

The rape of New Zealand

The economy of this highly productive nation is being destroyed, by financial elites and the Labour government. The first in a series of reports by Allen Douglas.

This correspondent recently returned from a tour of the small, once-proud nation of New Zealand. Located 1,000 miles from its nearest sizeable neighbor in the South Pacific, Australia, and over 10,000 miles from Washington, D.C., New Zealand has been very little in the world's eye since its Labour government provoked the dissolution of the ANZUS Defense Treaty among Australia, New Zealand, and the United States, back in 1985. But, under cover of silence from the international media and the extensive disinformation of its own press, perhaps the most rapid destruction of an advanced-sector nation in modern history is now proceeding there.

New Zealand is a young nation, settled by European immigrants only in the mid- to late-19th century. Its formal political history begins with the 1840 Treaty of Waitangi, signed by officers of the British Crown with the chiefs of the Maori tribes who inhabited the islands before the Europeans arrived. Many of the immigrants, great-grandfathers and even grandfathers of today's New Zealanders, were Irish, English, and Scottish farmers who fled the practice of usury that was endemic to agriculture in the British Isles. Blessed with fertile soil, benign climatic conditions, and the high intelligence of these early pioneers—to this day, New Zealand has the highest literacy rate in the world—New Zealanders had created of their island-nation a veritable Garden of Eden.

The backbone of New Zealand's wealth has been agricultural production. Until recently, 80% of its GNP was from agriculture, and it has been a major world food-supplier. Over two-thirds of all sheep meats exported anywhere in the world come from New Zealand. New Zealand dairy products and lamb, in Europe and Asia, as well as the United States, are synonymous with fine quality.

But today, all this is being destroyed, as the following figures indicate:

- Between October and December, as many as 20,000 of New Zealand's total of 60,000 farmers (perhaps now only 50,000 due to previous bankruptcies), will be driven off the land, or will be working their own former properties as virtual serfs for the new corporate owners.
- Over 4,800 small businesses were foreclosed on in the month of July alone.

- Unemployment, whose effects are still momentarily masked by Labour's (soon-to-be-dismantled) huge social welfare payments, is skyrocketing. Official figures speak of 9%; in reality, it is much higher.

- Key departments of the New Zealand government, together with its State Owned Enterprises (SOEs), covering such parts of New Zealand's national patrimony as the government's vast landholdings, forestry resources, petroleum wealth, and the postal system—virtually all government-run entities excepting the military—have been “corporatized,” preliminary to being “privatized.” Privatization means their sell-off to international financiers, for as little as 20¢ on the dollar.

- New Zealand's total foreign debt has climbed from (N.Z.) \$12.8 billion when Labour took power in 1984, to over (N.Z.) \$54 billion at present. There is almost nothing tangible to show for this debt increase.

- An armed insurgency potential has been created, aided and abetted by the Labour government, among the small fraction of New Zealand's Maori population which is radicalized.

- In a break from its prevailing standard of cultural optimism, to which the high literacy rate and standard of living contributed, New Zealand now has one of the highest teenage suicide rates in the world. Youth death cults are being organized around morbid “Gothic music” rock bands.

'New Zealand 1990'

The destruction of New Zealand is systematic, organized according to the program known as “New Zealand 1990,” a concept pushed by the Labour government. It is a South Pacific forerunner of the infamous “Europe 1992” proposals for corporatist fascist restructuring. According to “New Zealand 1990” and its associated “Closer Economic Relations” (CER) program, New Zealand and Australia are to be merged into a single economic unit by that date, with a political merger to follow soon after.

Just as prescribed for “Europe 1992,” the “Europe of the cartels,” the mainstay of New Zealand's economy, its independent owner-operator farmer, is being eliminated. The local branches of the international grain cartel will run any

agricultural production that remains, while the country's businesses are subsumed under a handful of mega-businesses. New Zealand will become, in the boast of Labour's Minister of Finance Roger Douglas, "the Hong Kong of the South Pacific."

Financially, the country will be bled dry by the international financial oligarchy and its local New Zealand arms. Strategically, the country will pass directly into the Soviet orbit, a process already well-advanced since the crack-up of ANZUS and the growth of a Soviet-armed irregular warfare movement among radical, Cuba- and Libya-trained Maoris. Soviet submarines are reported off New Zealand's coasts with astonishing regularity, a fact hushed up by the present government.

