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Trading in Traditions:
New Zealand's Exports to the Countries of
the European Union, 1960 to 2000.

A thesis presented in partial fulfilment of the requirements for the
degree of Master of Arts in History at Massey University

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ABBREVIATIONS

ACP	African, Caribbean and Pacific nations
AJHR	Appendices to the Journals of the House of Representatives
CEC	Commonwealth Economic Committee
CER	Closer Economic Relations
CET	Common External Tariff
EAR	External Affairs Review
EC	European Community
ECU	European Currency Unit
EDC	Export Development Conference
EEC	European Economic Community
EFTA	European Free Trade Association
EU	European Union
FAO	Food and Agriculture Organisation
FOB	Free on Board
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HRI	Hotel, Restaurant and Institute
IDA	International Dairy Arrangement
IDC	International Dairy Council
IPE	International Political Economy
IWS	International Wool Secretariat
IWTO	International Wool Textile Organisation
MAF	Ministry of Agriculture and Fisheries
MERT	Ministry of External Relations and Trade
MFA	Multi-Fibre Agreement
MFAT	Ministry of Foreign Affairs and Trade
NA	National Archives
NTB	Non-Tariff Barrier
NZEAR	New Zealand External Affairs Review
NZFAR	New Zealand Foreign Affairs Review
NZFATR	New Zealand Foreign Affairs and Trade Record
NZDB	New Zealand Dairy Board
NZDPMB	New Zealand Dairy Products and Marketing Board
NZMPB	New Zealand Meat Producers' Board
NZPD	New Zealand Parliamentary Debates
NZWB	New Zealand Wool Board
OECD	Organisation for Economic Cooperation and Development
SMA	Sensitive Market Arrangement
SMP	Supplementary Minimum Price
UK	United Kingdom
VRA	Voluntary Restraint Agreement
WRONZ	Wool Research Organisation of New Zealand
WTO	World Trade Organisation

INTRODUCTION

New Zealand has always been a nation strongly reliant on international trading. From the mid-nineteenth century wool was a major export commodity and with the advent of refrigeration in the 1880s sheepmeat and dairy products, especially butter, gained prominence. These three commodity types became the export staples of New Zealand, and remained so in 1960. Britain, in turn, was clearly the most prominent importer of these products. New Zealand exports of wool, sheepmeat and dairy products to Britain therefore became imbedded as the 'traditional' pattern of trade. An interest in how these traditions survived to the end of the twentieth century was the stimulus for this thesis, which is an historical investigation into New Zealand's recent export trade with the countries of today's European Union.

Agreements made between New Zealand and Britain in the first half of the twentieth century consolidated what had been established since 1890 as a regular pattern of trade. The 1932 Ottawa Agreement gave New Zealand free and preferred access over non-Commonwealth countries for its agricultural products into Britain.¹ The relationship was further tightened in the bulk purchase agreements of World War II. In the post-war period the trading relationship between New Zealand and Britain remained very close and interdependent.

General studies of New Zealand's economic history have been testament to this pattern. Gary Hawke's *The Making of New Zealand*, Benjamin Evans' *A History of Agricultural Production and Marketing in New Zealand* and John Gould's *The Rake's Progress: The New Zealand Economy Since 1945*² all emphasise the importance of the trade with Britain to New Zealand's economic health over that period.

From 1880 to 1950 over half (and up to 70%) of New Zealand's export revenue was made up from wool, butter and meat exports. In the same period, between 66%

¹ A comprehensive outline of New Zealand's trading history over this period can be found in, Muriel F. Lloyd Prichard, *An Economic History of New Zealand to 1939*, Auckland: Collins, 1970.

² G.R. Hawke, *The Making of New Zealand: An Economic History*, Cambridge: Cambridge University Press, 1985; John Gould, *The Rake's Progress? The New Zealand Economy Since 1945*, Auckland: Hodder and Stoughton, 1982; B.L. Evans, *A History of Agricultural Production and Marketing in New Zealand*, Palmerston North: Keeling and Mundy Limited, 1969.

and 87% of exports were sent to Britain annually.³ It is little wonder that New Zealand became known as Britain's 'farm in the South Pacific'.⁴ Nor could it otherwise have been possible for John Ormond, (Chairman of the New Zealand Meat Producers' Board) to state without dispute in 1960 that the trading arrangements were the 'very ground on which New Zealand's economy is built'.⁵

However, changes were taking place in that part of the world that would soon begin to have a significant impact on, and even threaten, that relationship. After World War II France, Germany, Belgium, the Netherlands, Luxembourg and Italy (often called the Original Six) began working towards economic cooperation. This was stimulated by two main factors. One was the idea that economic interdependence would hinder political anarchy. The second was the need for some of these countries to find export markets for their domestic agricultural output, which had grown through technological innovation and political support.⁶

From the outset New Zealand officials were aware that the grouping, which became the European Economic Community (EEC) under the 1957 Rome Treaty, was working towards designing a common policy on agriculture.⁷ As many of these countries already had highly protectionist individual agricultural policies, there was a great degree of concern that the new common policy would create even more restrictions for New Zealand's agricultural exports there.⁸ This was of particular concern because up until that stage, the European countries were considered by New Zealand to present the most opportunities for trade expansion.

Frank Holmes' 1957 Chatham House address 'The Commonwealth and a Free Trade Area in Europe' gives some insight to the discussions that evolved during this time. He looked at Britain's viewpoint and options regarding the formation of the new Community. His conclusion displayed a similar vein of thought to the stance that New

³ Tables detailing export destination and commodity type proportions through this period can be found in, *New Zealand Official Yearbook 1960*, Wellington: Department of Statistics, 1960, pp.289-290.

⁴ Harold MacMillan cited in John Singleton and Paul L. Robertson, 'Britain, Butter and European Integration, 1957-1964', *Economic History Review*, Vol.L, No.2, 1997, p.327.

⁵ Robert McLuskie, *The Great Debate. New Zealand Britain and the EEC: The Shaping of Attitudes*, Wellington: Decision Research Centre, 1986, p.24.

