

**ADDRESS TO ROTARY CLUB OF TARADALE
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“NZ/US RELATIONS UNDER PRESIDENT OBAMA”

It's a pleasure to be with you today and to share some thoughts with you about the future of New Zealand's relations with the United States under President Barak Obama.

This has become even more topical in recent days with the Administration's decision to re-instate dairy export subsidies.

That deeply disappointing decision serves to show that there is simply no ignoring the United States or the profound impact that decisions taken in Washington can have on Taradale, on Hawke's Bay and on New Zealand as a whole.

We are living in troubled times.

Today's Budget has shown just how much New Zealand has been affected by the global economic crisis.

While we are faring better than most, the global economy remains severely shaken and protectionism and subsidies are once again on the rise.

That's the difficult background against which we have to grow the economy, find our way out of recession and provide security for New Zealanders.

The curious thing is that while the decisions in far off Washington have the capacity to do us great economic harm - remember where the crisis started in the first place - the United States remains our second largest trading partner and an indispensable nation when it comes to solving global problems.

This past week has seen the worrying series of nuclear tests and ballistic missile launches in North Korea.

In today's highly interdependent and globalised world it is true to say that the United States can't do everything on its own: it can't sort out the economic mess we're in and it can't bring about peace and stability in the Korean peninsula.

But it's also true that without the United States it's hard to get things done at all.

In the best of times the arrival in office of a new President has enormous implications for the world as a whole.

In these worst of times, when the global economy is under such tremendous pressure and there are risks to our security, the stakes for us all of a successful Presidency are even more acute.

So this evening I'd like to spend some time thinking about what we New Zealanders can expect from President Obama over the next few years.

Not born in a manger

On 17 October 2008, just weeks away from the election, the then Senator Obama attended the annual Alfred E. Smith Memorial Foundation Dinner held at the Waldorf-Astoria hotel in New York City.

The Al Smith dinner is an annual fundraiser for Catholic charities and is held in honour of former New York Governor Al Smith, the first Catholic presidential candidate and the builder of the Empire State Building.

The dinner has become something of a rite of passage for Presidents and Presidential candidates who generally use the occasion to poke fun in a good-humoured way both at themselves and their political opponents.

Senator Obama sought to answer the question: "Who is Barack Obama?" and this is what he said:

"Contrary to the rumors you have heard, I was not born in a manger. I was actually born on Krypton and sent here by my father Jorel to save the Planet Earth".

I think it very pertinent to remember that President Obama was not born in a manger or on Krypton but it is true that his arrival in the White House was accompanied by huge expectation.

His election on 4 November 2008 and his inauguration as 44th President on 20 January 2009 are landmark dates in the history of the United States.

They are dates you are likely to remember with precision – like the date when President Kennedy was shot or when Neil Armstrong walked on the moon or when the Wahine went down.

The inauguration has set new records in terms of public interest.

A record number of people around the world watched the inauguration ceremony – from the Mall in Washington DC, to the new President's home in Chicago, to the place of his birth in Honolulu, to Jakarta where he spent several years as a child and even in the Kenya, the home of his father's birth.

In a country where many lawmakers do not have a passport, the President's international connections and cultural awareness are remarkable.

But times today are tough and the new President has many political challenges ahead of him and it was always inevitable that some of the decisions made by him or his Administration were bound to disappoint.

The decision to re-instate dairy export subsidies is a case in point.

The decision is negative for New Zealand interests from many points of view.

Export subsidies are the worst form of unfair trade.

They are the ultimate weapon of rich nations who use their treasuries to reduce the cost of goods sold by their exporters.

Today New Zealand dairy farmers are competing not against American and European farmers but against American and European tax payers.

We had hoped this practice was behind us.

Had we been able to finish the World Trade Organisation's Doha round of negotiations, this situation may not have come about.

That's because on the table in Geneva there is a deal to eliminate export subsidies progressively by 2013.

The sooner we find a way to finish these WTO negotiations, the sooner we will return the world to a more rational way of conducting international trade.

There are some even in our own country, and certainly in the United States, who question the need for the WTO.

If ever there was a time for more effective trade rules banning export subsidies that time is now.

Back to President Obama: I don't think for a moment that this decision on export subsidies calls into question the President's interest in concluding Doha or engaging constructively with the rest of the world.

Since his election he has spoken repeatedly about the importance of the WTO and he subscribed to all the G20 undertakings on the need to avoid a descent into protectionism.

But here's the challenge.

The world's largest economies need to abide not just by the letter of their treaty commitments but the spirit.

