaries evidently presented no security concerns.<sup>94</sup> Similarly the association of scientists such as Charles Fleming with their Soviet counterparts apparently gave the authorities no cause for concern, for a feature of this early Cold War period was the maintenance of a bilateral scientific relationship with the USSR.<sup>95</sup> Despite the institutional memory of the Holmes affair, membership of the CPNZ proved no barrier to the future writer Maurice Shadbolt taking up a position with the National Film Unit in 1954.<sup>96</sup>

The Department of External Affairs now lost a number of personnel by reason of their suspected communist party connections, despite the best efforts of Alister McIntosh, the Secretary of External Affairs, to protect his staff.<sup>97</sup> Doug Lake, previously Third Secretary at the New Zealand Legation in Moscow, was classified as a security risk after his wife published a laudatory account of the Soviet Union for the New Zealand Society for Closer Relations with the USSR. James McNeish concludes that Lake's crime was not that he had been a communist, but that he had supported his wife's right to be published by what was suspected by the authorities to have been a communist front organisation. Lake was transferred within External Affairs, but finally resigned in 1954, to the embarrassment of his brother, a member of the Holland Government<sup>98</sup> Dick Collins, a member of a social group within External Affairs known as the 'Vegetable Club'

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<sup>91</sup> Beaglehole, *A Life of J. C. Beaglehole*, pp. 431-433.

<sup>92</sup> Yska, *All Shook Up*, pp. 36-37; Sarah Boyd, 'A matter of record', *Dominion Post*, 19 February 2005, p. E3; G. Fraser, *Seeing Red, Undercover in NZ in 1950s New Zealand*, Palmerston North, 1995, pp. 68-70; S. Hamilton, *A Radical Tradition. A history of the Victoria University of Wellington Students' Association 1899-1999*, Wellington, 2002, p. 105. Scott, 'Civil Liberties in New Zealand', pp. 40-41 wrongly described *Newsquote* as consisting 'largely of quotations from reputable British and American papers chosen because they threw a favourable light on Soviet foreign policy...'. The spectre of the *Newsquote* case continued to haunt Hugh Price and his family in 1972 when they were refused visas to fly to London via the United States on, as Price was advised, the advice of the NZSIS to the effect that he was a 'subversive'. Hugh Price, Wellington, letter to A. P. Fox, Invercargill, 14 February 2009, Author's personal files. An earlier version of a *Newsquote*-style case can be found in W. Freer, *A Lifetime in Politics, The Memoirs of Warren Freer*, Wellington, 2004, pp. 39-40.

<sup>93</sup> Wilson, 'Defining the 'Red Menace'', p. 114; Bassett and King, *Tomorrow Comes The Song*, p. 259; Hunt, *Spies and Revolutionaries*, pp. 129-130, 146; Ulrich, *Journey Towards World Peace*, p. 23; Scott, *Radical Writer's Life*, pp. 96, 101.

<sup>94</sup> R. Galbraith, *Working for Wildlife. A History of the New Zealand Wildlife Service*, Wellington, 1993, pp. 88-89.

<sup>95</sup> W. M. McEwan, *Charles Fleming, environmental patriot: A Biography*, Nelson, 2005, p. 149; Wilson, *New Zealand and the Soviet Union*, pp. 17, 19; J. Goodliffe, 'New Zealand Through Some Soviet Eyes During the Cold War', in Trapeznik and Fox (eds.), *Lenin's Legacy Down Under*, pp. 157-158.

<sup>96</sup> M. Shadbolt, *One of Ben's. A New Zealand Medley*, Auckland, 1993, pp. 162-163; 187.

<sup>97</sup> See, for instance, I. McGibbon (ed.), *Unofficial Channels. Letters between Alister McIntosh and Foss Shanahan, George Laking and Frank Corner 1946-1966*, Wellington, 1999, p. 169. See also the article 'New Zealand's own M.V.D.', *Salient*, 19 July 1957, based in turn upon an article by W. J. Scott which appeared in *Landfall* in March 1956.

<sup>98</sup> J. McNeish, *The Sixth Man. The Extraordinary Life of Paddy Costello*, Auckland, 2007, pp. 259, 262, 374-375; J. McNeish, 'Hidden History. The New Zealand Cold War', *North and South*, October 2007, pp. 88-89. See also M. Cull, *After Me Came The Berlin Wall. Lies, Spies and Journalism*, Auckland, 2006, pp. 144-150.

was denounced by a police informer to Prime Minister Holland for having made an 'incautious remark'. Collins resigned, and commenced a highly successful career in law, although his alleged indiscretion would later prevent his appointment to the judiciary.<sup>99</sup> Paddy Costello, serving with the New Zealand Legation in Paris, tendered his resignation in 1954, after Holland acceded to combined Anglo-American pressure for Costello, long considered by the British and American governments to be a security risk, to be removed from government service. A brilliant linguist, he took up a professorship in Russian at Manchester University the following year.<sup>100</sup>

### The End of the Anti-Communist Crusade

Dr Campbell resigned from the chairmanship of the Public Service Commission in March 1953 (curiously, the same month that Stalin died).<sup>101</sup> His departure, together with the final concerted purge of the Department of External Affairs, appears to have heralded the conclusion of the campaign to suppress communism within the Public Service. Indeed, Robert Muldoon could confidently state in 1954 his belief that '... our people will never accept ultimate Socialism or its ally Communism'.<sup>102</sup> Public concern from mid-1954 shifted away from the possible threat to society posed by communist subversion to concerns about the moral delinquency and depravity of New Zealand's youth.<sup>103</sup> New Zealand's internal Cold War appeared to be over even before it had begun, with the country apparently immune to the diplomatic and political turmoil which gripped Australia in the wake of the defection in Canberra in April 1954 of Vladimir Petrov, Third Secretary of the Soviet Legation and the resident Soviet intelligence officer in Australia, and his wife, also a serving Soviet intelligence officer.<sup>104</sup> The *Wanganui Herald* of 1 May 1954 recommended against 'the kind of [anti-communist] witch-hunting that has produced McCarthyism in the United States', and observed that there had to be better ways 'of excluding Communists – and other undesirables for that matter, from the Public Service in New Zealand than debarring them on purely political or ideological grounds'.<sup>105</sup>

In fact, such debarment was no longer necessary, as the undesirables had already been efficiently excluded from government work, although the cases of J. J. S. (Steve) Cornes and Peter Arnett demonstrate that the government remained alert to the possibility of communist subversion. Cornes, a chemist with the DSIR's Dominion Laboratory was not permitted to analyse uranium samples from the Buller Gorge in 1955 due to a suggestion in a weekly newspaper that his left-wing views made him a security risk.<sup>106</sup> In early 1956 Arnett, a young reporter with the Wellington newspaper the *Standard*, received a warning under the D Notice system when his planned exposé of the shortcomings of the Compulsory Military Training scheme was considered a potential 'breach of military security'. Arnett instead left Wellington to pursue his journalistic career overseas.<sup>107</sup>

By 1956, it was becoming clear that the appropriate official government response to the threat of international communism was no longer the purging of subversive elements within the Public Service, but counter-espionage.<sup>108</sup> Sir Percy Sillitoe, following a return visit to New Zealand in October 1951, had identified both the CPNZ and the Soviet Legation as New

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<sup>99</sup> McNeish, *The Sixth Man*, pp. 262, 372-373; McNeish, 'Hidden History', p. 89; King, *Penguin History of New Zealand*, pp. 428-429.

<sup>100</sup> McNeish, *Sixth Man*, pp. 241, 247, 260-261, 263, 375-376; McNeish, 'Hidden History', pp. 89-90; Hunt, *Spies and Revolutionaries*, pp. 119-201; King, *Penguin History of New Zealand*, pp. 145-146.

<sup>101</sup> Hunn, *Not Only Affairs of State*, p. 72

<sup>102</sup> Gustafson, *His Way*, p. 56.

<sup>103</sup> King, *Penguin History of New Zealand*, pp. 430-431; Yska, *All Shook Up*, Chapter Three 'Youth Aflame'.

<sup>104</sup> Butterworth, *More Than Law and Order*, p. 76, notes that Petrov told the Australian Government of a Soviet informant who was highly placed in New Zealand government circles, and that the government therefore 'remained perturbed about the security implications of [Petrov's] disclosure.'

<sup>105</sup> Quoted in Wilson, *New Zealand and the Soviet Union*, p. 30.

<sup>106</sup> Galbraith, *DSIR: Making Science Work for New Zealand*, p. 154.

<sup>107</sup> P. Arnett, *Live from the Battlefield. From Vietnam to Baghdad 35 Years in the World's War Zones*, London, 1994, pp. 28-29.

<sup>108</sup> See, however, Wilson, *New Zealand and the Soviet Union*, p.206, and the wry comment by Alister McIntosh in December 1957 that 'Here in New Zealand there was nothing to spy on... Mr Rodionov [G. M. Rodionov, the Soviet Ambassador]... readily concurred especially on the point that there was nothing to spy on and by tacit consent each of us pretended to agree that this was so!'

Zealand's outstanding security risks, an assessment which was endorsed by the Advisory Committee on Security in January 1952.<sup>109</sup> Special Branch thereafter kept the CPNZ under close surveillance, while also turning its attention to the activities of the Soviet Legation, now the only operational Soviet diplomatic post in Australasia in the wake of the Petrov affair.<sup>110</sup> By 1956 it was also clear to Sam Barnett, the new Controller-General of Police, that the personnel and records of Special Branch fell far short of the standards required of a counter-espionage agency equivalent to MI5 or ASIO.<sup>111</sup> Barnett, and John Marshall, the Attorney-General, advocated the creation of a dedicated security organisation, and the New Zealand Security Service therefore came into being on 28 November 1956.<sup>112</sup>

From the perspective of the CPNZ, the official anti-communist crusade, particularly from 1950 onwards, had effectively blunted the influence of the party within political and trade union circles, and severely curtailed the party's membership.<sup>113</sup> 'Sid' Scott, then the General Secretary, later reflected that the party had been forced to resort to conspiratorial methods, even though it had not been outlawed. He also bemoaned the fact that after 1948 'the spirit of the cold war was penetrating the very marrow' of the CPNZ, resulting in 'a hardness, a ruthlessness, an amoral attitude'.<sup>114</sup> The party's fortunes further declined in 1956, when disillusioned comrades (including poet Hone Tuwhare, novelist Noel Hilliard, journalist Gordon Dryden, and even Scott himself) resigned in protest following Khrushchev's denunciation of Stalin's regime in February, and the brutal Soviet repression of the Hungarian popular revolution in October-November.<sup>115</sup>

### The Last Shots of the Campaign

McCarthyism had effectively ceased in the United States in December 1954, when a majority Senate vote condemned Joseph McCarthy's anti-communist witch hunt.<sup>116</sup> Curiously, a peculiarly insipid version of the McCarthy-style show trial was observed in New Zealand in 1959, when the inveterate anti-communist F. P. Walsh was sued for defamation. In October 1958, Walsh had been challenged for the presidency of the Wellington Trades Council, an action which he took to be part of a Catholic conspiracy against the labour movement.<sup>117</sup> Walsh retained control, only to become embroiled in a very public feud with Tony Neary of the Electrical Workers' Union, waged in the Communist Party newspaper *People's Voice* and the tabloid newspaper *NZ*

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<sup>109</sup> Butterworth, *More Than Law and Order*, pp. 44-45. See also Scott, *Rebel In A Wrong Cause*, pp. 149-150, 201. Scott was sceptical – but naïve – when he wrote that 'One would hardly think that New Zealand has secrets of sufficient importance to warrant the risk which would be incurred by a liaison between Soviet officials and local Communists' Ibid, p. 150. See, for instance, Parker, *SIS*, pp. 50-79; Hunt, *Spies and Revolutionaries*, pp. 233-236, J. R. Marshall, *Memoirs. Volume One 1912-1960*, Auckland, 1983, pp. 242-243.

