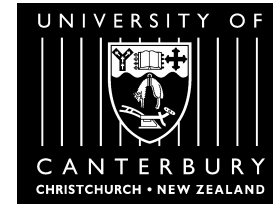




Rt. Hon Helen Clark

20 November 2002

**Annual Europa Lecture to the
National Centre for Research on
Europe**



Thank you for the invitation to give this annual Europa lecture. It is an opportunity for me to talk about how the government sees New Zealand's relationship with Europe and to offer a perspective on the planned enlargement of the European Union.

Let me begin, however, by commenting on the establishment of this research centre. I am aware that when it was opened by Phil Goff in May 2000, it was as the University of Canterbury's Centre for Research on Europe, funded through the Vice-Chancellor's new initiatives fund. Following the receipt of a most welcome and substantial EU grant at the beginning of this year, it was renamed the National Centre for Research on Europe, and I understand that it has gone from strength to strength. Thanks are due especially to Martin Holland as Director for what has been achieved in such a brief time.

It is indeed timely to have a research centre focused on Europe. A large majority of New Zealanders trace their ancestry to European countries, especially Britain, and we like to think we know and understand them. But Europe is changing fast, and the mass migration from there to New Zealand occurred several generations ago. If we don't take care to nurture the relationship, we will end up being out of touch with the new developments. While the logic of our geography leads us to focus a lot of attention on the Asia Pacific region and the Americas, our ties to and interests in Europe are just too important to let go. This evening I will talk about the expansion of the Union, about its importance to New Zealand, and about the wide ranging relationships we have with the European Union.

EU Expansion: Where are things at now?

The EU is now set to experience the most far-reaching expansion of its history. That needed the agreement of all its members.

In June last year, a majority of Irish voters voted NO to the enlargement-oriented Treaty of Nice. Barely a month ago, however, in a second referendum, had they reversed their decision? The relief was palpable in EU capitals!

The European Council, since then, has endorsed a package to pave the way for the conclusion of negotiations with ten EU candidate countries at the Copenhagen summit in December. That will mean that Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia will be on track to join the EU in 2004. Bulgaria and Romania were given the objective of membership in 2007. No date has been set for negotiations with Turkey to begin, but Turkey will be expected to try to wrest one from EU leaders in Copenhagen.

The ten successful applicant countries for 2004 have until mid December to finish negotiating the terms on which they would enter the Union. That process will include reaching agreement on some so-called financial chapters – agriculture, structural funds and budgets. These will be difficult issues. The capacity and willingness of some of the major funders of the EU to write ever larger cheques are virtually exhausted. The new members, however, cannot be blamed for seeking the best conditions for membership.

It is considered very unlikely that the negotiations leading up to the December summit will derail the enlargement process. Rather, the candidates are expected to largely accept what is on offer. Once inside the EU, they will be able to exercise their voices on such thorny matters as farm reform along with the long established members.

The speed with which EU enlargement has happened is stunning. In 1990, a rating of the chances of entry to the EU by non-members in the next decade was published. Austria's chances were ranked as excellent, and those of Norway and Sweden as very good. Finland was ranked down with Czechoslovakia, and Hungary was estimated to have only a middling chance.

In fact, Austria, Sweden and Finland were all admitted by 1995. The former Czechoslovakia will be there in fewer than ten years later, along with two immediate neighbours, the Baltic countries, and with two small Mediterranean island states, both of which are members of the Commonwealth.

EU Expansion: What does it mean?

What is being created through the enlargement is a unique amalgam of nations. Some say that the EU is remodelling the nation-state which has been the basic building block of global politics. The EU is said to have been busy acquiring many of the characteristics of a nation-state, while actually creating something newer and more complicated. There is talk of a United States of Europe, which would alter the global balance of power.

