Foreign Control Watchdog

PO Box 2258, Christchurch, New Zealand

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THE ECONOMIC CRISIS:

The Problem is Not Savings, But Investment

- Bill Rosenberg

The economic crisis is your fault and mine, the Government tells us. It's all because I and you haven't saved enough. This is economic nonsense which is nothing more than a game of passing the blame.

There are in fact two economic crises affecting Aotearoa at present. One was completely foreseeable: the current account deficit. It has been on its way for a long time. The other is the Asian crisis, long – and accurately – predicted by critics of open slather free markets, but a highly embarrassing bolt from the blue for the Government, the police of the international "free market" such as the International Monetary Fund (IMF) and World Trade Organisation (WTO), and their advisers.

If objectively considered, both should lead to fundamental reversals in current Government economic policy and in the policy enforced by those international institutions. They won't, because "economic rationalism" is not rational. For Aotearoa, the solution to neither crisis is for us to save more. It is to control our economic relationships with the rest of the world, and in particular, control foreign investment.

Crisis Number One: The Balance Of Payments

The Balance of Payments is the part of the national accounts that shows the balance between what the

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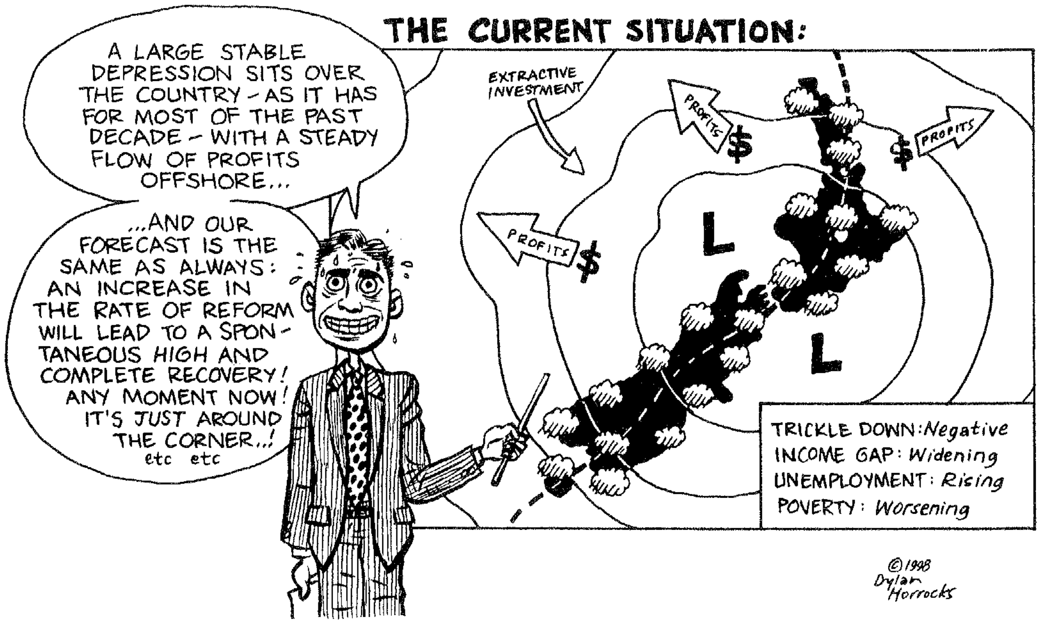

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country receives and pays abroad. There are two parts to it. The "current account" shows the balance of the country's payments for imports and exports of goods and services, and for "invisible" income, such as dividends and interest payments. That's a little like your annual income and day to day expenses. The "capital account" shows capital movements: investment (including lending) into and out of the country, and repayments of debts. That's like your purchase of a house and repaying the mortgage.

When the current account goes into deficit – indicating the country's payments abroad are beyond what it can afford from the year's external income – the "current account deficit" must be made up by overseas borrowing.

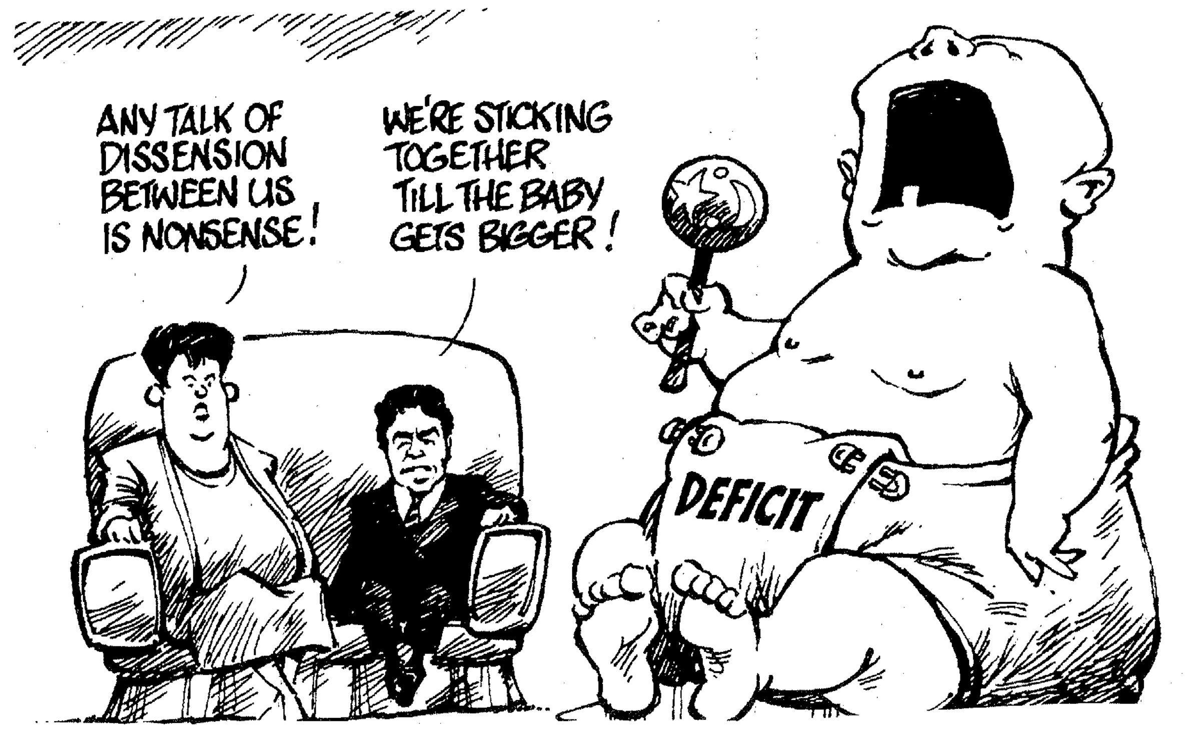
Snowballing Overseas Debt

So recurring current account deficits signal that the country is getting further into overseas debt. Coincidentally, at about the same time as the 1998 first quarter current account deficit of $7.07 billion, or 7.2% of Gross Domestic Product (GDP), was announced, we were also informed that overseas debt had just jumped to yet another record – just a shade short of $100 billion, just over 100% of GDP. If we completely stopped all imports of goods and services for three and half years, it would still not be paid off (see table below).

New Zealand's Overseas Debt

Year to March	Overseas Debt $Million	GDP $Million	Exports of Goods and Services $Million	Ratio of Overseas Debt to: GDP %	Exports %
1994	72,545	80,793	25,044	89.8	289.7
1995	69,975	86,543	26,932	80.9	259.8
1996	75,425	91,207	27,217	82.7	277.1
1997	79,593	95,112	27,330	83.7	291.2
1998	98,998	98,478	28,027	100.5	353.2

Source: Statistics New Zealand. All data are from their June 1998 release on Overseas Debt except for GDP and 1998 Export data which come from Hot Off the Press, Balance of Payments: March 1998 Quarter.



(***Christchurch Press:*** **25.6.98)**

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Of the March 1998 overseas debt, 41% was due in the next 12 months, yet it would take 18 months of exports to repay. Of that 1998 debt, 80% was owed by the corporate sector, and 20% by Government.

Both the deficit and the debt are at levels justifying high concern amongst even the most stalwart defenders of free market policies. For example, the IMF definition of "Heavily Indebted Poor Countries" (the most desperate of the developing countries) includes low income countries with "present value of debt to exports higher than 220 percent or present value of debt to Gross National Product (GNP) higher than 80 percent"[1] (see for example the IMF's Web site, http://www.imf.org/external/pubs/ft/pam/pam51/annex.htm). New Zealand's position is worse on both these criteria.

Even Donald Brash, Reserve Bank Governor, indicated his concern ("New Zealand's economic reforms: A model for change?", a speech by Donald T. Brash, Governor of the Reserve Bank of New Zealand, hosted by Chatham House, the Waitangi Foundation and Prudential Corporation at the Guildhall in London, 3 June 1998). Despite being on record as saying he saw no problem if New Zealand's assets were entirely foreign owned, he indicated that he has now revised that view, because of concern, first at a possible political backlash at large scale overseas ownership, and second, at the crisis (the "considerable social and economic cost") that would occur if foreign investors "decide that enough is enough" because of the high current account deficit.

Balance of Payments Major Components

Year ended March	Balance (inward less outward payments, in $million) on Goods	Services	Inv Income	Transfers	Current a/c	GDP	Ratio of Current a/c to GDP
1994	3,136	-899	-4,521	1,470	**-814**	80,793	-1.0%
1995	2,092	-591	-5,955	1,811	**-2,644**	86,543	-3.1%
1996	865	-160	-5,999	2,462	**-2,832**	91,207	-3.1%
1997	892	-605	-7,112	2,306	**-4,520**	95,112	-4.8%
1998	**1,027**	**-1,141**	**-7,735**	**776**	**-7,073**	**98,478**	**-7.2%**
94 to 98	8,012	-3,396	-31,322	8,825	-17,883	452,133	-4.0%

Source: Hot off the Press Balance of Payments: March 1998 Quarter, Statistics New Zealand.

The current account deficit is in a vicious circle. Not only does it lead to more overseas borrowing (or equity investment) and indebtedness, but that investment and indebtedness is the principal cause of the deficit. As the table shows, Aotearoa is running a falling surplus on its trade in goods, an increasing deficit on its provision and purchase of services, and a healthy surplus – which fell substantially in the last year – on "transfers" (mainly financial transfers by migrants and Government). But there is a rapidly growing deficit on foreign investment income which dominates all the other components. I'll return to this below.

To remove the deficit, either exports of goods and services have to be increased, imports reduced, or payments to overseas investors reduced.

If Saving Is The Answer, What Was The Question?

So how can saving more help this? The superficial answer given by, for example, the Treasurer, Winston Peters, is that more saving will reduce the need for foreign investment and hence reduce the payments to foreign investors. But that does not bear examination.

When people talk about "saving" they think about putting money in the bank, into superannuation, or under their mattresses for future use. In other words they decide not to spend some of their income. The only sense in which this helps the current account deficit is that it reduces imports because some of that income would have been spent on imports.

It is the same logic as reducing incomes: wage cuts. What it points out is that the next step if people don't save will be a new attack on wages, rather than on investor income. Having progressively given away all other means of controlling imports – import controls, tariffs, preference to local producers – in its policies and international agreements, the Government's only means to control the balance of payments is by cutting people's standard of living.

Individuals are not the only ones that save though. A large proportion of savings nationally are made by the Government (from taxes and other earnings) and companies (from income not distributed as interest or dividends). Showing its disbelief in its own rhetoric, the Government is currently "dis-saving" by giving people tax cuts, most of which will be spent rather than saved. The commercial sector is doing the same, the AMP float (much heralded as a saviour of the economy) effectively dissolving the savings of policy holders past and handing them to policy holders present, as shares, many of which will be sold. Even if some of the proceeds are saved, they will be less than the 100% saving had they remained in AMP. Other companies (including Telecom, Tranz Rail, and DB) have similarly "dis-saved" by various forms of return of capital to their shareholders. A more insidious form of savings reduction is the tendency to pay an increasing proportion of company earnings as dividends rather than retain them in the company. Telecom for example has a policy of paying out 70% of earnings.

However, to confuse matters, economists have borrowed the word "savings" for use in another context. The word "Savings" (I'll use a capital "S" to emphasise the difference) is used in the National Accounts to mean the difference between all income and all expenditure *by New Zealanders* (see, for example, the New Zealand Official Yearbook 1997, pp. 408-409). Note the words "by New Zealanders". That means the more income that goes to overseas investors, the smaller "Savings" appear to be in the National Accounts. Since net foreign investment income is the largest influence on our current account deficit, the bigger our current account deficit, the smaller "Savings" appear to be. It is termed a "residual" item: it is not calculated from surveys or other data in its own right. It is simply what is left over when final expenditure on consumption is deducted from "national disposable income", and includes the large statistical discrepancies that always occur in these data. So *by definition* national "Savings" appear worse when interest and dividends are flowing out at their current enormous rate. It's not that you and I have (as Peters and Shipley imply) been wastrels. It is that overseas investors are exporting our national "Savings".

The Real Question Is Why "Free Market" Investment Has Failed

New Zealanders are in fact good savers, as surveys by Westpac and FPG Research have shown (for example, *Press*, "Big increase in personal savings", by Alan Williams, 15/9/97, p.25). What *is* important about savings, as far as the Balance of Payments is concerned, is what happens to them: how those savings are *invested* in assets to increase future income. In particular, how those savings are invested to reduce overseas ownership of our assets, and to produce more exports.

Savings does not automatically equal investment. A considerable part of savings are used by banks to lend to credit card users, for example – and household debt is increasing faster than savings.

A large part of household savings goes into housing – more than many other countries. Households here in Aotearoa have $15 in financial assets (shares, bonds, long term bank deposits) to every $42 in fixed assets (principally houses) whereas in the U.S. the ratio is 40:20, and the U.K. 39:28 (*Listener*, "Hard up", by Selwyn Parker, 30/5/98, p.57). But that is only part of the picture.

The hard question for the advocates of the free market, is why "the market" has not responded to the huge changes of the last 15 years to produce an internationally competitive economy. This is in spite of international competitiveness being an explicit and fundamental objective of the radical changes. As Brian Gaynor has pointed out (*New Zealand Herald*, "Roundtable wedded to rigidity", 13/3/98, p.E2) investment is not going into the export sector: "New Zealand's exports grew by only 78% in the 1984-1997 period compared with 160% for Australia and 137% for the OECD average. Ireland, which has had little economic reform and no major asset sales, had export volume growth of 260% over the same period...The export sector has not been able to attract its fair share of the investment dollar". Thus our exports are not growing fast enough to pay for the runaway increase in payments to foreign investors. Neither are our import competing industries able to compete sufficiently to reduce the demand for imports.

Too much investment is going into schemes designed for capital gain – notably existing property – rather than production. The rapid increase in foreign ownership of the economy in general also indicates a failure of the market to attract investment from within Aotearoa. Having dismantled the single largest domestic source of investment – the Government and its state-owned enterprises – the new regime has been able to replace it only by incurring enormous and unsustainable debt.

Instead of focusing on savings, the Government should be asking itself about why its policies have failed to encourage new investment in the right places, and why "the market" has failed to balance our accounts with the rest of the world in a sustainable fashion.

Crisis Number Two: Asia

So much has been written about the crisis in East Asia and the former Soviet Union that it is unnecessary to describe the events here in detail. A few aspects are important to emphasise.

Human Calamity

First is the enormity of the crisis – barely portrayed in our media, which focus on the financial markets which caused the crisis. In January 1998, for example, Reuters reported that "a huge majority of Indonesia's listed companies are...technically bankrupt unless the rupiah stages a dramatic rebound" (*Press*, "Most firms bankrupt", 10/1/98, p.21). That meant massive unemployment and wage cuts. The plummeting currencies caused enormous price increases and food shortages for the countries' people, many of them already impoverished. Indonesia was hardest hit in this way (its currency fell by 71% between July 1997 and January 1998 alone), leading to bloody riots, murderous scapegoating of the Chinese community, and intense social disruption as city dwellers were forced by their

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loss of income or jobs to return to their villages.

In South Korea an election was hijacked by the IMF, forcing the yet to be elected President to accede to its demands for radical policy changes at a few hours notice or be held up as bearing responsibility for the crisis. The changes have led to massive strikes throughout the country as wage cuts and redundancies sweep through South Korea's industry.

In Russia, the crisis has added further desperation to the chaotic scene of a disintegrating society reminiscent of pre-Nazi Germany. In the former Soviet Union as a whole, industrial output has plummeted by 48.8% and GDP by 44% over the 1989-95 period (UN Commission for Europe, quoted by Michel Chossudovsky in "The Global Financial Crisis", October 1997). That means rampant poverty, unemployment, insecurity and crime.

Hundreds of millions of people in Asia are being punished by this crisis for economic crimes they did not commit. The crisis has been compared to the 1929 crash, and its ultimate effects have certainly not been seen yet.

A Failure Of Orthodox Economic Theory

Second is the startling failure of economic orthodoxy. That failure is demonstrated both before and after the crisis. It is hard not to remember the mantra repeated everywhere of the "Asian Miracle". Here, we were told, were *the* shining examples of how open, free market, deregulated economies (never mind the social costs) would lead to rapid growth and economic success.

Now, we are told, those economies were not really that free. They are run by corrupt governments and "crony capitalism". Of course they are – but if that was part of the economic model, we were never told about it before. On the contrary, those pointing out the murderous and corrupt nature of the Indonesian kleptocracy were ignored in the interests of trade and economic relations. Facing up to the implications of corrupt government includes asking whether the people of these countries would have chosen this form of economic development had the choice been available.

True believers are now looking at South America for the next batch of ideal economies (no corruption or crony capitalism there, surely!). The real question is: *is* there an example of a successful "true" free market open economy that everyone can emulate?

If the free market is not the answer, the IMF has no other. It is busy "rescuing" these countries by prescribing even more radical free market policies. Having prescribed fixed exchange rates to encourage foreign investors in the past, it now enforces a universal model of floating exchange rates. It is forcing deregulation, an end to subsidies on essential foods and other goods, and taking protection from industry. It insists on the economies being opened to foreign investment and takeover. If corruption, dictatorship and cronyism were problems, their removal is not part of its prescribed solution.

Such economic policies are recognised by many as having brought about the crisis in the first place. Rarely has the IMF been so widely criticised for such policies by mainstream economists and politicians. For example, Martin Feldstein, Professor of Economics at Harvard University and President of the U.S. National Bureau of Economic Research, writing in the *Foreign Affairs* ("Refocusing the IMF", March/April 1998, pp.20-33) wrote:

> "The IMF's recent emphasis on imposing major structural and institutional reforms as opposed to focusing on balance-of-payments adjustments will have adverse consequences on both the short term and the more distant future. The IMF should stick to its traditional task of helping countries cope with temporary shortages of foreign exchange and with more sustained trade deficits."

Even Harvard economist, Jeffrey Sachs, an architect (on behalf of the U.S. government) of the current economic disaster in Russia and past adviser to the U.S. government on economic "development" in other countries, is admitting:

> "The situation is out of hand. However useful the IMF may be to the world community, it defies logic to believe that the small group of 1,000 economists on 19th Street in Washington should dictate the economic conditions of life to 75 developing countries with around 1.4bn people.
>
> "These people constitute 57 per cent of the developing world outside China and India (which are not under IMF programmes). Since perhaps half of the IMF's professional time is devoted to these countries – with the rest tied up in surveillance of advanced countries, management, research, and other tasks – about 500 staff cover the 75 countries. That is an average of about seven economists per country.
>
> "One might suspect that seven

staffers would not be enough to get a very sophisticated view of what is happening. That suspicion would be right. The IMF threw together a draconian programme for Korea in just a few days, without deep knowledge of the country's financial system and without any subtlety as to how to approach the problems.

"Consider what the Fund said about Korea just three months ago in its 1997 annual report. 'Directors welcomed Korea's continued impressive macroeconomic performance [and] praised the authorities for their enviable fiscal record.' Three months ago there was not a hint of alarm, only a call for further financial sector reform – incidentally without mentioning the chaebol (conglomerates), or the issue of foreign ownership of banks, or banking supervision that now figure so prominently in the IMF's Korea programme.

"In the same report, the IMF had this to say about Thailand, at that moment on the edge of the financial abyss. 'Directors strongly praised Thailand's remarkable economic performance and the authorities' consistent record of sound macroeconomic policies'" (*Financial Times*, "IMF is a power unto itself", 11/12/97).

Perhaps most damning – and most interesting – is Joseph Stiglitz, the World Bank's chief economist and senior vice president, who in a UN sponsored address in Helsinki in January 1998 called for an end to the "Washington Consensus" which drives the World Bank and the IMF. Recognising that many of the successes of the East Asian nations were due to their governments' interventions (their deviations from the free market) he says that "Washington Consensus" policies are:

"not complete, and they are sometimes misguided. Making markets work requires more than just low inflation; it requires sound financial regulation, competition policy, and policies to facilitate the transfer of technology and to encourage transparency, to cite some fundamental issues neglected by the Washington consensus. Our understanding of the instruments needed to promote well-functioning markets has also improved, and we have broadened the objectives of development to include other goals, such as sustainable development, egalitarian development, and democratic development.

"... I shall argue that the messages of the Washington consensus in the two core areas are at best incomplete and at worse misguided. While macro-stability is important, for example, inflation is not always its most essential component. Trade liberalisation and privatisation are key parts of sound macro-economic policies, but they are not ends in themselves. They are means to the end of a less distorted, more competitive, more efficient marketplace and must be complemented by effective regulation and competition policies.

"... all too often the dogma of liberalisation became an end in itself, not a means of achieving a better financial system."

("More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus", Helsinki, Finland, 7/1/98. See http://www.wider.unu.edu/stiglitx.htm.).

Lessons for Aotearoa

Which brings us to the third aspect of the Asian crisis: lessons for Aotearoa. The similarities to our current financial position are sobering.

The immediate cause was the huge reliance on foreign investment by the worst affected East Asian countries, according to Filipino academic, Walden Bello, who, over a period of years, has pointed out these structural problems and their likely consequences (the following data comes from "Addicted to Capital: the ten year high and present day withdrawal trauma of Southeast Asia's economies", by Bello, in *Focus on Trade*, Number 20, November 1997). Escalating current account deficits triggered the crisis. In Indonesia, private foreign debt (US$55.5 billion) was at 25% of GDP in 1997, two-thirds of which was due within a year, and a current account deficit which had risen from US$2.9 billion in 1994 to US$7.2 billion (about 3% of GDP) in 1995.

In the Philippines, the current account deficit was estimated to be around 7% of GNP in 1996, having doubled in three years. Its private foreign debt was about 13% of GNP in 1996, and total foreign debt about 40% of GNP.

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In Thailand, where the house of cards began its fall, foreign debt was US$89 billion (about 20% of GDP) in 1996, almost 80% of which was private debt and a little under half of which was short term debt. The current account deficit was mounting after zero growth in exports in 1996 due to investment going into property rather than export industries.

In all these countries, high interest rates were encouraging overseas borrowing and investment in non-productive sectors such as property. All based their development strategies on IMF and World Bank recommendations to welcome foreign investment and allow the free flow of capital and investment income. Similarly, all were steadily dismantling any protection of their domestic economies under WTO and IMF pressure. The pictures in South Korea, Japan, China and Russia are different again. China for example, the only non-market economy, has so far managed to remain clear of the crisis and its recent experience was described by Stiglitz in his Helsinki speech as "one of the greatest economic success stories in history".

As was seen above, New Zealand's debt and current account deficit are both well above the levels that led to crisis and collapse in Southeast Asia. Rates of interest are amongst the highest in the OECD, and insufficient investment is going into exports or into import substitution. On the other hand (a fact relied on by local economists to defend policies they have long advocated) our financial sector does not have the high bad debt levels that foreign investors also find threatening. We should not feel comfortable. Those who do not learn from history are doomed to repeat it.

Unsurprisingly, these events have led to questions about the wisdom of relying on foreign investment. Even Jagdish Bhagwati, one of the foremost authorities on trade, advocate of free trade, and adviser to the Director-General of the GATT from 1991-1993, has written of "The Capital Myth: The Difference between Trade in Widgets and Dollars" (*Foreign Affairs*, May/June 1998). Focusing on short term, highly mobile, portfolio investment, he draws a sharp distinction between the theories favouring free trade and "the fog of implausible assertions that surrounds the case for free capital mobility."

Then why, he asks, has the world been moving in this direction? "The answer, as always, reflects ideology and interests – that is, lobbies... Wall Street's financial firms have obvious self-interest in a world of free capital mobility since it only enlarges the arena in which to make money." Economic rationalism is clearly rational only for these vested interests. He concludes:

> "And despite the evidence of the inherent risks of free capital flows, the Wall Street-Treasury complex is currently proceeding on the self serving assumption that the ideal world is indeed one of free capital flows, with the IMF and its bailouts at the apex in a role that guarantees its survival and enhances its status. But the weight of evidence and the force of logic point in the opposite direction, towards restraint on capital flows. It is time to shift the burden of proof from those who oppose to those who favour liberated capital."

The New Zealand Government, Mike Moore, and all advocates of the Multilateral Agreement on Investment (MAI), take note. Foreign investment is a powerful drug which can benefit in small doses, but leads to destruction if not controlled.

The immediate effects on Aotearoa of the Asian crisis have been a sharp drop in our dollar and a fall in exports to, and tourism from, the countries directly affected. The movements of the New Zealand dollar have shown once again how little our currency reflects the state of our economy: it is driven at times by interest rates attracting foreign investors; at time of writing (July 1998) by some imagined link to the Japanese yen; at yet other times by those financial firms' views of political risk (read: risk to their pockets); rarely by our balance of trade, and almost never by the needs of our economy.

So what are the lessons for Aotearoa of these coinciding, mutually reinforcing crises? Economist Brian Easton in his *Listener* column (4/7/98, p.57) quoted Stiglitz again:

> "Small, open economies are like rowing boats on an open sea. One cannot predict when they might capsize; bad steering increases the chances of disaster and a leaky boat makes it inevitable. But their chances of being broadsided by a wave are significant, no matter how well they are steered and no matter how seaworthy they are."

Which raises the question why anyone would be stupid enough to put to sea in a rowing boat: why live the terrifying life of an open economy?

But we are not that helpless. A more positive analogy would be of a coastal town. Left without protection, the town will periodically be wrecked by storms from the sea. In better weather, its people will make proper preparations for going to sea, to reap the benefits it can bestow.

We are foolish to design an economy that must go to sea in all weathers: it must have a sound domestic base. It must not hesitate to protect itself against the storms of capital mobility and ruthless or monopolistic trading and investing corporations. It must make best use of all the tools available, including government regulation, and where appropriate, ownership of resources. It cannot rely on the weather of the market to simultaneously balance its foreign earnings and payments, and ensure an improving and secure standard of living for its people.

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[1] *The IMF uses the measure "net present value" of a country's debt, rather than its face value. The IMF says this tries to take account of the concessionary interest rates (and hence lower cost of debt service) that developing countries may have for some of their debt. It is not possible to calculate the net present value of New Zealand's overseas debt without detailed knowledge of the terms of the loans involved, but since almost all of New Zealand's debt will be at market rates, its net present value in the IMF's terms should not differ greatly from face value. It also uses GNP rather than GDP. GNP is GDP less the part of the country's income that goes to overseas residents, net of equivalent income from abroad. In other words, while GDP is the total output of the country, GNP is the part that remains in the country and directly benefits New Zealanders. In New Zealand's case, GNP is therefore significantly lower than GDP, and debt ratios are even worse: e.g. the current account deficit was 7.8% of GNP in 1998.*

FUNERAL BUSINESS DOWN UNDER

though definitely not dead

Sometimes statistics can actually indicate a good investment.

At present about 23,000 New Zealanders die annually but this number is expected to double in the next 20 - 30 years. Built-in growth for the funeral business is a dead cert - irrespective of any other current investment doom and gloom or uncertainty. The funeral business is on a roll as the first pressure from the population surge of baby boomers hits the bottom rung of the high dive. The outlook is great for those who are in a position to get some of the action.

Stewart Enterprises of Louisiana, USA, is one of the largest of the funeral conglomerates in the world and has already been busy snapping as much of the share of business in New Zealand as it can. *Watchdog* understands from one of the staff that Stewart's has secured about 30% of the market already and is at present quite satisfied with that - for a start. It has a strategy of relative invisibility and has retained the names of the existing businesses that it has bought out - generously of course - so that the public are not always aware that they are dealing with yet another TNC.

But it is not so invisible in its cut throat marketing strategy. It is better to secure business early in the piece - waiting for a body to appear is a dead loss. Funeral services have become a pretty competitive little free market too. Staff are trained to deal with the public to get pre-need sales pre-paid and pre-arranged so that body counts - oops, sales targets - are well secured. So, of course, every funeral business has to get into this pre-need selling to survive. "Don't put a burden on your family" sort of thing. Excellent targets are the recently widowed who have just gone through all the trauma and can be more easily encouraged to sign up to spare those who will have to deal with them when they indeed pop off too. Squads of these sorts of salespeople have been very active in Australia, for example - saturating the market with aggressive selling - hard sell justified by the need for economies of scale. Door to door, commission-only selling. Ugh !

Better still is the dream time stuff of extra sales! Designer Dying and Death Accessories. Remember, any nice offers of star lit ceilings and ash urns and egg urns and quality coffins and 'loved one' videos can all cost a lot of money. We are told of hermetically sealed coffins which can give a bonus big bang - an extra for those who parted with many thousands of dollars for the privilege. Just to bury a body is such a waste when a loved one can be manicured, cosmetically done over, made more beautiful than ever before, dressed up, deodourised, indeed even embalmed and preserved for ever. We can see future Tau Henares becoming frantically busy finding long distant and dead relatives deposited hither and yon and needing some sort of rounding up.

Stewart's operates under the sanitised name in New Zealand of National Care Services, but locally in Christchurch, for example, you would be dealing with John Rhind or Blair Kelly or G. Barrell and Sons. None of this is a problem so long as people are aware of the changes in the funeral ownership. Dying is already big business in USA, competition is fierce. We have already noted the elusive "market" is not about consumer protection - especially where there are big profits to be made. The funeral business overseas has its share of shady dealings, malpractices and price fixing. The once co-operative nature of the business in New Zealand has already changed and has become more competitive. We have a tradition of family owned businesses that give a caring and personal service by people who are well known in the community and have a real commitment to it.

All we suggest is that you ask questions and shop around for price and service. Cremations and burials do not need to cost several thousand dollars - in fact the old do it yourself - well not exactly DIY - but for a friend - is still pretty inexpensive.

CAFCA has a copy of the TVNZ Assignment documentary about the American takeover of the Australian and New Zealand funeral business ("Grave New World", 29/5/97). It is available for hire for $10, including postage, for one week. But, be warned - if hearing about how corpses explode in hermetically sealed coffins makes you a bit squeamish, don't watch it over dinner.

LIBERALISING OPPRESSION

"Foreign Investment: The New Zealand Experience"

Edited by Peter Enderwick. (The Dunmore Press, 1997). $39.95

- Dennis Small

Despite the debate about foreign investment in Aotearoa/NZ there has been to date, other than the indefatigable *Foreign Control Watchdog*, a dearth of really analytical publications on this issue and all its ramifications. This is not surprising, given the Government's sensitivity and the official trend to reduce the amount of publicly accessible information that could be potentially embarrassing. Consequently, we looked forward to the appearance of "Foreign Investment: The New Zealand Experience" as a contribution to help redress the situation, although we certainly did not have any high expectations about it. It must be said at the outset, however, from an overall perspective this book is a big disappointment.

It is organised into four parts. Part 1 looks at the current position and history of foreign investment in Aotearoa/NZ; Part 2 presents some case studies; Part 3 deals with the politics of foreign investment; and, finally, Part 4 examines foreign investment in a world context. Its editor, Peter Enderwick, is Professor of International Management at the University of Waikato, and in recent years has been a consultant to the NZ Ministry of Foreign Affairs and Trade (MFAT), among other organisations. He has a very big input into the book with an introduction, three chapters, and a conclusion.

Enderwick is a researcher/writer who promotes what he calls the "liberal perspective" on foreign investment, i.e. takeover by transnational corporations (TNCs). Of course, Professor Enderwick does not define these things as we do. For him, "the liberal economic perspective", based on the neo-classical model of economics (p.175) takes as its "basic unit of analysis" the individual. This means that: "All group or collective decisions and actions are simply the result of aggregation of individual decisions and actions" (p.176). Economic processes, including foreign investment, are analysed in these terms. They apparently make for the best possible world.

In a rather ironically comical endnote to the relevant chapter, Enderwick acknowledges with regard to this neo-classical model of economics that: "It is important to note that there are theoretical and practical difficulties involved in such an assumption which are recognised within economic analysis" (p.198). These difficulties relate in fact to greatly different perspectives and traditions within the so-called "social sciences" of which economics is just one discipline, and neo-classical theory just one approach - if the currently dominant approach - within economics itself.

Enderwick's views reflect the artificial abstractions propounded by Treasury and other outfits, including most university economics departments, that modern human society consists of atomised individuals maximising their material gains for the general good. This is supposed to be the market system with all its various allocative and distributive mechanisms, a euphemism for capitalism in general. In other words, this theory is a major reason why the poor continue to get screwed by the rich and the powerful. In Marxist terms, it is part of the cultural superstructure of capitalism.

A central aspect of capitalist society is the endorsement of this model of self-seeking individuals determining supply and demand with the simultaneous recognition of the operation of giant global enterprises, i.e. TNCs which act as influential market forces. Enderwick has done "case research" for the US Chamber of Commerce in NZ (p.181). Way back, some economics professors like John Kenneth Galbraith have been able to understand that there are serious problems with the idealised market model but it somehow routinely eludes the new wave of New Right economists, even when TNCs get bigger and more aggressive than ever. Indeed, Enderwick is enthusiastic about the TNC as the "principal medium" of foreign direct investment and competition in world markets (p.9). The interests of various individuals can certainly coincide with TNC operations but worldwide, as growing inequalities and other deleterious impacts show, these individuals are a decreasing minority of the planet's population.

Rosenberg Resistance

Before taking a more detailed critical look at how the "liberal perspective" is developed in this book, the best sections should be highlighted and there are two outstanding chapters - both by the Rosenbergs, son Bill and father Wolfgang. Whatever the defects of the book, it at least has some CAFCA oriented contribution!

In a chapter on the current position of foreign investment in NZ, Dr. Bill puts a carefully considered presentation of the state of our knowledge, given the limitations of the existing data bases. As Enderwick so graciously says: "Chapter 1, by Bill Rosenberg, presents the most thorough analysis of New Zealand's international investment position currently available" (p.12). It is a fitting tribute to Bill's sterling work that this founding member of CAFCA is now recognised as a leading academic authority on foreign investment in the country. In the past, he has been rightly called the country's best economic journalist. And Bill does all this on top of his career as a manager in university computer services!

Foreign Control Watchdog readers are familiar with the writings of both Bill and Wolfgang but some important points should be noted from their respective chapters. Bill shows that NZ is "exceptionally dependent on foreign investment and its economy is correspondingly dominated by it" (p.31). A major matter on which his father has continually inveighed is the ongoing problem with NZ's current account deficit, which has blown out again on a massive scale. (*See also the cover story by Bill in this issue.*) Bill indicates that, between 1989-1995, income taken out of the country by foreign investors and other sources of investment such as borrowing: "has taken between one fifth and just over a third of New Zealand export receipts over the period, this being a substantial contributor to chronic balance of payments deficits which the Governor of the Reserve Bank has described as 'unsustainable'" (p.31). We shall see later how Governor Don Brash's past is coming back to haunt him.

Rather than "greenfield" investment, i.e. "creating new assets", the dominant pattern of direct investment in NZ continues to be the takeover of existing assets. The only part of the economy that is not yet directly foreign controlled is the area "relating to primary production, although that too is changing" (p.61). "Rates of profit of overseas companies are significantly higher than locally owned companies and are high by international standards... and on average about 60% of profits are still remitted overseas" (p.62). This does not include the interest paid on loans between related companies. Furthermore, TNCs in the Top 200 companies in 1995 "paid a significantly lower rate of tax on their profits than New Zealand companies" (p.62).

Aotearoa/NZ depends heavily on exports. But "high real interest rates resulting from monetary policies and the high level of foreign indebtedness", impelled along by ever more overseas borrowing, have impacted heavily on the exchange rate and so exporting (p.63). If Enderwick claims that "adverse interest rate effects" cannot be attributed to overseas direct investors (pp.181,182) this is contradicted by the evidence given in Bill's chapter. Such investment is all part of the reason for NZ's deteriorating economic position. Moreover, it has taken the onset of a recession (or something worse) to drive down the exchange rate!

To some extent, a counter trend to foreign takeovers is also evident as a number of TNCs restructure internationally with removal of plant and employment opportunities overseas, especially to Australia. Despite cynical Government propaganda, eagerly parrotted by the corporate news media, foreign owned companies employ *not 33%* of the NZ work force but only *18%* - yet they "take half of the operating surpluses made in NZ" (p.62). In contrast, Enderwick later gives the false estimate of "one third" of the NZ work force (p.165).

It should be recorded here that the Government could have publicly broadcast the correct (or at least the best estimated) percentage from its own Statistics NZ. Instead, it took the figure from its former Foreign Investment Advisory Group, which apparently, as we well suspected and indeed inquired into, simply lifted the figure from an unknown overseas context. This piece of propaganda was in line with the Government's equally cynical and deliberately misleading campaign about how it had got rid of foreign debt. (In fact it had only balanced the debt it owed in foreign currency with its foreign currency reserves. It still owed substantial overseas debt in New Zealand dollars.) Incidentally, the Foreign Investment Advisory Group included people like Kerry McDonald, boss of Comalco. The Government thus drew heavily on TNC advice for its policy formulation about how to make the country more attractive to foreign investors.

Bill aptly sums up his chapter by stressing the fact that the acute dependence of Aotearoa/NZ "on foreign investment also places serious limits on policy options available to the New Zealand Government" (p.63). By international standards, NZ is indeed an "exceptionally dependent" country. This has major implications for "New Zealanders' needs for social welfare, health, education and employment" (p.63). Throughout the chapter, Bill backs his case with a series of tables of detailed statistical information. Freedom, democracy and the human rights it entails are most assuredly under threat from the Business Roundtable and its allies.

Neo-Classical Model Tips Over

In his chapter, Wolfgang - the doyen of the country's Left wing economists - has a broadside at the liberal perspective and the neo-classical model. For many years, Wolfgang has charted the path for an economy that would live within its means and benefit all members of society. Within the economics profession the liberal perspective has been rampant for quite some time but the pendulum could well start to swing away from the extreme Right as theories disintegrate along with economies and societies.

Wolfgang emphasises the problem of too much foreign investment as accumulated indebtedness - "on equity or on loan account" (p.199). With a debt now of about $100 billion to foreign investors and a current account deficit of over 7% of GDP (5% is usually considered very serious), the present and foreseeable state of the NZ economy has only too well confirmed Wolfgang's predictions/warnings.

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He elaborates on Bill's comments cited above. Removal of governmental controls over imports and foreign exchange has put the economy "on the tiger's back" (pp.200, 201). We are being taken for a dangerous ride over which we are losing any control at all. Once an economy is trapped into a substantial level of foreign investment it has to continuously work at exporting more and more to cover the "additional income payable overseas" (p.200). If it cannot get enough foreign exchange in this way to pay for imports, as well as interest and profit outflow overseas, then it has to keep calling in yet more foreign investment.

Another image we could use, besides that of riding on the tiger, is the situation of the drug addict. The economy needs ever more shots of foreign investment for its mounting "highs"; the outflow of its economic life is the payment exacted. An increasing amount of the country's national product gets taken away abroad and so there is less available for each individual member of society. Some, of course, benefit at the expense of the rest and spend quite a bit of their time and a lot of money justifying the process to the rest of us. The Reserve Bank operates to keep interest rates high to dampen the demand for labour and so better regulate inflation, its main concern, while these rates in turn attract more foreign investment. The cost of servicing this investment helps perpetuate balance of payments problems which cause high interest rates - it is a very "vicious circle"! (p.207).

Reserve Bank Governor, Dr. Brash, wrote the Foreword to the book. In this Foreword, Brash observes that it was Wolfgang Rosenberg who lectured him at Canterbury University in the late fifties and made him suspicious at this time towards foreign investment. Brash was consequently concerned about the control which such investment seemed to give foreign investors, and "because of the balance of payments pressure which servicing such investment involved" (p.7). Later, however, he came to be a fervent advocate of foreign investment. We might well wonder how many times Dr. Brash has dined out on this story!? Whatever the case, he has got plenty of egg over his face today. The balance of payments problem is obvious enough: Brash thought things would turn out okay in that, if inflation were controlled, TNCs would not create a problem and now he is deeply buried in one. As for the issue of foreign control, this will, it seems, always elude the understanding of the Reserve Bank Governor.

Dr. Brash is certainly an interesting case study. He notes of himself that he "may be the only economist in the world who has had one book published attacking foreign investment and another strongly supporting it..." (p.8). This should come as no surprise at all because Brash's own public statements in recent years indicate that he has become a master of double think. Brash is obviously incapable of recognising foreign control even when he explicitly refers to some of its implications: he is so much an agent of the system he is emotionally and intellectually identified with it.

Wolfgang gives a telling quote from one of Brash's speeches. After describing how the NZ economy is dominated by foreign investment, Brash rhetorically poses the question as to whether or not "we must have lost control of large chunks of our economy and perhaps of our identity?" (p.207). No, of course not, since all those TNCs "are obliged to comply with New Zealand laws and regulations, obliged to pay New Zealand taxes and tariffs, and obliged to pay wages and salaries sufficiently generous to attract staff from New Zealand owned companies..." Clearly, judging by this to put it kindly, Brash has not got a clue - he is on another planet.

Rogernomics set out to change NZ laws and regulations for foreign investors and TNCs are constantly trying to further undermine them. A Nestle representative now supposedly represents NZ on the Australia New Zealand Food Authority (ANZFA). Producer boards are under mounting attack.Taxes are being continually lightened for Big Business and the corporate elite, including Dr. Brash himself. Tariffs are disappearing. The examples can be multiplied ad nauseam.