<sup>110</sup> On the surveillance of the CPNZ by the Special Branch of the New Zealand Police see, for instance, Fraser, *Seeing Red*; Hunt, *Spies and Revolutionaries*, pp. 230-231; Parker, *SIS*, pp. 20-21; Wilson, *New Zealand and the Soviet Union*, p. 19. See also Butterworth, *More Than Law and Order*, pp. 58-59, 62, for details of what may have been an abortive attempt to monitor the radio traffic of the Soviet Legation by means of radio equipment based at the house of Acting Commissioner of Police Compton.

<sup>111</sup> Fox, 'Pedigree of Truth', p. 127; Butterworth, *More Than Law and Order*, pp. 76-77; Sinclair, *Walter Nash*, p. 342. It was ironic that Barnett's findings matched those of the CPNZ, which in 1955 had requested a Royal Commission to inquire into the operations and methods of Special Branch, a request which was denied by Prime Minister Holland. Scott, 'Civil Liberties in New Zealand', p. 41.

<sup>112</sup> Marshall, *Memoirs Vol. One*, p. 243; Parker, *SIS*, p. 25; Hunt, *Spies and Revolutionaries*, p. 231. Note that Barnett was previously an official with the Public Service Commission. See Butterworth, *More Than Law and Order*, p. 75. See also King, *Tread Softly*, p. 71, concerning the plans proposed by Dr R. A. Lochore for a non-military security intelligence agency staffed by New Zealand public servants and headed by Lochore himself.

<sup>113</sup> Scott, *Rebel In A Wrong Cause*, p. 177; Hunt, *Spies and Revolutionaries*, pp. 149, 154.

<sup>114</sup> Scott, *Rebel In A Wrong Cause*, pp. 155, 175; McGibbon, *NZ and the Korean War Vol. I*, p. 306.

<sup>115</sup> J. Hunt, *Hone Tuwhare. A Biography*, Auckland, 1998, p. 62; G. Dryden, *Out of the Red*, Auckland, 1978, pp. 313-134; Scott, *Rebel In A Wrong Cause*, pp. 206-229; Shadbolt, *One of Ben's*, pp. 208-209; Locke, 'Looking for Answers', 346-355; Zubok and Pleshakov, *Inside the Kremlin's Cold War*, pp. 174-175, 179, 186-187.

<sup>116</sup> See, for instance: [http://www.archives.gov/exhibits/treasures\\_of\\_congress/page\\_23.html#](http://www.archives.gov/exhibits/treasures_of_congress/page_23.html#). Note the reported assessment of McCarthy's effectiveness by J. Edgar Hoover, Director of the Federal Bureau of Investigation: 'I often meet Joe at the race-track, but he has never given me a winner yet', Philby, *My Secret War*, p. 123. McCarthy remained ignorant of the Venona decrypts, meaning that despite his best efforts he was never able to uncover any significant cases of Soviet espionage in the United States. C. Andrew, *For The President's Eyes Only. Secret Intelligence and the American Presidency from Washington to Bush*, London, 1996, p. 180.

<sup>117</sup> Hunt, *Black Prince*, pp. 173-174. A. Neary and J. Kelleher, *Neary - The Price of Principle*, Auckland, 1986, pp. 38-39, 43-45.

*Truth*. Neary won defamation proceedings first against *People's Voice*, in a trial presided over by Justice Thaddeus McCarthy (prompting Ken Baxter, the Secretary of the Federation of Labour and a loyal Walsh supporter, to quip that 'we've got McCarthyism in New Zealand'), and then in November 1959 against Walsh himself. The irony here was that, in the course of the trial, Walsh, the one-time anti-communist crusader, was forced to reveal his own chequered communist past, including his real name (Tuohy), and his one-time membership of the CPNZ.<sup>118</sup>

What can be considered the last acts in the purge of the Public Service occurred in 1965, with the compulsory retirement at the request of the State Services Commission of Dr Sutch from the position of Secretary of Industries and Commerce, and the failure of Alister McIntosh to secure the position of Secretary-General of the Commonwealth.<sup>119</sup> In both cases, the Holyoake administration had bowed to the security concerns of its Cold War allies – the United States, in the case of Sutch, and the United Kingdom, and MI5 in particular, in the case of McIntosh.<sup>120</sup> The PSA, once it became aware of the pending compulsory retirement of Dr Sutch, campaigned against '... the improper act of the government in putting pressure on the State Service Commission, and the weakness of the Commission in failing to resist that pressure', but to no avail.<sup>121</sup> Although Sutch's appointment to the position in 1958 had demonstrated the integrity of the PSC, the extensive classified dossier which had been compiled against him by western intelligence agencies now emboldened the government to retire him with indecent haste.<sup>122</sup> In the other case, McIntosh accepted a knighthood and ambassadorship instead of the secretary-generalship which was denied him due to the allegation by MI5 that his homosexuality posed a security risk.<sup>123</sup>

While the repression and removal of communists and other security risks from public service between 1948 and the mid-1960s had not been conducted in secret, the work of Special Branch and the PSC had occurred largely away from the public eye. From 1974, however, details of the cases which had been mounted against New Zealand civil servants were progressively released both within New Zealand and overseas. The first revelations were provided by Dr R. M. Campbell, who, with 'little time to live', had submitted an article to the *New Zealand Listener* exposing the damage which had been done to the careers of 'New Zealand diplomats and public servants of outstanding ability... by baseless accusations'. Campbell was deeply troubled by the cases of six individuals who had 'incurred suspicions on the flimsiest of unproven grounds', amongst them Costello and Sutch. Of one individual identified only as 'G' Campbell wrote that his security clearance had been refused:

... on a basis so trivial, so irresponsible that – not to use unfitting words – had it been known would have filled any decent New Zealander with a sense of shame, or more likely incredulity. I would have deemed it impossible had I not seen it happen.<sup>124</sup>

Dr Campbell, and Ian Cross, the editor of the *New Zealand Listener*, both considered the cases which Campbell had described as symptomatic of 'McCarthyism'.<sup>125</sup> However, as has

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<sup>118</sup> Hunt, *Black Prince*, pp. 177-181; Neary, *Price of Principle*, pp. 41-90; T. Skinner with J. Berry, *Man to Man*, Christchurch, 1980, p. 104.

<sup>119</sup> The State Services Commission had succeeded the Public Service Commission in January 1963.

<sup>120</sup> Roth, *Remedy For Present Evils*, pp. 169, 176-178; Shallcrass, 'W. B. Sutch', pp. 8-9; McNeish, *Sixth Man*, pp. 262, 373-374;

<sup>121</sup> Roth, *Remedy For Present Evils*, p. 177. See also McGibbon (ed.), *Unofficial Channels*, pp. 313-314, 318-319.

<sup>122</sup> Hunn, *Not Only Affairs of State*, p. 74; King, *Penguin History of New Zealand*, pp. 426-427. Note that T. Garnier, B. Kohn and P. Booth, *The Hunter and The Hill. New Zealand Politics in the Kirk Years*, Auckland, 1978, p. 154 attribute Sutch's enforced retirement to 'a series of crucial and understandable ideological differences with the then National Minister of Industries and Commerce, Jack Marshall'. Note also Sutch's insistence in 1962 that the appointment of Department of Industries and Commerce staff to External Affairs posts be made by the Public Service Commission on instructions of the Minister of Industries and Commerce rather than by the Minister of External Affairs. McGibbon (ed.), *Unofficial Channels*, pp. 292-293.

<sup>123</sup> McNeish, *Sixth Man*, pp. 262, 373-374

<sup>124</sup> R. M. Campbell, 'In the name of national security', *New Zealand Listener*, 23 February 1974, p. 9; Ian Cross, *Such Absolute Beginners. A Memoir*, Auckland, 2007, p. 123. See also McNeish, *Sixth Man*, p. 372 and Sinclair, *Walter Nash*, p. 342.

<sup>125</sup> Cross, *Such Absolute Beginners*, pp. 120-122.



already been seen, the purge of the New Zealand Public Service which had been overseen by Campbell was a protracted, ruthless and almost silent undertaking, lacking the public hearings and debate which marked Senator McCarthy's anti-communist crusade. Known or suspected communist party members had been removed from the Public Service, while suspected communist sympathisers had been neutralised, so as to better ensure New Zealand's own national security clearance within the western alliance. Whether or not such a policy was effective, or even necessary, is a question which is yet to be fully answered.

### The Case of Dr William Ball Sutch

On 18 April 1974, Security Intelligence Service officers observed a meeting between Dimitri Razgovorov, the KGB resident at the Soviet Legation, Wellington, and an unknown male dubbed 'Streaker'. 'Kit' Bennetts, one of the SIS officers who been tailing Razgovorov, has recorded the puzzlement which followed the identification of 'Streaker' as one Dr W. B. Sutch, an economist and retired senior civil servant.<sup>126</sup> Dr Sutch is notable (if not infamous) as being the only New Zealander to ever have been brought to trial as a result of an SIS surveillance operation. The recent partial declassification of his ASIO, FBI and SIS files permits a rare insight into the case mounted against Sutch over a forty-year period on the basis of his known pro-Soviet statements and associations, and the repeated attempts by New Zealand, British and American government officials to neutralise his Public Service career by reason of his assumed security risk.

The partial declassification of the SIS file on Sutch in May 2008 provided a unique insight into the case which had been assembled against Sutch prior to his arrest on 27 September 1974 on suspicion of obtaining information which would be helpful to the enemy. When matched with the dossiers on Sutch which had been compiled by ASIO and the FBI, it becomes clear that extensive surveillance had been carried out against Sutch in Australia, the United States and New Zealand, during his career as a civil servant and diplomat. The SIS material alone runs to 'more than one thousand folios' contained in 'four TOP SECRET files and one SECRET file on the subject'.<sup>127</sup> It is also evident that, despite ongoing speculation to the contrary, no evidence had been gathered, prior to 1974, which indicated any association between Sutch and the Russian Intelligence Service; in particular, there was no suspicion that Sutch had been recruited by the Soviets as either an asset or an agent.