I was at an APEC meeting in Brunei just two weeks ago where business leaders expressed that very point.

And it is to the spirit of an open world economy that we will need to appeal as we seek to pressure both the United States and the EU to reverse these regrettable decisions.

President Obama faces no shortage of challenges elsewhere.

None more so than in Asia where the need to prevent the further development of nuclear weapons in North Korea has been highlighted just this week.

One of the President's responses to the North Korean threat must be to develop even deeper relations with like-minded allies in the region like Japan, Australia and New Zealand and with those other nuclear powers China and India who are vying for influence.

It was instructive that the first overseas visit by Secretary of State Hillary Clinton was to Asia – first to Japan, then to Indonesia, South Korea and China.

On arrival in Tokyo Hillary Clinton made some comments that certainly provide some comfort to New Zealand policy makers:

"I have come to Asia (she said) on my first trip as secretary of state to convey that America's relationships across the Pacific are indispensable to addressing the challenges and seizing the opportunities of the 21st century."

Other challenges await the President in the Middle East where negotiating a peaceful military exit from Iraq, accelerating the process of nation-building in both Iraq, Afghanistan and Pakistan, finding a solution to the Arab-Israel conflict and the

associated problem of Palestinian statehood and engaging constructively with Iran will all be high on the President's agenda.

A further foreign policy area in which we can expect a heightened role for the United States are in those global issues where American involvement is indispensable – areas like climate change, sustainable development and, yes, even free trade.

I say “indispensable” because as I said a moment ago finding a solution to the problems of global warming, addressing poverty or promoting free and fair trade cannot be addressed by individual countries acting alone: these problems can only be solved by acting together.

And effective solutions cannot be found unless America is part of those solutions.

Obama and New Zealand

Let me turn now to US relations with New Zealand.

I do not personally know any New Zealander who has actually met President Obama.

John Key has spoken with him on the phone but will meet him in person at the APEC meeting in Singapore in November if not before.

The President grew up in Hawaii which might pre-dispose him to a Pacific view of the world.

But reading his autobiography *Dreams from my Father* confirms that his was a strictly American cultural upbringing, even with his Kenyan father and with little apparent connection to Pacific people.

I think that the extent to which the President's attention may be drawn to New Zealand is more likely to do with New Zealand's contribution to American foreign policy goals arising from our shared values.

In all those areas I mentioned earlier – North Asia, the Middle East and those global issues of climate change, sustainable development and free trade – New Zealand and the United States are working closely together.

When Secretary Clinton met Murray McCully in Washington in March she had this to say:

“The United States and New Zealand have a long history of partnership...The U.S.- New Zealand relationship is the best it has been in 25 years, and we look forward to

building on the progress we have already made. New Zealand is such a valued partner. It is a country whose values and interests coincide very often with ours."

Those values and interests are what have driven the development of our relationship since World War One.

They are why New Zealand has stood shoulder to shoulder with the United States in every major conflict in the 20th century.

Only in relation to Iraq earlier this century did we part company and then because we held to the principle, as did others, that United Nations' sanction was required for the invasion of Iraq.

It is true that the relationship with the United States has not always been as positive as it is today.

Our differences on nuclear issues and latterly on Iraq once threatened to reduce our significance to each other.

But with the passage of time and some hard work on both sides the relationship today is as strong as ever.

And so as the President looks around the world to build a stronger sense of partnership with countries sharing US values and interests his attention will inevitably turn to New Zealand.

If the President needs political support for the important task of ensuring North Korea turns back from its nuclear ambitions then New Zealand has a range of relationships in the region that can be used for good effect.

If the President is looking for practical assistance to build a better future for the people of Afghanistan then he can already count on New Zealand and on the success of our Provincial Reconstruction Team in Bamyán.

If he wants to find way to negotiate a more effective successor agreement to the Kyoto Protocol to cover the period after 2013 then New Zealand has ideas and strategies to share.

I am not suggesting that the relationship with New Zealand will be top of the President's mind but I am confident that some very good groundwork has been laid to develop an even stronger relationship as we move forward and despite setbacks like the decision on export subsidies.

In October this year the NZ US Council will have an unparalleled opportunity to engage with the new Administration and the new power-brokers in Washington DC.

The third US NZ Partnership Forum will be held on 6-8 October, organised in conjunction with our Washington-based counterpart the US NZ Council.

Our task will be to take to Washington the highest level delegation of government, business and community leaders we have ever assembled.

We will spend two days focused on identifying those areas in which New Zealand and the United States can work even more closely together.

