

**ADDRESS TO THE WAIRARAPA BRANCH OF THE NEW ZEALAND
INSTITUTE OF INTERNATIONAL AFFAIRS**

**MASTERTON
WEDNESDAY 18 APRIL 2007**

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**“HAVING OUR CAKE AND EATING IT TOO - WHAT’S NEXT WITH THE
UNITED STATES ?”**

Thank you for the invitation to be with you this evening and to talk about what’s next for New Zealand’s relationship with the United States.

The question is an appropriate one at a time when the relationship seems – at long last – to be on a much firmer footing than it has for many years.

Credit is due to the New Zealand Government for relentlessly pursuing the goal of relationship building with visits to Washington by Winston Peters last July and the Prime Minister Helen Clark last month.

Credit is also due to the US Government for its reassessment of the relationship, initiated by Assistant Secretary of State, Chris Hill, and now seemingly endorsed at the highest level of the Administration.

Others have played a part too.

The National Opposition has provided bipartisan support for this goal.

The National Party’s confirmation that it would not seek to repeal the anti-nuclear legislation has certainly been helpful in making clear the basis on which the US Administration may be dealing with future New Zealand governments.

MPs on both sides of the House have come together in the NZ/US Parliamentary Friendship Group, re-established last November.

I am hopeful that a delegation from the Friendship Group will visit Washington later this year to engage with the Friends of New Zealand Congressional Caucus which itself has a new membership following last year’s elections.

And the New Zealand United States Council has been active also in helping build the constituency for the relationship in New Zealand.

Last April we joined with our Washington based counterpart, the US NZ Council, in organising the first ever Partnership Forum.

That landmark event brought together key government and business leaders for both countries to talk about strategic issues affecting business in both countries and provided important focus and momentum for expanding the relationship.

The event will be repeated in Auckland this coming September.

These are the elements that have come together at this time – careful management of the relationship, steadily building high level contact, wide political and business support, and a lot of hard work by Ambassador Ferguson in Washington and Ambassador McCormick in Wellington and their teams.

Your Institute too has played a valuable role in providing a forum where the case for a closer relationship with the United States can be discussed.

In opening my copy of the International Review last month I was delighted to see the article by your own Scott Thomson discussing New Zealanders' perceptions of the United States.

Noting that perceptions of America have changed during a century and a half of modern New Zealand history, Scott advocates that:

“New Zealand should invest in our own distinct position. We should use our affinities with the United States to offer a developmental option and a bridge between our region and our own friend¹”.

Scott's article, which I commend to you, gives me a good place to start thinking about the sort of relationship we want with the United States and what we need to be doing to get there.

I do so from the perspective of the NZ US Council, a non partisan organisation, funded by both business and the Government, which works to promote the strongest possible relationship between New Zealand and the United States.

What relationship do we want ?

Most assessments of the relationship – and I include my own in this – tend to start with the relationship as it is today.

Tonight I'd like us to dream a little.

What sort of relationship with the United States do we want ?

¹ Scott Thomson “The United States – a downunder view” in NZ International Review, March/April 2007

In a speech to your sister organisation in Christchurch a few years ago I suggested that we New Zealanders needed to be more confident in approaching the question of an expanded relationship with the world's remaining superpower and largest consumer market.

For some it's as if opening the door to expanded relations with the United States somehow equates with a loss of national identity and sovereignty, a giving up of all we hold sacred.

I continue to believe that New Zealand can and should pursue a relationship with the United States which reflects New Zealand's values and interests.

In a speech to the Asia Society in Washington last month Prime Minister Helen Clark put it 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 is at the heart of what we New Zealanders should be seeking from the relationship.

It should above all be a relationship which delivers an enhanced capacity to bring about changes to the world order which reflect New Zealand and American aspirations and values.

That's no mean feat given our differences in perspective.

In an article late last year Terence O'Brien noted that democratic governments, like the United States, are often less enthusiastic about ensuring democracy works in the very international organisations that they founded to manage the international system.

Terence argues that post 9-11 the United States had tended to replace the notion of leadership bestowed by a majority of nations with 'leadership that is imperatively asserted'³.

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

³ Terence O'Brien "Democracy and the international system", in NZ International Review, November/December 2006

In similar vein Scott Thomson asks whether “America is the world’s number one law abiding citizen or a spoilt rich kid running wild”⁴ .

There are always going to be tensions in a relationship between a superpower in the Northern Hemisphere and a small country in the South Pacific.

But that need not stop us working together.

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, to decommission a nuclear power plant in Russia or stop nuclear smuggling across the Russia-Ukraine border.

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, or earth sciences or in the Antarctic.

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 practices through the WTO.

It’s up to us to define those areas in which New Zealand and American interests coincide.

And if we can use our co-operation to influence, at the margin at least, the way which the United States sees the world, then so much the better.

This may sound like having our cake and eating it too – well it is, and I suggest that has long been a guiding principle of New Zealand’s foreign policy !

It’s interesting that increasingly the Americans see the relationship in a similar 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. New Zealand has combat troops in Afghanistan and peacekeeping forces in the Solomon Islands and East Timor. Clearly New Zealand is dedicated to promoting peace and stability where it can ... while New Zealand’s anti-nuclear legislation precludes a military alliance, our bilateral relationship is excellent. Both countries

recognise each other's policy position and have decided not to let this difference define the entire relationship"⁵

So in the same way as Helen Clark, Glyn Davies wants a relationship which delivers value for America's global and regional interests.