Sutch first came to the attention of western intelligence in 1934, following his return to New Zealand, upon his successful completion of a doctorate at Columbia University, New York, in 1932, and an extensive journey through the Soviet Union, and on to India, Australia and New Zealand in 1933.<sup>128</sup> In June 1934, the Director of the Investigation Branch of the Attorney-General's Department, Canberra, queried Sutch's possible association at the end of 1933, while passing through Australia en route to New Zealand, with another New Zealander resident in Sydney who was known as a contributor to radical journals.<sup>129</sup> Evidently this enquiry was not pursued any further, for Sutch joined the staff of the Minister of Finance as an advisory economist and served on government commissions.<sup>130</sup> A January 1943 Security Intelligence Bureau (SIB) summary of Sutch noted that he 'was in no small measure responsible for some of the more important legislation, much of it of a socialist nature, passed between 1933 and 1935', notably the Reserve Bank of New Zealand Act 1933 and the Mortgage Corporation of New Zealand Act

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<sup>126</sup> C. H. Bennetts, *Spy. A former SIS officer unmasking New Zealand's sensational Cold War spy affair*, Auckland, 2006, pp. 11-20, 33-34.

<sup>127</sup> Target Assessment 30 May 1974, pp. 1, 27, Document 35, in NZSIS William Ball Sutch Papers, declassified 9 May 2008

<sup>128</sup> Shallcross, 'W. B. Sutch', p. 6; Sinclair, *Walter Nash*, p. 148; Easton, 'Sutch, William Ball', in *The Dictionary of New Zealand Biography. Volume Five 1941-1960*, Wellington, 2000, p. 505; J. R. Marshall, *Memoirs Volume Two: 1960 to 1988*, Auckland, 1989, p. 142; J. H. Weir, 'Russia Through New Zealand Eyes', *New Zealand Slavonic Journal*, (1996), p. 9. See also S. Smith, Wellington, letter to J. Traue, Turnbull Librarian, Alexander Turnbull Library, Wellington, 14/11/1989, and SMITH, Shirley, 'Commentary on Sir John Marshall's account of W. B. Sutch in Vol. II Memoirs 1989', p. 2, both items in MS Papers 4266, held in the Alexander Turnbull Library, Wellington (ATL), in which Sutch's widow explains that his passport and letters to his mother pertaining to his journey through the Soviet Union were still 'Somewhere in the house' provided that the SIS had not taken them in the wake of his arrest in September 1974.

<sup>129</sup> H. E. Jones, Director, Investigative Division, Attorney-General's Department, Canberra, letter to [recipient's details withheld] dated 6 July 1934, folio 1, A6119/90 Item 2406 William Ball SUTCH, held at the NAA, Canberra.

<sup>130</sup> Scholefield (ed.), *Who's Who in NZ, 5<sup>th</sup> Edition*, p. 227.

1934.<sup>131</sup> He also took an active role in progressive, left-wing intellectual organisations and publications such as the Left Book Club and *Tomorrow*.<sup>132</sup> The SIB noted his independence from any political party, commenting that he preferred to ‘... remain in the background exercising his undoubted ability in the very strong position he has held behind the scenes’.<sup>133</sup>

Sutch accompanied Nash (then the Minister of Finance) to London for the 1937 Imperial Conference. When material from a meeting of the Committee of Imperial Defence was leaked to a communist newspaper, *The Week*, the suspicions of MI5 fell squarely on Sutch.<sup>134</sup> While the details of this incident still remain classified by the SIS, Keith Sinclair, in his 1976 biography of Sir Walter Nash, reproduced the pertinent MI5-sourced information which he had discovered in SIS documents filed with the Nash papers in the New Zealand National Archives.<sup>135</sup> Former Prime Minister Sir John Marshall, in his posthumous memoirs published in 1989, revealed that, while Sutch had been identified as the ‘probable culprit’ with ‘clandestine contacts with leading officials of the British Communist Party’, the information gathered by MI5 ‘fell short of direct evidence that he had passed on secret information’.<sup>136</sup>

Upon his return to New Zealand, Sutch courted further controversy. He retained his position as Nash’s adviser, despite his political activities in December 1939, when he assisted with the publication of Labour MP John A Lee’s cruel attack upon his own party leadership, ‘Psycho-pathology in politics’. In 1940, Sutch was alleged by Special Branch to have engaged in further political activities ranging from sponsoring what Special Branch inaccurately described as pro-Nazi meetings (on the basis that the Soviet Union was then aligned with Nazi Germany in a non-aggression pact, and that any pro-Soviet activity was therefore pro-Nazi), to introducing a speaker at a Left Book Club meeting, and providing information on the Compulsory Loan Bill, three months before it was made public, to Bill McAra, a prominent member of the CPNZ.<sup>137</sup> Furthermore, Sutch had written a social and economic history of New Zealand for the New Zealand centennial series in 1940, but the government, unhappy with the critical and controversial tone of a book prepared by a public servant, had refused to permit it to be published even after Prime Minister Fraser had asked Sutch to revise and resubmit the manuscript.<sup>138</sup> Undaunted, Sutch sent his revised version off to Penguin Books, and *The Quest for Security in New Zealand* appeared in 1942, hard on the heels of another his critical analyses of New Zealand’s national development based on his 1940 manuscript, *Poverty and Progress in New Zealand* published by Modern Books.<sup>139</sup> Nevertheless, while the Security Intelligence Bureau recognised in 1943 that ‘the problem of SUTCH’s politics is a difficult one’, there was ‘nothing in his behaviour or speech to suggest that he is likely, now or in the future, to wish to compromise the British Empire or the war effort of the United Nations’. Indeed, he was considered ‘a reasonably honest individual’, and that any ‘such acts as he may have committed in the past’

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<sup>131</sup> Short biography of W. B. Sutch by ‘340’ dated 16 January 1943 (unknown authorship, probably Security Intelligence Bureau), Document 3, SIS William Ball Sutch Papers for Public Release. See also B. Easton, *The Nationbuilders*, Auckland, 2001, pp. 165-166.

<sup>132</sup> See Beaglehole, *A Life of J. C. Beaglehole*, pp. 307-309 regarding the involvement of Sutch and Dr Martyn Finlay with the Wellington Co-operative Book Society which was founded towards the end of 1938, the membership of which included Bart Fortune, a member of the CPNZ from 1935.

<sup>133</sup> Easton, ‘Sutch, William Ball’, p. 504; R. Barrowman, *A Popular Vision. The Arts And The Left In New Zealand 1930-1950*, Wellington, 1991, pp. 31, 33, 75-76, 94-95, 139-141, 143-145; Short biography of W. B. Sutch by ‘340’ dated 16 January 1943 (unknown authorship, probably Security Intelligence Bureau), Document 3, SIS William Ball Sutch Papers for Public Release.

<sup>134</sup> Sinclair, *Walter Nash*, p. 148. See also Parker, *SIS*, pp. 150-151.

<sup>135</sup> K. Sinclair, *Halfway Round the Harbour. An Autobiography*, Auckland, 1993, pp. 210-212.

<sup>136</sup> Barrowman, *A Popular Vision*, p. 42; Marshall, *Memoirs Vol. Two*, p. 144.; Easton, ‘Sutch, William Ball’, p. 504. See also S. Smith, Barrister and Solicitor, Wellington, ‘W. B. Sutch. Comments on mention in the book TURNOVSKY – Fifty Years in NZ published by Allen & Unwin PNP, 1990, by FRED TURNOVSKY, circa August 1990, in SMITH, Shirley, Turnovsky on Sutch – Smith Comments on Turnovsky 50 Years in NZ (1990), Ref. No. 90-274, held at the ATL.

<sup>137</sup> Police Report 26 June 1940, Document 1; NZSIS copy of Special Branch report on meeting of Left Book Club on 5 November 1940, Document 2; NZSIS three page ‘Security Biography’ of William Ball Sutch, undated and unsigned, but compiled in 1958, Document 19; Target Assessment 30 May 1974, p. 19, Document 35, all in NZSIS William Ball Sutch Papers.

<sup>138</sup> Easton, ‘Sutch, William Ball’, p. 504, pp. 130-131; Beaglehole, *A Life of J. C. Beaglehole*, p. 281, Bassett and King, *Tomorrow Comes the Song*, p. 206.

<sup>139</sup> Barrowman, *A Popular Vision*, pp. 139 158-159; Beaglehole, *A Life of J. C. Beaglehole*, p. 282; Marshall, *Memoirs Vol. Two*, pp. 144-145; Turnovsky, *Fifty Years in New Zealand*, p. 117; Easton, ‘Sutch, William Ball’, p. 504. See also Smith, ‘Commentary on Sir John Marshall’s account of W. B. Sutch in Vol. II Memoirs 1989’, p. 4.

were due more to 'the inevitable form of intellectual snobbery to which persons of his type are prone' than from any desire to damage the allied war effort. Since the Police Department confirmed that he was not a member of the CPNZ (although he was to marry Shirley Smith, a member of the CPNZ, the following year), and that he was not associated with any 'subversive activities', Sutch was not considered to present any security risk.<sup>140</sup>

In March 1945, Sutch was appointed as the Director of Supply and Requirements for the Far Eastern Division of the United Nations Relief and Rehabilitation Administration (UNRRA), based in Sydney.<sup>141</sup> Despite his wartime service in New Zealand as a gunnery instructor, the Christchurch Returned Services' Association reacted to his appointment 'with regret', since it was considered that 'all such positions should be filled by returned servicemen'.<sup>142</sup> Indeed, according to the *People's Voice*, Sutch's appointment had been disliked by Prime Minister Fraser and Minister Semple, and he was similarly disliked by the Opposition and the daily press.<sup>143</sup> His arrival in Sydney certainly attracted the attention of the Australian Government when he requested special immigration and taxation consideration, given his frequent work-related overseas travel.<sup>144</sup> A file on Sutch was also opened by the Commonwealth Investigation Service, but was later destroyed since it was considered to contain 'little of value'.<sup>145</sup>

In 1947, Sutch arrived in New York as the Secretary-General of the New Zealand Delegation to the United Nations.<sup>146</sup> The FBI immediately opened a file on the new UN representative who, according to the files of the New Zealand Police, had been described to the Americans as 'a Communist sympathizer, but not a known member of the New Zealand Communist Party'. This assessment of Sutch concluded that he was an 'outstanding intellectual' and a 'doctrinaire Communist who has avoided formal connections with the local Communist Party [of New Zealand], possibly out of fear of resulting complications with the policy and/or out of contempt for the narrow outlook of the local Communist Party'.<sup>147</sup> Sutch's FBI file disproves the

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<sup>140</sup> 'William Ball Sutch', Security Intelligence Bureau report dated 15 April 1943, Document 4, SIS William Ball Sutch Papers, declassified 9 May 2008. See also NZSIS extract 9 April 1965 from Detective S. C. Browne, Detective Office, Wellington, Report Relative to 'Anonymous letter re one [name withheld] and unnamed refugees, 9 August 1940, Document 33, *ibid*, in which Detective Browne concludes that while Sutch held radical views, there was nothing to indicate that he was 'actually disloyal'. See also Smith, 'Commentary on Sir John Marshall's account of W. B. Sutch in Vol. II Memoirs 1989', p. 4, in which Sutch's widow recalls that in 1939 she 'was trying to persuade [Sutch] to join the Communist Party', but that 'he said forcefully that he would never join any party, that he never had belonged to any party, that he would never be told by anyone what to think, he would never follow any party line.'