Currently the EU is grappling with the constitutional aspects of the new Europe. Former French President Valery d'Estaing heads a group charged with producing the outline of a constitution for the new EU. He has just released a draft which raises some fundamental questions about the sharing of power between the Union and the member states. It is very much a work in progress, and has been greeted with a predictable mixture of approval and protest.

By next European autumn, EU leaders will be looking to discuss the new European framework. Getting the constitutional implications sorted out by then would be ambitious, but the EU has proved the sceptics wrong before!

Whatever the constitutional form, however, by 2007 the EU will be about thirty per cent larger than it is now, and its population will increase by more than one hundred million. It will be a huge economic and political force with resources which match those of the United States of America. This will have consequences for all non-European states. It will inevitably impact directly on New Zealand. The EU is a formidable and influential negotiating partner now on many regional and multilateral

political and strategic issues. Our views are very often close to those of the EU. It is also critically important to the New Zealand economy.

EU Expansion: What does New Zealand think about it?

The expansion of the EU is an enormously exciting and historic development. It must be seen as an opportunity for New Zealand, as well as a challenge.

New Zealand governments have long understood the rationale for the establishment of the European Community, as it used to be called. We know that the creation of the European Coal and Steel Community was fundamentally about ensuring that, after three wars in less than a hundred years, Germany and France would never confront each other again on the battlefield. As a small, distant nation which was caught up in those ghastly conflicts twice in the first half of the twentieth century, we could only enthusiastically support the initiative.

There were clearly going to be major economic consequences for New Zealand when the United Kingdom joined the EEC. But again we understood the reasons. We appreciated that Britain could not afford to stand aside, for to do so would not have been in the interests of peace, security and stability on the European continent. For Britain to stay out would not ultimately have been in New Zealand's own wider interests.

Recognising the inevitable, New Zealand devoted its diplomatic energies to securing the best arrangements it could to protect its agricultural trade with Europe. The arrangements secured were described by one British negotiator as 'almost extravagantly favourable'. Even so, the change and reorientation required by New Zealand was major.

Ever since it was first conceived, the European Community has been engaged in a process of integration. Progress to that end has been uneven. But there has been no doubt about where the Community was eventually heading. The forces which impelled the original six members towards integration are still valid. They included the need for reconciliation among themselves, and the realisation that if Europe were to maintain strength and influence in the world, it would have to act collectively.

Now, as dramatic changes take place in Europe, New Zealand needs to consider how to maximise the opportunities which the enlarged Union can provide. There is no point in looking back to the golden age of a tidy trading relationship with the United Kingdom, which would have been well overtaken by history one way or another in any case. Time has moved on.

The EU: Its importance to New Zealand

Europe: the people-to-people relationship

There can be few old New Zealand families who did not have relatives involved in wars in twentieth century Europe. Nearly half our male population aged between 20 and 45 served overseas in the First World War. Of the total force, sixty per cent were

wounded or killed. Then, in the Second World War, their sons and daughters – and some First World War veterans like General Freyberg – returned to fight again.

Visiting the battlefields and the Commonwealth war cemeteries is a special pilgrimage for New Zealanders. The experiences of New Zealanders in these conflicts in Europe helped shape our national identity and character. It is important for current generations to recognise that.

As time has moved on, it is through the prism of their working holiday or “OE” in Europe, that many New Zealanders have come to view the continent. Often this has taken place through one of the many Working Holiday Schemes which allow young New Zealanders to spend time in various European countries, broadening their experience and undertaking some limited employment.

Conversely those schemes also permit young Europeans to come here. The schemes are proving so popular that they are often oversubscribed ! We have such arrangements with eight European countries presently and are looking at concluding another eight. We have increased the numbers to the extent that one of our European posts – Berlin – is under tremendous work pressure issuing all the visas.

People to people contact is one of the cornerstones of the EU/New Zealand relationship. The visa waiver agreements New Zealand has with a number of individual EU member states enable New Zealanders who make the long and expensive trip to Europe to have a reasonable length of time getting to know that part of the world with a minimum of formality. The government attaches great importance to these arrangements, and we are working hard to preserve our relatively visa-free access to Europe, aspects of which are now under threat.

