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Speech Notes

NEW ZEALAND AND EUROPE: PAST AND FUTURE RELATIONS AND OPPORTUNITIES

*Speech to New Zealand - Europe Business Council
Royal New Zealand Yacht Squadron
Auckland*

Peter Kiely, President of the New Zealand – Europe Business Council, members of the diplomatic community, ladies and gentlemen.

Thank you for the invitation to address you today. Can I first acknowledge the contribution that the New Zealand – Europe Business Council makes to enhancing relations with Europe.

New Zealand's relationship with Europe continues to be a vital one. We have much in common including our values and approaches on most issues. We have strong government, political, defence and people-to-people links.

We share a vision for a just, secure and sustainable world and are committed multilateralists. And we cooperate closely on a broad range of international issues.

A significant milestone in the New Zealand – EU partnership was the conclusion last September of our Joint Declaration on relations and cooperation.

The Declaration outlines the broad range of shared interests covered in our relationship with Europe, which means that we need to engage with the EU on a whole-of-government basis.

We also want to strengthen our relations with non-EU countries in Europe as well as an increasingly influential and powerful Russia.

I would like to focus on our present and future relationship with a specific focus on the trade, defence and disarmament issues which my portfolio responsibilities encompass.

Trade Priorities

Collectively, the EU is New Zealand's second largest trading partner. European countries make up 14 of our 50 top trading partners, with a combined total of around 16% of our merchandise trade.

The 27 members of the EU account for 31% of the world's economic output and purchasing power. When you add in other European countries, and Russia, you are looking at over a third of the global economy.

Our traditional trade with Europe continues to be strong. Last year we exported to it over one and a half billion dollars worth of lamb, half a billion dollars in dairy products, and a quarter of a billion dollars worth of wine.

As well as being an affluent market for New Zealand exporters, Europe is an important source of innovation. It is an ideal market for value-added technologies, services and well-designed, branded consumer products.

Europe is home to people with the highest amount of purchasing power and a significant proportion of consumers who look for brands, design, quality, functionality and safety.

According to NZTE, exporters expect that a well planned and executed business launch into Europe will generate positive cash-flows within three years.

We are keen to strengthen our trade with Europe, including by advancing a broader framework for New Zealand's trade and economic relationship with it.

European investors may be attracted to New Zealand not as a small country in the South Pacific, but as a strategic partner for accessing the Asia Pacific.

Our successful conclusion of a high quality free trade agreement with China, the first developed country to do so, has the potential to enhance this attraction.

A Broadening Trade Agenda

The European Commission last week obtained a mandate to negotiate an air services agreement with New Zealand. We welcome this and also the prospect of hopefully commencing negotiations with Europe this year for a Wine Agreement.

An important factor for member states in agreeing to begin negotiations on air services was New Zealand's willingness to address related issues, such as carbon emissions from aviation.

The growing importance of sustainability and climate change issues in the formulation of policies, including economic policies, means that governments are taking a much broader view of strategic imperatives when taking economic decisions.

Our ability to demonstrate that we can successfully address challenges around sustainability and climate change will be increasingly important in our ability to successfully operate in the European marketplace.

We need to work together to address sustainability issues in a thorough, science-driven way. We are, for example, doing that with the Department for Environment, Food and Rural Affairs in the UK - to develop a comprehensive methodology to calculate the greenhouse gas footprint of products and services.

That way we can ensure that, unlike the discredited "food miles" concept, robust and accurate standards are developed, which fully and accurately inform consumers.

At the business-level, NZTE is working closely with New Zealand companies in this area. Its aim is to equip and enable them to understand the challenges presented by sustainability issues and to meet these challenges by harnessing and leveraging their existing sustainability credentials.

A New Zealand Inc Approach

In New Zealand's broadening relationship with Europe a "NZ Inc" approach is critical if we are going to maximise the potential benefits.

New Zealand's innovative, forward-looking policy frameworks make us a more attractive partner for Europe than our size might suggest, but the challenge for us is to ensure that we remain a relevant and attractive trade partner.

On the ground in Europe we have staff from no fewer than 11 government agencies stationed in our 9 embassies. This will soon become 10 embassies, when we open a new Post in Stockholm which will usefully enhance our relations with the Nordic countries.