Already some great business leaders have confirmed their intention to participate.

Among them are former Prime Ministers Jim Bolger and Mike Moore, Fonterra CEO Andrew Ferrier, Telecom Chair Wayne Boyd, Air New Zealand Chair John Palmer, Turners and Growers' Chair Tony Gibbs, and Warehouse founder Stephen Tindall.

They will be joined by an equally distinguished American delegation.

This is my main priority over the coming months as we seek to repeat the success of the first and second Partnership Forum events held in Washington in 2006 and in Auckland in 2007.

This year's theme is "Trans Pacific Partnership: Deepening Engagement, Expanding Opportunities"

The quality of our delegation, the timeliness and relevance of the agenda and the nature of the discussion with our American counterparts on issues like trade, security and innovation will help set the scene for our co-operation with the Obama Administration in the years to come.

Obama and trade with New Zealand

There is one area I have not yet fully touched on.

Will President Obama agree to a free trade agreement with New Zealand ?

I think we need to see this as quite separate from the issue of dairy subsidies, which cannot be addressed in an agreement between two partners, but which needs to be tackled in the WTO.

Whereas the WTO tries to put in place better rules for global trade, a bilateral trade agreement seeks to eliminate barriers to trade and investment between two partners.

New Zealand has been seeking an FTA with the United States since 2001.

We need an FTA because there are barriers to our exports to the US and because our two competitors, Australia and Chile, both have FTAs and are using these agreements to develop their economic relationship even further.

We need access to the US market at least equivalent to our competitors.

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

This is important as we emerge from the current economic crisis.

In fact FTA negotiations have been underway for some time now in the context of the Trans Pacific Partnership or TPP.

This is an existing agreement that links New Zealand, Singapore, Chile and Brunei.

Some see TPP as a path-finder or template for future freer trade in the Asia Pacific region.

In February 2008 the US joined some continuing negotiations on financial services and investment with the TPP partners and in September 2008 it was announced that the US would negotiate to join the TPP agreement as a whole.

TPP will effectively achieve the goal of an FTA with New Zealand.

For that reason the NZ US Council has been very active with our partners here in New Zealand and with our allies in the United States to support this negotiation.

We have also been pleased welcome news that Australia, Peru and Viet Nam are willing to participate in the expanded negotiation.

This further enhances the TPP's credentials as a pathway to a truly regional free trade agreement.

In February 2009 the Obama Administration asked for a delay to negotiations to give it time to ensure the new US Trade Representative, Ambassador Ron Kirk, is properly briefed and while a review of the previous Administration's commitments was undertaken.

That review is all but complete and we believe all the right arguments have now been made to the politicians.

It is true that some of the President's Democratic colleagues in Congress hold sharply different views on the importance of free trade.

They ushered in the idea of "Buy America" provisions in the stimulus package and they sent a letter to the President with over 50 signatures calling for an effective end to trade negotiations, at least under the templates established by the previous Administration.

They specifically oppose the TPP including New Zealand.

But there is strong support as well – a letter was signed by 45 members of the Friends of New Zealand Congressional Caucus from both sides of the House urging him to proceed with TPP.

We are optimistic that the policy review will conclude that moving ahead with TPP is in America's interest.

It is in America's interest because it holds open the possibility of new co-operation with countries in Asia and new markets for US exports.

It is in America's interest because all the countries involved are willing to work with the new Administration to reflect its concerns to protect labour rights and the environment in the agreement.

It is in America's interest fundamentally because a new President, wanting to restore American prestige and leadership in a shattered world economy and in the face of continuing global challenges, cannot ignore the need to co-operate with likeminded countries on an issue as critical as trade.

Conclusion

There a new President in the White House and a new urgency about addressing today's challenging problems.

The context is difficult and times are tough.

The world is watching and waiting – and some as in North Korea are more than willing to stuff things up.

Pressures in the global economy risk being made worse by poor decisions to protect local industries and subsidise exports.

President Obama was not born in a manger or on Krypton but he brings to his role unprecedented multi-cultural awareness and a keen interest in global affairs.

He has spoken about the need to co-operate with countries sharing American values and ideals.

New Zealand is one such country.

We can deepen our engagement with the United States through even closer co-operation on a range of issues that are equally important to us – international trade, regional security, climate change and sustainable development.

We will be discussing these issues and others at the third US NZ Partnership Forum in Washington this coming October.

By that time we should know whether the United States and New Zealand are on a pathway to a new phase of our relationship and to a new Trans Pacific Partnership.