Though enabling legislation was passed under the previous National Party government, Labour's election in 1984 initiated the wholesale destruction process. But looking behind the parties, it emerges that both that election and Labour's nation-wrecking policies, were engineered by the country's financial elite, centered in the New Zealand Business Roundtable.

The Business Roundtable

Two years ago, in preparation for an article which rocked the country and caused banner headlines in many of New Zealand's newspapers ("New Yalta in the South Pacific: the case of New Zealand," *EIR*, Sept. 5, 1986), this correspondent interviewed *New Zealand News* financial columnist Warren Berryman, one of the house scribes of this elite. Berryman, who subsequently issued an hysterical attack on the exposé to which he himself had contributed, noted at the time, "There's probably 150 people, maybe, who basically run the country, anything that really matters. I know some guys that would be on maybe 20 boards. You wonder how the hell they can do the job well for any of them. But a lot of it's just cementing relationships between companies." Berryman was describing the New Zealand Business Roundtable.

The Roundtable was founded in 1976 as a broad-based grouping of the nation's financial and industrial firms, but its leadership has passed almost entirely to its financial and investment firms. Where Roundtable firms do own industrial plants, this is usually a predicate of asset-stripping and related activities, or a drive for cartelized control over a given industrial sector.

As of February 1988, Roundtable companies and their subsidiaries had a total capitalization of (N.Z.) \$15.4 billion, which represented an astounding 64% of the total value of the New Zealand share (stock) market. In addition, Roundtable members sit on the boards of 100 other major New Zealand companies.

This crowd rigged the 1984 election, to bring in Labour. Its instrument was Bob Jones, a property speculator reportedly worth several hundred million dollars. The year of the

election, "right-wing businessman" Jones formed the New Zealand Party, whose *raison d'être* was to split the vote of the conservative-oriented National Party, and thus bring Labour to power. Jones subsequently bragged that he had a "secret plan" to ensure the reelection of Labour in 1987. Labour was indeed reelected.

The 1984 election, like most of the Roundtable's operations, had a very nasty side. Jones's chief collaborator in forming the New Zealand Party was a long-time member of the New Zealand Communist Party, and a decades-long asset

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of the Third Department of the Soviet KGB's Foreign Division, Gordon Dryden. Jones himself was a patron of the New Zealand-U.S.S.R. Friendship Society, and was fêted at the Soviet Embassy in Wellington. The Jones-Dryden New Zealand Party received the praises of *Pravda*. Intelligence specialists in New Zealand and abroad drew the obvious conclusion: A faction of the country's financial elite had struck a deal with the Soviets, to cede them much greater influence in New Zealand. As in the plans surrounding "Europe 1992," the Soviets get the military/strategic advantage, while their Western partners get most of the financial loot.

Business Roundtable chairman Sir Ron Trotter, of Fletcher Challenge, the country's second-largest company, was no stranger to how this worked; he himself had been a business partner in Soviet fishing ventures off New Zealand. The Soviets are now negotiating for "service and repair facilities" for their fleet off New Plymouth on the west coast of New Zealand's North Island.

The benefits of the 1984 election to the Soviets and their Roundtable friends were not long in coming. The Labour Party accomplished the following on their behalf:

- Interest rates soared from a previous norm of 7-8% to

the high 20s, bankrupting many of the country's independent farmers and entrepreneurs, the financial, as well as political, competition to the Roundtable.

- Almost all protective tariffs, subsidies, and tax incentives for hard commodity production were lifted, and "free trade" agreements were negotiated, entirely "deregulating" the country's economy to the advantage of asset-strippers.

- The nation's foreign indebtedness, as mentioned, soared from \$12.6 billion to over \$54 billion in four years.

- "Prudential banking" was implemented. Before 1984, a bank could only make loans in a 5:1 ratio to its deposits. Under "prudential banking," there is no limit to private credit creation by the banks, though there is a suggested "prudential rate" of 19.8:1.

- The ANZUS Defense Pact was scrapped.

- With the assistance of the Labour Government, in particular through its ACCESS (unemployment training) program, funds poured into the creation of a radical Maori insurgency. The government supported the most radical elements, such as Ripeka Evans, who has made numerous visits to Moscow and to Cuba. Evans received a government appointment as cultural and planning assistant for New Zealand Broadcasting.

- The assets of the New Zealand government in petroleum, forestry, airlines, fishing, etc. are being raffled off for 20¢ on the dollar or less, invariably to Roundtable companies.

