

The rape of New Zealand

The rural sector of this once productive nation is being destroyed by a pro-Soviet financial oligarchy and the Labour government. The second in a series by Allen Douglas.

For decades, the small (population 3.25 million) nation of New Zealand has contributed a hefty portion to the world's annual food production. In World War II, it was New Zealand which almost single-handedly fed Gen. Douglas MacArthur's troops in the Pacific, and contributed greatly to the food supply of wartime Britain as well. After the war, New Zealand stayed on domestic rationing for several years, in order to continue supplying Japan, Britain, and other war-ravaged nations with food. In recent years, New Zealand has supplied roughly one-third of the world market for dairy products, is the world's largest lamb exporter, and accounts for over two-thirds of the entire world's exports of sheep meats.

Eighty percent of New Zealand's annual exports have been pastoral products. New Zealand's independent owner-operator farmer, acknowledged as among the most efficient in the world, has been the backbone of what has been, until recently, a nation with one of the world's highest standards of living.

But now, all this is being ripped apart, as the following figures demonstrate:

- As many as 20,000 of New Zealand's total of 50,000 farmers are likely to be driven off the land by December 1988. The Rural Bank, which holds 71% of New Zealand's farm mortgages, reportedly drew up 3,215 Property Law Notices (foreclosures) in September alone.

- The government-owned Rural Bank has itself recently been "corporatized," turned into a conventional profit/loss corporation, preliminary to being "privatized," sold off altogether, very likely to foreign financial interests.

- New Zealand has been self-sufficient in wheat for over 100 years, except for the Depression years of 1931-32, when production dropped to 80% of national requirements. Last year, New Zealand's wheat production dropped to 48% of national needs, and in 1988-89, it will fall to 12%.

- The average yearly lamb kill over the past 10 years has been 36 million. In 1987-88, this dropped to 26 million. For 1988-89, the estimated kill is 23 million or less. In addition, the Labour government has been diverting sheep meats from traditional markets in the U.K., to Khomeini's Iran or to the

Soviets, and for a fraction of the price to the farmer.

- The Labour government has raised interest rates from the 7-8% level prevailing before it took power in 1984, to 22%, 25%, and even as high as 31% (for penalty payments) for farm loans. In the country's kiwi fruit farming industry, once the "success story" of the decade, over 91% of kiwi fruit farmers are now bankrupt. (There have been numerous suicides in the 5,000-person town of Te Puke, the center of the kiwi fruit industry.)

As the interest rate rises indicate, this policy of wholesale destruction of New Zealand's rural sector, is a fully conscious one. In 1984, the Labour government, the local arm of the Europe-based Socialist International, was installed in power by a group of ostensibly "right-wing," but in reality pro-Soviet, "captains of industry" centered in the New Zealand Business Roundtable (See *EIR*, Oct. 21, 1988). Since then, this "left-wing" government has been carrying out what the London *Financial Times* recently called "the most far-reaching economic deregulation seen in any country since the war."

The Labour government sees eye-to-eye with the Roundtable on many things, in particular that there is no room for private small and medium-size industrial entrepreneurs and farmers in New Zealand. As the Labour government's justice minister, Geoffrey Palmer, has repeatedly said, "There is no room in New Zealand for the private ownership of land." The Honorable Mr. Palmer undoubtedly meant no small or medium-size private ownership, because Mr. Palmer and his government, as will be clear below, are clearing the road for the unchallenged *monopolistic* private ownership of land.

'Free enterprise' looting

Upon taking power in July 1984, the Labour government, aided by the country's press (largely controlled by the Business Roundtable and a gang of Soviet assets known as "the Dryden network"), began a campaign to convince the country that first, New Zealand's rural sector was "inefficient" and "overprotected," and second, since "world markets were disappearing," there was less need for New Zealand's farmers anyway. The country's future, said Labour, lay in post-in-

dustrial concerns like the booming (deregulated) financial sector, in "information exchange," and in tourism.

