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A New Window on the Development of the Euromarkets: Borrowing by the New Zealand Government in the 1960s[1]

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International financial markets were transformed in the 1960s by the advent of the Euromarkets. In brief there was an explosion in the lending of Eurodollars, or US dollars on deposit outside the United States. Towards the end of the 1960s it also became possible to borrow in other currencies on this market. Moreover, there was some opening up of the West German and later Swiss domestic capital markets to external borrowers – though technically separate from transaction in the Euromarkets, this type of borrowing was part of the same trend towards financial globalisation.

For sterling area countries, the attractions of the Euromarkets were enhanced by the tightness of the London capital market and the intensification of measures to restrain capital exports from the UK. In seeking to make use of new borrowing opportunities in the Euromarkets, sterling area governments, including the government of New Zealand, had first to familiarise themselves with the workings of these markets and their main players, and select appropriate merchant banking partners.

The purpose of this paper is threefold: to open a new window on the development of the Euromarkets in the 1960s, to comment on aspects of the final phase of gentlemanly capitalism, and to elucidate the process by which a relatively

[1] I am obliged to the RBNZ Knowledge Centre for access to RBNZ documents. Gary Hawke, Frank Holmes, Noel Lough, Francine McKenzie, and Lyndon Moore kindly commented on an earlier draft, and Toby Daglish helped me with aspects of sterling/DM issues. (ARCHIVAL REFS CHECKED)

inexperienced borrower, New Zealand, set about forging new relationships with overseas financial institutions. Section I provides context on the development of the Euromarkets, relationships in the sterling area, and New Zealand's borrowing requirements. Section II supplies an overview of New Zealand's external borrowing between the mid-1960s and the early 1970s. Section III examines the attempts of the New Zealand authorities to obtain information and advice about the Euromarkets, and to establish contacts with European (including British) bankers. Section IV deals with New Zealand's rejection of Baring Brothers, one of the most gentlemanly of British merchant banking houses as its UK partner in the Euromarkets, in order to develop a relationship with the relatively new, more dynamic firm of S.G. Warburg & Co. Section V focuses on the interaction between the New Zealand government and the major German banks, especially Deutsche Bank and Commerz Bank.

I

The early history of the Euromarkets[2] is now well documented. US dollars on deposit outside the United States, especially in the UK and continental Europe, became available for lending to corporate and sovereign borrowers from around the world. After the imposition of the Interest Equalization Tax by the US authorities in July 1963, American residents were less inclined to purchase bonds issued in the US by foreign entities. The Euromarkets, which were effectively unregulated, now became a much more attractive source of US dollars for foreign borrowers (Cassis 2006: 219-23; Battilossi 2000; Schenk 1998; Burk 1992; Quinn 1975; Kane 1983). A symbolic event in the development of the Euromarkets was the first US dollar denominated Eurobond issue, made on behalf of the Italian public sector entity, Autostrade, on 1 July 1963. Warburgs were the lead managers of this issue, with Deutsche Bank and two other banks acting as co-managers (Büschgen 1995: 681). Warburgs and Deutsche Bank were at the heart of the early growth of the Euromarkets, and both played significant parts in the events discussed below.

Euromarket bond issues and loans did not have to be denominated in US dollars, although this was the main currency lent and borrowed. By the late 1960s and early 1970s, Euromarket issues were also being made in deutschmarks (DM), Swiss francs, French francs, Dutch guilders, Belgian francs, and even Japanese yen. It became common for entities not domiciled in West Germany to issue bonds

[2] Otherwise known as the Eurocurrency or Eurodollar markets.

denominated in DM. These bonds were sold to residents and non-residents of West Germany, and could be quoted on the securities markets of several countries. One of Warburgs' innovations was the sterling / DM bond. Purchasers of such bonds had the option to demand interest and repayment in either sterling or DM. One of the advantages of the sterling / DM bond was that it provided a way around certain West German financial regulations (Quinn 1975: 139-41; Burk 1992: 83; Kynaston 2001: 285-6). The boundaries of the Euromarkets were quite fluid, and it was not always easy to distinguish between a foreign bond issue on the West German market and an issue of Eurobonds denominated in DM (Quinn 1975: 122-3). Multi-currency revolving credit emerged around 1970, and enabled the borrower at specified intervals to switch into a different currency.

Clearly, the function of the Euromarkets was to facilitate mutually beneficial lending and borrowing under conditions of minimal regulation, at a time when most other international capital transactions were subject to controls of varying stringency. Nevertheless, conditions in the Euromarkets were influenced by events in the wider capital market. When the US Federal Reserve tightened monetary policy, interest rates rose across the world, including in the Euromarkets.

Another advantage of the Euromarkets was that they could be accessed quickly, enabling borrowers to take advantage of favourable turns in the market. Once the decision was taken to go ahead with an issue, it took two or three weeks to prepare the documentation and, perhaps, a further two weeks to complete the selling process. The borrower might receive the proceeds immediately or after another week or so. It was possible to speed up issues by preparing documentation in advance. A managing underwriter (or lead manager) was appointed to organise the underwriting syndicate and, in many cases, appoint several co-managing underwriters. There could be one hundred or more underwriters, located in a number of countries. In addition, there was a selling team, comprising the underwriters and other banks, whose task was to bring the issue to the attention of their clients. The borrower dealt only with the bank appointed managing underwriter. Total commission payable by the borrower was about 2.5%. The managing underwriter and co-managers were entitled to a management fee of 0.5% of the principal amount of the bonds. Great prestige attached to the role of managing underwriter, and even to the order in which the names of co-managing banks appeared on documentation. There was often a co-manager from each of the main financial centres involved. For tax reasons the Swiss banks chose not to participate in underwriting syndicates, but were active in the selling groups. Each underwriter received a commission of 0.5%, while a selling commission of 1.5% was claimed by members of the sales group (Quinn 1975: 57-64; Burk 1992: 81).

Eurobond issues were particularly attractive to prosperous retail investors in countries with heavily regulated financial markets. The archetypical investor in these securities was the Belgian dentist (Burk 1992: 70).[3] Eurobonds appealed to the retail market because they were sold in small denominations over the counter, offered tax advantages, and provided a means of diversification. Belgian dentists were said to be risk averse, and only well-known borrowers with a high reputation could be confident of achieving a successful issue.

II

New Zealand was by no means a reckless overseas borrower in the 1960s and early 1970s. As a proportion of GDP, the stock of official overseas debt fluctuated between 8 per cent and 12 per cent in 1960-72, and then fell to 5 per cent in the year to March 1974 (Dalziel and Lattimore 1991: 59).[4] The government borrowed mainly to fund long-term development projects, although there was also some emergency short-term official borrowing at times of balance of payments weakness, especially in 1967 following the collapse of the international wool price – wool was one of New Zealand's principal exports.

