

SPEECH NOTES

Mr Richard Nottage, CNZM

Deputy Chairman, Asia New Zealand Foundation

NZCFS Annual Conference

27-28 May 2011

Greetings from your Patron, Hon Philip Burdon

It would be presumptuous of me to speak on the subject you gave Philip viz. "The Role of NZCFS over the Next Decade". That is for your members of the Society, to work out, in consultation with other organisations in New Zealand and in China with common aims; and with a new generation of young leaders in our society.

Rather, I will offer some comments on the challenging theme of your conference, "China and New Zealand: The Next Decade". In seeking to look forward meaningfully, it is necessary to step back and to see where we have come from over the last 20 years or so. And I think we need to set the scene in a wider New Zealand / Asia relationship than simply New Zealand and China.

Twenty years ago, almost to the month, I was appointed Secretary (CEO) of the Ministry of Foreign Affairs and Trade, a position I held through the 90's. Two aspects of my background were: knowledge of economics and trade, and knowledge of and experience in Asia as Head of Mission in Korea, Indonesia and Japan. In late 1990s, National came to power and Don McKinnon was appointed Minister of Foreign Affairs and Philip Burdon, Minister of Trade. At that time, it seemed to me - a feeling shared by the two Ministers - that many people in New Zealand, including leading lights in Government, the business community, and education, did not appreciate how much the world was changing, especially in regard to the growing economic and political importance of Asia for New Zealand and where the balance of trade and economic opportunity had moved towards Asia.

In 1991 I attended the 20th anniversary Williamsburg Conference in Williamsburg Virginia. This is the preeminent non-governmental gathering of leading Americans and Asians dedicate to nurturing US-Asian understanding. It is hosted by the Asia Society (of America): A philanthropic organisation founded by the Rockefellers dedicated to increasing American understanding of countries in the Asia Pacific region. It runs programmes on current affairs, business, the arts and elementary and secondary education. To cut a long story short: my two Ministers supported strongly the establishment in New Zealand of the non-partisan, philanthropic Asia 2000 Foundation, now the Asia New Zealand Foundation, which is dedicated to increasing New Zealanders understanding of and relations with the countries and the peoples of Asia.

Since its establishment in 1994, the Asia New Zealand Foundation has helped to link many thousands of New Zealanders to Asia through a range of activities and initiatives. Progressively, through programmes in education, research, culture, media, young leaders, business and Track II diplomacy it has developed a rich tapestry of connections with the countries and peoples of the region.

I applaud the ways in which your own Society has been fostering such links with China over many years.

So, how successful have we been over the past 20 years or so in forging relationships with Asia that reflect its cardinal importance for New Zealand: what is the scorecard?

First, there has been an immense change in the New Zealand demographics. The Immigrations Act of 1987 radically changed the criteria for migrant entry to New Zealand. The next 20 years, witnessed one of the most dramatic transitions in ethnic composition New Zealand has ever experienced.

- Between March 1986 and March 2006, New Zealand's resident population that had been born in countries in Asia increased almost sevenfold, from 32,685 to 248,364
- During the same time period, the Chinese and Indian components of the Asia-born population increased even more –by more than 800 percent
- A fifth of all Asians in the 2006 census (70,650) had been born in New Zealand (as opposed to being born in Asia).
- By 2026 New Zealand's Asian population is projected to increase by around 95 percent to between 603,000 and 990,000 (equalling the NZ Maori population)
- The Asian share of New Zealand's population was 1.7 percent of the New Zealand total in 1986, 9.7 percent in 2006, and could grow to 16 percent in 2026.

These demographics are taken from a research report commissioned by the Asia New Zealand Foundation called Outlook 7 – Asians in New Zealand: Implications of a Changing Demography.

Many of us can recall in the mid 90's a time of backlash against migrants from Asia. I believe that sentiment has diminished. Today, whether as visitors, students and migrants from the countries of Asia, or as people born in New Zealand who identify as Asian, the implications of New Zealanders changing demography are clear: Asians have become a significant and growing part of the fabric of New Zealand Society in the twenty first century.

I will quote from Philip Burdon –

QUOTE *"Assisting the integration of Asian communities into mainstream New Zealand life has always been one of Asia:NZ's most important roles. In my view, the Foundation has been extremely effective in raising the self-entitlement of Asian communities to the extent that they have now become part of the mainstream of New Zealand society in a way that would not have been conceivable in the late 1980's and early 90's"* **END QUOTE**

And your Society has been active also in this regard.

