



2008 New Zealand General Election

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New Zealand has a new prime minister, effective Nov. 19, as the center-right National Party, led by John Key, replaces Helen Clark's Labour-led government. National won just over 45 percent of the vote but quickly formed a new government through a prearranged coalition with several smaller parties. Labour polled just under 34 percent.

While Key went out of his way to applaud Clark's nine-year premiership, Clark appeared somewhat less gracious, stating on election night, that she "[hoped] that all we have worked to put in place doesn't go up in flames in a bonfire lit by right-wing politics." Clark immediately resigned as leader, and Labour quickly elected outgoing trade minister Phil Goff. He is highly regarded, but, as the last survivor of the 1984 Lange government, is seen as right-wing (most of his colleagues incline to the left) and is often described as a "caretaker."

Key's earlier than usual swearing in enables him to attend the APEC Leaders' meeting in Peru (Nov. 22-23) where global economic issues will dominate.

Key, the former global head of foreign exchange at Merrill Lynch, becomes prime minister after just six years in Parliament, the shortest apprenticeship ever. Derided by Labour's professional politicians as an inexperienced amateur, he demonstrated his skills by quickly finalizing agreements with right and center parties and also with the Māori Party – an historic deal between a center-right party that's lacked significant Māori support for 73 years, and an indigenous rights party, only recently founded on grievance, whose shrewd leadership has brought it quickly to active ministerial responsibility. As a result, the National-led condition holds 70 votes in the 122-seat Parliament.

New Zealanders will find Key a decisive leader, with strong analytical strengths and an effective delegater, with a grasp of economic issues significantly more sophisticated than any recent predecessor. He is a pragmatic moderate, and will eschew radical policies. In an unusual initiative, he has taken the tourism portfolio, citing its economic opportunities (potentially, New Zealand's largest export earner), and that it's "all about branding the country."

New Zealand law requires publication of a pre-election economic and fiscal update (PREFU). This year's PREFU (prepared before the worst of the global credit crisis) disclosed much red ink – suggesting previous projections were optimistic and that, after running budget surpluses since 1994, New Zealand now faces a decade of deficits. Having campaigned on economic issues and highlighting economic

competence, Key sees the economy as "front and center stage of the issues that we face." He has promised an active "first 100 days," focussing on "a strong economic plan [including a three-year tax cut program] ... law and order, health, and education" and a strong infrastructure focus. Although committed to the Kyoto Protocol, National will re-work Labour's ambitious "all gases, all sectors" emissions trading scheme that's caused concern to agricultural and manufacturing sectors.

National has committed to a bipartisan foreign policy. New Zealand's most important bilateral relationship is with Australia. The 1983 Australia-New Zealand Closer Economic Relations Trade Agreement is still one of the world's most open and successful free trade agreements (with trade expanding at average annual rates of 10 percent), and there will be continued focus on that relationship. The two countries hold similar strategic views, particularly on their mutual responsibility for regional stability. National accepts that New Zealand's once-controversial nuclear-free legislation (which caused a rift with the United States in the 1980s) "will remain in place because of its iconic status in our emerging sense of national identity."

National cites the example of Ireland (whose European location has underpinned its growth) as justification for greater emphasis on East Asia and enhanced diplomatic representation in the region. Given limited resources, New Zealand's diplomatic, trade, and tourism agencies will be required to adopt a "New Zealand Incorporated" partnership approach, including co-locating and operating cooperatively in international markets.

The new government is committed to strengthening the U.S.-NZ relationship. It plans early meetings with the U.S. administration, and to "consult informally with our friends in Congress to see how we might move forward on defence cooperation, intelligence arrangements, climate change, effective counter-terrorism strategies, and a wide range of other issues where there are common interests." A new U.S. administration opens up interesting possibilities, although there's concern about trade issues, given attitudes expressed by many members of Congress. New Zealand has been at the forefront of free trade advocacy (a former Labour Prime Minister, Mike Moore, was the first WTO director general); and a free trade agreement with the U.S. has long been the holy grail. In February 2008, the U.S. announced it would negotiate with the "P4" (Brunei, Chile, New Zealand, and Singapore) on financial services and investment, and would explore possible full free trade negotiations – although these are unlikely to deliver a true bilateral FTA.

The overall objective will be to liberalize trade with the U.S., with negotiations led by new trade minister Tim Groser, a former trade diplomat who chaired the WTO's agricultural

negotiations, and was involved in both Uruguay and Doha Rounds. Groser and new Foreign Affairs minister, Murray McCully (an experienced former minister), will accompany Key to the APEC meetings.

The new government strongly supports the U.S./NZ Partnership Forum, but will target specific issues from the Forum's agenda that might now be "ripe to advance to the more formal inter-governmental level." Those issues haven't yet been identified, but trade will figure prominently.

In opposition, National spokespersons had expressed concern at "checkbox diplomacy" targeting smaller, Pacific islands states, and the new government will "increase the tempo and level of discussions with the countries concerned." The National Party has been careful in not pointing diplomatic fingers at any specific culprits but it is common knowledge that China and Taiwan have long engaged in checkbox diplomacy in the region over the diplomatic recognition issue as has Japan in its attempts to find supporters over the whaling issue. It's not clear whether this will involve direct engagement with those outside the region involved with such activity, but it certainly requires increased engagement with island countries. The new government will also work with those countries to address climate change, including assistance with alternative energy (most face serious balance of payments problems from rising oil costs, with no concerted action to reduce dependence on diesel generation).

With New Zealand already in recession (even before the recent international economic turmoil), the new government plans a greater emphasis on "economic diplomacy" – something broader than trade. New Zealand's representatives will therefore be more focused "in places that matter to us and on tasks that are relevant to [our] future and priorities."

New Zealand supports multilateral organizations such as the United Nations, but the new administration will probably be more assertive than its predecessor in pushing reform and modernization at the UN.

In opposition, National supported all current peacekeeping and humanitarian troop deployments, (which have included Afghanistan but not Iraq) but won't commit combat troops to existing conflicts in which New Zealand isn't currently involved – with future commitments based on close consideration of its best interests, and on international law and UN decisions. It will also strengthen terrorist and money-laundering oversight, ensuring these are properly identified and designated (no organizations have been named under terrorism suppression legislation).

In short: A moderate, center-right government that aspires to be pragmatic, cooperative and outward looking.

Applications are now being accepted for the 2008-2009 Pacific Forum Vasey Fellow position. Details, including an application form, can be found at the Pacific Forum web site [<http://www.csis.org/experts/fellows/vasey/>].