<sup>141</sup> *Dominion*, 21/3/1945, in A1066/4 ER 45/6/21/1 Relief – UNRRA – Employment of New Zealanders on UNRRA Staff. Dr W. B. Sutch, held at the NAA, Canberra. Easton, 'Sutch, William Ball', p. 505. See also Smith, 'Commentary on Sir John Marshall's account of W. B. Sutch in Vol. II Memoirs 1989', p. 3.

<sup>142</sup> Easton, 'Sutch, William Ball', p. 504; *Otago Daily Times*, 20/3/1945, in A1066/4 ER 45/6/21/1. See also Sinclair, *Walter Nash*, p. 209.

<sup>143</sup> *People's Voice* 5 September 1945, extract contained in NZSIS William Ball Sutch Papers.

<sup>144</sup> W. B. Sutch, Chief Requirements and Supply Officer, UNRRA, Southwest Pacific Area, Sydney, letter to the Secretary, Department of External Affairs, Canberra, 18/5/1945; J. J. Kennedy, Comptroller-General, Department of Trade and Customs, Canberra, memorandum to the Secretary, Department of External Affairs, Canberra, 28/5/1945; J. D. O'Sullivan, Deputy Commissioner of Taxation, Federal Taxation Office, Canberra, memorandum to the Acting Secretary, Department of External Affairs, Canberra, 30/5/1945; B. R. Watson, for Secretary, Department of the Interior, Canberra, letter to the Secretary, Department of External Affairs, Canberra, 4/6/1945; J. J. Kennedy, Canberra, memorandum to the Secretary, Department of External Affairs, Canberra, 8/6/1945; W. B. Sutch, Deputy Director (Requirements and Supply), UNRRA, Sydney, letter to the Acting Secretary, Department of External Affairs, Canberra, 20/6/1945, all in A1066/4 IC 45/47/2 UNRRA Travel Facilities for Dr W. B. Sutch, held at the NAA, Canberra.

<sup>145</sup> R. W. Whitrod, Director, Commonwealth Investigation Service, Canberra, Secret Memorandum to C. F. Spry, Director-General of Security, Melbourne, [?]/4/1958, folio 4; C. F. Spry, Melbourne, memorandum to [name withheld], 14/4/1958, folio 5, in A6119/90 Item 2406 William Ball SUTCH, held at the NAA, Canberra. According to Sonja Davies, the Australian authorities seemed startled by the unconventional couple; Shirley Smith retained her maiden name, leading staff at the Sydney Hospital to address Sutch as 'Dr Smith' when their daughter was born there. See S. Davies, *Bread and Roses*, Auckland, Second Edition 1993, p. 130.

<sup>146</sup> Easton, 'Sutch, William Ball', p. 505; Shallcross, 'W. B. Sutch', p. 6. For a commentary on Sutch's time with the United Nations Organisation in New York by two senior New Zealand diplomats, see I. McGibbon (ed.), *Undiplomatic Dialogue. Letters between Carl Berensden and Alister McIntosh 1943-1952*, Auckland, 1993, pp. 118-119, 152-155, 158-162.

<sup>147</sup> Military Intelligence Department, War Department, Washington D.C., Summary of Information on Dr. W. B. Sutch, UNO Representative of New Zealand in the USA, 13/10/1947, in FBI File 100-HQ-353048 Volume 1, William Ball Sutch. It is likely that Sutch's supposed contempt for the CPNZ would likely have been mutual, according to the memoirs of 'Sid' Scott, whose opinion of fellow travellers was that '... almost all of them... would find themselves in open rebellion if they had intimate contact with Communism... under Communism or inside the Communist Party, they would find they had fallen out of the capitalist frying pan into the collectivist fire!' See Scott, *Rebel In A Wrong Cause*, pp. 178-179.

speculation by a variety of commentators that he was closely monitored by the FBI during his time in New York, with his telephone tapped and his contacts with communists and fellow travellers closely observed and documented.<sup>148</sup> By 23 June 1949, no FBI investigation of Sutch had been undertaken, and the FBI was therefore 'unable to furnish any information concerning his present activities and contacts...'.<sup>149</sup> A review of all of the FBI material pertaining to Sutch revealed much about his arrogant and abrasive manner, and provided no evidence whatsoever to suggest that he was a security risk.<sup>150</sup> Official New Zealand concerns surrounding Sutch's activities at the United Nations related to his independence of thought and action. McIntosh later reflected on Sutch's inability to 'act according to instructions... [or] resist the temptation to flights of irresponsible oratory'.<sup>151</sup>

Sutch returned to New Zealand in 1951, where he proceeded to rise through the senior administrative ranks of the Department of Industries and Commerce.<sup>152</sup> With the official anti-communist campaign which was now in full swing in Wellington, Sutch's continued employment in the Public Service was remarkable, if not charmed, given his undisguised support for the Soviet Union. Three radio talks which he had prepared on his return to New Zealand on the subject of Eastern Europe were not delivered following the objections of the Department of External Affairs, given that he depicted the Soviets as the liberators of Eastern Europe from Nazism, and welcomed the creation of the Soviet Bloc, while ignoring the brutality which had attended its birth.<sup>153</sup> Special Branch concluded in 1953 that he was a 'person associated with subversive activity', based upon his membership of the Committee of the Wellington Co-operative Book Society (Modern Books), reportedly 'an auxiliary Communist body', on the grounds that his wife was a member of the CPNZ, and that both his wife and sister were active in the Peace Council and the Society for Closer Relations with the Soviet Union.<sup>154</sup> The following year he was reported as a 'fellow traveller' and suspected member of the CPNZ in government service in the Wellington district, and by August 1954 he was considered a possible 'crypto-communist' by reason of a talk which he had given in 1953 to a Wellington Business and Professional Club's buffet tea.<sup>155</sup>

Further surveillance by undercover agents in 1954 established a link between Sutch and the suspected communist front organisation the Society for Closer Relations with the Soviet Union, when the Lower Hutt branch had proposed to approach Sutch, as well as other public servants and Members of Parliament, to assist with an exhibition which could be sent to the Soviet Union.<sup>156</sup> In November 1954 he was observed attending a cocktail party at the Soviet

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<sup>148</sup> Sinclair, *Walter Nash*, pp. 341-342; Parker, *SIS*, pp. 151-512; Marshall, *Memoirs Vol. Two*, p. 145; R. D. Muldoon, *Muldoon*, Wellington, 1977, p. 171. J. E. Hoover, Washington D.C., Secret Memorandum to [name withheld]. Subject: DR. WILLIAM BALL SUTCH. INTERNAL SECURITY – NEW ZEALAND, 24/4/1957, in FBI 100-HQ-353048. Indeed, Sutch himself appears to have believed that he had been kept under surveillance by the FBI while in New York. See, for instance, NZSIS extracts dated 15 February 1963 from a report by a confidential source [name withheld but a former member of the CPNZ] about Sutch. Document 32, NZSIS William Ball Sutch Papers; and Turnovsky, *Fifty Years in New Zealand*, p. 115. Sutch's lingering suspicions may also have helped fuel the anti-American comments which he made upon his return to New Zealand from the United Nations. See Scott, *Radical Writer's Life*, pp. 147-148.

<sup>149</sup> Secret Memorandum Re: Dr. William Ball Sutch, 23/6/1949, in FBI File 100-HQ-353048 Volume 1, William Ball Sutch.

<sup>150</sup> E. M. Gregg, Top Secret Office Memorandum to L Whitson, 27/6/1948, in *ibid*.

<sup>151</sup> McGibbon (ed.), *Unofficial Channels*, p. 94. See also NZSIS 'Target Assessment' for William Ball Sutch dated 30 May 1974, p. 11, which notes Sutch's political attitude and actions while with the United Nations, but makes no mention of any FBI surveillance, Document 35, NZSIS William Ball Sutch Papers.

<sup>152</sup> Easton, 'Sutch, William Ball'; Shallcrass, 'W. B. Sutch', p. 7.

<sup>153</sup> NZSIS report 28 March 1957 'Quotations from Dr. Sutch's Writings' Document 17; NZSIS 'Security Biography' of William Ball Sutch, undated but written in 1958, Document 19; Target Assessment, 30 May 1974, p. 18, Document 35, all contained in NZSIS William Ball Sutch Papers.

<sup>154</sup> Special Branch Subversive History Sheet for William Ball Sutch, compiled by Acting-Detective A. E. V. Lane, 12 March 1953, Document 6 in NZSIS William Ball Sutch Papers. On the Wellington Co-operative Book Society, see Barrowman, *A Popular Vision*, pp. 115-125, and particularly pp. 144-145 regarding Sutch and the Progressive Publishing Society.

<sup>155</sup> NZSIS extract of 19 September 1957 from Special Branch list of Communists and fellow travellers in the Public Service, compiled by Detective Sergeant J. W. Pullman, 20 May 1954, Document 7; NZSIS extract of 19 September 1957 from Detective Sergeant Paterson, Special Branch, Wellington, report regarding William Ball Sutch speaking at the Wellington Business and Professional Club in 1953, dated 16 August 1954, Document 8, both in NZSIS William Ball Sutch Papers.