Since the nineteenth century, the New Zealand government had borrowed overseas almost exclusively on the London capital market (Singleton 1998). Although the London market remained open in theory in the 1960s, it was becoming more difficult for New Zealand and other sterling area governments to obtain funding there at tolerable interest rates. Moreover, the British authorities were increasingly prone to interfere in the borrowing process, urging borrowers to delay or reduce the size of their issues. The British government aimed to restrain capital outflows in order to bolster the balance of payments and promote home investment. In May 1966 the British authorities introduced 'voluntary' restraints on portfolio and direct investment in the sterling area (Tew 1979: 335-6). The challenge for New Zealand was to find alternative sources of capital, not least to replace maturing loans that might be difficult, if not impossible, to refinance on the London market.

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[3] Today the archetypical investor in uridashi (Drage, Munro and Sleeman 2005) – New Zealand dollar bonds sold in Japan – is the Japanese housewife.

[4] The stock of official overseas debt grew rapidly thereafter, reaching 40 per cent of GDP in the year to March 1987.

New Zealand had started to branch out tentatively in the 1950s. Finance for the purchase of capital goods was obtained with the assistance of the official US Export-Import Bank. After struggling to find additional funds in London, the government reluctantly turned to the New York market in 1958, making a bond issue and obtaining a loan and a credit. Kidder, Peabody & Co. managed the 1958 bond issue and several others in the early 1960s, establishing an enduring relationship with New Zealand (Singleton 1998: 153-4).[5]

During the 1940s and 1950s there was considerable grassroots antipathy to foreign financiers, related in part to the appeal of social credit philosophy, and as a result New Zealand governments dithered over membership of the Bretton Woods institutions. By the late 1950s and early 1960s, however, fear of Wall Street and the money power were abating. New Zealand joined the International Monetary Fund and the World Bank in 1961, gaining access to new sources of short-term credit and development finance (Hawke and Wijewardene 1972). New Zealand borrowed temporarily from the IMF and the BIS during the 1967 balance of payments crisis, and borrowed significant sums from the World Bank, beginning in 1963, to fund harbour development, the Cook Strait cable, a power station, and railway modernisation. Although the US market tightened in the 1960s, New Zealand was still able to obtain some credit from this source in the mid to late 1960s for purchases of military equipment (Singleton 2002).

Table 1 near here

Kidder, Peabody approached the Treasury in Wellington, in June 1964, to explain that since the introduction of the Interest Equalization Tax the Euromarkets were gathering importance as sources of capital. The government would engage Kidder, Peabody as managing underwriters (with Barings as co-managers) of New Zealand's first Eurodollar bond issue (US$20m) in July 1965. Further issues were made by Kidder, Peabody and Barings in March 1966 (US$15m) and September 1966 (US$10m). The September 1966 issue was considered a failure, as the government had been hoping to make a US$15m issue. Barings were dropped after this episode. New Zealand's next foray into the Euromarkets was in the form of an issue of £7.2m worth of sterling/DM bonds in March 1967, under the management of Warburgs, Kidder, Peabody, and two German institutions, Commerz Bank and Brinckmann,

[5] On this firm see Carosso (1979).

Wirtz and Co. The next Eurodollar issue (US$20m), in March 1967, was managed by Kidder, Peabody and Warburgs. Another sterling/DM bond issue (£6m) was made by the team of Warburgs, Kidder, Peabody, Commerz Bank and Brinckmann Wirtz in January 1968. The same team managed New Zealand's first DM bond issue (DM80m) in July 1968, and another DM100m issue in 1969. In 1970, the New Zealand government made a domestic issue in Switzerland, and obtained a multi-currency revolving credit (equivalent to US$40m) from a large consortium of banks led by Bankers Trust. The early 1970s saw more DM and Swiss franc borrowing by the New Zealand government, as well as some borrowing in guilders and French francs. Deutsche Bank joined Commerz Bank, Warburgs, Kidder, Peabody, Commerz Bank and Brinckmann, Wirtz on the management team for DM issues in 1971. As table 2 shows, there was considerable diversification in the denomination of New Zealand's official overseas borrowing.[6]

Table 2 near here

Having summarised the sort of borrowing in which New Zealand was engaged, and having introduced the main protagonists, it is worth reiterating that use of the Euromarkets was not evidence of profligacy. The government was motivated primarily by the absence of attractive borrowing opportunities on the domestic UK and US markets. The IET and subsequent measures hampered the emergence of New York as a substitute for London, while the attitude of the British authorities to sterling area borrowers hardened as the pound became weaker. New Zealand intended to borrow £20 million in 1966, but the British authorities refused to countenance a bond issue of more than £12 million. In 1967, New Zealand was compelled to order an additional frigate from a British shipyard as a *quid pro quo* for the Chancellor of the Exchequer's consent to a £15 million bond issue. A further bond issue, designed to replace a £15 million loan maturing in September 1968, was delayed, in the event permanently, because market conditions were unpropitious, and the prospective interest rate (8 1/8 %) was regarded as unreasonable by the New Zealand government.[7] Borrowing on the Euromarkets in currencies other than sterling also

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[6] 1968 and 1975 are the only years for which it has been possible to provide a breakdown of the stock of official borrowing. 1975 is not an ideal date, as it includes a lot of emergency borrowing arising from the oil crisis. The current article deals with the years of prosperity before the onset of the oil shock in late 1973.

[7] RBNZ Archives, Box A0369, Brief for IMF and Commonwealth Finance Ministers Conferences, Sept 1967, p. 34; Brief for Far East and European Tour, Commonwealth Finance Ministers'

helped New Zealand to increase the non-sterling component of its foreign reserves. However, the diversification of foreign reserves was a painfully slow process (Schenk and Singleton 2007).[8]

III

The search for a reliable partner (or partners) offers a challenge in any commercial setting. Reliability encompasses competence as well as trustworthiness. Information about prospective partners may be obtained by seeking the impressions of mutual contacts. Reputation counts for a great deal in banking relationships and always has done (Pohle Fraser 2007). Once a relationship between firms (or between government departments and firms) has been established, it must be nurtured by regular communication and discussion – though what Boyce calls the communicating infrastructure – if it is to endure.[9] Boyce (2006: 8) put it this way: the 'results of interaction between organisations depend fundamentally upon the nature and quality of the communication between interested constituents.' What New Zealand needed was to find merchant bankers with the skill to design a successful Eurobond issue and the reputation to put together a credible multinational underwriting and marketing team.

