

Hon Murray McCully

Foreign Minister

04 April 2017

Address to the New Zealand Institute of International Affairs

Thank you for the opportunity to make this address this evening.

In one month from now I will have tendered my resignation as New Zealand's Minister of Foreign Affairs, having served in this capacity for nearly eight-and-a-half years.

At the outset, I want to acknowledge - and I have said this many times to my staff and to the Ministry - that the real foreign minister is always the Prime Minister.

An effective Prime Minister / Foreign Minister team need to present a seamless face to both the outside world, and to the New Zealand public.

I have had the privilege of enjoying a highly successful eight year partnership with John Key and would like to place on record tonight my appreciation of his quite extraordinary leadership and management style.

I have every confidence that Prime Minister English – and my soon-to-be-announced successor - will take the opportunity to build strongly on the platform that we have established.

It has been, in my view, a defining period in New Zealand foreign policy.

I welcome this opportunity to give you my perspective on it - not in the nature of a comprehensive tour of the foreign policy waterfront, but rather a few strategic reflections on my term in office.

Before doing so, I am conscious that with us here tonight are many representatives of governments from around the world that have shown me great courtesy and hospitality over the past eight years, and I do want to take this opportunity of thanking you all for that.

I started in this role eight years ago with the intention of minimising my international travel, and operating as much as possible from home.

You may have observed that that has not worked out so well.

I very quickly learned that the official visit and the formal meeting are the essential currency of international relations.

So for a New Zealand foreign minister that means becoming accustomed to the demands of constant long distance travel, and the challenges associated with conducting many

important meetings and media interviews through that fog of jet lag that makes your brain work half a second behind your mouth.

In return, I have acquired many friendships, a huge amount of phone numbers and email addresses, and the ability to be both more effective and more efficient as a consequence.

I will strongly recommend that my successor follows a similar path.

I want to start tonight by doing something you will rarely see from a politician: I want to remind you of what I said in Opposition before I became Foreign Minister.

In both policy documents and speeches I said that a National-led Government would run an independent foreign policy - that we would not seek to join or re-join alliances, and that we would bring an independent New Zealand perspective to foreign policy.

I also said that, so far as possible, we would strive for bi-partisanship in formulating our foreign affairs and trade policies - that as a small country with large international interests, New Zealand could not afford to have its key positions and relationships change according to the vagaries of the domestic political cycle.

New Zealand foreign policy needs to be conducted in decades, and not in three year political cycles.

So, during my term as Foreign Minister I have deliberately sought to ensure that the settings we have established would stand the test of time - that there would be no great need or incentive for successors to seek major policy change.

I have sought to respect and enhance the equities created by my predecessors and hope that my successors might do the same.

When asked to identify the principles that underpin New Zealand's foreign policy, most fall back on democracy, the rule of law and human rights - and that is undoubtedly true.

But if we relied upon those principles alone, New Zealand would be indistinguishable from many of our Western friends.

So what are the additional values that New Zealand features which make us independent and, occasionally, different?

First, I would say that New Zealand's style is to be respectful of other nations and their differences.

I have found that when you are as small as we are, being respectful is a fairly useful default setting in conducting foreign relations.

Second, in pursuing principles of democracy, the rule of law and human rights, we try to be constructive and ask ourselves whether others who might be the focus of critical scrutiny need a lecture, or need some help.

The New Zealand way should always be to offer help where it will be genuinely accepted.

Megaphone diplomacy is not, in my view, New Zealand's natural style – and nor should it be.

In my time in this role, I have always asked whether our proposed actions will make us part of the solution or part of the problem.

Third, I believe the New Zealand approach is to be strongly protective of the space for small nations in multi-lateral affairs.

Indeed, that is our rationale for investing in the multilateral system.

I have said before, with apologies to Winston Churchill, that multilateralism is the worst basis for the conduct of international affairs - apart from all the others.

In spite of their huge shortcomings New Zealand invests in multilateral processes and institutions because we understand that if we are to live in a world where the big guys always win and the small guys always lose, that is very bad news for us.

And finally, I believe that our positions and perspectives should always show a keen sense of the interests and needs of our Pacific neighbourhood.

That is surely an important responsibility and one that gives us greater credibility in international affairs.

Back in 2008, the question of New Zealand's anti-nuclear legislation, our relationship with the United States and our status in relation to the ANZUS alliance, lay at the very heart of any notion of an independent foreign policy.