⁶ For a survey of the historical background to the formation of the EEC see 'The European Economic Community', *Appendices to the House of Representatives (AJHR)*, A21, 1961.

⁷ Which came to be called the Common Agricultural Policy (CAP).

⁸ A.H. Nordmeyer, 'Economic Survey 1958', *AJHR*, B5, 1958, pp.16-17.

Zealand later adopted regarding the British applications to join the EEC. He concluded at that time that,

Britain's ability to contribute to Commonwealth development and the ability of other Commonwealth countries to develop themselves will certainly not be improved if we turn our backs on developments on the Continent.⁹

He rightly foresaw that the EEC would become a powerful force in the international trading arena. Interestingly, thirty-five years later he was still recognising this body's centrality and power to affect New Zealand's economic interests.¹⁰

Indeed, Britain could not ignore the development of the EEC and although it resisted joining it at first, it became clear that it would seek ways to accommodate its interests alongside the new grouping.¹¹ This was achieved partly through the implementation of the European Free Trade Association (EFTA - of which Britain was a founding member) a grouping which did not include agriculture in its trade agreements. However, Britain's decision in 1961 to apply for EEC membership was evidence that it saw its best prospects lying within the Community rather than outside of it.

This first application by Britain was seen in New Zealand as a major threat to the traditional pattern of agricultural export trade and, indeed, the New Zealand economy. It quickly became an issue of wide interest and anxiety not only to New Zealand politicians, government officials, and agricultural sector leaders, but also the wider public. Robert McLuskie's *The Great Debate*, a study of domestic reaction at the time of that first application,¹² describes the fervent conjured up over fears for New Zealand's economic future well. This thesis attempts to establish how well grounded these fears were.

The topic has therefore been chosen on the basis of an interest in two interlocking issues – the recent history of New Zealand's export patterns, and the impact of

⁹ Frank Holmes, 'The Commonwealth and a Free Trade Area in Europe', *International Affairs*, Vol.34 No.1, 1957, p.48.

¹⁰ Frank Holmes and Clive Pearson, *Meeting the European Challenge: Trends, Prospects and Policies*, Wellington: Victoria University Press, 1991.

¹¹ An outline of the British perspective on the establishment of the EEC can be found in Stephen George, *An Awkward Partner: Britain in the European Community*, 3rd edition, Oxford: Oxford University Press, 1998, Ch.1.

Britain's membership in the Community/Union¹³ on them. Because the accession of Britain to the EEC in 1973 has been considered such a significant event in New Zealand's trading history, a consideration of the impact of it on actual trade is worthy of investigation.

The timeframe for this thesis commences in 1960. This allows a short glimpse into trade patterns before Britain formally attempted to join the Community. Using official New Zealand trade statistics¹⁴ (which started to be comprehensive enough for detailed analysis at this time), it tracks trade patterns thereafter. The purpose is to see if and how patterns changed during the process of Britain's three applications (two unsuccessful and one successful). The analysis concludes four decades later, allowing enough time to see the effects of major events that have impinged on the relationship since 1960, but avoiding the analytical complications of the European Union's (EU) ongoing expansion eastwards.

The approach is first to describe the patterns of New Zealand's exports to the fifteen member countries of today's European Union from 1960 to 2000 through an intensive examination and graphical presentation of official trade statistics. These have mainly been sourced from Statistics New Zealand records, but where possible European and other international trade statistical publications (for example from the OECD) have also been consulted for verification and comparison. The focus is then narrowed to identify the main earning commodities sent in 1960 and to track their paths through to 2000. These are wool, sheepmeat, and butter, all of which are relevant because of their sustained dominance of exports over the previous half-century. Individual case studies are made of each of these categories, to detail their European export patterns and to attempt to explain them.

The study of these three commodity categories is also appropriate because each received quite different treatment in their access to Europe's markets, especially

¹² McLuskie, *The Great Debate*.

¹³ In this thesis, the terms European Economic Community (EEC), European Community (EC) and the European Union (EU) are used interchangeably – the name which is used is based on that appropriate to the time being referred to.

¹⁴ *Statistical Report on the External Trade of New Zealand for the Year*, Wellington: Customs Department, 1956-1963; *New Zealand Exports*, Wellington: Department of Statistics, 1964-1981; *New Zealand Exports: Statistics on Microfilm*, Wellington: Department of Statistics, 1981-1988; INFOS Database, Statistics New Zealand, 1988-2000.

following Britain's accession to the EEC. Explanations of why this was so are included in their individual chapters. It can be summarised, though, that butter was the most tightly regulated export of the three, given 'transitional' provision for access to the British market only after accession to the Community. Sheepmeat was allowed into the wider Community, but subjected to a tariff and later a quota arrangement. Wool, not considered an agricultural but a raw product, was allowed access to all European markets. These restrictions alone, however, did not determine New Zealand's European export success. An interesting finding of this thesis is that the liberal access of wool did not result in a successful maintenance of the market. Nor did the European's jealous guarding of their butter market result in the demise of New Zealand's butter exports there. Even the increase in protectionism of the European sheepmeat industry did not snub out the development of New Zealand's sheepmeat exports there.

In effect, then, this thesis becomes chiefly an investigation of the main facets of New Zealand's agricultural trade with Europe. This is important because New Zealand is a small country dependent on external trade for its survival. Despite significant changes in the past decades, agriculture remains the major sector in providing that export income, as will be shown in the general export descriptions of Chapter One. Much of this still comes from those countries that are members of today's European Union. Tracking how this relationship has evolved from being facilitated by narrow bilateral arrangements to an expansive partnership with multilateral involvement tells much about New Zealand's evolution in the international trading environment.

The findings are presented by referring to sources from the early 1960s and comparing what was expected at that time to happen to New Zealand's traditional exports over the following years, with what subsequently did happen. The report of the 1963 Export Development Conference¹⁵ in New Zealand is particularly useful in this regard. This conference was convened by the government and attended by New Zealand's export industry leaders with the aim of determining strategies for export

¹⁵ *Report on the Export Development Conference 1963*, Wellington: Department of Industries and Commerce, 1963.

development. The background papers it produced provide some clear views on what was expected of all three commodities' export performance in the future. These are then compared with what actually did happen.