As if we might have missed something, however, Brash spells it out for us: "No matter how many companies are owned abroad, ultimate authority resides with the New Zealand Government, subject of course to the right of foreign investors to take their capital to more hospitable climes if the New Zealand authorities make unreasonable demands. There is no loss of sovereignty" (p.208). As Wolfgang points out, Brash's reference to "unreasonable demands" draws attention, in fact, to the "political power of New Zealand's international creditors" (p.208). Obviously, what Brash regards as "unreasonable", and as the meaning of "sovereignty", differs greatly from the views of some other New Zealanders. Since Professor Enderwick and most of the other authors in the book would evidently agree with Brash, it all goes to show how strangely distorted an ideology can become. Much of this ideology's distorted perspective is indeed revealed in the book, a book explicitly committed to its furtherance.

In a globalising economy, where every country that is sucked into the system is trying to export as hard as it can, global competition continues to force down wages and social conditions. The one big abundant resource worldwide is cheap labour. In the end, safety, health, environmental, and other conditions, including those which affect most consumers, are going to be relentlessly driven down to the lowest common denominator. Welfare statism is a victim and all the people who depend on its support (pp.207, 208). Ironically, as well, neo-liberal economics has adopted the term of "welfare" and perverted its meaning. Welfare economics is that branch of economics concerned with economic efficiency and how such efficiency makes for *social welfare*.

Wolfgang gives some indication of how the neo-classical approach to economics has been perverted by the ways in which it has been adapted by free marketeers to provide: "Present-day fashionable theories of 'globalism' - that is, of a cosmopolitan rather than a national political economy..." (p.205). Most significantly, the original theory of national comparative advantage in trade relied on the *immobility* of capital between countries, not the international *mobility* incorporated into the modern version.

What the fashionable current theories have done is essentially adapt themselves to the rise and global reach of the TNC. So-called "competitive advantage" has been added to comparative advantage. In fact, what purports to be theories of trade and investment advantages for countries are really theories that advantage an emerging global elite. This ideology serves the interests of the international elite rather than the planet's peoples. It is this that Wolfgang's chapter makes clear through his examination of the NZ case. Governmental goals like full employment and redistribution of national income to lessen inequalities have been consigned to the policy scrap heap.

Puffing Up The "Benefits"

Unfortunately, the rest of the book largely amounts to a "puff" piece for TNC takeover. For instance, Elizabeth Jarray contributes a chapter on "Japanese Foreign Investment in the New Zealand Forestry Industry". In the course of this chapter she makes the claim that concerns about foreign investment, particularly investment by Japanese firms, have not always been based on "empirical research" (p.97). Given this challenge, one might expect something at least seemingly substantial. But Jarray's chapter is very lightweight indeed.

Bill Rosenberg had previously observed that in many important areas like taxation avoidance, technology transfer, management methods, and markets, "reliable data are still lacking, and analysis hardly exists . . . Much of this evidence remains anecdotal or relies on claims made by the investor, or sheer assertion" (p.62). Jarray's research conforms with this critical observation. She states that she used both secondary and *primary* research, the latter taking "the form of personal interviews" with company executives (p.96). So her primary research was to interview the TNC bosses! Enderwick did the same for his "case research" for the US Chamber of Commerce in NZ and also drew on a KPMG survey. KPMG is one of the giant TNCs which deal in accounting and audits. For the secondary sources in her study, Jarray drew on basic data on location of plant, nature of production, employment statistics, etc.

Jarray's chapter on forestry relies on the distinction between indigenous and foreign companies in alleging benefits for upgrading *NZ's* forest industry. But, although she acknowledges to a degree growing foreign ownership of originally NZ owned companies like Carter Holt Harvey (CHH), she fails to understand how her indigenous/foreign dichotomy breaks down. Indeed, it breaks down for her in the course of her chapter.

At one point, she regards Fletcher Challenge (FCL), CHH and the Forestry Corporation NZ - these "three corporate giants" - as NZ owned companies (p.101). But Bill had stated in chapter 1 that: "In 1996 the Forestry Corporation was privatised to a consortium of Fletcher

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(New Zealanders happy to work for Japanese forestry TNCs? Juken Nissho workers on strike, Kaitaia, 1997)

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(37.5%), Brierley Investments (25%) and Citifor of China (37.5%)" (p.36). Furthermore, FCL Forests is 54.2% overseas-owned.

Ironically, while Jarray does acknowledge in an endnote to her chapter (p.111) that CHH later became an overseas company, she is yet content at another point in the body of her chapter to refer to "the recent increase in U.S. company International Paper's stake in CHH" (p.99) and, later, to describe CHH as "now foreign-owned" (p.107). Obviously, the distinction that she made between indigenous and foreign owned industry does not really mean much to her, even though the burden of her argument seems to hinge on it.

Jarray found labour relations to be good - nothing "detrimental to employee interests" (p.105). The degree of her TNC bias is evident in that she actually refers to "Kaizen and PHP (Peace and Happiness through Prosperity) philosophies" as being "specifically mentioned by two of the Japanese companies". These philosophies were all to do with getting the employees to achieve quality production. Her case looks pretty sick since the strike in late 1997 by Juken Nissho workers at the Kaitaia mill when the company tried to claw back wages and conditions in a new contract.

At one point, Jarry talks of the "effects of globalisation and regional integration" and the "common governance systems created by multinational enterprises" as putting constraints on the operations of small exporting firms (p.107). She argues that TNCs can provide resources for these smaller firms. In actuality, of course, this would mean eventually taking over or otherwise effectively controlling any small firms that were useful (or a nuisance) to them, or simply squeezing them aside. So much for the benefits of competition for local enterprise!

In response to concerns expressed about the threat posed by TNCs to NZ's environment, Jarray cites the protection afforded by the Resource Management Act (RMA) (p.107). Enderwick also cites the RMA in this regard (p.191). While this Act is indeed intended to ensure the "sustainable management" of the resources of Aotearoa/NZ it has been under mounting pressure from the Business Roundtable, the US Chamber of Commerce in NZ, ACT and other related groups. Such writers really reveal their neo-classical assumptions at points like these in their line of argument; they blandly abstract politics out of their argument, ignore facts altogether, and let their own conservative politics implicitly inform what they say.

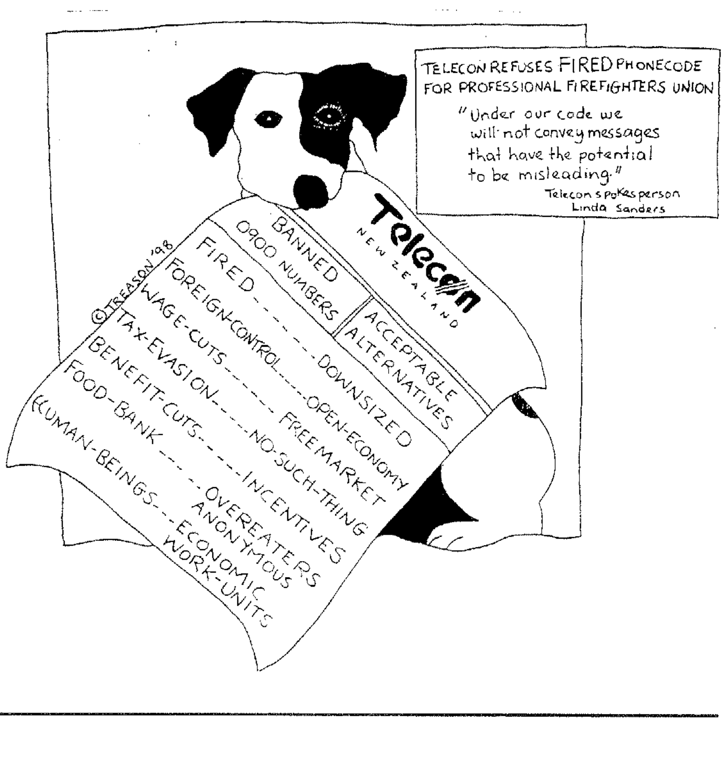
From the broader perspective of political economy, there is no study in the book of the influence of the Business Roundtable and its allies like the US Chamber of Commerce in NZ - an obvious glaring gap. Yet Enderwick's reference to the RMA comes within a chapter belonging to the section of the book titled, "The Politics of Foreign Investment"!

In looking at the potential for further development of *NZ* enterprise, Jarray acknowledges that "few backward or forward linkages have been created" since the Japanese investors want our timber and the companies involved control all or most of the various stages of their production already, including high value processing in Japan (p.109). While Jarray asserts that all five firms which she studied were involved in "primary and/or secondary processing" (p.104) this includes a lot of low value products like plywood. As just noted, there is little forward connection with the rest of the NZ economy. While Jarray refers in her conclusions to "the potential for the creation of forward and backward linkages" (p.110) with NZ firms, her own findings actually contradict this particular claim.

The overall conclusion of Jarray's very lightweight study is that the impact of this Japanese investment in forestry is "positive" (p.109). Enderwick shows a marked tendency to polish up harder whatever positive gloss he can get on any findings in favour of foreign investment, and so this outcome becomes for him - "overwhelmingly positive" (p.14).

Death To Democracy!

Joanna Scott-Kennel, in looking at privatisation and foreign investment in NZ, cites NZ Rail (i.e. Tranz Rail) as having adopted the "best practices" (p.125). For us, this is indeed a highly ironic finding with Tranz Rail being the ignominious winner of the First Roger Award for the Worst Transnational Corporation in NZ [in 1997]



(see *Foreign Control Watchdog*, no. 87, June 1998). Clearly, the judges of the Roger Award had a very different opinion from Scott-Kennel.

This should not be surprising as one of Scott-Kennel's favourite sources is the Business Roundtable. For Tranz Rail her key authority is none other than the railroading big boss himself, Ed Burkhardt (p.125); and in the case of Telecom her case study faithfully echoes Telecom's own propaganda (p.114). Even Enderwick recognises that Telecom may be an exceptional case with regard to the amount of profits being sent overseas (i.e. ripping us off) and "competitive impediments" (i.e. exploitative monopoly position) (p.166). But for Scott-Kennel, Telecom is: "Perhaps the most notable 'success story' of privatisation ..." (p.129).

Scott-Kennel indicates how the democratic process can be very irritating for foreign investors. Drawing on a Roundtable source, she criticises State Owned Enterprises (SOEs) for lack of accountability. The fact that TNCs have no accountability at all and that the Roundtable actually promotes the message that businesses should have no social responsibility does not bother her. Indeed, she wants ideally to eliminate "the possibility of government intervention to satisfy lobby groups and voters" since democratic participation and political ends (other than those of the New Right of course) get in the way of the invisible hand of the holy ***MARKET*** (p.118). For SOEs to have goals like being a "good" employer is to confuse social and economic objectives and another reason to privatise them as soon as possible.

The inherently anti-democratic nature of "liberalisation" is similarly indicated by Michele Akoorie who demonstrates open contempt for the democratic electoral system. Reviewing the period, 1967-84, in the course of a history of foreign investment in Aotearoa/NZ, Akoorie asserts that ***"the government was hampered in its progress towards change by the triennial auction electioneering system, in which short-term palliative measures were favoured over longer-term change"*** (p.86). Because the "consensus politics" of the time meant compromises of one kind or another to try and balance up the interests of affected groups the export oriented economy could not get properly under way. What the neo-liberals want is Government sold to the highest bidders. Akoorie has collaborated with Enderwick on a number of pro-foreign investment publications and contributes several chapters to the book under review.

After the crumbling of the period of consensus politics described by Akoorie, enter Rogernomics and NZ's supposed "reintegration into the global economy" (p.89). Roger Douglas, of course, is notorious for his cynically anti-democratic implementation of socio-economic change - something about which he has openly boasted. As Big Business takes over more and more governmental functions, the nature of politics itself needs redefinition so that the ruling elite can legitimise its role. Historically, democracy has been expressed through the forms and institutions of the nation state. But at the turn of the twenty first century, the nation state is under siege from globalisation and its prime mover and beneficiary, the TNC.

These issues are central to a chapter on "National Identity, National Sovereignty and Internationalisation" by Nigel Haworth, Professor of International Business at Auckland University (and member of APEC's human resource development working group). In Professor Haworth's considered view, "the death of the nation state and national sovereignty is greatly exaggerated" (p.249). He believes that there is still quite a lot of power in the hands of governments in dealing with international capital. There certainly would be, given the will, and many citizens would rally to the cause. As Enderwick laments, the opinion polls indicate strong popular resistance to foreign investment and takeover by TNCs of Aotearoa/NZ. Unfortunately, the burden of Haworth's presentation undermines his argument about the potential of government.

Professor Haworth, in fact, presents a most insidiously anti-democratic case. A central proposition of Marxist analytical theory contends that the economic base of society shapes and informs the dominant modes of thinking and cultural expression. Over the years there has been much academic debate about the validity of this proposition. In the late twentieth century it is gaining plenty of confirmation with the ways in which market led culture has captured so much of academia, the media and other agents of dissemination.

During his discussion, Haworth traces some key intellectual trends that have rationalised and justified the prevalence of business over government, e.g. the influence of economists like Friedrich von Hayek and Milton Friedman who called for the internationalisation of capitalist economic activity to reduce what they saw as the coercive functions of the nation state. Of course, to take a rather more critical view than that of Haworth, this self serving process is designed to make the rich richer and the poor poorer. The view being pushed by TNC ideologues and their supporters is "that multinational enterprises are substitute sovereign states in an international economy", destined to replace the traditional nation state with a "business-based alternative" (pp.245/46). Professor Haworth does not quite go so far as this in his analytical projections.

Haworth actually does indicate how the ***"dominant economic orthodoxy, through its espousal of individual property rights and anti-collectivism, has also been able to constrain political participation in many nation-states"*** (p.244). Corporatisation and privatisation reduce popular sovereignty as do so-called reforms of local government. NZ has been extreme in

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its combination of liberalisation ("market reform"), internationalisation, profit maximisation and the equation of all this with welfare maximisation (p.239). Indeed, NZ governments have been right to the fore in their free market zealotry and lack of concern about sovereignty.

Haworth gets somewhat confused in his discussion. At one stage, he observes that: "In a world increasingly committed to market and trade liberalisation, market efficiency is the primary aim of much national and supranational policy" (p.240). International free trade/ investment agreements like the GATT/WTO and APEC are intended to complement "national market liberalisation strategies". Given the congruence seen between international, regional and national goals, there is a viewpoint, in line with the "standard understanding" of TNCs expressed in the international business literature, that "sees adherence to national regulations as the only necessary control over multinational enterprises, understood to be the key bearers of the internationalisation process" (p.240). He also points out "that constraints imposed upon multinational enterprises by a particular nation may breach commitments made in international agreements such as the GATT and bring sanctions to bear upon the offending nation" (p.240).

Later, however, in giving his own considered opinion, Haworth asserts that we are coming into an era of "increased global regulation, with the emphasis on regulation" (p.248). He draws attention to how "several articles of the most recent GATT may be used to regulate the domestic policies of member nations" (p.248). He seems to see this, oddly enough, as some sort of violation of free trade/market principles. So he very simplistically interprets it in a way that contrasts liberalisation with regulation; and he therefore, in parallel form, contrasts free trade with governmental intervention, which is quite misleading to say the least. Free trade reflects the market muscle of the rich and powerful and the GATT regulatory impositions are actually further graphic examples of how independent national governments are being undermined, rather than asserting themselves.

Global standards and rules are devised to suit the TNCs and they are designed to constrain our freedoms in all sorts of ways. Haworth misses the whole point: the very globalisation of standards and regulations - with their consequent relegation to the lowest common denominator - is a crucial way in which TNCs are usurping governmental functions, not an illustration of how much governments are alive and kicking. Globalisation of regulations/standards is part of establishing global corporate rule. The more globalised official decision making becomes, the more it is kept remote from us plebeians.

Overall, what Haworth is saying is that capitalism is now achieving global dominance and that governments have to conform with TNC demands. Today, we have "constrained sovereignty". However, he qualifies his picture of the erosion of government by arguing that certain core governmental functions will survive, e.g. defence, public order. Clearly, the ruling elite must have these to keep the masses in subjection.

There are various dimensions to Haworth's thesis, which reflects a lot of current thinking in international business circles and elsewhere. Two strands need to be sorted out as much as they can be - how much this is a description and projection of what is happening; and how much this is a desirable state of affairs. It is very evident that TNC oriented commentators like Enderwick and Haworth give the process an ethical gloss as well. Ideology is deeply implicated and, after all, one would expect as much from Professors of university Management and Business departments.

Just remember when such academics talk blandly about the demise of the *Westphalia* model (how many of us would know the meaning of this!) they are actually using obscurantist code under the guise of historical analysis to prescribe death to democracy and hail rule by plutocracy! Outrageous but true. So the supposed glorious reason for fighting in World War II, and taking part in the conflict of the Cold War - the defence of democracy - is revealed as a sham in light of the new ruling capitalist ideology. Capitalism's proclaimed dedication to freedom is pure Orwellian propaganda, other than its meaning of freedom for the few. Gee, we wouldn't have guessed it. (*NB: The 1648 Treaty of Westphalia ended the Thirty Years War and founded the modern nation state. Ed.*).

Instead of democracy going with a bang, it is going with a whimper - unless we resist hard enough. There are huge moral and political questions that scream out for attention in Haworth's chapter. Haworth virtually ignores them. What is being portrayed is a new age of corporate feudalism, commercial totalitarianism, or whatever we might like to call it. What is certain is that some of us at least are not going to accept it as long we believe in justice, freedom and a whole lot else that we value in life! What is perhaps most chilling is how so many of today's "intelligentsia", instead of ardently defending democratic values and human rights, are prepared to collaborate with, promote and legitimise globalisation, whatever tinkering around the edges they might suggest. Globalisation is portrayed as having the same kind of determinist "inevitability" that Marxist development has been so strongly criticised for claiming (p. 239). In the end, however, there are going to be far too many problems to allow any real consolidation of such a rotten global regime.

The Liberal Perspective

Professor Enderwick puts in a special pitch for the liberal perspective on foreign investment. He proclaims certain facts like we do, e.g. that TNCs account for about two thirds of total world trade and that half of this is actually intra-firm trade "conducted between the related affiliates of these companies" (p.10); that TNCs account for only 3% of the world's labour force (p.183); even that there are "depressing" findings from the perspective of regional development for Aotearoa/NZ (i.e. major urban centres are favoured in comparison with other areas) (p.15). But, as we have seen, Enderwick's overall interpretation is very different from ours.

Enderwick is very concerned about the results of market research that indicate the prevalence of a "negative view" towards foreign investment (p.161). From his standpoint, he wants to get a "more positive perception" - supposedly by means of improved information about the issue and its better dissemination. Like CAFCA, then, Enderwick has his own ideological views and commitments. Any reasoned ideology, however, needs to take proper account of the criticisms levelled at it. Where the liberal perspective, on its own terms, shows itself weakest is where certain criticisms are recognised as having some validity, and are still glossed over; or certain facts recognised but the obvious implications ignored.

A case in point is where Enderwick notes that: "The group of top TV advertisers in New Zealand is dominated by foreign-based companies" (p.190). Surely the political consequences here are very obvious with just a bit of knowledge about the operation of power in capitalist society, or the new globalised society. But Enderwick is seeing this fact from a purely "economic" angle and makes no observation at all about the likelihood of corporate influence over the content of TV news, reporting and programming in general. Reality gets regularly sidelined in the liberal approach. Again, this came within a section of the book devoted to "The Politics of Foreign Investment".

At more than one point, Enderwick makes several counter criticisms of Wolfgang's position. The principal contention is that Wolfgang relies on "a closed country model of economic activity" which, in Enderwick's view, "has the unfortunate effect of greatly weakening the critique" (p.17). Among the weaknesses supposedly identified are "the concern with structural or monopoly imperfections; and downward pressures on wage levels" (p.17). This counter criticism is quite bizarre as Wolfgang's case rests on how classical theory has been distorted to rationalise TNC depredations and distortions to the market - imperfections confirmed by hard experience. But the privatisers and free marketeers are only concerned with imperfections caused by governments, not TNCs.

It is highly ironic that Enderwick tries to paint some of the victims of globalisation as the "biggest threat" to political and perhaps economic sovereignty in Aotearoa/NZ (p. 18). He suggests that the "aspirations of indigenous groups" sound more aggressive than TNCs, while acknowledging "the growth of international investment in New Zealand has triggered calls for Maori sovereignty over critical resources".

But, then, Professor Enderwick has a rather confused glimmering of insight into the real implications of globalisation. He says that: "The traditional assumption that the major threat to national sovereignty is embodied in the growing internationalisation of economic activity may need to be mediated by the particular secular interests of groups within a nation" (p.18). Taken in context, this is a rather contorted sort of statement of which the exact meaning is unclear. The impression is left that the causal process is being obscured here, instead of clarified. The *primary* cause of such social/ethnic tensions is surely globalisation prompting *responses* by those affected. As noted in the preceding paragraph, Enderwick more or less recognised this at one point. He does not seem to want to put any blame on his beloved globalisation.

Theories about the disruption or disintegration of the nation state are at the centre of sociological discussions and debate on the impact of globalisation. For instance, Bryan Turner in his "Orientalism, Postmodernism and Globalism" (Routledge, London, 1994) contends that "globalisation has resulted in a new level of multiculturalism which has challenged much of the traditional dominant cultures of the nation states" (p.183). There are many important issues involved and this review can only point to the subject in passing. As we have observed in examining Professor Haworth's thesis, there is a whole mushrooming literature, including much stuff by TNC pundits, predicting the demise of the nation state and exploring its ramifications. Globalisation here is seen both as the great destroyer, as well as creator - or at least as the great transformer.

Costs Versus Benefits

The core of the debate over foreign investment is presented from Enderwick's perspective on page 196 of the book in a match up, or rather mismatch, of "Criticisms of Foreign Investment and Evidence from New Zealand Research". Enderwick tries to demonstrate that the evidence is strongly in favour of foreign investment, even though he stresses at other times, especially in his concluding chapter, how thin the existing database is for any proper assessment.

A number of key issues are noted below in order to focus and explore the nature of the debate:

(1) Question of sovereignty: Professor Enderwick rejects the argument that local control is precluded by majority foreign ownership. In his rejection he shows no sensible awareness of the political dimension at all, resorting to mere verbiage about a "distinction between ownership and control and the critical role of multinational enterprise organisational networks" -

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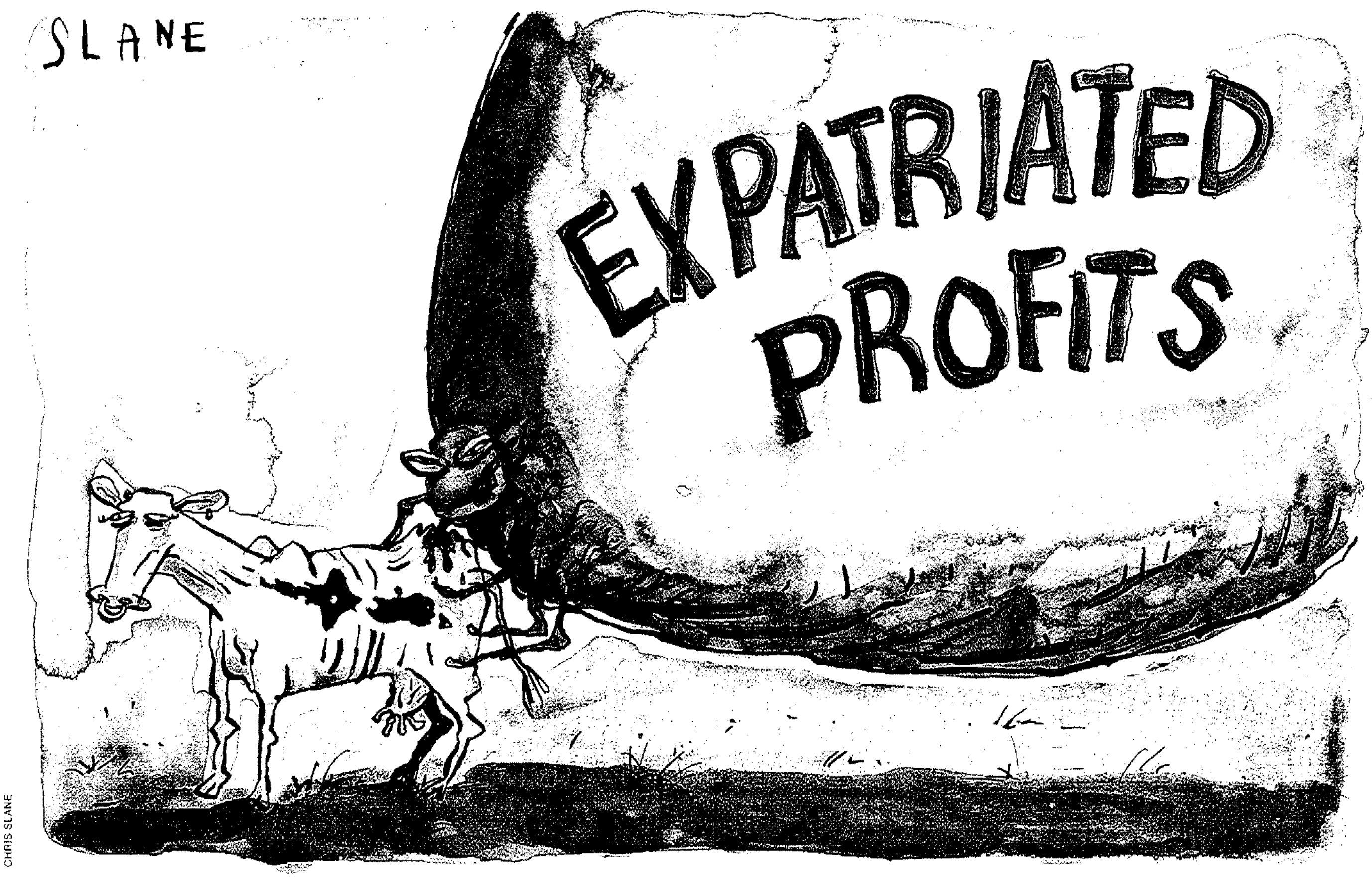
whatever this is supposed to mean. According to him, we should understand it! But this does not even tally with the message of "official" publications like those of the UN Conference on Trade and Development (UNCTAD), among others, on the subject of the interface of government and TNCs.

(2) Technology transfer: Enderwick totally rejects the argument that inappropriate technology is being transferred by TNCs but completely ignores Bill's evidence on how some NZ innovations have been removed abroad (p.39). This issue also relates to the charge that domestic research and development (R&D) capabilities are being run down or transferred elsewhere - an argument which Enderwick also rejects. Yet Michele Akoorie admits that "the under funding of R&D by the private sector in New Zealand remains a problem..." (p.226). Worldwide, TNCs control "75-80% of all civilian R&D and more than half of the world's commercial innovations" (p.257).

(3) Takeover of local enterprise/elimination of local competition: Enderwick rejects the argument in that he says "most acquisitions have been used to strengthen firms or industry". But he recognises that, in the case of banking, local firms have been squeezed out (p.197). As previously noted, Elizabeth Jarray acknowledges that "common governance systems created by multinational enterprises" put pressure on small exporting firms. Bill's chapter emphasises the pervasive dominance of the NZ economy by TNCs.

(4) Balance of payments (BoP) problems: This is the point where Enderwick loses total credibility. With the huge current blowout in the BoP, his total rejection of the argument that excessive imports will substantially outweigh exports could not look more silly. The only counter contention he musters is that there is a "growing propensity to export and evidence of considerable local sourcing". This in no way meets the charge levelled and Enderwick conforms to expectations by virtually ignoring the BoP throughout the rest of the book. Wolfgang has continually thrown up a central challenge to the neo-liberals that neither Brash nor Enderwick, nor others of like mind, can meet except by appealing to fond hopes for the future.

(5) Excessive profits/monopolies: Again, Enderwick totally rejects this charge because there is "considerable evidence that the majority of earnings are reinvested locally". His finding conflicts with Bill's assessment that 60% of profits are remitted overseas (pp.31,62) and that TNCs in the Top 200 companies in NZ "were about a third more profitable than New Zealand companies" (p.44). Moreover, Enderwick, as he himself admits, relies on research which "is based on a small number of case or survey firms and these findings cannot be considered as representative of all foreign investors" (p.269); and this is assuming too that the interviewees/respondents concerned gave honest answers! Yet, earlier, he had claimed that these particular studies "provide what is



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probably the most meaningful data for evaluating the impact of foreign investment on New Zealand" (p.181). Closely connected with this issue is the charge of "excessive amount of funds repatriated to the parent nation", which Enderwick likewise totally rejects. The points already made apply to this aspect of the debate.

(6) Key managerial and technical positions reserved for expatriate staff: Enderwick totally rejects this charge, citing one study, but he neglects the long term implications of GATT/WTO agreements in this area and also those of the Multilateral Agreement on Investment (MAI) or whatever equivalents are promoted in the years to come. Furthermore, Akoorie points out that: "Increasingly, the multinational enterprise will search for, acquire and integrate a team of overseas nationals to carry out international strategies" (p.226).

(7) Failure to develop linkages with local suppliers: This charge is once more totally rejected by Enderwick but contradicted by the findings of Jarray's forestry study, one of the few studies that have been done (p.109).

(8) Little commitment to local economy: Enderwick totally rejects this but Bill notes the substantial counter trend for businesses, especially manufacturing enterprises, to remove themselves to Australia and other countries (pp.38,39). The comments above on **Technology transfer** are also relevant.

(9) Little concern for the environment/depletion of natural resources: Enderwick's rejection of this can be seen in the context of his cavalier blindness to TNC attacks on the RMA and other legislation. Wolfgang indeed draws attention to these attacks (p.214) as does Professor Haworth (p.244). Indeed, Haworth refers to the "business-led opposition to New Zealand's Resource Management Act" as an example of how the economic power of the TNCs is gaining in strength over political sovereignty as expressed through national governments.

In contrast, Enderwick states that foreign investors are "subject" to this legislation, contending that TNCs have a "long-term perspective in resource industries" with evidence of "leading-edge environmental practices". However, he does at least indirectly note the predatory nature of much foreign investment in his statement that "a large proportion of Japanese investment is prompted by the desire to acquire resources" (p.171). Almost in the same breath, he actually declares it is "myopic" that policies like the RMA should be avoided to try and pander to such TNCs. It is Professor Enderwick who is displaying myopia about the RMA and the controversy over it.

(10) Dominance of major industrial sectors: Bill shows that only NZ's very important primary producing sector, including agriculture, is relatively free from foreign control although even that is changing (pp.36,61). But Enderwick remains unmoved in his rejection. Jarray in her study of Japanese investment in the forest industry notes that "for the most part, financial control remains with the shareholders"" (p.105); and Joanna Scott-Kennel indicates how: "Alliances or joint ventures between firms" are successfully allowing local enterprise to tap into TNC resources (p.125). Again, it also indicates how foreign control can be employed.

(11) Capital is raised locally, raising interest rates and crowding out local investment: Enderwick totally rejects this, claiming that all funds are raised offshore and represent a net addition to the NZ capital stock. This is quite at odds with Bill's finding that "by 1995 over half (57.1%) of the [foreign] invested funds were in fact raised in New Zealand" (p.51).

Flawed Vision

According to Professor Enderwick, the best examples of foreign investment at work are illustrated by the "Newly Industrialising Economies in the post-war era, who have achieved impressive, sustained rates of economic growth" (p.186). South Korea perhaps? Enderwick puts in a plug for the "Asia-Pacific region" as the main focus of NZ's economic activity in the future (p.14). He considers that TNCs bring especially good assets for utilising "the increasingly important markets of Asia" (p.194). Now that after the start of the "Asian Economic Crisis" Dr. Brash is warning us that things could get as bad as the time of the oil shocks of the early 1970s, this particular policy advice looks pretty tattered.

The underlying economic problems were there before the Asian crisis though. Liberalisation has rendered NZ more vulnerable than ever to the impact of volatile market forces. Enderwick and co. want Aotearoa/NZ more closely integrated with the world economy yet, ironically enough, the huge uncertainty and volatility of the international economy is also acknowledged (e.g. p.261).

The superficial level at which the liberal perspective operates is illustrated in turn by its swallowing of corporate image making. Enderwick says that most TNCs aspire to be "good corporate citizens", sponsoring support of community projects and sport. This is where political analysis stops.

As we saw with Jarray's chapter, the neo-liberals can get confused between "indigenous" companies and TNCs. For instance, when referring to foreign investors forming "linkages with local enterprises", Enderwick gave as evidence one TNC that "was the single biggest customer of New Zealand Rail" (p.190). This finding came from his case studies in 1995 for the US Chamber of Commerce in NZ. But by 1995 New Zealand Rail was already part of a TNC! In July 1993, Wisconsin Central Transportation, in conjunction with junior partners, took over what had been NZ's Government run railway. Later, Telecom NZ and Carter Holt Harvey are described by

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Enderwick as "New Zealand-based firms" (p.193). Similarly, he cites Fletcher Challenge as a "New Zealand-based" TNC (p.195). His term "New Zealand-based" obfuscates the issues of foreign control. Perhaps he did not read Bill's chapter carefully enough.

Foreign investment seems to be moving too fast at times for the good professor and his fellow enthusiasts. He claims that: "It may well be that the most important contribution of foreign investment will be in enhancing the international competitiveness of indigenous businesses further strengthening the New Zealand economy within an increasingly integrated world system" (p.197). What does Enderwick mean exactly by *"indigenous"* businesses, assuming that any of real significance will eventually be left? Does he include foreign owned but NZ based TNCs?!

However, for Enderwick: "The available evidence suggests that foreign investment tends to complement local resource utilisation and, overwhelmingly, brings substantial net benefits" (p.15). He therefore expresses consequent frustration at the "widespread public concern" and wants to remedy this condition with "the necessary (objective) information". At the same time, he does recognise the very obvious fact that not everyone has benefitted. "Particularly adversely affected have been the poorest groups within New Zealand society: the unemployed, Maori, women and the elderly" (p.168).

In this connection, he refers to Professor Jane Kelsey's book, "The New Zealand Experiment: A World Model for Structural Adjustment" (Auckland University Press/ Bridget Williams Books 1995), as perhaps constituting "the most cogent criticism of foreign investment" and the liberalisation process in general (p.167). But he does not come to grips with the issues involved other than accepting there are some victims. When certain limitations of the neo-classical model/ideology are noted (p. 255), all that is done is to readjust it somewhat.

Instead, he continues to call for more of the same - for the implementation of the MAI and for more coordinated and integrated policy to get the best outcomes from foreign investment (see concluding chapter). He keeps making a distinction between the restructuring of the NZ economy and the role of foreign investment (e.g. p.192). Yet the principal reason for this restructuring was to open up the economy to the TNCs and this is signalled by his reference to the year 1984 (the advent of Rogernomics) as the year of NZ's "re-internationalisation" (p.261).

In Conclusion

"Foreign Investment: The New Zealand Experience" reflects the very pronounced pro-TNC bias of its editor and main author. Given this viewpoint, he is to be sincerely thanked for admitting some dissenting assessment in the book as part of the continuing debate. But it all goes to show that economics can in no way be dissociated from politics. As well, Wolfgang has remarked to me on the irony of how the book's basic message is repeatedly undermined by a number of the findings reported.

Throughout the publication, there is repeated reference to the alleged gains of "efficiency" brought about by TNCs (e.g. p.115). Telecom brought efficiency at the expense of jobs but this efficiency is supposed to be beneficial to the whole economy and its people. Yet Bill observes that neither in job creation nor in productivity do any of the alleged benefits of foreign investment appear significant (p. 62). In Telecom's case there is certainly a very efficient transfer of funds offshore.

It demonstrates once again how loosely and ideologically such economic terms are used, and how misleading they can be - *efficient* ultimately in whose interest? *The Press*, a regular vehicle for Right wing opinion, is honest enough to admit that: "Ours is becoming at least a two-tiered society" (3/7/98). As also acknowledged by Professor Haworth, the "search for economic efficiency" is reducing the capacity for democratic participation (p.244). This is what globalisation, Rogernomics, foreign investment and an ever increasing export orientation is doing. It all creates and oppresses the lower class as one big policy package thanks to governmental collaboration.

One unfortunate aspect of the book relates to certain technical points of the editing. For example, in Bill's chapter, Table 1.6 on page 42 is the unrevised version of his first draft. But the text referring to it, however, is from his later draft, which forms the rest of the chapter. Many footnotes were omitted. In fact, Bill suffered a lot of editing mistakes in his chapter. Some of the text was even changed in places to give significantly different meanings to what Bill intended, particularly in three places in the Conclusion to the chapter. These latter changes weakened Bill's intent about the dangers of foreign investment. If we really are to get better information on the subject for our better understanding - as the book maintains we should - then information that becomes available deserves better presentation.

If the book as a whole is a disappointment, then it can yet serve as an example of the liberal perspective at work with all the weaknesses and inconsistencies of this approach clearly on view. There is plenty in it for critics of foreign investment to get their teeth into; and, take heart, we have got the pro-investment ideologues worried.

KLEPTOS DUMPED

But Crime Pays

- Murray Horton

Indonesia's internal politics are not our subject, but CAFCA has no hesitation in joining the universal rejoicing at the overthrow of the bloodstained Klepto dynasty in Indonesia. For 32 years, Suharto murdered his own people and plundered his country as if there was no tomorrow. Tomorrow finally dawned in 1998. He was brought down by a combination of the so called Asian flu (one that has caused a heavy cold amongst New Zealand's capitalists, the same ones who, only yesterday, were singing the praises of Asia as a model for us); an internal uprising, led by students (ironically, the children of the rich) and helped along mightily by the urban poor who burned down Jakarta. The military decided that Suharto, their patron, had to go and the US, his patron, decided likewise.

Suharto is of the same vintage, and with the same US patronage, as his fellow murderous kleptocrats, the late Ferdinand Marcos of the Philippines and Mobutu Sese Seko of Zaire (now the Congo again). He outlasted both of them - Mobutu was driven out and died in exile, in 1997; Marcos was overthrown in 1986 and died in exile in 1989 (Joseph Estrada, the Philippines' new President, is a Marcos loyalist, and, as one of his first acts, proposed to give Marcos' long preserved corpse a State funeral in the cemetery reserved for national heroes. Public outrage forced an "indefinite postponement"). Suharto outstole and outmurdered both of them too. He came to power in the mid 1960s atop the mountain of countless corpses (anything from 500,00 - one million) that accompanied the military and vigilante crackdown following the so called "Communist coup attempt". The Indonesian Communist Party was the biggest outside the Second World - Suharto decimated it, and ruthlessly suppressed anything remotely resembling socialism throughout his three decades long reign of terror.The Indonesian gulag still holds political prisoners from the 1960s, and Suharto was still having them executed towards the end of his rule. His other great crime was, of course, the invasion of, and genocide in, East Timor, which has killed several hundred thousand more "Indonesians" (extremely reluctant ones). Yet another, forgotten, war on "Indonesians" has been waged in West Papua (Irian Jaya, officially) since the 1960s. Plus the ruthless suppression of separatists in the Aceh region of Sumatra. In addition, he imprisoned, tortured, brutalised, oppressed and murdered untold thousands of his own people who were not separatists, but simply opposed to his dictatorship.

Suharto murdered at least a million of his own people, which puts him in the same psychopathic league as the Nazis, Stalin, the Khmer Rouge, and the Rwandan machete murderers. The Nuremberg War Crimes Tribunal hanged and imprisoned Nazis; geriatric small fry are still being tried and imprisoned today. The UN is trying Rwandans and Serbs for war crimes; the Rwandan government itself has publicly shot those war criminals it has got its hands on. The US was muttering about a genocide trial for the Khmer Rouge leadership, before Pol Pot obligingly died this year. But there's not a whisper of any such fate for Suharto and his cronies. You see, Suharto was one of "our" mass murderers - he killed "Communists" (or anyone accused of being one), plus an awful lot of the local Chinese who are the scapegoat everytime there is a spasm of violence in Indonesia. Suharto's methods became the model for international fascists - before the 1973 Pinochet coup, which murdered thousands and oppressed Chile for decades, bourgeois harridans stood outside Army barracks shouting "Jakarta, Jakarta" by way of encouragement.

So there won't be any demand for retribution from the US, which continues to maintain a vital military partnership with Indonesia. Nor from the West, including little old NZ. And certainly not from within the Indonesian ruling class. The new President, B.J. Habibie, is very much a creature of Suharto's. The military remain the most powerful institution in the country - they are the murderers from the 1960s, the butchers of East Timor and West Papua , the generals who became rich from Suharto's corrupt patronage. They won't be pursuing their old boss for any crimes against humanity, crimes which they committed on his orders. Thus far, the most punishment that ex-President Suharto has had to endure is that his car now has to stop at traffic lights. It's a safe bet that Suharto will die, of old age, in his own bed. So what has been achieved is the overthrow of the dictator, not the dictatorship itself. But watch this space - the Indonesian people are in no mood to be fobbed off.

A Family Of Thieves: Tommy Klepto

Suharto was not just a mass murderer, torturer, invader and tyrant. He was a world class thief. He personified kleptocracy. He stole so much that he liked to share it around, particularly with cronies and his family. Especially his six children. At the time of his overthrow, the family was estimated to be worth up to $US40 billion (double that for the $NZ figure). The International Monetary Fund (IMF) rescue package for Indonesia,

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announced in late 1997, totalled $US43 billion. So, as you can see, the Klepto family booty alone would have got the country out of the mess it was (and is) in. They had their sticky fingers in every conceivable sector of the Indonesian economy - banks, car firms, power stations, tollroads, forests, TV stations, property, airlines, etc, etc. Not only in Indonesia but throughout Asia and the rest of the world. Including New Zealand, where Hutomo Mandala Putra (Tommy) owns Lilybank Lodge in the Mackenzie Country. A whole book could be written about the Kleptos' empire, but we'll concentrate on Tommy, because of his New Zealand connection.

