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The European Economy and New Zealand

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

New Zealand – Europe Business Council

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Honourable Ministers, Your Worship the Mayor of Auckland,

Madame President Monique Surges and Former President Peter Kiely, of the New Zealand – Europe Business Council, Your Excellencies, Ladies and gentlemen,

Kia Ora and good afternoon.

It is a great pleasure to join you today. Not only here in your beautiful city but also in the context of the Pacific Islands Forum, and on the eve of the Rugby World Cup.

In 2011 the world has once again looked to New Zealand with admiration. Of course, we in Europe will never forget the contribution the ANZACs have made to peace and freedom on our continent. And in more recent times we have come to admire the egalitarian, environmental and entrepreneurial face of the Kiwi(s). From our restaurants to our cinema screens, there can hardly be a European that has not appreciated what New Zealand is capable of. But the grit, resilience and passion that have enabled you to bounce back from the Christchurch earthquakes shows us these islands in a new light.

With that sort of approach to life and work, it is right that I come today with the message that the European Union wants to do business with you. New Zealand is amongst the nations whose policies and outlooks most closely reflect our own in Europe. Not only that, we are your third largest trading partner, ahead of the US and Japan, and behind only Australia and China. And through making this visit I wish to convey that the European Union wants to stay a top tier partner; to play a meaningful part in New Zealand's future, and the region's future.

What impresses me the most about New Zealand is the level of ambition and adaptability that you bring to the challenges of globalisation. New Zealand is uniquely physically distant from other developed economies. Yet through waves of reform you have, fittingly, managed to climb an economic Everest.

It is quite a feat to be ranked in the top 5 in the world in not one, but five, of the nine categories of the World Bank's annual "Doing Business" report. And it is hard not to notice the impact New Zealanders have had on important global bodies in recent years. Mike Moore at the World Trade Organisation and Helen Clark, now at the United Nations Development Programme, are just two who spring to mind.

More than that, you have managed to diversify and increase the competitiveness of your agriculture sector. As an example of efficient, forward-looking agriculture, there are few rivals to New Zealand. The days of heavy agricultural subsidies and other global trade barriers could have created a negative spiral for New Zealand, but instead you focussed on innovation. Instead of more subsidies you created new markets for premium agricultural products, and pursue agreements – from the CER agreement with Australia to the Trans Pacific Partnership, that embrace the possibilities of the global economy. Not so long ago your exports used to target very few countries, especially dependent the United Kingdom; now they encompass the whole world. You have gone from dependence to independence, thanks to your leadership in trade liberalisation.

Europe too has undergone policy change. Through competition, trade and agriculture policy the European Union is matching its words when it comes to creating level playing fields. Today well over 90% of the EU's support mechanisms are decoupled from production; in other words - they are non- trade distorting. We import huge amounts of food, and export subsidies account for less than 1 per cent of the cost of our agriculture policy. And by maintaining a Common Agricultural Policy we prevent national temptations to engage in expensive and protectionist national policies. In fact, our common policy is now largely about making production more sustainable and supporting regional development.

So in summary, I am pleased that mistrust over agriculture policy no longer distorts our bilateral relationship. We have so much in common it is important we focus on unlocking that potential.

Perhaps this is a good point to stop and reflect a little on the larger picture.

Considering Europe's history of conflict and its division through the Cold War – our continent has undergone its own economic miracle. Today we constitute the world's largest market and by far the world's largest trading bloc. We set the global pace in a range of fields that directly affect New Zealand's business interests. I am thinking here of fields as diverse as competition policy, broadband, privacy regulation and industrial standards.

So it is only natural that New Zealanders would take a keen interest in how we are handling our economic challenges and what lies in store for our single market project. And we are indeed keenly aware that movements in our markets have effects on New Zealand exports, investments and debts.

As a founding member of the Trans-Pacific Partnership (TPP), New Zealand knows something of the challenge of bringing together vastly different economies, fragmented by language and geography and size. If you can imagine creating 100,000 pages of legislation to govern the members of the TPP, then you can picture the scope of the EU's single market. Altogether our market now has more consumers than the United States, Japan, Canada and Australia combined.

Given its scale, the effects of our single market also extend beyond Europe. Take for example a standard like the GSM standard you use on your mobile phones. This European standard is one of thousands that enable barrier-free trade and allow us to avoid regulation. These standards are often taken up globally. So it affects New Zealand businesses even if they are not exporting to Europe.

With such potential impacts, you can see why we want to fully expanding our single market into areas such as energy and transport. And of course, expanding our market generates more barrier-free business opportunities for New Zealanders.