<sup>156</sup> Detective Sergeant Pullman, Special Branch, Wellington, Report to the Officer in Charge, Special Branch, Wellington, 22 September 1954, Relative to Report of Undercover Agent [name withheld] 18 September 1954, Document 9; NZSIS extract 19 September 1957 from Senior Detective J. P. Marsh, Special Branch, Wellington, Report Relative to 'NEW

Legation to mark the 37<sup>th</sup> anniversary of the Bolshevik Revolution, together with 'Cabinet Ministers, representatives from Diplomatic Missions, and departmental heads'.<sup>157</sup> Sutch attended a similar celebration at the legation in November 1955, in the company of 'members of the Diplomatic Corps and prominent public servants' as well as 'persons known to this office [Special Branch] through their associations with the Communist Party or other subversive organisations'.<sup>158</sup> Sutch and his wife then attended a film showing at the legation on 27 January 1956, 'at which were present certain members of the diplomatic corps and also some Communist Party members and sympathisers'.<sup>159</sup>

Little could Sutch know how the results of the covert official monitoring of his overt attendance at public events at the Soviet Legation, later acknowledged as being fully in keeping with his position as a senior government official, or his very public connections with organisations such as the Society for Closer Relations with the Soviet Union, now threatened his career in the Public Service.<sup>160</sup> In 1956, when Sutch was being considered for the position of Assistant Secretary of Industries and Commerce, the contents of his Special Branch file gave Sam Barnett, the Controller-General of Police and Secretary for Justice, great cause for concern. It was not Sutch's reputation as a fellow traveller which worried Barnett, but that in investigating the basis of this reputation he had 'found nothing concrete'. Instead, his appreciation of the results of the Special Branch surveillance of Sutch was that it amounted to nothing more than 'unsubstantiated rumo[u]r and 'bar-room chatter', and that he 'could not be satisfied to condemn a man of Dr. Sutch's great ability to lose out on a promotion to which he seemed eminently deserving from a professional viewpoint' solely on the basis of such low-grade information.<sup>161</sup>

In an extraordinary attempt to gauge the validity of the case which had been compiled by Special Branch against Sutch, Barnett called upon the United States Embassy in Wellington to canvass the official American response to Sutch's impending promotion. The response of the embassy to Barnett's visit was that it seemed 'odd for United States officials to be asked to give an opinion on the security of a New Zealand citizen, about whom much more information would seemingly be available to the New Zealand authorities.' However, it was recognised that this was a 'rare and welcome opportunity' for the embassy to 'render a view in advance about a person who might be named to a post in which he would be responsible for matters of importance to the United States'. The embassy's own biographical and other files pertaining to Sutch revealed only that he was suspected of 'pro-Communist leanings' and had made what was considered an anti-American speech in July 1952 concerning the Korean War.

So as to render as informed an opinion as possible, a senior Wellington officer of the New Zealand Security Police, with which the embassy maintained contacts separate from the Controller-General of Police, was approached for comment.<sup>162</sup> The Special Branch officer advised that Sutch was a 'full-scale security risk', proceeding to back up his statement with the very same low-grade information from the Sutch file which had so concerned Barnett in the first place. The US embassy's files on Sutch were now augmented by the Special Branch assessment that, while he himself was not a 'card-carrying Communist', he associated with 'evident Communists and

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ZEALAND SOCIETY FOR CLOSER RELATIONS WITH RUSSIA – Minutes of National Executive Meeting held on September 7<sup>th</sup> 1954', 11 October 1954, Document 10, both in NZSIS William Ball Sutch Papers.

<sup>157</sup> Acting Detective T. H. Wilson, Special Branch, Wellington, Report Relative to '37<sup>th</sup> Anniversary of Bolshevik Revolution celebrated at Soviet Legation, Wellington', to the Officer in Charge, Special Branch, Wellington, 10 November 1954, Document 11, NZSIS William Ball Sutch Papers.

<sup>158</sup> NZSIS extract of 19 September 1957 from Detective Sergeant [name withheld], Special Branch, Wellington, Report Relative to 'SOVIET LEGATION – October Revolution Celebration held at address on November 7, 1955', 8 February 1956, Document 12, William Ball Sutch Papers.

<sup>159</sup> NZSIS extract of 14 October 1957 from D. S. Paterson, Special Branch, Wellington, Report Relative to 'THE SOVIET LEGATION IN WELLINGTON: Film Evening on January 27, 1956, Document 13, NZSIS William Ball Sutch Papers. See also Document 35, Appendix B, *ibid*.

<sup>160</sup> Document 35, p. 21, NZSIS William Ball Sutch Papers.

<sup>161</sup> W. Kling, First Secretary, American Embassy, Wellington, Confidential Foreign Service Despatch to the Department of State, Washington D. C., 15/2/1956, in FBI 100-HQ-353048.

<sup>162</sup> Apparently Sutch already suspected the close relationship which existed between the United States Embassy and the New Zealand Security Police. Writing in *Here and Now* in 1954 Sutch stated that 'Under the McCarthy Act the US Consulate in New Zealand is responsible for disallowing visas to New Zealanders whose history includes, for example, contributing to medical aid to Spain in 1936. Where does the US consul get his dossier from? He gets it from the New Zealand security police...', quoted in T. Bollinger, 'W. B. Sutch – Prophet Without Honour' Scoop Review of Books, 9 June 2008, available on-line at: <http://www.scoop.co.nz/stories/HL0806/S00104.htm>.

fellow-travellers', had been an inaugural committee member of Modern Books (the Wellington Co-operative Book Society), had sent communist strike material to a woman contact in the United Nations, New York, during the 1951 Waterfront Strike, and had frequently been observed at functions held at the Soviet Legation in Wellington.<sup>163</sup> Sutch's wife and sister, who were both recorded as having associations with communist-front organisations, gave the authorities further cause to regard him with deep suspicion.<sup>164</sup> Another, unnamed, New Zealand official informed the embassy that Sutch was a 'dangerous and thoroughly unreliable person', and that he had embarrassed the New Zealand Government by his association with 'certain Russians' while in New York, which had led to his being recalled from the United Nations.<sup>165</sup>

Despite the unsubstantiated nature of these allegations, the embassy concluded that he was a 'poor security risk', and requested the permission of the Department of State in Washington DC to show Barnett the embassy's report of the July 1952 speech on Korea which, it was thought, represented 'the kind of concrete evidence' which had otherwise eluded the Controller-General.<sup>166</sup> The embassy had certainly not revised its opinion of Sutch in April 1957, when he was being considered for the position of Secretary of Industries and Commerce. While he was the 'most suitable applicant', the embassy reported that it was unlikely that the New Zealand Government would appoint him by reason of his 'poor security status'.<sup>167</sup> Similar reservations were expressed by Brigadier H. E. Gilbert, the head of the newly-formed Security Service, when he briefed Prime Minister Holland on 28 May 1957 on the security implications of Sutch being appointed head of the Department of Industries and Commerce.<sup>168</sup> Gilbert pointed out that Sutch had a 'long history of pro-Communist pro-Russian leanings', that his wife had been an active member of the CPNZ, and that he evidently did not share her disapprobation of the brutal Soviet repression of the Hungarian uprising the previous year.<sup>169</sup> In Gilbert's opinion, the appointment of Sutch to a senior government position 'would be of considerable embarrassment in high-level trade talks, and particularly in war planning as far as SEATO or a similar organisation was concerned'.<sup>170</sup>

Gilbert's fears were realised in November 1958, following the election of the second Labour Government, and Sutch's appointment as the Secretary of Industries and Commerce. A secret memorandum for the Chiefs of Staff Committee, Wellington, from Air Commodore T. F. Gill, Head of the New Zealand Joint Staff Mission, Washington DC, reported that Gill 'had been invited to the Pentagon to be told that the appointment of Dr Sutch was having some effect on the release of classified material to us by the U.S. Navy.' The news came as no surprise to G. D. L. White, the Charge d'Affaires at the New Zealand Embassy, Washington, as he already knew that 'the State Department had reservations about Dr Sutch'. The Air Commodore also sought the advice of the Royal Navy officer at the British Naval Mission in Washington, who confirmed that it

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<sup>163</sup> Apparently Sutch dispatched strike bulletins to a woman in the United Nations Organisation, New York in 1951, using an official Industries and Commerce Department envelope and stamps. See Target Assessment, 30 May 1974, p. 7, Document 35, NZSIS William Ball Sutch Papers.

<sup>164</sup> See American Embassy, Wellington, Confidential Foreign Service Despatch to the Department of State, Washington D. C., 20/5/1953, concerning the plans for Miss Margaret S. Sutch to visit the United States following the award of a study grant by the American Association of University Women. Margaret Sutch and her brother were described as both having 'the same kind of record', in FBI 64-HQ-25441-4935, WILLIAM BALL SUTCH. His wife, Shirley Smith, had not been a member of the CPNZ since 1945, and later reflected that she had '... lost sympathy with the USSR from the invasion of Hungary in 1956, all of which is well-known to the NZSIS'. See Smith, 'Commentary on Sir John Marshall's account of W. B. Sutch', p. 4.

<sup>165</sup> On the behaviour of Sutch while with the United Nations in New York, see the correspondence between C. A. Berensden and A. D. McIntosh in March 1948, reproduced in McGibbon (ed.), *Undiplomatic Dialogue*, pp. 158-161, which indicates that it was Sutch's pro-Soviet views and pronouncements, rather than his association with Soviets at the United Nations, which gave the New Zealand Government cause for concern. See also NZSIS 'Security Biography' of William Ball Sutch, undated but written in 1958, Document 19, p.2, in NZSIS William Ball Sutch Papers.

<sup>166</sup> W. Kling, First Secretary, American Embassy, Wellington, Confidential Foreign Service Despatch to the Department of State, Washington D. C., 15/2/1956, in FBI 100-HQ-353048.

<sup>167</sup> W. Kling, Wellington, Confidential Foreign Service Despatch to the Department of State, Washington D.C., 3/4/1957, in *ibid.*

<sup>168</sup> The New Zealand Security Service, later the Security Intelligence Service, was created on 28 November 1956. See Parker, *SIS*, p. 25.

<sup>169</sup> See, for instance, Target Assessment, 30 May 1974, p. 16, Document 35, NZSIS William Ball Sutch Papers.