For quite some time the National party had been uncertain, or intentionally ambiguous, on this question.

During my time as Opposition spokesman we declared our intention to retain the anti-nuclear legislation, to focus on rebuilding trust and confidence in the relationship with the United States, and to build a new type of security relationship with the US, but outside of the ANZUS alliance.

Today, I think I can say that we have substantially achieved our objective of creating a full, mutually respectful relationship with the United States, involving cooperation in virtually every sphere, now including, after a thirty year hiatus, two US ship visits in recent months.

Importantly, we have achieved this in a way which has carried overwhelming public support, and which will likely see future governments build upon the base that has been created, rather than seeking further policy change.

Similarly, we have commenced our relationship with the new Trump Administration seeking to consolidate the significant advances in the relationship in recent years - with the obvious exception of TPP.

So, having charted this course with the United States, what are the other features of an independent foreign policy for New Zealand?

Of course, our closest and most complete relationship remains with our neighbour Australia.

So close, in fact, that it is not really a foreign policy relationship.

In an era in which every member of our Cabinet has their Australian counterparts' cellphone number, and in which Prime Ministers, without reference to their foreign ministries, arrange sleepovers at each other's houses, the notion that the relationship can somehow be captured by clunky TPN's or cable exchanges is simply fanciful.

While our two countries are so similar in outlook and history, there are some respects in which our foreign policy settings and international personalities are quite different, and we respect and welcome that.

For a start, Australia is a formal ally of the United States.

And Australia is a middle or G20 power with interests to match, and New Zealand is a smaller niche actor with a tighter focus on our own region.

So while our unique relationship sees New Zealand and Australia naturally align almost all the time, we should never get bent out of shape over the issues on which we do not see eye-to-eye.

It was a cornerstone policy in our election platform that this Government would make trade and economic objectives our number one priority.

The key feature of the past decade has been the rise of China, in terms of both our bilateral relationship, and as a regional and global power.

In my eight and a half years in this role I have seen our exports to China increase from around \$2 billion to nearly \$10 billion, and visitor numbers more than quadruple from under 100,000 to over 400,000.

Had it not been for the dramatic expansion of trade and economic relations with China in the early years of the Key Government, New Zealand would have suffered a long and sustained recession, and all of the associated social challenges that we have seen in some European nations.

Managing this complex, intense, and dynamic relationship has been a key preoccupation during my tenure as Foreign Minister, as it will be for my successor.

Today, our two way trade is in excess of \$23 billion, about the same as our trade with Australia, traditionally our largest trading partner.

The very successful visit by Premier Li just last week has set the scene for a new chapter in which China will overwhelmingly become New Zealand's biggest trade and economic partner.

We are currently investing nearly \$50 million in a new embassy in Beijing. This scale of commitment is required across both public and private sector agencies if we are to maintain our equilibrium during a time of such dramatic growth.

I do want to address directly the notion that seems to attract coverage on slow news days that somehow New Zealand will at times need to choose between its relationship with the US and its relationship with China.

That belief shows a fundamental misunderstanding of the nature of both relationships.

It also runs directly counter to the whole notion of an independent foreign policy.

We will, and do, agree and disagree with both the US and China according to our own sense of what is right, and what is in New Zealand's interests.

In light of the dramatic growth in trade and economic relations with China, a major challenge for New Zealand is to ensure that we maintain a balanced portfolio of trade relationships by achieving similar success in other markets.

No business, or country, should ever be too exposed to one customer.

A major focus of our work in the trade sphere in recent years has been the EU, and more recently a post-Brexit UK.

The EU process was a challenging, and for a while frustrating, endeavour.

Given that we share a significant heritage, espouse the same principles, and work so naturally together, it was looking increasingly strange that New Zealand was on a dwindling list of nations with no pathway towards an FTA with the EU.

The last few years have seen very considerable progress on that front and I will leave office comfortable that we are on track to achieve the architecture that will ensure our future trade and economic relations with the EU match the high quality of the rest of this relationship.

Along the way, of course, we have seen the decision from the UK to exit the European Union.

Given our very close historic and current ties with the UK we have been ensuring that New Zealand is well placed to conclude a trade and economic relationship, while being respectful of the space the UK and the EU will need to complete their own arrangements.

In relation to ASEAN we have good trade architecture in place, good bilateral relations with ASEAN members, and are committed participants in the regional security dialogues brokered by ASEAN.