Yet for all transformations we have achieved compared to 60, 30 or even 20 years ago, the European economy has also faced difficulties since 2008.

Facing our challenges / global effects of the crisis

While the economic and financial crises started elsewhere, they have exposed deficiencies, both at global level and in Europe. In response the European Union is tackling its challenges coolly but head-on and with honesty; we are also helping to shape a sounder international system.

Having said that, ladies and gentlemen, we are a union of democracies. We are not a super-state. So of course change does not happen according to a market timetable. But these changes are about more than markets and they are indeed happening. The reforms we are undertaking are considerably more ambitious than some like to portray them.

We have assistance packages in place for the worst-affected nations today. We have approved medium-term funding facilities to prevent future negative spirals. And over the long term we are developing the governance, include severe and enforceable penalties, to address the underlying national budget problems. Together with other nations we are also strengthening financial regulation and banking sector resilience. This is in addition to our "Europe 2020" programme aimed at increasing our competitiveness.

The question some like to ask these days is "will the Euro and the EU survive?" My plain and direct answer is "yes!" You can bet your money on that – dollars or euros - and I guarantee you don't need to take insurance!

The Eurozone has been a force for good in Europe and the world; it is worth defending. More than that, what many observers fail to remember, is that in the past when the EU has faced a crisis it has always deepened integration as a response. That is where the debate is at today. It is a strong debate about how much more do we integrate, but no-one is seriously proposing to undo achievements like our common currency.

So please be assured by these facts. The fundamental point remains that the European Union works. It has worked for sixty years as a driver of peace and prosperity and necessary compromise. The European Union has developed into the most advanced and most successful experiment of sharing sovereignty. And given that no country is big enough to deal with today's challenges on its own, the need for a European Union will always be there.

Business links between European Union and New Zealand

While New Zealand businesses have obviously wanted to increase links within the Asia-Pacific, our bilateral relationship remains significant and well-balanced. It is facilitated not only by our shared commitment to trade liberalisation, but also the formal framework of our Joint Declaration on relations and cooperation, covering not only trade, but also security, human rights, visa, science and technology and climate change.

This Joint Declaration will be up for review in 2012 and yesterday Prime Minister Key and I discussed how to upgrade it. We aim for a Treaty level Framework agreement which would embody the commonality of values and interests amongst ourselves. This would only be natural in view of close and friendly relations we nurture together.

Green growth

Regarding climate change, I think it is now widely accepted that New Zealand's green credentials are an integral part the national brand. Given that we in the European Union also place a high value on green growth, this is quite an inspirational approach.

Amongst that I include the recent development of an emissions trading scheme in New Zealand. In Europe's experience emissions trading has helped us reorient towards green growth. It is a market mechanism that can deliver economic and well as environmental benefits.

We strongly welcome these parallel efforts in New Zealand, and now of Australia too, as critical steps forward for our joint efforts to reduce global emissions. We must continue to push these efforts to the maximum degree.

For example, your government's ongoing work to develop the Global Research Alliance on agricultural greenhouse gases is a perfect example of where New Zealand can add value to global efforts. I am also pleased to note that 10 EU member states have now joined the alliance.

And I am aware that New Zealand industry is also investing heavily. I hope companies like LanzaTech in Parnell, visited by my colleague Commissioner Connie Hedegaard on Tuesday, will see great success in Europe. With their work on emerging technologies for creating fuels and other new products from the by-products of industry, they stand every chance. It is great news that so many European scientists and executives are involved in such projects.

What does the future hold?

There is great room for future and further cooperation between New Zealand and the European Union. I mean this at both the business to business and the government to government level.

The Commission shares the New Zealand Government's goals of supporting better science, innovation and trade. We are also committed to reducing red tape, to smarter public services and investing in infrastructure. On the global stage we are also together at the core of the movements for trade liberalisation, green growth, and regional security.

At the Pacific Islands Forum, yesterday and again today, I am emphasising that the European Union takes its role as the region's second largest donor seriously. We do not offer blank cheques, but rather systematic support to promote open and sustainable development. In this effort I believe the European Union must join its political and financial forces with New Zealand and Australia. It is the only way to maximise impact, to ensure that we match good intentions with real results.

It will be clear to you by now that the European Commission highly values its relations with New Zealand. As I said this morning at Auckland University, in today's global world, sharing values and interests is as important as geographical proximity. We will spare no efforts in safeguarding Europe as an open economy and in ensuring a stable and coherent environment for New Zealand investment.

In short, we will continue to offer the people, the businesses and the Government of New Zealand the access and the cooperation that befits you as a valued and essential partner.