

OP ED Feature for Sunday Star Times by Stephen Jacobi, Executive Director, NZ US Council

Closer relationship with the USA to drive New Zealand's economic recovery

This week some 55 senior government and business leaders will travel to Washington DC for the third US NZ Partnership Forum organised by the NZ US Council and its American counterpart. The event will break past records as the most significant gathering of American and New Zealand government and business leaders ever to have taken place.

Key aims this year are to establish strong links with the Obama Administration, raise awareness of the value of New Zealand to American interests, enhance contacts with the New Zealand support-base in Washington and encourage American leadership in efforts towards a more sustainable, secure and prosperous Asia Pacific region.

The Forum takes place against the background of fragile economic recovery in both countries. Here in New Zealand Treasury figures have pointed to June as the last quarter of contraction. If we have learnt anything from the last gloomy twelve months it has to be that our economic performance rises and falls with international markets. To ensure that the recovery is managed in a sustainable way it is vital we continue to grow exports and investment. The best places to do this are in markets where we already have strong economic relationships.

The United States is New Zealand's second largest export market after Australia, and a vital source of imports, investment and technology. The United States accounts for around 10 percent of New Zealand's exported goods and this is largely in balance with the imports we buy, with total value of goods traded between the two countries standing at more than \$8 billion.

Although the United States remains one of our most important trading partners, the prominence of the relationship has declined over time. According to research prepared for the Forum by the New Zealand Institute of Economic Research, in the late 90s almost 20 percent of New Zealand exports went to the US. Partly this reflects the growing attraction of Asian markets, particularly China, but it means that we've effectively lost market share in the United States. What's more some of our competitors like Australia and Chile have done better than us.

While trade in goods has not grown as fast as with the rest of the world, the better news is that two way investment has been on the rise. New Zealand outward direct investment in the United States has jumped, from \$690 million in 2003 to over \$3.6 billion in 2008 (around 17% of total outward investment). The continued strength of the New Zealand dollar against the US dollar will have contributed to this sharp increase as companies find new ways to do business with the US.

The NZIER study also points to significant increases in visitor numbers from the United States in the last two decades, with 210,000 Americans coming here in 2008. The annual

number of New Zealand visitors to the US fluctuates, but currently stands at about 93,000, compared with 66,000 in 2003. More than a quarter of those Kiwis travelling to the US are doing so for business purposes.

Finally, the NZ US Council is pleased to see that the political relationship between New Zealand and the United States is the best it's been in 25 years. This is demonstrated by a number of high-level political visits including most recently by Prime Minister John Key to the UN General Assembly in New York.

New Zealand hopes that the Obama Administration will soon confirm its intention to join the Trans-Pacific Partnership (the free trade agreement between New Zealand, Brunei, Chile and Singapore, formerly known as P4). That decision depends largely on the President's success in getting his controversial health care plans through Congress and in convincing American lawmakers that American engagement in Asia is in the country's own interest.

As the two earlier events held in April 2006 and September 2007 have shown, the US NZ Partnership Forum is a powerful vehicle through which to develop a compelling value proposition for an expanded relationship. This year, under the theme of "*Trans Pacific Partnership: Deepening Engagement, Expanding Opportunities*", the Forum will focus on ways in which the United States and New Zealand can increase cooperation on matters concerning trade and economic development, business innovation, climate change, energy and security in the Asia Pacific region as well as globally.

If New Zealand Inc can take advantage of the positive economic and political environment and continue to expand our partnership with the US, then the result will be serious opportunities for sustainable growth in our economy. The benefits of such a partnership will be mutual, but given the comparative size of our economies the effects will be most acutely felt here in New Zealand.