



New Zealand goes to the polls by Jim McLay

New Zealand's triennial general election, the fourth held under the Mixed Member Proportional Representation (MMP) system first introduced in 1996, will be held Sept. 17. Whereas Helen Clark's Labor-led coalition (in office since 1999) easily won re-election in 2002, this time the center-right National Party (led by former Central Bank Gov. Don Brash) is mounting a strong challenge, foreshadowing what the *Australian Financial Review* suggests will be "the liveliest election campaign for many years."

Under MMP (similar to the German system), New Zealand's 120 seat Parliament comprises both ordinary seats, contested on a First-Past-the-Post (FPP) basis, as before, and List seats, allocated from party lists. Voters have two votes, one for their local representative and the other for a party (Party Vote); the latter is more important as it determines each party's overall parliamentary representation. To secure seats, parties must win either at least 5 percent of the party vote or at least one FPP electorate. Reaching one of these thresholds entitles them to parliamentary seats (if necessary, topped up from the lists) in accordance with their percentage of the party vote. In essence, they get 1.2 seats for every 1 percent of the vote (thus, 5 percent "earns" six seats).

In six years in office, Clark has proved to be a skilful political manager. Economically, Labor has adopted a generally conservative fiscal stance. From the '80s through the early '90s, New Zealand became a "laboratory" of radical economic reform under both Labor and National governments, prompting a visiting U.S. Congressional delegation to report (in 1996) that it had "undergone the most radical economic transformation in recent years in the Western world and increasingly [had] become a subject for study by others, who want to know why it has been so successful." After its 1999 return to office, Labor (which had since returned to its conventional center-left roots) retained many of these reforms, particularly surplus budgets, which New Zealand has run since the early '90s. Other policies, such as a liberalized labor market and privatization of state-owned assets, were abandoned and top tax rates were increased (an issue that is now causing Labor some political problems). Above all, Labor has benefited from the most favorable economic conditions in more than a generation. Even rapid rises in the value of the New Zealand dollar (which adversely affects exports) have not dented the country's overall economic performance.

National's recovery from its disastrous 2002 result, when it won just 21 percent of the vote against Labor's 41 percent, results from Brash's stronger leadership. Only elected to Parliament in 2002, he was party leader little more than a year later. He quickly made a mark (notably on issues such as indigenous Māori rights and taxation) and, by early 2004,

National led in most polls. Clark and Labor skilfully responded, addressing many of the issues Brash had raised and recovered their position and, until about three months ago, appeared to be ahead. A sudden, recent change in National's fortunes was attributed by some to Labor's surprisingly ineffectual May budget (which failed to address tax rates), although other factors, particularly in the education sector, were effectively exploited by National and were also influential in the shift. However, immediately after the election date was announced, Labor bounced back to a small lead, thus highlighting the tight contest.

On foreign policy matters, Clark's administration has continued New Zealand's support for free trade (a former Labor prime minister, Mike Moore, was the first head of the WTO from 1999 to 2002). New Zealand's "anti-nuclear" policy means the long-standing rift with the United States on that issue remains unresolved. Nonetheless, Clark committed troops to the U.S.-led intervention in Afghanistan, prompting former U.S. Secretary of State Colin Powell to describe New Zealand as "very, very, very good friends." However, it declined to participate in Iraq, although it did subsequently commit an engineering corps for reconstruction in that country. National is expected to follow similar policies.

Surprisingly, the nuclear issue which, by the early 1990s, had been largely settled as bipartisan policy, appears likely to feature in the campaign. Brash has undertaken not to change the stance without a specific mandate (probably through a referendum). However, several National missteps have allowed Clark and her colleagues to exploit the issue ruthlessly (even to the point of publicizing confidential minutes of private discussions between National MPs and visiting U.S. senators).

In the three previous MMP elections (1996, 1999, and 2002), the two major parties, National and Labor, never secured more than 69 percent of the vote between them, leading some commentators to conclude that, under MMP, the traditional two-party system had broken down. This time, however, polling suggests that figure might exceed 80 percent, which will, inevitably, put the squeeze on all but the most resilient minor parties.

Neither major party is likely to secure an absolute majority in the new Parliament and will, therefore, have to form a coalition with minor parties. The key player in that will be New Zealand First, led by Winston Peters, a long-standing centrist and populist, who could win between seven and 10 percent of the vote, a crucial stake. The only other parties likely to feature (but in smaller numbers) are the Greens, Progressive Coalition and the newly formed Māori party (all leftwing) and the centrist, United Future. Regrettably for National, its logical rightwing coalition partner, ACT, appears to be on the road to political oblivion.

While the position of the individual parties will be clear on election night, it may be several weeks thereafter before coalition arrangements can be agreed and a new government emerges.

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