To quote your patron again:

QUOTE *"Despite this, there have been critics of New Zealand's closer ties with Asia, as well as a degree of hostility from certain circles towards Asian communities in New Zealand. With increasing familiarity and association, however, I believe this opposition is giving way to a more inquisitive assessment of the important contributions Asian communities make to our society."* **END QUOTE**

The Chinese New Year Lantern Festivals, which the Asia New Zealand Foundation has been organising for twelve years and attracted crowds of over 250,000 people back in February, demonstrate how New Zealand is changing and how New Zealanders are not only appreciating but taking pride in the cultural traditions of our Chinese communities.

A word about Economics and Trade

Barely a day goes by that we don't hear more good news about growth in New Zealand's trade and economic links with China.

e.g. A few days ago the CEO of Tourism NZ said:

QUOTE *"Although tourism industry revenues have been hit by flat growth in the United States and Britain, as well as a knock to confidence caused by international and domestic disasters, China has been a big source of visitor growth. The number of tourists from China increased by almost 30 percent to 130,000 in the year to April, a period in which overall arrivals increased by 1 per cent. Strong growth is expected to continue as more flights and new routes are added."* **END QUOTE**

Air New Zealand expects China will soon become our third largest visitor market, and could become second within five years.

Trade

This audience will be familiar with the welter of statistics on the spectacular growth of two-way trade between New Zealand and China, especially since the signing of the Free Trade Agreement in 2008.

- Since early 2008, China has accounted for over half of our total export growth: in other words, the rest of the world contributed less to our export growth than China alone.
- China accounts for 12 percent of New Zealand's goods exports and 15 percent of imports
- China is our largest market for dairy, wool, forest products and logs.
- In December 2010 New Zealand's top five bilateral trading partners (by country) were: Australia, China, USA, Japan, Korea.

To conclude this section I'll quote from John Ballingall, Deputy Chief Executive of the New Zealand Institute of Economic Research, who addressed a Public Symposium on "New Zealand, Australia and China's Rise" organised by the Centre for Strategic Studies and the New Zealand Contemporary China Research Centre at Victoria University on 7 April 2011.

QUOTE *"China has completely changed the way that both New Zealand and Australian firms interact with the global economy. And we can expect it to continue to do so. Its growth has provided huge opportunities for wealth generation in both countries, through its demand for our resources and primary products."*

It has caused an explosion of complex regional supply chains in the Asia-Pacific, which we are both trying to lick ourselves into.

And it has contributed to households on both sides of the Tasman enjoying a greater degree of purchasing power by sending us low cost imports and generally helping to keep inflation – and interest rates – lower than they would otherwise have been.

At the same time, it has caused some less pleasant ripples in the global economic system. Its economic clout has posed a threat to the traditional voting blocs in global trade and climate change negotiations, and may well have contributed to slowing down multilateral progress in these areas that would have benefited New Zealand and Australia.

And China's continued reluctance to let its currency adjust to economic realities is driving a new type of protectionism: currency wars.

What happens next is difficult to predict.

But one thing is for sure: neither New Zealand nor Australia can afford to sit idly by and watch China's economic rise continue without having a cohesive strategy in place to maximise the potential benefits of this explosive growth.

New Zealand's FTA is a damned good start, but it must only be seen as the beginning of a long term New Zealand Inc commitment to building a deeper and mutually beneficial economic relationship with China.

*Quite simply, as a small country at the edge of the world, we can't afford not to **END QUOTE**"*

A word of caution: In seeking to predict China's role in the world and in the Asia/Pacific region over the next decade one needs to be aware of the dangers of straight line extrapolations e.g. of economic growth, military expenditure etc ...

Just look at such predictions for Japan in the mid 80's!

Finally, **New Zealander's Perceptions of Asia 2010**, which is taken from the Asia New Zealand Foundation's annual survey:

- 77 per cent of New Zealanders see the Asian region as important to New Zealand's future (38 percent see it as very important)
- 91 percent of New Zealanders agree that exports to Asia will have a positive impact, while 89 per cent agree that Asian tourism in New Zealand will have a positive impact.
- 87 percent of New Zealanders believe it is important to develop cultural and economic ties with the peoples and countries of Asia (44 per cent believe it is very important)
- 80 percent of New Zealand believes conflict, threats or instabilities could have at least some impact on New Zealand.

(Source: Asia:NZ Research Report - New Zealanders perceptions of Asia and Asian peoples in 2010)

Personal contacts between New Zealanders and people from Asia are just as important as the formal relationships. They deepen our understanding of each other. There is much to be done especially in regard to the education of our young people and the Asia New Zealand Foundation Young Leaders Network is working hard to make sure that New Zealand's future generations come to grips with the importance of Asia.

I wish your Society well as you plot your way forward for the next decade.

RICHARD NOTTAGE CNZM
DEPUTY CHAIRMAN
ASIA NEW ZEALAND FOUNDATION
26 MAY 2011