<sup>170</sup> H. E. Gilbert, Director, Security Service, Wellington, note for file on his security briefing of Prime Minister Holland 28 May 1957, Document 19, NZSIS William Ball Sutch Papers.

was apparent that 'one of your chaps is considered a bit of a Red, and under the circumstances the U.S. Office of Naval Intelligence are jibbing' since they were 'inclined to be a bit touchy about these things'. Gill was deeply concerned that New Zealand might lose its security rating with the American Government, and be 'banished to the wilderness'. Equally, however, he was concerned that Sutch might have been 'entirely above reproach', in which case he advised that New Zealand '... should say so, and stand firm and take any consequences.' He was sure that it was serious, and that 'if the United States are mis-informed on any aspects of this matter we should disabuse them speedily before the wrong impression spreads too far'.<sup>171</sup>

Gill cabled Wellington for permission to state categorically to the Americans that 'classified material of United States, British, Canadian or Australian origin passed to New Zealand... through military channels by this Mission' had not (and would not) be passed to Dr Sutch or to his department.<sup>172</sup> Permission was quickly given for Gill to make a categorical assurance, that no such material had ever been passed to either the Department of Industries and Commerce or the moribund Joint War Production Committee.<sup>173</sup> Gill was able to report the following day that 'information has been fed into US defence machine where it is calculated to do most good.' He recommended that no further action be taken in case this should prompt 'consideration here [in Washington] to a higher level' and therefore render ineffectual any further assurances about the security of classified material in New Zealand.<sup>174</sup>

Gilbert prepared a brief for Prime Minister Walter Nash on the 'recent history of the case of DR. W. B. SUTCH' on 16 December 1958. Gilbert noted the 'highly adverse information' relating to Sutch's time with the United Nations, and that he had advised Prime Minister Holland the previous year that the American and British authorities would 'be certain to draw their conclusions if a man with a record such as Dr. SUTCH's were appointed...'. For Gilbert, the 'persistence of Dr. SUTCH's attitude, associations and conduct over a long period of time' would have disbarred him from government service in the United States, and from 'any sensitive employment' in the United Kingdom. Furthermore, 'while a person whom the Americans distrust continues to hold the senior post in the Department of Industries and Commerce the U. S. reservations about New Zealand security will remain', affecting New Zealand's access to American and British intelligence and classified political and defence material.<sup>175</sup> What Gilbert had failed to mention to either Holland or Nash was that Sutch's poor security status derived solely from the contents of his Special Branch file, which had been communicated almost verbatim to Washington via the American Embassy in Wellington in 1956. Indeed, an investigation into Sutch 'via liaison channels' was apparently not agreed to between the FBI and the US State Department until September 1958, when it seemed likely that he might make a return visit to the United States.<sup>176</sup> However, when the substance of Sutch's Special Branch file was repeated back to Air Commodore Gill in Washington, what had once been condemned within New Zealand as 'unsubstantiated rumo[u]r and 'bar-room chatter' now became classified intelligence of international significance. Clearly, Gilbert wanted the Prime Minister to remove Sutch from the Public Service, but less than a month later Air Commodore Gill was able to report

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<sup>171</sup> Air Commodore T. F. Gill, Head, New Zealand Joint Staff Mission, Washington DC, Secret Memorandum to the Secretary, Chiefs of Staff Committee, Wellington, 20 November 1958, Document 20, NZSIS William Ball Sutch Papers.

<sup>172</sup> Air Commodore T. F. Gill, Head, New Zealand Joint Staff Mission, Washington DC, Secret Signal to the Director of Security via the Chiefs of Staff Committee, Wellington, 20 November 1958, Document 21, NZSIS William Ball Sutch Papers.

<sup>173</sup> Chiefs of Staff Committee, Wellington, Secret Signal to New Zealand Joint Staff Mission, Washington DC, 25 November 1958, Document 23, NZSIS William Ball Sutch Papers.

<sup>174</sup> New Zealand Joint Staff Mission, Washington DC, Secret Signal to Chiefs of Staff Committee, Wellington, 26 November 1958, Document 25, NZSIS William Ball Sutch Papers.

<sup>175</sup> H. E. Gilbert, Director of Security, Wellington, Personal Report to Prime Minister W. Nash, Wellington, 16 December 1958, Document 26, NZSIS William Ball Sutch Papers. Note that this is clearly one of the documents sighted by Keith Sinclair in the course of researching his biography of Sir Walter Nash. See Sinclair, *Walter Nash*, pp. 148, 341-342; Sinclair, *Halfway Round the Harbour*, pp. 214-215, 216.

<sup>176</sup> J. E. Hoover, Washington D.C., Secret Memorandum to R. L. O'Connor, Administrator, Bureau of Security and Consular Affairs, Department of State, Washington D.C., 29/9/1958. See also Legal Attache, London, Secret Office Memorandum to J. E. Hoover, Washington D. C., 13/5/1958, both items in FBI 100-HQ-353048.

that 'our assurance... has been accepted as sufficient security coverage by the U. S. Departments concerned', and Sutch was duly appointed.<sup>177</sup>

Sutch evidently remained ignorant of how, unwittingly, he had almost single-handedly caused a severe intelligence rift between New Zealand and its Cold War allies, or how close his public service career had come to being terminated, for he certainly did not alter his 'attitude, associations and conduct' in any way. In 1957, for instance, he had advocated a bilateral trade agreement with German Democratic Republic, 'which he knew to be contrary to Government policy', and given a speech on the Korean War that was reported as being 'an able apologia for Soviet policy' and derisory of the concept of collective security.<sup>178</sup> In 1958, while en route to London as a member of the New Zealand Trade Delegation to review the Ottawa Agreement with the United Kingdom, he stopped over in Cairo and 'exceeded his instructions by conducting negotiations... [regarding] an outline trade agreement between NZ and Egypt.'<sup>179</sup> He continued to attend functions at the Soviet Legation, prompting the Security Service in March 1962, to use a 'source' to ask V. S. Andreev, ostensibly the Commercial Counsellor at the Soviet Legation, if he had met Sutch. Andreev replied in the affirmative, and added that 'he did not like the man'.<sup>180</sup> Ironically, this is the first known assessment of Sutch by a Soviet intelligence officer; Andreev was expelled from New Zealand only four months later for having attempted to acquire information 'of a security nature affecting New Zealand's defence and external relations'. Clearly, the extensive purge by the PSC of suspected subversive elements within the Public Service, and the suspicions and surveillance attached to Sutch, had not served to protect New Zealand's secrets, for the KGB was well able to cultivate alternative sources of classified information within New Zealand.<sup>181</sup>

Security intelligence officers in New Zealand and Australia maintained Sutch under 'passive surveillance' for the remainder of his public service career, but, as ASIO concluded following his visit to Australia in March 1960, he 'did not come to adverse notice'.<sup>182</sup> What contributed to his compulsory retirement in 1965 was instead, according to John Marshall, his 'uneasy relationship' with the business sector, other departmental heads, senior economists and his Minister; in Marshall's opinion, Sutch was 'the odd man out'.<sup>183</sup> Thus, when it was determined that the State Services Commission could decently request his early retirement, he had no effective champions left within the Public Service, although Marshall, together with Prime Minister Holyoake, did arrange for him to receive 'consultancy fees from government sources'.<sup>184</sup> Following his retirement from government service in 1965, Sutch became an independent economic consultant, as well as an 'advisor, mediator, lecturer, broadcaster and writer', revelling in a 'mental freedom' beyond the Civil Service.<sup>185</sup> He also remained under 'passive surveillance'; his FBI file reveals that the American Embassy in Wellington limited his United States visa to permit only a single entry within one year, in consideration of the 'security suspicions' and the 'possibility excluding information may become available in future'.<sup>186</sup>

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<sup>177</sup> Air Commodore T. F. Gill, Washington DC, Secret Memorandum to Secretary, Chiefs of Staff Committee, Wellington, 7 January 1959, Document 27, NZSIS William Ball Sutch Papers.

<sup>178</sup> Target Assessment, 30 May 1974, pp. 11-12, Document 35, , NZSIS William Ball Sutch Papers.

<sup>179</sup> Ibid, pp. 5, 22.

<sup>180</sup> Ibid, p. 21. See also Freer, *A Lifetime in Politics*, pp. 95-96. Note that 'social contact' with the Soviet Legation was 'virtually frozen' after the Soviet repression in November 1956 of the Hungarian counter-revolution, and that the ban was only relaxed from early 1957. Wilson, *NZ and the USSR*, pp. 38-39. Sutch is not recorded as having attended functions at the Soviet Legation at this time. 'Target Assessment', 30 May 1974, Appendix 'B', Document 35, NZSIS William Ball Sutch Papers.

<sup>181</sup> Parker, *SIS*, pp. 77-78; Hunt, *Spies and Revolutionaries*, pp. 234-236.

<sup>182</sup> Marshall, *Memoirs Vol. Two*, p. 145; C. C. F. Spry, Director, ASIO, Canberra. Secret letter to H. E. Gilbert, Director, NZ Security Service, Wellington, 31 May 1960, Document 28, , NZSIS William Ball Sutch Papers.

<sup>183</sup> On Sutch's uneasy relationship with the business sector see, for instance, Target Assessment, , p. 7, Document 35, , NZSIS William Ball Sutch Papers. See also Marshall, *Memoirs Vol. Two*, p. 142.

<sup>184</sup> Marshall, *Memoirs Vol. Two*, pp. 141-142, 148. See also Target Assessment, 30 May 1974, p. 25, Document 35, , NZSIS William Ball Sutch Papers, and Smith, 'Commentary on Sir John Marshall's account of W. B. Sutch in Vol. II Memoirs 1989', pp. 6-7.

<sup>185</sup> Easton, 'Sutch, William Ball', p. 505; Shallcrass, 'W. B. Sutch', pp. 8-10; *Otago Daily Times* 29/3/1965, 1/4/1965; Smith, 'Comments on Turnovsky on Sutch', p. 3.

<sup>186</sup> Powell, American Embassy, Wellington, Confidential Department of State Telegram to the Secretary of State, Washington D.C., 14/4/1966, in FBI 100-HQ-35048. See also NZSIS extract 4 March 1968 from a Peace Council Newsletter for February/March 1968 about W. B. Sutch addressing a seminar on "New Zealand and Neutrality" to be held on 9 March 1968, Document 37; NZSIS Memo 18 March 1968 covering two copies of *Critic* of 19 February 1968 featuring



'Excluding information' certainly became available on Sutch when, on 18 April 1974, he was observed by the SIS meeting with Razgovorov, the First Secretary of the Soviet Embassy, 'and known KGB', in circumstances 'which strongly suggested a clandestine relationship'. The 'Target Assessment' prepared by the SIS in May 1974 reconsidered Sutch's known history on the assumption that 'he was recruited [by] and is still working for the Soviets.' Knowing Sutch's personality, it was considered that the Soviets had appealed to his 'susceptibility to flattery, supported by his supreme self-confidence, and his need, not only to be master of every situation, but also to receive public acclaim that this is so', and that the approach was made during his time with the United Nations in New York between 1947 and 1950. His many contacts within the third Labour Government, including Prime Minister Norman Kirk and Dr A. M. (Martyn) Finlay, the Attorney-General, gave the SIS added cause for concern regarding Sutch's value to the Soviets as an enduring agent of influence within government circles.<sup>187</sup>

What is particularly notable about this final chapter in the Sutch case is the determination with which the government – and the SIS in particular – responded in 1974 to the apparent threat to the nation now posed by a retired civil servant. The irony here was, of course, that despite the work of the PSC, Special Branch and the SIS in identifying and neutralising the perceived threat communist subversion within the Public Service since 1948, Sutch's known association with the KGB resident in Wellington only commenced when he was retired and was no longer under official surveillance, passive or otherwise. Perhaps this explains the furious tone of Gilbert's briefing of Prime Minister Kirk on 2 August 1974. Gilbert now referred to Sutch as a 'Mr Big' who lived a 'double life' and was 'very rich', due, in part, to having 'acquired substantial assets' during his time with UNRRA – an allegation which has yet to be substantiated, and which may in fact have resulted from Gilbert having confused two different New Zealanders who served with UNRRA.<sup>188</sup> Gilbert's information in turn infuriated Kirk, who had hitherto been sympathetic towards Sutch, and tolerant of his legendary arrogance.<sup>189</sup> Now Kirk instructed Gilbert 'to produce your evidence', and may have even suggested the use of such clandestine methods as 'getting a cleaner' to gain access to Sutch's office, for the SIS certainly took him at his word.<sup>190</sup>