That an Export Development Conference would be so heavily supported and promoted by the New Zealand government shows how much New Zealand's external trade, especially the agricultural, has always been intrinsically linked to politics. The explanations for the trading patterns and their changes have therefore also largely been sought from political documents, records and archives. Predominantly this has involved reading the Ministry of Foreign Affairs and Trade archives which pertain to New Zealand's interactions with Europe, but also New Zealand's domestic political records, such as the *Parliamentary Debates (NZPD)* and reports contained in the *Appendices to the Journals of House of Representatives (AJHR)*. Articles, speech notes and reports from the *Foreign Affairs and Trade Record*¹⁶ and newspapers have also been useful. A useful discussion was also had with Bryce Harland, who shared some interesting personal recollections of his time as High Commissioner to London through the busy years of the late 1980s.

Reports and publications from the wool, sheepmeat and dairy industries have also been researched for indications of the effects of policies on actual output and exports. Along with this, first hand information was sought from industry representatives. Interviews were consequently conducted with Brian Lynch of the Meat Industry Association, and Roger Buchanan, of the New Zealand Wool Board. Both of these men had held key positions within their respective industries through a large portion of the period. A questionnaire regarding butter trade was supplied to the New Zealand dairy industry, which Fonterra Trade Strategist Jonathan Hughes completed on the organisation's behalf.

Extensive secondary materials associated with this topic have also been referred to. These come not only from the many works that concentrate explicitly on New Zealand's export trade to Britain and Europe, but also the many others which have analysed New Zealand's economy, trading or agricultural policies, and politics. The

¹⁶ Previously known as the *External Affairs Review*, *New Zealand External Affairs Review*, *New Zealand Foreign Affairs Review*, *New Zealand External Relations Review*.

volume of writing reflects the centrality of Britain and Europe to New Zealand's trading interests. Because Europe has been such an important destination for New Zealand agricultural exports, no change has been considered without commentators assessing the implications it would have on this vital area of trade.

Works that have dealt directly with New Zealand's trading relationship with Britain within the time-frame of this thesis can be broadly divided into two groups. There are those which have studied the state of the trading relationship at the time of the study and then considered the implications of a policy event for the future of the relationship. The Government or its agencies commissioned many of these. They were published at crucial times in negotiating processes, and generally pushed an argument for New Zealand's case for continued access to the European markets. These will be mentioned within discussions of general negotiating patterns in Chapter One.

The second group of works dealing directly with the New Zealand/European Community relationship have retrospectively analysed developments and changes in the relationship in a similar way to this research. They have been the most useful for comparative analysis and as sources of extra information. Those works of most importance to this research are discussed below.

Studies by John Singleton and Paul Robertson, which concentrate on the political trading relationship between New Zealand and Britain in the 1940s, 1950s and 1960s, have provided a valuable complement and background to the early part of this thesis. This is especially so because they have taken a similar approach to this thesis by centring much of their research on evidence from political archives. Their article 'Britain, Butter and European Integration: 1957-1964'¹⁷ highlights the issues facing the British butter market during the time of the implementation of the Rome Treaty and Britain's first application to join the EEC. It emphasises that New Zealand was already facing dilemmas at the time in trying to hold onto its share of the British butter market while having to compete with 'dumping' from other countries and increased political competition for a legitimate market share from Denmark. Its conclusion - that New Zealand fared rather badly in the import policy adjustments made by Britain

¹⁷ John Singleton and Paul Robertson, 'Britain, Butter and European Integration, 1957-1964', *Economic History Review*, Vol.L, No.2, 1997, pp.327-347.

during this period – refutes the common assumption that New Zealand’s butter trade with Britain ran smoothly until after Britain’s accession to the Community.

Singleton and Robertson’s recent book *Economic Relations Between Britain and Australasia 1945-1970*,¹⁸ is an extension of the above article. Amongst other themes it compares the fortunes of New Zealand and Australia in the negotiations for British accession. This is interesting because it adds evidence to the notion of success for New Zealand in the strategies it implemented to negotiate the continuation of its access. It notes that Australia had more scope to divert its trade away from Britain during the 1960s because its minerals found ready markets in other industrial markets, and there were good opportunities for trade development with Japan. New Zealand, meanwhile, was ‘a supplicant with little leverage’ which had been ‘lucky to enjoy ten years of respite before Britain finally obtained entry to the Common Market in 1973’.¹⁹ New Zealand had therefore been fortunate to receive safeguards for its dairy trade, which Australia had lost. They suggest that ‘New Zealand’s dependent economic relationship had been preserved at a much lower intensity.’²⁰

This book is also interesting in that it concentrates on changes in the nature of Britain’s relationship with Australia and New Zealand, within the scope of their commitment to each other as Commonwealth partners. Of interest to the time frame of this thesis is the identification of the fragmentation of those relationships during the 1960s, when Singleton and Robertson note that Britain became less committed to its leadership of the Commonwealth economic community and more focused on becoming a member of the EEC. It concludes that the former relationship was essentially severed with British accession. While the nature of the relationship certainly altered around this time, the notion of severance is in conflict with the findings of this thesis, which argues that there is a remarkable retention of those ‘traditional’ economic ties.

¹⁸ John Singleton and Paul Robertson, *Economic Relations Between Britain and Australasia 1945-1970*, Hampshire: Palgrave, 2002.

¹⁹ Singleton and Robertson, *Economic Relations Between Britain and Australasia*, pp.212-213.

²⁰ Singleton and Robertson, *Economic Relations Between Britain and Australasia*, p.212.

British academic Juliet Lodge's book *The European Community and New Zealand*,²¹ published in 1982, could be considered to be the most prominent study of New Zealand's trading relationship with Britain and Europe of that time. The study borrowed concepts from political economy and small state foreign policy analysis to suggest, in contrast to Singleton and Robertson, the continued link between New Zealand after Britain's accession to the Community from 1973 to 1981. It emphasised the power and primacy of politics in trading relations, something that this research has confirmed as a factor in helping New Zealand retain its interests in Europe. Alongside this, Lodge also investigated the interplay between the politics of the bilateral relationships and the intricacies of European agriculture.

