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DIFFERING VIEWS NO LONGER HOLD US BACK

By Stephen Jacobi¹

US Secretary of State Condoleezza Rice's visit was heavy on substance, writes Stephen Jacobi

“New Zealand and the United States, Kiwis and Americans, have a long history of partnership. It is one that is grounded in common interests, but it is elevated by common ideals”. Condoleezza Rice’s remarks at the reception hosted by the NZ US Council in Auckland last Saturday, while music to the ears of Council supporters, represent more than just rhetoric.

The Secretary of State’s visit has served to move the relationship beyond the political differences which have frustrated New Zealand’s attempts to develop a closer economic relationship through a free trade agreement. It is sometimes claimed that these differences – especially on nuclear issues and latterly on Iraq – are the reason New Zealand did not secure an FTA at the time Australia did in 2004. In reality the picture is more complicated: as well as political differences, New Zealand’s market is small and there is likely to be opposition on the part of some US sectors.

The size argument can be overcome by concluding a high quality deal which could be a future template for trade liberalisation in the Asia Pacific region. That angle has become even more fruitful in the light of this week’s failure of the WTO talks in Geneva. The issue of sectoral opposition can only be overcome if the US Administration were to decide to override these domestic concerns in favour of a deal with New Zealand.

That’s why the Secretary’s remarks – and her reference to New Zealand as a “friend and ally” – are so significant. No-one is thinking here of a return to ANZUS: the challenges of international security are different now. Nor have the differences between overlooked or forgotten. But the Secretary was pointing to an alignment of values and interests which lead the United States to find in New Zealand, as Council Chairman Jim Bolger said at the reception, “no better ally” whether in promoting the spread of democracy or open markets.

It is precisely this sort of language that can help remove political obstacles to the FTA because it puts the relationship with New Zealand in a broader strategic context. Rather than being on the periphery of US interests, New Zealand is seen as

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a reliable and valued partner, even if we don't agree on everything, and where closer economic alignment is a logical consequence of increasing political co-operation.

The Secretary's visit came at an opportune time for New Zealand's FTA aspirations. The Administration is considering right now whether to join the P4 trade agreement linking New Zealand, Brunei, Chile and Singapore. Negotiations on financial services and investment have already started and while it would be rash to count chickens at this point a decision on the broader issue of US membership of P4 is expected before the November elections.

A decision to start a negotiation is not the same as seeking ratification of an outcome. In the US the latter requires Congressional approval; the former does not. It is still within the power of this Administration to commence negotiations with P4 that would deliver an FTA with New Zealand.

It is extraordinarily naïve for some commentators to suggest that a visit such as this coming towards the end of the Administration's mandate is purely symbolic. The world does not stop spinning in anticipation of an election. Such is the progress that has been made in the relationship in recent years that today New Zealand and the United States are more engaged than ever before on global issues of significance including security, counter-terrorism, climate change as well as trade. From that perspective it was particularly disappointing that the New Zealand media squandered the opportunity of the press conference with the Secretary last Saturday, preferring to focus on domestic political issues.

Developments in Geneva this week have raised the stakes of New Zealand's current efforts to secure an FTA. On the one hand, the setback at the WTO means that New Zealand will have to look in the short term for other avenues to secure more favourable conditions for trade and investment. In the case of the United States our competitors Australia and Chile, who both have FTAs, are well ahead of us. On the other hand, the uncertain future outlook for the WTO means that if P4 ultimately proves unsuccessful we may be waiting some time for another process to deliver a more level playing field in the US market.

There is no better time than now to work towards an FTA with the United States and the Secretary of State's visit, encouraged by Foreign Minister Peters and his officials, was both well timed and heavy on substance as well as rhetoric.