

**ADDRESS TO THE NEW ZEALAND INSTITUTE OF INTERNATIONAL
AFFAIRS
MAJOR FOREIGN POLICY ISSUES OVER THE NEXT FIVE YEARS
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**STEPHEN JACOBI
EXECUTIVE DIRECTOR
NEW ZEALAND UNITED STATES COUNCIL**

“NEW ZEALAND AND THE UNITED STATES”

It's good to be with you today and my congratulations to the Institute and to Brian Lynch for organising this stimulating conference.

I'm delighted to have this opportunity to speak to you on behalf of the New Zealand United States Council and to respond to Professor Patman's paper "NZ US relations in the era of globalisation: moving closer or further apart."

The New Zealand United States Council is a non partisan organisation funded by both business and the Government and dedicated to fostering New Zealand's relationship with the world's leading superpower, largest consumer market and leading supplier of investment, technology and business ideas.

The Council stands as an advocate for a NZ US relationship which reflects New Zealand's values and interests rather than as an apologist for any particular actions of the United States Administration.

We welcome today the commitment expressed at this conference by both Foreign Minister Winston Peters and Opposition Spokesperson Murray McCully to strengthening this already important relationship.

I am very pleased also to welcome Professor Patman's stimulating paper and to congratulate him on his careful analysis of the different historical phases of the relationship as well as its more contemporary drivers including trade and business, socio-cultural factors and political-military links.

I find little to disagree with about the significance of the relationship for New Zealand's interests or about the urgency of expanding the relationship even further.

I would like however to focus my comments on three areas in particular:

- the impact of globalisation
- the economic relationship and the proposed free trade agreement
- the political-military relationship.

First, I think Professor Patman is quite right when he seeks to discuss the relationship in the “era of globalisation”.

His thesis is that globalisation has the potential to transform the relationship in a way which lessens the significance of past differences and highlights those areas where New Zealand and the United States can and do share much in common.

It’s a curious feature of the discourse on foreign affairs that we tend to personalise the linkages we have with other countries.

We heard from our discussion about Australia this morning how risky that can be!

Former Australian High Commissioner Alan Hawke once predicted that the relationship with Australia could go one of two ways.

Former US Ambassador Charles Swindells said much the same thing in his farewell address.

I’d like to suggest – and this applies as much to Australia as to the US – that a chief consequence of globalisation is that complex relationships can go backwards and forwards at the same time.

When Professor Patman asks whether NZ US relations are moving closer together or moving apart, the answer could well be both !

Globalisation has considerably accelerated and thickened the nature of the NZ US relationship.

Every hour of every day New Zealanders come into contact with the US in some way, whether as consumers, tourists, workers, researchers, officials or peacekeepers.

That makes for a very complex web of interactions which is difficult enough to describe let alone manage.

Let me illustrate this further with a few examples.

Large numbers of tourists visit in both directions by and large oblivious to the sort of discussions we are having today.

The state of the political-military relationship may matter very little to Fisher and Paykel opening a manufacturing facility in the US or to Trends Publishing which from its Eilerslie base produces and distributes high quality magazines for the US market.

How the US Administration views New Zealand's nuclear policy does not seem to have hindered Harvard University investing its sizeable pension funds in large swathes of New Zealand's forestry industry.

And even in the political-military sphere, differences over nuclear issues have not detracted from New Zealand's ability to develop close co-operation with the US military in Afghanistan or in the war against terror.

The New Zealand Government while maintaining, with strong public approval, legislation restricting the entry of nuclear powered vessels into New Zealand ports, nonetheless welcomes the role played by the US Navy in securing the Western Pacific.

And, as the late David Lange's recent archives revealed, intelligence co-operation has continued unabated.

What does all this mean ?

It means simply that this relationship is extraordinarily complex and multi-faceted.

It is unlike any of our other relationships, apart from Australia.

It requires a different style of careful, deliberate management to hold all its elements – and tensions – together.

Going forward, it may well require different sorts of non-governmental structures to give it shape and direction – I'll have more to say about this shortly.

So I agree with Professor Patman that globalisation has changed everything and especially so in terms of New Zealand's engagement with the United States.

The second aspect of Professor Patman's paper I'd like to comment on is the proposed free trade agreement, or rather the lack thereof.

Let me stress that the FTA is not the whole relationship and the whole relationship cannot and should not be judged in terms of whether an FTA is able to be achieved in the near future.