Lodge concluded that in order for a small state to be successful in negotiating an issue with an economic basis (in which it had much less economic power) that political issues had also to be involved in order for it to have any power in the negotiating process. She concluded that this was so for New Zealand. The political operations of New Zealand representatives and diplomats had contributed greatly toward helping it achieve access success. She also suggested that New Zealand's alignment with Britain had given it significant negotiating power. Meanwhile, Britain also had used the issue of New Zealand access to help its own argument within the Community for the need for CAP modification.

Joseph A. McMahon's *New Zealand and the Common Agricultural Policy: Future Options for New Zealand*,²² published in 1990, is another comprehensive study of the effects of the CAP on New Zealand's agricultural trade both with Europe and internationally. His is a detailed analysis focusing on the legal technicalities of the CAP, New Zealand's bilateral agreements with the Community, and the intricacies associated with the General Agreement on Tariffs and Trade (GATT). In considering the history of New Zealand's relationship with Europe he concentrates less on the diplomatic and political interactions and more on the details of agreements made. While the work is technically extremely useful, then, it ignores the interplay of power dynamics caused by more subjective factors, between New Zealand as a small state

²¹ Juliet Lodge, *The European Community and New Zealand*, London: Francis Pinter Publishers, 1982.

compared with the Community, which have played such an important role in shaping the relationship.

New Zealand academic Richard Kennaway's analyses of New Zealand's relationship with Britain and Europe over the years have also been very useful. These have not been individual works so much as part of his studies of New Zealand's foreign policies over the 1970s, 1980s, and into the 1990s.²³ Each book has a chapter which deals explicitly with New Zealand's trading relationship with Britain. These are particularly useful for three reasons. Firstly, their consistent presence within general studies of foreign policy reinforces the centrality of the New Zealand/European relationship to New Zealand's trading interests. Secondly, they take a similar angle of analysis to this thesis, and are therefore useful for comparative purposes. Finally, because each chapter is written approximately one decade after the other, they are of considerable historiographical interest.

Kennaway's works from 1972 and 1980 were both fairly pessimistic about the future of New Zealand's primary product access. He saw the success thus far as more good fortune than management, due to factors mainly beyond New Zealand's control. In this he pointed to the delay in Britain's entry applications, the slim British domestic political margin in favour of entry, and the crucial support of Britain for New Zealand, as being factors which had been fortuitous for New Zealand.²⁴ He therefore largely denied any credit or power to New Zealand's negotiators for being able to influence the outcomes themselves. He concluded that New Zealand was an example of a small state affected by the establishment of the 'rules of the game' by a more powerful body.²⁵

²² Joseph A. McMahon, *New Zealand and the Common Agricultural Policy: Future Options for New Zealand*, Wellington: Victoria University Press/Institute of Policy Studies, 1990.

²³ Richard Kennaway, *New Zealand Foreign Policy 1951-1971*, Wellington: Hicks Smith & Sons, 1972; John Henderson, Keith Jackson and Richard Kennaway (eds.), *Beyond New Zealand: The Foreign Policy of a Small State*, Auckland: Methuen, 1980; Richard Kennaway and John Henderson (eds.), *Beyond New Zealand II: Foreign Policy into the 1990s*, Auckland: Longman Paul, 1991.

²⁴ Kennaway, *New Zealand Foreign Policy 1951-1971*, pp.80-91; Richard Kennaway, 'New Zealand and the European Economic Community', in John Henderson, Keith Jackson and Richard Kennaway (eds.), *Beyond New Zealand: The Foreign Policy of a Small State*, Auckland: Methuen, 1980, pp.76-81.

²⁵ Kennaway, 'New Zealand and the European Economic Community', in Henderson, Jackson and Kennaway (eds.), *Beyond New Zealand*, p.81.

The 1991 study by Kennaway is somewhat more positive in its evaluation of New Zealand's capabilities. In this he identifies responsive strategies that New Zealand had taken which helped it survive Britain's membership of the Community. He noted that market diversification efforts by New Zealand had helped it to better prepare for loss of the British market during the 1960s delay. He acknowledged the success of New Zealand's negotiating efforts through two different types of tactics. A cooperative attitude to negotiations had helped New Zealand (without trying to influence wider political issues) meet many of its access objectives without ruffling European political feathers. Active strategies had complemented this, where through regular engagement by New Zealand politicians and diplomats with European officials, continued diplomatic relationships had been developed. The shift from emphasis on bilateral access negotiations to multilateral negotiations was also noted. Through all of this, Kennaway concluded that bipartisan support of these trends by successive New Zealand governments had allowed these efforts to be successfully managed and sustained.²⁶

Of all of Kennaway's commentaries, this is the most in line with the views presented within this thesis. The benefit of a longer view of the changes has enabled a broader consideration of the general patterns that have emerged, rather than more pessimistic analysis created within a time of rapid change, as it was in the 1970s and 1980s. This validates taking a somewhat long-term view of trading patterns in this thesis, because it has given scope for the identification of trends that might not otherwise have been apparent in a shorter-term study.

The most well-known recent work dealing explicitly with New Zealand's relationship with the European Union has been Sir Frank Holmes and Clive Pearson's *Meeting the European Challenge*,²⁷ published in 1992. This is a commentary on the recent history of New Zealand's relationship with the European Community, both political and economic. It also made suggestions for how the European's change to a Single Market could be optimised by New Zealand. They state that the close haggling

²⁶ Richard Kennaway, 'The Politics of Agricultural Trade: The European Community Example', in Richard Kennaway and John Henderson (eds.), *Beyond New Zealand II: Foreign Policy into the 1990s*, Auckland: Longman Paul, 1991, pp.125-139.

²⁷ Holmes and Pearson, *Meeting the European Challenge*.

involved in negotiating New Zealand's primary product access had become an exercise in damage control²⁸ which had obscured the development and maintenance of more general political, cultural and social links,²⁹ and therefore argue for the development of the wider relationship.