At the height of his wealth and power, Tommy had the clove monopoly (used in local cigarettes), a fleet of natural gas tankers, a crude oil franchise, and a private airline (which didn't need to bother about airport rental fees, fuel costs or even catering bills). As recently as 1996, Tommy was given the monopoly on the "national car programme". This allowed him to import KIA Sephia sedans from South Korea without paying the 50% tariff, plus import duties and luxury tax to which all other such cars are subject. Tommy then sold them as Timors (love that sensitive name). This was so blatant that Japan, the US and Europe took Indonesia to the World Trade Organisation, complaining about their own carmakers being disadvantaged. Tommy has a thing about cars. In his salad days, he bought a controlling stake in Lamborghini, the Italian luxury carmaker. He is himself a racing car driver - it was that which brought him to New Zealand and set in chain the process of buying Lilybank.

The world started closing in on Tommy before the rest of the family. In late 1997, he was summarily ousted from the top job at the Timor car project. His "informal" management style and tendency to install inexperienced friends to run it infuriated the Government. In January 1998 the IMF insisted that the Timor project be immediately stripped of all special tax, customs and credit privileges. The non-Klepto business world was emboldened. The national oil company stated that Sempati Air, Tommy's airline, owed it millions for fuel. And a local credit rating company downgraded Sempati, because of its deteriorating financial condition. This was a first for any Klepto family company. In May 1998, Tommy was stripped of his clove monopoly, as part of the IMF's conditions for its (futile) rescue package. Likewise his citrus fruit monopoly.

The mobs who ransacked Jakarta in May 1998 singled out anything to do with the Kleptos and their favoured cronies. For examples, showrooms selling Tommy's Timor cars were trashed. Post-overthrow, the Kleptos have become lepers. The military promised to protect their physical safety but not their wealth. The world came crashing down on them. In June, Sempati Air closed. Tommy tried to hang onto some things, saying he planned to keep his 60% stake in Lamborghini - his Malaysian partners promptly announced that they will sell and quit. And the Indonesian people have developed an unstoppable momentum to strip the Kleptos of their illgotten fortune.

(***Christchurch Press:*** **19.5.98)**

"If Suharto had hoped that by stepping down he could assuage the anger of the Indonesian people, he is likely to be disappointed. After 32 years of allowing family and friends to squander the public wealth, it's payback time. Jakarta street vendors are selling photocopied lists of companies the Suharto family owns, complete with mug shots of his children. Magazines and newspapers are falling over each other to cater to a public obsessed with unmasking the Suharto fortune. `The people are adamant about it - that wealth has to be returned', says Albert Hasibuan, a lawyer who helped found Citizens Who Care About The National Wealth, an independent group investigating the Suharto assets and gathering evidence for a lawsuit. `The people are poised to take the law into their own hands. It's better for us to start formal legal proceedings'.

"...In a measure of how low the Suharto clan has fallen, Minister of Justice Muladi says he is prepared to impose a travel ban on the family if the Attorney General requests it. Already the children are said to be on an informal Immigration Ministry blacklist, which would prevent their going abroad. Informed sources say the Suhartos are currently confined to their homes, having been told that the military cannot guarantee their safety if they venture out. It gets worse. Like most Indonesian companies, the Suhartos' ventures have been hit hard by recession and the 80% drop in the rupiah's value. And like so many other Indonesian businessmen, the children were caught out with unhedged foreign-denominated loans. "If Suharto Inc. had to pay all its debts, it would be bankrupt," says business consultant Wilson Nababan, who estimates that the family's corporate debts alone exceed $US6 billion.

"Whether or not the children will be brought before the courts on corruption charges will probably depend on how long Indonesia's recession continues. `If the economy gets better, they could escape that,' says Sofyan Wanandi, a director of the Center for Strategic and International Studies in Jakarta. `But if the crisis gets worse, a scapegoat will be needed'. Assuming they can stay out of jail, the Suhartos have diverted enough wealth overseas that they probably won't ultimately be bankrupted. `They have already built multinational corporations,' says George Aditjondro, a sociologist from Australia's University of Newcastle. `The Suhartos were much smarter than the Marcoses or the Mobutus'...

"The Suharto family has spirited an estimated $US1 billion overseas in cash, says Jakarta-based business consultant Christianto Wibisono. `They put it in many different banks in different places - to make it harder to trace and seize', he says. Most of the money is thought to have been stashed in Switzerland, Saudi Arabia and Morocco. `They also have real estate in the US, Britain and New Zealand', says sociologist Aditjondro. Recovering the Suharto billions won't be easy, but Indonesia's campaigners against corruption say there is more at stake than just money. `Even if we don't get a single rupiah, the attempt is important as a form of political education, as well as a means of improving our image abroad', says Hasibuan. With that kind of conviction sweeping the land, Suharto's problems may have only just begun" (*Time*, 15/6/98; "It's Payback Time").

(Hopefully Indonesian campaigners can look to their Filipino neighbours and learn the virtue of patience. Marcos was kicked out in 1986; a class action suit by several thousand human rights victims or their families was started immediately. US courts had jurisdiction, because the Marcoses took their loot to Hawaii. In 1992 the case came to trial; in 1994 and 95 the Honolulu jury awarded the plaintiffs nearly $US2 billion in damages against the multibillion dollar Marcos estate. They are yet to see a cent of it. Likewise the Philippine authorities who are pursuing their own court actions against the Marcoses. The endless saga of bringing the Marcoses to justice is meticulously documented in *Kapatiran [Solidarity]*, the newsletter of the Philippines Solidarity Network of Aotearoa, Box 2450, Christchurch, NZ).

Which brings us to Tommy's New Zealand connection.

Lilybank Should Be Seized

Tommy Klepto bought the 27,500 hectare Lilybank Station, near Tekapo, for $2.2 million, in 1992. Several more millions were spent on building the luxury Lilybank Lodge resort, which opened in 1995. Lilybank caters for the rich and security conscious. You can shoot from a helicopter or lazy hunters can have a beast brought within easy range for them to shoot. When Tommy bought the land, the previous owners had made a deal with the Government to surrender 25,500 ha to the Crown in return for getting $300,000 of taxpayers' money. Tommy fought this for several years, but in December 1995 the battle was lost and the land surrendered to the Crown. But not before Lilybank management deliberately burnt down three huts that had been used by the public for 70 years. From the word go, Lilybank's super officious managing director, Gerard Olde Olthof, has alienated trampers, deerstalkers and fishermen by restricting or banning their traditional access, including describing hunters as "poachers" and serving trespass notices. He has constantly laid complaints with Tekapo's veteran cop, the splendidly named Constable Bill Apes.

CAFCA has been vociferously opposed to Tommy Klepto's ownership of Lilybank, ever since we first found out about it (see *Watchdogs* 73, 76, 77, 78, & 81). We haven't run anything on the subject for a couple of years, because there was nothing new to say. But our record speaks for itself. The subject came up again with the February 1998 New Zealand tour by Dr George Aditjondro, an Indonesian dissident academic, who teaches a fascinating sounding course on the sociology of corruption at Newcastle University in Australia. George had been a prominent academic, journalist and activist, always a dangerous life in Suharto's Indonesia. He went into Australian exile in 1995, and is still wanted by the

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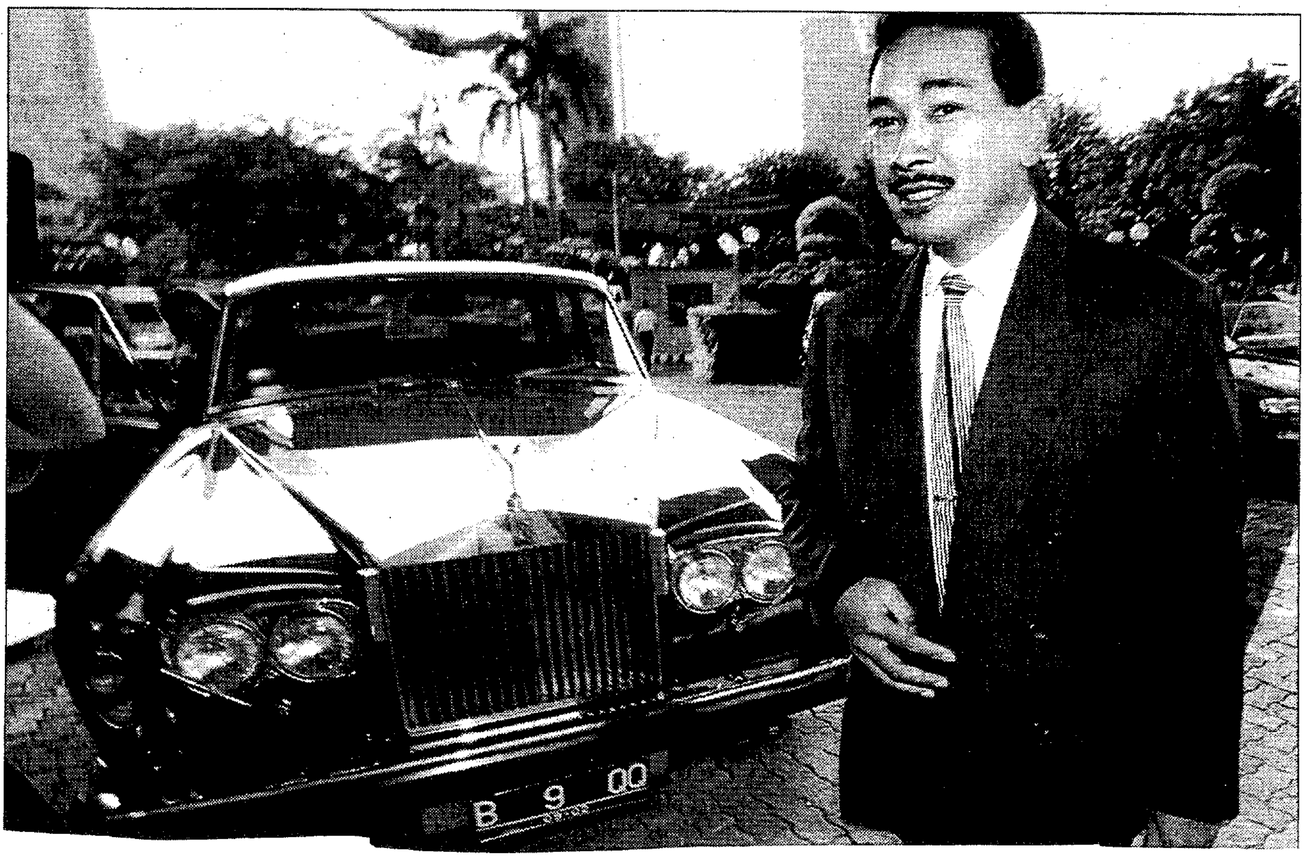
Indonesian government for "subversion" (a catch all "crime" beloved by dictators). The Australians did not hand him over but made life hard for him by refusing to issue him with Australian travel documents (the Indonesians having refused to replace his expired Indonesian passport). George is a superb researcher and an indefatigable chronicler of the business empire of the Suhartos and cronies (see *Watchdog* 84), wherever their tentacles have reached (see *Kapatiran* 11, for his detailed account of the Suhartos' holdings in the Philippines). His NZ tour was organised by the Free East Timor Coalition.

Whilst in Christchurch, George especially requested to meet with me, in recognition of CAFCA's role in exposing Tommy Suharto's ownership of Lilybank (he first heard of it through us). We had a very enjoyable and productive meeting. Then George did what no CAFCA person has done - he headed off to Lilybank (driven by Gaye Dyson, a Christchurch Free East Timor activist). They drove up the metal road as far as they could go, but lacking a 4WD vehicle, they had to ford the waistdeep and icy cold Macauley River. They got close to the Lodge but were confronted by Gerard Olde Olthof, who ordered them off, refused to give George as much as a brochure about room rates, and assured him that Lilybank does not take in Indonesian passers by, or any other nationality for that matter. So much for the famous South Island country hospitality. You get a more civil welcome if you ring the doorbell at the Waihopai spybase (I speak from experience), even a cup of tea if you're a wandering MP like Rod Donald. Olde Olthof told the *New Zealand Herald* (5/2/98) that Lilybank management never comments to the media "since it had been subjected to various articles `blaspheming us'". George told the *Press* (13/2/98) that Lilybank "was a place for entertaining the Suharto family's international business partners, and had no benefits to New Zealanders. `You are not just dealing with a Third World dictator, you are dealing with someone who knows how to make friends in high places. This beautiful part of the Southern Alps is just serving the Suharto kingdom, certainly not South Island people".

The truly extraordinary thing about that *Press* report was its headline: "Lodge bought `on proceeds of corruption'". That was the signal that the Murdoch media empire had disposed of Suharto, and it was now OK to start telling the truth, even putting the boot in. Back in the mid 1980s, the Suhartos had not hesitated to get very heavy indeed with foreign journalists who had the temerity to critically examine the First Family. A *Sydney Morning Herald* report on corruption led to: "A Ministerial visit to Australia was cancelled (although the New Zealand leg went ahead to ram the message home to Canberra); Australian journalists were refused permission to cover a Bali summit between President Suharto and President Reagan; and Australian tourists arriving in Bali found that for them Indonesia was no longer visa free..." (*NZ Herald*; 5/2/98; "If it pays it's sure to belong to a Suharto"; *Looking Abroad*; Chris Rosie). O how the



(Tommy Suharto: *New Zealand Herald* 17.11.98)

mighty are fallen when they can be mocked with impunity by the likes of the pipsqueak *Press*.

Mainstream media interest in Lilybank reached a crescendo in May, when Jakarta erupted. Suddenly they were coming to us (in the form of the *Press* and TV3), rather than CAFCA chasing them. What's more the *Press* ran it on the front page (20/5/98; "Govt urged to seize Suharto retreat"). Now that Tommy and Lilybank were safe targets, the media got stuck in, running statements from Tekapo locals about the paranoid inhospitality instituted by Olde Olthof. They stressed the possibility of Lilybank being used as a Klepto bolthole, but given their real estate holdings in rather more upmarket parts of the world, there really is precious little likelihood of them suddenly turning up in the Mackenzie Country. For our part, CAFCA urged the Government to seize Lilybank, as New Zealand's contribution towards a new and democratic Indonesian government recovering the Kleptos' plunder. We also called for Tommy to be arrested if he comes here, and to be turned over to Indonesia for trial. The Alliance joined in, by urging the Government to put a caveat on it.

We had been saying the same thing for years. For example, in a May 1994 statement: "...those who personally profit from the dictatorship are investing their spoils in South Island rural land purchases. New Zealanders don't want the butchers of Timor befouling our country. When democracy comes to Indonesia, there will be a reckoning, as in the Philippines after Marcos. New Zealand should play no part in letting the guilty hide their illgotten gains". The difference now is that the media are actually highlighting our statements. But the Government is unconvinced. Don McKinnon, Minister of Foreign Affairs, said Tommy does not have permanent residency but can come and go as he pleases, by virtue of his ownership of Lilybank. He said that seizing it would be "legalised theft" (*Press*, 20/5/98). Not so, Don - it would be seizing the proceeds of crime, exactly as New Zealand courts are authorised to seize houses, farms, cars, boats and any other property gained through crime. There's nothing new in this Government grovelling to Tommy - in 1993, when he and a bunch of cronies flew to Queenstown via Christchurch on their own plane, the Government gave it diplomatic status and thus exemption from NZ laws requiring hushkits, etc. This is the same Government that still maintains active ties with the Indonesian military and pussyfoots around on the issue of East Timor.

Never Mind Mass Murder And Kleptocracy, What About These Bare Arses?

The pressure was all too much for Olde Olthof, as the following amazing *Press* story shows:

"Seek and ye shall find, but not at Lilybank luxury resort in the Mackenzie High Country. Access denied. Managing director Gerard Olde Olthof saw to that. Mr Olde Olthof invited *The Press* to see first hand what life was like at the $1,100 a night retreat across the Macaulay River. Come, he said, following a *Press* article that identified the lodge's Indonesian owners, and raised questions about its hospitality. Bring the evidence. Come, and see the true story of Lilybank. We did, but we did not get to Lilybank.

"Mr Olde Olthof said *The Press* printed allegations to humiliate Lilybank, owned by Indonesian Tommy Suharto, so he would humiliate *The Press*. This, he said, is as far as you go. What did it feel like, he asked, to be brought so far (38km inland from Tekapo) to go no further? And thus began a tirade.

"Tommy Suharto, son of former Indonesian President Suharto, had been to Lilybank only once; he had no real interest in Lilybank; Indonesians had no real interest in New Zealand. The anti-Indonesian feeling had kept more than $100 million of investment money out of New Zealand, Mr Olde Olthof said. He said he and staff had received death threats since stories suggesting Lilybank be closed lest it be used as a bolthole for Mr Suharto. Female staff were very upset. Hunters poached and killed Lilybank deer, Mr Olde Olthof alleged. They drove over Lilybank land; went shooting with beer bottles and rifles. Some, he said, had bared their buttocks to staff.

"Why was *The Press* not interested in the real story? Where were the stories about a roving band of poachers in the South Island high country? Why was Lilybank denied access to the Tekapo airfield? There was no Indonesian money involved in a development plan for Tekapo. Overseas backing would be sought, but it had nothing to do with Indonesia. Mr Olde Olthof said the plan involved a hotel, service station, and fast food outlet - possibly involving a burger chain - but no Indonesian money.

"It was not true that Lilybank was just a haven for wealthy tourists. 65 New Zealand families stayed there last year. Mr Olde Olthof said he would provide addresses if we wanted to talk to those people. People came for different reasons. Police had been sent on a wild goose chase after allegations that there were prostitutes there. That was not true. Nor were allegations that people had been threatened. Mr Olde Olthof said he had been in the law enforcement business before taking over at Lilybank and knew the results of threats.

"After 30 minutes, the managing director's anger subsided. Handshakes were exchanged. And then Mr Olde Olthof was gone, threading his way through the Macaulay River in a swish Land Rover, back to fortress Lilybank" (4/6/98; "No welcome at Lilybank luxury lodge: Invited to the remote resort, John Keast finds that high country hospitality isn't what it used to be").

To summarise Olde Olthof's position - never mind all this talk of mass murder and institutionalised kleptocracy; what about these bare arses? (I have recently met a bloke who described himself as a Lilybank poacher, but

(Continued on Page 26)

Kleptos Dumped: From Page 25
he kept his trousers up). Now you can see why Tommy is unlikely to take up residence at Lilybank. Not only might he be confronted by the flower of New Zealand manhood giving him the brown eye, he would be stuck with Olde Olthof.

The *Listener's* Bruce Ansley secured a very rare (phone) interview with Olde Olthof. He was in vintage form. In relation to burning down the three huts: "What I want to remove off our land is up to me. I can do whatever I like. I don't have to justify that". And his general philosophy of life: "I don't talk to anyone, deal with anyone, but look out if you get in my way, and that's what I say...Police advice is that we are dealing with potential armed offenders. They have weapons and you must assume they're going to shoot you. 90% of the people who walk past your front door are likely to commit an offence against you when you live in the country"(8/8/98; "Inhospitable heights: Remote Lilybank Station treats all unexpected visitors as potential armed offenders").

Olde Olthof also told the *Listener* that Tommy is the owner in name only and that he, Olde Olthof, is planning to buy Tommy out. That remains to be seen. We suggest that Olde Olthof does not have a glittering career in public relations awaiting him. When Lilybank is disposed of, he could run a pub. Something like The Mooning Poacher, or The Blaspheming Hack. Or a tearooms. Ye Olde Olthof has a certain ring to it. Tommy might lend him one of his Timors to get about in. And he can reflect on the vagaries of Fate. It could be worse, Gerard - you could be living in fear of a Jakarta mob keen to tear you limb from limb. A few bare bums are a small price to pay.

The Brierley's Connection

Tommy Klepto and Lilybank are an easy target. Tommy even looks like what he is. But there's more to the Kleptos' Kiwi connection than that. When the media contacted me, in May, they were looking for Indonesian ownership of commercial property. We couldn't find much, because there isn't much. But we did point them to a Suharto crony ownership stake in Brierley's, a conglomerate at the very heart of New Zealand capitalism. The media backed away - that was obviously getting too close for comfort to the corporate world that it so uncritically lionises.

Bill Rosenberg wrote the definitive study in *Watchdog* 84 ("It's Official: Brierley Investments Is An Overseas Company"). I refer you to that. It was Bill's work that forced the Overseas Investment Commission to reclassify Brierley Investments Ltd (BIL) as a foreign company (but not before allowing them to hold onto their New Zealand empire via BIL NZ Assets Ltd). BIL became Asian owned in 1996 when Delham Investments bought a 20% stake. The Asian owners are definitely hands on. In 1998, they dumped high profile executives Paul Collins and Bob Matthews (with highly lucrative redundancy packages) and entrusted the company to Sir Roger Douglas. How completely appropriate.

A major owner of Delham is Camerlin Pte Ltd; and one of the owners of Camerlin is Indonesia's Salim Group. Once again our source is the indefatigable George Aditjondro (see *Watchdog* 84). Salim is controlled by Liem Sioe Liong, President Suharto's closest and oldest business partner. Suharto's half brother is a major shareholder, while two Suharto children (not Tommy) are major shareholders in the group's Bank Central Asia (BCA). Another Suharto son has many joint ventures with Salim, which has a business empire throughout South East Asia, and has profited from the Indonesian occupation of East Timor.

Liem Sioe Liong, an ethnic Chinese, is now a billionaire and Indonesia's richest man. His rise to riches and power started in the 1950s, when he began trading and smuggling with his friend, Colonel Suharto. In 1968 President Suharto gave clove import licences to Liem, followed in 1969 by monopoly rights over wheat milling. The rest is history. The New Zealand media might be shy about shedding any light on Liem and the Salim Group, but ordinary Indonesians know only too well who he is. When Jakarta erupted in May, mobs trashed and burned his central city house, along with five cars and possessions. Wisely he was not at home to visitors that day. More cripplingly, 122 branches of his massive BCA (30% owned by the Kleptos) were torched. Following Suharto's resignation, there was an 11 day run on the BCA, which brought it to its knees. The Government had to assume control of it, to keep it open. The Jakarta city government revoked water supply contracts awarded to Klepto family companies and Liem.

Indonesia is heading into a fullblown depression, and Klepto cronies like Liem may very well not survive the storm (unfortunately, President Habibie comes complete with his own baggage of family and cronies. Which is why the rallying cry is to get rid of the whole lot of them, not merely the Suhartos). This is bound to impact on any continued Indonesian stake in Brierley's, and quite possibly other Indonesian investment in New Zealand.

The lesson in all this is that New Zealand's ludicrously laissez faire foreign investment regime allows the very worst sleazeballs to get their hooks into this country. It's a disgrace that the Kleptos and their cronies were ever able to add New Zealand to their bloodstained, dirty money empire. Investors coming here are supposed to be "of good character". Obviously that means nothing if you're a son of, or a crony of, a dictator who's on "our side". We owe the Indonesian people a great vote of thanks for doing what our authorities still won't contemplate - freeing the world of the Suhartos, their cronies, and all their accursed works.

TELECOM

SPOT Petition Presented

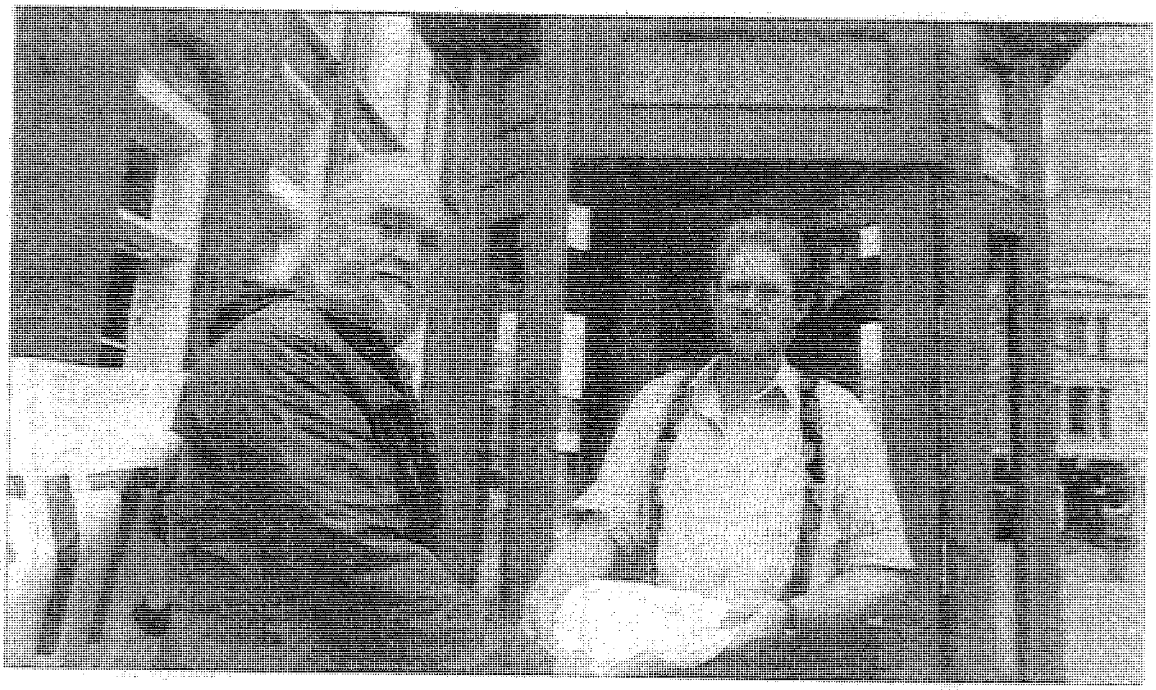
In May 1997, Telecom Exposed! A Critical Forum gave birth to SPOT - the Society for Publicly Owned Telecommunications. Our main campaigning focus was the petition demanding that the Government "return Telecom to public ownership immediately" (with no mention of any compensation). The petition ran for a year, and considering its uncompromising demand, and our limited resources in publicising it, public response was good. There's plenty of dislike of Telecom out there, despite the best efforts of an army of PR hacks, media bullshit artists and political ideologues. Indeed, if the Roger Award For The Worst Transnational Corporation In New Zealand In 1997 had been judged on the number of nominations, Telecom would have won hands down (see *Watchdog* 87 for full coverage of the Roger). The petition closed with more than 2,400 signatures (and hundreds more have come in since closure).

SPOT invited Alliance list MP, Rod Donald, to accept it and present it on our behalf in Parliament. This was appropriate - Rod had been at the forum which launched it, and his Christchurch office gathered one of the biggest tally of signatures (along with Nelson and Spreydon [Christchurch] libraries). Rod was only too happy to do so, and to accept it at our choice of venue - one of the handful of old red phone boxes left in the city (tourists queue up to have their photos taken there. None have ever been seen taking photos of Telecom's New Brutalism crop of phone boxes). The presentation attracted good local media coverage, being featured in the weekly giveaway community papers (which a lot of people read) and in a lengthy item on CHTV.

Rod was quite happy to join the attack on Telecom, suggesting that a pitbull terrier would be a more appropriate corporate mascot than cute little Spot. He said Telecom had acted viciously towards its workers, its competitors and its neighbours, such as Shirley Primary School. In a later letter to the *Press* (12/6/98) he said: "I agree with SPOT. Since Telecom was privatised in 1990, its shareholders have received $4.37 billion in dividends, more than they paid for it in the first place. New Zealanders were ripped off when the Government sold Telecom from underneath us and Telecom continues to rip us off through its exorbitant profits".

We have no illusions that our petition is suddenly going to lead to the nationalisation of Telecom. The exercise was to rebut the constant refrain of "Nobody's calling for the Government to take over Telecom again, are they?". As with most of these things, it was both a politicising and an organising tool. Several thousand New Zealanders have no hesitation in putting their names to our "radical" demand that Telecom be returned to public ownership.

Following the petition presentation, SPOT has gone into temporary recess whilst we strategise the future of both it and the Telecom campaign.



(Murray Horton presents a petition calling for the return of Telecom to public ownership, to Alliance MP Rod Donald. *Observer*: 1.6.98)

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The petition featured "six good reasons" why Telecom is a bad corporate citizen and should be immediately returned to public ownership. Those reasons still stand.

1/ Telecom rips us all off

Never truer. For the year ending March 1998, it made an $820 million profit (compared to a mere $581 million for 1996/97). Telecom makes a profit of more than $2 million **every day**, 365 days of the year. And it looks after its shareholders and bosses. Never less than 70%, and sometimes over 90%, of the profit is repatriated to its American owners. And its CEO, Dr Rod Deane, is now paid $1.68 million per year. He earns the average yearly wage every week.

The longer term ripoff was put most succinctly by *Listener* writer, Gordon Campbell, in a reply to a letter (24/1/98) from Telecom criticising an earlier article by him. "Selling Telecom was a `very good deal'? It was brought for $4.25 billion but is now worth $12-13 billion, a massive capital gain for its American owners. Since the sale, up until March 1996, Telecom has compiled a net (ie, after tax) total profit of almost $3 billion that could have provided social services for us all, not simply profits to its new owners. It is a myth to claim that the State could not afford to modernise Telecom: in the years 1989-91, taxpayers spent $2.015 billion modernising Telecom, while in the subsequent years 1992-94 the privatised Telecom spent less ($1.593 billion) on capital investment. So we paid for it, they creamed it".

Having creamed it, they've shot through for greener pastures. Just before Christmas 1997, Ameritech announced that it was going to sell its quarter share forthwith, whilst Bell Atlantic, the other US owner, said that it will do likewise in the next few years. Including a $500 million capital repayment in 1994 and the more recent $1 billion share buyback, Telecom has paid shareholders $5.1 billion in cash (compared with its 1990 purchase price of $4.25 billion). According to business analyst, Brian Gaynor, this phenomenal capital gain "...gives some credibility to the rumours that both companies will dedicate a special Telecom New Zealand room where directors can go for the obligatory glass of Dom Perignon after board meetings. It is difficult to understand what either Ameritech or Bell Atlantic did to earn this huge return. Telecom's profit has improved substantially over the past seven years but this has been a world wide trend in the telecommunications industry. Telecom has a monopolistic position in many areas of operation and some of its imported technology, particularly mobile phones, were not specifically acquired from its two major North American shareholders...

"The original sale of Telecom to overseas interests has probably had a negative, rather than a positive, impact on the New Zealand economy. One of the first economic objectives of a government is to raise the wealth and

(*Christchurch Press*: 15.7.98)

standard of living of its citizens. The large dividend payments, capital repayments and share buyback to overseas interests and proposed sale by Ameritech and Bell Atlantic have had the opposite effect. There has been a large transfer of wealth from New Zealand taxpayers to the overseas owners of the company. The large dividends and capital payments have had a negative impact on the current account (balance of payments). The large current account deficit has been partly responsible for the recent decline in the New Zealand dollar which will probably result in higher prices for imported products. It is difficult to justify the massive transfer in wealth to overseas interests when their contribution to Telecom's profit seems to have been fairly limited..." (*NZ Herald*, 27/12/97, "Americans quit after making their dough"). The balance of payments deficit stood at **$7 billion** (or 7.2% of GDP) for the quarter ended March 1998, up from 3.1% in March 1996, primarily caused by transnational corporations (TNCs) shipping their profits out of the country. Telecom is at the forefront of these bloodsuckers.

Ameritech made a $1.8 billion profit from selling its Telecom stake, money it plans to use to finance expansion in Europe. In May 1998, Ameritech itself was bought, for $111.8 billion, by SBC Communications, creating the largest local phone company in the US. Its Telecom stake was sold on the sharemarket, enabling a broader base of ownership. Previously, only 20% of Telecom shares were owned by New Zealanders; the Ameritech sale slightly boosted NZ shareholders to 22%. Europeans went from being a negligible factor to holding 5%; Australians jumped from 1% to 7%. North America (excluding Bell Atlantic) has 20%; the UK 12%; Asia 3%, and Other 6% But this very belated attempt at popular capitalism doesn't alter the fact that Telecom is still quarter owned by an American TNC, Bell Atlantic, which is the single biggest owner and the controlling shareholder. It remains an American company and a cash cow at that.

2/ Telecom sacks thousands and bashes workers

Still happening, although not so many thousands left to sack (the law of diminishing redundancies, perhaps). From 1990-97, it made 8,000 workers redundant. Many of those thousands have become contractors and sub-contractors of Telecom, meaning that Telecom gets the work done, whilst saving big money on labour costs. In July 1998, it announced that the jobs of 630 operators are on the line because it is contracting out that service (including 111 calls) to American TNC, Sitel Asia Pacific. 680 Telecom information technology workers, plus several hundred contractors, face an uncertain future as Telecom considers outsourcing its information technology work (the biggest in NZ). Rod Deane must surely have had his tongue firmly in his cheek when he said: "...unemployment is rising, which seems so unnecessary in this country" (*Press*, 17/7/98).

Of those who remain on Telecom's payroll, it has aggressively sought to cut their wages and conditions, replace collective contracts with individual ones, and de-unionise them. The Engineers Union organised a major industrial fightback by Telecom workers. Negotiations on a new contract were deadlocked - in 1994, Telecom workers struck (for the first time since 1970), and the dispute simmered throughout 1996/97. A whole range of tactics was used - 24 hour strikes, public pickets, go slows, work to rule, letting repairs and maintenance pile up. In years gone past, this would have been ho hum stuff, but to strike, or take any form of industrial action under the Employment Contracts Act, is a very serious step. That Act exists to disembowel unions. The Engineers had the legal angles covered - the contract had expired, so industrial action was legal. Telecom is completely hostile to all unions, even such a "business friendly" one as the Engineers. So, workplace meetings had to take place on footpaths in some cases. It's worth emphasising that those Telecom workers took industrial action amidst overwhelming public and media support, which is very unusual. It just goes to show how everyone hates Telecom. As of 1998, only about 60% of the contracts have been settled. So the battle is set to resume this year.

And Telecom is a particularly mean spirited and petty employer. In April 1998, two Auckland workers complained that they had been threatened with disciplinary action for wearing T shirts with the Engineers Union logo on the job. Their manager decreed them to be personally offensive. Another former Auckland worker, Alison Ace, is taking it to the Employment Tribunal after she developed occupational overuse syndrome (OOS) whilst working as a customer services representative. She is suing Telecom for providing an unsafe work environment (OOS is a real, crippling hazard for those who work with computer keyboards all day) and wants it held accountable. It would be a fair conclusion to say that Telecom is a bad employer. And for many thousands, it's an ex employer.

3/ Telecom abuses its monopoly

Still as true as ever. Telecom owns the national phone network, which is the source of its monopoly. Other phone TNCs, notably Clear, have had to fight tooth and nail to get access to that network. And, despite a Telecom/ Clear interconnection agreement having been signed in 1996, there are still major problems between the two. Since February 1997, Clear has been withholding a portion of the interconnection fees, contending that they are illegal under the Commerce Act. By June 1998, the withheld fees totalled more than $12 million and Telecom retaliated by threatening to withhold billing information ie the means by which Clear identifies and charges its customers. Clear CEO, Tim Cullinane, said "...we cannot cave in to bully boy tactics in the circumstances" (*NZ* Herald, 25/6/98).

Currently Telecom has nine interconnection agreements

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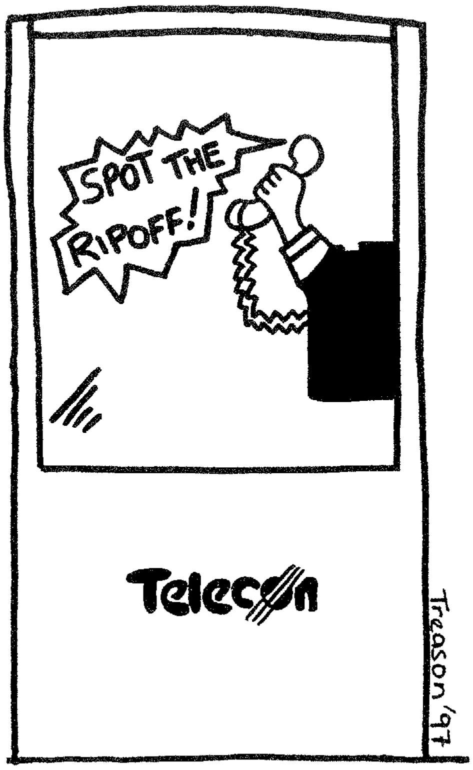

with competitors. But its attitude to competition is highly dubious. In April 1998, American cable TV company, Saturn Communications, decided to use its lines to provide a phone service to 30,000 Hutt Valley homes (offering rates 16% cheaper than Telecom). This was the first time any rival had moved into local residential calls and Telecom's response was telling - it maintained its rates everywhere else in the country but offered a $5 per month "loyalty rebate" to Hutt Valley customers who stuck with Telecom. Saturn took out fullpage ads asking why Telecom didn't offer price cuts anywhere else and accused it of predatory pricing. "Telecom is misusing its position of dominance to try to squash our business in the Hutt Valley" (*NZ Herald,* 8/5/98). Lower Hutt Mayor, John Terris, urged the City Council and residents to switch to Saturn as a protest against Telecom. Communications Minister, Maurice Williamson, washed his hands of the matter, saying the Commerce Commission was the appropriate agency to deal with it. The Commission duly pronounced that it would do nothing about it; Saturn responded by saying that it is now unlikely to invest outside Wellington.

Lack of number portability is another issue which hamstrings the rival phone TNCs. Telecom asserts that it bought the nation's phone numbers when it bought the phone company, hence it owns the numbers. So, its reasoning goes, if customers swap to competitors, then they can't take their phone numbers with them. The competitors claim the numbers are a national resource which customers have the right to use as they wish. The Government set up the Telephone Numbering Advisory Group to settle such issues but Telecom has stonewalled. The Consumers' Institute quit the group in 1997; BellSouth left in May 1998, out of frustration, after five years of getting nowhere with Telecom. The rival TNCs want an independent body to resolve numbering issues; Maurice Williamson, has threatened regulation or Government intervention.

The whole question of any form of regulation over Telecom is a vexed one (the Government favours the "lighthanded approach"). BellSouth has called for a significantly tougher Commerce Act, with vastly increased penalties. Managing director, Larry Carter, has said that if the company had known what it does now about NZ's weak competition laws, it would not have made its $500 million investment here. Telecom's abuse of its monopoly has become so obvious that the most unlikely people have come out against it - in May 1998, Treasurer Winston Peters broke ranks with his Cabinet colleagues and attacked Telecom's $820 million profit. Furthermore, he announced that he would review the quality of competition in the telecommunications industry.

Dr Peter Troughton was Telecom's first CEO (replaced by Dr Rod Deane. Obviously you have to have a doctorate to head Telecom) and he has added his voice to the concerns over Telecom's monopolistic structure. Troughton favoured a regulated market overseen by an independent body. "I favoured that when I was here on the telecommunications side, and we offered the Kiwi Share principally because the Government was not setting up any explicit regulatory environment. I think you need to exercise much stronger control if you are going to deliver benefits to the economy, the customer base and the businesses that are being privatised. The Government here is on the extreme edge of deregulation with minimum controls. Frankly, to ensure there were enough controls to protect the telecommunications environment and to make sure the customer got a reasonable deal, basically we, mainly me, offered those undertakings (the Kiwi Share) as a compromise that satisfied what the bureaucrats wanted here ...I felt it offered some protection" (*NZ Herald*; 10/3/98; "Regulated telecoms preferable: Troughton"). The Kiwi Share is feeble enough and apparently we only have that because of the guilty conscience of Telecom's first boss.

This anti-competitive behaviour doesn't involve only phones. Rod Deane has said that, in ten years, Telecom will be an Internet company with phone services. By July 1998, Telecom's Internet business, Xtra, had 120,000 subscribers. And its hardball behaviour towards rival Internet TNCs and the much smaller independent Internet service providers has been well documented. Mega profits and abuse of monopoly - the two go together.

It should be pointed out that CAFCA does not carry a flag for any of these competing TNCs. They are simply the hyenas trying to steal the feast off the lion. Clear was amongst those nominated for the 1997 Roger

Award. Ed.

4/ Service has deteriorated

Never truer. Ask the 50,000 users in Palmerston North, and as far away as Levin and Waiouru, who lost all service, including 111 calls and eftpos transactions, for 9 1/2 hours on July 8 because of a fault in the Palmerston North exchange. Telecom had to dispatch 30 vans geared with mobile phones in lieu of providing an emergency service. The hospital had to use cellphones and radios to contact doctors, patients and blood donors. The Mayor expressed his outrage at Telecom taking too long to advise people that there was a serious problem.This led to Steve Maharey, the Labour MP for Palmerston North, calling for a Ministerial investigation. "I am deeply concerned that the collapse of the system in Palmerston North has all the features of the power blackout in Auckland. In other words, the phones may have gone down because Telecom is not investing in infrastructure ...it is a monopoly that feels it can do what it likes" (*Press*, 15/7/98). 500 Palmerston North subscribers remained without any phone service a week later; thousands had only partial service. Only days after the Palmerston North debacle, 16,000 Masterton subscribers (including Rod Deane's parents) lost part of their system, including 111 calls. They couldn't make toll calls for nearly two hours. Also in July, several hundred people in Takanini (south Auckland) lost service for up to 48 hours. Three months earlier there was a five hour failure of Kaipara's 111 service. Peter Brown, the Mayor of Kaipara, demanded an explanation and got no reply.

These are only the latest in a series of big city exchange crashes, from Auckland to Christchurch. This year alone, Wellington has lost service in Brooklyn and Parliament, due to cable and exchange faults. The reason for all these crashes is simple - Telecom has sacked so many skilled staff and relies on untried, temperamental computer systems. It impacts also at the individual level - Greg White wrote to the *Press* (13/7/98): "I had to wait a week before our phone was reconnected after a fault, and was advised I could give them $180 if I wanted the house phone jack checked. It required much persistence before the faulty box on the power pole was fixed. No wonder their profits are soaring if they treat customers with such disdain". For his part, Maurice Williamson, asked Rod Deane for an explanation of the exchange crashes: "It is vital that New Zealand has confidence in its telecommunications infrastructure for social and economic reasons" (*Press*, 15/7/98). But, true to form, Williamson accepted Telecom's explanation that it had taken steps to prevent further crashes, and that he would not be doing anything about it.