We do view with great concern the proposed effects of the Schengen Agreement on our people. We have had three month bilateral visa waiver agreements with many individual countries in the EU. Now the EU proposes to replace those arrangements with one three month visa for the entire EU. That would dramatically curb the ability of New Zealanders to travel in Europe, to the cost I might add of the EU. I have patiently pointed out to many European leaders that New Zealanders come from a first world country like theirs, spend their own money, and are not overstayers. Along with Canada, we are lobbying hard to get a change of policy from the EU.

Education exchanges between New Zealand and Europe are invaluable too. In this connection I was particularly pleased to hear about the new programme, sponsored by this research centre, which will enable New Zealand graduates to take up internships at the European Parliament. I understand that there are other ideas in the pipeline for funding scholarships to educational institutions in Europe. I hope that they come to fruition, and that there will also be opportunities for more Europeans to study in New Zealand.

Clearly Europe is a very natural partner for New Zealand. Many New Zealanders, and I include myself in this, strongly identify with European traditions, tastes and cultures. That reflects the impact of the migration of so many Europeans to New Zealand. Our institutions and society have been greatly influenced by that mass movement of people, and will continue to be, even as they also come to reflect more of the

distinctive cultures of Maori, Pacific peoples, and the other growing ethnic minorities which contribute to New Zealand. And, despite all the change which has gone on in New Zealand and in Europe, the fact that we share common democratic values and that so many of us share a common heritage means we are often in agreement on many issues.

Europe an economic partner

New Zealand's economic links with Europe are very significant. Of course we have had to diversify our export trade since Britain acceded to the EU. Sixty per cent of our trade now goes around the Pacific Rim, whereas thirty years ago a similar proportion went to Britain alone.

Today the EU, as a whole, is our second largest trading partner after Australia, with the United States close behind. It is our largest export market for sheepmeat, butter, venison, kiwifruit, apples, and wine. It is our second largest market for wool, hides and skins. For some of these products, there are simply no alternative markets. For others, the returns that we would get in other markets are well below those of Europe. All up we earned a staggering \$4,885 million in the EU last year. At the same time Europe's trade policies, especially its agricultural policies, impact on New Zealand's export earnings through their effect on third country markets. Pressing for change in Europe's agricultural subsidy arrangements has long been an item on New Zealand's agenda for discussion with the EU and its members.

The EU is a major investor in New Zealand. The average stock of total EU investment represents about one third of all overseas investment here. In turn, the EU equals Australia as the top destination for New Zealand investment overseas. It is difficult to estimate the size of EU/NZ services trade. The EU is, however, a major source of tourists for New Zealand. Other services exported to the EU include communications, insurance and business services.

The divisive trade issues between New Zealand and the EU on exports like butter and sheepmeat have been largely settled. The Uruguay Round put our agricultural market access to Europe on a firmer footing. Most of our exports now enter the EU without problems. After years of negotiations, the NZ/EU Veterinary Agreement, which has been provisionally applied, is on the verge of being brought into force. New Zealand organic farmers received a boost earlier this year when the EU agreed to recognise our standards for organic produce as comparable with theirs. It is one of the most comprehensive agreements the EU has reached with a third country, and it will give our organic exporters greater long-term market access stability in Europe.

There is, however, always the risk that these settled arrangements can come unstuck, for whatever reason. That can happen as a result of protectionist pressures, or can possibly arise from the differences between our agricultural systems.

For example, there have been references in the news media to the EU Wine Labelling Regulation. We have raised it with the EU representatives in Geneva and in Brussels. Jim Sutton told EU Commissioner for Trade Lamy of our concerns when the Commissioner visited Auckland a couple of months ago. Most recently Phil Goff took

the subject up in Copenhagen in the NZ/EU Presidency Consultations we have every six months with the EU.