Holmes and Pearson also acknowledged the extensive political and diplomatic efforts of New Zealand representatives that had helped it to succeed in retaining European market access. They also noted, however, that its future would largely be at the mercy of European Union policies. These, they said, would need to become less protectionist to enable market development, and New Zealand had little ability to influence this alone. They saw value in New Zealand's alignment with other like-minded countries such as in its membership of the Cairns Group as enhancing its power to pressure for change in the larger players' protectionist policies.³⁰

This work also took a different approach to others because it also considered how domestic factors in New Zealand influenced its export abilities. This thesis confirms the importance of these factors. Holmes and Pearson take a neo-liberal stance by criticising successive governments (prior to 1984) for only 'tinkering' with primary support mechanisms. They then also complained that changes brought about by the Fourth Labour Government had not been extensive enough in liberalising investment and export opportunities on a macroeconomic level.³¹ This was blamed for New Zealand's low achievement record in adding value to optimise returns from its exported commodities.

This thesis argues that across the changes in government in New Zealand that took place from 1960 to 2000, including the advent of MMP which presented a quite new style of governing politics to the country, there was a remarkable continuity in foreign policy attitudes toward exporting. Its promotion and growth remained of central interest to each government, but how this was confronted was at times radically different. Policy development always reflected the importance of export income to the New Zealand economy, and the balancing and enhancing of trading relationships has

²⁸ Holmes and Pearson, *Meeting the European Challenge*, p.104.

²⁹ Holmes and Pearson, *Meeting the European Challenge*, pp.16-17.

³⁰ Holmes and Pearson, *Meeting the European Challenge*, p.302.

³¹ Holmes and Pearson, *Meeting the European Challenge*, p.27.

been enabled through the progressive admission of reciprocal imports. Holmes and Pearson are the most prominent of these writers to acknowledge how much domestic policies had an influence on New Zealand's trade relationship with Europe. Changes in domestic economic and agricultural policies within New Zealand, which for example have effected changes in farmer support, production regulation, and marketing policies, certainly forced both immediate and long-term impacts on traditional agricultural trade.

In the first two decades of the period under study the priority of income support for farmers showed consistently through the different governments. This changed dramatically with the policies of the Fourth Labour Government from 1984, which affected all farming sectors. However, the producer support cuts and deregulation of agricultural processing industries were most obvious in affecting exports to Europe in the sheepfarming sector. This thesis argues that deregulation in the meat processing sector and the lifting of subsidies for sheep farmers led eventually to distinctive advances in the nature of New Zealand's trade with Europe. Some may argue that technological innovation rather than deregulation were the real cause of the change in the nature of this. This has some merit, but the findings of this research indicate that deregulation was a catalyst in advancing the efficiencies, technologies and marketing initiatives of the meat export industry. Likewise, the prolonged support and regulation of the wool industry may well have hindered its advances in efficiency and marketing (see Chapter Four).

Ron Sandrey and Russell Reynolds' book *Farming Without Subsidies*,³² written in the early 1990s, provided some important information for this part of the research. There is some useful analysis on the impact of deregulation on New Zealand's farming industry and its export trade. While the contributions to this book focus mainly on farmer responses to agricultural policy reforms, it notes that as an exporting industry these were bound to affect New Zealand's export capabilities.³³ To this end, it was observed that farm production was particularly affected in New Zealand's sheep

³² Ron Sandrey and Russell Reynolds (eds.), *Farming Without Subsidies: New Zealand's Recent Experience*, Wellington: MAF Policy Services, 1990.

farming sector by the 1985 abolition of producer supports, with a consequent drop in export volumes.³⁴

Diversification of exports became a key aim for New Zealand policy makers from the 1950s. Originally these efforts focused on diversifying export markets to find more outlets for New Zealand's 'traditional' export products. Some of the recommendations that came out of the 1963 Export Development Conference can be seen as starting points for more assertive approaches that began to be made to market development. Despite much success in developing markets worldwide, the European Union as a single entity remained the third largest trading partner for New Zealand by the end of the millennium.

Other efforts were also based on nurturing 'non-traditional' product development so as to diversify export products. These met with some success, but by 2000 the importance of New Zealand agriculture to export achievement remained extremely high. A finding of this research has been that diversification, in fact, has been highly successful within the traditional commodities, leading to a wider, more specialised, and higher returning range of products exported. This has particularly shown through in the sheepmeat and wool case studies in the New Zealand/European Union trade relationship, especially through the 1990s.

The European Union is acknowledged as one of the biggest influences over international agricultural trade today, because of its domestic policies toward agriculture. The Common Agricultural Policy, in effect since 1967, has often been blamed for too heavily influencing the nature of prices and commodity flows in international agricultural trade. To be sure, CAP policies had a significant impact on levels of self-sufficiency and export capacity in the same products. This has especially been problematical in the butter sector, with Europe's³⁵ notorious 'butter mountains'

³³ Ralph Lattimore and Allan Rae, 'Agricultural Trade', in Ron Sandrey and Russell Reynolds (eds.), *Farming Without Subsidies: New Zealand's Recent Experience*, Wellington: MAF Policy Services, 1990, pp.25-40.

³⁴ Russell Reynolds and S. SriRamaratnam, 'How Farmers Responded', in Ron Sandrey and Russell Reynolds (eds.), *Farming Without Subsidies: New Zealand's Recent Experience*, Wellington: MAF Policy Services, 1990, pp.157-182.

³⁵ While it is readily accepted that the name 'Europe' geographically correctly pertains to countries outside the European Union, when 'Europe' is referred to in this thesis it means the European Community or Union.

of the 1970s and 1980s causing crises in international butter trade. However, a substantial body of support for the policies within the Community, for example voiced strongly through farmer unions, has influenced the actions and policies of European politicians, and subsequently their views and actions with regard to New Zealand access into their markets.