NZTE is also operating a successful Beachheads programme.

The programme involves partnerships between NZTE and successful executives willing to share their experience, skills and business networks to help New Zealand businesses accelerate their market-entry and growth in key export markets.

Currently, there are 28 companies involved in the UK programme.

Broader Economic Framework

The Joint Declaration makes reference to the possibility of negotiating a broader framework for trade and economic relations between us in the future.

For both New Zealand and the EU, our immediate priority in the area of trade negotiations is the successful completion of the Doha round.

EU Trade Commissioner, Peter Mandelson and I have discussed the possibility of a stronger institutional framework, when the time is right, to allow us to realise the full potential of our economic relationship.

In the meantime New Zealand is continuing to look for areas where there is scope for practical cooperation between us.

Earlier this year we sent an exploratory mission to Brussels to examine the scope for closer cooperation on regulatory and competition policy.

We have instituted annual talks on trade policy at a senior officials' level, in addition to the established agricultural and fisheries dialogues.

The wine and air services agreement negotiations are likewise building blocks for a stronger trade and economic framework, as are the recently concluded negotiations on a science and technology cooperation agreement, to which we attach considerable importance.

We are investigating the benefits of a customs cooperation agreement, and working with the EU and Australia to update our existing mutual recognition arrangement on conformity assessment.

New Zealand already has Working Holiday Schemes with 15 European countries, with a further 11 under negotiation.

We are also having exploratory discussions with friends beyond the EU, such as Switzerland. And the Government is considering how to provide support for New Zealand businesses to participate successfully in the challenging emerging markets of Russia and its neighbours.

Concluding Doha

I mentioned that the top trade priority for New Zealand and the EU remains conclusion of the Doha Round, and I would like to close my comments on our trade relationship by elaborating on this.

As committed multilateralists both Europe and New Zealand are both committed to working together to try and conclude the WTO's Doha Development Round.

The lowest World Bank estimate is that successful conclusion of the Doha Round would, by 2015, boost global GDP by \$287 billion per year.

Revised negotiating texts have recently been released in agriculture, industrial goods, services and rules.

Significant progress has been made in agriculture, with the number of square brackets in the latest text having been reduced from 175 to 30.

We have reached a point where it is possible, in agriculture, to see the final outstanding issues in agriculture being resolved by Ministers in a "Green Room" meeting.

Industrial products (NAMA) negotiations have made less progress. The biggest divide remains the level of market opening by big developing countries compared with the level of tariff cuts required from developed countries.

Part of the solution to concluding the Round must be a readiness by big developing countries, on their way to becoming economic super powers, to allow some greater real market access.

Senior negotiators are currently working in Geneva to try to narrow remaining differences. Over the coming weeks, we hope negotiations will move to a "horizontal process" to enable members to assess the trade-offs between what we can offer and what we expect to get in return across the whole negotiating agenda.

If progress can be made at the officials' negotiating level, this would promote prospects for a meeting of Ministers within the next few weeks.

The likelihood of the Round being concluded this year remains uncertain. For this to happen, the larger developed and developing players need to show leadership, and a willingness to compromise to get the Deal done.

High-level political commitment to concluding a deal so often expressed by parties needs to be translated into flexibility at the negotiating table.

All of the key players, including the European Union, have a role to play if this Round is to be concluded this year.

The EU deserves credit for the way it is continuing to reform its agricultural policies to reduce market distortions. We would encourage it to keep doing more on this front.

We would also encourage it to step back from promoting subsidisation in the fishing industry. This is necessary not only for reasons of economic rationality, but also to promote sustainability and to stop blocking development in third world countries.

The WTO deal that is already on the table in Geneva would see significant cuts in agriculture tariffs, trade-distorting domestic support, and cuts in industrial tariffs.

If we fail to conclude the Round this year, slow economic growth rates, the threat of recession, and new Administrations in the US and other key WTO countries, may mean it becomes progressively harder for countries to make compromises in the face of emerging domestic protectionism.

This means that we all lose. At a time when recession is a threat and we are confronting the current food crisis, an outcome to the Round is all the more important.

