

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

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**“NEW ZEALAND AND THE UNITED STATES – MORE THAN JUST
FRIENDS”**

Thank you for the opportunity to speak to you this evening about New Zealand's relationship with the United States.

At the outset I feel compelled to issue a sort of health warning.

Speaking about the United States - possibly nowhere more so in this most progressive of New Zealand cities - seems to give rise to a host of reactions

Very quickly it seems we get drawn into a discussion about ANZUS, New Zealand's nuclear free status, small countries standing up to big ones and the rights and wrongs of the war in Iraq.

The recently arrived US Ambassador, Bill McCormick, certainly discovered that language and the nuances of language can be a tricky thing to get right here in Godzone.

Yet I detect in all the commentary that has been offered about New Zealand-United States relations in the last few weeks a disturbing lack of national self confidence.

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.

It's my contention this evening that New Zealand can and should pursue a relationship with the United States which reflects New Zealand's values and interests.

And not just “can and should pursue” – but “must pursue” if we want to see the US contribute to our key national goals, particularly in terms of the economy.

So tonight I'd like to talk about the things that bind us to the United States, those areas where alignment is more problematic and some ways in which we could do even more together.

I intend to do so from the perspective of the New Zealand United States Council, a non partisan organisation, funded by both business and the Government to promote New Zealand's long-standing and broad based relationship.

Shared values and interests

Let me start by quoting from an address given in Melbourne a few years ago.

The occasion was the annual American Australian Leadership Dialogue which has become something of an institution between Australia and the United States.

The speaker was Rich Armitage, former Deputy Secretary of State:

“This is not a partnership of equals in the sense that the US is so much larger ... but this is clearly a partnership of equals when we talk in terms of vision. We both want to see worlds where representative governments and human rights are baseline reality. We both want to see a world where HIV/Aids is no longer a terrible scourge ... and where no tyrant ... can threaten the safety of our citizens with impunity. We both want to see a world where Australia is an Asian power and where ... Asian powers are deeply invested in the health of the global system. We both want to see a world defined not by the predominance of American power but rather the prevalence of liberty and the sort of dynamic prosperity that characterises both our economies ...¹”

Apart perhaps from that reference to Australia as an “Asian power”, it is fairly obvious that much in these remarks that could apply equally to New Zealand.

We may be somewhat less inclined to use the phrase “prevalence of liberty” – the recent Speech from the Throne for example used the terms “fairness, opportunity and security” to describe fundamental New Zealand values.

“Dynamic prosperity” on the other hand is something we are definitely quite comfortable with.

The Armitage speech underlines that, aside from linguistic and cultural differences, New Zealand, Australia and the US along with a number of other market democracies such as Canada and some countries of the European Union, are bound together by shared, fundamental values.

¹ Quoted in “Australia and the United States. Towards a deeper relationship” , an address by Phil Scanlan, AM to the Australian Institute of International Affairs, 26 July 2005

It's become unfashionable to assert this in New Zealand as we see the projection of American values sometimes being translated into policy actions we might disagree with but it is true that, at a certain level anyway we can come to ready agreement about what is important.

Put another way when push comes to shove it's hard to come up with another group of countries that share our values in quite the same way.

We share a lot with our Pacific neighbours but our social structures and economic development are quite different.

We share a lot with the dynamic Asian economies, but, with all due respect to Rich Armitage both we and Australia have some way to go before being accepted as "an Asian power" let alone being part of Asia.

We share a lot with members of the Commonwealth, but as was most evident at the recent CHOGM meeting, a number of them continue to struggle with concepts of democracy.

Even with some countries of the European Union we have distinct differences about economic management which flow ultimately from a different conception about the role of the state in the economy.

I'd go so far even as to suggest that what we share with the US in terms of fundamental values is already far more than what distinguishes us.

Sometimes this diffidence about acknowledging our shared values leads us to overlook the areas where our interests are fully aligned.

Although New Zealand is not in a position to receive visits by nuclear powered or armed vessels, Minister Goff in a speech earlier this year² readily acknowledged that the strategic presence of the US in the Western Pacific makes a major contribution to the maintenance of stability of the region.

Although we are no longer allies in the treaty sense, this does not prevent us from working closely with the United States in many areas - to quote Minister Goff again - "with the shared objective of helping create a free, democratic, stable and prosperous world".