What is important is that when such issues arise, the New Zealand Government has good access to put its case. We have developed a well-rounded relationship with the EU which stands us in good stead when things seem to be going wrong. Even though we won't always get everything we want, we believe we are able to influence outcomes where our interests are involved.

Europe as a strategic political and security partner

I mentioned the NZ/EU Presidency Consultations. Each year Phil Goff as Foreign Minister goes twice to Europe specifically for these talks. The first this year was in May when he met Spanish Foreign Minister Pique and EU External Relations Commissioner Chris Patten. In September he met with the Danish Foreign Minister Moller and senior Commission representatives in Copenhagen. These twice yearly talks cover relations between NZ and the EU and the significant items on the broader international agenda. Combatting terrorism is prominent in discussion these days, along with Afghanistan, the Middle East, the Balkans, developments in the Asia/Pacific region, and multilateral developments like the WTO Doha round and climate change.

We value these regular consultations because they keep us updated on EU thinking. The EU is now a major international player, and increasingly moves as a bloc. It has influence on a scale which New Zealand as a small nation could never have.

Through the consultations we also share our perspectives, and on developments in Asia and the Pacific I understand that they are particularly valued by the EU.

Closer co-operation with the EU in the South Pacific is being sought. The EU is now the largest aid donor in the region, and agrees that co-ordination with New Zealand could be enhanced. We need to co-operate more, both in terms of strategic objectives and implementation on the ground, so that we complement rather than duplicate each other's efforts. We raised this with EU Development Commissioner Nielson when he was here last month.

The EU: Whither New Zealand and the New EU?

While the relationship with the EU is in good heart, in the government's view we need to do more to build on its strong foundations. EU enlargement adds extra urgency to this. We will be affected in many ways: some of which probably haven't yet become apparent.

I've spoken about the links we have with the existing EU members. They derive in many cases from bilateral relationships formed in the earliest days of European settlement in New Zealand and have been carefully nurtured over the years. By way of comparison, our level of engagement with the acceding Central and East European countries has been minimal. The efforts New Zealand made in the 1970s to build relations, mainly in agriculture and trade, fell away in the 1990s. New Zealand has comparatively little profile now in many of these capitals. Yet these countries will

soon be in the inner circles of Brussels, making decisions which will affect New Zealand.

That means we will have a profile problem in Brussels itself unless we act to raise it. Enlargement will magnify in complexity many of the issues the EU is currently dealing with, and new issues will have to be addressed. The sheer weight of dealing with all this risks making the EU more self-absorbed. The challenge for a small third country like New Zealand will be to continue to make our voice heard – and not only when some problem occurs. We have to stay on the EU's radar screen. Nowhere will that be more important than in the traditional areas of protecting our trade and economic interests. Recognition of the need for profile raising explains why I will go to Brussels next year for the first New Zealand prime ministerial visit in two decades.

How EU enlargement will impact on our agricultural trade is unclear, as we do not yet know what changes might be made to the Common Agricultural Policy. Logic would suggest that financial reasons alone would increase the pressure for reform of the CAP. The expansion process, however, is running ahead of CAP reform. CAP reform is therefore likely to occur at a slower pace than we had hoped when Commissioner Fischler announced his surprisingly far-ranging, some would say revolutionary, proposals back in July.

On the other hand, the accession countries are becoming increasingly attractive trading destinations and potential joint venture partners as accession draws near. Huge injections of EU money are already flowing in the direction of the EU members in waiting. Their potential for economic growth, admittedly from a generally low basis, is high. Dealings with them will be simplified on the EU model. The application of EU law will help clear up obstacles to business.

Some New Zealander exporters are already taking advantage of these emerging opportunities, and more need to. As these economies grow, their demand levels will increase and they will become more sophisticated markets. We need to be ready to meet some of that demand.