As usual, the Labour government was lying. What they were implementing was part of a global scheme worked out during the 1970s "Tokyo Round" of the General Agreement on Tariffs and Trade (GATT). With the usurious International Monetary Fund and World Bank, GATT is one of the three legs of the post-World War II monetary order.

This perspective was codified by GATT propagandist Gilbert R. Winham, in a book entitled, *The Future of the World Trading System*. There, Winham argued on behalf of the international financial oligarchy that "national economics is a 19th-century, outdated concept," and that what is needed is supranational "global thinking." New Zealand's local financial oligarchy picked up the cues of their powerful brethren abroad, and installed Labour to chop up this "outdated concept of national economics."

For agriculture, the international oligarchy's marching orders were issued in a 1985 policy paper of the one-worldist Trilateral Commission, entitled "Agricultural Policy and Trends." There, grain company front-man and U.S. Special Trade Representative Clayton Yeutter argued that "national subsidies" must be eliminated worldwide in favor of "market-oriented policies." New Zealand's Labour Prime Minister David Lange and his crew snapped to attention.

Lange's government rammed through the following changes: interest rates were tripled or quadrupled; the tax structure was rigged against re-investment in the farm sector through changes in depreciation schedules, etc.; New Zealand was pushed out of traditional high-paying markets (such as the U.K.) into lower-paying (but politically preferable for Labour) markets such as Russia and Khomeini's Iran; parity-style pricing arrangements for farmers were eliminated (these had assured a just return for production); the equity in farmers' land was collapsed by destroying the profitability of farming, thus allowing foreclosures on farms; and farming was fully "deregulated," i.e., the government boards responsible for orderly marketing and pricing practices such as the New Zealand Wheat Board were eliminated.

To justify these changes, Labour claimed, among other things, that foreign markets for New Zealand's pastoral products had dried up, and that prices had collapsed 50%. In fact, not only were the markets there, but the average freight-on-board value of New Zealand's meat exports had more than tripled between 1975 and 1986. Beef and veal went from NZ\$842 to NZ\$3,586 per ton; lamb from \$695 to \$2,271 per ton; and mutton from \$427 to \$1,348 per ton.

But Labour was pushing certain markets at the expense of others.

In early May 1986, for example, Minister of Trade and Industry Mike Moore announced a 24,000 ton mutton sale to the U.S.S.R. at 69.5¢ a kilogram, while New Zealand was getting \$1.54 for mutton on the British market and had not fulfilled its quota there! Since previous policies had elimi-

nated New Zealand's mutton supplies, the Soviet order had to be filled in lamb, which was sold for the same 69.5¢, and which could have been sold on the British market at the going rate for lamb, \$4.75 per kg. As for Khomeini's Iran, it returned only \$1.20 per kg on lamb, with very erratic payment records.

Mike Moore's choice of trading partners was not surprising. A left-winger, he was elected to office with the help of a devoted band of Trotskyists. In addition, it is widely rumored in New Zealand that Moore spent several days as a guest at the Soviet embassy in Sydney, Australia, just after Labour was reelected in 1987.

Eliminating parity prices

Eliminating profitable markets was just one of Labour's assaults on the country's farmers. New Zealand's formerly thriving rural sector was based on principles similar to the American system of "parity," which made the United States into the bread-basket of the world. The New Zealand dairy farmer, who even now produces one-third of the world's market for dairy products, used to have the Guaranteed Price System, designed to cover the average costs of the productive farmer, and allow for reinvestment in the farm. Meat and wool farmers were covered similarly under the Supplementary Minimum Pricing program. In addition, export subsidies were granted by the government which allowed the New Zealand farmer, located in the South Pacific thousands of miles from most of his markets, to export successfully.

As in the American parity arrangement, this system of orderly markets and a fair price for farm products allowed the New Zealand economy as a whole to function in a highly effective manner. The single New Zealand farmer supported 14 others in adjunct enterprises, such as chemists, veterinarians, farm machinery importers, grocers, employees of the slaughtering and freezing works, etc.