Ask the subscribers who have the misfortune to live adjacent to big cities, on the wrong side of archaic toll boundaries. Telecom has infuriated residents and local governments in these areas by ratcheting up national toll rates, meaning that people in Rangiora, the Kapiti Coast and the Hibiscus Coast have to pay a small fortune to ring family and friends in Christchurch, Wellington and Auckland. For example, the Godfrey family - Rosina Godfrey, in the Rangiora zone, has to pay a tollcall every time she rings her daughter, Deborah Thompson, one kilometre away, in the Christchurch zone. A *Christchurch Star* editorial (11/2/98; "Telecom charge policy illogical") summed it up: "This situation is ridiculous...Without being churlish, it seems as though these zones were created to extract and maximise revenue through toll charges...Telecom will score no points by continuing its illogical policy over Rangiora...". Alliance list MP (and Rangiora resident), John Wright, has called on Telecom to include Rangiora in its Christchurch free calling area, and accused it of "displaying the arrogance of a voracious monopoly" (*Press*, 27/7/98). From August 1998, Telecom's City Caller rates for these people increased from $12.50 per month to $19.95.

Ask St Martin's Christian School, in Christchurch. It had to wait two days to get its phone reconnected. The principal said: "We have a five year old boy who is diabetic and if he has a turn, we have five to ten minutes to call an ambulance" (*Press*, 4/7/98). He added that it was unacceptable for a corporation making so much profit to give such bad service. And so say all of us. Ask everybody who pays residential line charges. As Roger Duke explained, in a letter to the *Press* (2/6/98): "From the hire of a pair of wires, paid for by New Zealanders over many years, Telecom reaps an annual rental of $450 per household, with an estimated income of $400 million from residential customers alone...On top of this, they increase the charge regularly by the annual inflation figure, when, as everyone knows, the cost of technology to provide this service is continually decreasing..."

Ask the Telecommunications Users Association of New Zealand (TUANZ). Its January 1998 survey of charges put Telecom's international business rates right up near the top of the list of most expensive prices. It has the second highest fixed line costs in the OECD. But competition is starting to force Telecom to cut some prices. By July 1998, its share of the international toll market had fallen to 64% (from 74%). In response, it cut some overseas rates by 50%, and introduced a flat rate deal for national toll calls. Rivals include WorldxChange, which has gone into partnership with major retailer Deka, and is still undercutting Telecom.

Ask the small businesses attracted by Telecom's saturation TV advertising, with inanely grinning presenters, of its deals tailored for them. TVNZ's *Holmes* rubbished the deals (and most unusually, for a medium dependent on corporate advertising, also the ads) in a lengthy June item. It featured real world small businesses (not those of Adland), such as a taxi firm, far from happy

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Telecom: From Page 31
with Telecom's service. Robyn McDonald, Minister of Consumer Affairs, has asked people to complain in writing about Telecom, not just via a phone call. The company has to report its performance indicators to her twice a year. There should be a big mailbag.

Even outside its core phone services, Telecom delivers poor service. For several years its cable TV subsidiary, First Media, had been full speed ahead laying cable past tens of thousands of homes in Auckland and Wellington. In November 1997, it abruptly abandoned the planned cable TV and closed First Media, saying it was now going to concentrate on being an Internet service provider. It hasn't publicly disclosed what it has done to recompense subscribers who signed up for cable TV. It quit so abruptly that it left cablelaying contractors in the lurch, several of whom are taking it to court. In March 1998 up to 20 trucks from one contractor staged a drive by protest outside First Media's office. Milan Havlik, general manager of TUS, said: "We are being shafted and not paid for work done...There are things that people, especially Telecom shareholders, should know about the whole project, the millions spent putting pipes into the ground which are of very little use. It's like building a bridge to Australia and you build only the first two kilometres. What's the use of that? We are contractors, what we think of the design is immaterial. We were asked to build it. You can draw your own conclusion as to why it was cancelled" (*NZ Herald*, 31/3/98).

But omens are not good for its Internet service either. Xtra is the country's biggest Internet service provider (ISP). In May 1998, subscribers could only intermittently send or receive e-mail. This was because Xtra was blacklisted after a respected US Website identified it as an ISP which was configured to allow "spamming" ie blanketing the system with electronic junkmail. This is a big no no (quite rightly) on the Internet. Simultaneously, Xtra suffered load problems. This is just the latest in a long series of woes, including major security glitches and heavyhanded treatment of rival ISPs. The conclusion seems to be that you pay through the nose for anything from Telecom and, in return, you don't get any service, let alone with a smile.

5/ Negative social impact - cellphone towers

More so than ever. As of March 1998, Telecom has 476,200 cellular connections; 16% of NZ's population has a cellphone. To service them, it (and the other phone TNCs) needs a nationwide network of transmission towers. The most conspicuous and widespread campaign against Telecom is being waged by communities all around the country fighting to keep cellphone towers out of their neighbourhoods (representing the 84% of New Zealanders who don't own or want a cellphone). This is not a campaign confined to Telecom - it involves other phone TNCs, such as BellSouth (which has attracted 265 objectors to its proposed tower near Devonport Primary School, in North Shore) - but, by definition, Telecom is the biggest.

It's a bitter battle being fought in many places and on many levels. In recent months, Waitakere township has declared itself a Telecom free zone, and residents have waged a successful campaign to force contractors to pack their tools and leave town. Some locals were arrested in clashes with contractors erecting a tower - the Mayor, Bob Harvey, described Telecom as "New Zealand's worst corporate citizen".Te Aroha residents successfully appealed to the Environment Court to overturn a Telecom resource consent to build a tower on Mt Te Aroha. In Torbay, Auckland, residents picketed a local Methodist church because it allowed a tower to be built on its property. Most extraordinarily, Telecom got itself into a ferocious battle in the Waikato blueblood heartland. Why? Because the local very rich and very high profile breeders of champion bulls and racehorses feared that a proposed tower will adversely affect the fertility of their extremely valuable animals, specifically by the microwave emissions heating up their testicles.

(Green Bay Primary School Protest)

It gives a very 90s twist to that old phrase "Great balls of fire", or should that be, "on fire"?

Nowhere has the battle been more bitter than at schools. Initially Telecom offered money to hard pressed primary schools to site its towers in school grounds. A few accepted, until public uproar forced the Ministry of Education to ban that. Then Telecom embarked on a nationwide policy of siting the towers as close as possible to school grounds. In Hamilton, towers erected near two Catholic schools led to protests, arrests, parents withdrawing children, and a boycott of Telecom products and services. The two most high profile schools have been Shirley Primary in Christchurch and Green Bay Primary in Auckland. The former has been through several years of struggle, involving pickets and parents resolving to withdraw their kids. Green Bay decided to take the high profile route of frequent and extremely effective public protest. Kids were withdrawn and the whole school did actually briefly close. Telecom had to provide 24 hour security guards for the local garage which had agreed to host the tower, because of threats against it.The media and public were solidly behind the school - it's a public relations nightmare for Telecom to be up against little kids. In March 1998, after Green Bay had spent up to $30,000 on legal fees and lost 30 pupils, it came to an agreement with Telecom - the TNC agreed to put up a five metre high reflective fence that would reduce radiation levels in the school by 90%. It will involve the use of microsites that Telecom had previously rejected as too expensive and unproved. Microsites have a reach of only 200 metres.

Shirley finally settled on raising the tens of thousands of dollars needed to take Telecom to the Environment Court. The case was heard in May 1998 - decision was reserved. 383 primary schools, the NZ School Trustees Association and the NZ Educational Institute (primary teachers' union) backed Shirley. How ironic that the corporate sponsor of the campaign against bullying in schools is itself the biggest school bully in the country. Telecom has not hesitated to use its heaviest tactics against the schools and communities that have opposed its plans to build cellphone towers wherever it feels like it. It is a daunting task but they haven't flinched. Telecom has achieved the very difficult task of getting ordinary New Zealanders fighting mad - the last time the middle class was getting arrested was during the 1981 Springbok Tour. And the militant opposition to cellphone towers is hurting Telecom and its mates - the best indication of this was BellSouth's recent move to disguise its towers as palm trees!

Christchurch has become a leader in the fight against cellphone towers - the Environmental Protection for Children Trust deserves special mention, as does Lincoln University scientist and Canterbury Regional Councillor, Dr Neil Cherry, who has become an international expert on the subject. Every grassroots campaign needs at least one expert. And the battles won't go away. In May 1998, the Christchurch City Council approved Telecom cellphone transmitters in a central city site; by June, appeals had been lodged.

6/ Political interference

This is not so blatantly obvious now. Telecom's chairman, Peter Shirtcliffe, was the front man for Big Business' campaign against MMP before the 1993 referendum, and made alarmist speeches before the 1996 election. He's pulled his head in recently. But Telecom is prominent in the Business Roundtable. No more needs to be said about that. And Telecom has a distinct view in support of the current economic status quo. For example, Rod Deane rejected criticism of NZ's takeover laws by aggrieved US fund managers (in relation to Kirin Breweries buyout of Doug Myers' stake in Lion Nathan, criticism based on the fact that it wasn't done on the open market). Deane said: "I don't understand why foreigners feel the need to impose their excessive regulatory compliance arrangements on New Zealand. I think our arrangements are quite satisfactory" (*Press*, 18/5/98). But then he would, wouldn't he?

In his capacity as a member of the Enterprise Council, Jenny Shipley's business thinktank, Deane very clearly spelt out his political agenda. This is his "cure" for the current economic crisis: "The tragedy of the last year or two is that we have slowed up the process of reform...Government spending is rising too fast. We have got to get taxes down to encourage spending and stimulate growth...We need more microeconomic reform - we have got to remove remaining tariffs, deregulate the producer boards, set up commercial structures for water and sewerage, privatise and rationalise electricity companies, and review employment law. We lack a vision about where we're heading" (*Press*, 17/7/98). No we don't, Rod. We've seen quite enough of your "visions" (hallucinations would be a better description) and we definitely have no enthusiasm for them.

Meanwhile, people elsewhere are going to extraordinary lengths to avoid repeating New Zealand's mistake. In April 1997, the Governor of Puerto Rico, in the US, announced the planned privatisation of the island's phone company. Opposition was immediate and broadbased, led by a group with the wonderful Spanish acronym of CAOS. In October 1997, they staged a 24 hour general strike and a rally of 100,000 people, the biggest in Puerto Rican history. In June 1998, phone company workers went on indefinite strike (it lasted 41 days), followed by a 48 hour general strike in July. The resulting rioting and police brutality made the TV news as far away as New Zealand (but the Puerto Rican government vowed to press on with the privatisation). It was this very militancy that was missing from shellshocked Godzone when Telecom was privatised here in 1990. But it's never too late.

OVERSEAS INVESTMENT APPROVALS FALL IN 1997, BOTH IN DOLLARS AND HECTARES SOLD

1997 statistics from the OIC

- Bill Rosenberg

Overseas investment approved by the Overseas Investment Commission (OIC) fell in 1997. After a fall in 1994 and 1995, it rose again substantially in 1996. The 1997 figures are still larger than 1995 and comparable to 1994, though still a long way from the peak in 1993. Land sales returned to about their 1995 level (by hectares), the first pause in a rising pattern since 1992.

The largest activities by value were property acquisition, manufacturing, forestry, and amusement (dominated by the sale from one overseas owner to another of the TV programmes *Xena,* and *Hercules*). A total of $5.2 billion of general investments were approved, taking the total for the six years 1991-97 to $44.5 billion. Though the OIC gives no analysis of takeovers versus "greenfield" investment, our analysis of its decisions throughout the year show that the activities are largely takeovers, with some of these being transfers between overseas owners.

Forestry dominates the land sales, 50,749 hectares (82%) of the total 62,110 hectares sold being for this purpose in 1997, and 68% (255,857 hectares) in the seven years 1991-97. Farming of various kinds took 14% in 1997 (beef and sheep taking more than 9% between them) and 24% over the seven years.

The OIC calculates the percentage of all land sold overseas during the years 1991-1997, showing that 1.75% of the farm and forest land of Aotearoa has been sold over those six years. However that includes 6.4 million hectares of natural forest, much of which is in reserves. It is more valid to use the land available for sale for purposes of production as the base. That land (pasture, arable land, and production forest) amounts to 15.4 million hectares (according to "NZ Forestry Facts and Figures '97"; New Zealand Forest Owners Association, with the Ministry of Forestry). During the years 1991-1997, 2.44% has been approved for sale overseas.

That may not sound much, but at its current rate of increase, would lead to all productive land in Aotearoa being sold within 50 to 60 years. Neither does it include all land in overseas ownership, such as land sold before 1991. Things are not quite that bad: of the 62,110 hectares sold in 1997, 12,868 was from one overseas investor to another, 1,301 hectares went to people who gained residency status, and New Zealanders retain an interest in some of the land. On the other hand, control over a further 5,575 hectares went overseas in the form of leases or forestry rights. In addition, the forestry rights do not include Crown forestry rights which have been arbitrarily defined as not constituting an interest in land (under the Crown Forest Assets Act 1989). Weyerhaeuser Company of the U.S.A. acquired 60,002 hectares of such rights when it bought a total of 78,000 hectares of forest in the Nelson/Marlborough area in 1997.

Overseas control of land is thus much higher than the OIC's land sales record. As the following table on forestry ownership shows, much more than the 375,258 hectares the OIC has recorded since 1991 was under overseas control for forestry purposes alone.

Major Commercial Forest Ownership June 1997

Owner/Manager	Overseas Owned?	Planted area (Hectares)	Percentage of total
Carter Holt Harvey	Yes	333,000	21.6%
Fletcher Challenge Forests	Yes	288,000	18.7%
Rayonier New Zealand	Yes	98,000	6.4%
Weyerhaeuser New Zealand	Yes	64,000	4.2%
Juken Nissho	Yes	57,000	3.7%
Crown Leases		51,000	3.3%
Ernslaw One	Yes	34,000	2.2%
Hawkes Bay Forests Ltd	Yes	28,000	1.8%
Timberlands West Coast		27,000	1.8%
Wenita Forest Products	Yes	26,000	1.7%
Hikurangi Forest Farms	Yes	25,000	1.6%
Crown Forestry Management		24,000	1.6%
Forest Enterprises		21,000	1.4%
Evergreen Forests	Yes	19,000	1.2%
Roger Dickie New Zealand		17,000	1.1%
Winstone Pulp International	Yes	17,000	1.1%
City Forests Ltd		12,000	0.8%
Other	(Some may be)	401,000	26.0%
Total		**1,542,000**	**100.0%**
Overseas owned (at least)		**989,000**	**64.1%**

Source: "NZ Forestry Facts and Figures '97", New Zealand Forest Owners Association Inc in co-operation with the Ministry of Forestry.

The greatest jump for the year is in applications declined. Six applications were turned down in 1997, compared to one in 1996 – and that was the first since 1990. But don't vote for Winston Peters on this account. All applications were for small proposals involving land. Only 168 hectares were at stake. And one (involving four hectares) was approved a few months later.

As always, the OIC statistics must be read with care: they record the *applications* to the Commission. The OIC notes that they include transactions which

- don't proceed or proceed only partially;
- are the transfer of assets from one overseas owner to another or a corporate restructuring from one subsidiary of an overseas owned company to another;
- are joint venture arrangements with up to 75% Aotearoa share, but the OIC records the full value of the transaction as being overseas owned;
- involve overseas people who subsequently become residents of Aotearoa.

These increase the totals without necessarily changing the real level of overseas investment in Aotearoa, or changing it to the degree stated. The OIC states that when they removed "some but not all" of the above types of transactions from the 281 transactions in 1997 involving $5.2 billion, 198 were left, involving $2.1 billion.

On the other hand, these statistics do not include overseas investment transactions that result in the investor owning less than a 25% interest, or are less than $10 million (unless they involved land).

Land Sales

By land usage, the most significant changes compared to 1996 were:

- **beef farming** (144 hectares up to 3,248 hectares);
- **sheep farming** (439 hectares up to 2,596 hectares);
- **other farm related** (381 hectares up to 1,820 hectares);
- **forestry** (69,395 hectares down to 50,749 hectares);
- **mining** (3,932 hectares down to 1,758 hectares);
- **dairy farming** (5,153 hectares down to 568 hectares);
- **residential subdivision** (1,020 hectares down to 162 hectares);
- **tourist related** (2,160 down to 141 hectares);
- **manufacturing** (1,663 hectares down to 129 hectares);

By hectares, the top domiciles of land buyers were:

- **United States**, 36 applications, 36,330 hectares

(Continued on Page 36)

Overseas Investment Approvals: From Page 35

- **China**, 4 applications, 6,417 hectares
- **Japan**, 6 applications, 3,672 hectares
- **United Kingdom**, 7 applications, 3,472 hectares
- **Canada**, 9 applications, 2,691 hectares
- **Australia**, 29 applications, 2,439 hectares
- **Netherlands**, 2 applications, 2,437 hectares
- **Malaysia**, 14 applications, 1,495 hectares
- **Singapore**, 12 applications, 1,356 hectares

China and the Netherlands are surprise new entrants. Four of the top six are traditional sources of foreign investment – the U.S.A., U.K., Canada and Australia. Asian countries have fallen back since last year.

By region, the highest sales by value were:

- **Nelson/Marlborough**, 15 applications, 18,295 hectares
- **Gisborne/Hawkes Bay**, 10 applications, 8,494 hectares
- **Northland**, 15 applications, 4,801 hectares
- **Bay of Plenty/Coromandel**, 13 applications, 4,449 hectares
- **Otago**, 10 applications, 4,238 hectares
- **Canterbury**, 11 applications, 3,766 hectares
- **Wairarapa**, 3 applications, 2,614 hectares
- **Southland**, 2 applications, 2,316 hectares
- **Taranaki/Wanganui**, 28 applications, 1,963 hectares
- **Auckland**, 32 applications, 1,957 hectares

Bay of Plenty/Coromandel and Canterbury replace Southland and the King Country in the top six.

General overseas investment

The amount of foreign investment approved has dropped from $6.8 billion in 1996 to $5.2 billion in 1997. For the period 1991-1997, a total of $44.5 billion in investments were approved by the OIC.

The most significant activities in 1997 were:

- **Property**: $1,539 million
- **Manufacturing**: $788 million
- **Services**: $696 million
- **Forestry**: $535 million
- **Amusement/Entertainment**: $408 million
- **Insurance**: $306 million
- **Accommodation**: $261 million
- **Wholesale and Retail Trade**: $162 million
- **Utilities** (mainly **electricity**): $157 million
- **Agriculture**: $135 million

By activity, the most significant increases over 1996 were in property, with services, amusement/ entertainment and insurance in a block some way behind:

- **Property**: up from $617m in 1996 to $1,539m in 1997, an increase of $921m or 149%
- **Services**: up from $405m in 1996 to $696m in 1997, an increase of $291m or 72%
- **Amusement/Entertainment**: up from $195m in 1996 to $408m in 1997, an increase of $213m or 109%
- **Insurance**: up from $123m in 1996 to $306m in 1997, an increase of $183m or 149%
- **Manufacturing**: up from $660m in 1996 to $788m in 1997, an increase of $128m or 19%
- **Agriculture**: up from $28m in 1996 to $135m in 1997, an increase of $106m or 374%
- **Accommodation**: up from $158m in 1996 to $261m in 1997, an increase of $103m or 65%

The most significant decreases from 1996 included a surprise: forestry, which is one of the most significant areas of "greenfields" investment. This was boosted in 1996 by the privatisation of Forestry Corporation (US$409 million).

- **Banks**: down from $1,256m in 1996 (the Trust Bank takeover) to zero in 1997
- **Electricity Supply**: down from $777m in 1996 to $138m in 1997, a decrease of $639m or 82%
- **Wholesale and Retail Trade**: down from $787m in 1996 to $162m in 1997, a decrease of $625m or 79%
- **Forestry**: down from $948m in 1996 to $535m in 1997, a decrease of $413m or 44%
- **Telecommunications**: down from $429m in 1996 to $78m in 1997, a decrease of $351m or 82%
- **Media**: down from $398m in 1996 to $95m in 1997, a decrease of $306m or 76%

By origin of investment, the top sources were largely familiar:

- **Australia** ($1,656m)
- **United States** ($1,019m)
- **Hong Kong** ($619m)
- **Malaysia** ($370m)
- **United Kingdom** ($353m)
- **Canada** ($307m)
- **France** ($174m)
- **Singapore** ($133m)
- **Brazil** ($128m)
- **Netherlands** ($104m)

Five of the top six (Australia, U.S.A., Malaysia, U.K., and Canada) continue from 1996. However, Hong Kong (still categorised separately) replaces China, which was up there for the first time ever in 1996. A surprising omission (as it was in 1996) is Japan, at $46m. Brazil is a surprise new entry in the top rankers – entirely due to the Bunge Foods takeover of baker, Defiance.

[Note: In the following tables, some of the totals for previous years have been revised by the OIC since last year.]

Overseas Investment Approvals by Activity 1991-1997

	1991		1992		1993		1994		1995		1996		1997		1991-1997			
Activity	Num.	$	Num.	$	Num.	$	Num.	$	Num.	$	Num.	$	Num.	$	Num.	%	$	%
Accommodation																		
Farm Stay Accommodation	0	0	1	1,500,000	7	9,691,400	0	0	2	2,625,000	2	725,000			12	0.5%	14,541,400	0.0%
Accommodation - Hotel/Motel/Lodge	17	286,597,057	9	79,327,308	15	124,018,017	18	259,555,545	16	275,637,903	12	157,285,593	10	261,185,200	97	3.9%	1,443,606,623	3.2%
Agriculture																		
Beef Farming	5	5,090,000	2	1,920,000	3	2,260,000	2	12,237,500	3	3,392,600	2	4,550,000	6	7,635,300	23	0.9%	37,085,400	0.1%
Crop Farming	1	100,000	0	0	2	600,000	0	0	3	2,466,418	3	885,000			9	0.4%	4,051,418	0.0%
Dairy Farming	3	2,112,000	9	6,105,000	5	1,050,000	12	65,226,000	3	3,585,000	4	6,873,800	7	4,918,241	43	1.7%	89,870,041	0.2%
Deer Farming	4	927,700	6	5,236,530	4	922,037	3	510,080			1	1,115,000	2	2,650,000	20	0.8%	11,361,347	0.0%
Floriculture/Nurseries	1	445,000	5	3,237,000	9	1,480,200	1	1,280,000	2	248,508			2	2,661,388	20	0.8%	9,352,096	0.0%
Goat Farming	0	0	0	0	2	570,100	0	0							2	0.1%	570,100	0.0%
Market Gardening	7	1,662,500	3	1,415,000	8	2,366,574	3	1,126,000	3	877,000	2	3,516,224	1	425,000	27	1.1%	11,388,298	0.0%
Mixed Farming	4	1,176,125	4	2,123,625	2	805,000	1	650,000			4	1,652,720			15	0.6%	6,407,470	0.0%
Orchard	4	3,332,940	5	1,026,983	3	1,140,000	4	1,840,000	13	32,031,236	2	1,595,000	2	1,145,000	33	1.3%	42,111,159	0.1%
Ostrich Farming	0	0	0	0	0	0	1	165,000	3	700,000					4	0.2%	865,000	0.0%
Pig Farming	0	0	1	1,500,000	0	0	1	385,000					1	95,718,993	3	0.1%	97,603,993	0.2%
Poultry Farming	0	0	1	0	0	0	0	0					3	3,570,250	4	0.2%	3,570,250	0.0%
Sheep Farming	16	11,670,936	13	9,099,041	12	17,905,635	16	74,561,500	16	16,781,000	2	2,100,000	3	2,001,700	78	3.1%	134,119,812	0.3%
Vineyard	8	1,910,190	12	2,027,955	8	10,683,250	12	22,385,400	7	11,024,800	7	6,165,669	7	14,110,000	61	2.5%	68,307,264	0.2%
Amusement/Entertainment	11	4,647,125	12	47,336,700	7	40,115,460	6	86,885,000	10	37,284,020	4	194,705,775	7	407,824,514	57	2.3%	818,798,594	1.8%
Communications and Telecommunications	8	250,056,500	10	61,440,587	15	1,884,977,439	16	126,124,922	23	228,188,399	12	429,485,741	4	78,444,982	88	3.5%	3,058,718,570	6.9%
Finance																		
Banks	11	166,425,000	10	2,860,791,927	3	327,000,000	1	198,333,333	1	53,680,132	1	1,255,627,034			27	1.1%	4,861,857,426	10.9%
Insurance	12	388,301,595	1	14,159,254	6	34,151,883	5	130,719,000	7	61,000,000	1	122,581,072	4	305,827,649	36	1.4%	1,056,740,453	2.4%
Fishing																		
Commercial Fishing	3	200,000	1	910,000	2	8,000,100	0	0							6	0.2%	9,110,100	0.0%
Fish Farming	0	0	0	0	1	16,400,000	0	0	3	19,578,537	1	22,680,000			5	0.2%	58,658,537	0.1%
Forestry	13	396,358,200	22	627,500,324	58	184,362,517	84	512,166,981	130	258,209,130	118	948,335,407	84	535,112,559	509	20.5%	3,462,045,118	7.8%
Manufacturing	49	1,632,470,721	41	607,575,446	50	3,034,539,990	38	384,333,556	38	492,739,151	19	659,632,906	30	788,094,203	265	10.7%	7,599,385,973	17.1%
Media																		
Print Media	0	0	5	75,000,000	2	48,440,000	0	0	6	332,741,554					13	0.5%	456,181,554	1.0%
Radio Broadcasting	0	0	0	0	0	0	0	0			2	115,222,384	1	33,000,000	3	0.1%	148,222,384	0.3%
Television Broadcasting	7	34,681,543	0	0	0	0	0	0	1	84,615,384	1	283,101,045	3	61,816,103	12	0.5%	464,214,075	1.0%
Mining																		
Coal Mining	2	1,002,000	1	140,000	2	5,000	0	0			1	788,665			6	0.2%	1,935,665	0.0%
Crude Petrol and Natural Gas	6	69,092,310	5	41,000,000	2	10,000,000	1	11,300,000	9	22,611,596			12	14,262,000	35	1.4%	168,265,906	0.4%
Metal Ore Mining	14	42,472,541	1	12,000	12	241,660,895	10	61,930,000	10	92,302,791	32	11,059,750			79	3.2%	449,437,977	1.0%
Other Mining	4	1,408,500	3	500,000	0	0	1	9,000	6	98,080,001	4	4,562,000			18	0.7%	104,559,501	0.2%
Property																		
Commercial Construction	4	130,300,001	0	0	7	86,250,100	1	28,492,368	5	78,000,000	5	92,241,938	7	246,500,051	29	1.2%	661,784,458	1.5%
Commercial Property Leasing	27	1,072,145,170	9	240,349,999	56	1,714,540,624	44	1,345,847,295	20	340,734,327	10	471,789,000	19	1,248,823,897	185	7.4%	6,434,230,312	14.4%
Lifestyle	10	3,138,400	18	3,311,875	15	3,452,525	11	3,823,126	14	3,820,500	8	5,082,154	6	2,548,889	82	3.3%	25,177,469	0.1%
Residential Construction	0	0	3	20,250,000	2	19,800,598	15	214,365,800	11	18,804,936	17	48,133,500	14	40,813,500	62	2.5%	362,168,334	0.8%
Services																		
Building services	0	0	0	0	0	0	1	53,260,870	2	38,226,984					3	0.1%	91,487,854	0.2%
Business Services	6	44,286,288	13	265,958,414	9	36,386,569	5	94,241,236	5	112,590,000	4	37,667,310	13	165,830,177	55	2.2%	756,959,994	1.7%
Education Services	1	183,500	0	0	0	0	1	100,000	2	1,337,000	1	477,500			5	0.2%	2,098,000	0.0%
Engineering Services	0	0	0	0	0	0	2	20,000,000			1	50,100,000			3	0.1%	70,100,000	0.2%
Environmental Services									11	185,030,020	2	3,325,000			13	0.5%	188,355,020	0.4%
Financial Institutions/Services	13	402,597,748	36	440,714,361	9	138,759,678	15	687,452,662	10	483,544,871	4	185,416,970	7	161,726,883	94	3.8%	2,500,213,173	5.6%
Health Services	0	0	0	0	0	0	4	19,400,000	2	420,000			1	450,000	7	0.3%	20,270,000	0.0%
Tourist Service Industries	1	295,000	5	1,301,488	0	0	0	0	3	735,000	9	36,820,226	2	3,950,090	20	0.8%	43,101,804	0.1%
Transport Services	15	500,950,001	7	47,875,891	17	748,270,100	6	20,242,455	7	351,705,217	5	91,050,000	6	350,855,441	63	2.5%	2,110,949,105	4.7%
Veterinary/Animal Services	0	0	0	0	0	0	0	0					2	12,885,000	2	0.1%	12,885,000	0.0%
Thoroughbred Stud	4	4,120,000	1	6,000,000	5	2,425,076	0	0	6	4,623,237	3	832,500	1	320,000	20	0.8%	18,320,813	0.0%
Utilities																		
Electricity Supply	1	0	2	94,640,000	1	74,640,000	5	295,803,020	6	765,504,433	8	776,768,733	7	137,827,417	30	1.2%	2,145,183,603	4.8%
Gas Supply	0	0	0	0	0	0	2	151,259,374					1	6,500,000	3	0.1%	157,759,374	0.4%
Water Supply	0	0	0	0	0	0	0	0					1	13,100,100	1	0.0%	13,100,100	0.0%
Wholesale and Retail Trade	30	813,168,250	40	790,038,615	21	581,184,358	14	340,027,848	25	361,739,424	25	786,911,815	5	162,288,272	160	6.4%	3,835,358,582	8.6%
Holding Companies	13	27,014,293	26	378,481,691	0	0	0	0	*	*	*	*	*	*	39	1.6%	405,495,984	0.9%
Total	335	6,300,339,134	343	6,739,807,014	382	9,408,855,125	362	5,226,039,871	444	4,877,216,109	339	6,820,862,431	281	5,174,822,799	2,486	100.0%	44,547,942,483	100.0%

Overseas Investment Approvals by Country of Origin 1991-1997

	1991		1992		1993		1994		1995		1996		1997		1991-1997		1992-1997	
Country	Num.	$	Num.	$	Num.	$	Num.	$	Num.	$	Num.	$	Num.	$	Num.	%	$	%
Australia	74	NA	124	3,479,336,322	79	2,250,232,004	52	1,535,480,288	58	1,428,356,058	58	1,905,930,093	61	1,655,706,213	506	20.4%	12,255,040,978	32.0%
Belgium	0	0	0	0	0	0	0	0	0	0	1	515,000			1	0.0%	515,000	0.0%
Brazil													1	128,366,745	1	0.0%	128,366,745	0.3%
British Virgin Islands	0	0	0	0	0	0	0	0	0	0	1	68,451,000			1	0.0%	68,451,000	0.2%
Brunei	0	0	0	0	4	30,405,100	0	0	0	0	1	790,000			5	0.2%	31,195,100	0.1%
Canada	5	NA	5	23,800,000	7	1,462,509,035	16	435,213,272	8	593,282,381	11	791,005,052	14	307,244,478	66	2.7%	3,613,054,218	9.4%
China	7	NA	0	0	1	0	5	176,333,112	3	68,140,132	3	609,133,641	7	30,675,228	26	1.0%	884,282,113	2.3%
Denmark	0	NA	1	1,883,841	0	0	0	0	0	0	0	0			1	0.0%	1,883,841	0.0%
Fiji	0	0	0	0	0	0	0	0	1	76	0	0			1	0.0%	76	0.0%
Finland	0	0	2	1,065,576	0	0	0	0	1		0	0			3	0.1%	1,065,576	0.0%
France	8	NA	2	20,000,000	2	22,100,000	2	141,966,000	1	420,000	0	0	7	173,717,285	22	0.9%	358,203,285	0.9%
Germany	6	NA	7	21,422,001	9	14,905,100	6	82,038,025	6	20,890,000	7	15,866,150	2	480,000	43	1.7%	155,601,276	0.4%
Hong Kong	12	NA	1	150,000,000	29	516,905,100	41	928,382,125	28	117,080,138	7	169,228,929	6	618,661,333	124	5.0%	2,500,257,625	6.5%
Indonesia	11	NA	3	2,614,488	3	3,119,460	0	0	1	80,500,000	1	480,000			19	0.8%	86,713,948	0.2%
Ireland	0	0	0	0	1	1,500,000	0	0	0	0	1	1,400,000	1	462,500	3	0.1%	3,362,500	0.0%
Israel	0	0	0	0	0	0	0	0	0	0	1	470,000			1	0.0%	470,000	0.0%
Italy	0	0	0	0	1	1,350,000	1	405,000	0	0	0	0			2	0.1%	1,755,000	0.0%
Japan	43	NA	42	439,526,531	27	172,064,707	20	89,619,475	29	165,345,740	15	63,989,043	10	46,113,591	186	7.5%	976,659,087	2.6%
Korea	1	NA	0	0	0	0	2	190,080	3	1,747,000	1	80,000,000	1	2,295,000	8	0.3%	84,232,080	0.2%
Malaysia	5	NA	3	7,816,000	10	27,925,598	25	102,148,106	18	107,186,833	20	309,470,976	18	370,495,979	99	4.0%	925,043,492	2.4%
Netherlands	11	NA	2	1,325,000	3	11,469,000	3	21,319,000	4	3,466,000	3	38,156,000	5	103,557,257	31	1.2%	179,292,257	0.5%
Netherlands Antilles	1	NA	0	0	0	0	0	0	0	0	0	0			1	0.0%	0	0.0%
New Caledonia	3	NA	1	850,000	2	735,000	2	3,040,000	1	150,000	0	0			9	0.4%	4,775,000	0.0%
New Zealand	11	NA	5	170,097,000	0	0	13	197,542,000	4	69,083,928	4	124,308,072	2	161,500,000	39	1.6%	722,531,000	1.9%
Norway	2	NA	0	0	0	0	0	0	0	0	0	0			2	0.1%	0	0.0%
Panama	1	NA	0	0	0	0	0	0	0	0	0	0			1	0.0%	0	0.0%
Paraguay	0	0	0	0	1	300,000	0	0	0	0	0	0			1	0.0%	300,000	0.0%
Qatar	0	0	0	0	3	5,700,000	2	248,000	0	0	0	0			5	0.2%	5,948,000	0.0%
Saudi Arabia	0	0	0	0	1	16,400,000	0	0	1	2,050,000	0	0	2	931,700	4	0.2%	19,381,700	0.1%
Singapore	19	NA	21	161,002,507	45	534,819,201	28	415,522,771	33	304,463,084	21	302,522,972	15	132,562,500	182	7.3%	1,850,893,035	4.8%
South Africa	0	0	0	0	0	0	0	0	1	1,225,000	2	10,415,000			3	0.1%	11,640,000	0.0%
Sweden	0	0	0	0	0	0	0	0	0	0	2	4	1	1,700,000	3	0.1%	1,700,004	0.0%
Switzerland	9	NA	9	60,040,000	8	43,740,250	6	2,439,500	7	54,575,000	6	15,490,050	7	52,050,090	52	2.1%	228,334,890	0.6%
Tahiti	2	NA	0	0	1	300,000	1	385,000	0	0	0	0			4	0.2%	685,000	0.0%
Taiwan	5	NA	4	8,850,100	16	74,260,974	15	15,831,500	50	11,696,812	0	54,881,170	26	14,214,608	116	4.7%	179,735,164	0.5%
Thailand	0	0	1	115,000	0	0	1	7,000,000	1	542,500	47	0	1	2,250,000	51	2.1%	9,907,500	0.0%
United Arab Emirates	0	0	0	0	0	0	0	0	1	292,500	0	0			1	0.0%	292,500	0.0%
United Kingdom	50	NA	55	1,546,384,129	44	489,283,982	37	266,228,604	56	1,120,725,896	22	543,828,848	20	352,522,909	284	11.4%	4,318,974,368	11.3%
United States	49	NA	54	628,678,519	85	3,728,830,614	83	803,858,013	126	719,306,814	103	1,712,230,431	73	1,019,200,903	573	23.0%	8,612,105,294	22.5%
Uruguay	0	0	0	0	0	0	0	0	2	6,690,217	0	0			2	0.1%	6,690,217	0.0%
Vanuatu	0	0	0	0	0	0	1	850,000	0	0	0	0			1	0.0%	850,000	0.0%
Venezuela	0	0	0	0	0	0	0	0	0	0	1	2,300,000	1	114,480	2	0.1%	2,414,480	0.0%
Western Samoa	0	0	1	15,000,000	0	0	0	0	0	0	0	0			1	0.0%	15,000,000	0.0%
Total	**335**	**6,300,339,134**	**343**	**6,739,807,014**	**382**	**9,408,855,125**	**362**	**5,226,039,871**	**444**	**4,877,216,109**	**339**	**6,820,862,431**	**281**	**5,174,822,799**	**2,486**	**100.0%**	**38,247,603,349**	**100.0%**

Overseas Investment in Land by Activity 1991-1997

Activity	1991 Num.	1991 Area (ha.)	1991 $	1992 Num.	1992 Area (ha.)	1992 $	1993 Num.	1993 Area (ha.)	1993 $	1994 Num.	1994 Area (ha.)	1994 $	1995 Num.	1995 Area (ha.)	1995 $	1996 Num.	1996 Area (ha.)	1997 Num.	1997 Area (ha.)	1991-1997 Num.	1991-1997 %	1991-1997 Area (ha.)	1991-1997 %
Sheep Farming	14	22,074	11,670,936	9	6,623	6,715,100	10	5,311	15,254,635	7	**4,488**	**6,927,500**	10	5,815	NA	2	439	3	2,596	55	5.0%	47,346	12.6%
Tourist Related	13	998	21,568,938	14	4,154	10,425,344	8	838	9,017,055	8	503	22,885,000	14	1,854	NA	17	2,160	8	141	82	7.4%	10,648	2.8%
Lifestyle	10	49	3,138,400	13	207	3,310,875	12	309	3,452,425	**10**	**234**	**3,738,126**	14	189	3,820,500	8	272	6	183	73	6.6%	1,443	0.4%
Vineyard	8	164	1,910,190	6	257	2,027,750	7	224	10,633,300	10	508	15,088,500	6	331	NA	7	165	7	306	51	4.6%	1,955	0.5%
Beef Farming	6	2,607	9,060,000	2	593	1,920,000	3	734	2,260,000	2	1,829	12,237,500	3	1,292	3,392,600	1	144	6	3,248	23	2.1%	10,447	2.8%
Forestry	5	14,292	5,933,024	16	13,911	31,860,654	32	25,356	42,881,092	**67**	**37,222**	**136,668,527**	116	44,950	NA	110	69,377	61	50,749	407	36.8%	255,857	68.2%
Market Gardening	5	128	1,662,500	3	118	1,415,000	4	62	1,465,000	**3**	**27**	**611,000**	2	12	NA	2	56	1	6	20	1.8%	409	0.1%
Wholesale/Retail	5	19	1,115,519	0	0	0	0	0	0	1	36	4,000,000	0	0	0	2	35	0	0	8	0.7%	90	0.0%
Orchard	4	69	3,332,940	4	27	1,026,983	3	17	1,140,000	3	65	1,840,000	10	3,320	NA	2	16	2	59	28	2.5%	3,573	1.0%
Manufacturing	4	59	1,083,000	6	70	2,383,741	7	58	41,566,250	14	1,102	62,262,500	7	218	NA	7	1,663	12	129	57	5.2%	3,299	0.9%
Thoroughbred Stud	4	272	3,470,000	1	175	6,000,000	5	481	2,425,076	0	0	0	4	649	NA	3	112	1	25	18	1.6%	1,714	0.5%
Other Farm related*	5	706	2,023,625	9	2,787	8,860,055	7	413	2,292,137	6	526	1,710,080	2	12	NA	5	381	5	1,820	39	3.5%	6,645	1.8%
Mixed Farming	3	496	1,096,125	4	2,254	2,123,625	2	275	805,000	1	201	650,000	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA
Dairy Farming	2	361	2,110,000	9	886	6,105,000	4	294	1,050,000	10	8,185	25,226,000	3	534	3,585,000	4	5,153	7	568	39	3.5%	15,981	4.3%
Mining	2	83	350,000	2	24	152,000	2	574	5,782	3	2,022	1,440,000	6	1,201	NA	35	3,932	12	1,758	62	5.6%	9,594	2.6%
Deer Farming	2	210	927,500	4	496	5,236,430	3	104	917,037	3	248	510,080	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA
Floriculture	1	2	445,000	4	43	957,000	5	45	1,480,000	1	129	1,280,000	1	15	NA			1	95	13	1.2%	329	0.1%
Crop Farming	1	9	100,000	0	0	0	2	188	600,000	0	0	0	3	177	2,466,418	3	57	0	0	9	0.8%	431	0.1%
Educational Services	1	4	183,500	0	0	0	0	0	0	0	0	0	2	15	1,337,000	1	14	0	0	4	0.4%	33	0.0%
Residential Subdivision	0	0	0	2	101	4,250,000	1	70	2,400,000	9	1,759	52,505,800	10	430	NA	17	1,020	14	162	53	4.8%	3,542	0.9%
Poultry Farming	0	0	0	1	12	0	0	0	0	0	0	0	0	0	0			2	75	3	0.3%	87	0.0%
Telecommunications	0	0	0	1	1	22,000	0	0	0	3	3	66,000	12	12	NA	3	20	0	0	19	1.7%	36	0.0%
Pig Farming	0	0	0	1	37	1,500,000	0	0	0	1	27	385,000	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA
Transport Services	0	0	0	1	2	250,000	0	0	0	3	3	2,697,000	1	5	NA	2	157	2	3	9	0.8%	170	0.0%
Goat Farming	0	0	0	0	0	0	2	34	570,100	0	0	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA
Commercial Construction	0	0	0	0	0	0	1	23	570,000	0	0	0	0	0	0	3	33	1	3	5	0.5%	59	0.0%
Ostrich Farming	0	0	0	0	0	0	0	0	0	1	50	165,000	2	12	NA	NA	NA	NA	NA	NA	NA	NA	NA
Other	0	0	0	0	0	0	0	0	0	2	9	109,000	5	650	NA	11	725	10	184	28	2.5%	1,568	0.4%
Total	**90**	**41,896**	**69,157,572**	**103**	**29,991**	**87,681,502**	**113**	**34,997**	**138,492,752**	**162**	**58,650**	**351,292,533**	**231**	**61,681**	**653,389,279**	**245**	**85,933**	**161**	**62,110**	**1,105**	**100.0%**	**375,257**	**100.0%**