But we are only just starting to achieve the trade and economic potential in this relationship.

Significantly strengthening our ASEAN relationships have been a major priority for me, and will be, I hope, for my successor.

After a significant delay, a great deal of work, and a few political cuts and scratches, we now have the conclusion of the Gulf States FTA in close sight.

I say that having visited most and talked to all states in the GCC in recent weeks.

Already an important market for New Zealand, the GCC has all of the ingredients to become a huge partner for New Zealand in its own right - as well as providing a gateway to the wider Middle East and the vast potential of Africa.

Over time, this will become critically important to our future as a significant world player in agriculture.

Latin America, where we are in the process of expanding our embassy network, presents significant opportunities for improved trading arrangements, initially amongst Pacific Alliance nations but also more widely.

We have already seen significant growth in key exports as the Korean FTA gains traction.

The Japanese market remains a major and long-standing one for New Zealand, and given the overall importance of this relationship we will be trying to find the best way forward following the US withdrawal from TPP.

On TPP, all I can say is that I am very confident that the Asia Pacific region understands well the benefits of increased integration, free trade and regional cooperation and that we will keep finding ways of unlocking those benefits one way or another.

The unquestioned highlight of my time as Foreign Minister has been New Zealand's election to and service on the United Nations Security Council.

A Security Council election is unlike anything else in the foreign policy business.

One of the great skill sets of the Foreign Ministry is an ability to record every meeting or exchange as an outstanding win for New Zealand diplomacy.

Unfortunately with a Security Council election, the numbers go up on a board in New York. And the numbers do not lie.

Prime Minister John Key said to me at the time that securing the support of three quarters of the countries in the UN was like winning the world cup in diplomacy.

It felt a bit like that at the time, but only very briefly, because serving a two-year term on the Council provides a huge window on the terrible imperfections of the multilateral world.

New Zealand was elected to the UN Security Council strongly committed to UN reform, and we left the Council even more strongly committed to it.

Rather than being overcome by frustration while on the Council we did try to play a constructive role, we did listen to the views of all parties, we were hugely active and energetic, we did call it as we saw it when this needed to be done, and we did annoy most of our friends at one time or another.

Whatever other criticisms anyone might make, I don't think anyone has accused us of just going along for the ride.

I have made the point before that the UN system is seriously broken: our capacity to create human suffering through conflict now greatly exceeds our capacity to either prevent or resolve that conflict, or to pay for its consequences.

The international community now spends 80 per cent of humanitarian funding on support for victims of violent conflict, victims of man-made humanitarian tragedy, which was over US\$19 billion in 2016.

That compares with about US\$4 billion for humanitarian need caused by natural disasters.

The UN system last year spent about US\$9B on peacekeeping operations, some in quite hopeless situations.

Yet a fraction of these amounts was invested in prevention of potential or emerging conflicts, much of it raised through voluntary contributions.

Donor fatigue is now the overwhelming feature of special pledging events.

The UN can no longer afford the consequences of its inability to prevent or resolve conflict.

There is little doubt that the use of, or threat to use, the veto in the Security Council is a huge contributing factor to the current state of affairs which, for most of our tenure bore a striking resemblance to the Cold War era.

None of the permanent members should be proud of that.

And nor should the UN membership put up with it.

I said earlier that during our two years on the Council we managed at some stage to annoy pretty much all of our friends.

If we left anyone out, then I can assure you that we managed to rectify that in the Nuclear Suppliers Group or some other multi-lateral organisation.

It would be counterproductive for me, even at this late stage, to provide a comprehensive list of these occasions.

But it would be very remiss of me to leave office without recording my appreciation of the quite extraordinary cover that I received from Prime Minister Key to maintain a consistent New Zealand line on matters of importance to our values and brand, sometimes in the face of personal calls to him from the leaders of the largest and most powerful countries in the world.

One of the most important commitments we made prior to being elected was to focus strongly on New Zealand's responsibilities in the Pacific.

While I will leave office without achieving everything I would have liked to achieve in this respect, I can look back on a period of significant progress.

With NZ's support, the Pacific has made enormous progress in its tuna fishery - the region's single greatest economic asset.

What is the point of all of the other initiatives we fund if the region's US\$3B a year tuna fishery is yielding only a small percentage of its value to its owners, and when sustainable management practices are critical to avoid it going the way of other tuna fisheries on the planet.