But we should not conclude, as some are starting to do, that securing an FTA somehow does not matter.

For New Zealand business achieving an FTA does matter very much indeed.

It matters not just because of the new business it could be expected to open up but because of the positive signals it would send to business interests around the world about New Zealand as an economic partner and the level playing field

it would create with other competing countries, like Australia and Chile, who already have such arrangements with the US.

Professor Patman correctly notes that we are not there yet but that we have every interest in continuing to make our case.

Having just returned from Washington I have to tell you that we face an uphill climb.

I say this not as someone who has given up hope but as someone who is realistic about the challenges we face.

What are the problems ?

They are both economic and political.

The New Zealand market is only of limited interest to US business.

We are the 47th largest market for the US: for the US to negotiate with New Zealand, it would be like New Zealand negotiating an FTA with Iran or Cuba.

That is not to say there is no interest in Washington.

The National Association of Manufacturers continues to advocate strongly for an FTA with New Zealand and we have good support in Congress too.

But the Administration is now embarking on trade agreements with other important partners like Korea and Malaysia.

Their dance card, for the present, is full.

All is not lost – we will continue to press our case as long as the President has Trade Promotion Authority under which Congress gives him the authority to conclude such deals.

But TPA itself runs out in June 2007 and may not easily be renewed.

There are political problems too.

There will be opposition to an FTA on the part of agricultural lobbies in the US and, for well rehearsed reasons the Administration cannot cite New Zealand's "allied" status as a means of overcoming this opposition.

That remains a significant handicap for us.

In his paper Professor Patman points to comments by Senator McCain made during his recent stopover in New Zealand in which he spoke positively about an FTA.

Senator McCain's comments are important and we welcome them. They reflect the good support we have in Congress as I just mentioned.

But these comments should not be overplayed – Senator McCain is not (yet) a member of the Administration and it is the Administration, not Congress, that negotiates free trade agreements.

The upshot of all this is that we may need to think longer term about an FTA without throwing in the towel just yet.

This brings me to the last aspect of Professor Patman's paper I'd like to discuss and that is the political-military relationship.

Here Professor Patman is optimistic that recent developments in the post 9/11 security environment, in non-proliferation and growing concern about the image of the US in the aftermath of the Iraq war will lead to US interest in moving beyond the nuclear stand off.

I am certainly hopeful that is the case.

There is no doubt that the US deeply appreciates the role played by New Zealand in Afghanistan and more generally in the war on terror.

We need as a matter of priority to take steps to deepen this sense of appreciation even as we maintain the "independent" foreign policy which New Zealanders seem to appreciate.

And we need to support this by taking steps to expand co-operation in other areas such as trade, the environment, climate change, science, education and research.

The key task is to demonstrate to the US that New Zealand has enduring relevance to US interests.

An opportunity to do this in a new way will arise in April this year when the NZ US Council together with our counterpart organisation, the US NZ Council, hold a Partnership Forum event in Washington DC.

The Partnership Forum will bring together 25-30 business leaders, senior officials and academics from each side for a structured discussion of issues of mutual interest.

The issues include the Asia Pacific century, doing business in an unsecured world, managing the energy crisis, and the trade agenda post the WTO meeting in Hong Kong.

We will have more to say about this event in coming weeks.

What is of interest today is that the event will seek to reflect in its composition and themes the broad-based nature of the NZ US relationship, driven by globalisation, which Professor Patman highlights in his paper.

I do need however to add one rider to Professor Patman's optimism.

In all this we should not think that the US does not care about New Zealand's nuclear policy.

It does care, primarily because of the signals it sends to other jurisdictions.

That is no less true today than it was in 1984.

The plain fact is that there is no appetite for changing this policy on the part of the New Zealand public.

All political parties, except the ACT party, now recognize this.

We need therefore to find ways to advance this critical relationship with this in mind.

This is what the Council means when we speak about fostering a relationship with the United States which reflects New Zealand values and interests.

In conclusion, I'd like to express the view that Professor Patman's paper was noticeably short on references to American philosophers and poets !

I have a favorite – Yogi Berra, the baseball player, who once famously said “the future isn't what it used to be”.

I think that quote sits quite well with the theme of Professor Patman's stimulating paper and I commend it to him !

The future of the relationship, thanks to globalisation, is undoubtedly more complex than the past.

Going forward it will involve new structures and a whole lot of new people.

And I for one think that a very good thing.