'Kit' Bennetts has detailed the further SIS surveillance of Sutch in 1974 which confirmed a pattern of regular meetings with Razgovorov, usually on Thursday evenings in secluded locations around Wellington – a modus operandi familiar to SIS officers who were not above holding similarly furtive meetings with civilians in order to discuss routine matters.<sup>191</sup> It is here that the certainty ends, however, for despite Sutch's arrest following an encounter with Razgovorov in Holloway Road on 26 September 1974, and his trial in February 1975, much of the case remains a mystery. A recently declassified Top Secret Annex to the July 1976 report on the SIS by Sir Guy Powles, the Chief Ombudsman, canvassed in detail the 'Operation Kitbag' surveillance undertaken operation which was mounted by the SIS in 1974. The report reveals that, following Gilbert's briefing, the SIS 'entered Sutch's office [on Lambton Quay] at night, installed a listening device, and tapped his telephone', but that 'in the end neither of these sources provided anything

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an article about W. B. Sutch, Document 39, both in NZSIS William Ball Sutch Papers; and Davies, *Bread and Roses*, pp. 164-165, regarding Sutch's involvement with a 'Peace, Power and Politics' conference held in Wellington in 1968.

<sup>187</sup> Target Assessment, 30 May 1974, pp. 1, 23, 25-27, Document 35, NZSIS William Ball Sutch Papers; Cross, *Such Absolute Beginners*, p. 125.

<sup>188</sup> The allegation of profiteering by Sutch during his time with UNRRA which was levelled by Gilbert is not supported by the memoirs of Cliff Bishop, the Director of Internal Audit with UNRRA between 1945 and 1948. Bishop instead identifies another New Zealander who was the Controller of Supply and Transport for the principal mission in Germany, and later involved with the disappearance of military surplus vehicle parts. This unnamed individual was dismissed and returned to New Zealand. The Sutch case becomes even more confused by Bishop's allegations that Sutch was involved in passport fraud; an allegation which is not supported by the declassified portions of Sutch's FBI file. See C. Bishop, *Home and Abroad. An autobiography*, Petone, 1985, Chapter 5, 'I meet Dr Sutch'.

<sup>189</sup> Hayward, *Kirk Years*, p. 282. Note Warren Freer's observation that Kirk 'had no time for communism but supported encouraging anyone wanting to trade with New Zealand', in Freer, *A Lifetime In Politics*, p.101.

<sup>190</sup> Gustafson, *His Way*, pp. 193, 491, quotes Frank Corner, who was present at Kirk's briefing by Gilbert. See also Garnier, et alia, *The Hunter and the Hill*, p. 155. Sir Guy Powles, Top Secret Annex to July 1976 report to Parliament on the New Zealand Security Intelligence Service, pp. 3, 11, NZSIS archives.

<sup>191</sup> Bennetts, *Spy*, pp. 47-48, 50, 52-54, 56-76; Parker, *SIS*, p. 142; 'Under Cover of Darkness', part of the television documentary series 'Bungay on Crime', Gibson Group, 1992. On SIS clandestine meetings, see for instance M. Hayward, *Diary of the Kirk Years*, Wellington, 1981, pp. 156-157; Freer, *A Lifetime in Politics*, p. 122. Equally, however, it must be acknowledged that Razgovorov was capable of meeting New Zealanders socially, and in public locations. See, for instance, Cull, *After Me Came The Berlin Wall*, p. 62.

of much value to the investigation.’ It was a close examination of Sutch’s desk diary which revealed entries denoting his regular meetings with Razgovorov – meetings which Sir Guy acknowledged ‘had lasted for a period of years before the meeting between [Sutch] and Razgovorov on 18 April 1974’, and which provided advance warning of the 26 September meeting in Holloway Road. Sir Guy was highly critical of the illegal actions of the SIS, considering the duty of the Service ‘to comply with the law... [for if it] acts in conflict with this view, it acts in a manner which subverts the very values which it exists to protect.’<sup>192</sup>

Powles’ report still tells only part of the story, for ‘Kit’ Bennetts has stated that an ‘operational asset’ known as ‘Vulcan’ had already provided information from Sutch’s diary well in advance of Kirk’s briefing of 2 August.<sup>193</sup> Furthermore, he relates that Vulcan was also the source of ‘pen portraits’ by Sutch of ‘individuals of some influence whose politics would have been to the Left to some degree’, and that these portraits included comment on the individuals’ weaknesses, ‘including drinking habits and sexual proclivities.’ Bennetts’ account must be read with care, however, as he further identifies Vulcan as the source for the date, time and location of the 26 September 1974 meeting in Holloway Road. Given that this information was obtained as a result of the SIS gaining access to Sutch’s office, it is possible that Vulcan was never more than a cover story for illegal nocturnal visits by SIS officers to the office prior to 2 August 1974. Equally, while his discussion of the ‘pen portraits’ adds a remarkably prurient element to the Sutch case, these documents are not mentioned as being either released or withheld as part of the SIS declassification of its holdings relating to Sutch made on 9 May 2008.<sup>194</sup>

Following the death of Norman Kirk, Prime Minister Wallace Rowling approved the involvement of the New Zealand Police in the 26 September meeting in order for police officers to intervene so as to identify what information (if any) Sutch was passing to Razgovorov.<sup>195</sup> Unfortunately for the police and SIS officers who were positioned about the meeting place, a torrential downpour effectively blinded the watchers to the encounter between Sutch and Razgovorov, and debate continues to rage about what – if anything – passed between the two men.<sup>196</sup> Sutch was arrested early the following morning, having maintained his innocence during prolonged questioning, and charged under the Official Secrets Act 1951 of ‘passing to the Soviets information ‘which might be useful to the enemy’.<sup>197</sup> While Dr Finlay, the Attorney-General, had questioned some of the evidence, he permitted the prosecution of his long-time friend to proceed.<sup>198</sup>

Sutch was acquitted of the charge laid under section 3 (1) of the Official Secrets Act 1951 that ‘William Ball Sutch, between 18 April and 24 September 1974, at Wellington, for a purpose prejudicial to the safety or interests of the State, obtained information which is calculated to be or might be or is intended to be directly or indirectly useful to the enemy’. Despite the extensive surveillance operation which had been mounted by SIS between April and September 1974, no evidence was produced in court to indicate that Sutch had ever obtained, collected, recorded or published, or communicated ‘to any other person any secret official code word or password, or any sketch, plan, model, article, or note, or any other document or information’ which may have been of direct or indirect use to ‘the enemy’ – in this case the KGB Resident Razgovorov.<sup>199</sup>

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<sup>192</sup> Sir Guy Powles, Top Secret Annex to July 1976 report to Parliament on the New Zealand Security Intelligence Service, pp. 8-11, NZSIS archives. See also Davies, *Bread and Roses*, p. 222, in which Sonja Davies voiced her suspicion that the NZSIS broke into the PSA offices on Lambton Quay and tampered with files. This incident presumably occurred in either 1972 or 1973 – see Roth, *Remedy For Present Evils*, p. 215. .

<sup>193</sup> Curiously, the code-name ‘Vulcan’ may be a case of life imitating art, for Johnnie Vulkan, a Berlin-based purveyor of information for the British (for a price) and who could ‘deliver a bomb or a baby and smile as he did it’, was a character in the 1964 spy novel *Funeral in Berlin* by Len Deighton,. See L. Deighton, *Funeral in Berlin*, Harmondsworth, Middlesex, 1966, pp. 20-21. See also P. O’Sullivan, Director-General of the Australian Security Intelligence Organisation, ‘Spy Fiction: Then and Now’ speech delivered to the Sydney Institute on 4 September 2008, available on-line at: [http://www.asio.gov.au/Media/Contents/spy\\_fiction\\_sydney\\_institute2008.aspx](http://www.asio.gov.au/Media/Contents/spy_fiction_sydney_institute2008.aspx).

<sup>194</sup> Bennetts, *Spy*, pp. 70-71, 76, 85. NZSIS William Ball Sutch Papers, declassified 9 May 2008.

<sup>195</sup> Gustafson, *His Way*, p. 193; John Henderson, *Rowling. The Man and the Myth*, Auckland, 1981, p. 131.

<sup>196</sup> Bennetts, *Spy*, pp. 97, 103-105.

<sup>197</sup> *Ibid*, pp. 117-121; Parker, *SIS*, pp. 143-144; Muldoon, *Muldoon*, p. 170; Marshall, *Memoirs Vol. II*, p. 146.

<sup>198</sup> Bennetts, *Spy*, pp. 116-117, 122-124; Gustafson, *His Way*, p. 193; Freer, *A Lifetime In Politics*, pp 204-205. See also Wilson, *New Zealand and the Soviet Union*, pp. 76, 212-213.

