

New Zealand: Land sale to Chinese company provokes opposition

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New Zealand's conservative National Party government announced on April 20 its endorsement of the Overseas Investment Office's (OIO) recommendation to allow the sale of 16 farms to Chinese company Shanghai Pengxin. The company will buy 7,900 hectares of dairy farmland for \$NZ 210 million (\$US166 million) after the previous owner, Allan Crafar, went bankrupt. Shanghai Pengxin's bid was initially approved by the government in January, but suffered a setback in February when a local consortium, which had made a lower bid, successfully challenged the decision in the High Court.

The sale of the relatively small amount of land, while supported by most big business, has been furiously opposed by the Labour Party along with the Greens, the anti-immigrant New Zealand First and the Maori nationalist Mana Party. Labour's Primary Industries spokesman Damien O'Connor denounced the government for lacking the "courage" and "patriotic commitment" to resist Chinese pressure. Labour leader David Shearer demagogically described the land sale as "a tragedy" that would result in New Zealanders becoming "tenants in their own land."

In reality, barely 1.3 percent of farms are foreign-owned, and OIO figures released in February showed that over the past five years the top overseas buyers were from the US, Canada, Britain, Australia and Israel. Just 223 hectares were sold to Chinese concerns, compared for instance to 194 purchases by US interests, totalling 193,208 hectares.

Prime Minister John Key has defended the sale, saying the government was legally obliged to approve the OIO's decision. "There have been substantial

German, Australian, Israeli and American purchases of New Zealand farms and we can't just say no because they're Chinese", he told TV3 recently.

Foreign Minister Murray McCully told his fellow ministers in a letter subsequently released to the media that "a reversal of ministers' earlier approval [of the deal] would be difficult to explain" to Chinese "decision-makers" and would "have a significant adverse impact on New Zealand's trade and economic interests."

Sections of big business have backed the sale. On April 10, the NZ International Business Forum (NZIBF), whose board includes representatives from major exporters, issued a statement calling on the government to approve the Shanghai Pengxin's bid. NZIBF chairman Graeme Harrison warned that the uncertainty surrounding the deal could deter other investors and prompt a downgrade of the country's "already low" credit risk rating.

The controversy is not primarily over land sales, but reflects conflicts within the ruling elite over where to line up amid growing geopolitical tensions in the Asia-Pacific between the US and China. Since the New Zealand-China free trade agreement came into force in 2008, exports to China have increased by more than 160 percent, supplanting the US as the country's second largest export market after Australia.

However, New Zealand's increasing economic ties with China are threatened by the Obama administration increasingly aggressive efforts to undermine Chinese influence throughout Asia. Like other US regional allies, New Zealand has come under pressure from

Washington to align with the US against China. In Australia, New Zealand's closest strategic partner, the Labor government has agreed to station 2,500 US marines in Darwin, to allow increased use of naval and air bases by US warships and bombers and to focus the Australian military on joint operations with American forces in the region.

While the New Zealand government is pushing for closer economic relations with China, the opposition Labour Party represents sections of the ruling elite who consider New Zealand has no option but to support Washington's aggressive moves in Asia.

New Zealand developed historically as a minor imperialist power, seeking to assert a sphere of influence in the southern Pacific and Antarctic Ocean. It was only able to do so to the extent that its claims were backed by the dominant global power—firstly Britain, then after World War II, the United States. As part of its ANZUS alliance with the US and Australia, New Zealand contributed troops to the wars in Korea and Vietnam.

The US strategic commitment to New Zealand was significantly downgraded in 1984 after the then Labour Party government adopted a “no-nuclear policy” barring American warships from visiting New Zealand ports. After a protracted freeze in relations, Labour prime minister Helen Clark, who was elected in 1999 and held office until 2008, reestablished close defence ties with Washington, sending New Zealand troops to the US-led wars in Afghanistan and Iraq.

US embassy cables released in 2010 by WikiLeaks exposed the steady increase in secretive military and intelligence co-operation between the US and New Zealand. The cables also revealed that senior New Zealand defence officials were deeply concerned about China's increasing influence and ambitions in the Pacific.

Labour's closer defence ties with Washington set the stage for the National government of Prime Minister John Key to sign the Wellington Declaration in November 2010 effectively returning New Zealand to a full alliance partner.

Last month more than 70 US military personnel took part in a joint exercise with the NZ army for the first time since the rupture in ANZUS. A US naval vessel recently joined the HMNZS Canterbury in an exercise in the Pacific Ocean off the island of Tonga, the most significant direct contact between the two navies in more than 20 years.

Professor Robert Ayson, head of the Wellington's Centre for Strategic Studies at Victoria University, told TVNZ on May 4 that the military exercises showed the US wanted a more “active partnership with New Zealand ... partly because it feels there is a competition going on with China” in the Pacific.

The National Party government is, however, at the same time seeking to preserve relations with China. Defence Minister Jonathan Coleman denied the recent exercises were directed against Beijing, saying “we maintain warm relations with both China and the US.”

New Zealand has joined the US-dominated Trans-Pacific Partnership (TPP)—a trading bloc aimed primarily at forcing China to accept American trade terms. But Trade Minister Tim Groser insisted in February: “TPP is not an anti-China strategy whatsoever, and if it changed in its nature we would actually not be part of it.”

As is the case in other countries throughout the region, the Obama administration's confrontational stance towards China will exacerbate the political conflicts in New Zealand ruling circles over the orientation of economic and strategic policy.



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