While there is plenty of work ahead of us, I am now confident we have turned the corner in that debate – thanks in large part to the work of Ambassador Shane Jones and New Zealand officials.

We have also made huge progress towards shifting Pacific Islands from the fossil fuel based electricity systems that were costing them on average 10% of their GDPs, or one-third of their total import bills, to renewable energy.

Using our convening capacity with the EU and with other partners we have now seen over \$2B committed to renewable energy projects in the Pacific.

That has seen quite dramatic progress in Polynesia, and is currently focused on electricity access in parts of Melanesia where 85% of people have no electricity at all.

These are truly game-changing developments for many of our Pacific neighbours.

We have always been clear that New Zealand will never have the biggest chequebook, which means we need to be prepared to focus on some of the more challenging projects.

We need to take some risks.

We need to take advantage of the nimble decision-making and quick delivery that our size makes possible.

And we need to keep getting better at spending other people's money.

It has never made any sense to me that New Zealand should simply try to deliver the same programmes as other countries.

They, for the most part, have greater capacity and scale, while we have world-class expertise in areas like agriculture and renewable energy.

We have tried to focus on these areas where we can really make a difference, including in relation to the scholarships programme that makes up over 10% of our total aid budget.

Unashamedly, we have tried to focus on investments that will create sustainable economic growth and jobs.

The huge turnaround in the fortunes of Niue, where tourism numbers have nearly trebled, and in the Cook Islands, where they have increased by 50%, are shining examples.

While the Pacific consumes well over half of our development budget, we have also tried to re-shape our global programmes along the same lines, focusing heavily on agriculture and renewable energy in which New Zealand has a truly world-class offering.

The lessons we have learnt in our own region have given us the capacity and the confidence to deliver high value, relatively low cost expertise in renewable energy in half a dozen Caribbean countries and some in Africa.

And slowly improving our delivery of agricultural programmes not only provides many countries in the Pacific, South East Asia and Africa with the support they most want from New Zealand, it also paves the way for our commercial agricultural interests to play the more active global role that this country will require in the future.

These shifts have occurred as we have restructured the development side of the Ministry.

The decision to bring our diplomatic and development roles under one roof, denounced as heresy and the actions of a barbarian seven years ago, are now the established international orthodoxy.

The further step to full integration in the new Pacific and Development Group last year should set the scene for a further lift in performance.

On behalf of the Government I have made clear that the Ministry must do more than pay lip service to our role in the Pacific - we need to ensure the Ministry is the best and most respected centre of Pacific expertise on the planet.

We are not there yet, but I hope the goal and the building blocks towards it are now well established.

In the process we have become an acknowledged champion for the concerns of small island developing states which number around 40 of the UN's membership.

We used our term on the Security Council to advance their interests.

It is pleasing to see other countries contending for elected office now taking greater note both of the size of the SIDS bloc, and of the challenges they face.

Finally, a word of explanation: if on the second of May you hear the incessant popping of champagne corks at the headquarters of many of the world's multilateral funding institutions, do not be surprised.

These giant process-driven bureaucracies generally deliver a below-average quality of service to the poorer countries of the world, especially those in our region where

compliance regimes designed for central Asian countries of 50 million people are a deal breaker for a country of 10,000 like Tuvalu.

I plead guilty to having spent a good part of the last eight years persuading, cajoling, criticising, hectoring, and threatening to withhold budgets in order to try to achieve a more realistic, timely and effective service for our smaller neighbours.

It is my very firm observation, based on over eight years' experience, that while a shortage of funding and resources might often be a problem, a much bigger problem is the ability of institutions to deploy the resources they have in a timely, efficient and effective fashion.

I hope that my successors will continue New Zealand's forceful advocacy and deep engagement in our Pacific region.

Personally, I have found this simultaneously the most challenging and the most satisfying part of this role.

Excellencies, ladies and gentlemen, I believe that New Zealand has a great international brand, a proud history, and a unique contribution to make to our region and to world affairs.

I want to place on record my appreciation of the many talented and hardworking people at the Ministry of Foreign Affairs, so very ably led by Brook Barrington, who have supported me over the past eight and a half years.

It is one of life's great privileges to serve as New Zealand's Minister of Foreign Affairs, charting our course during a defining period in our international relationships.

Thank you for honouring me with your attendance and your interest tonight.