Overseas Investment in Land by Region 1991-1997

	1991			1992			1993			1994			1995		1996		1997		Totals 1991-97		
Region	Num.	Area (ha.)	$	Num.	Area (ha.)	$	Num.	Area (ha.)	$	Num.	Area (ha.)	$	Num.	Area (ha.)	Num.	Area (ha.)	Num.	Area (ha.)	Num.	Area (ha.)	$1991-94
Northland	5	492	2,740,100	5	181	1,605,875	21	2,036	9,828,141	26	4,865	32,137,500	32	2,967	20	3,125	15	4,801	124	18,467	46,311,616
Auckland	4	1,369	15,395,000	12	1,191	14,041,505	4	72	2,000,000	19	7,968	102,874,205	14	517	30	328	32	1,957	115	13,402	134,310,710
South Auckland	13	1,067	16,471,256	10	805	11,278,100	10	1,458	9,588,500	3	273	2,785,000	2	8	1	13	4	671	43	4,295	40,122,856
Bay of Plenty/Coromandel	7	1,125	5,207,740	10	4,207	7,395,000	4	97	8,908,000	8	2,957	19,194,800	11	1,755	26	1,221	13	4,449	79	15,811	40,705,540
Waikato	2	251	1,348,519	8	644	4,632,000	5	387	2,246,076	6	752	11,423,000	8	850	9	439	6	886	44	4,209	19,649,595
King Country													15	7,572	11	5,396	3	636	29	13,604	0
Gisborne/Hawkes Bay	2	46	741,600	6	3,151	3,624,514	8	4,778	48,295,000	20	8,466	78,064,000	24	17,406	25	42,430	10	8,494	95	84,771	130,725,114
Taranaki/Wanganui							1	2	710,000	2	2,251	1,739,440	39	3,495	40	1,537	28	1,963	110	9,248	2,449,440
Manawatu	5	20	426,000	1	6	220,000	1	115	460,000	4	2,435	12,095,020	5	570	4	2,089			20	5,235	13,201,020
Wairarapa	2	527	860,000	2	68	924,000							4	2,106	3	581	3	2,614	14	5,896	1,784,000
Wellington							6	338	3,770,000	2	34	350,000	1	108			3	155	12	635	4,120,000
Nelson/Marlborough	11	14,155	4,999,964	9	5,760	21,438,483	7	4,685	14,484,536	23	8,990	41,690,892	17	1,634	14	5,094	15	18,295	96	58,613	82,613,875
Canterbury	17	19,666	10,650,006	1	21	140,000	13	746	6,470,750	20	7,516	32,079,501	24	9,967	7	1,286	11	3,766	93	42,968	49,340,257
West Coast	3	9	850,000	12	2,348	5,349,428	2	24	7,250	1	82	125,000	2	581	2	175	2	162	24	3,381	6,331,678
Otago	12	676	7,368,375	16	6,371	10,830,119	20	8,350	24,191,317	16	7,453	14,013,500	26	5,043	40	15,798	10	4,238	140	47,929	56,403,311
Southland	7	2,493	2,099,012	11	5,238	6,202,478	11	11,909	7,533,182	12	4,608	2,754,175	8	7,093	7	6,319	2	2,316	58	39,976	18,588,847
Various															6	113	4	6,707	10	6,820	0
Total	90	41,896	69,157,572	103	29,991	87,681,502	113	34,997	138,492,752	162	58,650	351,326,033	231	61,681	245	85,933	161	62,110	1,105	375,258	646,657,859

Overseas Investment in Land by Country of Origin of Investment 1991-1997

	1991			1992			1993			1994			1995			1996		1997		1991-1997				
Country	Num.	Area (ha.)	$	Num.	Area (ha.)	$	Num.	Area (ha.)	$	Num.	Area (ha.)	$	Num.	Area (ha.)	$	Num.	Area (ha.)	Num.	Area (ha.)	Num.	%	Area (ha.)	%	$1991-95
Australia	11	2,140	3,578,769	19	3,249	17,955,109	17	2,159	14,709,158	11	2,838	9,392,500	11	3,408	34,123,000	44	5,772	29	2,439	142	12.9%	22,005	5.9%	79,758,536
Belgium																1	555			1	0.1%	555	0.1%	0
Brunei																1	72			1	0.1%	72	0.0%	0
Canada	1	15	110,000	3	881	3,800,000	2	501	925,000	2	128	382,500	5	651	390,738,400	7	655	9	2,691	29	2.6%	5,522	1.5%	395,955,900
China	2	11	170,000	0	0	0	0	0	0	2	1,116	11,705,000				1	9	4	6,417	9	0.8%	7,553	2.0%	11,875,000
Fiji													1	4	76					1	0.1%	4	0.0%	76
France	1	78	665,000	0	0	0	0	0	0	0	0	0	1	3	420,000			1	6	3	0.3%	87	0.0%	1,085,000
Germany	2	1,818	8,559,012	4	76	1,422,000	4	108	1,705,000	3	71	1,807,625	4	81	890,000	6	483	2	18	25	2.3%	2,655	0.7%	14,383,637
Hong Kong	3	13,971	6,294,024	0	0	0	6	5,564	15,440,100	13	1,002	5,463,001	17	2,015	6,420,762	5	125	3	141	47	4.3%	22,818	6.1%	33,617,887
Indonesia	3	1,091	1,308,000	2	2,654	2,441,244	0	0	3,000,000	0	0	0				1	17			6	0.5%	3,762	1.0%	6,749,244
Ireland	0	0	0	0	0	0	1	262	1,500,000	0	0	0				1	7	1	50	3	0.3%	319	0.1%	1,500,000
Israel																1	8			1	0.1%	8	0.0%	0
Italy	0	0	0	0	0	0	1	1,193	1,350,000	1	6	405,000								2	0.2%	1,199	0.3%	1,755,000
Japan	23	4,143	13,472,152	21	8,265	24,464,686	8	4,606	4,353,082	14	3,753	27,619,475	16	7,523	74,213,381	13	2,109	6	3,672	101	9.1%	34,071	9.1%	144,122,776
Korea	0	0	0	0	0	0	0	0	0	2	242	190,080	3	19	1,747,000			1	5	6	0.5%	266	0.1%	1,937,080
Malaysia	1	10	0	3	3,721	3,346,000	7	9,326	4,805,000	20	10,305	52,879,460	12	10,511	17,999,788	18	45,679	14	1,495	75	6.8%	81,047	21.6%	79,030,248
Netherlands	5	293	1,212,500	2	217	1,325,000	2	59	750,000	0	0	0	4	1,340	3,466,000	1	68	2	2,437	16	1.4%	4,414	1.2%	6,753,500
New Caledonia	1	4	50,000	0	0	0	2	33	735,000	2	247	3,040,000	1	7	150,000					6	0.5%	291	0.1%	3,975,000
New Zealand	0	0	0	1	977	4,097,000	0	0	0	8	7,606	23,792,000	1	162	2,100,000	1	150			11	1.0%	8,895	2.4%	29,989,000
Paraguay	0	0	0	0	0	0	1	357	300,000	0	0	0								1	0.1%	357	0.1%	300,000
Qatar	0	0	0	0	0	0	3	2,378	5,700,000	0	0	0								3	0.3%	2,378	0.6%	5,700,000
Saudi Arabia													1	393	2,050,000			2	205	3	0.3%	598	0.2%	2,050,000
Scandinavia	0	0	0	2	876	1,065,576	0	0	0	0	0	0								2	0.2%	876	0.2%	1,065,576
Singapore	8	380	3,152,840	6	240	2,475,400	9	698	7,160,000	6	2,052	16,490,000	7	183	8,920,720	12	1,137	12	1,356	60	5.4%	6,046	1.6%	38,198,960
South Africa													1	282	1,225,000	1	13			2	0.2%	295	0.1%	1,225,000
Sweden																		1	25	1	0.1%	25	0.0%	
Switzerland	1	8	175,000	5	373	1,840,000	6	270	1,740,250	6	221	2,439,500	3	136	2,075,000	2	18	3	186	26	2.4%	1,212	0.3%	8,269,750
Tahiti	2	50	805,000	1	1,515	850,000	1	8	300,000	1	27	385,000								5	0.5%	1,600	0.4%	2,340,000
Taiwan	5	1,363	7,940,000	4	563	6,150,100	10	263	3,340,529	13	2,214	15,831,500	48	3,375	7,196,812	46	1,228	26	738	152	13.8%	9,744	2.6%	40,458,941
Thailand	0	0	0	1	4	115,000	0	0	0	0	0	0	1	5	542,500			1	424	3	0.3%	433	0.1%	657,500
United Arab Emirates													1	98	292,500					1	0.1%	98	0.0%	292,500
United Kingdom	13	2,134	8,916,370	10	3,423	5,868,500	11	1,146	44,393,985	14	2,370	62,509,000	20	2,891	24,225,860	10	884	7	3,472	85	7.7%	16,320	4.3%	145,913,715
United States	8	14,387	12,748,905	19	2,957	10,465,887	22	6,066	26,285,648	43	24,448	116,144,392	73	28,594	74,592,480	72	26,834	36	36,330	273	24.7%	139,616	37.2%	240,237,312
Vanuatu	0	0	0	0	0	0	0	0	0	1	4	850,000								1	0.1%	4	0.0%	850,000
Venezuela																1	109	1	5	2	0.2%	114	0.0%	0
Total	90	41,896	69,157,572	103	29,991	87,681,502	113	34,997	138,492,752	162	58,650	351,326,033	231	61,681	653,389,279	245	85,933	161	62,110	1,105	100.0%	375,257	100.0%	1,300,047,138

OIC Activity Figures: Overview

	Year ending Dec 31							1991-97	
	1991	1992	1993	1994	1995	1996	1997	Total	
All Transactions									
Total Applications Processed	248	220	286	279	382	439	332	2,186	
Total Consents Granted	335	343	382	362	444	339	281	2,486	
Total declines	0	0	0	0	0	1	6		
Total Consideration ($M)	$6,300.0	$6,740.0	$9,409.0	$5,226.0	$4,877.0	$6,821.0	$5,175.0	$44,548.0	
$ per consent granted ($M)	$18.8	$19.7	$24.6	$14.4	$11.0	$20.1	$18.4	$17.9	
"New" investment consents granted^	241	241	NA	264	332	285	198	1,561	Excludes 1993
% total	71.94%	70.26%	NA	72.93%	74.77%	84.07%	70.46%	62.79%	Excludes 1993
Total Consideration ($M)	$4,549.0	$5,229.0	NA	$2,593.0	$2,871.0	$5,349.0	$2,147.0	$22,738.0	Excludes 1993
% total	72.21%	77.58%	NA	49.62%	58.87%	78.42%	41.49%	51.04%	Excludes 1993
$ per new consent granted ($M)	$18.9	$21.7	NA	$9.8	$8.6	$18.8	$10.8	$14.6	Excludes 1993
OIC Land Sales									
Consents Granted	90	103	113	162	231	245	161	1,105	
% of total consents	26.87%	30.03%	29.58%	44.75%	52.03%	72.27%	57.30%	44.45%	
as % of total farm sales	2.6%	2.4%	2.8%	4.5%	7.3%	7.8%	6.7%	4.6%	
Applications Declined	0	0	0	0	0	1	6	7	
Area (hectares) refused consent	0	0	0	0	0	14	168	182	
Area (hectares)#	41,896	29,991	34,997	58,650	61,681	85,933	62,110	375,258	
as % of pasture, arable land and production forest	0.27%	0.19%	0.23%	0.38%	0.40%	0.56%	0.40%	2.44%	
as % of forested and farmland @	0.20%	0.14%	0.16%	0.27%	0.29%	0.40%	0.29%	1.75%	
as % of NZ land #	0.16%	0.11%	0.13%	0.22%	0.23%	0.32%	0.23%	1.39%	
Hectares per consent granted	465.5	291.2	309.7	362.0	267.0	350.7	385.8	339.6	
Hectares less those sold to another o/s person or to person becoming NZ resident						67,394	47,941		
Consideration ($M) - includes improvements	$69.0	$88.0	$138.0	$351.0	$653.0	NA	NA	$1,299.0	1991-95 only
% of total consideration	1.10%	1.31%	1.47%	6.72%	13.39%	NA	NA	3.99%	1991-95 only

*final figures
^Strips out distortions caused by corporate restructurings and sales from one overseas person to another only.

# New Zealand comprises just over 27,000,000 hectares of land	27,000,000	
@New Zealand contains 21,400,000 hectares forested and pastoral/arable land.	21,400,000	

Ref OIC releases, 14 July 1996, 23 July 1997, 5 June 1998

New Zealand comprises (hecs)	27,000,000	NZ Forestry Facts and Figures '97 (NZ FOA)
New Zealand comprises 51% pasture and arable land	13,900,000	
Natural forest	6,400,000	
Planted production forest	1,500,000	
Other non-forested land	5,000,000	
Total pasture, arable land and production forest	15,400,000	

FEBRUARY TO APRIL 1998

OVERSEAS INVESTMENT COMMISSION DECISIONS[1]

- Bill Rosenberg

Contents

February 1998 Decisions

Hoyts buys out Endeavour

Hoyts Corporation Holdings (NZ) Ltd, a subsidiary of **Hoyts Cinemas Ltd** of **Australia**, has approval to buy out what was originally one of its most threatening competitors, **Endeavour Multiplex Ltd**. After an initial stand off, however the two had formed a cosy joint venture:

> "The parties to the transaction currently have a 50/50 partnership in the management/operation of the Hoyts Cinema Complexes throughout New Zealand. It is stated to date the expertise in the operation, development and growth of the partnership has substantially been provided by Hoyts. Hoyts Cinemas owns or operates over 130 cinema complexes in Australia, New Zealand and the US. Furthermore, it is stated the owners of Endeavour have now decided that they wish to divest their 50% interest in order to pursue other activities".

The price was **$39,200,000**, although news media reports indicated the price would be paid in Hoyts shares, issued at a 5% discount to the traded price (*Press*, 18/2/98, "Hoyts purchase", p.33).

We recorded the beginning of this love thy competitor becomes eat thy lover process in the October 1992 decisions:

> "The big Australian cinema chain, **Hoyts**, is merging its Aotearoa multiplex cinema operations with an Auckland company, **Endeavour Multiplex Ltd**. This neutralises the competition that Endeavour had been increasingly offering Hoyts. Hoyts own the Amalgamated cinema chain; their main competition until now has been the Pacer Kerridge (formerly Kerridge Odeon) chain, but this is now in trouble, having been placed in receivership due to the excesses of its owners. The two chains control about 90 percent of the cinema market (*Press*, 31/12/92) and Hoyts was turned down on competition grounds by the Commerce Commission when it tried to buy the Kerridge chain. Multiplex cinemas (multiple cinemas in one complex) were threatening to destabilise this cosy market sharing arrangement. In Christchurch for example, several proposals were floated during 1992 for multiplex cinemas, including proposals from the Big Two. Only one could survive in the city. The one that finally got underway is one being built on the site of the former Railway Station by Endeavour. By taking over Endeavour, Hoyts now has its desired multiplex in Christchurch, and once again leaves no independent cinemas in the city. Endeavour Enterprises is headed by the producer of the "Footrot Flats" film, John Barnett, and owns a number of multiplexes throughout New Zealand (*Press*, 7/1/93). Alongside its aggressive market behaviour, Hoyts recently cut its workers' wages in Auckland".

By the time of this present decision, Barnett had left Endeavour and it was owned by "**Neal Hutton Plowman, Geoffrey John Harley, Christopher Pell Liddell** and **Annette Joan Plowman** as trustees of the **Realm Trust**" according to the OIC, although the *Press* attributed ownership to a "privately owned company" connected to Neal Plowman's family, Endeavour Services Corporation. By now it has also been shown that Christchurch could support several multiplexes.

Hoyts described itself in recent job advertisement for a business manager for its six screen Octagon complex in Dunedin as

> "a global cinema exhibitor with over 1,250 screens spread over 178

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> sites throughout Australia, New Zealand, U.S.A., Mexico and Chile with further expansion underway in the U.K., Austria and Argentina. Box office admissions exceed 40 million and the group employs in excess of 4,800 people." (*Press*, 21/3/98, p.22.)

Hoyt's main competitors are now Force Corporation (in 1995 12% owned by the Tiong family of Malaysia, but main shareholder chairman Peter Francis) and Village Entertainment Property Trust of Australia, which also operate a joint venture. Force sold its half share in four Auckland multiplexes, which it will lease back, to Village Entertainment in March 1998 for $18 million. The sale was in order to finance a huge new entertainment centre in Auckland. The $60 million centre, which includes 12 cinema screens and a 450 seat giant screen cinema, as well as other shops and entertainment, is also planned to be sold to Village Entertainment on completion. Force also owns 50% of the Rialto art cinema chain, and is expanding through a joint venture in Argentina as well as owning cinemas in Fiji. (*Press*, 28/8/97, "Force in massive centre bid", p.38; 18/10/97, "Force shareholders approve Aotea project", p.30; 12/2/98, "Force lifts profit 16%", p.21; 23/2/98, "Force sells theatres", p.24).

Benchmark (Howard Smith) of Australia buys largest safety manufacturer

Howard Smith Ltd of **Australia**, which operates in Aotearoa as **Benchmark Building Supplies Ltd**, has approval to acquire **NZ Safety Ltd/Alsafe Group** for a suppressed amount. "NZ Safety is the largest industrial safety manufacturer and distributor in New Zealand with a national branch network distributing major national and international safety brands as well as its own products". The owners of NZ Safety were **NZ Safety Holdings Ltd (56%)**, **Safety Management Holdings Ltd (40%)** and **NZSL Superfund (4%)**, who "wish to sell in order to rationalise their investment, both in New Zealand and Australia".

Orica (ICI Australia) sells pharmaceutical division to Zeneca, buys H.B. Fuller

Orica New Zealand Ltd, a subsidiary of **ICI Australia Ltd** (and recently renamed Orica from ICI New Zealand), has approval to sell its pharmaceutical division to **Zeneca Pharmaceuticals New Zealand Ltd**, a subsidiary of **Zeneca Ltd** which itself is a subsidiary of **Zeneca Group Plc** of the **U.K.** The price has been suppressed.

> "It is stated the proposed acquisition forms part of a wider transaction, which involves the acquisition of Orica Australia's assets by the Zeneca Group. It is stated that Orica is currently the exclusive distributor of Zeneca pharmaceuticals within New Zealand, which forms part of a previous arrangement following the demerger of Zeneca from the ICI Group back in 1993. Zeneca state the proposal will enable the company to distribute its own products within the New Zealand market place".

Zeneca, on its World Wide Web site, describes itself as follows (http://www.zeneca.com/glance.htm):

> "Zeneca is a leading international bioscience group active in three main areas of business: Pharmaceuticals, Agrochemicals and Specialties. We research, develop, manufacture and market products to improve human health, nutrition and quality of life around the world.
>
> Our product range includes the world's largest selling breast cancer treatment, the world's leading intravenous anaesthetic, the world's second largest selling agricultural herbicide and the UK's leading meat-alternative brand. We are the world's number two in sales of cancer treatments and market the most comprehensive range of hormonal cancer therapies in the industry. Our agrochemicals business is the world's third largest.
>
> Recent additions to our portfolio, which will build on the success of our established range, include three new cancer therapies, new treatments for asthma and migraine and a novel crop protection fungicide.
>
> In a separate approach to supplying medicines which combat serious health problems, Zeneca also aims to provide a range of services which address total healthcare needs. In the US, our Stuart Disease Management Services helps to develop better quality, lower cost comprehensive care programmes for patients with cardiovascular disease and asthma. Also in the US, Zeneca owns Salick Health Care Inc., the leading US multi-site provider of cancer diagnosis and therapy services. ...

> Worldwide, we sell in over 100 countries, manufacture in 25 countries and employ over 30,000 people ...
>
> In 1996, Group sales totalled £5.4 billion with an operating profit of £1.04 billion ..."

With regard to its pharmaceutical division, Zeneca's leading pharmaceuticals are (http://www.zeneca.com/zpharma/glance.htm):

> "... the world's two most widely prescribed branded beta-blockers, 'Tenormin' and 'Inderal'; 'Nolvadex', the world's largest selling breast cancer medicine; and 'Diprivan' the world's top-selling anaesthetic which is used routinely in both induction and maintenance of anaesthesia and also in adult intensive care sedation.
>
> In 1995, these products helped boost Zeneca Pharmaceuticals' sales beyond £2 billion for the first time in its history ...
>
> Zeneca Pharmaceuticals employs over 14,000 people. It has its headquarters in the UK, but over 93% of British production is exported and the business' medicines are used in over 130 countries".

Zeneca Plant Science also produces genetically modified tomatoes, amongst many other products (press release from Zeneca Plant Science, 27/9/95, http://134.225.167.114/NCBE/NEWS/zps.html).

Orica is certainly not giving up the ghost however. In January 1998 it bought the rights to the Levene paint brand name and Levene's Wairau Park "Levene Extreme" store on Auckland's North Shore following Levene's receivership, having bought Levene's paint factory a year before (*New Zealand Herald*, 15/1/98, "ICI buys rights to Levene name", p.D1).

In February Orica also bought **H. B. Fuller Powder Coatings (New Zealand) Ltd** in New Zealand and Australia from **H.B. Fuller Company Inc** of the U.S.A., again for a suppressed price.

> "It is stated Orica NZ currently produces 1,400 tonnes of powder coatings from its existing manufacturing sites. The acquisition of the HB Fuller powder coating business in New Zealand will provide Orica NZ with the ability to significantly expand its existing powder coatings and manufacturing facilities within New Zealand, which in turn will provide Orica NZ with the ability to meet the ever growing demand for supply within the powder coatings market".

Fuller has a powder coatings manufacturing facility in Auckland plus sales and distribution in Australia and New Zealand. It employs about 65 people and has annual sales of $NZ16.7m (*Press*, 24/3/98, "Orica purchase", p.31).

H. B. Fuller is better known for its glues, which it supplies to the New Zealand timber industry for example. However its supply of glue elsewhere has been less benign and has raised big question marks over its ethics. *Multinational Monitor*, December 1995, reported ("Glue Maker's Image Won't Stick", by Paul Jeffrey, pp 17-20) as follows:

> "GUATEMALA CITY – THE H.B. FULLER COMPANY'S employee profit sharing, corporate giving and funding of a University of Minnesota chair in corporate ethics have won it rave reviews from the Socially Responsible Investment (SRI) community and a listing in the book 'The 100 Best Companies to Work for in America'.
>
> South of the Rio Grande, however, this transnational, with 1995 revenues of $US1.1 billion, supplies the drug of choice to Latin American street children seeking an escape from poverty, abuse and family disintegration. How does a company that makes a product that does neurological damage to the brains of tens of thousands of children earn rave reviews among self-described socially responsible investors? ...
>
> For more than two decades, Central American plants of St. Paul, Minnesota-based Fuller have produced shoemaker's glue containing toluene, a sweet-smelling hydrocarbon neurotoxin. Millions of Latin American street kids inhale this shoe glue. The kids are often called resistoleros, a reference to Fuller's Resistol glue...

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The adhesive's fumes go straight to the frontal lobes, the switchboard of the brain, and to brain areas that control emotions. Resistol turns off the brain's connection to reality, neutralizing stress, pain and fear, taking the place of parental affection. Short-term use can produce nosebleeds, rashes and headaches. It can also lead to long-term use because toluene is psychologically addictive. Chronic abuse can cause neurological damage, kidney or liver failure, paralysis and death.

Fuller insists that the glue was designed for shoes, not immature brains, and that the company is not responsible for product abuse. 'We don't sell to street children. We sell to legitimate users who are manufacturing a product,' says Dick Johnson, Fuller's executive vice president for investor relations. 'If people, children or adults, get it illegitimately, that's a concern to us, but you've got to remember that's not our main focus'.

Activists counter that glue makers can address the abuse problem in the production process. In 1968, the U.S.-based Testor Corporation became an industry model when it added mustard oil to model airplane glue. At a negligible cost, mustard oil made the glue difficult to inhale, dramatically reducing Testor glue abuse – and sales".

They asked other manufacturers to follow Testor's lead, but the manufacturers, including, Fuller, refused.

"In 1989, the Honduran Congress passed a law that required the addition of mustard oil to toluene-based products. Fuller responded with a lobbying blitz. David Calvert, an advocate for street children in the Honduran capital, Tegucigalpa, says Fuller barraged shoemakers with claims that mustard oil would endanger their health, a tactic he called a 'campaign of lies.' Whatever it was, it worked. A government commission decided that toluene products in Honduras need not contain any mustard oil... On the ground in Central America, activists – some of whom have received Fuller funding – say Fuller executives could curb inhalant abuse if they did not have such a nose for profit. 'They've been very stubborn,' says Covenant House Latin American Director Bruce Harris, who says that adding mustard oil to Resistol would cost just seven cents a gallon. Fuller has not funded Covenant's programs for street kids – including resident programs to help kids break their glue addictions – since the charity criticized company policies.

'It's fair to say that when someone we're funding begins speaking critically of us, we're less inclined to continue funding,' says Fuller's Bill Belknap. Fuller still funds other outreach programs 'that share our viewpoint of the complexity of the issue,' he says.

'Of the 40 to 50 million street children in Latin America, more than half sniff glue,' Harris says. 'Hard-core users go through about a gallon a week. That's up to 20 million gallons a week. Do they [Fuller] really want to lose that market?'..."

ABN AMRO of the Netherlands buys BZW from Barclays

ABN AMRO Australia Ltd, which is ultimately owned by **ABN AMRO N.V.** of the **Netherlands** (through its subsidiary, **ABN ANRO Bank N.V.**), has approval to acquire **BZW New Zealand (Holdings) Ltd** from **Barclays Bank Plc** for **"approximately $12.5 million"**. BZW New Zealand (Holdings) Ltd owns **BZW New Zealand Ltd** and **BZW New Zealand Nominees Ltd**.

"The acquisition forms part of a wider transaction involving the purchase of shares and assets in Australia. It is stated that Barclay's Bank Plc have informed the London Stock Exchange that it wishes to divest itself of its Australasian banking business. ABN AMRO state the acquisition of BZW forms part of its overall business strategy to provide global banking services" [sic].

According to Reuters, the total deal was $200 million for BZW's operations in Australia and Aotearoa. The name BZW would disappear (*Press*, 23/12/97, "BZW brand about to disappear", p.20). ABN AMRO Bank, which is among the top ten banks in the world by capital, has registered as a bank in Aotearoa, operating as a branch (*Press*, 3/3/98, "ABN AMRO registered", p.35).

BZW first made its appearance amongst the OIC's decisions in November 1992, when we reported:

> "Barclays Bank (U.K.) subsidiary BZW New Zealand Ltd (Barclays de Zoete Wedd) has been given blanket consent by the OIC `to acquire shares ... in New Zealand listed companies'. Nothing could illustrate more clearly the vacuousness of the scrutiny given by the OIC to overseas investment in this country. Even its expressed `benefits' come down to no more that it will make overseas purchase of Aotearoa company shares more attractive: `BZW's principal activity is the buying and on-selling of stock exchange listed securities. BZW is seeking to undertake major bought deals (being deals whereby the pricing risk is borne by the broker). The Commission is advised that the proposal will create a greater liquidity for the holders of securities of New Zealand companies, which will enhance the attractiveness of investment in New Zealand companies. This in turn will support an increase in the availability of equity capital'".

ABN (Algemene Bank Nederland) has been involved for some time in Aotearoa. One of its escapades was scarcely bathed in glory. In April 1992 we reported that CDL Hotels of Singapore had taken control of Euro-National Corporation Ltd, with 89% of its shares. Euro-National, in which ABN subsidiary ABN Nominees (Malaysia) SDN BHD was then a major shareholder, was the shell that CDL used to create what is now the largest hotel chain in Aotearoa. Describing Euro-National's past as "one of the grubbiest episodes in recent commercial history", we reported:

> "Euro-National was a merchant bank started during the yuppie feeding frenzy of the mid 1980s, and which until the CDL takeover was a 'cashed-up shell' hovering around liquidation... What brought it to public notoriety was that a Malaysian stockbroker, Hwang and Yusoff bought 49.46% of its shares – and then proceeded to try to strip the company of $21.2 million of its liquid assets. The High Court took a dim view of this and took the unprecedented action of forfeiting 20% of its shareholding – equivalent to a fine of about $1.8 million. Hwang and Yusoff also had to sell their remaining shares within six months."

Hwang and Yusoff managed to interest CDL in the company, including ABN's share.

ABN (through ABN AMRO Participates B. V.) is also a 17.4% shareholder in Barenbrug Holdings B V of the Netherlands, which we reported in January 1997 had approval to acquire up to 74% of Agriseeds Holdings Ltd, which breeds, produces and markets seeds. Both companies specialise in grass seeds.

Goodman Fielder buys out dairy industry shares in Aspak (Meadow-Lea)

New Zealand Margarine Holdings Ltd, a subsidiary of **Goodman Fielder Ltd** of **Australia**, has approval to acquire the remaining **67%** of **Aspak Foods Ltd** from **Milk Products Holdings (N.Z.) Ltd** (a subsidiary of the **New Zealand Dairy Board**) and **Aspak Equities Ltd** (owned by "various dairy companies"). The price has been suppressed. Margarine Holdings already owned 33% of Aspak Foods, and "the remaining shareholders, namely Milk Products and Aspak Equities, have been looking to dispose of their respective shareholders [sic: we presume this means shareholdings!] for some time".

Aspak Foods processes edible oils and makes margarine. Each of the companies had owned one-third of Aspak Foods since 1989 (*Press*, 12/2/98, "Aspak Foods bought out", p.21). It makes the Meadow-Lea brand of margarine, and the operation was an attempt by the Dairy Board to hedge its bets on butter.

Aspak had previously expanded, buying Abels from Unilever in 1995, and closing Abel's Newmarket, Auckland, margarine factory, moving production to its own new factory in East Tamaki. In November 1996, Aspak then sold Abels' bakery raw materials division to N.Z. Bakels Ltd, owned by EMU AG of Switzerland (ultimately owned by the EMU Foundation, a Liechtenstein Charitable Trust) (see our commentary on the November 1996 OIC decisions).

Natural Gas Corp., Bay of Plenty Electricity construct Kapuni cogeneration plant

Natural Gas Corporation and **Bay of Plenty Electricity Ltd** have set up a 50/50 joint venture to construct an electricity c**ogeneration plant** at the **Kapuni Gas Treatment Plant** in **Taranaki**. The present OIC decision involves a very small part of the project: it is a **retrospective** approval (the plant is almost completed!) for the joint venture to acquire a lease over **0.1 hectares** of land at **Kapuni** from **Natural Gas**

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Corporation for 19 years and 364 days (there must be legal significance in a 20 year lease!) for "an annual rental payment of **$1.00** per annum". The only reason it requires approval is that the land, when added to adjoining land owned by the Corporation or the joint venture, exceeds five hectares.

One partner in the joint venture is **Kapuni Energy Ltd**, which is a subsidiary of Bay of Plenty Electricity, itself a subsidiary of Power New Zealand, owned by Utilicorp of the U.S.A. and Mercury Energy. The other partner is **Natural Gas Corporation Energy Ltd**, a subsidiary of **Natural Gas Corporation Holdings Ltd**, owned **33.3%** by **The Australian Gas Light Company, 33.3%** by **Fletcher Challenge Utilities Investments**, and 33.3% by "members of the public".

Waratah Receivables sets up

Waratah Receivables Corporation NZ Ltd, a subsidiary of **Waratah Receivables Corporation Pty Ltd** of **Australia**, has approval to acquire "receivables and related rights" for **zero** dollars.

> "It is stated Waratah intends to develop an administered securitisation programme in New Zealand which will allow corporates to diversify their funding sources, by giving them access to funds which are not marketed against that corporate's lines of credit with its traditional lenders. It is stated further the proposal will promote a more efficient development of capital for corporates and banks, by freeing up capital which would otherwise be tied up in receivables. Overall it is stated the proposal will provide an improvement in balance sheet and solvency ratios for such corporates and banks".

Taiwan shareholders buy remaining shares in Universal Beef Packers, Te Kuiti

Mystic Springs Investment Inc, a subsidiary of **Wellroc Enterprises Co. Ltd** of **Taiwan**, has approval to acquire the remaining **6.71%** of **Universal Beef Packers Ltd** it does not already own, from **Chung Chien Chang**, a resident of **Aotearoa**, for **$2,159,545.39**. The company owns **nine hectares** of land in Te Kuiti where it has its abattoir, employing approximately 150 people.

> "The proposal represents a share restructure in order to reduce UBP's current debt equity. UBP state the proposal will also provide it with a basis for further expansion of its current operations. It is stated that the development of a new processing factory is proposed, which will employ approximately a further 50 persons".

Mystic Springs was given retrospective approval to acquire the 93.29% of the shares of Universal Beef Packers and control the appointment of its board in August 1997. It was then described as being owned by Mr J. S. McMahon who held the shares as trustee for Ton Cheng Min (82.64%), Willy Muh (5.953%), Gin-Shiang Lin (5.413%) and Chung Chien Chang (5.992%). The rationale for the acquisition was identical to that quoted above.

Philippines businessman buys Lyttelton Marina

Pacific Marina Holdings Ltd, owned by **Mr Victor Villavicencio** of the **Philippines**, has approval to acquire **Lyttelton Marina Ltd**, **Lyttelton Marina Management Ltd**, and **Canterbury Marina Ltd** for **$600,000**. Approximately **seven hectares** of leasehold land is involved. The companies are owned by the **Lyttelton Port Company**, which is owned **66%** by the **Christchurch City Council**, **14%** by **AMP**, **4%** by the **Ashburton District Council,** and **12%** by "members of the public" (it is not clear who owns the other 4%); and the **Banks Peninsula District Council**. This privatisation of the marina is opposed by many locals. However the OIC insists that

> "Mr Villavicencio has significant business experience with marina development and management including a leading interest in the Subic Bay marina development at Subic Bay (north of Manila). ... The proposal represents the introduction of approximately $5,400,000 in risk capital which will ensure the development of the new Lyttelton Marina. The Commission is advised the Canterbury area is in desperate need of an upgrade/enhancement to its existing marina facilities. In addition it is stated the proposed development is fully supported by both the Lyttelton Port Company and the Banks Peninsula District Council. The port company and council originally planned to undertake the development themselves however, the initial offer did not proceed".

PPL ("Dolly") buys more Taupo land for inseminated sheep breeding

PPL Therapeutics (NZ) Ltd, a subsidiary of **PPL Therapeutics Plc** of the **U.K.**, has approval to acquire **93 hectares** of land on **Tihoi Road, State Highway**

32, at **Whakamaru, Taupo** for **$1,250,000**.

> "PPL Therapeutics PLC is a United Kingdom public company primarily involved in the bio-production of commercially valuable therapeutic protein. ... PPL intend to acquire the property for the purpose of expanding their existing inseminated sheep breeding programme located within the Whakamaru District. It is stated the proposal is likely to provide additional employment opportunities to the local community, and ensures PPL's parent company ongoing commitment to its New Zealand operations evidenced with an estimated NZ$70 million being invested to see the development of a new purifying facility in New Zealand".

PPL is the company which made headlines by cloning the sheep "Dolly" in the U.K. In May 1996 we reported that PPL Therapeutics had approval to acquire a 58 hectare farm at Whakamaru for $1,050,000. In that case, PPL proposed

> "to use the farm to breed a production flock of transgenic ewes producing a human protein in their milk. Such an activity is subject to government approval to the importing of semen from transgenic rams into New Zealand. The flock will be farmed to provide milk which will be processed for the valuable therapeutic protein. The Commission is advised that if such approval is not forthcoming, the farm will be used to breed high health status animals for export to the United Kingdom".

PPL, which is based in Edinburgh, specialises in producing "therapeutic proteins (or food proteins etc) in the milk of transgenic animals (mostly sheep)", and exports to Western Europe, Australasia, the U.S. and Japan (ref: http://www.webscot.com/sba/ppl.htm).

In 1995 the Minister for the Environment, Simon Upton, announced that an application to field test genetically modified sheep had been declined, but this has since been reversed.

Milburn buys another 20% of McDonald's Lime from Fernz

Milburn New Zealand Ltd, which is approximately **73%** owned by **Holderbank Financiere Glaris Ltd** of **Switerland**, has approval to acquire a further **20%** of **McDonald's Lime Ltd** for **$6,000,000**, bringing its shareholding to **72%**. The shares are being purchased from **Fernz Corporation Ltd** subsidiary **Medisup Services Ltd**. Involved is approximately **334 hectares** of freehold land and approximately **64 hectares** of leasehold land in **Waikato/Central North Island** (**Te Kuiti**, **Otanake** Survey District, **Pukunui**, **Aorangi** and **Rangitoto Tuhua**). McDonald's is engaged in "quarrying limestone and the production of industrial and agricultural lime" and "Milburn's primary business activities include quarrying, cement manufacture, bulk cement storage and lime works. Milburn also has concrete plants throughout New Zealand and operates shipping routes around New Zealand."

L&M of Switzerland, Hong Kong, and the U.K., buys 92 ha. for mining in Otago

L&M Mining Ltd, owned by **Auriferous Mining Ltd** of **Switzerland, Hong Kong,** and the **U.K.**, has approval to acquire approximately **92 hectares** of land in **Glenmore, Milton, Otago** (adjoining conservation land) for **$750,000** for mining. The vendors, the **Clark family** will continue to farm the land that is not being mined.

L&M claims that it "has a history in New Zealand as a prudent and environmentally sensitive miner including the rehabilitation and restoration of mined land back to productive farmland." Nonetheless, "the proposed acquisition will enable L&M to maximise the return from the ore resources contained on the property."

Auriferous is equally owned by **Tangent International Ltd**, majority owned by **Werner Muller** of **Switzerland**; **Campanie International Holdings Inc**, majority owned by **Kwok Wai Chiu** of **Hong Kong**; and **Rysaffe Trustee Company Ltd** as trustee for **Geoff London** of the **U.K.**

Auriferous bought L&M and DML Mining from the Skellerup/Maine group in February 1997 as one of a number of sales by Skellerup prior to its crash. It was stated then that "without the involvement of Auriferous the outlook for the business is at best a severe reduction in the size of the business or at worst its failure". It is therefore unclear what value to put on L&M's "history in New Zealand as a prudent and environmentally sensitive miner" given that its ownership has changed.

FAI Properties buys Downtown Centre, Auckland, from St Lukes

FAI Properties NZ Ltd has approval to acquire **The Downtown Centre**, on the corner of **Customs and Lower Albert Streets, Auckland Central,** from **St Lukes Group Ltd** for **$41,000,000**. FAI Properties NZ is owned **51%** by **M. and C. Investments** which is two family trusts whose trustees are **Allan Brooke Mitchell and Clifford James Cook** of **Aotearoa;** and **49%** by **FAI Overseas Holdings Pty Ltd**, a subsidiary of **FAI Insurances** of **Australia**. The Downtown Centre is on **0.6770 hectares** of land. FAI is "an active property

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investor" but they "propose to further develop/enhance 'the Downtown Centre' and its associated car parking facilities".

Massey land bought by Universal Homes from Fletcher Homes for subdivision

Universal Homes Ltd, of **China**, has approval to acquire **4.8 hectares** of land in **Rush Creek Drive, Massey, Auckland**, from **Fletcher Homes Ltd** for residential subdivision, for **$2,850,000**. The land adjoins a designated recreational reserve. Universal Homes is owned by **China Everbright Pacific Ltd**, which is listed in **Singapore** but owned **27%** by **China Everbright Holdings Ltd** of **China**. The land is currently being developed by Fletcher "but has become surplus to their requirements". "UHL intend to develop the property in two stages creating approximately 115 housing sites, aimed at the affordable housing market, in a bid to combat the current housing shortage faced by Auckland City residents". Universal last received approval to purchase land for subdivision in October 1997. That was in Silverdale, Auckland.

Refusal then approval in one month: Australian couple buy 142 ha. in Waikato

Robert Pryke Investments (NZ) Ltd owned by **Mr Robert Lindsay Pryke** and **Mrs Joan Carol Pryke**, both residents of **Australia**, have had an application to buy land in the **Waikato** refused, then approved within the same month. The land is a dairy farm of approximately **142 hectares** at **Grove Road, Te Pahu, near Hamilton,** for **$1,900,000**. On 4 February the application was refused because "it was not considered to be in the national interest". Yet by 27 February, it was "approved as it met the criteria":

> "The Commission is advised the applicants' have business experience and acumen and are demonstrating financial commitment proposal. The Commission is further advised the applicants' are of good character and not the kind of persons referred to in section 7(1) of the Immigration Act 1987. The Commission is further advised that the Prykes' are in the process of taking up New Zealand permanent residency and wish to acquire the property for the purpose of an investment and place of residence for when they take up permanent residence. The property will continue to be utilised as a dairy farming unit for dairy production under the management of a 50/50 sharemilker. In addition it is stated the Prykes intend to ensure the property is kept in a productive use for dairying, increasing production where possible, using modern dairying techniques whilst at the same time, protecting the environment and respecting the areas which have been planted in trees on the property to date".