Secondary material which discusses the impact of the CAP and Britain's membership in the European Community on its agriculture and traditional trade with New Zealand, has been useful for pursuing this issue further. E.A.Attwood wrote the *Future of the Common Agricultural Policy and its Implications for New Zealand*³⁶ as a discussion paper in 1984. This noted the decline in New Zealand's exports to Britain, but also observed that Britain's domestic production trends prior to accession to the Community meant that this may have occurred regardless of the implementation of the CAP; a point reinforced by findings made in this thesis. Attwood's paper, however, focused mainly on problems generated in European agricultural trade by CAP policies and how these would be addressed in future. It recognised that while there was a measure of political goodwill towards New Zealand, it was uncertain how much this would be worth for the future of access negotiations given the need of the EC Ministers to find solutions to European agricultural surpluses. The future from this viewpoint, therefore, appeared bleak for finding any long term arrangements for New Zealand's security of access.

The 'awkwardness' of Britain's membership in the European Community on issues such as its disagreement with the fundamental workings of the CAP was an issue in Stephen George's *An Awkward Partner*.³⁷ This book charts the history of the first twenty-five years of Britain's EEC membership, in which its reputation as an independent-thinking and difficult member had been consolidated. George highlighted (as did Lodge) that New Zealand was at times made a political pawn in British membership issues both with the Community and domestically. The unfinalised nature of New Zealand access arrangements meant that it would continue to be an

³⁶ E.A.Attwood, *The Future of the Common Agricultural Policy and its Implications for New Zealand*, Lincoln College: Agricultural Economics Research Unit, Discussion Paper No. 83, 1984.

³⁷ George, *An Awkward Partner: Britain in the European Community*, New York: Oxford University Press, 1998.

irritation linked to British membership for the Community. He asserted that at the 1975 Dublin Summit Wilson had deliberately included the New Zealand issue for his own domestic political gain at a time when popular sympathy for New Zealand ran high.³⁸ Even if this was so, history has shown that that inclusion still helped New Zealand's case as well.

Burkitt and Baimbridge were particularly scathing of the impact of the CAP on Britain in their article 'The Performance of British Agriculture and the Impact of the Common Agricultural Policy: An Historical Overview'.³⁹ They complain of two trends that have occurred in British agriculture since adoption of the CAP; a drop in self-sufficiency and an altered nature of British food imports, to sourcing from less efficient and more expensive suppliers. These points were used to argue for CAP reform. While there is no disputing the problems with the CAP, this article's argument is weak because it relies heavily on amalgamated agricultural statistics that do not differentiate between the fates of different modes of agriculture. Sugar and butter issues, for example, are lumped together to create generalised arguments, which leave themselves wide open to dispute because they ignore the complexities of different arrangements made for different commodities under the CAP. Many of its findings contradict those of this thesis, and the generality of the statistics used make it difficult to make valid comparisons to ascertain why. The argument would have been more credible had it concentrated on detailed aspects of specific British agricultural areas.

John Martin's *The Development of Modern Agriculture*,⁴⁰ a study of British agriculture since 1931, is a more balanced study of the impact of the CAP on British agriculture. Like Attwood, Martin found that the nature of British agricultural policy was not changed with membership of the EEC because it had been promoting production growth for decades previously. He also contradicts Burkitt and Baimbridges' claims of decreased self-sufficiency by concentrating on the growth of European agricultural production and food surpluses post-accession. As well, this

³⁸ George, *An Awkward Partner*, p.86.

³⁹ Brian Burkitt and Mark Baimbridge, 'The Performance of British Agriculture and the Impact of the Common Agricultural Policy: An Historical Review', *Rural History*, Vol.1, No.2, 1990, pp.265-280.

book provides some good background of the processes of CAP reform, including attempts to inject environmental considerations into farm policies in the 1990s.

It is clear that the European Union was, and remains, an alliance of different countries rather than a homogeneous body. This factor alone has complicated the dynamics of New Zealand's relationship with it, because of the varying depths of bilateral relationships it has had with different Union members. Official interactions and negotiations regarding access were usually dealt with between New Zealand officials and the European Commission officials as representatives of the Community as a whole. Within the scope of this thesis, then, the interaction between the European Commission is described in a bilateral context. Despite this, where individual members (such as Britain and France) have stood out as influencing those dynamics, the effect of their actions is taken into account.

This research has therefore sought to understand not only what happened to the trade between New Zealand and Britain, but also to consider the impact of New Zealand's trading relationship with other individual members. It attempts to simplify the complex set of relationships between New Zealand and those individual countries alongside its more general relationship with the Union as a composite but single trading body. As part of that, it seeks to understand whether membership of the Union impacted most on a country's trade relationship with New Zealand or whether the direct bilateral relationship prevailed. These aspects are especially important because, Britain aside, the rest of the member countries generally grew as purchasers of New Zealand's agricultural exports.

The wider international and multilateral environment is taken into account to see what effect other external forces had as well. A common theme is the expansion of New Zealand's international trade relationships over the period. This is not only obvious statistically but also in the widening and deepening of New Zealand's diplomatic efforts over the period. Where once New Zealand's agricultural trade was limited to bilateral agreements between itself and individual countries (especially Britain), by the end of the period regional and multilateral interactions had

⁴⁰ John Martin, *The Development of Modern Agriculture: British Farming Since 1931*, Hampshire: MacMillan Press, 2000.

increasingly come into play. New Zealand's early membership in GATT was seen to pay off for it over the period, especially as it developed into including agricultural agreements. Increased involvement with other international groups, for example the Cairns Group, was also important for developing New Zealand's trade interests with Europe.

New Zealand's trade with Europe did not operate in an international vacuum either. Wider international influences could not be ignored where the actions of other countries impinged on the trading environment. This was particularly noticeable in the early 1990s when the economic distress of the former Soviet Union led to a large degree of upheaval in international butter trading. The development of wool industries in China and third world countries also led to a dramatic change in the geography of wool trade. These factors had some direct effects on New Zealand's trading relationship with Europe, and will be incorporated into their relevant chapters.