That includes counter-terrorism, notably through Operation Enduring Freedom, global non-proliferation, regional security through the ASEAN Regional Forum and international peacekeeping.

New Zealand's involvements in Afghanistan are particularly extensive.

² Hon Phil Goff, Address to Canada Press Club, Ottawa, 3 June 2005

Our 120 strong Provincial Reconstruction Team in Bamyan, now in its sixth rotation, is a considerable commitment for a country of our size.

Beyond this we offer assistance beyond this in terms of funding for development projects, police and military training and through the recent deployment of our special forces.

US Ambassador Bill McCormick issued a public thanks for this contribution soon after his arrival.

Perhaps nowhere however do our shared interests with the US coincide more closely than in respect to international trade.

In the World Trade Organisation, APEC and other economic fora the US finds no better ally than New Zealand.

Let me give a very concrete example of this drawn from my own professional experience.

Next week I will be going to Hong Kong to participate in the WTO meeting wearing another hat representing the New Zealand forest and wood products industry.

Over the last three years when I was CEO of the Forest Industries Council we worked closely with the American Forest and Paper Association to establish an international grouping of industry associations working for a robust outcome from the WTO Doha negotiations.

We call our group the Santa Catalina Group, after a hotel room in Mexico where we first met.

In Hong Kong I will join colleagues from AF&PA and the Santa Catalina Group to lobby for improved market access for forest and wood products, for the elimination of tariffs and action to address non tariff barriers.

The work we have done over the last few years, including several joint visits to Geneva, has been matched by close co-operation at the governmental level.

The New Zealand and the US have submitted proposals to the WTO on non tariff barriers in wood products – conceptually a very difficult aspect of the negotiation – and have joined Canada, Thailand and Hong Kong in submitting a proposal on tariff elimination.

This is just one example – a similar alliance exists in other key export sectors even in the agriculture sector where New Zealand has at times taken a strong stand against US subsidy practices and protectionism.

It extends across the board to the goals both countries have set for the negotiation.

That same alignment of interest was why the US worked so hard to see Mike Moore elected as Director General of the WTO and why New Zealand's critical interest in a free trade agreement continues to receive any attention at all in Washington, despite the fact that we are only a small market for US exporters.

When the Prime Minister says as she did just recently that "a strong relationship with the United States is important to the government"³, she is referring to these areas where we work closely together.

The rather disturbing thing is that this extensive co-operation tends to get overshadowed by a perception that the relationship is in crisis.

Every day of every year New Zealanders and Americans whether as business people, officials, tourists, scientists, students or, yes, even members of the defence forces, participate in a relationship which is one of New Zealand's most advanced and active.

The scale of the relationship is seen most actively in trade statistics.

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 sheepmeat, forest products, fruit and vegetables.

The US is the second largest source of imports.

The US contributes around 12 percent of all foreign direct investment.

The US is the third largest source of tourists who in the year to March 2005 spent \$615 million (the highest daily spenders).

Next year Air New Zealand will celebrate 40 years of flying to the US.

Next year too Christchurch, gateway to Antarctica, will celebrate 50 years of close cooperation with the United States in that arena.

There is much to celebrate in a relationship which, again to quote the Prime Minister, is healthy and works well.

³ Prime Minister's address to the American Chamber of Commerce Business Awards, 2 November 2005

That is not to say that there are not areas where New Zealand and the United States have taken a different view.

Differing perspectives

I'd like to talk briefly about two of these – the nuclear issue and New Zealand's inability, thus far, to commence negotiations with the US for a free trade agreement.

Some tend to see these two as directly linked, although it is by no means clear that resolution of the first would necessarily lead to the second.

On the nuclear issue it is quite clear that New Zealand and the US are not allies in the sense that we once were under the ANZUS Treaty which still links the US and Australia.

Some argue that this has led to a loss of influence over the United States, to the extent, as was suggested recently by the former Australian Ambassador to Washington, that "it has handicapped (our) capacity to negotiate (our) own interests"⁴.

Others say that New Zealand's ability to influence was always distinctly limited and our global interests are best served by an independent policy stance.

Some say that the loss of ally status has restricted possibilities for inter-operability with US forces and has raised the cost of maintaining our defence force.