No wonder Trotter, who is both the "right-wing" head of the Roundtable and a formal adviser to the Labour government, waxes eloquent over Labour's programs. In a speech to the youth group of the opposition National Party, he instructed them to fully support the government's "intelligent and courageous" actions on the economy.

'Fire sale' of a nation

Labour's deregulation of the private sector, including jacking up interest rates into the high 20s, made it possible for the Roundtable to loot the private sector. Before government assets could be similarly looted (State-Owned Enterprises comprised 25% of New Zealand's GNP in 1984), some preparatory work had to be done. With advice provided by the London-based N.M. Rothschild and Sons, and Schroders, government departments not previously organized as SOEs were to be "corporatized."

Under the "State Owned Enterprises Act of 1986," there were by April 1, 1987 nine new corporations: Airways Corp. of NZ, Ltd., Coal Corp of NZ, Ltd., Electricity Corp. of NZ, Ltd, Government Property Services, Ltd., Land Corp., Ltd., New Zealand Forestry Corp., Ltd., New Zealand Post, Ltd., Post Office Bank, Ltd., and Telecom Corp. of NZ, Ltd. This was in addition to the pre-existing SOEs: Air New Zealand, New Zealand Railways Corp., Petroleum Corp of New Zealand (Petrocorp), Tourist Hotel Corp of NZ, the Shipping Corporation of NZ, Ltd., and the Bank of New Zealand.

Labour Prime Minister David Lange, upon coming to power in 1984, packed the existing SOEs with Roundtable leaders. Of the 34 Roundtable members (December 1986-December 1987), eight became directors on nine SOE boards: Electricity—Athol Hutton, Roger Kerr (Roundtable executive director); Forestry—Alan Gibbs, chairman, and Warren Hunt (of NZ Forest Products); Land Corporation—David Chalmers, chairman; Telecom—Sir Ronald Trotter (chairman of Fletcher Challenge), Trevor Farmer; Works and Development Services Corp.—Ron Arbuckle. Eleven other directors in Coal, Land, Airways, Electricity, and Forestry were employees of Roundtable-linked businesses.

The ostensible purpose of corporatization was "efficiency." Supposedly, when the former government departments had to function as private enterprises, having to make profits, pay taxes, etc., even though the government still owned a majority of their stock, the government, as well as the citizenry, would benefit.

In reality, however, corporatization was nothing but a way-station to "privatization," the sale of New Zealand's national assets to a cabal of private financiers, the very Roundtable-linked financiers who put the Labour Party into government in the first place. Here, Labour's stated reason for privatization—to raise funds to pay off New Zealand's gigantic foreign debt (which they themselves had contracted)—came close to the truth. But even Labour admits that when everything is sold, only some \$14 billion, if that, will be available to be put toward the debt. In the meantime, not only have New Zealand's citizens lost their national patrimony, but they will now be gouged with no possibility of government intervention, by the very same entities (now privatized, and forming monopolies), which they themselves and their ancestors paid for with tax dollars in the first place.

In addition, it is highly likely that since many of these entities, at government prompting, took on large overseas debts when they were corporatized, they will simply pass into the hands of foreign financiers, in the sort of debt-for-equity swaps to which underdeveloped countries are frequently subjected.

Thus far, two government entities have been fully privatized: the New Zealand Steel Corporation and the Petroleum Corporation of New Zealand (Petrocorp). Their cases illustrate how the incestuous relations between the Labour government and the Roundtable work.

In November 1987, having assumed \$1.958 billion of New Zealand Steel debt, the government sold NZ Steel, with assets of (N.Z.) \$2 billion, to (Roundtable-linked) Equiticorp for a mere \$327 million. In the same year, the government injected \$800 million into Petrocorp, then sold its 70% share in this company, \$980 million of the company's official assets of \$1.4 billion, for a mere \$800 million, a discount of 18.4%. The purchaser was Fletcher Challenge, Ltd., whose chairman is Sir Ron Trotter, chairman of the Business Roundtable. In addition, the government handed Fletcher

Challenge a \$300 million tax loss, lowering the actual purchase price from \$800 to \$500 million, or an almost 50% discount on the value of assets purchased. (These figures are drawn from F. Sanders, *The Moneychanger*, May 1988.) The actual value of Petrocorp may be much higher because of the fact—a closely held secret—that oil has been found off Chatham Rise in the Pacific Ocean, southeast of New Zealand, which marks this area as one of the richest petroleum reserves in the world.