New Zealand became interested in the Euromarkets as a result of apparently independent approaches from Kidder, Peabody and Warburgs in 1964. That the government already had an investment banking relationship with Kidder, Peabody gave this firm an initial advantage. However, bond issues on the Euromarkets usually involved several managers, and both the government and Kidder, Peabody recognised that it would be advantageous to work with banks in Europe. As New Zealand was an unknown quantity as a borrower in continental Europe, it would be important to educate potential managers and their clients about its economy and prospects for further development.

One of the dilemmas facing the New Zealand Treasury was its lack of experience in dealing with foreign bankers. Treasury's forte was the regulation of the New Zealand economy. Most of New Zealand's official economic contacts overseas were with Britain, through Commonwealth trade and financial networks. New

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Conference, London, and Annual Meetings of IMF and World Bank, Washington, September – October 1968, pp. 23, 128-9.

[8] RBNZ Archives, Box A0369, Brief for IMF and Commonwealth Finance Ministers Conferences, September 1971, p. 183; Deane, Nicholl and Walsh (1981: 337).

[9] At the same time, it is worth bearing in mind that most alliances fail, while many are exploitative in one way or another (Boyce 2001; Singleton 1993).

Zealand officials were used to negotiating with the British authorities but not with continental bankers. Some contacts were made in continental Europe in the late 1950s and early 1960s, during negotiations over the Commonwealth in European integration, but in the main these were not with the private sector (Robertson and Singleton 2001; Singleton and Robertson 2002). To a large extent, Treasury had to begin from scratch.

When seeking banking partners in the Euromarkets, the New Zealand Treasury was, in some respects, in the same position as a firm intending to embark on an international joint venture. It would have to assess the reliability of a range of potential collaborators, and then build relationships of trust with the more promising candidates. Advice was sought from several sources, including Kidder, Peabody, the Bank of England, Scrimgeours (New Zealand's London brokers) and the Bank for International Settlements (BIS). At Kidder, Peabody, officials of the New Zealand Treasury usually dealt with Bill Kirkland, one of the Vice Presidents. Euromarket issues on behalf of New Zealand were some of the largest made by this firm in the 1960s (Carosso 1979: 140). Of course, Treasury could not be certain that they were getting impartial advice from Kirkland or any other directly interested party. When Kirkland telephoned from Tokyo in 1971 to say that Japan might be on the verge of opening its capital markets to foreign borrowers, Noel Lough, the Assistant Secretary to the Treasury remarked: 'No doubt his enquiries in Japan and his ring were designed hopefully to ensure that Kidder, Peabody might be involved in any yen bond issue in some capacity.'[10]

After receiving proposals from various overseas banks, Lough set out for Europe towards the end of 1966 in order to establish personal contact with European financial institutions. Under consideration at this time were further Eurodollar bond issues, sterling/DM issues, DM issues in the Eurobond market, and domestic bond issues in continental countries. Before departing, Lough wrote to Gabriel Ferras, the General Manager of the BIS, the central bankers' club: 'We are in need of some unbiased independent advice and guidance'.[11] Ferras had been to New Zealand before and was well known to Lough. While the Reserve Bank of New Zealand (RBNZ) was not yet a member of the BIS, Ferras was delighted to oblige, and on 6 December 1966

[10] Archives New Zealand [ANZ], AALR873, Acc. 2666, 3/15/1/11, pt 1, Note for file on Japanese capital market, 19 April 1971.
[11] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Lough to Ferras, 21 November 1966.

welcomed Lough and Arthur Ashley-Jones, the Financial Secretary at the New Zealand High Commission, London, to his headquarters in Basel.

The BIS gave useful and reassuring advice. For Eurodollar issues, Ferras suggested that New Zealand keep to existing channels. For other types of borrowing, however, he felt that the government should be prepared to shop around: 'In fact it might be inadvisable to get too securely tied to one particular house.' He added that there could be 'no objection to New Zealand going direct to European banks in the different countries … without [the] intermediation of Kidders/Barings', especially if bond issues in local currencies were under consideration. The New Zealanders were anxious not to offend their established bankers, especially Kidder, Peabody, and were comforted by this advice. Ferras urged them to call on the central bank in each country before approaching any commercial banks. Deutsche Bank, the Banque de Paris et des Pays-Bas, the Swiss Banking Corporation (SBC), and the Banca Nazionale del Lavoro were mentioned as examples of banks worth visiting. New Zealand officials made the rounds of each of these banks in 1966 and 1967, as well as others including Banque Lambert of Brussels, the Amsterdam-Rotterdam Bank (AMRO), Commerz Bank, Dresdner Bank, and Brinckmann Wirtz. There were opportunities for New Zealand to borrow in Europe, concluded Ferras, but it could not necessarily expect to do so cheaply. Another BIS manager, D.H. Macdonald, suggested that Warburgs or Rothschilds were the London houses best equipped to handle European issues.[12]

Advice on how to manage New Zealand's overseas banking relationship was also sought from the Bank of England.

> The main burden of their advice was to work with one firm only in London if we wanted objective advice on international bond issues. They firmly advised against jumping from one firm to another as this could create the impression that we were not approaching our borrowing in a co-ordinated and planned way but merely grasping any opportunities which might be offered by investment bankers.[13]

[12] ANZ, T 1, Acc W2666, 3/15/1/2, Note of discussion with BIS by Mr N.V. Lough and A. Ashley-Jones, 6 Dec 1966.

[13] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Noel Lough to R.A. Lochore, New Zealand Embassy in West Germany, 3 April 1967.

In so far as it was possible to reconcile the advice of the BIS and the Bank of England, the implication appeared to be that New Zealand should settle on a core group of bankers, including one London firm, but be prepared to shop around at the margins, particularly when looking at domestic market issues in continental countries.

Deutsche Bank and SBC were among the banks visited by Lough and Ashley Jones in December 1966. There had been some previous contact, albeit limited, with these banks. In 1962, the New Zealand Treasury and Deutsche Bank had discussed a possible approach to the West German market, but nothing had transpired, 'in view of the current costs in West Germany and of our recent relative success in other markets', especially New York.[14] Deutsche Bank subsequently gave support to New Zealand's Eurodollar issues in its capacity as an underwriter. As a result of these early contacts, the New Zealand authorities concluded that they were under an obligation to favour Deutsche Bank. Although Dr Hans Wuttke of Brinckmann Wirtz disputed the existence of such an obligation,[15] the impression that New Zealand had a special relationship with Deutsche Bank persisted, and served to complicate relationships with other German banks.