Nothing very special there. Presumably, their lawyer, Mr S. Makgill of McCaw Lewis Chapman of Cambridge, didn't at first write the correct magic incantation that allows everyone else through on such flimsy evidence of "national interest".

New Zealand Aluminium Smelters buys land from Comalco for Tiwai Smelter

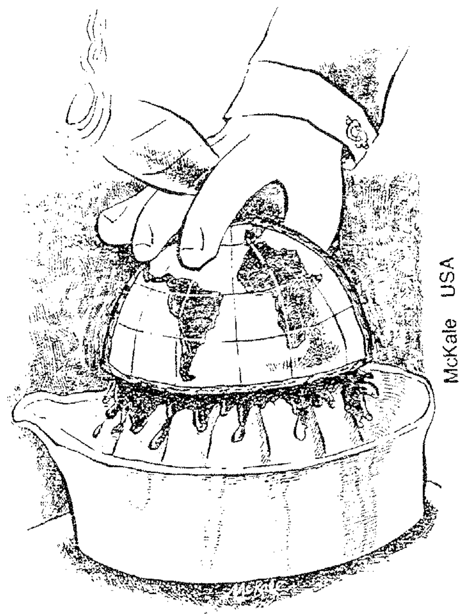
New Zealand Aluminium Smelters Ltd has approval to acquire approximately **five hectares** of land at **Tiwai Point, Southland** from one of the company's owners, **Comalco New Zealand Ltd**, for **$2,000**. The land adjoins the company's Tiwai Point aluminium smelter.

> "Since 1969 NZAS has operated an aluminium smelter at Tiwai Point, comprising approximately 87 hectares in area. The smelter produces aluminium, aluminium alloys and other aluminium products, and has a productivity [sic] capacity of 313,000 tonnes per annum. The transfer of the land will legalise a previous boundary of convenience, between the parties, following the upgrading of Tiwai Point undertaken in 1996. In essence the transaction ensures that NZAS is the registered proprietor of the land upon which the smelter is located."

New Zealand Aluminium Smelters Ltd is **79.36%** owned by Comalco New Zealand Ltd and **20.64%** by **Sumitomo Chemical Company Ltd** of **Japan**. The OIC states that Comalco New Zealand is "wholly owned through two holding companies by **Comalco Ltd**, a company incorporated in **Australia**". In fact Comalco is part of the Rio Tinto empire, the largest mining company in the world, based in the **U.K.**

Land for forestry

- **Blakely Pacific Ltd** (as trustee of the **South Blakely Trust**) of the **U.S.A.**, has approval to acquire **three hectares** of land at **1729 Te Matai Road, Te Puke, Bay of Plenty** for **$160,000** as residential accommodation for its (yet to be appointed) on site manager for the adjoining forests and its other forests in the area. It sold the property to the current vendors for a lifestyle block in September 1995. The last time Blakely applied for approval to buy land for its forestry holdings was in November 1997 when it bought 1,176 hectares of land at Milton, Otago. In September 1996 Blakely acquired 1,849 hectares in Otago for forestry. It has over 6,500 hectares in the North Island.
- **Hikurangi Forest Farms Ltd**, owned by **Glenealy Plantations (Malaya) Berhad** of **Malaysia**, has approval to acquire the **555 hectare Tuahu Station, Tauwhareparae Road, inland from Tolaga Bay, East Coast (Gisborne)** for **$765,000**. The land, part of which is held for conservation purposes under the Conservation Act 1987, "has been offered on the open market for a period in excess of five years" and is currently used for grazing. Hikurangi intend to convert the property for afforestation, incorporating it into their existing forestry holdings in the region. In October 1997, Hikurangi acquired the 420 hectare Weka Station adjoining its Waimanu Forest in the Waimata District, Gisborne, East Coast, for afforestation. Glenealy bought Hikurangi Forest Farms from Fletcher Challenge Forests Ltd for $210 million in December 1996 when Fletchers sold it to raise money for its Forestry Corporation purchase. Hikurangi now owns approximately 34,000 hectares of freehold land, forestry/cutting rights, and leasehold land on the East Coast.



Other rural land sales

- **Clearwood Developments Ltd**, owned **66.6%** by **E. J. Cleary and family of Ireland**, and **33.3%** by the **K.B. and R.B. Lockwood family trusts** of **Aotearoa**, has approval to acquire a **114 hectare** dairy farm on **Saulberty Road, Hamilton, Waikato**, for **$2,000,000** for residential subdivision. They intend to convert ten hectares of it to 33 "farm park" residential lots, each with power, telephone and water, and resell the rest as a dairy farm. In July 1997 we reported that Eire Cattle Company Ltd, owned by the Cleary Family Trust had approval to acquire 50 hectares of land on Plantation Road, Te Kauwhata, Waikato for $462,500 for dairy conversion and merging with the company's adjoining property. The Trust's trustees were Mr Eamon Joseph Cleary of Ireland and Mr J. Henderson of Aotearoa. The beneficiaries of the trust were Mr Cleary, his children, and "remoter issue". The Cleary family also had other significant investments in New Zealand. In September 1996, Clearwood Developments Ltd received approval to buy seven hectares of land then used as a "residential lifestyle block" on Whatawhata Road, Hamilton, for $1,400,000, for residential subdivision. It was given approval to buy seven hectares at Tamahere, Hamilton for $900,000 in April 1996, also for subdivision.
- **David Endersby**, a **U.K.** citizen resident in **Malaysia** has approval to acquire **16 hectares** of land in **Renwick West, Marlborough**, for **$345,000**. The land "forms part of a subdivision and development of a larger pastoral farm, which had become uneconomic".

  > "Mr Endersby intends to establish a vineyard on the property and to ultimately produce his own label wine for export particularly to the Middle East. In addition, it is stated the vineyard will be developed within a three year timeframe. Mr Endersby and his wife who have both been granted New Zealand permanent residency status, advise they plan to reside permanently in Marlborough within the next 18 months following the sale of his business interests in Malaysia."

Tasman Agriculture Ltd, 54.77% owned by **Brierley Investments Ltd** of **Malaysia**, has approval to acquire **449 hectares** of land in **Blackgully Road, Heriot, West Otago** for **$2,170,000**. Tasman will convert the current sheep/beef operation to dairying, as it has done with a large number of other farms.

March 1998 Decisions

Suez Lyonnaise des Eaux of France buys Waste Care from Browning-Ferris

SITA S.A., a public company of **France**, 63% owned

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by **Suez Lyonnaise des Eaux**, has approval to acquire **Waste Care Ltd** from **Browning-Ferris Industries Asia Pacific Inc** of the **U.S.A.** for **US$45 million**. Browning-Ferris Industries Asia Pacific Inc is a subsidiary of the second largest U.S. waste company, Browning-Ferris, based in Houston, Texas. "The acquisition forms part of a world-wide merger by SITA of all the waste businesses of BFI, excluding their business operations in the U.S.A., Canada and Mexico".

Lyonnaise des Eaux is one of the largest transnational utilities companies in the world, one of a small number of huge companies that are expanding aggressively, feeding on the wave of privatisations. It is one of the two biggest water companies, for example, alongside Compagnie Generale des Eaux Societe Anomyne (CGE), also of France. In 1997 Lyonnaise merged with its largest shareholder, Compagnie de Suez, to make Suez Lyonnaise des Eaux. Compagnie de Suez is the former owner of the Indosuez Bank and is descended from the company that built the Suez canal, (ref http://www.suez-lyonnaise-eaux.fr/english/group/index.htm).

Suez Lyonnaise has modest aims: merely to be the largest owner of public utilities in the world. As its World Wide Web site states:

> "Suez Lyonnaise des Eaux, issue of the merger between Compagnie de Suez and Lyonnaise des Eaux, has chosen to focus its development around businesses which are the heart of mankind's essential needs : energy, water, waste services, communications.
>
> The Group's goal has been clearly stated: become world leader in private infrastructure services.
>
> To achieve this goal, Suez Lyonnaise des Eaux will rely upon a number of competitive advantages. The expertise and motivation of the 175,000 people on our team; the values and cultures which come from companies which are over a century old; the mastery of the most-up-to-date techniques; a strong Franco-Belgian base coupled with proven international successes; the means to finance major projects in rapidly developing markets – markets which are growing due to urbanization, deregulation and privatization.
>
> Suez Lyonnaise des Eaux is present in more than 120 countries. Its international dimension has become the Group's "new frontier".
> It is an industrial Group committed to service – because the companies which win are those which put the customer first. This is how Suez Lyonnaise des Eaux respond to the ever-more demanding requests from governments, local officials, our consumers and from our industrial clients in France and Belgium, but elsewhere around the world from Chile to Kazakhstan, Ireland to Thailand – and in cities such as Buenos Aires, Casablanca, Sydney, Manila and Jakarta".

Its own publicity shows it active in everything from waste disposal and road building to cable and digital satellite TV. It is the "leading cable operator in France". Of its 175,000 employees in 120 countries, it boasts that 105,000 (and 70% of revenues) are outside France. It has major investments in China.

It positively drools over coming environmental problems and deregulation: (their emphases)

> "The environment, a major market
>
> - **Considerable needs** for equipment and urban services in emerging countries:
>   - In 2015, **33** towns with over **10 million** inhabitants
>   - **22** emerging countries without **water and power** distribution systems
> - A general trend towards **deregulation** of public monopolies
> - A climate favourable to **private management** of public services, strengthened by the **abundant** financing available
> - A competitive situation undergoing great **change**"

Its subsidiary, SITA, took over the Browning-Ferris companies in February:

> "On 16 February 1998, SITA announced finalisation of its acquisition of Browning-Ferris Industries' activities outside North America, making it European leader in waste management, with 1997 pro forma turnover of FF17bn. It is active in 10 European countries and has significant positions in Asia and the Pacific as well as in Latin America" (http://www.suez-lyonnaise-eaux.fr/english/entre/infos/cpf/cp80.htm).

Previous to this it had been active in Europe (where the European Commission forced it to sell Belgian subsidiaries because of competition concerns) and the U.K. In the U.K. for example, it is involved in public sector cleaning, environmental, and ground maintenance services, alongside another Lyonnaise subsidiary acquired in 1996, Northumbrian Water, a beneficiary of water privatisation in the country.

Like many of Lyonnaise's major competitors, however, its "values and cultures" and its "commitment to service" can take an interesting turn. Public Services International (PSI), which represents 20 million workers in public services around the world, has investigated these companies in considerable depth through its Public Services Privatisation Research Unit (PSPRU) in London.

PSI reported in 1997:

> "Since June 1994, French magistrates have been investigating numerous allegations of corruption used by large companies to win public sector contracts. Executives of both Lyonnaise des Eaux and Generale des Eaux have been convicted of corruption, and further cases are pending. In mid-1996, no less than five out of 13 directors on the main board of Generale des Eaux were under investigation for corruption (mostly in connection with their jobs with other companies). Similar allegations and convictions of bribery and corruption have occurred elsewhere in the world, and not only with the French companies".

Lyonnaise was for example prosecuted for bribing the former mayor and associates of Grenoble, France, to the value of 21 million francs, in order to get the local water concession. The contract, according to the city's lawyer, had led to high prices and hurt both the city's finances and image. Water prices had risen threefold in the six years since privatisation (to 1995) , and the city was considering reclaiming ownership of the water supply ("The Privatisation Network", PSPRU, January 1996, p.1, 22, 27).

The company's commitment to public service can also be judged. In St Etienne, France, where the local council brought in Lyonnaise and rival CGE in 1990 to run the water supply, prices rose from 3.52 francs in 1990 to 8.50 francs in 1996. According to a French parliamentary report, twenty years ago, French citizens paid 20-30% more for privatised water than did those who had access to municipally-run services. By 1988 that difference had soared to 58%. (*PSI Focus* No. 2, June 1995, pp 4-7; *The CCPA Monitor*, April 1997, "The Problems with Privatising Water", by Jan-Willem Goudriaan and David Hall) .

According to PSPRU (op. cit., page 12), the waste treatment market in France is almost completely controlled by three operators: CGE, Lyonnaise and a third company, Tredi. In September 1994, *L'Usine Nouvelle* reported that "Many companies are complaining that lack of competition between industrial waste processors is leading to artificially high prices for waste processing services."

The OIC, in approving the takeover, states:

> "The Commission is further advised the persons who exercise control over SITA are of good character and not the kind of persons referred to in 7(1) of the Immigration Act 1987".

You be the judge.

And lest you, dear reader, mourn the passing of Browning-Ferris as owner of Waste Care, consider these further examples from PSPRU (op. cit., page 12, quoting Citizens Clearinghouse for Hazardous Waste, U.S.A., 1995):

> "In 1980, WMX [Waste Management, now merged with U.S.A. Waste to become the biggest trash company in the U.S.A. – see *Foreign Control Watchdog*, numbers 86 and 87] was indicted in Atlanta for engaging in price fixing with Browning-Ferris Industries (BFI) and SCA Services. In 1984 the company was convicted...
>
> One of the most important cases to date was a civil class-action suit filed in 1987 in Philadelphia, PA, alleging that WMX and the largest "competitor", BFI, had engaged in a nationwide price fixing conspiracy for 10 years. In 1990, WMX and BFI settled, agreeing to pay the plaintiffs, a group of their customers, a total of $50 million in penalties (WMX paid $19.5 million, BFI paid $30.5 million) and split $13 million in attorneys' fees. Both companies denied any wrongdoing but the evidence in the case clearly indicated that WMX and BFI officials in their respective corporate headquarters had not only condoned price fixing activities, but

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> also directed and participated in the scams".

Force Entertainment sold to Entertainment Property Trust of Australia

The **Entertainment Property Trust** (yet to be formed at the time of the OIC decision) has approval to acquire **Force Entertainment Ltd**. The Trust is to be administered by **MTM Funds Management Ltd**. The acquisition includes "approximately **0.392 hectares**" known as the **Force Entertainment Centre** in **Queen Street, Auckland**, adjoining the **Civic Theatre**, which is registered under the Historic Places At 1993. The price is "between **$50,000,000 and $75,000,000**".

> "The Trust intends to contract with Force Corporation Limited and its associated New Zealand based companies for the acquisition of the share capital of Force Entertainment Limited, which is currently developing a large entertainment complex, on the land the subject of this application".

As we reported in our commentary on the OIC's February 1998 decisions, Force sold its half share in four Auckland multiplexes, which it will lease back, to Village Entertainment in March 1998 for $18 million. The sale was in order to finance this new entertainment centre. The centre includes 12 cinema screens and a 450-seat giant screen cinema, as well as other shops and entertainment. According to the *Press*, the Trust in this decision is the MTM Entertainment Trust, which plans to list on the Australian Stock Exchange with a public offer of A$80 million. Force Entertainment will also borrow $50 million, which will be guaranteed by Force Corporation, to complete the centre in April 1999 (*Press*, 29/5/98, "Force to sell centre shares", p.30).

Carter Holt sells roofing, insulation and packaging moulded fibre divisions

In what appears to be a move out of value added manufacturing activities, **Carter Holt Harvey Ltd**, owned **51%** by **International Paper Products** of the **U.S.A.**, is selling two of its manufacturing divisions.

Tasman Building Products Pty Ltd is buying Carter Holt's **roofing and insulation** divisions. Tasman is owned **44.6%** by a consortium of **Australian** financial institutions, including majority shareholder, **AMP Custodian Service Pty Ltd**, and by senior management of the divisions. The price has been suppressed, but the business hype has not been:

> "Tasman state the acquisition will allow the businesses to be run as focused stand alone entities, unshackled from the distractions which inevitably come from being part of a large corporate group. Furthermore, it is stated this more focused structure can only serve to further improve the performance of the businesses and provide the creation of additional employment opportunities as the businesses are expanded".

However, the *Press* reports the sale price was $172.4 million, compared to an asking price said to be $220 million. NZPA lists the shareholders of Tasman as including co-leaders AMP Asset Management and Grant Samuel Private Equity of Australia, and also Direct Capital Partners, of Auckland. It lists the businesses sold as including not only roofing and insulation in Aotearoa, but insulation, sinkware and flooring operations in Australia, and roofing in California as well. Tasman will employ 830 staff and have sales of more than $240 million year, 65% of the sales being overseas (*Press*, 1/4/98, "CHH sells building companies", p.30; 11/4/98, "CHH division sold", p.23).

Van Leer New Zealand Ltd is buying Carter Holt's **packaging moulded fibre division**. Van Leer New Zealand is owned in the **Netherlands: 50%** by the **Van Leer Group Foundation** and 50% in public shareholdings. Again, the price has been suppressed. "It is stated the Van Leer group is one of the world's leading packaging companies with operations in 43 countries world-wide".

The strategy behind the sales was outlined by Carter Holt's Chief Executive, John Faraci, in March 1997, when he told a New Zealand Investment Conference in Auckland that the company was undergoing a "major reorientation of the company's operations from a manufacturer and distributor, to a company focused on forestry, wood products, packaging, and building products". The company was thus able to "capitalise on developing its world-class plantation forests, develop new products for niche markets, and increase its presence throughout the Asia-Pacific Rim". The aim was vertical integration (*Press*, 13/3/97, "CHH positive on forestry sector", p.32). Faraci confirmed this in August the same year when he announced Carter Holt was selling its insulation businesses (in Aotearoa and Australia), roof tile (in Aotearoa, U.S.A. and Europe), and metal sink and industrial floor businesses (in Australia). Although they were profitable, Carter Holt's strategy was in other areas. The moves appeared to be at the direction of majority shareholder, International Paper Products (*Press*, 27/8/97, "IP hand on CHH sale bid", p.26).

Despite problems with profitability, which have recently worsened with the Asian crisis, Carter Holt has continued to buy up new forests, although in January 1998 it put four North Island forests, totalling nearly 7,000 hectares, on the market (*New Zealand Herald*, 13/1/98, "Carter

Holt seeks forest buyers", p.D2). It also expanded its Levin packaging plant, in preparation for closing its Hastings plant (*Press*, 20/12/97, "CHH boost for Levin", p.22) and bought up companies in Australia including Associated Plastics Industries; paper cup maker, Continental Cup Company Pty (in a joint venture with its parent, International Paper Products), including Continental's distributing arm in Aotearoa; and the folding carton business of the U.S. company, Riverwood International Corporation, the second largest supplier of such products in Australia (*Press*, 8/8/97, "Tough quarter for Carter Holt", p.24; 18/2/98, "CHH to buy cup firm", p.32; 14/3/98, "Carter Holt Harvey buy", p.20).

However, in addition to the above two sales, Carter Holt has also sold its Walltruss frame and truss business to Hudson Investment Group of Australia, for an undisclosed price (*Press*, 28/5/98, "CHH business sold", p.27).

International Paper is remodelling Carter Holt from a diversified manufacturer with forestry as its major business line, to a vertically integrated wood processor. Whether that is good for Aotearoa and the company's employees remains to be seen. So far it has not been good for Carter Holt's employees and minority shareholders.

Formus (U.S.A.) buys radio frequencies, plans wireless telecommunications

At last, a start up instead of a takeover. **Hinet Ltd**, owned by **Formus International Inc**, a subsidiary of **Formus Communications Inc** of the **U.S.A.**, has approval to commence business for "in excess of **$10,000,000**" as a telecommunications service provider. Formus "was established to explore and introduce new wireless technologies in the telecommunications industry in the United States and in selected international markets". In February 1998, Formus spent $2,732,327 buying radio frequencies in the 26-28 gigahertz (GHz) band in the Ministry of Commerce tender of frequencies. NZPA reports that Formus won five of the six licences in the very high frequency (VHF) 26-29GHz bands, Clear Communications winning the sixth licence (for $808,000). Such frequencies are used for high speed data, video and voice communications up to 4km. Applications include Internet, pay television and telephone services. Formus claims they will be able to offer more than 25 times the speed currently available for data transfer and is eyeing up the corporate data communications market (*Press*, 11/2/98, "US group buys bands", p.30; 14/4/98, "Formus plans test of fast-data link", p.26).

Coin Acceptors, U.S.A., buys 60% of SmartMove, maker of cash card readers

Coin Acceptors Inc, owned by **Mr J. E. Thomas** and his family of the **U.S.A.**, has approval to acquire up to **60%** of **SmartMove (NZ) Ltd**, "the shareholders of which are all New Zealand incorporated companies". The price is suppressed (*but on appeal, was revealed to be $US6 million. Ed*). SmartMove designs readers for cash cards that will take a variety of types of cards – likely to be an essential piece of equipment, at least until such cards become standardised.

> "Coinco is a privately owned manufacturer of coin acceptors, coin changers and control systems and other component parts for vending and amusement game industries. ... SmartMove is focused on the requirements of the various emerging stored value card (SVC) schemes, designing multi-card capable devices, largely aimed at unattended point of sale applications. It is advised the rationale behind the acquisition is to enable SmartMove to fully develop the potential of its technology by:
> (i) aligning itself with a more substantial organisation carrying on a complementary business to that of its own; and
> (ii) the injection of additional development capital into the existing business operations of SmartMove by Coinco".

Ameron International Corporation takes over Croda Lusteroid Paints

Ameron International Corporation of the **U.S.A.** has approval to carry on business in Aotearoa and buy out either **Croda Lusteroid Paints Ltd** or its assets for "in excess of **$10,000,000**". Croda Lusteroid is a subsidiary of **Croda International Plc** of the **U.K.** which is selling this part of its business in the U.K., Australia and Aotearoa.

In December 1993 we reported that

> "**Manders Plc** of the **U.K.** is buying **Croda Polymers (NZ) Ltd**, beneficially owned by **Croda International Plc**, for **$12,000,000**. Manders is buying shares and business assets of parts of the Croda Group world wide. Presumably as a preparation for this, **Croda Polymers International Ltd**, a subsidiary of **U.K.** firm, **Croda International Plc**, is buying out another Croda International subsidiary, **Croda Lusteroid Paints Ltd**. Croda deals mainly in products for the printing industry".

Du Pont buys partner, Mitsubishi, out of Morrinsville peroxide plant

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Du Pont (New Zealand) Ltd, a subsidiary of the giant chemical firm, **E.I. Du Pont de Nemours & Company** of the **U.S.A.**, has approval to acquire the **25.7%** of **Du Pont Peroxide Ltd** it does not already own, from **Mitsubishi Gas Chemical Company Inc** of **Japan**, for **US$2,750,000**. The company owns a hydrogen peroxide manufacturing plant on **nine hectares** of land in **Walton Road, Morrinsville, Waikato**. Apparently Mitsubishi was only a sleeping partner: "The proposal will see no change in the current business operation of Du Pont Peroxide as Mitsubishi's interest has to date been at board level only".

The plant was announced in 1990, when Du Pont set up Du Pont Peroxide in conjunction with Mitsubishi Gas Chemical Company and Eka Nobel AB (60%, 20%, 20%). The OIC said at the time: "The three joint venture participants are all large multinational chemical manufacturers with many years experience. With their combined technical expertise, advanced chemical manufacturing technologies will be applied in New Zealand". It appears that the claims made for the latter two companies never came to reality.

Kiwi income Property buys remaining 50% of Northlands Mall, Christchurch

Kiwi Income Property Trust, which is **25% to 30%** overseas owned, has approval to acquire "up to the remaining **50%**" of **Northlands Property Holdings Ltd** it does not already own, for **$22,500,000**. Northlands Property Holdings is the "indirect owner" of the **Northlands Mall** in **Christchurch**. Kiwi Income Property Trust is managed by **Kiwi Income Properties Ltd** which is **50%** controlled by **FCMI Financial Corporation** of **Canada**, and the remainder by New Zealand residents.

Further 1.95% of NZP Holdings to Shin Nippon Yakugyo, exchanged for debt

Shin Nippon Yakugyo Co. Ltd of **Japan** has approval to acquire a further **1.95%** of **NZP Holdings Ltd** in exchange for debt. The transaction is valued at **$80,000**. NZP Holdings is **75.12%** owned by "the staff and management" of **New Zealand Pharmaceuticals Ltd**, and **24.88%** by Shin Nippon Yakugyo, who are described as the company's "Japanese Agents". However the New Zealand Companies Office registers the only shareholder as Richard Pelham Garland, Managing Director of New Zealand Pharmaceuticals. If the OIC is correct, the 1.95% shareholding makes NZP officially an overseas company, as Shin Nippon Yakugyo now owns over 25% of it. However, the company claims that the change "will have no effect on the day-to-day operation/management of NZP Holdings' business operation, nor impact on the New Zealand control over the company". The company owns **14 hectares** of land in **Eyre Road, Linton, Palmerston North**.

New Zealand Pharmaceuticals is owned 100% by ICI New Zealand Ltd, according to its New Zealand Companies Office record. The company employs 70 full time production, technical, administration and marketing staff, according to its World Wide Web site (http://www.nzp.co.nz/nf1_4.htm). According to the company's page on the World Wide Web site of BIOTENZ (a grouping of New Zealand providers of biotechnology and pharmaceutical products and services supported by Tradenz: ref http://www.biotenz.org.nz/members/pharmaceuticals.html), over 15 of these staff are scientists and technicians. The company researches and develops in conjunction with New Zealand universities and Crown Research Institutes, but "undertakes most of its own product development work in well resourced laboratories and pilot plants". New Zealand Pharmaceuticals "is a manufacturer of bulk natural biochemicals which are extracted and purified from a range of biological raw products" including meat industry by-products, plant and marine raw materials. "Over 98% of New Zealand Pharmaceuticals' products are exported to international pharmaceutical, healthfood, biotechnology and cosmetic markets. The company has agency representation in Japan, Korea, Europe, North and South America".

FreshFoods of Singapore buys Unilever's coffee business

FreshFoods Holdings Pte Ltd of **Singapore** has approval to acquire the coffee business of **Unilever New Zealand Ltd** of the **U.K.** for **AU$25,900,000**. The new owner hopes to sell Unilever's New Zealand brands of coffee to South East Asia. The FreshFood group "has over 40 years experience and knowledge of the food and beverage industry". It also "intends to continue to carry on the current business operations of Unilever's coffee business" domestically.

Carglass of S. Africa buys Smith & Smith automotive glass from Pilkington

Carglass (NZ) Ltd, a subsidiary of **Belron International N V**, owned by **South African Breweries Ltd** of **South Africa**, has approval to acquire the retail automotive glass business of **Smith and Smith Ltd,** a subsidiary of **Pilkington (New Zealand) Holdings Ltd**, itself owned by **Pilkington Plc** of the **U.K.** The price has been suppressed. Pilkington

> "wishes to concentrate on its core business of manufacturing and wholesaling automotive and flat glass and accordingly is looking to divest its interest in 9 of its 35 retail outlets. ... Carglass views the acquisition as an ideal opportunity to expand its existing retail network (currently 12 outlets throughout New Zealand) to localities either where it currently does not have a retail outlet or where the existing outlets can be further developed".

Pilkington is combining the building glass operations of Smith and Smith with its own glass products division to form Pilkington Building Products NZ. Some Smith and Smith branches will close – unions fearing the loss of up to 300 jobs. Staff were given first option on buying 28 of Pilkington's 46 Smith and Smith Glass outlets, according to NZPA. The Commerce Commission had no concerns about the move (*Press*, 2/3/98, "Smith Glass sold to Carglass NZ", p.27; 9/3/98, "Union fears job losses", p.29; 14/3/98, "Carglass deal cleared", p.20.).

According to Hoover's Company Information, South African Breweries is supplier of 98% of South Africa's beer. In the year ended March 1997 the Johannesburg-based company had a turnover of R36,939 million, assets of R23,942 million, and 105,000 employees.

> "Sales of the brewer's 14 brands, including locally-based brands Castle Lager and Lion Lager and licensed European brands Heineken, Guinness, and Amstel, account for 70% of its earnings. The company is expanding internationally, with interests in breweries in central Europe, Africa, and Asia (it owns half of China's 2nd largest beer maker). It also owns 5 retail chains with 1,500 stores, 65 hotels (Holiday Inn and Intercontinental), and makes items like automotive glass, footwear, razors, and matches. The company produces wine and fruit drinks, and bottles Coca-Cola and Schweppes in South Africa" (http://www.pathfinder.com/money/hoovers/corpdirectoryplus/s/sbwry.html).

According to MBendi Information Services, South African Breweries is the fourth largest brewer in the world based on total output. It has operations and partnerships in Angola, Botswana, Tanzania, Zambia and Zimbabwe and has a 70% share in Mozambique's state-owned brewery (http://mbendi.co.za/indy/fdbt/bvrgaf.htm). South African Breweries' own World Wide Web site indicates rapid expansion, listing investments in Ethiopia, Kenya, Romania, Poland and a number of other African countries in the last two years.

The company has close links with the South African government. In August 1997, the company's Group Chairman, Meyer Kahn, was seconded for two years to the South African Police Service (SAPS) as Chief Executive. The position was "a new civilian function calculated to direct and accelerate the conversion of SAPS into an effective law enforcement and crime prevention agency". He was replaced during his absence by Cyril Ramaphosa (http://www.sab.co.za/news/media-015.html).

Pharmaceutical giants Roche and Boehringer Mannheim merge

Roche Products (New Zealand) Ltd, a subsidiary of **Roche Finance Ltd** of **Switzerland**, itself owned by **Roche Holdings Ltd** of **Switzerland**, has approval to acquire **Boehringer Mannheim New Zealand Ltd** for **US$19,606,620.** Boehringer is owned by **Corange International Holding BV** of the **Netherlands**, but that company is conveniently owned by **Bermuda**-based **Corange Ltd**, presumably for tax purposes. The deal includes **one and a half hectares** of land at **15 Rakino Way, Mt Wellington, Auckland**.

It is part of the world-wide takeover by Roche of Boehringer Manheim. As *New Zealand Health Online* reported (28/5/98, http://www.nzhealth.co.nz/maynews.html):

> "Swiss pharmaceutical company Roche is following the trend by merging with Boehringer Mannheim in a deal valued at around $US11 billion which will make Roche the world's largest manufacturer of diagnostic products and the sixth largest drug manufacturer. Last year, Sandoz and Ciba Geigy merged to become the world's largest drug company, Novartis. In 1995 Pharmacia and Upjohn combined to become Pharmacia & Upjohn and Wellcome and Glaxo Holdings combined to become Glaxo Wellcome.
>
> Merck and Co has re-established itself as the world's leading pharmaceutical company in terms of sales, putting Glaxo Wellcome back to second place. Merck posted sales of $US13.3 billion against Glaxo Wellcome's $13 billion. Third place of $9.8 billion went to Novartis, created through the Ciba Geigy and Sandoz merger last year".

ICO of the U.S.A. takes over J.R. Courtenay (NZ) Ltd

ICO Inc, a publicly listed company based in Houston, Texas, **U.S.A.**, has approval to acquire **J.R. Courtenay (NZ) Ltd** for **$25,000,000**. ICO's press release (http://www.icoinc.com, 31/3/98) states:

> "ICO, Inc. (NASDAQ-ICOC) today announced the acquisition of J.R. Courtenay (N.Z.) Limited and its

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wholly-owned subsidiary Courtenay Polymers Pty Limited. JR Courtenay, located in Auckland, New Zealand, and Courtenay Polymers, located in Melbourne, Australia, are the dominant providers of polymer powders to the rotational molding and metal coating industries in New Zealand and Australia, selling an extensive line of materials using proprietary formulations under their 'Cotene' brand name. The companies also provide a complete range of size reduction and compounding services.

The Courtenay Companies had combined revenues of approximately NZ$37,000,000 in the fiscal year ended March 31, 1998 and were solidly profitable. The companies have grown as the rotational molding industry has grown in New Zealand and Australia. Although the terms of the transaction have not been disclosed, the acquisition was all cash and is expected to be immediately accretive to earnings. The acquisition provides ICO with its first facilities in the Australasian petrochemical processing markets. Exports currently account for only a small percentage of the Courtenay companies' revenues, but their strategic locations provide an excellent base for expansion into Southeast Asia. Through the acquisitions of JR Courtenay, Verplast SPA in Italy, Rotec Chemicals Limited in the U.K., and the formation of ICO Polymers in France, Holland, England and Sweden, ICO has become a major global provider of polymer powders.

ICO, Inc. serves the global petrochemical, energy and steel industries by providing high technology equipment and services for petrochemical processing and oilfield services".

ICO's quarterly report to the U.S. Securities and Exchange Commission shows assets at 31/3/98 of US$331,460,000. Among a list of legal proceedings the company is involved in are "nine cases involving nine plaintiffs, for personal injury claims alleging exposure to silica resulting in silicosis-related disease" naming ICO as defendant. A number of such cases have been settled, including one for US$605,000.

Stanley Tan and Jeffrey Tang, both of Singapore, exchange 36 companies

Two businessman from **Singapore** who have extensive hotel and commercial property interests in Aotearoa are taking the unusual step of exchanging a large number of them. They are **Mr Stanley Tan Poh Leng** (who has New Zealand permanent residency status) and **Mr Jeffrey Tang Boon Jek**.

The companies Jeffrey Tang is giving to Stanley Tan are described as being engaged in "commercial property" and include **four hectares** of land adjoining the foreshore at **Russell Township** in the **Bay of Islands, Northland**:

Angliss (Russell) Investments Limited;
Angliss Auckland Investments Limited;
Angliss Avon Investments Limited;
Angliss Carpark Investments Limited;
Angliss Christchurch Investments Limited;
Angliss Heritage (Auckland) Developments Limited;
Angliss House Investments Limited;
Angliss Nominees Limited;
Angliss Property Group Limited;
NZL (Christchurch) Limited;
NZL Apartment Hotel (Auckland) Limited;
NZL Hamilton Limited;
NZL Holdings Limited;
NZL Investments (Wyndham) Limited;
NZL Land (Hamilton) Limited; and
Pacific Suisse Limited.

The companies Stanley Tan is giving to Jeffrey Tang are described as being engaged in "Hotel/Motel Accommodation" and include the **Heritage Hotel, Queenstown, Otago**, on **0.7663 hectares** of land:

Citylife Holdings (Wellington) Limited;
Citylife Holdings Limited;
Dynasty Hotel Investments Limited;
Dynasty Hotel Management Limited;
Dynasty Pacific Group;
Dynasty Pacific Remuera Investments Limited;
Grand Pacific Developments Limited;
Heritage Tower Investments (Christchurch) Limited;
Home Comfort Inn Limited;
Morella Investments Limited;
New Zealand Land Limited;
Pacific Citylife (Christchurch) Limited;
Pacific Citylife Apartments Limited;
Pacific Leasing Limited;
Pacific Regency (Auckland) Limited;
Pacific Resorts (Queenstown) Limited;
Rourke Investments Limited;

Tang Tan Investments Limited; and
Xendra Enterprises Limited.

Swiss Lodge on Lake Rotorua

Swiss Lodge Ltd which is owned by **Mr and Mrs Schweizer** of **Switzerland** has approval to acquire "approximately **0.1163 hectares**" adjoining **Lake Rotorua**, at **207 Kawaha Point Road, Rotorua** for **$370,000**. "The proposal represents the acquisition of a residential property, together with an adjoining property located in Rotorua, for the purpose of developing the properties as an up-market tourist lodge".

Land for forestry

- **Carter Holt Harvey Ltd**, approximately **51%** owned by **International Paper Products** of the **U.S.A.**, has approvals for three blocks of land for forestry:
  - approximately **1.031 hectares** in **Mangapapa Road, King Country** is being purchased for **$500** while approximately 1.23 hectares is being sold back to the vendors in order to "tidy up" boundaries;
  - forestry rights over approximately **four hectares** in **Waiau, Gisborne** are being acquired for **ten cents** annual rental, while at the same time the Carter Holt is granting the vendors a forestry right over approximately **14 hectares**, also at **ten cents** per year. Both rights run until 31 December 2027;
  - forestry rights over approximately **23 hectares** also in **Waiau** are being purchased from **Port Gisborne Ltd** for a "nominal rental" until 31 December 2008. Port Gisborne will receive 35% of the stumpage value at the time of harvesting.
- **Rayonier New Zealand Ltd**, a subsidiary of **Rayonier Inc** of the **U.S.A.**, has approval to acquire **288 hectares** of land known as "**Etavale Forest**" in the **Wairaki Survey District, Southland** from "**Pears and Others**" for a suppressed amount.

  > "Rayonier wish to acquire the property in order to expand its existing Southland forestry resource base. Part of the property (39 hectares) contains trees of an age class that will assist Rayonier to achieve a smoother age distinction over its Southland timber resource. Rayonier advise they intend to plant the unplanted area of the property (approximately 248 hectares) in Douglas Fir and Pinus Radiata".

Other rural land sales

- **Mintech (NZ) Ltd**, a subsidiary of **Pluess-Staufer AG** of **Switzerland**, has approval to acquire **547 hectares** of land in **Tawarau Road, Waitomo District, Waikato** from **J.T. Were (Te Kumi) Ltd**, for **$1,000,000**. The land is being acquired "in order to continue exploration work required for the extraction of limestone", although part of it is held for **conservation** purposes. Mintech has a processing plant in Te Kuiti. The vendors will lease back 540 hectares (with perpetual right of renewal) to continue farming.
- More land is being bought for the **Martha Hill** gold mine at **Waihi**, **Coromandel** (the last was bought in August 1997). **Waihi Gold Company Nominees Ltd** of **Australia** has approval to acquire **0.2650 hectares** at **44A Grey Street** for **$150,000** from **N. D. Murphy**. Waihi Gold Company Nominees Limited is owned **28.35%** by **Waihi Mines Limited**, **28.35%** by **Welcome Gold Mines Limited**, **27.84%** by **AUAG Resources Limited** and **15.46%** by **Martha Mining Limited**.

  > "Waihi Gold holds rural and urban land in around Waihi as trustee for the participants in the Waihi Gold Mining Joint Venture... The property is being acquired to assist in providing a buffer zone between the **Martha Hill mine** and existing residential areas and to enable the extension of the existing mining operation ... The proposed extension of the mine will extend the life of the mine for (approximately) seven years and this will result in continued employment for the 135 people employed in the operation".
- **Morton Estate Wines Ltd** of **Canada** has approval to acquire two pieces of land on the North Island's East Coast: **17 hectares** of land on **State Highway 2, Katikati, Bay of Plenty**, from **K.D. and J.W. O'Connell** for **$850,000**, to be used for a new warehouse; and **220 hectares** in **Omapere Road, Hastings, Hawkes Bay**, for **$800,000**, to establish a new vineyard. Morton Estate Wines Ltd is trustee for the **Morton Estate Wines Trust** whose principal beneficiaries are **John Mark Coney** and **members of his family**, of **Canada**.
- **Corbans Wines Ltd**, owned by **DB Group Ltd** of **Singapore** and the **Netherlands**, has approval to acquire **eight hectares** of land in **Rapaura Road, Blenheim, Marlborough**, for **$570,000** from **R.V. and V.W. James**. "Corbans wish to acquire the property in order to secure a supply of grapes for its wine business", both domestically and internationally, and they propose to further develop the vineyard. DB Group is "approximately **58.39%**" owned by **Asia Pacific Breweries Ltd** of **Singapore**, which itself is owned **80%** by **Heineken** NV of the **Netherlands**, and **Fraser Neave Ltd** of **Singapore**.
- **Negociants New Zealand Ltd**, a subsidiary of **Samuel Smith and Son Pty Ltd** of **Australia**, has approval to acquire **23 hectares** of land in **Awatere Valley, Marlborough**, which adjoins conservation land, for **$779,500** from **Awatere River Vineyard**

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Partnership. The land will be used for viticulture. Negociants previously bought Marlborough land in September 1992 (a one hectare vineyard on the corner of State Highway 6 and Blicks Road, Renwick, Marlborough for $118,000) and in June 1994 (a vineyard of seven hectares on State Highway 6, Renwick, Marlborough for $420,000).

- **Wharfdale Farming Company Ltd**, of **Hong Kong**, has approval to acquire **1,899 hectares** of land in **Lees Valley, Oxford, Canterbury** for **$675,000**. It adjoins conservation land. The land will be used for sheep farming, in conjunction with Wharfdale's other properties in the area. In June 1996 we reported that:

> "A **Hong Kong** owned company, **Wharfdale Farming Co. Ltd** has approval to acquire a pastoral lease over **8,167 hectares** of land at **Mt Pember Station, Lees Valley, Oxford, Canterbury** for **$1,125,000**. 'It is proposed to farm Mt Pember in conjunction with a property in the same area which is already owned by Wharfdale'".

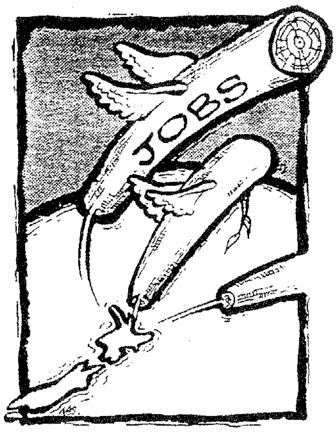
Wharfdale is owned by **Clipsal Industries (NZ) Ltd** (formerly **Blue Point Products Ltd**), in turn owned by **Stenhouse Investments Ltd** of **Hong Kong**, which is owned by **Mr A. Chu** of **Hong Kong**.

- **Agriseeds Properties Ltd** has approval to acquire **28 hectares** of land around the **Old West Coast Road**, near **Christchurch, Canterbury**, for **$580,000** from **B., W.K., and N.E. Jenkins**. "Agriseeds wish to acquire the property, which adjoins Agriseeds current plant breeding/research/parent seed production facilities". The land "will provide Agriseeds with an extra two years in its current land rotation timetable, thus substantially overcoming the potential contamination difficulties the company currently faces". Agriseeds Properties is a subsidiary of **Agriseeds Holdings Limited**, which is owned **51%** by **Barenbrug Holdings BV**, an agricultural company of the **Netherlands**, and **49%** by the former management and staff of **Arthur Yates & Co. Limited**, who are New Zealand residents. Agriseeds was formed in a management buy out from part of the Arthur Yates seed company in New Zealand shortly before the 1987 sharemarket crash. When Barenbrug increased its shareholding to 51% in January 1997, Agriseeds was already 29% owned by Barenbrug. The company is based in Darfield, Canterbury, where it has 25 staff. It has another 40 staff and subsidiaries in Australia and Argentina and its annual turnover is more than $30 million.