The Labour government railed against parity-style pricing as a "hand-out" to the "basically inefficient" farmer. That parity prices were hardly a "hand-out" to the farmer is obvious in the following figures from a typical 100-hectare dairy farm. The figures are taken from 1986, and cover the previous 17 years of the farm's operation.

- For every dollar the farmer received from the government, the farmer paid the government two dollars.
- For each dollar of export "subsidy," the farmer exported \$111 to the benefit of the New Zealand economy.
- Over 17 years, the "subsidies" amounted to \$1.83 per day.
- Over that period, that farm injected into the economy \$204.64 each day. Production increased 146%.

Putting aside this productive return on outlay, Labour is a fine one to prate about "subsidies." In 1984, when Labour took power, the total national debt of New Zealand was \$12.6 billion. After three years of its ruinous "free-enterprise" policies, the government in just one year, 1987-88, paid over \$9

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billion (or almost three-quarters of the entire 1984 national debt) for the Social Services and Welfare section of the national budget alone. Much of that money is paid out in unemployment and related benefits—commonly known as "the dole"—which unemployment is a direct result of Labour's "deregulation" and "desubsidization" of the productive farming and manufacturing sectors.

Paving the way for the Roundtable

The Labour government acted as an errand boy for the international cartels, a point exemplified by Labour's elimination of the New Zealand Wheat Board.

Established in 1936 by the Labour government of the day, the Wheat Board was set up to end the chaos of the "free market" then prevailing. As a government monopoly, it established wheat prices, and decided who got what wheat and flour and at what prices. In October 1984, the Labour government announced that the Wheat Board's regulatory powers would be eliminated by February 1987. In public hearings on whether to eliminate the board, the testimony was overwhelmingly in favor of keeping it. There were, however, two powerful exceptions: the Wattie and the Goodman/Fielder corporations. These firms, whose boards were linked by mutual directors and shareholdings, controlled the single largest part of the country's wheat, flour, bread, and related distribution facilities. Goodman/Fielder was a power on a world scale—it was the dominant shareholder in the British food giant Ranks Hovis McDougall, the largest flour miller in Europe and the largest bread baker in Britain.

Though public opinion ran overwhelmingly against the proposed deregulation, the Labour government, as usual, stood up for the cartel and eliminated the Wheat Board.

Shortly afterward, the Wattie and Goodman/Fielder groups applied to the Commerce Commission for the next phase of monopoly: permission to merge. They were turned down flat, as the Commerce Commission ruled that the merged company would hold a near-monopoly in five New Zealand markets: flour milling, yeast, bread and other bakery products, poultry, and stockfeed, and declared that such "market power . . . could be used to increase prices. The commodities in question—bread, flour, chicken meat—are staples and impact upon consumers on a daily or weekly basis." But under immense pressure, the Commerce Commission reversed itself, precisely as it was to do when the Fletcher Challenge firm, headed by Business Roundtable Chairman Ron Trotter, purchased the state-owned enterprise, Petroleum Corporation of New Zealand.

There was more to come. Goodman/Fielder-Wattie established a near-monopoly in the products indicated. Then, Elders Pastoral, the dominant stock and station agent in Australia (7% of whose stock was owned by Fletcher Challenge) merged with Goodman/Fielder-Wattie to create Elders Pastoral/Goodman-Fielder-Wattie (EP/GFW). Profits soared. Between April 1981 and March 1984, Goodman/Fielder had

reported before-tax profits of \$52 million, on which it paid a minuscule \$2.5 million tax. In 1985, one year after Labour came in, and after the deregulation, Goodman/Fielder-Wattie announced a profit of \$39 million and a tax *rebate* of \$6.8 million. In March 1987, after the merger with Elders Pastoral, the new EP/GFW conglomerate, announced a profit of \$174.5 million! At this point, it controlled approximately 75% of the bakeries and flour mills in New Zealand.