Others point out that the responses to global insecurity particularly on the part of smaller, less well resourced states lie not in the form of sophisticated high tech weapons systems or platforms or even in military forces at all but with other domestic agencies such as police, border control, intelligence, finance, health and quarantine organisations.

Some say that New Zealand free rides on the investment made in defence by our former allies, particularly Australia.

Others point to increasing expenditure under the Long Term Defence Plan and the Defence Sustainability Initiative as evidence of New Zealand's commitment to defence.

Wherever you come out on these arguments – which are much more complex than I have just suggested – it is hard to escape the fact that in New Zealand today there is little public appetite for a review of the nuclear legislation that caused the rift in ANZUS.

⁴ Michael Thawley, Sir Robert Menzies Lecture, 4 November 2005

There's no doubt that this issue continues to concern the United States which is worried not so much about ship visits to New Zealand but about ship visits to other strategically more significant nations like Japan.

For the foreseeable future it seems likely that New Zealand – both the Government and the public - is prepared to live with any consequences of the legislation banning visits by nuclear powered or armed ships, including having to remain outside a formal alliance with the US.

It follows therefore that any organisation like the NZUS Council which seeks to expand relations with the US needs to do so with this in mind.

While, where the opportunity arises, we have a responsibility to promote informed debate, at the end of the day decisions about legislation and alliances are made by governments sensitive to public opinion.

To borrow an analogy increasingly used to describe the electoral system, we have to play with the cards we have been dealt.

This brings me to the question of a possible free trade agreement.

We don't have one yet and our chances of getting one under the Bush Administration are becoming increasingly slim.

That's above all because the window for negotiating an agreement is closing with the President's negotiating authority scheduled to expire in mid 2007.

There are several sticking points.

New Zealand's market is small and relatively open for US exporters.

There would be opposition to a deal with New Zealand on the part of protectionist forces in the US, especially farmers.

New Zealand is not an ally, and so allied status cannot be used to overcome opposition to the deal.

The US Trade Representative's Office has limited negotiating resources and is heavily committed to other negotiations.

Yet perhaps surprisingly given these difficulties New Zealand's case continues to receive consideration in Washington in both business and government circles

That case is centred around our impeccable free trade credentials, our shared goals in multilateral trade fora and the support for the idea in both the business community and Congress.

Support in the business community has been shown in the letter sent to the President earlier this year by the National Association of Manufacturers which put New Zealand in the top five of future free trade partners.

That support has been fostered and supported by the US NZ Council, the counterpart of the NZ US Council, in Washington DC.

Support in Congress has been fostered by the unswerving commitment and hard work of the New Zealand Ambassador and his team at our Embassy in Washington.

In support of the Embassy's work the NZ US Council also funded a firm of Washington based lobbyists to promote New Zealand's case directly to key political leaders.

That work has now seen its reward in the establishment in Congress of the Friends of New Zealand Caucus, a potentially powerful source of support moving forward.

While a lot of good work has been done, it is important to continue to push New Zealand's case as my Chairman Jim Bolger was doing in Washington just a few weeks ago.

The interest of New Zealand business in such a deal is clear.

In a pre-election survey undertaken by Business NZ the desire for an FTA agreement with the United States was listed as the fourth most significant issue for business behind skills shortages, government spending and energy.

That's not just because of the barriers our exporters face in the US, though import quotas continue to constrain increased sales of dairy products and beef and bothersome tariffs apply to a variety of manufactured goods.

The effect of a free trade agreement goes beyond regulations – it could open up a whole new wave of US commercial interest in New Zealand and ensure that New Zealand is not overlooked for investment in favour of other partners, especially Australia.

A recent report by the New Zealand Institute – “No Country is an Island”⁵ - illustrates why New Zealand needs the sort of increased international engagement that would be represented by an FTA with the US.

⁵ “No Country is an Island”, a report by the New Zealand Institute, November 2005

The NZ Institute sees increased labour productivity as the key to sustaining current growth rates into the future.

New Zealand's productivity results from the way we use our resources but this has been constrained by the small size of our domestic market and the fairly limited way we have expanded exports and outward investment.

Increased productivity can come from New Zealand firms operating in a larger economic space.

