

ADDRESS TO THE AHURIRI ROTARY CLUB, NAPIER

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WITH HELEN CLARK IN WASHINGTON

Thank you for the invitation to be with you this evening and to talk about NZ US relations.

Lest anyone doubt it, the world is indeed a small place.

A few weeks ago I was in Chicago, on the occasion of Helen Clark's visit, having just spent several days in Washington DC.

In the audience, to listen to the speech she gave to the Chicago Council on Global Affairs, was none other than the President of Rotary International, New Zealand's own Bill Boyd.

As I sat down to lunch I found myself seated next to a charming woman who had moved from Hong Kong to Chicago and now found herself working for an investment management company.

That company had just landed the contract to run the back office of the New Zealand Superannuation Fund.

And on my other side there was an equally charming young woman who works for a global environmental NGO concerned about the management of fish stocks – she was very complimentary about the action New Zealand is taking together with the US to seek an end to fishing subsidies.

These small vignettes remind us of how inter-connected the world has become.

More than ever before New Zealand relies on the outside world for its prosperity and security.

And New Zealand has an opportunity, by working with others, to make the world a better, fairer and more sustainable place.

That's why New Zealand's relationship with the United States continues to be of importance to us and why the Prime Minister visited Washington on 21 March to meet with President George W Bush.

This evening I'd like to share with you something of the significance of that visit, what was achieved and where it might lead our two countries in the future.

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.

Significance of the Prime Minister's visit

Helen Clark's visit to Washington was as significant as much for what it was not, as for what it was.

It was not intended that the visit signal any change of heart about nuclear issues or ANZUS or the war in Iraq.

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.

It's fairly obvious why New Zealand might want to do this.

New Zealand's two way trade with the US is valued at over \$8 billion.

The US is 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.

The US is our second largest source of imports.

The US is our third largest source of foreign direct investment with a stock of \$52.5 billion or around 11 percent of total.

The US is the third largest source of tourists who last year spent \$649 million here – that's over \$3600 per visit, more than double the average expenditure of Australian visitors.

And the US is an important source of technology, innovation and business ideas for New Zealand enterprises as they seek to add value to New Zealand's primary

production, to diversify the economic base and to develop new internationally competitive industries.

So New Zealand has a fairly clear interest in wanting to develop even closer economic ties with the United States.

But why does President Bush see value in spending time with Helen Clark ?

After all even if the US is New Zealand's second largest market we are 42nd for them.

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

“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. Both countries recognise each other's policy position and have decided not to let this difference define the entire relationship”¹

Glyn Davies' testimony went on to identify the areas around the world where New Zealand and the United States work closely together.

It's in the global and regional context that the Americans see the value of the relationship.

From the US perspective, New Zealand is a trusted and reliable advocate for good governance and sound economic management.

This has been demonstrated in our unwavering commitment to ensuring stability in far off Afghanistan, as well as in our Pacific neighbourhood, and in our staunch support for the cause of freer and fairer trade.

In the last year also important new areas of co-operation have been forged.

In the Antarctic for instance, where, building on 50 years of working together, New Zealand and the United States recently signed a new agreement to co-operate on earth sciences.

In Washington Helen Clark also announced new contributions to developing non nuclear energy supplies in North Korea and combating nuclear smuggling across the Russia-Ukraine border.

¹ 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

Quite simply, New Zealand's contribution in these areas puts us in a category different from most of the other friends (and even some allies) of the United States.

Not that we should not dismiss entirely New Zealand's economic significance.

One of the reasons the US National Association of Manufacturers supports the concept of a free trade agreement is because of New Zealand's small but attractive market for American manufactured products exports and as a welcoming destination for US investment.

In other words, New Zealand is more important to US interests than our size or geographical location might otherwise suggest.

The fact is, we both need each other.

New Zealand needs the United States not just for economic opportunity but to make progress on global issues New Zealanders feel deeply about – like peace and security, development and sustainability.

In a deeply troubled world, where the United States is being forced to re-evaluate who its real friends are, New Zealand stands out from other potential partners in our commitment to democracy, human rights, the rule of law, good governance and the market economy.

These are bedrock values we both share and which have shaped our nations' development.

Achievements of the visit

So what did Helen Clark achieve in Washington ?

Some – quite unrealistically – expected the Prime Minister to come back with a free trade agreement – I'll have more to say about this in a moment.

The real achievement of Helen Clark's visit to Washington is that it marks another significant point in the steady enhancement of the relationship over the past eighteen months.

What we call the "tonality" of the relationship – how it is perceived and represented publicly – has shifted markedly in that period.

The early signs of this were evident in Washington DC last April when the NZ US Council, together with our Washington based counterpart, organised the first ever US NZ Partnership Forum.

The Forum is a high level gathering of New Zealand and American business leaders, politicians and academics - around 40 on each side - who meet to discuss big picture issues affecting business in both countries.

The relationship has been further nurtured by expressions of bipartisan political support.

Both National and Labour politicians worked together at the Partnership Forum and, with sponsorship from our Council, a NZ/US Parliamentary Friendship Group was established last November.

These are the ingredients that have come together at this time – careful management of the relationship, steadily building high level contact, wide political and business support.

Of course there's little doubt that the US relationship would be significantly enhanced by a free trade agreement.

A breakthrough on this during the Prime Minister's visit was never on the cards but I believe Helen Clark did nudge things forward.

Helen Clark pursued relentlessly the FTA theme throughout her visit and it was particularly important at this time to restate New Zealand's case.

This is because New Zealand's FTA case is closely linked to the issue of the President's 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 trade promotion authority is not impossible, just more difficult, as it is uncertain whether the result would be accepted by Congress.

Among other things, trade promotion authority requires FTAs to be submitted for a 90 day consultation period before adoption.

With TPA scheduled to expire on 30 June 2007, this meant 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 trade promotion authority 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 Helen Clark's visit took place.

Her strategy was to recognise the situation with trade promotion authority and assert New Zealand's interest in an FTA 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 said at the beginning 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.

That in itself is a key achievement from this visit.

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 narrow sectoral interests, one that can overcome the inevitable opposition to an FTA on the part of subsidised American farmers.

Time will tell whether this new understanding holds.

An important indicator will be the outcome of the second US NZ Partnership Forum we are organising in Auckland this coming September.

This event will bring together the most senior US 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.

For the meantime the relationship with the United States is on a much sounder footing than previously.

Conclusion

I started off by saying that the world is a small place.

Washington may seem a long way from Napier but this region benefits directly from the relationship with the United States through trade, investment and tourism.

That means that Hawke's Bay has a direct stake in a relationship that delivers all it can towards the goal of a stronger economy and a better world.

I know that Rotary Clubs such as yours place a strong emphasis on building strong local communities.

I was delighted to hear that the fantastic Rotary Pathway has benefited from financial donations by an American philanthropist who shares the love of the outdoors and the physical beauty of this place.

Americans and New Zealanders have much in common.

In his State of the Union address President Bush referred to America as "a decent and honourable country - and resilient, too".

The same can be said of New Zealanders.

At the government level, we disagree about some things – some important things – but this does not, and should not, stop us from working closely together.