We should not forget that both countries have economic interests too.

We should be seeking a relationship which contributes to our national priorities of expanding exports, adding value to New Zealand's primary production, diversifying the economic base and developing new internationally competitive industries.

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.

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

The New Zealand Institute has recently some dreaming of its own about the economic relationship.

It has found that although the relationship has expanded by 10% over the last ten years New Zealand is falling behind in comparison with other countries.

The share of GDP represented by exports to the United States is 7% for New Zealand, but 15% for Sweden, 10% for Denmark and 10% for Australia.

Similarly whereas our exports to the US have grown by 7% in the last ten years, the figure is 14% for Denmark and 10% for Australia.

The NZ Institute advocates growing the relationship to \$17 billion by 2020 through a strategy focused on better assistance to exporters with market entry and development and more aggressive promotion.

There is no doubt that a free trade agreement would help too.

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

⁵ 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

It's not just that linking up with the world's largest consumer market, largest importer and largest exporter of capital and technology has to be good for us.

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.

So thinking about the sort of relationship we want leads naturally to dream of a time when New Zealand's access to the US market is on a par with our competitors and delivers enhanced economic value.

Prime Minister's visit

Having then done a little dreaming, I'd like to bring us back down to earth and consider the progress made in the relationship during Helen Clark's recent visit to Washington.

First it is important to recall that the visit was not intended to signal any change of heart about nuclear issues or ANZUS or the war in Iraq.

We should be under no illusions that on 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.

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

And that was the real achievement.

The visit marked another significant point in the steady enhancement of the relationship over the past eighteen months.

As I suggested at the outset, the "tonality" of the relationship – how it is perceived and represented publicly – has shifted markedly in that period.

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"⁶.

⁶ NZ Herald, 26 March 2007

And as the President himself said:

“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”⁷.

Has this encounter contributed to the development of a relationship we dreamed of a few moments ago ?

I think it has, although time will tell if this new understanding lasts.

Certainly an increased frequency of high level visits in both directions will be an indicator that the relationship has moved into a new phase of its development.

Did the visit move forward the prospect of an FTA ?

Again, I think it has.

A breakthrough on the FTA during the Prime Minister's visit was never on the cards but it was particularly important at this time to restate New Zealand's case.

This is because 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 expires on 30 June 2007.

Among other things, TPA requires FTAs to be submitted for a 90 day consultation period before adoption bringing forward the effective cut off date for notification of new agreements to Congress.

⁷ President Bush welcomes Prime Minister Helen Clark to the White House, www.whitehouse.gov

At the time of the Prime Minister's visit, all eyes were focused on whether a trade agreement under negotiation with Korea could be completed in time.

The Korea- US FTA – completed, as it turned out, just in time – is a huge deal covering US\$78 billion of trade.

The stakes with this negotiation with the US' seventh largest trading partner were very high indeed.

It's no secret that the Democrat Congress and the Republican Administration have different views on trade.

Since the Congressional election last December it has been uncertain whether a new TPA would be granted.

Some Democrats oppose trade on principle; others are free traders.

Generally speaking the Democrats want new conditions inserted into trade agreements about protections for labour and the environment.

They also want better consultation provisions and more assistance for American workers displaced by competition from imports.

Most Republicans just want to get on with the business, although there is a sizeable Republican minority that shares the Democrat view of the impact of trade agreements.

This was the highly charged political atmosphere in which the Prime Minister's visit took place.

Her strategy was to recognise the situation with TPA and assert New Zealand's interest in an FTA, complete with model labour and environment provisions, when the time is right.

All the indications we have received are that this approach was noted and respected by both the Administration and Congress.

There is another fundamental way in which this visit nudged the FTA forward.

As I have said 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.

New Zealand's interest is an enhanced relationship across the board - one that reflects the things the two countries have in common, one that can see above

and beyond past differences or sectoral interests, one that can overcome the inevitable opposition to an FTA on the part of subsidised American farmers and deliver greater economic value to both partners.

That is not an impossible dream but it is one that will require continuing work to bring to reality.

2007 Partnership Forum

An important opportunity to take the pulse of the relationship will take place in September this year at the second US NZ Partnership Forum we are organising in Auckland.

This event will bring together the most senior American delegation to have ever visited New Zealand.

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 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.

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 closer relationship between the two countries - the sort of relationship in fact I outlined earlier.

Conclusion

I started out by quoting Scott Thomson – “New Zealand should use our affinities with the United States to offer a developmental option and a bridge between our region and our own friend”.

That in large part is what the Partnership Forum sets out to do.

The Forum fits into a larger strategy of expanding the relationship with the United States by focusing on what the two countries have in common and using this to align our co-operation in areas where our interests coincide.

That strategy is showing success, as was shown in the Prime Minister's most recent visit, although there is still more to achieve, particularly in relation to the economic relationship.

The encouraging thing is that both countries are now working towards an expanded relationship which delivers real value.

Perhaps in that sense both countries can have their cake and eat it too.