The US, with its huge consumer market, and leadership position in terms of innovation, technology, entrepreneurship and ideas is in many respects an ideal partner.

For its part New Zealand offers the US a highly skilled labour market, a range of highly competitive natural resource-based industries - agriculture, food processing, biotechnology, forestry and fishing – as well as leading edge software, telecommunications and creative industries.

It could be argued that these opportunities for investment and strategic alliances exist without the impetus of an FTA.

Indeed they can, although an FTA would focus commercial and political attention on the relationship in a way it is hard to achieve otherwise.

The FTA remains an important goal – a sort of “ultimate prize” – but there is an even bigger picture of which the FTA is a critical element.

That bigger picture is the substantial, dynamic and broad-based relationship I have just been describing.

The Prime Minister referred to this recently as the “breadth and depth of the relationship”⁶.

Given all we want this critical relationship to achieve, and the few but nonetheless significant political constraints that exist, the question is how to find a way to move forward.

Looking ahead

Fortunately it seems we are in a period where everyone wants to do more with the US.

⁶ Remarks by the Prime Minister quoted in The Dominion Post 15 November 2005

Ambassador McCormick, writing in the Christchurch Press a couple of weeks ago, spoke of “looking forward to hearing how we can do even more together. Working with you and your Government over time, I hope to find new paths for us to explore.”

The Prime Minister spoke recently of the importance for the government of a strong relationship with the US ⁷.

For its part the NZ US Council sees as least five aspects as being important.

First, we should **focus on the big picture** of shared values and interests and not let ourselves get sidetracked on what continues to divide us.

As I said earlier there is much to celebrate in the current state of the relationship and much also that can be expanded.

Second, we should **unite our efforts** by ensuring that government agencies, business and other non-government organisations co-operate actively to ensure that all opportunities to do more together are taken up.

The New Zealand United States Council was established largely for this purpose and can play an important co-ordinating role in association with its counterpart in the US.

Third, we should **invest in the relationship** by allocating resources to activities and projects in both the US and New Zealand which deepen the sense of mutual value between the two countries.

There is already an excellent example in the work of the Fulbright Foundation which funds annual student and scholar exchanges in both directions.

The New Zealand United States Council is working with our counterpart organisation in the US to advance planning for a high level business-to-business event to be held in Washington DC next April.

The aim will be to bring together 30 or so CEOs and opinion formers from both countries to identify key business trends and issues in the Asia Pacific region and possibilities for closer co-operation between our private sectors.

Fourth we should **keep our options open**: while New Zealand has every interest in the closest possible relationship with the US our other relationships particularly in the Asian region are also important to our national interest.

They are important also to the US which appreciates our insights into developments in the Asian region.

⁷ Speech to AmCham 2 November

Participating in the East Asia Economic Forum, taking a leadership role in promoting private sector development in APEC or being the first developed country to negotiate a free trade agreement with China positions New Zealand as a player both in its own right and in the eyes of other partners.

Last, and this is where I began this address, we should **be more confident**.

Engaging with the US need not imply the surrender of our national identity.

We are a mature, developed democracy which has shown it can resist pressure from more powerful partners.

Ambassador McCormick recognised this when he said recently that while the US was interested in an “improved relationship dynamic that would carry us into the future ... the US was not going to push New Zealanders into that”.

In other words, it’s up to us to decide, within the framework of our national institutions, what sort of relationship we want with the US.

Certainly the NZ US Council wants to us be able to move forward in a way that reflects New Zealand values and interests.

Conclusion

A few years ago former Secretary of State Colin Powell used a number of “very’s” to describe New Zealand’s friendship with the US.

The phrase captured attention here because it suggested we were something other than an ally.

The fact is that we are not an ally of the United States in a formal Treaty sense.

But what Colin Powell was underscoring was that New Zealand’s relationship with the United States was at the most advanced form of friendship.

He was pointing to the vast array of interactions at multiple levels and involving multiple players which take place every day.

He was focusing attention on what is often overlooked but which brings benefit and adds value to our national well-being.

My contention this evening is that there is even more that needs to be done to ensure this relationship delivers on all it can be.

My offer is that the NZ US Council is prepared to play its part, to stick its neck out in advocating the strongest possible links and to work with all partners to move this relationship forward in our country's interest.