Just as important, this monopoly had access, through Elders Australia, to Australian wheat, then being exported under a \$185 a ton subsidy. Due to the subsidy, EP/GFW bought all the wheat they needed from Australian farmers (through Elders Australia) at \$350 per ton, but which really only cost the conglomerate \$165, after subsidy. Since they no longer depended on the New Zealand farmer for wheat, they were able to force the price for New Zealand wheat below \$250 per ton. The New Zealand wheat industry collapsed soon afterward. Before 1984, this could never have happened, since almost all wheat imports to New Zealand were barred. But in that year, the Soviets' friend, Trade and Industry Minister Mike Moore, concluded the Closer Economic Relations (CER) agreement with Australia, opening the New Zealand wheat industry to destruction.

The EP/GFW conglomerate controlled a key part of the prices and physical output of New Zealand farmers. In addition, through their control over the stock and station agents (together with the Business Roundtable's Fletcher Challenge), they also formed a stranglehold over the seasonal finance so crucial to the farmer. Wrightson NMA/Dalgety Crown, a subsidiary of Fletcher Challenge, controls 70% in the stock and station field, while Elder's, long tied to Fletcher Challenge, controls much of the rest. The stock and station agents have not only cut off access to credit for farmers who have financial problems, but have started eliminating credit to solvent farmers as well!

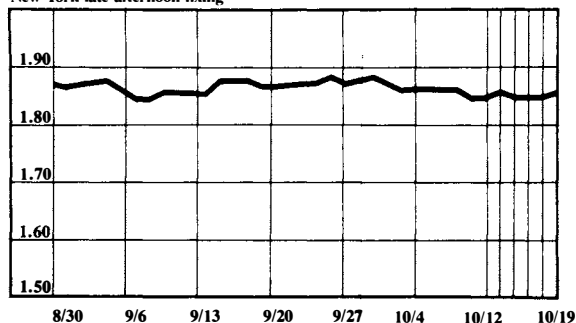
With the increasing private monopoly over all aspects of the rural sector, from finance availability and price, to control of the outlets for New Zealand farm products, it is not long until Justice Minister Palmer's dream of "no private land in New Zealand" comes true. The Rural Bank, which holds 71% of farm mortgages, will soon be put on the block to be "privatized" as well, a process already under way.

Since 1984, Citibank in New York has loaned the Rural Bank NZ\$2.25 billion (approximately U.S.\$1.46 billion). Earlier this year, Citibank sent one of their executives to oversee the day-to-day running of what may soon become their asset. Citibank also happens to be one of the key financiers, along with Chase Manhattan Bank, of the world's largest grain company, the Cargill Corp. (with \$32 billion in worldwide sales in 1986). Former Secretary of State Henry Kissinger, who opened the floodgates for cheap grain sales to the Soviets in the early 1970s, sits on the board of Cargill. According to reports in New Zealand newspapers, Kissinger Associates is also a possible purchaser of the Rural Bank.

Currency Rates

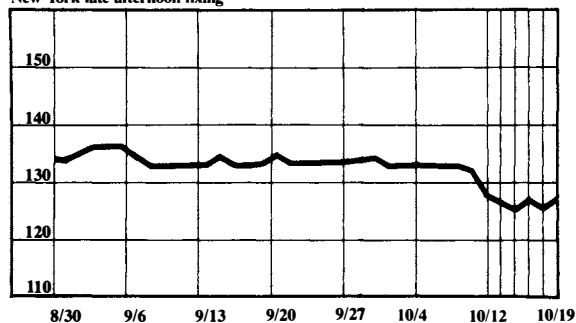
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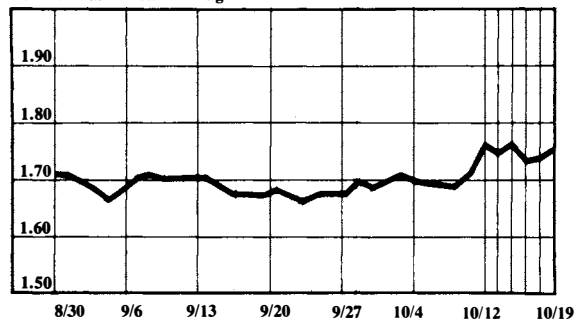
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