New Zealand's lessened dependence on the British market has led to commentaries on the development of its trading 'independence'. Brian Talboys' 1980 speech 'Dependence and Security: Independence and Opportunity'⁴¹ celebrated New Zealand's development of independence from the British market. He traced the beginnings of New Zealand's thoughts for diversification to the late 1940s, which had over the following three decades resulted in a remarkable lessening of New Zealand's reliance on the traditional security of its economic links with Britain. Talboys felt that New Zealand had come more to terms with its geography, recognising the opportunities available to it in the Asia/Pacific region. New Zealand, he said, was no longer so dependent on its traditional market but in charge of its own destiny in the international trading arena. However, he conceded that for butter and lamb, the traditional British market remained vital for New Zealand.

As Talboys also alluded to in that speech, the weakening of New Zealand's trading links with Britain have been seen as occurring simultaneously with the development of New Zealand's independence in other areas of foreign policy. This is the focus of Malcolm McKinnon's *Independence and Foreign Policy: New Zealand in the World*

⁴¹ Brian Talboys, *Dependence and Security: Independence and Opportunity*, Palmerston North: Massey University, Occasional Publication No. 6, 1980.

Since 1935.⁴² In considering New Zealand's position as a small state in the world economy, McKinnon noted that the concept of economic independence for New Zealand altered over time.⁴³ In the 1970s and 1980s this was presented in terms of diversification (as by Talboys) and the break from excessive reliance on one export market.⁴⁴ This had developed into the 1990s to mean opening the New Zealand economy to the multilateral sphere and foreign investment, ownership and presence.⁴⁵ Independence would therefore be measured less in terms of economic autonomy of the nation state, and more in international economic participation.

New Zealand's strategies for empowering its position in the international agricultural trading arena have been the subject of some studies that have highlighted pertinent issues in these changes to its international engagement over the period. Guy M. Robinson considers these on a general level in his article 'Trading Strategies for New Zealand: The GATT, CER and Trade Liberalisation'.⁴⁶ While he emphasises New Zealand's diversification into new markets in the 1990s rather than the traditional New Zealand-Britain tie, he supports Kennaway and McKinnon's ideas; that into the 1990s, New Zealand was taking a far more multilateral approach to developing trade relationships than ever before. This, he noted, was particularly possible within its membership of the Cairns Group, the GATT, Closer Economic Relations (CER), and by widening its foreign policy to develop political relations with a wider range of countries, for which greater trade can result. These tactics, Robinson said, resulted in a more confident New Zealand dealing in the international arena with the greater might of the European Union and United States.

The benefits to New Zealand of its membership in the Cairns Group to give it bargaining power within the new International Political Economy (IPE) were considered by Johnanna M. Radford in her article 'Agricultural Trade and Interdependence: New Zealand's Role and Prospects in the New International Political

⁴² Malcolm McKinnon, *Independence and Foreign Policy: New Zealand in the World Since 1935*, Auckland: Auckland University Press, 1993, Chapter 9.

⁴³ McKinnon, *Independence and Foreign Policy*, pp.209-229.

⁴⁴ McKinnon, *Independence and Foreign Policy*, p.219.

⁴⁵ McKinnon, *Independence and Foreign Policy*, p.229.

⁴⁶ Guy M. Robinson 'Trading Strategies for New Zealand: The GATT, CER and Trade Liberalisation', *New Zealand Geographer*, Vol.49, No.2, 1993, pp.13-22.

Economy.⁴⁷ She described the IPE of the 1990s as being dominated by Japan, America and the EU, and therefore credited the creation of an alliance of similar small country interests in the Cairns Group, for taking agriculture into the GATT Uruguay Round. This is a view supported by this thesis, because as Radford says, the enhanced bargaining power of small countries such as New Zealand contributed to the focusing of the issue of agriculture in the Uruguay Round. The Group's narrowly defined mandate also made it possible for it to be a non-threatening mediator between the more dominant individual opponents in the negotiations. The relative success of the Uruguay Round could therefore be credited largely to the involvement of this alliance group because it 'facilitated cooperation and provided policy options occupying the "middle ground"'.⁴⁸

All of these factors (and others) have been considered in the process of analysing the fate of New Zealand's 'traditional' exports to Europe. However, the level of their impact has differed from commodity to commodity. Therefore, while each case study chapter takes account of the factors described above, they will be incorporated differently into the analysis according to the importance that each had in influencing the particular trade.

For the purpose of simplifying the findings, the chapters have been constructed around a set of common themes. In trying to characterise those main areas of influence, three broad categories have emerged in classifying the findings. Within this thesis they have been labelled as 'production', 'politics' and 'marketing'. Because each commodity is quite different to the others and has often been influenced by complex relationship and concurrent issues, these categories are neither clear-cut nor entirely independent of each other. They do, however, serve to simplify the research findings into a somewhat orderly system of explanations. An explanation of each term follows.

Production deals with domestic industry organisation and decision making that has been seen to influence output for export. Although the issues involved can vary from

⁴⁷ Johnanna M. Radford, 'Agricultural Trade and Interdependence: New Zealand's Role and Prospects in the New International Political Economy', *British Review of New Zealand Studies*, Issue 9, December 1996, pp.15-24.

⁴⁸ Radford, 'Agricultural Trade and Interdependence', p.23.

environmental factors to domestic policy priorities and politics, the consequences of their influence on the level and qualities of product available for export unite them.

Politics addresses political action and interaction outside of New Zealand that has impacted on New Zealand's ability to export to the EU. This can extend from domestic policies enacted by governments within other countries which have had repercussions on New Zealand's trade with Europe, to the New Zealand government's external relationships with the EU Commission, Council of Ministers, or any of its individual member countries' governments, and/or other international inter-governmental organisations. Those political interactions and events that are identified have been seen to have in some way influenced the flow of New Zealand's butter, sheepmeat or wool exports to the markets of today's EU.

Marketing identifies explanations for New Zealand's export movements that relate to how New Zealand product was received in EU markets. These can range from promotional work to technological development, and examine what New Zealand tactics in these areas have influenced butter, sheepmeat, and/or wool export flows.

