

ADDRESS TO THE PROBUS CLUB OF WELLINGTON

WELLINGTON

MONDAY 6 AUGUST 2007

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“NZ US RELATIONS: CHANGED FOR THE BETTER”

I'm grateful to my good friend Bruce Brown for the invitation to be with you today and to talk about New Zealand's relationship with the United States.

When the President of the United States, George W Bush, met Prime Minister Helen Clark in Washington last March he had this to say:

“We talked about a lot of subjects. We talked about the importance for the United States and New Zealand to work cooperatively in helping democracy in places like Afghanistan. We talked about North Korea and Iran, our mutual desire for these problems of nations wanting to have nuclear weapons to be solved in a peaceful way, by using the diplomatic process.

We talked about commerce. We talked about the environment and the need for our respective countries to work toward energy security...

All in all, I found it to be a constructive conversation, such a good conversation I've decided to invite the Prime Minister for lunch”¹.

These remarks of the President, and Helen Clark's equally warm reply, show that “the times they are a' changin” with the United States.

That's a source of satisfaction for the NZ US Council, which is a non partisan organisation funded by both business and the Government and aimed at promoting New Zealand's relationship with the United States.

I'd like to spend some time with you today illustrating just why we think the relationship with the United States is so important for New Zealand's future.

At the end of my talk I'd like to make some observations about the relationship with Japan which in many respects is very similar.

¹ President Bush welcomes Prime Minister Helen Clark to the White House, www.whitehouse.gov

A significant relationship

In a speech to the Asia Society in Washington Prime Minister Helen Clark described the NZ/US relationship in this way:

“New Zealand and the United States are old friends. While the United States is an immensely powerful nation, New Zealand is a small country, possessing for the most part only soft power, but with a record of deploying to help troubled nations find a way forward. New Zealand and the United States, with our strong shared values, can work together to shape a better world, as we are. That, and our strong economic, scientific, education, and people to people ties, makes this relationship a very important one to New Zealand, which we seek to strengthen”².

“New Zealand and the United States with our strong shared values can work together to shape a better world” – this seems to me to be a good way to start to think about the relationship.

Emphasising shared values such as democracy, human rights, the rule of law and the market economy does not mean that we are always going to think the same way about everything.

A superpower in the Northern Hemisphere and a small country in the South Pacific are always going to see the world somewhat differently.

But that need not stop us working together where this serves our common interests.

This is the key message which the NZ US Council seeks to impart: not accepting, uncritically, US leadership but working together where our values and our interests co-incide.

We have different views about the conflict in Iraq but that doesn't stop us from standing side by side in the task of reconstruction and nation-building in Afghanistan.

We clearly have different views on the value of nuclear weapons but that doesn't stop us from co-operating, as we do, to prevent nuclear proliferation in North Korea.

We have different views on the value of the Kyoto Protocol but that doesn't stop us from co-operating, as we do, to implement joint projects on climate change.

We have different views about the effect of agricultural subsidies and protection, but that doesn't stop us from co-operating, as we do, to end these perverse

² Prime Minister's address to the Asia Society, Washington DC, 20 March 2007

practices through the World Trade Organisation, however difficult that is to achieve.

The Americans too see the relationship in this way.

In a recent testimony before a Congressional Subcommittee US Deputy Assistant Secretary of State Glyn Davies had this to say:

*“New Zealand ... remains an important and close friend of the United States. Our countries share many of the same values and interests around the globe ... while New Zealand’s anti-nuclear legislation precludes a military alliance, our bilateral relationship is excellent.”*³

In exactly the same way as Helen Clark, Glyn Davies wants a relationship which delivers value for America’s global and regional interests.

Both countries have strong economic interests too.

I sometimes wonder whether many New Zealanders realise just how important the United States is for us in economic terms.

The US is already New Zealand’s second export market overall and the largest export market for dairy products, beef, and seafood, the second largest purchaser of manufactured goods and among the top five markets for sheep meat, forest products, fruit and vegetables.