Lough told representatives of SBC that the government's immediate aim was to establish 'a channel for exchanging information' with selected financial institutions.[16] Deutsche Bank officials expressed a strong interest in working with New Zealand. Although the German market for bond issues, whether domestic or foreign, was said to be 'dead' at present, they believed that an international DM issue would be feasible within a few months. However, Deutsche Bank made it clear that they would not wish to share the management of any DM bond issue with other banks – in other words they wanted to be managing underwriters and have no co-managers. Deutsche Bank's insistence on retaining full control over DM bond issues[17] provided a further complication in its relations with the New Zealand government.

The three main Swiss banks, SBC, Credit Suisse and Union Bank of Switzerland (UBS) acted as a consortium, and appeared to be reluctant to cooperate with non-Swiss banks. SBC thought that a bond issue on the Swiss domestic market might be feasible, but warned that there could be a long wait, since absorptive

[14] ANZ, AALR873, Acc. W2666, 3/15/1/5, pt 1, E.L. Greensmith to Hermann J. Abs, 31 October 1962.
[15] ANZ, AALR873, Acc. W2666, 3/15/1/5, pt 1, Mike Mansfield to Noel Lough, undated [1967].
[16] RBNZ Archives, Box A0369, Brief for Far East and European Tour, Commonwealth Finance Ministers' Conference, London, and Annual Meetings of IMF and World Bank, Washington, September – October 1968, pp. 95-6.
[17] Ibid., pp. 55-6.

capacity was limited, and the authorities wished to avoid upward pressure on interest rates. The Japanese government had been held in a queue for four years before being allowed to make their first Swiss issue in 1964, and New Zealand could not expect to be treated any differently. Swiss investors apparently knew little about New Zealand's economy, but did have the vague impression that it was somewhat weaker than Australia's. While Australia had a track record on the Swiss market, New Zealand had none, and the retail investors, who dominated, might be put off by current economic difficulties. In short, New Zealand would have to work hard 'to get our case over to the Swiss [retail] investors'.[18] SBC undertook to start the preparation of loan documentation, but New Zealand did not make an issue on the Swiss market until 1970.

The visits of New Zealand officials to the BIS and European banks in 1966 were productive. They improved the government's understanding of European capital markets, of the services offered by foreign banks, and of the expectations of European investors. Furthermore they helped to educate foreign bankers about the New Zealand economy and its prospects. But travel was not all in one direction. Several German and British bankers, including Dr Wuttke of Brinckmann Wirtz, Dr Otto of Commerz Bank, and representatives of Barings and Warburgs, made business cum social trips to New Zealand in the mid-1960s, as also did Bill Kirkland of Kidder, Peabody. As Miller (2003) has shown in another context, the business trip was an effective means of initiating and cementing international business relationships.

A further mission to European banking centres was mounted towards the end of 1967 by Lough and the Secretary to the Treasury, N.R. ('Cop') Davis. Bill Kirkland welcomed as 'constructive' the news that they were planning to establish contact with AMRO, a Dutch institution with which Kidder, Peabody already had a good relationship. However, he cautioned the New Zealanders to avoid making any commitments when asked by any of their hosts for a special position in the underwriting syndicate.[19] Relations with the Swiss and the Dutch would be slow to develop, not least because New Zealand had to find a place in the queues of prospective borrowers in these small domestic markets.[20] As Noel Lough recalls,

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[18] Ibid., p. 96.
[19] ANZ, AALR873, Acc. W2666, 3/15/1/11, pt 1, Cop Davis to Bill Kirkland, 11 August 1967; Kirkland to Davis, 18 August 1967.
[20] RBNZ Archives, Box A0369, Brief for Far East and European Tour, Commonwealth Finance Ministers' Conference, London, and Annual Meetings of IMF and World Bank, Washington,

another way of getting to meet representatives of the European banks was to attend IMF/World Bank meetings and the associated gatherings of bankers.[21]

By 1966-67, steps were being taken to put in place a rudimentary communicating infrastructure linking the New Zealand government and their bankers and prospective bankers overseas. In choosing their partners, the government relied on the information provided by previous contacts, reputation, and apparently impartial advice from the BIS and the Bank of England. As the next two sections show, however, it was not always easy to choose between rival suitors.

IV

In the London market, the New Zealand government believed that it had a choice between teaming up with Barings or Warburgs. These firms typified the contrasting faces of the City in the 1960s. Towards the end of their epic on gentlemanly capitalism, Cain and Hopkins (1993: 293) remark that, 'As the good ship sterling sank, the City was able to scramble aboard a much more seaworthy young vessel, the Eurodollar.' Gentlemanly capitalism adapted to the new environment and opportunities that came in the wake of the Eurodollar (Cassis 2006: 223-5). Relatively young and ambitious firms such as Warburgs introduced innovative products and chipped away at the market share of established houses such as Barings. The old war horses fought back and a new, fundamentally still gentlemanly, synthesis emerged.

One of the most dynamic and successful of the City's new firms was S.G. Warburg & Co. Its founder, Siegmund Warburg, was a member of a famous German Jewish banking family (Chernow 1994; Sherman 2004). After the Nazi takeover in Germany, he fled to Britain and established the New Trading Company. This business evolved into Warburgs, a merchant bank that grew and prospered after the Second World War. For many years, Siegmund Warburg and his bank were regarded with suspicion as 'upstart[s]' by elements of the City establishment (Thompson 1997: 295). As Siegmund Warburg himself told an interviewer, 'I brought something to England which was a little bit different because I was a damn foreigner, a German Jew (Kynaston 2001: 6).' Siegmund Warburg and his colleagues, including Henry Grunfeld, Gert Whitman, and Peter Spira, were indefatigable. Their relentless search for new business, and aggressive tactics, exemplified in the battle for control of

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September – October 1968, pp. 99-102; Brief for IMF and Commonwealth Finance Ministers' Conferences 1970, pp. 117, 122.

[21] Telephone conversation with Noel Lough, 10 September 2007.

British Aluminium in 1958, were felt to be in poor taste in elite circles; moreover, they were alarming. Nevertheless, as a Warburg, Siegmund was not a complete outsider (Michie 1998: 566-7), and by the 1980s Warburgs was acknowledged as one of the most respected firms in the City.