<sup>199</sup> Parker, *SIS*, pp. 153-154; ‘Summing up of J. Beattie, in the Supreme Court of New Zealand, Wellington The Queen v William Ball Sutch, 21 February 1974’, folio 43, and ‘Judgement of C. J. Wild in the Supreme Court of New Zealand in the

Indeed, Sutch's own explanation, that the meetings were in response to Razgovorov's inquiry about the Zionist movement in New Zealand, added an extra twist to what was already a bizarre case.<sup>200</sup> The Sutch trial was a pale imitation of the McCarthy show trials, however, as the substantive portions of Sutch's file were not produced in evidence: clearly the SIS would have preferred to gain Sutch's cooperation following his arrest, rather than prosecute him.<sup>201</sup>

Sutch did not give evidence at his own trial, while Razgovorov had already been spirited back to the USSR.<sup>202</sup> The acquittal of Sutch in 1975, on the basis that 'the Crown had been unable to prove what information had been passed to the Soviet agent', and his death in September of that year, did not, however, mark the end of the Sutch case.<sup>203</sup> Instead, regular revelations from western and Soviet sources, and in the memoirs and biographies of former New Zealand Prime Ministers, unofficial histories of the SIS, autobiographies by journalists and by former SIS officers, and the partial declassification in 2008 of the Sutch papers held by the SIS have all served to keep the case alive. For instance, in 1993 Alexi Makarov, the Charge d'Affaires at the Soviet Embassy in Wellington in 1974, recalled that on the night of 26 September, following Razgovorov's detention by the SIS, V. F. Pertsev, who had driven Razgovorov to the meeting that night, returned in an 'extremely nervous' state with a parcel.<sup>204</sup> When questioned about the parcel, Makarov described it as 'about a quarter of an inch thick. It was not a small letter – more the sort you use for sending printed material. About 8 inches x 6 inches – something like that.'<sup>205</sup>

While none of this information has served to alter the 1975 verdict, it has encouraged a retrospective McCarthyist-style public debate, damning Sutch as a Soviet agent despite the absence of proof positive. In 1982, for instance, Dr R. A. Lochore, the one-time head of security for the Prime Minister's Department, advanced an outlandish conspiracy theory that depicted Sir Alistair McIntosh, 'Paddy' Costello and Sutch as founder members of the KGB in New Zealand who had placed Soviet moles throughout the public service.<sup>206</sup> Similarly, both Graeme Hunt and 'Kit' Bennetts, for instance, are convinced that Sutch 'was recruited by Russian intelligence in 1932', despite the SIS in 1974 having concluded that Sutch had merely been 'talent spotted' in 1931 or 1932, and later recruited in New York. Further, they each repeat Dr Finlay's allegation in 1993 that Sutch passed 'profiles of prominent New Zealanders' to Razgovorov, despite the only two documents produced by Sutch in 1972 which are to be found in the declassified portions of his SIS file are bland commentaries on New Zealand's domestic politics which, with the benefit of hindsight, the content of which is inaccurate sometimes to the point of naivety.<sup>207</sup> Bennetts states that Sutch was run by a succession of KGB handlers following

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matter of Section 347 (1) of the Crimes Act 1961 between William Ball Sutch of Wellington, Economic Consultant, Applicant, and The Queen, Respondent, 18 December 1974', folio 31, both items in Royal Commission on Intelligence and Security, K/2/11/1 'Dr W. Sutch – New Zealand', item A12384, held at the NAA, Canberra. Michael Bungay, Sutch's lawyer at the trial, detailed his defence strategy in 'Under Cover of Darkness'.

<sup>200</sup> See the extract of a 1975 television interview with Sutch which was included in 'Under Cover of Darkness'; M. Bassett, *The Third Labour Government. A personal history*, Palmerston North, 1976, p. 216. See also A. Samson, 'New light on Sutch trip through Russia', the *Dominion*, 8/4/1997, p. 7, in which Shirley Smith recalled that Razgovorov had asked her husband two questions: 'what did New Zealand Chinese think of communism in China, and what did New Zealand Jews think of Israel?'

<sup>201</sup> H. E. Gilbert, Wellington, File Note on briefing of Prime Minister Rowling on 'Kitbag', 23 September 1974, Document 21, in NZSIS William Ball Sutch Papers; Sir Guy Powles, Chief Ombudsman, Wellington, Top Secret Annex to his July 1976 report to Parliament on the New Zealand Security Intelligence Service, pp. 4-6, NZSIS archives, declassified 6 February 2008, available on-line at: <http://www.nzsis.govt.nz/archives/SutchOmbudsmanReport.pdf>.

<sup>202</sup> *Ibid*; Bennetts, *Spy*, p. 112.

<sup>203</sup> Marshall, *Memoirs Vol. II*, p. 146. For Sutch's obituary, see, for instance, the *Otago Daily Times*, 29/9/1975; *Evening Star* 29/9/1975.

<sup>204</sup> A. Makarov, 'The package and the KGB', the *Sunday Star*, 10/10/1993, p. A4. Note that Makarov had previously been accused of being a KGB intelligence officer, since his replacement was denied entry to New Zealand on the grounds that he was also a KGB officer. Makarov vigorously denied the allegation. See, for instance, the *Otago Daily Times* 4/9/1976, 23/9/1976.

<sup>205</sup> G. Chapple, 'Russian revelations on Sutch spy affair', *ibid.*, p. 1. Makarov repeated his story for John Campbell in the course of a TV3 20/20 item which screened on 1 May 1995. See also the *Dominion*, 2/5/1995, p. 3.

<sup>206</sup> King, *Tread Softly*, pp. 76-79.

<sup>207</sup> On Martyn Finlay's 10 October 1993 interview in the *Sunday Star*, see Wilson, *New Zealand and the Soviet Union*, pp. 76, 212-213; Bennetts, *Spy*, Chapter Seven 'A Man With A Past'; G. Hunt, 'Aye Spy', *New Zealand Listener*, 28 June 2008, pp. 27-29; W. B. Sutch, 'Notes on the Political Situation in New Zealand 1972', Document 39; W. B. Sutch, Wellington, letter to Y. Sugitani, Counsellor, Embassy of Japan, Wellington, 23 August 1972, Document 40; Target Assessment 30 May 1974, pp. 25-26, Document 35, all in NZSIS William Ball Sutch Papers.

his return to New Zealand in 1951, but the list of New Zealand KGB residents which he provides has been gleaned not from any detailed SIS file on Sutch's contacts with the KGB, but has instead been lifted wholesale from an appendix to the history of the KGB by Christopher Andrew and Oleg Gordievsky and was therefore presented by Bennetts on the twin assumptions that Sutch was in regular contact with New Zealand-based agents of the Russian Intelligence Service from 1951 and that listed KGB Residents were, by default, his handlers.<sup>208</sup> Indeed, Sutch might equally have been controlled (assuming, of course, that he was ever controlled) by Nikolai Burov and E. P. Lutskij of the Soviet Legation as by George Sokolov or Yegveni Gergel.<sup>209</sup>

Whether or not Sutch was among a select group of intellectual New Zealand spies, he certainly remains in the exclusive company of 'Paddy' Costello and Ian Milner as New Zealanders who, in the absence of conclusive evidence which has ever been tested in a court of law, nevertheless remain accused by the court of public opinion of being agents of the Soviet Union, and whose lives and careers suffered accordingly.<sup>210</sup> Currently the final word rests with the SIS, which announced, in the course of the partial release of the Sutch file in May 2008, that some 'liaison material' which remains classified includes:

- Early accounts of Dr Sutch's association with USSR-aligned individuals and organisations, derived by Western intelligence services from local sources; and
- More recent reporting of historical information of Russian origin, documenting a long-standing association between the KGB and a New Zealand civil servant who very precisely (and uniquely) fitted Dr Sutch's background and profile.<sup>211</sup>

Taken at face value, this statement contains no untoward surprises; after all, Sutch never made a secret during his lifetime of the fact that he associated with communists both at home and abroad, while his own SIS file records his association with at least two known New Zealand-based KGB officers between 1962 and 1974.

What can be concluded is that, from a western perspective, the partial declassification of the once top-secret files of intelligence and counter-intelligence organisations has replaced the certainties of the Cold War era with the prospect that many of these accusations were built upon innuendo, supposition, falsehoods and guilt by association. Clearly, a final judgement in the case of Dr W. B. Sutch can therefore only ever be contemplated if and when all of the relevant files of western and Soviet intelligence services are released in their original, unexpurgated form.<sup>212</sup>

## Conclusion

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<sup>208</sup> Andrew and Gordievsky, KGB, Appendix D12 'KGB Residents in New Zealand' for the period 1946-1987, p. 568.

<sup>209</sup> Scott, *Rebel In A Wrong Cause*, p. 201; Fraser, *Seeing Red*, pp. 70-71; Parker, *SIS*, pp. 54-62; Hunt, *Spies and Revolutionaries*, pp. 233-234.

<sup>210</sup> Hunt, 'Aye Spy', p. 28.

<sup>211</sup> <http://www.nzsis.govt.nz/Archives/sutch3.aspx>. The phrase 'More recent reporting of historical information of Russian origin' may refer to what is known as the 'Mitrokhin Archive', notes made over a decade by KGB archivist Vasili Mitrokhin from the foreign intelligence archives of the KGB, and brought by Mitrokhin to the United Kingdom in 1992. The 'Mitrokhin Inquiry Report' submitted to British Prime Minister Tony Blair on 20 April 2000 by the Intelligence and Security Committee noted that the British SIS (MI6) was responsible for the dissemination of 'processed reporting' from Mitrokhin's material which had a 'bearing on the interests of the Intelligence Allies (US, Canada, Australia and New Zealand) and of liaison partners in other countries'. See Intelligence and Security Committee, 'Mitrokhin Inquiry Report', Presented to Parliament by the Prime Minister by Command of Her Majesty June 2000, Norwich, 2000, Annex F – 'What Happened in the SIS', paragraphs 1 (v), 2 and 4; C. Andrew and V. Mitrokhin, *The Sword and the Shield. The Mitrokhin Archive and the Secret History of the KGB*, New York, 1999. The SIS passed over 3,500 counter-intelligence reports to 36 countries, based on the Mitrokhin material, 'Government Response to the Intelligence and Security Committee's Report into the Security and Intelligence Agencies' handling of the information provided by Mr Mitrokhin', presented to Parliament by the Prime Minister by Command of Her Majesty June 2000, paragraph 2, available on-line at: <http://www.archive.official-documents.co.uk/document/cm47/4765/4765-01.htm>.

<sup>212</sup> Shadbolt, *One of Ben's*, pp. 230-231.

The story of State-sponsored anti-communism in New Zealand during the Cold War demonstrates how the divergence between interests of international diplomacy and individual freedom presented the government with an intractable dilemma. While true McCarthyism never developed, the implacable anti-communist purges of the Public Service produced a similarly appalling legacy of ruined careers, institutional paranoia, and enduring suspicion, while depriving government departments of some of the most able minds of their generation. It is clear that this is a price which successive governments were prepared to pay in order that New Zealand should remain an integral member of the Cold War western alliance, but it is not a choice which those affected were ever given the choice of making. Given the absence of public debate about the methods whereby the state neutralised the perceived threat presented by both international and domestic communism, this was also a policy which was never put to the vote. Indeed, the presence of Soviet intelligence officers, and the existence of the CPNZ, later the accepted targets for surveillance and control within New Zealand, appeared largely peripheral to the larger question from 1948 of possible (but never identified) communist subversion within the Public Service.

The legacy of New Zealand's domestic experience of the Cold War remains like a long black cloud over the nation's recent history. Once-secret files and published memoirs display the personal qualities of those talented New Zealanders who ran foul of the state after 1948; intelligent, ideologically-committed, yet independent thinkers, not afraid of voicing their opinions or associating in public with like-minded people, whatever the professional and personal costs of such actions. The declassified files also reflect poorly on those who were charged with the protection of western and domestic security, and who could determine that individuals were security risks even when the results of close surveillance indicated otherwise. In this context, the British concept of 'Positive Vetting', as was applied throughout the Commonwealth, is a classic example of Cold War 'new speak'. It is timely, therefore, in age of post-Cold War international alliances, that the history and legacy of New Zealand's Cold War experience is confronted and examined in detail, so as to ensure that individual freedoms of association and expression are never again sacrificed in the interests of geo-political concerns far removed from the South Pacific.