Beyond this the US is a source of investment, tourism, technology, innovation and business ideas for New Zealand enterprises.

The Council’s website – www.nzuscouncil.com – is full of success stories about business between the two countries.

Here is a recent selection:

- Comvita, the honey producer, has won a contract to supply the first manuka honey dressings to the American wound care market. That total market is worth around \$2.9 billion – no licking of the wounds there !
- The Blenheim company Wine Technology Marlborough is making significant inroads into the American market for winery management systems: its WinWizard web-based system offers tank temperature control monitoring that can interact with any process or database in the winery.

³ US Policy toward South Pacific Island Nations including Australia and New Zealand, Glyn Davies, Deputy Assistant Secretary of State for East Asian and Pacific Affairs, Statement before the Subcommittee on Asia, the Pacific and the Global Environment, House Committee on Foreign Affairs, 15 March 2007

Meanwhile New Zealand wine exports continue to enjoy improved brand recognition and significant sales growth in the US market

- The leading Wellington outdoor clothing firm, Icebreaker, has set up a new design team for new merino products based in Portland, Oregon
- With the support of New Zealand Trade and Enterprise over sixty meetings were set up for 35 New Zealand firms attending the biotech conference, Bio, held in Boston in June
- New Zealand seafood companies are set to ride the new sustainability wave in the US market according to the visiting US seafood industry specialist Rex Clothier who visited recently. The US is already our largest market for fish and seafood

There is no doubt that a free trade agreement, if it could be achieved, would help take the already substantial economic relationship to a new level.

An FTA with the United States could be expected to focus unprecedented commercial attention on New Zealand as a trade partner and lead to even greater trade flows and investment in both directions.

Already our two competitors, Australia and Chile, both have FTAs with the US and they will use these agreements to develop their economic relationship even further.

The lack of an FTA is not an absolute impediment to the development of successful business – the US is for example the largest offshore market for the dairy company Fonterra even though excessively high tariffs prevent the sales of consumer dairy products.

The point is that some potentially lucrative markets continue to be denied to us.

We need to remind our American friends that if the trade relationship is to be the best it can be we need access to the US market at least equivalent to our competitors.

An improving relationship

It's against this background that the NZ US Council has been delighted to welcome the significant improvement in the relationship over the last eighteen months.

Helen Clark's visit to Washington was in that regard a complete success.

It has since been followed up by an equally successful visit by Opposition Leader John Key.

And two weeks ago I was in Washington with Gerry Brownlee and Shane Jones, respectively Chair and Deputy Chair, of the NZ US Parliamentary Friendship Group which is sponsored by our Council.

Gerry and Shane spent three days meeting their counterparts from the Friends of New Zealand Congressional Caucus and other contacts from both business and government.

These visits are all focused on building and strengthening key relationships.

They are not aimed at any particular outcome with the FTA although in each the opportunity has been taken to re-state New Zealand's case.

That case is closely linked to the issue of the President's authority to negotiate trade agreements – the so called TPA or Trade Promotion Authority.

This is the authority granted to the Administration by the Congress to negotiate trade agreements without the requirement for a clause-by-clause vote by Congress.

Negotiating in the absence of TPA is not impossible, just more difficult, as it is uncertain whether the final result would be accepted by Congress.

The current TPA expired on 30 June 2007 and there is currently a stand off between the Congress and the Administration about whether it will be renewed at all in the remaining term of the current President.

This makes it difficult to make progress on an FTA with New Zealand.

The important thing for New Zealand at this point is that there is now acceptance at the highest level of the Administration that past differences need not act as a barrier to expanding co-operation with New Zealand in a range of fields, including trade.

When they met at the White House both Helen Clark and George Bush focused on moving around what are termed "the rocks in the road".

Those rocks are the nuclear issue which has bedeviled the relationship for some twenty years and latterly the war in Iraq.