Each commodity in this study has been influenced by factors that fall into each of these categories. The degree of influence varies greatly, however. Each chapter will address how instrumental each has been, and be structured accordingly.

One primary conclusion from this research is that despite wide, varied and at times dramatic changes in New Zealand's trading relationship with Europe over the four decades following 1960, in general 'traditional' exports maintained surprisingly steady volume flows. Primary products were still of major importance as export categories from New Zealand to the European Union in 2000. Britain and the Union were still extremely important destinations for agricultural products. The export traditions had, in fact, survived far better in this relationship than in New Zealand's more general export trade.

Despite a general maintenance of primary exports to Europe, this thesis will show that the different treatment of the commodities meant that each fared differently over the period due to a variety of factors. The case study of butter will demonstrate how important diplomatic negotiations were to maintaining a level of political acceptance and formal access to the British, and more recently wider European, markets.

Sheepmeat exports, on the other hand, were also affected by changes in the domestic production scene in New Zealand, which itself was subjected to substantial policy changes. The fate of wool exports again faced an even more complex variety of factors in change.

One facet of this research asks, therefore, how and why was New Zealand, as a relatively insignificant country, so successful in retaining its trade with Europe over the period? New Zealand's relationship with the European Union has undoubtedly been something of a 'David and Goliath' scenario. New Zealand's actions have reflected its recognition of that in its efforts to retain access to the EU market. Diplomatic activity appears to have made quite a priority of finding and exploiting opportunities for promoting its farm export interests in Europe. These opportunities have been found to range from nurturing the British public's emotional support and sympathy to engaging in multilateral organisations to pressure the EU to liberalise its agricultural policies.

Massive and consistent diplomatic efforts in many different areas over the period have ensued so New Zealand's voice could be heard by EU decision-makers. This has involved anyone from high-profile politicians to journalist 'exchange' groups. A theme of New Zealand's 'constant engagement' with European politicians, officials, and interested parties has emerged. Diplomatic reflections and political biographies covering the period have rarely ignored the impact of developments within the EEC on New Zealand or failed to comment on that the reasons perceived for retaining New Zealand access. This is further proof of the perceived centrality of the trade relationship to the activities of that sector.

The reflections of former New Zealand Foreign Affairs Secretaries and diplomats (perhaps expectedly) credited the efforts of New Zealand's political and diplomatic representatives with the success of retaining access to the European market.⁴⁹ Some of the key figures in these efforts are mentioned throughout the text. The one who could probably be credited with the most influence in positioning New Zealand with a strong negotiating base, though, is John Marshall.

The contribution of Marshall as leader of the diplomatic push for New Zealand's voice to be heard within Britain's application for Community entry is well acknowledged and documented. His *Memoirs*⁵⁰ and journalist Michael Robson's *Decision at Dawn: New Zealand and the EEC*,⁵¹ document well the course of his many lobbying visits and his role in the final negotiations for New Zealand provision in the British accession agreement. Ross Doughty also noted that the continuity of the National Holyoake Government, in power from 1961 to 1972, was key to the success of these efforts.⁵² This is a credible proposition, especially because it made possible Marshall's sustained role over the decade.

Despite New Zealand's small size, it has emerged as one of the international trading giants in agriculture alongside the EU, because of the volumes of its dairy and sheep farm products exports. The trading relationship has at times been made more complex because of this. However, it has also led to opportunities for dialogue, especially in cooperative efforts made through membership of groups such as the International Dairy Council. The ways in which this helped New Zealand's interests in achieving British butter access will be dealt with in the butter chapter.

One of the few published discussions about New Zealand's trading relationship with Europe since the conclusion of the GATT Uruguay Round makes similar observations. An address by Peter Kennedy of the Ministry of Foreign Affairs and Trade in 1999 reviewed New Zealand's relationship with Europe and considered the state of it at the end of the millennium.⁵³ He noted that the GATT Uruguay Round arrangements had changed the nature of New Zealand's relationship with Europe to a more secure one because the 'tedious and difficult access negotiations' had come to an end with the multilateral arrangements superseding the previous bilateral ones. He concluded that:

⁴⁹ See Malcolm Templeton (ed.), *An Ear, An Eye, A Voice: New Zealand's External Relations 1943-1993*, Wellington: Ministry of Foreign Affairs and Trade, 1993; Ann Trotter (ed.), *Fifty Years of New Zealand Foreign Policy Making*, Dunedin: University of Otago Press, 1993.

⁵⁰ John Marshall, *Memoirs, Volume Two: 1960 to 1988*, Auckland: Williams Collins, 1989.

⁵¹ Michael Robson, *Decision at Dawn: New Zealand and the EEC*, London: Baynard Hillier, 1972.

⁵² Ross Doughty, *The Holyoake Years*, Fielding: R. Doughty, 1977, p.181.

⁵³ Peter Kennedy, 'Europe and New Zealand: The New Millennium Beckons', *New Zealand Foreign Affairs and Trade Record*, November 1999.

Today our relationship with Europe is one of maturity based on mutual respect and cooperation. Our challenge as we move into the new millennium is not only to keep ourselves on a broadened Europe's radar screen, but continue to seek to influence – even slightly – the mindsets of those who lead it. We cannot do it alone but we can do it with friends both within the Continent and outside.⁵⁴

This evidenced a far more confident and independent New Zealand in its relations with Europe.

As a small country, geographically, demographically, and economically within the wider international economic community it is interesting to note the ways in which New Zealand has asserted itself in achieving its trading goals. This is particularly so when considering its trading relationship with not only an international economic giant such as the EU, but also in many respects an international agricultural rival. This thesis attempts to simplify the complexities, and anomalies, of this relationship.

An overview of political events and trading patterns that influenced New Zealand trading relationship with the EEC/EU in general follows in Chapter One. The chapters thereafter successively present the individual commodity case studies. The findings and overarching themes will be drawn together in the concluding chapter.

⁵⁴ Kennedy, 'Europe and New Zealand: The New Millennium Beckons', *New Zealand Foreign Affairs and Trade Record*, November 1999, p.13.