April 1998 Decisions

Three refusals

Winston Peters has clearly been in a declining state of mind this month, as he has refused three applications



involving purchases of land. Perhaps stung by public criticism of the number of land sales continuing during his reign, he or the Minister of Lands has, on the grounds that they were not considered to be in the national interest, declined:

- An application by **Mr Jacob Van Der Eijk**, of the **Netherlands**, to acquire up to **26%** of **Van Der Eijk Farming Company Ltd.** The land involved was in **Canterbury** but its exact whereabouts, the proposed seller and price have been suppressed. It was to be used for horticulture.
- An application by **Madam Hsueh-Yu Yang**, a resident of **Taiwan**, to acquire arable land "which exceeds five hectares" for "residential construction and subdivision" in **Auckland**. Again, the proposed seller and price are suppressed.
- An application by **Mr Henry Andersen** of the **U.S.A.** to acquire land in **Auckland** "which exceeds five hectares" for lifestyle purposes. Details of land, seller and price are suppressed.

Mitsubishi's Kirin Breweries of Japan takes control of Lion Nathan

Both major breweries in Aotearoa are now overseas controlled. **Kirin Brewery Company Ltd** of **Japan** has approval this month to acquire **up to 51%** of **Lion Nathan Ltd** for a sum "yet to be advised". DB, the other major brewery, which has 35% of the market, chasing Lion's 54%, is 58.39% owned by the Singapore/Netherlands Asia Pacific Breweries (see decision below under ***Other Rural Land Sales*** in reference to its subsidiary, Corbans Wines Ltd).

The takeover was myered in controversy. Chairman Douglas Myers took full advantage of the country's Wild West takeover rules – those which were advocated by the Business Roundtable which he headed for many years. The Kirin offer was a limited one. It bought Myer's 15.6% holding at 540 cents and offered the same price for only a further 29.4% of the company's shares. Australian investors – whose rules would have forced an offer to all shareholders – were angry. The *Australian Financial Review's* columnist, Chanticleer, headlined the offer as a "real shocker", saying Myers and his fellow directors had pocketed most of the takeover premium and left many of the institutional shareholders high and dry. Its business editor, Giles Parkinson, writing in the *New Zealand Herald*, quoted an unnamed Australian fund manager as saying: "Morally, what they did was a disgrace" (quoted in the *Press*, 5/5/98, "NZ takeover rules upset Australians", p.37).

Director of International Equities of the Oakmark Funds, U.S.A., David Herro, made similar points: "The timing of the sale process itself was done unethically. It was early evening in the United States and in the middle of the night in Europe. Did British fund managers even have a chance at selling any shares? Unlikely". Such events, he said, "will scare foreign investors out of the New Zealand market due to the higher risk premium attached to New Zealand shares because of the Third World corporate standards". It was "the sort of thing that causes people to lose faith in capitalism" (*New Zealand Herald*, 13/5/98, "'Third World' rules put sharemarket at risk", p. E1; "Untethered Lion scares foreign investors", p.E2). Remember that: the former head of the Business Roundtable is scaring away foreign investment and causing people to lose faith in capitalism. Next thing, he'll be making a takeover bid for CAFCA.

Investment analyst, Brian Gaynor, writing in the *New Zealand Herald* under the headline "It's a steal!", wondered at the appropriateness of "one of the country's largest companies" changing control in "a few frantic seconds on the stock exchange" rather than allowing shareholders to consider the offer as they would have in Australia. "Australia marches in line with the rest of the world. New Zealand is completely out of step", he concluded, having listed examples where overseas investors have failed to add value to New Zealand companies: International Paper in Carter Holt Harvey and Camerlin in Brierley Investments (*New Zealand Herald*, 2/5/98, "It's a steal!", p.E2).

Although the OIC did not disclose the price, and gave approval for 51% of shares to be sold, in fact 45% was sold, with an assurance from Kirin that it would not increase its holding without Lion's approval. Of the 45%, 15.6% came from Myers, 5% from small shareholders with less than 10,000 shares, and 24.4% from large shareholders – first in, first served. The total price was about $1.3 billion. Among those taking advantage of the few minutes to sell were Lion directors. Myers made $461 million. Other directors who Bryan Gaynor was able to show sold substantial proportions of their shares over the period, were Robin Congreve (originally owning 4.7 million shares), Alan Gibbs (137,000), Chris Mace (17.6 million), Geoff Ricketts (6.3 million), Kevin Roberts (330,000), and Mike Smith (1.3 million). Their personal benefit from the deal led to questions as to whether they had put their interests ahead of other shareholders (*New Zealand Herald*, 16/5/98, "We will have the lager, you can have the bitter", p.E2). Competing offers were reportedly rejected.

None of this should have been a surprise: it was consistent with Myers' track record. Douglas and his father, Sir Kenneth Myers, bought out the family's hotel and liquor company, Campbell and Ehrenfried, in circumstances that set parts of the family against each other. Share trading led to a shareholders' court case

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The gatecrashers spot the party food

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in 1976 which, after long appeals, resulted in a $2 million out of court settlement. He bought a 19.9% controlling interest in Lion Breweries for $27 million in 1981, in a sharemarket raid which led to a Securities Commission investigation into dawn raids. In 1988 Lion took over L.D. Nathan by paying Fay Richwhite and Co. 920 cents cash per share for its 35%, while offering only one Lion share per L.D. Nathan share to all other shareholders – worth only about 560 cents a share. Again, it led to Securities Commission investigations, which found in Myers' favour. Since then, according to Brian Gaynor, Myers main contribution to Lion Nathan has been in clever buying and selling of assets rather than improving efficiencies. When $2.2 billion of intangible assets – largely brand values – are put aside, the company has negative shareholder funds. Myers' purchase of assets in Australia, and more recently in China (reportedly a strong attraction to Kirin, although it already has its own operations there) mean that Lion Nathan is a true transnational corporation in its own right, with 69% of its assets in Australia, 6% in China, and only 25% in Aotearoa (*New Zealand Herald*, 28/4/98, "Lion sale marks end of an era in NZ business", by Brian Gaynor, p.D2; *Press*, 25/4/98, "Fortune hands on Lion talks", p.23, and 29/4/98, "The $460m question", p.28). Myers remains chairman of the company for a further three years.

Though Lion makes huge efforts to identify itself as a Kiwi icon, it has not been majority owned in Aotearoa for some time – though it has been well in Myers' control. Its 1996 Annual Report, for example, put its overseas shareholding at 52%. That makes it likely that its current overseas shareholding is at least 60-70%.

Kirin is the largest brewer in Japan with 39% of the beer market, its lead threatened by Asahi Breweries with 38.5%. The takeover makes Kirin the fourth largest brewer in the world. It is a diversified company however: it also sells dairy products, flowers and vegetables, yeast-related products, biochemicals and pharmaceuticals. The Canada-based Rural Advancement Foundation International lists it as the tenth largest food and beverage company in the world in 1996 ("The Life Industry 1997", http://www.rafi.ca/communique/fltxt/19976.html). It runs restaurant chains, bottles Coca Cola in both Japan and the U.S.A., and owns the Raymond Vineyards in California. Group sales were $22 billion in the last financial year (*Press*, 28/4/98, "Kirin's top spot faces challenge", p.30). According to its Website (http://kirin.topica.ne.jp/english/annual/prin_.html), it has subsidiaries in Australia, Brazil, China, Germany, Hong Kong, Kenya, Netherlands, South Korea, Spain, Taiwan, U.K., and the U.S.A. It has over 8,000 employees.

If it does not have much to offer in improving standards of brewing (see below), it does have experience to offer in establishing new lows in business ethics. According to the *Japan Times* on-line (http://www.japantimes.co.jp/news/news10-97/news10-24.html, 24/10/97) it was one of "at least" three Mitsubishi companies tied to "sokaiya" payoffs in 1997. Sokaiya are racketeers, often gangster-linked, who extort money from corporations by threatening to expose dubious business practices and disrupt shareholders' meetings. Japanese law prevents corporations paying out to ensure corporate solidarity. *Japan Times* reported that the companies were "suspected of sending funds to a bank account linked to two `sokaiya' corporate extortionists arrested earlier this week over illegal payoffs from Mitsubishi Motors Corp., police sources said". The extortionists were named as Terubo Tei, also known as Teiji Nakamoto, and Kaoru Hamada. The other two firms named were Mitsubishi Electric Corporation, and Mitsubishi Estate Co. Each was suspected of sending up to several million yen into the account, and investigators were trying to determine whether the payments by Mitsubishi Electric and Mitsubishi Estate amount to illegal payoffs, which are banned under the Commercial Code.

> "Kirin Brewery stopped such cash transfers in 1993, when executives of the firm were arrested in connection with payoffs to other racketeers, according to the sources. The three-year statute of limitations under the Commercial Code has expired on those payments by Kirin".

Asako Ishibashi of *Nikkei* reported on 3/11/97 (http://mercury.nikkei.co.jp/enews/SPECIAL/back/nomura/nomura44a.html#gen163):

> "In 1993, four officials at Kirin Brewery Co., Japan's top beer maker and a Mitsubishi group member, were arrested for making illegal payments to a number of sokaiya extortionists. In the process of this investigation, police found that Kirin was delivering beer to the beach house linked to Tei. After further investigation, police discovered the bank account, to which more than 20 companies were making payments".

Kirin is heavily involved in genetic engineering. Its own Web site (http://www1.kirin.co.jp/english/corpo/operat/bio.html) boasts the further development of "FLAVRSAVR, a genetically engineered tomato developed by Calgene, in Japan". It is doing genetic engineering research based on yeast. "The goal of the research is to mass produce mammalian, which includes human, glycoproteins" (http://www.burrus.com/sampleissue.html, *Technotrends Newsletter*). Transgenic cold-tolerant tobacco is the subject of another research effort (http://foodnet.fic.ca/research/

jsmay96.html#kirin, *Japan Sci/Tech News,* May - July 1996).

It is prepared to sue to protect its genetically engineered products: *Kyodo News* reported from Tokyo on 27/10/97 (http://home.kyodo.co.jp/cgi-bin/nbStory/971027) that

> "Kirin-Amgen Inc., a U.S. firm owned equally by Kirin Brewery Co. of Japan and Amgen Inc. of the United States, sought a court order Monday against Snow Brand Milk Products Co. to protect a patent on the manufacture of an anaemia treatment, Kirin Brewery said. Kirin-Amgen established the genetically engineered manufacturing technology for the drug, erythropoietin, and acquired a patent for it worldwide, Kirin Brewery said in a statement".

It also has a patent, with the University of Pennsylvania, over an African plant that may yield a highly profitable naturally sweet protein that could compete with the US$2 billion low calorie sweetener market:

> "Researchers at Kirin Brewery (Japan) report in the May, 1997 issue of *Nature Biotechnology* that they have successfully coaxed genetically engineered yeast cells to produce the sweet protein monellin at levels exceeding the yields of monellin from serendipity berries, the West African plant (Dioscoreophyllum cumminisii) from which the protein is naturally extracted".

(Rural Advancement Foundation International, September/October 1997, http://www.rafi.ca/communique/fltxt/19975.html#ENT21.)

On pharmaceuticals,

> "Kirin has intensified its pharmaceuticals-related R&D efforts. We have identified two fronts on which to develop our business in this area: the franchising of blood-, cancer- and kidney-related products, and research into fields related to the development of products to treat ailments of the cardiovascular and immune systems, and allergies."

It is significant that the sale includes a block of **five hectares** of land at **Khyber Pass, Newmarket, Auckland**, with an unimproved value of **$14.7 million**. This means that the decision by the OIC and the Ministers of Finance and Lands should have taken into account the extended criteria required for transactions involving land. These criteria (unlike non-land investment) take account of the public interest, defined in terms of job creation, new technology or business skills, increased export markets, increased competition, efficiency, productivity or enhanced services, additional investment for development purposes, or increased processing of our primary products. The decision sheet released by the OIC shows no indication such issues were taken into account. It only records the belief by the two companies that the transaction will be of benefit to them (especially) and "to the local and New Zealand economy". Brian Gaynor again: "The Japanese are not world leaders in brewing and it is unclear what value Kirin can add to Lion... One of the more obvious reasons for the purchase is that Kirin has $4.7 billion of cash and market securities burning a hole in its pocket. With Japanese interest rates below 1%, ... [this] is one way of obtaining a higher return on these funds" (*New Zealand Herald*, 28/4/98, "Lion sale marks end of an era in NZ business", p.D2). CAFCA is inquiring from the OIC how the national interest criteria were satisfied.

Lend Lease of Australia buys 50% of Kiwi Income Properties companies

Lend Lease Property Investment Services Ltd, a subsidiary of **Lend Lease Corporation Ltd** of **Australia**, has approval to acquire up to **50%** of **Kiwi Income Properties Ltd**, **Kiwi Property Management Ltd**, **KDT Management Ltd**, and **KDT Development Ltd**. The price has been suppressed. The unit trusts managed by the offeree companies own a number of retail, commercial and industrial properties, including **21 hectares** of land, at **286 Mt Wellington Highway, Auckland**, and an area of land "which includes or adjoins land subject to a Historic Places Order", namely the **0.4230 hectares** of land in the **Royal Sun Alliance Centre**, situated in **Shortland Street** and **Fort Street, Auckland**.

As we reported last month, Kiwi Income Properties Ltd, which at that time was 50% controlled by FCMI Financial Corporation of Canada, and the remainder by New Zealand residents, manages Kiwi Income Property Trust. The companies and trusts own substantial property in the central business districts of the main centres.

Sime Darby of Malaysia buys 80% of Continental Car Services, Auckland

Sime Singapore Ltd, which is **69.1%** owned by **Sime Darby Berhad** of **Malaysia**, has approval to acquire **Continental Car Services Ltd** from **Mr T. E. S. Bailey**, "a British citizen and prominent Motor dealership businessman in Auckland". It has approval to acquire 100%, but has apparently bought only **80%** for **$8.4**

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million. Sime sees it as an opportunity to expand into Aotearoa. The managing director and all existing employees of Continental will continue to be employed.

Jang Investments of South Korea buys Ascot golf course, Christchurch

S. W. Jang Investments Ltd, owned by **Mr Seung Woo Jang** of **Seoul, South Korea**, has approval to acquire **19 hectares** of **leasehold land** in **Frosts Road, Christchurch** and "the business assets and undertakings" of **New Zealand Premier Golf Ranges Limited** for **$1,940,000**.

> "The vendors wish to divest their interest in the golf course/driving range facilities located in Christchurch, in order to free up capital for other investments. The applicants, who own several properties located in and around Christchurch, wish to acquire the property in order to expand their existing property portfolio. It is stated the current employees of New Zealand Premier Golf Ranges Limited will continue to be employed. Furthermore, the applicant proposes to further develop the golf course/driving range which is likely to result in additional employment opportunities and the introduction of capital for development purposes".

This is the Ascot golf course and driving range beside the Queen Elizabeth II Park Stadium, owned by the Christchurch City Council, which formerly operated it but now leases it to the operator. New Zealand Premier Golf Ranges is based in Auckland, and took a 20 year lease five years ago. It pays a percentage of earnings from the course, range and shop to the Council. Councillor Gail Sheriff said the Council had "made it very, very clear that this is a public facility and it is imperative that it remains that way". Any increases in prices or alterations to the facility would have to be approved by the Council.

Mr Jang lives in Korea but visits Christchurch regularly "and intends to settle here with his family" according to the *Press*. He has appointed a Christchurch-based Korean manager. A Council report said Mr Jang had "substantial and successful business interests in Korea as well as commercial and residential property in Christchurch". Real estate and banking checks had been positive. (*Christchurch Mail*, 30/3/98, "Koreans make $1.8m bid for Ascot gold course", p.1; *Press*, 11/4/98, "New deal for golf course", p.5.)

Select of the U.K. takes over Andrews Partners Recruitment

Select NZ Ltd, owned by **RTT International Sarl**, a subsidiary of **Select Appointments (Holdings) Plc** which is publicly listed in both the **U.K.** and **U.S.A.**, has approval to acquire **Andrews Partners Recruitment Ltd** and **Andrews Partners Recruitment (Australia) Ltd** for **$11 million**. "It is stated the acquisition forms part of Select's overall strategy to build its world-wide clientele and complement its existing New Zealand business activities".

Earnscleugh Station, Otago sold to Australian-led gold mining joint venture

Approval has been given for the **2,574 hectare Earnscleugh Station** in **Central Otago** to be sold to the **Earnscleugh Joint Venture** for **$1.5 million**. The joint venture is **82.35%** owned by **Mintago Investments Ltd**, a subsidiary of **Perilya Mines NL** of **Australia**, and **17.65%** by **March Mining (Central) Ltd** of **Aotearoa**. The purpose of the joint venture ("the Earnscleugh Project") is to establish a "substantial gold mining operation". The mine will require only a 50 hectare area forming part of the Earnscleugh Flats. The joint venture is negotiating to sell the balance of the land.

The *Otago Daily Times* reported in October 1997 that the project would be an alluvial mine. The company was proposing a two stage mining operation, the first beginning at the southern end of the Earnscleugh Flats in the vicinity of Blackman Rd. Depending on the viability of the first stage, it would then move north towards Laing Road, covering a total area of about 620 hectares – considerably more than in this approval. Stage one, which would take between nine and 15 years to complete, was expected to yield about 230,000 ounces of gold and employ about 50 staff in addition to local consultants and industries. The mine would employ an open pit of about 400 metres by 200 metres, and about 25 metres deep, affecting an area of about 50 hectares at any one time, progressively restoring the land as the mine pit advanced. The plant would be in operation 24 hours a day, seven days a week, and mining would begin in late 1999, subject to obtaining resource consents. Environmental impacts would include disruption to groundwater supplies and road and communication links in area. The Fraser River's flow and path would be disturbed (*Otago Daily Times*, 2/10/97, "Earnscleugh mine details released", p.18).

Indonesian buys Closeburn Station, Queenstown, for farming and subdivision

RMI Resources Ltd, the principal shareholder of which is **David Salman**, a national of **Indonesia**, has approval to acquire the **935 hectare Closeburn Station** on **Glenorchy Road, Queenstown, Otago** for a sum "to be advised". Closeburn is owned by **J.F. Investments (New Zealand) Ltd**, and RMI has approval to acquire up to **70%** of it.

> "The proposal provides for the introduction of venture capital required to establish a 21-27 lot residential subdivision development on part of the property known as 'Closeburn Station', Queenstown. The lots themselves will be marketed towards buyers looking to become part of the concept of a marriage of the protection of a high country farming station, conservation values and lifestyle living. The establishment and sale of the residential lots will provide capital that will enable the farming operation of 'Closeburn Station' to be preserved, developed and operated as an economic unit. The proposal will result in the protection and development of the conservation features contained in and adjoining the property and provide guaranteed public access to those features."

Salman has a number of other investments in Queenstown including an interest in 17 hectares of land at Tuckers Beach Road near Queenstown, for residential subdivision; and Woodlot Farm Ltd, a Singapore/Indonesia owned company involved in a golf course and housing development near Queenstown.

Owner of Coleridge Downs (U.S.A.) swaps land with ECNZ

Coleridge Downs Ltd, owned **95%** by members of the **Erdman** family of Hawaii, **U.S.A.**, and **5%** by **Barry Hopkinson** of **Aotearoa**, has approval to acquire approximately **21 hectares** of land around the **Coleridge** village, near **Lake Coleridge**. The company owns the **1,899 hectare Coleridge Downs** station, which adjoins the **Coleridge Power Station**. The 21 hectares is being exchanged by its owner, the **Electricity Corporation of New Zealand**, for "certain easements" over Coleridge Downs station which it required for the sale of the **Coleridge Power Station**.

Canterbury Business Monthly (May 1998, "Landowners annoyed at lake land swap") reports that the land swap has annoyed local landowners. The land is in and around the Coleridge village, and the locals fear the character of the village could be changed by the tourist related activities the Erdmans say they will develop. "They also have concerns about the adequacy of reserves normally set aside in such circumstances". Two other locals were keen to buy, and see the sale as giving preference to the Erdmans. No tender was called. *Canterbury Business Monthly* goes on:

> "The Coleridge Village Residents Association took up the matter with Treasurer Winston Peters. In a letter he indicated that their concerns would be taken into consideration by the Overseas Investment Commission. But the OIC gave the go-ahead on April 9. OIC Secretary Stephen Dawe says there is no explicit mechanism for third parties to make submissions about applications, although letters or information are taken into account."

The power station was eventually sold to a consortium of Alpine Energy of Timaru, and TrustPower of Tauranga for $90.6 million.

The members of the Erdman family involved are **Sumner Pardee Erdman** (owning **23%** of Coleridge Downs Ltd), **Christian Pardee Erdman (23%)**, and **Calvin Pardee Erdman (49%)**. The family has owned the 20,000 acre Ulupalakua Ranch on Maui, Hawaii, since 1963. The Ranch includes the Tedeschi Vineyards, which offer such delicacies as the Maui Blanc Pineapple Wine, as well as more conventional wines (ref: http://206.154.205.20/~mol/activityland/tedischi.html).

We reported in June 1994 that the Erdman family was buying Coleridge Downs Farm Ltd near Darfield, Canterbury for a total of $1.8 million via Catterick Holdings Ltd. The OIC said then that

> "The Erdman family have extensive agribusiness interests and experience in the U.S.A. The Erdmans state that they propose to carry out extensive developments to Coleridge Downs which is likely to result in a doubling of the current 10,500 stock units over the next five years."

Roths of Canada buy further land near Carterton, Wairarapa

Forest Securities Ltd, owned by **W.E. Roth Corporation** of **Canada (51%)**, **J. E. Roth** of **Canada (39%)**, and **P.L. and W.E. Kerr** of Aotearoa **(10%)**, has approval to acquire **156 hectares** of land on **East Coast and Driscolls Roads, Carterton, Wairarapa** for **$220,000**.

> "The property which has been extensively marketed since 1996, is currently described as an uneconomic farming unit, which is better utilised for forestry purposes. In this regard, all the adjoining properties have been converted to forestry resulting in an improved economic utilisation of the land. The applicants intend to develop the

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> property for afforestation purposes utilising the management/expertise of New Zealand forestry consultants. Additionally, the applicants intend to utilise the property for grazing purposes in conjunction with their existing **776 hectare** property located within the Carterton District".

The 776 hectare purchase was approved in April 1997. We reported:

> "Joan Elizabeth Roth of Canada and W. E. Roth Construction Ltd of Canada, which is owned by William Roth, are buying a 90% interest in the 776 hectare Caledonian Station, Flat Point Road, Flat Point, Carterton, Wairarapa, for $900,000. The other 10% will be owned by their daughter and son in law in Aotearoa who will manage the farm. 'The applicants intend to invest significant capital in the property by improving the productivity of the farm and developing forestry and farmstay ventures.' It appears to be used currently for sheep and beef farming".

Accor of France buys more land for its Novotel Queenstown Hotel

Raffles Queenstown Ltd, which is a subsidiary of **Tourism Asset Holdings Ltd**, listed in Australia but majority owned by **AAPC Ltd**, a subsidiary of **Accor** of **France**, has approval to acquire **0.1737 hectares** of land next to the **Novotel Queenstown Hotel** for **$65,000**. It is buying the land, which adjoins conservation land, from **Alpine Properties Ltd**.

> "In January 1997 Raffles Queenstown were granted consent to acquire 1.0920 hectares of land in Queenstown, representing the land on which the Novotel Queenstown Hotel is situated. The land, the subject of this application, comprises two residential sections, which are located directly next to the Novotel Queenstown Hotel. Although zoned for residential use, it is stated the land is too steep for the purpose of which it was intended [sic] and the sale has been openly marketed, resulting in little interest. Raffles state they propose to incorporate the land into the hotel's existing development plans which in the shorter term include the landscaping of the area in order to provide a pleasant outlook for guests located on the first floor of the Novotel Queenstown Hotel".

Raffles Queenstown Ltd, which owns the Novotel Queenstown (previously called the Holiday Inn), was purchased for "approximately A$19.17 million" from BLE Capital Ltd and Raffles South Island Ltd. See our commentary on the January 1997 decision for more detail.

Land for forestry

- In a **retrospective approval**, **Mr Lars Valter Pearson** and **Mrs Ivy Pearson**, **Swedish nationals** resident in **Singapore**, have approval to acquire **eight hectares** of land in **Tamure Place, Ruakaka, Northland** from the **Whangarei District Council** for stud farming, for **$155,000**.

  > "In October 1996 **North Star Racing Limited** (a joint venture between the applicants and a New Zealander) was granted consent to acquire the land for the purpose of establishing a racehorse breeding, training and grazing operation on the property. It was subsequently determined that the applicants acquire the property in their own right. The retrospective consent regularises the position".

- Ms **Carey Lovelace** of the **U.S.A.** has approval to acquire **11 hectares** of land at **Cames Road, Mangawhai, Northland** for **$155,000** for forestry planting using local forestry managers. The vendors had intended to build a house on the property.
- The **Dhammakaya International Society of New Zealand**, formed in September 1996 by the **Dhammakaya Foundation** of **Thailand**, has approval to acquire a further **106 hectares** of land at **Oneriri Road, Kaiwaka, Northland** for **$1,000,000** for forestry planting. The society is a "non-profit religious, educational and charitable organisation" and the land adjoins 424 hectares "on which the Society is to establish a religious retreat and beef/sheep farming operation before 25 February 1999, and to operate/manage the properties collectively as one economic unit". In February 1997 we reported the purchase of the original land by Thai Buddhists with "business acumen": the society gained approval to acquire

  > "424 hectares of land at Parekura Road, Oneriri, RD 2, Kaiwaka, north of Wellsford, Northland for $2,250,000. The land adjoins the foreshore and 'the Society proposes to establish a forestry operation on 80% of the property while the remainder will be used for cattle

> grazing and the establishment of a religious retreat'. Not just your average Thai monks though: 'The Commission is further advised that the Trustees have business experience and acumen and that this is evidenced by the manner in which The Dhammakaya Foundation's existing worldwide investments are carried out and managed".

- Unidentified "**individuals who may be 'overseas persons'**" have approval to enter an unusual arrangement for the purchase of **1,595 hectares** on the **Ruakaka Station, Wairoa, Gisborne** for **US$14,990,000**[2]. The property is being sold by **Golden Pine Ltd**, owned by **Royden Russell Mottram**, a New Zealand citizen, and **Amy Liu**, a permanent resident. Each purchaser will acquire a 1/1499th share (as tenants in common) over the land and the same share of a forestry right over the land. The proceeds will be used for forestry development. "The proposal can be viewed as a type of joint venture arrangement with the overseas parties providing the necessary capital and the New Zealand parties providing the expertise and business skills". It is being organised by the ubiquitous **Deborah Miller** of Brookfields, Auckland who specialises in schemes for selling forestry land to multiple owners.
- **Rayonier New Zealand Ltd**, a subsidiary of **Rayonier Inc** of the **U.S.A.**, has approval to acquire approximately **205 hectares** of land at **Tokanui, Southland** for **$228,030** to improve access to adjoining land over which it has a Crown Forestry Licence, and to "improve and expand its existing Southland forestry resource base". Some or all of the land "is held for **conservation** purposes under the Conservation Act 1987".

Other rural land sales

- **Springfield Farm Ltd**, owned equally by **Mr Larry Allan Ladner, Thomas and Beryl Mary Browne** (all of **Australia**) and **Florence Ladner** (a New Zealand citizen resident in Australia), has approval to acquire **62 hectares** of land in **Roto-o-rangi Road, Cambridge, Waikato**, for **$2,710,000**. The property is a horse stud. "The applicants collectively have significant business experience within the thoroughbred industry and two of the four shareholders intend to reside permanently on the property following settlement, to undertake the day-to-day management of the business operation".
- **David Dean Smith** of **Oregon, U.S.A.**, has approval to acquire **86 hectares** of land for beef farming in **Taihape** for **$375,000**.

> "... the property is currently run as an sheep/cattle farming unit running approximately 850 stock units. The property has been marketed for a period of over a year. Mr Smith intends to acquire the property for the purpose of developing the property as an economic cattle farming unit capable of carrying at least 900 stock units. Mr Smith has extensive knowledge and expertise of the Simmental pedigree, Arubrc Stud and Brahman Cross cattle breeds which are extensively utilised throughout the US. He intends to develop these breeds, through the utilisation of the property in New Zealand. Mr Smith advises that he intends to employ a farm manager responsible for the day-to-day management/operation of the property. Mr Smith intends injecting approximately US$100,000 in development capital to be utilised in improving the property's pasture quality".

- **Corbans Wines Ltd**, a subsidiary of the **DB Group Ltd** of **Singapore**, has approval to acquire **78 hectares** of land on **Whitmore Road, Gisborne** from the **Wolter Family Trust** for **$4,311,000** "to secure a supply of grapes for its wine business" and expand its markets. Additional capital for developmental purposes is promised. DB Group is "approximately" **58.39%** owned by **Asia Pacific Breweries Ltd** of **Singapore** which in turn is owned **80%** by **Heineken NV** of the **Netherlands** and **Fraser, Neave Ltd** of **Singapore**.
- **Mr Terry Peabody** of **Australia** has approval to acquire **148 hectares** of land on **Mere Road** and **State Highway 50, Hawkes Bay**, from **Milburn New Zealand Ltd, 73%** owned in **Switzerland**. He plans to develop viticulture on it and is negotiating with the **Villa Maria** winery. He anticipates "that at least one block of 40 hectares may ultimately be onsold to that company". They "would then co-operatively develop the land".

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1. All spelling of geographic and company names is as supplied by the OIC unless otherwise it is clear from the context that the source is from elsewhere. Errors are those of the OIC.
Areas are rounded to the nearest whole number.
Information quoted, unless otherwise noted, comes from the "decision sheets" of the Commission.
2. The mean US$ exchange rate for April 1998 was 0.5531 (ref: Reserve Bank).

CASH COWS GOING CASHLESS

- Liz Griffiths

The banking industry is all about weaning us off this old fashioned cash stuff - coins and notes - ugh !!

So, on 18th June 1998, the bankers' announced a joint decision to adopt the MONDEX system or "Stored Value Card" system (SVC) in NZ. This is a system developed in England to replace low value cash transactions - now to be trialled here over the next 18 months. Target areas will be low value transaction sites - dairies, convenience stores, lunch cafes, vending machines, public transport, pubs and parking meters. Load your card with credit and go spend !

New Zealanders have adopted the use of fantastic plastic very readily it seems. NZ leads the world in acceptance of EFTPOS - with one terminal for every 78 people - (*Press*, 11/11/97), against 1:132 in Australia and 1:474 in the USA.. In 1997, about 70% of the transactions in NZ were for cash - with an average payout of less than \$10 !! - amounting to only 30% of the total value of the year's EFTPOS transactions. 'High volume low value' stuff - not what the banking industry particularly loves.

But why need there be any concern about the growing use of electronic banking? Well, for a start, what level of cashlessness exactly are the Banker's Association planning for us? Will we still have some money? or zero !! We don't know.

With the continuing closure of bank branches, (about 150 in 1997 alone - *Press*, ibid) and the massive reduction in bank staff numbers, the EFTPOS machine has become, by increasing necessity, foisted upon us.

(Protesting yet another ANZ branch closure: *Christchurch Press*: 19.5.98)

Bank closures have hit rural and suburban areas particularly hard, and the elderly and low income individuals most affected - again.

And despite maintaining obscenely high levels of profit from thousands of staff layoffs and numerous branch closures, the banks are still increasing an already nasty level of high bank fees. Consumer Affairs Minister, Robyn McDonald, demanded explanations, especially as it is the low income earners - again - who are most disadvantaged by the greed. Of the Big Four (no, not the Tight Five), from 1994 to 1998, profits from fees alone have grown by 62% at the National Australia Bank (NAB)!!; by 26% at Westpac; 16% at the Commonwealth Bank of Australia (CBA); and 9% at ANZ. It is estimated that aggregate bank fees for the Big Four are around \$A7 billion a year (*Vanguard*, July 1998)!! David Russell, of the Consumers' Institute, notes that the bank fees increase "almost in unison". Where is the competition?

And the reality is that a Cashless Society depends on computers - which can fail due to power cuts (remember Mercury? - well, what about a major earthquake?). And how often have you waited and waited at the checkout because the 'system has gone down' - or is overloaded - or something? What about the impact of awful computer programming or operating error? In November 1997 the banking system's clearing house - now run by the American TNC, Electronic Data Systems (EDS) - was in chaos due to software errors !! - which resulted in some 700,000 EFTPOS transactions being processed twice. EDS processes inter-bank transactions, including direct crediting of wages, automatic payments and customer information files. Remember Christmas 1997 when thousands of beneficiaries and shoppers couldn't get money because of a 'corrupt computer disc' at the processing site? Processing of over \$126 billion from seven million transactions was delayed. What if we are all cashless and must depend on this EDS?

Moreover crooks seem to be adept at finding PIN numbers and money can be siphoned off from an account at great speed if a card is stolen and the PIN located. Banks rarely reimburse the account holder if they have been the victim of such crime. Also, the nuisance for the banks is that so many people forget their PIN numbers - so MONDEX Stored Value Cards (SVCs) won't require a PIN - and hence will be even more valuable to the crims. Nothing short of a skin implant seems to promise the card owner the level of security required - and that all sounds like a too familiar Biblical concern !! All our daily personal and business transactions have become very transparent to the few technocrats in the know, who have privileged access to our account activity at the press of a button. Remember - this electronic medium of exchange has been liberated from NZ ownership - and only a very flimsy structure of privacy regulations protect us from a creeping (creepy) Big Brother.

With the buy out of Trustbank in 1996, major banking decisions are all made out of New Zealand. Apart from Taranki Savings Bank, and new starters on the block such as Ashburton Building Society (which set up banking facilities in Christchurch, in July 1998), it is the Aussie Big Four: NAB, Westpac, CBA and ANZ, plus National Bank (Lloyds, UK), and Countrywide (Bank of Scotland), who own most of our personal banking business (in July 1998, National announced that it is buying Countrywide, becoming NZ's second biggest bank. There will be the usual branch closures and staff cuts). Also the Australian banks are inextricably linked to foreign monopolies, and growing concentration of ownership - mostly American. More bank mergers could see ANZ and even Westpac as targets for takeover. All are subject to the pressures of globalisation. Foreign banks have made significant inroads into all top Australasian corporate markets - Citibank, First National, Merrill Lynch, Bankers Trust - plus Japan and Europe.

And remember that EDS, which processes an increasing volume of our inter-bank transactions, is a giant American corporation. New Zealand has well and truly lost control of its own money - and once electronic money dominates we won't even have the privilege of local icons on our own notes and coins - our economy will become a mere speck in time on a whizzing computer disc.

With thanks to Roark Watson, of Hawkes Bay, who sent us his original article "Capital Fathoms Icy Waters", from which a lot of this material was drawn. Ed.

WESTPAC FINANCES URANIUM MINE IN AUSSIE NATIONAL PARK

Westpac is definitely one of the nastiest of the foreign, predominantly Australian, banks that have got their hooks into NZ. Its 1996 takeover of TrustBank saw the end of any national New Zealand owned banks. Its saturation advertising about the merger keeps telling us that its coming along nicely. "Nice" is what Westpac wants the public to think about it.

Trouble is that Westpac keeps getting involved in all manner of unpleasant projects. For example, take the Jabiluka battle. You can be forgiven if you've never heard of it, because it has received no publicity from the NZ media. For several months now, thousands of protesters have been physically trying to stop the construction of a new uranium mine, inside the beautiful Kakadu National Park, in Australia's Northern Territory. It is an environmental, anti-nuclear cause celebre throughout Australia and around the world. There have been hundreds of arrests, accompanied by all the mindless brutality for which the Abo bashing Northern Territory coppers are renowned.

And good old Westpac is in the thick of it. Its Sydney head office was the target of a Friends of the Earth protest, in July 1998. "...It was held in solidarity with the 60 people who were yesterday crammed into jail cells designed to take no more than 12 people at Jabiru, and with Yvonne Margarula and Jacqui Katona who appeared in court today to contest charges of tresspass on their own land on May 19th, International Jabiluka Action Day. Westpac Custodian Nominees is the largest shareholder (12.47%) in North Limited, which owns 60% of Energy Resources of Australia (ERA), as well as having a significant share directly in Energy Resources of Australia.

"Ironically, Westpac has an environmental policy that commits it to environmental standards that 'meet or exceed community environment standards'. However, Westpac management is saying that it has no influence or control over ERA, is spite of Westpac Custodian Nominees' large share in Norths, and in spite of the fact that Westpac is the banker both for ERA and for Norths. The action on the floor of the Westpac branch held up business for two hours while protesters demanded that Westpac either withdraw from its involvement in the Jabiluka project, or use its considerable influence with ERA and Norths to cancel the project.

"Westpac put out a press release immediately following the action in which it stated that: `Westpac today rejected allegations made by Uranium mine protesters in Sydney that it is a major shareholder in Jabiluka mine owner, Energy Resources of Australia. Westpac has no equity or beneficial interest in the Jabiluka mine or Energy Resources of Australia, and it is irresponsible of the protest movement to allege that the bank has any control over the actions of the mine owner. The bank's role with respect to shareholders is limited to providing administrative and depository services for investing customers through our subsidiary, Westpac Custodian Nominees Limited'.

"Given that Westpac Custodian Nominees Limited is wholly owned by and managed by Westpac, Westpac's claims that it has nothing to do with ERA and the Jabiluka project do not stand up to scrutiny. According to Friends of the Earth uranium campaigner John Hallam, `The involvement of the Westpac group as a whole in the Jabiluka project could not be more clear.... In a recent poll, 67% of those polled described themselves as opposed to Jabiluka, and 53% as 'strongly opposed'. It

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is a mystery to us how a project that is thus rejected by the community and that has been the subject of a resolution by the European Parliament calling on the Government to terminate the project, as well as three Senate resolutions saying the same thing can be described as meeting community standards'.

"'Westpac's claim that it has no responsibility for what is done by Westpac Custodial Nominees is irresponsible. Westpac has an environment policy. That policy must apply to investment decisions made by the Westpac group as a whole, or else it is meaningless. We call on the Westpac group as a whole to use its very considerable influence in the investment community to pull the plug on Jabiluka'" (Friends of the Earth press statement; 16/7/98).

And here's how it looks at the shitty end of the stick, far from nice shiny head offices in Sydney. "...Also on 14/7/98, I understand that Steven Bell was punched unconscious by an ERA security guard on the Jabiluka Mineral lease. ...I am told that an ambulance took over an hour to reach the scene, travelling from Jabiru township, and that after 30 minutes at the site, a policeman said that an ambulance had still not been called. I am told that Peter Kilpatrick (to whom I have spoken) was seriously injured on 14/7/98, when a Tactical Response Group police officer grabbed him with a stranglehold around his neck and bounced him up and down, causing nerve damage to his brachial plexus and thoracic nerve damage with the effect of making his left arm unusable. He is now wearing an arm sling and has movement of his left thumb only five days later. He also suffered significant muscle damage around his spine and shoulder. I am told that after his injuries, he was left face down in the dirt for over an hour. He has told me that he was denied medical attention for at least four hours. I understand that these injuries are corroborated by a medical certificate...

"...I also understand that during the Magistrates hearing in Jabiru, the Police prosecutor stated to the court that the cells at Jabiru had the capacity to hold up to 12 prisoners. These cells were used to hold 118 prisoners throughout Tuesday 14/7/98, until about half the prisoners signed bail late on 14/7/98. During this time, I am told that men and women shared the same cells, toileting in full view of the opposite sex, menstruating without tampons available in front of males, tampons in a pile on the floor with a trickle of blood, being unable to lie down for lack of space, bed spaces made of concrete..." (e-mail; 21/7/98; John Hallam, Friends of the Earth, Sydney; "Even Worse Human Rights Violations/Even More Police Violence At Jabiluka").

Yes, that sounds like it's coming together nicely, doesn't it?

The brink of disaster

WESTPAC: THE BANK THAT BROKE THE BANK by Edna Carew. Doubleday, 460pp, $34.95.
Reviewed by Martin Gimpl.

Westpac, the bank formed in 1982 by a merger of the Bank of New South Wales and the Commercial Bank of Australia, almost went to the wall in 1992.

This is the story of the attempt by Westpac to become one of the world's largest banks in the 1980s and how the overriding ambition for growth and a series of management blunders almost took them under. Here Edna Carew an experienced commentator on business, the economy, and politics relates the unauthorised version of what happened during those years.

Beginning with the defining merger with the CBA, Westpac began a series of mergers and take-overs to become a full-service financial shop and world-sized bank. An early acquisition, AGC, turned out to be one of the most costly, incurring big losses in real-estate loans.

Another source of problems occurred with Partnership Pacific Ltd. This hastily conceived subsidiary originally set up as a merchant bank began making foreign-currency loans (loans that had to be paid back in foreign currency). The foreign-currency risk was not hedged in most cases and borrowers found themselves with large payments required as the Australian dollar fell against most foreign currencies.

Westpac was saved by a whisker.

The borrowers were to claim in court that they were unsophisticated borrowers and that the bank should have warned them of the foreign-currency risk, or hedged it, or both. The court ruled in their favour so that all they had to pay back was the original loan in Australian dollars. All of the unhedged risk was Westpac's.

In 1987 fraud was discovered in its foreign-exchange section and the Halabi brothers were charged. This leads to one of the more interesting chapters in which an interesting ethical dilemma is revealed. Westpac management is called to a London hotel room and presented with several clothes hampers full of confidential letters and files of their clients. The threat is made that these will be revealed if charges against two foreign-exchange dealers for fraud are not dropped. What would you do?

What the bank does is probably not the correct thing but is surely understandable. Eventually Westpac spends about $13m to recover about $250,000 and secures a conviction against one of the defendants.