We should be under no illusions that on both these issues there continues to be a significant difference of view between Wellington and Washington.

But Helen Clark's visit underlined a recognition that these past differences need no longer define the relationship or act as a barrier to even greater co-operation.

In an interview on her return the Prime Minister put it this way:

*"It's a question of taking that residual tension out of the relationship. The US is the world's only superpower so the relationship is important. For too long, one issue [NZ's anti-nuclear law] was too dominant. Now that issue hasn't gone away but it shouldn't dominate the relationship"*⁴.

An expanding partnership

An important opportunity to continue the task of relationship-building will take place in Auckland this coming September.

The NZ US Council together with our Washington-based counterpart is organising the second US NZ Partnership Forum.

Last April we organised the first ever Forum in Washington DC.

That event was credited in helping build the new momentum in the relationship which led ultimately to the Prime Minister's visit.

The Auckland event will bring together the most senior American delegation to have ever visited New Zealand – around 40 delegates in total drawn from government, business and non-government organisations.

They will meet with an equally senior delegation of New Zealand business and government leaders.

Planning for the Forum is already well advanced.

Under the theme of "Partnership and Innovation" the Forum will focus on the potential for the United States and New Zealand to cooperate on matters of regional security and stability, economic and enterprise development, and sustainability, especially in an Asia Pacific context.

The Forum will be chaired for the US by former Trade Representative Clayton Yeutter and former Governor of Iowa Tom Vilsack.

Jim Bolger and Mike Moore will chair for New Zealand.

Over two days the Forum will examine in detail those innovative ways in which a small country can co-operate with a large one to address the challenges of doing business in today's complex environment.

⁴ NZ Herald, 26 March 2007

Part of the secret of the Forum's success is that the event takes the form of a series of structured conversations among the participants, stimulating new thinking and facilitating relationships among the participants.

The Forum aims to motivate an influential group of advocates from each country with a common agenda to promote an even deeper partnership between the two countries.

I have no doubt that this will be another landmark event.

Japan

Before I close I want to make a few remarks about another relationship which I believe is equally important to New Zealand.

The relationship with Japan has many similarities to the relationship with the United States.

Japan is our third largest trading partner, a major source of investment, with a large economy, some 40% the size of the United States, and one that is growing again, after a long hibernation in growth mode.

It is a relationship where there are political differences as well as common interests but whose significance is too often overlooked: too many New Zealanders think only of whales, uridashi bonds or a decades long dispute about agricultural protection rather than the contribution the relationship can make to economic transformation at home and shared interests abroad.

It is also a relationship where there is New Zealand interest in a free trade agreement but reluctance to move forward.

This calls for an initiative broadly similar to the strategy we have pursued with the United States: realising that differences in view need not prevent co-operation, promoting relationship-building across the board, putting in place the high level business and government structures which support these goals.

Such an initiative is now being taken by the NZ International Business Forum, a high level business grouping that was launched in June.

The Business Forum's aim is to replicate the successful US model to other markets of strategic significance beginning with Japan and moving on in time to Korea and the European Union, while supporting existing initiatives with Australia and the United States.

Conclusion

I started out by suggesting that “the times, they are a’changin” between New Zealand and the United States.

The sense of shared values, the ever deepening economic relationship, the first ever Partnership Forum and the second Forum to be held this September, the successful visit by the Prime Minister and other politicians – all these suggest that the times are not just “a’changin” but have changed and for the better.

The US Ambassador, Bill McCormick, recently told the NZ Institute for International Affairs that the relationship was “the strongest it’s been for decades.”⁵

This provides us with a strong foundation to continue to build a relationship which delivers maximum value and serves the broader interests of both our countries.

⁵ “Building momentum: towards a stronger US NZ relationship” – an address by Ambassador William P McCormick before the New Zealand Institute of International Affairs, Wellington, 3 May 2007