A critical factor in the emerging food crisis is that agricultural development in developing countries has been impeded and badly damaged by unfair competition from heavily subsidized and inefficient producers in rich countries, and because developing country producers have been unable to exploit their comparative economic advantages by being able to access wealthy markets because of high tariff barriers.

A Strong Defence Relationship

I would like to briefly turn to defence. New Zealand has long recognised the interdependence of our security with that of Europe.

Europe is today overwhelmingly democratic, peaceful, and prosperous. The EU is the exemplar of the positive consequences of economic and political integration.

As a result I was the first of three generations in my family not to be called to fight in a European war. If that were the only achievement of the European Union it would in itself be worthwhile.

Past and future expansions of the Union have been and will be effective in strengthening democratic values and economic prosperity in acceding countries.

As a likeminded country, New Zealand has worked closely with Europe and NATO to promote security.

We have had defence personnel alongside European forces in Bosnia and Kosovo over the past decade and a half to bring stability to those countries.

Looking into our region, we welcome the constructive contribution to security and development of European partners such as Britain, France, and the European Union in Asia Pacific.

We have, for example, developed a close relationship with France through a regular programme of exercises and coordinated arrangements for disaster relief and maritime security in the South Pacific.

We are working with Europe further afield also. New Zealand has made a major contribution to the NATO-led ISAF mission in Afghanistan. Our main contribution in this context is the Provincial Reconstruction Team (PRT) in Bamyán Province.

Our PRT comprises around 140 personnel including police officers who are part of the EU police capacity building programme.

Our contribution in Afghanistan has provided impetus for the development of our relationship with NATO. New Zealand is now an established non-NATO “contact country” and has entered formal agreements with NATO for information sharing and cooperation.

Defence is a vital component of our key bilateral relationships in Europe. I had productive discussions with my British counterpart, Des Browne, in Edinburgh a couple of weeks ago, and we engage in regular defence and security policy talks with a number of European countries.

The New Zealand Defence Force values opportunities to interact with our European counterparts. Engagement with the British Armed Forces, for example, is important from a training, professional development, and inter-operability perspective for the NZDF.

Presently, the Government is significantly reinvesting in the New Zealand Defence Force through the *Defence Long-Term Development Plan*.

Several of the projects in this plan have been sourced from Europe. The Royal New Zealand Air Force is buying NH90 and A109 helicopters from European companies NATO Helicopter Industries and Agusta-Westland respectively. We will be doing pilot training for the aircraft initially in France and also with the German Defence Force.

The New Zealand Army has brought into service 321 Pinzgauer Light Operational Vehicles from British company BAE Systems. The Pinzgauers have already seen active service in Solomon Islands, Timor-Leste and Afghanistan.

The Spanish company, Indra, is supplying equipment for the completion of the Army's Very Low Level Air Defence Cueing System, which uses the French made Mistral air defence system.

Disarmament and Arms Control Cooperation

New Zealand also has an active dialogue with European partners in the area of disarmament and arms control.

We work together closely in multilateral disarmament fora, most recently in the successful Dublin conference on cluster bomb munitions.

The Dublin Convention bans the use of cluster bombs by state parties and requires destruction of existing stocks within eight years.

Failure of many cluster munitions to explode leaves a dangerous legacy for civilians for years after a conflict has ended.

The Hezbollah-Israel conflict two years ago left a legacy of over a million unexploded cluster munitions which act in the same way as land mines, maiming and killing civilians.

The conclusion of this Treaty is testament to the determination of the 111 participating states to alleviate the suffering and deaths caused by these weapons.

New Zealand was a member of the Core Group driving the process, which also included Norway, Austria, Ireland and the Holy See.

We also work closely alongside a number of European countries in the steering group of the Proliferation Security Initiative (PSI).

This initiative is a global response to the threat posed by the proliferation of weapons of mass destruction, their delivery systems, and related material, and aims to prevent shipments of such weapons falling into the wrong hands.

Conclusion

In closing, New Zealand and Europe maintain a strong and close relationship both for reasons of heritage and our shared values, institutions and objectives.

The business community has an important role to play in developing the value proposition that we offer to Europeans.

We look forward to working closely with Europe to maximise the opportunities that the relationship offers in trade, promotion of the environment and sustainability and upholding political objectives such as human rights and democracy.

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