With changes to the EU's borders, its security interests are moving eastwards. There is an increasingly strong EU presence in the Balkans. We welcome that and the positive impact on European stability that EU enlargement promises. New Zealand peacekeepers are currently deployed in Kosovo, Croatia, and Bosnia. It is in the interests of the international community that the EU remains fully engaged in wider international security issues. There is every sign that it will.

The way the EU handles itself in international organisations, especially the United Nations, will affect especially the members of the so-called Western and Others Group to which New Zealand belongs for electoral purposes in the UN. Already there can be a sense of them and us between the EU and other developed countries. That could be magnified. Furthermore, EU policy co-ordination in such bodies will become much more complex with twenty five rather than fifteen member states. That will make influencing and modifying EU common positions that much harder.

So what does all this add up to for New Zealand? What should we do to add substance to an already healthy relationship and to equip ourselves for dealing with a 25 member EU?

At the risk of stating the obvious, it means in the first instance doing a lot more of the same, more intensively, and perhaps better.

We have excellent relations with the EU Commission and Commissioners. Two Commissioners – Nielson and Lamy – have visited New Zealand this year, and we can look forward to further high level visits from the EU before too long. New Zealand ministers may need to focus more attention on Europe. We certainly need to get to know colleagues in Central Europe a lot better. Some work has been done on this. For example, Phil Goff tied in visits to Warsaw and Prague with his first set of EU Presidential Consultations this year.

We could also think about proposing ad hoc high-level talks with the EU on specific issues, such as ODA, human rights, sustainable development, and the environment where we have common approaches.

New Zealand has few formal agreements with the EU, and has always had an antipathy to entering into agreements for the sake of it. It is acknowledged, however, that we could get more from those we do have.

One which could be used more fully is the 1991 Science and Technology Arrangement with the EU. Our Growth and Innovation Framework identifies the importance of promoting investment in research and development. Our private R & D spending is amongst the lowest in the OECD. It is dominated by the government and public institutions. One of the key problems for New Zealand is that while our universities and Crown research institutes are rich in innovative ideas, we often fail to capture and develop those ideas. We stand to gain a lot from more engagement with science and research communities around the world. Amongst these, the EU has the most highly developed and well-resourced R & D sectors.

Officials are working on how we might promote increased co-operation on science and technology, and I expect some recommendations to Ministers to emerge in the early part of next year.

Another issue that we will have to address is how best to interact on the ground with the new EU member states. The way coverage of European countries is shared among the New Zealand embassies in Europe has grown a bit like Topsy. There were reasons for what we did when we did it, but I am not sure that our deployment is optimal now. For example, we have our embassy in Berlin looking after relations not only with Germany, but also Austria, Switzerland, Hungary, Poland, the Czech Republic, and Slovakia.

Successive New Zealand ambassadors and their people have done well to cover a lot of ground with multiple accreditations. The appointment of Honorary Consuls has helped, but we are stretched. I have asked Phil Goff to examine the case for diplomatic representation in one of the new EU member states. Warsaw is one possibility.

Competition for attention from the EU these days is intense. It's not just a matter of New Zealand making its voice heard, but also of being able to influence decisions which matter to us from half a world away.

We would of course very much welcome the opening of a Commission office for the EU here in New Zealand.

It is only too easy to level criticism at the EU. It can be cumbersome and bureaucratic. Compromises can be based on the lowest common denominators. Perhaps there was a time in New Zealand foreign policy when it didn't seem very fashionable in New Zealand to focus on Europe. Yet Europe has always been of great importance to New Zealand, and always will be.

I firmly believe that an expanded EU can be a tremendous force for good: for bringing prosperity and stability to Europe, and for making an even more active and constructive contribution in world affairs.

It is in New Zealand's interests that expansion succeeds and flourishes. The EU is too important to us bilaterally, and too significant globally, for it to falter. But whether we benefit or suffer from enlargement is largely up to us. We look to the National Centre for Research on Europe to promote analysis of and informed debate about our relationship with Europe now and in the future.