When New Zealand engaged Kidder, Peabody to manage their Eurodollar bond issues, the Bank of England made strong representations to secure the involvement of a London house as co-manager. Barings were appointed to this position, but the relationship with New Zealand was not a happy one. The September 1966 Eurodollar issue was supposed to generate US$15 million, but in the event it had to be pared back to US$10 million. The New Zealand Treasury blamed Barings, and claimed that they were not sufficiently active in European markets. Barings were depicted as the 'weak link' in New Zealand's Eurodollar management, and unfavourable comparisons were made between this firm and Warburgs, who were said to be 'active, energetic and efficient'.[22] When Warburgs had first approached New Zealand in 1964, they had been dismissed as newcomers, but this was evidently no longer the case.[23] When D.H. Macdonald of the BIS was asked by New Zealand officials, in December 1966, for an informal assessment of Barings, he said that they were 'a late starter' in the Euromarkets and as yet no match for Warburgs.[24] These officials, Lough and Ashley-Jones, proceeded to London, where they compared Warburgs' new offices at 30 Gresham Street, and their 'modern and efficient atmosphere', with the 'crusty' ambience at Barings. Siegmund Warburg, recently knighted, and his associates seemed 'businesslike', hardworking, and were keen to d business with New Zealand.[25] 30 Gresham Street was known as 'The Night Club in the City' because of the long hours (Kynaston 2001: 334). In fact, 'Life at Warburgs was not, in short, the world of gentlemanly capitalism to which the City had become accustomed (Kynaston 2001: 7).'

Early in 1967, the New Zealand government decided to cast off Barings. Warburgs were confirmed as lead managers of stg/DM issues, while Kidder, Peabody

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[22] RBNZ Archives, Box A0369, Brief for Far East and European Tour, Commonwealth Finance Ministers' Conference, London, and Annual Meetings of IMF and World Bank, Washington, September – October 1968, p. 25.
[23] Ibid., pp. 134-6.
[24] ANZ, T 1, Acc W2666, 3/15/1/2, Note of discussion with BIS by Mr N.V. Lough and A. Ashley-Jones, 6 Dec 1966.
[25] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Notes of discussions with Warburgs, 8 December 1966.

retained the position of lead managers of any future Eurodollar issues, with Warburgs replacing Barings as co-managers.[26] The transition from Barings to Warburgs was symptomatic of wider changes in the City of London in the 1960s. Barings were stalwarts of the old City and representatives of the 'gentlemanly capitalist' ethos. They did not believe in touting for business, but let business come to them. The pace of life at Barings was relatively slow and the surroundings antiquated. Wechsberg describes how easy it was to become disoriented in the warren of corridors and stairs at Barings' offices on Bishopsgate in the 1960s. 'From the banking hall the [partners'] room looks like the First Class waiting room in a provincial British railroad [sic] station. A few passengers are sitting around as though waiting for a train which will never come (Wechsberg 1967: 146).' Under the leadership of Sir Edward Reid and then Lord Cromer, the strategy of Barings was ultra-conservative and defensive (Kynaston 2001: 264, 340). It would be inaccurate, however, to conclude that Barings were completely moribund. Despite growing more slowly than Warburgs, and eventually being overtaken by those 'upstarts' in terms of total assets, Barings continued to obtain lucrative business for many years.[27]

It was a bold move politically, in 1967, for New Zealand to dump Barings. As Lough explained to R.A. Lochore, the New Zealand ambassador in Bonn:

> If we were to dispense with their [Barings'] services this would need to be done with the minimum of embarrassment and repercussions on New Zealand's credit in London, particularly as the former Governor of the Bank of England, Lord Cromer, was about to take over as head of the firm and could be expected to have some influence in the City of London.[28]

Bill Kirkland described it as a 'drastic' and unprecedented step to drop a firm of Barings' standing. Although Kidder, Peabody were prepared to work with Warburgs, and would do everything possible to accommodate New Zealand, Kirkland hoped that it would be possible to 'avoid a sharp and precipitous break with

[26] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Cop Davis to Bill Kirkland, 10 February 1967.
[27] In 1984-85, the total assets of Warburgs were £1,751,000, compared with Barings' £953,000 (Grady and Weale 1986: 95).
[28] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Lough to Lochore, 3 April 1967.

tradition.'[29] He went on to suggest that Warburgs might be invited to co-manage some issues, while Barings, reinforced by Deutsche Bank, were retained for others, but Warburgs were not impressed by this compromise proposal.[30]

Lord Cromer's reaction, if any, to Barings' fate is unknown, but there is no evidence that New Zealand's financial interests suffered. Treasury argued that Barings had no-one but themselves to blame for losing New Zealand's business. Once the decision had been made, Ashley-Jones was briefed as follows:

> I hope that you do not have any embarrassing moments with Nicholas Baring and his colleagues, however as John Phillimore's philosophy as a banker is against chasing business and is in favour as he put it, of waiting for the client to come to him, they may be prepared to let the matter drop quietly.[31]

Warburgs evidently valued their connection with New Zealand. Peter Spira included 'the New Zealand Government and Mobil and ICI' among the 'big names' on their books in the 1960s (Burk 1992: 83). The relationship with Warburgs proved satisfactory for New Zealand, and encompassed a number of Euromarket issues. True to their assurances, Warburgs succeeded in marshalling a stronger continental underwriting team than Barings.

From a New Zealand perspective, the government's preference for Warburgs over Barings symbolised a change in attitude towards 'establishment' financial institutions that would see the introduction of the New Zealand dollar in place of the New Zealand pound 1967, the abandonment of sterling as New Zealand's intervention currency in 1971, the slashing of the sterling component of the official reserves in the mid 1970s, and further borrowing on the Euromarkets.

Ultimately, neither Barings nor Warburgs survived to the end of the twentieth century. Barings crashed spectacularly in February 1995, following the Nick Leeson affair and the breakdown of the bank's internal controls. Following this disaster, Barings were taken over by the Dutch group, ING. By the early 1990s, Warburgs had become part of the City establishment, and had absorbed some of its cosy and smug

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[29] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Note for Secretary to the Treasury: Management of Euro-dollar and STG/DM issues, 31 January 1967.
[30] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Ashley-Jones to Lough, 4 February 1967.
[31] Phillimore was a leading light at Barings. ANZ, T 1, Acc W2666, 3/15/1/2, Treasury to Ashley-Jones, 16 February 1967.

ethos – a rather different ethos from that of Sir Siegmund. After encountering difficulties with its expansion programme in 1994, Warburgs tried unsuccessfully to negotiate a merger with Morgan Stanley. In early 1995, Warburgs withdrew from the Eurobond market, and later that same year accepted a takeover offer from SBC (Körnert 2003; Gapper 1995; Kynaston 2001: 759-71). Thus Warburgs outlasted Barings as an independent entity by about three months.