Bad loans, heavy involvement in real-estate deals, and a host of events like those above finally catch up with Westpac in 1991. With shareholders' funds of $5.4b and $6.2b of problem loans, capital had to be raised. AMP injects $300m in a share float that leaves the underwriters with $883m. Westpac is saved by a whisker.

To turn the bank around a new chief executive is recruited from the United States who downsizes and restructures the bank. Cost-cutting through closures and selling of assets puts Westpac into recovery mode. Trustbank NZ is bought for $1.1b in 1995, and by 1996 after-tax earnings are above $1b.

The reader may speculate on the root cause of the near failure of Westpac. It is hard to put one's finger on any straw that broke the camel's back; there are no big scandals or tales of corporate high jinks.

Compared with its competition, Westpac was expensive to run because of its generous staffing and a reluctance to take up new technology like Eftpos. Growth through mergers and acquisitions outpaced management's ability to control credit and costs.

Bad loans and the heavy involvement in corporate real estate finally took their toll. The corrective surgery required left thousands without jobs and many alienated customers.

It could have been worse. What is not revealed in the book is what would have happened if the bank had failed. With all of our trading banks now foreign owned a failure by an overseas parent would have dire consequences for New Zealand account holders.

There would be no protection like that offered when the Government-owned BNZ got into difficulties for many similar reasons. The only protection obvious to me is diversification. Don't keep all your eggs in one basket.

(***Christchurch Press***, **22.11.97**)

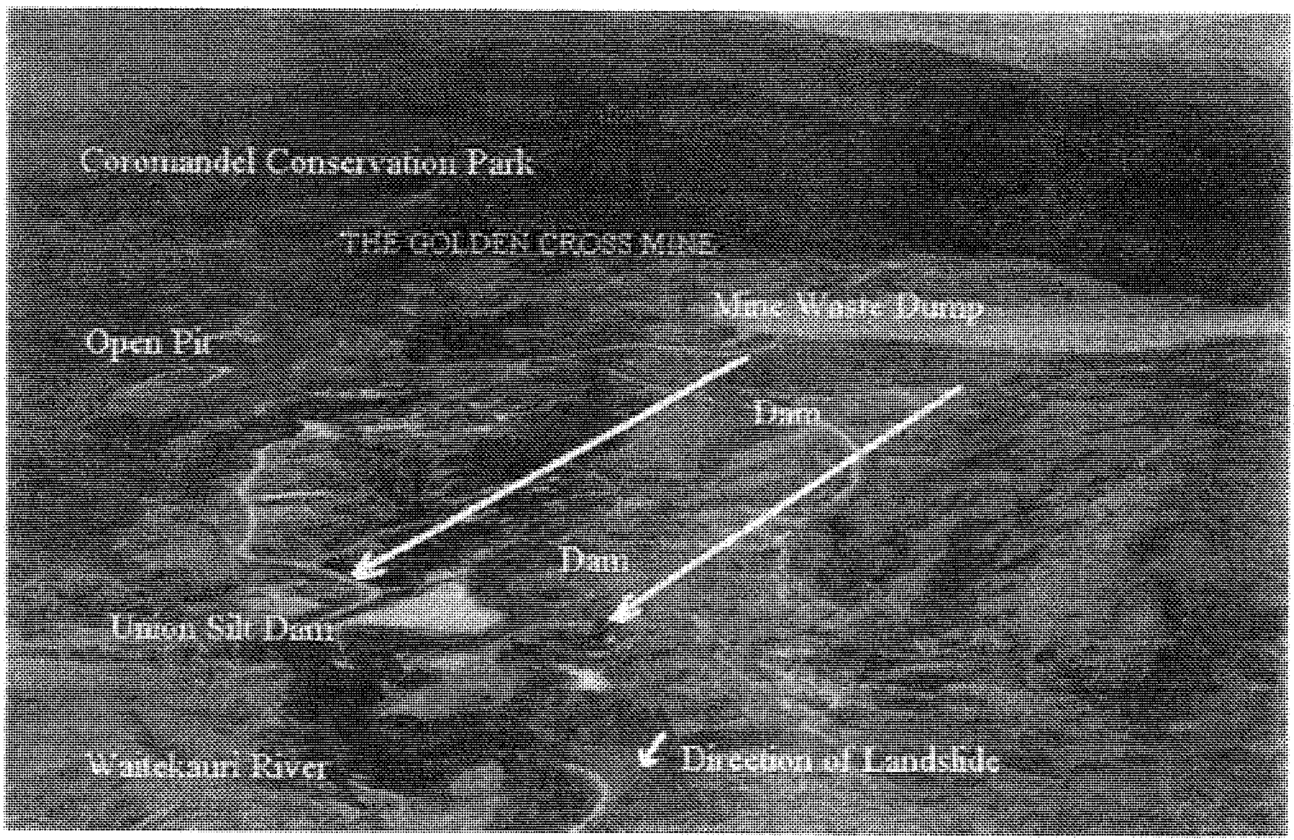
MINING

Toxic Vandal Closes Coromandel Mine

American mining TNC Coeur Gold (NZ) Ltd was equal runner up in the first Roger Award For The Worst Transnational Corporation In New Zealand In 1997. Coeur, which operated the Golden Cross Mine, in Coromandel's Waitekauri Valley, was adjudged to be physically toxic - it shared second spot with Rupert Murdoch's INL, which is mentally toxic. The judges said: "Coeur Gold has shown a calculated, profit driven and detached attitude to the environment and community in which it operates" (*see Watchdog 87 for full coverage of the Roger Award; see previous issues for details on Coeur and Golden Cross. Ed.).*

Golden Cross closed, in December 1997, leaving behind a staff of 35 to "rehabilitate" the site. The insoluble problem is the mine's toxic tailings dam, which is built on a landslide (a problem Coeur claims it unknowingly inherited from the previous American TNC owner, which it is suing). Coeur spent $27 million fruitlessly trying to stabilise the landslide. It is aiming to return the mine site to a green pasture. Pigs might fly first. Local authorities, left holding the baby and a totally inadequate $12 million bond posted by the company, are sharply critical of the Government's hands off approach to the whole subject. Environment Waikato (the regional council) and Hauraki District Council are alarmed that the Government is abandoning even a public safety role. They went to the Environment Court seeking a declaratory judgement on the various bodies' responsibilities if they failed to reach agreement. A joint special committee from the two councils and the Minister of Energy is to be established to oversee the closure plan.

The local community understandably feels shafted. "Regardless of the outcome, one feels that Coeur has already gone, all we have left is a workforce of 35 and the company's agents...In the final analysis, there is little doubt we stand to be the poor losers in all of this..." (Ohinemuri Earthwatch; letter to CAFCA; 15/5/98). Local tensions are admitted even in *Golden Cross Rehab News*, the optimistically titled company newsletter. Edition 1, April 1998, says, of the Community Consultative Group: "Over time there have been some dramatic displays of emotion, and even walk-outs..." Not mentioning, of course, that the biggest walk out of the lot has been by Coeur Gold, leaving New Zealand an unstable toxic legacy. The central North Island's torrential and floodstricken 1998 winter won't have helped one bit, either.



Mining: From Page 71

"What Will It Cost To Clean Up The Golden Cross toxic waste site - $100 million ?

"A conservative estimate to shift four million tonnes of toxic mine waste... and ten million tonnes of acid-generating waste rock to a safer site is $100 million. This is what is involved:

"Industry sources say transport costs of $10 per tonne are common. If so these costs would be $150,000,000. These are our best estimates. Govt can accurately define these costs and require a 100% bond.

"Choose and fully investigate a new site $5,000,000.
Purchase land $4,000,000.
Apply for and obtain resource consents $5,000,000.
Build permanent water treatment plant $15,000,000.
Prepare site, lay "impervious" liner and build new dam $20,000,000.
Excavate and transport five million tonnes of tailings, and ten million tonnes of contaminated waste rock - @ $5 per tonne $75,000,000.
"Total = $124,000,000.

"Rehabilitate old and new sites, and maintain water quality and land stability at both sites in perpetuity Monitor both sites in perpetuity ???

"What Has It Cost To Clean Up Similar Mines Overseas?

"A $100 million cost to shift the Golden Cross mine waste can be gauged from the following recent mine pollution disasters, - all arising from leakage or rupture of the tailings dam, - but none involving a catastrophic dam collapse or requiring relocation of the tailings or waste rock :

"1990 Summitville, Colorado. Poisoning of rivers 17 miles below mine. Cost to US taxpayer so far $US120 million.
1992 Iron Mountain, California. Acid mine drainage polluted Sacramento River. Clean up cost over $US68 million.
1995 Omai dam, Guyana. Built by Canadian engineers, ruptured. President Chagan described it as Guyana's 'worst environmental disaster', polluting main river for 100 miles downstream.
1996 Zortman Lusky mine, Montana. Cost of new water treatment plant alone to halt river pollution $US35 million.
1990 Silver Bow Creek Mine, Montana. Clean up cost $US57 million.
1996 Marcopper mine, Philippines. Tailings spilled into river. Mining company's estimate of rehabilitation $US46 million.
The Mining Association of Canada estimates the cost of cleaning up abandoned mines in that country to be $C6 billion. In USA the clean up cost is estimated at $US70 billion.

"Why Does The Waste Have To Be Moved? Can't The Existing Dam Be Dewatered, Stabilised And Replanted?

The water/sludge in the dam contains 20-30 ppm of cyanide and other highly toxic elements such as zinc copper lead mercury etc. Dewatering still leaves these toxins in the four million tonnes of sludge ('tailings'). Water and oxygen entering the tailings mobilises these elements in a perpetual pollution process called acid mine drainage (AMD). The acidity is comparable to battery acid. In April 1996, Waikato Regional Council (now Environment Waikato) concluded that the landslide created long-term uncertainties that the site could be permanently stabilised. The Council therefore directed the tailings be moved before or at mine closure. The WRC resolution said : '...The uncertainties are too great to allow storage of tailings. Council then require first that the tailings be moved and stored at a site with greater security. This should take place at or prior to mine closure....'

"...The tailings dam is built on the premise that all the toxins it contains can be PERMANENTLY sealed off from water and oxygen, that these toxins will NEVER EVER escape, and ALL contaminated water flowing off or under the dam will be purified FOREVER. But with a landslide moving one block of land over another, and in different directions, the clay "liner" under the dam, and any "cap" on top is/will be subject to ongoing cracking/tearing. This must lead to the escape of the toxins into waterways. Already there is evidence of cyanide in a stream which Coeur admits has leaked out due to the landslide. AMD can take 10-30 years to fully develop, at which time the company will be long gone. Vegetation is unlikely to grow on the highly acidic soils. Tree roots open up pathways for water and the creation of AMD. While planting over the top might look nice, it does not solve the toxic problem festering away underneath" (Coromandel Watchdog of Hauraki, Website; http://binbro1.bitz.co.nz/watchdog/.).

Of course, there is still a very much functioning gold mine in Coromandel, namely the Martha Hill Mine smack bang in the middle of Waihi. In November 1997, Waihi Gold, which owns it, applied for resource consents to expand the mine and to lengthen its lifespan to 2007. 406 submissions supported the company's plan; 146 objected. The Hauraki District Council approved it, subject to conditions. Appeals from objectors were set down to be heard in August 1998. So the battle goes on. The company has already bought more than 30 houses bordering the open pit and they will be removed or demolished, if the expansion goes ahead.

Beardy Weirdies Win Famous Victory

But all is not gloom and doom in Coromandel. In November 1997 the Crown Minerals Amendment Bill No 3 was passed into law. The new Act bans all mining on Department of Conservation land on the Coromandel Peninsula north of the Kopu-Hikuai Road (thus specifically exempting the Waihi and Waitekauri mines from its scope), and in the Firth of Thames. It stretches way beyond Coromandel. The Act bans mining in all national parks, nature reserves, wilderness areas, wildlife sanctuaries and marine reserves. All told, it puts three million hectares, or 40% of Crown land, off limits to mining. The amazing thing is that mining was not previously banned in these areas.

The Act had a remarkable political genesis. After the 1993 election, National's Christine Fletcher, supported by Labour's Judith Tizard and the Alliance's Sandra Lee, tried to get such a bill through her caucus. No luck, so Tizard took on the job, in October 1994. Labour, the Alliance, New Zealand First and Fletcher supported her private member's bill. Fletcher came under enormous pressure from her National colleagues, who threatened to make it a confidence vote. That was bluff, and it went to a select committee in 1995. It didn't emerge from there until August 1996 and was kept off Parliament's agenda for a further 15 months.

It took a scandalous four years but, nonetheless, a National government passed this major piece of pro-environment, anti-mining legislation. The mining industry and their media mouthpieces were livid. The *Independent's* Chalkie columnist wrote: " When it comes to gold mining, New Zealand has one of the highest environmental standards in the world. But this doesn't deter the econuts from pushing for no-go zones. The Crown Minerals Amendment No 3 Bill...will, if passed, ban mining on the Coromandel Peninsula. There would be no assessment of the costs versus the benefits of any mining venture. None of the rational debate required by the Resource Management Act. Just a blanket ban. We could be sitting on a bonanza grade gold deposit. A mine big enough to turn our economy around, provide jobs for the jobless and homes for the homeless. - a deposit so rich it could be mined underground with little, if any, adverse environmental effect. We could be sitting on such a deposit and we'd never know it because a bunch of beardie weirdies and their MP mates have, with mindless fanaticism, banned exploration per se. If they win this one, Chalkie expects these econuts to order the burning of all geology books and to have geology and geophysics expunged from university calendars..." (26/11/97). That definitely takes the prize for hysterical hyperbole. The mining industry warned forestry and farming that they would be next on the greenies' hit list.

For its part, Coromandel Watchdog of Hauraki, which had campaigned long and hard for this, said: "It has taken 18 years of relentless community pressure, particularly from the Coromandel Peninsula, for the message to finally register with the Government. New Zealand can be proud of leading the world on this issue. We have said that our conservation land will be protected because it is too precious to mine. Coromandel Watchdog is ecstatic that its efforts in leading this grassroots crusade forced the Government, by sheer weight of public opinion, to pass legislation to protect the unique natural areas of the Coromandel Peninsula. We believe this has been one of New Zealand's longest running and most successful environmental campaigns. The Government's bill creates a ridiculous arbitrary line at the Kopu-Hikuai Road on the Coromandel Peninsula - north of the line has protection from mining, but the southern area will remain open to mining. We would have preferred the cut off line to be extended south to Mount Te Aroha, but this is a great start. We will continue the campaign to have ALL Coromandel/Hauraki conservation land given protection" (19/11/97; press release).

And the mining industry faces another challenge. In November 1997, Hauraki Maori lodged an unprecedented Treaty of Waitangi claim for all the gold and silver on the Coromandel. The precedents favour the claim - Ngai Tahu secured pounamu (greenstone) as part of the settlement of its South Island claim. Taranaki Maori are negotiating with the Crown over ownership of oil and gas; Tainui established, in court, that the return of Waikato land included the licence to mine coal. But Hauraki Maori differ from Coromandel Watchdog - if their claim succeeds, they won't shut down mining. Their interest is in ownership. The happy days are gone for mining - from 1996, the Government started charging royalties for gold and silver.

The country's biggest gold mine is the Australian owned Macraes Flat, in North Otago. Macraes Mining took a battering throughout 1997, as the global price of gold plummeted, and had to defer a major planned expansion. Also the company suspended exploratory work in Reefton, after having spent $30 million on it. By March 1998, Macraes had written down assets by $110 million and declared a $75.6 million loss for 1997. However, in April, it announced a less ambitious upgrade at Macraes Flat, costing $50 million. The company said this reflected its long term faith in gold. But gold has lost a lot of its lustre. In January 1998, it fell to prices not seen since 1979. Central banks have been selling their gold reserves in a big way, and the fact of the matter is that gold is no longer some semi mystical monetary asset. It has become just another commodity and the global industry, particularly in Australia, has taken a pounding.

So history and economics have joined public opinion on the side of Coromandel Watchdog. They know that the Coromandel needs gold mines as much as it needs toxic holes in the ground (which is exactly what they've got). It's a long struggle, but having won some big battles, the war does not look so daunting. More power to their elbow.

COMALCO

The international union campaign against British mining transnational Rio Tinto (the world's biggest mining company and parent of Comalco) goes rolling along, combining both action and impressive publications (see review of "Rio Tinto: Tainted Titan" below). Everybody can join the campaign.

WHAT CAN YOU DO?

The International Federation of Chemical, Energy, Mines and General Worker's Unions now has a web-site. You are invited to take part in the cyber campaign on Rio Tinto and add your thoughts to the discussion pages.

The Cyber-Campaign Nowhere to Hide! is online now at:

http://www.icem.org/campaigns/riotinto/index.html

Please link to it from web pages you run. Inform us of any links you make.

The Campaign includes an interactive forum. Sign up to the Network Supporters Forum and contribute.

And above all join the cyber-protest - to picket just click it!

Britain

We tend to think of Rio Tinto's misdeeds as taking place in exotic and woebegotten Third World countries. They do - but Rio Tinto also poisons its own "homeland", and ensures that it has friends in high places in Downing Street to look after it. It has recently attracted scathing criticism from the *Observer*, a weekly at the "quality" end of Britain's mainstream papers. Columnist Nick Cohen wrote (19/7/98; "From Sludge To Sludge"):

"...In 1997, Rio Tinto, the British-based mining conglomerate, was wary of the new Labour Government, committed to an ethical foreign policy. The company's record was appalling and it might have faced a troubling downturn in profitability if the moral Robin Cook (British Foreign Secretary) and Clare Short (Development Secretary) warned Third World governments to steer clear. Its profits of US1.2 billion were below City expectations. The collapse of the Far East economies threatened its sales...The company does trickle down profits into the communities it disrupts - US$22 million in 1997. The figure is put into perspective when you learn that Rio Tinto's 15 senior directors collected US$11.2 million in salaries and benefits in the same year...

"...Complaints do not merely come from faraway countries. The company shut its Capper Pass smelter in Scotland in 1991, after repeated claims that childhood leukaemia was linked to radioactive discharges. The Scottish Universities Research and Reactor Centre noted that uranium leaching from waste heaps and radioisotopes in the atmosphere could harm the workforce and surrounding villages. Last year when the Transport and General Workers Union announced that it was suing the company on behalf of the family of a worker who had died of cancer, it received evidence from 200 people, all saying Capper Pass had wrecked their health. And so on.

"If I had written a satire last year in which the ethical foreign policy was a cynical spin and the `purer than pure' Tony Blair was shown in Downing Street schmoozing Rio Tinto execs at a business meeting, the editor would have started twitching. If I had thrown in that Blair included Roger Liddle, a member of the Downing Street Policy Unit, who was being allowed to carry on dealing with Rio Tinto, a former client from the days when he was a lobbyist at Derek Draper's Prima Europe, the poor man would have started gibbering uncontrollably, and snatching imaginary flies from air. But that was precisely what happened. A Downing Street spokesman emphasised that although Liddle had worked for Rio Tinto and other clients for a week after he joined Downing Street in 1997 - `just tidying up loose ends' - the meeting between the company, Blair and Liddle to talk about the European Union took place in the autumn after Liddle had condesended to drop his private interests and concentrate on public service.

"Liddle still had shares in his lobbying firm even then, and the fact that clients could meet Blair would add to the firm's value. But, in theory, such grubby thoughts did not cross Liddle's mind. He knew nothing about the shares. They were under the control of a `blind trust' run, coincidentally, by his next door neighbour. New Labour's reputation for honesty balances unsteadily on such pinheads. It is not only Blair who has been convinced. In June, Clare Short, mistakenly seen as the conscience of the Labour Party, was asked by Michael Clapham, a mining MP, if she had seen the criticism of Rio TInto. `Rio Tinto had a reputation but it seems to be working for change' said the touchy feely Development Secretary. `All of us including my honourable friends should meet Rio Tinto and get behind these improvements in performance'...".

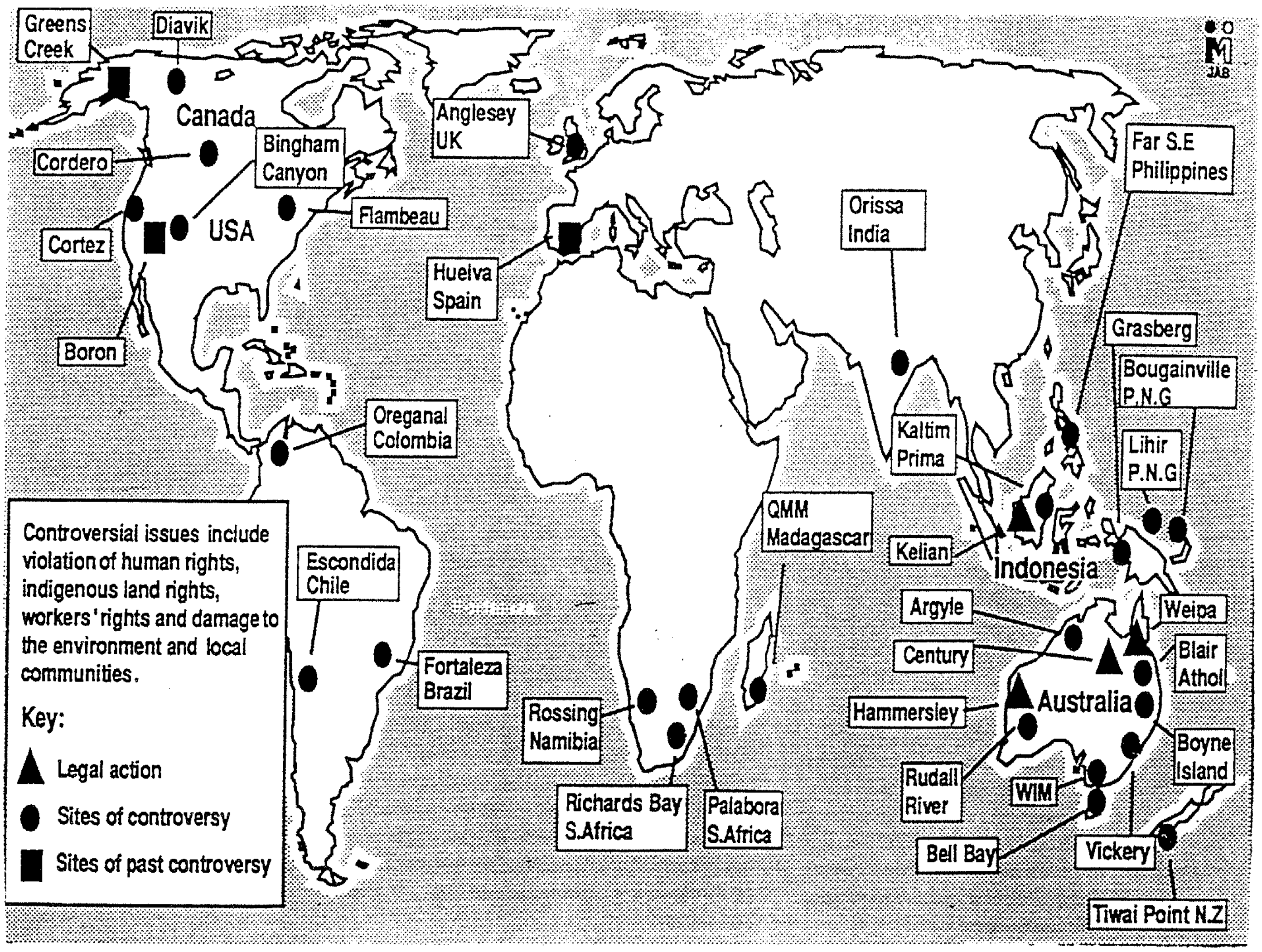
As if to emphasise the point that Rio Tinto's tragedies do happen in First World countries, July 1998 saw the death of ten miners in its Lassing talc mine in Austria (one of 16 Rio Tinto talc mines worldwide). The mine collapsed, taking part of the village with it, whilst a rescue team was underground trying to reach a colleague buried by an earlier cave in. Ironically, he was miraculously rescued after more than a week trapped underground.

"...Economics Minister, Johannes Farnleitner, said: `I am shaken particularly because I read a report just a few days ago that this was one of the safest mines in Austria. It was an example for other countries...'" (*Regulatory News Service*, 20/7/98). The tragedy, which has closed the mine, was Austria's worst post-war mining disaster.

West Papua

Rio Tinto is a vital partner in the Grasberg mine, in Irian Jaya (the name the Indonesians give to occupied West Papua, the scene of a war of independence that has gone on longer and every bit as brutally as that in East Timor). The major partner is US mining transnational, Freeport McMoRan - the mine is the world's biggest gold mine and third biggest copper mine. It is the single biggest foreign investment in Indonesia, and the biggest project of any kind in that country.

"...The company has ripped the top 500 feet off Puncuk Jaya Mountain, sifting through the dirt for copper and gold. After crushing the ore, mixing it with water and dousing the mix with chemicals to bring the metals to the surface, Freeport dumps the resultant waste rock — more than 100,000 tons a day — into mountain rivers.



(Continued on Page 76)

Comalco: From Page 75

Those rivers are the lifeblood of downstream communities of thousands of indigenous people. Environmentalists and the indigenous people themselves charge the rock waste has poisoned the water, killing fish and the riverside forest and making massive floodplains inhospitable to crops. Freeport denies the charges.

"But the Amungme and Komoro peoples are angry enough to have organized ongoing protests. The Indonesian military has met those protests with an iron fist, beating, torturing and killing many of the indigenous protesters. Freeport denies any responsibility for the military's human rights abuses of the protesters, and also denies charges that it has assisted the repression..." (*Focus on the Corporation*; 26/5/98; "The Suharto-US Corporate Connection"; Russell Mokhiber and Robert Weissman).

The exact nature of the Indonesian military's support for the mining TNCs is spelled out in a May 1998 report by Survival International. "...Many of the soldiers committing these atrocities are based in Timika, home to the American and British owned Grasberg copper and gold mine.. Mine operators Freeport McMoRan and British giant Rio Tinto spent $US37 million on facilities and support for the Indonesian army in 1997, who 'protect' the mine from Papuans, many of whom see it as a symbol of Indonesia's brutal regime. Stephen Corry, Director of Survival, said, 'This report offers a rare insight into the terror tactics adopted by the Suharto regime against its opponents. Suharto's dictatorship has proved tragic for Irian Jaya, and this report has a vital relevance for the future. Many thousands more will be killed if the incoming government doesn't finally bring justice to Irian Jaya'.

"Main findings
1. 11 tribal people shot dead by the Army in four villages since May 1996.
2. Two disappearances and three people wounded by gun fire.
3. Thirteen churches and 166 houses burnt down or destroyed by the Army
4. Forced 'villagisation', keeping people away from their gardens and hunting grounds, leading to widespread deaths from starvation and related diseases.
5. Eyewitness accounts of the horrific brutality of the Indonesian army.

"...As part of its attempts to hunt down OPM (Free Papua Movement) members, the Army has shot indiscriminately people seen in the forest, and forced the tribal peoples to remain in their villages. This has caused starvation and malnutrition related diseases, as the people can no longer tend their crops or hunt outside the villages. The International Committee of the Red Cross claim that 60% of villagers are malnourished. In two villages at least 20% of the population had died of starvation. The Government claims that these deaths have been due to fires and drought caused by El Nino. In truth many of these deaths have been caused by the military occupation..." (25/5/98; "Indonesia, new human rights report"; Survival International press release).

Rio Tinto, having learned from Pontius Pilate, washes its hands of any suggestion of blood. "Rio Tinto points out that there is no evidence that its employees have murdered villagers. The World Development Movement, a majority of delegates to the World Council of Churches conference of indigenous people and mining, (in 1996) and the international mine workers union ICEM, point out there was no need for Rio Tinto to lift a finger. The Indonesian army's martial law around the mine was so ferocious that West Papua was the most militarised part of the dictatorship...(*Observer*, ibid).

But Rio Tinto is most anxious not to be confronted by any unpleasant evidence of its corporate wrongdoing in one of the world's most remote areas. "Amungme tribal leader Yosepha Alomang, a mother of ten, should be in Britain. But as she boarded the plane this month in Irian Jaya, to head for London and the Rio Tinto annual meeting, she was stopped by the military. Had she come, Ms Alomang would have told the mining firm's corporate shareholders a harrowing tale of torture at the hands of the authorities. Four years ago she was imprisoned without charges, sexually abused and threatened with being shot. Held for a month in a filthy room, she was made to eat her own faeces..." (*Guardian Weekly*; 31/5/98; "Baptism of fire"; John Vidal). Her weeks of incarceration were spent in a shipping container loaned by Freeport to security forces.

The overthrow of the genocidal dictator Suharto (*see article elsewhere in this issue. Ed.*) does offer a faint glimmer of hope for the long suffering West Papuans. Accordingly, Survival International calls for:

"1. The Government of Indonesia to open up the area to the churches, relief workers and human rights monitors.
2. A halt to forced villagisation and demilitarisation of the area.
3. An investigation into the human rights violations and for those responsible to be prosecuted.
4. Representatives of the peoples of Irian Jaya to be have a voice in the reform process currently underway in Indonesia. The Papuans have been calling for regional autonomy and for their land rights to be respected, any future government of Indonesia should respect these wishes" (Survival International press release, ibid).

And the grievously abused Yosepha Alomang may yet have the last word. In 1996 she filed a claim against Freeport McMoRan in its home town of New Orleans, alleging human rights violations and environmental damage. Her American lawyer said that he aimed to make it a class action suit on behalf of 10,000 West

Papuans and to get a jury trial. The company appealed, saying that US courts have no ,jurisdiction. In July 1998, the company lost, and the matter can now go to trial in Louisiana.

Across the border, in Papua New Guinea, Rio Tinto is planning to open a giant gold mine on tiny Lihir Island. In the course of its 36 year life, the company plans to dump 89 million tonnes of cyanide contaminated tailings directly into the ocean. In July 1998, local villagers temporarily shut down its operations because of ennvironmental fears. And, of course, Rio Tinto remains stuck with the tar baby of the Panguna mine on Bougainville, closed and off limits to company staff since the war of independence broke out in 1989. PNG is still dealing with the political fallout from the 1997 Sandline mercenaries fiasco (*see previous Watchdogs. Ed.*). But Rio Tinto chief executive, Leon Davis, told a business gathering in Melbourne that the company could have done more a decade earlier. "Back in those days, it was considered politically correct for large corporations to stay out of the business of governments and not try and influence governments, and I guess we were responding to that view at that time. Now, we are coming under increasing pressure to ...interfere is perhaps too strong a word..but to participate with governments on things like human rights and whatever" (Radio Australia; World News; 2/6/98). You'll be comforted to know that, despite being closed for a decade, Bougainville Copper still makes a profit ($A2.4 million for the half year ended June 1998, up nearly $A2 million on the corresponding 1997 half year), by virtue of higher interest rates on money invested in PNG.

Kalimantan

West Papua is not Rio Tinto's only presence in Indonesia. It owns an 80% stake in the Kelian gold mine in East Kalimantan (Borneo). In July 1998, Down To Earth released an environmental report on this mine.

"The Kelian gold mine is still causing serious pollution problems which endanger the local community's health. Rio Tinto's Chairman, Robert Wilson assured shareholders last year that the 1997 Health, Safety and Environment Report would be available for the Annual General Meeting. The report was 'not ready' for the London or Melbourne AGMs in May, denying concerned shareholders the opportunity to question the board on Rio Tinto's poor environmental record in Indonesia and elsewhere in the world. Rio Tinto's 1997 Health, Safety and Environment Report reveals that there is a massive acid drainage problem at the Kelian mine. Levels of manganese in water discharged from the mine last year averaged 0.8 milligrammes per litre. This would not be allowed in drinking water in Europe or North America and exceeds WHO recommended limits of 100-500 microgrammes per litre. On nine occasions in 1997 (and 105 occasions in 1996), manganese levels were more than 200 times the amount permitted in drinking water

under European Union Directives (50 microgrammes/l). Rio Tinto's research unit is investigating methods of reducing manganese pollution, but a new method currently under trials will not be implemented at Kelian until 1999 at the earliest.

"Waste water from the mine also contained over 500kg of cyanide in 1997. This is almost half the cyanide emissions for the previous year, but Kelian still has by far the worst cyanide pollution levels of any Rio Tinto gold or copper mine. Cyanide compounds are used to extract the gold from the ore. Rio Tinto implies that high cyanide levels are not a problem since 'any residual free cyanide breaks down rapidly in the presence of sunlight and does not persist in the environment'. The Kelian mine also releases huge quantities of 'suspended solids' into the river from which it takes its name. These are fine particles of soil and rock produced during processing the ore and from surface water draining from the site. At 1,600 tonnes, the amount of suspended solids in the water discharged by PT KEM (the subsidiary company) is the second highest of all Rio Tinto's operations world wide. In 1996, levels of suspended solids were even higher at 4,700 tonnes as PT KEM diverted part of the River Kelian. Nevertheless, Rio Tinto puts much of the blame for the high turbidity of the river water on the operations of small scale community miners.

"PT KEM takes over six million cubic metres of fresh water from the Kelian river for their mining operations. Only some four million cubic metres is recycled within the mine. The waste water, which contains high levels of metal ions such as manganese, cyanide compounds and is thick with mud, is discharged into the Kelian river. PT KEM has had to provide drinking water supplies for the local population since the start of its operations in the early 1990s. However, not all the indigenous people or more recent settlers have access to piped drinking water and the River Kelian is used for all other household and agricultural needs including bathing, laundry and preparing food.

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"The original contract in 1985 between the Indonesian Government and PT KEM gave the company mining rights lasting 30 years over an area of 286,233 hectares - most of which is covered with primary and secondary tropical rainforest. Rio Tinto's 1997 Health, Safety and Environment Report states that the total amount of land used so far for the mine is 786 hectares. However, correspondence between the company and Down to Earth in February 1997 showed that 1,200 ha of forest had already been cleared. The company claims to have rehabilitated over 500 hectares of land to date. It does not mention in this report that the 'rehabilitation' consists largely of planting non-native tree species several hundred kilometres away in the Bukit Suharto Park - much of which went up in flames in this year's forest fires.

"Rio Tinto makes much, in its 1997 report, of the humanitarian aid it is providing for people affected by last year's drought and this year's fires in the area around the mine (along with the Australian, Canadian, British and New Zealand embassies, plus the charity Care International) and its long term contribution to health and education. This does not detract from the way that it has deprived the indigenous community of its land rights, destroyed substantial areas of rainforest and is polluting the surrounding environment. Indonesian environmentalists fear that when the mine closes early in the next decade, Rio Tinto's legacy will be a devastated environment which the company has admitted it cannot rehabilitate. It could also leave a 'pollution time bomb' slowly poisoning the local population as metals leached from the mine enter the water supply..."

New Zealand

It's been a quiet time for Comalco NZ. But it found itself the subject of unwelcome attention in May 1998 when TVNZ's *60 Minutes*, usually the most tabloidesque of the current affairs shows, screened a report on the civil damages case being brought against it by nine former Tiwai Point smelter workers. All nine had contracted industrial asthma from working on the pot line in the 1980s and earlier (indeed, this particularly debilitating and life threatening illness is called potroom asthma in the aluminium industry). The company, backed by its doctor from that period, denies liability. The CEO, Kerry McDonald, was interviewed, which is a rarity in itself, as Comalco regards itself as having been badly treated by the media. It was an unusual subject for tabloid TV to tackle and the programme did a good, critical job.

CAFCA has a copy of the 60 Minutes programme. Contact us for details. We will be screening both it and "Naked Into The Jungle", the Australian union video on Rio Tinto, at the 1998 CAFCA AGM.

So, it's business as usual for the world's biggest mining company. Whether it's cultivating influence in Downing Street, ruining the health of its workers in Scotland and New Zealand, poisoning communities in Borneo and Papua New Guinea, or collaborating in human rights atrocities in Indonesia, it's all in a day's work for this most vicious of transnationals. But, equally, its victims are fighting back, be it armed struggle in Bougainville or court action in New Zealand. It's the only way to make this company sit up and take notice.

"RIO TINTO - TAINTED TITAN: The Stakeholders Report 1997"
International Federation of Chemical, Energy, Mine and General Workers Unions (ICEM). Photocopies available from CAFCA; $10.
- Liz Griffiths

Watchdog 87 (June 1998) detailed the international union conference that was held in South Africa, in February 1998, to highlight the unacceptable practices of this major transnational - the world's largest privately owned mining company.That conference launched an international union campaign against Rio Tinto. This glossy report is part of it.

All is not well for this behemoth.

In March 1998, as a Stop Press note to this report, International Labour Organisation (ILO) experts declared new industrial laws introduced in Australia, in 1996, to be in breach of the ILO Convention No. 98. Rio Tinto's preferences for cost cutting, as opposed to value adding, tactics are particularly under scrutiny. The ILO conventions, endorsing workers' rights to join trade unions, and to organise and bargain collectively, have been consistently ignored. Active measures to de-unionise its operations and re-employ non-union labour by salary discrimination and other nasty tactics are widely practised.

The plot thickens - the conservative Australian government seconded three key employer representatives to draft these new laws - one of whom was Mike Angwin, a senior Rio Tinto executive, along with his RT staff and resources, - for the express purpose of changing laws to suit anti-union corporate policies. Rio Tinto is now directly implicated in the drafting of laws that have been found to be in breach of an international convention.

The independent Australian Industrial Relations Commission (AIRC) has also highlighted the unfair and discriminatory practices of this TNC against workers at all mining sites in Australia who chose to stay in a union. Comalco has successfully got rid of the union in New Zealand. The courage of Australian union members to refuse to succumb to the pressure to sign individual contracts and even go on strike to defend their rights - such as the 15 weeks strike at the Hunter Valley No 1 mine and nine weeks at Mt Thorley coal mine, and the almost year long strike at Vickery - is indeed adversely affecting Rio Tinto's profits. And there is mounting evidence from de-unionised operations that once the union presence has gone, management bribes are taken back, wage rises have been minimal and working hours have increased. But that isn't exactly unexpected, of course.

The spotlight is also on Rio Tinto's social and environmental practices globally. Its callous destruction of important sacred sites eg in Papua New Guinea; and its passive and active support for repressive military regimes that are used in "security operations" in South Africa, Indonesia and PNG implicate it directly it in human rights abuses and unknown thousands of deaths. Rio Tinto has caused the contamination of workers at lead smelters in the UK and uranium mines in Canada and Namibia.Tailings and waste water from its operations have polluted rivers in Bolivia, USA, Indonesia, PNG and Portugal. Indigenous peoples have had their lives irrevocably damaged in Australia, the Philippines, etc, etc, despite the promises of the company to be socially and environmentally responsible and sensitive. From a board room high up in St James Square, London, it is a bit hard to see or feel the chaos over a bit of caviar.

However !! In 1997, after three years of ferocious legal argument and manoeuvering by Rio Tinto, a landmark decision by the Law Lords, in the House of Lords, will have a significant impact on it, and will bring the focus of media attention closely onto Rio Tinto, when the case of a Scotsman, Edward Connelly, is eventually heard in the UK.

In 1970, Rio Tinto gained an illegal licence to mine uranium at Rossing from the apartheid South African regime which was then occupying Namibia (or South West Africa, as it was called). Workers operated and lived there in appalling conditions, and without any means to protect themselves against inhalation of the uranium and silica laden dust. Connelly is one of many suffering from cancer. Rio Tinto wanted the case heard in Namibia, where legal aid is not available.

The Connelly case must cause consternation for Rio Tinto, as it sets a precedent for any transnational with its parent company in England to be liable to be sued there in respect to its activities anywhere in the world. Watch this space. Already some widows have lined up with Connelly. Tough, when one might have thought that a few people in Borneo or West Papua or Bougainville didn't matter.

But with the example of the Bougainville resistance fighters and the Edward Connelly's and the ILO investigations, the pressure is on - even if ever so slightly - to force this TNC to adopt some measures of corporate responsibility.

"A BEGINNER'S GUIDE TO FOREIGN CONTROL"
Murray Horton's Paper Available

For the past several years, Murray Horton has used his "A Beginner's Guide to Foreign Control" as the basis for speeches and papers delivered in Christchurch, and around the country. He makes sure that it is continously updated. But at 38 pages it's far too long for us to consider publishing.

That's why we have decided to make copies available to members who request them. It covers: the global context; foreign control in Aotearoa; myths about foreign control; future trends; "free" trade; the MAI; and what we can do about it.

You can order it from CAFCA. Enclose $5 to cover copying and postage.

CHEQUES

Please Make Them Out Correctly

Please ensure that your cheques, for membership, donations, purchases, etc, are made out to CAFCA, and nobody else. If you wish to make a donation towards Murray Horton's pay, then make your cheque out to the CAFCA/ABC Organiser Account (which is a separate account).

DEATH IN THE FAMILY

CAFCA expresses our deepest sympathies to the following member who has suffered loss in his family recently.

To **Roger Moody**, whose brother Peter died in London, aged 59.

THE STATE OF THE NATION

Between the layout and printing of this issue, Winston Peters was sacked as Treasurer and the state of the Coalition Government was unknown as we went to print. Please bear that in mind when reading this issue, which, for example, contains references to Peters as the Treasurer in the present tense.

OIC SURVEY

Thanks to all those members who responded to our survey on the Overseas Investment Commission's approvals and our analysis of them (which are a mainstay of every *Watchdog*). The survey was sent out with # 87. The results and our decision, on whether to change the format or not, will be published in # 89.

"UNDERFUNDING"

This is the new documentary by Alister Barry, who made the epochal "Someone Else's Country". The title is self explanatory - underfunding is the principal weapon used by the ideologues to privatise our public health services. It talks to doctors, nurses and health campaigners as they explain the ceaseless drive to kill off public health.

This 21 minute video is available from the Community Media Trust, Box 3563, Wellington, ph (04) 4725259. It costs $30 for individuals; $40 for groups; and $70 for institutions.

NEW INSTITUTIONAL MEMBERSHIP RATE: $25

For the first time ever, CAFCA has instituted an institutional membership rate ($25, as distinct from the ordinary rate of $15). This will affect the likes of libraries, Ministries and for profit organisations. It will not affect the number of groups with whom we already have free exchange deals.