Sir Ron Trotter, of Fletcher Challenge and the Business Roundtable, has thus been a major beneficiary of the privatization policy of the Labour government. The government formalized their cozy relationship, with two further appointments for Trotter. He was made chairman of one of New Zealand's largest SOEs, the 25,000-employee Telecom Corp., which controls the country's electronic and telephone communications. In addition, Trotter heads up a special task force, assigned to advise Minister of State-Owned Enterprises Richard Prebble, "on assessing their [SOE] performances and asset valuation, laws affecting them and other commercial issues." No doubt Sir Ron will be well positioned there to snap up a few more pieces of Labour's fire sale.

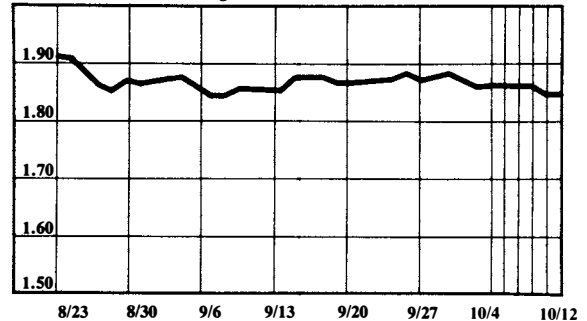
Another gainer from the program is Ron Brierley, a Roundtable kingpin, head of New Zealand's largest company, the asset-stripping Brierley Investments, Ltd., and chairman of the Bank of New Zealand. Before any shares of Petrocorp were offered for public sale, Brierley was given the right to buy up 15% of the company, which he did, while Trotter got the rest at the 50% discount indicated. Next, Brierley's firm is the leading candidate to purchase the Bank of New Zealand, of which he is chairman! Although Brierley for months claimed there was "no conflict" between his two positions, the stink of the whole business recently forced him to take a "holiday" from the BNZ. The BNZ was already "partially privatized" in 1986, after Finance Minister Roger Douglas failed to inform Parliament of the bank's record profits, which, had they been known, might have inspired parliamentary resistance. This July, according to reports in New Zealand, Brierley flew Douglas to Australia in his private jet, to watch the Australia-New Zealand rugby matches. Presumably, there was "no conflict" in that either.

The backers of the "leftist" Labour government's and "right-wing" Business Roundtable's pact for privatization will brook no opposition. In recent weeks, New Zealand's Auditor General, Brian Tyler, had voiced concern, not even about privatization *per se*, but about the manner in which it was being carried out—SOE's being sold to a single large purchaser like Fletcher Challenge, instead of having a public flotation of their shares. In September, a Labour Government-commissioned economist named Alf Kirk recommended to a parliamentary select committee, that Tyler's Audit Office (which reports to Parliament) be closed and its functions taken over by private sector auditors and other government departments.

Currency Rates

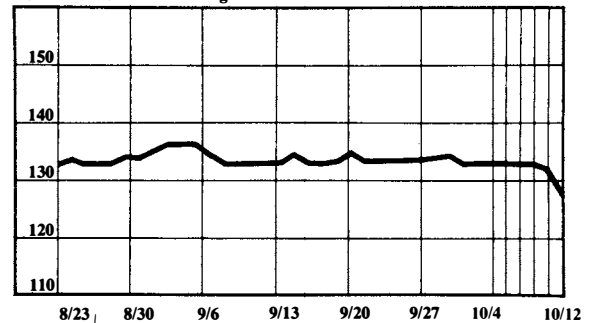
The dollar in deutschemarks

New York late afternoon fixing



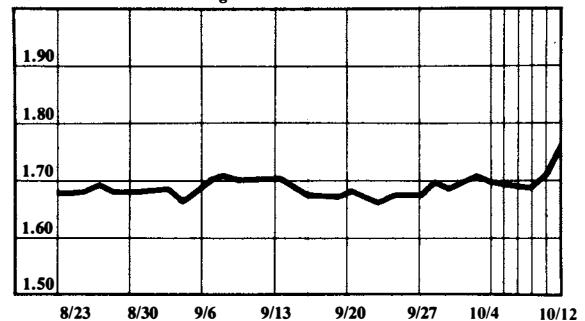
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The British pound in dollars

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The dollar in Swiss francs

New York late afternoon fixing