V

Referring to contacts with the big West German banks, Arthur Ashley-Jones of the New Zealand High Commission in London commented that 'These associations tend to become very complicated don't they [?]'.[32] Warburgs' principal German connections were with Brinckmann, Wirtz & Co. and Commerzbank. New Zealand's indirect link, through Warburgs, to Commerzbank, the third largest bank in Germany, was often felt to be provocative to Deutsche Bank, the market leader and an institution with which the government still hoped to do business. As Lough pointed out in 1967, New Zealand's 'future relationship between the Commerz Bank and the Deutsche Bank will need to be sorted out in a way which does not offend either and at the same time results in the maximum advantage'.[33]

Brinckmann, Wirtz was the name taken by M.M. Warburg & Co. of Hamburg as a result of the aryanisation of Jewish businesses by the Nazis. After the Second World War, steps were taken to return this bank to the Warburg fold. In 1956, Eric Warburg, Siegmund's cousin, became co-owner, making Brinckmann Wirtz the obvious partner for S.G. Warburg & Co in the Euromarkets. In the opinion of New Zealand officials, 'Brinckmann, Wirtz and Warburgs gave the impression of being an impressive active team, who were prepared to give objective advice, and with a continuing interest in New Zealand.'[34]

Although the smallest of the big three banks in West Germany, Commerzbank was regarded as the most dynamic in the 1960s. Siegmund Warburg enjoyed a good working relationship with Paul Lichtenberg, one of the leading figures at

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[32] ANZ, AALR873, Acc. W2666, 3/15/1/5, pt 1, Ashley-Jones to Lough, 7 April 1967.
[33] ANZ, AALR873, Acc. W2666, 3/15/1/5, pt 1, Lough to J.M.R. Mansfield, 2 August 1967.
[34] RBNZ Archives, Box A0369, Brief for Far East and European Tour, Commonwealth Finance Ministers' Conference, London, and Annual Meetings of IMF and World Bank, Washington, September – October 1968, p. 59.

Commerzbank (Burk 1992: 83). They collaborated on the development of new products including the sterling/DM bond. After visiting Dusseldorf, New Zealand officials noted that Commerzbank was 'really after New Zealand's business in every respect', and evidently 'a virile expanding organisation'.[35]

Brinckmann, Wirtz and Commerzbank were eventually invited to join Kidder, Peabody and Warburgs on the team managing Eurobond issues for the New Zealand government. Commerzbank were also promoted to a 'special bracket' position in the underwriting syndicate. Deutsche Bank, already 'special bracket' underwriters, though not co-managers, were sensitive about their ranking vis-à-vis Commerzbank. As there was a strong possibility that New Zealand might wish to make one or more issues of DM bonds through Deutsche Bank, their jealousy of Commerzbank was a potentially serious matter.

Warburgs and their allies were less than complimentary about Deutsche Bank. According to Warburgs executives, Deutsche Bank were 'so large and handle[d] so many issues that [they were] apt to churn them out to branches as routine rather than give the careful and complete treatment that Commerzbank' did.[36] Brinckmann, Wirtz warned New Zealand officials that Deutsche Bank had lost direction since the retirement of Dr Hermann J. Abs, one of the most prominent and controversial German bankers of his generation, and suggested that Commerzbank would provide a better service.[37] Commerzbank were critical of Deutsche Bank's handling of a DM issue for the Australian government in October 1967.[38]

Although the New Zealanders agreed with some of these criticisms, they did not regard them as conclusive, particularly in view of the size and importance of Deutsche Bank:

> It could be noted for discussion with the Deutschebank that in spite of their interest in New Zealand over the years there has always appeared to be some other international bond issue, i.e. Australia or Japan, being handled by them which has precluded our going on the market at a suitable time, and as Commerzbank and the Warburg group seem to have flexibility there would

[35] Ibid., p. 62.
[36] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Ashley-Jones to Lough, 4 February 1967.
[37] RBNZ Archives, Box A0369, Brief for Far East and European Tour, Commonwealth Finance Ministers' Conference, London, and Annual Meetings of IMF and World Bank, Washington, September – October 1968, p. 59.
[38] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Davis to Spira, 23 November 1967.

> appear to be some advantage in retaining our link with them. But with the Deutschebank having a substantial position in Western Germany a friendly relationship is also desirable.[39]

Treasury's anxiety over Deutsche Bank was comparable to their fear of the wrath of Lord Cromer. Deutsche Bank's immense placing power made them a force to be reckoned with. In 1968 and the first half of 1969 Deutsche Bank were top of the league for Eurobond issues, Warburgs were third, and Rothschilds sixth. No other British merchant bank was in the reckoning (Kynaston 2001: 400).

By the end of 1966, New Zealand had become interested in borrowing in DM rather than in Eurodollars. The West German authorities were ambivalent towards such issues. On the one hand they were keen to encourage capital exports in order to relieve pressure on the exchange rate, but on the other hand they were loath to see the DM become an international reserve currency (Cassis 2006: 228-9). Essentially, New Zealand had two alternatives – to work through Deutsche Bank, or through the team of Commerzbank, Brinckmann, Wirtz, Warburgs, and Kidder, Peabody.[40] As well as the matter of the overall level of service offered, there were several complicating factors. First, there was the matter of co-management of a DM issue. The group around Commerzbank did no object to working with Deutsche Bank provided they were prepared to reciprocate. As already indicated, however, Deutsche Bank were disinclined to work with any co-managers on DM issues, on the grounds that divided control had led to problems in the past. Second, whereas Deutsche Bank advocated a straight DM issue, the Commerzbank group favoured a sterling/DM issue, though they were prepared to offer a straight DM issue if the clients insisted. Deutsche Bank dismissed the sterling/DM concept, having managed such an issue on behalf of Austria, and concluded that it offered no advantages.[41] Third, there was the question of the relative position of Deutsche Bank and Commerzbank in the underwriting syndicates and documentation. Each major bank was happy to underwrite issues

[39] RBNZ Archives, Box A0369, Brief for Far East and European Tour, Commonwealth Finance Ministers' Conference, London, and Annual Meetings of IMF and World Bank, Washington, September – October 1968, p. 72.

[40] Using Dresdner Bank, Germany's second largest, was apparently not a serious option. Although Dresdner Bank held the account of the New Zealand embassy in Bonn, its level of service was deemed inadequate.

[41] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Lough to Lochore, 3 April 1967.

managed by their rivals, but expected to receive a generous helping of business as well as full public recognition of their efforts.

Early in 1967, New Zealand resolved to proceed with a sterling/DM issue. This was made under the auspices of Commerzbank, Warburgs, Kidder, Peabody and Brinckmann, Wirtz in March,[42] against the advice of Deutsche Bank. On this occasion the motives of Deutsche Bank for opposing this type of issue were questioned by Cop Davis, the Secretary to the Treasury, in a memorandum to Rob Muldoon, the Minister of Finance:

> There is intense competition between the banks in Germany for the business of foreign governments and for a leading position in the management of their issues. This applies particularly to a new borrower. … [In opposing the recent sterling/ DM issue, Deutsche Bank] were probably partly influenced at the time by their desire to ensure that the syndicate of banks led by Warburgs did not obtain a toehold into New Zealand business in Germany.[43]

Of course the New Zealand authorities realised that, in their advocacy of sterling/DM issues, Warburgs themselves were 'of course not unbiased.'[44] It was the familiar problem of not being able to find objective advice, or, perhaps, of not being able to recognise it when it was given. In these circumstances, it served the New Zealand government's purposes to keep their options open.

Deutsche Bank approached New Zealand in mid-1967 to say that they were prepared to give 'serious consideration' to floating a loan of DM 80-100 million for New Zealand towards the end of the year or early the following year. Lough now wondered 'Whether or not the possible competition from the Commerz Bank has spurred the Deutsche Bank into action.' He added that 'it looks as if Deutsche Bank are getting in first and, in view of our past relationship … we would be obliged to work through them if we go ahead with this issue.'[45]

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[42] Deutsche Bank rejected Warburgs' invitation to co-manage such an issue for New Zealand, when the idea was mooted in 1966. ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Lough to Lochore, 3 April 1967.
[43] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Memorandum for Minister of Finance: Borrowing in Germany, 7 November 1967.
[44] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Financial Secretary, New Zealand High Commission, London, to New Zealand Treasury, 15 December 1967.
[45] ANZ, AALR873, Acc. W2666, 3/15/1/5, pt 1, Lough to Mansfield, 2 August 1967.

Commerz Bank and their associates responded with their own proposals, which included a sterling/DM issue as well as a straight DM issue. Deutsche Bank then became lukewarm, citing an unfavourable turn in the market, rising uncertainty, and the prospect of congestion among new issues, as justifications for wishing to postpone any issue until spring 1968 at the earliest.[46] Warburgs, however, were confident that there would be an opportunity for a successful issue in January 1968. Although the New Zealand government was inclined to favour a straight DM issue, a sterling/DM issue became increasingly attractive, given Deutsche Bank's unwillingness to contemplate approaching the market in January. However, the government continued to dither. In a message to Peter Spira at Warburgs, Cop Davis explained the government's reluctance to take action that might 'cause a strong reaction from the Deutsche Bank which could prejudice their attitude and participation in future issues'.[47] In the event, the prospect of early access to the market proved decisive, and a sterling/DM loan was raised in January 1968 through Commerz Bank and Warburgs.

New Zealand's fear of offending Deutsche Bank proved unfounded. An additional, straight DM issue was made through Commerz Bank, Warburgs, Kidder, Peabody and Brinckmann, Wirtz in July 1968. Wilfried Guth and Paul Krebs expressed disappointment, on behalf of Deutsche Bank, that the government had chosen to go through Commerz Bank. They added, however, that they would give the issue support in their capacity as underwriters, and wished 'to reiterate that for Deutsche bank it would be a great privilege to be of assistance' in the future.[48]

The squabble over underwriting positions had already been resolved. Commerz Bank, Warburgs, Kidder, Peabody and Brinckmann, Wirtz agreed that both Deutsche Bank and Commerz Bank should be listed (along with certain other banks) as 'special bracket' underwriters on loan documents relating to issues on behalf of New Zealand, and that Deutsche Bank's name would appear, out of alphabetical order, before that of Commerz Bank.[49] In the early 1970s, Deutsche Bank changed its

[46] ANZ, AALR873, Acc. W2666, 3/15/1/5, pt 1, Notes of discussions with Deutsche Bank in Frankfurt on 13 October 1967; Cable from Treasury to Financial Secretary, New Zealand High Commission, London, 18 December 1967.
[47] ANZ, AALR873, Acc. W2666, 3/15/1/3, pt 1, Davis to Spira, 23 November 1967.
[48] ANZ, AALR873, Acc. W2666, 3/15/1/5, pt 1, Wilfried Guth and Paul Krebs to Robert Muldoon, 8 July 1968.
[49] ANZ, AALR873, Acc. W2666, 3/15/1/5, pt 1, Lough to Mansfield, 2 August 1967.

policy on the sole management of DM issues, and joined the existing management team dealing with New Zealand issues.

New Zealand's strategy in relation to the Euromarkets was praised by Paul Lichtenberg of Commerz Bank in January 1969. The policy of gradually building up the size of issues had been vindicated, said Lichtenberg. 'It had been noted on the German market (where New Zealand was now well known) that every loan we had floated had been fully subscribed and this was good for New Zealand's credit.' Moreover, there was appreciation that 'our loan arrangements were part of a regularly planned process.'[50]

Lichtenberg thought that New Zealand should now begin to look seriously at borrowing on the Swiss market, where interest rates were more attractive for borrowers than in West Germany. With the tightening of monetary policy in West Germany over the coming months (Holtfrerich 1999: 387-9), the appeal of other markets, including Switzerland, would indeed grow. At the same time, in view of the accumulating strength of the New Zealand balance of payments in the early 1970s, there was less need to borrow abroad. As Lough told Kirkland at the beginning of 1973, 'in view of the almost embarrassing increase in our external reserves any borrowing is likely to be very limited' in the coming year.[51] Although the respite from external pressures was temporary – the first oil shock and the deterioration in export prices were only months away – the contacts that New Zealand had established in overseas markets proved useful when it became necessary to borrow again.

VI

The story of New Zealand's entry into the Euromarkets opens a new window on the development of these markets and on relations between their participants. It was by no means easy for relatively new borrowers to find their feet in a market that was unfamiliar even to established borrowers. Choosing a bank (or banks) to manage a series of Euromarket bond issues was a task fraught with uncertainty. Borrowers such as New Zealand were tempted to start with familiar people and established names, such as Kidder, Peabody and Barings, and look with suspicion on newer firms such as Warburgs. It took time to work out which firms were the most reliable. Even so, it was difficult to obtain disinterested advice. New Zealand turned to the BIS for an

[50] ANZ, AALR873, Acc. W2666, 3/15/1/5, pt 1, Mansfield to Lough, 27 January 1969.
[51] ANZ, AALR873, Acc. W2666, 3/15/1/11, pt 1, Lough to Kirkland, 19 January 1973.

objective view of prospects in the Euromarkets and the etiquette that should be used when approaching prospective banking partners.

In the 1960s and early 1970s New Zealand was a relatively moderate borrower overseas – the mid-1970s to the mid-1980s were the years that saw rapid growth in official overseas indebtedness. Notwithstanding the modesty of its objectives, New Zealand's activities in the Euromarkets in the 1960s were hampered by a fear, which in retrospect was unjustified, of offending famous institutions such as Barings and Deutsche Bank. In the light of Barings' unsatisfactory performance, New Zealand was keen to transfer its business to Warburgs, but hesitated for several months because of the perceived implications of slighting an established City name. Similarly, having opened lines of communications with Deutsche Bank at an early stage in their European initiative, the New Zealanders felt under an obligation to give preference to this firm. In the event, the chiefs of Deutsche Bank were not as eager to obtain New Zealand's business as they purported to be. The New Zealand government's developing relationship with Warburgs, and this firm's skilful construction of strong management and underwriting groups, especially in West Germany, sheds new light on the rise to prominence of one of the City of London's most dynamic businesses, and thus on the City's renewal in the 1960s. The old gentlemanly capitalist firms were losing ground to newer firms such as Warburgs whose strengths were often in new markets. New Zealand's overseas borrowing strategy also illuminates the growth of Commerz Bank as a nimble and accommodating competitor to Deutsche Bank in the West German and Euromarkets.

By dint of considerable effort, the New Zealand government and their banking partners constructed a communicating infrastructure that served them in quite good stead. Noel Lough, Cop Davis, and Arthur Ashley-Jones in particular were in frequent contact – and often on first name terms – with bankers at Kidder, Peabody (Bill Kirkland), Warburgs (Peter Spira and others), Brinckmann, Wirtz (Hans Wuttke) and Commerz Bank (Paul Lichtenberg). They had to treat some of the advice tendered by these bankers with caution; nevertheless there was a steady growth in mutual confidence. The Euromarkets were complex, as were relations between borrowers and their banking representatives. Warburgs, Kidder, Peabody, Commerz Bank and Brinckmann, Wirtz succeeded in winning the business of the New Zealand government, because they were able to demonstrate competence and flexibility.

Others, including Barings and Deutsche Bank, were unable to come up with solutions that pleased the customer.

Table 1 New Zealand Government external loans 1953-73

Year of issue	Amount	Interest (%)	Maturity	Issue Price
UK				
1953	£10 m	4	1976-78	98.5
1954	£10 m	3 1/2	1981-84	98
1955	£10 m	4 1/4	1970-73	97.5
1956	£5 m	5 1/4	1978-82	96.5
1958	£20 m	6	1976-80	99
1961	£20 m	6	1972	98.5
1962	£10 m	6	1975-76	97
1964	£15 m	5 1/2	1974	96.5
1965	£10 m	6 3/4	1971	98.5
1966	£12 m	7 1/2	1983-86	98
1967	£15 m	7 1/4	1988-92	98
1972	£10 m	7 1/4	1977	99.75
USA				
1956	US$13 m	4 3/4	To 1966	100
1958	US$10 m	5 1/2	1970	99
1961	US$20 m	5 3/4	1976	97.5
1962	US$25 m	5 1/4	1977	97.5
World Bank				
1963	US$6.7m	5 1/2	1989	
1965	US$32.5m	5 1/2	1984	
1966	US$12.8m	6 1/4	1980	
1966	US$41.1m	6 1/4	1980	
1971 [1]	US$16.0m	7 1/4	1985	
Euro-dollars				
1965	US$20 m	5 3/4	1985	97.5
1966	US$15 m	6 1/2	1986	96
1966	US$10 m	7	1976	98
1967	US$20 m	6 3/4	1979	97.75
Eurobonds				
1967	£7.2 m [2]	6 3/4	1982	97.7
1968	£6 m [2]	7 1/2	1978	98.5
1968	DM 80 m	7	1978	99.75
1969	DM 100m	6 3/4	1984	99
1970	SwF 50 m	6 3/4	1985	98
1971	DM 100m	7 1/2	1986	98.5
1971	DGu 60 m	7 1/2	1975-78	99.5
1971	SwF100m	7 1/4	1976	n.a.
1972	DGu 60 m	6 1/4	1976-79	100
1972	DM 100m	7	1987	97.5
1972	FrFr 75 m	7 1/4	1987	98

Multicurrency	revolving credit
1970	US$40 m

Source: RBNZ Archives, Box A0369, Brief for Commonwealth Finance Ministers' Meeting, London, and IMF and World Bank Joint Annual Meetings, Washington, September 1972, p. 178.

Notes: Excludes short-term loans and credits (e.g. from IMF, BIS and Reserve Bank of Australia), some defence credits through the Export-Import Bank, and borrowing by some government agencies and trading corporations.

[1] Year approved
[2] Sterling / DM issues

Table 2: New Zealand's Official Overseas Debt, 1968 and 1975

		June 1968				March 1975
	NZ$m	%			NZ$m	%
Reserve Bank of Australia	25.3			Sterling	168.4	15.5
London	298.9			US dollar	51.5	4.7
Total sterling area	324.2	50.7		DM	196.7	18.1
IMF	79.6			Swiss Franc	73.9	6.8
IBRD	89.2			NL Guilder	58.9	5.4
Sterling / D-mark loans	30.7			French Franc	19.8	1.81
USA	88.2			Yen	29.4	2.7
Export-Import Bank	9.8			DM (revolving credit)	198.6	18.2
BIS	17.9			Swiss Franc (revolving credit)	41.7	3.8
Total other	345.5	49.3		BIS (US$)	37.2	3.4
TOTAL	639.6			BIS (DM)	63.6	5.9
				SDR (IMF oil facility)	100.5	9.2
				IBRD (US$)	48.3	4.4
				TOTAL	1088	100

Sources:

1968: RBNZ Archives, Box A0088, Sterling Reserves Agreement pt 1, May 1968 – Jan 1971, Note on New Zealand's Official Overseas Debt, 25 June 1968.

1975: ANZ, T1, Acc. W2666, 3/15/4, Outstanding Official Debt at 31 March 1975. Apparently undrawn loans and credits excluded from authors' calculations. Sums under each heading converted into NZ$ by authors. (Figure for IMF oil facility is taken from *RBNZ Annual Report 1974-75*, p. 21) Borrowing under IBRD credit was in various currencies, but expressed in US$. The authors' total figure for overseas debt in March 1975 NZ$1088 m is close to the figure of NZ$1081m in *RBNZ Annual Report 1974-75*, p. 21.

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